



**Statement before the Worker and Family Support Subcommittee, Ways and Means Committee**

**On “Combatting Child Poverty in America”**

## **Child Poverty and Federal Policy**

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## **Child Poverty and Federal Policy: Combatting child poverty in America**

Chairman Davis, Ranking Member Walorski, and members of the subcommittee. Thank you for inviting me to testify on the important issue of combatting child poverty in our country. My name is Angela Rachidi and I am the Rowe Scholar in Poverty Studies at the American Enterprise Institute. My background on child poverty comes from my work at AEI, where I research policies aimed at reducing poverty, and from my experience as a Deputy Commissioner for the New York City Department of Social Services, where I evaluated safety net programs for low-income New Yorkers and studied how families experience them.

My testimony covers three main points. **First**, while any level of poverty is too high, proper measurements reveal that child poverty in the United States has been cut by at least half since the early 1990s. This context is important to remember as we discuss ways to further reduce child poverty. **Second**, progress on child poverty has been the result of at least three key factors: a fundamentally strong economy, government policies that promote work among low-income populations, and government supports—such as child care assistance and the earned income tax credit—that supplement earnings. **Third**, to further reduce child poverty, we need policies that continue and strengthen this formula. Moving away from these fundamentals to pursue policies like a universal child allowance would reduce employment, limit the economic prospects of low-income families, and jeopardize the progress we have already made in combatting poverty.

### **Child poverty reduced by half since early 1990s**

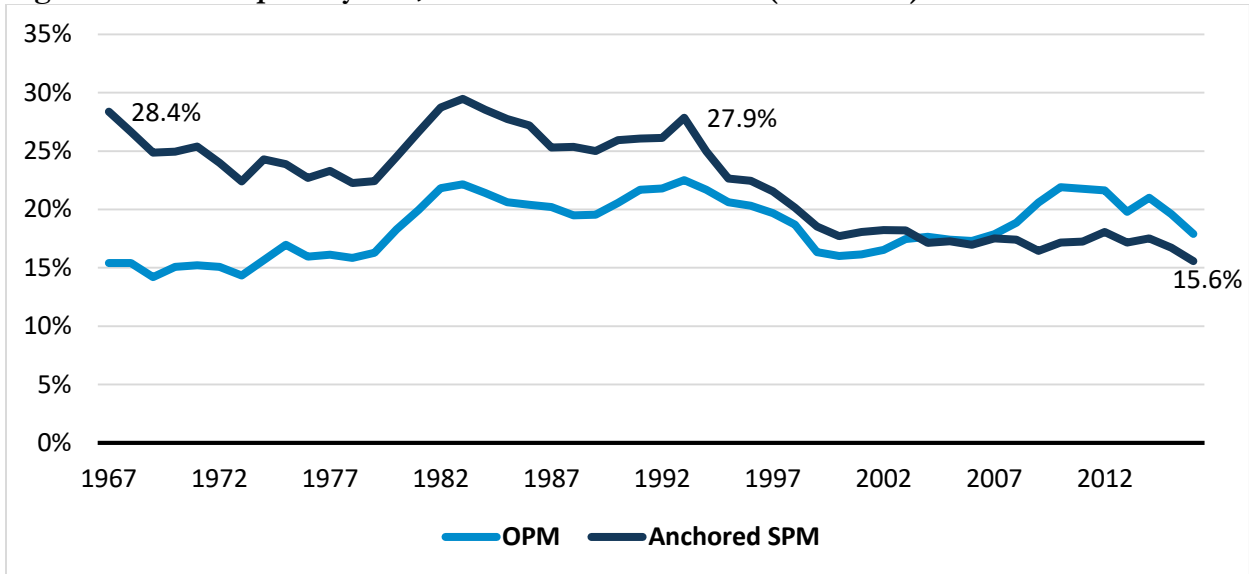
As many of you know, scholars and policymakers use several different measures of poverty, each providing a slightly different picture of poverty in this country. For our purposes today, I want to focus on what is called the anchored Supplemental Poverty Measure (SPM), produced by researchers at Columbia University and used in the National Academy of Sciences Roadmap for Reducing Child Poverty. Unlike the official poverty measure (OPM), this metric includes most government benefits to low-income households in calculations of income; unlike the US Census Bureau's Supplemental Poverty Measure (SPM), the anchored SPM allows us to assess changes in child poverty over time while holding living standards constant. It is the best way to assess changes in household resources that affect child wellbeing over time.

