


PERSPECTIVES ON LOW-INCOME WORKING FAMILIES

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Childhood Poverty Persistence: Facts and Consequences

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Child poverty rates have ranged between 15 percent and 23 percent over the past four decades.[1] These rates, however, do not reveal how long children live in poverty. Many families cycle into and out of poverty over time, while others remain poor many years. Persistent poverty among children is of particular concern, as the cumulative effect of being poor may lead to especially negative outcomes and limited opportunities.

Using Panel Study of Income Dynamics (PSID) data from 1968 through 2005, this brief examines children's poverty status from birth through age 17 and provides new information on persistent poverty among children. We examine the incidence and duration of poverty for all children together and separately by race, because poverty rates differ substantially for white and black children.[2] Then, we examine outcomes for the same children at ages 25 to 30 to measure the relationship between childhood poverty and adult outcomes. We answer five key research questions:

1. How many years do children spend living in poverty, and what proportion of children is persistently poor (i.e., spend at least half their childhoods living in poverty)?
2. How often do children move into and out of poverty during their childhood?
3. How many children who are poor at birth remain poor throughout their childhood?
4. How does poverty status at birth relate to adult outcomes such as poverty, educational attainment, premarital childbearing, and employment?
5. How does persistent childhood poverty relate to adult outcomes?

This study is the first to highlight the relationship between poverty status at birth and children's poverty persistence and subsequent adult outcomes. It builds on the substantial literature that examines childhood poverty and the link between childhood poverty and adult outcomes.[3] By following children from birth through age 30, we capture the experiences and outcomes of people over critical periods in their lives. Understanding the link between poverty status at birth and future outcomes provides important practical program and policy implications. For example, if children who are poor at birth have worse outcomes, poverty status at birth could be used to direct resources toward children who are disproportionately more likely to have negative adolescent and adult outcomes.

Among our results:

- Sixty-three percent of children enter adulthood without experiencing poverty, but 10 percent of children are persistently poor, spending at least half their childhoods living in poverty.
- Black children are roughly 2.5 times more likely than white children to ever experience poverty and 7 times more likely to be persistently poor.
- Children who experience poverty tend to cycle into and out of poverty, and most persistently poor children spend intermittent years living above the poverty threshold.
- Being poor at birth is a strong predictor of future poverty status. Thirty-one percent of white children and 69 percent of black children who are poor at birth go on to spend at least half their childhoods living in poverty.
- Children who are born into poverty and spend multiple years living in poor families have worse adult outcomes than their counterparts in higher-income families.

Data and Sample

This analysis uses data from the 1968 through 2005 waves of the Panel Study of Income Dynamics (PSID), a longitudinal survey that interviewed respondents annually from 1968 to 1997 and biennially thereafter. A key feature of the PSID is that children of the original sample members are followed after they leave their parents' households, thereby making it possible to examine individuals' childhood experiences along with their adult outcomes. The PSID survey collects a host of information on individuals and families, including income, family size, employment, educational attainment, marriage, childbearing, age, race, and gender.

Our study sample includes people born between 1967 and 1974, cohorts for which PSID data are available from birth to age 30.[a] Individuals born in these years turned 18 between 1985 and 1992 and turned 30 between 1997 and 2004. Our childhood poverty analysis includes 1,795 people who are observed at every age from birth through age 17.[b] Of these people, 972 are white, 734 are black, and 89 are categorized as another race.[c] Some individuals leave the PSID sample and are not observed as adults, so our adult outcomes analysis sample is a subset of our childhood poverty analysis sample (between 49 and 99 percent depending on the outcome).[d]

At each interview, family annual income, which is used to construct family poverty status, is collected for the prior calendar year. When the PSID shifted to biennial interviewing, it began collecting income data for each of the two prior years. However, a PSID technical paper cautions users about the quality of the income data from two years ago (Andreski, Stafford, and Yeung 2008), so these data are not incorporated into this analysis. Across our nearly 40 years of data, family income is not available in four years: 1997, 1999, 2001, and 2003. This limitation does not affect our examination of childhood poverty experiences, but it does limit the number of times individuals are observed as adults. Individuals are observed between three and six years between ages 25 and 30, depending on their birth year.

