



# NATIONAL CENTER FOR CHILDREN IN POVERTY

COLUMBIA SCHOOL OF PUBLIC HEALTH

# YOUNG CHILDREN IN POVERTY

*A Statistical Update*  
*March 1998 Edition*

This publication updates the National Center for Children in Poverty's (NCCP) 1996 volume, *One in Four: America's Youngest Poor*, and continues a series of reports and statistical updates about young child poverty in the United States. It incorporates information from the 1997 March Supplement to the Census Bureau's Current Population Survey (CPS), which provides poverty estimates for 1996.\* The highlights of this update include:

- a new profile of the extremely poor, poor, and near poor population of young children in the United States using the federal government's official poverty measure;
- the use of an alternative measure of young child poverty that provides new insights into the impact of programs and policies on the economic well-being of young children; and
- a brief examination of why the young child poverty rate (YCPR) has decreased since 1993.

Both the official and alternative measures indicate that despite the recent decline in the young child poverty rate, the U.S. YCPR ranks among the worst of the Western industrialized nations. However, the alternative measure reveals that policy can make a significant difference. In particular, the expansion of the Earned Income Tax Credit has served to reduce young child poverty substantially over the past few years.

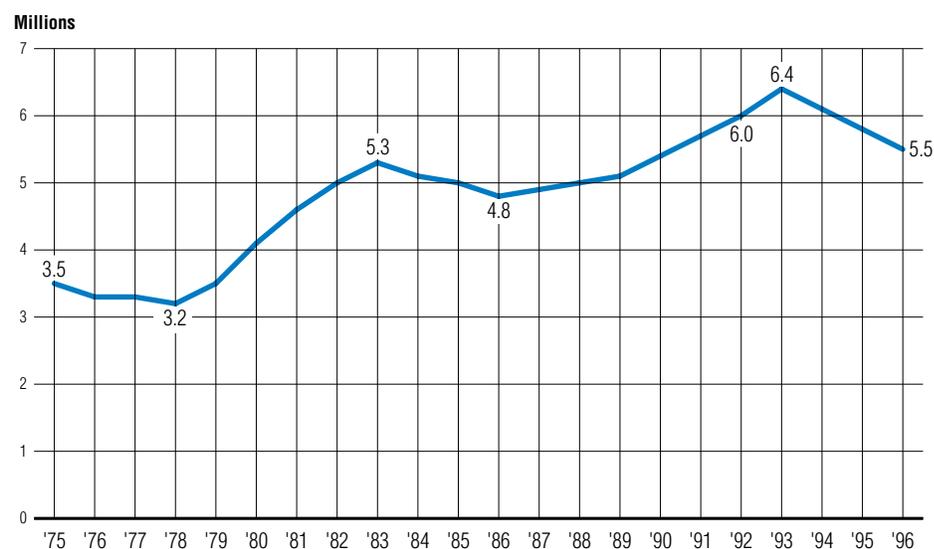
\* The official federal poverty line (PL) adjusts for annual cost-of-living increases and family size. In 1996, the poverty line was \$10,233 for a family of two, \$12,516 for a family of three, and \$16,036 for a family of four. Unless otherwise noted, family income used for the calculation of poverty statistics is pre-tax income. It excludes non-cash public assistance and the Earned Income Tax Credit (EITC).

## Poor Children Under Age Six: How Many Are There, Who Are They, and Where Do They Live?

**The poverty rate for young children and the number of poor young children have declined yet remain high.**

The early 1990s marked a staggering increase in the number of poor children under age six. The number of poor young children reached six million for the first time in 1992, and rose to almost 6.4 million in 1993. The number of poor children under age six declined by almost 14 percent over the past three years, to 5.5 million in 1996—a figure that is still higher than that in any year between 1975 and 1990. (See Figure 1.) At the same time, the young child poverty rate (YCPR)—defined as the percentage of young children who live in families with a combined income below the federal poverty line\*—decreased from 26 percent to 23 percent. (See Figure 2.)

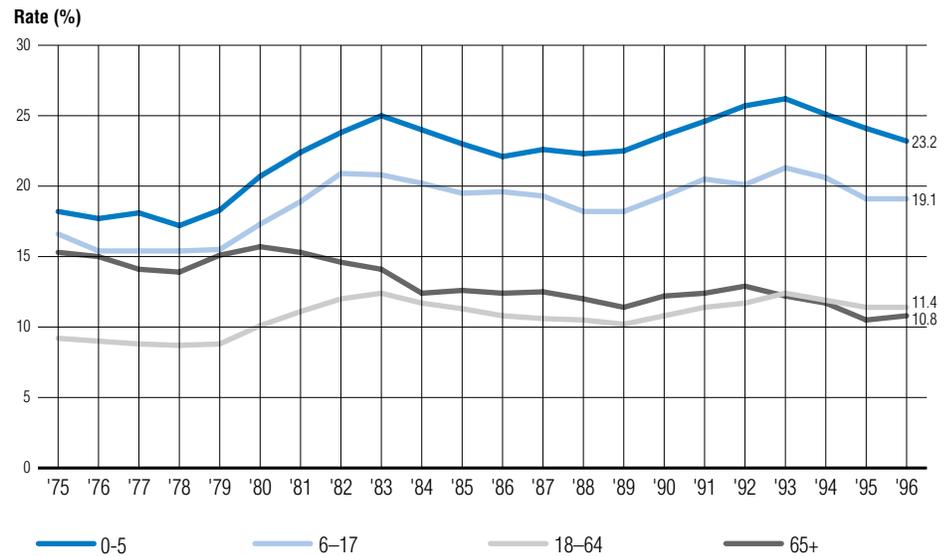
**Figure 1: Number of poor children under age six, 1975–1996**



