

Family  
Economic  
Well-Being

Family Economics

## Family Economic Well-Being



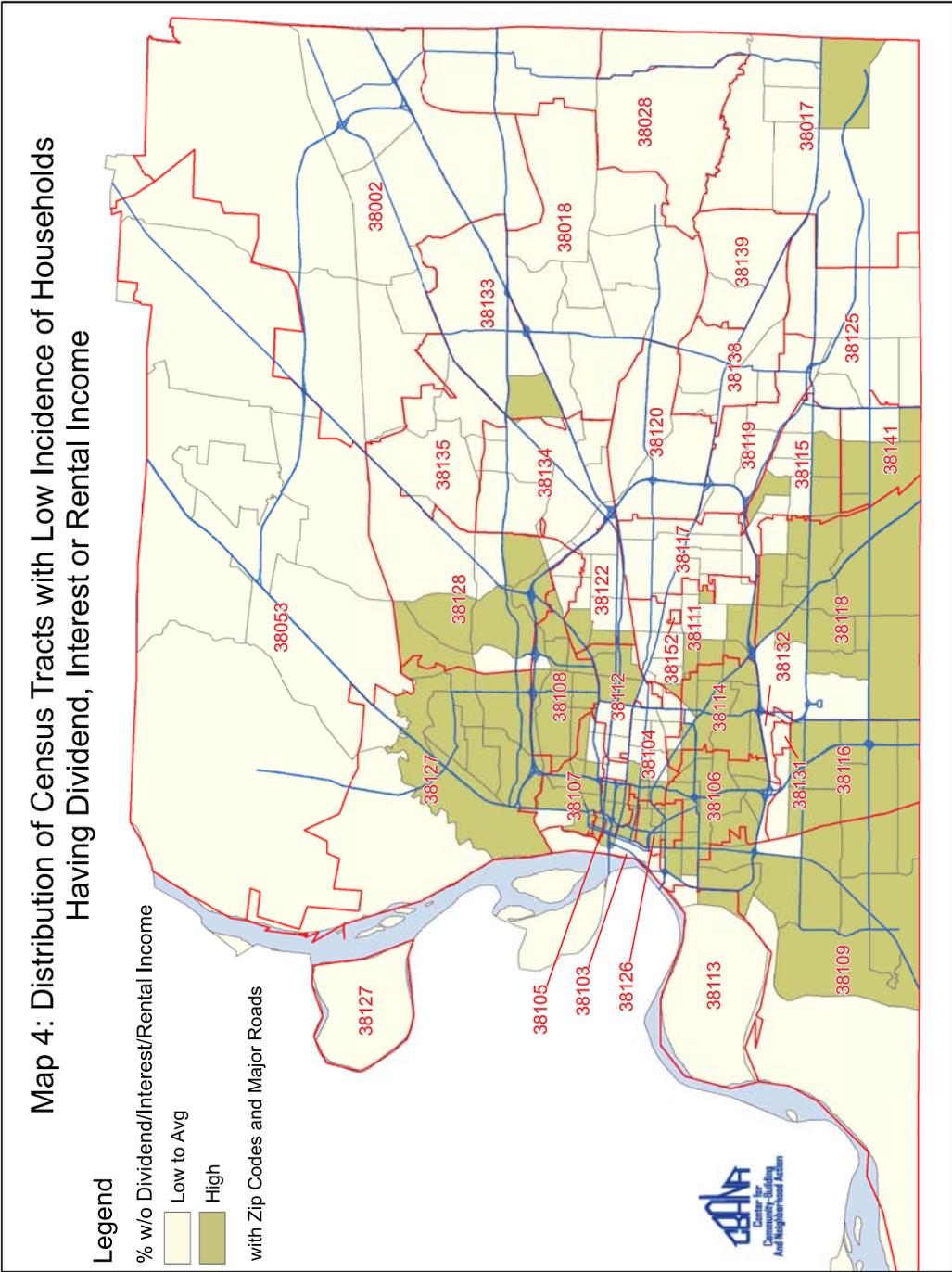
**why it's important:** Early child development, school readiness, delinquency and educational attainment all are associated with the advantages and disadvantages of a family's economic situation.<sup>1</sup> Economic disadvantages often mean less-educated parents, which affects parenting skills. Economic insecurity also introduces stress that affects parenting. Along with mother's education and age at first birth, family income is the best predictor of developmental outcomes for children and youth. Being near or below the poverty level is a special risk. Child poverty in Memphis and Shelby County poses serious challenges because it is pervasive, long standing and increasing. Shelby County families as a whole suffer from relatively low income and wealth. Nearly 45 percent of Shelby County children live in families with economic security issues.

