

**FOUNDATIONFORCHILDDEVELOPMENT**

# Declining Fortunes of Children in Middle-Class Families: Economic Inequality and Child Well-Being in the 21st Century

FCD Child and Youth Well-Being Index (CWI) Policy Brief 2011

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# Declining Fortunes of Children in Middle-Class Families: Economic Inequality and Child Well-Being in the 21st Century

Donald J. Hernandez, Senior Advisor, Foundation for Child Development

## Executive Summary

### Overview

Americans are struggling through the greatest economic downturn since the Great Depression. In recent years, a significant body of research and analysis has documented the breakdown of the middle class and the impact of the current financial crisis on family income, housing, and jobs. But few reports have examined these impacts through the lens of how they affect America's children -- a critical gauge of our commitment to their future and the future of the nation.

**These concerns are the impetus for this first-ever report to address these questions: What impact are the growing income gap and the declining fortunes of the middle class and lower-income class having for the well-being of children? How can these findings help set priorities for policies in the near-term as the nation struggles to recover from the recession – and build resilience for the future?**

*Declining Fortunes of Children in Middle-Class Families* is based on an analysis that traces over 24 years the relationship between family income levels and positive and negative outcomes for children across key indicators of their health, education, and social relationships. (For the definition of middle-class used in this report, see Box.) New results spanning the past quarter century (1985-2008) tell us what the future may hold for America's children, depending on whether past trends continue or public policies intervene. These results are based on analyses of trends in ten key indicators and four domains of child well-being included in

the Foundation for Child Development (FCD) annual Child Well-Being Index (CWI), the most comprehensive measure of how well America's children are faring.

Critical to national security are well-educated and healthy children. The findings in this report suggest that, if policymakers do not increase and use more wisely public investments in children and present trends are allowed to continue, children today will inherit a nation that is more unequal, more stratified, and less economically competitive than the nation which their parents and grandparents have experienced.

#### Children's Family Income Groups, by Income Range and Median Income: 2008

| Income Group | Percentage of Children | Income Range       | Median Income |
|--------------|------------------------|--------------------|---------------|
| High-income  | 20%                    | \$110,000+         | \$150,338     |
| Middle-class | 60%                    | \$22,758-\$110,000 | \$57,200      |
| Upper        | 20%                    | \$71,201-\$110,000 | \$88,015      |
| Middle       | 20%                    | \$44,501-\$71,200  | \$57,200      |
| Lower        | 20%                    | \$22,758-\$44,500  | \$33,500      |
| Low-Income   | 20%                    | \$0-\$22,757       | \$12,000      |

19% – Percent of children below federal poverty threshold

40.1% – Percent of children below 200% of federal poverty threshold

Sources: Results for specific income groups calculated by author from 2009 Current Population Survey. Percent below poverty threshold values (19%, 40.1%), U.S. Census Bureau, retrieved December 2, 2010 from <http://www.census.gov/hhes/www/pverty/data/historical/people.html> and [http://www.census.gov/hhes/www/cpstables/032009/pov/new02\\_200\\_01.htm](http://www.census.gov/hhes/www/cpstables/032009/pov/new02_200_01.htm)

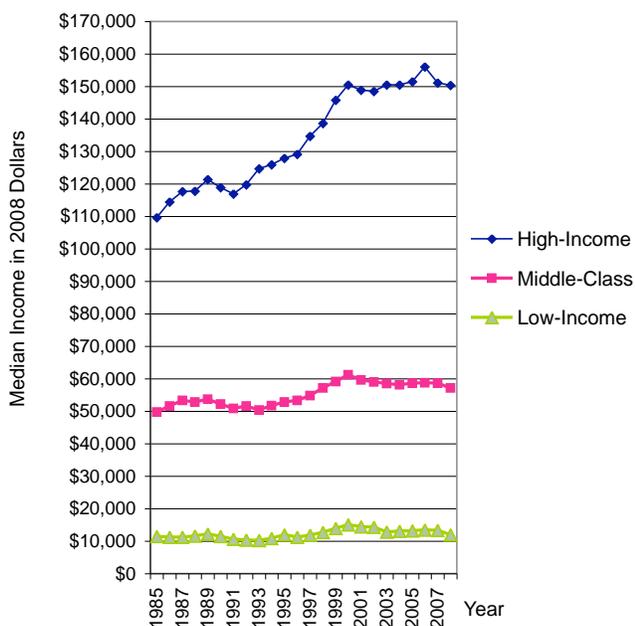
## Key Findings

- **Children in middle-class families were losing ground long before the Great Recession.** Children in middle-class families lost ground economically compared to children in high-income families almost continuously in the past quarter century (1985-2008), driven, in part, by declines in secure parental employment beginning as early as 2000.

