Child Poverty and the Social Safety Net in California

Sarah Bohn and Caroline Danielson

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SUMMARY

Because economic hardship is associated with a host of adverse outcomes, particularly for children, policies that can give children a better start in life are especially important. This report focuses on measuring material hardship among children across the state. Using the California Poverty Measure—which accounts for both family earnings and safety net resources and adjusts for work expenses and housing costs—we find that one-quarter of California's children are in poverty. An additional 26 percent of children live in households that are "near poor," or somewhat above what is often referred to as the poverty line. In short, about half of California's children are poor or near-poor. Poverty rates, earnings, and the role of safety net resources all vary by region. But most poor children live in "working poor" families, with one or more working adults. And, without resources from the social safety net—which includes the federal Earned Income Tax Credit, CalFresh (California's food stamp program), CalWORKs (California's welfare program), and housing subsidies—there would be far more children in poverty throughout California.

CHILD POVERTY IS HIGH IN CALIFORNIA

About a quarter of California's children live in families without enough resources to make ends meet at a basic level. The share of poor children is higher than the share of working-age adults (21%) or older adults (19%) in poverty.[1] Research suggests that poverty in the first few years of life may undermine brain development, adversely affect overall health status, and lead to both diminished success in early elementary school grades and lower chances of ever completing high school.[2] Children who experience poverty are less likely to work as adults and have low odds of making it out of poverty as adults.[3] Thus, the stakes for reducing hardship among children appear to be especially high. With an improving economy but continued high poverty, policymakers in California are renewing their focus on safety net and other programs that include reducing the number of children in poverty as one of their goals.[4]

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As they make decisions about policies and programs that can reduce the number of children in poverty, policymakers need an accurate picture of need among California's children, including an assessment of the role that safety net programs play today. We estimate that about 2.3 million children are poor in California, and an additional 1.3 million would be considered poor were it not for safety net resources utilized by their families. These estimates derive from the California Poverty Measure (CPM), a new metric that can be used to assess economic need. The CPM not only accounts for cash resources like earnings, but it also includes a broad range of government program benefits aimed at helping vulnerable families make ends meet (see box next page).[5] In this framework, a family is in poverty if its resources (i.e., earnings and support from government programs after subtracting out-of-pocket medical and work expenses) fall below a threshold of need that is based on food, clothing, shelter, and utilities spending.[6] As compared with official poverty statistics that are routinely reported by the federal government, these estimates offer a broader, updated representation of poverty.[7]

THE CALIFORNIA POVERTY MEASURE AND THE SAFETY NET

The California Poverty Measure (CPM) gauges how many residents live in families that have (or lack) enough resources to maintain a basic standard of living.

Net resources = after-tax Income from earnings, social security, unemployment, and other sources
plus safety net benefits
minus non-discretionary work, child care, and medical expenses

CPM threshold = amount of money required to purchase food, clothing, shelter, and utilities at a basic level, adjusted for family size and for housing costs at the county level

Poverty = net resources below the CPM threshold

The California Poverty Measure shares similarities with other U.S. Census Bureau poverty measures. However, it is more comprehensive and up to date than official poverty statistics and more detailed and California-relevant than the Supplemental Poverty Measure. Because it includes the largest federal, state, and local safety net programs, the CPM can be used to examine the extent to which safety net programs alleviate poverty.

