THE COVID-ERA SOCIAL SAFETY NET AND ECONOMIC WELL-BEING BEYOND CHILD POVERTY

FEBRUARY 2025

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INTRODUCTION

In response to the COVID-19 pandemic, the federal government enacted an unprecedented package of social safety net measures, including broad-based cash transfers in the form of expanded unemployment insurance (UI), a series of economic impact payments (EIPs), and the expanded Child Tax Credit (CTC). It is well known that these measures—especially the expanded CTC—were crucial in driving child poverty to an all-time low of 5.2% in 2021 according to the Supplemental Poverty Measure (SPM), close to a 60% drop from 2019.[1] Beyond reducing child poverty, however, these cash-based safety net measures—along with other COVID-era policies—extended aid well up the economic ladder. Indeed, the full amount of the expanded Child Tax Credit was available to single parents making up to $75,000 and two-parent families with incomes as high as $150,000.[2] This means that much of the program's impact on economic well-being was realized by families with incomes well above the poverty line. This short research brief examines changes over time in two additional measures of child economic well-being that serve as complements to the child poverty rate: 1) the proportion of children with family incomes below 200% of poverty; and 2) the proportion of families reporting that they cannot cover a $400 emergency expense in cash or equivalent.

Many scholars and policymakers alike have argued that the poverty threshold is too low to capture the full extent of economic hardship faced by families; rather, an income of twice the poverty line may be a more appropriate threshold for understanding what a household needs.[3] Take housing costs, for instance. In 2023, the average Supplemental Poverty Measure threshold for a two-adult, two-child family was $37,482, while median annual rent for a three-bedroom house nationwide was $27,375 or 73% of the SPM threshold.[4] A family earning twice (200%) the SPM poverty threshold would have an annual income of $74,963, of which the median rent would consume just over one-third, which approaches what the average U.S. household spends on housing.[5]

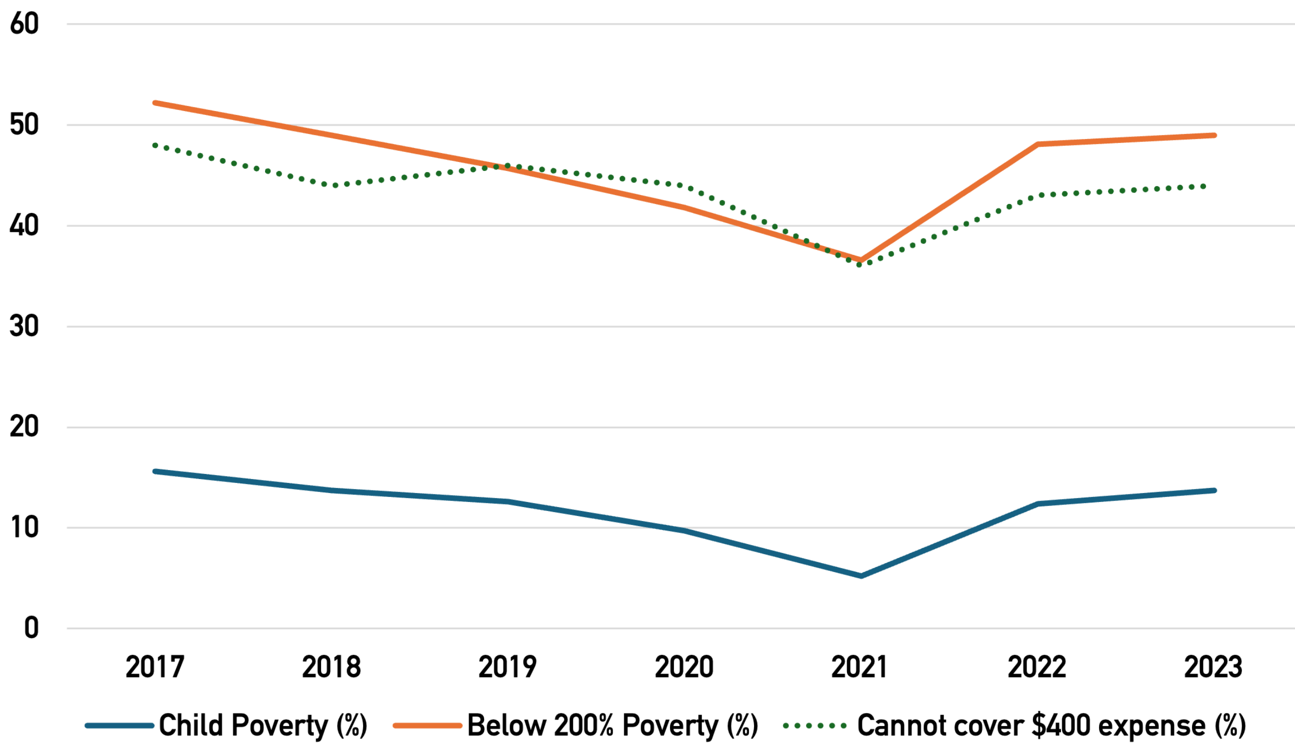
Thus, it is no surprise that many families with incomes above poverty but below twice the poverty line still struggle to pay for housing, food, and other essential expenses. Most public assistance programs—such as the Supplemental Nutrition Assistance Program (SNAP) and Medicaid—implicitly recognize this by extending eligibility well above the poverty line. In fact, every state extends eligibility for Medicaid or the Children's Health Insurance Program (CHIP) above 200% of poverty.[6] This report uses 200% of the child SPM rate as its broader barometer of income adequacy. Data for this report are drawn from official analysis presented annually by the U.S. Census Bureau using the Current Population Survey, Annual Social and Economic Supplements. The analysis presents the proportion of children with family incomes below 200% (twice) the poverty line in the years before and after the COVID pandemic.

