Child Poverty and Its Lasting Consequence

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CHILD POVERTY AND ITS LASTING CONSEQUENCE

Children start life on unequal economic footing, and this has important implications for their future well-being. Poverty early in life has been linked to behavioral problems and lower IQ scores as early as age 5 (Duncan, Brooks-Gunn, and Klebanov 1994). It has also been linked with lower academic achievement than poverty experienced in later childhood and adolescence (Brooks-Gunn and Duncan 1997; Duncan et al. 1998). Children born into poor families have worse adolescent and adult outcomes than children born into nonpoor families (Ratcliffe and McKernan 2010).

Chronic stress is a contributing factor in the link between childhood poverty and lower levels of working memory (Evans and Schamberg 2009). In fact, a developing body of research is examining the importance of a child's environment in his or her first years of life (even in utero) and how toxic stress negatively alters early brain development (Eccleston 2011; Evans and Schamberg 2009; National Center for Children in Poverty 1999; Shonkoff et al. 2012). According to a recent report from the American Academy of Pediatrics, toxic stress in early childhood can lead to permanent changes in the structure and function of the brain; these brain alterations can "create a weak foundation for later learning, behavior, and health" (Shonkoff et al. 2012, e236). Beyond the timing of poverty, extended exposure to poverty as a child is also associated with worse adolescent and adult outcomes (Isaacs and Magnuson 2011; Ratcliffe and McKernan 2010; Wagmiller and Adelman 2009).

If poverty and its associated stressors impair children's brain development and impede their future success, then poor children and approaches for helping them should be prominent in the national debate. Resources aimed at improving the well-being of poor children and their families today could

have large future payoffs; the estimated economic cost of child poverty is more than $500 billion a year (Holzer et al. 2007).

This research report examines the potential magnitude of the problem and ways to target particularly vulnerable children by answering four key research questions:

- What share of newborns is poor, and how often do these children remain poor?
- What family characteristics relate most strongly to childhood poverty persistence?
- What are the implications of present-day childhood poverty for adult outcomes?
- How do other family characteristics and childhood experiences relate to adult outcomes?

Earlier research by the authors examined the relationship between child poverty and adult outcomes for a cohort of children born in the late 1960s and early 1970s (Ratcliffe and McKernan 2010).[1] This report builds on that earlier research by presenting the poverty rate of newborns for more recent cohorts and over time and examining these newborns' subsequent poverty experiences. In doing so, we document the magnitude of the problem for today's children and provide insight into how young poor children can be helped. Among our results:

- Over the past four decades, 16 percent of children were born to poor parents.
  - Minority children are less economically secure than white children; 40 percent of black newborns are poor, compared with 10 percent of white newborns.
- Over the past four decades, nearly half (49 percent) of children born to poor parents were poor for at least half their childhoods, and there has been little improvement over time.
  - Black children are worse off, and the magnitude of their disadvantage has persisted over time. Roughly one in every three poor white newborns is persistently poor, while two in every three poor black newborns are persistently poor.
- Beyond poverty status at birth, parents' educational attainment at the time of the child's birth is a key factor related to childhood poverty persistence for both white and black children. Family employment status at the child's birth also plays a role for black children.
- Compared with people never poor as a child, those poor for half their childhoods are nearly 90 percent more likely to enter their 20s without completing high school and are four times more likely to have a teen premarital birth (controlling for race, parents' education at birth, family characteristics, and other factors).
- Children who are poor early in life—birth to age 2—are 30 percent less likely to complete high school than children who are first poor later in childhood (controlling for poverty duration and other factors). Timing of poverty is not related to teen premarital childbearing.
- Children in families that move for negative reasons (e.g., housing unit coming down, being evicted, parents divorcing, saving money) are less likely to complete high school by age 20 than children that do not move or that move for neutral or positive reasons.

Data, Sample, and Poverty Measure

This analysis uses data from the 1968 through 2009 waves of the Panel Study of Income Dynamics (PSID), a longitudinal survey that interviewed respondents annually from 1968 to 1997 and biennially thereafter. Using data over a 40-year period allows us to examine individuals' childhood experiences and link these experiences with their adult outcomes.

Our study sample includes people born between 1967 and 2008. These individuals are placed into five cohort groups: born 1967–74, 1975–81, 1982–89, 1990–99, and 2000–08. For those born between 1967 and 1974, data are available from birth to age 30.[a] For those in the next two cohort groups (born between 1975–81 and 1982–89), data are available from birth through age 20. These data allow us to examine the relationship between childhood experiences and early adult outcomes, including high school completion and teen premarital childbearing. Children in the two most recent cohorts (born 1990–99 and 2000–08) are generally observed for only part of their childhood. While we have more limited information on children in these two cohorts, they provide information on how often newborns experience poverty in recent years.[b]

All the analyses presented here use the official definition of poverty. Under the official definition, a family is identified as poor if its gross annual money income is below the federal poverty level.[c] In 2012, a family of three is defined as poor if its gross annual money income is below $19,090. A strength of the official poverty measure is that it allows for straightforward comparisons over time. A child is defined as persistently poor if he or she lives in a poor family for at least half his or her childhood (from birth through age 17).[d]

When looking over time, it is important to note that there have been substantial shifts to the country's safety net that are not captured in the official U.S. poverty rate, such as expansions of the earned income tax credit in the 1990s. An alternative measure of poverty, recommended by a National Academy of Sciences (NAS) panel, differs from the official measure by accounting for in-kind transfers, taxes, medical expenditures, and geographic variation in the cost of living, among other things (National Research Council 1995). Since the early 1990s, the NAS poverty rate fell more than the official poverty rate, with the difference between the two poverty rates declining over time. In 1990 the NAS and official child poverty rates were 23.9 and 20.6 percent, respectively, and in 2008 (the last year captured in our analysis) the child poverty rates were 17.9 and 19.0 percent, respectively.[e]

a. Income at birth is available for individuals born in 1967 because the 1968 interview collected 1967 income.

b. More information about the data and sample is provided in the appendix.

c. Our poverty measure uses the poverty thresholds described in Grieger, Schoeni, and Danziger (2008).

d. Because the PSID went to biennial interviewing in 1997, we do not observe complete childhood poverty histories for children born in 1980 or later. In these cases, we calculate the percent of years poor based on the number of years children are observed. Children born in 1980–81 are observed for 17 years (versus 18 years), children born in 1982–83 are observed for 16 years, children born in 1984–85 are observed for 15 years, children born in 1986–87 are observed for 14 years, and children born in 1988–89 are observed for 13 years.

