

February 11, 2016

When Every Dollar Counts: Child Poverty Has Lasting Negative Effects, But Even Small Income Boosts Can Help

By Kate Coventry

A large and growing body of research finds that family economic stability – or the lack thereof – can have lasting impacts on a child’s ability to succeed in school and in later life. The challenges poor parents face in creating a positive environment for their children – poor food access, unstable and unhealthy housing, and exposure to violence – have adverse impacts on the physical and cognitive development of children, including impacts on brain development. Low-income children enter school well behind other children and perform more poorly in school. They complete fewer years of education, work less, and earn less than others.¹

The daily stresses of poverty also make it hard for parents to make sound and forward-looking decisions; one study likened living in poverty to trying to function each day after missing a night of sleep.

On the other hand, research also shows that increasing a family’s income, even by a small amount, improves a range of outcomes for poor children, including academic test scores, school attendance, high school graduation, college enrollment, and future employment.

The scientific confirmation of the importance of stable family incomes has numerous implications for public policy in the District, particularly for the Temporary Assistance for Needy Families (TANF) welfare-to-work program. On one hand, the plan to raise DC’s very low TANF benefits over the next three years – from \$441 a month for a family of three to \$644 – will help parents find more secure housing and meet their children’s other needs. On the other hand, a TANF time limit that is set to go into effect in October 2016 could leave thousands of families with no income, and in deeper stress, unless it is modified. Some 6,000 families – with 13,000 children – will reach the time limit next year, and it is likely that many will not be able to replace the lost income. Changes to DC’s TANF time limit are needed to ensure that families receive adequate support while they are engaged in work preparation activities and when work is not available. A rigid time limit ignores the fact that TANF serves an extremely diverse group of families – and that the path to self-support will take longer for some than for others. Time limits undercut TANF’s ability to support family

¹ Greg Duncan and Katherine Magnuson “The Long Reach of Early Childhood Poverty”, *Pathways*, (Winter 2011).

stability – and increase the likelihood that children will be exposed to high levels of stress that reduce their chances of success in school and in employment when they reach adulthood.²

Poverty Has Severe Adverse Impacts on Children and Parents

Poverty affects children negatively in a number of ways. Children who live in poverty have worse outcomes in a range of areas including: physical and mental health, cognitive development, school achievement and emotional well-being. They score lower on academic tests, complete fewer years of education, work less, and earn less than others.³

New studies using brain scan technology vividly illustrate the harm associated with growing up poor. Much of the harm stems from the high levels of stress – known as “toxic stress” – faced by children living in poor families and poor communities.⁴ The stress of living in poverty, in a state of constant material scarcity, also has impacts on parents, particularly on the ability to make the best decisions in any given situation. These findings underscore the importance of policies to improve poor children’s environments and to address the stresses families face.

Impacts of Poverty on Children

Poverty can influence childhood development in a number of ways. Low-income children are more likely than other children to face malnutrition and exposure to toxins, resulting in high rates of asthma, lead poisoning, low birth weight, developmental delays, and learning disabilities.

The stress caused by material deprivation can also lead to poorer quality parenting.⁵ Beyond that, a growing body of research suggests that poverty can leave children in highly stressful environments – called “toxic stress” – with long-term effects on their cognitive development. The Center on the Developing Child at Harvard University notes that:

Learning how to cope with adversity is an important part of healthy development. While moderate, short-lived stress responses in the body can promote growth, toxic stress is the strong, unrelieved activation of the body's stress management system in the absence of protective adult support... Toxic stress response can occur when a child experiences strong, frequent, and/or prolonged adversity – such as physical or emotional abuse, chronic neglect, caregiver substance abuse or mental illness, exposure to violence, and/or the accumulated burdens of family economic hardship – without adequate adult support. This kind of prolonged activation of the stress response systems can disrupt the development of brain

² See [Unlocking Opportunities: Services that Help Poor Children Succeed in the Classroom](http://www.dcfpi.org/unlocking-opportunities-services-that-help-poor-children-succeed-in-the-classroom-3) for more information on what services can help poor students succeed in school.

<http://www.dcfpi.org/unlocking-opportunities-services-that-help-poor-children-succeed-in-the-classroom-3>

³ Duncan and Magnuson (2011).

