The United States' Record-Low Child Poverty Rate in International and Historical Perspective

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Abstract: From 2019 to 2021, the child poverty rate in the United States (US) declined by more than 50 percent, largely due to the temporary provision of an unconditional child allowance. This research note uses micro-data from more than 50 countries, and US data spanning more than 50 years, to place the 2021 child poverty rate in historical and international perspective. We demonstrate that whether using the Supplemental Poverty Measure (SPM) or relative poverty measures, the US child poverty rate in 2021 was at its lowest level since at least 1967. The US tax and transfer system reduced the 2021 SPM child poverty rate by more than 75 percent relative to the pre-tax/transfer child poverty rate, three times greater than its mean reduction effect between 1967-2019. Internationally, the temporary child allowance in the US reduced its 2021 child poverty rate from the 80th percentile to the 40th percentile among all countries examined. From 2019 to 2021, the relative US child poverty rate fell from a level comparable to Bulgaria to a level comparable to Germany. Moreover, the US tax and transfer system progressed from reducing child poverty at a rate comparable to Peru in 2019 to a rate comparable to Norway in 2021.

Keywords: child poverty, Child Tax Credit, child well-being, poverty

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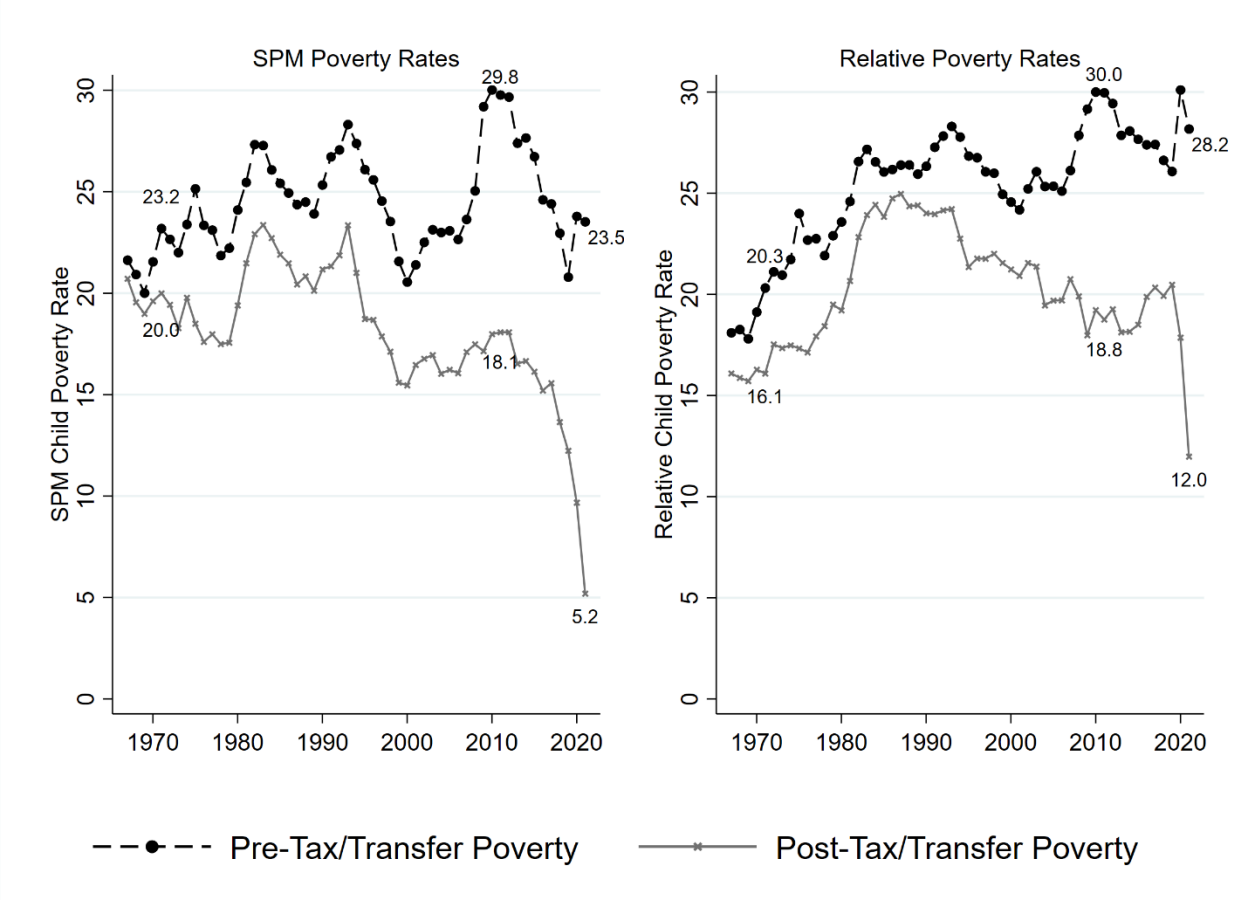
The United States (US) has generally had higher child poverty rates compared to other advanced economies (Gornick & Jäntti, 2012; National Academy of Sciences, 2019; Rainwater & Smeeding, 2005). Moreover, the *relative* child poverty rate in the US tends to rival that of middle-income countries, even if absolute levels of material well-being are higher (Atkinson, 2019; Brady et al., 2017). In 2021, however, the US government implemented a temporary expansion of its Child Tax Credit (CTC), making regular cash support available to families of more than 60 million children (approximately 85 percent of US children) regardless of parental employment status. The U.S. Census Bureau reported in September 2022 that the child poverty rate, according to its Supplemental Poverty Measure (SPM), declined from 9.7 percent in 2020 to 5.2 percent in 2021, largely attributable to the CTC expansion (Creamer et al., 2022). The Census Bureau reported that this child poverty rate was the lowest since at least 2009, the first year in which Census began computing SPM poverty rates.