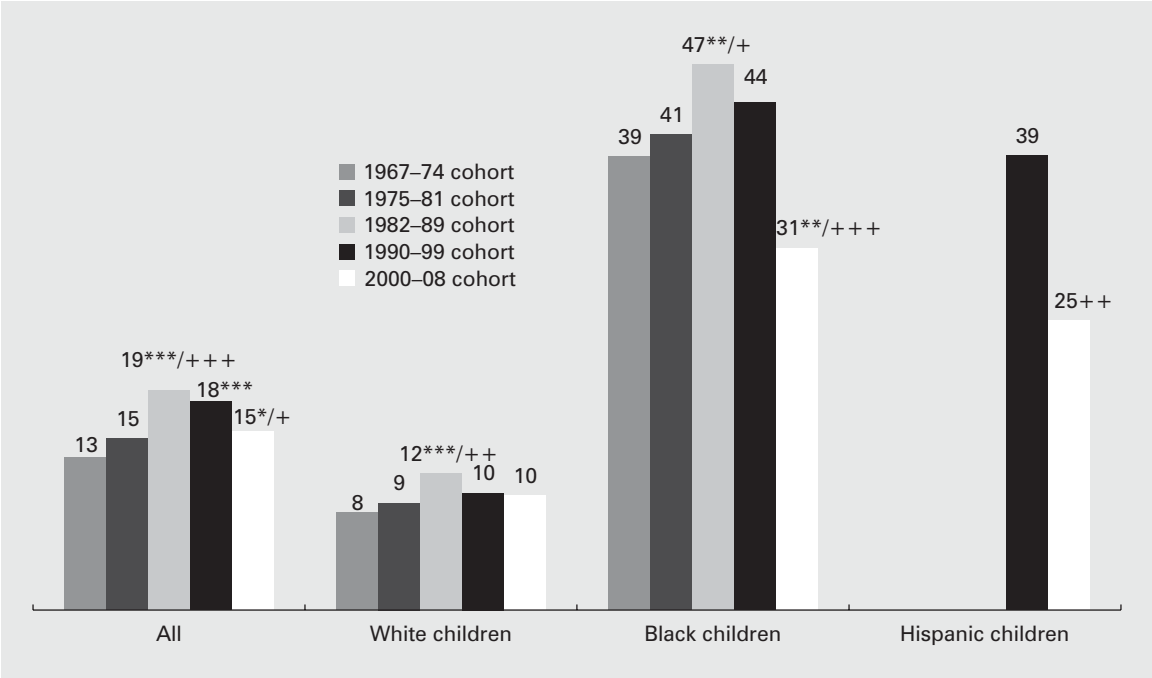
e. The reported NAS child poverty rate for 1990 (Short 2001, 30) uses the difference equivalency scale, which accounts for changes in expenses with different family sizes and ratios of children to adults. The 2008 NAS child poverty rate (U.S. Census Bureau, "Table 2: Experimental Poverty Estimates Based on National Academy of Sciences Recommendations, by Selected Demographic Characteristics and by Region (CE): 2008," http://www.census.gov/hhes/povmeas/data/nas/tables/2008/web_tab2_NAS_demogCE_2008.xls) is scaled for family size and composition (as described in Dalaker 2005, 2). Both the 1990 and 2008 rates use the Consumer Expenditures Survey for inflation adjustment. The official poverty rates were obtained from the U.S. Census Bureau, "Table 3: Poverty Status."

Childhood Poverty and Poverty Persistence

What Share of Newborns Is Poor? How Has It Changed Over Time?

Across the past four decades, 16 percent of children were born to poor parents. Many of these poor children live well below the poverty level, with over a third (37 percent) born to parents living in deep poverty (income below 50 percent of the federal poverty level).[2] Conditions associated with poverty and deep poverty can put these children at greater risk for developmental and health problems. High rates of maternal depression among poor mothers—near 50 percent (Vericker, Macomber, and Golden 2010)—can also adversely affect these children.

FIGURE 1. Poverty Rate among Newborns, by Birth Cohort and Race



Source: Authors' tabulation of PSID data.

Note: Asterisks indicate a statistically significant difference from the earliest cohort (1967–74). Plus signs indicate a statistically significant difference from the previous cohort.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$; + $p < 0.1$, ++ $p < 0.05$, +++ $p < 0.01$.

Poverty rates among newborns have fluctuated over time. Compared with children born in the late 1960s and early 1970s (1967–74), newborns in the 1980s and 1990s had higher poverty rates, although rates have fallen back toward earlier levels for those born most recently (figure 1). Among children born between 1967 and 1974, 13 percent were poor at birth. This increased to 18–19 percent for children born in the 1980s and 1990s and fell to 15 percent for those born between 2000 and 2008. This arc-shaped pattern for the poverty rate among newborns follows official U.S. poverty rates for all children (under age 18).[3] More recently, child poverty rates increased with the Great Recession and were at their highest level in nearly two decades in 2010 and 2011.

Minority children are less economically secure than white children. Across the different cohort groups, the poverty rate among white newborns ranges between 8 and 12 percent, while the poverty rate among black newborns ranges between 31 and 47 percent (see figure 1). Even among poor newborns, minority children are more disadvantaged: 46 percent of poor black newborns live in deep poverty, while only 30 percent of poor white newborns do so.[4]

The relatively small number of Hispanics in the Panel Study of Income Dynamics (PSID) before the 1990s limits the usefulness of an analysis of Hispanic children in the 1960s through 1980s, but analyses of more recent cohorts are feasible.[5] Among children born in the 1990s and 2000s, Hispanic newborns are more disadvantaged than white newborns but slightly less disadvantaged than black newborns. Thirty-nine percent of Hispanic children born in the 1990s were born to poor parents, compared with 44 percent of black newborns and 10 percent of white newborns. Following national trends, the average

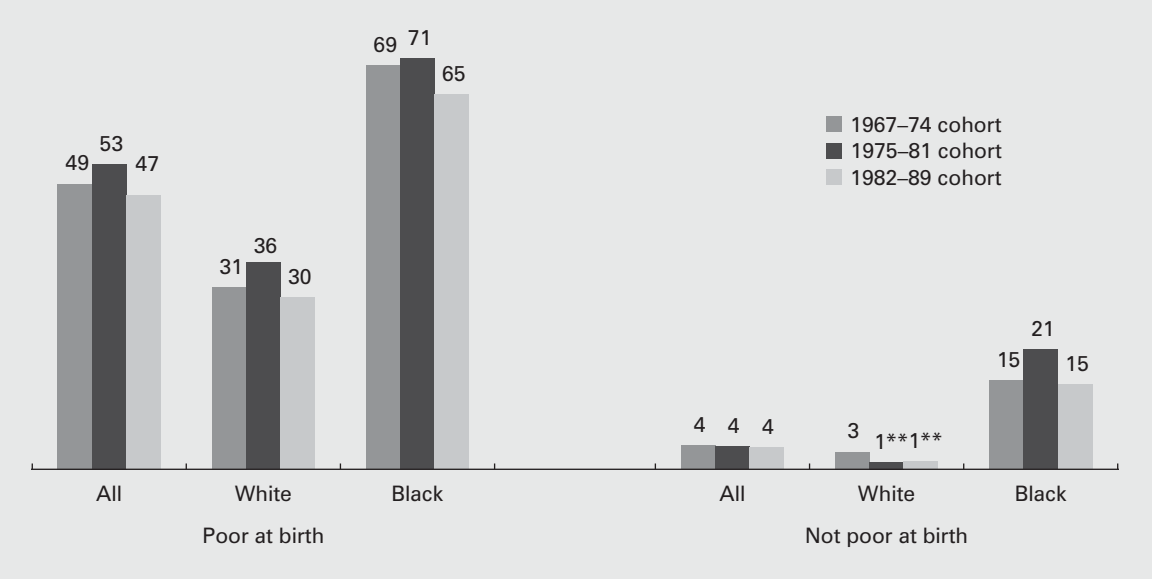
poverty rates of Hispanic newborns declined in 2000–08 to 25 percent. Again, the Hispanic poverty rate lies between the rate for white and black newborns but is closer to that of black newborns. Overall, we see substantially higher infant poverty and deep poverty rates among minorities, so it is not surprising to see higher rates of persistent poverty for these children.

