Children in Poverty: Trends, Consequences, and Policy Options

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Overview The percentage of U.S. children living in poverty in 2001 remained the lowest it’s been in nearly a quarter of a century. Nevertheless, a large number of children – one in six – are still poor, and the child poverty rate is no longer declining. Recently released U.S. Census data¹ show that the percentage of children living in families with incomes below the poverty line remained virtually unchanged between 2000 and 2001 (from 16.2 percent to 16.3 percent, a statistically insignificant difference).² Moreover, the number of children living in poverty remains quite high. In 2001, 11.7 million children were living in poverty,³ as were 11.6 million children in 2000.

Child poverty warrants attention, especially in light of a growing body of research that links poverty with lower levels of child well-being. For a variety of reasons, when compared with children from more affluent families, poor children are, for example, more likely to demonstrate low academic achievement, to drop out of school, and to have health, behavioral, and emotional problems. These linkages are particularly strong for children whose families are trapped in poverty for a long time.

This Research Brief brings together 2001 Census data to present a statistical portrait of children in poverty in the United States,⁴ updating a similar brief Child Trends produced in 1999. The brief also draws on available research studies to highlight some of the consequences of poverty for children and to consider program and policy approaches that seem to hold promise for decreasing poverty among low-income children and their families

Indicators and Trends

The overall child poverty rate is down dramatically, but has begun to stabilize.

- After peaking at 23 percent in 1993, the percentage of children living in families whose income was below the official poverty line fell until 2000, to approximately 16 percent. In 2001, it remained at that level, representing the lowest percentage in more than 20 years.

- The decrease in the poverty rate was especially large for black children – from 46 percent in 1993 to 30 percent in 2001 – and for Hispanic children—from 41 percent to 28 percent (see Figure 1).

Despite progress, racial and ethnic disparities persist.

- Black and Hispanic children were more than twice as likely to live in poverty in 2001 as non-Hispanic white and Asian or Pacific Islander children.

- More specifically, 30 percent of black children and 28 percent of Hispanic children lived in poverty in 2001, compared with 10 percent of non-Hispanic white children and 12 percent of Asian or Pacific Islander children (see Figure 1).

The proportion of poor children living in extreme poverty remains troubling.

- The percentage of children living in extreme poverty (below 50 percent of the poverty line), which reached 10 percent in 1994, dropped to slightly more than 6 percent by 2000.

- Yet the percentage of children living in extreme poverty is no longer declining. In 2001, 7 percent of all children lived in extreme poverty, a statistically insignificant change.

- Recent analyses suggest that children experiencing extreme poverty may be even worse off because their families have become
less likely than they were in the mid-1990s to use the social programs for which they are eligible, such as Food Stamps and Medicaid.5

**Family structure continues to be strongly related to whether or not children are poor.**

- Children living in households headed by single mothers were nearly five times as likely as children living in households headed by married parents to be living in poverty in 2001 – 39 percent versus 8 percent (see Figure 2). This held among all racial and ethnic groups:
  - Non-Hispanic white children living in households headed by single mothers (at 29 percent) were nearly six times as likely to be poor as non-Hispanic white children living in households headed by married parents (at 5 percent).
  - The poverty rate for black children living in households headed by single mothers was 47 percent, almost five times the rate for black children living with married parents (at 10 percent).
  - Among Hispanic children, 49 percent living in households headed by single mothers were poor, compared with 20 percent living in households headed by married parents.
  - Among Asian or Pacific Islander children, 27 percent living in households headed by single mothers were poor, compared with 9 percent living in households headed by married parents.
Children are more likely to be poor in the United States today than are older adults.

- In the 1970s, the percentage of children living in poverty was on the rise, while older Americans experienced a significant drop in poverty. This drop reflects, at least in part, a societal commitment to improve the lot of the nation’s elders through programs such as Social Security, which has lifted thousands of older Americans out of poverty.6

- While poverty levels declined for both older adults and children during the 1990s, the percentage of children living in poverty is still greater than that of older adults. In 2001, 16 percent of children were living in poverty, compared with 10 percent of those 65 and older. That’s one in six children and one in ten older adults (see Figure 3).

- By comparison, four decades ago, older Americans were more likely to be poor than children. For example, in 1959:
  - More than 35 percent of Americans 65 and older were living in poverty.
  - And nearly 30 percent of children under 18 were living in poverty.

The U.S. child poverty rate surpasses that of other industrialized nations.

