Family Poverty and Early Childhood: Implications for Policy

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National Center for Children in Poverty

Who We Are

- NCCP is a non-partisan, public interest research organization at Columbia University's Mailman School of Public Health.
- Our ultimate goal: Improved outcomes for the next generation.
- Three areas of research:
  1. Family economic security
  2. Strong nurturing families
  3. Healthy child development and early school success

Family Poverty and Early Childhood

Overview of Today's Presentation

- What it means to be "poor," i.e., low income
- Young children living in low-income families: basic demographics
- Why family income matters for children—especially young children
- What can be done

What it Means to be "Poor"

The Official Poverty Measure is Inadequate

- A family—and therefore children—cannot thrive on a poverty-level income:
  - $20,650 for a family of 4
  - $17,170 for a family of 3
- Measure was originally based on the assumption that families spend a third of their incomes on food.
- But housing and child care are now the biggest expenditures; food is typically 15% or less of a "basic needs" budget.

What it Means to be "Poor"

Basic Needs Budget: Single-Parent Family of 3 Hartford, CT

	Monthly	Annual
Rent and Utilities	$979	$11,748
Food	$437	$5,244
Child Care	$1,038	$12,456
Health Insurance	$190	$2,280
Transportation	$306	$3,672
Other Necessities	$382	$4,584
Payroll and Income Taxes	$433	$5,196
TOTAL	**$3,3765**	**$45,180**
Annual budget = 2.6 times the official poverty level of $17,170		

Source: Data derived from NCCP's Family Resource Simulator, Connecticut 2005.

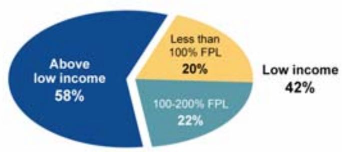
What it Means to be "Poor"

Low Income is a Better Proxy for Need

- Research shows that it takes, on average, an income of about twice the FPL to cover basic family expenses, depending on local cost of living:
  - $41,300 for a family of 4
  - $34,340 for a family of 3

Young Children Living in Low-Income Families

Children under age 6, by family income, 2005



Source: *Basic Facts About Low-Income Children: Birth to Age 6.* (2006). National Center for Children in Poverty at the Mailman School of Public Health, Columbia University.

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Young Children Living in Low-Income Families

Low Income Rates Vary By Race/Ethnicity

- 63% of Latino children under age 6—3.4 million—live in low-income families.
- 65% of black children under age 6—2.2 million—live in low-income families.
- 26% of Asian children under age 6—0.3 million—live in low-income families.
- 26% of white children under age 6—4.0 million—live in low-income families.

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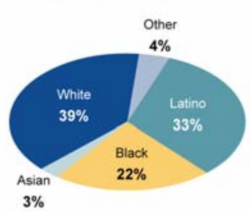
Young Children Living in Low-Income Families

Children under age 6 living in low-income families, by race/ethnicity, 2005



Source: *Basic Facts About Low-Income Children: Birth to Age 6.* (2006). National Center for Children in Poverty at the Mailman School of Public Health, Columbia University.

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Young Children Living in Low-Income Families

Low-income Young Children Have Working Parents

- 53% of low-income children under age 6 have a parent who works full-time, year round.
- Another 28% have a parent who works part-time or part-year.
- But they work in low-wage jobs that typically offer few benefits (such as health insurance, paid sick leave), little stability, and few opportunities for advancement.

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Why Income Matters for Young Children

The Risks for Young Children

- The younger the children, the more likely they are to live in poor or low-income families.
- 42% of children under age 6 are low-income, compared to 35% of teenagers.
- The younger the children, the more harmful poverty is to developmental outcomes.

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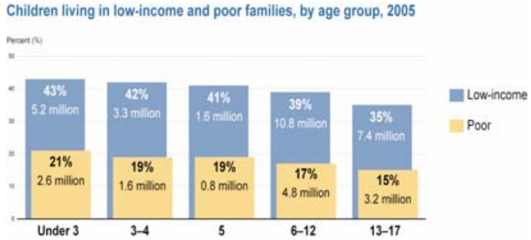
Why Income Matters for Young Children

Children living in low-income and poor families, by age group, 2005



Source: *Basic Facts About Low-Income Children: Birth to Age 18* (2006). National Center for Children in Poverty at the Mailman School of Public Health, Columbia University.

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Why Income Matters for Young Children

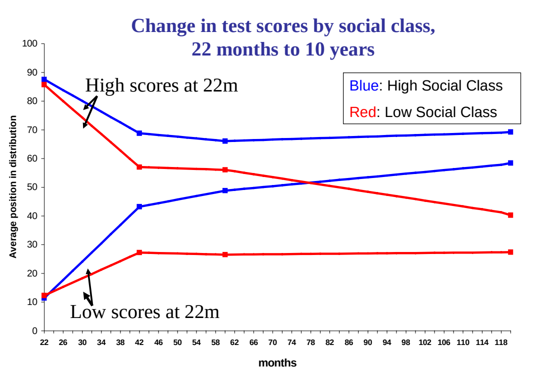
The Risks for Young Children (cont)

- Many low-income young children enter school without the language, social, and emotional skills to succeed.
- Estimates are that between one quarter and one-third of infants, toddlers and preschoolers are at risk of early school failure.
- Early school failure is highly correlated with later school failure.

Why Income Matters for Young Children

The Risks for Young Children (cont)

- At age 4, children who live below the poverty line are 18 months below the developmental norm for their age, and by age 10, the gap is still present.
- By third grade, children with well-educated parents know 12,000 words—3 times as many as less-educated parents.



