



Children's Defense Fund

## CHILD POVERTY IN AMERICA

Thirteen million children in America live in poverty. Poverty casts long shadows throughout their lives in many different areas – among them health, nutrition, early development and education. Multiple barriers associated with poverty build upon one another and unjustly deprive children of the opportunity to reach their full potential. Poverty affects the entire nation through its drags on the economy, loss of productivity and earnings, greater crime and public health demands. Child poverty makes all of us worse off.

### DEFINING POVERTY

Many would consider a family “poor” if that family cannot afford to meet its basic necessities such as housing, food, childcare, healthcare, and education. Officially, a family is considered poor if it has an income below the official poverty threshold, which is established annually by the U.S. Census Bureau, and is based on the number of family members and children. In 2006, the most recent year for which poverty data are available, a four-person family including two children was classified as poor if their income was less than \$20,444 and as extremely poor if their income was less than half the poverty line, or \$10,222.<sup>1</sup> These amounts are generally considered well below what is actually needed to cover a family’s basic expenses; consequently the number of children whose families are unable to meet their basic needs is underestimated by the official poverty measure.

### BASIC FACTS ABOUT CHILD POVERTY<sup>2</sup>

*Note: Facts in this section refer to 2006, the most recent year of available data, unless otherwise noted.*

- **A total of 12.8 million children, or 1 in 6 of all children in America, live in poverty.** Of these children, almost half – 5.5 million – live in extreme poverty.
- **Child poverty has increased since 2000.** Between 2000 and 2006, the number of poor children increased by 1.2 million. Most of the increase – about 900,000– was among children living in extreme poverty.
- **Young children are more likely to be poor than older children.** 4.2 million children under the age of 5, or 1 in 5, are poor, compared to 1 in 6 of those between 5 and 17 years of age.
- **Children of color suffer disproportionately from poverty.** Black and Latino children are more likely to be poor than White children. In fact, approximately one in three Black children and one in four Latino children are poor, compared to one in ten White children.

- **Most poor children have working parents.** Seven out of ten poor children are in working families where someone works full- or part-time for at least part of the year.
- **42 out of 100 children whose primary parent (or other caregiver if no parent is present) has not graduated from high school are poor.** About 21 of 100 children whose primary parent has a high-school diploma are poor – half the ratio of children whose parents have no degree – while only 4 in 100 children whose parent has a bachelor, professional, or graduate degree are poor.<sup>3</sup>
- **A child living with only his or her mother** is five times as likely to be poor as one living with both parents.<sup>4</sup>
- **Poverty rates are very high among children who live with non-parental caregivers such as grandparents or other relatives.** Of the nearly 3.4 million children living with neither parent, more than half are poor, compared to 1 in 6 of those living with at least one parent.<sup>5</sup>
- **Poverty has become more suburban.** Although poverty rates rose in both cities and suburbs between 1999 and 2005, the number of suburban poor was larger than their city counterparts by at least 1 million. Nonetheless, in 2005 the poverty rate in large cities was twice as high as in suburbs.<sup>6</sup> In large cities, families with children under 18 years old are twice as likely to be poor as those living in the suburbs.

## HOW DOES POVERTY AFFECT CHILDREN?

Poverty is not simply about income security. It affects a family's ability to provide for their children in many areas. Poor children lag behind their peers in many ways beyond material well-being. The challenges they face accumulate and interact, giving poor children an unfair start in life.

- **Health:** Poor children are less likely to have access to health care and are less likely to be in good health. About 1 in 5 poor children lacks health insurance, compared with only 1 in 10 non-poor children.<sup>7</sup> Additionally, children in poor families are 3 times as likely to be in fair or poor health as children in non-poor families.<sup>8</sup> Not only do poor children have more severe health problems than higher-income children, but they fare worse than higher-income children with the same problems in terms of the impact and severity of their condition.<sup>9</sup>
- **Food Security:** Poor children are also at higher risk of not having enough food. In 2005, low-income children were 5 times as likely to go hungry as other children.<sup>10</sup>
- **Early Development:** Much research has found significant income-related disparities in cognitive skills in children as young as 3 or 4 years old. Large differences in average math and reading scores by socioeconomic status have been documented in children beginning kindergarten. Also, the development of noncognitive skills such as those

relating to behavior show differences by income group at an early age. Large differences between children in poor and non-poor families in indicators such as physical aggression have been documented at ages as young as 17 months.<sup>11</sup>

