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# Children Among the Poor

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This article investigates a number of issues that clarify the premises underlying the assignment of children into poverty. Conventional definitions indicate much larger poverty rates among children than among adults. Three possible theoretical reasons for this greater representation of children among the poor are explored. It is shown that the most direct mechanism—poorer parents having more children—is of little importance. Instead, the greater incidence of poverty among children is the result of (1) a labor supply effect of children's reducing family income as mothers work less and (2) the assumption of greater household "needs" when children are present. The research presented here also demonstrates that long-term permanent poverty rates among children are much lower than the conventional yearly measures.

In the span of a few years, Preston's (1984) presidential address comparing the relative plight of the elderly and children has achieved the status of a classic. He pointed out that recent successes in reducing poverty among the elderly obscured far more negative trends among this nation's children. Preston emphasized the large disparities in resources available to these two groups of dependents, but he could equally have cited the imbalance in research dealing with poverty among the elderly and poverty among children. Largely as a result of Preston's address, this imbalance is now changing.

The absence of a long-standing tradition of work on children's poverty, however, cautions us that the conventional treatment of poverty, including some basic issues about its definition, may not carry over to children without some rethinking. In addition to placing recent trends in children's poverty within a longer historical perspective, in this article I raise a number of issues that are meant to clarify the premises that underlie the measurement of poverty, especially the assignment of children into poverty.

These issues collectively suggest that conventional measurement may exaggerate the size of the poverty problem among children while understating its increasing relative severity. At a minimum, these issues are informative about the mechanism through which children are classified as poor. I want to emphasize that the purpose here is not to diminish the problem of poverty among children. Even if all of my arguments were accepted, poverty among children would remain at unacceptably high levels, and the basic truth in Preston's argument would still stand.

## The Family Context

Virtually all poverty thresholds are defined at the family level, so all members of a family are assigned as a group into poverty. Consequently, trends in poverty among children will to a large extent parallel trends that exist for the family unit as a whole. A first step toward understanding changes in the fraction of children in poverty, then, involves determining long-run trends in numbers of poor families.[1] To this end, Table 1 separates families into three income classes for all census years between 1940 and 1980.[2]

This table simultaneously illustrates the persistence of family poverty and the growth

Table 1. Income Group Status of Families (in %)

| Type of family | 1980 | 1970 | 1960 | 1950 | 1940 |
|---|---|---|---|---|---|
| All | | | | | |
| Poor | 11 | 11 | 15 | 22 | 34 |
| Middle class | 63 | 66 | 62 | 50 | 40 |
| Affluent | 26 | 23 | 23 | 28 | 26 |
| White | | | | | |
| Poor | 9 | 9 | 12 | 18 | 31 |
| Middle class | 61 | 66 | 63 | 52 | 42 |
| Affluent | 30 | 25 | 25 | 30 | 27 |
| Black | | | | | |
| Poor | 30 | 32 | 48 | 54 | 71 |
| Middle class | 59 | 59 | 49 | 42 | 26 |
| Affluent | 11 | 9 | 6 | 4 | 3 |

*Note:* Numbers are the percentage of the population in each income stratum.
*Source:* Tables 1–6, 1940–1980 Public Use Tapes of the decennial censuses.

of a significant middle class.[3] In 1940, 34 percent of all families and 71 percent of black families fell below the poverty cutoff. In that year, 4 in 10 American families belonged to the middle class, with another quarter qualifying as the affluent. The real story since 1940 is the spectacular reduction in the ranks of the poor. Between 1940 and 1960 alone, the percentage of all families in poverty was more than cut in half, to 15 percent; 20 years later in 1980, 1 in every 9 families was poor. Similarly, the poverty rate among black families fell to 30 percent by 1980.

A corollary of the decreasing relative size of the poverty group is the emergence of a numerically dominant American middle class. Between 1940 and 1960, the fraction in the middle class grew by about 10 percentage points per decade. With the end of the economic boom, middle-class growth slowed during the 1960s and declined slightly during the 1970s. In the 1970s, the size of the middle class declined and the number of affluent families increased.

These trends in poverty among families set the stage for tracking secular changes in the numbers of children among the poor. The time series trends for children are provided in Table 2. Taken at face value, these numbers are shocking. Comparing Tables 1 and 2

Table 2. Income Group Status of Children in Families (in %)

| Type of family | 1980 | 1970 | 1960 | 1950 | 1940 |
|---|---|---|---|---|---|
| All | | | | | |
| Poor | 18 | 18 | 24 | 34 | 52 |
| Middle class | 70 | 72 | 66 | 54 | 38 |
| Affluent | 12 | 10 | 10 | 12 | 10 |
| White | | | | | |
| Poor | 14 | 14 | 18 | 29 | 49 |
| Middle class | 73 | 75 | 71 | 57 | 39 |
| Affluent | 13 | 11 | 11 | 14 | 12 |
| Black | | | | | |
| Poor | 42 | 47 | 65 | 76 | 89 |
| Middle class | 54 | 51 | 34 | 23 | 10 |
| Affluent | 4 | 2 | 1 | 1 | 1 |

reveals that children are far more likely than adults of either sex to be poor—a reality that characterizes all four decades depicted in these tables.

