

Expanding Economic Security Programs During the Pandemic Led to a Historic Decline in Poverty

Action by Democrats in Congress and the current administration prevented millions of families from falling below the poverty line in 2021. Even as the coronavirus pandemic and ensuing recession threatened the lives and economic well-being of countless Americans, federal policies were remarkably effective at mitigating the economic effects of the pandemic.

In total, the American Rescue Plan and Biden administration actions helped lift 4.5 million Americans across races and ethnicities out of poverty from 2020 to 2021, including more than 3 million children.

Although many of the policies that reduced economic hardship have expired, the Rescue Plan and executive actions demonstrate the effectiveness of public investments to reduce poverty and economic hardship, which provides a roadmap for future policymaking.

Despite the coronavirus pandemic, poverty fell to a historic low in 2021

Emergency action by Congress in response to the coronavirus pandemic prevented millions of people from falling into poverty and effectively *reduced* poverty during a time of economic turmoil.¹ Expanded economic security programs and other income support brought the [poverty rate](#) to a historic low of 7.8%. In total, congressional action in response to the pandemic lifted 4 million people out of poverty from 2020 to 2021.

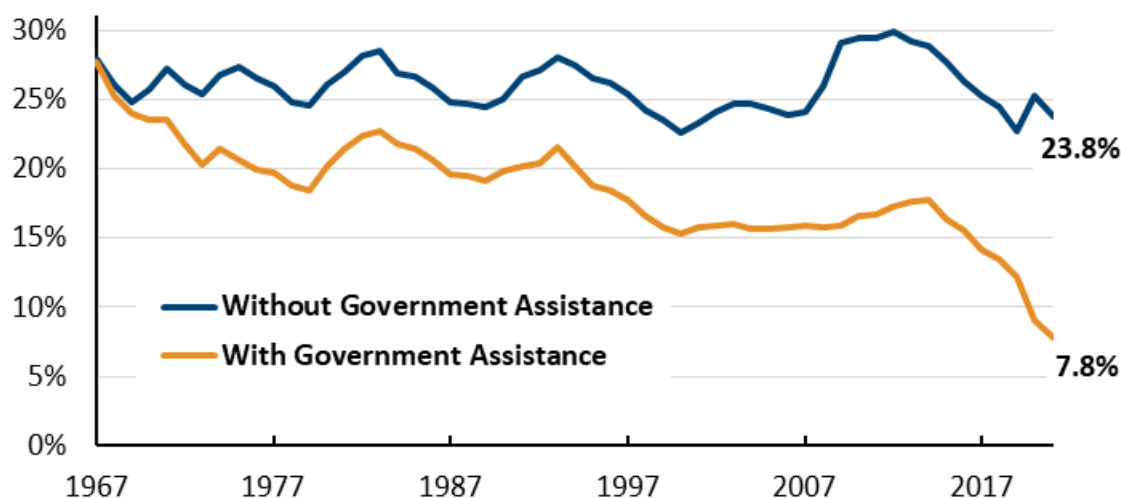
Although the coronavirus pandemic triggered the worst economic crisis since the Great Depression, effective emergency actions lessened the economic harm to families. Excluding federal assistance and tax credits, 78 million Americans had incomes below the poverty line in 2021. However, federal income support programs and tax credits lifted over two-thirds of those people, or about 53 million people, above the poverty line.

¹ This brief uses the [Supplemental Poverty Measure](#) (SPM), the most comprehensive poverty measure published by the Census Bureau. Unlike the Official Poverty Measure, the SPM takes cash and noncash benefits, taxes and medical expenses into account in order to provide a more complete picture of families' economic situation.

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Poverty Fell to a Record Low in 2021 Due to Public Investment

Poverty rate with and without government assistance and taxes, 1967-2021



Source: Center on Budget and Policy Priorities

Note: Data are anchored to 2021 poverty thresholds and adjusted backwards for inflation



The American Rescue Plan and other policies reduced poverty in 2021

Economic security programs such as Social Security, refundable tax credits and the Supplemental Nutrition Assistance Program (SNAP) have lowered poverty rates for decades. Congressional action during the pandemic strengthened the nation's economic security programs, helping ensure families impacted by the pandemic could keep food on the table and a roof over their head.

