CALIFORNIA BUDGET PROJECT

September 13, 2011

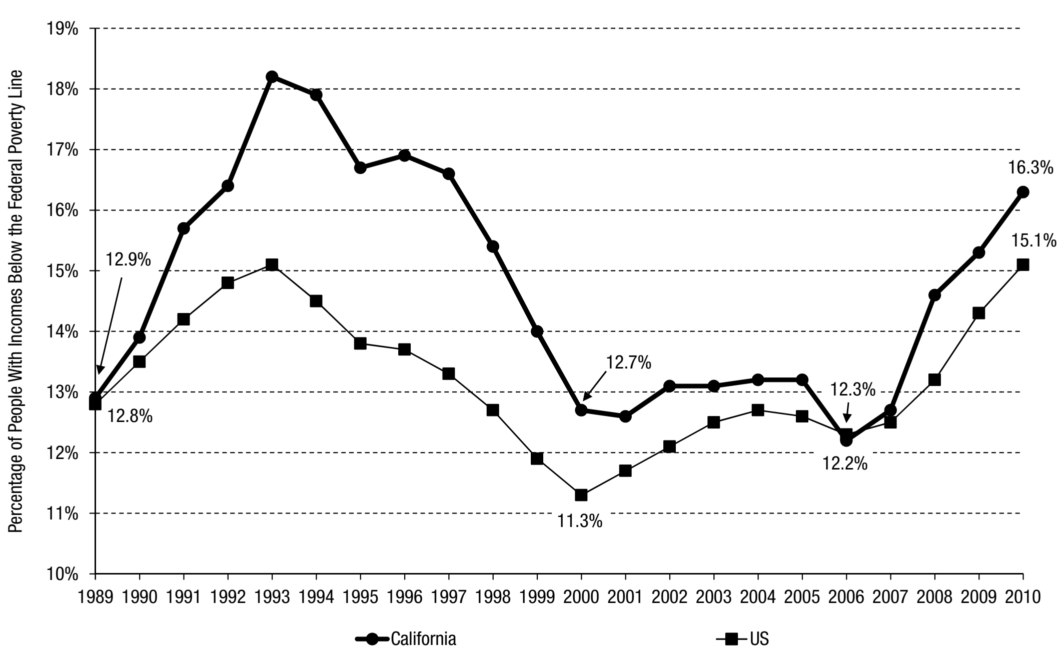
New Data Show That More Than 6 Million Californians – Over One-Third of Them Children – Lived in Poverty in 2010

Census Bureau data released today show that the share of Californians with incomes below the federal poverty line rose in 2010 for the fourth straight year. The state's 2010 poverty rate rose to 16.3 percent, the highest rate since 1997 (Figure 1). More than 6 million Californians – nearly one out of six – had incomes below the federal poverty line. In addition, 2.2 million of the state's children – nearly one out of four – were living in poverty in 2010 (Figure 2).

The new data also show a sharp drop in inflation-adjusted income for the typical California household. The state's median household income dropped by $2,602 (4.6 percent) to $54,459 in 2010 – the largest single-year drop on record (Figure 3).

Figure 1: California's Poverty Rate Increased Significantly Between 2006 and 2010