These early gaps in cognitive and noncognitive skills tend to persist later in life. Children with low test scores before entering kindergarten are likely to do less well in school, to engage in crime, to become adolescent parents, and to be unemployed as adults. Additionally, behavioral problems such as physical aggression in the early years appears to be highly predictive of criminal behavior later in life.<sup>12</sup>

- **Home and Family Environment:** Stress and conflict related to low income can undermine the strength of a family. Lower income parents report feeling more economic pressure, argue more about money, and use more harsh and inconsistent discipline with their children. Economic strain can even result in family breakup. Poor married parents not only argue more but they also break up at twice the rate of non-poor families.<sup>13</sup>

Home and family activities differ by income as well. One study showed that, compared with kindergarteners from families in the bottom fifth of the socioeconomic distribution, children from the top fifth of all families have three times as many books at home, are read to more often, watch far less television, are four times more likely to have a computer in the home, and are more likely to visit museums or libraries.<sup>14</sup>

- **Education:** Poor children do worse in school and are less likely to graduate from high school. In 2005, only 15 percent of low-income eighth-grade students were proficient in reading, compared with 39 percent of their higher-income classmates.<sup>15</sup> Similarly, only 19 percent of low-income fourth-grade students were proficient at math, compared to 49 percent of their classmates from higher income groups.<sup>16</sup> Additionally, high school students from families in the lowest income quintile dropped out of school at more than 5 times the rate of their peers from families in the top income quartile in school year 2000-2001.<sup>17</sup>
- **Crime:** Income has a significant effect on youth participation in serious criminal activity (such as stealing with a weapon or use of force, stealing a car, assault or selling hard drugs). Youth from low-income households have an increased likelihood of participating in serious crimes compared to those from higher-income households.<sup>18</sup>

## **THE ECONOMIC AND SOCIAL COSTS OF CHILD POVERTY**

In addition to affecting children themselves and the adults they become, child poverty takes a heavy toll on the United States as a whole. The most recent estimates indicate that the social and economic cost of child poverty totals *half a trillion dollars each year* - or the equivalent of nearly 4 percent of GDP - in loss of productivity, costs of crime and health.<sup>19</sup>

Taxpayers ultimately pay for higher expenditures on social services, medical care, and criminal justice or in the diversion of government attention and resources from other pressing needs. Taxpayers also pay when a poor child needs special education or must repeat a grade and when a poor child suffers mental and physical disabilities that require costly care.

Businesses pay when poor children grow up with less education and become less productive workers –workers who require more training, cannot work as fast or learn new machinery and techniques, cannot understand an instruction manual, or make costly mistakes with customer orders or valuable equipment. Everyone pays when a child grows up in poverty.<sup>20</sup>

## **SELECTED PUBLIC PROGRAMS THAT COMBAT CHILD POVERTY**

Programs that reduce child poverty by providing cash or near-cash assistance include the Food Stamp Program, the Temporary Assistance for Needy Families Program (TANF), and the Earned Income Tax Credit (EITC). There also are other programs, such as Medicaid, the State Children’s Health Insurance Program (SCHIP), Head Start, and Early Head Start that provide important support to low-income children such as health care and early childhood care and education. The safety net for families with children has changed greatly over the past two decades. Assistance for low-income families with children has been expanded, and workers can claim a stronger EITC, among other supports.

Government benefits – both federal and state – have made great strides in easing child poverty, lifting almost 1 of every 3 otherwise-poor children above the poverty line in 2003. Furthermore, poverty was made less severe for millions of other poor children than they would have otherwise been.<sup>21</sup>

In sum, public programs have eased poverty and its effects for millions of children and their families. Yet 13 million children remain poor, and millions of children who are eligible for programs such as Head Start, Early Head Start, Medicaid, and SCHIP are not enrolled in these essential programs. Much work remains to be done to ensure that all children have access to the health care, child care, early education, and income support they need.