**Over the past two decades, the young child poverty rate has increased dramatically. It is considerably higher than the poverty rates of all other age groups.**

The YCPR began to rise in 1979 and reached 25 percent in 1983. After a slight decline during the 1980s, the YCPR peaked again at 26 percent in 1993. Although the poverty rate for young children has declined since 1993, it remains the highest among all age groups. In 1996, the official poverty rate for children under age six was 23 percent, more than twice as high as those for adults 18 to 64 years of age and for the elderly (both at about 11 percent). (See Figure 2.)

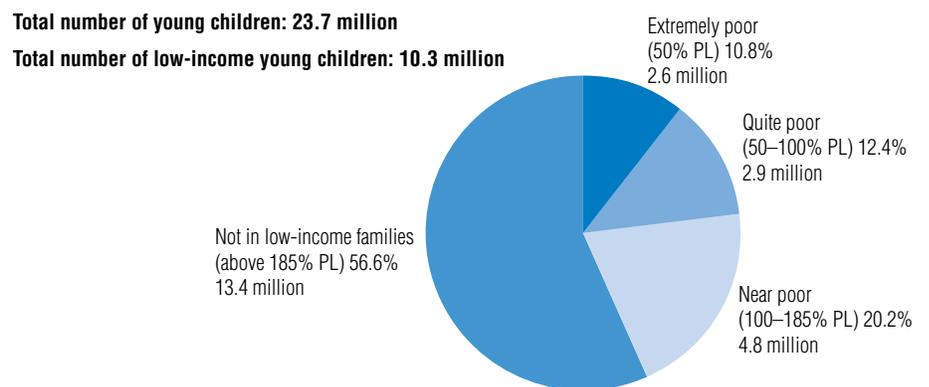
**Figure 2: Poverty rates by age, 1975–1996**



**Over 10 million young children live in low-income families.**

By 1996, 43 percent of all children under age six were living in poverty or near poverty (i.e., in families with incomes below 185 percent of the poverty line\*). In addition to the 5.5 million young children who lived in poverty that year, an additional 4.8 million young children lived in near poverty, with a combined family income between 100 percent and 185 percent of the federal poverty line. (See Figure 3.) The total number of young children living in low-income families continued to surpass the 10 million level first reached in 1992.

**Figure 3: Percentage distribution and number of children under age six by poverty status, 1996**



\* Children in families with incomes between 100 and 185 percent of the federal poverty line (PL) are designated near poor because they are served by a number of government assistance programs for low-income people—such as Medicaid, the School Lunch and School Breakfast programs, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)—that use 185 percent of the poverty line as the upper limit to determine eligibility.

**Nearly half of all poor young children live in extreme poverty.**

**In 1996, whites were the largest racial or ethnic group of young children in poverty.**

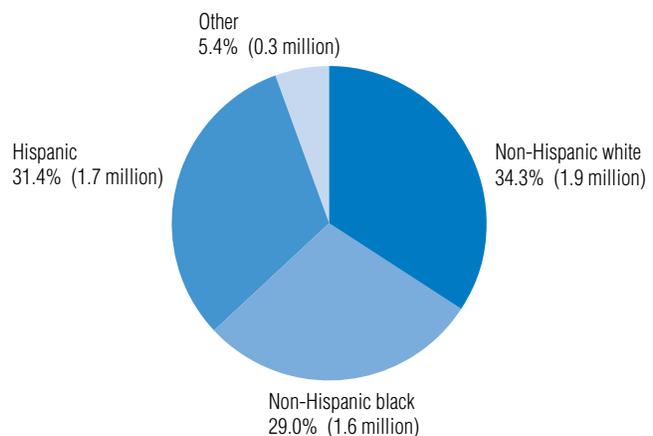
**Black and Hispanic young children are much more likely to be poor than are white young children and the young child poverty rate has increased the fastest among Hispanics.**

In 1996, more than one in 10 young children—11 percent—were extremely poor, living in families with a combined family income below 50 percent of the federal poverty line. Of the 5.5 million poor young children, almost half (47 percent) lived in extreme poverty. (See Figure 3.)

Of the 5.5 million poor children under age six in 1996, 1.9 million (34 percent) were non-Hispanic white, while 3.6 million were from minority groups—1.6 million non-Hispanic black (29 percent), 1.7 million Hispanic (31 percent), and 0.3 million (5 percent) members of other racial or ethnic groups. (See Figure 4.)

