Policy Options to Address Youth and Young Adult Poverty

Center on Poverty and Social Policy at Columbia University

The COVID-19 crisis is exacting a dual toll on youth and young adults, with education and employment opportunities severely disrupted. But even pre-pandemic, young people were in a precarious financial position. They were more likely to live below the poverty line compared to the general population and the only group to see their poverty rise over the last 50 years. Today, they are more likely to be living with, and financially supported by, their families than in the past and remain less likely to have independent access to safety net programs.

This analysis explores the anti-poverty effects of federal policy and a set of federal policy alternatives (some recently enacted on a temporary basis, as part of the American Rescue Plan; some proposed, but not yet law) in the areas of basic needs, family tax, and economic opportunity. Anti-poverty effects are compared to what we term a 'pre-American Rescue Plan' baseline, but the poverty rates presented are not estimates of poverty in 2021. Rather, they are estimates of what youth and young adult poverty could have looked like in the years prior to the pandemic had these policies been in place. For each state, it breaks out the results by youth (ages 14 to 17), young adults (ages 18 to 24), and the whole youth and young adult population (ages 14 to 24). For the 14 to 24 year old population as a whole, it also examines the impact of anti-poverty policy across racial and ethnic groups—of particular importance, as nearly half of the youth population today are youth of color.

Our analysis uses the Supplemental Poverty Measure (SPM) to assess poverty rates and the potential anti-poverty effects of policy changes. The SPM accounts for cash and noncash government benefits, necessary expenses like taxes, health care, commuting, and child care, and adjusts for family size and local housing costs. For a two-parent, two-child family in an average cost city, the SPM income threshold is about $28,000 per year.

CENTER ON POVERTY & SOCIAL POLICY at Columbia University

SNAP + FAMILY TAX: Provisions of the American Rescue Plan

➔ Increase Supplemental Nutrition Assistance Program (SNAP) benefits by 15% + expand the Child Tax Credit (CTC) + expand childless Earned Income Tax Credit (EITC)

SPM POVERTY RATE (%) FOR POLICY OPTIONS

	Pre-American Rescue Plan	**SNAP + CTC + EITC**
Aged 14-17	12.6	7.3
Aged 18-24	19.6	16.1
Aged 14-24	17.0	12.9
Aged 14-24: Black	24.5	17.6
Aged 14-24: Hispanic	22.6	16.0
Aged 14-24: Other	19.6	16.3
Aged 14-24: White	12.3	9.8
Aged 14-24: Foreign-born	28.4	22.8

NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	SNAP + CTC + EITC	Race/ Ethnicity	**SNAP + CTC + EITC**
Aged 14-17	904,000	Aged 14-24: Black	455,000
Aged 18-24	1,033,000	Aged 14-24: Hispanic	689,000
Aged 14-24	1,937,000	Aged 14-24: Other	141,000
		Aged 14-24: White	651,000
		Aged 14-24: Foreign-born	259,000

*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding and/or policy interaction, some totals may not correspond with the sum of the separate figures.

Policy Details

The American Rescue Plan Act, P.L.117-2, is a $1.9 trillion COVID-19 relief package; its direct financial relief to households is projected to reduce overall poverty by close to one-third and child poverty by half in 2021. Here, we examine three of its key anti-poverty elements—a 15% increase in household SNAP benefits, an expansion of the Child Tax Credit, and an expansion of the childless portion of the Earned Income Tax Credit. The CTC expansion is a fully refundable maximum benefit of $3000 for a dependent aged 6 to 17 and $3600 for a dependent under age 6), similar to the American Family Act, H.R. 1560 in the 116th Congress (see Center on Poverty and Social Policy (2021) American Family Act resource page for more information.) The EITC expansion reduces the minimum age to claim the credit to 19 (for non-students) and increases the maximum credit from $538 to $1,487. The combined effects of these policy changes on youth and young adult poverty rates are compared to a pre-pandemic baseline.