⁴ Trina R. Williams Shanks and Christine Robinson, “Assets, economic opportunity and toxic stress: A framework for understanding child and educational outcomes.” *Economics of Education Review* (2012), <http://dx.doi.org/10.1016/j.econedurev.2012.11.002>

⁵ Duncan and Magnuson (2011).

architecture and other organ systems, and increase the risk for stress-related disease and cognitive impairment, well into the adult years.⁶

Toxic stress can be caused by the effects of poverty, such as inadequate housing and food insecurity.⁷ The impacts of toxic stress are serious:

- **Brain Development:** Toxic stress can impair the development of the prefrontal cortex, the area of the brain crucial to the development of executive functioning (EF) skills, such as memory, focusing attention, planning, and inhibiting impulsive behaviors.⁸ The lack of appropriate EF skills can lead to lower performance in school.⁹ For example, one study documented that a young adult's working memory at age 17 "deteriorated in direct relation to the number of years children lived in poverty. The study found that "such deterioration occurred only among poverty-stricken children with chronically elevated physiological stress."¹⁰
- **Behavioral problems:** Children experiencing toxic stress are also more likely to have emotional behavioral disorders¹¹ and struggle to manage stress.
- **Health impacts:** Exposure to toxic stress can also change the immune system and lead to increased inflammation which are associated with poor health outcomes like asthma, cardiovascular disease, and autoimmune disorders.¹²
- **Risky behaviors:** Toxic stress in early childhood is also a risk factor for later risky behavior, like illicit drug use, that can negatively affect adult health.¹³

Advancements in neuroscience have made it possible to demonstrate that poverty physically alters brain development. One study found that poor children had an average of 7 to 10 percent less grey matter in areas of the brain associated with academic test performance than children living above 150 percent of the poverty line. Fifteen to 20

⁶ "Toxic Stress Key Concepts," Harvard University Center on the Developing Child, Accessed on February 2, 2016. <http://developingchild.harvard.edu/science/key-concepts/toxic-stress/>

⁷ Williams Shanks and Robinson (2012).

⁸ Gary W. Evans and Pilyoung Kim, "Childhood Poverty, Chronic Stress, Self-Regulation, and Coping," *Child Development Perspectives* (2013). 7(1), 43-48.

⁹ Perry Firth, "Homelessness, Poverty and the Brain: Mapping the Effects of Toxic Stress on Children,"

Firesteel: the Network of Washington YWCAs Washington. (September 4, 2014).

<http://firesteelwa.org/2014/09/homelessness-poverty-and-the-brain-mapping-the-effects-of-toxic-stress-on-children/>

¹⁰ Gary W. Evans, Jeanne Brooks-Gunn, and Pamela K. Klebanov, "Stressing Out the Poor: Chronic Physiological Stress and the Income-Achievement Gap," *Pathways*, (Winter 2011).

http://www.stanford.edu/group/scspi/media/pdf/pathways/winter_2011/PathwaysWinter11.pdf.

¹¹ Firth (2014).

¹² Jack P. Shonkoff, MD, and Andrew S. Garner, MD, PhD. And the *Committee on Psychosocial Aspects of Child and Family Health, Committee on Early Childhood, Adoption, and Dependent Care, and Section on Developmental and Behavioral Pediatrics*, "The Lifelong Effects of Early Childhood Adversity and Toxic Stress. American Academy of Pediatrics. *Pediatrics*, (2012), 129(1), e232-e246.

<http://pediatrics.aappublications.org/content/pediatrics/early/2011/12/21/peds.2011-2663.full.pdf>

¹³ Shonkoff and Garner, (2012).

percent of the gap in achievement scores between children from lower and higher-income families can be explained by this lack of grey matter.¹⁴

Childhood environment makes an important difference, researchers suggest, noting that the areas of the brain where they found these poverty effects tend to grow rapidly after birth, change structure throughout childhood, and are thought to be particularly influenced by childhood conditions.

Poverty's Impact on Parents – The Bandwidth Tax

Living in poverty means living in chronic scarcity. Recent research shows that living under the conditions of scarcity, particularly from poverty, imposes strains that make it hard for adults to make good day-to-day decisions or good forward-thinking decisions. Scientists refer to this as a “bandwidth tax,” a reduction in the cognitive resources available to devote to activities aimed at achieving long-term goals. Researchers that have studied scarcity liken living in poverty to living perpetually on a missed night of sleep, or an IQ loss of 13 points.¹⁵

The impacts of the bandwidth tax are significant:

- It reduces capacity to think logically and analyze and solve novel problems and process information.
- It diminishes the ability to evaluate options and make high-quality decisions.
- It impairs self-control, often leading to impulsivity.