Source: Feinstein, L. (2003) 'Inequality in the Early Cognitive Development of British Children in the 1970 Cohort, *Economica* (70) 277, 73-97

What Can Be Done

What Research Tells Us

- From experimental welfare programs, we know that:
  - Programs that *increase family income* consistently improve school achievement among elementary school-age children.
  - Programs that increase employment *without increasing income* have shown few consistent effects on children.
  - When programs *reduce income*, children are sometimes adversely affected.

What Can Be Done

What Research Tells Us (cont)

- Other research has shown:
  - Links between increased family income and improved school readiness in young children.
  - Links between increased family income and reductions in acting out disorders in low-income children and youth.
  - Links between stable and predictable family income over time and positive outcomes for children.

What Can Be Done

What Research Tells Us (cont)

- In short, increasing the incomes of low-income families—without any other changes—can positively affect child development, especially for younger children.
  - Money allows parents to invest in material resources and enrichment activities that promote learning.
  - Parents with more money are less likely to be stressed and depressed—both of which are linked to poor social and emotional outcomes for children.

What Can Be Done

Policy Implications

1. Change the policy conversation.
2. Support parenting, not just work.
3. Make work pay.

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What Can Be Done

Change the Policy Conversation

- Policy discussions about children and poverty tend to focus only on the *symptoms* of poverty—low educational achievement, social and behavioral problems, and poor health.
- Yet poverty itself is the single biggest threat to healthy child development.
- Improving child outcomes requires explicit attention to lifting families up economically.

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What Can Be Done

Support Parenting, Not Just Work

- Welfare policies narrowly focus on employment, ignoring children's need for nurturing parenting.
- Barriers to employment—low education, poor work history, depression, substance abuse, and domestic violence—are also barriers to effective parenting.
- For some TANF families, support services for parents should be given priority over "work first."

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What Can Be Done

Make Work Pay: The Paradox for Low-Wage Workers

- Low-income families may qualify for “work support” benefits (e.g., earned income tax credits, Medicaid, child care assistance) that help cover the cost of basic necessities.
- BUT, as earnings increase, families begin to lose these benefits.
- The result? Parents can earn more without improving their financial situation.

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What Can Be Done

An Example: Cindy Tate

- A single-mother with two children, a 3-year-old and a 6-year-old.
- Cindy’s family lives in Denver, where they rent an apartment.
- To meet her family’s basic needs, Cindy needs to earn $19 an hour working full time.

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What Can Be Done

Basic Needs Budget: Single-Parent Family of 3 Denver, CO

	Monthly	Annual
Rent and Utilities	$909	$10,908
Food	$442	$5,302
Child Care	$813	$9,753
Health Insurance	$231	$2,768
Transportation	$280	$3,367
Other Necessities	$365	$4,377
Payroll and Income Taxes	$325	$3,901
TOTAL	**$3,365**	**$43,380**
Hourly wage needed = $19 an hour for full-time work		

Source: Data derived from NCCP’s Family Resource Simulator, Colorado 2006.

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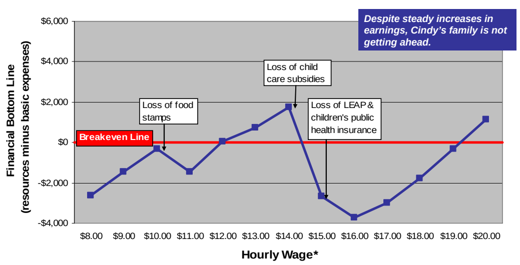
What Can Be Done

An Example: Cindy Tate (cont)

- But Cindy makes only $8 an hour at her full-time job.
- The good news is that she receives the following public benefits: income tax credits, public health insurance for her children, a child care subsidy, LEAP, and food stamps.
- The bad news, however, is that as her earnings increase, Cindy's family encounters the "Cliff Effect."

The Family Hits "Cliffs" as Earnings Increase



***Hourly wage:** Assumes full-time work (40 hours/week, 52 weeks/year)

Work supports: Child care subsidy, food stamps, LEAP, public health insurance, and income tax credits

Source: Data derived from NCCP's Family Resource Simulator, Colorado 2006.

What Can Be Done

When Work Doesn't Pay

- Benefit cliffs can mean that an increase in earnings may not improve a family's financial situation.
- In the best case, earnings increase but the family is only marginally better off.
- In the worst case, parents can work more and earn more, yet their families *end up worse off financially*.
- But there are policy solutions.

What Can Be Done

NCCP's Family Resource Simulator

- A web-based tool that simulates the impact of federal and state "work support" benefits on the budgets of low- to moderate-income families.
- Simulators developed for 12 states and DC:
  AL, CO, CT, DC, DE, GA, IL, MA, MD, MI, NY, PA, TX
- Available at www.nccp.org.

What Can Be Done

Make Work Pay

- Restructure work support benefits so that working and earning more always leaves a family better off.
- Benefits include:
  - Earned income tax credits (federal, state, and local)
  - Child care subsidies
  - Health insurance
  - Food stamps
  - Housing assistance

What Can Be Done

Make Work Pay (cont)

- Phase benefits out gradually to avoid steep cliffs.
- Raise eligibility limits.
- Serve a greater share of eligible families.
- Be mindful of program interactions.

For more information, see *When Work Doesn't Pay: What Every Policymaker Should Know.*

Family Poverty and Early Childhood

For more information, see:

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