Annual income data, along with information on family size, are used to construct family poverty status using the official U.S. poverty definition. If a family's before-tax money income is below the relevant poverty threshold for a family of that size and composition, then all family members are considered poor.[e] In 2009, for example, a family with two adults and two children was considered poor if its income was below $21,756. Trends in the childhood poverty rate over time for our sample are very similar to trends in the official childhood poverty rate based on the Current Population Survey (CPS). However, the PSID poverty rates are somewhat lower than the CPS rates, a finding consistent with earlier literature (Cellini, McKernan, and Ratcliffe 2008). It is unclear whether this difference results from more complete or accurate reporting of income in the PSID, as some researchers contend (e.g., Duncan 1984; Rank and Hirschl 2001; Stevens 1994), or simply from measurement error. Nonetheless, it suggests that our measures of poverty persistence with the PSID data could be lower-bound estimates.

a. Income at birth is available for individuals born in 1967 because the 1968 interview collected 1967 income.
b. Our sample represents 92 percent of all PSID sample members observed at birth for those born between 1968 and 1974, and observed at age 1 for those born in 1967 (the year before the PSID began). Our analysis sample is similar to the sample of people who left the PSID sample before age 17 in gender and poverty status at birth. Black children, however, left the PSID at higher rates. PSID sample weights are used to correct for attrition from the sample.
c. The PSID overrepresents low-income and minority families. This results from the original sample design, which included a cross-sectional equal probability sample as well as a low-income sample. All the results in this brief are weighted.
d. In total, 845 women (over 99 percent of the female childhood poverty sample) are included in our nonmarital childbearing analysis, 1,009 adults (56 percent of the childhood poverty sample) are included in our educational attainment analysis, 948 adults (53 percent) are included in our adult poverty analysis, and 872 adults (49 percent) are included in our adult employment analysis.
e. Our poverty measure uses the poverty thresholds described in Grieger, Schoeni, and Danziger (2008). One weakness of the PSID is that family income and family size, key components of poverty, are measured at different points in time. Family structure is measured at the time of the interview, while income is reported for the prior year. If individuals enter or leave a family from one year to the next, then there is a mismatch between family income and the poverty threshold.

Childhood Poverty Persistence

This section describes the poverty experiences of children from birth through age 17 and addresses our first three research questions. Over this 18-year period, children are categorized as poor for 0 years, 1–3 years, 4–8 years, 9–13 years, and 14–18 years. Children who are poor for 9–13 years are poor between one-half and three-quarters of their childhood, while those poor for 14 years or longer are poor over three-quarters of their childhood. Children in these two groups are identified as persistently poor. We examine number of years poor for the full sample and by race. We also examine the number of childhood poverty spells, which provides information on whether children enter poverty and stay there or cycle into and out of poverty. Finally, we describe childhood poverty experiences by poverty status at birth.

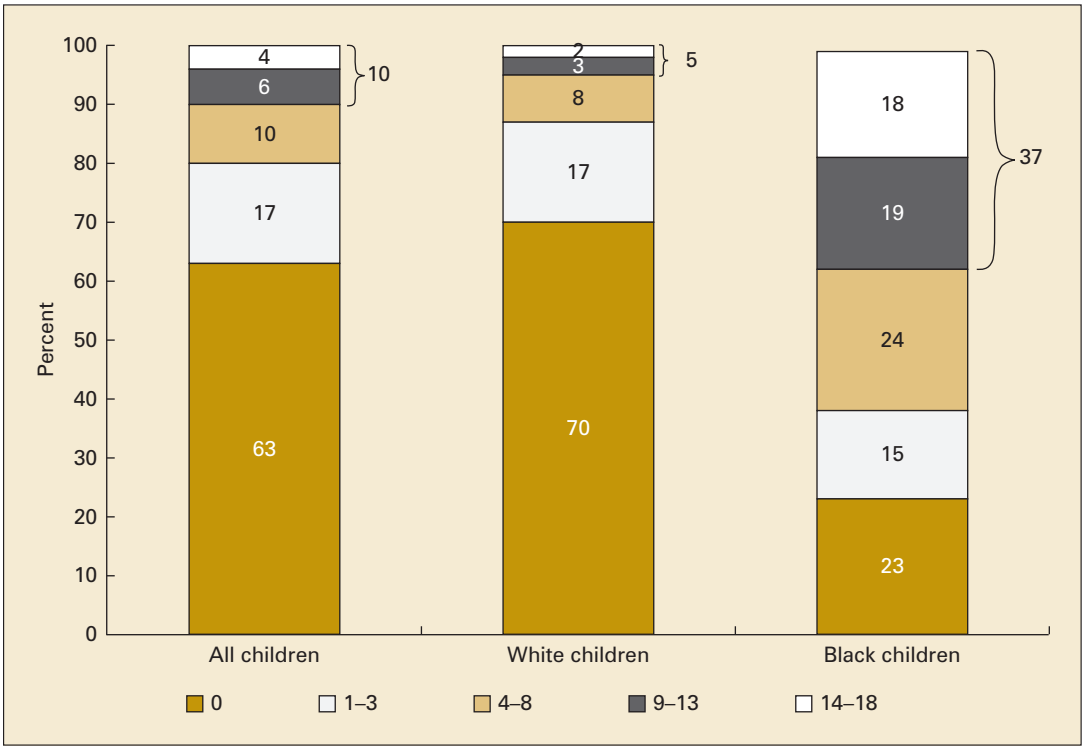
How Many Years Do Children Spend Living in Poverty, and What Proportion of Children Is Persistently Poor?

