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Families on a Fault Line?
The Risk of Poverty When a Child Joins the Home

Recent studies document that newborns from different racial, ethnic, and economic groups face vastly different chances of living in poverty.[1] For some babies, poverty is simply a result of being born to parents who are poor. But the mathematics of poverty also suggest that expenses associated with a new child may push a low-income family over a threshold—into poverty. In fact, many families live so close to the poverty line that any disruption— a health crisis, a costly car repair, job loss, or adding a child to the family—could push them into poverty. In this piece, we use the addition of a child as an illustrative example of this broader dynamic.

A child can bring about a host of changes in family life, particularly in terms of the parents' employment.[2] A careful analysis of the literature reveals how families respond when a child enters the home. For instance, we know that mothers often cut back their work hours following birth,[3] while fathers sometimes increase theirs.[4] But these trends vary across demographic lines. In short, the impact of childbearing on family poverty is not as straightforward as it may seem, but there are identifiable trends.

This brief describes our use of an official poverty measure (OPM) framework to simulate who is most at risk of falling into poverty through the birth, adoption, or fostering of a child.[5] We examined trends in family demographics, childbirth, and family employment to construct and analyze scenarios using data from the 2015 Current Population Survey (CPS). This data-based thought exercise is designed to help us understand the dynamics facing families who are very close to poverty, including those who would be poor with changes in their employment and family structure. Our analysis sheds light on the nature of poverty, including how life changes that shape employment can also affect poverty.

DEFINING "POOR" AND OUR ANALYTICAL PLAN

The OPM determines poverty status at the family level, and because we were interested in a child's chances of being poor upon joining a family, we used families as the unit of analysis. Under the OPM, families are assigned a threshold for total family income per year, based on the number of adults and children in the family and whether the family is headed by someone over age 65. This threshold is then compared with actual total family income to determine poverty status. "Poor" families were those with total incomes below their assigned threshold, and "not poor" families were those at or above the threshold.

In our study, we simulated poverty status to find out whether a family would become poor if a child joined the home. To do this, we compared each family's total income to the poverty threshold of a family with one additional child, absent any changes in income. For example, consider a two-adult, two-child family with a poverty threshold of $24,008 in 2014. We would adjust

Key Findings:

1. **Many families live with economic risk.** If every US family added a child, an additional 5.2 percent of families would become poor.

2. **Dramatic income increases are required to mitigate risk.** For families near the fault line, a 25% increase in household income is necessary to offset the addition of a child.

3. **Dynamics are unequal across groups.** Family characteristics associated with high poverty are also associated with increased risk of becoming poor after adding a child. Families most at risk are black and Hispanic families, families with children, less-educated families, and those living in rural or highly urban settings.

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Figure 1. Percent poor under OPM with additional child and varying total family income changes
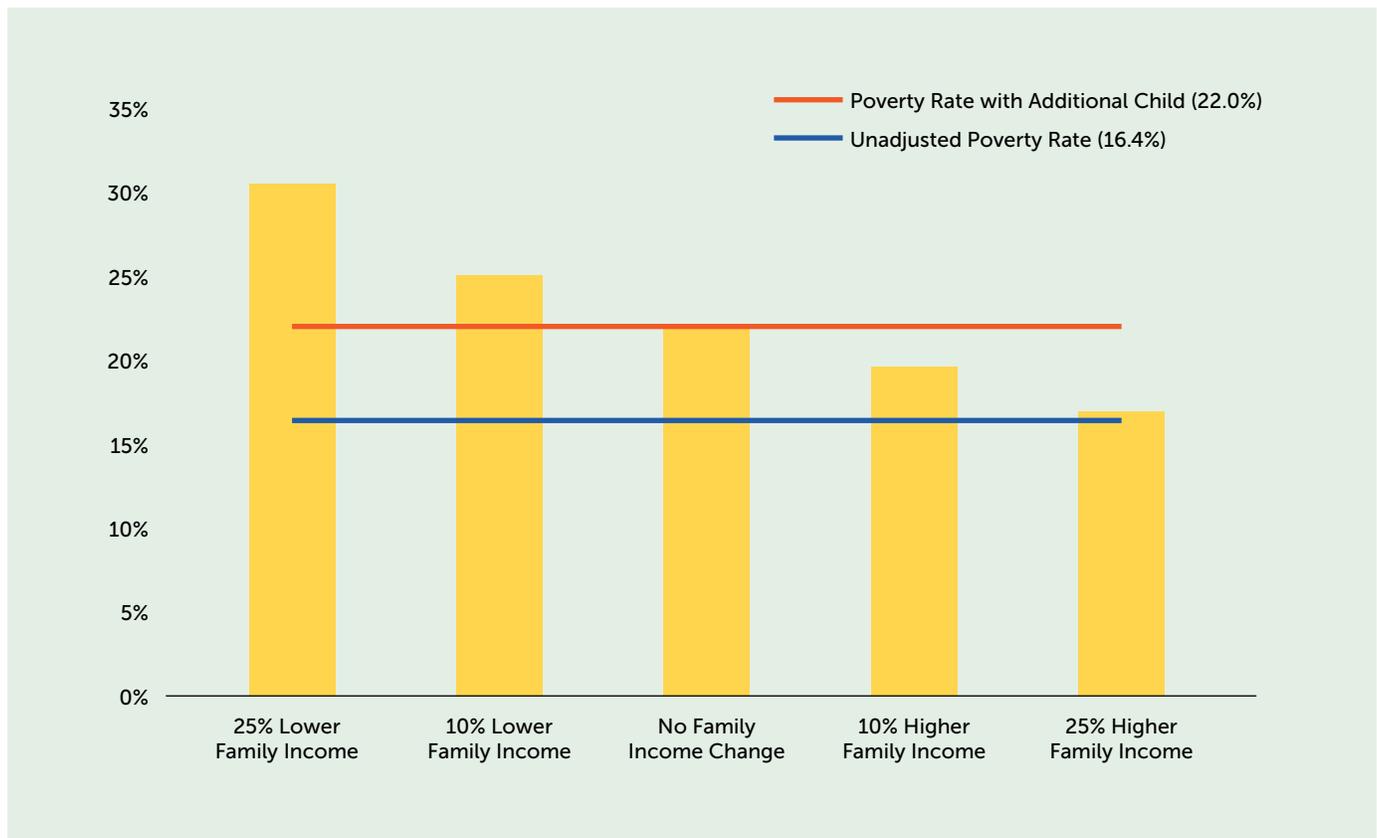
Source: 2015 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC)

