2009 Child Economic Opportunity Report Card

FROM CRADLE TO CAREER, NORTH CAROLINA'S 2.2 million children should be connected to the network of institutions that provide an opportunity for their success and make prosperity possible. Connection to such an infrastructure — of affordable housing, banking relationships, quality schools and job opportunities — powers the creation of flourishing communities today and ensures the future economic stability of our state. Now more than ever, North Carolina must expand and diversify its commitment to and investment in the foundations of a sound economy — policies that promote opportunity, mobility and the hope for shared prosperity.

Key Findings of the Child Economic Opportunity Report Card

- One of every four children living in poverty ($20,650 in 2007 for a family of four) has at least one parent working full time.
- The disparity in median household income between the wealthiest and poorest North Carolina households was $140,000.
- Nearly 30 percent of children live in asset poor households that do not have the financial cushion to remain above the Federal Poverty Level for three months without earned income.
- Child poverty is concentrated in the Coastal Plains in the east and the Mountain region of the west.

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OVERVIEW OF THE CHILD ECONOMIC OPPORTUNITY REPORT CARD

The current economic downturn reminds us that our failure to invest fully in an economic infrastructure for all communities and to recognize the interdependence of government, private business and households is perilous. Recovery from this immediate crisis should start with recognition of these fundamental relationships and proceed with a commitment to improve the policies and programs that connect these stakeholders. Improvements require looking at the role of income, assets *and* communities in expanding economic opportunity for children.

North Carolina has already made some important investments in institutions and programs that underpin prosperity. From establishing the Housing Trust Fund to providing childcare subsidies for quality early care, these investments in the communities where children live, learn and grow not only improve their outcomes but also stimulate the local economy. Similarly, the enactment of the state Earned Income Tax Credit and the streamlined delivery of Food Stamps leverage federal and state investments in households, pumping additional funds into communities. However, inadequate funding, a patchy infrastructure and a quickly changing economy mean that these essential resources are not reaching all who need them. Expanding the reach of these existing institutions is fundamental to reducing disparities in children's economic opportunity.

North Carolina should go a step further and move beyond income support alone. Diversifying the approach to economic opportunity and aligning it with the latest available research requires investment in strategies that build assets and address community poverty. Families living in communities of high poverty or without equity or savings face higher barriers to overcome in the best of times, and are far more vulnerable in economic downturns. Nearly thirty percent of young North Carolinians live in households that do not have enough assets or savings to live three months without a paycheck and remain out of poverty. Such indicators of asset poverty — available for the first time at the county level in this Report Card — are the result of a lack of investment in the institutional supports that can facilitate savings. Connecting households to the financial mainstream and providing affordable savings opportunities can ensure families have a greater financial cushion today and children have the necessary assets for future success. Making sure that every community in the state, even those dealing with high poverty, have the goods, services and institutions that can provide children with the tools for economic success is also essential. A sound and growing local economy can ensure children's economic security today and provide the connection to long-term economic success.

The purpose of the Child Economic Opportunity Report Card is to heighten awareness —among policymakers, practitioners, the media and the general public — about the economic conditions that affect children and youth across our state. Indicators from various sources are compiled and summarized to highlight the income, asset and community aspects of children's economic well-being, which in turn can determine their long-term success.

Action for Children North Carolina hopes this Child Economic Opportunity Report Card will provide a fuller picture of the economic conditions that affect children. For the first time, state and local data on family asset poverty are combined with income and community poverty information. Statewide data are presented for the most recent year available (usually 2007) with a comparative year (usually 2003) where possible. The indicators were chosen to reflect the continuum of economic security and long-term economic stability and opportunity of all children. More county data, including a Local Asset Poverty Index for North Carolina, can be accessed through Action for Children North Carolina's website (www.ncchild.org).

INCOME

Raising the income of North Carolina's households, and thus the resources to support families, is fundamental to ensuring the economic security of children and the economic stability of communities.

Poverty

Poverty as a measure of a family's ability to meet the basic needs of its members can be better understood as a continuum rather than a threshold. The federal government established the Federal Poverty Level in 2007 for a family of four at $20,650. But households ranging from extreme poverty (those earning below 50 percent of the Federal Poverty Level) to low-income (those earning below 200 percent of the Federal Poverty Level) face significant, yet distinct challenges in providing for children. In North Carolina from 2003 to 2007, the number of children living in poverty grew and the number of children in low-income households has remained consistently high.

