



Children's Defense Fund

Defining Poverty and Why It Matters for Children

More than forty years ago, President Lyndon Johnson declared a War on Poverty and committed the American people to a campaign against economic deprivation. Subsequently, poverty rates fell. However, today 37 million people, including 13 million children, are living in poverty. Although this number is lower than when the “War” was declared, it represents an unacceptable figure in the richest country in the world.

A 2005 report released by the Center on Budget and Policy Priorities shows that investing in poverty-reducing programs lifts millions of children and families out of poverty.¹ In 2003 social insurance and means-tested public benefits lifted 27 million people out of poverty, including 5 million children. Despite the noteworthy success of public benefit programs in lifting Americans out of poverty, unacceptable numbers of families and children remain in poverty and poverty rates in the United States exceed those of other wealthy industrialized nations. Many more children and families could be lifted out of poverty if government programs were strengthened and if more families accessed the programs for which they are eligible. A report by the Urban Institute found that if families with children had full access to government programs designed to lift them out of poverty, poverty would decline by more than 20 percent, and extreme poverty would be reduced by 70 percent. Instead, millions of families with children eligible for these programs do not receive the benefits and continue to live in poverty.²

Child poverty takes a huge economic toll on our nation. All Americans pay the price — a price that is far higher than the cost of eradicating poverty. We all have a stake in improving the lives of children in America.

Defining Poverty

What does it mean when we talk about people living in poverty? Officially, the standard used to measure poverty is based on “poverty thresholds” determined annually by the U.S. Census Bureau. In 2004, a family of three was considered to be living in poverty if it had an income of less than \$15,219 a year. For a family of four, the poverty level was \$19,157.

Of course, these levels of income are inadequate to cover a family’s basic expenses. The determination of the poverty thresholds is based on a model created in the 1960s that estimates the cost of minimally adequate food budgets for families. Other than minor changes and updating for inflation each year based on the Consumer Price Index, the method for determining poverty thresholds has not changed since it was first instituted. Yet the cost of items and services that families consume has changed considerably over time. For example, the 1960s model found that an average family spent one-third of their expenditures on food. Today, food accounts for one-seventh of a typical family’s expenditures.³ The cost of other items, like

housing, health care, and transportation, has grown at a far greater rate and occupy a greater and greater share of family expenditures.

It is not surprising that to many Americans poverty means only inadequate income. However, poverty is not just an issue of income; it represents a constellation of issues, including lack of health insurance, inadequate education, and poor nutrition. Poverty puts children at an unfair disadvantage for future opportunities.

For family with one parent raising two children, the average monthly costs for basic needs are as follows:

Basic Needs	Annual Costs 2005 ⁴
Housing ⁵	\$9,660
Food ⁶	\$5,124
Child Care ⁷	\$7,440
Health Care ⁸	\$810
Clothing ⁹	\$720
Transportation ¹⁰	\$4,992
Miscellaneous ¹¹	\$1,230
Cost of Basic Needs	\$29,976

NOTE: This example is based on a single parent earning a minimum wage, working full-time and raising two children ages four and seven.

Using this table we can see that the cost of meeting basic needs for a family of three is about \$30,000 a year, far surpassing the poverty level of \$15,219. Work does not guarantee a family income that can meet these needs. Working full time at the federal minimum wage, a parent's earnings of \$10,716 fall more than \$19,000 short of the income needed to cover basics expenses. More than seven out of 10 poor children (71.5 percent) lived in families where someone worked in 2004. More than one in three poor children (34.4 percent) lives with a full-time year-round worker.¹²

Poverty Matters for Children

Children who are poor are more likely to die in infancy, have a low birthweight, lack health care, housing, and adequate food, and receive lower scores in math and reading. Protecting the well-being of our children is a basic obligation which adults must embrace and public policies must promote; failing to do so has personal and social consequences. CDF estimates that each year that we allow more than 12 million children to live in poverty will cost our society \$130 billion in future economic output as poor children grow up to be less productive and effective workers.¹³

Poor families are forced to make choices between paying rent and buying food or medicine. One recent report, based on the findings of pediatric health professionals, looked at the cost of food insecurity to young children's health, growth and development. It concluded that children raised in food insecure households are more likely to suffer poor health, including illnesses severe enough to require hospitalization. The average total cost for a single hospitalization for pediatric illness is \$11,300. The same amount would purchase almost five years of food stamps for a family receiving the fiscal year 2004 average monthly household benefit of \$200.¹⁴

A fundamental measure of the character of a nation is how it treats those who are poor. Children are poor because they live in poor families. It is critical that government policies support work that pays by increasing the minimum wage, ensuring education and training opportunities for those needing to build job skills, and expanding a safety net system and ensures that all receive the benefits for which they are eligible.