By the first full year of the Great Recession which began in December 2007, children in middle-class families had already experienced an eight-year period (2000-2008) during which real family income dropped by more than \$4,000. By comparison, children from high-income families saw their fortunes dip by just \$139 in the same time frame.

- **The income gap between families is widening.** The gap in real family income separating the typical child in a middle-class family from the typical child in a high-income family expanded by more than 56 percent from \$57,800 in 1985 to \$93,100 by 2008. This \$93,100 divide is now nearly the size of the gap that separated children in low-income and high-income families in the mid-1980s (See Figure).

Median Family Income for Children in High-Income, Middle-Class, and Low-Income Families: 1985-2008



- **Children in middle-class families are increasingly relying on public programs for services that many of their parents cannot afford and cannot take for granted.** In recent years, public policies have acted as a broader safety net for the middle class by providing greater access to health insurance and PreKindergarten, two indicators that researchers have identified as critical for children's long-term well-being and success:

- Between 1985 and 2008, the proportion of children in middle-class families *not* covered by health insurance declined by one-half, from 20 percent to ten percent (by comparison, four percent of children in high-income families are not insured). The level of employer coverage has declined over the past decade, but increases in Medicaid and the creation of CHIP have more than compensated for the employer decline and have resulted in a sharp decrease in the number of uninsured children despite the reduction in employer-sponsored coverage.

- Substantial increases in real family income after 1993 allowed more middle-class families to afford the costs of PreKindergarten. During that time, an increasing number of states began implementing publicly-funded PreKindergarten programs. As a result, even though children in middle-class families experienced declining real family incomes after 2000, PreKindergarten enrollment for children ages 3-4 in middle-income families had *grown* from 31 percent in 1992 to 49 percent in 2007. Without increased public funding for PreKindergarten, enrollments would have declined instead of growing slowly after 2000. Today, nearly one-half of children in middle-income families continue to be enrolled.

- **The precarious situation of the middle-class is also reflected by an increasing number of one-parent middle-class families.** The proportion of children in middle-class families living with one parent increased from 14 percent to 23 percent. Meanwhile, the gap in the proportion living in one-parent families that separates

children in middle class families from children in high income families expanded from 9 percent to 16 percent between 1985 and 2007. One reason these findings are of concern is that children in one-parent families tend to be less successful in school than children in two-parent families.

- **More recently, and also reflecting the precarious situation of the middle-class, the gap in secure parental employment separating children in middle-class and high-income families widened by one-third between 2000 and 2008.**
- **Overall child well-being increased especially between 1992 and 2000, with 2000 marking a historic peak, but then child well-being deteriorated substantially across the eight years that followed from 2000 to 2008.** In fact, nearly one-half of the improvements registered between 1992 and 2000 were wiped out by the deterioration that occurred between 2000 and 2008. The post-2000 deterioration resulted from changes including declines in the median family income and in the proportions with a securely employed parent or with very good or excellent health, and from increases in the proportions in one-parent families, obesity in children, and children with activity limitations.

### Public Investments in the Next Generation

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These findings on growing trends in economic inequality and the declining fortunes of children in middle-class families that began long before the Great Recession underscore the importance of smart public policies for children. History has shown that investments in education and health can and have led to substantial improvements in children's well-being. Today, the safety net has broadened to protect more children with access to PreKindergarten and health insurance coverage. Without these policies, both PreKindergarten enrollment and health insurance coverage would have fallen after 2000.

**As the effects of the Great Recession continue to unfold for children in middle-class families, some elected officials at the federal, state, and local levels are calling for large cuts in publicly-funded education and health programs. If such cuts occur, children in the large middle-class may continue to suffer not only reduced family income, but also declining access to critical PreKindergarten education and health care.**

In our democratic society, rising family incomes, increasing economic equality, and equal and growing opportunities for improved education and health were hallmarks of national success during the decades following the Great Depression and World War II. The results presented here suggest that America is losing its way, as children in middle-class families fall further and further behind the most economically privileged children in our society.