*Source: Census 2000 and American Community Survey 2002, 2003, and 2004, unless otherwise noted. Census 2000 data offers a baseline for family economic well-being in Memphis and Shelby County. Beginning in 2002 the American Community Survey provides annual updated estimates but typically provides less detail than data from the census. For example, breakdowns by race and ethnicity or special calculations such as children below the "low income" level are associated with census years only. Data below represent the most current data available from secondary sources. Data by ethnicity is not included in some graphics when populations are small or under-represented by census samples (e.g. Asians and Hispanics). Some data calculations are readily available only for Memphis or only for Shelby County. All data for Shelby County include the City of Memphis in the overall figures. Summary estimates and conclusions not accompanied by graphics represent author's interpretation of data available from census and other sources.*

<sup>1</sup> See Lee and Burkam's *Inequality at the Starting Gate: Social Background Differences in Achievement as Children Begin School* for an overview.

**Critical Issue:** Many Memphis families have few financial assets and little wealth to protect against economic hardship.

- Census data commonly report annual income, but accumulated assets (measures of wealth) are just as important for gauging family security and estimating the likelihood of economic stress.
- Economic stress can affect pre-natal care and parenting even in families that are not poor economically, and also is associated with high rates of residential mobility, which mean children moving from school to school, which undermines achievement.
- One estimate of wealth is captured by IRS data on households reporting income from interest, dividends and rent, all of which imply assets that can cushion against economic insecurity.
- The map below shows that only about half of Shelby County census tracts fall within the normal range of asset income when compared to households nationally.
- Many of these low-asset census tracts are in predominantly black neighborhoods with middle-class incomes and a high proportion of family households.



Source: Child and Family Policy Center for the Urban Institute, National Neighborhood Indicators Partnership. From Census 2000.

**Key Finding:** In the city of Memphis, 65 percent of census tracts (107 tracts) have a high proportion of households with few financial assets. Only one low-asset tract lies outside the city of Memphis in suburban Shelby County.

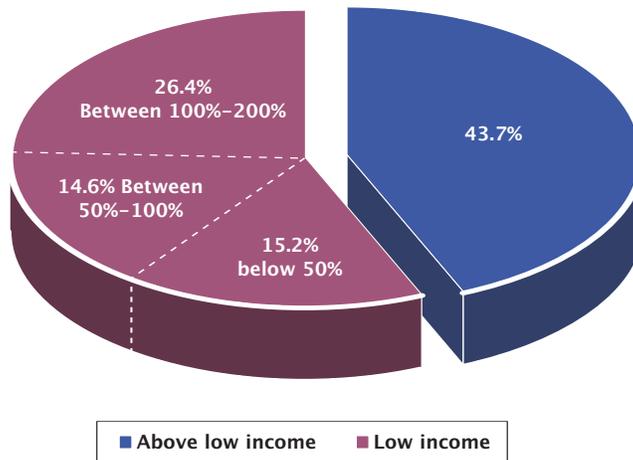
**Key Concept:** Understanding the poverty rate and other measures of low income

Poverty-level income is determined by an arguably outdated formula first implemented in 1959. It is calculated based on family size. Eligibility for some income support programs such as Temporary Assistance to Needy Family (Families First in Tennessee) requires income well below the poverty level to qualify. Eligibility for other programs or other reporting methods is determined by other standards such as extreme poverty, near poverty and low income. The typical family size for a poor family in Memphis is three.

- The 2005 (most recent) poverty level for a family of three is \$15,735.
- “Extreme poverty” or “very poor” means 50 percent or less of the poverty level income, or about \$7,868 for a family of three.
- “Near poverty” means income between the poverty level and up to 125 percent of the poverty level income, or \$19,669.
- “Low income” eligibility for programs such as Section 8 subsidized housing vouchers means income up to 80 percent of the “area median income” (AMI) for families in the metropolitan area. The current AMI for Shelby County is \$41,250 for a family of three.
- Some government reporting methods and child advocacy programs use a standard of up to 200 percent of poverty level income to mean “low income.” In Memphis, 200 percent of the poverty level for a family of three is \$31,470, which is almost 25 percent less than the AMI standard noted above. The 200 percent method, which is included in data below, therefore is a conservative estimate of economic disadvantage.