The patterns of newborn poverty rates by race follow official rates for all children (under age 18), which are based on the Current Population Survey. For example, the large decline in poverty among black newborns from 44 percent in the 1990s to 31 percent in 2000–08 follows national trends: the official U.S. poverty rate among all black children averaged 43 percent in the 1990s and 33 percent between 2000 and 2008.[6] Increases in the employment and wages of single mothers in the mid- to late 1990s (Lerman 2001) and lower unemployment rates for black males (U.S. Department of Labor 2010) may have helped lower child poverty rates. Many of these gains, however, have since eroded; the unemployment rate of black men hit a 25-year high in 2010 (U.S. Department of Labor 2010),[7] and the black child poverty rate neared 40 percent in 2010 and 2011.

How Often Do Poor Newborns Stay Poor? What about Nonpoor Newborns?

Over the past four decades, nearly half of children born to poor parents were poor for at least half their childhoods—that is, persistently poor—and there have not been significant improvements for younger generations. For this analysis, we focus on the three earlier cohorts (born 1967–89), because these individuals turned age 18 (completed childhood) by the mid-2000s when our data end. Across the three cohort groups, 47 to 53 percent of newborns spent at least half their childhoods living in poverty (figure 2). While there are some slight differences across the cohorts, the percentages do not differ significantly from one another.

FIGURE 2. Percent of Children Who Are Persistently Poor by Race and Poverty Status at Birth



Source: Authors' tabulation of PSID data.

Notes: Numbers are percentage of children who are poor for more than half their childhood (age 0–17). Asterisks indicate a statistically significant difference from the earliest cohort (1967–74). No changes between the 1975–81 and 1982–89 cohorts are statistically significant.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Black children are worse off, and the magnitude of their disadvantage has persisted over time. While roughly a third of poor white newborns are persistently poor, roughly two-thirds of poor black newborns are. This holds across all three cohort groups. The higher rate of persistent poverty among black children who are poor at birth is consistent with the greater depth of poverty among black newborns. As mentioned, 30 percent of poor white newborns are in deep poverty, while 46 percent of poor black newborns are in deep poverty.

Beyond living in lower-income families, poor minority babies have additional disadvantages. Poor black newborns are more likely than poor white newborns to live in female-headed families, have parents who lack high school diplomas,[8] and live in families where no adults are employed. Any one of these elements can lower the likelihood of economic prosperity, while combinations make economic success even more unlikely. These findings are consistent with research showing that black families are less upwardly mobile than white families. This limited upward mobility is partially explained by large declines in the incomes of black men and the lower marriage rates among blacks than among whites (Isaacs 2007).

There are also large differences in childhood poverty persistence by race for children who are not poor at birth (see figure 2). Averaged across the three cohort groups, 2 percent of nonpoor white newborns spend half their childhoods living below the poverty level, while 16 percent of nonpoor black newborns do so. Again, white newborns are more economically advantaged than black newborns. For example, among those not poor at birth, 12 percent of white newborns live in near-poor families (with incomes 100–150 percent of the federal poverty level), while nearly three times as many (34 percent) of black newborns live in near-poor families.

Putting it all together and looking across children born to poor and nonpoor parents, about 10 percent of U.S. children are persistently poor, and this percentage has remained relatively steady over time (see appendix figure A1). Minority children have worse experiences. Roughly 5 percent of white children are persistently poor, while nearly 40 percent of black children are persistently poor. These racial disparities have remained steady over time.

Improvements in the poverty rate among newborns in the 1990s through the mid-2000s could hint at declines in the rate of persistent childhood poverty going forward. If lower rates of persistent poverty for children born into nonpoor (versus poor) families hold in more recent years, then children born in the 1990s and 2000s will experience better economic conditions than those born earlier. However, the potential impact of the Great Recession cannot be ignored. Child poverty rates were at a nearly 20-year high in 2010 and 2011, and the rate of persistent poverty among children born into both poor and nonpoor families could be on the rise. Thus, the modest improvements are likely eroding.

These results suggest our earlier finding (Ratcliffe and McKernan 2010) that being poor at birth strongly predicts future child poverty status holds for today's children as well as yesterday's. Children born into poverty in the 1960s, 1970s, and through the late 1980s were more likely to be persistently poor than children who were not born into poverty.

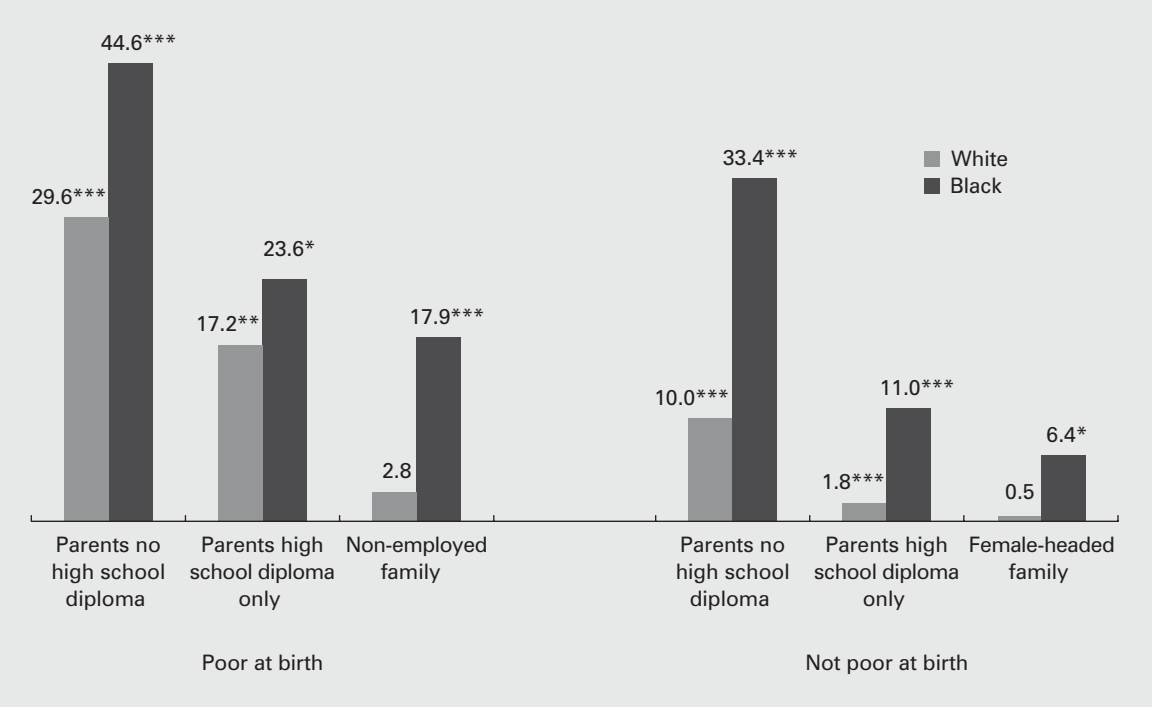
What Family Characteristics Relate Most Strongly to Childhood Poverty Persistence?