In other words, living in poverty not only creates conditions that may make it hard to succeed – such as needing to rely on potentially unreliable or time-consuming public transportation to get children to school and then to a job. The challenges and strains of poverty, like this transportation challenge, also make it hard for parents to map out a strategy for changing their current circumstances.

Financial Stability Helps Children Succeed

While it is increasingly clear that poverty, scarcity, and stress have long-term detrimental effects, there also is more positive evidence that interventions to address poverty can prevent these negative effects. Antipoverty programs not only help poor families get by today, research shows, but also help their children succeed in the future.¹⁶ Depending on the

¹⁴ Arloc Sherman, “Brain Studies Highlight Importance of Anti-Poverty Policies for Children,” Center on Budget and Policy Priorities, (August 6, 2015), <http://www.cbpp.org/blog/brain-studies-highlight-importance-of-anti-poverty-policies-for-children>

¹⁵ Anandi Mani, Sendhil Mullainathan, Eldar Shafir, and Jiaying Zhao, “Poverty Impedes Cognitive Function,” *Science*, (August 20, 2013), 341(6149), 976-980.

¹⁶ Arloc Sherman, “Evidence Compiled by President’s Economic Experts Illustrates Long-Term Gains from Antipoverty Programs,” Center on Budget and Policy Priorities, (September 4, 2015), http://www.cbpp.org/research/poverty-and-opportunity/evidence-compiled-by-presidents-economic-experts-illustrates-long#_ftn1

program, the long-term benefits include better health, more education, improved earnings and economic self-sufficiency, and higher marriage rates.

Some of the benefits are tied to specific services such as Head Start, but much of the benefit appears to come from the stability provided by having a higher income or programs that help families meet their basic needs. “Much of the benefit” of antipoverty programs, according to Council of Economic Advisers chair Jason Furman, “appears to derive from helping low-income families pay for basic needs like food, housing or health care, or simply reducing the intense economic pressure they face,” noting that “poverty may increase intense stress inhibiting young children’s cognitive development.”¹⁷

A number of studies have found that increasing a family’s income, even by a small amount, improves a range of outcomes for poor children:

- One study found that an annual income increase of \$3,000 during early childhood (prenatal year through fifth birthday) was associated with 19 percent higher earnings and a 135 hour increase in work hours during adulthood.¹⁸
- Two recent studies looked at families who received approximately \$4,000 per Native American adult annually as their share of their tribe’s casino profits. The first study found children in families receiving the additional income were more likely to graduate from high school by age 19.¹⁹ The children and their parents were less likely to commit minor crimes and the children were less likely to report they had dealt drugs at all in their youth. Children from the poorest families experienced the largest gains.
- The second study found that additional income led to improvements in parental supervision and parent-child relationships as well as reduction in arguments between children and parents.²⁰ Additional income also decreased the likelihood that the primary caregiver reported their relationship with a spouse or partner as “poor.” And it reduced the prevalence of behavioral and emotional disorders that are associated with lower levels of educational attainment and employment and increased other personality traits, like conscientiousness and agreeableness. The largest gains were for children who prior to the casino payments had shown more symptoms of emotional and behavioral disorders and were behind their peers in these personality traits.

¹⁷ Jason Furman, “Smart Social Programs. *The New York Times*. (May 11, 2015), http://www.nytimes.com/2015/05/11/opinion/smart-social-programs.html?_r=2

¹⁸ Greg Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, “A. Early-Childhood Poverty and Adult Attainment, Behavior, and Health,” *Child Development*. (January/February 2010), 81:1, 306-325. These studies could not isolate how much of the effect was from the income boost and how much was from a change in the parental employment. In many studies, hours worked increased, meaning positive outcomes could be related to increased parental employment. In others, hours worked decreased, meaning that positive outcomes could be related to parents having more time to spend with their children.

¹⁹ Randall K.Q. Akee, William E. Copeland, Gordon Keeler, Adrian Angold, and Elizabeth Costello. “Parents’ Incomes and Children’s Outcomes: A Quasi-Experiment,” *American Economic Journal of Applied Economics*. (January 2010), 2:1, 86-115.