This research note places the 2021 US child poverty rate in historical and international perspective. We use micro-data covering more than 50 countries, as well as US data spanning more than 50 years, to compare two distinct measures of child poverty across place and time. We document rates of child poverty (using relative and SPM measures), as well as the strength of the tax and transfer system in reducing child poverty, from 1967 through 2021 for the US. We then compare the 2021 relative child poverty rate in the US to rates from more than 50 countries in recent years. We describe our data sources and poverty measures in the *Materials and Methods* section, but we emphasize two points here: our poverty measures follow best practices in the international and U.S. literatures (Atkinson, 2019), and account for all government taxes and transfers unless explicitly specified otherwise.

FINDINGS

Figure 1 documents child poverty rates in the US from 1967 through 2021 using the SPM (left) and relative poverty measure (right). The gray line in each figure represents the post-tax/transfer measure of poverty, while the black line represents the pre-tax/transfer poverty measure. In 2021, the SPM child poverty rate in the US was 5.2 percent, while the relative child poverty rate was 12 percent. Both represent the lowest child poverty rates on record in the US (since at least 1967, the first year for which the Census Bureau has reliable data on income and poverty status).

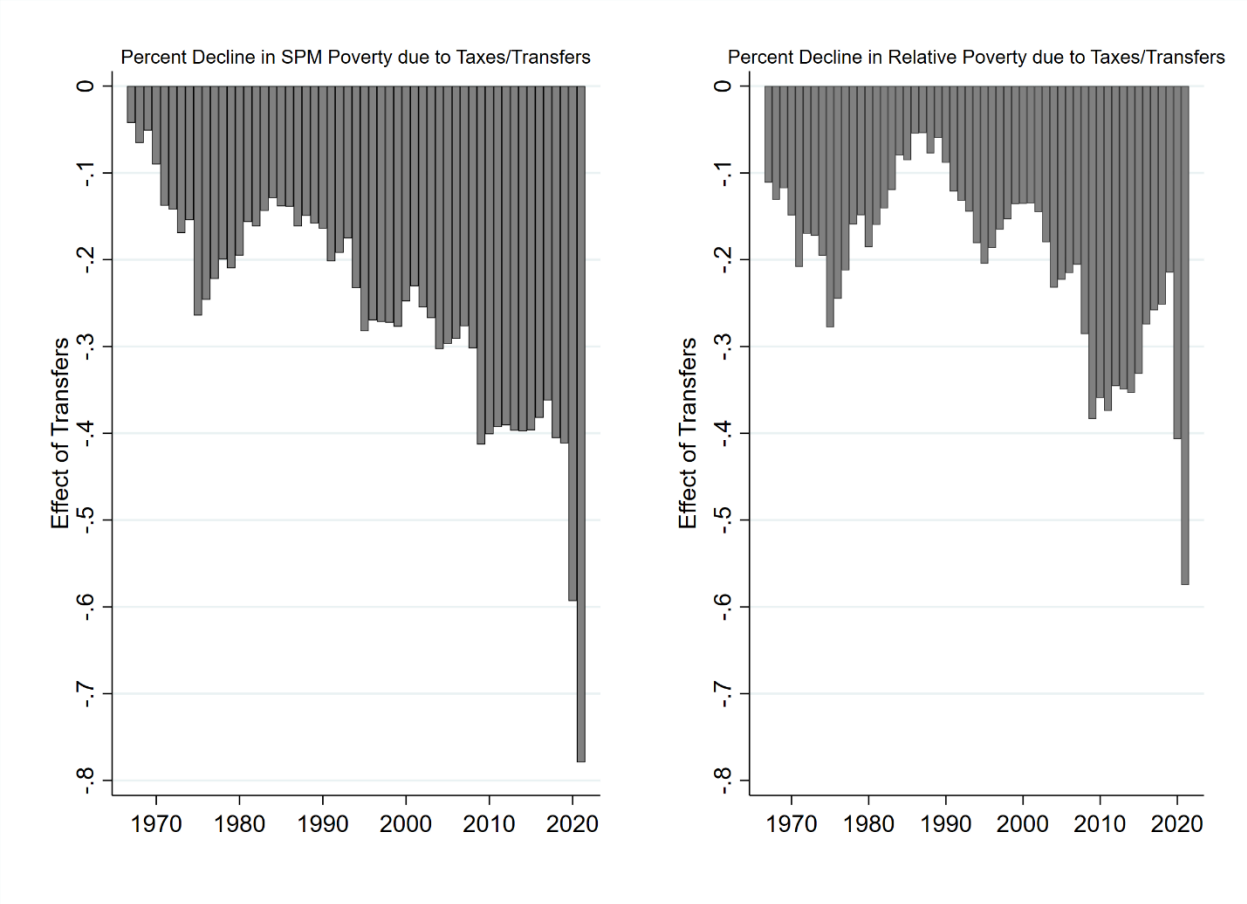
Figure 1: US child poverty rates from 1967 to 2021 using the Supplemental Poverty Measure (left) and relative poverty measure (right)



Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement, as well as the historical SPM data series from Fox et al. (2015). The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. See Materials and Methods for more detail.

The 2021 SPM rate is more than 15 percentage points lower than its value in 1967, and more than 10 percentage points lower than any year prior to 2019. The relative child poverty rate in 2021 marks the first time since at least 1967 that the US child poverty rate fell below 15 percent. Notably, the pre-tax/transfer poverty rates in 2021 are unremarkable, and are not notably lower than in prior years. This fact speaks to the large role of income taxes and transfers in reducing child poverty rates in the US in recent years, and 2021 especially. In Appendix B, we provide details of the 2021 CTC expansion and demonstrate that the record-low child poverty rate can be largely attributed to this expansion.

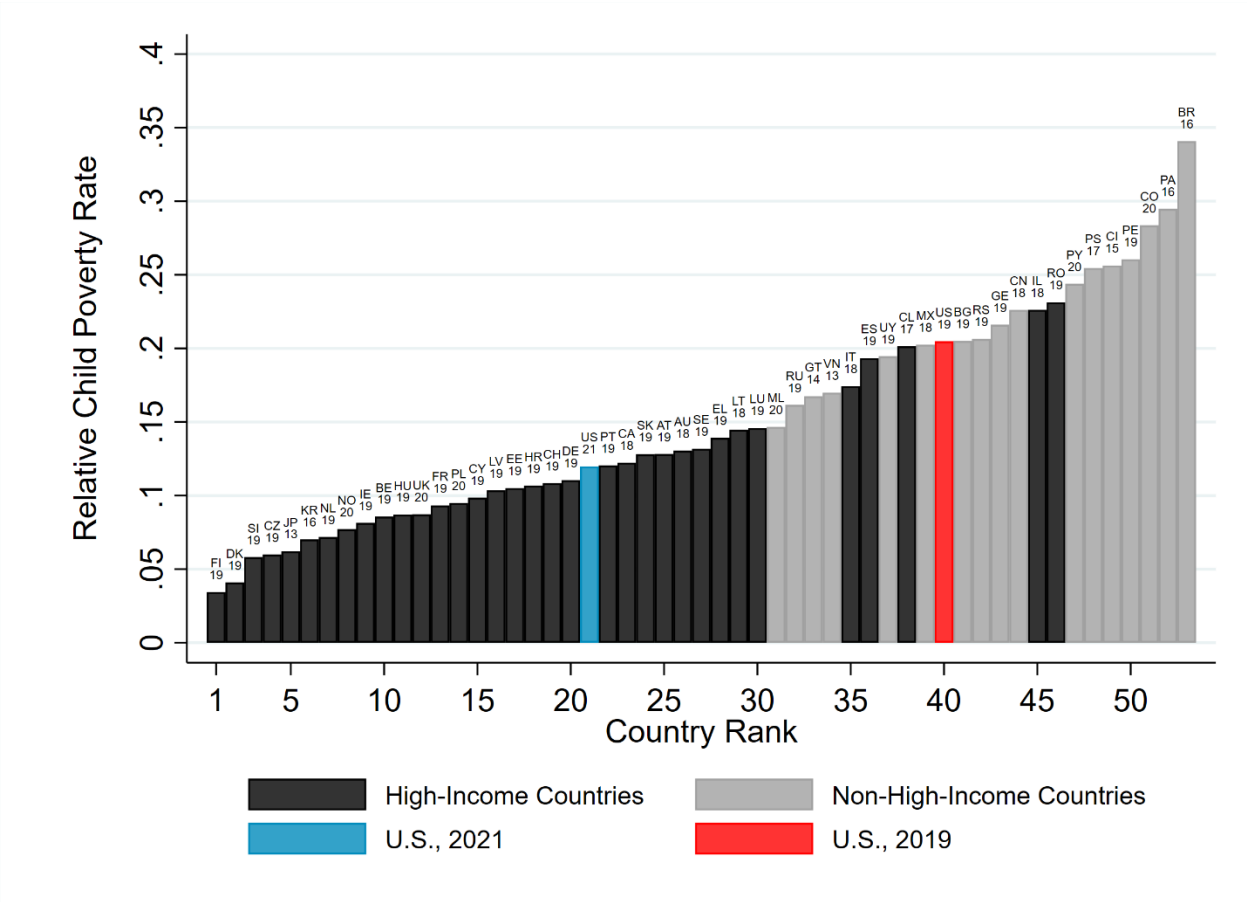
Figure 2: Percent reductions in US poverty rates due to taxes and transfers, 1967-2021



Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement, as well as the historical SPM data series from Fox et al. (2015). The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. See Materials and Methods for more detail.

Figure 2 visualizes the percent reduction in child poverty rates due to taxes and transfer (or, the relative decline in child poverty rates when examining the year's post-tax/transfer poverty rate compared to the pre-tax/transfer poverty rate). In 2021, taxes and transfers reduced the U.S. child poverty rate by 76 percent. This is the largest percent reduction in the child poverty rate due to taxes and transfers in US history. For context, the mean percent reduction from 1967 through 2019 was 24 percent.

Figure 3: Relative child poverty rates in the US (2019 and 2021) versus 51 other countries



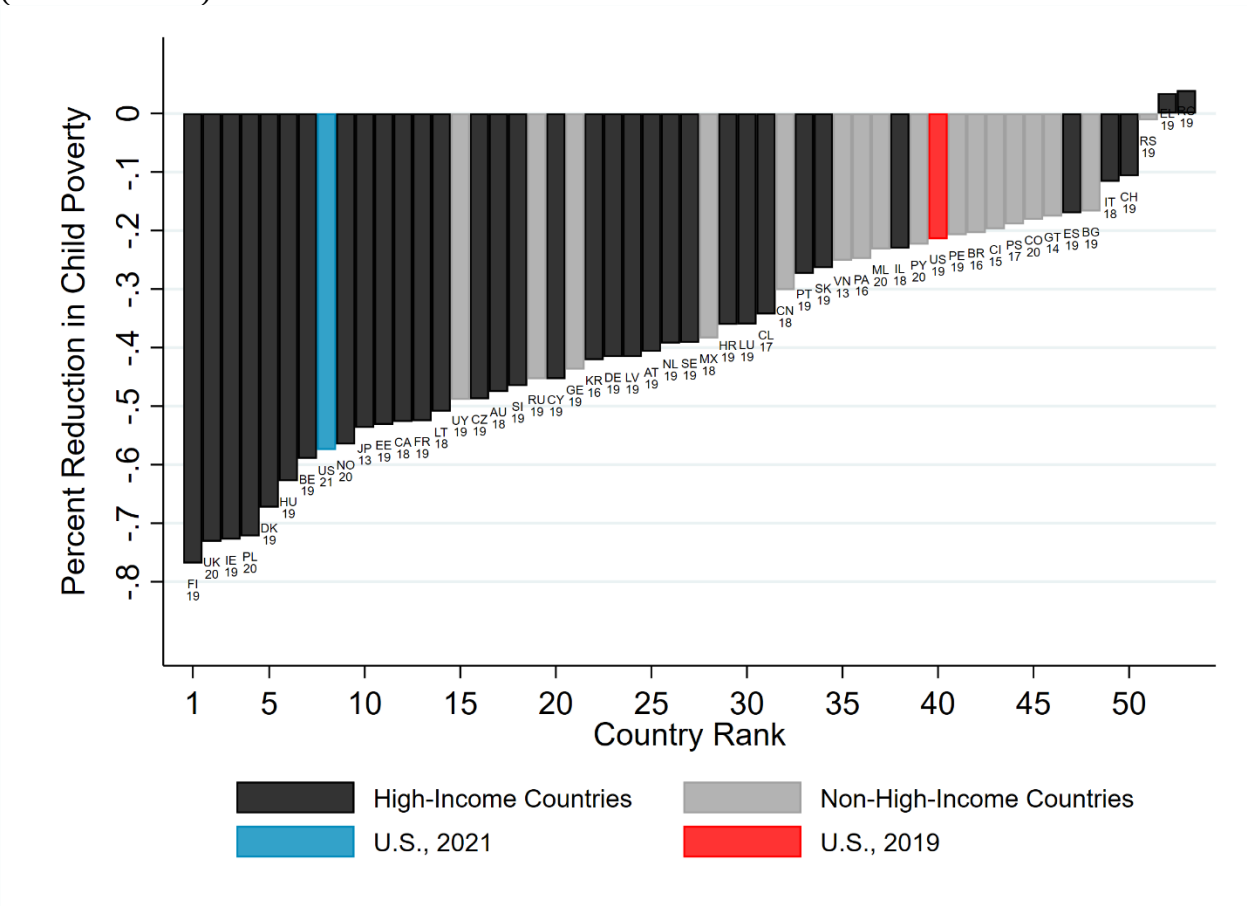
Note: US estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. Data for other countries are from EU-SILC and LIS, the Cross-National Data Center in Luxembourg. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. We apply World Bank classifications of "high-income" countries. See Materials and Methods for country abbreviations and more detail.

