

EconoFact Chats: Supporting Children and Their Families

Lisa Hamilton, The Annie E. Casey Foundation

Published on 18th February 2024

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.

Michael Klein

The plight of children and families with children who are struggling to make ends meet, is one of the most compelling challenges facing this country. The child poverty rate more than doubled between 2021, when it was 5%, and 2022, when it reached 12%. The highest rates of poverty occurred for the youngest children, those under 5, and for children in single-mother households, children of color, and children in immigrant families. Even families who are not in poverty often face financial challenges due to the high cost, or unavailability of child care. Addressing these challenges requires the work of legislators, scholars, and importantly, foundations committed to these issues. The Annie E. Casey Foundation is one of the most prominent organizations working on issues related to children. I'm very pleased to welcome to EconoFact Chats the President and CEO of The Annie E. Casey Foundation, Lisa Hamilton. Lisa became president of the foundation in 2019, after serving in a variety of other roles there, including Chief Program Officer, and Vice President of External Affairs. In the interest of full disclosure, The Annie E. Casey Foundation is a financial supporter of EconoFact. Lisa, thank you for joining me today.

Lisa Hamilton

You're welcome, Michael. Thanks for having me.

Michael Klein

So, to begin with, Lisa, what's the threshold level of income for determining whether a child is living in poverty?

Lisa Hamilton

Well, Michael, I think that is the perfect place to start. And the first thing I think to understand is that a child living in poverty is really a reflection of family poverty, since kids don't work. So there are actually a couple of ways to measure poverty. And the one that's most well known that most people reference is the Census Bureau's Official Poverty Measure. People often talk about that as being below the poverty line. But that measure only really considers a family's pre-tax cash earnings. And then it compares that to the cost of food adjusted for family size. So that figure is around \$30,000 for a family of four. And by that measure, about 13% of Americans are living in poverty. Well, the Census Bureau realizes that this measure they've been using for a long time isn't quite accurate. And so, in 2011, they came up with something called the Supplemental Poverty Measure. And it covers a broader set of household needs like staples for food, but also utilities and housing. But in this measure, it includes some of the safety net benefits, and stimulus payments that families get. And by that measure, there is a bit of a range

somewhere between \$29,000 and \$35,000 for a family of four. But I think all of us know in our real lives that doesn't really cover what it costs to support a household. And so I like to share a measure that our friends at United Way came up with more recently that we think is a much more practical tool to understand what it really takes to live and work in the modern economy. And so they've developed something called the ALICE Household Survival Budget. It would include some of those things the federal measures are considering, like housing and food, but it also considers things all of us know one needs for a household, like childcare, or a smartphone plan, or transportation and healthcare. So ALICE, just for your listeners, stands for Asset Limited Income Constrained, Employed. That's really a fancy name for folks all around us who are working in jobs like nursing and daycare workers, and grocery clerks who work hard but aren't able to make their ends meet. So under the ALICE Survival Budget, the family of four needs about \$91,000 here in the town I live in, Baltimore, Maryland. So that's a huge difference from what the federal poverty measure is telling us. So by that measure, about 41% of households are struggling to make ends meet. And that's by household. For children it is literally almost 50% of children. So it's really important for us to understand there are lots of ways to measure who's living in poverty. But depending on what you include, it certainly covers a large number of children in this country.

Michael Klein

A lot of things that you mentioned, like cell phone use or transportation, aren't just luxuries, of course, they're very important for people to be able to be employed, to get to work, to operate in the economy. So things that maybe weren't considered as important at a time where there wasn't such wide use of the internet for a range of things, or people lived in places where there was greater public transportation, those things become more important now for people just to be able to get by.

Lisa Hamilton

Absolutely. And it's important for us to think of that, as we think about the ways so many of these costs have gone up over the last few years, it really puts lots of stress on families' household budgets. So I'm grateful that there are new ways of helping us understand what it really takes today to make ends meet for a family.