Family characteristics beyond poverty status at birth are importantly related to childhood poverty persistence. Focusing on children born into poverty from 1967 through 1989, we estimate regres-

sion models that examine how family characteristics at birth relate to childhood poverty persistence. We estimate separate models for white and black children because of the substantial differences in childhood poverty persistence by race. The models include parents' educational attainment at birth, female-headed family at birth, mother's age at birth, family head disabled at birth, family employed in the year of the child's birth, child lives in the South at birth, and child lives in a metropolitan area at birth.[9]

Among those family factors examined, parents' educational attainment when the child is born is the most important one related to childhood poverty persistence, with low levels of parental education signaling greater future economic hardship for black children compared with white children. White children born to poor parents with no high school diplomas are 30 percentage points more likely to be persistently poor than white newborns born to poor parents with more than high school educations (figure 3). The comparable number for black children is 45 percentage points. These statistics clearly show that children, particularly minority children, born to poor parents without high school diplomas are substantially more likely to spend most of their childhoods living in poverty.

FIGURE 3. Percentage Point Change in the Likelihood of Persistent Childhood Poverty by Family Characteristics and Poverty Status at Birth



Source: Authors' calculations using PSID data.

Notes: Coefficients are based on probit models (separate for black and white children, and children poor and not poor at birth) with family-level explanatory variables measured at the time of the child's birth. Parents with a high school diploma received a diploma or G.E.D. Change for parents with no high school diploma and parents with high school diploma only is relative to parents with more than a high school diploma. Change for non-employed family is from employed family. Change for female-headed family is from two-adult-headed family. Models for children not poor at birth do not include family employment because very few nonpoor newborns live in families where the family head or spouse is not employed. Models also include the mother's age and indicators of female-headed family (poor newborns), family head disabled, family lives in the South, family lives in a metropolitan area, and child's birth cohort.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Children born to poor parents with high school diplomas (only) have better prospects but are still burdened with disadvantages. Compared with poor newborns whose parents have education beyond a high school diploma, poor newborns whose parents have only high school diplomas are 17 percentage points (white children) and 24 percentage points (black children) more likely to be persistently poor. Some higher-educated parents may be poor because they are in school and move into better-paying or full-time jobs upon finishing school. The magnitude of the difference between white and black children is consistent with the substantially higher rates and greater depth of poverty among black versus white children. Although higher educational attainment is linked with higher earnings and children in higher-educated families are generally better off economically, this analysis highlights the disadvantaged position of children born to low-educated parents, even among children born poor.

Children born into families where neither the head nor spouse/partner works in the year of their birth (i.e., non-employed families) are more likely to be persistently poor, although the relationship is statistically significant for black children only. Black children born into non-employed poor families are 18 percentage points more likely to be persistently poor than their counterparts in employed poor families. In addition, poor black newborns whose mothers are under age 30 are more likely to be persistently poor.

The likelihood of being persistently poor is high among poor children born into both female-headed families and two-adult-headed (married or cohabiting) families and does not differ significantly across the two types of families. Among poor black newborns, for example, the likelihood of persistent childhood poverty is 60 percent for children born into two-adult-headed families and 67 percent for children born into female-headed families (the 7 percentage point difference is not statistically significant). Many children born into female-headed families, particularly black newborns, remain there for much of their childhoods, making them vulnerable to economic hardship with only one potential earner in the family. Among poor white children born into female-headed families, 50 percent live in female-headed families for at least half their childhoods, while the comparable number for similar black children is 86 percent.[10]

Other family characteristics—whether the family head is disabled and whether the family lives in the South or a metropolitan area at birth—are not significantly related to childhood poverty persistence among children born into poor families.[11]

Analyses of children born into nonpoor families also show the importance of parental education, although the magnitudes of the relationships are smaller than for children born into poor families.[12] Black children born to nonpoor parents with no high school diplomas are 33 percentage points more likely to end up spending at least half their childhoods in poverty than nonpoor newborns whose parents have education beyond high school (see figure 3). The comparable number for white children is substantially smaller at 10 percentage points. Family structure plays a role for black nonpoor newborns. Black children born into nonpoor female-headed families are 6 percentage points more likely to be persistently poor than their counterparts who start off in nonpoor two-adult-headed families.

The findings thus far show that millions of children are born into poverty and that nearly half of them go on to be persistently poor. Black and white newborns born to poor, low-educated parents are especially vulnerable to poverty persistence, as are black newborns born to non-employed families. Next we turn to how childhood poverty relates to negative adult outcomes.

Childhood Poverty and Negative Adult Outcomes

What Are the Implications of Present-Day Childhood Poverty Experiences for Adult Outcomes?

Beyond issues of economic inequality that arise when millions of children live in poor and persistently poor families, poor children can perpetuate the cycle as they become adults. Prior research shows that children who are born poor and are persistently poor are significantly more likely to be poor as adults, drop out of high school, have teen premarital births, and have patchy employment records than those not poor at birth (Ratcliffe and McKernan 2010). This earlier study focused on the oldest cohort of children analyzed here—children born between 1967 and 1974 and who turned 30 between 1997 and 2004. A key question is whether this link has persisted over time. Although data are not available to observe outcomes through age 30 for children born in the next two cohort groups (1975–81 and 1982–89), we can observe whether they fail to complete high school or have a teen premarital birth (female only).[13] These two young adult outcomes are indicators of future difficulties, as discussed below.

The relationship between child poverty and adult outcomes in more recent cohorts mirrors that of earlier cohorts. Children born to poor parents are significantly more likely than their nonpoor counterparts to drop out of high school and have a child outside marriage as a teen. For the three cohorts combined (born 1967–89), nearly three times as many children born to poor parents (versus nonpoor parents) dropped out of high school (30 percent versus 11 percent) and had teen premarital births (26 percent versus 9 percent; table 1). By and large, this 3-to-1 ratio holds over the three cohorts. However, high school noncompletion and premarital childbearing have improved for the most recent cohort of children (born 1982–89)—both children poor and not poor at birth. Improvement for the most recent cohort is good news, particularly if the downward trend continues. However, among the more recent group of poor newborns (born 1982–89), nearly one in four (24 percent) did not complete high school, and one in five (21 percent) females had a teen premarital birth.