As shown in the Roadmap for Reducing Child Poverty, the anchored SPM shows substantial progress on child poverty in this country over the past half century. The percentage of US children in poverty peaked at around 30 percent as recently as 1993, but has since declined by at least half to 15.6 percent in 2016, the most recent year of data available.<sup>1</sup> The true poverty rate is likely even lower because the anchored SPM does not adjust for the underreporting of benefit receipt on household surveys, which researchers have documented well.<sup>2</sup>

Improvements in the child poverty rate during this time were particularly steep for Black and Hispanic children. From 1967 to 2016, the gap in child poverty between Black, non-Hispanic children and White children in the US narrowed by 22 percentage points, and the gap between Hispanic and White children narrowed by 16 percentage points.<sup>3</sup> Gaps still exist, but this progress is important to acknowledge. We also learned from the NAS Roadmap for Reducing Child Poverty that the US compares well to other countries on measures of absolute child poverty. Absolute poverty measures are adjusted to reflect the same standard of living across different countries. Using

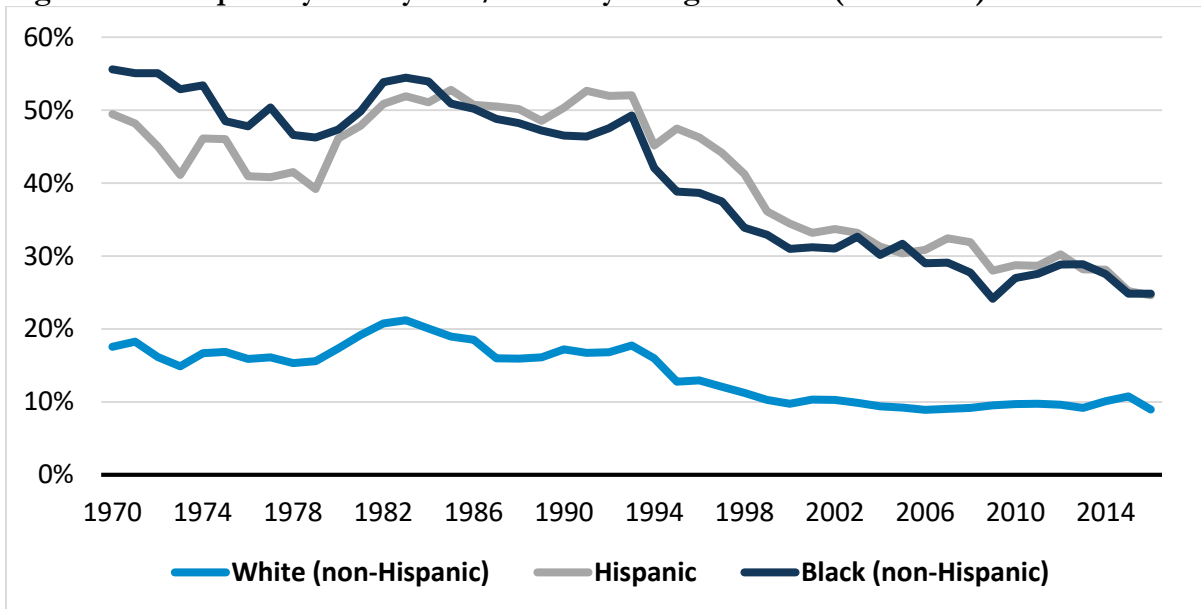
an absolute measure reveals that the child poverty rate in the US is below that of the UK, and only slightly above that of Ireland, Australia, and Canada.<sup>4</sup>

**Figure 1. US child poverty rate, OPM vs. anchored SPM (1967–2016)**



Source: Columbia University, Center on Poverty and Social Policy, Historical Anchored Supplemental Poverty rate, <https://www.povertycenter.columbia.edu/historical-spm-data-reg>.