Earlier generations of Americans in the decades following the Great Depression invested in programs aimed at fostering greater access to education and increased health insurance coverage. Difficult trade-offs and choices must be made now, even in the face of hard economic times, to support these essential investments in children and the future of the nation.

**It is critical that policymakers not reduce funding for programs that children require to survive and thrive, if they are to ensure that children will become productive workers, informed citizens, and effective parents for decades to come. Our national security depends on their healthy development.**

# Declining Fortunes of Children in Middle-Class Families: Economic Inequality and Child Well-Being in the 21st Century

Donald J. Hernandez, Senior Advisor, Foundation for Child Development

## Introduction

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Americans are struggling through the greatest economic downturn since the Great Depression. In recent years, a significant body of research and analysis has documented the breakdown of the middle class and the impact of the current financial crisis on family income, housing, and jobs. But few reports have examined these impacts through the lens of how they affect America's children -- a critical gauge of our commitment to their future and the future of the nation.

**These concerns are the impetus for this first-ever report to address these questions: What impact are the growing income gap and the declining fortunes of the middle class and lower-income class having for the well-being of children? How can these findings help set priorities for policies in the near-term as the nation struggles to recover from the recession – and build resilience for the future?**

*Declining Fortunes of Children in Middle-Class Families* is based on an analysis that traces over 24 years the relationship between family income levels and positive and negative outcomes for children across key indicators of their health, education, and social relationships. New results spanning the past quarter century (1985-2008) tell us what the future may hold for America's children, depending on whether past trends continue or public policies intervene. These results are based on analyses of trends in ten key indicators and four domains of child well-being included in the Foundation for Child Development (FCD) annual Child Well-Being Index (CWI), the

most comprehensive measure of how well America's children are faring (Land, Lamb, and Mustillo, 2001; Land, 2010).

Critical to national security are well-educated and healthy children. The findings in this report suggest that, if policymakers do not increase and use more wisely public investments in children and present trends are allowed to continue, children today will inherit a nation that is more unequal, more stratified, and less economically competitive than the nation which their parents and grandparents have experienced.

This report presents findings pertaining to four specific domains: family economic well-being, community engagement, health, and social relationships. Results for these four domains are combined to form an overall index of child well-being. Viewing child well-being through the lens of children in middle-class and low-income families, compared to children in the highest income group, this report draws on results presented in a more detailed discussion of trends interpreted in the context of the full complement of 28 CWI indicators (Hernandez and Marotz, under review).

## Child Well-Being from 1985 to 2008

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The year 2000 marked a historic 24-year peak in overall child well-being based on the four domains and ten indicators in this report. The largest sustained improvement occurred between 1992 and 2000, but this was followed by declines in child well-being. Nearly one-half of the improvements registered between 1992 and 2000 were wiped out by 2008.

Distinguishing children in five specific income groups ranging from low income, through the middle class, to high income, children in each group experienced its highest level of well-being in one of the six years from 1998 to 2003. Each income group subsequently experienced a substantial decline in well-being, as most groups lost between four-tenths and seven-tenths of the improvement that had occurred since 1992.

The gaps in well-being separating children in middle-class and low-income families from children in high-income families narrowed from a high in one of the years between 1993 and 1995, depending on the particular income group, to a low in one of the years between 1998 and 2003, but then widened for all income groups by 2008.

Thus, children at all income levels lost substantial ground after reaching a peak around 2000, and children in middle-class and low-income families lost even more ground as the gaps separating them from the high-income group widened.

## The Family Economic Well-Being Domain

Three indicators of family economic well-being from the CWI are available for this report: median family income, secure parental employment, and health insurance coverage.

### Median Family Income

- **The income gaps separating children in middle-class families from children in high-income families widened almost continuously (19 of 23 years) between 1985 and 2008, expanding from \$59,800 in 1985 to \$93,100 by 2008. (See Figure)**
- **Income increased for children in middle-class and in low-income families between 1993 and 2000, but their income dropped between 2000 and 2008, and children in high-income families experienced little change after 2000.**

Median family income reached a 16-year peak in 2000 for children in middle-class families (the middle three-fifths of

the income distribution), children in low-income families (the bottom fifth of the income distribution) and children in high-income families (the top fifth of the income distribution). (For additional information on these groups, see the Box and the Notes section at the end of the report.)

