Reducing Child Poverty

A Look at Housing Costs, Wages, and the Safety Net

November 15, 2017

Sarah Bohn and Caroline Danielson

Supported with funding from the LA Partnership for Early Childhood Investment and Sunlight Giving

Child poverty has declined but is still high in California

- Nearly one in four young children live in poverty
- Adverse circumstances in children’s early years can have long-term physical, social, and behavioral consequences
- High housing costs and low wages contribute to child poverty across the state

Recent state action will help reduce child poverty

- Policymakers have taken action to address these challenges:
  - Efforts to boost housing supply
  - Minimum wage increases
  - CalEITC
- Previous PPIC research has examined the prevalence of poverty and the role of the existing social safety net

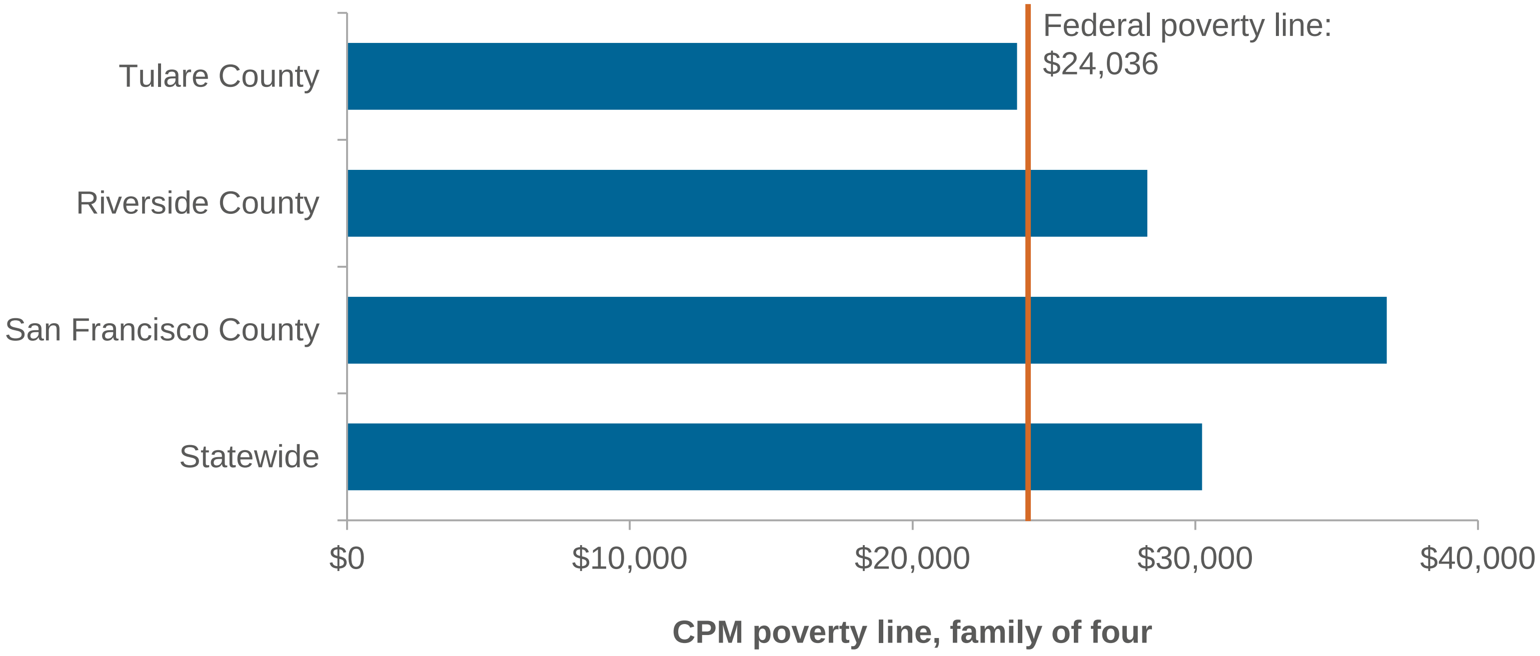
This research examines trade-offs among different policy approaches

- Focuses on improvements in poverty among children ages 0–5
- Examines broad-based and targeted approaches
  - Broad-based: housing costs and minimum wage
  - Targeted: tax credits that build on the CalEITC
- Leverages the California Poverty Measure (2012–15) to build scenarios
- Features an online interactive where users can explore how policy changes could affect their county

Outline

- Barriers to reducing child poverty
- Housing costs and minimum wage
- Targeted safety net policies
- Policy considerations
- Online interactive

Low-, mid-, and high-cost counties have dramatically different poverty thresholds



Poor families in high-cost areas are more likely to be housing burdened

	Statewide	Low-cost counties	Mid-cost counties	High-cost counties
Housing cost (median)	$12,300	$8,000	$10,000	$13,900
Severe housing burden	31%	23%	26%	34%

Table shows data for poor families with young children.