Analyses of adult outcomes by years poor as a child—never poor, poor at some point but not persistently poor, and persistently poor—paint a similar portrait. Longer durations of poverty as a child are associated with a greater likelihood of high school noncompletion and teen premarital childbearing. The outcomes of persistently poor children have improved for the most recent cohort, although only after

TABLE 1. Educational Attainment and Teen Premarital Childbearing by Poverty Status at Birth and Birth Cohort

	Poor at birth	Not poor at birth	Difference
No high school diploma[a]			
All	30	11	19 ***
Born 1967–74	33	15	18 ***
Born 1975–81	36	10	26 ***
Born 1982–89	24	7	17 ***
Teen premarital birth			
All	26	9	17 ***
Born 1967–74	30	10	20 ***
Born 1975–81	30	10	20 ***
Born 1982–89	21	7	14 ***

Source: Authors' tabulation of PSID data.

Notes: Statistical significance is calculated on the difference between individuals who are poor at birth and those who are not poor at birth. *** $p < 0.01$.

a. Did not graduate from high school or receive a GED by age 20.

TABLE 2. Educational Attainment and Teen Premarital Childbearing by Childhood Poverty Status

	Never poor	Poor but not persistently poor	Persistently poor
No high school diploma[a]			
All	8	18 ***	37 ***/+++
Born 1967–74	11	24 ***	39 ***/+++
Born 1975–81	8	15 ***	45 ***/+++
Born 1982–89	3	14 ***	29 ***/+++
Teen premarital birth			
All	4	17 ***	37 ***/+++
Born 1967–74	5	17 ***	42 ***/+++
Born 1975–81	5	16 ***	48 ***/+++
Born 1982–89	2	17 ***	22 ***

Source: Authors' tabulation of PSID data.

Notes: Asterisks indicate a statistically significant difference from never poor. Plus signs indicate a statistically significant difference from poor but not persistently poor. *** $p < 0.01$; +++ $p < 0.01$.

a. Did not graduate from high school or receive a GED by age 20.

worsening for the middle cohort.[14] Focusing on the most recent cohort of children (born 1982–89), 3 percent of never-poor children did not complete high school, while nearly 10 times as many persistently poor children (29 percent) did not complete high school (table 2). The difference for premarital childbearing is similarly disturbing: 2 percent of never-poor girls had a teenage premarital birth, compared with 22 percent of persistently poor girls.

Do both child poverty at birth and persistent childhood poverty indicate obstacles to future economic success, or is one simply a proxy for the other? Additional analyses that simultaneously examine poverty status at birth and persistent poverty show that both are related to higher rates of high school noncompletion and teen premarital childbearing. Compared with being poor at birth, prolonged exposure to poverty is more strongly related to these negative early adulthood outcomes. Children poor at birth are 5 to 10 percentage points more likely than children not poor at birth to drop out of high school or have a child as an unmarried teen, and persistently poor children are roughly 20 percentage points more likely than children not persistently poor to experience these outcomes.[15]

Limited educational achievement and early childbearing can limit future economic success and indicate possible employment difficulties and poverty as adults. To establish this relationship we examine how high school noncompletion by age 20 and premarital childbearing relate to employment and poverty in early adulthood, for children born between 1967 and 1974. We find a strong link. Those without high school diplomas by age 20 are 50 percent more likely to have inconsistent employment between ages 25 and 30 and seven times more likely to be persistently poor between ages 25 and 30 than those who completed high school. Similarly, girls who had a teen premarital birth were 50 percent more likely than girls with no such births to have inconsistent employment and six times more likely to be persistently poor between ages 25 and 30. Thus, high school noncompletion and early premarital childbearing suggest serious future economic difficulties, which can impact the next generation of children.

How Do Child Poverty and Other Family Characteristics Relate to Adult Outcomes?

Childhood poverty is one piece of a complex and diverse picture related to negative adult outcomes. Family characteristics and other childhood experiences can also influence individuals' behaviors and

outcomes. To provide a more complete picture of the factors that relate to early adult outcomes, we estimate regression models that include childhood poverty measures along with a host of other family characteristics.

We estimate separate regression equations for high school noncompletion by age 20 and teen premarital childbearing. The models include more detailed measures of childhood poverty experiences (beyond being born poor and being persistently poor) to provide more precise information about the relationship between childhood poverty and the two young adult outcomes. To capture the duration and persistence of poverty, we include the percentage of years poor from birth through age 17 (linear and squared term). To get at the timing of exposure to poverty, we categorize age first poor into four groups: birth to age 2, ages 3 to 5, ages 6 to 11, and ages 12 to 17. The final model specification includes only poverty at the earliest ages—birth to age 2—because it is the only age variable statistically significantly related to either outcome.[16]

The individual and family characteristics include race; gender; parental educational attainment at birth; mother's age at birth; indicators of whether and the number of times the family moved for a negative reason (e.g., housing unit coming down, being evicted, divorce, housing contraction);[17] percent of years (from birth through age 17) spent living in a female-headed family, in an employed family, in a family with a disabled head, in a metropolitan area, and in the South; and an indicator of birth cohort.

The regression findings are presented by outcome and highlight the role that duration of childhood poverty, poverty at a very young age, and low parental education play in both high school noncompletion and teen premarital childbearing.

High school completion. The longer a child is poor, the more likely he or she is to reach age 20 without completing high school. Compared with people who were never poor as a child, those poor for half their childhoods are 7 percentage points more likely to not complete high school (table 3). For people who are poor 25 and 75 percent of their childhoods, the numbers are 4 and 8 percentage points, respectively. These changes are large relative to the fraction of people never poor as a child who do not complete high school by age 20—8 percent. That is, the changes of 4 to 8 percentage points represent increases of 50 to 100 percent.[18]

Living in poverty in the earliest years (birth to age 2) is associated with lower educational attainment. Children who are poor in these first few years of life are 4.5 percentage points (roughly 30 percent) less likely to complete high school than their counterparts who are first poor later in childhood. Interestingly, being in a poor family for the first time at later ages (after age 2), controlling for duration of poverty, is not significantly related to lower educational attainment. This finding is consistent with research that suggests children's environment in the first years of life affects their development. It is also consistent with research that finds parental income in early childhood is linked with a child's lower educational attainment (Duncan et al. 1998).

Children often follow in their parents' footsteps with educational attainment. Compared with young adults whose parents (or parent) completed some education beyond high school, those whose parents did not complete high school are 17.6 percentage points more likely to enter their 20s without completing high school, and those whose parents completed high school (only) are 7.2 percentage points more likely to not complete high school. Consistent with the discussion above, limited educational achievement by parents is associated with a lower likelihood that their children will succeed.