Most children (63 percent) enter adulthood without experiencing poverty (figure 1). However, over a third (37 percent) live in poverty at some point during their childhood. Many of these children have limited exposure to poverty, although a substantial number are poor for numerous years. Across all children, 17 percent of children are poor for 1 to 3 years, and 10 percent are poor for 4 to 8 years. Another 10 percent are poor for 9 to 18 years and thus are persistently poor.[4]

These overall numbers mask large racial disparities. Black children are substantially more likely than white children to experience poverty and to spend multiple years living in poverty. For example, while 70 percent of white children are never poor, only 23 percent of black children are never poor. Further, while 5 percent of white children are persistently poor, 37 percent of black children are persistently poor. Put another way, black children are roughly 2.5 times more likely than white children to ever be poor and 7 times more likely to be persistently poor. Looking at children who are poor 14 years or longer shows even larger differences by race; 2 percent of white children and 18 percent of black children are poor for more than 75 percent of their childhoods.[5]

To put these numbers in context, compare them with the official U.S. poverty rate. In 2008, 34.7 percent of black children lived below the poverty threshold. Yet more than twice as many (77 percent) are poor at some point during their childhoods, and 37 percent are persistently poor.

FIGURE 1. Years Poor as a Child by Race



Source: Authors' tabulation of PSID data.
Note: Children who are poor for 9 to 18 years are identified as persistently poor.

This shows that looking at a snapshot of poverty provides an incomplete picture of childhood poverty and children's experiences.

How Often Do Children Move into and out of Poverty during Their Childhood?

Few children who are poor for multiple years have a single uninterrupted poverty spell. Rather, children tend to cycle into and out of poverty over time. Among children who are poor nine years or longer, only 17 percent have a single uninterrupted poverty spell (figure 2). On the other hand, 58 percent of these children experience three or more shorter poverty spells, and 25 percent experience two poverty spells. A similar pattern holds for children poor between four and eight years: 15 percent have an uninterrupted four- to eight-year poverty spell, while 48 percent experience three or more poverty spells.

Black children experience more poverty spells than white children. For example, 69 percent of ever-poor black children experience more than one poverty spell, compared with 52 percent of ever-poor white children. These racial differences disappear, however, after accounting for number of years poor.

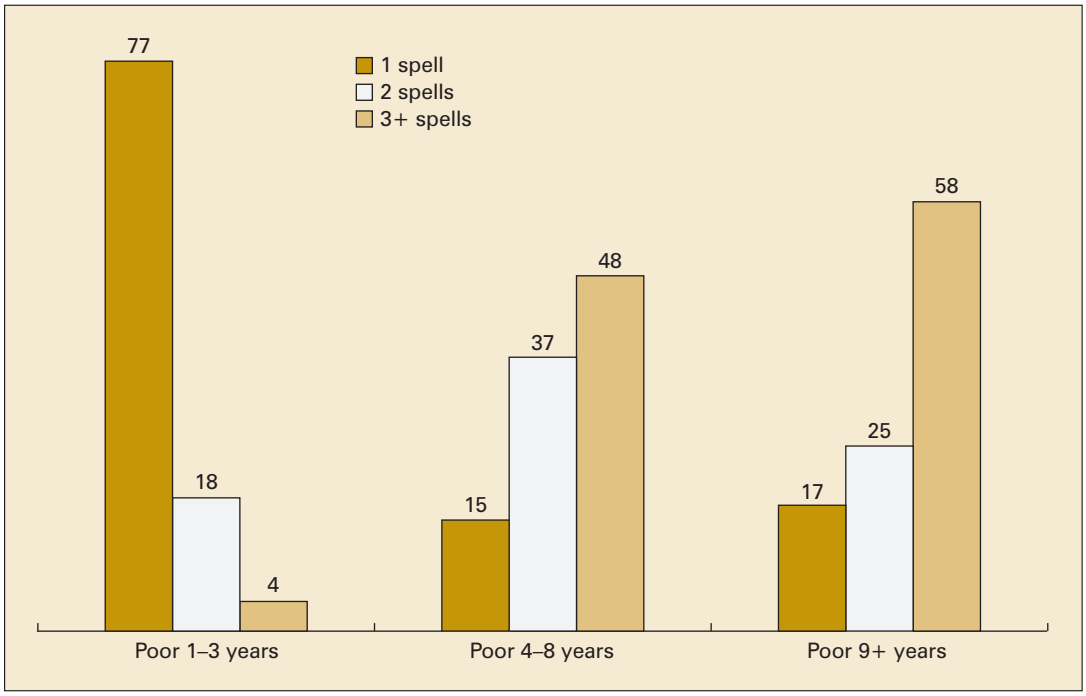
Children cycle into and out of poverty, and most persistently poor children spend intermittent years living above the poverty threshold. These changes could result from unstable employment by parents—instability of hours worked and/or wage rate—or changes in family structure, such as a working adult moving out of the household.

