nevada kids count newsletter

WHAT'S NEW WITH KIDS?

November/December 2011

Effect of Unemployment on Childhood Poverty*

From 2000 to 2010, the child poverty rate in the United States increased from 17.0 percent to 22.0 percent (AECF). The annual unemployment rate during that time increased from 4.0 percent to 9.6 percent (BLS). Likewise the child poverty rate in Nevada increased from 13.0 to 22.0 percent, and the unemployment rate increased from 4.2 percent to 14.9 percent (AECF and BLS). By looking at the numbers, it appears that a relationship exists between poverty and unemployment. To assess this relationship, statistical analysis of data was conducted to determine the effect of the unemployment rate on the childhood poverty rate.

U.S. Census Bureau poverty data from 2000 to 2010 for each of the states and the District of Columbia (D.C.) were retrieved from the Annie E. Casey KIDS COUNT (AECF) Data Center. Unemployment data for 2000 to 2010 were retrieved from the Bureau of Labor Statistics. A panel data set was created using the poverty and unemployment data. Panel data sets are combined cross-sectional and time series, meaning, in this analysis, they contain observations on poverty and unemployment over an 11-year period for each state and D.C. A pooled random effects regression was run using the pooled data. Findings show that a 1.0 percentage point increase in the unemployment rate in each state results in a 0.63 percentage point increase in the child poverty rate.

To illustrate the relationship between the unemployment rate and the percent of children in poverty for Nevada and the United States, two graphs were created. See page 2. Figures 1 and 2 illustrate that in 2007, the employment rate for Nevada and the United States started an upward climb. In 2008, we see an uptick in the percent of children in poverty for both Nevada and the United States.

The regression result implies that the current weakness in the U.S. economy and each state has contributed to childhood poverty. As such, improvement in economic activity and employment should reduce family poverty. This increase in poverty should not be taken lightly. Poverty creates family stress, which can result in increased use of medical services and social services, which in turn, places stress on institutions. Poverty can have long-term effects on the overall well-being of families and children.

*Percent of children in poverty is "The share of children under age 18 who live in families with incomes below the federal poverty level, as defined by the U.S. Office of Management and Budget." "In calendar year 2010, a family of two adults and two children fell in the 'poverty' category if their annual income fell below $22,113" (AECF KIDS COUNT Data Center, as of 11/6/11).
The uenmployment rate represents the number of unemployed, but seeking jobs, persons in that category as a percent of the civilian labor force in that category.

Figure 1. Unemployment Rate and Percent of Children Age 17 and Under in Poverty for Nevada: 2000 to 2010

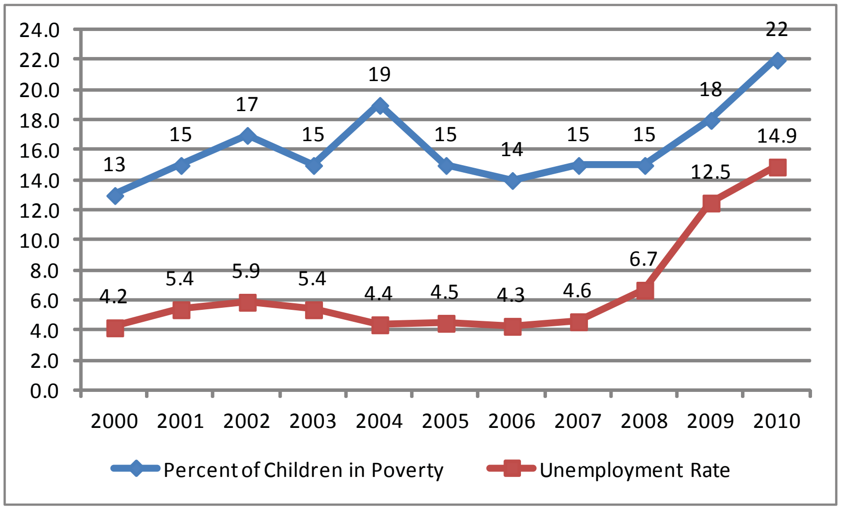
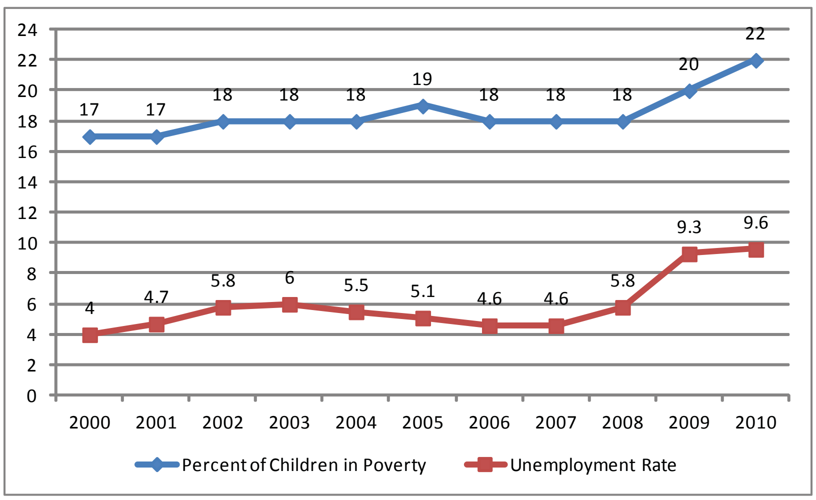


Figure 2. Unemployment Rate and Percent of Children Age 17 and Under in Poverty for the United States: 2000 to 2010



Sources:
Poverty data: Population Reference Bureau analysis of data from the U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2010 American Community Survey, retrieved from the Annie E. Casey Foundation (AECF), AECF KIDS COUNT Data Center.
Unemployment data: Bureau of Labor Statistics.

Rennae Daneshvary, PhD, Nevada KIDS COUNT Director
Stephen P. A. Brown, PhD, Nevada KIDS COUNT Executive Director
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