the family's poverty threshold to that of a two-adult, three-child family, or $28,252, and recalculate its poverty status.

We then examined several scenarios that may emerge for families after the arrival of a new child: family income increases by 10 or 25 percent, or family income decreases by 10 or 25 percent. We derived these cutoffs from our review of the research on typical changes in parental labor after the birth of a child.[6] Finally, we documented how race/ethnicity, family structure, education, and place affect a family's chance of entering poverty with an additional child.

HOW MANY FAMILIES BECOME POOR AFTER ADDING A CHILD?

Figure 1 shows the results of our exercise across the population. Absent any changes in family income—and holding all else constant—an additional 5.7 percent of U.S. families would enter poverty if all families added a child. This means that a large share of families is at economic risk—one major life change away from poverty. When we explored the effects of increased or reduced earnings, we found that only when families' incomes rise by 25

percent is poverty similar (0.6 percentage points higher) to what it is without the added child.

Although income can rise after a child joins a family, total family income is also likely to drop, especially if one earner must reduce work hours to care for the child. It would not be surprising for a family to lose 10 to 25 percent of its earnings upon the birth of a child, given time away from work and reduced hours. In cases where families lose 10 percent of their total income, an additional 8.7 percent of families would become poor. If families lose 25 percent of total income, the poverty rate jumps to over 30 percent—14.1 percentage points higher than what we currently see across the population.

WHICH FAMILIES ARE MOST AT RISK?

Next, we looked at families by race/ethnicity, age and family structure, education level, and place (Table 1). Besides having base poverty rates that are more than double those of white families, black and Hispanic families are at greater risk of falling into poverty than white families if they add a child and their income decreases. Although about 27.3 percent of black families are poor, another 17.4 percent would be poor if they added a

Table 1. Percent poor under OPM with additional child and varying total family income changes						
		OPM Percent Poor w/ Additional Child and...				
	OPM Per-cent Poor	25% Lower Family Income	10% Lower Family Income	Same Family Income	10% Higher Family Income	25% Higher Family Income
Overall	16.38%	30.48%	25.05%	22.03%	19.61%	16.93%
Family Race-Ethnicity						
White NH, only	12.62%	25.56%	20.70%	17.92%	15.74%	13.39%
Black NH, only	27.32%	44.70%	38.14%	34.61%	31.43%	28.21%
Asian NH, only	16.97%	28.29%	23.71%	21.17%	19.24%	17.29%
Multiracial	14.65%	25.28%	20.44%	18.18%	16.55%	14.29%
Hispanic, only	26.08%	45.90%	37.93%	33.61%	30.04%	25.75%
Adults in Family						
Working age adults, only	17.79%	29.73%	24.84%	22.19%	19.94%	17.69%
Seniors, only	12.96%	37.41%	29.31%	24.50%	21.22%	16.54%
Working age adults and seniors	8.72%	20.29%	15.52%	13.02%	11.03%	8.69%
None (headed by minor)	80.05%	92.78%	91.67%	87.68%	82.63%	79.50%
Family Marital Status						
Includes married couple	6.49%	14.53%	10.71%	8.78%	7.59%	6.06%
Single parent	25.15%	44.64%	37.89%	33.93%	30.44%	26.77%
Two or more adults, no married couples	18.04%	33.93%	27.11%	23.66%	20.84%	17.61%
All members are unmarried minors	79.94%	92.74%	91.62%	87.61%	82.54%	79.38%
Family Highest Education						
Less than high school	44.55%	73.14%	64.34%	58.88%	53.50%	46.78%
High school	23.20%	43.98%	36.01%	31.67%	27.98%	23.89%
Some college	15.81%	30.78%	24.76%	21.31%	18.85%	16.25%
College degree	6.41%	12.41%	9.78%	8.48%	7.55%	6.59%
Family Metropolitan Status						
Not identified	19.93%	36.22%	29.77%	28.00%	24.83%	20.50%
Not in metropolitan statistical area	18.46%	35.67%	29.00%	25.46%	22.64%	19.33%
In metropolitan statistical area	15.99%	29.53%	24.32%	21.38%	19.04%	16.49%
Within central city	19.60%	34.14%	28.55%	25.31%	23.00%	20.32%
Outside central city	13.43%	25.82%	20.94%	18.32%	16.06%	13.70%
Central city status unknown	16.29%	31.28%	25.80%	22.54%	19.87%	17.01%

