

# CHAPTER 1

## POVERTY HURTS CHILDREN AND OUR NATION'S FUTURE

### Child poverty destroys dreams and opportunities.

Nearly 15 million children in America lived below the official poverty level — \$23,834 for a family of four — in 2013, based only on cash income. Over 40 percent of these children lived in extreme poverty, at less than half the poverty level. The youngest children were most likely to be poor, with more than 1 in 5 children under age 5 living in poverty during the years of rapid brain development.

### America's child poverty rate is one of the highest among industrialized nations.

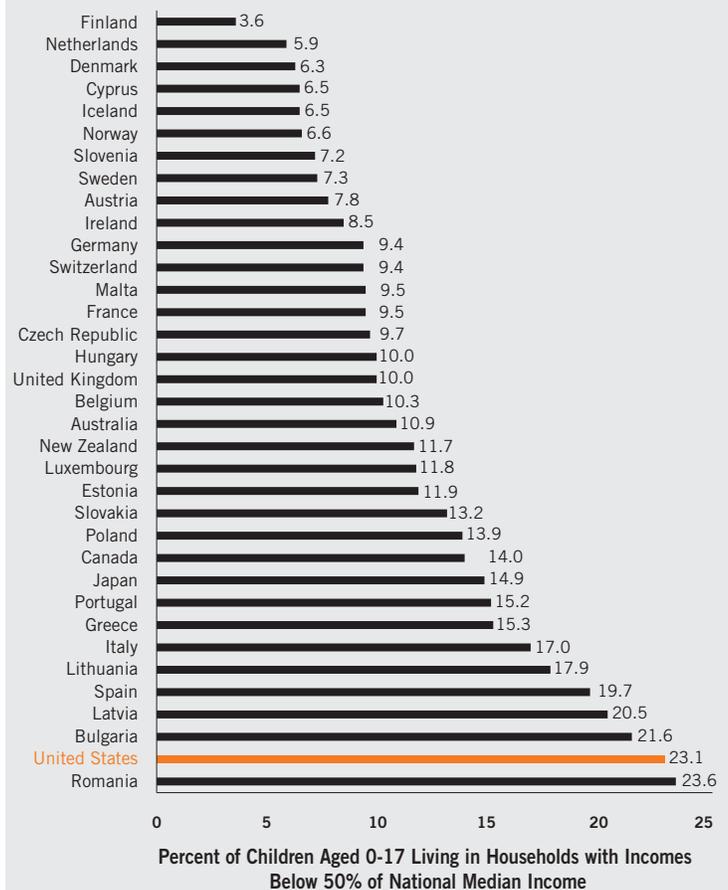
The United States, with the world's largest economy, has the shameful distinction of having the second highest relative child poverty rate among 35 industrialized nations.<sup>1</sup> With a rate more than six times higher than in Finland, the country with the lowest child poverty rate, the U.S. beat out only Romania, while lagging behind the rest of Europe, Australia, Canada, Japan, and New Zealand. Many countries with fewer resources have lower poverty rates, including the U.K., New Zealand, the Czech Republic and Hungary, a clear indication the U.S. could do much more to reduce child poverty.

Child poverty robs children of their future. Reducing child poverty would yield incalculable benefits for millions of children and the country as a whole.

### Child poverty creates gaps in cognitive skills in babies.

Poor parents have fewer financial resources and often experience more stress, and as a result their young children are less likely to be read to, spend less time talking to adults, and hear many fewer words each week than children from more affluent families.<sup>2</sup> One study found that by age 4, high-income children had heard 30 million more words than poor children.<sup>3</sup> Poor preschoolers are also less likely to be able to recognize letters, count to 20, or write their first names.<sup>4</sup> Income-related gaps in cognitive skills can be observed in babies as early as 9 months old and often widen with age.<sup>5</sup> These disparities create an early disadvantage that is often hard to overcome.