Figure 3 compares the US child poverty rates in 2019 and 2021 to levels from other countries for which we have comparable data. As detailed in the Materials and Methods section,

we take the most recent level of child poverty for each country for which we have microdata after 2012. We include both high-income and middle-income countries for which we have data, though we signal the categories through different bar colors in Figure 3 (black bars indicate countries that the World Bank deems as high-income countries). In 2019, the relative child poverty rate in the US ranked 40th among the 53 country-years examined, comparable to levels observed in Bulgaria and Mexico. In 2021, however, the relative child poverty rate in the US ranked 21st among the 53 country-years examined, comparable to levels in Switzerland and Germany.

The relative US child poverty rate would have been 18 percent in the absence of CTC benefits in 2021 (see Appendix B); thus, the direct income gains due to the CTC contributed to the U.S. moving from the 80th percentile of child poverty rates (with the top percentiles representing higher poverty rates) to the 40th percentile of child poverty rates among the countries examined.

Figure 4: Percent reduction in relative child poverty rates due to taxes and transfers in the US (2019 and 2021) versus 51 other countries



Note: US estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. Data for other countries are from EU-SILC and LIS, the Cross-National Data Center in Luxembourg. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. We apply World Bank classifications of "high-income" countries. See Materials and Methods for country abbreviations and more detail.

Figure 4 documents the percent decline in poverty rates due to taxes/transfers by country. In 2019, taxes and transfers reduced the US relative child poverty rate by 21.5 percent, comparable to the reduction effect of Paraguay, Peru, and Brazil. In 2021, taxes and transfers reduced the US relative child poverty rate by 57.5 percent, placing the US among the ranks of Norway and Belgium.

DISCUSSION

Though the US has traditionally lacked an unconditional child allowance, it temporarily implemented such a policy in 2021. That policy -- an expanded version of the Child Tax Credit (CTC) -- contributed to the lowest child poverty rates in US history (since at least 1967, when reliable income data first became available). This is true whether examining trends in the Supplemental Poverty Measure, a US-specific tool for measuring poverty, or a relative poverty measure, in which the poverty threshold is set at 50 percent of equivalized national median household income. The US tax and transfer system contributed to the largest reduction in child poverty rates (relative to pre-tax/transfer rates) in US history in 2021, placing the relative decline in child poverty on par with countries such as Denmark and Norway. Regarding levels of child poverty, the US advanced from a relative child poverty rate comparable to Bulgaria in 2019 to a rate comparable to Germany in 2021.

The efficacy of the CTC in reducing child poverty rates aligns with analyses of its effects on food insufficiency (Parolin et al., 2021). The program's large effects on child poverty rates also align with cross-national evidence of how an unconditional child allowance can reduce child poverty (Rainwater & Smeeding, 2005). Given that the program was implemented for only one year, however, US child poverty rates are likely to return to increase in 2022. Nonetheless, this report demonstrates how policy changes in 2021 contributed to record-low child poverty rates in the US, placing the country in line with the child poverty rates of peer countries.

