

Threats to the Next Generation: Why Children Are Hardest Hit by Cuts in the Safety Net

Children are hardest hit during a recession because they are more likely to live in poverty and be reliant on state assistance

Recent Kids Count data show a 64 percent increase in childhood poverty between 2000 and 2009 in Michigan, with nearly one of every four children in the state now living in poverty. During the same time period, childhood poverty rose only 18 percent nationwide.¹

The negative effects of growing up in poverty are well documented. Poor children are less likely to be physically and emotionally healthy, face more struggles in school, are less likely to graduate, and ultimately have greater difficulties entering the workforce and supporting families of their own.

Because they are more likely to live in poverty and be reliant on public assistance, children are hardest hit during a recession when families' needs grow at the same time that state revenues dwindle. The problem is particularly severe in Michigan because of the state's 10-year struggle with structural budget deficits, caused in part by an outdated tax system in need of reform.

Nearly 1.1 million Michigan children live in families with such low incomes that they are eligible for basic public assistance programs, including income supports, food assistance, Medicaid, subsidized child care or disability assistance. As Michigan lawmakers work to balance the state budget and enact reforms to address the state's revenue problems, it is critical that they recognize that changes to basic public assistance and health programs have the greatest impact on the state's most important resource—its children.

Recent legislative actions, including those to limit access to the state's Family Independence Program through a 48-month cap and reduce dramatically the state's Earned Income Tax Credit for low income working parents, will have the greatest impact on children, forcing more into even deeper poverty. The repercussions for the state future and economy are clear. Without adequate family, community and public investments in *all* children, from the cradle to a career, Michigan's efforts to rebuild its economy will be thwarted.

Michigan Children and the Public Safety Net

- **Childhood poverty increased 64 percent in Michigan between 2000 and 2009, compared to a national average of 18 percent.**
- **Nearly one of every four Michigan children lives in poverty.**
- **Poverty rates are much higher for young children and children of color, with more than half of young African American and American Indian children under the age of five living in poverty.**
- **Poor children are less likely to be healthy, succeed in school and successfully enter the workforce as adults.**
- **Nearly 1.1 million Michigan children live in families with such low incomes that they are eligible for public basic needs programs.**

¹ Promoting Opportunity for the Next Generation, 2011 Kids Count Data Book, Annie E. Casey Foundation (August 2011).

Extreme poverty and deprivation in early childhood is especially harmful and the effects can be lifelong

The first, and most critical, window of opportunity to improve developmental outcomes for children is during the earliest years before the age of 6. Scientists have documented that children's experiences during the earliest years of life alter the very architecture of their brains in ways that permanently affect their health, learning and development. In fact, between 80 and 90 percent of the "wiring" of the brain takes place by the time a child enters kindergarten.

Young children have consistently suffered from higher rates of poverty. In 2009, more than one quarter (27%) of young children were poor, with early childhood poverty rates as high as 52 percent for African American children under the age of 5, 51 percent for American Indian, and 44 percent for Hispanic/Latino children.²

Research has shown that poverty in the early years can be especially harmful for children. Compared with children whose families had incomes of at least twice the poverty line, children who were poor in early childhood ultimately completed two fewer years of schooling, earned less than half as much money, worked fewer hours per year, received more in public benefits, and were nearly three times as likely to report being in overall poor health.³ By age four, children who live in very low-income families are 18 months behind the developmental norm for their age, and by age 10, the gap is still present.⁴

Unfortunately, being poor at birth is a strong predictor of future poverty, particularly for African American children. A recent national study shows that 31 percent of all white children and 69 percent of African American children who are poor at birth go on to spend at least half their childhood living in poverty.⁵

The achievement of school-age children is likewise affected by deep and persistent poverty.

The risks of poverty are also greatest for children experiencing persistent and deep poverty. While some families move in and out of poverty over the years, children and youths who remain poor for many years face even worse outcomes and limited opportunities.

For example, there is strong evidence that children and youths who spend more years in poverty struggle in school. One national survey found that Michigan children who live in lower income families (below twice the poverty level) are more than twice as likely as higher income children to repeat a grade (13% vs. 5%), and are more likely to be disengaged from school (18% vs. 11%).⁶ In addition, low-income children consistently perform worse on national educational achievement tests, and are less likely to complete high school.

