



**Testimony of Jane Knitzer, Ed.D.
Director, National Center for Children in Poverty,
Mailman School of Public Health Columbia University**

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Thank you, Mr. Chairman and members of the committee for this invitation to testify today.

I am the Director of the National Center for Children in Poverty (NCCP). NCCP is a public interest organization at Columbia University's Mailman School of Public Health, with offices in Congressman Rangel's Congressional District. NCCP's mission is to promote the health, economic security, and well-being of America's most vulnerable children and families. NCCP uses research to identify problems and find solutions at the state and national levels.

My remarks today focus on what we need to do for the next generation *now* to ensure the future productivity of our economy. To set the stage, I will provide some key facts about child poverty, highlight why child poverty matters for the future of the economy, and share lessons from research about new strategic ways to address child poverty and to ensure a productive future workforce. I will conclude with some broad recommendations based on NCCP's research on how best to improve family economic security and increase the odds that poor and low-income children will become productive earners.

Child Poverty in America, 2007

Child poverty is widespread. Overall, 39 percent of America's children—more than 28 million children—live in low-income families, that is with income below twice the poverty level. This puts them at risk of not making it in the global economy, not having the educational skills they need, not being healthy both mentally and physically, and not being effective parents when they become adults.

Nationally, 18 percent, or nearly 13 million children are poor by official standards. Half of these children are in families with incomes at or under \$10,000.

Another 21 percent of children live in families with incomes between 100 and 200 percent of poverty. Although not poor by official standards, these families face material hardships and disadvantages that are similar to those who are officially poor. Missed rent payments, utility shut offs, inadequate access to health care, and unstable child care arrangements are common. These families are but one or two crises away from official poverty (National Center for Children in Poverty, 2006).

Most low income children have parents who work. As the recent GAO report finds, the majority of the parents of these children work—55 percent of children in low-income families have a parent who works full-time, 52 weeks a year. The problem is they do not earn enough money to support a family, even when they work more. They are held back by low-wage jobs that provide few benefits and few prospects for advancement, even when they have a high school degree or even some college. Three-quarters of low-income children have parents with at least a high school diploma, but this no longer guarantees economic success (National Center for Children in Poverty, 2006).

Research shows that it takes an income of about twice the poverty level to provide even basic necessities for a family, \$40,000 for a family of four, not the official \$20,000, and, depending upon the local cost of living, it can take even more. *It takes a full-time job at more than \$19 an hour to produce an annual income of \$40,000, or two full-time jobs at nearly \$10 an hour* (Cauthen, 2006).

Not having enough money reduces the odds that children will have access to the kinds of resources and experiences that are essential for children to thrive and to grow into productive adults. Too often they lack access to the things that higher-income parents routinely provide for their children—high-quality health care, stimulating early learning programs, good schools, money for college as well as books and other enriching activities. Instead, low-income parents struggle with more basic choices: When the money runs out, is it heat or the medical bills? Is it good child care or unstable arrangements that cost less? Is it keeping young children indoors and out of unsafe parks, risking obesity?

The younger the child, the greater the risk of poverty. 20 percent of children under age 6—1 in 5—live in poor families; 16 percent of children age 6 or older live in poor families. In half the states, more than 20 percent of children under age 6 are growing up in poverty, whereas only 13 states have a child poverty rate for children up to age 18 that is as high. The pattern is the same for low-income children: 42 percent of children under age 6 live in low-income families, whereas 33 percent of adolescents live in such families. Research tells us that experiencing poverty in early childhood, along with persistent poverty, is the most harmful to children.

States poverty and low-income rates vary considerably. There is considerable state variation in the rate of children in low-income families. In the states represented on this committee for example, the percentage of low-income children varies from 24 percent to 44 percent of all children in the state. This suggests the possibility of a combined state and federal policy agenda providing incentives to states to implement poverty reduction strategies.

Why Child Poverty Matters for Future Productivity

Economic hardship has been linked to a myriad of adverse educational, health, and other outcomes for children that limit future productivity. Low-income children face elevated health, educational, environmental, and family risks that jeopardize their successful transition to adulthood, with African American, Latino and American Indian children facing compounded risks (Shonkoff, 2000). For example:

Health

Good health is the foundation for healthy development. Low-income children are more likely to be in fair or poor health (U.S. Centers for Disease Control analysis of 2001 National Health Interview Survey–NHIS) and to lack access to quality health care. Low-income children are not as likely as their well-off peers to receive preventive health care, and their parents are less likely to receive guidance about child development. Three percent of low-income families report receiving advice and education from their physician compared to more than half for more affluent families (Young, 1996). Even with Medicaid and the State Children's Health Insurance Program (SCHIP), 11 percent of poor children lack access to health insurance, and for the first time in more than a decade, the number of uninsured children is increasing (See: www.statehealthfacts.org).