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Part-time employment and low-wage work are more common in low-cost counties

	Statewide	Low-cost counties	Mid-cost counties	High-cost counties
Employed	61%	60%	60%	62%
Employed full-time, year-round	37%	21%	29%	41%
Employed low-wage	78%	89%	82%	76%

Table shows data for adults in poor families with young children.

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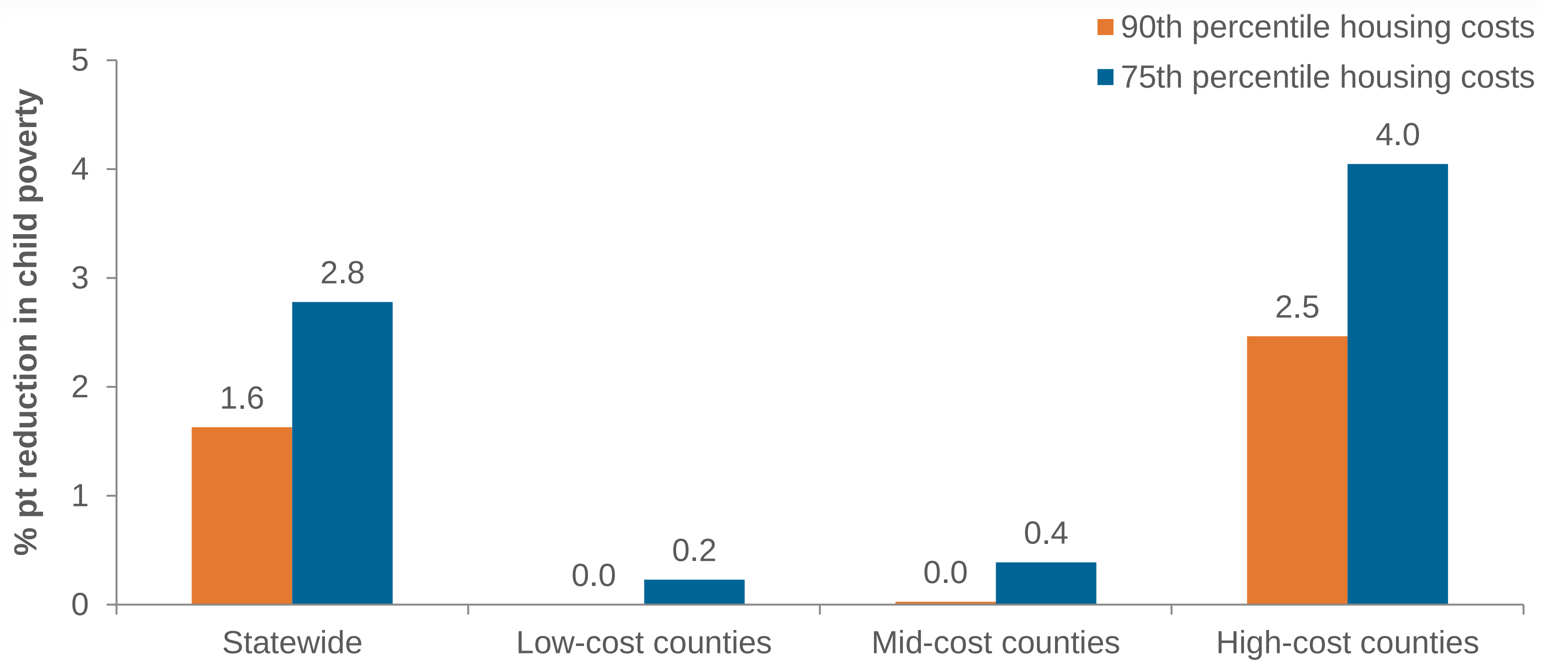
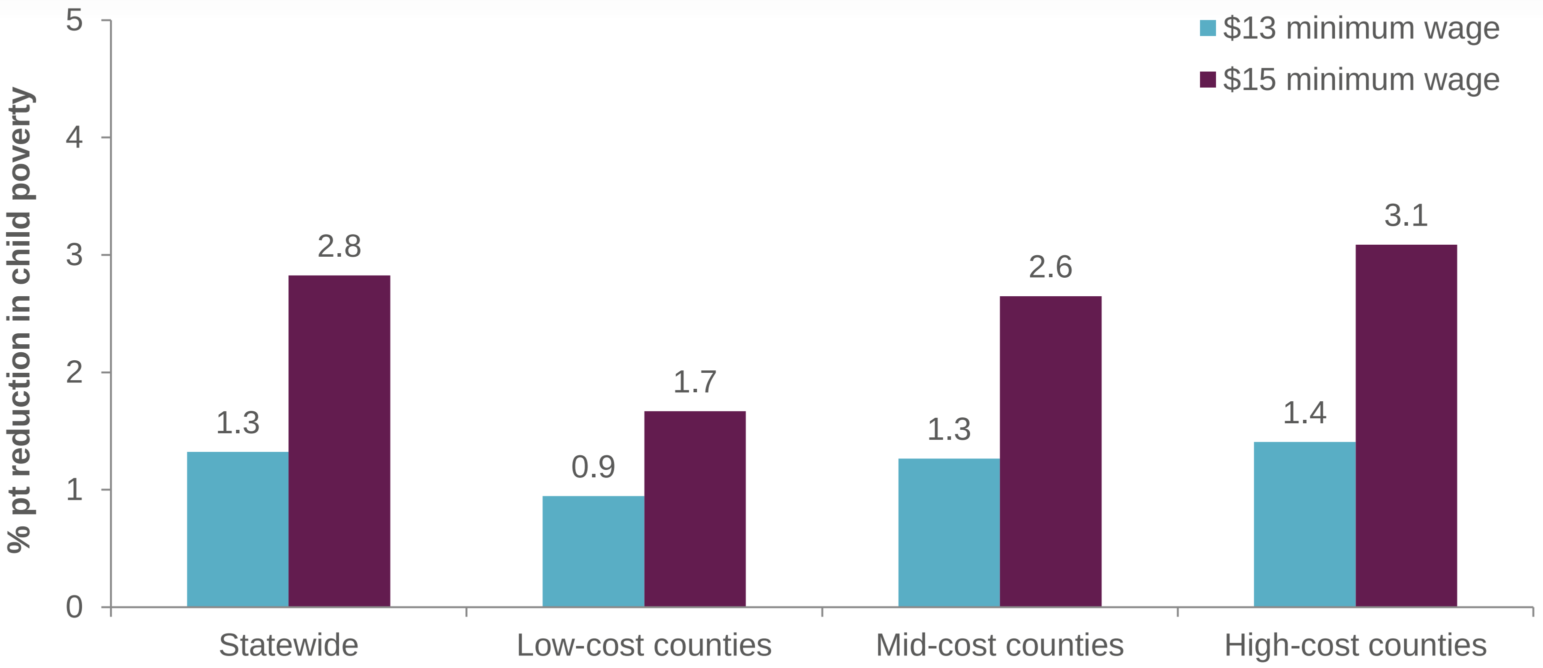
Lower housing costs could markedly reduce child poverty, especially in high-cost areas



Benefits from minimum wage increases are more distributed across the state



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Housing and minimum wage policies are broad-based

- Housing-cost scenarios affect all high-cost counties
  - Lowering housing costs does not help the poor in low-cost counties
- Minimum wage increases affect many who are not poor
  - They also help many Californians without children
- Both of these approaches tend to lower poverty more than deep poverty