	2003	2007	% Change
Children in extreme poverty (50% of FPL)	196,472	180,911	-7.9%
Children in poverty (100% of FPL)	382,164	421,702	10.4%
Children in low-income (200% of FPL)	915,753	925,648	1.1%

Source: American Community Survey, PUMS Data, 2003 and 2007. Analysis by Population Reference Bureau.

Earnings and Work Effort

From 2003 to 2007, the number of North Carolina's poor and low-income children who lived in households where at least one parent worked full time increased. Of particular concern is the 342.3 percent increase in the number of children living in extreme poverty with at least one parent working full time.

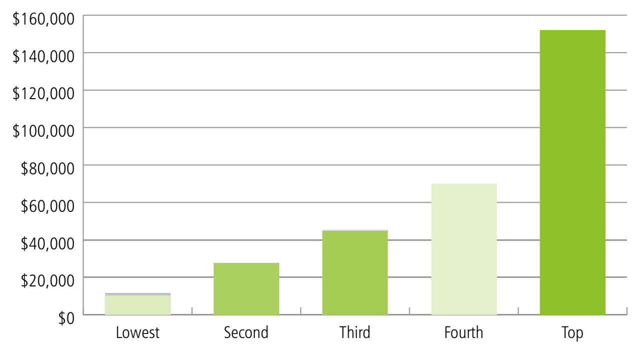
	2003	2007	% Change
Children in extreme poverty with at least one parent working full time	2,440 1.2%	10,791 6.0%	342.3%
Children in poverty with at least one parent working full time	60,766 15.9%	102,620 24.3%	68.9%
Children in low-income with at least one parent working full time	400,307 43.7%	432,508 46.7%	8.0%

Source: American Community Survey, PUMS Data, 2003 and 2007. Analysis by Population Reference Bureau.

Income inequality

Disparities in children's economic conditions present significant barriers to the promise of improved outcomes as adults. The Center for Budget and Policy Priorities ranks North Carolina 21st in the nation for its gap between rich and poor.[1] In 2007, the disparity in median household income between those households in the lowest and highest quintiles was $140,000.

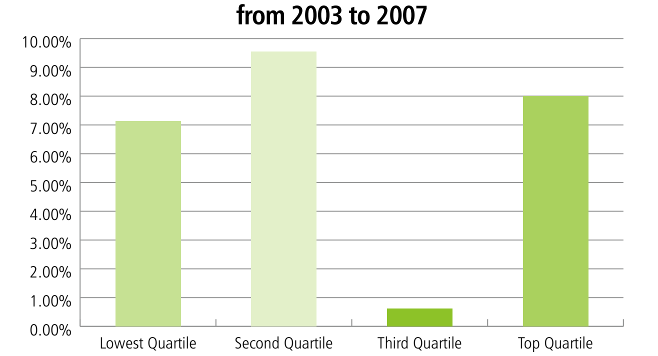
2007 Median Household Income by Quintile



Source: American Community Survey, Economic Characteristics of North Carolina, 2007.

From 2003 to 2007, the growth in the number of the poorest children was much greater than the growth in the number of children at high income levels. The number of children in middle-class families has grown very little as the number of children in the bottom half of the income distribution has grown substantially.

Change in Number of Children living in each income quartile from 2003 to 2007



Source: American Community Survey, PUMS Data, 2003 and 2007. Analysis by Population Reference Bureau.

Recent national research on intergenerational mobility found that 42 percent of children born in the bottom of the income spectrum stay in the bottom as adults.[2] This growing divide between rich and poor, if left unchecked, will become a barrier to achieving the American dream of doing better than one's parents.

Work Supports

North Carolina has demonstrated foresight in establishing an infrastructure that can support work. As this infrastructure is strained by the current economic crisis, investments to expand its reach and enhance its services can provide families with much needed resources and communities with a local stimulus. Many children would benefit from the security that comes from ongoing investment in work supports. For example, nearly one-third of all families (32.9 percent) spend more than a third of their monthly income on housing costs.[3] Improving the availability of rental and ownership opportunities can reduce the cost of housing, create jobs and stimulate local economies. Similarly, the most recent decline in the childcare subsidy waiting list to 28,000 in November 2008, after its height of 37,000 in early 2008, suggests that many parents are becoming ineligible due to long periods of unemployment.[4] Providing childcare subsidies to parents seeking work despite long periods of unemployment will make sure children receive the long-term benefit of a stable childcare environment and also will grow the childcare industry.

