Income Instability, Child Poverty, and Child Wellbeing:

Race/ethnicity and informing policies to alleviate poverty

Lisa A. Gennetian
4-year-old Pablo’s family finances

- Multiple sources of income
- High variation
- $3,000 set aside in informal savings group
4-year-old Riley’s family finances

*Earned Income Tax Credit* refund creates income instability while improving income level
Key Takeaways

• Two important dimensions of U.S. child poverty
  o Level of income and stability of income

• Both reduce children’s wellbeing
  o Effects pronounced among non-White children

• Income instability is higher for low income children
  o More income stability among lowest-income Hispanic child households
  o Stability of Black lowest-income households improved by social assistance

• Policies to alleviate child poverty must address income level and stability to improve success
Higher income level and stability support student attendance and educational outcomes.

Similar patterns:
- Student disciplinary infractions
- Expulsions and suspensions
- High school graduation
- Adult educational completion
- Exacerbated for minority/nonwhite students

Indicative standardized effects on attendance:

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<th>4th graders</th>
<th>7th graders</th>
<th>9th graders</th>
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<td>Quarterly average income</td>
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<td>High income instability</td>
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Quarterly average income: ▼
High income instability: □
Striking increases of income instability over time, especially for the lowest-income households with children.
The increase in income instability over time for the lowest-income households is from unearned, not earned, income.

Unearned income instability increased by 0.48

Earned income instability increased 0.04
Hispanic low-income households with children have more stable income than White or Black households with children.
Low-income Hispanic households have lower average monthly earnings but greater earned income stability.

Average monthly earnings, among lowest income:
- $1,784 Hispanic
- $1,009 Black
- $2,229 White
Monthly social assistance benefits are vital to income stability, especially among lowest-income Black households.
Limited net worth exacerbates the effects of income instability
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References