Michael Klein

Lisa, in the introduction, I talked about the rise in the rate of child poverty as measured by the Supplemental Measure. It went down to 5% in 2021, strikingly, despite the fact that the economy was very weak at that time. And then it rose to over 12% in the following year. And this is due to the removal of fiscal support. I guess this says something about the ability of the government to lower child poverty, and its priorities post-pandemic to move away from this commitment.

Lisa Hamilton

It sure does. We know that there's a huge difference that can be made when we make good policy choices for kids and families. And the support that you're talking about is the time-limited expansion of the federal child tax credit. And it certainly did a lot to temporarily lift millions of families across that poverty line. And it shows what can happen when our leaders really follow the data and evidence upon which that expansion was based on. But the truth is that that child tax credit isn't the only tool we have. And multiple studies have shown that other kinds of policies

like the Federal Earned Income Tax Credit, can help kids succeed, that they can do better and go further in school when their families have this extra financial support to enable them to meet their needs. There certainly isn't any silver bullet. And we know that these kinds of tax credits can really be helpful to families. But we always want to stress that it's important to have other comprehensive policy solutions that are focused on things that help kids and families thrive, things like safe and affordable housing, access to health care, and quality schools. So we know how to fight poverty with opportunity. These kinds of policies are certainly a big move in that direction.

Michael Klein

Yeah, we have a number of memos on the Earned Income Tax Credit. And economists strongly support that. In fact, the original proponent of that was Milton Friedman. And it's one of his ideas that was subsequently picked up and seemed to be quite successful. Lisa, so if poorer families get money, what's the evidence about how they spend the money they receive from something like a tax credit?

Lisa Hamilton

Well, we've got great evidence more recently from the pandemic about what happens. The Census Bureau instituted something called the Household Pulse Survey as the pandemic began, so that they could understand how families were making it through the pandemic, how were they using these resources. And it showed us over and over again that families were most often using these extra resources to make ends meet, to buy food, to pay utility bills, to buy clothing and other essentials for their kids. Remarkably, during that time, the rate of food insecurity among families who were eligible for that child tax credit expansion dropped by 30%. That is huge. So the tax payments really enabled low-income parents to do the things for their families that we all want to do for our kids, to provide a safe place to live, provide food, clothes, warmth, and safety.

Michael Klein

Inflation has been coming down from its height of a few years ago. But inflation is a rate of change of prices, and prices are still high. There was an EconoFact memo that we did by Dan Sichel, who headed a National Academy of Sciences report on the Consumer Price Index. And one of the recommendations of that was to look at inflation across people in different income categories, because the overall inflation rate doesn't necessarily reflect the cost of living for different people. What do we know about the cost of staples that poor families spend more of their income on? What's happened to that over the last few years? And then, therefore, how has inflation affected low-income families?

Lisa Hamilton

Well, inflation has had a huge impact on the financial stability of millions of families. According to a recent report, the average American family today has to spend an extra \$11,000 a year just to maintain the same standard of living they had in January 2021. That's a huge increase in a pretty short amount of time. And as you can imagine, low-income families don't have that kind of extra income just lying around. So they are really feeling pinched in their ability to access all the goods and services they need to support themselves. Just to highlight a couple of categories, food, for example, the USDA estimates that low-income folks spend about 31% of their income on food compared to 8% of wealthier families. And so grocery prices have jumped 25% since

2020. So that is really making household budgets tighter because of that. And food banks are seeing a record demand of folks trying to get access to food that way. Housing; another place where we've seen tremendous inflation. Apartment prices are now about 130% higher than they were just 10 years ago. So the average renter who's paying more than 30% of their income for housing has really increased sharply over the last couple of years. So particularly middle-income families, those between, you know, \$30,000 and \$75,000 a year, they're really feeling a squeeze on housing as well. You wonder how people are making ends meet as these types of goods and services go up? We're seeing lots more families turning to credit as a way to bridge the gap. And the Federal Reserve Bank of New York tells us that credit card debt has surpassed a trillion dollars for the first time ever last year. So people are really doing anything they can to try to keep meeting these rising costs of goods.