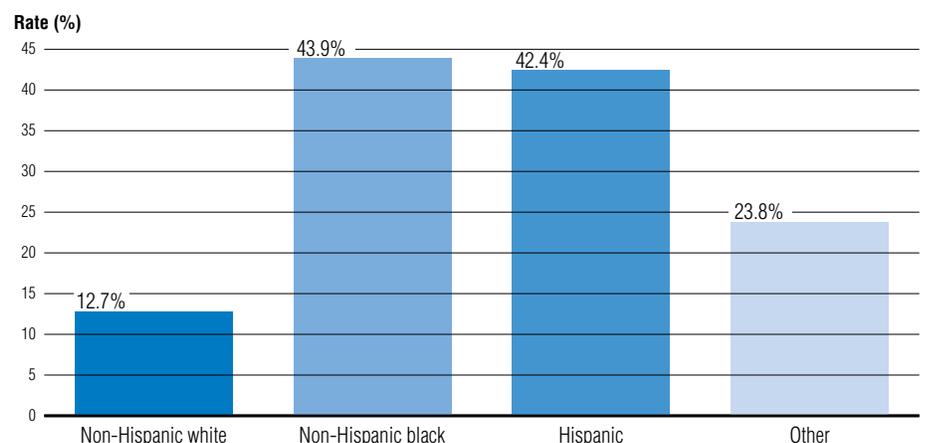
**Figure 4: Number and percentage distribution of poor children under age six by race/ethnicity, 1996**

Poor children under age six: 5.5 million



Poverty rates vary greatly for different racial or ethnic groups. In 1996, the poverty rate for non-Hispanic black children under age six was 44 percent; for young Hispanic children it was virtually the same, at 42 percent. The poverty rate for young non-Hispanic white children was 13 percent in 1996. (See Figure 5.) Between the late 1970s (1975-1979) and the early- to mid-1990s (1992-1996), the YCPR increased most rapidly—by 54 percent—among Hispanics. This compares to a 30 percent increase in the YCPR among whites and a 15 percent increase among blacks.

**Figure 5: Poverty rates of children under age six by race/ethnicity, 1996**



**The majority of young children living with unmarried mothers are poor.**

**About one-third of all poor young children live with married parents.**

In 1996, children under age six living with unmarried mothers were about five times as likely to be poor (55 percent) as were those living with married parents (11 percent). The poverty rate of children born to teenage mothers was 47 percent in 1996. In contrast, the poverty rate of children born to adult mothers was less than half that rate (21 percent). (See Table 1.)

In 1996, more than half of all poor children under age six were living only with their mothers (56 percent, 3.1 million). About one-third of poor children lived with married parents (34 percent, 1.9 million). (See Table 1.)

**Table 1: Number and percentage of poor children, and poverty rates of children under age six by age of mother at birth and by family structure, 1996**

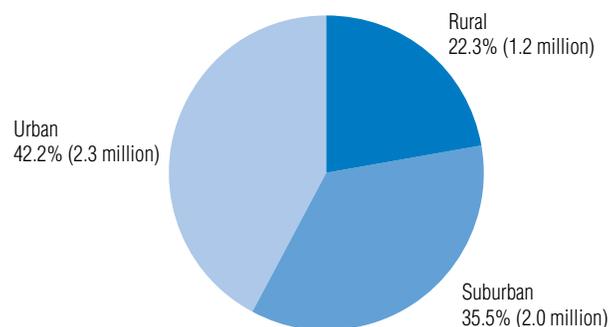
Family structure and maternal age at birth	Poor children under age six		Poverty rate
	Number	%	%
Children born to teenage mothers	888,745	16.2	47.1
Children born to adult mothers	4,602,943	83.8	21.1
Living with two parents	1,887,779	34.4	11.5
Living with father only	340,534	6.2	31.6
Living with mother only	3,082,262	56.1	54.8
Living with neither parent	181,113	3.3	33.1

**Poverty rates for young children are highest in urban areas but most poor young children live in suburban or rural areas.**

In 1996, the poverty rate among children under age six living in urban areas was 32 percent, compared to 16 percent in suburban and 27 percent in rural areas. Of the 5.5 million young children in poverty, 42 percent lived in urban areas (2.3 million), 36 percent in suburban areas (2.0 million), and 22 percent in rural areas (1.2 million). (See Figure 6.)

**Figure 6: Percentage distribution and number of poor children under age six by type of residential area, 1996**

Poor children under age six: 5.5 million



## Poor Children Under Age Six: Why Are They Poor?

Several factors help to explain why 5.5 million young children were poor in 1996. Each variable, taken alone, raises the risk of being poor. The cumulative effects of these factors are economically devastating. Some of the main elements are:

- Single parenthood
- Low educational attainment
- Part-time or no employment
- Low wages

**Young children living in mother-only families are particularly vulnerable to the risk of poverty.**

Seventeen percent of children under age six living with unmarried mothers who were employed full time were poor in 1996. In comparison, 59 percent of young children living with unmarried mothers who were employed part time were poor. The poverty rates of children under age six living with unemployed parents varied little between those in married two-parent families (82 percent) and those with unmarried mothers (81 percent). The high rates of poverty among children in single-mother families—even in those in which the mother is employed full time—stem primarily from the lack of a second source of income, (see Table 2) but also from reduced wages, which are associated with lower educational attainment. (See Table 3.)

In contrast, the poverty rate for children under age six in married two-parent families was quite low—only 6 percent—when at least one parent was employed full time. The poverty rate rose to 41 percent among those children under age six living in married two-parent families when at least one parent was employed part time but neither was employed full time. (See Table 2.)