**Figure 2. Child poverty rate by race/ethnicity using the SPM (1970–2016)**



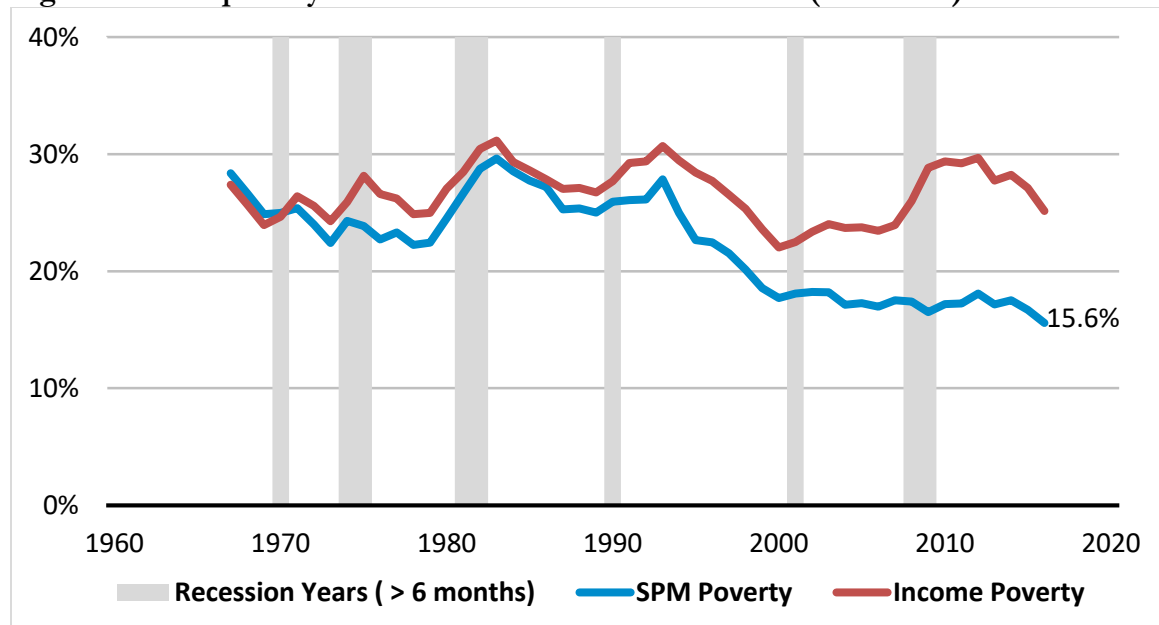
Source: Columbia University, Center on Poverty and Social Policy, Historical Anchored Supplemental Poverty rate, <https://www.povertycenter.columbia.edu/historical-spm-data-reg>.

## A strong economy and government policies that promote work have contributed to child poverty declines

The improvements in child poverty that I just described can be attributed to a number of factors, and federal policies supporting low-income families have played an important role. I want to highlight three crucial ways federal policies have interacted to successfully reduce child poverty in this country.

First, having a sufficient number of jobs available to all Americans who need them is a necessary condition to offer families a realistic path out of poverty. Changes in poverty rates that only count earnings, and not government transfers — such as the Official Poverty Measure or what researchers call market-income poverty — correspond directly to fluctuations in the economy, demonstrating the import link between a strong economy, low unemployment, and a reduction in poverty. These trends also provide an important cautionary note to policymakers. If government policies limit economic growth or otherwise undermine the strength of the economy, the fight against poverty becomes much more difficult.

**Figure 3. Child poverty rate SPM vs. market-based income (1970–2016)**



Source: NAS Roadmap to Reducing Child Poverty report.

Government work supports are a second factor explaining the child poverty declines experienced in the past three decades. When combined with a strong economy, employment is the surest way to reduce poverty, because the existing safety net in this country is most effective when combined with employment. The poverty rate ranges from 2-7 percent for families with at least one adult working full-time, for the full-year, depending on how it is measured. It is four times as high for families without an adult working full-time.<sup>5</sup>