TABLE 3. Characteristics Associated with Educational Attainment and Teen Premarital Childbearing

	No high school diploma[a]	Teen premarital birth
Percent of childhood poor (relative to never poor)		
25 percent	4.2 **	8.9 ***
50 percent	7.0 **	12.7 ***
75 percent	8.3 **	11.2 ***
First poor age 0–2	4.5 **	–1.9
Race (relative to white)		
Black non-Hispanic	0.6	9.8 ***
Hispanic	–2.1	7.4
Parents' education at birth (relative to more than high school)		
No high school diploma	17.6 ***	10.2 ***
High school diploma	7.2 ***	5.5 ***
Residential moves (relative to never moved)		
One negative move	7.1 **	1.1
Two negative moves	11.2 ***	4.4
Moved but no negative moves	2.4	0.4
Family charactistics age 0–17 (percent of years)		
Female-headed family	–5.4 *	0.2
Metro area	3.5 **	1.2
Disabled family head	2.1	4.9
Employed family	–5.2	–1.1
Female	–5.0 ***	—
Cohort (relative to born 1967–74)		
Born 1975–81	–1.7	1.2
Born 1982–89	–5.3 ***	–1.3

Source: Authors' calculations using PSID data.

Notes: This table presents results from two probit models: one for high school noncompletion, and another for teen premarital childbearing. Except "percent of childhood poor," the numbers presented are the probit marginal effects (dprobit in Stata) multiplied by 100. We use the percent of years poor as a child coefficients (linear and squared) to calculate the marginal effects for percent of years poor (25%, 50%, and 75%) and base the level of statistical significance on the regression coefficients. The model also includes controls for mother's age at child's birth, residental move reason unknown, and percent of years live in the South age 0–17. Complete marginal effects and standard errors are presented in appendix table A1.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

a. Did not graduate from high school or receive a GED by age 20.

Moving residences for a negative reason is associated with worse education outcomes for children. Compared with people who never moved during their childhood, those who moved for a negative reason once are 7.1 percentage points more likely to enter their 20s without a high school diploma, while those who moved for a negative reason two or more times are 11.2 percentage points more likely to not complete high school. Importantly, people who moved for a neutral or positive reason during childhood were no more or less likely to complete high school than their counterparts who did not move.[19]

These negative moves indicate periods of instability for the family and child. Beyond the disruptions of the move and the potential economic hardships, many children are forced to change schools (Theodos, Coulton, and Budde forthcoming). This introduces further instability into children's lives, especially if the move occurs during the school year or does not coincide with a promotional move (e.g., moving from middle school to high school). Our finding is consistent with research that finds frequent school changes lower the likelihood of high school completion (Hartmann and Leff 2002; Rumberger and Larson 1998).[20]

Interestingly, although data tabulations find that children in female-headed families are less likely to complete high school (not shown), results from regressions that control for numerous family economic and demographic characteristics (including poverty status) suggest that there is not an education penalty for living in a female-headed versus a two-adult-headed family. In fact, the results suggest that living in a female-headed family (versus a two-adult-headed family) for more years is associated with higher rates of high school completion. Two-adult-headed families (as defined in this analysis) include a mix of family types, some more advantageous to children than others (e.g., married vs. cohabiting, biological vs. step parent). This mix of families, along with the possibility that children in long-term female-headed families may experience fewer marital disruptions, may help explain this unexpected relationship.

High school completion is also related to children's gender, year of birth, and where they live. Specifically, girls are 5.0 percentage points less likely to drop out of school than boys. And, consistent with findings presented above, children born in the 1980s (1982–89) are 5.3 percentage points less likely to leave high school before finishing than their counterparts born between the mid-1960s and 1981. This is consistent with statistics from the U.S. Census Bureau that show steady increases in the share of the population completing high school from the 1960s through 2010 (Bauman and Graf 2003).[21] Finally, children who spend their full childhood living in a metropolitan area are 3.5 percentage points more likely to drop out of high school than their counterparts who never live in a metropolitan area.

Several other variables are not related to the likelihood of completing high school. We find no significant difference in high school completion by race and ethnicity above and beyond the family economic and demographic characteristics included in the model. Further, mother's age at birth and the percent of years spent living in an employed family and living in a family with a disabled head are not significantly related to high school completion.

Teenage premarital childbearing. Duration of childhood poverty is also related to teen premarital childbearing, although the pattern differs slightly from what we observe for high school noncompletion. Compared with girls who were never poor as a child, those poor half their childhoods are 13 percentage points more likely to give birth as unmarried teens (see table 3). Among girls who were poor 25 percent and 75 percent of their childhood, the numbers are 9 and 11 percentage points, respectively. These changes are relatively large. Four percent of females never poor as a child had a teen premarital birth, so percentage point increases in the 9–13 range represent increases of over 200 percent.[22]

Although the model results suggest a slight decline in the likelihood of having a premarital birth as girls move from being poor 50 to 75 percent of their childhoods, the difference is modest. Unlike our analysis of high school completion, we find no relationship between early exposure to poverty and the likelihood of having a teen premarital birth. Because early exposure to poverty is hypothesized to affect children through their brain development, there is less reason to expect early childhood poverty is linked with premarital childbearing than with education achievement. This finding is consistent with research that finds that parental income in early childhood is not linked with premarital childbearing (Duncan et al. 1998).

Parents' educational attainment again stands out as an important indicator of children's outcomes. Compared with young adults whose parents completed some education beyond high school, those whose parents did not complete high school are 10.2 percentage points more likely to have a teen premarital birth, while those whose parents completed high school but did not have additional education are 5.5 percentage points more likely to have a teen premarital birth.

While race is not related to high school completion in the regression framework, it is significantly related to premarital childbearing. Young black women are 9.8 percentage points more likely to give birth outside marriage as a teen than their white counterparts, even after controlling for individual and family characteristics. Hispanic females' premarital childbearing does not differ significantly from that of white females. We find no significant relationship between teenage premarital childbearing and any other family characteristics included in the model: age first poor; mother's age at birth; number of times the family moved for a negative reason; percent of years spent living in a family with a disabled head, in an employed family, in the South, and in a metropolitan area; and age cohort group.

Summary and Conclusion

Over the past four decades, 1 in 6 newborns were born poor, and nearly half went on to be poor for at least half their childhoods. Black children are especially disadvantaged: two-fifths are born poor, and two-thirds are persistently poor. What family characteristics relate most strongly to poverty persistence? Beyond poverty status at birth, low parental education attainment has the strongest association with childhood poverty persistence, followed by family non-employment for poor black newborns. Even among children born poor, children born to low-educated parents are particularly disadvantaged, as they are substantially more likely to be persistently poor.