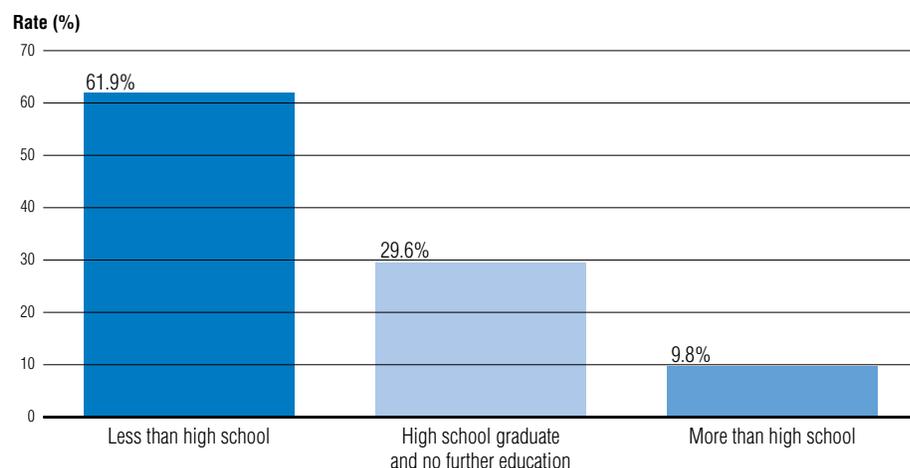
**Table 2: Percentage distribution, number, and poverty rates of all children under age six by family structure and parental employment status, 1996**

Family structure and parental employment status	All children under age six		Poverty rate
	Percentage distribution	Number (in millions)	%
<b>Married two-parent families</b>	<b>100.0</b>	<b>16.5</b>	<b>11.5</b>
At least one parent employed full time	87.0	14.3	6.4
At least one parent employed part time (neither employed full time)	11.5	1.9	40.7
Neither employed	1.5	0.3	82.0
<b>Mother-only families</b>	<b>100.0</b>	<b>5.6</b>	<b>54.8</b>
Employed full time	27.0	1.5	16.8
Employed part time	38.5	2.2	58.5
Not employed	34.6	1.9	80.5

**Young children with well-educated parents are much less likely to be poor, but high school graduation is not enough to insure against poverty.**

The poverty rate among children under age six whose more educated parent had more than a high school education was 10 percent, compared with 30 percent among those whose more educated parent graduated from high school and had no further education. The poverty rate was substantially higher—62 percent—among young children who had no parent(s) with a high school diploma. These statistics indicate that high school graduation alone does not insure an adequate family income. (See Figure 7.)

**Figure 7: Poverty rates of children under age six by educational level of the more educated parent, 1996**



**More educated parents are more likely to be employed full time and to earn enough to avoid poverty.**

Individuals with higher levels of education generally have more job opportunities, higher wages, and greater job security than those with lower levels of education. In 1996, among children under age six whose more educated parent had more than a high school education, 84 percent lived in families in which at least one parent held a full-time job. The poverty rate for this group was less than 4 percent. Among children under age six whose more educated parent was a high school graduate and had no further education, 63 percent lived in families in which at least one parent held a full-time job. The poverty rate for this group was 10 percent. (See Table 3.)

Among children under age six whose parents did not finish high school, only 37 percent lived in families where at least one parent was employed full time. The poverty rate for this group was 38 percent. (See Table 3.)

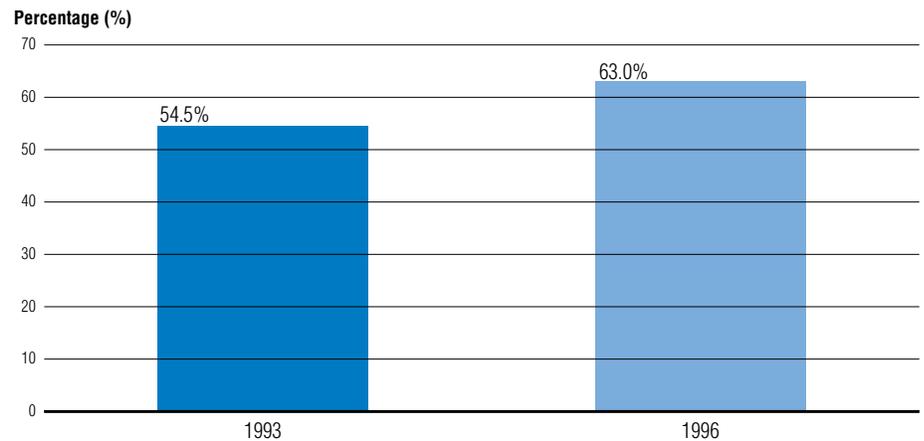
**Table 3: Percentage distribution, number, and poverty rates of all children under age six by parental educational level and employment status, 1996**

Educational level of more educated parent and employment status	All children under age six		Poverty rate %
	Percentage distribution	Number (in millions)	
<b>Less than high school</b>	<b>100.0</b>	<b>3.4</b>	<b>61.9</b>
At least one parent employed full time	37.0	1.3	38.4
At least one parent employed part time (neither employed full time)	28.8	1.0	63.8
Neither employed	34.1	1.2	85.9
<b>High school graduate and no further education</b>	<b>100.0</b>	<b>6.4</b>	<b>29.6</b>
At least one parent employed full time	63.2	4.1	10.0
At least one parent employed part time (neither employed full time)	26.3	1.7	56.9
Neither employed	10.5	0.7	79.0
<b>More than high school</b>	<b>100.0</b>	<b>13.3</b>	<b>9.8</b>
At least one parent employed full time	83.8	11.2	3.5
At least one parent employed part time (neither employed full time)	12.7	1.7	35.1
Neither employed	3.5	0.5	69.7