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Across the next eight years from 2000 to 2008, the median family income of children in middle-class families dropped by \$2,000-\$4,000, and by a similar \$3,000 for children in low-income families, while the median family income of children in high-income families held nearly steady, with a tiny decline of \$139. (To measure change in real income, or real purchasing power, all results in this report are adjusted for inflation using the Consumer Price Index (CPI) and presented as 2008 dollar values (U.S. Census Bureau, 2009)).

- **Thus, except for children in the high-income group, median family income by 2008 had not recovered to the level experienced in 2000, the year just prior to the 2001 recession, and had, in fact, dropped substantially for children in middle-class and low-income families.**

The first full year of the Great Recession was 2008, insofar as the recession officially began December 2007 and officially ended June 2009.

- **Most of the income decline for children in middle-class and low-income families between 2000 and 2008 had already occurred by 2007, before the Great Recession took hold.**

The proportion of the 2000-2008 income declines that had already occurred by 2007 was 65 percent for children in middle-middle-class families, 76 percent for children in lower-middle-class families, and 57 percent for children in the low-income families.

- **It is significant that by the time the Great Recession hit in December 2007, the middle-class had already experienced a seven-year period during which family income had deteriorated substantially. Furthermore, a growing gap separated children in middle-class and low-income families from children in high-income families, who themselves had barely held steady during the rocky economic times that followed 2000.**

All income groups had experienced income gains during the preceding decade, from 1993 to 2000, but the gains were larger for the highest income groups. During this time median family income for children in middle-class families increased by \$8,100 to \$14,700, and it increased by \$4,700 for children in low-income group, while it jumped by \$25,800 for children in high-income families.

- **The eight-year deterioration between 2000 and 2008 in economic resources for children in middle-class families was a striking change from the preceding seven years of steady improvement that occurred following the 1990-1991 recession.**

Family income changes during the decade preceding 1993 were much more similar to the most recent eight years covered in this report. Following the recession of 1981-1982, median family income increased for children in middle-

middle-class families by only \$522 between 1985 and 1993, it declined for children in lower-middle-class and low-income families by \$1200-\$1,400, and increased for the children in upper-middle-class families by \$4,300, that is, by about \$550 per year over eight years. Meanwhile, children in high-income families experienced about three and one-half times as much income growth as children in upper-middle-class families, at \$15,100, or nearly \$1,900 per year.

With comparatively slow growth, no growth, or negative growth in family income for children in middle-class families during periods of the past quarter-century, the gap separating these children from children in high-income families expanded enormously between 1985 and 2008. For example, the gap separating children in high-income families from children in middle-middle-class families expanded from \$59,786 to 93,138, and the gap separating children in the high-income and low-income families expanded from \$98,142 to \$138,338.

Thus, the dollar income gap separating children in middle-middle-class families from children in high-income families had expanded by 2008 to nearly the amount which in 1985 had separated children in low-income families from children in high-income families (\$93,000 vs. \$98,000).

- **In absolute terms, by 2008, children in high-income families had a median family income that was 2.6 times greater than that of children in the middle of the middle-class at \$150,338 vs. \$57,200, and 12.5 times greater than that of children in low-income families at \$150,338 vs. \$12,000.**
- **The economic disadvantage of children in middle-class families compared to children in high-income families had grown as of 2008 to nearly match the economic disadvantage that 24 years earlier in 1984 had separated children in low-income families from children in high-income families.**

### *Secure Parental Employment*

- **The gap in secure parental employment separating children in middle-middle-class families from children in high-income families expanded by one-third between 2000 and 2008.**
- **This expansion between 2000 and 2008 in the gap in secure parental employment separating children in middle-middle-class families from children in high-income families wiped out three-fourths of the narrowing in this gap that had occurred across the preceding seven years between 1993 and 2000.**

The proportion of children with a securely employed parent in the home (working full-time year-round) declined by 3 percentage points between 2000 and 2008 for children in upper-middle-class and middle-middle-class families and by 8-9 percentage points for children in lower-middle-class and low-income families, while children in high-income families experienced a tiny dip of 0.5 percentage points.

The declines in secure parental employment between 2000 and 2008 were preceded between 1993 and 2000 by increases in parental work of 3-4 percentage points for children in middle-middle-class and upper-middle-class families, and by increases of 16-21 percentage points for children in lower-middle-class and low-income families, while children in high-income families experienced a slight increase of less than 1 percentage point.