The State's 2010 Poverty Rate Was the Highest Since 1997

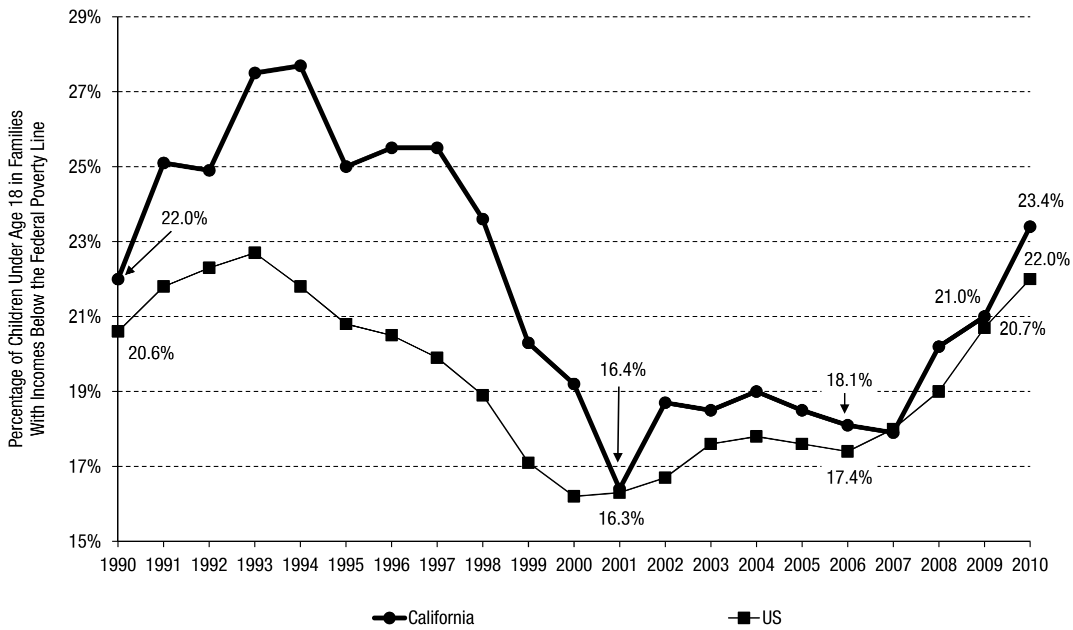


Source: US Census Bureau

1107 9th Street, Suite 310
Sacramento, California 95814
P: (916) 444-0500
F: (916) 444-0172
cbp@cbp.org
www.cbp.org

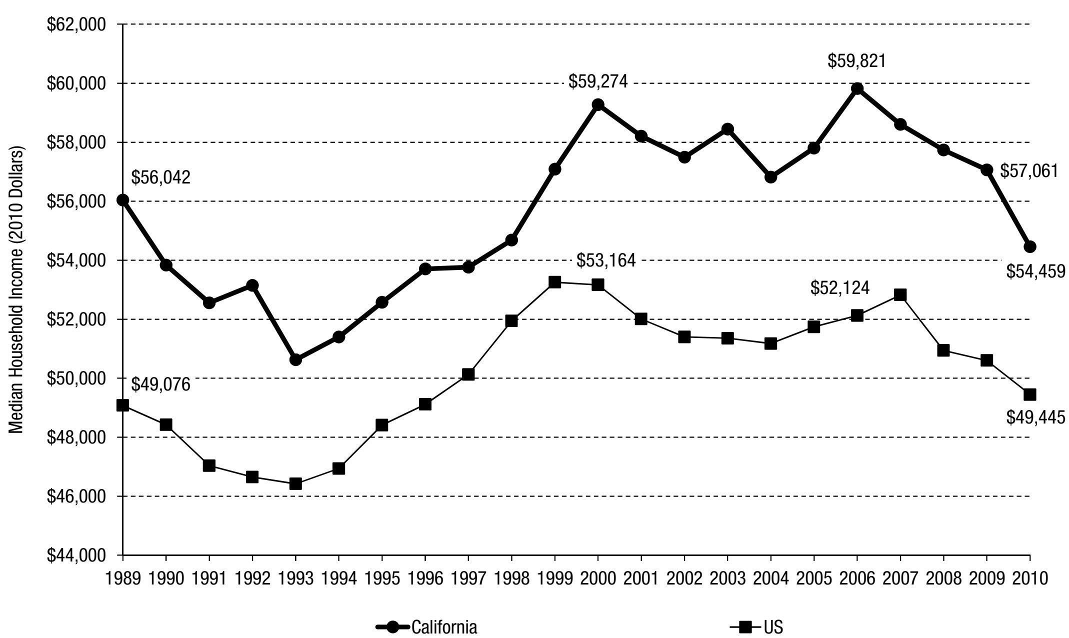
Figure 2: California's Child Poverty Rate Increased Significantly Between 2009 and 2010