**Over three-fifths of poor young children live in families in which at least one parent is employed.**

In 1996, 63 percent—an increase from 55 percent in 1993—of poor young children had at least one parent employed part time or full time. (See Figure 8.) Forty percent of poor children under age six lived in families receiving public assistance—down from 53 percent in 1993. Twenty percent of poor young children lived in families relying exclusively on public assistance—down by over one-third from the level (31 percent) in 1993.

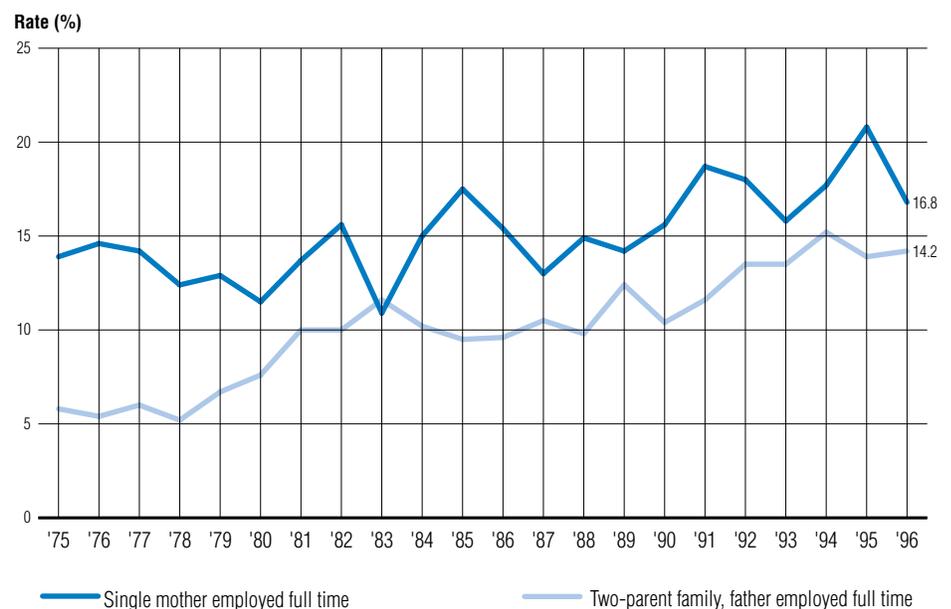
**Figure 8: Percentage of poor young children in families with at least one parent employed part time or full time**



**One parent's full-time employment is no guarantee against poverty.**

One in six young children (17 percent) living with unmarried mothers who were employed full time were poor in 1996. Among children under age six living in married two-parent families in which the father was employed full time and the mother was not employed, the poverty rate in 1996 was 14 percent. For children in both kinds of families, the poverty rate has been increasing steadily over the past two decades. (See Figure 9.)

**Figure 9: Poverty rates of children under age six with single mother employed full time and in two-parent families with father employed full time and mother unemployed, 1975–1996**



## Judging the Impact of Programs and Policies: The Power of Alternative Poverty Measures

In choosing a particular poverty measure to gauge the economic well-being of young children in the United States, it is necessary to ask what kinds of income should be counted in determining who should be considered poor. The official poverty measure adopted by the federal government and used in the first part of this *Update* takes account of a variety of income sources such as wages and salary, earnings from self-employment, AFDC, General Assistance, Social Security, interest, dividends, and disability, just to mention a few.

The official measure, however, is deficient in that, in many instances, it does not reflect sources of income influenced by changes in policy and programs, for example, food stamps and the Earned Income Tax Credit (EITC).

NCCP has conducted analyses using an alternative measure of poverty to obtain a more complete picture of the economic impact of programs and policies on low-income families. This measure incorporates the same income sources as the Census Bureau does, but in addition includes cash equivalents of the following “near-cash” benefits:<sup>\*</sup>

- Food stamps
- Housing subsidies
- School lunch benefits

Further, NCCP:

- includes income derived from the Earned Income Tax Credit
- subtracts federal, state, and payroll taxes from income