How Many Children Who Are Poor at Birth Remain Poor throughout Their Childhood?

Thirteen percent of all children, 8 percent of white children, and 40 percent of black children are poor at birth. Status at birth strongly predicts future poverty status. Children who are born into poverty have substantially higher poverty rates at all ages than children who are not born into poverty. Among children who are poor at birth, roughly 40 to 60 percent are poor each year of their childhoods (figure 3, top chart). The comparable range for children who are not poor at birth is 5 to 9 percent. While the dramatically higher poverty rates among children born into poverty are somewhat surprising, this population includes children in families that have shown at least some propensity to be poor (i.e., they were poor in the first year of their child's life).

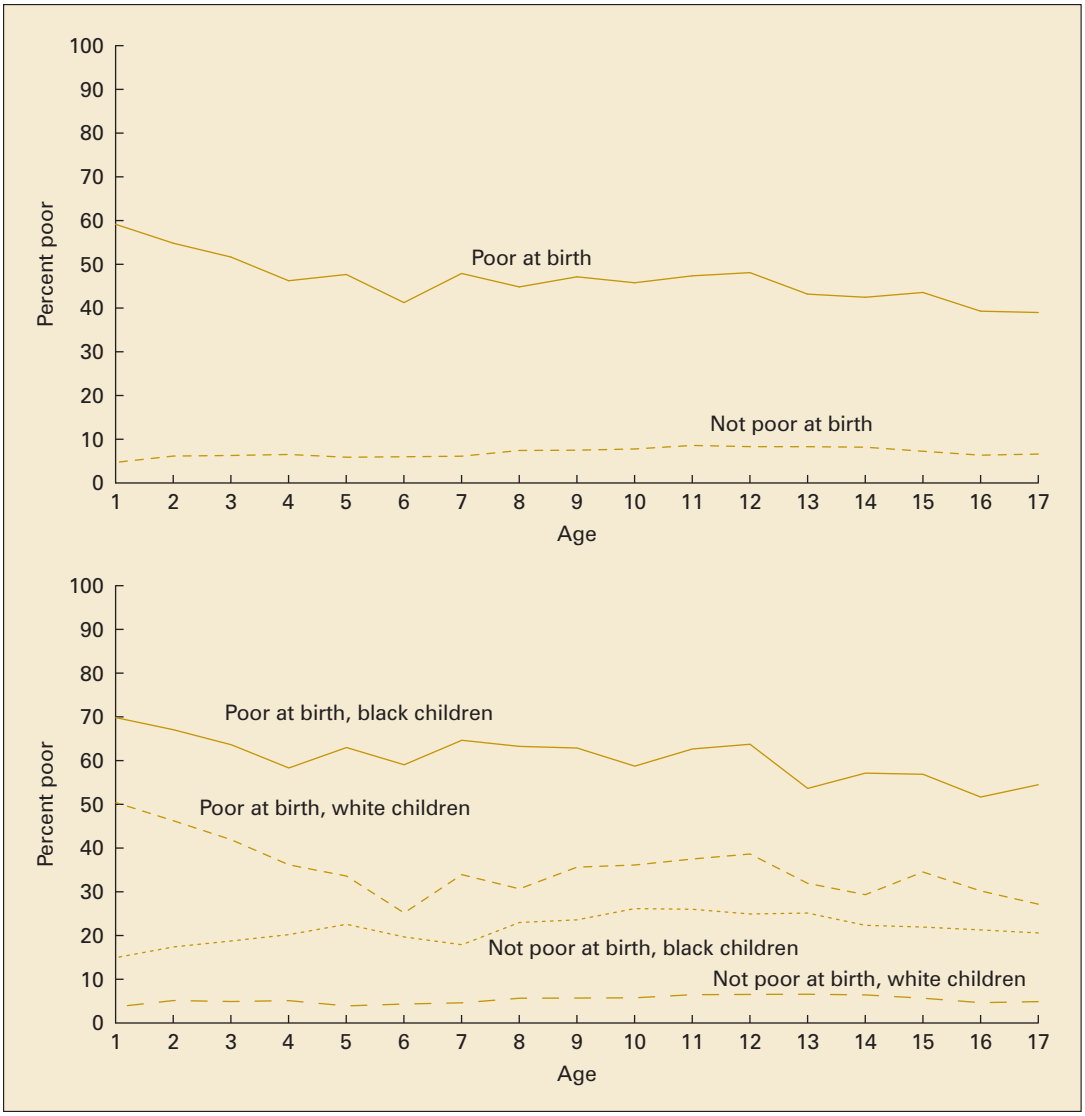
There is a slight age pattern among children born into poverty. The age-specific poverty rate declines between ages 1 and 6 (from 59 to 41 percent) then is relatively flat between ages 6 and 17. Thus, the propensity of these families to get out

FIGURE 2. Number of Child Poverty Spells by Number of Years Poor as a Child (percent)



Source: Authors' tabulation of PSID data.