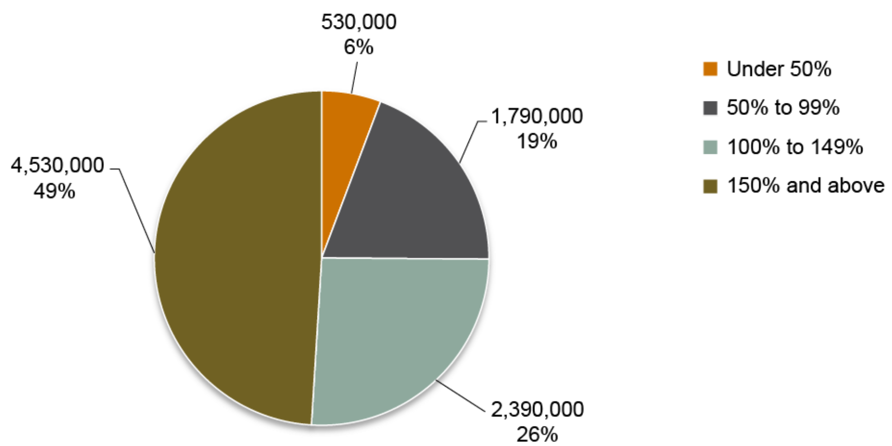
Definition of the safety net. As measured in the CPM, the safety net includes the federal Earned Income Tax Credit and Child Tax Credit, CalFresh (California's food stamps program), CalWORKs (California's welfare program), Supplemental Security Income, General Assistance, federal housing subsidies, and school meals. The poverty-reducing effect of these programs varies according to program scope, aims, and other factors.

Additional discussion of the CPM methodology can be found at www.ppic.org/content/pubs/other/1013SBR_appendix.pdf.

Data from the 2011 CPM show about 800,000 children age 5 and under are in poverty. Close to 900,000 children ages 6 to 12, and roughly 650,000 teenagers also live in poverty. However, *rates* of poverty are quite similar across age groups: 26 percent of children age 5 and under have family resources that put them below the poverty line, 25 percent of children ages 6 to 12 live in poverty, and 24 percent of children ages 13 to 17 are in poverty.[8] That these poverty rates are similar stems in part from the fact that families are presumed to share resources and thus poverty status is also shared—and many children live with younger or older siblings. Nonetheless, we present statistics by age group at several points in this report because regional differences by age are in some cases more substantial. In addition, policies to address poverty can be age-specific. For example, a program like WIC (officially known as the Special Supplemental Nutrition Program for Women, Infants, and Children) provides resources for very young children, whereas free and reduced-price school meals are typically for children enrolled in elementary school through high school.

Of course, there are degrees of economic need, and the poverty rate does not encapsulate the entire spectrum. Deep poverty, which is usually defined as living on less than half of the threshold of need (about $15,000 annually in California for a family of four, on average), is relatively uncommon: across all age groups of children, only 6 percent are in deep poverty (Figure 1). However, an additional 26 percent of children in the state are in "near poor" families—those with resources that put them between 100 percent and 150 percent of the poverty threshold (up to about $46,000 annually for a family of four on average). In total, then, about half of the state's children are in families below or near the poverty line.

FIGURE 1. HALF OF THE STATE'S CHILDREN LIVE WITHIN ONE AND A HALF TIMES THE POVERTY THRESHOLD



SOURCE: California Poverty Measure estimates for 2011. See Bohn et al., *California Poverty Measure,* for further details.

POVERTY VARIES ACROSS THE STATE

Most children in poverty live in Los Angeles County, the most populous in the state (Table 1).