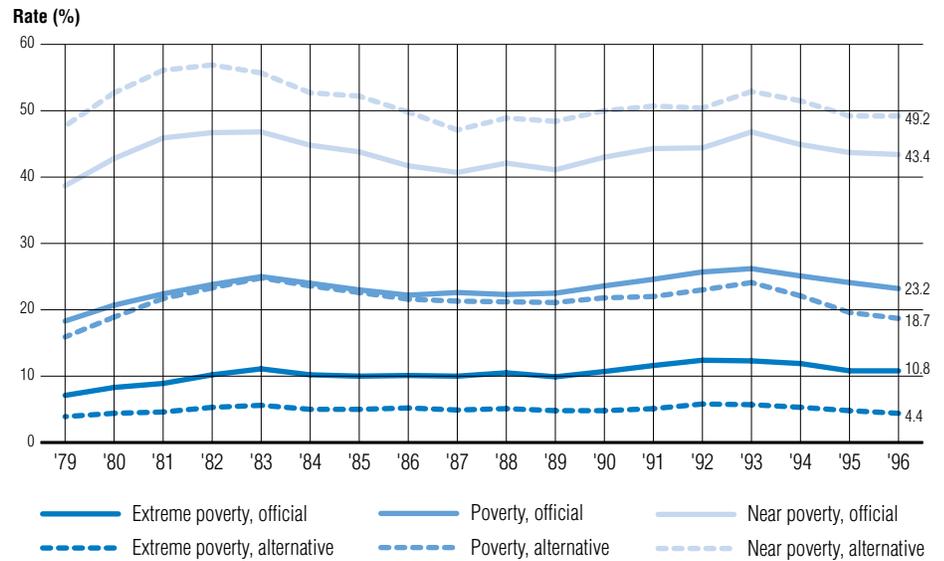
What do we learn about trends and distributions of young child poverty from the alternative poverty measure?

**Using the alternative measure in 1996 cuts the extreme poverty rate by over one-half, reduces the poverty rate by one-fifth, and significantly increases the near poverty rate.**

As Figure 10 illustrates, the official and alternative poverty measures paint somewhat different pictures. The underlying reason for these differences is that at very low income levels—namely, below 50 percent of the poverty threshold—near-cash benefits contribute significantly to overall income. Also, taxes play a minimal role. Thus, the alternative measure of poverty yields significantly fewer extremely poor individuals than does the official measure—a 59 percent decrease in the rate, from 11 percent to 4 percent. In contrast, for incomes in the near poverty range—that is, between 100 and 185 percent of the poverty threshold—benefits are relatively few and taxes predominate. The net result is a substantially greater number among the near poor population. The alternative near poverty rate, 49 percent, is six percentage points higher than the corresponding official rate. When estimating poverty rates, including benefits and taxes generally diminishes somewhat the estimated number of poor individuals. For 1996, the alternative poverty rate was 19 percent, compared with the official rate of 23 percent. However, it is only in recent years that the two series of poverty rates have begun to significantly diverge. (See Figure 10.)

<sup>\*</sup> This alternative measure does not include the costs associated with employment, such as child care, transportation, clothing, etc., which, unfortunately, are not available in the CPS. Taking these costs into account would serve to raise poverty estimates. This alternative measure also does not account for the significant regional variation in cost of living. The most complete measure of poverty that would address these issues was recommended by the Panel on Poverty and Family Assistance of the National Research Council in their volume, *Measuring Poverty: A New Approach*, (1995) edited by C. F. Citro and R. T. Michael, Washington, DC: National Academy Press.

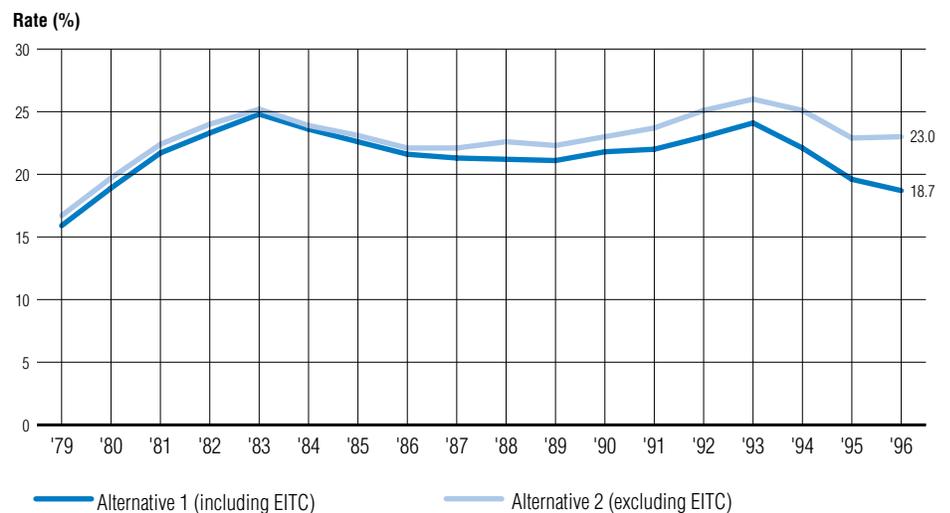
**Figure 10: Extreme poverty, poverty, and near poverty rates for children under age six by official and alternative measures, 1979–1996**



**The Earned Income Tax Credit has become an increasingly effective tool against poverty.**

The divergence in recent years between official and alternative poverty rates coincides with the expansion of the EITC in 1993. The result of this expansion is easily seen in Figure 11, which graphs the alternative measure, both including and excluding the effects of the EITC.\* In 1996, the YCPR using the alternative young child poverty measure would have been 23 percent higher in the absence of the EITC; in 1993 the increase would have been only 8 percent. NCCP’s analysis shows that the EITC has especially benefited groups that have historically had higher poverty rates, such as single-parent families, blacks, and Hispanics. (See Figures 12 and 13.)

