CREATING A PROSPEROUS FUTURE
REDUCING POVERTY IN ARKANSAS

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ARKANSAS ADVOCATES FOR CHILDREN & FAMILIES

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5 THINGS YOU NEED TO KNOW ABOUT POVERTY IN ARKANSAS

1. Poverty is defined by the federal poverty guidelines (FPL) and determines if a family can make ends meet based on their earnings. The FPL is woefully out of date and does not take into account the spending requirements of today's families. Because these guidelines are so antiquated, many more families struggle to meet their basic needs than are counted using poverty alone.
2. Poverty has many causes including a lack of education and skills to bring to the work force, a family's geographic location, a lack of community support, family structure (specifically the number of earners in a family impacts the ability to make ends meet), incarceration, and income inequality.
3. More than half of all Arkansas children live in a household that struggles financially. Children of color are more likely to live in poverty, but the number of white children in poverty is much higher than African-American and Hispanic children. Poverty impacts the entire state but does see areas of concentration, especially in the Delta.
4. Children in poverty experience additional problems in educational and cognitive development, health outcomes, social and emotional development and are more likely to live in poverty as adults. These complications have long-term impacts on the child's success in later life.
5. In order to overcome poverty, Arkansas needs to focus on policies that help poor children succeed academically and improve their odds at getting an education. We should also look at policies that increase household income and make sure that families can meet their basic needs.

INTRODUCTION

Imagine you're exhausted. You've worked for the past 20 hours straight, your son has a cold that has gotten worse over the last week and your daycare won't let him come back until he's fever-free. You have to take tomorrow off from both your jobs to stay home with him and you don't have the money to take him to the doctor to make sure it's not becoming something more serious. And to top off your day, you got a second notice from the electric company that says if you don't pay your bill in full by the end of the week, your electricity will be shut off. This story, and others like it, is far too common in our state. Too many Arkansans are struggling to make ends meet every day. Poverty not only impacts the lives and well-being of our citizens today, but the future success of our children, and our state's ability to compete in the global economy. As a state, we need to focus on making sure every Arkansas family has the resources to meet their basic needs and ensure that every child has the opportunity to live a healthy and productive life. We have a long way to go to meet that vision.

WHAT IS POVERTY?

Since the 1960s, poverty in the U.S. has been officially defined using the federal poverty guidelines. This definition has long been used to determine eligibility for government programs such as the Supplemental Nutritional Assistance Program (SNAP) and Temporary Aid to Needy Families (TANF). A related measure, the poverty threshold, has been used to measure the number of people in poverty each year. The poverty guidelines date back to the 1960s. The average family of three spent about a third of their after tax income on food, so the poverty line was set at about three times the cost of the cheapest food plan from the Department of Agriculture.[1] This way, a family could afford a nutritional diet by spending no more than a third of their income on food.

FIGURE 1

2014 Poverty Guidelines for the 48 Contiguous States and the District of Columbia	
Persons in family/household	Poverty guideline
1	$11,670
2	$15,730
3	$19,790
4	$23,850
5	$27,910
6	$31,970
7	$36,030
8	$40,090
For families/households with more than 8 persons, add $4,060 for each additional person.	

Source: "2014 Poverty Guidelines" U.S. Department of Health & Human Services, Office of the Assistant Secretary for Planning and Evaluation

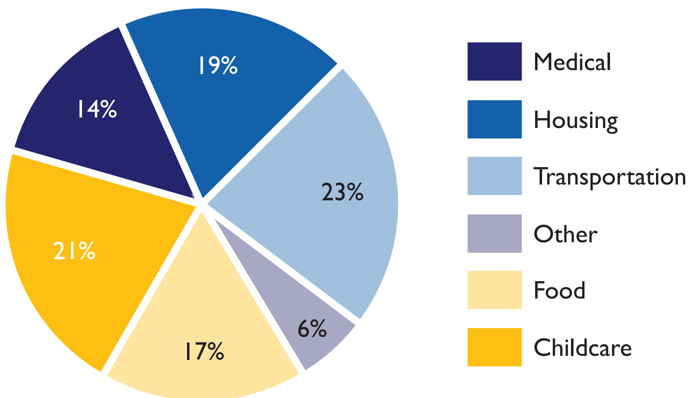
In 1965, this calculation was officially adopted by the Office of Economic Opportunity as the standard measure of poverty, and it hasn't fundamentally changed since.[2] This guideline for poverty, which was implemented almost half a century ago, has only been updated to account for inflation. The federal poverty line for a family of four is only $23,850 a year.