ASSETS

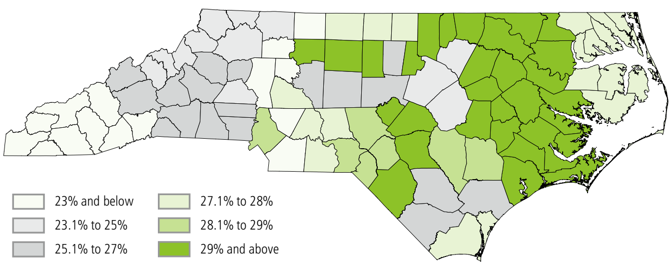
Assets — in the form of interest-earning savings, stocks, and real estate, for example — matter for family's economic stability and intergenerational mobility. In 2006, the median net worth of North Carolina households was $55,913 less than the U.S. median net worth of $88,803. Notably, 53.7 percent of North Carolinian's net worth represents home equity compared to 50.7 percent for Americans overall.[5] Asset poverty is high in North Carolina and even higher for households with children. A lack of assets means less of a cushion in times of economic uncertainty to address an emergency and a lack of resources to access future opportunities, especially higher education or stable homeownership. Having assets has also been shown to make a difference for children's school achievement, aspirations and expectations for the future and their subsequent earnings, health and civic participation as adults.[6]

	2004	
	N.C.	U.S.
Household Asset Poverty	17.5%	22.4%
Child Asset Poverty	28.9%	30.1%

Source: CFED. 2007-2008. Asset and Opportunity Scorecard.

In North Carolina, 28.9 percent of children live in asset poor households that do not have the financial cushion to remain above the Federal Poverty Level for three months without earned income, according to CFED's Asset and Opportunity Scorecard.[7] Data on local asset poverty, available for the first time here, suggest regional trends that merit closer attention. Not surprisingly, asset poverty is concentrated in eastern North Carolina; however, Triad counties have very high levels of asset poor families as well.

Household Asset Poverty

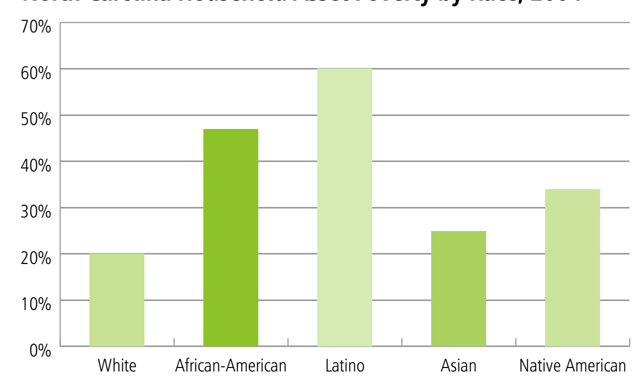


Source: N.C. Local Asset Poverty Index. Analysis by Action for Children N.C. and Asset Policy Initiative of California

Racial Wealth Gap

The racial wealth gap, currently gaining increased attention, has persisted for many decades. The racial wealth gap measures the difference in net worth between white households and households of color. Nationally, for every dollar owned by a white household, the average household of color owns 13 cents.[8] Asset poverty in North Carolina suggests similar disparities. Compared to white families, African-American households in North Carolina are more than twice as likely to be in asset poverty while Latino households are three times more likely.

North Carolina Household Asset Poverty by Race, 2004



Source: N.C. Local Asset Poverty Index. Analysis by Asset Policy Initiative of California.

COMMUNITY

The economic downturn has done much to turn attention to the issues of financial stability and economic security and the necessary role of government in designing responsible interventions. Foreclosures in North Carolina have increased 224 percent from 1998 to 2008.[9] As 2009 began, nearly one of eleven North Carolina workers were unemployed and actively looking for work.[10] Combined with the low asset wealth of North Carolina households, it is clear that North Carolinians cannot afford cuts in the state's infrastructure. The reality of these economic hardships for households is compounded by the current state budget climate which projects a significant fall-off in revenues in 2009 and threatens the provision of much-needed state services. North Carolina can only thrive if investments continue to be made to ensure children have access to economic opportunity.