TABLE 1. A BREAKDOWN OF POOR CHILDREN BY REGIONS REVEALS HIGH NUMBERS IN SOUTHERN CALIFORNIA

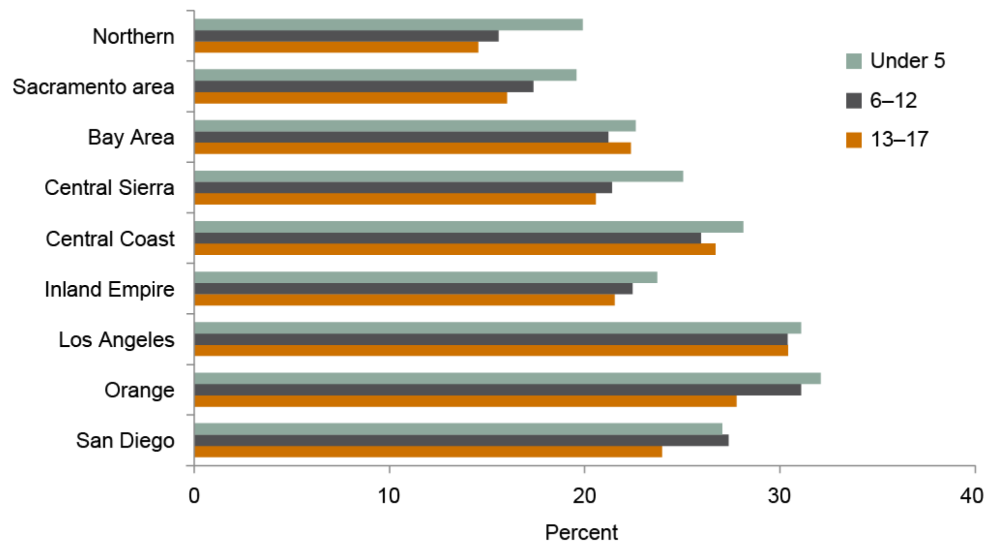
Region	Number of children in poverty	Counties in region
Northern	40,000	Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, and Trinity
Central Sierra	270,000	Alpine, Amador, Calaveras, Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Mono, San Joaquin, Stanislaus, Tulare, and Tuolumne
Sacramento area	100,000	El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba
Bay Area	360,000	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma
Central Coast	70,000	Monterey, San Benito, San Luis Obispo, Santa Barbara, and Ventura
Inland Empire	330,000	Imperial, Riverside, and San Bernardino
Los Angeles	730,000	Los Angeles
Orange	220,000	Orange
San Diego	190,000	San Diego

SOURCE: California Poverty Measure estimates for 2011. See Bohn et al., *California Poverty Measure,* for further details.

NOTE: Estimates rounded to the nearest 10,000. Sample sizes are large enough in Los Angeles, Orange, and San Diego Counties to report separately.

Figure 2 shows that Los Angeles also has among the highest child poverty rates in the state (28% to 32%, depending on the age group); rates for younger children are equally high in Orange County. Northern counties and the Sacramento region have the lowest child poverty rates (15% to 20%).

FIGURE 2. CHILD POVERTY RATES ARE HIGHEST IN LOS ANGELES AND ORANGE COUNTIES



SOURCE: California Poverty Measure estimates for 2011. See Bohn et al., *California Poverty Measure,* for further details.
NOTE: See Table 1 for area definitions.

Somewhat surprisingly, child poverty tends to be higher in relatively affluent coastal California than in inland areas. Below we explain how two factors included in the CPM methodology—variation in the cost of living across the state and the role of safety net resources in family budgets—can help make sense of these regional differences in poverty rates.

Poverty for the youngest children—age 5 and under—varies from 20 percent to 32 percent across regions of the state. Among elementary school children, poverty rates are typically somewhat lower, ranging from 16 percent to 31 percent across the state's regions. Los Angeles County is an exception, with a poverty rate of 31 percent for children 5 and under and a very similar 30 percent among older children. Poverty rates among teenagers are generally similar to rates for children age 6 to 12.

While there is substantial variation in poverty across the state, the incidence of deep poverty—having family resources that are less than half the basic threshold of need—varies little. Throughout the state, between 4 percent and 7 percent of children in all three age groups are in deep poverty.[9] However, the share of children in near-poor families does differ across regions. In Los Angeles, a substantial majority of children (59%, the highest share in the state) live in families with resources that put them near or below poverty. At the low end of the spectrum, 42 percent of children in the Bay Area are in poor or near-poor families.