The current poverty line has been widely criticized over the years. One criticism is that it doesn't reflect what families have to spend their money on anymore. For example, families don't spend a third of their paychecks on food anymore. Researchers at MIT have found that a single parent of two in Arkansas earning a living wage should anticipate budgeting only about 17 percent of their income on food, not 33 percent like in the 1960s.[3] In fact, food costs don't even make the top three expenses in this budget. That same parent should plan to spend about 20 percent of their income on childcare, 20 percent on transportation, and another 20 percent on housing. Another criticism is that the current poverty line is too low. In addition to the MIT study, various studies over the years have found that it takes a wage that is significantly higher than the minimum wage or poverty line wages to really meet all of the basic needs of families.

FIGURE 2

MONTHLY EXPENSES IN ARKANSAS

Percentage of income spent by one adult supporting two children



SOURCE: http://livingwage.mit.edu/states/05

Childcare and housing are essential for Arkansas families, and their costs have all gone way up in recent decades. The cost of childcare has shot up, increasing 70 percent from 1985 to 2010, even after adjusting for inflation. In Arkansas the average single mother pays about 30 percent of her annual income on childcare, which can cost almost as much as full time tuition at an in-state college.[4] Housing is another expense not captured by the federal poverty guidelines that is taking a huge bite out of low-income families' budgets. In the 40 years after the implementation of the poverty guidelines, the median gross rent in the United States almost doubled.[5] If the poverty guidelines are based on food costs, they just aren't a realistic representation of what it currently costs to make ends meet.

WHAT CAUSES POVERTY?

At its most basic level, poverty is the result of failing to earn an income high enough to meet all of a family's basic economic needs. The causes of poverty, however, are much more complex and have many dimensions. Some explanations include:

Education and Skill Levels. All other factors being equal, workers with higher education and skill levels have greater abilities to compete for higher paying jobs. Low education and skill levels are the result of many factors, including systems that fail to promote the healthy development of young children, policies that fail to adequately close educational achievement gaps for low-income and minority students, and inadequate public support for a strong two- and four-year university system.

Geographic Location. Southern states have higher rates of poverty than other parts of the country. Poverty rates differ within areas as well. Urban areas often have higher rates than suburban areas, and rural communities have higher rates than urban areas. A variety of different factors attract business and industry: quality of the workforce, quality of life considerations, quality of public services, access to markets, availability of capital, state tax policies that support the infrastructure and service needs of businesses, strong local leadership, accountable economic development policies, level of civic engagement and more.[6]

Community Support. Lack of adequate support for working families or policies that promote social and economic mobility can lead to poverty. Things like affordable child care, transportation, health insurance, and policies that allow families to develop and accumulate assets are critical to fighting poverty.

Family Structure. Children in single-parent families are more likely to live in poverty because their families typically have only one income and fewer financial resources.[7]

Incarceration. Families in high poverty – especially in urban areas – are more likely to be victims of crime.[8]

Income inequality also keeps Arkansas's low-income families in poverty.

- Flat wages are keeping average Arkansans from getting ahead. From the late 1970s to the late 2000s, the wealthiest Arkansans saw their incomes grow almost twice as fast as the poorest.
- Inequality is holding Arkansans back. When all of the wealth is concentrated at the top, low- and middle-income earners cut back on purchases that contribute to job growth.
- Low- and middle-income Arkansans are being left behind while the rich get richer. The typical Arkansan's income has stagnated. In 2012 the median family income was only about five cents an hour above recession levels.
- Household economic stability is weak in Arkansas, especially for minorities. If a family is unable to make ends meet for three months without income, they are classified as "Liquid Asset Poor." In Arkansas, this indicator is below the national average and is much more likely to affect minorities.
- The mobility/wealth gap is widening and decreasing the chances that hard work will move you up the economic ladder. Of the Arkansans earning below average incomes, less than 27 percent were able to make a significant income improvement over the period of a decade. That means people are stuck, and it's hard to move up. Upward mobility is a staple of the American dream.

THE IMPACT OF POVERTY ON CHILDREN

Most families earning up to 200 percent of the federal poverty guideline are struggling to pay for important life necessities.

