

BRIEF



Who Are America's Poor Children? *The Official Story*

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The National Center for Children in Poverty (NCCP) is the nation’s leading public policy center dedicated to promoting the economic security, health, and well-being of America’s low-income families and children. Using research to inform policy and practice, NCCP seeks to advance family-oriented solutions and the strategic use of public resources at the state and national levels to ensure positive outcomes for the next generation. Founded in 1989 as a division of the Mailman School of Public Health at Columbia University, NCCP is a nonpartisan, public interest research organization.

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Over 15 million American children live in families with incomes below the federal poverty level, which is \$22,050 a year for a family of four.¹ The number of children living in poverty increased by 33 percent between 2000 and 2009. There are 3.8 million more children living in poverty today than in 2000.

Not only are these numbers troubling, the official poverty measure tells only part of the story. Research consistently shows that, on average, families need an income of about twice the federal poverty level

to make ends meet.² Children living in families with incomes below this level – for 2010, \$44,100 for a family of four – are referred to as low income. Forty-two percent of the nation's children – more than 31 million in 2009 – live in low-income families.³

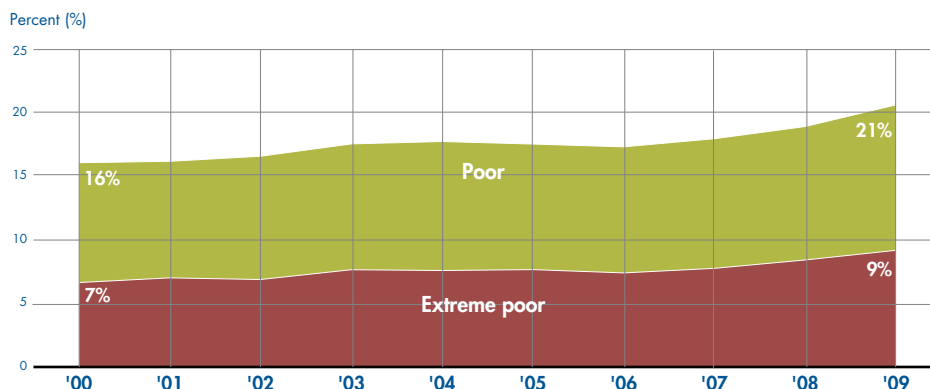
Nonetheless, eligibility for many public benefits is based on the official poverty measure. This fact sheet describes some of the characteristics of American children who are considered poor by the official standard.⁴

How many children in America are officially poor?

The percentage of children living in poverty and extreme poverty (less than 50 percent of the federal poverty level) has increased since 2000.

- ◆ Twenty-one percent of children live in families that are considered officially poor (15.3 million children).
- ◆ Nine percent of children live in extreme poor families (6.8 million).

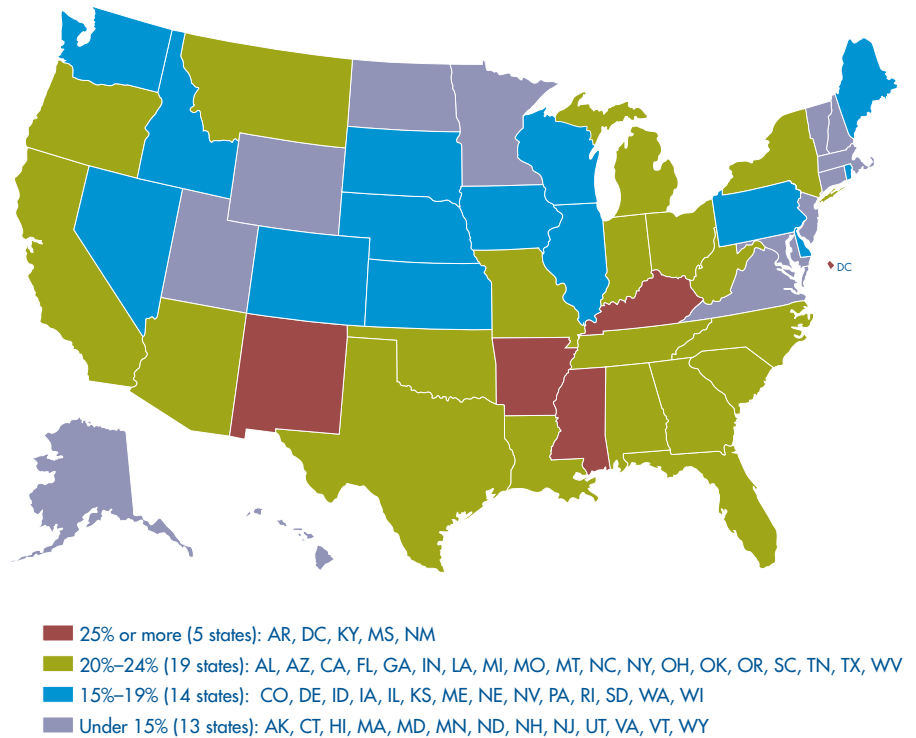
Children living in poor and extreme poor families, 2000–2009