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APPENDICES

APPENDIX A: Data and Methods

Measures of Poverty: This study applies two different measures of poverty: the Supplemental Poverty Measure (SPM; exclusively producible for the US) and a 'relative' measure of poverty, referring to the percent-of-median poverty measure commonly applied outside of the U.S. and in internationally-comparable estimates of poverty. For both measures, we estimate both pre-tax/transfer and post-tax/transfer measures of poverty, a common practice to identify the role of the country's tax and transfer system in reducing poverty rates. Table A1 outlines the core differences in the two measures of poverty.

Table A1: Summary of differences between poverty measures

	Supplemental Poverty Measure	**Relative Poverty Measure**
Time and Country	United States, 1967-2021	All countries and years
Measurement of Resources	All taxes and transfers, minus out-of-pocket expenses related to work, medical care, and child support paid to other households	All taxes and transfers
Poverty Threshold	Set based on a five-year moving average of expenditures on food, clothing, shelter, and utilities; varies regionally based on local housing costs	Set at 50% of the national equivalized median household income in the given year
Unit of Analysis	Resource-sharing units (in 95%+ of cases, this is equivalent to the household, but some households have multiple units)	Household
Equivalence Scale	Poverty thresholds vary by family size, so household incomes are not directly applied an equivalence scale	Square root equivalence scale applied to household income
Income Accounting Period	Annual income received during the calendar year	Annual income received during the calendar year

The Supplemental Poverty Measure is commonly used in US-focused poverty research (Fox & Burns, 2021; Short, 2012). Unlike the US official poverty measure, the SPM includes all taxes and transfers, including benefits from refundable tax credits and food/nutrition assistance (such as benefits from the Supplemental Nutrition Assistance Program). The resource definition of the SPM also deducts expenses related to work, medical care, and child support, unlike the relative poverty measures commonly applied in international and comparative research. The SPM thresholds vary based on family size, local housing costs, and whether the resource unit is

renting or owns its place of residence (and, among owners, whether the mortgage is being paid or is paid off). The SPM poverty threshold for a two-adult, two-child family renting a home in an average-cost city was $31,453 in 2021.

The relative poverty measure, which is commonly applied in internationally comparative research, applies a poverty threshold set at 50 percent of the national equivalized median income for the country and year. Income is measured at the household level. We apply a square root equivalence scale, which accounts for economies of scale by diving household income by the square root of the number of household members. Results are not meaningfully changed if we apply the modified OECD equivalence scale. The relative poverty threshold in the US was $39,793 before equivalizing household incomes, and $23,365 after equivalizing household incomes.

We follow established practice in international poverty measurement in primarily presenting post-tax/transfer measures of poverty (Atkinson, 2019). Our post-tax/transfer measures of poverty include near-cash benefits such as food and nutrition support (primarily relevant for the US), but do not include the monetary value of publicly-provided services (such as education or healthcare), following common practice in the literature. Our pre-tax/transfer measures include all private income, such as earnings from employment, but also capital income gross of income taxes or social security contributions. The difference between the post-tax/transfer and pre-tax/transfer estimates in a given year is commonly applied, as in this study, to assess the relative strength of a country's tax and transfer system; this is an accounting exercise, however, and does not take into account behavioral differences should the tax and transfer system be altered (Gornick & Jäntti, 2012).

In comparing the relative performance of the US to other countries, we primarily focus on progress from 2019 to 2021, as the intervening year (2020) marked the start of the COVID-19 pandemic and featured an unusual set of pandemic-related stimulus checks and expanded unemployment benefits (Fox & Burns, 2021). Figures 1 and 2 (US comparisons over time) include all years, including 2020.

Data Sources*:* For our US measures of poverty, we rely exclusively on the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC), the dataset commonly applied to estimates of poverty and household income. We download datasets from IPUMS (Flood et al., 2018). We compute relative poverty rates directly from the CPS ASEC datasets from 1967 through 2021. To compute SPM poverty rates, we use the historical SPM series within the CPS ASEC from Wimer et al. (2016) and Fox et al. (2015). The Census Bureau adopted a new processing system in 2018, which contributed to a slightly lower (around 1 percentage point) SPM poverty rate as a result; this difference does not meaningfully affect our trends. Our 2019 US estimates apply public-use weights that adjust for non-response during the COVID-19 pandemic.

Our non-US estimates come from LIS, the Cross-National Data Center in Luxembourg ; or the European Union's Survey on Income and Living Conditions (SILC). LIS and SILC both provide harmonized micro-data across a wide range of countries. LIS collects data from national

statistical agencies, and includes middle-income and non-European countries (in addition to high-income European countries), while SILC provides data for all EU Member States. We prioritize poverty estimates from 2019, the year prior to the onset of the COVID-19 pandemic. However, applying poverty rates from 2020 (for the countries available) does not meaningfully alter our cross-national comparisons. For countries observed in both the LIS and SILC datasets in 2019, we prioritize the LIS estimates for convenience; by definition, the estimates do not vary meaningfully for most countries observed in SILC and LIS. (Rare exceptions are European countries in which SILC is not the input data used in LIS).