Michael Klein

Turning to the characteristics of child poverty for a moment, how does child poverty differ across different groups of people?

Lisa Hamilton

You know, far too many children in this country are living in poverty. And unfortunately, it's an issue that cuts across all races and ethnicities. You know, the highest rates of poverty occur for children under five, kids in single-mother families, children of color, and kids in immigrant families. And the reasons for this are sort of numerous and complex. For example, young kids often have young parents who are earlier in their careers, not making as much money. Obviously, single-income households are trying to make ends meet without the benefit of another wage earner. Families of color often don't live near higher-income job opportunities. And then kids and families often don't have access to things like health insurance benefits. So it's really important that we understand who's actually struggling in more significant ways in this country so we can invest in policy solutions that can reduce that.

Michael Klein

Lisa, are there marked differences in child poverty across different regions of the country?

Lisa Hamilton

There are. You know, every state in America has kids living in poverty, but there are higher rates generally in the south, as well as in rural areas and urban neighborhoods of concentrated poverty. So if you look at the official poverty measure, states like Mississippi, Louisiana, and New Mexico have the highest rate of poverty, all in, you know, between 24 and 28 percent. But then, when you look at the Supplemental Poverty Measure, interestingly, places like the District of Columbia rise to the top as having a higher rate of child poverty. And it sounds surprising, but it's really because the Supplemental Poverty Measure takes into account the cost of living. So places like D.C. and Florida, and New York all have pretty high cost of living. And so they have higher rates of poverty because the measure considers that.

Michael Klein

One of the podcasts that we did that I particularly enjoyed was with Arline Geronimus and her book about “weathering”. And it talks about the way in which people growing up under stress have long term problems. What are the consequences for children when they grow up in poverty?

Lisa Hamilton

Well, I appreciated that piece on weathering. It is really important and applies more often to older adults. But for children, there are tremendous impacts to their healthy development. It can impact their physical and mental health, their educational success, and so many other aspects of their lives. There really are ripple effects of poverty in a child's life. If you think about it, children living in poverty [are] at a higher risk of things like food insecurity, which negatively impacts their healthy growth and development. If they are in school, and they're hungry or they have been up all night because their home was cold, that can really impact their ability to focus in school. So then there are detrimental impacts to their school readiness, or their performance in school. And overall, we know that children who are growing up in low-income households have lower levels of educational attainment, which doesn't bode well for them long-term. So there are sort of immediate consequences of living in poverty, and then the duration of that poverty only exacerbates the issue. We at Casey certainly know that there are negative consequences for those particular children and families growing up in poverty, but we always try to make the case that it has an impact on all of us. There is a cost of child poverty in this country that ranges from \$800 billion to \$1.1 trillion based on lost productivity, and increased healthcare and other expenditures. So it's really important not just for individual children, but for society as a whole that we try to address child poverty.

Michael Klein

So moving up the income scale a little bit, the financial burden of raising children is not just limited to those in poverty. Middle-income families also face challenges, especially with respect to securing good childcare. My sons are in their 30s now, but I remember the stress and expense of getting good childcare for them, even though my wife and I made pretty good salaries. I suppose this problem is even bigger now, and certainly more difficult for families who are in lower incomes.

Lisa Hamilton

It sure is a big problem, and I talked about this in my message in our Kids Count Data Book last year. It's estimated the average annual cost for childcare for one child under six is about \$10,600. And when you think about the household budget, that's almost a tenth of an average couple's income or more than a third of a single parent's income. And these costs have gone up 220% over the last couple of decades, well in excess of inflation. One of the sorts of comparisons we often use is that the cost of center-based care for an infant is greater than in-state public college tuition for 34 states. So it is a huge burden on not just low-income households but, as you noted, middle-income households as well. It's really putting a lot of strain on families.

