



**Statement of**

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**before the**

**Committee on Agriculture, Subcommittee on Nutrition**

**United States House of Representatives**

## **How Does Child Poverty Relate to Adult Success?**

**Tuesday, October 27, 2015**

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Good morning, Madam Chair and members of the Subcommittee. Thank you for the opportunity to speak today.

My name is Caroline Ratcliffe, and I am an economist and senior fellow at the Urban Institute. The Urban Institute, a nonprofit research organization, brings decades of objective analysis to policy debates and is dedicated to using research to elevate the debate on social and economic policy. The Urban Institute does not take policy positions. The views I present today are my own.

Rather than focus on the Supplemental Nutrition Assistance Program (SNAP), I will describe findings from my research on childhood poverty, with a particular focus on how it relates to adult success. This research puts a spotlight on the obstacles poor children face in reaching milestones important to any young person—such as completing high school, graduating from college, and maintaining consistent employment—and helps us understand what it would take to “break the cycle” of poverty.

My research is based on data from the University of Michigan’s Panel Study of Income Dynamics, which tracks families over 40 years. These data follow children from birth, throughout childhood, and into adulthood. I will focus my testimony on answering three questions.

1. When considering child poverty, just how many children are we talking about?
2. How does childhood poverty link with adult success?
3. Beyond childhood poverty, what matters for the future success of poor children?

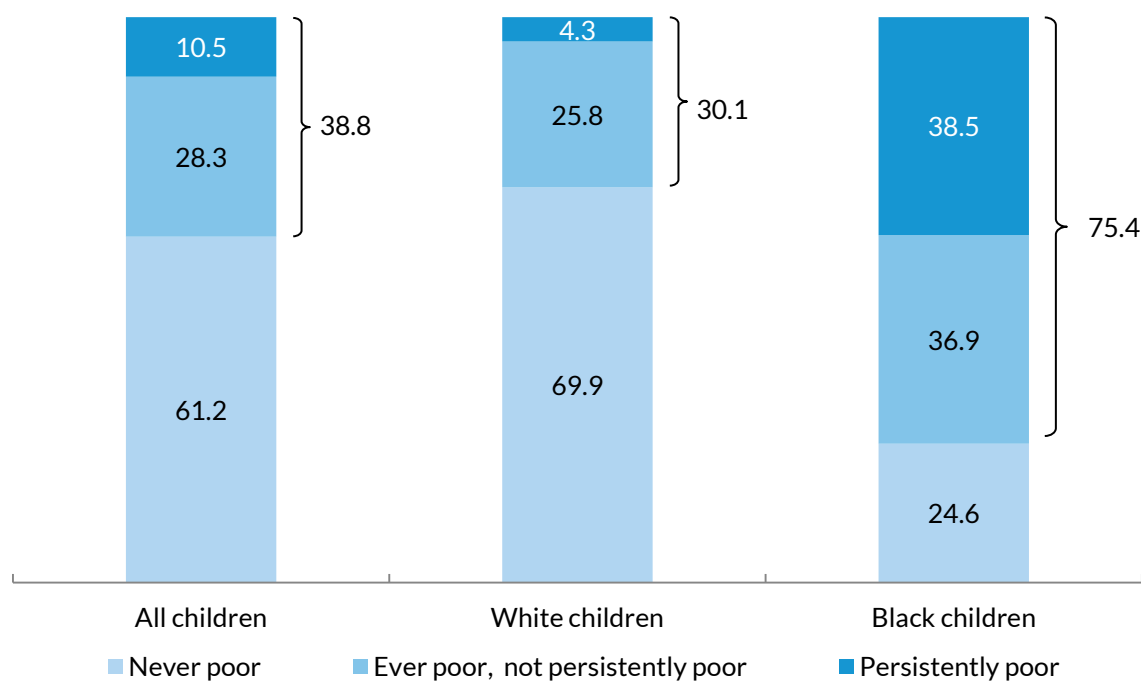
In answering these questions, we get at issues of economic mobility and how poverty and economic vulnerability cycles through to the next generation.

## 1. Childhood Poverty: Just How Many Children Are We Talking About?

Following children from birth through age 17 shows a much greater prevalence of poverty than the annual US poverty statistics suggest. While roughly one in five children currently lives in poverty (21.1 percent), nearly twice as many (38.8 percent) are poor for at least one year before they reach their 18th birthday (figure 1). Translating these percentages to numbers of children, roughly 29 million of today's children are expected to live below the poverty level for at least one year before age 18. Black children fare much worse; fully three-quarters (75.4 percent) are poor during childhood. The number for white children is substantial, yet considerably lower (30.1 percent). Poor children are also substantially more likely to be food insecure than their near-poor and nonpoor counterparts.