OVER 30 PERCENT OF ARKANSAS CHILDREN UNDER THE AGE OF 5 LIVE IN POVERTY.

OVER HALF OF AFRICAN-AMERICAN AND LATINO CHILDREN UNDER 5 LIVE IN POVERTY.

Children who grow up in poverty are impacted not only duringp their childhood but well into their adulthood. Some of the impacts include:

Educational and cognitive consequences. Sudies have repeatedly shown that children living poverty experience several negative educational outcomes like poor academic performance, low vocabularies, lower reading and achievement scores, higher drop-out rates and lower college graduation rates.

Negative health outcomes. Children in low-income families are more likely to have health problems. When living in poverty, children are sick for longer periods of time, less likely to receive quality health care or preventative care, and less likely to have access to healthy food. Families living in poorer areas are more likely to face danger like parental, domestic, or neighborhood violence.

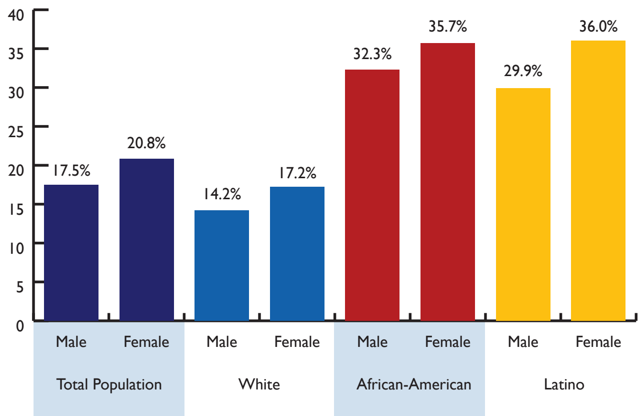
Stunted social and emotional development. Families living in poverty tend to have unstable home environments that can lead to behavioral problems in children. Children in these situations are more likely to act out, experience disobedience and aggression, and have a more difficult time getting along with other children. Poverty is also associated with higher rates of teen pregnancy, low self-esteem, and feeling of anxiety, unhappiness and dependence.

Adult poverty. Poverty rarely has a short-term impact on a child. Children who experienced persistent poverty are more likely to be poor as adults than those who never lived in poverty. All of the potential problems a child in poverty are far-reaching and persistent and can have a great impact on success once reaching adulthood.

FIGURE 3

ARKANSANS OF COLOR ARE MORE LIKELY TO LIVE IN POVERTY

Percent of Arkansans living in poverty (100% FPL or less), by race

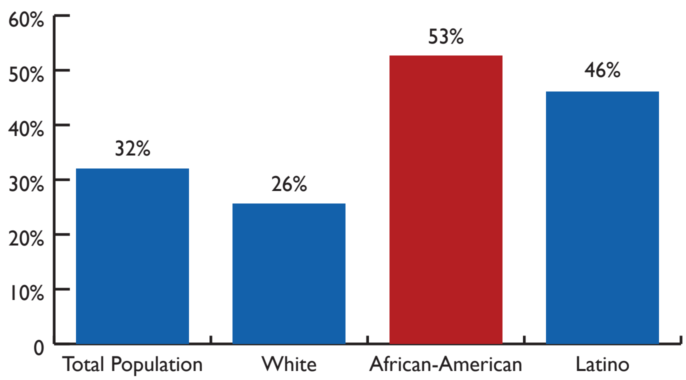


SOURCE: U.S. Census Bureau, American Community Survey 2009-2013 5-year estimates, Tables B17001, B17001A, B17001B, and B1700011

FIGURE 4

CHILDREN OF COLOR UNDER AGE 5 EXPERIENCE POVERTY AT A MUCH HIGHER RATE

Percent of kids under 5 in poverty, by race



SOURCE: U.S. Census Bureau, American Community Survey 2009-2013 5-year estimates, Tables B17001, B17001A, B17001B, and B1700011