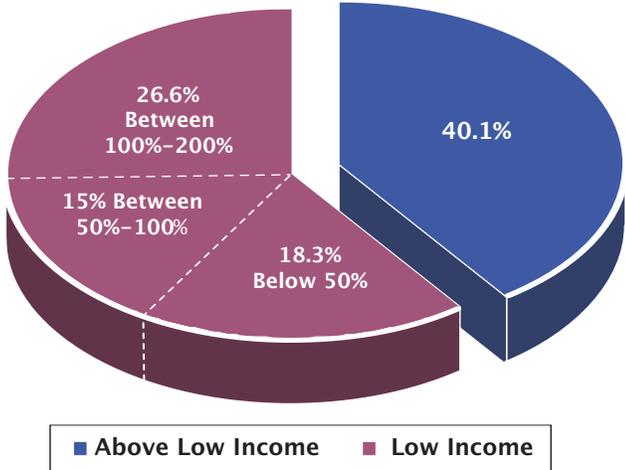
**Children At-Risk for Poverty, 2000**

Source: U.S. Census, 2000



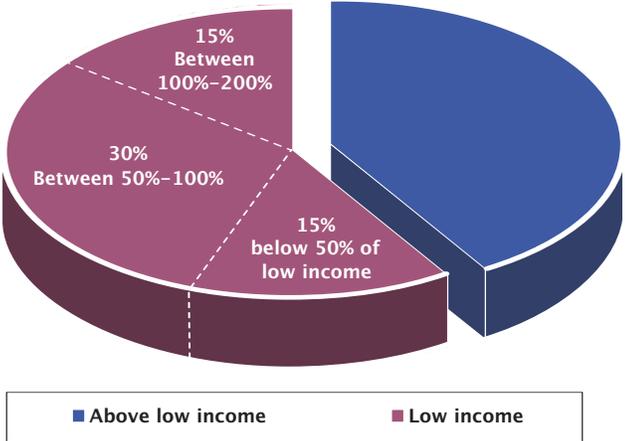
### Children in Memphis Under 6 At-Risk for Poverty, 2000

Source: U.S. Census, 2000



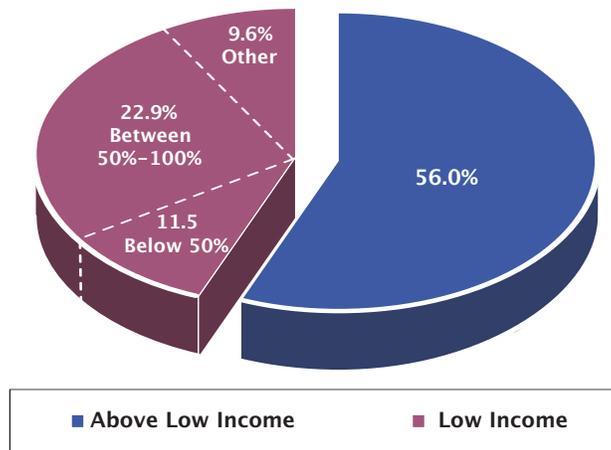
### Living Standards of Children in Memphis, 2000

Source: U.S. Census, 2000



### Children and Poverty Status in Shelby County for 2000

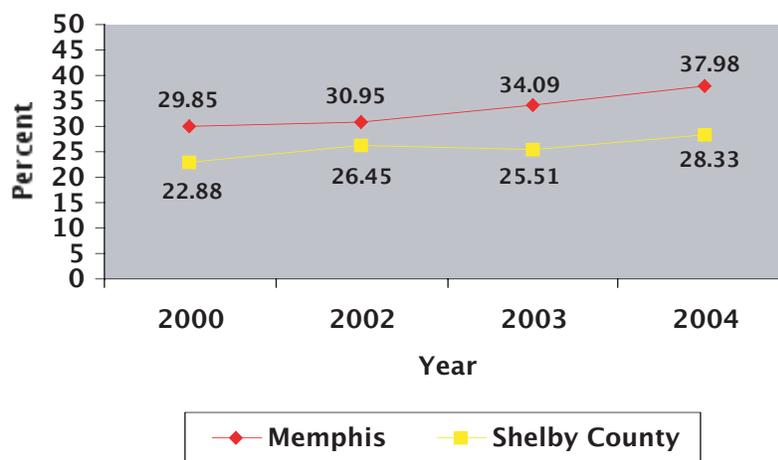
Source: U.S. Census, 2000



**Key Finding:** Over half of children in Memphis are in low income or poverty. Even in Shelby County as a whole, 44 percent of children are in economically vulnerable families.

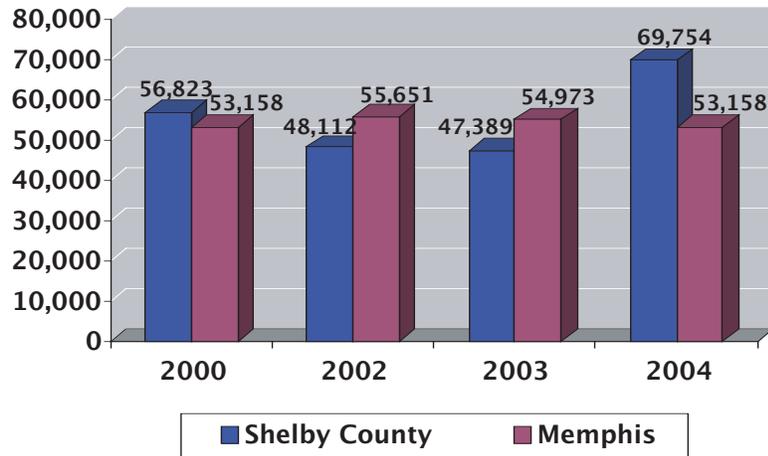
### Percentage of Children Below Poverty in Memphis And Shelby County, 2000 - 2004

Source: U.S. Census, 2000



## Number of Children in Poverty in Memphis and Shelby County, 2000-2004

Source: U.S. Census, 2000



**Key Finding:** Poverty among children in Memphis increased by 23 percent between 2000 and 2004. The increase in Shelby County was a comparable 22 percent.