- When using an internationally standardized definition of poverty (half the national median income), many industrialized countries have lower child poverty rates than the United States.7 For example, in the mid-1990s,8 the percentage of children living below half the national median income was:
  - 3 percent in Sweden;
  - 8 percent in France;
  - 11 percent in Germany;
  - 13 percent in Australia;
  - 15 percent in Canada;
  - 20 percent in the United Kingdom; and
  - 22 percent in the United States.

**CONSEQUENCES OF CHILD POVERTY**

Research shows that children who are raised in poverty are at increased risk of a wide range of negative outcomes that begin at birth and can extend into adulthood. We present a small sampling of these findings here.

**Health outcomes.** National data show that poor health outcomes are more prevalent among poor children. For example, poor children are more likely to be of low birth weight and to die in the first month of life than children who are not born into poverty.9 As they grow up, poor children are more likely than other children to have chronic health problems, such as asthma and anemia.10 Other research shows that experiencing poverty during the first three years of life seems to be related to substandard nutritional status and poor motor skills.11 Childhood poverty also seems to be related to “age-normed growth stunting” (low height-for-age) and “wasting” (low weight-for-age), common indicators of poor nutritional status.12 In addition, children who are poor are at greater risk of having accidents and injuries than children who are not living in poverty.13 Low-income children and adolescents are also more likely than higher income youth to have a physical impairment that restricts their activities.14 And lower income adolescents are more likely than their higher income peers to get involved in risky and health-compromising behaviors, such as smoking15 or engaging in early sexual activity.16

Researchers note that while these studies show associations between child poverty and poor health outcomes, these associations do not identify the pathways by which poverty affects health; and there are many possibilities. For example, poor families are more likely to live in substandard housing17 that may have lead paint and other
health hazards\textsuperscript{18} and in disadvantaged neighborhoods that are not safe and that may provide fewer positive models of people who exhibit healthy behaviors.\textsuperscript{19} Similarly, living in households that sometimes don’t have enough nutritious food may explain why some children’s growth is stunted.\textsuperscript{20} These examples underscore the need for rigorous research about the pathways through which child poverty affects health outcomes.

**Social outcomes.** Poverty is related to children’s social and emotional development in numerous ways. For example, one study found that long-term poverty is associated with children’s inner feelings of anxiety, unhappiness, and dependence, while current poverty is associated with externalized behaviors, such as disobedience and aggression.\textsuperscript{21} Other research indicates that adolescents from lower income families are more likely to become pregnant or to bear children than their higher income peers.\textsuperscript{22}

A number of possible explanations have been advanced about how poverty influences children’s social, emotional, and behavioral outcomes. One is that poor children are more likely to be raised by single parents and (perhaps related to this) to live in households where there is less parental supervision and more parental distress.\textsuperscript{23} Another is that children in low-income families may be less likely than children who grow up in more economically comfortable circumstances to be exposed to positive social norms in their lives and neighborhoods.\textsuperscript{24} Researchers also suggest that increased “acting out” among children in poverty might reflect parents’ lower levels of emotional responsiveness to their children, more frequent use of physical punishment, and lower quality home environments.\textsuperscript{25} In addition, poor children may be less likely to have the kinds of buffers in their lives that can protect them from negative influences. Research also shows that the lives of poor children are more likely to be turbulent – in that these children are more likely to experience changes in family structure and frequent moves than more affluent children.\textsuperscript{26} In turn, children with turbulent lives are more likely to have worse social and emotional outcomes than children whose lives are relatively stable.\textsuperscript{27}

**Cognitive and educational outcomes.** One study that reviewed the research literature on the effects of poverty on children concluded that poverty seems to have larger and more consistent associations with cognitive and academic outcomes than with social, emotional, behavioral, and health outcomes.\textsuperscript{28} Some research finds that poverty in early childhood is especially associated with lower cognitive scores and lower school achievement.\textsuperscript{29} However, one study suggests that poverty experienced early in life has a negative association with children’s scores on cognitive tests, but that a different pattern may be evident among adolescents.\textsuperscript{30} For adolescents, recent poverty may be more strongly associated with lower achievement scores than early poverty. Poverty in adolescence is also linked to a greater likelihood of dropping out of high school.\textsuperscript{31}

How does poverty influence cognitive and educational outcomes? Researchers suggest that the pathways are often indirect. Poor children are more likely than their more affluent peers to grow up in households that are less cognitively stimulating\textsuperscript{32} and to be raised by parents who have completed fewer years of education, which can negatively affect their cognitive and academic attainment.\textsuperscript{33} They are also more likely to attend schools that lack the resources and rigor of schools in more prosperous neighborhoods.