While doubling the poverty line offers a fuller picture of households experiencing economic hardship, Shaefer and Rivera[7] and later Edin and Shaefer[8] both argue that income-based measures of economic well-being should be complemented with other alternative metrics. Income-based measures face well-known limitations including the accuracy of self-reports, and what components of income and consumption should be included in a poverty measure remains the subject of vigorous debate.[9] Thus, related measures collected through different means can serve as a check against these limitations. Do these other metrics tell similar stories about the trends in and levels of hardship? This report also draws on one well-known metric of financial well-being reported by the Federal Reserve Board in its "Report on the Economic Well-Being of U.S. Households." Based on a nationally representative sample, it tracks the share of U.S. adults who say they can cover a $400 emergency expense using cash or its equivalent.[10] This report tracks this metric for parents with children.

ANALYSIS

Figure 1 presents 1) trends in child poverty between 2017 and 2023 according to the Supplemental Poverty Measure; 2) the proportion of children with family incomes below 200% of SPM; and 3) the Federal Reserve $400 emergency metric.

Figure 1: Child Poverty and Economic Well-Being Over Time



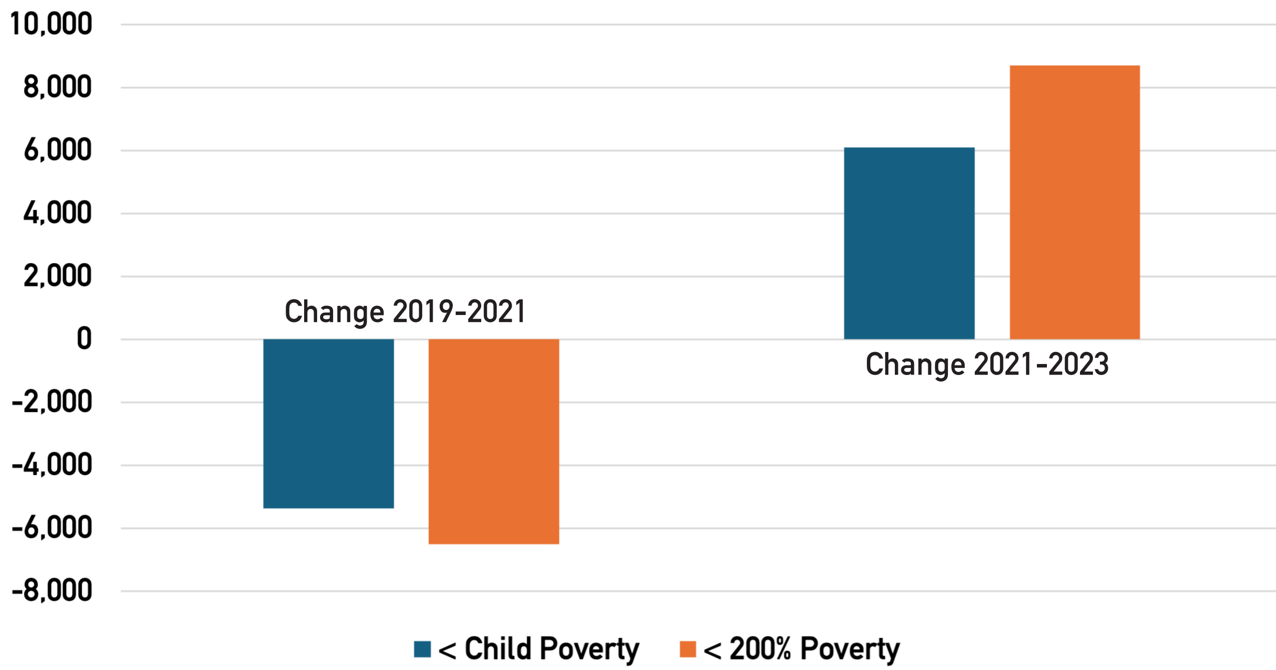
As is well known, child poverty fell precipitously in 2021 to its lowest level ever recorded (5.2%), nearly 60% below its level in 2019. According to the U.S. Census Bureau, the expanded Child Tax Credit was a primary driver of this historic drop in child poverty, along with other components of the federal social safety net expansion.[11] With the expiration of the expanded CTC and other safety net measures, child poverty more than doubled in 2022 compared to 2021 and increased further in 2023.[12]