- Shelby County patterns are heavily influenced by what happens in Memphis, but the trend data show that children outside the City of Memphis in suburban Shelby County suffered setbacks as well.
- This suggests that low-income suburban families were not insulated from economic trends during this period, and/or that some poor and economically marginal families are relocating to suburban Shelby County.
- Data analysis from a variety of sources suggests that both things are occurring.

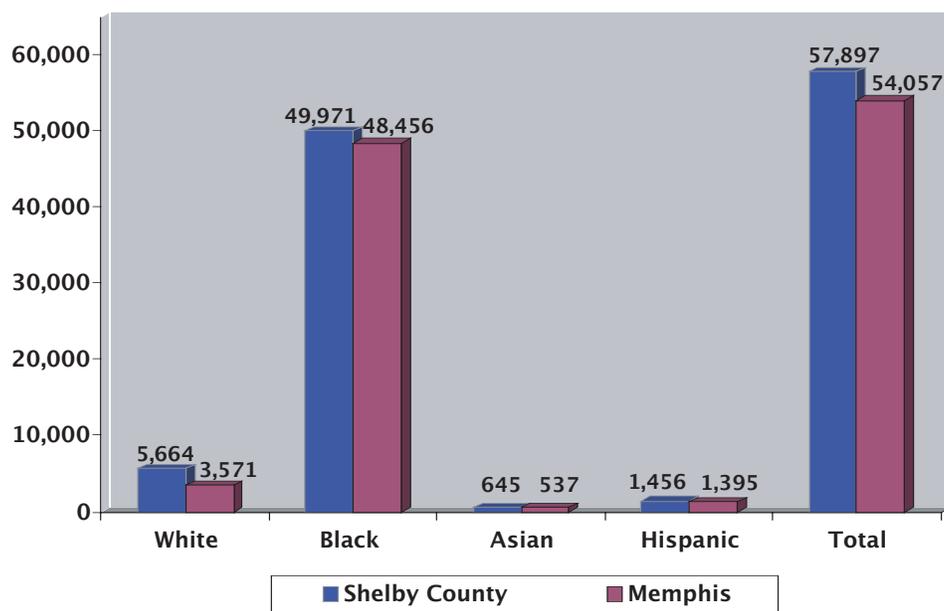
**Critical Issue:** Links between poverty, race and ethnicity remain strong in Memphis and Shelby County.

- Child poverty continues to be associated with race and ethnicity in Memphis and Shelby County.
- Even when education levels are constant, white men and women in Memphis earn more than black and Hispanic workers, who are concentrated among less profitable industries and companies or in occupations that pay less than jobs requiring similar education.
- We know more about the correlates of poverty among black children than among other ethnic groups, especially immigrant groups.

- Mother’s education and age of mother at first birth are important predictors of child poverty, which for Memphis and Shelby County are especially critical for black children.
- Both education and age of mother are associated with non-marital births and single-parent households, which are more of an indicator than a direct cause of poverty.
- National research demonstrates that when unmarried girls and young women with low educational attainment have children at an early age, the fathers of their children are unlikely to be significant contributors to family income even if parents were married. This is less true of older and better-educated, single mothers where father’s and mother’s income together can make a difference in economic security. At the same time, however, being older and having more education mitigate the effects of low income on parenting even among single mothers .

### Children in Poverty in Memphis and Shelby County by Race/Ethnicity, 2000

Source: U.S. Census, 2000



**Key Finding:** Black children are more than three times as likely, and Hispanic children more than two times as likely, to be in poverty than non-Hispanic white children. Asian children, many of whom are likely to be recent immigrants, also fare poorly, although little is known about poverty and the prospects for upward mobility for these Asian families and other immigrant groups that are represented in small numbers in Memphis and Shelby County.

**Key Concept:** Poverty is a risk for children and youth, affecting a host of measurable outcomes. Related outcomes range from health, child abuse and neglect, school readiness, and delinquency to educational attainment, the likelihood of becoming pregnant as a teen, the likelihood of marriage, and future employment and income. Research generally concludes that poverty and poor child development outcomes are associated with single parenting, teen mothers, and low parental education, but poverty introduces stress on child development that cannot be explained by single parenting, young mothers, or mother's education alone.