Education

Researchers repeatedly document that there is a direct linear relationship, in the aggregate, between family income and children's achievement. Higher family income leads to higher academic achievement (Gershoff, 2003; Lee & Burkham, 2002).

Less well known is that the achievement gap is real and significant from children's earliest years. Both math and reading scores are negatively related to poverty at kindergarten entry and for the most part, poor children either do not catch up or the gap worsens. A review of national data sets on preschool and child care shows that at age 4 years, poor children are 18 months below the developmental norm for their age group. By age 10, that gap is still present. Of particular concern is that there is a dramatic difference in early language by income. By the time children from middle-class families are in the third grade, they know about 12,000 words. Children in low-income families with undereducated parents have vocabularies of 4,000 words (Klein & Knitzer, 2007).

Mental Health

Healthy social and emotional development is a core ingredient of successful adulthood. But low-income children are disproportionately exposed to circumstances that pose risks to such development.

Low-income children, especially young children, are more likely to be exposed to parental depression and other parental adversities including substance abuse and domestic violence. These risk factors have been linked with an array of short and long-term consequences for children, including depression, acting out behavior, and significant school problems.

For older children, the toll poverty takes is reflected in higher rates of diagnosable disorders, along with learning problems (Knitzer & Cooper, 2006) that frequently translate into school drop out and sometimes child welfare and juvenile justice involvement. Two-thirds of youth with mental health problems drop out of high school. (Wagner, 2005).

What Research Says Can Help

It is widely accepted that high-quality education is a major pathway out of poverty. But research also points to two other critical ingredients that promote future productivity.

Adequate Family Income

Too often, discussions about children and poverty focus *only* on the risks associated with poverty—low educational achievement, social and behavioral problems, and poor health—and then the policy solutions follow suit. While it is critically important to address these problems, it is equally important for children's growth and development to address poverty itself. In short, money matters.

More than a decade of research shows that increasing the incomes of low-income families—without any other changes—can positively affect child development, especially for younger children (Cauthen, 2002). Experimental studies of welfare programs offer some of the strongest evidence to date about the importance of income. For example, welfare programs that increase family income through employment and earnings supplements have consistently shown improvements in school achievement among elementary school-age children; other studies have also shown links between increased income and improved school readiness in young children (Dearing, McCartney, & Taylor, 2001).

In contrast, welfare programs that increase levels of employment *without increasing income* have shown few consistent effects on children. Moreover, findings from welfare-to-work experiments show that when programs *reduce income*, children are sometimes adversely affected (Cauthen, 2002). Other studies have shown links between increased income and reductions in acting out disorders in low-income children and youth (Costello, Compton, Keeler, & Angold, 2003). And it's not just the amount of income that matters but also its predictability and stability over time; research has shown that unstable financial situations can have serious consequences for children as well (Cauthen 2002; also Wagmiller, Lennon, Kuang, & Aber, 2006).

Research suggests that income, controlling for other factors, affects children primarily through two mechanisms. The financial investments that parents are able to make in their children—both to meet basic needs as well as to invest in materials, activities, and services that are developmentally enriching—are critical for child development. The inability to make such investments helps to explain why poverty negatively affects children's cognitive development. Likewise

research shows that low levels of family income negatively affect children's social and emotional development by increasing levels of parental stress and depression and by affecting parenting behavior.

Healthy Relationships in the Early Years

Developmental research has for two decades pointed consistently to the importance of parents and to other “protective” relationships (Luthar, 2003) for children of all ages. It also teaches us that the more risk factors, whether demographic (single-parent family, low maternal education) or environmental (parental substance abuse, community violence), absent effective interventions, the more likely children are to experience poor long-term negative outcomes.

Recent neuroscience research has dramatically deepened these understandings and focused attention on what happens in the earliest years. There are three core take home messages that have especially profound implications for how we design programs and use public dollars to improve school outcomes and future productivity of children and youth. All findings point in the same direction—a strengthened focus on young children.¹

The earliest experiences shape the hard wiring of the brain. Early experiences and relationships interact with genetics to shape the “architecture” of the brain. How the early brain develops impacts later learning, the ability to manage emotions, and even the immune system. Depending upon the early experiences, that architecture is either sturdy or fragile. When it is sturdy, children are more likely to grow up and be productive, when it is not, they risk problems not just as children, but also into adulthood.