Nearly One Out of Four California Children Lived in Families With Incomes Below the Poverty Line in 2010



Source: US Census Bureau

Figure 3: The Inflation-Adjusted Income of the Typical California Household Dropped by $2,602 Between 2009 and 2010, the Largest Single-Year Decline on Record



Source: US Census Bureau

Specifically, the new Census data show that:

- In 2010, 6.1 million Californians (16.3 percent) had incomes below the federal poverty line. California's poverty rate increased by a statistically significant 4.1 percentage points from 12.2 percent in 2006, the year before the recession began. The federal poverty line varies by family size. The 2010 federal poverty line was $22,113 for a family of four with two children.

- California's inflation-adjusted median household income – the income of the household at the middle of the income distribution – fell by $2,602 (4.6 percent) to $54,459 between 2009 and 2010. This is the largest single-year decline – in inflation-adjusted dollars – on record and also a statistically significant decline of $5,362 (9.0 percent) from 2006, the most recent peak.

- The US poverty rate rose to 15.1 percent in 2010, up by a statistically significant 2.8 percentage points from a recent low of 12.3 percent in 2006. California's 2010 poverty rate – 16.3 percent – was 1.2 percentage points higher than the national rate.

- The inflation-adjusted US median household income dropped to $49,445 in 2010. This is a decline of $1,154 (2.3 percent) from the prior year and a decline of $2,679 (5.1 percent) from 2006 – both statistically significant decreases. The gap between California's median household income and that of the nation narrowed in 2010. California's median household income was $5,014 above the nation's in 2010, down from $6,462 in 2009.

- More than one out of five Californians under the age of 65 (21.4 percent) lacked health coverage in 2010, compared to 19.6 percent in 2006 – a statistically significant increase (Figure 4).

- The share of Californians under the age of 65 with job-based health coverage was 52.9 percent in 2010, down from 56.4 percent in 2006 – a statistically significant decrease (Figure 5).

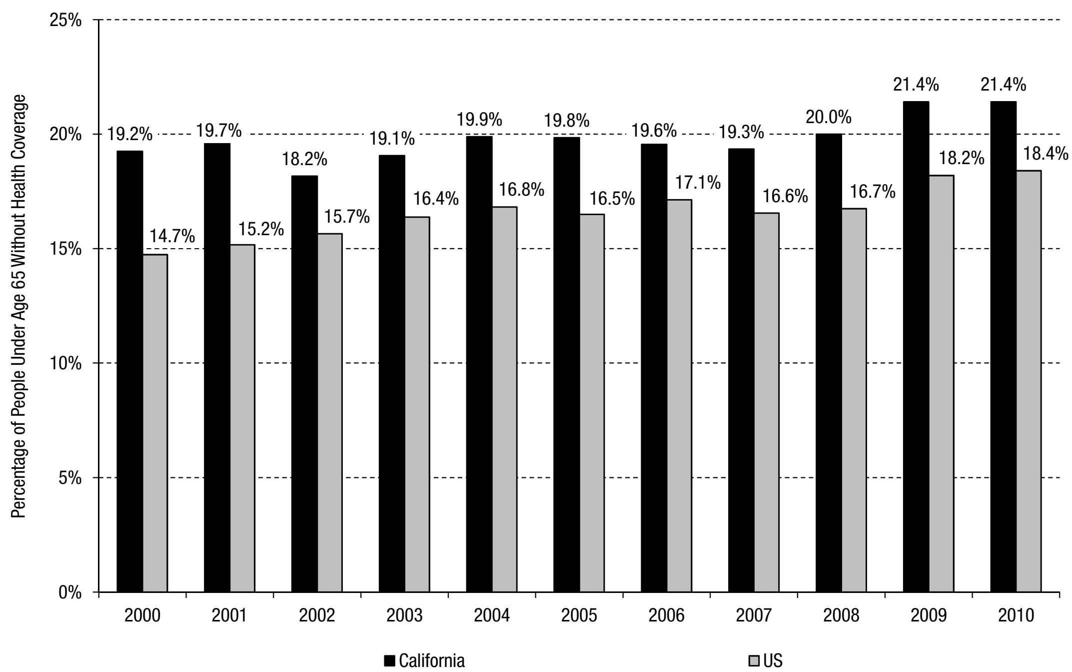
In addition to these overall trends in household income and economic standing, the new Census data indicate a substantial increase in the number of California's children living in poverty. The data show that:

