

Quality of Life in North Carolina

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THE CAUSES AND CONSEQUENCES OF CHILDREN'S POVERTY

The research presented in this report shows that children's poverty in our state has increased during this decade. This report discusses the causes for this increase, as well as the serious long-term consequences of childhood poverty, and recommends specific constructive and cost-effective approaches for prevention and treatment to which North Carolinians should give close consideration. While prevention and treatment are not novel concepts, this report provides the empirical, sociological documentation underlying the need for programs to save both money and children. The heart of current legislative debate over Smart Start, for enhancement of the *Guardian ad Litem* Program, and intervention and treatment programs for mental health services and substance abuse programs is about effective and cost-saving policy investments in children's well-being. The central, although rarely articulated, policy problem is how North Carolina can ensure that children have the resources to grow up to be healthy and productive citizens.

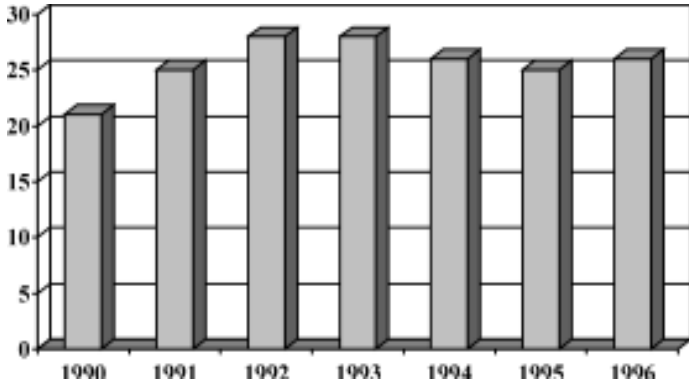
The data on the well-being of North Carolina's families reported here were collected originally by the Current Population Survey of the U.S. Census Bureau. This report's three sections describe who these children are, the consequences of childhood poverty, and the policy implications of the analysis. The main finding is that poverty among children is increasing although North Carolina's economy remains strong. Children are more likely now than just a few years ago to live at or near the poverty line. The consequences of childhood poverty, documented by research, are: poor children are less likely to learn to read well, to test well, or to finish school. School truants and dropouts are much more likely to engage in juvenile delinquency and criminal behavior. The final section of this report suggests that current policy initiatives designed to relieve the hardships of childhood poverty are smart investments in tomorrow's

citizens. Modest monetary investments in today's children will save the state major expenses in the criminal justice system later.

Who Are North Carolina's Poor Children?

Has the strong state economy translated into increasing opportunities for children? The answer is a straightforward and simple NO. The percentage of families with children under the age of 18 living below the poverty level has increased significantly during the last decade. In 1990, 15.6 percent of North Carolina's children lived in poverty; by 1996, the percentage was 20.3. Children are very poor, however, even if their household income is above the actual poverty line. Recent research suggests that in 1996, a family of three (with two young children) in the Raleigh-Durham area would have only 40 percent of what they would need to be self-sufficient if the adult earned wages that brought the family to the official poverty line. In Warren County, earning enough to reach the federal poverty level would provide only about 60 percent of the amount needed for that family of three to be self-sufficient (North Carolina Equity, Self Sufficiency Standard for North Carolina). Indeed, some of the current social programs designed to alleviate the negative consequences of poverty are available to children whose family incomes are 25 percent higher than the official poverty line (that is, 125 percent of the poverty line). In this report, children whose families earn up to 125 percent of the poverty line are defined as poor. As Figure 1 shows, in 1990 20.5 percent children lived near the poverty line (that is, up to 125 percent of the poverty line). By 1996 the percentage was up to 25.9. Approximately one out of four children in North Carolina were living at or near the poverty line in 1996, the last year for which Census data are now available.

Figure 1. 1990–1996 Percent of North Carolina’s Children Who are Poor*



*The analyses in these figures include all children who live at or below 125 percent of the poverty line.

How can so many of our children be poor, while the average family income in North Carolina in 1996 was \$43,912? Part of the answer lies in the large gap between family incomes of children raised in single-parent households and those living in households with two parents in residence. Over half (55.4 percent) of children living with a single parent in 1996 lived at or near the poverty line, up 7 percent in only six years. Children of single mothers are clearly at risk for poverty and all its consequent problems. Currently, children who live in single-parent families are falling behind, and their numbers are increasing (Figure 2).