FIGURE 1

Percentage of Childhood Poor, by Race



Source: Urban Institute tabulations of Panel Study of Income Dynamics (PSID) data.

Notes: Tabulations are weighted and include children born between 1968 and 1989. Persistently poor children are poor at least half the years from birth through age 17. Ever-poor, nonpersistently children are poor at least one year, but fewer than half the years, from birth through age 17.

This research also examines a longer-term measure of poverty—persistent childhood poverty. A child is defined as persistently poor if he or she spends at least half of his or her childhood living in poverty. Among all children, 1 in 10 (10.5 percent) is persistently poor (figure 1). Again, translating this to the number of children, we expect that nearly 8 million of today's children will spend at least half their childhoods in poverty. Again, black children fare worse. Roughly 4 in 10 (38.5 percent) black children are persistently poor, while fewer than 1 in 20 white children (4.3 percent) are persistently poor.

Persistently poor children tend to cycle into and out of poverty. Over half (58 percent) of persistently poor children have three or more spells of poverty, and, thus, periods of economic instability.

Are there early markers that help identify children who are likely to be persistently poor? Yes. Children born to poor parents who have not completed high school are particularly vulnerable to persistent childhood poverty. Among children born to poor parents, children whose parents did not complete high school are 30 to 45 percentage points more likely to be persistently poor than children whose parents have some education beyond high school.

## **2. How Does Childhood Poverty Link with Adult Success?**

Children who have been poor for at least one year before they turn 18 are less likely to reach important adult milestones, such as graduating from high school, enrolling in and completing college, and maintaining consistent employment, than children who have never been poor. Persistently poor children fare even worse.

Although more than 9 in 10 never-poor children (92.7 percent) complete high school by age 20, only 3 in 4 ever-poor children (77.9 percent) do so (table 1). When looking at the subset of children who are persistently poor, the disparity is greater. Less than two-thirds of persistently poor children (63.5 percent) complete high school by age 20. Put

another way, over a third of persistently poor children do not complete high school by age 20.

Some of these youth are likely leaving high school to help support their families. Research by my Urban Institute colleagues finds that nearly a third of out-of-school youth (ages 16–18) without a high school degree are working, with roughly half working at least 40 weeks of the year for an average of 30 hours a week (during the weeks they work). On average, the earnings of these working youth account for about 20 percent of family income.

Lower levels of educational success among poor children persist beyond high school completion. While 37 percent of never-poor children complete a bachelor’s degree by age 25, only 3 percent of persistently poor children do so. It’s unclear whether poor children gain ground after age 25, but the pattern between ages 20 and 25 suggest that any gains are likely limited.

TABLE 1

**Educational Achievement and Employment by Childhood Poverty Status (percent)**

|   | Never poor | Ever poor | Among Ever Poor       |                   |
|---|------------|-----------|-----------------------|-------------------|
|   |            |           | Not persistently poor | Persistently poor |
| <b>Educational attainment</b>           |            |           |                       |                   |
| High school diploma by age 20           | 92.7       | 77.9***   | 83.3                  | 63.5***           |
| Postsecondary enrollment by age 25      | 69.7       | 41.4***   | 47.6                  | 22.8***           |
| Completed college by age 25             | 36.5       | 13.0***   | 16.2                  | 3.2***            |
| <b>Consistently employed ages 25–30</b> | 70.3       | 57.3***   | 63.6                  | 35.4***           |

**Source:** Urban Institute tabulations of Panel Study of Income Dynamics (PSID) data.

**Notes:** Tabulations include children born between 1968 and 1989. Statistical significance for the “never poor” and “ever poor” columns is based on the difference between individuals who are never poor and those who are ever poor in childhood. Significance for the “not persistently poor” and “persistently poor” columns is based on the difference between individuals who are ever poor but not persistently poor and those who are persistently poor in childhood.

\* $p < 0.1$  \*\* $p < 0.05$  \*\*\* $p < 0.01$

As these poor children become adults with limited education, implications arise for their long-term economic well-being. Lower-educated groups have lower wages and higher unemployment rates.

In fact, when following people up through age 30, we find that people who were poor as a child are less likely to be consistently employed as a young adult (between ages 25 and 30). They are also more likely to spend multiple years in poverty as a young adult (between ages 25 and 30).

Overall, ever-poor and persistently poor children have substantially worse educational and employment outcomes than their never-poor counterparts. The data suggest that when these children enter adulthood and have children, poverty and economic vulnerability, as well as food insecurity, will cycle through to the next generation.

### **3. Beyond Child Poverty What Matters for the Future Success of Children?**

Among children who have experienced poverty, what are the key markers—beyond poverty—of their future success? There are three important dimensions.