Millions of children living in poor and persistently poor families raises concerns not only for today's children but for the next generation. Poor children can perpetuate the poverty cycle as they become adults.[23] Poverty status at birth and persistent childhood poverty are related to negative outcomes. Early childhood poverty is related to lower educational achievement. Children who are poor early in life (age 0–2) are 30 percent less likely to complete high school than their counterparts who are first poor later in childhood, even after controlling for poverty duration and other factors. Duration of childhood poverty is also important. Compared with people never poor as a child, those poor for half their childhoods are nearly 90 percent more likely to enter their 20s without completing high school and are four times more likely to have a teen premarital birth (controlling for family characteristics).

Dropping out of high school and having a child as an unmarried teen are indicators of future hardship, as they are linked with weaker labor force attachment and higher rates of adult poverty. Those without high school diplomas by age 20 are 50 percent more likely to have patchy employment and seven times more likely to be persistently poor as young adults (age 25 to 30) than those who complete high school. Compared with girls who do not have teen premarital births, those who have children as unmarried teenagers are similarly less likely to succeed as young adults. Thus, high school noncompletion and early premarital childbearing suggest serious future economic difficulties, which have implications for the future well-being of these individuals and their families, as well as the country's economic prosperity. Indeed, research suggests that the economic cost of child poverty is 3.8 percent of GDP (Holzer et al. 2007), or about $550 billion a year.[24] While at one time formal education was not a prerequisite for obtaining a good-paying job in this country, times have changed. Under the status quo, the United States is producing succeeding generations of children who face challenges right out of the starting gate and are less likely to achieve economic success for themselves and the next generation.

Targeting vulnerable children at birth is vital, as children's environment in the first years of life has been found to affect brain development, and poverty early in life is linked with lower educational achievement. For the current generation, the majority of whom are born in hospitals, children born to poor parents, particularly those with low-educated parents, should be connected with program services to

help them avoid the poverty trap. Home-visiting, parenting, and relationship counseling programs targeted at these families can help children by improving family functioning and the home environment. Also, opportunities arising from health reform should be used to connect new mothers, many of whom suffer from depression (Vericker et al. 2010), with health insurance, so they can get help with both physical and emotional needs. If family stress filters down to children, these steps can improve longer term outcomes for these vulnerable children.

The ability of parents to gain stable employment is key to the well-being of children as they move from early developmental stages through adolescence, and limited parental education appears to be an important factor in children's economic well-being. Providing education and training, along with work supports such as child care subsidies, can help parents find and keep stable jobs. Linking parents to programs that help them retain jobs, advance in the workplace, and build skills can improve children's prospects by making the family more economically secure.

Our finding that children who move for negative reasons are less likely to complete high school could be driven in part by the instability that arises when children move from one school to another. This has timely implications given the foreclosure crisis, which has displaced many school-age children living in both owner-occupied and rental housing (Pettit and Comey 2012). Flexible policies that allow students to remain in their original schools when an unforeseen move occurs could lead to higher educational achievement and better long-term economic prospects for these students.

While child poverty looked to be improving in the years leading up to the Great Recession, child poverty rates were at a nearly 20-year high in 2010 and 2011, and the rate of persistent poverty among children could be again on the rise. The modest improvements are likely eroding; thus, children should be a key focus of the national agenda. Improvements in the well-being of today's children can have lasting effects as the benefits ripple through to future generations.

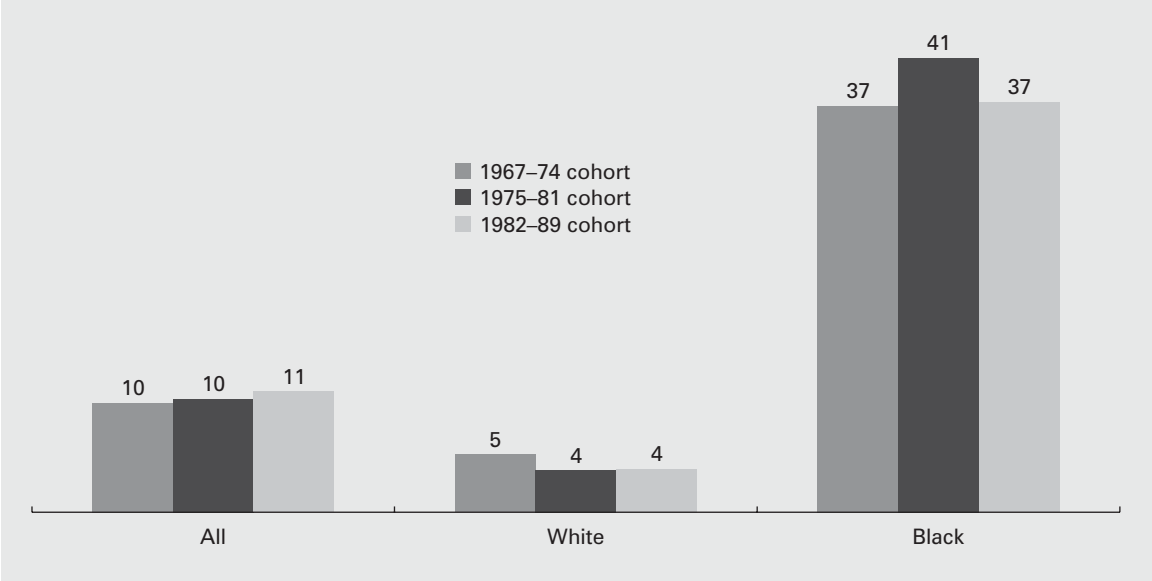
APPENDIX.
DATA AND SAMPLE

This analysis uses data from the 1968 through 2009 waves of the Panel Study of Income Dynamics. 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.

At each interview, family annual income, which is used to construct family poverty status, is collected for the prior calendar year.[25] 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 40 years of data, family income is not available in 1997, 1999, 2001, 2003, 2005, and 2007. In analyses that examine poverty status at birth, for example, children born in these six years are excluded from the calculations.

Overall, our analyses of child poverty rates among newborns include 13,542 people born between 1967 and 2008. Our analysis of childhood poverty persistence is limited to children born before 1990, so they can be observed throughout their childhoods. This more restricted sample includes 5,137 people who fall into the three earliest cohort groups: 1967–74 (1,804), 1975–81 (1,610), and 1982 cohort (1,835). Among these 5,137 people, 2,842 are white, 2,114 are black, and 181 are categorized as another race.[26] 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. In total, we observe the premarital childbearing outcome for 2,489 women and high school completion by age 20 for 4,130 adults.

FIGURE A1. Percent of Persistently Poor Children by Race



Source: Authors' tabulation of PSID data.

Note: No changes between cohorts are statistically significent.