Concentration of Poverty

The concentration of poverty, defined as 40 percent or more of the people in a census tract or neighborhood living in poverty, is significant in North Carolina. The latest data available (from 2000) suggest a clustering of poverty in diverse geographic communities across the state. The interaction of poverty and place has been found to be significant in the social and psychological development of children and their life outcomes as adults.[11] The disproportionate distribution of family income across the state is further exacerbated by lack of access to living wage employment, quality affordable housing and quality schools in high poverty communities.[12]

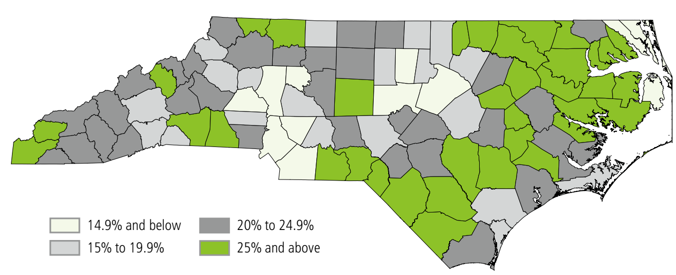
	2000	
	#	%
Children living in concentrated poverty	23,891	1.24%
Children living in high poverty areas	284,284	14.7%

Source: U.S. Census Bureau, Decennial Census, 2000. Data collected by Population Reference Bureau.

Concentration of Child Poverty

The concentration of children in poverty is a regional phenomenon. Since children are increasingly likely to move out of these struggling communities when they come of age, these areas are losing their competitive workforce and their population is aging. North Carolina's failure to stem the concentration of child poverty in certain areas of the state is now draining those area's limited resources, increasing poverty still further.

Child Poverty by County, 2007



Source: U.S. Census Bureau, Small Area Estimates Branch, 2007 Poverty and Median Income Estimates. Released December 2008.

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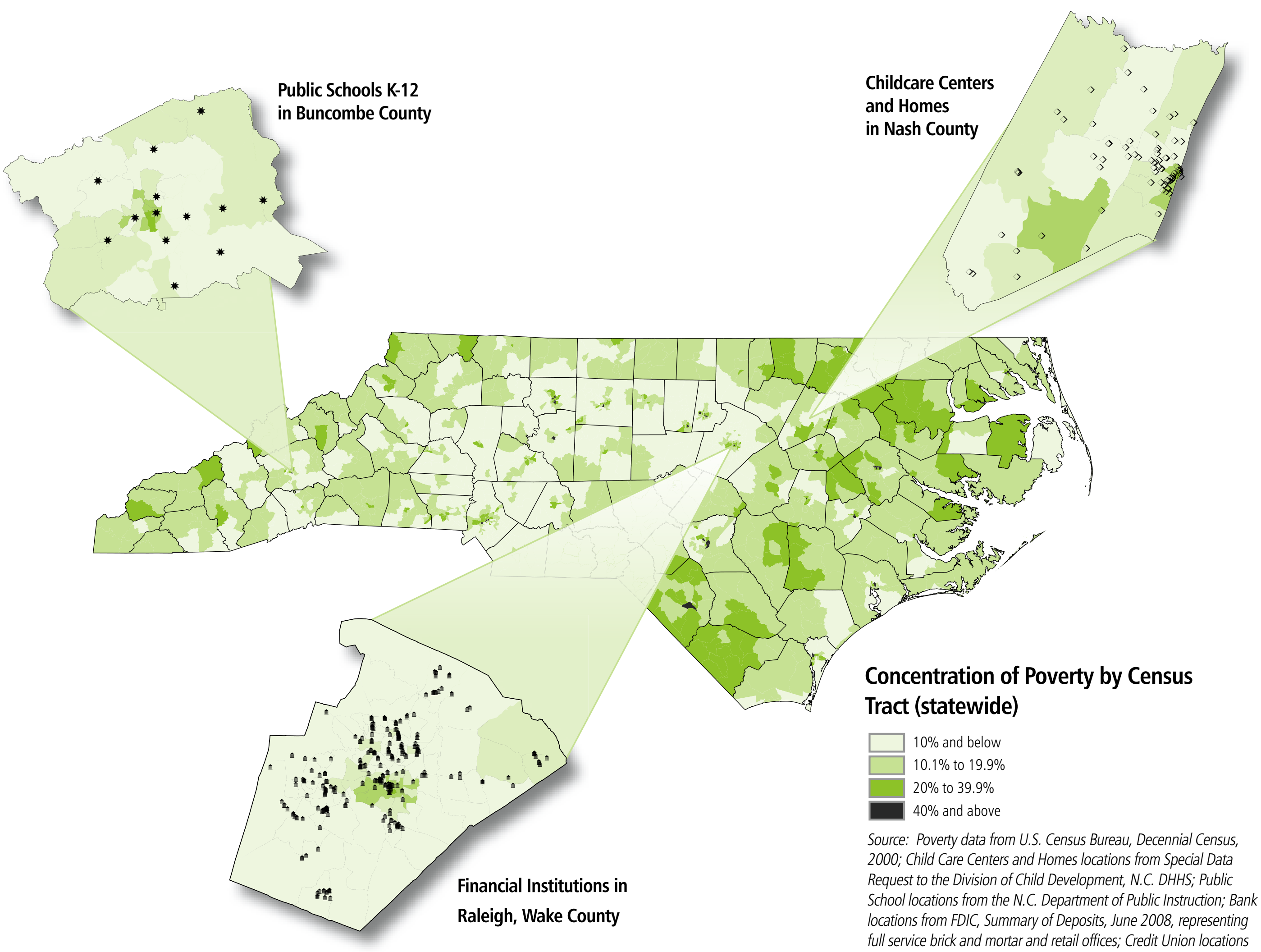
Economic Opportunity Institutions in Neighborhoods of Concentrated Poverty