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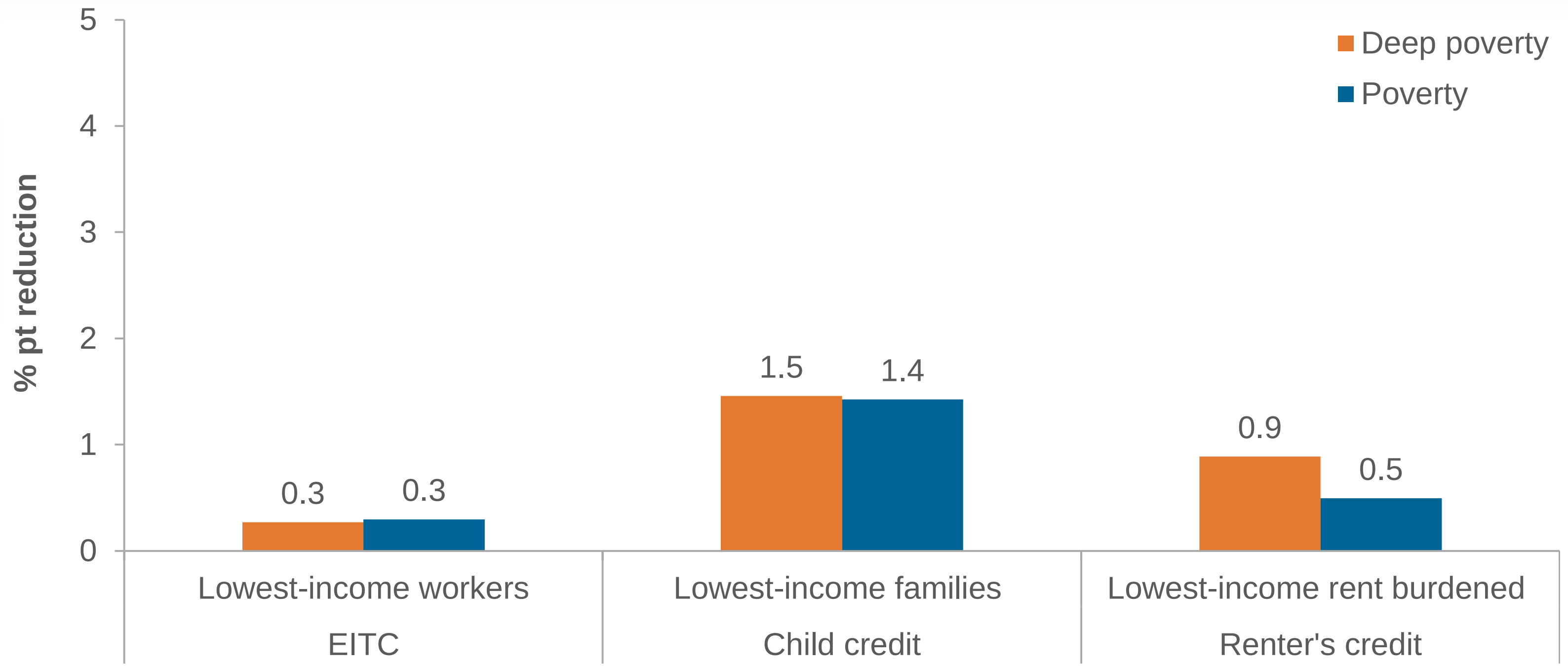
The safety net helps many children but misses others

- The safety net substantially reduces child poverty
  - Without these resources, 15.5% more young children would live in poverty
  - This includes large-scale cash, nutrition, housing, and tax credit programs
- But the current safety net has key limitations:
  - Reaching the lowest-income families that face the most severe poverty
  - Reaching low- and moderate-income families that may have limited access to existing safety net programs