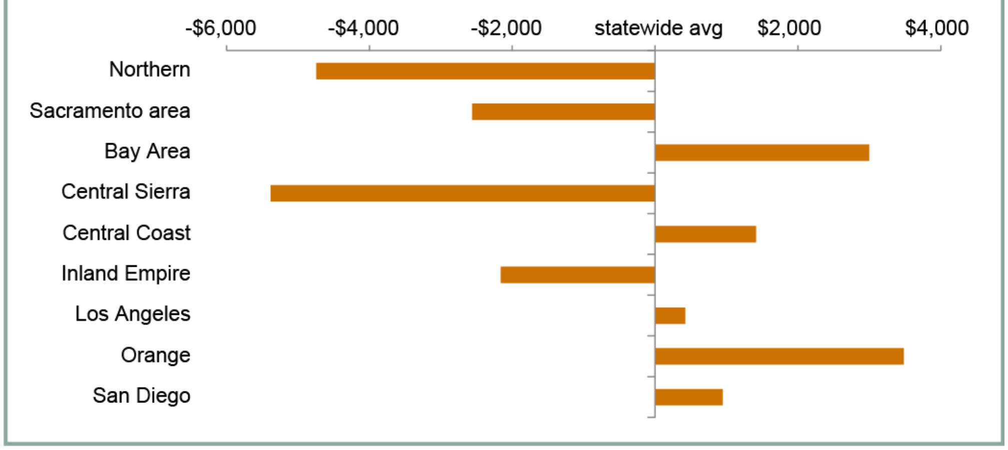
FACTORS THAT DRIVE CHILD POVERTY

What factors contribute to a child's prospects of living in an impoverished family? Economic context, the cost of living, skills that family wage earners possess, and safety net programs are all key pieces of the problem.

Regional Differences in the Cost of Living

Figure 3 illustrates regional differences in poverty thresholds for a family of two adults and two children.[10] Statewide, the annual amount needed to meet basic needs (and be above the CPM poverty line) is $30,063. However, the picture changes if we look at California regions. Figure 3 shows how regional poverty thresholds compare to the state average. Poverty thresholds in Northern counties, the Sacramento area, the Central Sierra, and the Inland Empire are substantially lower than the statewide average, while thresholds in the Bay Area and Orange County are considerably higher. A family in the Bay Area needs nearly $3,000 annually more than the state average, and a family in Orange County requires about $3,500 more annually than the statewide average. In contrast, we estimate that in the "Central Sierra" region (Central Valley and Central Sierra counties), a family of four can make ends meet on about $5,400 less than the statewide average.[11]

FIGURE 3. THE STATEWIDE AVERAGE MASKS LARGE REGIONAL DIFFERENCES IN POVERTY THRESHOLDS



SOURCE: California Poverty Measure estimates for 2011. See Bohn et al., *California Poverty Measure,* for further details.

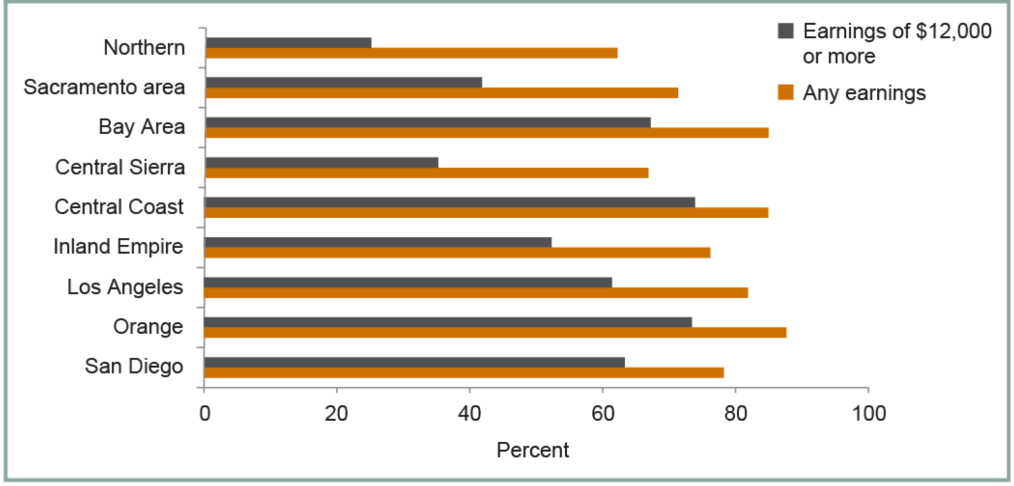
NOTE: Amounts are population-weighted within each of the defined regions. Thresholds pertain to four-person families comprised of two adults and two children that rents. The statewide average for such a family is $30,363 to meet basic needs. See Table 1 for region definitions.

