



RESEARCH REPORT

Escaping Poverty

Predictors of Persistently Poor Children's Economic Success

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Escaping Poverty

A core American ideal is that all children should have a clear pathway to thrive and prosper as adults. Yet, children in poverty—particularly children who are persistently poor—face steep obstacles on their path to economic success. More than 1 in 10 US children grow up in persistently poor families—spending at least half their childhood living in poverty.¹ These children are significantly less likely to succeed economically as adults than their nonpoor and less-poor counterparts. And the economic effects go beyond those borne by these children; child poverty costs the United States billions of dollars a year in lost productivity and expenses related to poor health and crime.²

This report examines the paths persistently poor children take into adulthood and highlights characteristics of those who are “most successful” as young adults—defined as consistently connected to work or school and not poor. We answer the following research questions:

- What paths do persistently poor children take in early adulthood (ages 19–30)?
 - » What are their patterns of employment and school attendance?
 - » What are their patterns of poverty?
- What characteristics differentiate persistently poor children who are more and less economically successful as young adults?

We answer these research questions by following children from birth through age 30 using longitudinal data from the Panel Study of Income Dynamics (PSID). We focus on children born from the late 1960s to the mid-1980s.

We use trajectory analysis to identify patterns of connectedness (employed or in school) and poverty in young adulthood among people who were persistently poor as children. We then examine the characteristics and circumstances of these young adults across the different trajectories, focusing on how the most economically successful young adults differ from the less successful adults. Characteristics examined include race, gender, parents’ education, mother’s age at child’s birth, and broader family circumstances such as employment and disability status, family structure, residential stability, and income volatility. With access to the PSID restricted census tract data, we also examine how the demographic and economic makeup of a neighborhood relates to children’s success as adults. Based on these findings, we offer strategies for helping improve the life chances of persistently poor children.

Among our findings are the following:

- Persistently poor children have varied economic trajectories in adulthood.
 - » Only 16 percent of persistently poor children are consistently connected to work or school as young adults and are not poor in their late 20s (are “most successful”).
- The most successful young adults are more likely to enter their 20s without having had a teen birth and having attained higher levels of education than their less successful counterparts.
 - » The high school completion rate (85 percent) and college enrollment rate (57 percent) for the most successful group are similar to the national average,³ though the rate of college completion (by age 25) at a four-year institution is lower than the national average (18 percent versus 25 percent).
- Less than half (48 percent) of persistently poor children have a parent who graduated from high school, far below the national average of 86 percent. The difference in parental education between more and less successful young adults is modest.
 - » Among the most successful young adults, 58 percent are born to parents who have completed high school, compared with 47 percent of those who are less successful.
- Family and neighborhood characteristics relate to success in young adulthood among persistently poor children. When compared with less successful young adults, the most successful
 - » are less likely to be poor at very young ages and spend fewer years in poverty,
 - » spend more years in an employed family,
 - » spend fewer years in a family headed by someone with a disability, and
 - » live in less disadvantaged neighborhoods and less segregated cities with less segregated schools.

Who Are Persistently Poor Children?

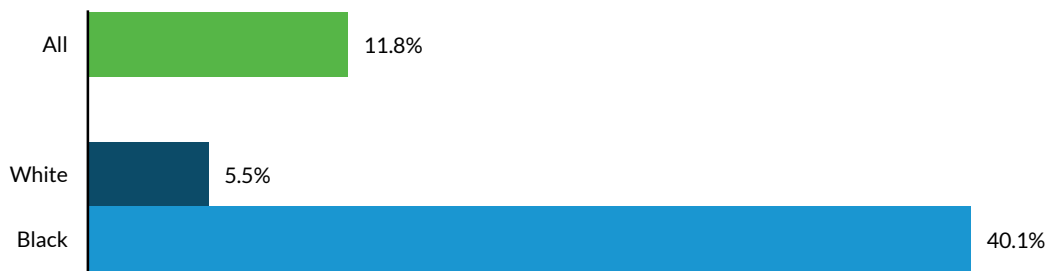
Following children from birth through age 17 reveals that 11.8 percent of children are persistently poor, meaning they spend at least half their childhoods living below the poverty level (figure 1). Translating these percentages to numbers, nearly 9 million of today’s children will spend at least half their childhoods in poverty. Children of color fare much worse than average. Just over 40 percent of black children are persistently poor, compared with less than 6 percent of white children.⁴ With this, 56 percent of persistently poor children are black, while 36 percent are white and 8 percent are another race or ethnicity.⁵

Persistently poor children experience poverty very early in their lifetimes. The vast majority (89 percent) are poor by age 2, and almost all (fully 98 percent) are poor by age 5 (figure 2). Children who experience poverty but are not persistently poor (about 30 percent of children) often first experience poverty later in their childhood: for example, 44 percent are poor by age 2. Research from different disciplines has converged around the finding that exposure to poverty early in life, and the resulting chronic stress, can be particularly damaging to children’s development and educational achievement.⁶

FIGURE 1

Black Children Are More Likely Than White Children to Be Persistently Poor

Share poor at least half of childhood, by race



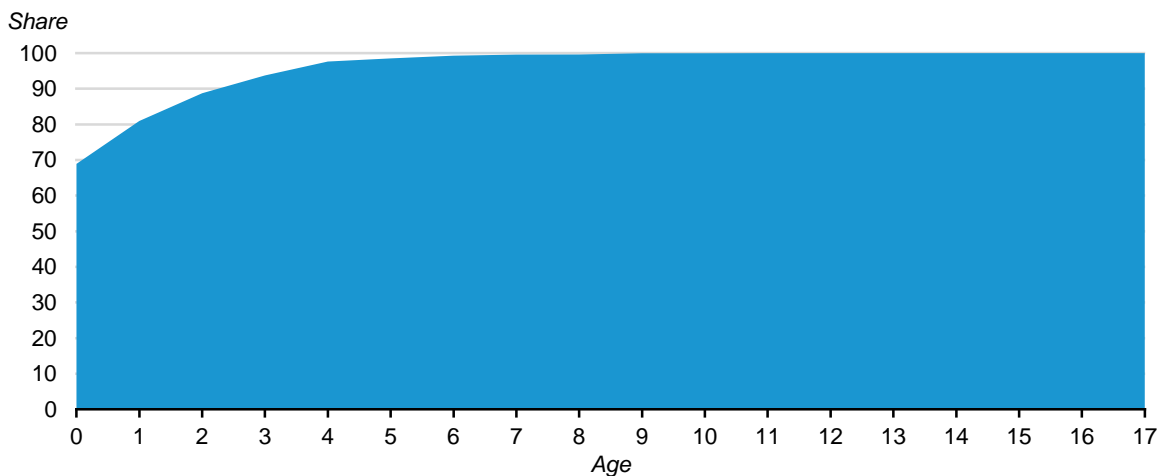
Source: Authors’ tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. We are unable to separately examine Hispanic, Asian American and Pacific Islander, and Native American children because of sample size limitations. Data are weighted using the PSID individual survey weights.

FIGURE 2

Persistently Poor Children Experience Poverty Early

Age first poor, among persistently poor children



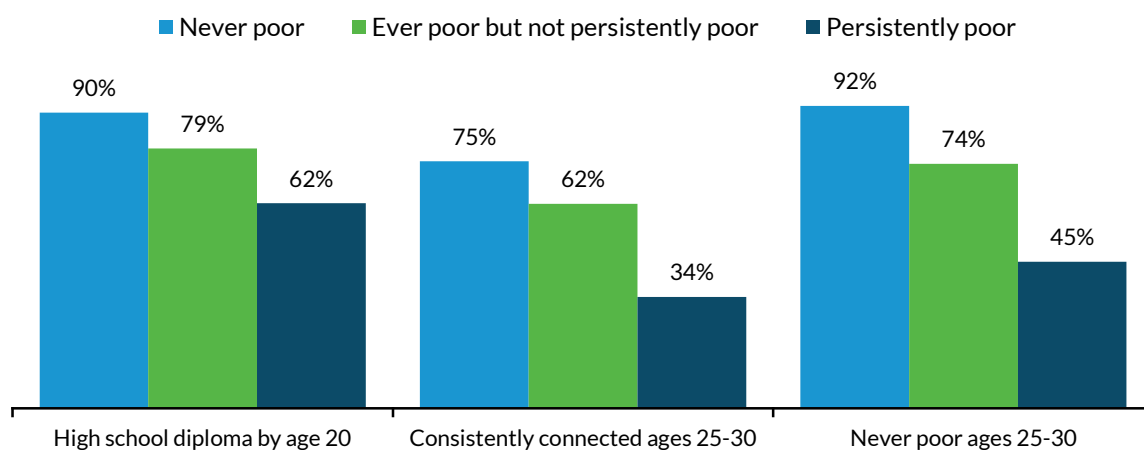
Source: Authors’ tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights.