In 1940, more than half of all American children and almost 90 percent of black children were in families with incomes below the poverty cutoff. Life on the other side of the tracks was virtually childless. Only 1 in 10 American children (and 1 in 100 black children) was in an affluent family. The relative size of the middle class in 1940 was roughly the same for families and for children. A comparison of Tables 1 and 2, however, indicates major differences in the other two categories. The major distinction is that the relative number of children in poverty was almost 50 percent larger than the relative number of poor families (52 percent compared with 34 percent), whereas children were less than half as likely as the typical family to be counted among the affluent (10 percent compared with 26 percent).

As is the case for all families, poverty rates among children fell substantially across these 40 years. The very real and distressing problem of contemporary children's poverty is put in some perspective when placed alongside the historical reality. Since 1940, poverty among children has been cut by almost two-thirds. In percentage terms, the poverty rates for children declined at the same rate as the fall in the aggregate family rate.

Nonetheless, the levels of poverty among children achieved by 1980 still give one pause. Children remain far more likely than adults to be poor. In 1980, 11 percent of families were poor, and 18 percent of children were. Almost 1 in 5 American children was in a poor family in that year, no different than the proportion 10 years earlier. The black rate is especially distressing, as more than 4 in 10 black children remain poor today. Whereas 30 percent of 1980 black families were poor, 42 percent of black children were counted among the poor. Similarly, 1 in 9 black families were affluent in 1980, but only 1 in 25 black children lived in such a family.

A comparison of Tables 1 and 2 indicates that the reasons for the high children's poverty rates are largely common to all five census years—the levels have simply fallen within a common structure. In the rest of this article, I investigate some reasons for this greater representation of children among the poor.

## Children in the Full Income Distribution

An exclusive concentration on single income cutoffs provides no information about the plight of children well below the poverty line or about how many children might be just above it. The use of income thresholds such as the poverty line also distorts the true secular trend in children's representation among the poor. In this section, I depict graphically the distribution of children along the full distribution of income.

Figure 1 measures the percentage of all children at each income status. Children were first ranked from bottom to top, using as a metric their family income relative to the adjusted poverty line. Figure 1 matches cumulatives in the distributions of children and income relative to needs. The horizontal axis represents the family income-to-needs distribution. The vertical axis gives the fraction of children in the population represented at each cumulative income point. The intercept on the $y$ axis reveals the fraction of children among families with the lowest incomes; the intercept at the 100 percent family income cumulative is the proportion of children in the population; and the slope indexes the relation of children with the income percentile. The position of the poverty lines for each decade are indicated by the solid lines.[4]

The ambiguities inherent in interpeting statistics about the proportion of the poor who are children are illustrated in this figure. The ambiguity results from the negative slope of these curves and the levels that shift within the aggregate fertility rate. In each census year, the percentage of children falls rapidly as the family income ranking rises. For example, in