This variation in the cost of living means that a family needs substantially more resources to make ends meet in some regions than in others. For the most part safety net benefits do not vary according to cost of living, so the resources that could make up the difference come from earnings. However, safety net benefits phase out as earnings increase so families in poverty—especially in high-cost regions—may have earnings near or above the different cut-offs for safety net benefits and yet still have resources below the thresholds shown in Figure 3.

Family Earnings

The state and regional economic context contributes to the ability of parents and caregivers to provide adequate resources through working. The Great Recession restricted work opportunities for a lengthy period of time for many families in the state.[12] Still, even in 2011, when the statewide unemployment rate hovered between 11.0 percent and 12.6 percent, strong majorities of poor children in California were in families with at least one adult earning income from work (Figure 4). Statewide, 79 percent of poor children lived in such families; regionally, the share ranged from 62 percent in Northern counties to 88 percent in Orange County.

FIGURE 4. MOST CHILDREN IN POVERTY LIVE IN FAMILIES REPORTING SOME INCOME FROM WORK



SOURCE: California Poverty Measure estimates for 2011. See Bohn et al., *California Poverty Measure,* for further details.

NOTE: See Table 1 for region definitions.

Fewer children in poverty—but still 58 percent statewide—lived in families with annual earnings of at least $12,000 (roughly the annual earnings from a minimum wage job).[13] Regions with less than half of poor children living in families with at least $12,000 in earnings included Northern, Sacramento area, and Central Sierra counties.

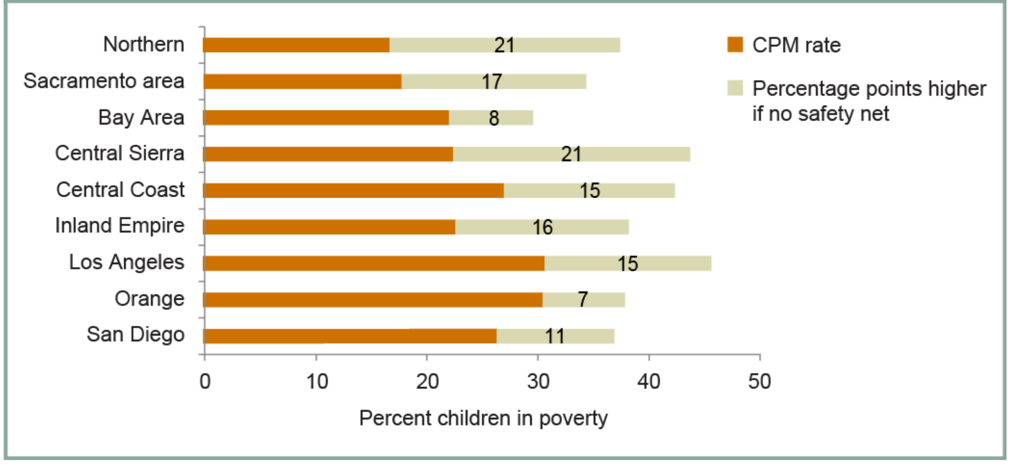
The Role of the Social Safety Net

Another determining factor in child poverty is the role played by the safety net: the availability, generosity, and level of participation in government programs.

Major social safety net programs substantially mitigate poverty. Without the safety net, 1.28 million *more* children would be poor: 420,000 age 5 and under; 510,000 6-to-12-year-olds; and 360,000 teenagers. California's child poverty rate would be nearly 40 percent (rather than 25%) were it not for safety net program benefits included in the CPM. The role of the safety net varies little across age groups. In some areas, such as the Bay Area, Central Coast, and Central Sierra, the safety net plays a slightly larger role for families with elementary school-age children, but differences across age groups are small compared to the regional variation.

As Figure 5 shows, the protective role of the safety net varies substantially by region. Safety net resources play the largest role in the central and northern portions of the state. For example, in Northern counties, child poverty rates would be more than double were it not for the safety net. The safety net plays a similarly large role in Central Sierra counties. In the more populous coastal areas of the state, the safety net plays a smaller role. Child poverty in Los Angeles County—the area with the highest child poverty rate—would be 15 percentage points (or 50%) higher if not for the safety net. In the high-cost Bay Area and in Orange County, poverty would be 7 to 8 percentage points higher if not for safety net resources—this reflects a reduction of roughly a quarter to a third.