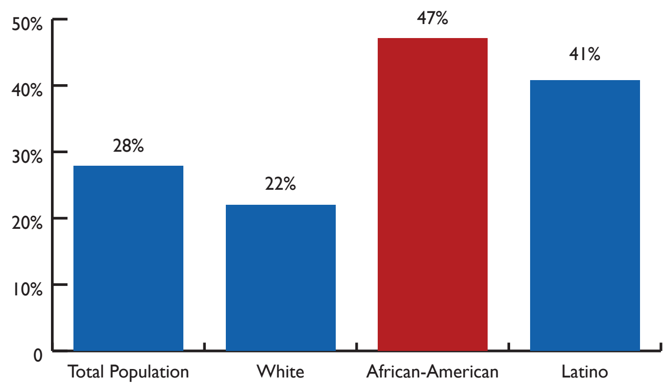
THE PROBLEM IS REAL

Arkansas has a large population of families living in poverty. This hurts our residents' and our state's ability to move forward and to succeed. By letting so many people fall behind, we make it difficult to grow our economy. Minority Arkansans experience poverty at a higher rate than white Arkansans and women of all races experience poverty at a higher rate than men (Figure 3). Children who experience poverty earlier in life have a harder time overcoming its impacts. Over 30 percent of Arkansas children under the age of 5 live in poverty. Over half of African-American and Latino children under 5 live in poverty (Figure 4).

FIGURE 5

AFRICAN-AMERICAN CHILDREN UNDER 18 ARE MORE LIKELY TO LIVE IN POVERTY THAN OTHER CHILDREN

Percent of kids under 18 in poverty (100% FPL), by race

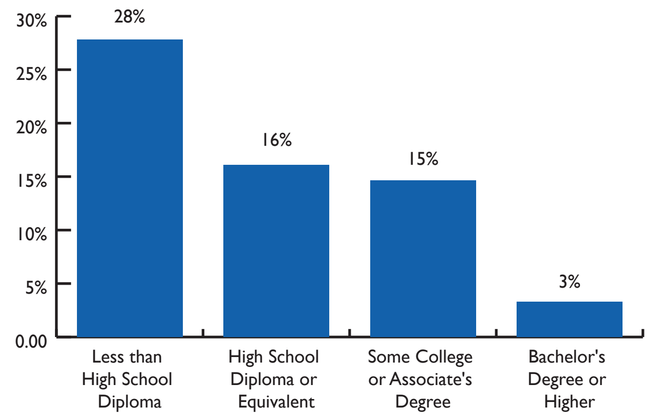


SOURCE: U.S. Census Bureau, American Community Survey 2009-2013 5-year estimates, Tables B17001, B17001A, B17001B, and B1700011

FIGURE 6

AS EDUCATION GOES UP, CHANCES OF LIVING IN POVERTY GO DOWN

Percent of Arkansans living in poverty, by education level



SOURCE: U.S. Census Bureau, American Community Survey, 2009-2013 5-year estimates, Table B17018

The poverty rate for children under 18 is lower across the board for all children but still remains at almost 50 percent for African-American kids (Figure 5).

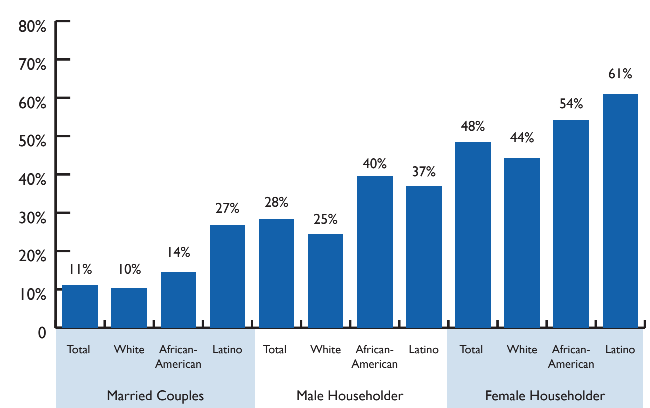
One way to combat poverty is to invest in education. We know that higher levels of education allow Arkansans to get better jobs and provide for their families. One of the best ways to help people out of poverty is to provide educational opportunities, starting with pre-school (Figure 6).

Households with one income tend to struggle much more than families with two incomes. Female-headed households experience higher levels of poverty than male-headed households (part of this is because there are fewer men raising children on their own than women).