Communities with high rates of child poverty are less likely to have the services and institutions that can provide children with improved economic outcomes in the future. As an example, the following maps show childcare centers, financial institutions and public schools by the concentration of poverty in that area of the state.

CONCLUSION

Rising unemployment combined with low assets, especially for communities of color, means North Carolinians are likely to suffer greatly and recover slowly from the current recession. If government investments in affordable housing, childcare subsidies, the Earned Income Tax Credit and job retraining fail to keep up with the need, then areas of concentrated poverty will grow, further jeopardizing the future of our children.

North Carolina must expand and diversify the programs and services that are provided to families to avoid the long-term costs associated with children's economic insecurity. The greatest economic stimulus opportunity North Carolina has in the coming year is to invest in infrastructure that provides children and their families with economic support and opportunity and, in so doing, positions the state competitively for the long-term.



Source: Poverty data from U.S. Census Bureau, Decennial Census, 2000; Child Care Centers and Homes locations from Special Data Request to the Division of Child Development, N.C. DHHS; Public School locations from the N.C. Department of Public Instruction; Bank locations from FDIC, Summary of Deposits, June 2008, representing full service brick and mortar and retail offices; Credit Union locations from Reference USA, accessed February 2008.

ENDNOTES

1 Bernstein, Jared, Elizabeth McNichols and Andrew Nicholas. April 2008. "Pulling Apart: A State-by-State Analysis of Income Trends." Center on Budget and Policy Priorities.

2 Isaacs, Julia B., Isabel V. Sawhill, and Ron Haskins. February 2008. "Getting Ahead or Losing Ground: Economic Mobility in America." Brookings Institution: Economic Mobility Project. P. 4.

3 American Community Survey, PUMS Data, 2007. Analysis by Population Reference Bureau.

4 Special Data Request January 2009 to the Division of Child Development, Department of Health and Human Services.

5 CFED. 2008. Asset & Opportunity Special Report: Net Worth, Wealth Inequality and Homeownership During the Bubble Years. State level data accessed at: http://www.cfed.org/specialreport/app/

6 Page-Adams, Deborah and Michael Sherraden. 1996. Asset building as a community revitalization strategy. Social Work 42(5) pp. 423-434.

7 CFED. 2007-2008. Asset and Opportunity Scorecard.

8 Ibid, pg. 3.

9 N.C. Courts, Administrative Office of Courts, 1998 to 2008.

10 Unemployment Rate, December 2008. N.C. Employment Security Commission.

11 Brooks-Gunn, Greg J. Duncan and J. Lawrence Aber, eds. 1997. Neighborhood Poverty: Context and Consequences for Children. Russell Sage Foundation: New York, NY.

12 High poverty is defined by the U.S. Census Bureau as 20 percent or more of the people living in a census tract are living in poverty.

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1300 St. Mary's Street, Suite 500
Raleigh, NC 27605
919-834-6623
www.ncchild.org