

## **Child Poverty in the United States**

**Melissa Kearney, University of Maryland**

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Michael Klein:

I'm Michael Klein, Executive Editor of Econofact, a non-partisan, web-based publication of The Fletcher School at Tufts University. At Econofact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at [www.econofact.org](http://www.econofact.org).

Michael Klein:

One way to gauge the success or the lack of success of a nation's economy is to consider how it positions itself for the future, that is, how it treats its children. Another gauge is how the most vulnerable citizens are treated. Together, these two indicators suggest focusing on the extent of child poverty and the policy efforts to alleviate it. While recognizing that child poverty compromises the goal of promoting economic opportunity and the future health of the economy, it's also vital that we don't lose sight of the fact that poverty is a human tragedy for poor children and their families and it speaks to the moral standing of a nation.

Michael Klein:

To discuss these issues, I'm very happy to have as my guest today, Professor Melissa Kearney of the University of Maryland. Among other professional affiliations, Melissa is the director of The Aspen Economic Strategy Group and a senior editor of the Future of Children. She served as director of the Hamilton project at Brookings from 2013 to 2015 and is co-chair of the J-PAL State and Local Innovative Initiative from 2015 to 2018. Melissa, welcome to Econofact chats.

Melissa Kearney:

Thanks, Michael.

Michael Klein:

Melissa, what's the definition for determining whether a child is living in poverty?

Melissa Kearney:

A poverty status is a bit arbitrary, but it's based on a comparison of household income to a specific census-poverty defined threshold. The census looks at data on the sum of income coming into a household, including from earnings and government cash transfers like social security or welfare benefits. If a household income is less than the corresponding threshold, which depends on family size and composition, then everyone in that household, including the children, are considered poor. Just to give you a sense of what the thresholds are for one adult and two children, if their household income is below around \$20,000 a year, then everyone in that household is considered poor.

Melissa Kearney:

For two adults and two kids, if their annual income is less than \$26,000 a year, everyone in that household is considered poor. I'll just add, there's a lot of well-known issues with this measure and it's not perfect, but it does allow us to gauge how we're doing and how poverty rates defined this way vary across groups and places and over time.

Michael Klein:

Given this definition, how big is the problem of child poverty in the United States?

Melissa Kearney:

Last year, there were 10.46 million children living in poverty. That's more than 14% of our kids. One thing I'll add is that that's higher than the share of adults age 18 to 64 and the share of those over age 65 in poverty. For adults and the elderly, it's about 9%, so child poverty rates are the highest in the country.

Michael Klein:

How does this compare to the rates of child poverty in other countries that are at similar levels of income?

Melissa Kearney:

That's a really good question. That's harder to answer than you might think just because it's hard to make comparisons across countries given differences in data and measurement, et cetera. But the OECD database does include information on a standardized child poverty measure across countries. What that database does is define child, what they call relative income poverty, as the percent of children living in a household with disposable income that's less than 50% of the median disposable income in that country. By that measure, child poverty in the US is around 20%, which puts us at the high end of the distribution of OECD countries. It puts us near Mexico and Chile and Spain. The OECD average is 13%. UK and Canada have rates around that average. Finland and Denmark are at the low end with 3% to 4%.

Michael Klein:

For our listeners who aren't familiar with the term. OECD is the organization for economic cooperation and development and it includes the richer countries in the world. The United States is not doing very well within this group. Melissa, even if there are differences across countries in terms of the data, so the data aren't fully comparable, it is striking that we see the United States at the bottom of the set of richer countries. If we dig into this a bit more for the case of the United States, I imagine that these numbers mask big differences by race and ethnicity.

Melissa Kearney:

That's right. There are large differences in child poverty rates in the US by race and ethnicity. Black and Hispanic children have the highest rates of poverty, 26% and 21% respectively. That's as compared to 8.3% among white children and 7.3% among Asian children.

Michael Klein:

Melissa, you had a 2019 Econofact memo about family structure, whether there are parents present, how many parents and so on. You noted that fewer than two-thirds of children in the US today live with married parents. In that Econofact memo, you say that this matters because family structure is related to the resources available for children. How does the issue of family structure relate to the issue of child poverty?

Melissa Kearney:

Yeah, I'm glad you brought that up. Poverty scholars have long been interested in family structure because it's a really big predictor of whether children grow up in poverty. There are large differences in child poverty rates by family structure. 41% of children in mother-only homes live in poverty as compared to 8% of children who are growing up in married-parent families. That's kids growing up in a single-mother household are five times as likely to live in poverty.