Rates of official child poverty vary tremendously across the states.

◆ Across the states, child poverty rates range from 10 percent in New Hampshire to 30 percent in Mississippi.

Child poverty rates across the states, 2009



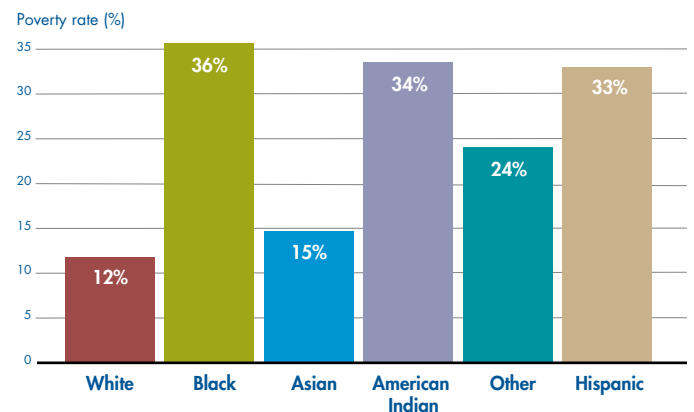
What are some of the characteristics of children who are officially poor in America?

Black, American Indian, and Hispanic children are disproportionately poor.

- ◆ Twelve percent of white children live in poor families. Across the 10 most populated states,⁵ rates of child poverty among white children do not vary dramatically; the range is nine percent in California and Texas to 16 percent in Ohio.
- ◆ Thirty-six percent of black children live in poor families. In the 10 most populated states, rates of child poverty among black children range from 30 percent in California and New York to 46 percent in Ohio and Michigan.
- ◆ Fifteen percent of Asian children, 34 percent of American Indian children, and 24 percent of children of some other race live in poor families (comparable state comparisons are not possible due to small sample sizes).⁶

◆ Thirty-three percent of Hispanic children live in poor families. In the 10 most populated states, rates of child poverty among Hispanic children range from 25 percent in Florida and Illinois to 41 percent in North Carolina and Georgia.

Child poverty rates by race/ethnicity, 2009



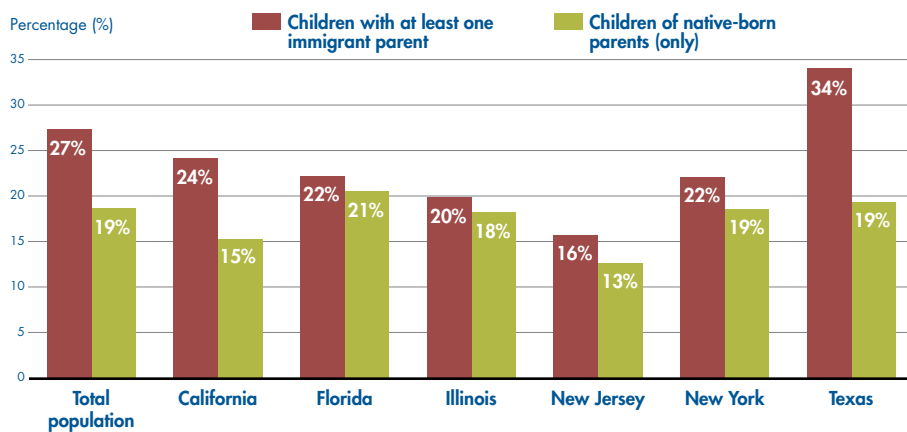
Having immigrant parents can increase a child's chances of being poor.