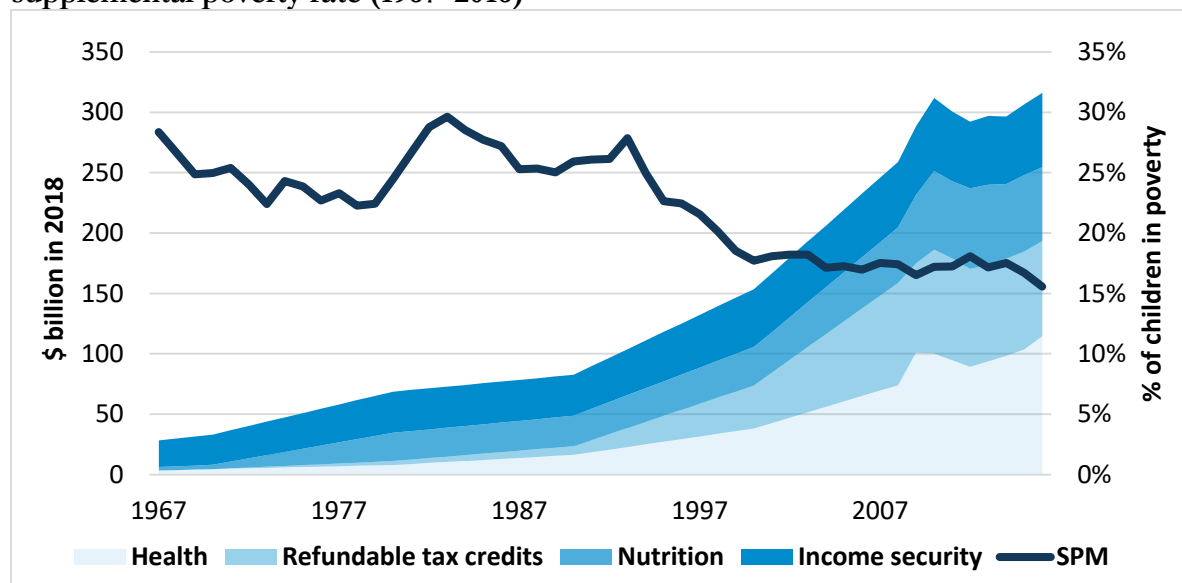
The third contributing factor to such large declines in child poverty since the 1990s has been federal policies that offer material support for low-income families while promoting employment as the path out of poverty. Research shows that federal supports promoting work — such as expansions to the earned income tax credit (EITC) and welfare reform in the 1990s — have led to increased

earnings and employment among single mothers.<sup>6</sup> Greater employment among single-parent families set the stage for subsequent poverty reductions that resulted from expansions to government tax and transfers, such as the EITC and Supplemental Nutrition Assistance Program (SNAP) benefits.<sup>7</sup>

The existing safety net in this country allows families to successfully escape poverty when they work full-time. A single mother with 2 children earning \$10 per hour in a full-time job receives \$17,500 in wages, which would leave her family in poverty without any assistance. However, the EITC, the Child Tax Credit, and SNAP under our current system combine to increase her income to over \$30,000, which lifts her out of poverty and places her family on a path to a better life. This example not only demonstrates the importance of a safety net that supports work, but also a strong economy that provides a sufficient number of jobs to all who need them.

The situation I just described was made possible because of expansions to the safety net in recent decades — a safety net that is now large and robust. According to data from the Urban Institute’s Kids Share report, federal expenditures on low-income children have increased 17 times in the past half century, increasing in constant dollars from \$16.3 billion in 1967 on the four major means-tested expenditures categories for children (Health, Nutrition, refundable tax credits, and income support) to over \$300 billion by 2018.<sup>8</sup> These expansions have provided food assistance, direct cash assistance through refundable tax credits, and health insurance to millions of children in the US. The authors of the NAS Roadmap for Reducing Child Poverty concluded that these expansions were responsible in large part for the child poverty reductions experienced in the US in recent decades.<sup>9</sup>

**Figure 4. Federal spending on low-income children in four main categories of support, and supplemental poverty rate (1967–2016)**



Source: Expenditures from Kids Share, Urban Institute. SPM reflects the Columbia University anchored supplemental poverty measure for children.

### Policies to further reduce child poverty

One might conclude from the evidence I just presented that more expansions to government programs are the solution to further reduce child poverty. But expanding government programs even more would involve a tradeoff between more robust government supports and the negative

economic effects of increased government spending. Further expansions would also raise the possibility of other unintended consequences such as increased idleness, negative impacts on family structure, and community decline.

As I mentioned, having a sufficient number of jobs for those who need them is a necessary condition for any poverty reduction efforts. Employment not only offers families a better chance at economic security over the long term, research shows that employment improves health and offers people a sense of purpose and social connectedness. Employment has also been shown to improve economic mobility outcomes for children. A recent study by Raj Chetty, Nathaniel Hendren, and colleagues at Harvard University through the Opportunity Insights project found that proximity to more employed people correlated with upward economic mobility for children, as did proximity to more two-parent families.<sup>10</sup>

Increasing safety net expenditures without consideration of the potential consequences to the economy could disrupt our economy and jeopardize the employment opportunities for low-income individuals.<sup>11</sup> This approach might make poverty more comfortable for low-income people, but only consistent employment can increase a person's chance of economic stability in the long run. Such policies would also run the risk of poorly targeting families who need support and funding efforts of questionable effectiveness.