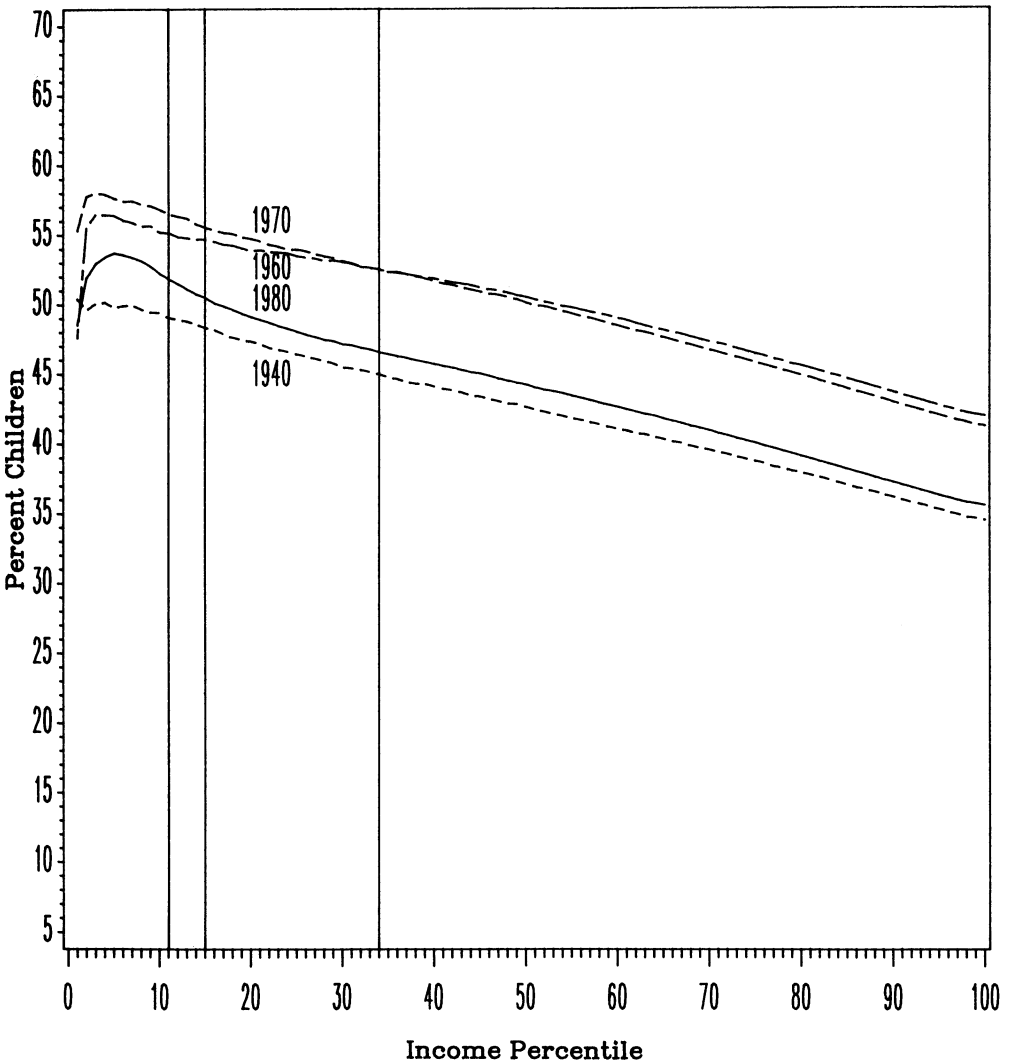


Figure 1. Cumulative Percentages of Children in the Income Distribution for All Families, 1940, 1960, 1970, and 1980. Families are ranked from bottom to top of the distribution by their income relative to the adjusted poverty threshold. Each percentile represents the total of children at and below this point in the distribution. The vertical lines are the poverty thresholds for the indicated years; families to the left of those lines were considered poor under this measure.

1980 a slight majority of poor people were children, but children represented less than one-fifth of all persons in the top one-fifth of the income distribution.

The rising representation of children among the poor is an excellent illustration of the difficulties inherent in describing the composition of the poor. For example, the post-1940 increasing fraction of the poor who are children paradoxically results in part from a 40-year record of success in removing people, including children, from the ranks of the poor. The 1940 and 1980 cumulative curves in Figure 1 are basically identical. As a result, the higher fraction of children among the poor in 1980 results solely from the remaining poor being more child intensive, as the 1980 poverty threshold counts a smaller number of poor families. Because these curves are negatively sloped, the fraction of children among the poor will

rise whenever aggregate poverty rates fall. Similarly, the percentage of children among the poor has actually decreased from 55 to 52 percent since 1960, an understatement of true secular reduction because of declining aggregate poverty levels.[5]

The impact of aggregate fertility rates can be seen by examining the right vertical axis in the cumulative curves. Between 1940 and 1960, the proportion of children among the poor increased from 45 to 55 percent, largely a result of the high fertility rates of the baby boom. The nearly parallel shift in these cumulative curves indicates that the rising representation of children among the poor during these 20 years simply reflected the larger proportion of children in the population. With the onset of the baby bust years, however, the cumulative curves in these figures shifted downward. Among all families, we have come almost full circle, as the 1940 and 1980 curves are coincident. In the last 20 years, therefore, one factor operating to reduce the numbers of children among the poor was declining fertility rates.

## Theoretical Issues in the Measurement of Children Among the Poor

The count of the number of children among the poor is sensitive to the way three theoretical issues are resolved. The conventional solution to these issues may have resulted in current measurement's overstating the proportion of the poor who are children. To see this, remember that the poverty rate is based on a ratio of income to need, and children can affect the likelihood of inclusion through either the numerator or the denominator. The specific theoretical mechanism for inclusion may, however, matter a great deal for how much confidence to place in the accuracy of the assignment.

In the numerator, the most straightforward and noncontroversial mechanism flows through the association of parents' wealth and fertility. If poorer parents have more children, children will constitute a larger share of the population at lower incomes.

The second empirically important mechanism on the income side concerns the reduction in a woman's earnings induced by her labor supply adjustment to the presence of children. For example, Smith and Ward (1980) estimated that the presence of a young child reduces a wife's earnings and the family income by $1,613 in the first year of marriage and by $716 for couples married nine years or more (see also Cramer, 1979a,b).

Here the theoretical questions are more complex, because variation in the income needs ratio by this mechanism carries a very different meaning about the true poverty status of the family. The lower level of women's labor supply induces a substitution of nonmarket production for purchased market goods. Put into the language of poverty thresholds, the money income "needs" of families with nonworking wives should be adjusted downward and those of working wives' families adjusted upward. Because needs are calculated by using the consumption patterns of all families, the conventional income/needs thresholds overstate poverty rates in families without working wives relative to families with working wives. Following the same reasoning, the growth in the fraction of married women in the labor force indicates that conventional poverty thresholds exaggerate the true secular reduction in family poverty. In particular, conventional thresholds will overstate the relative improvement in the fraction of the poor who are children.