- In 2010, 2.2 million California children – nearly one out of four – lived in families with incomes below the federal poverty line. The share of California's children living in families with incomes below the poverty line rose to 23.4 percent in 2010, up from 21.0 percent the prior year and up from 18.1 percent in 2006 – both statistically significant increases.

- Children accounted for a disproportionately large share of Californians living in poverty. While children were one-quarter of the state's population (25.5 percent) in 2010, they accounted for more than one-third of Californians with incomes below the federal poverty line (36.6 percent).

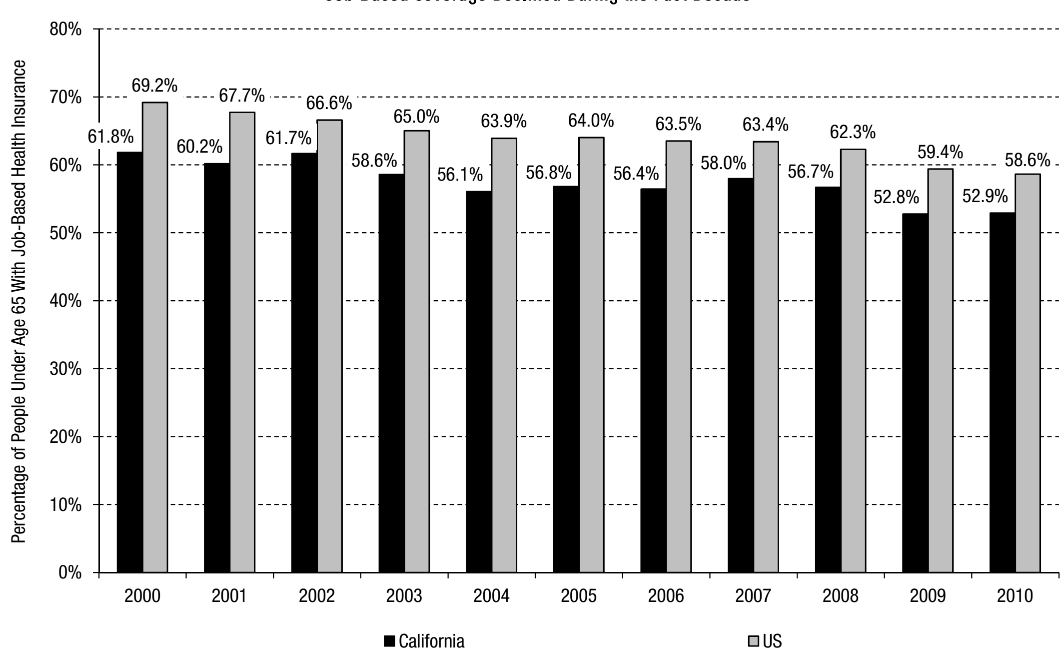
With a historic share of California families facing challenges brought on by the Great Recession, the data released today highlight the need for policies that put people back to work, promote economic security for families, and boost economic growth.

Figure 4: More Than One Out of Five Californians Under Age 65 Lacked Health Coverage in 2010



Source: US Census Bureau

Figure 5: The Share of Californians Under Age 65 With Job-Based Coverage Declined During the Past Decade



Source: US Census Bureau

Rising Poverty Could Limit Our Future

Poverty imposes enormous costs on society through the lost potential of children who grow up in families with very low incomes. Research finds that children raised in poverty tend to:

- **Have lower levels of educational attainment.** They are more likely to score lower on standardized tests, be held back a grade, and drop out of high school, and they are less likely to get a college degree than their peers whose families have higher incomes.[1] These outcomes reflect the fact that children living in poverty tend to attend schools with fewer resources; suffer from poor nutrition, chronic stress, and other health problems that interfere with their school work; and change residences and schools frequently as their families struggle to find affordable housing – disruptions that can limit their success in school.[2]