- **Thus, nearly the entire improvement in secure parental employment between 1993 and 2000 for children in upper-middle-class and middle-middle-class families vanished between 2000 and 2008, and for children in lower-middle-class and low-income families between two-fifths to one-half of the gains occurring during the middle to late 1990s were lost.**

During the earliest period covered by this report from 1985 to 1993, changes in secure parental employment ranged from 0-2 percentage points for children in various income groups; thus, gains experienced by children in specific middle-class and the

low-income groups were substantially smaller than those which occurred subsequently during the middle to late 1990s.

### *Health Insurance Coverage*

- **The gaps in health insurance coverage separating children in middle-class and low-income families from children in high-income families narrowed between 1985 and 2008.**
- **Health insurance coverage improved for children in middle-class families, especially between 1993 and 2008, and for children in low-income families except during the mid-1990s. Publicly-funded investments in health insurance were central to these improvements. Health insurance coverage also increased for children in the highest income group.**

Health insurance can greatly reduce out-of-pocket health care costs for families, and is an essential investment in the current well-being of our children and the productivity of the future labor force. Similar to the income and employment indicators, the largest increases in health insurance coverage for children in middle-class families occurred between 1993 and 2000, following smaller increases that occurred between 1985 and 1993. Unlike median income and the secure parental employment indicators, however, health insurance coverage rates did not decline between 2000 and 2008, but instead remained unchanged or increased by as much as 2 percentage points, improvements much smaller than during the earlier two periods.

Meanwhile, the rate of health insurance coverage for children in high-income families increased by 2-3 percentage points between 1985 and 1993, and again between 1983 and 2000, with a small decline of 0.5 percentage points between 2000 and 2008. In contrast to higher income groups, the children in the lowest income families experienced only a slight increase of 0.6 percentage points between 1993 and 2000, but a much larger increase of 4.5 percentage points between 2000 and 2008, and a still larger increase of 13.8 percentage points between 1985 and 1993.

Overall, compared to children in the high-income group, the gap in health insurance coverage remained essentially unchanged between 1985 and 2008 for children in upper-middle-class families at 2-3 percentage points, while the gap was approximately halved from 10 to 6 percentage points for children in middle-middle-class families and from 25-26 to 11-12 percentage points for children in lower-middle-class and low-income families.

- **This narrowing of health insurance coverage gaps that separate in children high-income families and children in low-income families contrasts sharply with the expanding income inequality that occurred during the past quarter century, and the extent of this narrowing was greater than the narrowing of gaps that occurred for secure parental employment.**
- **Moreover, the gaps in health insurance coverage separating children in high-income families from children in middle-class and low-income families are much smaller than corresponding gaps in secure parental employment. These differences are due largely to the access that many children in middle-class and low-income families have to public health insurance, a clear success for public policy.**
- **The level of employer coverage has declined over the past decade, but increases in Medicaid and the creation of CHIP have more than compensated for the employer decline and have resulted in a sharp decrease in the number of uninsured children despite the reduction in employer-sponsored coverage.**

**At the same time, health problems and medical costs can turn into financial disasters,** even for middle-class families with health insurance coverage. A recent study (Himmelstein, et al, 2009) found that 62 percent of bankruptcies in 2007 involved medical causes. High medical bills contributed to 92 percent of these medical bankruptcies, and 65 percent involved income loss due to illness. Most of these bankruptcies occurred to persons who were middle-aged college graduates

with middle-class occupations. In addition, three-fourths were covered by health insurance at the time they filed for bankruptcy, but many were under-insured and responsible for out-of-pocket costs for which they had no money to pay. Others with private coverage lost their health insurance when they became too sick to work.

These results indicate that public health insurance has made a big difference for many children in middle-class and low-income families. But there is still a long way to go as the U.S. enters a new era of health care reform initiated by the enactment on March 20, 2010, of the Health Care and Education Reconciliation Act of 2010. In fact there is a substantial way to go for children in high-income families as well. By 2008, ten percent of children in families in the middle fifth of the income distribution were not covered by health insurance, and 4-6 percent, or about one-in-twenty children, in upper-middle-class and high-income families were not covered. In addition, the results regarding medical bankruptcy point to a need to assess and monitor the extent to which health insurance coverage is truly adequate to meet the medical needs of children and their families.