- ◆ Twenty-seven percent of children in immigrant families are poor; 19 percent of children with native-born parents are poor.
- ◆ In the six states with the largest populations of immigrants – California, Florida, Illinois, New Jersey, New York, and Texas – the poverty rate among children in immigrant families ranges from 16 percent to 34 percent.

Official poverty rates are highest for young children.

- ◆ Twenty-four percent of children younger than age 6 live in poor families; 19 percent of children age 6 or older live in poor families.
- ◆ In about two-thirds of the states (35 states), 20 percent or more of children younger than age 6 are poor, whereas only about a half (24 states) have a poverty rate for all children (younger than age 18) that is as high.

Poor children by parents' nativity, 2009



What are some of the hardships faced by children in America?

Food insecurity, lack of affordable housing, and other hardships affect millions of American children, not just those who are officially poor.

- ◆ Twenty-one percent of households with children experience food insecurity. The share of households with children experiencing food insecurity was split with about half (10 percent) reporting food insecurity among adults, only, and the other half (about 11 percent) reporting low and very low food security among children.⁷
- ◆ Nearly 50 percent of tenants living in renter-occupied units spend more than 30 percent of their income on rent.⁸
- ◆ Although crowded housing is relatively uncommon, five percent of poor households and nearly two percent of all households are moderately crowded with 1.01–1.50 persons per

room. Severe crowding with 1.51 or more persons per room characterizes about 1.1 percent of poor households and 0.3 percent of all households.⁹

- ◆ Compared to white families with children, black and Latino families with children are more than twice as likely to experience economic hardships, such as food insecurity.¹⁰

Many poor children lack health insurance.

- ◆ Sixteen percent of poor children lack health insurance, whereas 11 percent of all children (poor and non-poor) lack health insurance.¹¹
- ◆ In the 10 most populated states, the percentage of poor children who lack health insurance ranges from 12 percent in New York to 38 percent in Texas.¹²

Measuring Poverty: Needs and Resources¹³

The official U.S. poverty rate is used as one of the nation's primary indicators of economic well-being. The measure of poverty, which was developed in the 1960s, is calculated by comparing a family's or person's resources to a set of thresholds that vary by family size and composition and are determined to represent the minimum amount of income it takes to support a family at a basic level.¹⁴ Families or people with resources that fall below the threshold are considered poor.

The current poverty measure is widely acknowledged to be inadequate.¹⁵ The method of calculating the poverty thresholds is outdated. Originally based on data from the 1950s, the poverty threshold was set at three times the cost of food and adjusted for family size. Since then, the measure has been updated only for inflation. Yet food now comprises only about one-seventh of an average family's expenses, while the costs of housing, child care, health care, and transportation have grown disproportionately. The result? Current poverty thresholds are too low, arguably arbitrary, and they do not adjust for differences in the cost of living within and across states.

Further, the definition of resources under the current poverty measure is based solely on cash income. So while the measure takes into account a variety of income sources, including earnings, interest, dividends, and benefits, such as Social Security and cash assistance, it does not include the value of the major benefit programs that assist low-income families, such as the federal Earned Income Tax Credit, food stamps, Medicaid, and housing and child care assistance. Therefore, the way we measure poverty does not tell us whether many of the programs designed to reduce economic hardship are effective because the value of these benefits is ignored.