Persistently poor children are of particular concern because of their limited likelihood of future economic success. While 90 percent of never-poor children complete high school by age 20, only 62 percent of persistently poor children do so (figure 3).⁷ Even greater disparities with their never-poor counterparts are evident when looking at connections to work or school and the likelihood of living above the poverty level at ages 25 to 30. Only a third (34 percent) of people who were persistently poor as children are consistently connected to work or school between the ages of 25 and 30, and less than a half (45 percent) are never poor between the ages of 25 and 30.

FIGURE 3

Persistently Poor Children Are Worse Off as Adults



Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Never-poor children are not poor any years from birth through age 17, ever-poor but not persistently children are poor at least one year but less than half the years from birth through age 17, and persistently poor children are poor at least half the years from birth through age 17. Consistently connected is defined as working or in school every time a young adult is observed between ages 25 and 30. Data are weighted using the PSID individual survey weights.

These findings are consistent with earlier research showing that people who experience poverty as children are more likely to experience poverty as adults, are less likely to graduate high school and go on to college, and are less likely to be consistently employed as young adults.⁸ Even though we observe large racial disparities in the likelihood of being persistently poor, white and black persistently poor children have similar young adult outcomes (appendix table A.1).

Given the high probability of future disadvantage among persistently poor children—a large share of whom are poor right out of the starting gate—we examine the young adult life trajectories persistently poor children take and the characteristics of persistently poor children who ultimately succeed economically in young adulthood.

What Paths Do Persistently Poor Children Take in Early Adulthood?

Among people who were persistently poor as children, we present trajectories of connectedness (i.e., working or in school) and poverty as they move from ages 19 to 30. These trajectories are also used to identify persistently poor children who are “successful” as young adults, where success incorporates being both connected to work or school and not poor. Specifically, we use the connectedness and poverty trajectories to categorize young adults into one of three groups, from most to least economically successful. We discuss each element in turn below.

How Is Connectedness Defined?

A young adult is categorized as “connected” at a particular age if he or she is working or in school. This information is captured from a question that asks if the individual is working now, looking for work, a student, etc. A young adult is “connected” if he or she is “working now” or “in school” at the time of the survey, not over the course of the year. We do not take marital or parental status into account, so a married mother who is not working or in school in a certain year is not connected. We do, however, look at married mothers in our measure of economic success.

Patterns of Connectedness—Work and School Attendance

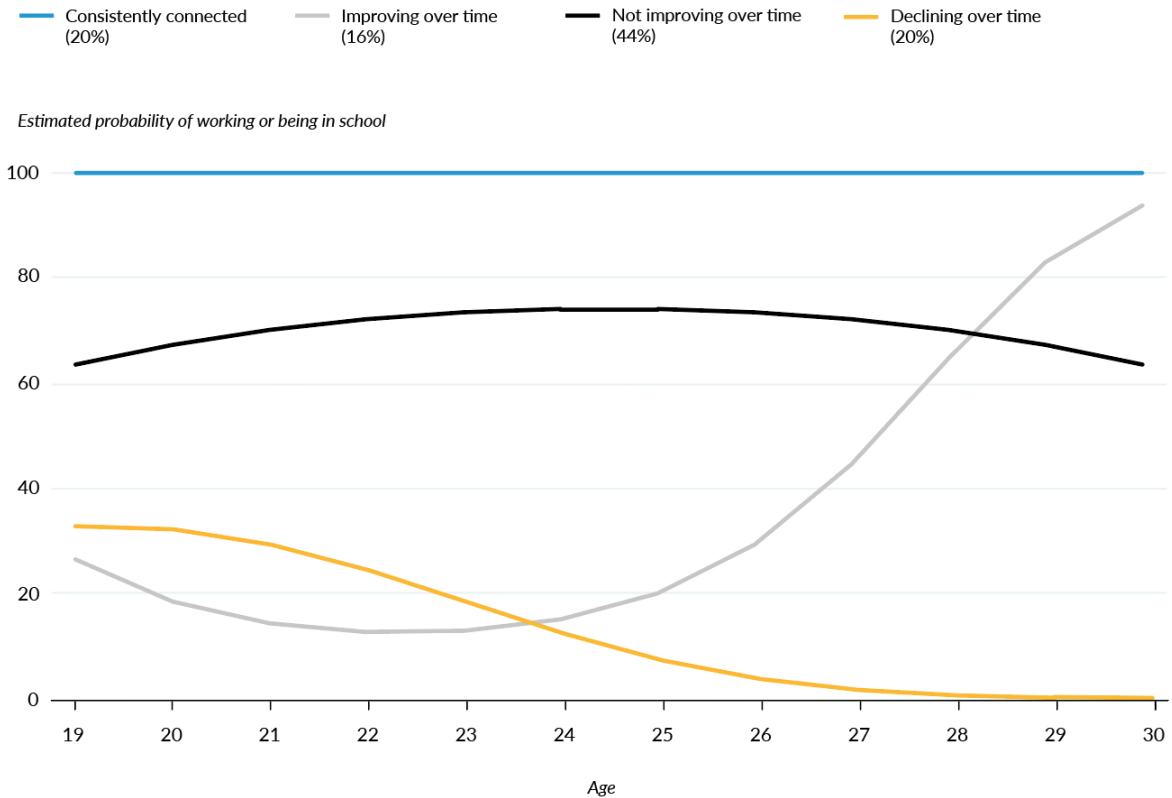
Persistently poor children follow four patterns of connectedness as they move from ages 19 to 30 (figure 4).⁹

1. **Consistently connected** (20 percent): These young adults are working or in school in each year from ages 19 to 30.
2. **Improving over time** (16 percent): These young adults have minimal connection to work or school in their early 20s but shift in their mid-20s, with the vast majority working or in school by age 30.
3. **Not improving over time** (44 percent): These young adults are in flux. At each age, 60 to 80 percent of young adults in this group are connected. This is the largest group of persistently poor children.
4. **Declining over time** (20 percent): These young adults have minimal connection to work or school in their early 20s; that connection declines over time and results in little to no engagement in their late 20s.

FIGURE 4

Trajectories of Connection to Work or School from Ages 19 to 30

Among those persistently poor as children



Source: Authors' analysis of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.
Notes: Persistently poor children are poor at least half the years from birth through age 17. Percentages in parentheses represent the share of persistently poor children in each trajectory. Trajectories are estimated using a logistic model and use a quadratic polynomial. Data are weighted using the PSID individual survey weights.

These four patterns show a wide range of outcomes among young adults who were persistently poor as children. One in five persistently poor children is consistently connected to work or school throughout his or her 20s—an important step toward improved economic circumstances.¹⁰ This means, however, that a majority of persistently poor children are *not* consistently working or in school, suggesting that economic difficulties lay ahead.

Consistently connected young adults show a mix of work and school in the early years, but the vast majority (upward of 95 percent) works at ages 23 through 30. Seventy-nine percent complete high school by age 20, substantially higher than the 37 to 64 percent of young adults in the other three groups.¹¹

Patterns of Poverty

Young adults who were persistently poor as children follow four poverty patterns (figure 5).

1. **Mostly not poor, especially at ages 25–30** (40 percent): These young adults are more likely to be nonpoor as they move through their early 20s, and all are living at or above the poverty level at ages 25 to 30. This is the largest group of persistently poor children.
2. **Initially poor, not poor later** (15 percent): These young adults tend to be poor in their early 20s, but most are living above the poverty level by their late 20s.
3. **Initially not poor, poor later** (20 percent): These young adults are generally not poor soon after entering adulthood (ages 19–20), but their economic situation declines over time.
4. **Mostly poor** (25 percent): These young adults tend to be poor in their early 20s, and their economic situation declines by age 30. This is the second-largest group.