**Earned Income Tax Credit (EITC):** The EITC program is a federal tax benefit for low- and modest-income workers who claim the credit. The program has been particularly effective at combating poverty; in fact, the EITC lifts more children out of poverty than any other program.<sup>22</sup> In 2003, the EITC lifted 2.4 million children out of poverty. Without it, the child poverty rate would have been almost one-fourth higher. In addition, there is agreement that expansion of the EITC was responsible for large increases in employment of single parents over the last two decades, which has also caused welfare rolls to decline.<sup>23</sup>

**Minimum Wage:** The minimum wage has also played an important role in strengthening a family’s ability to live above the poverty line, along with the EITC. It had not been raised since 1997 until recently, when it was raised from \$5.15 to \$7.25. Combined with food stamps and the EITC, a family of four with at least one parent working full time at the new minimum wage when in full effect will not have to raise its children in poverty.<sup>24</sup> This was not the case in the years immediately preceding the raise.

**Medicaid and State Children’s Health Insurance Program (SCHIP):** Well over 30 million low-income children currently have health coverage through Medicaid or SCHIP. Like other entitlement programs, Medicaid provides a degree of counter-cyclical protection during economic downturns that assists vulnerable families. If Medicaid and SCHIP enrollment had not grown in response to widespread job loss and the resulting loss of employer coverage in the 2000 to 2003 period, the number of uninsured children would

have grown more rapidly. Medicaid and SCHIP have resulted in a decrease in the percentage of uninsured low-income children, despite the erosion of employer-sponsored insurance.<sup>25</sup> However, some of these gains have been reversed recently; the number and percentage of children who were uninsured rose in both 2005 and 2006, reaching 9.4 million children (12.1 percent) in 2006. There are currently 1 million more uninsured children than there were two years ago. Also, almost 6 million uninsured children are eligible for SCHIP or Medicaid but are not enrolled due in part to administrative barriers to enrollment and retention.<sup>26</sup>

**Temporary Assistance for Needy Families (TANF):** TANF is the program intended to provide direct assistance to poor families. It replaced Aid to Families with Dependent Children (AFDC) as part of the effort to “end welfare as we know it.” TANF restrictions have resulted in weaker protections for the poorest families. Only about half of families with children that are poor enough to qualify for TANF assistance now receive it due to various barriers to enrollment and assistance. Additionally, many poor families are left deeper in poverty due to the reduction in overall income assistance provided through the TANF program.<sup>27</sup>

**Child Care Assistance:** In 2006, approximately 2.3 million children received child care assistance from the Child Care and Development Block Grant (CCDBG), TANF, and the Social Services Block Grant (SSBG).<sup>28</sup> However, funding for CCDBG has not been increased for inflation for fiscal years 2007 and 2008,<sup>29</sup> which partially explains why by 2010, the number of children receiving child care assistance is expected decline to 2 million - a reduction of about 300,000 children - impacting both them and their families.<sup>30</sup>

**Job Training and Employment Assistance:** Programs funded by the Workforce Investment Act have on average shown significant success in increasing participants' earnings. However, the federal government's investments in workforce development programs over the past two decades have not kept pace with the increasing demand for skilled workers. The range of workforce training programs – particularly those targeting low-income adults and youth – that have seen significant cuts in recent years have resulted in significant lost opportunities for both workers and the businesses that want to hire them.<sup>31</sup>

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SOURCES:

<sup>1</sup> U.S. Census Bureau, Current Population Survey, Poverty Thresholds 2006, retrieved at <http://www.census.gov/hhes/www/poverty/threshld/thresh06.html>.

<sup>2</sup> Estimates in this section (“Basic Facts About Child Poverty,”) unless otherwise noted, are from the U.S. Current Population Survey, Annual Social and Economic Supplement, March 2007. Calculations by the Children's Defense Fund.

<sup>3</sup> U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement. Table C8, retrieved at <http://www.census.gov/population/socdemo/hh-fam/cps2006/tabC8-all.xls>

<sup>4</sup> *Ibid*, U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement.

<sup>5</sup> *Ibid*, U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement.

<sup>6</sup> Alan Berube and Elizabeth Kneebone, “Two Steps Back: City and Suburban Poverty Trends 1999–2005,” (Washington, DC: Brookings Institution, January 2006).

<sup>7</sup> U.S. Census Bureau, Revised 2006 Annual Social and Economic Supplement to the Current Population Survey. Calculations by the Children's Defense Fund.