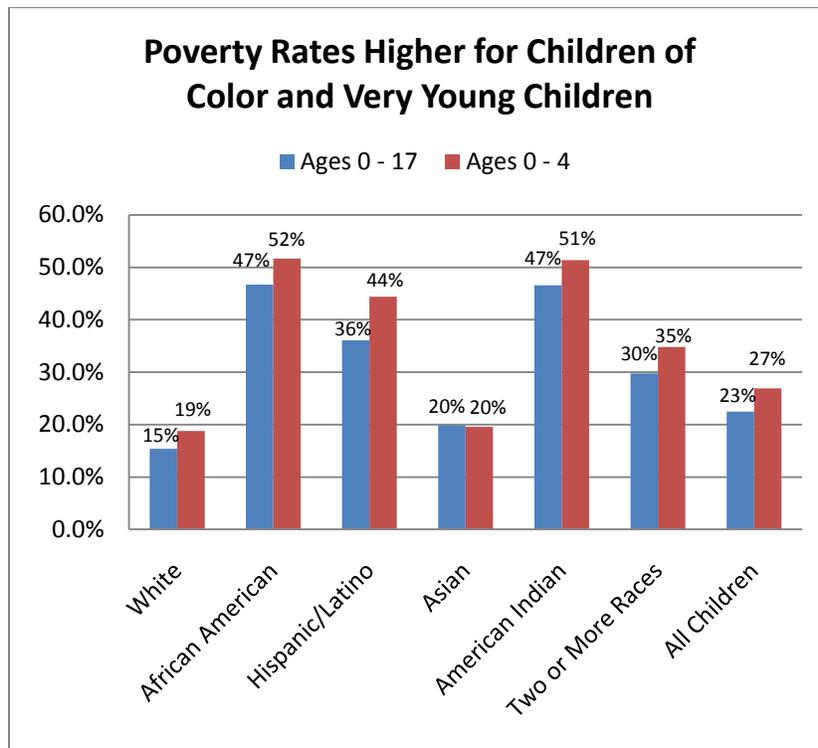
² 2009 American Community Survey.

³ Duncan, G., and Magnuson, K. *The Long Reach of Early Childhood Poverty*, Pathways (Winter 2011).

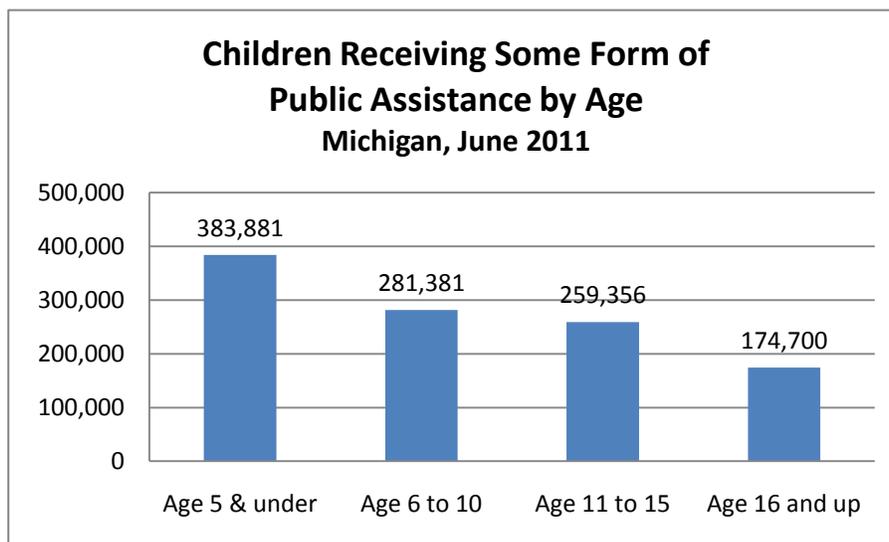
⁴ *Promoting Opportunity for the Next Generation: 2011 Kids Count Data Book*, Annie E. Casey Foundation.

⁵ Ratcliff, C. and McKernan, S.M. *Childhood Poverty Persistence: Facts and Consequences*, Perspectives on Low-Income Working Families, Brief 14, The Urban Institute (June 2010).

⁶ *Kids Count in Michigan 2009 Data Book*, Michigan League for Human Services.



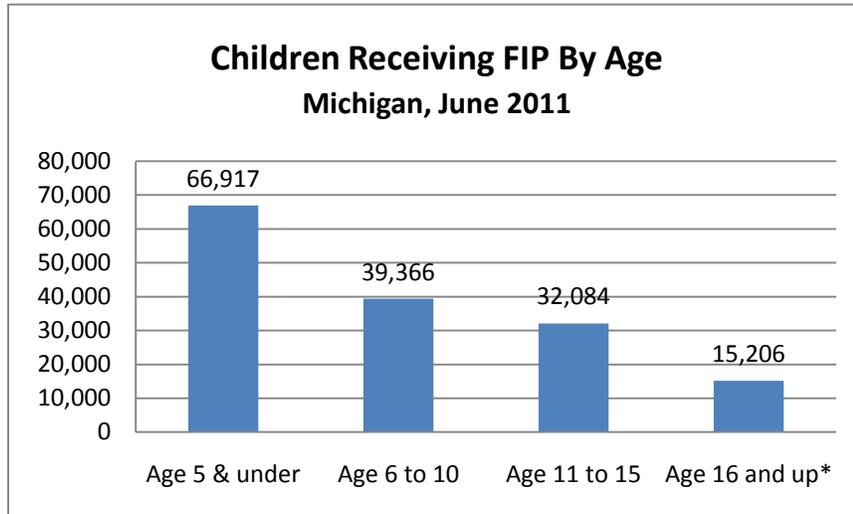
Children are disproportionately reliant on public services and supports, particularly young children under the age of 6. In June of 2011, nearly 1.1 million children in Michigan were receiving some form of public assistance, including income assistance, food assistance, child care subsidies, Medicaid or disability assistance. Over 380,000 of those children were under the age of six.⁷



