POVERTY AND THE SAFETY NET

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KEY FINDINGS

- **Although there is much worry about millennials' well-being, their poverty rates at age 30 are no higher than those of Gen Xers at the same age.**
- **But millennials do have very high poverty rates before the safety net takes effect by supplementing market income. Robust tax credit and transfer programs have staved off what would otherwise be an increase in poverty relative to prior generations.**

How are millennials handling the challenges of a new economy? In some popular narratives, millennials are represented as victims of a labor market that is failing to deliver enough jobs, the right types of jobs, or the right training. In other narratives, millennials themselves are blamed for squandering their money on avocado toast and cold brew coffee; in effect, they are seen as focusing on short-term consumption rather than on working hard, making sacrifices, and saving up or investing in themselves. Although these narratives refer to different causes, both presuppose that millennials are in trouble.

Is this diagnosis on the mark? Are millennials really any worse off than prior generations? And, for those who are struggling, are our safety net programs performing as well as in the past? These are the questions we consider here.

Poverty rates

We proceed by examining the economic circumstances of millennials at age 30 and comparing them with three previous generations at the same age: Generation X, baby boomers, and the Silent Generation. Our measure of poverty, the anchored supplemental poverty measure (SPM), starts by measuring net resources: Both cash and in-kind benefits are counted as income, from which we subtract necessary expenses like those on medical care, child care, and taxes. This measure of net resources is then compared with a poverty threshold, which is based on contemporary spending patterns on core necessities like food and housing. We further provide a categorization that distinguishes between deep poverty (those falling below half the poverty line), poverty (those falling beneath the poverty line), near poverty (those falling beneath twice the poverty line), above poverty (those falling beneath three times the poverty line), and far above poverty (everyone else).[1]

What do we find? As Figure 1 shows, millennials look more like Generation X than might have been anticipated. The sizes of each of the five categories are virtually the same. For both generations, about 15 percent are below the poverty line at age 30, while the near poverty and far above

Figure 1. Millennials and Gen Xers are slightly less likely to be in poverty at age 30 than prior generations.

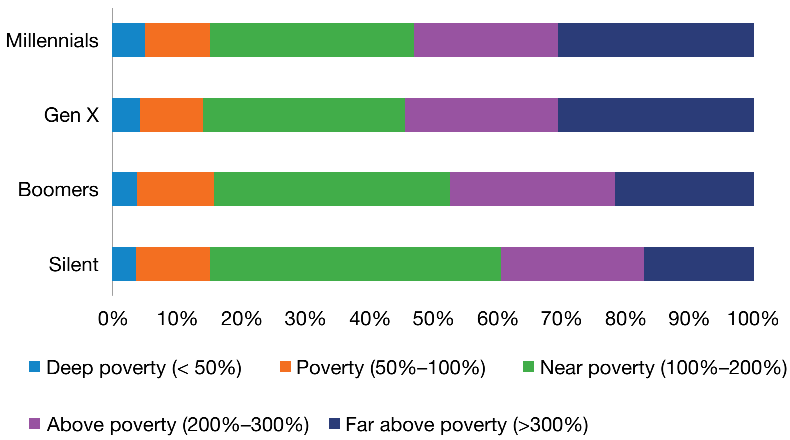
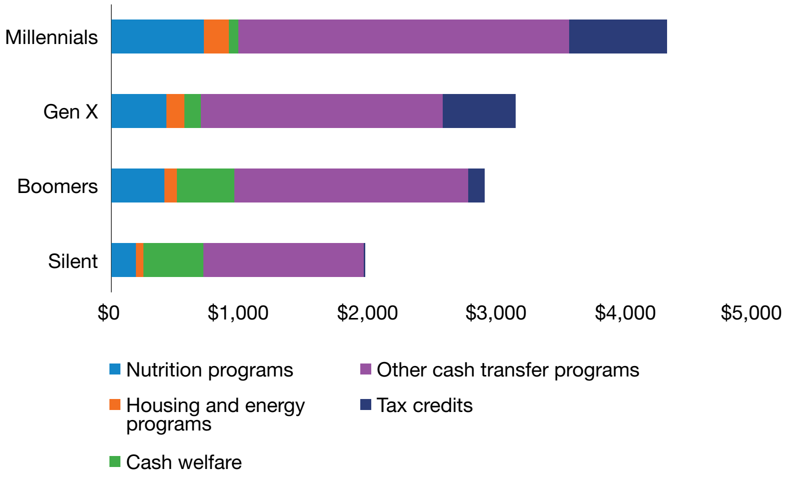


Table 1. Millennial poverty would be higher without tax credits and transfers.