**Economic outcomes as adults.** Research shows that those who experienced persistent poverty as children are much more likely to be poor as adults than those who were not poor during childhood.\textsuperscript{34} For example, adolescents who have experienced poverty are more likely to earn lower wages than their peers who grew up in less dire circumstances.\textsuperscript{35} However, some research suggests that the correlation between the income of parents and their children is weaker among low-income families than others. This finding helps to explain why upward mobility among adults who grew up poor is not uncommon.\textsuperscript{36} One study that followed both white children and black children through adulthood confirmed that many children who grew up poor did not enter long-term poverty as adults. Still, the study showed that a sizeable proportion of children (about one in four whites and about one in two blacks) who were persistent-ly poor for at least half of their childhood had
incomes that fell below the poverty line at least one time in their early adult lives.\textsuperscript{37}

It appears that childhood poverty may be linked to economic outcomes through educational aspirations and academic achievement and attainment.\textsuperscript{38}

As noted, poor children are more likely than more affluent children to be raised by low-education parents, which can have a negative effect on how well these children do and how far they go in school.\textsuperscript{39}

Also, the more education a young person has, the greater the likelihood that he or she will not only have a steady job but a job that pays better wages.\textsuperscript{40}

However, health and social behavior can also translate into poorer adult outcomes.

\textbf{An important caveat.} When parents are poor, they are more likely to have additional disadvantages (such as a low level of education or a mental health problem) that can have a negative effect on their children’s well-being.\textsuperscript{41} Thus, just giving families more money and ignoring these other important contributing factors that can also hurt children’s development would not necessarily, by itself, “solve” the problem of child poverty. Researchers have used varied strategies to take account of measured (e.g., parent education) and unmeasured (e.g., parent motivation) factors associated with poverty. In these analyses, the effects of poverty, \textit{per se}, are greatly reduced.\textsuperscript{42}

More research is needed to better understand how poverty affects children’s well-being. However, research studies conducted thus far indicate that reducing poverty can still help to improve the lives of children.

\textbf{Implications for Public Policy}

There are no easy solutions to the formidable task of reducing child poverty or alleviating its consequences. But research does suggest possible options for policy makers to consider as they approach this task. Here are some of them:

\textbf{Maintain financial work supports and move to reduce the marriage penalty within the EITC.} Between 1995 and 1998, the number of poor children whose parents worked increased substantially.\textsuperscript{43} While there was a slight decrease in the number of poor children whose parents worked between 1998 and 2000, the number remained higher than it was in 1995, prior to the passage of the federal welfare reform law.\textsuperscript{44} Research suggests that programs that help to make work pay for parents help their children as well.\textsuperscript{45} The Earned Income Tax Credit (EITC) is particularly noteworthy in this regard. Analyses have shown that in 1998, an estimated 2.6 million children were lifted out of poverty by the EITC.\textsuperscript{46} The “marriage penalty” in the EITC refers to the usual reduction in this benefit if a working parent who qualifies for the full EITC marries another working adult.\textsuperscript{47} Eliminating or reducing this penalty may result in increasing the income of low-income two-parent households.

\textbf{Build on successful welfare-to-work initiatives.} Experimental studies of demonstration welfare-to-work programs show that when these programs included financial incentives for finding, keeping, and holding a job, both employment and family income improved.\textsuperscript{48} These results suggest that wage supplements, earned income credits, and other means of raising the income of welfare recipients and other low-income wage earners can be effective investments – for parents, for children, and for the larger society.

\textbf{Support efforts to strengthen marriages and to decrease births to teens and unmarried women.} Data presented earlier in this brief show that children living in single-parent households are more likely to be poor than those being raised in two-parent households. Data also point to a relationship between lower nonmarital childbearing and teen births and lower child poverty.\textsuperscript{49} For example, the percentage of births outside of marriage began to stabilize in the mid-1990s, after increasing over the past few decades,\textsuperscript{50} and births to teens have decreased substantially since 1991.\textsuperscript{51} Continued declines can contribute to lower rates of child poverty.

