Policy Points

Recession Raises Poverty in West Virginia, Especially Among Children

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Summary

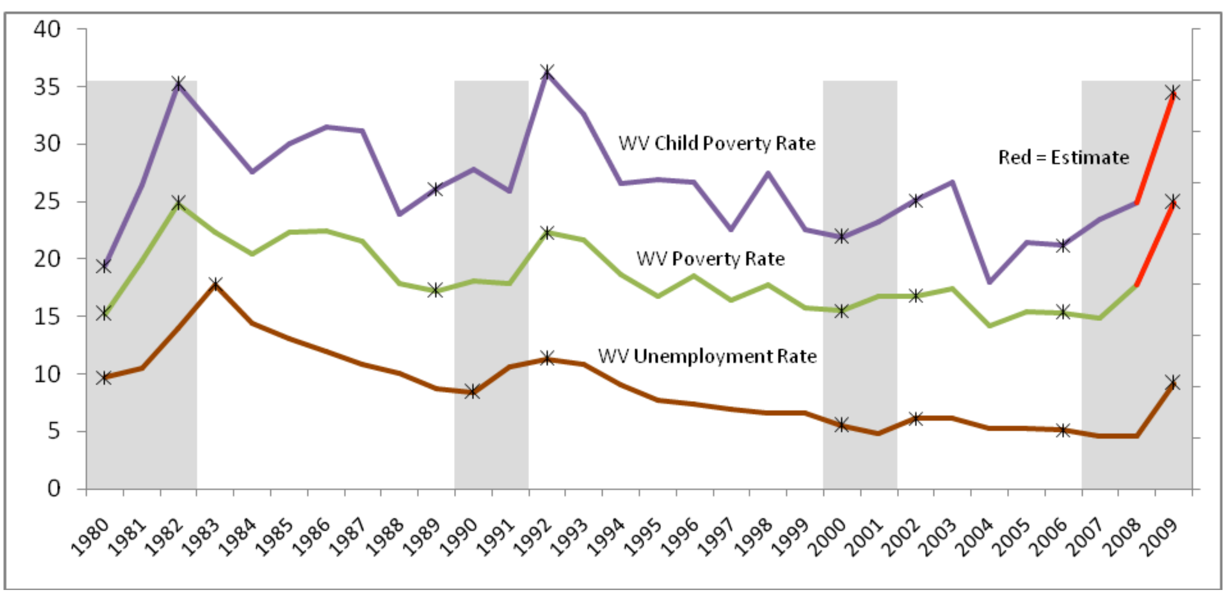
Based on an analysis of previous recessions, one in four West Virginians is expected to fall into poverty during the current recession. The number of state children living in poverty is estimated to increase by more than a third to 130,585, or 34.4 percent. Each one-percent increase in the unemployment rate is projected to raise the number of West Virginia children in poverty by about 8,000. The increase is of particular concern because of the harmful and long-lasting effects of poverty – even temporary poverty – on children. Support is available under the American Recovery and Reinvestment Act and other federal programs that can help states curb the anticipated increases in poverty.

Recession-Induced Poverty: History and Predictions

As many as 10.3 million Americans – including 3.3 million children – are expected to fall into poverty due to the current economic recession, according to a recent study by the national Center on Budget and Policy Priorities (CBPP). This would bring the total number of people living in poverty to 47.5 million, or 15.5 percent.[1] To make these estimations, the CBPP examined the relationship between increases in annual unemployment rates and poverty rates during the last three recessions. Using this information, they projected poverty rates for the current recession based on unemployment rates of up to 9 percent. This paper employs a comparable approach to predict poverty rate increases in West Virginia.

During the last three recessions, the state's poverty rates rose in tandem with unemployment rates. The gray bars in Chart 1 represent recessionary periods.[2] As unemployment rises during recessions, the poverty rate quickly follows. As the recessions end, poverty rates decrease and stabilize. The relationship between unemployment and poverty during the three time periods is statistically significant and positive.[3]

CHART 1: West Virginia Unemployment, Poverty, and Child Poverty Rates (1980-2009)



WVCBP analysis of U.S. Bureau of Labor Statistics and U.S. Census Bureau, Current Population Statistics and SAIPE data.