***First, parents' educational attainment at the child's birth is importantly related to children's academic achievement,*** with lower educational attainment among children with less-educated parents. This relationship persists even after controlling for family and neighborhood characteristics, including duration of childhood poverty. Compared with ever-poor children whose parents did not complete high school, children whose parents have more than a high school education are 30 percent more likely to complete high school by age 20, more than twice as likely to enroll in postsecondary education by age 25, and nearly five times more likely to complete college by age 25.

The relationships differ somewhat for children whose parents have only a high school education. Ever-poor children whose parents have a high school education (versus not completing high school) are more likely to complete high school and enroll in college or

another postsecondary program (by 11 and 60 percent, respectively), but they are not statistically significantly more likely to complete a four-year college degree. That is, they are more likely to get some post-high school education but not get through a four-year college program by age 25.

Among poor children, parents' educational attainment is not related to whether the child is consistently employed as a young adult. But, there is more to the story. Although no direct relationship with young adult employment is found, it is well established that lower educational achievement brings lower average wages and dampened opportunities for upward mobility.

So, it's not just poverty. Parents' educational attainment matters above and beyond poverty. The limited education of today's parents can create a vicious cycle that hinders future generations.

***Second, residential instability is related to lower academic achievement for ever-poor children,*** in both high school and college completion. Ever-poor children who move for a negative reason (such as eviction or the family's need for lower rent) are worse off educationally than ever-poor children who never move. Children with two or more negative moves are 13 to 15 percent less likely to complete high school by age 20, 35 to 36 percent less likely to enroll in postsecondary education by age 25, and 60 to 68 percent less likely to complete college by age 25 than children who never move. Children with multiple negative moves also have worse educational outcomes than children who move for positive or neutral reasons.

Moves that happen for a negative reason can exacerbate already tenuous circumstances for children, particularly if the moves do not coincide with changes in the school year or promotional moves (e.g., from elementary to middle school).

***Third, place and neighborhood characteristics matter for ever-poor children,*** even in models that take account of the length of time children spend in poverty and other family

characteristics. Children who grow up in disadvantaged neighborhoods fare much worse. Among children who have been poor, children in more advantaged neighborhoods (where poverty and unemployment rates are near 5 percent) are 22 percent more likely to complete high school by age 20 and are roughly 15 times more likely to complete a four-year college degree by age 25 than children in the most disadvantaged neighborhoods (where poverty rates top 50 percent and unemployment rates are over 25 percent).

Part of the story may be schools. Research suggests greater college enrollment is associated with high school characteristics that more likely exist in better neighborhoods, such as higher teacher expectations, social norms toward attending college, and greater staff support for college enrollment.

## **Summary and Policy Suggestions**

To summarize, one in every five children currently lives in poverty, but nearly twice as many experience poverty at some point during their childhood. Among the strains of poverty, poor children are more likely to experience food insecurity. Ever-poor children are less successful than their never-poor counterparts in their educational achievement, which can erode employment prospects and wages throughout a lifetime.

Moreover, the educational achievement of one generation ripples through to the next. Even among the subset of ever-poor children, children of less-educated parents are less likely to achieve important educational milestones than their peers with more highly educated parents. Education and training programs, bundled with work supports such as child care subsidies, could improve financial well-being and stability for parents with limited education. Higher educational achievement has been clearly linked with higher employment rates and earnings, and receipt of child care assistance has been found to increase the economic well-being of low-wage unmarried mothers.



Beyond childhood poverty and parental education, residential instability stands out as important to children's future success. Household moves that happen for negative reasons are particularly related to worse outcomes. Federal policy allows some vulnerable children (homeless and foster care children, for example) to remain in the same school when moving across school boundary lines. However, most low-income children are left out. More flexible policies on this front would provide greater stability for children and help them succeed in school.

Also, place matters. Children who grow up in more disadvantaged neighborhoods fare much worse. Place-conscious strategies that both address current neighborhood conditions and help poor families move out of disadvantaged neighborhoods to better neighborhoods with better schools would help children succeed.

Finally, savings and assets can provide a vital cushion for low-income families. One positive savings advancement is in SNAP, which has taken steps over the years to liberalize rules related to the level of assets families can have and still participate in the program. This liberalization eases disincentives for families to save in years when they have higher incomes.

Beyond SNAP asset limits, other steps could be taken to actively encourage low-income families to save, and such savings could be used to provide stability when economic difficulties hit families. This encouragement would entail redirecting some of the \$384 billion in federal asset-building subsidies, which primarily benefit higher-income families, to lower-income families. Promising policies to promote asset-building among low-income families include promoting emergency savings with incentives linked to savings at tax time and offering matched savings such as universal children's savings accounts. Research shows that low-income families can save and build assets over time. By more efficiently and equitably promoting saving and asset building, more people will have the tools to protect their families in tough times and invest in themselves and their children.

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