Melissa Kearney:

By the way, these poverty differences by family structure hold within race and ethnic groups. What I mean is if I look within a race or an ethnic group, children- and mother-only families are four to six times more likely to live in poverty than children in married-parent families. We see these differences in the other rich countries as well. You brought up international comparisons before. In the OECD average, again, children living with a single adult, their poverty rates are 32% as compared to less than 10% for children in households with two or more adults.

Melissa Kearney:

I just want to say two things about that. This largely reflects the fact that two adults bring more income into a household than one adult so that's just simple resource math. But it also reflects the fact that parents who have lower levels of education and lower levels of income are less likely to marry so you have both cause and effect going on here. Parents with lower levels of education and income are more likely to be single parents and that exacerbates the gaps in childhood income and experiences between kids born to higher and lower income parents.

Michael Klein:

Family structure both is a source of poverty and a consequence of poverty. That's what you're saying, right?

Melissa Kearney:

Yeah, that's right. Just if I can underscore the point: Issues related to the family and the ways in which children are being raised and the resources and opportunities they have access to are very much entwined with issues of poverty, but also inequality and social mobility. I think it's really important that we acknowledge and unpack these facts in order to make meaningful progress in closing class gaps. I'm actually working on a book about this topic so stay tuned.

Michael Klein:

Well, we look forward to that. That will be a really important contribution I'm sure. Can you talk about what are the consequences for children who are brought up in poverty in terms of how they live their lives, physical wellbeing, their mental and emotional wellbeing, and what the consequences of this are for them later on in life as well?

Melissa Kearney:

We have lots of evidence that children who grow up in poverty have poor physical and mental health. They have poor performance in schools. Given neighborhood segregation by income in this country, poor children are also more likely to attend lower quality schools and live in neighborhoods with fewer employed adults. These factors all make it harder for children to reach their human capital potential and achieve higher levels of income when they reach adulthood. I would say that this contributes to the relatively low level of social mobility we have in the United States.

Michael Klein:

Yeah, the American story is one where anyone with enough pluck and skills can raise their station in life. But the consequences for children who are growing up poor, it means that they're playing the game with one hand tied behind their back.

Melissa Kearney:

Well said. Child poverty clearly holds too many kids back and we all suffer for it.

Michael Klein:

Melissa, what's to be done? How successful are existing programs in addressing child poverty? Are there any statistics on the poverty of income versus a poverty of consumption, that is families sometimes are able to consume more than their income because of government programs? Do these work? Do we have any ideas about that or any evidence on that?

Melissa Kearney:

Yes, we do have evidence on that, and we can see that a lot of our efforts have been productive and successful. But to see the impact of existing programs and program expansions over recent decades on child poverty, we actually have to look at a different statistic than the official poverty statistic that I described earlier. There's an alternative measure. It's called the supplemental poverty measure, and that's more comprehensive in the ways you talk about. That gives us a better idea of material needs.

Michael Klein:

Does that include that income would not include?

Melissa Kearney:

Good. That includes things like in-kind transfers so the value of SNAP (Supplemental Nutrition Assistance Program) benefits and Medicaid. It also includes post-tax transfers like the earned income tax credit. This is really important because that's where most of our program expansions have been over the past 30 to 40 years.

Michael Klein:

Can you describe briefly what the earned income tax credit does?

Melissa Kearney:

Okay. The earned income tax credit supplements the income of people in low-income families, and it's much more generous for people with children. For a low income worker with two children, they can get a 40% wage subsidy. At the end of the year, a qualifying household gets a tax credit from the government. This is an important transfer program, but it's run through the tax code and so it's missed in some official statistics.

Michael Klein:

The more you have the less you get through this program.

Melissa Kearney:

That's right. That's right. Okay, so the supplemental poverty measure includes these other transfers coming into the household that allows households to consume more than they would if we just counted their straight up income. It also takes into account costs like cost differences across places or large out-of-pocket medical expenses.

Michael Klein:

If we look at these, what's the difference in poverty rates by income as opposed to by consumption, where we take into account these government programs?

Melissa Kearney:

Interestingly, you do all of these corrections and so you have a better measure on both the income and the cost side and it looks like poverty rates are about the same now under both measures. But what the supplemental poverty measure reveals that the official statistic reveals is that we've really brought down the level of material deprivation since the mid 1960s. If you look at the supplemental poverty measure, child poverty rates have fallen from around 30% in the mid 1960s to around 15% in recent years.