#### *Family Economic Well-Being*

- **When we combine the three indicators of family economic well-being to form a single index, the results show that family economic well-being improved for children in middle-class and low-income families especially between 1993 and 2000, but deteriorated between 2000 and 2008. Children in high-income families experienced almost continuous, and greater, improvements between 1985 and 2000, with no net change between 2000 and 2008.**
- **The gaps in family economic well-being separating children in middle-class and low-income families from children in high-income families expanded almost continuously between 1985 and 2008.**

Family economic well-being declined for children throughout the middle-class and in low-income families between 2000

and 2008. More than half of the deterioration for children in middle-middle-class and lower-middle-class families, and for children in low-income families, had occurred by 2007, before the Great Recession began to take hold. These declines were preceded by large increases in family economic well-being between 1993 and 2000, improvements that were 3-6 times larger than the much smaller improvements experienced between 1985 and 1993.

All together, children throughout the middle-class and in the lowest income groups experienced a growing gap in family economic well-being compared to children in high-income families, and the gap expanded to the greatest degree between 1985 and 2008 for children in upper-middle-class and middle-middle-class families, at 18 percentage points, compared to 14-15 percentage points for children in lower-middle-class and low-income families.

Trends in economic well-being for children in middle-class and low-income families compared to children in high-income families have been documented. How have other indicators of well-being changed across these income groups during the past quarter century?

## The Community Engagement Domain

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Two indicators from the CWI community engagement domain are available for this study, PreKindergarten enrollment and idle or disconnected youth, reflecting, in turn, early and later years of childhood.

### *PreKindergarten Enrollment*

- **The gaps in PreKindergarten enrollment separating children in middle-class and low-income families from children in high-income families narrowed between 1986 and 2007.**
- **PreKindergarten enrollment increased for children in middle-class and low-income families, especially between 1992 and 2001/2002, and more slowly**

**thereafter. Increases in family income before 2000 played an important role, and publicly-funded investments in PreKindergarten were central to these improvements. PreKindergarten enrollment also increased for children in high-income families between 1986 and 2002, but then declined.**

High-quality PreKindergarten programs are the most cost-effective investment available for improving educational attainments, and hence for fostering the economic productivity and life prospects of children when they reach adulthood. The indicator used here is the percent of children ages 3-4 enrolled in PreKindergarten. Because of the small sample size, results in this report are based on three-year moving averages for 1986 to 2007.

Children in middle-class families experienced large increases of 15-16 percentage points in PreKindergarten enrollment rates between 1992, which was a low point following the 1990-1991 recession, and 2000, just before the 2001 recession. The improvement in PreKindergarten enrollment was equally large at 17 percentage points for children in low-income families and somewhat smaller at 12 percentage points for children in high-income families.

During the preceding seven years, the increases were tiny at 0-1 percentage point for children in middle-middle-class and upper-middle-class families and for children in high-income families, but somewhat larger at 3-4 percentage points for children in lower-middle-class and low-income families. During the final seven years of this study, children in middle-middle-class, lower-middle-class families, and low-income families experienced increases of 3-4 percentage points, while children in upper-middle-class and high-income families experienced declines of 2 percentage points.

Thus, even though children in middle-class families experienced declining real incomes after 2000, PreKindergarten enrollment for children ages 3-4 in middle-class families had grown from 31 percent in 1992 to 49 percent in 2007.

- **What accounts for these trends? The period of most rapid increase in PreKindergarten enrollment occurred when federal appropriations and enrollment in Head Start were expanding rapidly among the lowest income groups, and when family incomes among the middle-class were rising rapidly.**

Between 1990 and 2001, enrollment in Head Start grew by an average of 33,000 children per year, compared to 16,500 per year between 1980 and 1990, and 500 per year between 2001 and 2007 (U.S. Census Bureau, 2010). These increases were impressive, until 2000 when enrollment growth nearly stalled. Head Start is intended almost exclusively for children living in families with incomes below the federal poverty line. Despite growing enrollment, Head Start funding levels provide enough slots to enroll only about 50 percent of all eligible children (Barnett, 2010).