FIGURE 3. Poverty Rates of Children Who Are Poor and Not Poor at Birth, by Age and Race



Source: Authors' tabulation of PSID data.
Note: Thirteen percent of all children, 8 percent of white children, and 40 percent of black children are poor at birth.

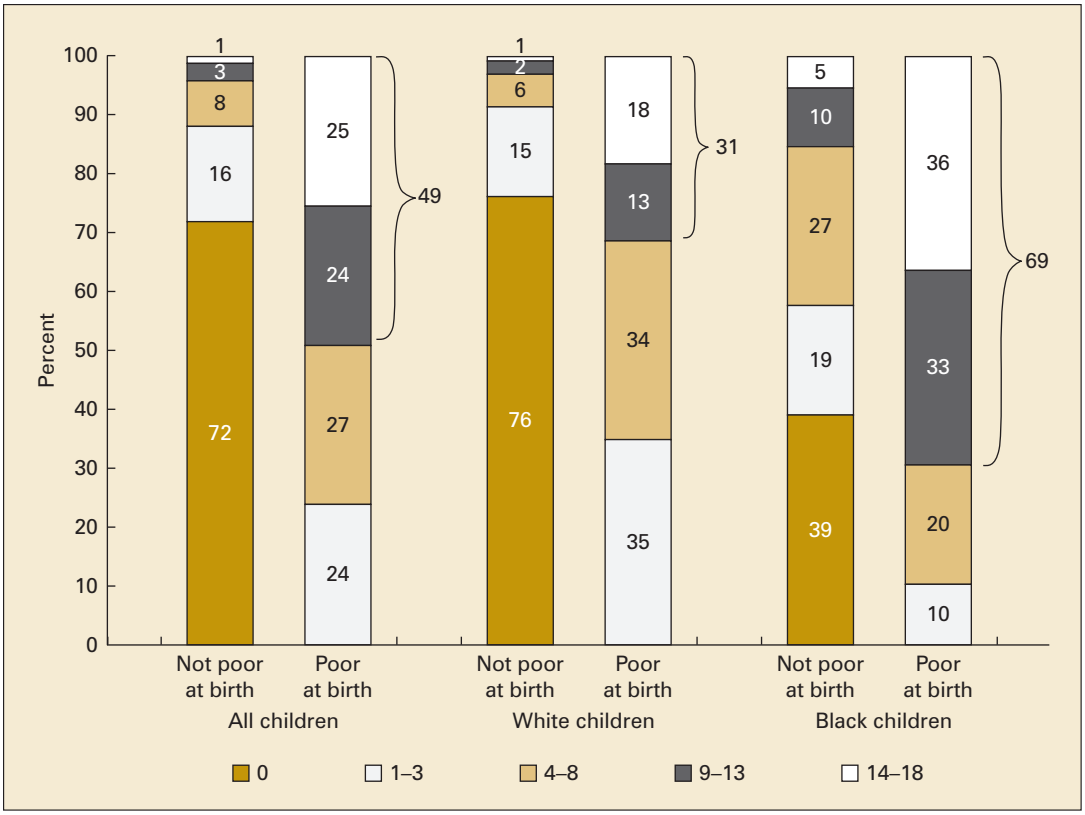
and stay out of poverty is limited. Among children who are not born into poverty, the age-specific poverty rate is largely flat from age 1 to 17.

Within both groups of children, age-specific poverty rates are higher for black children than for white children (figure 3, bottom chart). The racial differences are large, especially among children poor at birth. For example, among children poor at birth, over half (59 percent) of black 6-year-olds are poor versus one-quarter of white 6-year-olds.

The number of years a child spends living in poverty also varies substantially by poverty status at birth. Children born into poverty spend many more years living in poverty and are more likely to be persistently poor than those who are not born into poverty (figure 4). Among children who are not poor at birth, 72 percent never live in poverty, and 4 percent are persistently poor. Among children who are poor at birth, 49 percent are persistently poor. That is, nearly half of all children who are born into poverty remain there for at least half their childhoods.

Black children who are poor at birth are twice as likely as their white counterparts to be persistently poor, although the exposure is substantial for both groups. Among white children who are poor at birth, roughly a third (31 percent) are persistently poor. Over two-thirds (69 percent) of black children who are poor at birth are persistently poor. The comparable numbers for white and black children who are not poor at birth are 3 percent and 15 percent, respectively.

FIGURE 4. Distribution of Years Poor as a Child by Poverty Status at Birth and Race



Source: Authors' tabulation of PSID data.
Notes: Thirteen percent of all children, 8 percent of white children, and 40 percent of black children are poor at birth. Children who are poor for 9 to 18 years are identified as persistently poor.