Children experience poverty at rates higher than those of adults, and this disparity is intensified during recessions. During the recessions that began in 1980, 1990, and 2000, the total number of West Virginians in poverty increased by 122,000, 89,000, and 22,000, respectively. (See Table 1.) Child poverty during each of these recessions grew at even greater rates. For example, during the 1980 recession overall poverty increased by 40 percent while the number of children in poverty nearly doubled. While the high increase in poverty rates during the 1980 recession dissipated during the 1990 and 2000 recessions, the current recession could be reversing this trend. Already, the unemployment rate has grown by 4.6 percentage points, which is considerably higher than the last two recessions.

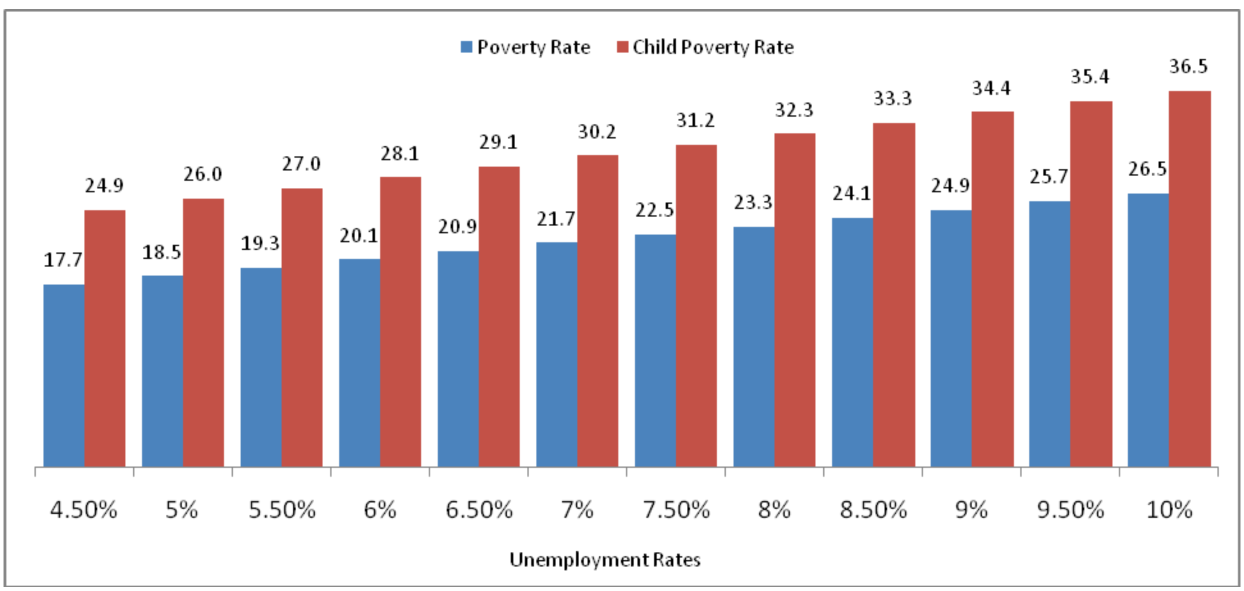
TABLE 1: West Virginia Unemployment and Poverty During Recessions

	1980	1982	Change	1990	1991	Change	2000	2001	Change
Unemployment Rate	9.7%	17.8%	**8.1**	8.4%	11.3%	**2.9**	5.5%	6.1%	**0.6**
Number in Overall Poverty	297,000	419,000	122,000	306,227	394,859	88,632	273,986	295,753	21,767
Overall Poverty Rate	15.2%	24.8%	**9.6**	17.2%	21.7%	**4.5**	15.5%	16.7%	**1.2**
Number in Child Poverty	105,927	203,124	97,197	117,425	142,138	24,713	85,417	90,207	4,790
Child Poverty Rate	19.4%	35.2%	**15.8**	26.1%	32.6%	**6.5**	21.9%	23.2%	**1.3**