Beginning in the mid-1990s, another factor contributing to the continuing rise in enrollment rates, particularly among children in lower-middle-class and low-income families, but also among children in middle-middle-class families, was the expansion in PreKindergarten programs funded by individual states. Among the programs which currently exist in 38 states, more than half limit eligibility mainly to children in lower-middle-class or low-income families, while the others are open to all children (National Institute for Early Education Research, 2009). This public funding for access to PreKindergarten is particularly important for children in lower-middle-class families, because they are least likely among children in the middle-class families to have parents who are able to pay for PreKindergarten, and they often do not benefit from Head Start programs targeted to children living in low-income families below the federal poverty threshold.

Overall, with increasing public funding for PreKindergarten, children in middle-class and low-income families experienced greater increases in enrollment than children in high-income families, narrowing the gaps that separated children in high-income families from children in middle-class families by 6-9

percentage points and by an even larger 15 percentage points for children in low-income families between 1986 and 2007.

- **Still, the U.S. is a long way from achieving universal PreKindergarten access for children ages 3 and 4. Even among the high-income group, which has the most resources to pay for PreKindergarten, 32 percent of young children were not enrolled in 2007, and this rises to 43 percent for children in upper-middle-class families, and to 51-56 percent for children in middle-middle-class, lower-middle-class, and low-income families.**

Research indicates that high-quality PreKindergarten programs promote educational success in elementary school and beyond for all children, and that the returns on these investments can be substantial for low-income children (Gormley, 2007; Haskins and Rouse, 2005; Heckman and Masterov, 2007; Lynch, 2004). To realize these benefits, children must be enrolled in PreKindergarten programs, and the programs must be of high quality.

As is true for health insurance, public funding for PreKindergarten programs is making a big difference in enrollment rates, especially for children in middle-class and low-income families. Without increased public funding for PreKindergarten, enrollments for these groups after 2000 would have declined instead of growing slowly. But much more must be done to assure that every young child has access to such programs. As with health insurance, it is important that public policies assess, monitor, and ensure the quality of PreKindergarten.

Looking to the future, trends reported here do not include the longer-range effects of the Great Recession on cuts in education budgets in many states and local school districts, cuts which are falling especially heavily on PreKindergarten programs. Importantly, state PreKindergarten programs are not, with the exception of Oklahoma, part of the universal public education system, and, therefore, are considered discretionary expenditures. Like Kindergarten, they are likely to

be slashed as part of cost reductions (Kauerz, 2010). Increased PreKindergarten enrollment and improved quality will require larger, not smaller, investments in the coming years.

### *Idle or Disconnected Youth*

- **The gaps in youth idleness or disconnected youth, that is, the gaps in the proportion who are not in school and are not working, which separate youth in middle-class families and especially youth in low-income families from youth in high-income families narrowed between 1986 and 2007.**
- **Disconnected youth declined in the middle-class and especially the low-income groups between 1986 and 2007, but improvements tended to slow or end after about 2002. Disconnected youth in the high-income group increased overall between 1993 and 2007.**

Youth ages 16-17 who are not in school and not working, and as a consequence are disconnected from both educational and work institutions, are described as idle. Because of small sample sizes, results reported here are based on three-year moving averages for 1986 to 2007.

For each of the three periods studied here, the rate of idleness declined among youth in middle-middle-class, lower-middle-class, and low-income families, and the same is true of youth in upper-middle-class families during two of three study periods. For specific groups, the proportion idle declined between 1986 and 2007 from 12.6 to 7.6 percent for youth in low-income families, from 5.5 to 3.9 percent for youth in lower-middle-class families, and from 3.0 to 1.8 percent for youth in middle-middle-class families, while the proportion was about the same in 2007 as in 1986 for youth in upper-middle-class families at 1.5-1.6.

Among youth in high-income families, idleness also declined between 1986 and 1991. However, idleness then increased between 1991 and 2000, and again between 2000 and 2007 for youth in high-income families. Thus, by 2007 youth in high-income families were slightly more likely to be idle than had been the case in 1986, at 1.6 percent compared to 1.2 percent.

As a result of these trends, the substantial gaps in idle youth separating the high-income group from the upper-middle-class and middle-middle-class were essentially eliminated by 2007, and the gaps separating the high-income group from the lower-middle-class and the low-income groups were cut by about one-half. The declining disparities for the youth in lower-middle-class and low-income families were driven mainly by substantial reductions in idleness among these youth.