FIGURE 7

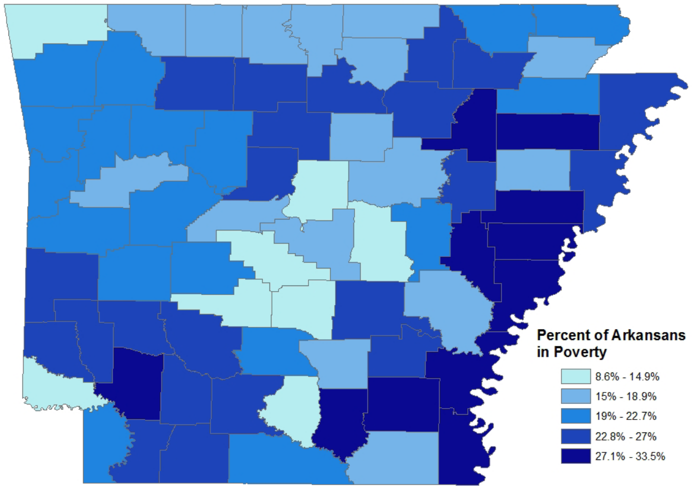
SINGLE PARENTS MORE LIKELY TO LIVE IN POVERTY

Percent in poverty, according to family type, race



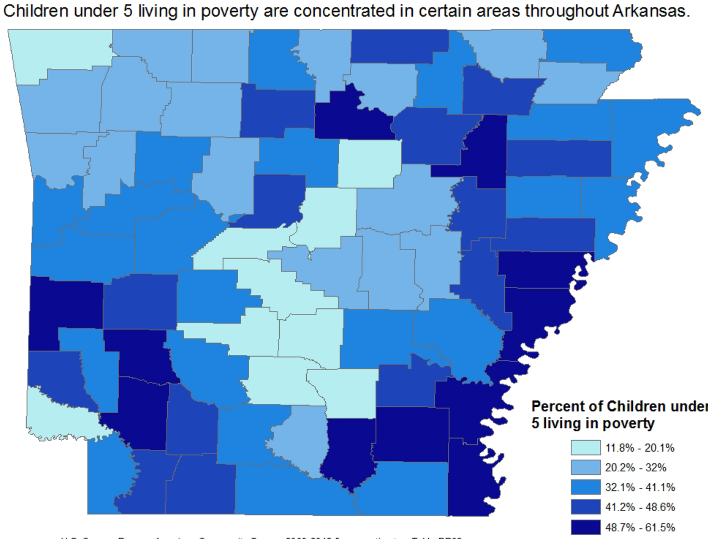
U.S. Census Bureau, American Community Survey, 2009-2013 5-year estimates, Table s B17010, B17010A, B17010B, and B17010I

Arkansans in poverty live throughout the state, but the highest levels of poverty are in the Delta.



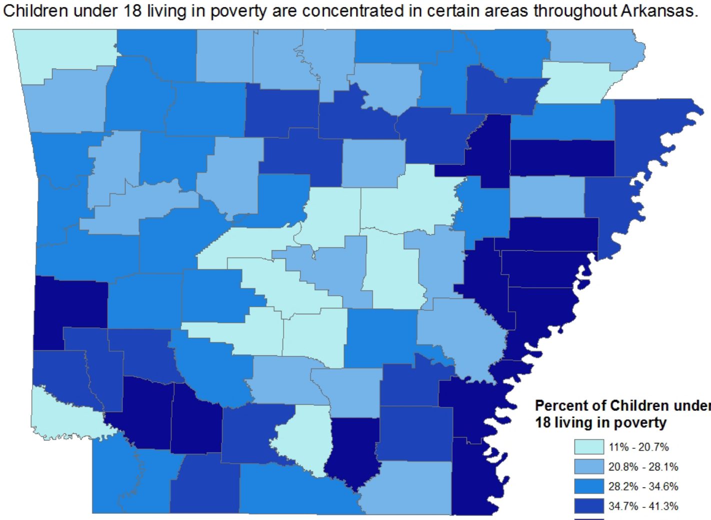
U.S. Census Bureau, American Community Survey, 2009-2013 5-year estimates, Table B1701

Children under 5 living in poverty are concentrated in certain areas throughout Arkansas.



U.S. Census Bureau, American Community Survey, 2009-2013 5-year estimates, Table DP03

Children under 18 living in poverty are concentrated in certain areas throughout Arkansas.



U.S. Census Bureau, American Community Survey, 2009-2013 5-year estimates, Table DP03

Families throughout Arkansas experience poverty but there are parts of the state that experience poverty at a much higher rate, especially in the Delta region.

HOW DO WE REDUCE POVERTY?

