



Poverty is Not Just an Indicator: The Relationship Between Income, Poverty, and Child Well-Being

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ABSTRACT

In this article, we review the evidence on the effects of poverty and low income on children’s development and well-being. We argue that poverty is an important indicator of societal and child well-being, but that poverty is more than just an indicator. Poverty and low income are causally related to worse child development outcomes, particularly cognitive developmental and educational outcomes. Mechanisms through which poverty affects these outcomes include material hardship, family stress, parental and cognitive inputs, and the developmental context to

which children are exposed. The timing, duration, and community context of poverty also appear to matter for children’s outcomes—with early experiences of poverty, longer durations of poverty, and higher concentrations of poverty in the community leading to worse child outcomes.

KEYWORDS: child development; income; poverty

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RATES OF CHILDHOOD poverty in the United States have remained very high over the past 40 years. According to the official poverty measure, approximately 1 in 5 children live in families with incomes below the federal poverty threshold (\$23,834 for a family of 4 in 2014),¹ and the child poverty rate has been near or above 20% (ranging between 16 and 23 percent) for most years since the end of the 1970s (Figure). Alternative poverty measures that incorporate improvements show more progress in reducing child poverty rates over time (see Wimer et al, in this issue of *Academic Pediatrics*²), but by any measure contemporary child poverty rates remain troublingly high.

The childhood poverty rate is a vital indicator of children’s well-being. As a measure, the child poverty rate tells us how many children at a point in time are living in families with annual incomes or economic resources that are below a consistent threshold considered insufficient to meet basic needs. The child poverty rate is thus a key indicator of a society’s health and well-being. It contributes to our understanding of whether our economy is working well, if it is distributing the nation’s economic gains to its most vulnerable and dependent citizens, and if it is equipping the nation for the future by supporting the human capital formation of future workers.

The child poverty rate is also a moral standard of what a society is willing to allow children to experience by the accident of their births into particular circumstances,

which in many cases, means suffering the deprivation of basic needs by which to grow and come of age, facing diminished opportunities for success, and limited chances for full participation in their society’s growth and development.

Child poverty measures are blunt and imperfect,³ and alone are insufficient to understand the true level of deprivation of children in the United States. However, the child poverty rate does provide a consistent marker that has been used to depict a widening picture of the nature and consequences of economic deprivation early in life over the past century. As such, it continues to provide an important tool for understanding how income and deprivation in childhood compromise children’s healthy development and opportunities to succeed later in life.

In this article we briefly review the research of the relationship between family poverty experienced during childhood and the well-being and outcomes for children, including into young adulthood. Next, we discuss 2 of the primary mechanisms that researchers have identified for how poverty affects children’s developmental outcomes, through the material hardships and constrained investments families are able to make and through parental stress and limitations on parenting capacities. Finally, we review the extent to which the effects of childhood poverty vary on the basis of its timing, duration, and concentration. We conclude with a brief summary of findings.

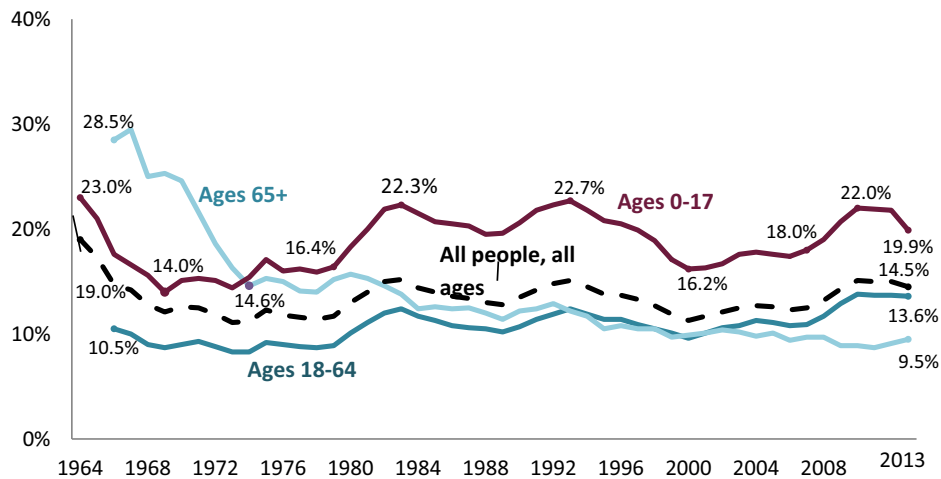


Figure. Percentage of population in poverty according to age group, 1964–2013.

THE EFFECTS OF CHILDHOOD POVERTY ON CHILD WELL-BEING AND OUTCOMES

One of the reasons we care about the childhood poverty rate beyond its role as an indicator, is the strong link between family poverty experienced during childhood and the well-being and outcomes for children, including into young adulthood. Many studies over the past several decades have documented the significantly worse outcomes and conditions across various measures of child health, education, and behavior for children who live in poor families and their experience during childhood and into adulthood compared with nonpoor children. The child poverty rate, however, does not capture benefits distributed through the tax system, such as the Earned Income Tax Credit or Child Tax Credit. Nor does it capture in-kind benefits like housing assistance or food stamps. Both of these are substantial antipoverty programs that provide resources to low-income families with children.

In a 1997 article for the *Future of Children*, Jeanne Brooks-Gunn and Greg Duncan⁴ summarized the strength and consistency of associations between child poverty and a wide range of measures of children's well-being. To provide a similar summary rooted in more contemporary data, we show how numerous developmental indicators vary between poor and nonpoor children (Table).^{5–11} Among health measures, childhood obesity was 40% more prevalent among poor families; asthma was 30% more common; and, children in poor families were 4 times more likely to be in fair or poor health. For education, grade repetition and dropping out of high school were approximately twice as likely among poor than nonpoor children. Children who were poor were nearly 9 times more likely to have very low food security and almost 7 times more likely to become a teenage mother. The size of many of these simple associations between childhood poverty and the wide range of measures of child well-being and longer-term outcomes are startlingly large, and consistent with the scale of differences for many of these indicators between poor and nonpoor children from 2 decades before.

As Table shows, it is well established that children from poor families do less well than children from higher-income families across a wide spectrum of health conditions, developmental and educational outcomes, material hardship levels, and other key outcomes from birth to early adulthood. This has led to a wealth of research on whether these relationships are causal. That is, is it the lack of income itself that leads to poor outcomes for children, or is it something else about poor children or their families that leads to poor outcomes, something that is merely correlated with lack of income. This “something else” could be anything that differs between poor and nonpoor families other than poverty: parenting skills, education, availability of time, genetics, etc. Although there remains some debate in the literature on this subject, the balance of the research supports the conclusion that income poverty is causally related to children's developmental outcomes. In this section, we briefly review what we know about the relationships between income, poverty, and children's developmental outcomes.

As with most research questions of this sort, early research focused on observational studies on the empirical relationships between income, poverty, and various developmental outcomes, controlling for other observed factors that might be associated with both.^{3,12} In general, these studies reported evidence in support of the idea that income might lead to improvements in child outcomes—evidence that was consistent with some later research that used more sophisticated techniques to move closer to causal claims, such as sibling models that compare siblings who experience different family incomes during their childhoods¹³ or fixed-effects models that harness change in income over time within families.¹⁴ Even these more analytically sophisticated studies have difficulty ruling out competing alternatives.

Clearer evidence comes from a set of natural experiments and experimental studies that have taken place in recent decades. An early study of the effects of the experimental negative income tax reported that the program had positive effects on children's academic performance, at

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