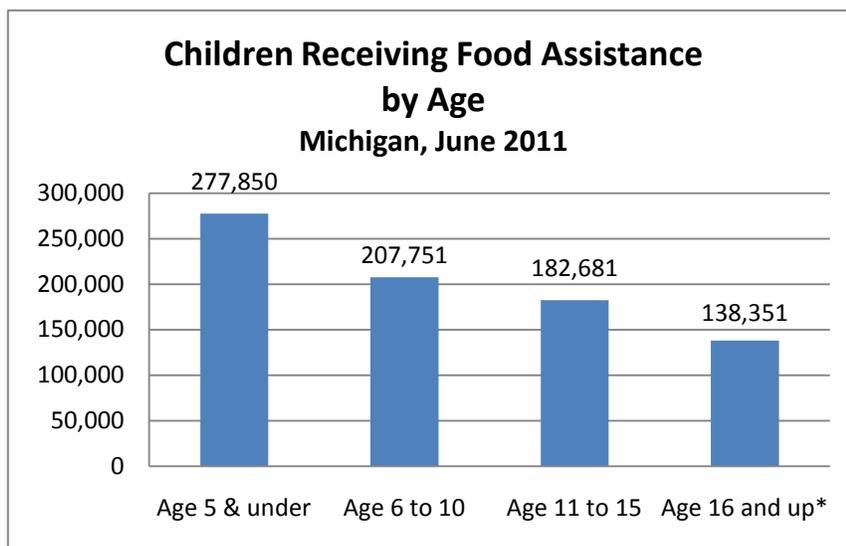
*Source: Michigan Department of Human Services. Includes income assistance (FIP), food assistance, subsidized child care, Medicaid and state disability assistance; children may be eligible for multiple programs but the count is unduplicated.

⁷ Distribution of Children by Age Reports, Green Book Report of Key Program Statistics, Michigan Department of Human Services (June 2011).

Two of every three recipients of public income assistance are children. To be eligible for the state's Family Independence program (FIP), families must typically have incomes below approximately \$9,780 per year for a family of three. Between 1981 and 2008, the maximum public assistance grant for a family of three, currently \$492 per month, dropped from 23 percent below the poverty line to 66 percent below. As a result, it is estimated that less than one-third of Michigan households with children living in poverty now receive cash assistance needed to cover their children's basic needs.⁸



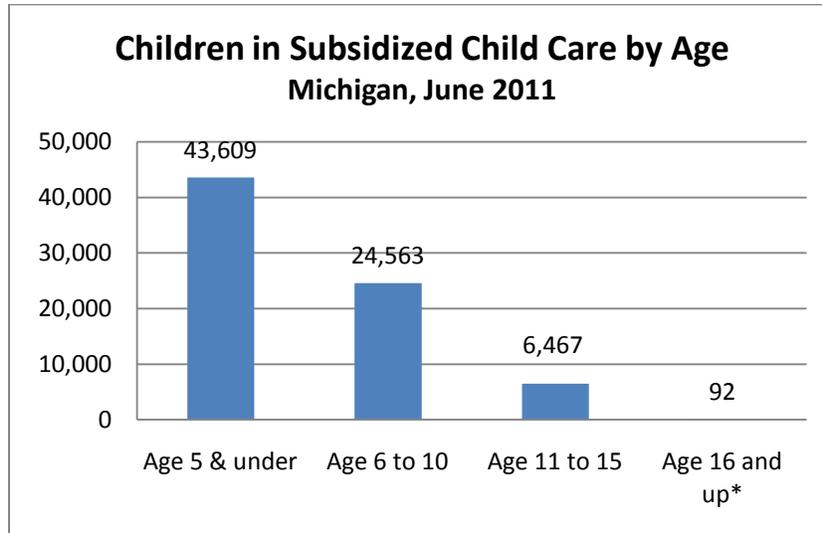
Michigan children are increasingly reliant on federal food assistance programs for their daily sustenance. Over 800,000 children in Michigan rely on federally-funded food assistance for their basic nutritional needs, and the need for food assistance has been growing rapidly. Overall, the number of food assistance cases increased from 326,699 in 2002 to 947,985 in 2011, an increase of 190 percent.⁹