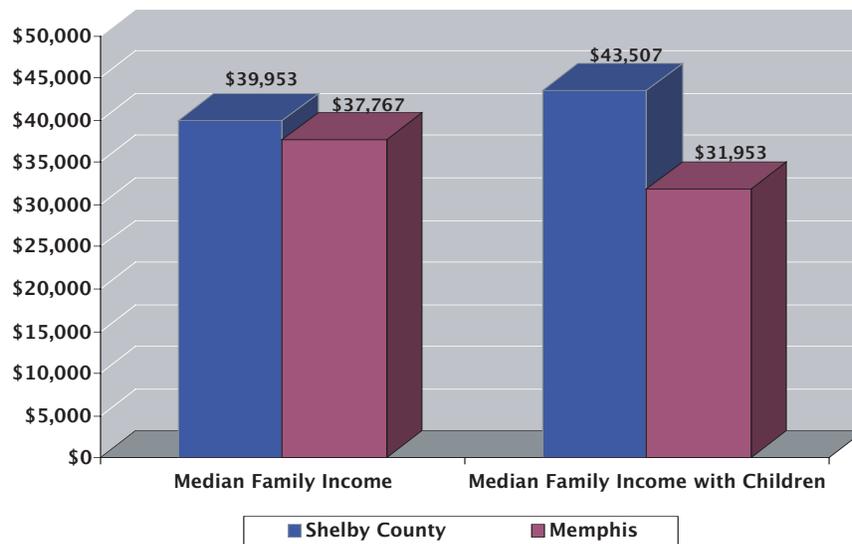
- Sometimes poverty causes poor outcomes because it means lack of resources. Living in old, dilapidated housing is associated with lead poisoning from peeling paint. Lead poisoning impairs brain development, and damage cannot be reversed.
- Poverty is associated with housing insecurity. Poor families experience high rates of residential mobility compared to moderate and higher income families, and are more likely to be evicted because of non-payment. Moving from neighborhood to neighborhood means children changing schools, which is associated with reduced achievement.
- Poverty is also associated with unreliable transportation options, utility cut-offs, even food insecurity. All of these challenges increase parental stress, which, along with parental education, is associated with parenting skills and child neglect and abuse.
- Sometimes poverty is associated with poor outcomes because of the relationship between poverty and parent education. Early child development is affected by verbal stimulation, which varies considerably by parent education. Mother's education is one of the strongest predictors of school readiness and other outcomes.
- Most of the relationship between poverty and outcomes for children and youth is more complex than simple cause and effect, and can be mediated by interventions such as pre-and-post-natal home visitation, quality pre-kindergarten programs and other investments that yield demonstrable results.
- Poverty also is associated with labeling and self-fulfilling prophecies, where expectations are set low, children are written off, or children begin to internalize low regard communicated by caretakers, teachers, juvenile justice or others in positions of authority, all of whom need a practical understanding of how to work best with children from diverse backgrounds.
- Poverty accounts for most of the disparity in outcomes for children from diverse racial and ethnic backgrounds. We need to learn more about ways in which race and ethnicity act independently from socio-economic background on particular indicators.

**Critical Issue:** Families with children are most vulnerable economically.

- Both young, childless couples and empty-nesters are economically advantaged in Shelby County compared to families with children.
- Census 2000 reports over 24,000 families with children below the poverty level in Shelby County, or nearly one of five families. An estimated half of families are economically vulnerable with incomes below the low-income standard.
- Middle class, mid-career families with children are under-represented in Memphis. These families have moved disproportionately into suburban Shelby County or beyond.

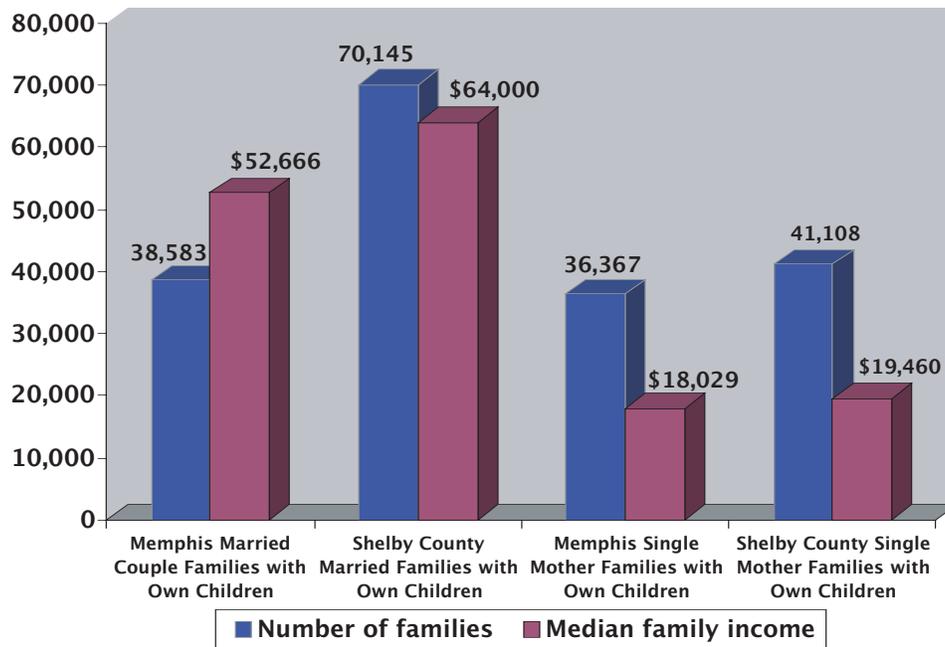
**Median Family Incomes in Memphis and Shelby County, 2000**