I am particularly concerned about proposals like a universal child allowance or large expansions to the Child Tax Credit regardless of income. These policies would not appropriately target the poor because they would increase the share of government assistance going to middle- and upper-income families. They would risk weakening the connection between government assistance and employment, and they would distort the private behavior of individuals by reducing employment or savings. As the NAS Roadmap for Reducing Child Poverty noted, a universal child allowance might reduce poverty for children, but it would also reduce adult employment, with unknowable economic and social costs.<sup>12</sup>

To further reduce poverty, we need policies that continue and strengthen the formula that has worked well over the past three decades — a strong fundamental economy, policies that promote work, and programs that supplement low-wage work. This committee's JOBS for Success Act is a good example of how this approach could be realized. The JOBS for Success Act would reauthorize and reform the Temporary Assistance for Needy Families Program (TANF) to better engage low-income parents in work and better target federal funds to those most in need.

As Robert VerBruggen recently concluded using data from the American Family Survey, hard-working American families do not believe that unrestricted cash benefits are the solution to child poverty.<sup>13</sup> Instead, they seek to gain earned success and build a stable, prosperous future for their children. Over the past half century, millions of families have found their way out of poverty through employment and government policies that support work. As we consider ways to reduce child poverty even further, it is important that we recognize the progress we have already made, and continue to strengthen the policies that have made this progress possible.

## Notes

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- <sup>1</sup> National Academies of Sciences, Engineering, and Medicine, “A Roadmap to Reducing Child Poverty,” *The National Academies Press*, 2019.
- <sup>2</sup> Bruce D. Meyer, Wallace K. C. Mok, and James X. Sullivan, “The Under-Reporting of Transfers in Household Surveys: Its Nature and Consequences,” *National Bureau of Economic Research*, Working Paper No. 15181, 2009; and Melvin Stephens and Takashi Unayama, “Estimating the Impacts of Program Benefits: Using Instrumental Variables with Underreported and Imputed Data,” *National Bureau of Economic Research*, Working Paper No. 21248, 2015.
- <sup>3</sup> Laura Nolan, et. Al, “Trends in Child Poverty by Race/Ethnicity: New Evidence Using an Anchored Historical Supplemental Poverty Measure,” *Journal of Applied Research on Children: Informing Policy for Children at Risk* 7, no. 1 (2016).
- <sup>4</sup> See Chapter 2, Page 60, Figure 2-13 of National Academies of Sciences, Engineering, and Medicine, “A Roadmap to Reducing Child Poverty.”
- <sup>5</sup> The US Census Bureau publishes detailed official poverty measure tables, including family and individual poverty rates by householder employment status, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov.html>. The US Census Bureau also publishes the Supplemental Poverty Measure for full-time, full-year workers, <https://www.census.gov/content/dam/Census/library/publications/2019/demo/p60-268.pdf>. These rates range from 2 percent to 7 percent depending on population in question.
- <sup>6</sup> Jeffrey Grogger “The effects of time limits, the EITC, and other policy changes on welfare use, work, and income among female-headed families,” *Review of Economics and statistics* 85, no. 2 (2003): 394-408; and Henrik Kleven, “The EITC and the Extensive Margin: A Reappraisal,” *National Bureau of Economic Research*, Working Paper No. w26405, 2019.
- <sup>7</sup> Bruce D. Meyer, “The Effects of the Earned Income Tax Credit and Recent Reforms,” *Tax Policy and the Economy* 24, no. 1 (2010): 153–180; and Bruce D. Meyer and Derek Wu, “The Poverty Reduction of Social Security and Means-Tested Transfers,” *National Bureau of Economic Research*, Working Paper No. 24567, 2018.
- <sup>8</sup> Angela Rachidi, “American Exceptionalism? Five Ways Government Spending on Low-income Children and Child Poverty Is Misunderstood,” *American Enterprise Institute*, November 12, 2019.
- <sup>9</sup> See Chapter 4, page 106 in National Academies of Sciences, Engineering, and Medicine, “A Roadmap to Reducing Child Poverty.”
- <sup>10</sup> Raj Chetty, et. Al, “The opportunity atlas: Mapping the childhood roots of social mobility,” *National Bureau of Economic Research*, Working Paper No. w25147, 2018.
- <sup>11</sup> Christopher J. Nekarda and Valerie A. Ramey, “Industry Evidence on the Effects of Government Spending,” *National Bureau of Economic Research*, Working Paper No. 15754, 2010.
- <sup>12</sup> See Chapter 5, page 162 in National Academies of Sciences, Engineering, and Medicine, “A Roadmap to Reducing Child Poverty.”
- <sup>13</sup> Robert VerBruggen, “Who Wants a Child Allowance?,” *Institute for Family Studies*, March 3, 2020.