Source: U.S. Bureau of Labor Statistics and U.S. Census Current Population Survey

An analysis of the relationship between increases in unemployment rates and poverty rates over these three recessions makes it possible to estimate the likely increases in poverty during the current recession. (See Appendix for description of methodology.) The unemployment rate prior to the recession was 4.5 percent, with an overall poverty rate of 17.7 and a child poverty rate of 24.9 percent. The state's unemployment rate hit 9.2 percent in July 2009. Based on the increased unemployment rate over this period, the child poverty rate is projected to increase from 24.9 percent to an estimated 34.4 percent. (See Chart 2.)

CHART 2: Projections of Poverty Rate Increases in Current Recession



Source: U.S. Bureau of Labor and Statistics and U.S. Census Current Population Survey
Note: See Appendix for methodology.

The overall number of West Virginians in poverty is expected to increase by 41 percent, from 311,581 to 438,326. The number of children living in poverty will increase by 38 percent, from 94,522 to 130,585. Table 2 shows the estimated increases in poverty based on a total state population of 1,760,344; a child population of 379,607; and unemployment rates between 4.5 and 10 percent.

TABLE 2: Number of People in Poverty Based on Projected Uemployment Rate

Unemployment Rate	**4.5%**	**5%**	**6.0%**	**7.0%**	**8.0%**	**9.0%**	**9.5%**	**10.0%**
People in Poverty	311,581	325,664	353,829	381,995	410,160	438,326	452,408	466,491
Children in Poverty	94,522	98,698	106,670	114,641	122,613	130,585	134,381	138,557

WVCBP analysis of US Bureau of Labor Statistics and U.S Census Bureau, SAIPE data.

The Impact of Recession-Induced Poverty on Children

Child poverty leaves lasting scars, according to several decades of research. Children who experience persistent poverty or are poor during early childhood are more likely to have health problems, perform poorly in school, have social and emotional difficulties, and earn lower wages as adults.[4]

A new study highlights that even temporary poverty during childhood has serious, long-term effects.[5] Researchers analyzed longitudinal data from the Panel Study of Income Dynamics (PSID) on Americans who had grown up during the recessions of 1973-1975 and 1980-1982. They compared three groups of children: those who fell into poverty during the recession, those who had been living in poverty prior to the recession, and those who had avoided poverty altogether. Consistent with previous studies, they found that the children living in persistent poverty fared the worse across all indicators of human development and well-being.

The more surprising finding was the extent to which children *who fell into poverty during recessions* also experienced negative outcomes. Compared to their never-poor peers, adults who had experienced temporary child poverty:

- Had median incomes that were 30 percent lower;
- Were three times as likely to still be living in poverty;
- Were less likely to finish high school (74 percent, compared to 87 percent)
- Were less likely to finish college (13 percent, compared to 34 percent); and
- Were less likely to report being in excellent or very good health (62 percent, compared to 74 percent).

Poverty is not a singular problem, but rather as a host of harms running side-by-side a child's development into adulthood. The National Center for Children in Poverty maintains that the impact of poverty affects a child's brain development through multiple pathways. They report that, "poverty is a primary risk factor which increases the likelihood that young children will be exposed to multiple risk factors."[6] The risk factors associated with poverty include inadequate nutrition, substance abuse, maternal depression, exposure to environmental toxins, trauma/abuse, and their quality of daily care.