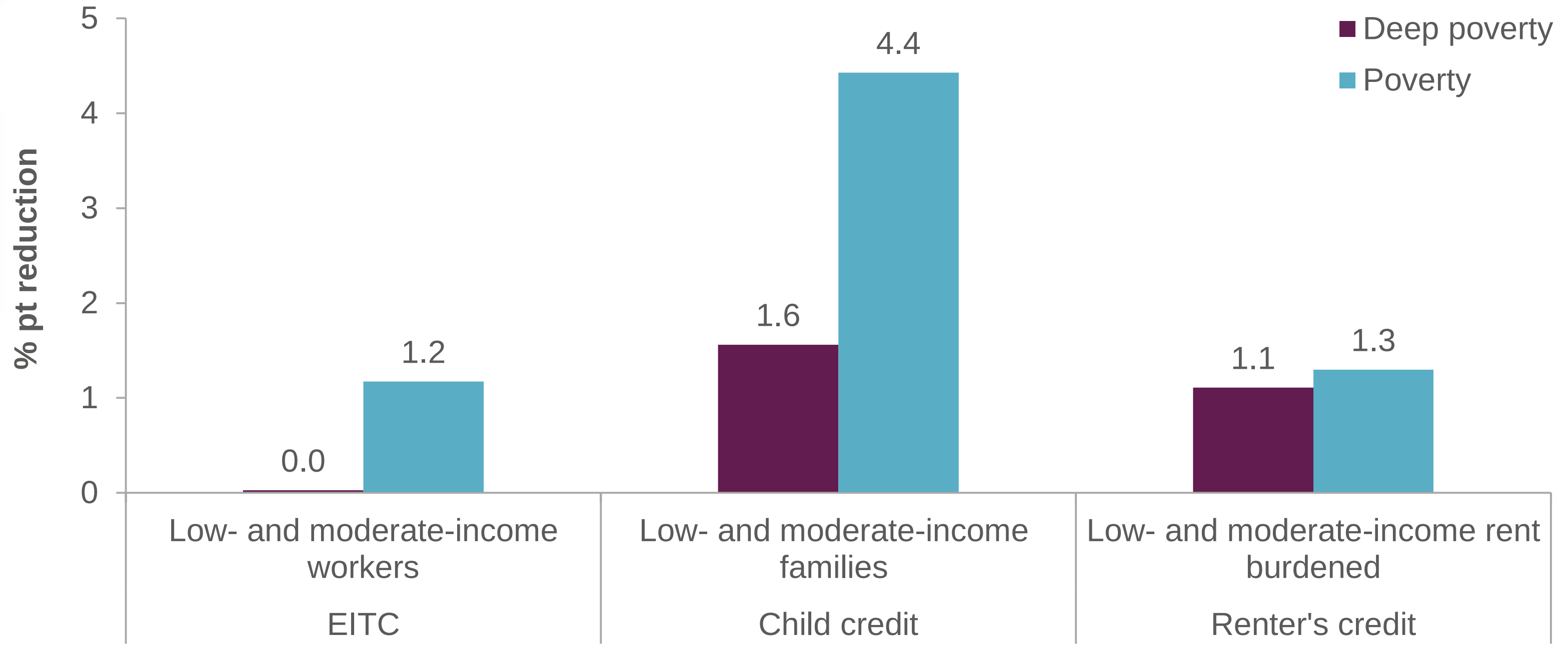
Targeted expansions of the social safety net hold promise

- We consider three tax credit scenarios:
  - Expand the CalEITC
  - Add a child credit
  - Restructure the renter's credit
- All of these policy options build on the EITC
  - CalEITC has been a focal point of policymaker action
  - Policies target support to low-income families with children

Approaches that focus on the lowest-income families are relatively effective at reducing deep poverty



Approaches that focus on low- and moderate-income families tend to be more effective at reducing poverty



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The policy options differ widely in scale

- Total benefits range from $417 million to $5.62 billion
- The number of young children assisted ranges from 210,000 to 1.59 million
- As constructed, the EITC scenarios provide smaller benefits ($390 to $2,300), while the child and renter's credits provide larger benefits ($2,800 to $3,900)
- Overall, the child credits cost the most, but they also reduce poverty and deep poverty the most and assist the most children

Scale and targeting are both critical

- The policies differ greatly in terms of poverty reduction
- But on a per dollar basis, we see commonalities
  - EITC and child credits targeting the lowest-income are quite similar
  - Renter's credits are also effective by this metric
- EITC and child credits targeting low- and moderate-income have smaller effects, particularly for children in deep poverty
  - Designed to assist families that are higher on the income spectrum

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Policymakers face key choices

- High housing costs and low wages are long-term challenges
- Policy options to supplement family resources are available and promising
  - But budget outlays could be large
  - And tough questions remain about where to target investments
- Considerations for policymaking include:
  - Focusing on lowest-income versus more moderate-income groups
  - Lowering the poverty rate versus improving economic well-being
  - Identifying local needs

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Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

Caroline Danielson (danielson@ppic.org; 415-291-4462)

Thank you for your interest in this work.

