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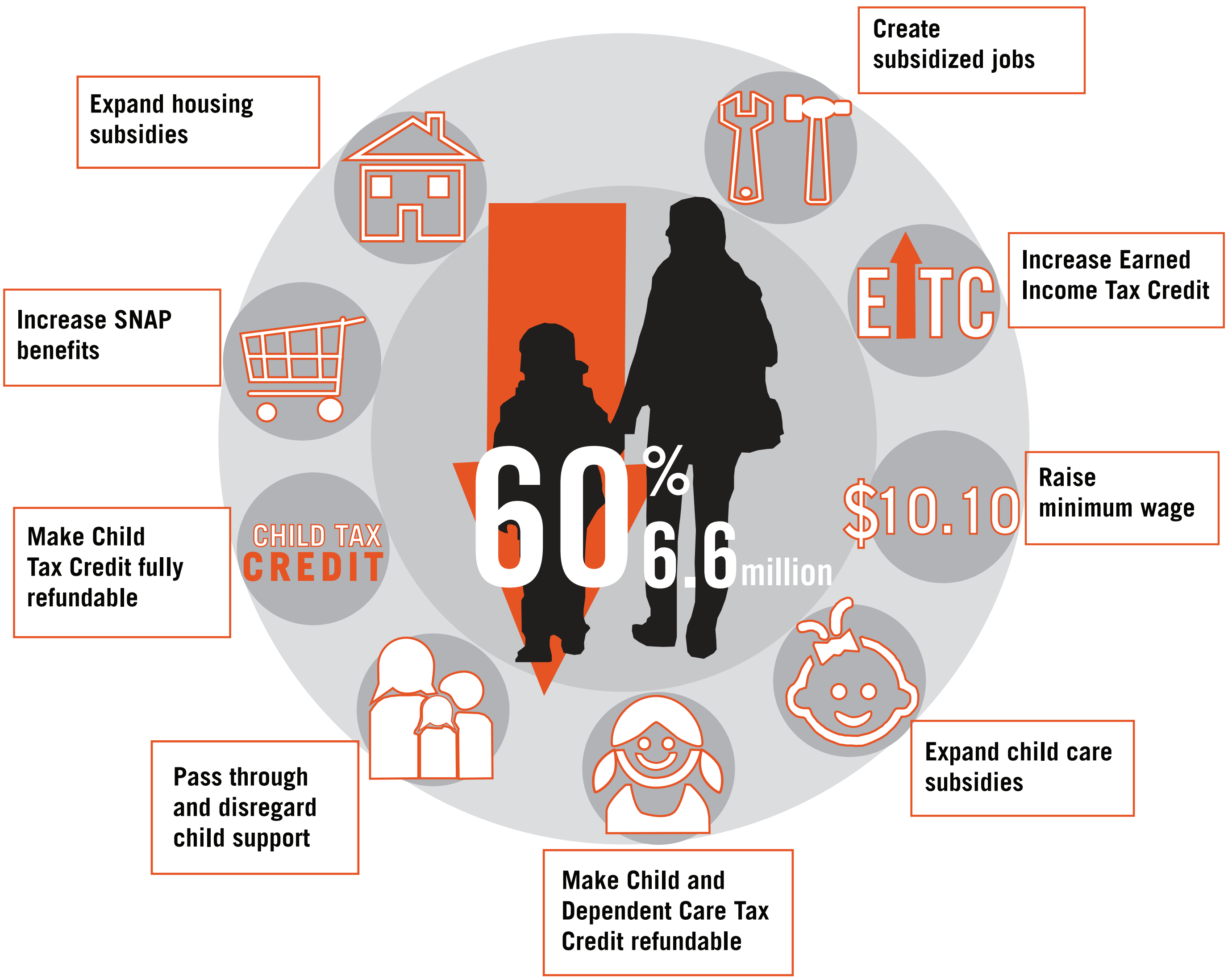
HOW TO REDUCE CHILD POVERTY BY 60 PERCENT



OVERVIEW

For the first time, this report shows that by investing an additional 2 percent of the federal budget into existing programs and policies that increase employment, make work pay, and ensure children's basic needs are met, the nation could reduce child poverty by 60 percent and lift 6.6 million children out of poverty.

The United States has the second highest child poverty rate among 35 industrialized countries despite having the largest economy in the world. A child in the United States has a 1 in 5 chance of being poor and the younger she is the poorer she is likely to be. A child of color, who will be in the majority of U.S. children in 2020, is more than twice as likely to be poor as a White child. This is unacceptable and unnecessary. Growing up poor has lifelong negative consequences, decreasing the likelihood of graduating from high school and increasing the likelihood of becoming a poor adult, suffering from poor health, and becoming involved in the criminal justice system. These impacts cost the nation at least half a trillion dollars a year in lost productivity and increased health and crime costs. Letting a fifth of our children grow up poor prevents them from having equal opportunities to succeed in life and robs the nation of their future contributions.