Identifying children who are poor at birth thus identifies a population that is disproportionately more likely to spend multiple years in poverty and to be persistently poor. Given that poverty status at birth is linked to worse adult outcomes, targeting resources to children born into poverty would reach a particularly vulnerable population.

Childhood Poverty and Adult Outcomes

This section descriptively examines the relationship between childhood poverty and four adult outcomes: living in poverty at least half the years between ages 25 and 30,[6] not completing high school (no high school diploma or general equivalency diploma),[7] having a teen nonmarital birth (females only), and having consistent employment between ages 25 and 30 (by gender).[8] We examine these outcomes first by poverty status at birth and then by duration of childhood poverty. Because of sample size concerns, we collapse years poor as a child into four categories (poor 0 years, 1–3 years, 4–8 years, and 9–18 years) and focus on results for all children combined, although we note some differences by race. While differences by race are of interest, information about the whole population is key for understanding the potential benefits of implementing new programs targeted at improving the outcomes of poor children. Overall, children who are born into poverty and spend multiple years living in poor families have worse adult outcomes than their counterparts in higher-income families.

How Does Poverty Status at Birth Relate to Adult Outcomes?

People who are poor at birth are significantly more likely to be poor as an adult, drop out of high school, and have a teen nonmarital birth than those not poor at birth. While 4 percent of individuals in nonpoor families at birth go on to spend at least half their early adult years living in poverty, the comparable number for individuals born into poverty is 21 percent (table 1). This 18 percentage-point difference is driven by blacks; the difference for blacks is 24 percentage points, while the difference for whites does not differ significantly from zero. Thus, being born into poverty is an indicator of adult poverty; the vari-

TABLE 1. Adult Poverty Status, Educational Attainment, Nonmarital Childbearing, and Employment by Poverty Status at Birth and Race

Adult outcomes	Not poor at birth	Poor at birth	Difference
Poor 50% or more of years (age 25–30)			
All	4	21	18 ***
White	2	6	3
Black	17	41	24 **
No high school diploma			
All	7	22	15 ***
White	6	24	18 ***
Black	11	20	8
Teen nonmarital birth			
All	10	31	20 ***
White	6	18	12 **
Black	40	38	–2
Consistently employed age 25–30			
Men			
All	72	76	4
White	73	88	15
Black	69	36	–33 **
Women			
All	55	42	–13
White	54	46	–8
Black	54	40	–14

Source: Authors' tabulation of PSID data.
Notes: The column labeled "difference" may not equal the difference between the values shown in the "poor at birth" and "not poor at birth" columns because of rounding. Statistical significance is calculated on the difference between individuals who are poor at birth and those who are not poor at birth.
* = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

ous possible mechanisms through which adult poverty occurs may include parental income, family functioning and home environment, neighborhood factors, and school quality.

The likelihood of not completing high school is three times greater for individuals who are poor versus not poor at birth. While 7 percent of individuals who are not poor at birth lack high school diplomas, 22 percent of individuals who are poor at birth lack high school diplomas. This 15 percentage-point difference is driven by whites, which is consistent with prior research (e.g., Corcoran 1995).

We see a similar pattern for nonmarital childbearing. The likelihood of having a teen nonmarital birth is three times as likely for women who are poor versus not poor at birth (31 percent versus 10 percent), with whites driving the difference. While there is no statistically significant difference in the rates of nonmarital childbearing for black women who are poor versus not poor at birth, the rates are very high among both groups—38 to 40 percent.

Beyond these outcomes, we also examine whether individuals are consistently employed between ages 25 and 30. An individual is consistently employed if he or she reports being employed in each calendar year observed from age 25 to age 30. For men, there is no statistically significant difference in the likelihood of being consistently employed by poverty status at birth. Between 72 and 76 percent of men in these two groups are consistently employed. Examining both races together, however, masks an important finding: black men who are poor at birth are 33 percentage points less likely to be consistently employed than black men who are not poor at birth. This finding suggests future economic hardship for black boys born into poor families, hardship that can have ripple effects if these individuals go on to become fathers. The degree of employment is lower for women who are poor versus not poor at birth, although the differences are not statistically significant.

How Does Persistent Childhood Poverty Relate to Adult Outcomes?