Table A2 provides the data source used for each of our estimates, and also clarifies the country abbreviations used in the study's primary results.

Table A2: Data sources and country abbreviations

Country	Abbreviation	Data Source
Australia	AU	Survey of Income and Housing (via LIS)
Austria	AT	EU-SILC
Belgium	BE	EU-SILC
Bulgaria	BG	EU-SILC
Brazil	BR	National Continuous Household Sample Survey (via LIS)
Switzerland	CH	EU-SILC
Cyprus	CY	EU-SILC
Czechia	CZ	EU-SILC
Canada	CA	Canadian Income Survey (via LIS)
Chile	CL	National Socio-Economic Characterization Survey (via LIS)
China	CN	Chinese Household Income Survey (via LIS)
Colombia	CO	Great Integrated Household Survey (via LIS)
Denmark	DK	EU-SILC
Estonia	EE	EU-SILC
Spain	ES	EU-SILC
Finland	FI	EU-SILC
France	FR	EU-SILC
Georgia	GE	Household Income and Expenditure Survey (via LIS)
Germany	DE	German Socio-Economic Panel (via LIS)
Greece	EL	EU-SILC
Guatemala	GT	National Survey of Living Conditions (via LIS)
Croatia	HR	EU-SILC
Hungary	HU	EU-SILC
Ireland	IE	EU-SILC
Italy	IT	EU-SILC
Israel	IL	Household Expenditure Survey (via LIS)
Ivory Coast	CI	Household Living Standards Survey (via LIS)
Japan	JP	Japan Household Panel Survey (via LIS)
Lithuania	LT	EU-SILC
Latvia	LV	EU-SILC
Luxembourg	LU	EU-SILC
Mali	ML	Modular and Permanent Household Survey (via LIS)
Mexico	MX	Household Income and Expenditure Survey (via LIS)

Netherlands	NL	EU-SILC
Norway	NO	Household Income Statistics (via LIS)
Portugal	PT	EU-SILC
Palestine	PS	Palestine Expenditure and Consumption Survey (via LIS)
Panama	PA	Continuous Household Survey (via LIS)
Paraguay	PY	Continuous Household Survey (via LIS)
Peru	PE	National Household Survey (via LIS)
Poland	PL	Household Budget Survey (via LIS)
Romania	RO	EU-SILC
Russia	RU	Survey of the Population Income and Participation in Social Programs (via LIS)
Sweden	SE	EU-SILC
Slovenia	SI	EU-SILC
Slovakia	SK	EU-SILC
Serbia	RS	EU-SILC
South Korea	KR	Household Income and Expenditure Survey and Farm Household Income and Expenditure Survey (via LIS)
United Kingdom	UK	Family Resources Survey (via LIS)
United States	US	CPS ASEC
Uruguay	UY	Continuous Household Survey (via LIS)
Vietnam	VN	Vietnam Household Living Standards Survey (via LIS)

Note: LIS = Luxembourg Income Study, which harmonizes input data from national statistical agencies. EU-SILC = European Union's Survey on Income and Living Conditions. CPS ASEC = Current Population Survey Annual Social and Economic Supplement.