Why Poverty Matters¹⁵	
Outcomes	Low-Income Children's Higher Risk
Health	
Death in infancy	1.6 times as likely
Premature birth (under 37 weeks)	1.8 times as likely
Low birthweight	1.9 times as likely
No regular source of health care	2.7 times as likely
Inadequate prenatal care	2.8 times as likely
Family had too little food sometime in the last 4 months	8 times as likely
Education	
Math scores at ages 7 to 8	5 test points lower
Reading scores at ages 7 to 8	4 test points lower
Repeated a grade	2.0 times as likely
Expelled from school	3.4 times as likely
Being a dropout at ages 16 to 24	3.5 times as likely
Finishing a four-year college	Half as likely

¹ Arloc Sherman, Public Benefits: *Easing Poverty and Ensuring Medical Coverage* (Washington, DC: Center on Budget and Policy Priorities, April 2005):1. Retrieved from the Internet at <http://www.cbpp.org/7-19-05acc.pdf> on August 19, 2005.

² Sheila R. Zedlewski, Linda Giannarelli, Joyce Morton, and Laura Wheaton, "Extreme Poverty Rising, Existing Government Programs Could Do More," Urban Institute, 2002. Retrieved from <http://www.urban.org/UploadedPDF/310455.pdf>

³ University of Wisconsin, Institute for Research on Poverty, "Improving the measurement of American poverty," *Focus 19(2)* (Spring 1998):2. Retrieved from the Internet at <http://www.irp.wisc.edu/publications/focus/pdfs/foc192.pdf> on August 22, 2005.

⁴ This table reflects national average costs for families raising children, using the most recent data available. Housing and food costs are estimated for a three-person family with two children. The estimate only counts the cost of clothing and miscellaneous expenditures for the children, and counts the out-of-pocket average costs for children's health care not covered by Medicaid or private insurance. Full family costs, of course, really include expenditures for the parent for these necessities as well.

⁵ Fair market rent for a two bedroom apartment in FY 2005. Estimate by the Center on Budget and Policy Priorities.

⁶ Assumes a mother and 2 children, ages 4 and 7 using the USDA's low-cost food plan. Source: United States Department of Agriculture, March 2005.

⁷ Karen Schulman, *Issue Brief: The High Cost of Child Care Puts Quality Care Out of Reach for Many Families* (Washington, DC: Children's Defense Fund, 2000). This cost estimate is for family child care in the state of Ohio. Nationally, full day child care can easily cost between \$4,000 and \$10,000 a year for one child.

⁸ USDA's 2004 Annual Report: *Expenditures on Children by Families*. Includes medical and dental services not covered by insurance, prescription drugs and medical supplies not covered by insurance, and health insurance premiums not paid by employer or other organization. Does not include parent's health care costs. (Single-parent family estimates.) Retrieved from the Internet at <http://www.cnpp.usda.gov/Crc/crc2004.pdf> on August 30, 2005.

⁹ USDA's 2004 Annual Report: *Expenditures on Children by Families*. Does not include costs of clothing for the parent. (Single-parent family estimates.) Retrieved from the Internet at <http://www.cnpp.usda.gov/Crc/crc2004.pdf> on August 30, 2005.

¹⁰ USDL Bureau of Labor Statistics *Consumer Expenditures in 2001-02*. Includes gas, oil, other vehicle expenses, vehicle purchases (net outlay), and public transportation for average 3 person household making \$10,000-\$14,999 in 2001-02.

¹¹ USDA's 2004 Annual Report: *Expenditures on Children by Families*. Includes personal care items, entertainment, and reading materials. Does not include these for the parent. (Single-parent family estimates.) Retrieved from the Internet at <http://www.cnpp.usda.gov/Crc/crc2004.pdf> on August 30, 2005.

¹² U.S. Department of Commerce, Bureau of the Census, "Table POV13. Related Children by Number of Working Family Members and Family Structure: 2004, Below 100% of Poverty -- All Races," *Detailed Poverty Tables* (Washington, DC: Bureau of the Census, August 2005). Retrieved from the Internet at http://pubdb3.census.gov/macro/032005/pov/new13_100_01.htm on August 30, 2005.

¹³ Arloc Sherman, *Poverty Matters: The Cost of Child Poverty in America* (Washington, DC: Children's Defense Fund, 1997): 1.

¹⁴ Children's Sentinel Nutrition Assessment Program (C-SNAP), *The Safety Net in Action: Protecting the Health and Nutrition of Young American Children* (Boston: C-SNAP, July 2004): 1. Retrieved from the Internet at <http://dcc2.bumc.bu.edu/csnappublic/CSNAP2004.pdf> on August 22, 2005.

¹⁵ Arloc Sherman, *Poverty Matters: The Cost of Child Poverty in America* (Washington, DC: Children's Defense Fund, 1997):4.