- **Have lower earnings and are more likely to live in poverty as adults.**[3] Since growing up in poverty can limit children's success in school, it can diminish their prospects in the job market when they become adults. Research shows, for example, that children who lived in poverty during their first five years of life earned just $17,900 per year, on average, as adults – less than half as much as similar adults whose families had incomes above twice the poverty line when they were children.[4]

Even "recession-induced" poverty, brought about by downturns in the economy, can have devastating consequences for children. One study, for example, found that children whose families fell into poverty during a national recession were substantially less likely to graduate from high school; earned about 30 percent less, on average, as adults; and were more than three times as likely to live in poverty as adults, relative to their peers whose families did not fall into poverty during the same recession.[5] These findings are significant because both groups of children started off in similar circumstances before the downturn began. This analysis concludes that children who fall into poverty during a downturn:

> Will live in households with lower incomes, they will earn less themselves, and they have a greater chance at living in or near poverty as adults. They will achieve lower levels of education, and they will be less likely to be gainfully employed. Children who experience recession-induced poverty will even have poorer health than their peers who [stay] out of poverty during the childhood recession.[6]

Given that the Great Recession was far more severe than any downturn in recent history, its impact on children is likely to be more substantial than that of prior recessions, with longer-lasting consequences.

The negative effects of poverty extend beyond the children directly affected to society as a whole. Since children who grow up in poverty tend to have lower educational attainment and earnings, poverty can diminish the productivity of the nation's workforce and reduce the nation's ability to compete in an increasingly globalized economy. While quantifying the costs of poverty is challenging, one estimate suggests that even before the Great Recession began, childhood poverty cost the nation around $500 billion per year in lost adult productivity and wages, increased crime, and higher health expenditures – equivalent to 4 percent of national Gross Domestic Product (GDP) – the value of all goods and service produced in the US.[7] By way of comparison, US GDP growth averaged 2.5 percent over the past 15 years.[8] In other words, economic growth could more than double if none of the nation's children grew up in poverty.

ENDNOTES

[1] Center for the Future of Children and The David and Lucile Packard Foundation, *The Future of Children: Children and Poverty* 7:2 (Summer/Fall 1997), p. 2; Harry J. *Holzer*, *Penny Wise, Pound Foolish: Why Tackling Child Poverty During the Great Recession Makes Economic Sense* (Half in Ten: September 2010); Jeanne Brooks-Gunn and Greg J. Duncan, "The Effects of Poverty on Children" in Center for the Future of Children and The David and Lucile Packard Foundation, *The Future of Children: Children and Poverty* 7:2 (Summer/Fall 1997), pp. 55-71; and Kristin Anderson Moore, et al., *Children in Poverty: Trends, Consequences, and Policy Options* (Child Trends: April 2009), p. 4.

[2] Coalition on Human Needs, *The Recession Generation: Preventing Long-Term Damage From Child Poverty and Young Adult Joblessness* (July 2010), p. 8 and Kristin Anderson Moore, et al., *Children in Poverty: Trends, Consequences, and Policy Options* (Child Trends: April 2009), p. 4.

[3] Greg J. Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty" *Pathways Magazine* (Winter 2011), pp. 22-27; Greg J. Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health" *Child Development* 81:2 (January/February 2010), pp. 306-325; and Kristin Anderson Moore, et al., *Children in Poverty: Trends, Consequences, and Policy Options* (Child Trends: April 2009), p. 5.

[4] Greg J. Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty" *Pathways Magazine* (Winter 2011), p. 27.

[5] First Focus, *Turning Point: The Long-Term Effects of Recession-Induced Child Poverty* (May 2009).

[6] First Focus, *Turning Point: The Long-Term Effects of Recession-Induced Child Poverty* (May 2009), p. 13.

[7] Harry J. Holzer, et al., *The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor* (Center for American Progress: January 24, 2007).

[8] US Bureau of Economic Analysis.