Michael Klein:

This was Johnson's Great Society Program that was launched then, right?

Melissa Kearney:

And a lot of expansions in the 90s and 2000s that expanded access to Medicaid and the earned income tax credit, as we talked about. That's really encouraging. It suggests that these expansions of these safety net programs have made a difference. I would just say we have a lot more to do, right? This is like a proof of concept, but it also leaves us with rates of child poverty that are far higher than we should accept so we need to build on these efforts and do more.

Michael Klein:

That's a good way to put it, proof of concept. The government can do something and it works, but you're saying it just hasn't done enough yet at this point.

Melissa Kearney:

Yeah. That's right.

Michael Klein:

Especially again, if we go back to what you were talking about at the beginning, compared to other rich countries, OECD countries, the United States is still low in the league tables as they would say in Great Britain. I know that beyond these programs, you suggested a new initiative, social security benefits for kids. Can you talk a little bit about that?

Melissa Kearney:

Yeah, so that idea was something I put out with an essay I distributed through the Brookings Institution this summer. And really I was putting out a thought experiment or making a point, which is to say if we showed the same commitment to kids in this country as we do to those over age 65, we could really essentially eradicate child poverty for not that much money.

Melissa Kearney:

The idea is based on the observation that social security was successful at reducing elderly poverty. The fact that kids now have the highest rates of poverty in the US is a dramatic reversal from the mid-1900s when elderly poverty rates were the highest in the country. In 1959, 35% of those 65 and over lived in poverty. That's come way down and social security has been a great anti-poverty success story for elderly poverty.

Melissa Kearney:

My point is why don't we have a social insurance program to protect children who through no fault of their own are born into a family with limited resources. That's a risk that we do not provide social insurance against in this country. In my mind, that's a gaping hole. What I was saying is if we gave every child living in poverty the average social security benefit received by a social security recipient over age 65 today, so that's about \$17,000 a year, child poverty in this country would fall to below 1%.

Melissa Kearney:

If we gave every child living in poverty half the average social security benefit, so about \$8,500 a year, the rate of child poverty in this country would fall to 3%, right? That's a huge reduction in poverty. There's reason to think this is something that we should provide social insurance against.

Michael Klein:

You said it wouldn't cost that much to do that. What are we looking at for costs in these kinds of initiatives were we actually to undertake them?

Melissa Kearney:

In dollars it would cost, I shouldn't be so flip, it would cost a lot, but not that much compared to the kinds of money we spend and we've been spending on other efforts. The full social security benefit amount to kids in poverty, that would cost about \$180 billion. If we did the half benefit amount, that would cost about \$90 billion. That means about 2% of federal spending and we could bring child poverty to below 4%.

Michael Klein:

As they say, a billion here, a billion there, pretty soon, you're talking real money. But you do point out that as a proportion of the federal budget, it's not that big.

Melissa Kearney:

Yeah, no. I should add if we were serious about designing this policy, we wouldn't have a cliff at the poverty threshold. We wouldn't really give... It would be a terrible design of a policy to give \$17,000 or \$8,000 to a kid right below the poverty line and nothing to a kid right above it. What we would do is phase it out so kids near poverty would get a smaller benefit amount. That would serve more children. There's a lot of good reason to give money to kids who are right above the poverty threshold as well, but it would increase the annual cost of such a program.

Michael Klein:

As you say, we already do that with the earned income tax credit, right? That's a graduated program so there's experience with having programs that don't, as you say, have a cliff, but fade out at higher levels of income.

Melissa Kearney:

Right, exactly.

Michael Klein:

We already have programs like this, like the earned income tax credit, and some people though might voice concerns that even if we have these graduated benefits, the benefits could disincentive work among its recipients. That's what we hear as a standard complaint about these. Is there any evidence about that or is there a response to that concern?

Melissa Kearney:

Okay, so the earned income tax credit is an interesting contrast because remember, you have to have positive earnings to get the earned income tax credit at all. On the margin of trying to induce people to work at all, the earned income tax credit as positive work incentives, which is why it has widespread appeal. Now, a concern with what something like I'm proposing, which is to send checks to people in poverty and not condition it on parents' work status, is exactly what you said.

Melissa Kearney:

People will say, "Well, then people just won't bother working." There's a few important reasons why we really shouldn't be too worried about that. First, we're talking about families with very low levels of earnings. That's why they're poor. This is related actually to an Econofact memo that Ann Huff Stevens wrote a few years ago. Some workers have very low wages and limited hours, which is why they're poor despite being employed.