The costs of child poverty to society are also steep. The potential addition of 3 million children into poverty during this recession will create a future economic loss of at least $1.7 trillion over the lifetime of these children. This results from the annual loss of GDP of about 0.27 percent, or $35 billion dollars per year.[7]

Policies that Reduce Poverty and Improve Family Economic Security

The research highlights the importance of preventing families from falling into poverty during economic downturns, as well as reducing the number who are already poor. States need a variety of strategies that are responsive to diverse family situations, ranging from temporary assistance for experienced workers who are between jobs to longer-term support for individuals who face significant obstacles to employment. Federal support can help states ameliorate poverty in important ways:

- The federal government has responded with an unprecedented fiscal stimulus plan not seen since the Great Depression. The 2009 American Recovery and Reinvestment Act (ARRA) provides $787 billion in tax reductions and direct spending to promote economic recovery and assist those most impacted by the recession. West Virginia will receive about $1.8 billion under the Act, which could help many families from falling into poverty. Under ARRA, for example, states can access TANF "emergency contingency funds" for increased expenditures in basic assistance, non-recurrent short-term payments, and subsidized employment.

- States can also maximize their participation in other federal programs such as Medicaid, the Children's Health Insurance Program (CHIP), and Unemployment Insurance. For example, ARRA includes funds for states that choose to modernize and expand their Unemployment Insurance programs. The Children's Health Insurance Authorization Act (CHIPRA) provides options for states to expand and enhance health coverage.

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. The Center is supported with funding from the W.K. Kellogg Foundation, Claude Worthington Benedum Foundation, Sisters of Saint Joseph Charitable Fund, Annie E. Casey Foundation, Center on Budget and Policy Priorities, Service Employees Union International 1199, and West Virginia Affiliated Construction Trades Foundation.

APPENDIX

Methodology for Calculating Recession-Induced Poverty

The estimates in Chart 2 were reached by calculating the ratio of increased unemployment rates to poverty rates during the three recessions. For example, the increase in the poverty rate during the 1980 recession was 9.6 percentage points and the increase in the unemployment rate was 8.1 percentage points, a ratio of 1.2 (9.6 /8.1 = 1.18). Table 3 below shows the ratios for each recession followed by an average of 1.6 and 2.1.

Table 3: Ratios of Poverty to Unemployment Rates, West Virginia

	1980-1982	1990-1991	2000-2001	Average
Poverty Rate/ Unemployment Rate	1.2	1.6	2	1.6
Child Poverty Rate/ Unemployment Rate	2	2.2	2.2	2.1

WVCBP Analysis of U.S. Bureau of Labor Statistics and U.S. Census Bureau, Current Population Statistics

This means that for every percentage point increase in the unemploment rate, the poverty rate will increase by 1.6 percentage points and the child poverty rate will increase by 2.1. Both of these ratios are about twice as high as the national ratio for these two catagories. Therefore, West Virginia's poverty rates increase at a higher rate than the national average.

To calculate the poverty and child poverty rate during the current recession, this paper applies the average ratios (1.6 and 2.1, respectively) to increases in West Virginia's unemployment. These calculations are in Chart 2 and Table 2.

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[1] Sharon Parrott, Center on Budget and Policy Priorities, (CBPP), "Recession Could Cause Large Increases in Poverty and Push Millions Into Deep Poverty," November 24, 2008, http://www.cbpp.org/files/11-24-08pov.pdf.

[2] According to the National Bureau of Economic Research (NBER), the official dates of the recession are 1/1/1980-7/31/1980, 7/1/1981-11/30/1982, 7/1/1990-3/31/1991, and 3/1/2001-11/30/2001.

[3] The correlation between the state's unemployment rate and the change in the poverty rate is .94 and .89 between unemployment rates and change in child poverty. These statistics suggest that the relationship between unemployment and poverty and child poverty rates are both positive and statistically significant

[4] Moore, Kristin Anderson, Zakia Redd, Mary Burkhauser, et al. "Children in Poverty: Trends, Consequences, and Policy Options." Washington, D.C.: Child Trends. April 2009.

[5] Linden, Michael. "Turning Point: The Long-Term Effects of Recession-Induced Child Poverty." Washington, D.C.: First Focus. May 2009.

[6] National Center for Children in Poverty, Columbia University, Mailman School of Public Health, "Poverty and Brain Development in Early Childhood," June 1999, page 2.

[7] Michael Linden. "The Cost of Doing Nothing, The Economic Impact of Recession-Induced Child Poverty." Washington, D.C.: First Focus. December 2008.