APPENDIX B: The Expanded Child Tax Credit

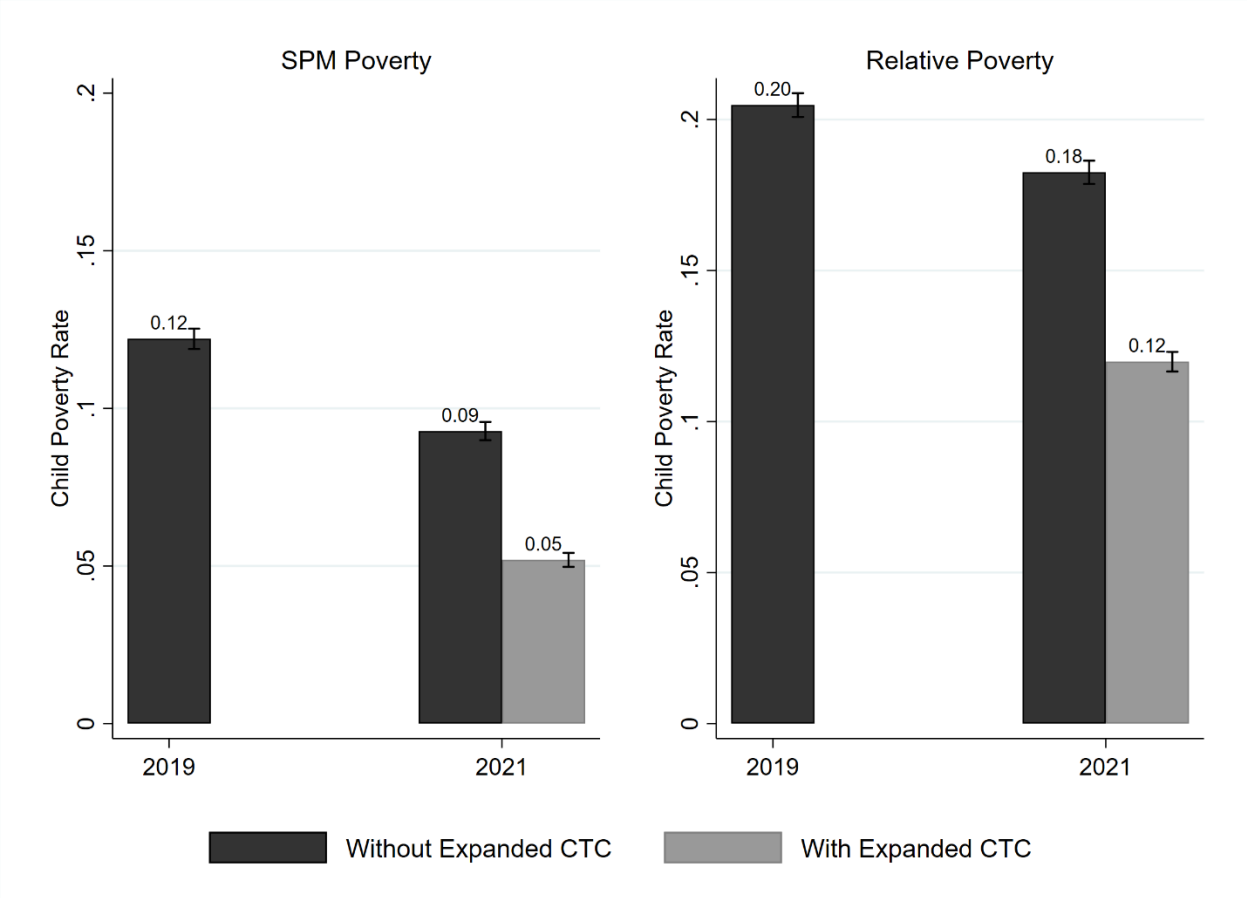
In March 2021, the U.S. Congress passed the American Rescue Plan (ARP), which included a large expansion of the CTC for one tax year. Prior to the CTC's expansion, tax filers could receive a non-refundable tax credit of up to $2,000 per qualifying child per year [6]. To be a qualifying child for the CTC, the child must be a taxpayer's dependent under the age of 17. The CTC only benefited households with positive taxable income and tax liability, leaving the lowest-income families with children with little or no benefit. One in three children did not receive the full benefit value because their families did not earn enough to qualify for it. Children with single parents, those in rural areas, those in larger families, and Black and Latino children were disproportionately ineligible for the full credit [16].

The ARP made the full benefit of the CTC fully refundable, meaning that it was available even to those in families with the lowest incomes who had been previously excluded. As a result, nearly all tax units with children were eligible to receive the payments in 2021 and 2022. Additionally, the ARP increased the maximum annual credit value to $3,000 per child aged 6-17 and $3,600 per child under 6. Half of the benefits were distributed in monthly installments (up to $250 per older child, $300 per younger child) between July and December 2021. Families then received the other half of the credit (up to $1,800 per child) in a single, lump-sum payment when they filed taxes. The Internal Revenue Service reported that payments covering more than 60 million children were distributed in any given month between July and December 2021[17].

In the CPS ASEC, respondents self-report whether they received the advance CTC payments provided in 2021. An estimated 67.5 percent of children are in family units that report receiving the benefits [18]. Families not reporting receipt of the benefit are not allocated the advanced portion of the payments; thus, underreporting of benefit receipt in the CPS ASEC may understate the CTC's real poverty-reduction effect. Census simulates the lump-sum payment (half the total CTC value) provided at tax time; consistent with prior treatment of taxes in the CPS ASEC, the lump-sum payment is provided to all tax units in the CPS ASEC who appear to be eligible, regardless of whether they reported receiving the advance CTC payments.

Figure B1 visualizes child poverty rates before and after accounting for the 2021 CTC benefits.

Figure B1: US Child Poverty Rates Before and After Accounting for the Child Tax Credit



Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. Error bars represent 95 percent confidence intervals. See Materials and Methods for more detail.