

NCCP National Center for
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Columbia University
MAILMAN SCHOOL OF PUBLIC HEALTH

Living at the Edge
RESEARCH BRIEF No. 2

**The Changing Demographics
of Low-Income Families and
Their Children**

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The National Center for Children in Poverty identifies and promotes strategies that prevent child poverty in the United States and that improve the lives of low-income children and families.

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SERIES INTRODUCTION

The federal poverty level, the standard by which the United States determines economic need, was developed 40 years ago. Data collected in the 1950s indicated that, on average, families spent one-third of their income on food. The original poverty level used the costs of the U.S. Department of Agriculture's "economy food plan" and multiplied those costs by three.* Today, food comprises far less than one-third of a family's expenses, while housing, transportation, and child care costs have grown disproportionately. Yet we still measure poverty by the original standard developed in the early 1960s.

The federal poverty level for a family of four is currently \$18,400.* There are 12 million children who live in such families in this country. However, the numbers are far worse. Double the income that is considered "poverty" is needed for most families to provide their children with basic necessities like adequate food, stable housing, and health care. Families who live in this gray area between official poverty and minimum economic security have many of the material hardships and financial pressures that officially poor families face. As their income grows, they rapidly lose eligibility for public benefits, making it harder for them to reach economic

self-sufficiency. As a nation, we must make a commitment to provide low-income families with the tools they need to create better lives for themselves.

There are 27 million children living in low-income families in the United States—nearly 40 percent of all children—a figure that is not officially acknowledged. This series examines who these families are, their challenges, and the policy solutions. Policies that do not address the complexity of the problem are not enough. True economic security includes: (1) stable, predictable income, (2) savings and assets that can help families survive crises and plan for the future, and (3) human and social capital (e.g., education, skills, and support systems) that help families improve their financial status.

The second report in the series, *The Changing Demographics of Low-Income Families and Their Children*, looks at the rates of children in low-income circumstances from 1993 when the numbers reached their peak to 2001 when a steady decline stalled. The demographics of the families left out of the boom economy can help determine what public policies can again lower the number of American children who live in low-income families.

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* For more information about the federal poverty level, see the web site of the U.S. Department of Health and Human Services: aspe.hhs.gov/poverty/03poverty.htm.

Nearly 40 percent of America’s children live in low-income families,¹ which is defined as having a family income below 200 percent of the federal poverty level (FPL). Currently, this is \$36,800 a year for a family of four.² Research suggests that this income level is the minimum amount required for families to meet their basic material needs.³ Children who live in low-income families face many of the same risks as those children officially acknowledged as poor, including learning difficulties, social and emotional problems, and poor health.⁴

The number of children in low-income families decreased steadily from 1993 to 2000. Specifically, children of young parents, minority parents, parents with limited education, and single parents experienced growing family incomes. But while employment has increased, full-time work provides less protection against hardship than it did a decade ago.

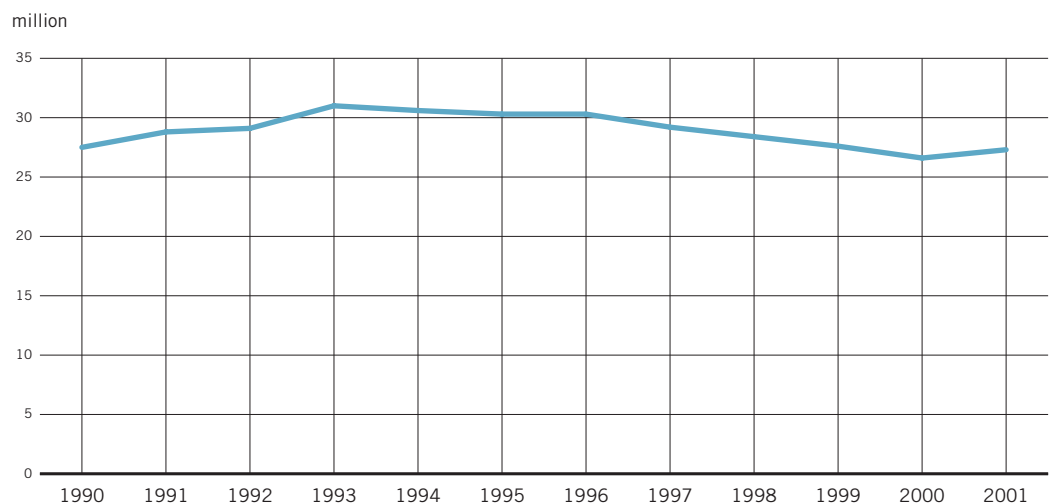
In 2001, the number of children in low-income families increased for the first time since 1993; data just released by the U.S. Census Bureau indicate that the situation continued to worsen in 2002.⁵