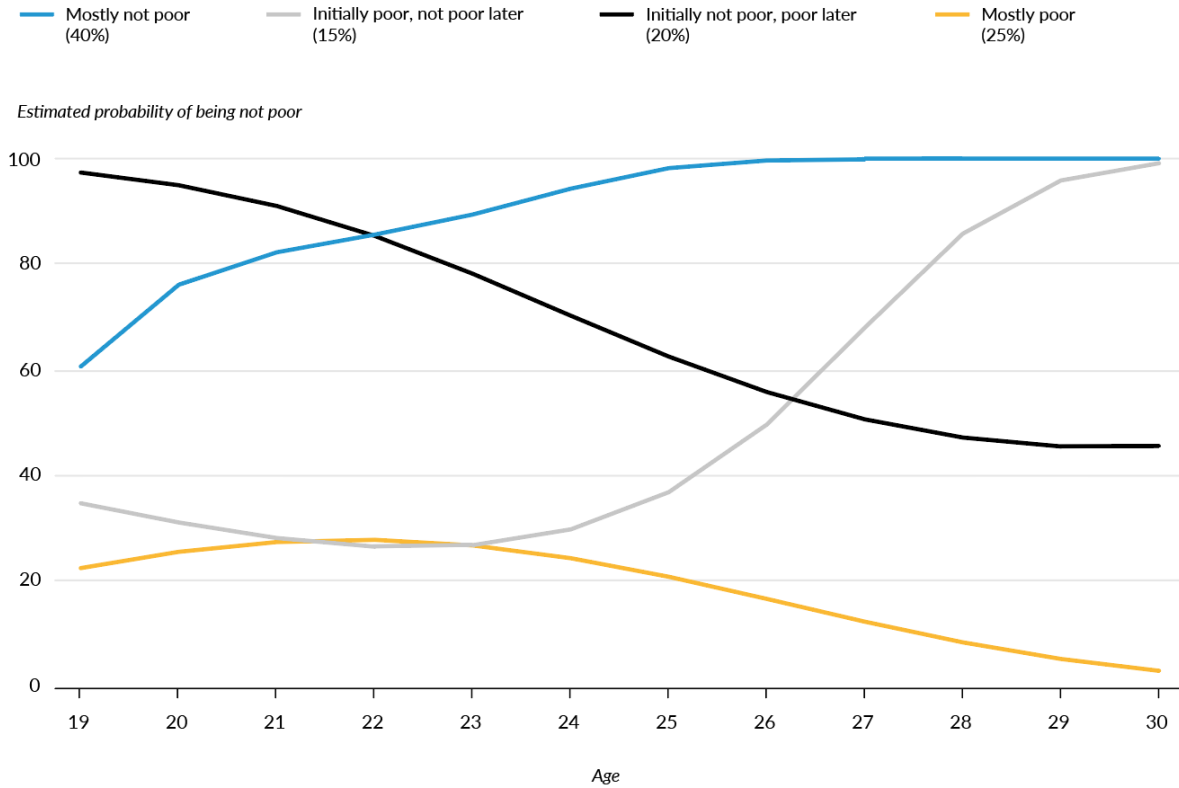
Among “mostly not poor” young adults, 60 percent are consistently working or in school between ages 25 and 30. This connectedness rate is low compared with the number for those never poor as children (75 percent), but it is almost twice as high as the connectedness rate for all young adults who were persistently poor as children (34 percent; see figure 3).

“Mostly not poor” young adults have achieved higher levels of education than those in the other groups. For example, 82 percent of mostly not poor young adults complete high school by age 20, compared with 40 to 54 percent of those in the other three groups.¹² The economic circumstances of “mostly not poor” young adults improve over time. By age 30, their median family income is roughly 250 percent of the federal poverty level (roughly \$50,000 for a family of three).¹³

FIGURE 5

Trajectories of Poverty from Ages 19 to 30

Among those persistently poor as children



Source: Authors' analysis of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Percentages in parentheses represent the share of persistently poor children in each trajectory. Poverty is defined as annual family income below the poverty threshold. Trajectories are estimated using a logistic model and use a quadratic polynomial for *initially not poor, poor later* and *mostly poor* and a cubic polynomial for *mostly not poor* and *initially not poor, poor later*. Data are weighted using the PSID individual survey weights.

Defining Economic Success for People Persistently Poor as Children

We use the connectedness and poverty trajectories to categorize young adults into one of three economic success groups, from most to least successful. This categorization provides estimates of the share of persistently poor children who are and are not economically successful as young adults. Beyond this, it establishes groups that allow for further examination of characteristics that differentiate persistently poor children by their level of young adult success.

- **Most successful** (16 percent): These young adults are consistently connected to work or school and are mostly not poor as young adults (i.e., in both the “consistently connected” and “mostly not poor” groups).¹⁴
- **Least successful** (8 percent): These young adults have little connection to work or school and are mostly poor as young adults (i.e., in both the “declining over time” connectedness group and the “mostly poor” group).
- **Middle** (76 percent): All other young adults—three-quarters of persistently poor children—are in the middle group.

This categorization shows that only 16 percent of persistently poor children are consistently connected to work or school and escape poverty in their late 20s (are “most successful”).¹⁵

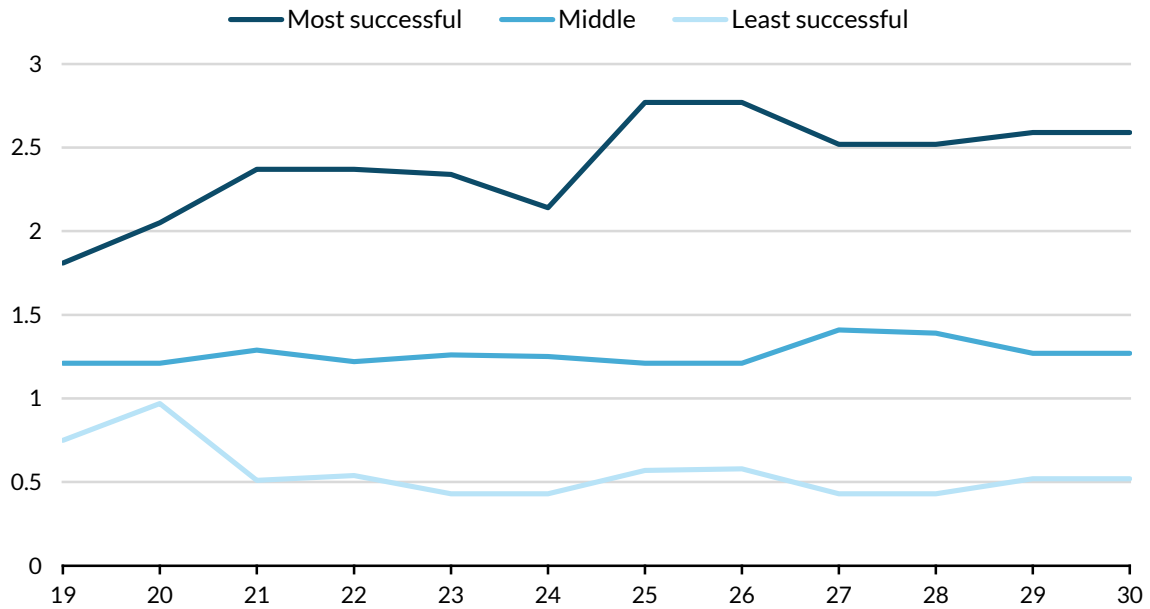
Looking at the demographic characteristics of young adults in these three groups, there are few statistically significant differences. Women and African Americans are underrepresented in the most successful group compared with the middle and least successful groups, but the percentages are not statistically significantly different (see appendix table A.2). Similarly, we generally find no significant differences by birth year.

The economic circumstances of young adults in the most successful group trend slightly upward over time (figure 6). For this group, median family income is about twice the federal poverty level (roughly \$40,000 for a family of three today) at age 20 and 2.5 times the federal poverty level (roughly \$50,000 for a family of three) at age 30.¹⁶ Median income is substantially lower and generally flat for people in the other two groups. At age 30, median family income is about 125 percent of the federal poverty level for the middle group and only half the federal poverty level for the least successful group (roughly \$25,000 and \$10,000 for a family of three, respectively).

FIGURE 6

Income-to-Needs Ratio from Age 19 to 30, by Success Group

Among those persistently poor as children



Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: The three success groups include only persistently poor children and are defined on page 9. We calculate the income-to-needs ratio as annual family income divided by that family's poverty threshold, which varies by family size and composition. Data are weighted using the PSID individual survey weights.

What Characteristics Differentiate Children Who Are Most Economically Successful as Young Adults?