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- <sup>8</sup> Bloom B, Dey AN, Freeman G. Summary Health Statistics for U.S. Children: National Health Interview Survey, 2005. National Center for Health Statistics. Vital Health Stat 10(231). December, 2006. Calculations by the Children's Defense Fund.
- <sup>9</sup> Anne Case and Christina Paxson, "Children's Health and Social Mobility," *The Future of Children* 16, No. 2 (Fall, 2006).
- <sup>10</sup> Mark Nord, Margaret Andrews, and Steven Carlson, USDA, "Household Food Security in the United States, 2005," Economic Research Report No. (ERR-29) 68 pp, November 2006.
- <sup>11</sup> Jens Ludwig and Isabelle Sawhill, "Success by Ten," (Washington, DC: Brookings Institution, February 2007). Quotation of Lee and Burkam 2002 study.
- <sup>12</sup> Jens Ludwig and Isabelle Sawhill, "Success by Ten," (Washington, DC: Brookings Institution, February 2007). Reference to Rouse et al (2005) and Reiss and Roth (1993).
- <sup>13</sup> Arloc Sherman, "Poverty Matters: The Cost of Child Poverty in America," (Washington, DC: Children's Defense Fund, 1997).
- <sup>14</sup> Jens Ludwig and Isabelle Sawhill, "Success by Ten," (Washington, DC: Brookings Institution, February 2007).
- <sup>15</sup> US Department of Education, National Assessment of Educational Progress, "The Nation's Report Card Reading 2005," Institute of Education Sciences, NCES 2006-451, retrieved at: <http://nces.ed.gov/nationsreportcard/pdf/main2005/2006451.pdf>
- <sup>16</sup> Ibid, US Department of Education
- <sup>17</sup> US Department of Education, NCES, "The Condition of Education 2004," (Washington, DC: US Government Printing Office, 2004).
- <sup>18</sup> David Bjerk, "Measuring the Relationship between Youth Criminal participation and Household Economic Resources," (Springer, October 2006).
- <sup>19</sup> Harry Holzer et al., "The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing up Poor," (Washington, DC: Center for American Progress, January 2007).
- <sup>20</sup> Arloc Sherman, "Poverty Matters: The Cost of Child Poverty in America," (Washington, DC: Children's Defense Fund, 1997).
- <sup>21</sup> Arloc Sherman, "Public Benefits: Easing Poverty and Ensuring Medical Coverage," (Washington, DC: Center on Budget and Policy Priorities, August 2005).
- <sup>22</sup> Robert Greenstein, "The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor," (Washington, DC: Center on Budget and Policy Priorities, August 2005).
- <sup>23</sup> Robert Greenstein, "The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor," (Washington, DC: Center on Budget and Policy Priorities, August 2005).
- <sup>24</sup> Jason Furman and Sharon Parrot. "A \$7.25 Minimum Wage Would Be a Useful Step in Helping Working Families Escape Poverty," (Washington, DC: Center on Budget and Policy Priorities, January 2007).
- <sup>25</sup> Leighton Ku, "Medicaid: Improving Health, Savings Lives" (Washington, DC: Center on Budget and Policy Priorities, August 2005).
- <sup>26</sup> U.S. Current Population Survey, Annual Social and Economic Supplement, March 2007. Calculations by the Children's Defense Fund.
- <sup>27</sup> Robert Greenstein, "The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor," (Washington, DC: Center on Budget and Policy Priorities, August 2005).
- <sup>28</sup> FY2008 Budget of the U.S Government. Table 25-5. Beneficiary Projections for Major Benefit Programs. Center for Law and Social Policy (CLASP). *Child Care and Development Block Grant Participation in 2005*. September 7, 2006.
- <sup>29</sup> Fight Crime: Invest in Kids. Child Care and Development Block Grant, <http://www.fightcrime.org/ccdbg.php>.
- <sup>30</sup> FY2008 Budget of the U.S Government. Table 25-5. Beneficiary Projections for Major Benefit Programs.
- <sup>31</sup> Robin Spence and Brendan Kiel, "Skilling the American Workforce 'On the Cheap': Ongoing Shortfalls in Federal Funding for Workforce Development" (Washington, DC: The Workforce Alliance Report, September 2003): 1.