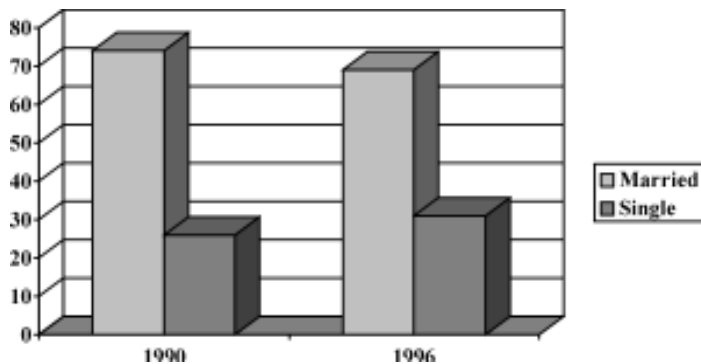


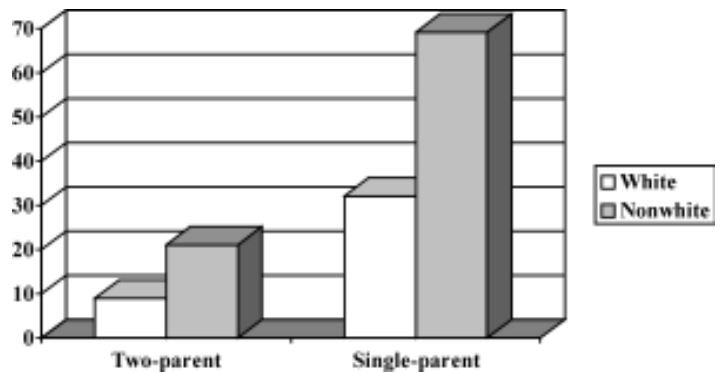
Figure 2. Percent of North Carolina’s Children by Parents’ Marital Status (1990 versus 1996).

Race

Not all children in single-parent households are equally at risk for poverty. Race complicates the picture. Children living with nonwhite single parents (usually, but not always, mothers) are doing badly indeed. By 1996, over half of all nonwhite children lived with single parents (57.8 percent). In 1996, two out of three nonwhite children living with a single parent were living near or at the

poverty line—more than twice the already high rate of poverty found among white children in single-parent families (68.4 percent versus 32.3 percent). Children in single-parent homes, of all races and ethnicities, are at risk for poverty, but nonwhite children are at the highest risk (Figure 3). While fewer children in two-parent families live in poverty, here too, nonwhite children are more likely than white children to live in poverty (8.8 percent of white children living in two-parent families were poor, compared to 20.9 percent of nonwhite children). Nonwhite families continue to lag behind white families economically; there has been little change between the start and the middle of this decade even for two-parent families. Nonwhite two-parent families continue to earn approximately 75 percent of the average income of white two-parent families.

Figure 3. 1996 Percentage of Poor Children by Race and Family Structure*



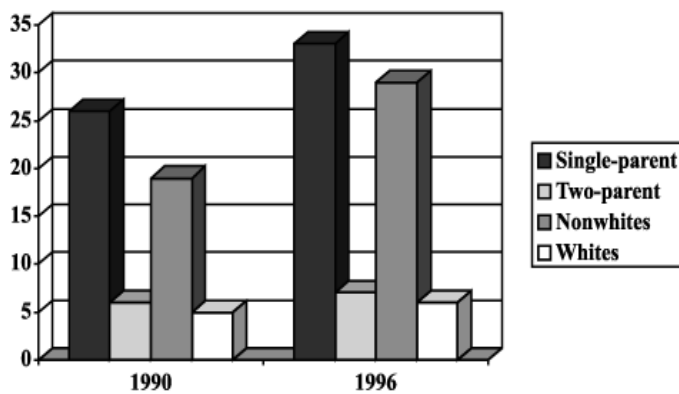
Employment

An important issue to clarify is why our strong state economy has not worked effectively to lift more of our children from poverty. The data presented here suggest a simple answer: the wages of many parents working even full time do not pull their children from poverty. Children are more likely now than in the past to live at or near the poverty level, even with a parent working full time. In 1990, 8.5 percent of the children who lived with a parent who worked full time were poor; by 1996, this number had increased to 13 percent.

The problem of poverty among employed parents is most glaring among single parents and nonwhite parents. First, there has been a dramatic increase in the percentage of children living in poverty among those whose single parents work full time. In 1990, 25.8 percent of the children of single parents who were employed full time still lived at or near poverty level. By 1996, a third of such children were living in poverty, despite their single parent working full time, full year (Figure 4). Very few children who live in two-parent families where at least one parent works full time live in poverty (5.5 percent in 1990 and 7 percent in 1996).