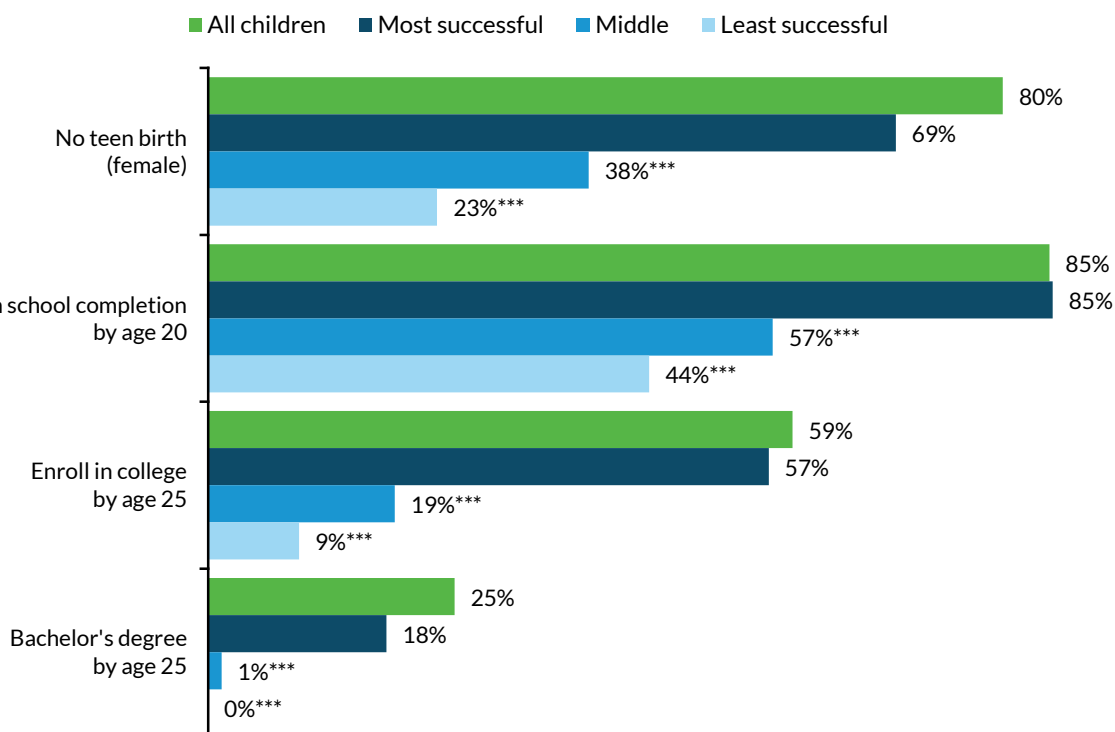
Here we assess what separates persistently poor children who are most successful—consistently connected to work/school and living above the poverty level as young adults—from those who struggle with one of or both these elements. We begin by examining the early adult behaviors for those in the three economic success groups. We then examine parents' characteristics at the child's birth, family characteristics throughout childhood (birth to age 17), and neighborhood and city characteristics during childhood.

Early Adult Behaviors

Among young adults who were persistently poor as children, those in the most successful group are significantly more likely to enter their 20s with no teen birth and attain higher levels of education than those in the two less successful groups (figure 7). More than two-thirds (69 percent) of young women in the most successful group avoid having a child as a teenager, compared with only 38 percent of those in the middle group and 23 percent of those in the least successful group. Among all females in the PSID born during these same years (1968–85), 80 percent avoid having a teen birth.¹⁷

FIGURE 7

Fewer Teen Births and More Education for the Most Successful Young Adults



Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights. "Most successful," "middle," and "least successful" are among persistently poor children. Significance for the "middle" and "least successful" groups is based on the difference between the given group and the "most successful" group.

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Eighty-five percent of young adults in the most successful group complete high school by age 20, compared with only 57 percent of those in the middle group and 44 percent of those in the least successful group. The differences are starker for postsecondary education. Young adults in the most successful group are three times more likely to enroll in college by age 25 than those in the middle group (57 percent versus 19 percent) and six times more likely than those in the least successful group (57 percent versus 9 percent). Further, while nearly one in five (18 percent) young adults in the most successful group completes four years of college by age 25, 0–1 percent of the other two groups do.

The most successful persistently poor children have high school completion and college enrollment rates similar to the national average for all children in the PSID. The completion of a four-year college degree, however, falls below the national average (see figure 7).¹⁸

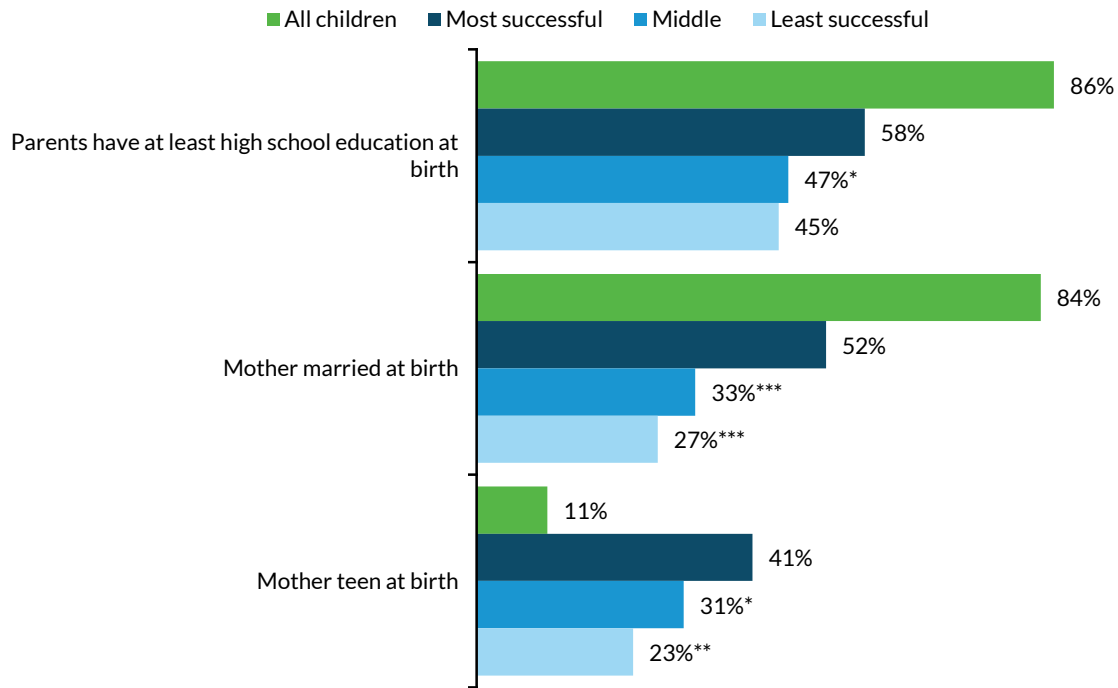
A large majority—87 percent—of young adults in the most successful group set up their own household by age 25, compared with 72 percent and 57 percent of those in the middle and least successful groups (not shown). We look at this element of young adults' lives to rule out the possibility that those in the most successful group are more likely to rely on their parents or other adults for support than less successful groups. The data, however, show that people in the most successful group are more independent.

Parents' Characteristics and Family Circumstances during Childhood

Parents' characteristics at the child's birth: Persistently poor children are generally born to parents with low education levels. Even among young adults in the most successful group, only 58 percent are born to parents who have completed high school (figure 8). This share is low relative to the 86 percent of all children in the PSID born in the same period.¹⁹ Parents' educational attainment is lower for the middle and the least successful groups (45 to 47 percent), although only the difference between the most successful and middle groups is statistically significant.²⁰ Although the difference between groups is modest, the pattern is consistent with the literature showing that children of less educated parents have lower academic achievement.²¹

FIGURE 8

Parents' Education and Marital Status Relate to Children's Future Success



Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.
 Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights. "Most successful," "middle," and "least successful" are among persistently poor children. Significance for the "middle" and "least successful" bars is based on the difference between the given group and the "most successful" group.
 * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Those in the most successful group are more likely to be born to married parents. In addition, they are—unexpectedly—more likely to be born to a teenage mother. This analysis measures the mother's age at the child's birth, not whether the mother ever had a teenage birth, which complicates the interpretation. If having an older mother is an indicator of more children in the family, for example, then these families may face greater economic hardship, which would help to explain the pattern.