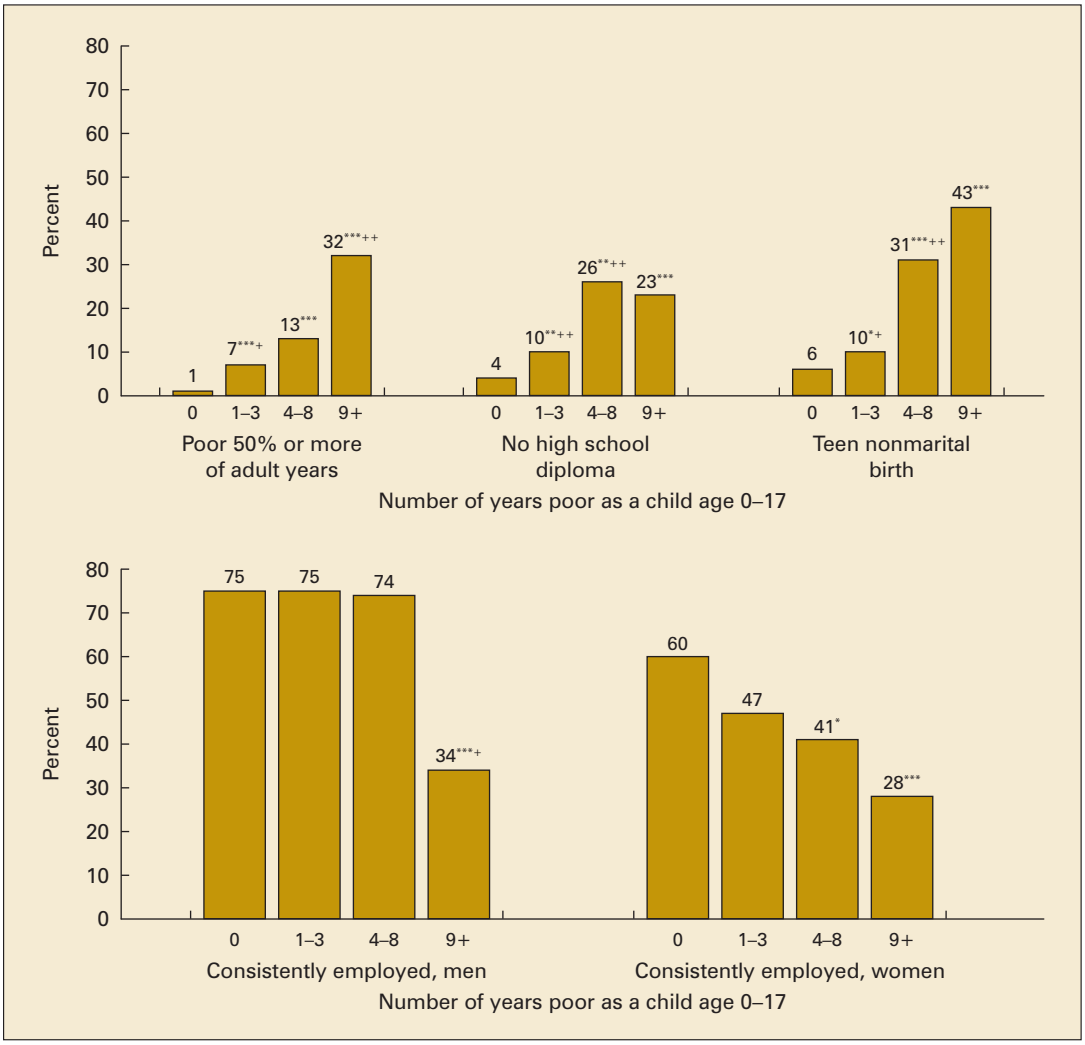
In general, the longer a child is poor, the worse his or her adult outcomes. Those who are never poor

as children are the least likely to be poor as adults, while those who are persistently poor as children are the most likely to be poor as adults. Among children who are never poor, only 1 percent spent half their early adult years living in poverty (figure 5, top chart).[9] On the other hand, 32 percent of persistently poor children go on to spend half their early adult years living in poverty. Although adult poverty is observed for a limited number of years, this analysis suggests a link between childhood poverty persistence and prolonged poverty as an adult. The mechanisms through which prolonged adult poverty can occur are varied.

The likelihood that an individual does not complete high school or has a teen nonmarital birth generally increases with years poor. For example, the likelihood of having a nonmarital birth increases from 6 percent for women who are not poor as children to 10 percent for those poor 1–3 years, and then from 31 percent for women poor 4–8 years as children to 43 percent for women poor 9 years or longer. Patterns by race (not shown) are similar to the overall picture.

The likelihood of consistent employment differs starkly for men who were and were not persistently poor as children. Roughly 75 percent of men who were poor less than nine years as children are consistently employed as adults, compared with only 34 percent of men who were poor nine years or longer. That is, only a third of persistently poor boys go on to have consistent employment in early adulthood. Further, their

FIGURE 5. Adult Poverty Status, Educational Attainment, Nonmarital Childbearing, and Employment by Years Poor as a Child



Source: Authors' tabulation of PSID data.
Notes: Asterisks indicate a statistically significant difference from the zero years of poverty category. Plus signs indicate a statistically significant difference from the previous poverty category.
* = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$; + = $p < 0.1$, ++ = $p < 0.05$.

likelihood of consistent employment in early adulthood is only half that of men who were not persistently poor as children. The pattern is similar for white and black men. Since employment is examined from age 25 to 30, key years in which individuals build employment-related human capital that can lead to future wage progression, these findings suggest particular problems for males who grow up in persistently poor families. The pattern for women is less dramatic, but it does show that persistently poor females are only half as likely to have consistent employment as their counterparts who never experienced poverty as children (28 percent versus 60 percent).