\textbf{Redouble efforts to promote child support enforcement, job training, and father involvement.} Analyses of increases in child support enforcement strongly suggest that it has played a role in decreasing child poverty.\textsuperscript{52} One study estimated that in 1996, child support lifted about a half million children out of poverty.\textsuperscript{53} The same study also estimated that for children with nonresident parents who...
received child support, on average, these payments make up more than one-quarter of their family’s income. For poor children who don’t receive welfare, the study found that child support payments represented more than one-third of their family’s income.54

When families receive welfare, many states have policies that some or all of the child support payments by nonresident parents go to the government. A child support demonstration program in Wisconsin that allowed all child support to go directly to the child’s family resulted in a modest increase in the percentage of fathers who supported their children financially and a small increase in the average amount of child support that these families received, compared with a group of welfare households that received a reduced amount.55

Some nonexperimental evidence also suggests that nonresident fathers who provide financial support are more likely to be involved in their children’s lives.56 A note of caution is important here: Research shows that some nonresident fathers do not provide financial support to their children because they are not able to do so financially, rather than because they are “deadbeat” dads.57 Job training coupled with other services for nonresident fathers may help to improve their employment prospects and thus their ability to pay child support.58, 59

- **Continue child care subsidies and assess whether more funding is needed.** Child care constitutes a major cost for working poor families. For example, one study estimated that in 1996 (the latest year for which data were available), two-thirds of low-income two-parent families who paid for child care spent 30 percent or more of their income on child care expenses.60 For families headed by single working parents, that amount climbed to 40 percent.61

- **Inform low-income parents about food and health care assistance.** Low-income children are more likely to not have enough to eat at times62 and are less likely to be covered by health insurance.63 Research indicates that low-income families have been less likely to use supportive programs for which they are eligible during the last several years than previously.64

Increasing efforts to make sure poor parents know about their eligibility for services, such as food stamps, and Medicaid – and how they can apply for them – may help them to increase the income they have available to cover other needs and expenses. Taking advantage of these services also may buffer them and their children from some of the increased risks associated with poverty.

**CONCLUSION**

The information presented in this Research Brief paints a mixed picture of the status of poor children in the United States today. On the one hand, the percentage of children living in poverty remains the lowest it’s been in almost three decades, an unquestionably encouraging sign. On the other hand, one out of six children is still classified as poor, and the number of U.S. children living in poverty did not decline between 2000 and 2001. In other words, child poverty remains a significant social problem. Research suggests that poverty is one of the factors that negatively affects children’s development, especially deep, long-term poverty. Research also suggests that a combination of parental effort and social programs – correctly designed and implemented – can improve the lives of poor children and their families. Both the statistical data and the research findings we cite in this brief underscore the need to continue recent progress in reducing the child poverty rate – even as other issues command the nation’s attention.

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Endnotes


2In contrast, the nation’s overall poverty rate showed a statistically significant increase—from 11.3 to 11.7 percent.

3That is, their family’s income fell below $17,960, the poverty threshold for a family of four with two children in 2001. The official definition of poverty includes pre-tax money income; it excludes capital gains and noncash benefits, such as Medicaid, food stamps, and child care or housing subsidies. For instance, Census analyses show that if six experimental poverty measures were in place, one of them would yield poverty rates for children that were lower (14.5-15.8 percent) in 2001 than the official rate (at 16.3 percent). Each year, the official poverty threshold is updated for inflation using the Consumer Price Index (CPI-U). For the federal poverty thresholds of different configurations or for past years, please visit the Web site of the U.S. Census Bureau. See: www.census.gov/hhes/poverty/threshhd.html.

4Much of this information is drawn from the Child Trends DataBank. The DataBank is a continuously updated online resource providing information on more than 70 key indicators of child and youth well-being. However, some estimates slightly differ from those presented in the DataBank because most of the estimates in this Research Brief are based on all children under the age of 18, whereas the the DataBank estimates are largely for children related to head of household.


42Zaslow, et al., 2002.


49See findings of an evaluation of the STEP-UP mentoring program for young fathers at http://www.acf.dhhs.gov/programs/cse/rpt/00/001.htm.


57See findings of an evaluation of the STEP-UP mentoring program for young fathers at http://www.acf.dhhs.gov/programs/cse/rpt/00/001.htm.


60See findings of an evaluation of the STEP-UP mentoring program for young fathers at http://www.acf.dhhs.gov/programs/cse/rpt/00/001.htm.


64Zedlewski, et al., 2002; Annie E. Casey Foundation, 2002; Lerman & Wiseman, 2002.

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