**Figure 11: A comparison of poverty rates for children under age six using alternative measures of poverty with and without the EITC, 1979–1996**



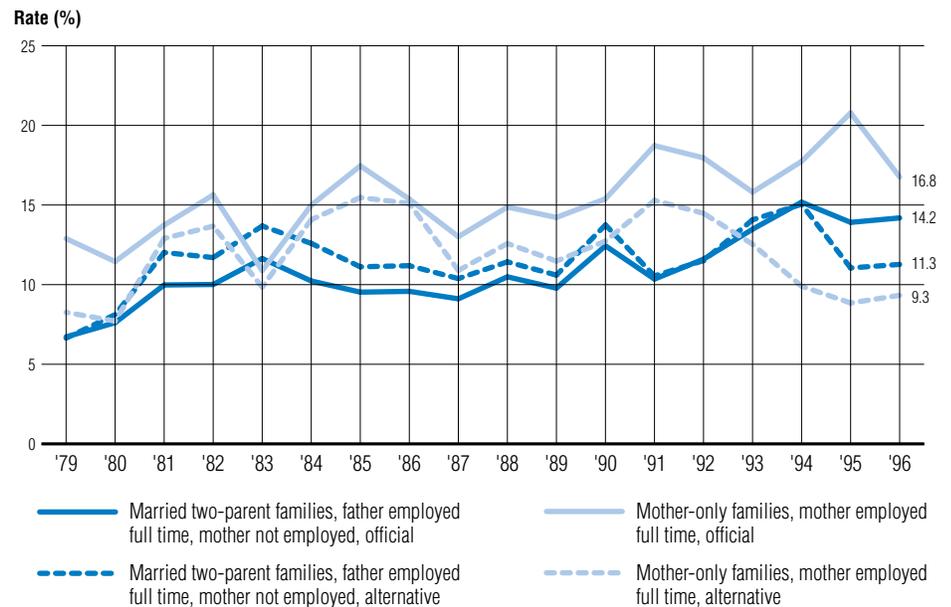
\* The Census Bureau imputes the EITC for all individuals in the CPS and assumes that all eligible persons actually obtain it. Thus, any CPS analysis using a measure that incorporates the EITC should be interpreted as addressing the potential, and not necessarily the actual impact of the EITC. In 1990, the estimated participation rate was 80 to 86 percent (Scholz, J. K. (1994). The Earned Income Tax Credit: Participation, compliance, and antipoverty effectiveness. *National Tax Journal*, 47(1), pp. 63–87). According to Scholz and the Center on Budget and Policy Priorities, the participation rate is likely to have increased since 1990 in response to public-awareness campaigns. Also, the amount of the credit has grown and eligibility for the EITC has been expanded.

The Census Bureau attributes the EITC income it imputes to the previous year rather than the year in which an EITC recipient files taxes. (Only about 1 percent of those eligible for the EITC receive a portion of their EITC income through their employer in the same year it was earned.) In analyzing the CPS, one cannot properly apply EITC income to the year in which it was actually received because that would require two consecutive years of income information for the same individuals—information that is not available in the CPS.

**The alternative poverty measure may lead to different conclusions regarding the relative poverty of different groups.**

According to the official poverty measure, a greater percentage of young children are poor in mother-only families in which the mother is employed full time than is the case in two-parent families in which the father is employed full time and the mother is not employed. In contrast, however, the alternative measure indicates that since 1993 the reverse is true. This is likely due to the recent expansion of the EITC. (See Figure 12.)

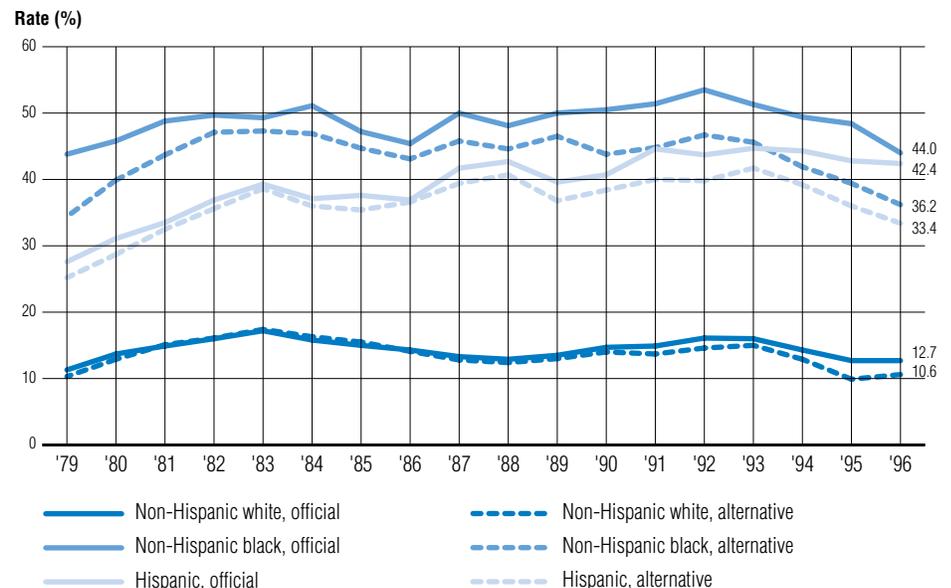
**Figure 12: Official and alternative poverty rates for children under age six by family structure and parental employment status, 1979–1996**



**On the other hand, evidence from alternative poverty measures can buttress findings implied by the official measure.**

Using the official poverty measure reveals that over the years non-Hispanic black young children have had the highest poverty rates, followed by Hispanic young children, and then by non-Hispanic white young children. The alternative estimates of young child poverty show the same pattern, although at moderately different levels. (See Figure 13.)