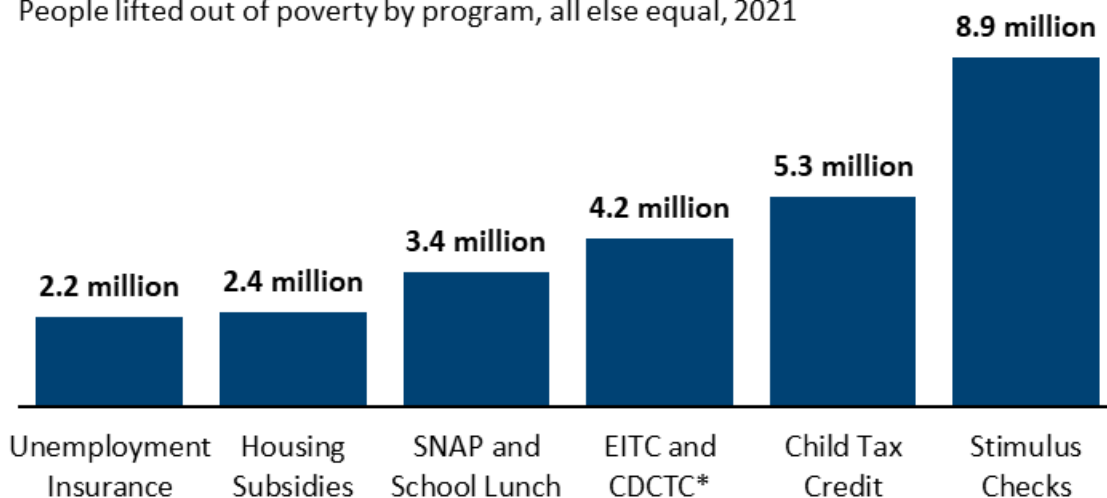
For example, the American Rescue Plan expanded both the Child Tax Credit and the Earned Income Tax Credit. As a result, refundable tax credits [lifted](#) 9.6 million people out of poverty in 2021. Similarly, the Rescue Plan's stimulus checks lifted 8.9 million people above the poverty line, and its expanded SNAP benefits and school lunches lifted 3.4 million more people out of poverty.²

Executive action taken by the Biden administration also reduced poverty among American households. For example, for the first time since 1975, the Biden administration updated the [Thrifty Food Plan](#), which determines the level of food assistance households are eligible to receive. This action, which is permanent, [increased](#) SNAP food assistance benefits by 21%, lifting 2.3 million additional Americans out of poverty in the last quarter of 2021.

² These estimates refer to the number of people who would have been in poverty without a specific policy change, assuming all else is equal. They will not sum to the total number of people lifted out of poverty in 2021.

The American Rescue Plan Built on Existing Economic Security Programs to Achieve a Record-Breaking Poverty Reduction

People lifted out of poverty by program, all else equal, 2021



Source: Census Bureau

Note: Stimulus checks refers to the third round of payments only.

* Earned Income Tax Credit and Child and Dependent Care Tax Credit



The number of children living in poverty fell to a historic low in 2021

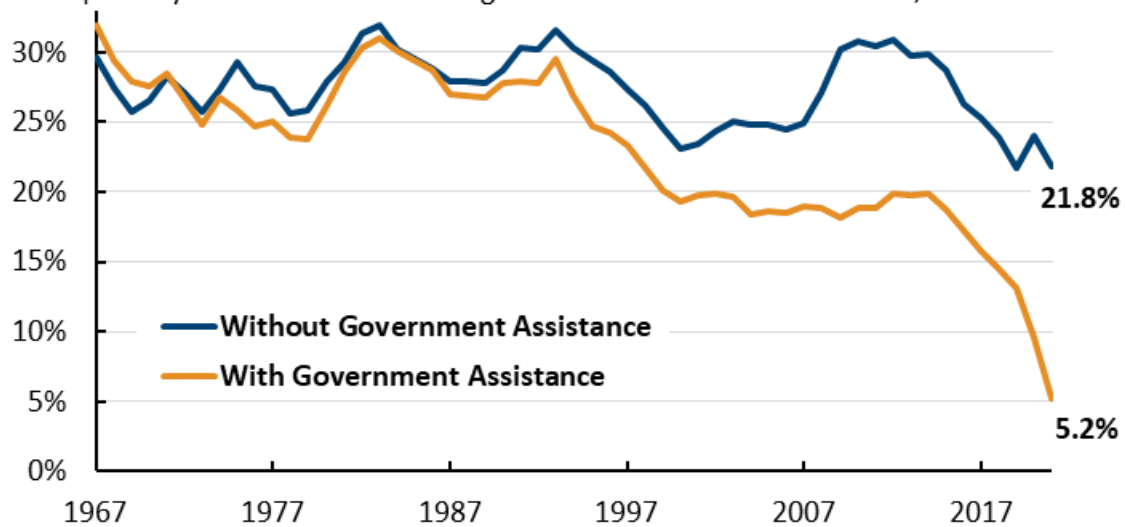
The number of children living in poverty fell to a historic low in 2021. For decades, American children have been significantly [more likely](#) to live in poverty than children in peer countries. That trend changed in 2021, as the child poverty rate [plummeted](#) to an all-time low of 5.2% (see figure below). This will have long term effects; [children](#) whose families receive income support perform better in school, are more likely to graduate high-school, are healthier and have higher earnings in adulthood.