This report examines how low-income families fared over the past decade—a period when the economy boomed, and then declined, and when welfare reform both encouraged work and reduced the availability of public assistance. A close examination of the experiences of the past decade can help shed light on which families to target and what policies seem to make a difference.

Children in Low-Income Families Increasing

The number of children living in low-income families reached a high of 31 million in 1993 and then declined steadily to 27 million in 2000, paralleling the national economic expansion. However, as the economy soured in 2001, the number of children in such families began to creep upward (see Figure 1).

Figure 1: Number of Children in Low-Income Families, 1990–2001



Of all low-income children (those who live in families with earnings less than 200 percent of FPL), the proportion who are officially poor has declined over the past decade while the proportion of those living between 100 and 200 percent of FPL has increased. But while many low-income families have higher incomes than they did 10 years ago, they continue to struggle to meet their basic needs—adequate food, stable housing, health care, and child care.

Low Parental Education Linked to Low Income

Children whose parents have limited education are very likely to live in low-income families (see Table 1). In 1997–2001,

- 83 percent of children whose parents lacked a high school degree lived in low-income families
- 53 percent of children with high school-educated parents lived in low-income families
- 23 percent of children with college-educated parents lived in low-income families

Table 1: Percent of Children in Low-Income Families by Parental Education, 1987–1991 and 1997–2001¹

Family Income	Less than High School		High School Graduate		Above High School	
	87–91	97–01	87–91	97–01	87–91	97–01
Below 100% FPL	57	50 ^b	22	24 ^c	8	7
100–200% FPL	26	32 ^a	28	30 ^a	15	16
Total Low Income (Below 200% FPL)	84	83	51	53 ^a	23	23

¹ All numbers were rounded. Samples combined for 1987–1991 and 1997–2001 to increase sample sizes. See endnote 1 for fuller explanation of data averaging and selection years.

^a Significant increase since 1987–1991, $p < .05$

^b Significant decrease since 1987–1991, $p < .05$

^c Significant increase since 1987–1991, $p < .10$

Although children whose parents do not have a high school degree experienced the greatest decline in official poverty over the past decade—their poverty rate declined by 7 percentage points—the percentage of such families between 100 and 200 percent of the federal poverty level *increased* by a similar amount. But while these families were no longer officially counted as poor, their material security did not necessarily change. Among children with high school-educated parents, the low-income rate *rose* by 2 percentage points.

More Parents With Limited Education Work

Parents with limited education are more likely to work full-time than they were a decade ago, which has contributed to their rising family incomes. In 1997–2001,⁶ among children whose parents did not have a high school degree, 78 percent had at least one employed parent, compared to 64 percent in 1987–1991.

However, children whose parents work full-time are more likely to live in low-income families today than they were a decade ago. In 1997–2001,

- 73 percent of children whose full-time working parents lacked a high school degree lived in low-income families, compared to 67 percent in 1987–1991
- 41 percent of children whose full-time working parents only had a high school education lived in low-income families, compared to 37 percent a decade ago

Younger Parents More Likely to be Low Income

Families with young parents are almost two and a half times more likely to be low income than those with older parents. Seventy-six percent of children whose parents are between ages 14 and 24 live below 200 percent of FPL (see Table 2) compared to 29 percent for children whose parents are over age 40. However, children with parents between ages 14 and 24 experienced the most improvement in family income over the past decade, including a 7 percentage point decline in poverty.