TABLE A1. Estimated Relationship between Child Poverty and Family Characteristics and Educational Attainment, Teen Premarital Childbearing

	No High School Diploma[a]		Teen Premarital Birth	
	Marginal effect	**s.e.**	**Marginal effect**	**s.e.**
Child poverty				
Percent of years poor	0.198 **	[0.093]	0.461 ***	[0.096]
Percent of years poor squared	–0.116	[0.093]	–0.416 ***	[0.093]
First poor age 0–2	0.045 **	[0.022]	–0.019	[0.019]
Race (relative to white)				
Black non-Hispanic	0.006	[0.020]	0.098 ***	[0.029]
Hispanic	–0.021	[0.029]	0.074	[0.047]
Other non-Hispanic	0.162	[0.104]	0.183 *	[0.106]
Parents' education at birth (relative to more than a high school diploma)				
No high school diploma	0.176 ***	[0.035]	0.102 ***	[0.038]
High school diploma	0.072 ***	[0.018]	0.055 ***	[0.019]
Mother's age at birth (relative to age 20–29)				
Less than 20	–0.017	[0.018]	0.017	[0.023]
Age 30 and over	–0.009	[0.018]	–0.011	[0.016]
Residential moves (relative to never moved)				
One negative move	0.071 **	[0.030]	0.011	[0.028]
Two negative moves	0.112 ***	[0.033]	0.044	[0.032]
Moved but no negative moves	0.024	[0.024]	0.004	[0.025]
Family charactistics age 0–17 (percent of years)				
Female-headed family	–0.054 *	[0.029]	0.002	[0.026]
Metro area	0.035 **	[0.016]	0.012	[0.016]
South	0.020	[0.014]	–0.016	[0.017]
Disabled family head	0.021	[0.034]	0.049	[0.036]
Employed family	–0.052	[0.048]	–0.011	[0.043]
Cohort (relative to born 1967–74)				
Born 1975–81	–0.017	[0.015]	0.012	[0.016]
Born 1982–89	–0.053 ***	[0.015]	–0.013	[0.016]
Observations	3,740		2,247	

Source: Authors' calculations using PSID data.

Note: This table presents probit marginal effects (dprobit in Stata) with standard errors in brackets.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

a. Did not graduate from high school or receive a GED by age 20.

NOTES

1. Longer durations of childhood poverty are associated with an increased likelihood of being poor multiple years as an adult (age 25–30), having no high school diploma or general educational development (GED) credentials, having a child outside marriage as a teenager, and being non-employed (at age 25–30).
2. In 2012, this is an annual income of $9,545 for a family of three.
3. Official U.S. poverty rates are from the U.S. Census Bureau, Current Population Survey, "Table 3: Poverty Status, by Age, Race, and Hispanic Origin: 1959 to 2011," http://www.census.gov/hhes/www/poverty/data/historical/hstpov3.xls. The average child poverty rate was 15 percent from 1967 to 1974, 17 percent from 1975 to 1981, 21 percent from 1982 to 1989, 21 percent from 1990 to 1999, and 17 percent from 2000 to 2008.
4. These percentages are based on children born between 1967 and 2008.
5. The original PSID sample includes relatively few Hispanic households; fewer than 150 children are observed at birth for the earlier cohorts. The introduction of immigrant families into the PSID in the late 1990s increased the Hispanic sample.
6. U.S. Census Bureau, "Table 3: Poverty Status."
7. See also U.S. Department of Labor, Labor Force Statistics from the Current Population Survey, Household Data, Annual Averages, "Table 24: Unemployed Persons by Marital Status, Race, Hispanic or Latino Ethnicity, Age, and Sex," http://www.bls.gov/cps/cpsaat24.htm.
8. In this analysis, "high school diploma" includes high school diplomas and GED credentials.
9. Educational attainment is measured with three indicator variables: no high school diploma, high school diploma only, and some college or more (omitted). If both parents are in the household in the year of the child's birth, parents' education is measured as the higher of the mother's and father's educational attainment. The family is identified as employed if either the family head or the spouse/partner is working.
10. Looking at all children born in female-headed families (i.e., poor and not poor at birth), 43 percent and 82 percent (for white and black children, respectively) continue to live in female-headed families for at least half their childhoods.

11. Analyses that examine the number of years children live in poverty as the dependent variable (versus persistent poverty) produce consistent results and highlight the importance of parental education and attachment to the labor force.

12. Very few nonpoor newborns live in families where the family head and spouse are not employed, so family employment is imprecisely estimated and excluded from the final persistent poverty regression model (for nonpoor newborns only).

13. We do not examine changes in high school completion and teen premarital childbearing by race over time because of small sample sizes.

14. As noted above, we do not observe complete childhood poverty histories for children born in 1980 or later because the PSID went to biennial interviewing in 1997. To investigate whether this over-time pattern stems from differences in available data by cohort group, we examine adult outcomes for the earlier cohorts using the same restriction (i.e., assuming children are only observed every other year). We find no evidence that the patterns by cohort group result from the changes in available data over time.

15. These calculations are based on two probit models where the dependent variables are indicators of high school noncompletion and teenage premarital childbearing. Each model has two explanatory variables: an indicator of being poor at birth and an indicator of being persistently poor.

16. Preliminary regression models also included variables that represent interactions between the childhood poverty variables and race. None of the interaction terms were statistically significantly different from zero, so they are excluded from the final models.

17. The PSID groups residential moves based on reason for move. Move reasons that include contraction of housing (e.g., less rent), to save money, and to respond to outside events (e.g., eviction, divorce) are categorized as negative moves. All other moves are categorized as "non-negative moves."

18. These percent changes can also be calculated relative to the percent of all people in the sample who did not complete high school by age 20 (14 percent).

19. Some families who moved did not report a reason for the move(s). Individuals who grew up in these families were less likely to complete high school than those who never moved during their childhoods. Families that did not report a move reason may be more likely to have moved for a negative reason.

20. A recent study finds that multiple residential moves in early childhood are not associated with worse outcomes for young children, as measured by their overall health and visits to mental health professionals (Murphey, Bandy, and Moore 2012). The current analysis differs in several respects, including the outcomes examined and the ability to separate negative moves from neutral or positive moves.

21. See also U.S. Census Bureau, 2010 American Community Survey 1-year estimates, "Table S1501. Education Attainment for States, Percent with High School Diploma and with Bachelor's Degree: 2010," http://www.census.gov/newsroom/releases/xls/cb12-33table1states.xls.

22. These percent changes can also be calculated relative to the share of all girls in the sample that had teen premarital births (11 percent).

23. Sawhill (2012) suggests that the rungs of the economic ladder are becoming wider apart and harder to climb.

24. The economic cost of poverty (as calculated by Holzer et al. 2007) incorporates foregone earnings and the cost of crime and poor health. The analysis requires that the authors make a number of assumptions. To obtain a lower-bound estimate of the cost of child poverty, they make conservative assumptions wherever possible (p. 1). The authors use the value of GDP at the time of their study ($13.2 trillion) to calculate the dollar cost of poverty. We use 2011 GDP ($15.1 trillion).

25. 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, there is a mismatch between family income and the poverty threshold.

26. The PSID overrepresents low-income and black families. This results from the original sample design, which included a cross-sectional equal probability sample as well as a low-income sample. Families in the immigrant sample (added in 1997 and 1999) are included in our analyses. All the results in this report are weighted.

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