The active ingredient in early brain development is relationships. When relationships with primary caregivers (including families, but also child care providers, home visitors and teachers) are appropriately nurturing, stimulating and stable, young children thrive. When they are not, young children show signs of early learning, language, and social and emotional challenges. At the extremes are the infants, toddlers, and young children who experience “toxic stress,” that is, exposure to persistently harmful environments, inconsistent caregiving, abuse, and abandonment. Research documents how these experiences frequently leave life long scars (Luthar, 2003).

Once brain circuits are built, it becomes harder to change them. That is why adults who learn a language as adults even if fluent continue to have an accent. It is harder to change a 4-year-old than a baby, and harder to change an adolescent than a 4-year-old. It is also much more costly. Children who do not develop the skills to succeed in the early grades, particularly the social and emotional skills, are more likely to end up as problem learners and later dropouts (Raver & Knitzer, 2002). Estimates are that between one-quarter and one-third of children are at risk of early school failure. The potential health costs of poor early experiences are also high. Children who experience high levels of stress, as adults, turn out to be at much greater risk for cardiovascular diseases, diabetes, hypertension, and substance abuse (Fellighetti, Anda, & Nordenberg, 1998).

What Economists Say About the Return on Investments in the Earliest Years

Economic analyses of three high-quality intensive early childhood demonstration programs that have followed children as they became adults reinforce the rationale for increased, *strategic* early childhood investments.² While the program specifics differed, each of the programs: began early in children's lives; had clearly focused goals that emphasized the whole child; maintained sustained contact with the children—often including through their transition to elementary school; had teachers who were well educated, trained, and compensated; had small class sizes and high teacher-child ratios; and, involved and supported parents intensively (Galinsky, 2006).

¹For further information, see the National Scientific Council for the Developing Child web site: www.developingchild.net.

²Longitudinal studies of three model projects serving low-income children and families—the High/Scope Perry Preschool Project, the Abecedarian Project, and the Chicago Child-Parent Centers—have followed participants into adulthood, comparing their adult earning and other outcomes with those of randomly chosen or comparable nonparticipants (Reynolds, 2002; Schweinhart, 2004; and Ramey, 2000).

By early adulthood, participants generally had: higher IQ's and mathematical ability; higher academic achievement; reduced need for special education, lower grade retention rates, fewer school dropouts. At age 21, those in one preschool program studied were more than four times more likely than nonparticipants to be enrolled in a 4-year college degree program; were less likely to be unemployed and more likely to have higher earnings; had lower juvenile and adult crime rates; were less likely to depend on public assistance; and were less likely to be a teenage parent.

Economists are examining the implications of these findings to address the problem of lower skills and motivation among disadvantaged children, their diminished productivity as adults, as well as their costs to society. One study estimates that by age 21, participants in its preschool program earned an average of \$20,517 more than nonparticipants, and that the public saved a net of \$19,097 on grade retention, special education, child welfare, and juvenile and adult justice expenditures (Reynolds et al., 2004).

Other analyses found that disadvantaged children from ages 8-13 with low levels of parental investments (time, activities, and family resources) without preschool had a 29 percent chance of graduating from high school. With preschool, the chance of high school graduation rose to 53 percent (Heckman & Masterov, 2004).

The implication is clear. If we address poverty in the earliest years—when it is in fact most widespread in this country—and apply the lessons from this research on investments in the early years, we stand the greatest chance of changing in a positive way what happens to a child in a poor or low-income family and subsequently, that child as an adult.

The Policy Implications

I would like to conclude with some broad recommendations that our research at the National Center for Children in Poverty indicates must shape the future policy dialogue about how to improve outcomes for the close to 40 percent of children who live in low-income families.

Ensure that families have enough resources to raise their children in ways that will promote future productivity.

For the next generation to thrive, we need to make sure that parents have enough money to raise their children, whether it be through income, refundable tax credits, benefits, or some combination of all the above, as well as opportunities for increased education.