Second, differences between employed white and nonwhite families are also growing. In 1990, a nonwhite child with at least one parent in the home employed full time had a one-in-five chance (18.5 percent) of living at or near the poverty line; by 1996, this chance had increased to nearly a one-in-three chance (29 percent). This is part of a general trend among all nonwhite children. Poverty is growing among nonwhite children at an alarming rate even when one of their parents works full time. A major policy implication of these data is that even if welfare reform works as intended to move most single parents into the workforce, their children may well remain in poverty and will still need governmental assistance to avoid the consequences of growing up poor.

Figure 4. Parents of Poor Children* with Parent Employed Full Time, Full Year (trends between 1990 and 1996).



What Are the Consequences of Childhood Poverty?

In this section, why poverty among children is a serious social problem for **all** of North Carolina is discussed. The first finding is an international one with local implications. Many other western nations treat children as citizens to be nurtured—with guaranteed rights to a minimum economic subsistence, quality day care, and health care. In the United States children are often treated as the policy equivalent of private property, assets to be invested in—or not—by their primary owners, families. We know that children whose parents do not have the economic assets to invest in them have difficulty in many areas of life.

The most well-documented effect of childhood poverty is on educational achievement. The lack of educational achievement has a cascade effect on children's life chances because those who grow up poor have lower literacy rates, higher rates of dropping out, and higher delinquency rates. Research shows very clearly that illiteracy is strongly correlated to delinquency and criminal behavior. Another major consequence of poverty is that low income often leads to residence in extremely poor neighborhoods characterized by social disorganization and few resources for child development.

Other well-documented effects of child poverty are on nutrition and health. Research shows clearly that poor children experience diminished physical health. While few children in America actually starve, nutritional deficits have marked effects on the growth, eventual height, and possibly cognitive development of children raised in poverty. Poor children suffer from emotional and behavioral problems more often than nonpoor children, although these effects are less strong than the effect of poverty on educational achievement.

Policy Implications of Research on Childhood Poverty

Like any other investment strategy, investments in poor children can be thought of as both short-term and long-term investments. The short-term investments should be in education and health for poor children. Wise investments in poor children can reduce public expenditures in the future. The long-term investments must go to the root causes of the problem: the inability of even working parents, especially single mothers, to earn enough to bring their children out of poverty. A long-term strategy must involve the availability of good jobs, with living wages and family health benefits.

Short-Term Strategies

Research has shown clearly that children who grow up in poverty are disadvantaged as adults. Poor children are less likely than others to learn to read well, and those without strong literacy skills are unlikely to graduate less likely to be productive workers and much more likely to commit crimes and fill spaces in prisons. The costs to society for not investing in poor children are very high.

The most prominent finding from research on childhood poverty is that poor children need intervention—early and continually. Programs such as Smart Start and the interventions provided by the *Guardian ad Litem* Program ought to be available to all children who need them. If we are to assure the safety and positive developmental experiences for all of North Carolina's children, programs such as mental health and substantive abuse services need to be available for children and youth, particularly for those whose parents are underemployed or not yet in the labor force. If North Carolina is to end social promotion in schools, poor children may need more days per year and intensive remedial help with reading in primary school. Health care must reach all children, if those of the next generation are to grow up to reach their full potential, cognitively and physically. Fully funded outreach efforts for NC Health Choice and funding for school clinics would help reach the poorest of our state's

children, and improve their health. Expanding primary and intermediate intervention /treatment programs is clearly necessary to avoid more expensive interventions in adulthood. The costs of investing in delinquency prevention programs, health care, and schools pale in comparison to the \$21,000 annual costs of incarcerating one inmate.

Long-Term Strategy

What is most distressing in these data is that **fulltime parental employment** does not by itself solve the problem of poverty among children. Welfare reform focuses on moving single mothers into paid employment. Even if the state reduced transfer payments to poor parents, and helped those parents find full-time work, many of their children will remain poor. Currently one-third of the children of single parents employed full time live in or near poverty. Parental employment does not erase children's poverty.

A long-term investment strategy ought to go more to the root of the problem: women's wages. The absence of a father's income increases a white child's chances of

poverty by 24 percent and a nonwhite child's by 48 percent. Two out of every three nonwhite children who live with a single parent (usually a mother) live in poverty. They are a generation at risk. The long-term strategy must be to ensure that all working parents earn a wage that brings their children out of poverty and to address the continuing racial inequity in wages. Minimum wage laws that end family poverty are necessary. As welfare reform moves parents from public aid to fulltime employment, the state must ensure that working allows parents to provide a decent standard of living for their children. While there is some concern that raising wages would hurt small business, most small business owners report that an increased minimum wage would not affect their hiring decisions. Economic investment in higher wages, along with educational investments in poor children, can lift families out of poverty and provide a higher quality of life for all North Carolinians.

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