Source: U.S. Census, 2000



### Median Family Incomes in Memphis and Shelby County Families with Children by Living Arrangement, 2000

Source: U.S. Census, 2000



#### Key Concept: Economic hardship and income support systems

- Until the 1970s the poorest group of Americans was the aged. During the 1970s Social Security payments were indexed to the cost of living. Since that policy change, older Americans are less likely to live in poverty than either non-elderly adults or children. Public assistance benefits for children (Families First in Tennessee), unlike Social Security, have not been indexed, or are they treated as entitlements.
- Non-entitlement programs, including cash, food stamps, health care, housing and child care assistance, do not have automatic enrollment provisions (typical of Social Security and Medicare), so that participation typically is well below numbers estimated to be eligible.
- Non-entitlement status means that benefits can be cut, eliminated, or discontinued when funding runs out in a fiscal year.
- Income support programs for families and children are not as generous as Social Security entitlements. In Shelby County cash and in-kind income from Families First and food stamps for a family of three amount to \$529 monthly, or \$6,348 per year. Less than half of this amount is in cash.

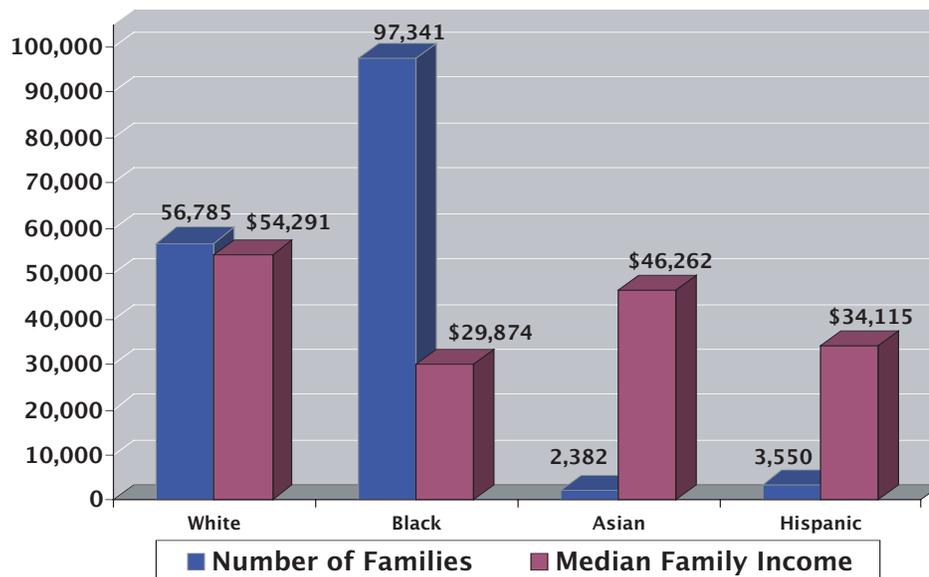
- With an estimated 10,000 subsidized housing units in Shelby County and an estimated 50,000 families with children eligible for assistance, no more than 20 percent of families have access. Even if we consider only officially poor families with children (24,000 families in Shelby County), less than half would have access.
- The reduction in the number of public housing units in Memphis has not been accompanied by a comparable increase in other forms of subsidy. In Memphis, 55 percent of low income households have a “housing cost burden” where they are forced to spend more than 30 percent of their income on housing.
- Half of the 10,000 subsidized units are based on contracts with developers over half of which can opt out in the next three years.
- Among all U.S. cities of at least 500,000 population (29 cities), Memphis ranks 12th highest in housing cost burden, ahead of cities with higher costs of living overall such as San Francisco, Washington DC, and Philadelphia.
- Twenty percent of Memphis households do not own cars. Transportation requirements create stress for the working poor, most of whom have children.
- Turnover in rental units in the city’s highest poverty tracts averages about 50 percent every year.
- Among lower income families attempting home ownership, foreclosure rates are high. In one southeast Memphis zip code (38115) with a high percentage of first-time, single-parent buyers 36 percent of single-family homes have been threatened with foreclosure between 2000 and 2005.

**Critical Issue:** The working poor are well-represented among poor families.

- Family income level is associated with race and ethnicity in both Memphis and Shelby County.
- Differences in education and occupational status are the major factors, but an additional cause is the lower labor force participation among single parents.
- Nevertheless, working force participation is high for both white and black single parents.
- Moderate level earnings for white families tend to be transitional, trending upward over time, while moderate level earnings for black families are more vulnerable to disruptions of unemployment and barriers to labor force participation.
- Income support programs in Memphis and Shelby County are more likely to target unemployed mothers receiving public assistance for job searching rather than grapple with issues such as child care for working-poor mothers or other barriers to workforce development and upward mobility.