Source: 2015 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC)

child and had a 25 percent drop in family income. Likewise, about 10.8 percent of such families would be poor if they added a child and had just a 10 percent drop in family income. The results for Hispanic families mirror those for black families.

In contrast, only another 12.9 percent of white families would become poor if they added a child and had a 25 percent decline in family income—and 8.1 percent would become poor with a 10 percent decline.

A rise in income generally has a similar impact on black, white, and Hispanic families, but there are some differences. For example, Asian families generally fare better than white families in each of the five scenarios, and multiracial families fare worse than white families but better than black and Hispanic families.

Despite exhibiting lower rates of poverty, families made up of seniors only are at a much higher risk of becoming poor after adding a child than are working-age adults. In fact, senior-only

families would have a 3.6 percentage point increase in poverty even in the best (but unlikely) scenario that family income grows by 25 percent. That said, seniors are least likely to have an additional child, although surely some senior-only families are among the increasingly prevalent group of grandparent caregivers.[7]

Unsurprisingly, single-parent families, including those with cohabiting members, are much more likely to become poor after adding a child compared with married couples—roughly two to four times more likely, depending on how their income changes. People in less educated families are also at high risk of poverty. For example, over a quarter (26.2 percent) of people in a family where no one has a high school degree would become poor after adding a child and losing 25 percent of family income; in such a scenario, nearly three in four families headed by a person with little education would be poor. In addition, we found that families that do or do not live in metropolitan areas face similar rates of poverty after adding a child, regardless of changes in family income.

Across all families studied, we found that income must increase by more than 25 percent, on average, for families to avoid a major increased risk of poverty after adding a child.

SUMMARY AND CONCLUSIONS

Overall, families with higher rates of fertility and poverty are at greater risk of becoming poor or falling deeper into poverty after adding a child. One exception to this finding is seniors, who have lower overall rates of poverty but who face a high risk of becoming poor if they take in a child. Given that one in 10 children now lives with a grandparent—though many of these grandparents are under age 65—seniors are an important group to further examine with respect to parenting and poverty.

Of course, these findings do not tell us what is happening on the ground. Indeed, it's not clear which of these families will add a child—through birth, marriage, or adoption—or if these families living "on a fault line" will adjust their work or fertility decisions to account for their shaky economic status. Likewise, there is rising complexity among families in terms of cohabitation, partial coresidences, three-generation homes, and children of undocumented parents—all of which are more common in disadvantaged groups. This makes it difficult to fully capture the sources of financial support for children.[8]

Even so, this study sheds light on the demographic groups at special risk of poverty after the addition of a child, and it shows how attachment to the labor force (measured as changes in total family income) can affect those rates. It also shines a light on the economic precarity facing many families who are not poor, but are one crisis or one life change away from potentially falling into poverty. It therefore has vital implications for policy and practice. We found that families more likely to be poor in general—black and Hispanic families, families with children, less-educated families, and those living in rural

or highly urban settings—are also at increased risk of being poor after adding a child. Because these families are larger on average, the family-level statistics that we present understate the overall numbers of people who are at such risk. Further, poor mothers are much more likely to come from racially and ethnically disadvantaged groups, to have an unintended pregnancy,[9] to not receive paid maternity leave,[10] and to be unmarried compared with wealthier women.[11] As a result, the challenges of childbearing for these women are likely greater than our analyses suggest and often extend beyond financial difficulties.

DATA

This brief relies on data from the 2015 CPS's Annual Social and Economic Supplement, downloaded from the University of Minnesota's Integrated Public Use Microdata Series. Each March, the CPS collects demographic and economic data from a sample of American households, including data to calculate the OPM. The 2015 sample of households analyzed from the CPS includes data on 83,156 OPM family units.

ENDNOTES

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