The U.S. can end child poverty by investing more in programs and policies that work. Substantial progress in reducing child poverty has been made over the past 50 years, despite worsening income inequality and increased unemployment and low-wage work. Child poverty dropped over a third from 1967 to 2012 when income from in-kind benefits like nutrition and housing assistance and tax credits are counted. Without these federal safety net programs child poverty would have been 68 percent higher in 2013, and 8.2 million additional children would have been poor. Despite this progress, 12.2 million children were poor in 2013 even after taking into account federal safety net programs because good jobs are still too scarce and safety net programs are stretched far too thin.

Recognizing the harms child poverty causes and building on progress already made in reducing child poverty, the Children's Defense Fund contracted with the Urban Institute to estimate the impact on child poverty if the nation invested more in proven poverty reduction strategies. Focusing on policies and programs that improve families' current economic well-being, CDF targeted changes in nine existing programs and policies that help make work pay, increase employment, and meet children's basic needs.

Using the Supplemental Poverty Measure (SPM) that best accounts for the impact of government benefits and tax policy, and 2010 data, the most recent available when research began, the Urban Institute found that these changes would:

- Reduce child poverty 60 percent — lifting 6.6 million children, 0.5 million of them extremely poor, above the poverty line.
- Improve the economic circumstances of another 4 million poor children, although not enough to lift them above the poverty line.
- Reduce child poverty among children under 3 by 64 percent.
- Reduce poverty among Black children, who suffer the highest child poverty rates, 72 percent.
- Reduce poverty among single-parent households 64 percent.
- Reduce poverty among children in non-metropolitan areas 68 percent.

In all, 97 percent of poor children would experience improvements in their family's economic circumstances.

Policy Improvements To Reduce Child Poverty By 60 Percent

Increasing employment and making work pay more for adults with children

- Increase the Earned Income Tax Credit for lower-income families with children.
- Increase the minimum wage from $7.25 to $10.10.
- Create subsidized jobs for unemployed and underemployed individuals ages 16-64 in families with children.
- Make child care subsidies available to all eligible families below 150 percent of poverty.
- Make the Child and Dependent Care Tax Credit refundable with a higher reimbursement rate.

Ensuring children's basic needs are met

- Base SNAP benefits on USDA's Low-Cost Food Plan for families with children.
- Make the Child Tax Credit fully refundable.
- Make housing vouchers available to all households with children below 150 percent of poverty for whom fair market rent exceeds 50 percent of their income.
- Require child support to be fully passed through to TANF families, fully disregarded for TANF benefits, and partially disregarded for SNAP benefits.

Reducing child poverty 60 percent with these improvements was estimated to cost $77.2 billion in 2010, only 2 percent of U.S. government spending that year, 0.5 percent of the 2010 U.S. gross domestic product (GDP), and 15 percent of the estimated $500 billion the nation spends every year for the costs of children growing up poor. By reducing child poverty now the nation would reduce these children's chances of becoming poor adults and reduce child poverty in the next generation.

Our nation can easily afford it. There are multiple ways to increase investments in children without increasing the deficit, from reducing military spending — the U.S. accounts for less than 5 percent of the world's population but 37 percent of the world's military spending — to closing tax breaks and loopholes that cost the nation hundreds of billions while fueling the nation's alarming income and wealth gaps (see tradeoff details on p. 31).

The Urban Institute's analysis for CDF is clear: by investing more in existing programs the U.S. could substantially decrease child poverty immediately. Shrinking child poverty by 60 percent and improving economic circumstances for 97 percent of poor children would improve the life chances of millions of children, bring child poverty in the U.S. in line with rates in other high-income countries, and help prevent poverty in the future. As the wealthy and powerful nation we are, it is way past time we commit to ensuring all children's basic needs are met. This report shows for the first time that solutions to child poverty in our rich nation already exist if we are willing to invest in them. Let's create that public will and take action for our children — they cannot wait.

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Baby Tristan

One-year-old Tristan lived in a Detroit homeless shelter with his mother Ashante Dickens. Since childhood, his 21-year-old mother has had a clear goal: "I want to be an elementary school teacher. That's my passion." She got good grades in school, and did well enough in high school to be allowed to take a few early enrollment classes at a nearby college in early childhood education. She was on the road to realizing her dream when a family problem changed her course. After Tristan was born, they moved to a transitional living shelter for mothers and children. Ashante began receiving cash assistance and benefits from the Supplemental Nutrition Assistance Program (SNAP). As soon as Tristan was a few months old she went back to work. "I don't think anybody wants to be on assistance. My motivation is to work harder so I don't need it." Temporary Assistance for Needy Families (TANF) gave her a voucher for day care; otherwise she would have ended up making very little. Programs like TANF, SNAP, and others that provide a stable place to live are lifelines for Tristan and Ashante and millions of others.

Pennies and Dimes

The Nailors are better off than many. They live in a house with a yard in a small town in Middle America — the sort of place that might have been featured in a Norman Rockwell painting. Beneath the veneer of the middle class image, the family struggles. In 2011, Amanda, 4, and Emily, 3, wore hand-me-downs and played with secondhand toys. Their father, John Nailor, owned a computer repair business in Evart, Michigan but made less than $22,314 a year, the poverty level for a family of four in 2011. The family was on a budget so tight that by the end of the month they were down to dimes and pennies. They didn't have cable television. They never went out. "If it weren't for food stamps and the income tax credit, I don't know where we'd be," he said. "We would be lost."