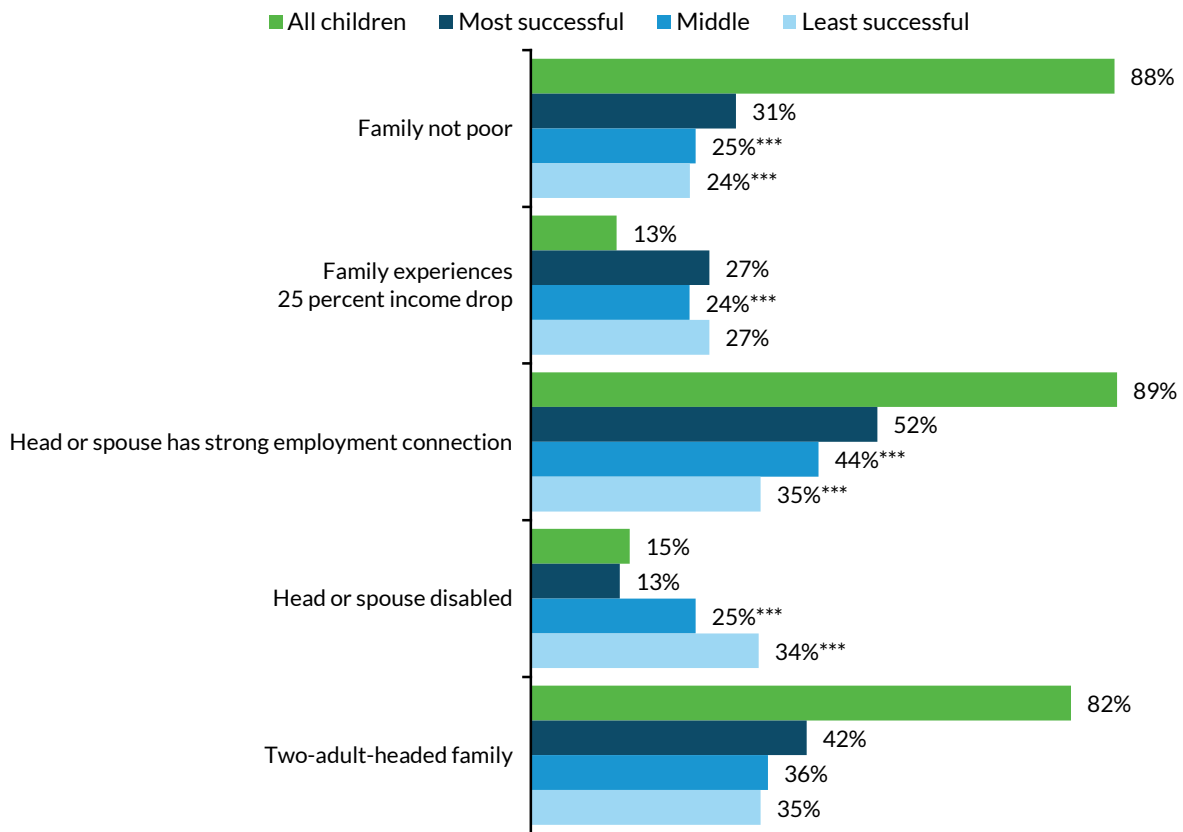
Family characteristics from birth to age 17: Among young adults who were persistently poor as children, those in the most successful group spend a larger share of their childhood living above the poverty level and in families strongly connected to employment (family head or spouse works at least 1,000 hours a year—that is, half-time). They also spend less of their childhoods in a family with a disabled head or spouse.

Young adults in the most successful group spend, on average, only a third (31 percent) of their childhoods living above the poverty level (figure 9). Members of the two other groups spend roughly a quarter of their childhoods living above the poverty level. These low shares are by design; remember that our definition of persistently poor sets the upper limit at 50 percent. We also find some evidence that those in the most successful group spend less time in poverty in early childhood (from birth to age 5) and early adolescence (ages 12 to 17) than those in the less successful groups; we find no differences in poverty experienced in the middle years (ages 6 to 11; see appendix table A.3).

FIGURE 9

Family Poverty, Employment, and Disability Relate to Children’s Future Success

Share of years from birth to age 17



Source: Authors’ tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights. Strong employment connection in a year requires that the head or spouse worked at least 1,000 hours. “Most successful,” “middle,” and “least successful” are among persistently poor children. Significance for the “middle” and “least successful” group is based on the difference between the given group and the “most successful” group.

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

As discussed earlier, the vast majority of persistently poor children (upward of 98 percent) experience poverty by age 5. Nonetheless, we do find a difference in the age first poor between the most successful and least successful groups. Eighty-four percent of those in the most successful group are poor by age 2, compared with 98 percent of those in the least successful group (see appendix table A.3).²² This pattern is consistent with literature showing that adults who experience poverty early in life have lower earnings and work hours and are less likely to graduate from high school than other adults (Duncan, Ziol-Guest, and Kalil 2010; Ratcliffe and McKernan 2012).

Persistently poor children experience greater income volatility than all children; they experience a large drop in annual family income (of at least 25 percent) almost twice as often (24 percent versus 13 percent of childhood years).²³ Among the subset of persistently poor children, we do not find evidence that the most successful group experiences less income volatility during childhood. In fact, the most successful group of young adults experiences slightly more volatility during childhood (27 percent) than the middle group (24 percent). Higher levels of income that accompany the greater volatility for those in the most successful group may help offset the negative effects of volatility.

Young adults in the most successful group spend, on average, half (52 percent) of their childhood in a family with a strong connection to employment. The share of years with a strong connection to employment is lower for those in the middle and least successful groups: 44 percent and 35 percent, respectively. This relationship holds true at all three stages of childhood (birth to age 5, ages 6–11, and ages 12–17): greater connection of parents (or other family heads) to employment among the most successful young adults (appendix table A.3).

Persistently poor children who spend more years living with a parent (or other family head/spouse) who has a disability have worse adult outcomes.²⁴ Having an adult family member with a disability can put economic pressure on the family both in higher medical expenses and lower potential to bring in income. Further, as children get older, they may have to take on more adult responsibilities, and the adult with the disability may be less able to provide guidance and supervision.

Young adults in the most successful group spend, on average, 13 percent of their childhood in a family with a disabled parent (or other family head/spouse). Young adults in the least successful group spend an average of 34 percent of their childhood in a family with a disabled parent. The difference is starker when looking at children's experiences at older ages. Young adults in the most successful group spend an average of 8 percent of their early adolescence (ages 12 to 17) in a family with a disabled parent, while those in the least successful group spend 40 percent (see appendix table A.3). Such differences persist even after controlling for family employment and number of years poor during

childhood.²⁵ These findings suggest that growing up in a persistently poor family with a parent (or other family head/spouse) who has a disability can inhibit children's future success. This finding is consistent with research showing that spending more years in a family with a disabled adult is associated with a reduced likelihood of being consistently employed in young adulthood (Ratcliffe 2015).

We find little to no difference across the three groups of persistently poor children in the share of years lived in a two-adult-headed family and whether the child moved for a negative reason multiple times from birth to age 17.²⁶ While we generally do not find differences across the subgroups of persistently poor children, we do find substantial differences between all children and persistently poor children. On average, persistently poor children spend only 37 percent of their childhood in a two-adult-headed family; the comparable number for all children is 82 percent (appendix table A.3). Similarly, persistently poor children are 2.5 times more likely than all children to move multiple times for a negative reason: 44 percent compared with 17 percent.²⁷ While these family characteristics can be important, this analysis suggests that they are not the key to success among persistently poor children.

Overall, persistently poor children fare better when they spend more years living above the poverty level, when they are not poor early in life (birth to age 2), and when the family head or spouse is strongly connected to work. Another notable difference is for children who grow up with a family head or spouse who has a disability, especially during adolescence. These children are particularly vulnerable to future poverty and disconnectedness.

Neighborhood and City Characteristics

An ever-growing body of literature shows that children who live in disadvantaged, segregated neighborhoods are less likely to succeed in adulthood than children raised in other neighborhoods.²⁸ We find similar differences in the future success of persistently poor children, although the differences are generally modest.

Looking first at a measure of neighborhood disadvantage for persistently poor children, the most successful young adults grew up in less disadvantaged neighborhoods than the least successful young adults (table 1). This index, for which a lower value indicates less disadvantage and which ranges from 1.4 to 7.4, is constructed from six neighborhood (census tract) characteristics measured across childhood: unemployment rate, percentage living in a single parent-headed family with children, property vacancy rate, poverty rate, percentage living in public housing, and percentage of adult

population with less than a high school education. However, compared with all children, the most successful group grew up in neighborhoods that were substantially more disadvantaged.

Among the six characteristics included in the neighborhood disadvantage index, the unemployment rate and family composition show significant differences between the most and least successful young adults. Specifically, young adults in the most successful group grew up in neighborhoods with lower average unemployment rates (9.7 percent) than the least successful group (12.9 percent), although both rates were far above the national average (6.7 percent). However, those in the most successful group also grew up in neighborhoods with a lower share of single-parent families (11.9 percent versus 14.6 percent for the least successful group).

These results are consistent with the literature finding that children who grow up in areas with less disadvantage, a stronger labor market, and few single female-headed families are more likely to experience upward mobility and to graduate from high school and from college.²⁹

For children who live in cities, we look at segregation of the city and of the schools in that city. Specifically, we examine additional characteristics of the counties (economic mobility) and schools (student-teacher ratio and per student expenditures) where children live. We find differences across the three groups of persistently poor children for some, but not all, of these local-level characteristics.