BASIC NEEDS: Policy Options

- ➔ Increase SNAP benefits by 15%
- ➔ Make Section 8 housing vouchers available to all who are eligible to receive them
- ➔ SNAP 15% increase + Section 8 expansion

SPM POVERTY RATE (%) FOR BASIC NEEDS POLICY OPTIONS

	No SNAP	No Section 8	Pre-American Rescue Plan	**SNAP Increase**	**Section 8 Expansion**	**SNAP + Section 8**
Aged 14-17	16.0	13.8	12.6	11.6	9.1	8.3
Aged 18-24	21.7	20.5	19.6	18.8	15.1	14.4
Aged 14-24	19.6	18.0	17.0	16.2	12.9	12.2
Aged 14-24: Black	29.4	27.3	24.5	22.9	18.4	17.0
Aged 14-24: Hispanic	26.4	23.9	22.6	21.3	15.0	13.9
Aged 14-24: Other	21.7	20.8	19.6	18.9	16.2	15.6
Aged 14-24: White	14.0	12.7	12.3	11.8	10.1	9.7
Aged 14-24: Foreign-born	31.0	29.5	28.4	27.4	22.5	21.7

NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	SNAP Increase	**Section 8 Expansion**	**SNAP + Section 8**	Race/ Ethnicity	**SNAP Increase**	**Section 8 Expansion**	**SNAP + Section 8**
Aged 14-17	162,000	591,000	730,000	Aged 14-24: Black	107,000	405,000	497,000
Aged 18-24	244,000	1,329,000	1,536,000	Aged 14-24: Hispanic	138,000	800,000	909,000
Aged 14-24	407,000	1,920,000	2,267,000	Aged 14-24: Other	28,000	147,000	175,000
				Aged 14-24: White	135,000	569,000	686,000
				Aged 14-24: Foreign-born	46,000	274,000	309,000

*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding and/or policy interaction, some totals may not correspond with the sum of the separate figures.

Policy Details

- The SNAP 15% benefit increase mirrors the temporary increase under the American Rescue Plan Act, P.L.117-2, but models the impact of an expansion in place for a full year.
- The Section 8 expansion would guarantee that all who are eligible to receive a subsidy could receive one. Details related to this analysis can be found in Collyer et al. (2020) Housing Vouchers and Tax Credits, Poverty & Social Policy Brief, Vol 4, No. 9 (October), New York: Columbia University Center on Poverty and Social Policy.

FAMILY TAX: Policy Options

- ➔ Expand the Child Tax Credit (CTC)
- ➔ Expand the childless Earned Income Tax Credit (EITC)
- ➔ CTC + childless EITC expansion

SPM POVERTY RATE (%) FOR FAMILY TAX POLICY OPTIONS

	No CTC	No EITC	Pre-American Rescue Plan	CTC Expansion	EITC Expansion	CTC + EITC
Aged 14-17	14.8	15.7	12.6	8.1	12.4	8.0
Aged 18-24	20.5	21.0	19.6	17.6	18.7	16.8
Aged 14-24	18.4	19.1	17.0	14.1	16.4	13.6
Aged 14-24: Black	26.2	27.4	24.5	19.3	23.6	18.5
Aged 14-24: Hispanic	25.4	26.8	22.6	17.7	22.0	17.1
Aged 14-24: Other	21.0	21.1	19.6	17.4	19.1	16.9
Aged 14-24: White	13.1	13.4	12.3	10.8	11.8	10.3
Aged 14-24: Foreign-born	30.8	32.0	28.4	24.3	27.8	23.7

NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	CTC Expansion	EITC Expansion	CTC + EITC	Race/ Ethnicity	CTC Expansion	EITC Expansion	CTC + EITC
Aged 14-17	766,000	36,000	786,000	Aged 14-24: Black	346,000	58,000	394,000
Aged 18-24	587,000	257,000	828,000	Aged 14-24: Hispanic	512,000	71,000	573,000
Aged 14-24	1,352,000	293,000	1,615,000	Aged 14-24: Other	96,000	22,000	117,000
				Aged 14-24: White	398,000	142,000	531,000
				Aged 14-24: Foreign-born	188,000	27,000	218,000

*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding and/or policy interaction, some totals may not correspond with the sum of the separate figures.

Policy Details

- The Child Tax Credit expansion is modeled on the parameters of the American Family Act, H.R. 1560 in the 116th Congress. This makes the credit fully refundable and increases the maximum benefits levels to $3000 annually for a dependent aged 6 to 17 and $3600 for a dependent under 6. (See Center on Poverty and Social Policy (2021) American Family Act resource page.) A similar CTC expansion, with minor differences in the income phase-out thresholds, was included in the American Rescue Plan Act, P.L.117-2, for a one-year period.