The final theoretical mechanism through which children alter the probability of poverty is through the needs side. Poverty thresholds explicitly raise a family's needs as the number of children increases. In spite of its surface plausibility (i.e., children must eat and family consumption requirements are raised), the issues once again are far more subtle (see Pollak and Wales, 1979). The equivalence scales that underlie poverty thresholds are based on the effect of demographic variables on consumption levels, but moving from these consumption demand effects to equality or welfare evaluations is problematic. For example, assume a perfect fertility control environment and compare two families with precisely the same wealth, with the first family having two more children than the second. It is difficult to understand in what sense the first family is not as well off as the second family with fewer children.

From the perspective of the parents, these two families have identical utility levels; but conventional poverty thresholds do not treat them equivalently. (The family with two additional children is more likely to be assigned to the poverty class.)

To obtain some perspective on the relative importance of the three theoretical mechanisms in the assignment of children into poverty, I examined the representation of children among the poor, using three income rankings. The first is the conventional standard and ranks families by their family incomes relative to needs (poverty thresholds). The second ranking attempts to purge family income of the children–women's labor force nexus by more closely approximating a ranking of a family's permanent income to needs. Because husband's income contains far less transitory components, this second measure ranks families by husband's income relative to the poverty thresholds.[6] The final metric ranks families only by their "permanent income" (husband's earnings) and includes no needs adjustment at all.[7]

The problems inherent in this assignment are demonstrated in Table 3, which provides the proportion of the poor in intact families who are children for each of the three rankings, using 1960 census data. The last row indicates children as a percentage of all persons in these families. If the assignment of children, relative to adults, to the poverty population was random, the fraction of children among the poor should be equal to the percentages listed in this row. The table indicates that both of the mechanisms in question—women's work effort and needs—dominate the assignment of children into poverty.

The second row in Table 3 shows how the assignment is affected by women's labor supply adjustments. Among all intact families, the fraction of children among the poor declines from 58 to 53.5 percent when this mechanism through women's work is eliminated. It is a far more central part of the apparent association of children with poverty in white families, where it explains almost half of the deviation from random assignment. In contrast, this supply effect explains only a quarter of the departure from randomness in black intact families. This racial difference simply reflects the larger labor supply effect of children in white families compared with black families that characterizes virtually all empirical studies of women's labor supply (e.g., see Shapiro and Mott, 1979).

The differences between the first two rows in Table 3 highlight a central theoretical question one must confront in deciding how poverty should be defined. If one maintains that the definition of poverty should be neutral concerning whether mothers spend another hour at work earning income or another hour at home (say, caring for children), the second row in Table 3 is the correct measure (the first row implicitly measures a value of home time at zero). Legitimate arguments can be made on both sides of the position of whether one dollar of income should be valued differently than one dollar of household production.[8] Current measurement of poverty, however, relies on an extreme position in that theoretical debate (no value to home time)—a position that maximizes the fraction of children in poverty.

Table 3. Proportion of Children in Intact Families Under Alternative Income Rankings: 1960

| Poverty definition | All | White | Black |
|---|---|---|---|
| Family income/needs | 58.0 | 56.7 | 61.3 |
| Husband's income/needs | 53.5 | 51.3 | 58.6 |
| Husband's income | 46.8 | 44.6 | 53.1 |
| Proportion of children in all families | 46.0 | 45.6 | 50.3 |

*Note:* All proportions are evaluated at the percentile ranking that determines the poverty population for intact families, using the first measure.

The third row of Table 3 indicates that the remainder of the nonrandom assignment of children of intact families into poverty results entirely from the needs component. That is, if we rank intact white families by their permanent incomes, children are no more likely to be in the poorer families than in the richer ones. In contrast, an unexplained residual remains concerning the representation of black children among the poor in black intact families. For blacks, about one-quarter of the nonrandom assignment of children into poverty among intact black families results from poorer families having more children.

At a minimum, these results suggest that the measurement of children's poverty is very sensitive to the particular equivalence scale adopted. As Jencks (1987) argued, the official and widely used government poverty scales are probably too sensitive to the number of children in the family. In addition, results from surveys asking respondents about the standard of living of families of different sizes imply significantly less variation with family size than the currently used poverty thresholds. For example, such surveys imply that having a third child requires 8 percent more family income to be just as well off compared with the 18 percent requirement implicit in the existing scales (Jencks, 1987). If the "correct" thresholds are much less elastic to the number of children than the existing thresholds, one consequence is the overstatement of the number of children among the poor.

The argument that the needs adjustment distorts the assignment of people into the poverty population may be strongest from the parents' perspective. Assuming perfect fertility control, it is difficult to understand how parents who choose to have three children instead of two are worse off. The argument for something like a needs adjustment with family size is more tenable, however, when the perspective shifts to the children. Even among families with identical permanent incomes, children from larger families may be at a disadvantage because fewer per-child resources are available to them.[9]

Here, too, the theoretical arguments are more subtle. For example, in Becker's (1981) altruistic family model, it makes little sense to distinguish welfare from the parents' and children's perspectives. Since children enter their parents' utility function, parents can (will) compensate children for any reduction in resources. If this theoretical model is accepted, the survey evidence cited earlier, that parents' well-being is less sensitive to family size than equivalence scales indicate, would carry over to their children as well.

