# A Roadmap to Reducing Child Poverty

Capable, responsible, and healthy adults are the foundation of any well-functioning and prosperous society, but in this regard the future of the United States is not as secure as it could be. This is because millions of American children live in families with incomes below the poverty line. A wealth of evidence suggests that a lack of adequate family economic resources compromises children's ability to grow and achieve success in adulthood, hurting them and the broader society as well.

Recognizing this challenge to America's future, Congress asked the National Academies of Sciences, Engineering, and Medicine to conduct a comprehensive study of child poverty in the United States, and to identify evidence-based programs and policies for reducing the number of children living in poverty by half within 10 years. The National Academies appointed a committee with expertise in economics, psychology, cognitive science, public policy, education, sociology, and pediatrics to conduct the study and issue a report.

The committee's report, *A Roadmap to Reducing Child Poverty*, concludes that poverty causes negative outcomes for children, especially if it occurs in early childhood or persists through a large part of childhood. Studies estimate that child poverty costs the nation roughly between $800 billion and $1.1 trillion annually in terms of lost adult productivity, the increased costs of crime, and increased health expenditures. The report identifies two packages of policies and programs that could reduce child poverty in the United States by half within 10 years, at a cost far lower than the estimated costs it bears from child poverty.

CHILD POVERTY AND ITS IMPACTS

In 2015, the latest year for which the committee was able to generate estimates, more than 9.6 million U.S. children—13 percent of the nation's children—lived in families with annual incomes below a poverty line defined by the Supplemental Poverty Measure. That same year, 2.1 million children—2.9 percent of all U.S. children—lived in "deep poverty," in families with incomes less than half of the poverty line.

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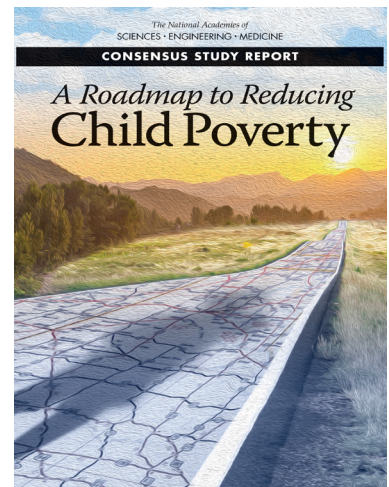
Child poverty rates were much higher for black children (18%) and Hispanic children (22%) than for non-Hispanic white children (8%). Rates were also much higher for children in single-parent families (22%) than for those in two-parent families (9%), and for children in immigrant families (21%) than for those in non-immigrant families (10%). Poverty rates also appear to be much higher among American Indian children, though precise rates are unavailable.

Poor children develop weaker language, memory, and self-regulation skills than their peers. When they grow up, they have lower earnings and income, are more dependent on public assistance, have more health problems, and are more likely to commit crimes. Robust research evidence has shown that low income itself, rather than other conditions poor children face, is responsible for much of these negative impacts on children's development.

FEDERAL ANTI-POVERTY PROGRAMS IMPROVE CHILDREN'S WELL-BEING

Given the evidence that poverty harms children's well-being, policies designed to reduce poverty might be expected to have the opposite effect, and the committee found that is the case. Many programs that alleviate poverty—either directly, by providing income, or by providing food, housing or medical care—have been shown to improve child well-being.

Specifically, the committee found that:

- Periodic increases in the generosity of the Earned Income Tax Credit (EITC) program have improved child educational and health outcomes.
- The Supplemental Nutrition Assistance Program (SNAP) has improved birth outcomes as well as many important child and adult health outcomes.
- Expansions of public health insurance for pregnant women, infants, and children have led to substantial improvements in child and adult health, educational attainment, employment, and earnings.
- Evidence on the effects of housing assistance is mixed, although children who were young when their families received housing benefits that allowed them to move to lower-poverty neighborhoods had improved educational and adult outcomes.

These federal programs have kept the child poverty rate lower than it would have been without them. For example, the committee found that without the two refundable tax credits—the EITC and the refundable portion of the Child Tax Credit—child poverty would increase from 13 percent to 18.9 percent, an increase of 4.4 million children. SNAP has the next largest effect; without SNAP benefits, the child poverty rate would have increased to 18.2 percent. SNAP is also the single most important federal program for reducing deep poverty; without SNAP, the deep poverty rate is estimated to nearly double, from 2.9 to 5.7 percent.