Table 2: Percent of Children in Low-Income Families by Age of Oldest Parent, 1987–1991 and 1997–2001¹

Family Income	Age 14–24		Age 25–29		Age 30–34		Age 35–40		Age 40+	
	87–91	97–01	87–91	97–01	87–91	97–01	87–91	97–01	87–91	97–01
Below 100% FPL	52	45 ^b	33	30 ^b	23	22	16	15	12	10 ^b
100–200% FPL	27	31 ^a	27	31 ^a	24	26	21	22 ^c	17	17
Total Low Income (Below 200% FPL)	78	76 ^d	60	61	47	48	36	37	29	26 ^b

¹ All numbers were rounded. Samples combined for 1987–1991 and 1997–2001 to increase sample sizes. See endnote 1 for fuller explanation of data averaging and selection years.

^a Significant increase since 1987–1991, $p < .05$

^b Significant decrease since 1987–1991, $p < .05$

^c Significant increase since 1987–1991, $p < .10$

^d Significant decrease since 1987–1991, $p < .10$

Children whose parents are young and work full-time are more likely to live in low-income families than they were in 1987–1991. In 1987–1991, 65 percent of children with young parents (ages 14–24) had an employed parent; a decade later, 79 percent did. However, young employed parents earned less in 1997–2001 than they did 10 years earlier.

Single Mothers Most At Risk for Low or No Income

Children of single mothers are much more likely to live in low-income families (71 percent) than are children of single fathers (46 percent) or two parents (27 percent) (see Table 3).

Higher employment rates among single mothers led to higher family incomes over the past decade. The poverty rate for children of single mothers dropped by 10 percentage points, while the low-income rate for such children dropped by 4 percentage points. Among children of single mothers, 78 percent had working mothers in 1997–2001, compared to 64 percent a decade earlier; however, 52 percent of these children had full-time working mothers compared to 49 percent in 1987–1991.

Table 3: Percent of Children in Low-Income Families by Family Structure, 1987–1991 and 1997–2001¹

Family Income	Single Mother		Single Father		Two Parents	
	87–91	97–01	87–91	97–01	87–91	97–01
Below 100% FPL	52	42 ^b	20	19	10	8 ^b
100–200% FPL	24	29 ^a	26	27	20	19 ^b
Total Low Income (Below 200% FPL)	75	71 ^b	46	46	31	27 ^b

¹ All numbers were rounded. Samples combined for 1987–1991 and 1997–2001 to increase sample sizes. See endnote 1 for fuller explanation of data averaging and selection years.

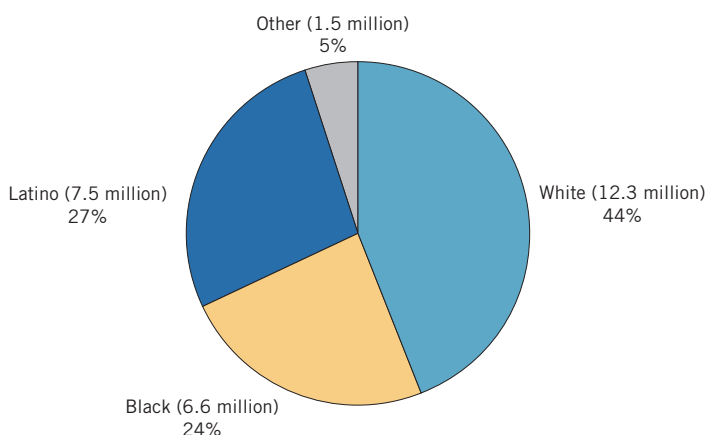
^a Significant increase since 1987–1991, $p < .05$

^b Significant decrease since 1987–1991, $p < .05$

At the same time, single-mother families are also increasingly likely to have no means of economic support. In 2001, 15 percent of children with single mothers counted as “low-income” lived in families with no earnings or public assistance—about twice the percentage as in 1991. Children in other family structures experienced a similar trend, but not to the same degree as did children of single mothers. In 2001, 9 percent of all children lived in families with no reported income or public assistance, compared to 5 percent in 1991.