Most of the 2021 drop in child poverty was due to the expansion of the Child Tax Credit (CTC) in the American Rescue Plan. This expansion was targeted to the families that need it most by making all but the highest-income families eligible for the full CTC, a change known as full refundability. Before this expansion, 19 million children were [not eligible](#) for the full credit because their families did not earn enough to qualify, leaving many of them in poverty. In total, the CTC expansion [lifted](#) 2.1 million children above the poverty line.

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Expanded Child Tax Credit Caused Child Poverty to Plummet

Child poverty rate with and without government assistance and taxes, 1967-2021



Source: Center on Budget and Policy Priorities

Note: Data are anchored to 2021 poverty thresholds and adjusted backwards for



Expanding economic security programs dramatically reduced racial disparities in poverty

Racial disparities in poverty reached an all-time low in 2021 (see figure below). Due to long-standing racial discrimination in employment, housing and wealth-building, people of color have historically been more likely to live in poverty than white Americans. While Black and Latino Americans remain nearly twice as likely to live in poverty than white Americans, that is a significant improvement from before the pandemic, when Black and Hispanic Americans were more than 130% more likely to live in poverty.

The American Rescue Plan and other investments effectively reduced racial disparities while also benefiting families of all races and ethnicities. As a result of these investments, the Black poverty rate [fell](#) by 24% from 2020 to 2021, and the Hispanic poverty rate fell by 20%. White Americans also saw an 12% decline in their poverty rate. In total, these expansions and previously established programs lifted 9.5 million Black Americans, 11.5 million Hispanic Americans, 1.9 million Asian Americans and 1.6 million American Indians and Alaska Natives out of poverty in 2021.

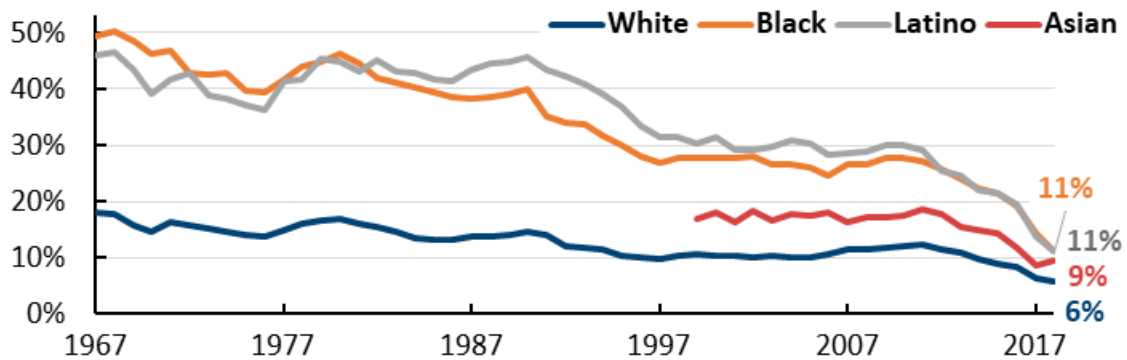
These record-breaking gains are the result of public investments in economic security programs. The expanded Child Tax Credit in the American Rescue Plan rendered 45% of Black children and 39% of Latino children [newly eligible](#) for the full credit. Previously, their families' low earnings had excluded them. By comparison, only 17% of white children had previously been excluded from receiving the full credit before the expansion. With full refundability, all of these children became eligible for the same credit amount as higher-income families. Similarly, Black

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and Hispanic families saw the largest drops in poverty of any racial or ethnic group due to the Biden administration's update to the [Thrifty Food Plan](#).

Decades of Public Investments Have Significantly Narrowed Racial Disparities in Poverty

Poverty rates after government assistance and tax credits, by race and ethnicity, 1967-2021



Source: Center on Budget and Policy Priorities

Notes: Data are anchored to 2021 poverty thresholds and adjusted backwards for inflation. All racial groups refer to the non-Hispanic population only, while Latino includes people of all races. The Asian poverty rate did not significantly change from 2020 to 2021.



Expanding economic security programs reduces poverty and can provide a guide for future policy

The American Rescue Plan and other pandemic policies that expanded economic security programs temporarily helped families at a moment of acute economic stress, and they provide a roadmap for permanent changes that can help lift more families out of poverty permanently. These policy changes, which were enacted in response to the pandemic, addressed longstanding economic hardship. In 2018, more than 43 million Americans lived in poverty, including over 10 million children. In 2021, that dropped to over 25 million people, and just under 4 million children.

While more must be done, this historic success in reducing poverty provides a guide for future public investments. Congress should continue to build on this success by extending the American Rescue Plan's anti-poverty programs and continuing to support families across the country.