The U.S. historical record shows that reducing child poverty is an achievable policy goal. Child poverty fell by nearly half between 1970 and 2016, and government programs such as the EITC and SNAP played important roles in achieving this drop. Rates of deep child poverty declined as well over that period. The experience of "peer" countries—such as the United Kingdom, which enacted policies that reduced its child poverty rate by half in a little less than a decade—also demonstrate that this goal is achievable.

TWO POLICY "PACKAGES" COULD REDUCE CHILD POVERTY BY 50 PERCENT

The committee evaluated 10 different single-policy options—for example, expanding the EITC, raising the federal minimum wage, or introducing a universal child allowance—to see if any of them could achieve the goal of reducing child poverty by 50 percent. None could, although a $3,000 per year child credit would reduce deep poverty by half.

The committee then developed four "packages" of policies and programs and evaluated them to see which, if any, could meet the 50 percent reduction goal. Two of the packages did.

The **means-tested supports and work package** achieves the 50 percent poverty reduction goal by expanding four existing programs—changes that could be implemented rapidly and begin to yield reductions in child poverty rates soon after implementation. This package entails the following:

- Increasing payments under the EITC along the phase-in and flat portions of the EITC Schedule.
- Converting the Child & Dependent Care Tax Credit (CDCTC) to a fully refundable tax credit and concentrating its benefits on families with the lowest incomes and with children under the age of 5.
- Increasing SNAP benefits by 35 percent and increasing benefits for older children.
- Increasing the number of housing vouchers directed to families with children so that 70 percent of eligible families that are not currently receiving subsidized housing would use them.

This package of programs would reduce both poverty and deep poverty by half, at an estimated cost of $90.7 billion per year. The package could be expected to expand the workforce, because the incentives to work associated with the two tax credits outweigh the disincentives associated with the income support programs; the package is estimated to add about 400,000 workers and generate $2.2 billion in additional earnings.

The **universal supports and work package** would achieve a 50 percent reduction in child poverty and deep poverty by combining incentives to work, economic security, and social inclusion, using some existing programs and two new programs. This package entails the following:

- Increasing the EEITC payments by 40 percent across the entire tax schedule, keeping the current range of the phase-out region.
- Converting the CDCTC to a fully refundable tax credit and concentrate its benefits on families with the lowest incomes and with children under the age of 5.
- Raising the current $7.25 per hour federal minimum wage to $10.25 and index it to inflation after it is implemented.
- Restoring eligibility for SNAP, Temporary Assistance for Needy Families (TANF), Medicaid, Supplemental Security Income (SSI) and other means-tested federal programs for legal immigrants.
- Instituting a new child allowance that pays a monthly benefit of $225 per month ($2,700 per year) to families of all children under age 17. This child allowance would also be paid to currently non-qualified legal immigrants.
- Instituting a child support assurance policy to provide a backup source of income if a parent does not pay child support and setting guaranteed minimum child support of $100 per month per child.

This package is estimated to cost $108.8 billion per year, if calculations are based on the federal income tax provisions prevailing before 2018. The net effect of this full package is to increase employment by more than 600,000 jobs and earnings by $13.4 billion.

Another, lower-cost package evaluated by the committee combined expansions of two tax credits (the EITC and CDCTC) with a $2,000 child allowance designed to replace the Child Tax Credit. This package reduces child poverty by an estimated 36 percent, falling short of the goal. At a cost of $44.5 billion per year, however, and with increases in employment and earnings of 568,000 jobs and $10 billion, it offers a potentially appealing approach to meeting policy goals that are often in competition with one another.

THE IMPORTANCE OF CONTEXTUAL FACTORS

The report also explores contextual factors that affect the lives of many families in poverty—such as unstable and unpredictable incomes, poor neighborhood conditions, and racial and ethnic discrimination—that should be considered when designing and implementing anti-poverty programs.

For example, income instability, lack of savings, and little or no cushion for responding to unexpected financial difficulties are typical for many low-income families. Programs that provide regular income support, whether through tax credits, cash, or vouchers, may be more helpful to families if they provide adequate benefits at well-timed intervals. And easily accessible programs that facilitate savings or that provide emergency cash assistance or credit at a modest cost can help families cope with unexpected emergencies, and may prevent them from falling deeper into poverty.

COMMITTEE ON BUILDING AN AGENDA TO REDUCE THE NUMBER OF CHILDREN IN POVERTY BY HALF IN 10 YEARS

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