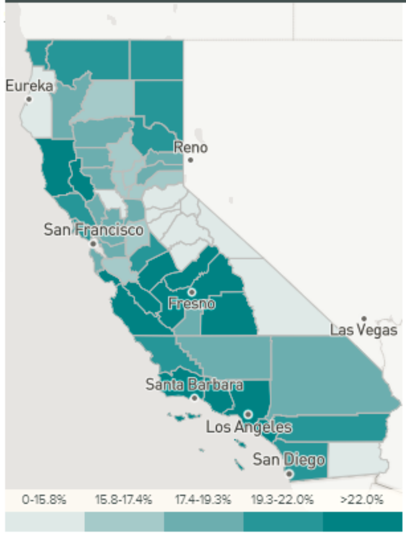
Statewide effects of a minimum wage increase to $13

Select a county

Statewide

Select a policy

HOUSING | MINIMUM WAGE | EITC | CHILD CREDIT | RENTER'S CREDIT



Select view

PROJECTED CHILD POVERTY RATE | DECREASE IN CHILD POVERTY

California's minimum wage increased to $10.50 in 2017 and is scheduled to rise to $15. We look at the effects of minimum wage increases to $13 (scheduled for 2020) and $15 (scheduled for 2022). These changes would affect workers across the state.

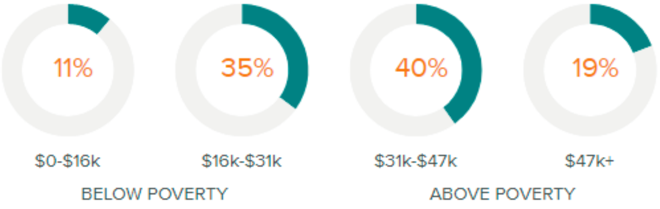
Select scenario

$13 PER HOUR | $15 PER HOUR

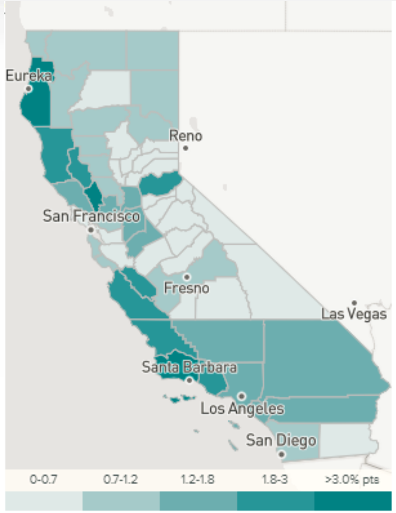
Statewide

Child poverty: 1.3 percentage points lower

Percent of young children assisted, by family income



The effects vary widely across counties



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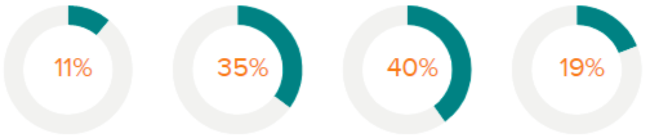