We find no difference in the mobility index across the groups. We find differences in the degree of segregation, but the differences are modest.³⁰ Young adults in the most successful group lived in less segregated cities during childhood than their less successful counterparts. Specifically, the average city black-white dissimilarity index is 65 for the most successful group, compared with 70 for the middle group and 66 for the least successful group, though the latter difference is not statistically significant.³¹ This finding is consistent with prior studies showing that children who grow up in areas with less residential segregation are more likely to have higher adult incomes (Chetty et al. 2014; Sharkey 2016).

In addition to living in less segregated cities, young adults in the most successful group lived in cities with less-segregated primary schools, although we only find a significant difference between those in the most successful and middle groups.³² Those in the most successful group grew up in cities with less-segregated primary schools (index of 61) than those in the middle group (index of 66). This is consistent with prior research showing that racial segregation in schools is associated with decreased school achievement, especially for students of color (Borman and Dowling 2010; Johnson 2011).

TABLE 1

Neighborhood and Other Geographic Characteristics by Childhood Poverty Status and Young Adult Success Level

	All children	Persistently Poor Children			
		All	Most successful	Middle	Least successful
Neighborhood characteristics					
<i>Neighborhood disadvantage index (ages 0–17)</i>	0.00	1.19	1.03	1.20	1.45*
<i>Components of neighborhood disadvantage index (average percentage)</i>					
Unemployment rate	6.7	11.0	9.7	11.1*	12.9***
Share of single-parent family	7.6	12.9	11.9	12.9	14.6*
Vacancy rate	7.8	11.7	12.9	11.3*	12.4
Poverty rate	12.2	23.7	22.9	23.7	24.8
Share in public housing	7.1	13.6	12.4	13.7	15.1
Share with no high school education	26.8	38.1	37.2	38.3	37.9
Other local characteristics					
Black-white dissimilarity index (city; ages 0–17)	64.1	68.7	65.0	69.6***	66.3
Economic mobility (county; 1996–2012)	42.4%	34.9%	36.2%	34.7%	34.7%
School characteristics					
Black-white dissimilarity index (city, ages 5–12)	63.1	65.1	60.7	66.4***	62.4
Student-teacher ratio (county, 1996)	18.4	17.9	17.0	18.1***	18.1**
School expenditures per student (county, 1996)	\$6,400	\$6,200	\$6,400	\$6,100*	\$6,200
Region (share of years ages 0–17)					
South	31.1	49.1	40.9	49.4	63.2***
West	17.7	5.7	12.1	4.6**	3.5**
Northeast	19.2	11.2	13.7	10.2	15.4
Midwest	31.9	33.9	33.4	35.8	18.0**

Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985 merged with data from the US Decennial Census, American Community Survey, Spatial Structures in Social Science Diversity and Disparities, and the Equality of Opportunity project. For additional information about the data sources, see appendix B.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights. The neighborhood disadvantage index, where a lower value indicates less disadvantage (ranges from -1.4 to 7.4), is created using factor analysis and includes six neighborhood characteristics from across people's childhoods (unemployment rate, share in a single-parent household with children, property vacancy rate, poverty rate, share in public housing, and share of adult population with no high school education). City and school dissimilarity indices capture black-white segregation at the city and elementary school level; a higher value denotes more segregation. Economic mobility is the share of people born into the bottom income quintile that are in at least the middle quintile as adults and is calculated at the county level. Data are only available in selected years; for more information on how these data are used (i.e., translated from year to age) see appendix B. Significance for the "middle" and "least successful" columns is based on the difference between the given group and the "most successful" group.

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

We examine two measures that are aimed at capturing school quality: student-teacher ratio and school expenditures. These measures are specific to the county the person lived in, not the school the person attended. We find that young adults in the most successful group had lower student-teacher ratios than those in the less successful group, although the differences are very modest—roughly one student on average. While evidence from randomized controlled trials suggests that students in smaller classes experience academic gains that persist into young adulthood, these studies are based on class size changes of about eight students rather than the relatively modest difference seen in our data (Mathis 2016; Schanzenbach 2014). We also find differences in per student school expenditures between the middle and least successful groups, though again the differences are small.

We also examine the four Census regions where children grew up (see table 1). The most successful young adults spent less of their childhood in the South and more living in the Midwest and West than the least successful young adults. This is consistent with a multitude of studies that show greater disadvantage among people living in the South. There are no significant differences in the share of their childhoods spent in the Northeast across the groups.

Conclusion

More than one in ten US children (11.8 percent) is persistently poor and, as such, faces a challenging path to economic mobility. Only a small minority of persistently poor children—16 percent—is consistently connected to work or school as young adults and is not poor in their late 20s. In examining paths of persistently poor children into adulthood and the characteristics of those who are and are not economically successful, this research offers suggestions for improving the future prospects of persistently poor children.

The overwhelming majority of persistently poor children—69 percent—are poor at birth. Nearly 90 percent are poor by age 2. Early poverty is linked to “toxic” stress, which harms children’s brain development (Shonkoff et al. 2012, e236). Further, children who are poor early in life have been found to have lower IQ scores as early as age 5 and reduced academic achievement.³³ Thus, the needs of children in poverty should be addressed right out of the starting gate.

A key step is connecting families with resources for which they are eligible. Ideally, parents in poverty would gain access to benefits and services before the child is born, but this doesn’t necessarily happen. Hospitals can be an important access point for connecting new mothers and infants with program benefits. While newborns and mothers are still in the hospital, program staff can connect parents to benefits, such as cash and food assistance, as well as public health insurance for the mother

as well as the newborn and other children in the family. From the start, stable housing is important and often difficult to find, so expanding housing voucher programs and targeting them to families with young children could be especially beneficial.³⁴

Beyond these benefits, connecting new mothers and fathers with home-visiting and parenting programs can give children in poverty a boost, as they have been shown to improve children's development and school readiness (Sama-Miller et al. 2017). Additional funding for home-visiting programs is needed, however, to expand availability and reach a higher number of vulnerable children and their parents.³⁵

Persistently poor children whose parents have a stronger connection to work and graduated from high school are somewhat more likely to be successful in young adulthood than other persistently poor children. Yet, persistently poor children tend to live in families with tenuous employment connections and have parents who have not completed high school. Linking struggling parents in poverty with subsidized employment can have the double benefit of increasing family income (Dutta-Gupta et al. 2016) and improving children's behavior (e.g., compliance and social skills) and academic performance (Miller et al. 2008). At the same time, education and training programs targeted at less-educated parents can improve children's future prospects through greater family economic security and stability. Such programs should ensure that families can access high-quality, affordable child care, which is key to the success for both parents and children. Two-generation-focused programs that combine education and training with high-quality child care are especially promising (Chase-Lansdale and Brooks-Gunn 2014; Lombardi et al. 2014).

Persistently poor children who grow up with disabled parents are less successful than other persistently poor children. Young adults in the least successful group (mostly poor and not connected) spend, on average, 34 percent of their childhood living with a family head or spouse who had a disability. The share is less than half that—13 percent—among young adults in the most successful group. Differences exist at all ages but widen in adolescence. On average, the least successful young adults spend 40 percent of their early adolescence (ages 12–17) in a family with a head or spouse with a disability, while the most successful young adults spend only 8 percent. Using the Supplemental Security Income program to connect recipients who have minor children to services based on the needs of the whole family, particularly when children are young teenagers, could help these children's future prospects.

Growing up in a disadvantaged neighborhood with greater racial segregation makes it hard for children to succeed. Among persistently poor children, those most successful as young adults lived in

significantly less segregated cities and in neighborhoods with lower unemployment than less successful young adults. Persistently poor children can be helped by place-conscious strategies that address the conditions of their neighborhoods and schools, as well as programs that help families experiencing poverty move out of disadvantaged neighborhoods to neighborhoods with better schools and more opportunities. Though large-scale, place-conscious initiatives designed to improve neighborhoods have had mixed results, the most promising are models coordinated by community groups that consider place- and context-specific responses in coordination with residents.³⁶

Currently, the future prospects of persistently poor children are dim compared with their nonpoor counterparts. A small share of persistently poor children, however, manages to escape poverty and connect to employment in young adulthood. This research suggests that connecting parents and children early with services and employment and training opportunities, taking care to address the needs of children raised in families that are struggling with disability, and addressing the conditions of their neighborhoods and schools could get more children on the pathway to success.