## Adjusted Time Series Changes

How important are these arguments for assessing the severity of poverty among children and the way it has changed over the last 40 years? A partial answer to this question is provided in Table 4, which lists adjusted children's poverty rates.[10] For intact families, these rates were computed by using the three alternative income metrics just described. Among female-headed families, the conventional metric of the family income/needs ratio was used for all computations in Table 4. It is important to keep in mind that in these adjusted poverty rates, the aggregate poverty rates among all families in each year are not changed. We are simply looking at the same total number of poor families to determine how many children are among them.

If conventional measurements are used, 15.8 percent of all children were poor in 1980. But if the income–children association is purged of the reverse relation of children into family income through their mother's labor supply, the proportion of children who are poor would be reduced to 14 percent. The more debatable adjustment of totally eliminating the needs component reduces the proportion of children among the poor further, to 13 percent.

Even though the numbers of poor children may be less than conventional statistics indicate, the severity of the problem of children's poverty has not been declining as rapidly as these same conventional statistics suggest. Using the standard measure, poverty among children fell 7.3 percentage points between 1960 and 1980 (from 23.1 to 15.8 percent) and

Table 4. Adjusted Percentage of Children Who Are Poor

| Variable | 1980 | 1970 | 1960 | 1940 |
|---|---|---|---|---|
| All families | | | | |
| Family income/"needs" | 15.8 | 16.8 | 23.1 | 51.8 |
| Husband's income/"needs" | 14.0 | 15.3 | 21.1 | 50.2 |
| Husband's income | 13.0 | 12.8 | 16.8 | 41.9 |
| White families | | | | |
| Family income/"needs" | 12.8 | 12.7 | 17.8 | 48.0 |
| Husband's income/"needs" | 10.9 | 11.1 | 15.9 | 46.2 |
| Husband's income | 9.7 | 9.1 | 12.4 | 38.1 |
| Black families | | | | |
| Family income/"needs" | 39.6 | 46.1 | 64.0 | 88.9 |
| Husband's income/"needs" | 37.8 | 45.0 | 61.6 | 88.4 |
| Husband's income | 36.0 | 38.8 | 51.4 | 76.5 |

*Note:* Sample consists of all intact and female-headed families with a head 26–55 years old.

declined by 1 percentage point during the 1970s. Instead, if the last row, which purges this calculation of the mother's labor supply and needs components, is used, the post-1960 reduction in children in poverty was half as large (3.8 percentage points) and children's poverty actually increased slightly during the 1970s.

A different perspective on this issue is provided in Table 5. Using the three alternative metrics, Table 5 lists the fraction of the poor who are children minus the proportion of children in the population. An additional set of columns, labeled "Standardized," is included. The numbers in these columns evaluate the poverty population in all years, computed at the 1960 aggregate poverty rate among families. The purpose of this standardization is to eliminate the composition effect that occurs as the poverty rate declines and the remaining poor families become more child intensive. Since it abstracts from changes due simply to relative population size, the standardized columns in Table 5 best isolate the effects of socioeconomic forces on the representation of children among the poor.

No matter which definition is used, children remain more likely than adults as a group to be poor. However, in all census years these odds are substantially reduced when poverty rates are computed with the two alternative definitions. In the 1940 and 1960 census data, well over half of the greater likelihood that children will enter poverty in Table 5 is eliminated with these alternative measures.

Table 5 demonstrates that much of the recent decline in children's intensity of poverty results from falling birth rates. When measured against the fraction of children in the population, the fraction of children among the poor was stable when standardized conventional measures were used and generally rose across the decades when the fully adjusted numbers were used. For example, relative to random selection, children were 6.8 percentage points more likely to be among the poor in 1980, a steady rise from the 4.4 percentage point difference in 1940.

One reason for this smaller secular decline in adjusted children's poverty rates is the growing fraction of women in the labor force. As women's participation rates expand and their labor force adjustments to children diminish, the relative size of those families for which poverty is overstated (e.g., with nonworking mothers) declines. As a result, conventional measurement (on this labor supply effect) leads to an overstatement of the proportion of poor children, but at the same time understates its growing severity. This effect is illustrated in Table 5 by the much smaller labor supply adjustment in 1980 (13.7 to 9.5), compared with 1940 (13.4 to 7.6).