Generation	Anchored SPM poverty rate, pre-tax, pre-transfer	Anchored SPM poverty rate	Percentage reduction in poverty from taxes and transfers
Silent	14.9%	15.6%	–4.9%
Boomers	17.3%	16.3%	5.7%
Gen X	17.8%	14.6%	17.9%
Millennials	21.0%	15.4%	26.7%

Figure 2. Millennials receive substantially more money from government assistance programs than any previous generation.



poverty categories each comprise about 30 percent of the population, and the above poverty category accounts for the remaining 25 percent of the population.

It used to be worse. Both millennials and Gen Xers are, overall, better off at age 30 than the Silent Generation or baby boomers were. Although deep poverty rates are relatively stagnant across generations, millennials and Gen Xers are slightly less likely to be in poverty or near poverty than earlier generations and slightly more likely to be far above poverty. As such, our results show evidence of real generational progress in adult economic well-being.

Taxes and transfers

So what explains improvements in the poverty rate in recent generations? Part of the explanation is that the safety net has become more robust in recent decades. Table 1 shows that, were it not for resources coming from government programs, the millennial poverty rate at age 30 would be the *highest* across the four generations. We demonstrate this by showing poverty rates both before (pre-tax, pre-transfer) and after accounting for government programs. It is only by including resources from government programs that poverty among Generation X and millennials drops below that of baby boomers and the Silent Generation. For the Silent Generation, accounting for taxes and government programs actually increased poverty rates at age 30, as taxes paid outweighed any benefits from the safety net.

Millennial poverty, on the other hand, is dramatically reduced by the bundle of assistance programs. Key programs like the Earned Income Tax Credit (EITC) and Supplemental Nutrition Assistance Program (SNAP) have especially contributed to lowering the poverty rate among millennials.

Figure 2 shows the value of government programs (in 2016 dollars) received at age 30 by generation. Dramatic growth is evident after the Silent Generation because of Johnson's War on Poverty. However, millennials receive substantially more, overall, than any previous generation. This is despite dramatic declines in traditional cash welfare dollars (shown in green), which are more than offset by increases in refundable tax credits, nutrition programs like SNAP, and other cash programs like unemployment, Social Security, and SSI.[2] Low-income millennials have greater support from the safety net than previous generations.

Conclusions

The results of these analyses are clear: Millennials are doing better than prior generations were at age 30, but only because government programs are increasingly buttressing the incomes of those in poverty and near poverty.[3]

Should these developments be worrisome? It is certainly worrisome that such buttressing seems to be increasingly necessary. Moreover, if we look closely at Figure 1, we see a striking persistence of deep poverty across generations. Amid a safety net that increasingly focuses on work and neglects those who are not raising children, some of the most disadvantaged are still being left behind by current policies.

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Notes

1. Unless otherwise noted, statistics cited in this article are based on the authors' analyses of the anchored SPM poverty rate using the Annual Social and Economic Supplement to Current Population Survey (1968 to present); Columbia Population Research Center and Center on Poverty and Social Policy, 2017.

2. While it may seem unlikely that there would be an increase or even a substantial amount of Social Security income coming into the households of 30-year-olds in any generation, our results (not shown) suggest an increase in the probability of 30-year-olds living with a family member over the age of 65 across generations. This increase helps explain the rise in other cash assistance in the millennial generation.

3. In additional analyses, we found that contemporary safety net programs do little to address persistent racial-ethnic disparities. Taxes and transfers reduce poverty rates by 32.4 percent among white millennials, 30.3 among black millennials, and 26.1 percent among Hispanic millennials.