The higher, orange trendline plots the proportion of children with family incomes below twice (200%) the poverty line. In the years prior to the pandemic, this rate approaches 50%—nearly 1 in every 2 children in the nation are below 200% of poverty in most years. However, in 2021, it too dropped precipitously to its lowest level in the series, falling to 36.6%. In 2022, after the expiration of the expanded Child Tax Credit and other safety net measures, the proportion of children falling below this threshold increased sharply, returning to nearly 50% in 2023.

Strikingly, as shown by the dashed trendline in Figure 1, the proportion of parents with children reporting that they could not cover a $400 crisis expense with cash or equivalent follows an almost identical path to the trend in children under twice the poverty line. In 2019, 46% of parents reported that they could not cover a $400 expense with cash or equivalent (compared to 45.7% below 200% of poverty). In 2021, the proportion of parents reporting this financial hardship fell to 36% (compared to 36.6% below 200% of poverty). Then in 2022 and 2023, the Federal Reserve $400 expense measure jumped, reaching 44% in 2023 (compared to 49% below 200% poverty). This close correspondence offers evidence that both measures have validity as an important signal of economic well-being, with implications for children well above the poverty line. That this metrics sits a bit below 200% of poverty in the two most recent years may be reflective of the fact that inflation in those last two years was relatively high, reducing the real value of $400.

Figure 2 examines changes in the number of children below poverty and below 200% of poverty between 2019 and 2021 and then between 2021 and 2023. While a historic 5.4 million fewer children were in poverty in 2021 as compared to 2019, the change was even larger for children lifted above the higher threshold: 6.5 million fewer children were below 200% of poverty in 2021 as compared to 2019. Fast forwarding, we see that in 2023, 6.1 million more children were below the poverty line, when compared to 2021. While rising inflation played a role, the Census Bureau and other sources have highlighted the importance of the expiration of the expanded Child Tax Credit in understanding this sharp rise in child poverty.[13] Even larger is the increase in children below twice the poverty line—there were 8.7 million more children below this threshold in 2023 compared to 2021. Under this broader metric of economic hardship, 2.6 million more children were impacted compared to the change in the more commonly reported corresponding rise in child poverty.

Figure 2: Two-Year Changes in Child Economic Well-Being (in millions of children)



CONCLUSION

The changes in child poverty that corresponded with the COVID-era social safety net and especially the one-year expanded Child Tax Credit have been well-documented. Yet the benefits of the expanded Child Tax Credit extended to households well above the poverty line. This research brief presents trends in two complementary metrics of economic well-being—the share of children with family incomes below twice the poverty line, and the share of parents reporting that they could not cover a $400 emergency expense. The first lesson is that using a 200% of poverty metric, we see that a far larger number of children were impacted by the implementation and then expiration of the unprecedented COVID-era safety net than is understood by looking at child poverty alone. Indeed, more children were lifted above the 200% threshold in 2021 and more children dropped below it in 2023 than the corresponding numbers into and out of child poverty. Furthermore, the close correspondence in trends of children below twice the poverty line and the Federal Reserve Board's $400 emergency measure offers added validity to both measures. While these measures use different data and different methods—indeed the two measures are completely independent of one another—they both tell a similar story of improved economic well-being followed by sharp losses. The data also show that decisions about the size and scope of our social safety net have impacted many more of our nation's children than is understood by looking at trends in child poverty alone.

Scholars and policymakers will continue to debate the appropriate size and shape of our social safety now and into the future. The successes of the pandemic-era safety net ought to inform that debate. Numerous measures indicate that in 2021, when the expanded Child Tax Credit and other broad, cash-based safety net provisions were in place, the economic well-being of families with children was significantly improved; indeed, it reached its peak across multiple measures.[14] Families in poverty benefited, and so did a lot of families further up the income ladder who are also often in need. Any discussion of the costs or potential shortcomings of these measures must be weighed against these achievements.

ABOUT THE AUTHOR

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ENDNOTES

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