Table 5. Percentage of Children in Poverty Minus Percentage of Children in Population

| Variable | 1980 | 1970 | 1960 | 1940 | Standardized 1980 | Standardized 1970 | Standardized 1940 |
|---|---|---|---|---|---|---|---|
| All families | | | | | | | |
| Family income/"needs" | 15.8 | 15.6 | 12.7 | 10.6 | 13.7 | 14.1 | 13.4 |
| Husband's income/"needs" | 11.5 | 11.9 | 9.4 | 8.1 | 9.5 | 9.4 | 7.6 |
| Husband's income | 10.2 | 8.3 | 4.5 | 5.1 | 6.8 | 5.8 | 4.4 |
| White families | | | | | | | |
| Family income/"needs" | 15.7 | 14.3 | 12.2 | 11.4 | 13.6 | 13.5 | 14.9 |
| Husband's income/"needs" | 9.2 | 9.4 | 8.8 | 9.5 | 8.3 | 9.1 | 8.7 |
| Husband's income | 7.0 | 5.4 | 3.5 | 5.1 | 5.0 | 3.3 | 3.8 |
| Black families | | | | | | | |
| Family income/"needs" | 12.5 | 12.7 | 10.7 | 6.0 | 8.3 | 10.5 | 7.8 |
| Husband's income/"needs" | 10.4 | 11.1 | 8.8 | 5.1 | 6.7 | 8.9 | 6.3 |
| Husband's income | 9.8 | 8.5 | 5.3 | 2.3 | 5.6 | 6.0 | 3.1 |

Why has the likelihood of children being among the poor risen over time? The greater likelihood stems completely from the growth of female-headed families. In all census years, in intact families children were no more likely than adults to be poor when a fully standardized measure was used.

To illustrate the central role of female-headed families, Table 6 lists the fraction of all children in such families as well as the fraction of all poor children who live in female-headed families. Given the growing numbers of female-headed families, it comes as no surprise that the numbers of children in these families has also increased. However, the numbers of children in female-headed families expanded much faster than the number of these families.

The eye-popping number in Table 6, however, relates to the increasing concentration of children's poverty in female-headed families. Whereas only 16 percent of children live in these families headed by women, half of all poor children do. Even among white families, fully one-third of poor children are in nonintact families. Among black families, more than 7 out of every 10 poor children live in families without a father. These numbers illustrate best of all why the family has become a central element in any meaningful discussion of poverty.

Table 6. Proportion of Children in Female-Headed Families

| Children | 1980 | 1970 | 1960 | 1940 |
|---|---|---|---|---|
| | | All Families | | |
| All | 15.9 | 11.3 | 7.4 | 6.2 |
| Poor | 50.1 | 38.4 | 21.2 | 9.0 |
| | | White Families | | |
| All | 11.2 | 8.2 | 5.5 | 5.1 |
| Poor | 35.6 | 30.9 | 17.2 | 7.3 |
| | | Black Families | | |
| All | 43.8 | 33.1 | 22.3 | 16.7 |
| Poor | 70.4 | 52.4 | 29.2 | 17.6 |

## The Dynamics of Poverty Among Children

Up to this point, the portrait of children in poverty has been a static one; but this cross-sectional view is incomplete. Children's hopes for exiting the ranks of the poor may rest more on a change in family composition than on the income earnings prospects of their parents or their families' participation in social programs. In this section, I summarize results that speak to the dynamics of poverty among children based on the 14-year wave of the Panel Study of Income Dynamics (PSID) (Survey Research Center, 1982).[11]

Describing the dynamics of children's poverty status is hampered by the complex and diverse set of ways families dissolve and form. In the tables that follow, I have selected families who had, at a minimum, a period of 7 years of observation in the PSID. The key triggering events on which I focus are transitions that result from a change in family composition. These transitions are determined by a change in family type through marriage, divorce, separation, or widowhood or by becoming a never-married female head of a family. Among these families, the aim is to depict the economic status of children (a) before their families initiated a new transition, (b) during the period that the transition endured, and (c) subsequent to the transition.

Table 7 provides, during each phase of the transition,[12] poverty rates among children and families.[13] As families dissolve, the observed poverty rates among children and families double. For example, the fraction of children in poverty among newly divorced families is 46 percent compared with a 23 percent poverty rate while married. The optimistic side of the ledger relates to the reverse transition in the second row. Among originally divorced families, remarriage reduces children's poverty rates from 49 percent to 19 percent.

Children's poverty rates are particularly high in female-headed families. Among single female–headed families who were just formed, 7 in 10 children are below the poverty cutoff. It is often the presence of a young child that leads to the formation (or classification) of this new family with an unmarried female head. Once again, these dismal numbers show one hint of hope. Single female–headed families in which the mother eventually married within the PSID window saw children's poverty rates plummet by 60 percent or more.

The large changes in poverty rates among children associated with these family transitions raise the question of children's long-run poverty levels compared with the cross-sectional rates that typically dominate the discussion. I conclude by contrasting long-run

Table 7. Poverty Rates by Family Type Transition

| Type of transition | Before | During | After |
|---|---|---|---|
| Married–divorce | | | |
| Children's rate | 23.0 | 45.8 | 29.9 |
| Family's rate | 15.6 | 31.2 | 17.5 |
| Divorce–married | | | |
| Children's rate | 48.6 | 19.2 | 33.6 |
| Family's rate | 39.4 | 15.1 | 26.1 |
| Single female head | | | |
| Children's rate | 42.2 | 69.9 | 29.0 |
| Family's rate | 36.5 | 58.4 | 22.3 |
| Single female head–married | | | |
| Children's rate | 55.3 | 21.3 | 77.6 |
| Family's rate | 55.8 | 18.2 | 61.1 |
| Continuously married | | | |
| Children's rate | | 14.3 | |
| Family's rate | | 8.0 | |

and short-run measures of the fraction of children in poverty. The cross-sectional "Random year" rates in the first column of Table 8 result from selecting one year randomly from all years available in the PSID. The "Permanent rate" is derived by dividing average family income by average needs across the full span of years.