**Figure 13: Official and alternative poverty rates for children under age six by race, 1979–1996**



## Understanding the Poverty Rate Decline Between 1993 and 1996

The official poverty rate for families with young children decreased by almost three percentage points—from 23.5 to 20.9 percent from 1993 to 1996.\* Why did this decline occur? NCCP’s analysis rules out some potential explanations. Changes in family structure cannot explain the decline because there was actually a continued trend towards more single-parent families which, due to their tendency to have lower incomes, worked against improvements in the YCPR. The educational attainment levels of parents of young children improved marginally between 1993 and 1996, but the impact of this progress on the YCPR was insubstantial.

### Parental Employment Patterns and Young Child Poverty

Two possible explanations exist for the decline in the official poverty rate between 1993 and 1996: (1) a greater proportion of the population was employed, or (2) there were lower poverty rates among those who were employed. NCCP explored these two alternatives and found that the first explanation was more powerful. From 1993 to 1996, the proportion of families with young children that had no parent employed full time decreased by 14 percent, from 33 percent to 28 percent.

At the same time, the poverty rate decreased modestly for such families, from 59 percent to 57 percent and the poverty rate increased insignificantly for families in which parents were employed full time. (See Table 4.) NCCP’s decomposition analysis indicates that 85 percent of the overall decline in the official poverty rate can be attributed to improved employment rates rather than lower poverty rates among those employed.\*\*

**Table 4: Official and alternative poverty rates by employment status among families with children under age six, 1993 and 1996**

Parental employment status	1993			1996		
	Official poverty rate (%)	Alternative poverty rate (%)	Percentage of families in category	Official poverty rate (%)	Alternative poverty rate (%)	Percentage of families in category
At least one parent employed full time	6.3	6.5	67.5	6.7	4.6	71.9
No parent employed full time	59.0	51.7	32.5	57.1	46.9	28.1
Total	23.5	21.2	100.0	20.9	16.5	100.0

Note: The poverty rates shown in this table differ somewhat from those appearing elsewhere in this *Update* because the unit of analysis is families rather than children.

\* These poverty rates differ somewhat from the YCPR used earlier in this *Update*. The latter is based on the child as the unit of analysis, while the former uses the family as the unit of analysis. As will be clear from the following discussion, NCCP took the family as the unit of analysis because at one point NCCP compares families without young children with those with young children.

\*\*This is a bivariate analysis, which does not control for other factors that might be associated with the rise in full-time employment.

## Welfare Reform and Young Child Poverty

Between January 1993 and August 1996, 43 states received federal waivers allowing them to implement significant changes in state welfare laws. NCCP found no substantial evidence that these state-initiated welfare reforms contributed to the decline in the young child poverty rate that occurred during the 1993–1996 economic recovery. Gains in employment and lower poverty rates were similar for both families without young children (only 3 percent of whom received public assistance in 1996) and families with young children (who were about four times as likely to receive such assistance). Consequently, there is little evidence that welfare reform contributed significantly to lower young child poverty rates.

The same pattern holds true for 1983 to 1986—a similar period of substantial economic recovery, yet one unaffected by substantial changes in state welfare policies. The contribution of a boost in employment rates to the three-point decrease in the official poverty rate is virtually identical to the contribution inferred for the more recent three-year period. At this date, it is still too early to conduct a thorough analysis of the 1996 federal welfare reform law's impact on the incidence of young child poverty.

## Alternative Measures and the 1993–1996 Decline in the Young Child Poverty Rate

Viewed through the lens of the alternative poverty measure, NCCP found a more substantial drop in poverty among families with young children, from 21.2 to 16.5 percent, than that obtained using the official measure. The use of the alternative measure reveals significant reductions in poverty among both families with full-time employed parents—a 30 percent drop from 6.5 percent to 4.6 percent—and among families without a full-time employed parent—a 10 percent decline from 51.7 to 46.9 percent. (See Table 4.)

NCCP's decomposition analysis finds that 40 percent of the overall decline in the alternative poverty rate between 1993 and 1996 can be attributed to improvements in the full-time employment rate. This is in clear contrast to the 85 percent figure derived in the analysis of data based on the official poverty rate. NCCP's analyses of alternative measures including or excluding the EITC indicate that the EITC is responsible for much of the decrease in poverty among both families with full-time and part-time employed parents.

These analyses of the reductions between 1993 and 1996 in the official and alternative poverty rates offer two different windows into the realities of young child poverty. The use of the official rate suggests that the decline was due primarily to changes in the employment structure; the use of the alternative measure implies that government policies—particularly the EITC—also played an important role. The alternative poverty measure adopted in this *Update* is a first step towards the development and use of a poverty measure that would be capable of better reflecting the changes in policies and programs that affect the economic well-being of our nation's families and young children.



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NCCP was established in 1989 at the School of Public Health, Columbia University, with core support from the Ford Foundation and the Carnegie Corporation of New York. The Center's mission is to identify and promote strategies that reduce the number of young children living in poverty in the United States, and that improve the life chances of the millions of children under age six who are growing up poor.