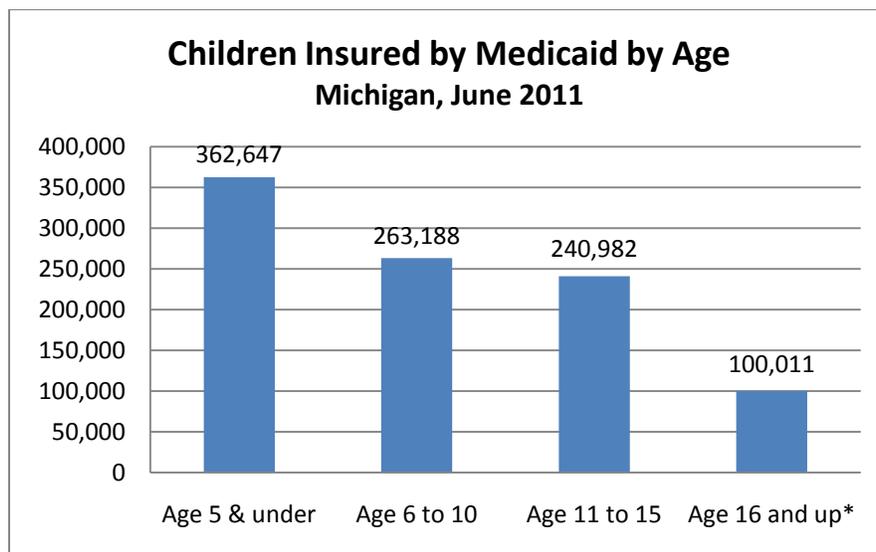
⁸ Michigan's Incredible Shrinking Safety Net, Michigan League for Human Services (May 2009).

⁹ Koorstra, K. and Schneider, B. Human Services Background Briefing, House Fiscal Agency (January 2011).

Fewer children are in state-subsidized child care settings. In June of 2011, there were 74,731 children in state subsidized child care settings, including 43,609 children ages five and under. The number of children in state-subsidized child care fell 20 percent between June of 2010 and June of 2011. Two of every three children in publicly subsidized child care in Michigan are in unregulated child care settings where little is known about safety or quality, a rate higher than many other states.



The number of children insured by Medicaid has continued to rise in Michigan, with young children most likely to rely on Medicaid for their health care coverage. In fiscal year 2009, 38 percent of all Michigan children were insured by Medicaid, up from 23 percent in 2001—a 65 percent increase. In the same year, nearly half (46%) of all births in Michigan were covered by Medicaid. In June of 2011, there were 964,953 Michigan children enrolled in the state’s Medicaid program, including 361,917 children under the age of six. Because children are generally healthy if provided adequate preventive care, they represent 55 percent of all Medicaid enrollees, but account for only 19 percent of Medicaid expenditures.¹⁰



¹⁰ Presentation by Stephen Fitton, Director, Medical Services Administration, Michigan Department of Community Health to the Senate Appropriations Subcommittee on Community Health (March 16, 2011).

Conclusion:

Recent Kids Count data show that both in Michigan and nationwide, the economic recession hit families with children particularly hard. Three years after the national downturn began, unemployment and foreclosures are high, and many more children are living in families that face deep economic insecurity. Of particular concern is the increase in racial and ethnic disparities in income and wealth, both of which are wider than before the recession.¹¹

According to Kids Count, Michigan ranks 47th in the country in terms of family income security. In 2009, more than one-third (36%) of all Michigan children under the age of 18 lived in households where no parent had full-time, full-year employment, and nearly one in four (23%) lived in poverty.

There is a wealth of research documenting the effects of poverty on children's health, development and ultimate success in school and the workforce. That research shows conclusively that economic hardship poses the greatest threat to very young children, with lifelong effects both for the children and that state's economic growth. As shown in the data above, children are disproportionately reliant on publicly-funded basic needs programs for food, shelter and access to health care. Cuts to those programs will disproportionately hurt low income children, and especially the youngest children.

Fortunately we now have strong evidence that public policies matter. Studies of public assistance programs that increased family income through employment and earnings supplements show positive effects on children, including improvements in school achievement.¹² And, numerous studies of investments in early childhood programs have shown dramatic returns on investment. As Michigan begins to address its fiscal problems and plan for future economic growth, it is critical that basic supports for low-income families with children be protected and enhanced.

¹¹ *Promoting Opportunity for the Next Generation: 2011 Kids Count Data Book*, Annie E. Casey Foundation.

¹² Cauthen, N. *Policies That Improve Family Income Matter for Children*, Improving Children's Economic Security, Policy Brief No. 1, National Center for Children in Poverty (April 2002).