Appendix A. Detailed Tables

APPENDIX TABLE A.1

Young Adult Outcomes for Persistently Poor Children by Race (percent)

	White	Black
No teen birth	68	64
Educational attainment		
High school diploma by age 20	62	63
Postsecondary enrollment by age 25	27	24
Completed college by age 25	5	6
Consistently connected ages 25–30	35	32
Never poor ages 25–30	46	42

Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights.

APPENDIX TABLE A.2

Demographic Characteristics and Young Adult Outcomes by Childhood Poverty Status and Young Adult Success Level (percent)

	All children	Persistently Poor Children			
		All	Most successful	Middle	Least successful
Female	49	53	51	52	60
Black	15	60	55	60	68
Year born					
1968–73	33	28	22	28	31
1974–79	30	27	27	29	5***
1980–85	36	46	51	43	64
No teen birth	87	60	77	58***	44***
Complete high school by age 20	85	61	85	57***	44***
Enroll in college by age 25	59	24	57	19***	9***
Complete four-year degree by age 25	25	4	18	1***	0***
Form own household by age 25	75	73	87	72***	57***

Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights. Significance for the “middle” and “least successful” columns is based on the difference between the given group and the “most successful” group. See appendix B for specifics and definitions.

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

APPENDIX TABLE A.3

Detailed Characteristics of Children, by Childhood Poverty Status and Young Adult Success Level

	All children	Persistently Poor Children			
		All	Most successful	Middle	Least successful
Circumstances at birth (share)					
Parents have at least high school education	86	48	58	47*	45
Mother married	84	35	52	33***	27***
Mother a teen	11	32	41	31*	23**
Poor (share of years)					
Ages 0–17	12	74	69	75***	76***
0–5	13	74	69	74	80***
6–11	12	80	78	81	75
12–17	10	65	59	66*	67
Age first poor					
Average (years)	4.3	0.8	1.0	0.8	0.2***
Ages 0–2 (share)	20	87	84	86	98***
Strong employment connection of head or spouse (share of years)					
Ages 0–17	89	44	52	44***	35***
0–5	89	46	56	45***	39***
6–11	89	40	42	40	32*
12–17	88	47	57	46***	33***
Disabled head or spouse (share of years)					
Ages 0–17	15	24	13	25***	34***
0–5	11	22	17	22	30***
6–11	15	25	14	26***	34***
12–17	19	25	8	27***	40***
Two-adult-headed family (share of years)					
Ages 0–17	82	37	42	36	35
0–5	86	44	52	42*	45
6–11	82	36	38	36	32
12–17	76	29	31	29	27
Volatile income (drop of 25% or more; share of years)					
Ages 0–17	13	24	27	24***	27
0–5	12	25	25	25	21
6–11	13	25	29	24*	29
12–17	14	23	25	22	31
Moved for a bad reason at least twice (ages 0–17; share)					
	17	44	46	43	43

Source: Authors' tabulations of the Panel Study of Income Dynamics (PSID) for people born between 1968 and 1985.

Notes: Persistently poor children are poor at least half the years from birth through age 17. Data are weighted using the PSID individual survey weights. Significance for the "middle" and "least successful" columns is based on the difference between the given group and the "most successful" group. See appendix B for specifics and definitions.

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Appendix B. Data and Methods

PSID Data and Sample

This analysis uses data from the 1968 through 2013 waves of the Panel Study of Income Dynamics, a longitudinal survey that interviewed respondents annually from 1968 through 1997 and biennially thereafter. This study focuses on people born between 1968 and 1985, following them from birth up to age 28–30.³⁷ This allows us to link individuals' childhood experiences with their adult outcomes.

There are 3,198 children in our sample (all children), 523 of whom are persistently poor (unweighted). Of the 523 persistently poor young adults, 71 are in the most successful group, 399 are in the middle group, and 53 are in the least successful group. Sample size varies for some measures because of missing data.

At each interview, family annual income, which is used to construct family poverty status, is collected for the prior calendar year.³⁸ When the PSID shifted to biennial interviewing, it began collecting income data for each of the two prior years. However, a PSID technical paper cautions users about the quality of the income data from two years ago (Andreski, Stafford, and Yeung 2008), so these data are not incorporated in this analysis.

All the analyses presented here use the official definition of poverty. Under the official definition, a family is poor if its gross annual money income is below the federal poverty level.³⁹ In 2017, the federal poverty level for a family of three is \$20,420. A strength of the official poverty measure is that it allows for straightforward comparisons over time.⁴⁰ A child is persistently poor if he or she lives in a family experiencing poverty for at least half his or her childhood (from birth through age 17).⁴¹

Employment is measured differently and comes from different PSID questions for parents' (or family head/spouse) employment when the child is growing up and for the young adults' own employment in early adulthood.⁴² When the child is growing up, the family is identified as having a strong employment connection in a year if the head or spouse worked at least 1,000 hours and earned at least \$1. For the young adults, information on whether they are working (or in school) is captured at the time of the survey from a single question that asks if the individual is working now, looking for work, a student, keeping house, etc. Thus, we capture the young adults' employment only at the time of the survey. A large share of the young adults in our sample are not yet the head or spouse of their own

household during the years of interest (ages 19 to 30), so the head/spouse variables do not capture the young adults' employment.

Local-Level Data

Census data: We use the PSID restricted geo-coded data, which allows us to augment the main PSID file with census tract-level information from the US Census Bureau. Census tract-level variables include the unemployment rate, poverty rate, property vacancy rate, share living in public housing, share living in a single parent-headed family with children, and share of adult population with no high school education. We merge these calendar-year data with children's records such that we create the variables by child's age and then average them over the person's childhood (birth to age 17).⁴³ In addition to examining these characteristics separately, we create a neighborhood disadvantage index using factor analysis.⁴⁴ This measure is generated from the six neighborhood (census tract) characteristics mentioned earlier. The index ranges from -1.4 to 7.4, with lower values indicating less neighborhood disadvantage. For example, at the lower end of the scale, neighborhood poverty rates are less than 10 percent, whereas at the higher end of the scale neighborhood poverty rates are as high as 50 percent.

Other local-level data: Data on segregation—the black-white dissimilarity index—come from the American Communities Project at the Spatial Structures in Social Sciences program at Brown University. The black-white dissimilarity index measures how evenly black people and white people are spread across a city and describes the share of the black people in a city that would need to move in order for each neighborhood in the city to have the same share of black people as the city as a whole (Iceland, Weinberg, and Steinmetz 2002). The city dissimilarity index captures black-white segregation in core based statistical areas. The school dissimilarity index captures black-white segregation in primary schools and is measured for all elementary schools in a metropolitan statistical area.⁴⁵ Like the Census data, the dissimilarity indices are available decennially starting in 1980 and are used similarly. For the city dissimilarity index, we take an average across childhood (birth to age 17). For the school dissimilarity index, we take the average across ages that align with primary school (ages 5 to 12). While the dissimilarity index is calculated to range from 0 to 1, it is common in the literature to multiply it by 100 for interpretation.

We also examine county-level data on economic mobility, school expenditures, and student-teacher ratios. Economic mobility is measured as the share of people in the county who are in the bottom income quintile as children and in at least the middle income quintile as adults (at age 26). This measure, constructed from federal income tax data, captures mobility between 1996 and 2012 for children born

between 1980 and 1988 (Chetty and Hendren 2015). School expenditures and the student-teacher ratios were created by Chetty and colleagues using data from the National Center for Education Statistics Common Core of Data 1996–97 financial survey (expenditures) and universe survey (student-teacher ratio). Unlike the Census data, we do not have these data over time. With this limited availability, we merged the data based on where the person lived at age 17. Sample members were age 17 between 1985 and 2002.

Analytic Method

We use trajectory analysis to identify connectedness and poverty patterns between ages 19 to 30 for adults who were persistently poor as children. The trajectories are produced in Stata using a procedure (“Traj”) developed by Jones and Nagin (2012). These group-based trajectory models use maximum likelihood to estimate the model parameters, assigning each individual in the sample to a trajectory. With binary outcomes (connected and not poor), we assume a binary logistic distribution. The model specification allows users to select the number of trajectories and the polynomial type for each. For both the connectedness and poverty outcomes, we have four trajectories. Statistical tests indicate that the models could support more than four trajectories, but specifications with additional trajectories do not produce substantially different results. For the connectedness outcome, all four trajectories use a quadratic polynomial, while the poverty outcome uses two quadratic and two cubic polynomials. These specifications were chosen to balance confidence intervals around the trajectories and theoretically justifiable shapes of the trajectories. See Nagin (2005) for additional information on trajectory models.