This table lists the proportion of children among the poor as well as the proportion of the poor who are children. As with the other comparisons in this article, in Table 8 we are contrasting extreme positions in the debate on how best to measure poverty. The conventional single-year measures overemphasize temporary situations. On the other hand, the permanent measures assume that temporary setbacks do not matter as long as a family is all right in the long run. Obviously, neither extreme is correct, and they serve best to set the range over which the debate should take place.

Among all families, in a random year almost one in five children is poor, using conventional poverty definitions, whereas only 15 percent of children are in permanent poverty. To put this another way, almost 20 percent of the children included among the poor on a one-year time span would not be classified as poor as the time dimension over which poverty is defined expands.

Table 8 also indicates, however, that the composition of those in poverty is not affected by the length of the horizon over which poverty is measured. Calculated on either a random-year basis or a permanent long-term rate, roughly 60 percent of the poor are children. This comparison suggests that the lower values of permanent poverty rates involve reassigning adults and children in equal proportions out of poverty.

Table 8 also demonstrates that the length of the horizon has a far larger impact on poverty in nonblack families than in black families. Compared with a random-year rate, permanent children's poverty rates are reduced by 28 percent in nonblack families and only 4.9 percent in black families. This dramatic racial difference has its origin in two behaviors that distinguish the races. First, compared with whites, many of the triggering family composition changes for blacks represent a transition into single-female headships. As Table 7 demonstrated, poverty rates are high in both the family of origin as well as the newly formed single-female headship. Second, the duration in every female-headship state (either never married or divorced) is much longer among black families. For children in many black families, living in a female-headed family amounts to a permanent condition.

The next two columns in Table 8 rank families by the two alternative income metrics

Table 8. Alternative Perspectives on Children's Poverty

| Variable | Random year (conventional definition) | Permanent rate* | | | Proportion of children in population |
|---|---|---|---|---|---|
| | | Family income/ needs | Head's income/ needs | Head's income | |
| All families | | | | | |
| Children who are poor | 18.3 | 15.1 | 13.5 | 10.7 | |
| Poor who are children | 60.1 | 60.4 | 55.8 | 52.4 | 47.2 |
| Nonblack | | | | | |
| Children who are poor | 15.7 | 11.3 | 9.2 | 7.3 | |
| Poor who are children | 60.9 | 60.6 | 55.1 | 51.6 | 47.0 |
| Black | | | | | |
| Children who are poor | 49.4 | 47.0 | 43.7 | 35.5 | |
| Poor who are children | 60.4 | 60.0 | 57.9 | 55.7 | 49.8 |

* Permanent poverty rate is defined as average family income divided by average needs. These averages are computed across all PSID years.

discussed earlier—head's income relative to needs and head's income. Remember with either of these two alternatives, the proportion of all people who are poor is held constant at the rate defined in the permanent family income relative to needs column. As a result, only the composition of the poor can change in these two alternative metrics.

Consistent with the preceding cross-sectional census results, children's poverty rates decline and the composition of the poor is much less child intensive with either alternative definition. Using head's income relative to needs (which abstracts from wife's labor supply changes), one finds that 13.5 percent of children are poor and children constitute 56 percent of the poor. Similarly, abstracting from the needs adjustment, one finds that 10.7 percent of children are in permanent poverty and 52.4 percent of the poor are children.[14]

## Conclusion

The goal in this article was to summarize the extremes over which a debate about children's poverty could take place. The conventional measurement implies that 18 percent of America's children are poor and that 6 of every 10 poor people are children. If we go to the other extreme of long-term permanent income with no needs adjustment, less than 11 percent of children are poor and children represent only 52 percent of the poor. Neither extreme is likely to be correct. My primary purpose here is not to defend a particular definition, but to clarify the premises that underlie any measurement of children's poverty. It does seem likely, however, given the problems raised, that conventional measurement may overstate the problem of children in poverty while underestimating its growing severity.

Putting aside the question of the correct aggregate poverty rate for children, my work also suggests that policymakers may be misidentifying which of America's children should be included among the poor. According to my research, conventional measurement overstates the likelihood of poverty for children with many siblings and in families without working mothers (and correspondingly understates the likelihood in small, dual-earner families). Because of the sensitivity of poverty measurement to the arguments raised in this article, at a minimum future research and government statistics may well consider including alternative measures of children's poverty.