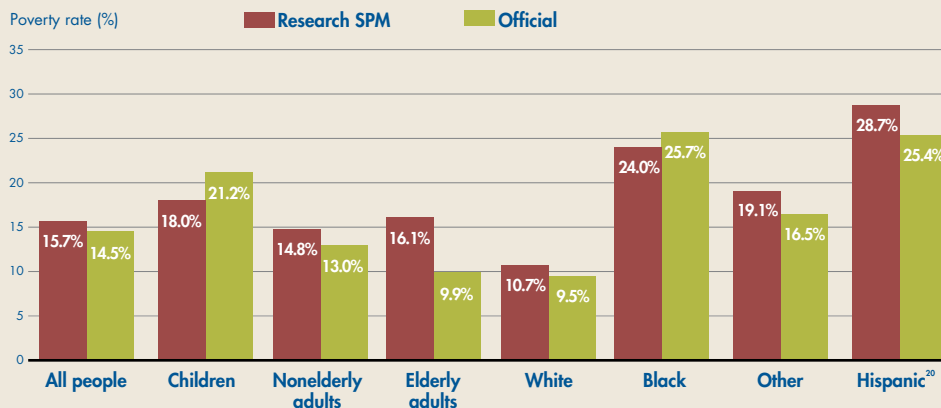
Considerable research has been done on alternative methods for measuring income poverty.¹⁶ In 2010, the Office of Management and Budget formed the Interagency Technical Working Group (ITWG) on Developing a Supplemental Poverty Measure to create a set of starting points that would allow the Census Bureau and the Bureau of Labor Statistics to

produce a supplemental poverty measure for estimating poverty at the national level. The group targeted two main issues: 1) establishing a threshold and 2) estimating family resources.¹⁷ First, the ITWG suggested that the poverty threshold represent a dollar amount that families need to purchase a basic bundle of commodities that include food, shelter, clothing and utilities (FSCU), along with a small amount for additional expenses. The threshold should be based on the expenditure data of families with two children and then adjusted to reflect different family types and geographic differences in housing. Finally, the threshold should be set to the 33rd percentile of the spending distribution for the basic bundle. Second, the ITWG suggested that family resources represent the sum of cash income from all sources along with near-cash benefits that families can use to purchase the basic FSCU bundle. In addition, expenses not included in the threshold, such as taxes, work and child care expenses, and medical out-of-pocket expenses should be subtracted from the sum of cash income and near-cash benefits.

Recently, the Census Bureau released estimates of poverty based on the research SPM, a preliminary measure of poverty incorporating the ITWG recommendations.¹⁸ In general, the findings in this report indicate that poverty is higher with the new measure when compared with the official measure. Approximately 14.5 percent¹⁹ of the population is poor using the official measure compared with 15.7 percent using the research SPM (see figure below). Children have lower poverty rates while adults, particularly the elderly, have higher rates using the new measure. Differences by race/ethnicity suggest higher poverty among most groups using the research SPM.

These differences are partly a function of the new measure's higher thresholds that consequently capture more people. However, some of the differences are explained by the new definition of resources, which subtracts medical out-of-pocket expenses from income – a large expenditure among the elderly population – as well as other work-related and child care expenditures.

Percent of people in poverty by different poverty measures, 2009



Source: Short, K. S. 2010. "Who is Poor? A New Look with the Supplemental Poverty Measure." Paper presented at the 2011 Allied Social Science Associations, Society of Government Economists. Denver, CO.

What should be done about child poverty?

Research suggests that being poor during childhood is associated with being poor as an adult.²¹ Yet, child poverty is not intractable. Policies and practices that increase family income and help families maintain their financial footing during hard economic times not only result in short-term economic security, but also have lasting effects by reducing the long-term consequences of poverty on children's lives. NCCP recommends a number of major policy strategies to improve the well-being of children and families living in poverty:

Make work pay

Since research is clear that poverty is the greatest threat to children's well being, strategies that help parents succeed in the labor force help children.²² Increasing the minimum wage is important for working families with children because it helps them cover the high cost of basic necessities, such as child care and housing.²³ Further, policies aimed at expanding the Earned Income Tax Credit and other tax credits such as the Additional Child Tax Credit and the Making Work Pay Tax Credit are particularly instrumental in putting well-needed dollars back into the hands of low-earning workers. Finally, many low-wage workers need better access to benefits such as health insurance and paid sick days. Reducing the costs of basic needs for low-income families Medicaid/SCHIP not only increase access to health care, but also helps families defray often crippling health care costs by providing free or low-cost health insurance. The Patient Protection and Affordable Care Act signed into law by President Obama promises to provide more affordable coverage and to prevent families from bankruptcy or debt because of health care costs. Further, housing is known to be a major expense for families. However, current housing subsidy programs are available for a small percentage of eligible families due to inadequate funding.²⁴ Housing subsidies have been shown to be positively related to children's educational outcomes.²⁵ Thus, it is important to increase funding for housing subsidies for families with children.