We need to make work pay for children and families now in order to promote future productivity. This is a different rationale than is usually offered for investments in the current workforce. But given that research findings show the positive impact of increased family income *on children*, it is an important one. Many low-income families qualify for “work support” benefits (e.g., earned income tax credits, Medicaid, child care assistance) that can help make up the difference between low earnings and a basic family budget. But these benefits are means-tested, so as earnings increase—particularly as they rise above the official poverty level—families begin to lose eligibility even though they are not yet economically self-sufficient. The result is that working and earning more may not leave a family better off. In the worst case, higher earnings can actually lead to a family doing worse financially. A tool developed by the National Center for Children in Poverty, the Family Resource Simulator (www.nccp.org/modeler/modeler.cgi), provides concrete examples of this phenomenon.

With the help of work support benefits, a single-mother of two in Chicago can cover the cost of basic necessities for her family by working full-time earning about \$15,000 a year. But as she earns more, the family loses its food stamps and child care subsidy, benefits less from the Earned Income Tax Credit, and begins to incur premiums for public health coverage. The result? The family is no better off financially at \$36,000 in earnings than it was at \$18,000 (Cauten, 2006). So what message does this send to children? They see their parents working hard and not getting ahead. This should not be the American way.

Ensure that every low-income child has access to quality early education and care and for poor or otherwise at risk children access to comprehensive programs like Early Head Start from birth through age 3.

We need to make sure that all low-income children enter school with the skills they need to learn, whatever setting they are in and regardless of the work status of their parents. The states are moving to increase funding for pre-k, but the reality is that overall, low-income young children still have significantly less access to any formal early childhood program than their more affluent peers (a pattern that has not really changed over the years) and only 17 percent of 4-year-olds have access to state-funded pre-k. In fact, most children are in some kind of child care setting, but child care is seen as a work support, not a next generation productivity support. Thus, although over 30 states include child care as part of their delivery of pre-k services, when parent's employment status changes, children lose eligibility and lose the relationships that they have come to count on. Only 20 states certify eligibility for child care for one year. Yet we know that continuity of relationships reinforces positive brain circuitry.

We need to invest in a new set of intentional, integrated policies to promote healthy brain development in children from birth to age 3 that are designed with brain science in mind, starting with an expansion of Early Head Start. We lose too much time if we wait until age 4. It is shocking, when juxtaposed against brain science, that we have a national Early Head Start program that is serving only 62,000 children, even though we have research that shows that for most of the children enrolled, Early Head Start improved parenting practices and behavioral and cognitive outcomes. We also know that when children in Early Head Start continue with high-quality child development and early learning programs, they maintain their gains and the achievement gap is reduced. Yet as 3-years-olds, half of the Early Head Start sample were not in programs that supported the gains of the first two years. This is not smart investing, given what we know from brain science.

For the highest-risk children, particularly those in poverty and extreme poverty, we need to consistently make both parenting and work a focus of our policies, right now, rather than just work or just children. For example, there has been important attention in workforce and TANF policies to “barriers to employment”—low education, poor work histories, substance abuse and domestic violence, and, in reality, if not in law, mental health issues. *These “barriers to employment” are also “barriers to effective child development” and hence to future productivity of the children.* The children in these families are at special risk; they are the most likely not to have health care, to have developmental delays that are not identified, and not to be enrolled in formal early childhood programs. But TANF does not require attention to the children in the families as part of a family plan.

Similarly, as part of a broad poverty reduction strategy, we need to make it possible for states to use current entitlement dollars in ways that actively promote healthy development. Right now, states have to engage in fiscal contortions to pay for what science says is needed. For example, maternal depression, which cuts across class and race, is an anchor risk factor, negatively impacting behavior, cognitive functioning, and language development. Studies show that rates of depression in low-income mothers are very high—in the 40 percent across multiple studies.

However, parents of poor children can only access treatment if they are Medicaid-eligible. The average eligibility rate for working parents is 65 percent, for nonworking parents, 42 percent. State eligibility rates for nonworking parents (those who are most likely to have unaddressed health and mental health problems) vary. In five states the eligibility rate is under 20 percent of the federal poverty level (FPL); in 26 states it is between 20 and 50 percent of the FPL, in nine states it is between 50 and 100 percent of the FPL, and in the remaining nine states, it is between 101 percent and 200 percent of the FPL. (Forthcoming NCCP report).

The policy challenge is large. It is to reassess our work support policies through a lens that integrates a stronger focus on children, and to strengthen our child-focused policies to have a stronger focus on families. Before we lacked the science and the economic analysis to justify attention to children before they become costly problems to society. But now, we have data that says we can reduce the societal costs of child poverty across generations if we are smarter about making different kinds of up-front investments in our public policies.

I very much appreciate this opportunity to testify before you, and NCCP would be happy to work with the Committee staff to provide any additional information that might be useful.

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