### Median Family Income by Race and Ethnicity in Memphis, 2000

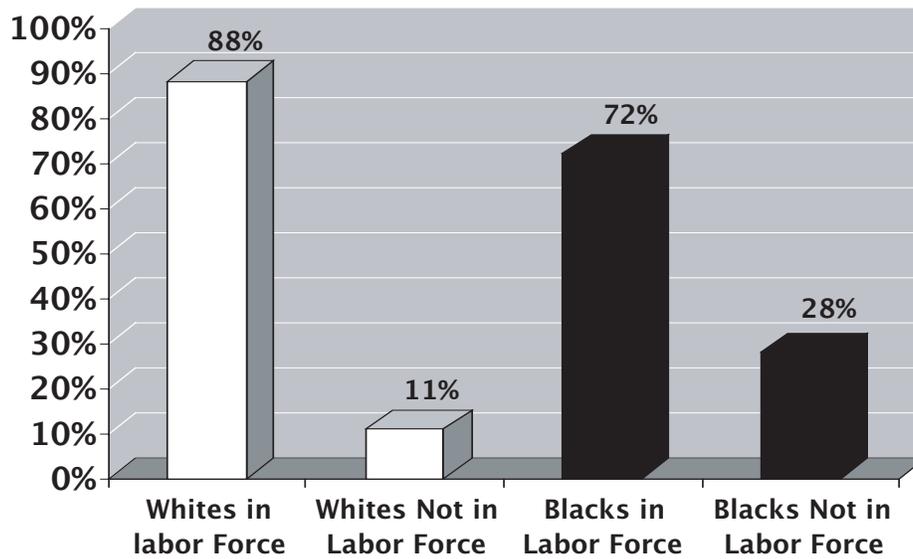
Source: U.S. Census, 2000



**Key Finding:** Differences in median income for comparing whites and racial and ethnic minority groups in Memphis result from a white income distribution that skews toward upper middle and high income, while minorities skew toward low income. The size of the moderate income group in between is relatively proportional for these two groups.

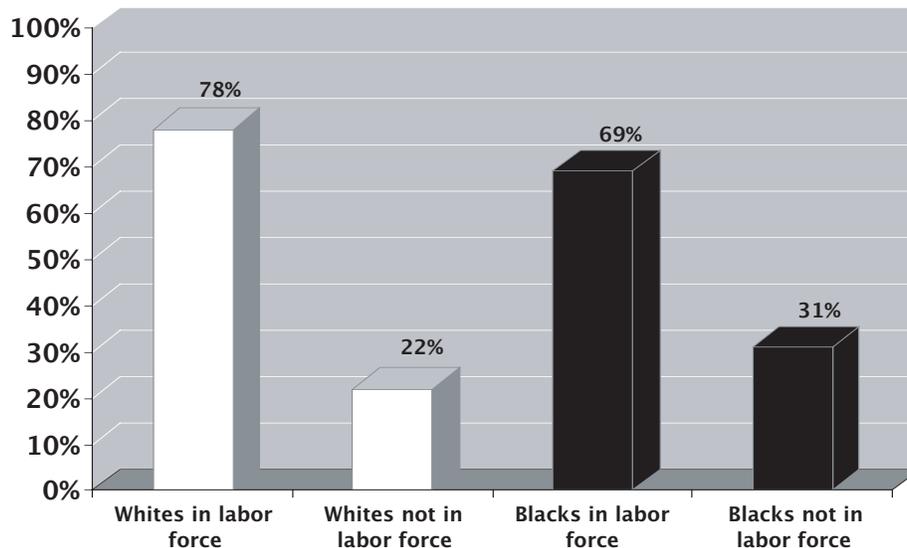
### Single Parents of Children by Race, 2000

Source: U.S. Census, 2000



### Shelby County Workforce Participation: Single Parents of Children Under Age 6 by Race, 2004

Source: U.S. Census, 2000



**Key Finding:** Differences in labor force participation are associated both with a higher incidence of health issues among black mothers and greater barriers, such as the absence of subsidized child care for working-poor mothers.

**Critical Issue:** Economic Self-Sufficiency

The poverty level is arguably an inadequate measure of economic well-being. It is based on a Department of Agriculture food budget that was designed for “emergency use when food supplies are temporarily low.” Food dollars were then multiplied by three because families in the 1950s typically spent one-third of their income on food and two thirds on other expenditures. This food-budget-driven formula does not adequately take into account today’s spending patterns. Inflation in utilities since the 1950s, for example, is not factored into today’s calculation. The “economic self-sufficiency” budget corrects for problems with the poverty level.

- Economists estimate the income necessary for basic economic self-sufficiency (sometimes called a living wage when related to labor force issues) by calculating the actual costs of basic expenditures for different size families in different parts of the country.
- When the poverty level was initially set in 1963 by Mollie Orshansky, it reflected the existing spending trends of American families who spent roughly one-third of their income on food, one-third on housing and one-third on all other incidentals. Moreover, it was set to reflect the cost of a nutritionally adequate diet. Since 1963 it has been adjusted to reflect inflation, but not the changing spending trends of American families who now spend a little more than a tenth of their income on food and the rest on housing and incidentals.
- Additionally, establishing the Federal poverty level is a highly politicized issue. The Office of the President, not the Bureau of Economic Analysis or the Bureau of Labor Statistics, has jurisdiction over measurement of national poverty standards and levels. Amending the measurement of poverty in the U.S. is a political landmine, especially if the adjusted trends reflect that more Americans actually live in poverty.