$0-$16k | $16k-$31k | $31k-$47k | $47k+

BELOW POVERTY | ABOVE POVERTY

LESS DECREASE | MORE DECREASE

Statewide average

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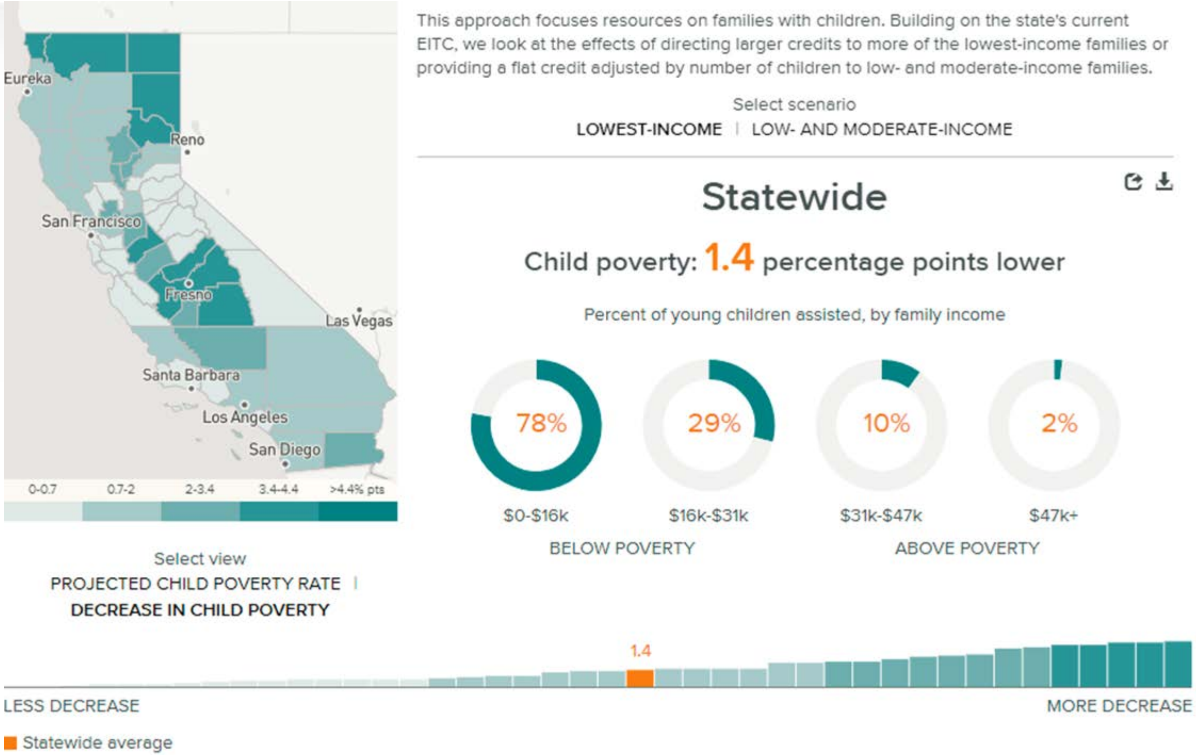
A child credit would focus resources more on young children in poverty



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A child credit focused on low- and moderate-income families would reach even more children in poverty

This approach focuses resources on families with children. Building on the state's current EITC, we look at the effects of directing larger credits to more of the lowest-income families or providing a flat credit adjusted by number of children to low- and moderate-income families.

Select scenario

LOWEST-INCOME | **LOW- AND MODERATE-INCOME**

Statewide

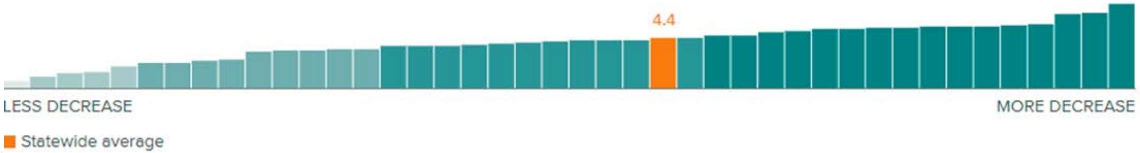
Child poverty: **4.4** percentage points lower

Percent of young children assisted, by family income

Select view

PROJECTED CHILD POVERTY RATE |

DECREASE IN CHILD POVERTY



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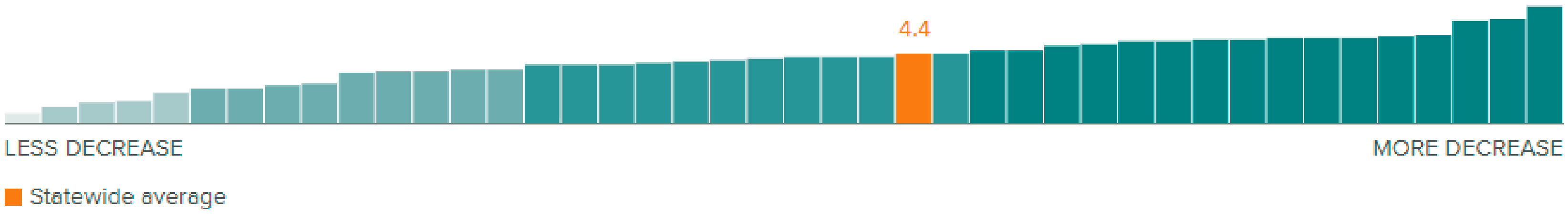
The interactive also shows median benefits to families and the total cost of benefits



Effects on young children, by poverty status

		Projections under policy			
	Baseline population	Projected population	Percent assisted	Median increase in family resources	Total cost of benefits
In deep poverty	151,600	104,600	95%	$2,800	$292,790,000
In poverty	691,200	558,000	96%	$2,800	$1,326,220,000
All young children	3,008,800	3,008,800	53%	$2,800	$2,783,890,000
All residents	37,655,400	37,655,400	29%	$1,800	$5,615,630,000