Support parents and their young children in early care and learning

To thrive, children need nurturing families and high quality early care and learning experiences. Securing child care is particularly important for working parents with young children. Research has found that child care subsidies are positively associated with the long-term employment and financial well-being of parents.²⁶ Along with providing child care subsidies, policies and practices that ensure high-quality child care are also important. For example, programs that target families with infants and toddlers, such as Early Head Start, have been shown to improve children's social and cognitive development, as well as improve parenting skills.²⁷ Investments in preschool for 3- and 4-year-olds are just as critical. In short, high-quality early childhood experiences can go a long way toward closing the achievement gap between poor children and their more well-off peers.²⁸

Support asset accumulation among low-income families

Many American families with children are asset poor, which means they lack sufficient savings to live above the poverty line for three months or more in the event of parental unemployment or illness when no earnings are available.²⁹ This type of economic vulnerability is typically masked by conventional poverty measures based on income. Unlike wages, income generated from assets provides a cushion for families. Further, parental saving promotes both positive cognitive development and subsequent college attendance among children.³⁰ There are two ways to support asset accumulation among low-income families. First, eliminating asset tests from major means-tested programs reduces the risk of running up large amounts of debt and increases the amount of financial resources parents have to invest in children. Second, there are programs that actively promote and encourage the development of saving habits among asset-poor families through matching funds incentives, such as the Individual Development Accounts (IDA) program and the Saving for Education, Entrepreneurship, and Down-payment (SEED) National Initiative programs.

Endnotes

1. Unless otherwise noted, national data were calculated from the U.S. Current Population Survey, Annual Social and Economic Supplement, March 2010, which represents information from calendar year 2009. State data were calculated by NCCP analysts from the 2009 American Community Survey, which represents information from 2009. Estimates include children living in households with at least one parent and most children living apart from both parents (for example, children being raised by grandparents). Children living independently, living with a spouse, or in group quarters are excluded from these data. Children ages 14 and under living with only unrelated adults were not included because data on their income status were not available. Among children who do not live with at least one parent, parental characteristics are those of the householder and/or the householder's spouse. In the most recent CPS and ACS, parents could report children's race as one or more of the following: "white," "black," "American Indian or Alaskan Native," or "Asian and/or Hawaiian/Pacific Islander." In a separate question, parents could report whether their children were of Hispanic origin. For the data reported, children whose parent reported their race as white, black, American Indian or Alaskan Native, or Asian and/or Hawaiian/Pacific Islander and their ethnicity as non-Hispanic are assigned their respective race. Children who were reported to be of more than one race were assigned as Other. Children whose parent identified them as Hispanic were categorized as Hispanic, regardless of their reported race.
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13. Authors' calculations from the 2009 American Community Survey.
14. For more information about the official poverty measure, see: Fass, Sarah. 2009. *Measuring Income and Poverty in the United States*. New York, NY: National Center for Children in Poverty, Columbia University, Mailman School of Public Health; Cauthen, Nancy K. 2007. Testimony before the House Subcommittee on Income Security and Family Support, Committee on Ways and Means. August 1, 2007; NYC Center for Economic Opportunity. 2008. *The CEO Poverty Measure: A Working Paper by the New York City Center for Economic Opportunity*. New York: New York City Center for Economic Opportunity.
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20. This estimate is slightly higher than the published poverty rate that appears in the Census publication, *Income, Poverty, and Health Insurance Coverage in the United States: 2009* (P60-238) because it includes unrelated individuals under age 15 in the poverty universe.
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