- The EITC expansion expands benefits for childless workers along the parameters of the American Rescue Plan Act. The minimum age to claim is reduced from 25 to 19 (except for full-time students); the credit phase-in and phase-out threshold is increased from 7.65% to 15.3%; the phase-out income threshold is $11,490; and the maximum credit increases from $538 to $1,487.

ECONOMIC OPPORTUNITY: Policy Options

- ➔ Minimum wage floor of $15
- ➔ Create guaranteed employment program for youth (Jobs for All Act)

SPM POVERTY RATE (%) FOR ECONOMIC OPPORTUNITY POLICY OPTIONS

	Pre-American Rescue Plan	**$15 Wage Floor**	**Youth Employment**
Aged 14-17	12.6	10.8	10.6
Aged 18-24	19.6	16.6	16.8
Aged 14-24	17.0	14.5	14.5
Aged 14-24: Black	24.5	20.5	20.7
Aged 14-24: Hispanic	22.6	19.0	19.1
Aged 14-24: Other	19.6	17.5	17.3
Aged 14-24: White	12.3	10.6	10.5
Aged 14-24: Foreign-born	28.4	24.4	24.6

NUMBER OF YOUTH & YOUNG ADULTS MOVED OUT OF POVERTY

	$15 Wage Floor	**Youth Employment**	Race/ Ethnicity	**$15 Wage Floor**	**Youth Employment**
Aged 14-17	312,000	337,000	Aged 14-24: Black	262,000	249,000
Aged 18-24	877,000	843,000	Aged 14-24: Hispanic	382,000	370,000
Aged 14-24	1,189,000	1,180,000	Aged 14-24: Other	93,000	99,000
			Aged 14-24: White	452,000	462,000
			Aged 14-24: Foreign-born	188,000	176,000

*Notes: Race and ethnicity is only available for the 14-24 year old age group due to sample size. 'Foreign-born' identifies youth and young adults born outside the US. Figures for some groups are unavailable due to sample size limitations. Due to rounding, some totals may not correspond with the sum of the separate figures.

Policy Details

- The establishment of a national wage floor of $15 looks at the poverty effect of implementing a nationally-uniform minimum wage of $15 in a single-year context. See methodology section for more details. As of January 2021, the federal minimum wage was $7.25 per hour.
- The guaranteed youth employment policy looks at the potential anti-poverty effects of a subsidized employment program modeled under the parameters of the Job Opportunities for All Act (HR 8485 in the 115th Congress). Our analysis assumes a 20% enrollment rate for the age groups considered. For more, see Collyer et al. (2019) Fighting Poverty with JOBS: Projecting the Impacts of a National Subsidized Employment Program. New York & Washington DC: Center on Poverty and Social Policy & Georgetown Center on Poverty and Inequality.

Methodology

The analysis is based on a 5-year sample of 2013-2017 calendar year (2014-2018 survey year) Current Population Survey (CPS) data, with all income variables from all years adjusted for inflation to 2018 dollars. We use CPS data adjusted for income underreporting using the Urban Institute's TRIM3 model and adjusted for post-tax income variables using NBER's TAXSIM27 in lieu of Census tax calculator variables. Calendar year 2017 is the most recent year used because TRIM3 microdata is not yet available for more recent years as of this writing. Because tax policy changes under the Tax Cuts and Jobs Act (TCJA) of 2017 were not in place for the calendar years of data used here, we used TAXSIM27 to apply TCJA tax policy to all years of data so that all baseline poverty rates and simulations presented here would be relevant to a post-TCJA policy landscape. Specifically, all baseline poverty rates across age groups assume receipt of the Child Tax Credit and Earned Income Tax Credit, post-TCJA changes.

Our analysis uses the Supplemental Poverty Measure (SPM) to assess poverty rates and the potential anti-poverty effects of policy changes. The SPM accounts for cash and noncash government benefits, necessary expenses like taxes, health care, commuting expenses, and child care, and adjusts poverty thresholds for family size and local housing costs when calculating individuals' poverty status. SPM income thresholds to determine poverty rates vary by location and a full list of SPM thresholds by metro area in 2017 can be found here. We account for policy changes (e.g., increased SNAP or tax credit benefit amounts) by adjusting total SPM resources after including new simulated resources from policy changes into total SPM resources.