Michael Klein

An even bigger challenge is a lot of times you just can't find childcare. They're what people call childcare deserts.

Lisa Hamilton

Yeah, access is a real issue and with real consequences. A lot of times childcare is too far away for a lot of families or not on the way to work or near public transportation. We reported in our Data Book last year that 13% of kids younger than six lived in families where somebody quit, changed, or refused a job because of problems with childcare. And it is, you know, certainly that burden falls heaviest on women, and on single parents, parents in poverty, and families of color and immigrant families. So we have to do a whole lot more to make childcare more affordable, and accessible and ensure its high quality.

Michael Klein

So turning to a broader issue, did the increase in the support for families during COVID tell us anything about how government programs could be successful in addressing these childcare issues?

Lisa Hamilton

It has. There was funding that was provided during the pandemic through the American Rescue Plan Act, \$40 billion that helped to shore up the childcare system. It was really critical in making sure we preserved about three million spots for kids. So that injection of federal resources certainly proved that government and policy can do a lot to sustain and hopefully create more, more slots that families need.

Michael Klein

What do you and other people at the Annie E. Casey Foundation see as the government being able to do now to address childcare and some of the other issues related to child poverty that we've talked about?

Lisa Hamilton

Sure. Well, on the childcare side, I think there are a few things that can be done. Congress can reauthorize and strengthen the Child Care and Development Block Grant Act, and increase funding for public pre-kindergarten and Head Start. We can make sure that it's easier for families to access childcare subsidies that they might be entitled to. And we've got to do more to enable folks to open childcare centers. These are businesses, and more startup and expansion capital can help entrepreneurs who are interested in this space get involved. But as I talked about earlier, childcare isn't the only issue we've got to deal with. It's just part of the equation. And there are lots of other policies that can help families be more sustainable, things like Medicaid expansion that can make sure families have access to quality healthcare, and mental health services, and emergency rental assistance that can make sure families are stably housed. And we can even use some of these infrastructure dollars to ensure there's universal broadband access so kids can learn online if they need to, or parents can apply for jobs. So there are many things that our policy decisions can do to help families that are in poverty.

Michael Klein

Lisa, the New York Times columnist Nick Kristof recently reported on a Summit on America's Kids and Families. And some of the recommendations that came out of that included an early childcare program modeled on one that's used by the U.S. military – an expanded refundable tax

credit, a board to oversee tech companies to protect children, and then improvements in K-14 education. What's on your wish list of policies to improve the welfare of children and families?

Lisa Hamilton

Well, I certainly agree with all of the proposals that Kristof put forth. But on my list would also be more behavioral health services in schools, given the overwhelming number of young people who are struggling with mental health challenges. But, bigger picture, my wish list will also include more hope and optimism. I wish this country would paint a more hopeful rather than fearful picture of the future so that we all have something positive to work toward. And I think that includes, you know, rethinking the stories we tell each other about who is poor and why, because that drives policy change in this country. If we don't accurately portray the problem, it makes it a lot harder to build will, and to really authentically explore policy solutions that can help families. So I want us all to leave from a place of possibility in innovation, so we can really help more children and families have a brighter thriving future.

Michael Klein

Well, that's certainly a very noble goal. Mahatma Gandhi said, the measure of a country's greatness should be based on how well it cares for its most vulnerable populations. Children, especially those living in poverty, are among the most vulnerable in this country. So Lisa, thank you for discussing this vital issue with me today, and kudos to The Annie E. Casey Foundation for all the good work you do to support the most vulnerable.

Lisa Hamilton

You are so welcome. Thank you so much for having me, Michael.

Michael Klein

This has been EconoFact Chats. To learn more about EconoFact and to see the work on our site, you can log into www.econofact.org. EconoFact is a publication of the Fletcher School at Tufts University. Thanks for listening.