U.S. Ranks Second to Last in Child Poverty



Source: Unicef, 2013

## Childhood toxic stress can negatively impact brain functioning for life.

When children experience strong, frequent, or prolonged adversity — such as physical or emotional abuse, chronic hunger and neglect, caregiver substance abuse or mental illness, exposure to violence, or the accumulated burdens of family poverty — the stressful environment can become toxic. If this so-called “toxic stress” continues and is not mitigated by adequate adult support it can literally rewire children’s brains, disrupting their social competence and ability to succeed in school and in life and increasing the likelihood of low educational achievement, unstable employment, adult poverty, and involvement in the criminal justice system.<sup>6</sup>

### No Food, No Water, No Light

“ I remember not eating sometimes. I mean, the only time that we actually had food is when we went to my grandmother’s,” Carmen Griffith says bluntly. Her parents divorced when she was five, and her school teacher mother descended into alcoholism and depression. After one drunken episode when Carmen’s mother was arrested for breaking and entering, she lost her teaching job. Although she got sober and worked hard to turn her life around, the tough economic times got worse. Carmen and her younger sister had to go to grandma’s house to take baths, because there was no running water at their house. Sometimes there was no electricity. The family has struggled to eat and keep a roof overhead. Carmen never gave up and knows education will open doors for her future, and is pursuing her dream of becoming a child psychiatrist so she can help children struggling to overcome severe challenges, just as she has had to do.



## Child hunger jeopardizes children’s health and ability to learn.

Poor children are more likely to experience hunger. In 2013, more than 45 percent of poor children lived in homes where not everyone had enough food.<sup>7</sup> Food insecurity is associated with lower reading and math scores, greater physical and mental health problems, higher incidence of emotional and behavioral problems, and a greater chance of obesity.<sup>8</sup>

## Poor children experience worse health outcomes.

Poor children are less likely to have access to affordable quality health coverage. Nearly 1 in 6 poor children lacks health insurance compared to about 1 in 12 non-poor children.<sup>9</sup> Children in poor families are five times as likely to be in fair or poor health as children in non-poor families.<sup>10</sup> They have more severe health problems than higher-income children, and fare worse than higher-income children with the same problems. For example, a poor child with asthma is more likely to be reported in poor health, spend more days in bed, and have more hospital episodes than a high-income child with asthma.

Traumatic experiences in childhood — often called adverse childhood experiences — also impact health throughout life. The more adverse experiences in childhood, the greater the likelihood of health problems in adulthood including heart disease, diabetes, substance abuse, and depression.<sup>11</sup>

**Poor children are less likely to graduate from high school.**

Poor children are less likely to enter school ready to learn and to graduate from high school than their non-poor peers. One study found children who were poor for half their childhood were nearly 90 percent more likely to enter their 20s without completing high school than those who had never been poor.<sup>12</sup> And the younger the children were when they experienced poverty, the worse the impacts. Poor infants and toddlers — from birth to age 2 — were nearly 30 percent less likely to complete high school than children who first experienced poverty later in childhood.

**Child poverty fuels the intergenerational cycle of poverty.**

In one study, people who experienced poverty at any point during childhood were more than three times as likely to be poor at age 30 as those who were never poor as children.<sup>13</sup> The longer a child was poor, the greater the risk of adult poverty.

**Child poverty has substantial economic costs.**

Costs of Child Poverty	
Lost Productivity	\$170 billion
Increased Crime	\$170 billion
Worse Health	\$160 billion
	<b>\$500 billion</b>

According to one study, the lost productivity and extra health and crime costs stemming from child poverty add up to roughly half a trillion dollars a year, or 3.8 percent of GDP.<sup>14</sup> Another study found eliminating child poverty between the prenatal years and age 5 would increase lifetime earnings between \$53,000 and \$100,000 per child, for a total lifetime benefit of \$20 to \$36 billion for all babies born in a given year.<sup>15</sup> And we can never measure the countless innovations and discoveries that did not occur because children’s potentials were stunted by poverty.

***It doesn't have to be this way. Child poverty can be reduced.***

Child poverty is not immutable. Poverty rates change with the economy and changes in government policies. Child poverty, based just on earnings and cash benefits, declined 49 percent during the economic expansion of the 1960s and 29 percent during the economic boom of the late 1990s, but *grew* 59 percent from 1969 to 1983 as the economy faltered.<sup>16</sup>

The U.S. has made substantial progress in reducing poverty over the past 50 years despite worsening inequality and increased unemployment. Child poverty dropped over a third between 1967 and 2012 when income from tax credits and in-kind benefits like nutrition assistance are counted.<sup>17</sup> This is all the more remarkable given that unemployment and income inequality more than doubled during this period.