FIGURE 5. WERE IT NOT FOR SAFETY NET RESOURCES, CHILD POVERTY RATES WOULD BE NEARLY DOUBLE—OR HIGHER—IN SEVERAL REGIONS



SOURCE: California Poverty Measure estimates for 2011. See Bohn et al., *California Poverty Measure,* for further details.
NOTE: See Table 1 for region definitions.

It is difficult to disentangle the interrelated factors that drive these differences. Variation in the accessibility of the safety net, willingness to make use of safety net resources, and eligibility for safety net programs (which are based largely on official poverty thresholds and earnings) all play a role.

THE ROLE OF POLICY

Our research shows that safety net programs can be a policy lever for reducing child poverty, even though poverty reduction is not the only (or even the primary) goal of these programs. For example, a primary aim of the CalFresh program is to alleviate food insecurity. By participating in CalFresh, families gain resources that contribute to meeting basic needs. The same is true for housing subsidy programs, which are aimed primarily at easing overcrowding and homelessness but which also free up family resources to meet other basic needs. Programs like the Earned Income Tax Credit are designed to alleviate need by making additional cash resources available to families while incentivizing work.

There are certainly opportunities to increase the impact of these and other safety net programs on child poverty. Federal, state, and local policymakers routinely debate policy options such as increasing participation among eligible families, expanding eligibility criteria, raising benefit amounts, and creating new programs.

But poverty in California is greatly impacted by economic factors. The Great Recession serves as a reminder that family circumstances are inescapably shaped by economic conditions. More generally, the cost of living is high for most families in the state, and work income makes up the largest share of resources for all families—including those in poverty.

Moreover, there are enduring policy complexities. Programs will continue to have multiple aims that may conflict with each other in terms of poverty reduction. For instance, families are more likely to make use of a nonrestrictive food assistance program, but policymakers might seek to incentivize healthy eating by excluding certain types of purchases. Doing so might undercut participation. Second, programs designed to bolster families' efforts to achieve self-sufficiency in the long run—by, for example, incentivizing work and education (and penalizing non-compliance)—might also be less likely to reduce poverty in the short term. Third, California's regional cost of living variation raises thorny questions about whether uniformly scaled safety net benefits are equitable. Finally, it is important to consider various ways of assessing progress, including not just reduced poverty rates but also movement up the income ladder and reductions in the amount of time children spend in poverty.[14]

Policymakers engaged with the goal of poverty reduction will continue to grapple with the complex issues we have touched on. However, successful policies can improve the lives of a substantial share of the state's children and contribute to their long-term success.

Additional tables are available on the PPIC website at www.ppic.org/content/pubs/other /914SBCDR_appendix.pdf.