The poverty rates titled 'Pre-American Rescue Plan' represent the baseline poverty rates for the 2013-2017 (inflation-adjusted to 2018) data as described above. The poverty rates under all alternative policy scenarios represent estimates of what poverty would have looked like in the 2013-2017 data had these policy adjustments been in place at the time. The age groups (e.g., 14 to 17 year olds; 18 to 24 year olds; and 14 to 24 year olds) represent individuals in those age categories in each individual year of CPS data. The race and ethnicity categories are mutually exclusive (e.g., 'White', 'Black', and 'Other' are individuals who are identified as such in the data and also identified as 'non-Hispanic'). The 'Other' category is a broad category that encompasses all other groups–including, Asian American and Pacific Islander, Native American, multi-racial, and more. Breaking out results for a more detailed set of racial and ethnic groups would be preferred, but small sample sizes in the youth and young adult age categories at the state level preclude this analysis.

Policy Details

American Rescue Plan Provisions, SNAP + Family Tax

Here, we examine three key anti-poverty elements included in the American Rescue Plan (ARP) Act, P.L.117-2—a 15% increase in SNAP, a CTC expansion, and an expansion of the childless portion of the EITC. The combined effects are not estimates of poverty in 2021; they are estimates of what youth and young adult poverty could have looked like in the years prior to the pandemic had the policies been in place. The SNAP expansion assumes a 15% increase in annual household SNAP benefits. We calculated the increase for each recipient by taking 15% of the monthly 2020 SNAP maximum allotment for their unit size and brought the increase to the annual level by multiplying the monthly amount by numbers of months of receipt in the CPS-ASEC microdata. We calculated the per person increase and then the total at the SPM unit level, then adjusted the SNAP 15% increase for the SPM unit for inflation to 2018 dollars and added this value to the SPM unit total resources and determined each SPM unit's poverty status with the new SNAP value. The CTC expansion is a fully refundable maximum benefit of $3000 for a dependent aged 6 to 17 and $3600 for a dependent under age 6), similar to the American Family Act, H.R. 1560 in the 116th Congress (see Center on Poverty and Social Policy (2021) American Family Act resource page for more information). This expansion increased the maximum value of the CTC and eliminated the earnings requirement and phase-in and enabled many low-income families who did not receive a CTC or receive a partial CTC to become eligible for a full credit. To simulate this policy change, we identified all individuals in the ASEC with dependents under the age of 18 and then calculated their new benefit value. All families with adjusted gross incomes (AGIs) below the new phase-out thresholds qualify for the maximum credit values specified above; this includes individuals with qualifying dependents who did not file taxes because they had very low or no earnings. The credit phases out for joint filers with an AGI above $115,000 and for single filers with an AGI above $75,000. To estimate the poverty impacts, we replaced the CTC values included in the CPS-ASEC microdata with the CTC values we calculated according to above parameters and determined each SPM unit's poverty status with the new credit. The EITC expansion increases benefits for childless workers along the ARP parameters. The minimum age to claim is reduced from 25 to 19 (except for full-time students); the credit phase-in and phase-out threshold is increased from 7.65% to 15.3%; the phase-out income threshold is $11,490; and the maximum credit increases from $538 to $1,487. To estimate the impact of this policy change, we used pre-ARP EITC eligibility rules to simulate the prior value of EITC benefits and used the ARP parameters to simulate the value of EITC benefits under the proposed continuation and calculated the net difference in EITC benefit value at the SPM unit level. To estimate the poverty impacts of the proposal, we added our calculated net difference in EITC value to the SPM total resources included in the CPS-ASEC microdata and determined each SPM unit's poverty status with the new total.

Basic Needs Policy Options

The 'Basic Needs' analysis explores two policy options: a 15% across-the-board increase in household SNAP benefits and an expansion of the Section 8 housing vouchers program to guarantee subsidy receipt for all who are eligible. It examines them individually and in combination. The details of the SNAP 15% benefit increase and our methodological approach are the same as those set out in the prior methods section for 'American Rescue Plan Provisions, SNAP + Family Tax'. The Section 8 expansion is similar to a proposal put forth by President Biden during his 2020 Presidential campaign. The approach follows that taken in Collyer et al. (2020) Housing Vouchers and Tax Credits, Poverty & Social Policy Brief, Vol 4, No. 9 (October), New York: Center on Poverty and Social Policy. Our assessments of the anti-poverty impact are based on pre-pandemic data; no poverty projections are made for 2021.