Racial Gap Between Low-Income Families Still Wide

More white children live in families whose income is below 200 percent of FPL, although black and Latino children are more than twice as likely to live in such families. In 1997–2001, more white children lived in low-income families (44 percent) than black (24 percent) or Latino (27 percent) children (see Figure 2).⁷

Figure 2: Racial/Ethnic Composition of Children in Low-Income Families, 1997–2001

From 1993 to 2000, poverty rates declined by 12 percentage points among black children and 8 percentage points among Latino children, compared to a decline of 2 percentage points among white children (see Table 4). Overall, black children experienced the greatest decline in low-income rates, from 69 percent to 60 percent in the past decade.

Table 4: Percent of Children in Low-Income Families by Race/Ethnicity, 1987–1991 and 1997–2001¹

<i>Family Income</i>	<i>White</i>		<i>Black</i>		<i>Latino</i>	
	<i>87–91</i>	<i>97–01</i>	<i>87–91</i>	<i>97–01</i>	<i>87–91</i>	<i>97–01</i>
Below 100% FPL	12	10 ^b	45	33 ^b	39	31 ^b
100–200% FPL	19	17 ^b	24	27 ^a	31	34 ^a
Total Low Income (Below 200% FPL)	31	27 ^b	69	60 ^b	69	65 ^b

¹ All numbers were rounded. Samples combined for 1987–1991 and 1997–2001 to increase sample sizes. See endnote 1 for fuller explanation of data averaging and selection years.

^a Significant increase since 1987–1991, $p < .05$

^b Significant decrease since 1987–1991, $p < .05$

Latino children are more likely to live in low-income families, in part, because their parents are more likely to be recent immigrants to the United States. Children of immigrants are 49 percent more likely to earn less than 200 percent of FPL than are children of native-born parents. Latino children of immigrants experience greater economic insecurity. In 1997–2001, 70 percent of Latino children of immigrants lived in low-income families, compared to 57 percent of Latino children of native-born parents.

What Policies Would Make a Difference

Children whose parents have limited education, children living with single mothers, minority children, and children with young parents experienced substantial improvements in family income over the last decade. Because of the tremendous economic expansion that began in 1993, the emphasis on employment in the 1996 welfare laws, and expansions of the federal Earned Income Tax Credit (EITC), these parents were more likely to be employed in 2001 than in 1991. The rise in employment resulted in higher family incomes. Policies that encourage and support work during a strong economy offer families an important means of increasing their incomes.

For a great many families, however, work still does not pay enough to enable parents to meet their children’s minimum needs. Full-time work provides less protection against having unacceptably low income than it did a decade ago. Even children with full-time working parents—especially young parents and parents with limited education—are increasingly likely to live in low-income families. Policies that encourage work must ensure that employment provides families with enough income to meet their basic needs. Policies such as expanding the EITC, making the child tax credit refundable, decreasing the payroll tax burden on low-wage workers, providing low-wage workers with health insurance, and helping low-income working parents with child care costs will help increase working families’ economic security.⁸ Furthermore, it is clear that education boosts parental income. Policies should allow low-income parents who attend school to keep their welfare and child care benefits because education is a promising and often permanent route out of low-wage work.

Even as many families made economic gains over the past decade, some families fell behind. Research suggests that individuals who leave welfare without employment are usually people

who face major barriers to work, including poor health, poor work histories, and low education levels.⁹ Policymakers should ensure that there is a safety net for children by providing services that help the most disadvantaged parents meet welfare requirements or obtain employment. As welfare time limits approach, policymakers should make services available to help parents find jobs. Unemployment insurance should be strengthened for those parents that lose employment by making new entrants into the labor force and part-time workers eligible.