Melissa Kearney:

The point is there isn't much room for a labor supply response. Even if some people restricted their work efforts in response to this check, it's just a very small response. It wouldn't meaningfully impact productivity or aggregate employment rates.

Melissa Kearney:

Furthermore, studies that do examine parental labor supply response to transfer programs like Medicaid or SNAP or child SSI (the Supplemental Security Income program), these indicate at most that there's only a small reduction in labor supply. I just think based on the evidence, that's not something we should really worry about.

Melissa Kearney:

But a second point, which is really important, is that we know that improving the material wellbeing of poor children puts them in a better position to thrive in school and ultimately be healthy, productive adults. Really, we should think of that, this kind of spending, as investing in poor kids and that's productivity enhancing, right? If you really want to make the economic argument as opposed to the moral argument for doing this, it's easy to make one. Spending on poor kids yields economic benefits, not just for those kids, but for society. I would say this is a place where we shouldn't worry about the standard equity versus efficiency trade off. Spending more to improve outcomes for poor kids would advance both our equity goals and efficiency.

Michael Klein:

You make a good point. There's like a generational labor supply issue here.

Melissa Kearney:

Yep. Yep.

Michael Klein:

As urgent as these concerns are, the pandemic has raised even more concerns about the issue of child poverty and unequal opportunity has raised these to a higher level. What do we know so far about the number of children living in poverty since the economic crisis caused by the pandemic?

Melissa Kearney:

Oh, that's a good question. Let me start by saying that child poverty was declining before the pandemic. There had been a steady decline since the great recession, meaning during the recovery. That was all very promising, and I certainly worry that this pandemic is going to lead to a reversal of those gains. It's true that the pandemic has hit low income and vulnerable populations the hardest, right? Both in terms of its health effects and its economic effects.

Melissa Kearney:

But fortunately, the relief measures of the CARES Act passed last spring did a lot to help prevent what otherwise would have been a large increase in poverty. There's a really nice recent paper by Jeehoon Han, Bruce Meyer and Jim Sullivan that shows that the provision of... the combination of regular unemployment insurance with the pandemic expand on employment insurance and the economic impact payments, the direct checks that went out to households last spring, those three programs combined, they say, kept poverty from increasing last spring, even though there was a huge 14% drop in employment.

Melissa Kearney:

In addition, to the cash relief, there's been eviction moratoriums that have allowed many families to stay in their homes despite falling months behind on rent so we haven't seen a huge increase in the pandemic that we would have without these massive government relief efforts. My worry is what happens when the relief provisions expire. Okay? A lot of what happens going forward is going to depend on how quickly the economy recovers and whether and how quickly a lot of the out-of-work workers in particular, low-wage, low-income workers, are able to find decent paying jobs going forward.

Michael Klein:

Melissa, I'd like to conclude by talking about another issue that was raised by the pandemic: The issue of the loss of schooling. Of course, this is hitting low-income children harder than children who have access to more resources, who have access to good internet, who have computers at home and so on. What are your views about getting kids back into school? There's also the issue of course that school is more than just education for many low-income kids. It's also a source of say meals that is very important for them as well.

Melissa Kearney:

Yeah. You're totally right. This has been one of the largest things that has just worried me and made me profoundly sad since last spring that we didn't prioritize getting kids back to school safely. As you point out, the lack of access to school, the reliance on school by the internet, this is just a disaster for poor kids in particular.

Melissa Kearney:

I expect low-income kids to suffer the largest learning losses. They're the least likely to have internet access at home, a quiet, safe place to work. As you said, these kids are also, many of them, dealing with food insecurity. The fact that we didn't prioritize school openings starting last spring in my mind reveals yet again, that we don't prioritize children and in particular, taking care of the most vulnerable.

Melissa Kearney:

The first thing I would say, which lots of people are saying now, we need to get kids back to school safely as soon as possible. That said, when kids do get back into school, some of these kids haven't been in a school in a year, and so it's going to require a lot of resources to help those kids make up to some extent the learning deficits as well as I would expect a lot of additional counseling. Because we hear these stories too that mental health challenges, anxiety, all sorts of problems are heightened for the kids who have been home and in not great situations right now.

Michael Klein:

Melissa, thank you very much for taking the time to speak with me today on this topic, one that has deep consequences, both for the economy of this country and for its moral standing.

Melissa Kearney:

Thank you, Michael.

Michael Klein:

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