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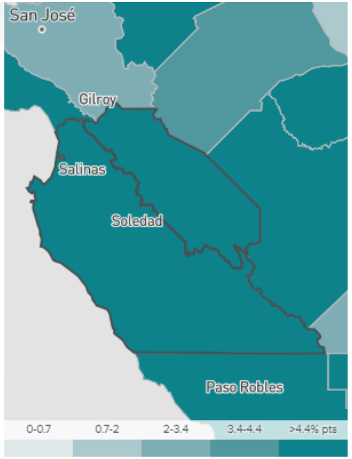
Some counties would see even greater reductions in child poverty



Select view
PROJECTED CHILD POVERTY RATE | DECREASE IN CHILD POVERTY

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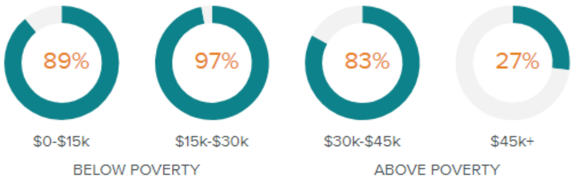
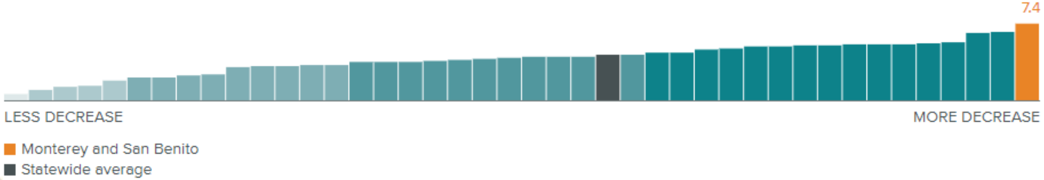
Select scenario
LOWEST-INCOME | LOW- AND MODERATE-INCOME

Monterey and San Benito

Child poverty: 7.4 percentage points lower

Percent of young children assisted, by family income





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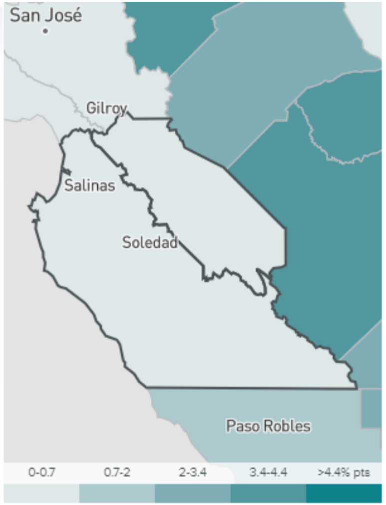
Targeting lowest-income or low- and moderate-income groups leads to different regional effects



Select view

PROJECTED CHILD POVERTY RATE | DECREASE IN CHILD POVERTY

This approach focuses resources on families with children. Building on the state's current EITC, we look at the effects of directing larger credits to more of the lowest-income families or providing a flat credit adjusted by number of children to low- and moderate-income families.

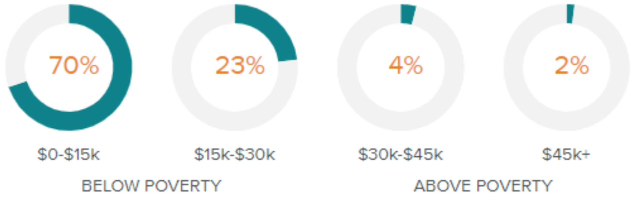
Select scenario

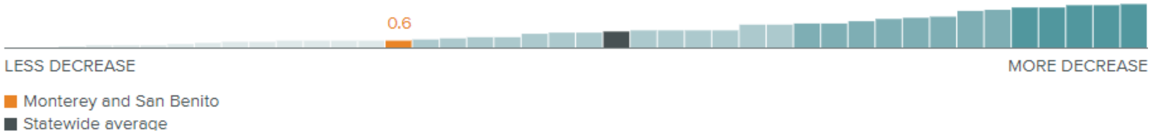
LOWEST-INCOME | LOW- AND MODERATE-INCOME

Monterey and San Benito

Child poverty: 0.6 percentage points lower

Percent of young children assisted, by family income





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