Economic Opportunity Policy Options

The 'Economic Opportunity' analysis explores two policy options: the establishment of a $15 per hour federal minimum wage and the introduction of a guaranteed youth employment program. Our model simulating the impacts of a $15 per hour federal minimum wage is largely based on the methodology in the National Academy of Sciences (NAS) report *A Roadmap to Reducing Child Poverty*. We estimated the hourly wages of all workers in the data using their total annual earnings and weeks worked and their usual hours worked. We then identified all workers who would be directly affected by the policy change as those with at or above the minimum wage in their state but below $15 per hour[1] and identified workers affected by spillover effects—workers with wages above $15 per hour would see their wages increase if the policy changed. The intuition here is that these workers had wages higher than the minimum wage before the policy change, and their wages would again adjust to be higher after. To find the upper-bound of the spillover range, we divided the net state-level increase in the minimum wages by two and added the difference to the new minimum of $15 per hour (ex. in a state with a $7.25 minimum wage, the net increase would be $7.75 (the difference between $15 and $7.25). Half the net increase is $3.88, thus we assumed that those with wages between $15 per hour and $18.88 per hour would be affected by the spillover effect. Directly affected workers were assumed to have their wage rise to $15 or more; those in the spillover range were assumed to see their wages rise, but the increase was not uniform (this follows the NAS methodology). After identifying the new wage rate for the directly and indirectly affected populations, we calculated their new annual income from earnings and used NBER's Taxsim27 to determine annual tax liability and tax credits changes. We also assumed some workers would become unemployed after the policy change. We estimated the total number of people who would lose work using a wage elasticity of 0.1125 for adults and 0.3375 for teenage workers and randomly selected workers who would lose work until meeting the target number of lost jobs derived from the elasticities and the average increase in wages (again following the NAS approach). We set the earnings of these workers to $0 and calculated tax liability changes resulting from their employment loss. The guaranteed youth employment policy looks at potential anti-poverty effects of a subsidized employment program modeled under the parameters of the Job Opportunities for All Act (HR 8485, 115th Congress). Our analysis assumes a 20% enrollment rate for the age groups considered. See Collyer et al. (2019) Fighting Poverty with JOBS: Projecting the Impacts of a National Subsidized Employment Program. New York & Washington DC: Center on Poverty and Social Policy & Georgetown Center on Poverty and Inequality. Our assessment of the anti-poverty impacts here is based on pre-pandemic data; no poverty projections are made for 2021.

Family Tax Policy Options

The 'Family Tax' analysis explores two policy options: an expansion of the Child Tax Credit and an expansion of the childless portion of the Earned Income Tax Credit. It examines them individually and in combination. The parameters of each policy change are the same as those described in the '*SNAP + Family Tax: Provisions of the American Rescue Plan*' above. Our assessment of the anti-poverty impacts here is based on pre-pandemic data; no poverty projections are made for 2021.

[1] We allowed a $0.25 buffer, meaning that workers with wages between the minimum wage in their state and $0.25 below the minimum were classified as directly affected workers.

Suggested Citation

Center on Poverty and Social Policy. 2021. "Policy Options to Address Youth and Young Adult Poverty." Poverty and Social Policy Fact Sheet. Columbia University. https://www.povertycenter.columbia.edu/policy-factsheets/youth-poverty

Acknowledgments

This research was funded by the Annie E. Casey Foundation, which is committed to investing in a brighter future for children and youth. This fact sheet was prepared by Megan A. Curran with contributions from Sophie Collyer, Robert Paul Hartley, Sonia Huq, Jongseong Lee, Zachary Parolin, and Christopher Wimer. The findings and conclusions presented are those of the Center on Poverty and Social Policy at Columbia University, and do not necessarily reflect the opinions of the Foundation.

The Center on Poverty and Social Policy at the Columbia School of Social Work produces cutting-edge research to advance our understanding of poverty and the role of social policy in reducing poverty and promoting opportunity, economic security, and individual and family-wellbeing. The center's work focuses on poverty and social policy issues in New York City and the United States. For the center's latest work and policy briefs, visit us at povertycenter.columbia.edu. Email us at cpsp@columbia.edu. Follow us @cpsppoverty.

CENTER ON POVERTY & SOCIAL POLICY
at Columbia University