Summary and Conclusion

Over the past four decades the U.S. child poverty rate has fluctuated between 15 and 23 percent, but far more children—37 percent—live in poverty at some point during their childhoods. Racial disparities are large. Compared with white children, black children are substantially more likely to experience poverty and spend multiple years living in poverty. Being poor at birth strongly predicts future poverty status. Children born into poverty spend many more years living in poverty and are more likely to be persistently poor, compared with those who are not born into poverty. Specifically, 31 percent of white children and 69 percent of black children who are poor at birth go on to spend at least half their childhoods living in poverty. In addition, children who are born into poverty and spend multiple years living in poor families have worse adult outcomes than their counterparts in higher-income families. This suggests that focusing resources on children born into poverty and their families targets a particularly vulnerable population.

To redress the ill effects of early and persistent childhood poverty, it is important to understand how poverty adversely affects children. The possible mechanisms through which this occurs are varied and may include parental income, family structure, family functioning and home environment, and neighborhood factors (e.g., Berger, Paxson, and Waldfogel 2009; Dahl and Lochner 2008; Kling, Lieberman, and Katz 2007; Korenman, Miller, and Sjaastad 1995). Programs targeted at increasing parental income, such as education and training programs and work supports, could improve children's future prospects by providing the family with economic security and stability. Greater resources may also increase how much parents invest in their children. Other supports for parents, such as home visiting programs, may improve family functioning and the home environment of vulnerable children.

It is also important to note that children who spend numerous years in poverty, even many who are persistently poor, commonly spend intermittent years living above the poverty level. This finding offers a glimmer of hope. The fact that many families are able to lift themselves out of poverty in some years suggests that programs and policies that support work (e.g., child care subsidies, transportation assistance, expanded paid leave policies) may help parents, and therefore their children, improve their economic standing and stability. Beyond this, programs that focus on job retention, job advancement, and skills training could help protect families during weak economic times, since low-skill jobs are often the first to be eliminated.

Some children appear resilient to childhood poverty and are able to avoid negative outcomes. Understanding the characteristics and experiences of persistently poor children who successfully transition to adulthood would provide important information about what persistently poor children need and what can help them become successful adults. As it stands, however, too few children born into poverty manage to escape its ill effects, and more can be done to both lift children and their families out of poverty today and to help poor children achieve better outcomes as adults.

Notes

1. U.S. Census Bureau, "Table 3. Poverty Status of People, by Age, Race, and Hispanic Origin: 1959 to 2008," http://www.census.gov/hhes/www/poverty/histpov/hstpov3.xls.

2. In 2008, for example, 10.6 percent of white children lived in poor families, compared with 34.7 percent of black children (U.S. Census Bureau, "Table 3"). The original PSID sample has a relatively small number of Latino households, so it does not allow for reliable estimates of this population.

3. See Corcoran (1995); Duncan and Brooks-Gunn (1997); Duncan, Kalil, and Ziol-Guest (2008); Duncan et al. (1998); Fass, Dinan, and Aratani (2009); Haveman, Wolfe, and Spaulding (1991); Rank and Hirschl (1999); and Wagmiller and Adelman (2009).

4. National Center for Children in Poverty analyses that examine children born between 1970 and 1990 show similar results. They find, for example, that 65 percent of children never live in poverty and 10 percent are poor for at least half their childhoods (Fass et al. 2009; Wagmiller and Adelman 2009).

5. An examination of consecutive years of poverty also shows large differences by race.

6. Because the PSID went to biennial interviewing in 1997, we observe adult poverty status (from age 25 to 30) for only three to five years, depending on birth year. People born in 1967 and 1968 are observed for five years, people born in 1969 and 1970 are observed for four years, and people born from 1971 to 1974 are observed for three years.

7. We measure high school completion at the last point an individual is observed in the data between ages 25 and 30.

8. Because the PSID went to biennial interviewing in 1997, we observe adult employment for only three to six years, depending on birth year. People born in 1967 are observed for six years, people born in 1968 and 1969 are observed for five years, people born in 1970 and 1971 are observed for four years, and people born from 1972 to 1974 are observed for three years. The years data are observed for adult poverty and for employment outcomes differ slightly because income is captured for the calendar year before the interview and employment is captured in the year of the interview.

9. Figure 5 does not present results by race because separating the data into four poverty categories and by race results in small sample sizes, particularly for poor white children.

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