There are many different views on the best ways to reduce poverty and a complete discussion of strategies is beyond the scope of this issue brief. However, at AACF, we believe any effort to reduce poverty requires, at a minimum, a two-pronged approach:

- Policies that help poor children succeed academically and improve the odds they will be able to get an education that helps them find better paying jobs.
- Policies that increase household income and ensure that parents will have the necessary resources to meet all of their family's basic needs.

We have to start with education if we are going to reduce Arkansas's high level of poverty over the long term. And the earlier we start with improved education, especially for children living in poverty, the better. Improving school readiness for low income and at-risk kids so they don't enter the early grades behind their more affluent peers is critical to their future success. Study after study has shown that participation in prekindergarten education has an enormously beneficial impact on a student's educational outcome.

Children who participate in pre-K have higher math and reading scores in later grades and higher graduation rates. In particular, being able to read proficiently at grade level by the end of the third grade is a key predictor of future success. With the waiting list for entry into pre-K growing longer, we can't afford to underfund future economic opportunity for Arkansas students. Arkansas has done a great job of making pre-K available to our children; however, state funding for these programs has not increased one dime since 2008. How can we expect continued growth if lawmakers neglect early learning?

Arkansas is seeing the gap between low-income students and their more affluent counterparts grow wider. That same gap exists between minority and white students, rich and poor students, and urban and rural students. Pre-K helps to close these gaps.

We also need to give greater priority to other research-proven strategies that can improve educational opportunities and outcomes for low-income and at-risk kids, such as making quality out-of-school learning opportunities available to all children. Quality out-of-school learning opportunities like after-school activities and summer learning initiatives an help reduce summer learning and keep kids out of trouble and in a positive learning environment. Investments in these vital public structures will strengthen the Arkansas education system and make our students more competitive when they enter the job market.

No one working a full-time job should live in poverty. Sadly the Arkansas minimum wage (even when the recently voted increase goes into effect) guarantees a full-time worker a life of poverty. The Earned Income Tax Credit (EITC) has helped families lift themselves up, and a state-level EITC would help even more. The EITC is a credit for working families designed to help low-income earners as they transition to better paying jobs. Ronald Reagan once called the EITC the best antipoverty, pro-family, job creating measure to come out of Congress. He's right, and a state-level EITC would help Arkansas families move up the economic ladder, allowing them to provide for their families and contribute to our economy.

The state can also make sure our fellow Arkansans are able to take care of their families and fully participate in the economy by further raising the minimum wage. Employees are becoming more and more productive, but they aren't seeing their paychecks increase. Economists estimate that if minimum wage had kept up with increases in worker productivity since the late 1960s, our current minimum wage would be $16.54.

A worker should be paid fairly for what he or she produces, and that paycheck should be periodically increased to keep up with rising prices. The minimum wage has not only failed to keep up with worker productivity, it hasn't even kept up with inflation. Because of inflation, the 2011 federal minimum wage is 12.1 percent lower than it was in 1967.

As Americans, and as Arkansans, we've proven we can pull ourselves out of an economic downturn and create a prosperous future – just look back to how the U.S. economy responded after the Great Depression. We've learned that investments in public systems and structures (like roads, bridges, and our education system) allow us to do things together that we could never do alone. Improved economic opportunity for those at the bottom benefits the entire state. When families are comfortable and financially secure, they contribute to our economy. This broadens the tax base, which leads to more investment in public structures, which improves infrastructure and bolsters education outcomes. That leads to a stronger workforce, which attracts businesses that hire more Arkansans, who then become more comfortable and financially secure. It's a cycle, and a good one. The good news is we can make it happen together.

NOTES

[1] http://aspe.hhs.gov/poverty/faq.cfm
[2] http://www.nytimes.com/2007/04/17/us/17orshansky.html?_r=0
[3] http://livingwage.mit.edu/states/05
[4] http://www.naccrra.org/sites/default/files/default_site_pages/2012/arkansas_060612-3.pdf
[5] https://www.census.gov/housing/census/data/grossrents/grossrents_adj.txt
[6] "Child Poverty: Why Child Poverty Matters." http://www.voices.org/pages/page.asp?pageid=22803.
[7] "Causes of Child Poverty: Family Structure." http://www.fightpoverty.mmbrico.com/reasons/family.html
[8] Ibid.

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