Notes

1. For comparison, about 4 in 10 children are poor in at least one year before age 18 (Ratcliffe 2015) and 19.7 percent lived below the poverty level in 2015 (Proctor, Semega, and Kollar 2016).
2. See Holzer et al. (2007).
3. High school completion is measured at age 20, while college enrollment and completion are measured at age 25.
4. There are similarly large racial disparities in the share of children who are never poor: 68 percent of white children are never poor, compared with only 23 percent of black children. Overall, 59 percent of children are never poor.
5. We are unable to separately examine Hispanic, Asian American and Pacific Islander, and Native American children because of sample size limitations.
6. See Duncan et al. (1998); Duncan et al. (2012); Eccleston (2011); Evans and Schamberg (2009); National Center for Children in Poverty (1999); Ratcliffe and McKernan (2012); and Shonkoff et al. (2012).
7. Among all young adults in the PSID sample, 85 percent complete high school by age 20. Between 1988 and 2005, the years when people in our sample turned 20, the national high school completion rate for young adults ages 18–24 ranged from 87.6 to 84.5 percent (Stark and Noel 2015).
8. See Acs, Elliott, and Kalish (2016); Acs et al. (2016); Duncan and Brooks-Gunn (1997); Ratcliffe (2015); and Ratcliffe and McKernan (2012). Experiencing poverty longer in childhood is associated with worse outcomes, such as diminished employment in adulthood and lower school achievement in childhood and adolescence (Isaacs and Magnuson 2011; Ratcliffe and McKernan 2010; Wagmiller and Adelman 2009).
9. We use trajectory analysis to assign each person to one of the four trajectory groups. For more detail about the data and approach, see appendix B.
10. This share is low compared with all children. Using a nationally representative sample from the National Longitudinal Survey of Youth, Kuehn et al. (2009) find that 60 percent of young adults are consistently connected between the ages of 18 and 24.
11. Those shares are 37 percent for “improving over time,” 64 percent for “not improving over time,” and 52 percent for “declining over time.” A four-year college degree is obtained by 15 percent of those in the “consistently connected” group, but only 0 to 2 percent of those in the other three groups.
12. The shares are 54 percent for “initially not poor, poor later,” 47 percent for “initially poor, not poor later,” and 40 percent for “mostly poor.”
13. These dollar values are based on the 2017 poverty guidelines, which set the poverty threshold at \$20,420 for a family of three (<https://aspe.hhs.gov/poverty-guidelines>).
14. A majority (82 percent) of young adults in the “consistently connected” group are also in the “mostly not poor” group. The reverse is not true. Only 41 percent of “mostly not poor” young adults are also “consistently connected.”
15. Two married mothers who are a household head/spouse are in the middle success group because they were not connected to work or school in at least one year after they were married with a child. Recategorizing these two mothers from the middle to most successful group does not change the findings.
16. These dollar values are based on the 2017 poverty guidelines.
17. This number is consistent with a UNICEF report, based on data from the Center for Disease Control, which shows that 22 percent of 20-year-old women in 1998 had a child in their teens (UNICEF 2001). The year 1998

is used for comparison because it is approximately the average year young adults in our sample turned 20. Also, looking at men and women together, 77 percent of those in the most successful group avoided a teen birth, compared with 44 percent of those in the least successful group.

18. The educational achievement numbers for the PSID sample displayed in figure 7 are comparable to those from other sources. The national high school completion rate for young adults ages 18 to 24 ranged from 87.6 to 84.5 percent between 1988 and 2005, the years people in our sample turned age 20 (Stark and Noel 2015). In the years young adults in our sample turned 25 (1993 to 2010), 51–61 percent of adults ages 25 to 34 completed at least one year of college, and 24 to 33 percent completed a bachelor’s degree (Current Population Survey 2015).
19. Parents in the PSID sample have similar levels of educational achievement to national averages for young adults in the same time frame. Approximately 80 percent of 18- to 24-year olds had completed high school in 1968, the first year children in our sample were born, though only 49 percent of adults 25 and older had completed high school in 1965 (Heckman and LaFontaine 2010; US Census Bureau 1999). Though our estimate of 86 percent is higher than the 80 percent estimate, we capture the educational attainment of the parent in the family that has achieved the highest level of education.
20. While the difference between the most successful and least successful groups is larger than the difference between the most successful and middle groups (13 percentage points versus 11 percentage points), there are more people in the middle group than the least successful group.
21. See Dubow, Boxer, and Huesmann (2009); Duncan, Ziol-Guest, and Kalil (2010); and Ratcliffe (2015).
22. Eighty-six percent of the middle group is poor by age 2.
23. Our estimate for all children is slightly lower than estimates from other studies using the PSID (e.g., Gosselin and Zimmerman 2008; Pew Charitable Trusts 2015). We use annual income data where available, while these other studies measure income changes over two years, leading to slightly higher values.
24. A person is categorized as having a disability if he or she has a physical or nervous condition that limits the type or amount of work he or she can perform.
25. We estimate regression models that include the share of years the family head/spouse is disabled, has a strong employment connection, and is poor.
26. The PSID groups residential moves based on reason for the move. Reasons that include contraction of housing (e.g., less rent), to save money, and to respond to outside events (e.g., eviction) are categorized as negative moves.
27. Earlier research that examines the broader population of children who ever experience poverty finds that children with multiple negative moves have worse educational outcomes (Ratcliffe 2015).
28. See Chetty et al. (2014); Harding (2003); Owens (2010); Sharkey (2016); and Wodtke, Harding, and Elwert (2011).
29. See Chetty et al. (2014); Harding (2003); Nikulina, Widom, and Czaja (2011); Owens (2010); Sharkey (2016); and Wodtke, Harding, and Elwert (2011). A study by Rothbaum (2015) finds that local characteristics are not predictive of adult success when controlling for family characteristics.
30. This mobility index (from Chetty and Hendren 2016) is based on children from across the income spectrum and at a later period than our study, which may contribute to the lack of significant differences.
31. The black-white dissimilarity index measures evenness and is defined as the share of the black people in a city that would have to move in order for each neighborhood to have the same share of black people as the city as a whole (Iceland, Weinberg, and Steinmetz 2002). The dissimilarity index is calculated to range from 0 to 1 but has been multiplied by 100 for consistency with the literature. Values above 60 are generally considered high (Massey 2001).

32. Our school segregation measure is for primary schools in the city; it is not specific to the school the person attended.
33. See Duncan, Brooks-Gunn, and Klebanov (1994); Duncan, Ziol-Guest, and Kalil (2010); and Ratcliffe and McKernan (2012).
34. US Partnership on Mobility from Poverty, "Family Stability and Opportunity Voucher Proposal" (unpublished manuscript, March 21, 2017).
35. US Partnership on Mobility from Poverty, "Scale Up Evidence-Based Home Visiting Programs" (unpublished manuscript, March 21, 2017).
36. US Partnership on Mobility from Poverty, "Transforming the Geography of Opportunity" (unpublished manuscript, March 21, 2017).
37. Children born in 1984 or 1985 are only observed through age 29 or 28.
38. One weakness of the PSID is that family income and family size, key components of poverty, are measured at different points in time. Family structure is measured at the time of the interview, but income is reported for the prior year. If individuals enter or leave a family from one year to the next, there is a mismatch between family income and the poverty threshold.
39. Our poverty measure uses the poverty thresholds described in Grieger, Danziger, and Schoeni (2008).
40. Critiques of the official poverty measure include that it does not adjust for variations in cost of living by geography and does not reflect current standards of living.
41. Because the PSID went to biennial interviewing in 1997, complete childhood poverty histories are not observed for children born in 1980 or later. In these cases, the percentage of years poor is calculated based on the number of years children are observed. Children born in 1980 and 1981 are observed for 17 years (versus 18 years), children born in 1982 and 1983 are observed for 16 years, and children born in 1984 and 1985 are observed for 15 years.
42. For ease, we refer to the people that lead the family as the "head" and "spouse." In the PSID, however, families headed by one male and one female list the male as the "head" and the female as the "wife." For families headed by single adults, the individual is referred to as the "head" regardless of gender.
43. Census tract is available in the restricted-use PSID starting in 1975. Each PSID year from 1975 forward is assigned a census data year: 1975–84 PSID to the 1980 Decennial Census, 1985–94 PSID to the 1990 Decennial Census, 1995–2004 PSID to the 2000 Decennial Census, and 2005–09 PSID to the 2005–09 American Community Survey (five-year averages). Because census tract is not available before 1975, neighborhood characteristics are not observed for the complete childhood of children born between 1968 and 1974. For children born in these earliest years, data are used in the years available.
44. The factor analysis uses the neighborhood characteristics averaged from birth through age 17.
45. Metropolitan statistical areas are a subset of core based statistical areas.

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