NOTES

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1. The poverty estimates in this report are derived from California Poverty Measure calculations for 2011. See Sarah Bohn et al., *The California Poverty Measure: A New Look at the Safety Net* (Public Policy Institute of California, October 2013); Christopher Wimer et al., *A Portrait of Poverty within California Counties and Demographic Groups* (Policy Brief, Stanford Center on Poverty and Inequality, October 2013). Official poverty rates for working age and older adults are lower than CPM rates. Estimates for the U.S. follow a similar pattern, but are lower than in California. See Kathleen Short, "The Research Supplemental Poverty Measure" (U.S. Census Bureau, 2013).
2. Jeanne Brooks-Gunn and Greg Duncan, "The Effects of Poverty on Children," *The Future of Children* 7 (Summer/Fall 1997); National Scientific Council on the Developing Child, "Excessive Stress Disrupts the Architecture of the Developing Brain" (Working Paper 3, Center on the Developing Child, Harvard University, updated 2014); Joan Luby et al., "The Effects of Poverty on Childhood Brain Development: The Mediating Effect of Caregiving and Stressful Life Events," *Journal of the American Medical Association: Pediatrics* 167 (12): 1135–42.
3. Raj Chetty et al., "Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States" (NBER Working Paper 19844, January 2014).
4. California Assembly Blueprint for a Responsible Budget, 2014.
5. See Bohn et al., *California Poverty Measure,* for full details.
6. CPM poverty thresholds differ based on county-by-county costs to own or rent a home. Official poverty statistics do not account for the cost of living in California as compared with other states or variations within the state. In other words, there is one nationwide official poverty threshold for a given family size.
7. Short, "Research Supplemental Poverty Measure"; Bohn et al., *California Poverty Measure*.
8. The figure represents a snapshot of poverty in 2011. Data that followed the same children as they moved from infancy into adolescence would be required to establish the extent to which the same children remain in poverty as they age.
9. The one exception is adolescents in Northern counties, where the estimated deep poverty rate is 2 percent.
10. In this illustration, the family rents its home. For families with children under 18, renting and paying off a mortgage are about equally common: about 48 percent are paying a mortgage, 45 percent rent, and less than 8 percent own outright. Thresholds for renters are very similar to those for families with a mortgage. Thresholds for those who own without a mortgage are substantially lower (Bohn et al., *California Poverty Measure*).
11. Most of California is expensive compared to the rest of the country. For example, the median housing price in the U.S. was about $162,000 in Fall 2013 but was about $383,000 in California. Fresno and Kern Counties are among the only populous counties in the state where prices are near that of the U.S. (Hans Johnson, "California's Future: Housing" [Public Policy Institute of California, 2014]). At the same time, Fresno, Kern, and other inland counties continue to have the highest unemployment rates in the state, at 11 to 12 percent in April 2014 (data from California's Employment Development Division). This compares to rates as low as 4 percent in the Bay Area and 5 to 7 percent in coastal southern California where housing is much more expensive.
12. Sarah Bohn and Eric Schiff, *The Great Recession and Distribution of Income in California* (Public Policy Institute of California, December 2011).
13. At the minimum wage in effect in 2011 ($8 per hour), someone working 30 hours a week for 50 weeks would have earned $12,000.
14. Researchers are actively engaged in characterizing income mobility, but it is often difficult to access timely, state-level data. See Chetty et al., "Where Is the Land of Opportunity?"; Julia Isaacs, Isabel Sawhill, and Ron Haskins, *Getting Ahead or Losing Ground: Economic Mobility in America* (Washington DC: Brookings Institution, 2008).

ABOUT THE AUTHORS

Sarah Bohn is a research fellow at the PPIC. A labor economist, her work focuses on how policy impacts individual and family economic well-being, with particular attention to low-income and vulnerable populations. She has published research on poverty, income inequality, the future of California's economy, California's community colleges, and the labor market impact of immigration policy. Her research has been supported in part by grants from the Ford Foundation, the Russell Sage Foundation, The Walter S. Johnson Foundation, and James Irvine Foundation. Sarah holds a PhD in economics from the University of Maryland, College Park.

Caroline Danielson is a senior fellow at the Public Policy Institute of California. Her research focuses on multiple dimensions of the social safety net, including its role in mitigating poverty, program access and enrollment, and the integration and governance of programs. Her research has been supported by the Blue Shield of California Foundation, the California HealthCare Foundation, The Walter S. Johnson Foundation, the Stuart Foundation, and the U.S. Department of Agriculture. Before coming to PPIC she was a principal analyst at the University of California's Welfare Policy Research Project and a faculty member in the Department of Politics at the State University of New York, Potsdam. She holds a PhD in political science from the University of Michigan and a master's in policy analysis from the Pardee RAND graduate school.

OTHER PUBLICATIONS

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Public Policy Institute of California
500 Washington Street, Suite 600
San Francisco, CA 94111
T 415 291 4400 F 415 291 4401

PPIC Sacramento Center
Senator Office Building
1121 L Street, Suite 801
Sacramento, CA 95814
T 916 440 1120 F 916 440 1121

www.ppic.org