²⁰ Randall Akee, Emilia Simeonova, E.Jane Costello, William Copeland “How Does Household Income Affect Child Personality Traits and Behaviors?” *National Bureau of Economic Research Working Paper 21562*. (September 2015), <http://www.nber.org/papers/w21562.pdf>

What DC Can Do to Increase Financial Stability for Poor Children

These findings show that policies that boost incomes, help families meet their basic needs, or otherwise promote financial stability will not only help low-income DC families cope with the ever rising costs of living, but also produce tangible long-term impacts to help children live up to their potential and contribute fully to the DC economy. While the District has done a great deal in this regard – increasing the minimum wage, expanding housing assistance, and creating the largest Earned Income Tax Credit for working poor families at the state level – the city’s policies in its TANF welfare-to-work program could leave very low-income families with children in very deep poverty. Actions taken over the next several years could greatly improve TANF’s role in promoting family economic stability.

- **Increasing TANF Benefits.** DC’s TANF benefits are very low – just \$441 per month for a family of three, bringing the family to just 26 percent of the federal poverty line. The value of TANF benefits in DC has dropped sharply since 1990, because benefits have not been increased to keep up with the rising cost of living.

Through a series of planned increases over the next three years, benefits will increase to \$644 per month, 35 percent of the poverty line. This will put DC’s benefits in line with benefits in other high-cost jurisdictions such as Boston (\$618), Los Angeles (\$704), and New York City (\$789).²¹ Raising TANF benefits will help families make ends meet, including maintaining stable housing. Fully implementing these increases should be a priority for the Mayor and the DC Council.

- **Reduce the Bandwidth Tax by Streamlining Operations at Service Centers.** To apply and recertify for benefits such as TANF, Medicaid, and SNAP (Supplemental Nutrition Assistance Program, also known as food stamps), residents must often go to an Economic Security Administration (ESA) Service Center. Some programs allow clients to mail, fax, or phone in an application, but due to instances of lost paperwork, many clients prefer to show up in person.²² These Service Centers have long lines, with residents routinely lining up at 6 a.m. (90 minutes before the Centers open) and being turned away because Centers have reached capacity.²³ Residents also have to make multiple trips to the Service Centers because paperwork has not been processed.²⁴ Improving business processes at Service Centers to address these problems would greatly reduce the burden on families, freeing up cognitive resources to help them improve their current circumstances. ESA has secured business process consultants to examine these issues and others at the Service Centers. Their recommendations should be implemented expeditiously.

²¹ Ife Floyd and Liz Schott, “TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode” Center on Budget and Policy Priorities, (October 15, 2015), <http://www.cbpp.org/sites/default/files/atoms/files/10-30-14tanf.pdf>

²² Wes Rivers and Chelsea Sharon, “Testimony for Public Oversight Hearing on the Performance of the Economic Security Administration of the Department of Human Services,” DC Fiscal Policy Institute and Legal Aid of the District of Columbia, (March 12, 2015), <http://www.dcfpi.org/wp-content/uploads/2015/12/Joint-ESA-Oversight-Testimony-from-Legal-Aid-and-DCFPI.pdf>

²³ Rivers and Sharon (2015).

²⁴ Rivers and Sharon (2015).

- **Reforming DC's TANF Time Limit to Give Families the Time They Need.**

Under DC's current time limit policy, families that have received assistance for 60 months or more receive vastly reduced benefits, just \$154 in monthly cash aid for a family of three, and are slated to lose all benefits by October 2016. Some 6,000 families with 13,000 children are expected to be affected. Recognizing the complex lives of many poor families and the dangers of children living in deep poverty, 44 states allow some families more time after they reach the time limit to move to self-sufficiency.²⁵ But DC's rigid time limit has no exceptions. Research from other states finds that the vast majority of families cut off TANF are not able to replace lost benefits with employment income, leaving many to lead chaotic and unstable lives. This leads to increases in homelessness and child neglect as families cannot meet their children's most basic needs.²⁶

The Mayor and the DC Council will work over the next year to modify DC's TANF time limit. As they do so, the chief goal should be to ensure that the TANF program helps more families move toward greater financial stability, without pushing more children into deep poverty. This will require replacing DC's rigid time limit -- that applies to all families without exception -- with a policy that gives families the supports and time they need to make progress. Ensuring children do not fall into deep poverty will create a brighter future for them and for the District as a whole.

²⁵ *FY 2016 Budget Request Fact Sheet on the TANF Employment Program*, Department of Human Services, http://www.dcfpi.org/wp-content/uploads/2015/04/DC-FY16-Budget-Request-TEP-Fact-Sheet_FINAL-1.pdf

²⁶ Ramona Scarpace, Karen Jung, and Leslie Crichton, "The Welfare Time Limit in Minnesota: A Survey of Families Who Lost MFIP Eligibility as a Result of the Five-Year Time Limit, Minnesota Department of Human Services, (2003).