The findings also raise questions about how families will fare in the current economic downturn. Although it is hard to predict whether the number of low-income families will continue to rise¹⁰ present trends suggest that there will be a greater need for policies that bolster the economic security of these families during this period of economic decline.

Endnotes

1. This report summarizes demographic findings from: Lu, H.; Palmer, J.; Song, Y.; Lennon, M. C.; & Aber, J. L. (Forthcoming). *Living at the edge: American's low-income children and families* (ISERP Working Paper 03-04). New York, NY: Institute for Social and Economic Research and Policy, Columbia University <http://www.iserp.columbia.edu/initiatives/working_papers/papers/2003/03-04_full_text.pdf>. These findings are based on data from the Current Population Survey, March supplements, from 1988 to 2002; the data represent information from calendar years 1987 to 2001. For some of the findings, the authors averaged three years of data because of the small sample sizes in some population subgroups. Three out of five years of data were selected to avoid duplication of cases because many respondents are interviewed two years in a row. For more information about the analysis, please contact Dr. Hsien-Hen Lu, HL641@columbia.edu.
2. This number is from the federal poverty guidelines issued by the U.S. Department of Health and Human Services. The demographic findings in the report were calculated using a more complex version of the federal poverty measure—the thresholds issued by the U.S. Census Bureau. For more information about federal poverty measures, see <aspe.hhs.gov/poverty/03poverty.htm>.
3. Bernstein, J.; Brocht, C.; & Spade-Aguilar, M. (2002). *How much is enough? Basic family budgets for working families*. Washington, DC: Economic Policy Institute.
4. Gershoff, E. T.; Aber, J. L.; & Raver, C. C. (2003). Child poverty in the United States: An evidence-based conceptual framework for programs and policies. In F. Jacobs; D. Wertlieb; & R. M. Lerner, (Eds.). *Enhancing the life chances of youth and families: Contributions of programs, policies, and service systems* (Handbook of Applied Developmental Science Vol. 2). Thousand Oaks, CA: Sage Publications, pp. 81-136.
5. Data from the U.S. Census Bureau Current Population Survey, March 2003 supplement, released September 26, 2003, show that the number of children living with incomes below the poverty level increased between 2001 and 2002. This increase is statistically significant. However the poverty rate increase is not considered statistically significant (16.3-16.7 percent). Earlier in September, the Census Bureau released data from the American Community Survey, a rolling month-to-month sample of the social and economic make-up of 742,000 households in 1,239 U.S. counties, showing a statistically significant increase in the portion of children living in poverty, up from 16.4 percent to 17.2 percent. See: Proctor, B. D. & Dalaker, J. (2003) *Poverty in the United States: 2002* (Current Population Reports Consumer Income Series, No. P60-222). Washington, DC: U.S. Department of Commerce, Bureau of the Census, Table 2, p.12 <www.census.gov/prod/2003pubs/p60-222.pdf>.
6. Bernstein, R. (2003, Sep 26) Poverty, income see slight changes; Child poverty rate unchanged, Census Bureau reports <www.census.gov/Press-Release/www/2003/cb03-153.html>.
7. Clemetson, L. (2003). Census shows ranks of poor rose by 1.3 million. *New York Times*, Sep 3.
8. Samples combined for 1987–1991 and 1997–2001 to increase sample sizes. See endnote 1 for fuller explanation of data averaging and selection years.
9. The U.S. Bureau of the Census collects data based on the classification “Hispanic,” however NCCP uses the term “Latino.”
10. For a fuller discussion of policies that help support work, see Cauthen, N. K. & Lu, H. (2003). *Employment alone is not enough for America's low-income children and families* (Living at the Edge Research Brief No. 1). New York, NY: National Center for Children in Poverty, Columbia University Mailman School of Public Health.
9. Loprest, P. & Zedlewski, S. (2002). *Making TANF work for the hard to serve*. Washington, DC: Urban Institute.
10. It has continued to worsen in 2002. See endnote 5.

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