## Notes

[1] One difficulty with the "official" poverty threshold is that it is inflation adjusted only and does not vary with economic growth. The problem with such a constant real income standard becomes readily apparent when one attempts to measure the poverty population in 1940 and 1950. Given the 1963 income standard adopted when the poverty line was first officially defined, more than half of all Americans would be classified as poor in 1940. The fraction is not plausible and illustrates the necessity of an alternative to the official standard when poverty is measured across long periods of time. Using a symmetric argument, the official poverty standard today is too low because it does not adjust at all for real income growth since 1963.

[2] I defined two income thresholds in each census year, a poverty threshold below which are the poor and an affluence threshold above which are the affluent. Surveys about the income required not to be poor indicate that the poverty threshold has increased roughly 50 cents for every dollar increase in real income (Kilpatrick, 1973). Based on that observation, my definition of poverty increases the poverty income threshold by 0.5 percent for every 1 percent growth in real income. Assuming that those who set the standard hit the mark right when the initial statistics were generated, the family income thresholds in Table 1 are centered on 1963. This was based on the widely used U.S. Poverty Thresholds, which vary by family size and numbers of children. Family poverty income cutoffs were then adjusted by one-half the white family real income growth rate or decline relative to 1963.

The starting point for the affluence lines were arbitrary. For family incomes, it was set to include the top 25 percent of white families in 1960 (the census year closest to the 1963 poverty time start-

up). Because in my view the standard for affluence should grow at least as rapidly as real income, the 1960 family income cutoff is adjusted fully for real income growth to set the cutoffs in other years. See Smith (1988) for details.

[3] One-in-100 public use tapes were used for the 1940, 1960, 1970, and 1980 censuses. Appropriately weighted sample line respondents were used in the 1950 census. Total Family Income was the income concept except in 1940, when only Total Family Earnings are available. Unrelated individuals are not included in any of the analyses in this article. The number of children was defined as the number of children living at home. Thus my definitions do not include children who were not living with their parents or who were in institutions.

[4] The poverty lines are presented for 1940, 1960, 1970, and 1980. The 1970 and 1980 poverty lines for all families are identical (11 percent). Using the more conventional inflation-adjusted cutoffs, 51 percent of all families were poor in 1940, 16 percent in 1960, and 9 percent in 1980. The effect of these traditional poverty thresholds on the proportion of children among the poor can be seen in Figure 1.

[5] This post-1960 decline in the proportion of the poor who are children occurred during the 1970s. Between 1960 and 1970, the proportion of children actually rose from 54.7 to 56.5 percent. By 1980 the percentage of the poor who were children fell to 51.8.

[6] If husbands work more when their wives do not work (see Smith and Ward, 1985), the permanent income of nonworking-wife families will still be overstated relative to the permanent income of working-wife families. Therefore, even this measure may overstate the fraction of children in poverty.

[7] Clearly, the proportion in poverty is an ambiguous calculation in the two new metrics. Because I am interested here only in the relative numbers of children in the ranking, I maintain the same aggregate number of families in poverty under all three metrics. The question being asked is, What happens to the composition of the poor (in particular, how many are children) as the same percentage of all families in poverty are examined under each of the three matrices?

[8] Indeed, some may argue the extreme other position that mothers "should" stay home to care for children in spite of the monetary reward from work. If one adopts that extreme, working-wife families are more likely to be poor than nonworking-wife families, the opposite of the effect of current measurement. It is not my purpose here to argue for or against any of these positions. It is, rather, to isolate the premises on which the debate on how poverty should be measured rests.

[9] Some needs adjustment may be necessary, but the equivalence scales from consumption studies are not informative about what that adjustment should be. A better source for such an adjustment is the status attainment literature, which consistently shows a negative effect of family size on future economic achievement.

[10] The shift in the age range was done to eliminate some of the transitory variation in husband's income. These rates are computed for female-headed and intact families in which the head was between 26 and 55 years old.

[11] In contrast to the standard public release tape, the version of the PSID on which my work (Survey Research Center, 1982) is based includes all of the families who were ever PSID members between 1968 and 1982. The augmented tape is described in Becketti et al. (1988). The standard PSID public release tapes for wave 14 (1968–1981) contain data for 19,796 individuals; the augmented tapes, which I used, added another 11,161 cases that had been lost to attrition by 1981 (for a total of 30,957 cases).

[12] In this sample, the "before" period had to last two years within the PSID time frame. As a result, the means presented in Table 7 represent averages during the last two years that the family was a member of that state. To help read this table, consider the second transition listed: divorce–married. In this case, the before period corresponds to the last two years in the divorce state, the during interval to years during remarriage, and the after interval to the years of another subsequent divorce (if any).

[13] Because of the much better income reporting in the PSID, the conventional poverty census definition (an income-to-needs ratio less than unity) produces very low PSID poverty rates as compared with those of the census. To maintain comparability with the census numbers in the first section of this article, a family is labeled poor when the family income-to-needs ratio is less than 1.25.

[14] Among white families, two-thirds of the deviation of the assignment of children in poverty from purely random assignment is due to these adjustments; 45 percent of the deviation from random assignment for blacks is due to these mechanisms.

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