The United Kingdom provides a modern example of how a concerted effort to reduce child poverty can succeed, even during economic recession.<sup>18</sup> In 1999, Prime Minister Tony Blair’s government committed to ending child poverty (see text box on p.14). Through a multi-pronged approach, the British government under Blair and his successor Gordon Brown managed to reduce child poverty by more than half over 10 years, and reductions persisted during the Great Recession. Many families with children benefited, but poorer children benefited most: Average incomes for families with children increased \$3,200, and incomes for families in the bottom fifth of the income range increased \$7,200.

## The U.K.'s Three-Pronged Approach to Ending Child Poverty

1. Increased employment through a mostly voluntary welfare-to-work program, the first national minimum wage, and tax reductions and tax credits for workers and employers.
2. Increased incomes among families with children regardless of parental employment through increases in a universal child benefit and means-tested income supports for low-income families with children and through a new child tax credit.
3. Reduced the intergenerational transmission of poverty through investments in early childhood and primary and secondary education including improvements to maternal and paternal leave policies, the introduction of universal preschool for 3- and 4-year-olds, and expansions of child care assistance for working families.

### Ending child poverty permanently first requires boosting resources of poor families with children.

A recent Washington Post article reported that if the U.K. suddenly decided to join the U.S. as a state, it would be the second-poorest state, as measured by GDP per capita, behind Alabama and just ahead of Mississippi.<sup>19</sup> If the U.K. can reduce child poverty, so can the U.S. In fact, given the U.S. has the world's largest economy and given the high costs the U.S. incurs from child poverty every year, the nation cannot afford *not to* end child poverty.

The quickest way to reduce child poverty is to improve the economic circumstances of poor children. This would alleviate child suffering and is a key step toward ending childhood poverty permanently, since growing up in poverty increases the likelihood of being poor as an adult and a parent.

Current income support and safety net programs and policies help millions of children every year. Child care assistance and the Earned Income Tax Credit (EITC) help parents work and boost the value of work. Programs like nutrition and housing assistance help ensure children eat and have a roof over their heads when jobs for their parents are scarce or do not pay enough.

## 1 IN 5 CHILDREN LIVES IN POVERTY



### **Safety net investments provide long-term benefits.**

Not only do these programs help ensure children are fed and housed, federal safety net programs like the EITC and the Supplemental Nutrition Assistance Program (SNAP) are investments that improve children's long term outcomes. Children from families receiving income boosts from the EITC or similar programs have been found to have better birth outcomes, higher test scores, higher graduation rates and higher college attendance.<sup>20</sup> Such outcomes translate into increased economic security later in life. One study found children in low-income families that received an additional \$3,000 dollars a year between the child's prenatal year and fifth birthday earned on average 17 percent more as adults than similar children whose families did not receive the added income.<sup>21</sup> Studies of the federal nutrition programs found needy children who received food assistance before age 5 were in better health as adults and were more likely to complete more schooling, earn more money, and not rely on safety net programs as adults.<sup>22</sup>

### **The nation could reduce child poverty now.**

Despite evidence of both short- and long-term benefits, millions of poor children do not receive the assistance they need because of limited eligibility and benefits and lack of funding.

The Children's Defense Fund wanted to answer a basic question: *"How close could the nation get to ending poverty for today's children by simply investing more in approaches that work?"* To answer this question, CDF contracted with the Urban Institute, a leading nonpartisan research organization, to estimate the impact on child poverty of changes to nine existing federal programs and policies. The Urban Institute found the nation could reduce child poverty by a striking 60 percent by implementing these nine policy changes, demonstrating that the nation currently has the tools to significantly reduce child poverty. There can no longer be any excuse for our country not living up to its creed that all children should have the same opportunity to succeed.

### **Homeless in High School**

In the summer of 2012, Craig Phillips was looking forward to his junior year at Boys and Girls High School in Brooklyn, New York. But after Craig tried to protect his mother from his father in a violent domestic confrontation, his father kicked them out of the house. Craig said, "Ever since that point, life has just never been the same." Craig, his mother and older brother ended up in a homeless shelter for his junior and senior years of high school. His mother continued to work as a habilitation aide for Cerebral Palsy of New York. His brother and Craig worked too. But their combined salaries were not sufficient to afford an apartment in the city of New York. Finally, Craig and his family were able to move into their own home, a state-subsidized apartment, in the spring of 2014. Craig beat the odds of homeless high school students by graduating from high school and entering his freshman year of college.