Rebecca M. Blank, dean of the Gerald R. Ford School of Public Policy at the University of Michigan, suggests that making three changes in the way we measure poverty would help to reflect more accurately current poverty trends :

1. Refine what is meant by income. Subtract taxes and add near-cash income like food stamps.
  2. Update thresholds to include not only food expenditures, but also housing, clothing and out-of-pocket medical costs.
  3. Adjust for differences in family size.
- The self-sufficiency budget for a single mother and two children, the typical low-income family in Memphis, is \$31,000 (based on 2002 prices).

- Basic self-sufficiency typically requires about 200 percent of the poverty level income for a given family size. A married couple with two children requires \$35,000 annual income.
- A self-sufficiency budget is based on the Department of Agriculture's low-cost food plan (all prepared at home), and the actual cost of a detailed market basket of other goods and services, including
  - ✓ Basic rental housing and utilities
  - ✓ Basic clothing and personal care products
  - ✓ Five-year-old car
  - ✓ Adequate child care
  - ✓ Basic premiums/co-pay
  - ✓ Payment of local, state, and Federal taxes
- What is not included?
  - ✓ Savings
  - ✓ Insurance/expenditures for eye and dental care
  - ✓ Cable TV
  - ✓ Long distance calling plans
  - ✓ A realistic opportunity to build home equity
  - ✓ Vacations
- A single parent needs to earn \$16 per hour and work full-time all year to meet the self-sufficiency standard. Two working parents would have to earn \$8.85 each per hour and work full-time all year. Even \$8.85 per hour is 67 percent higher than minimum wage, while low-wage work is increasingly part time and temporary.
- The Memphis economy is dominated by service jobs at \$7 - \$10 per hour.
- Half of women who work full-time earn less than \$25,000 per year.

## Summary Findings:

- In 2000 nearly 30 percent of Memphis children lived in poverty. This was nearly double the national children's poverty rate of 16.1 percent, and was also substantially higher than the poverty rate for children in Tennessee (18%). At the same time, poverty among children in Shelby County as a whole was nearly 23 percent.
- 2000 figures represent a decline from 1990, when child poverty began a downward trend from 35 percent in Memphis and 26 percent in Shelby County.
- Even with downward trends in the 1990s, more than 10 percent of children in Memphis were in families living below 50 percent of the Federal poverty line in 2000. These

families are considered “very poor” and are most likely to suffer from multiple economic and social problems.

- For children in mother-only families, almost half are living in poverty.
- In Memphis poverty rates are highest among very young children. One-third of children in Memphis under age 5 live in poverty. Young parents with young children are the most vulnerable to poverty.
- Reversing the downward trend from the 1990s, the percent of children in poverty in both Memphis and Shelby County increased by about 25 percent from 2000 to 2004.
- In Memphis poverty among children increased from nearly 30 percent to nearly 38 percent from 2000 to 2004. For Shelby County the increase was from nearly 23 percent to over 28 percent.
- Shelby County as a whole has a lower child poverty rate than the City of Memphis, but the downward trend in child economic well-being is not restricted to the city.
- Married-couple families with children in Memphis have significantly higher incomes than single-parent families.
- In Memphis married-couple families earn three times as much as families headed by single mothers. Marriage is associated with better education, and also contributes to family income because two parents are available for work.
- Nearly a third of families in Memphis are headed by a single mother. These families earn substantially less than those headed by married couples or by single fathers. Single mothers are better educated than single fathers, suggesting gender-based segregation in labor markets that especially disadvantage children in mother-only families.
- Family income in Memphis also varies by race, with white families earning an average of 40 percent more than black families.
- Marriage, graduation from high school, and delayed child-bearing all are associated with higher income. Marriage by itself, however, does little to raise the income level of black families when both mothers and fathers have low educational attainment. At lower levels of education, the combined earning of black couples is lower than that of white married couples even when education is similar.
- Economists estimate that “economic self-sufficiency” requires an income equal to 200 percent of the poverty level. In Memphis nearly six in 10 children lived in families below 200 percent of the poverty level in 2000.
- Adjusting for inflation, since 1970 median family income in Memphis has actually declined from over \$39,000 to less than \$38,000. Some of the decline is due to demographic changes, but some of the decline also represents income stagnation and deterioration in relative wages for typical jobs in Memphis’ economic base.

## Things we need to learn:

- What will be the racial and ethnic makeup of Memphis and Shelby County in 20 years, especially given the increasing number of Hispanics in the area?
- How will shifting demographic patterns in the urban and suburban areas affect economic well-being for children in Memphis and Shelby County?
- How well are our children in poverty being taken care of? What is our promise to them in terms of a safety net, and where are gaps in our care for children?
- What are our strategies for improving the effectiveness of policies meant to give a “hand up” not a “hand out” to children and families in need?
- What can be done to rectify pernicious and lingering effects of racism and discrimination in employment and opportunity in Memphis and Shelby County?
- What will the Memphis and Shelby County economy look like in 20 years?