

Rates of Long-Term Childhood Poverty by Race Over Three Decades

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Abstract:

In this study, we estimate rates of long-term child poverty over three decades – the 1970’s, 1980’s, and 1990’s using multiple measures of poverty and identify factors associated with changes/stability in long-term child poverty. We focus particularly on whether African-American children’s chances of experiencing long-term poverty dropped over time, whether race differences in risks of long-term child poverty narrowed over time, how cross-period demographic changes affected children’s long-term poverty rates, and how income packages of long-term poor and long-term low income families changed between the 1970’s, 1980’s, and 1990’s. Using multiple measurements of poverty, we employ data from the Panel Study of Income Dynamics on children and their families over the last three decades and utilize sophisticated tax estimation software from the National Bureau of Economic Research to conduct our analysis.

a. Description of the Topic:

Annual child poverty rates rose between the 1970’s and 1980’s and then returned to 1970’s levels during the 1990’s economic expansion. The annual poverty rates of African-American children reached an historic low in the late 1990’s. Analysts attributed the drops in poverty rates in the 1990’s to a combination of a tight labor market together with policy changes -- increases in the minimum wage, expansion of the Earned Income Tax Credit (EITC), welfare reforms, and the Child Health Insurance Program (CHIP) -- which increased the availability of jobs for low-skilled parents, increased earnings in low-skilled jobs, and increased incentives to work for low-skilled parents, while decreasing incentives for low-skilled single mothers to choose work over welfare. In our analysis we track rates of long-term rates of childhood poverty over three decades by race.

Although some analysts have estimated long-term poverty rates for demographic groups including children in the nineties, we know of no published study that has systemically tested for changes in the incidence of long-run childhood poverty between the 1980’s and 1990’s or that has examined African-American/white differences in long-term childhood poverty in the 1990’s.

This research will address the following questions:

- What are the trends in long-term child poverty for white and black children?
- Are the findings consistent across multiple measurements of long-term poverty?
- How have changes in the rates of long-term poverty by race been affected by changes in family structure across the three cohorts of study?
- How have changes in the rates of long-term poverty by race been affected by changes in government transfer policies, such as increases in the EITC, child credit, etc?

b. Theoretical Focus

While the bulk of this project will be descriptive in nature, it provides an important update to Duncan & Rodger's (1991) estimation of long-term childhood poverty from 1967-1986. Past research has found that race differences in long-term childhood poverty are larger than those in single-year poverty. Duncan (1991), for instance, reports that although white children comprised 60 percent of all poor children in 1982, almost 90 percent of children who were poor in 10 or more years over the 15 year period 1968 to 1982 were African-American.

Our research has at least three unique contributions to the literature on poverty and inequality. First, we know of no systematic study that has analyzed how changes in family structures, as well as changes in governmental transfer packages, have affected rates of long-term poverty. Second, we know of no study that has incorporated data from the 1990s into a cohort analysis of long-term child poverty. Finally, we use sophisticated information from the National Bureau of Economic Research to estimate the tax liability and credits available to each child's family in our sample, allowing our definition of poverty to more accurately reflect families' resources.

Long-term childhood poverty is a concern for several reasons. First, children raised in long-term poverty are more likely than other children to experience material hardships. Second, if persistently poor parents devote resources to consumption at the expense of investing in children this could have negative consequences for children's development and adult well-being. Third, long-term poor families consume disproportionately large percentages of the public dollars spent on anti-poverty programs (Blank 1997). Fourth, the fact that the vast majority of long-term poor children are African-American runs counter to U.S norms of equal opportunity.

c. Data and Research Methods

We use the PSID to investigate changes in long-term childhood poverty for three cohorts of children: (1) children aged 0-10 years in 1974 (2) children aged 0-10 years in 1984, and (3) children aged 0-10 years in 1994. We employ a two-pronged research strategy, using both descriptive and regression analysis.

First we estimate overall trends in poverty between the 1973 to 1979, 1983 to 1989, and 1993 to 1999 time periods. We compute the incidence of long-run poverty for African-American children and for white children in each period using three alternate definitions of long-run poverty (see Table 1). Under the first definition, a child is defined as long-term poor if the family's pre-tax cash income over the period is less than the official Census poverty threshold. Under the second definition, a child is long-term poor if the ratio of the sum of the family's post tax cash income plus Food Stamp benefits over the period to the poverty threshold is less than 1. The third measure defines a child as long-term poor if the ratio of the sum of post tax cash income plus Food Stamps to the poverty threshold is less than 1 in at least half the years observed over the period. We export information from the PSID to the National Bureau of Economic Research's (NBER) tax-simulator in order to ascertain the tax liability for each child's family in our sample.

Table 1: Proportions of Children in Long-Term Poverty by Race Under Varying Definitions of Poverty

| | Black Children | | | White Children | | |
|---|----------------|---------|---------|----------------|---------|-----------|
| | 1973-79 | 1983-89 | 1993-99 | 1973-79 | 1983-89 | 1993-1999 |
| (1) Ratio of 7-Year Pre-Tax Income-to-Needs | | | | | | |
| | <1.00 | | | | | |
| | <.75 | | | | | |
| (2) Ratio of 7-year Post Tax Income + Food Stamps to Needs | | | | | | |
| | <1.00 | | | | | |
| | <.75 | | | | | |
| (3) # of Years Poor | | | | | | |
| At least one | | | | | | |
| More than half | | | | | | |
| All | | | | | | |

Next we explore changes in the demographic profiles of low income families between the seventies, eighties, and nineties. We examine four demographic characteristics – age of household head, education of household head, (less than high school, high school graduate, more than high school), number of children, and family configuration (always 1-parent, always 2-parent, mixed). We compute and compare means on these measures by race for each time period to show how demographic profiles shifted across the three decades.

We explore the consequences of demographic shifts for long-term child poverty by estimating logistic regressions predicting the likelihood that a child is long-term poor as a function of demographic characteristics separately by race and period. We use the coefficients to predict what rates of long-term childhood poverty would be in the 1993 to 1999 and 1983 to 1989 time periods if the demographic profiles of families had remained the same as in the decade prior to that period. We will thus provide estimates of how cross-cohort demographic changes affect long-term child poverty.

In the last set of analyses, we explore changes in the income packages of long-term families and long-term low-income families across the seventies, eighties, and nineties. For each race and cohort, we estimate the proportion of family income derived from the following sources: fathers’ earnings, mothers’ earnings, cash welfare, Food Stamps, EITC, income and payroll taxes other than EITC.

d. Expected Findings

The analysis described above is already well underway and is funded by a grant from the National Poverty Center at the University of Michigan, Ann Arbor. Preliminary analysis suggests that we will find the following:

- 1) Overall levels of long-term child poverty will decrease in successive cohorts for both black and white children. Given the increase in government transfers (such as the EITC, child credit, etc), the decrease will be more pronounced in measurements of long term poverty which include these resources.

- 2) Although overall levels of long-term child poverty will be decreasing over time for children of both races, the rate of decrease will not be the same. We expect that, given the rise in single-mother white families since the 1970s, a larger share of the long-term poor will be white.
- 3) We expect that the sharp declines in the use of TANF monies, particularly by African American women, will result in a decline in the portion of long-term poor children who are African American.

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