- **Still, by 2007 the proportions idle for youth in the three highest income groups (1.6-1.8 percent) were about one-half as large as among the youth lower-middle-class families (3.9 percent) and one-fourth as large as among youth in low-income families (7.6 percent).**
- **Youth idleness for the three highest income groups may pose few problems, because their families are likely to have social capital or economic resources that can be used to help put these youth back on track in school or finding a job.**
- **But lower-middle-class and low-income families are more limited in the resources they have available for this purpose, and idleness among youth in these families is, therefore, much more likely to have serious, negative, long-term consequences for their educational attainment, labor force productivity, and life prospects.**

Thus, the comparatively high proportions idle for youth the two lowest income groups, which include about two-fifths of all youth, should be of great concern to policy makers.

### *Community Engagement*

- **When we combine the PreKindergarten enrollment and idle youth indicators to form a single index of community engagement, the results show that community engagement improved mainly by about 2002, and then mainly stabilized or deteriorated.**
- **The gaps in community engagement separating the middle-class and low-income groups from the high-income group narrowed between 1986 and 2007.**

The middle-class experienced increases in each of the three periods spanning 1986 to 1992, 1992 to 2000, and 2000 to 2007. The largest improvements occurred between 1992 and 2000, which accounted for 89 percent of the improvement for the upper-middle-class, and 52-58 percent of the improvement for the middle-middle-class and lower-middle-class. The low-income group also experienced large improvements, half of which took place between 1992 and 2000. Meanwhile, improvements experienced by the high-income group were generally smaller than among the middle-class and low-income groups, with a decline for the high-income group between 2000 and 2007.

Taking these trends together, the comparatively large improvements for the middle-class and low-income groups narrowed the gaps compared to the high-income group by 37-48 percent between 1986 and 2007. Insofar public policies funding PreKindergarten led to increased PreKindergarten enrollment, and other policies fostered continued schooling or provided employment opportunities for youth, government investments are responsible for increased community engagement and reduced inequality in this important domain of child well-being.

## The Health Domain

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Three child health indicators from the CWI are available for this study: the proportion in very good or excellent health, the proportion obese, and the proportion with activity limitations.

### *Children with Very Good or Excellent Health*

- **The gaps in very good or excellent health separating children in middle-class and low-income families from the children in high-income families narrowed between the early 1990s and 2002, but then widened.**
- **The proportions reported to be in very good or excellent health increased for children in middle-class and low-income families between 1994 and 2002, and then**

**deteriorated between 2002 and 2007. Changes for children in high-income families were comparatively small.**

This health indicator is measured as the percent reported by parents to be in very good or excellent health. Because of sample instability, results reported here are based on three-year moving averages for 1986 to 2007.

For children in middle-class and low-income families, the proportion with very good or excellent health changed little or declined slightly between 1986 and the wake of 1990-1991 recession, reaching a low point in 1993 or 1994, depending on the income group. This was followed by substantial increases in very good or excellent health reaching a peak in 2002, which was two years later than the historical 17-year peak in median family income for these groups. These improvements ranged from 3-5 percentage points across the middle-class to 8 percentage points for children in low-income families.

- **Then, between 2002 and 2007 the proportion in very good or excellent health declined across these groups. The magnitude of these declines were large enough to wipe out 44-45 percent of the improvement that occurred between 1993 and 2002 for children in upper-middle-class and middle-middle-class families, 81 percent of the improvement that occurred between 1994 and 2002 for children in lower-middle-class families, and 22 percent of the improvement that occurred between 1994 and 2002 for children in low-income families.**
- **These overall declines in good or excellent health for children in middle-class and low-income families not only reflect the current situation of children, but also can have long-term negative consequences years later when children reach adulthood, including increased health care costs.**

Across these years, the children in high-income families experienced little change between 1986 and 1995, and a subsequent improvement of about 3 percentage points

between 1995 and 1998, with little change thereafter. As a result of these trends, the gap separating children in high-income families from other children increased by 1 percentage point for children in middle-middle-class families, by 4 percentage points for children in lower-middle-class families, and by 5 percentage points for children in low-income families.

### *Obesity*

- **The gaps in obesity separating the children in middle-middle-class and low-income families from children in high-income families expanded between 1999 and 2007.**
- **Obesity increased for all groups between 1993 and 1999, and after 1999 the increases were greater for children in middle-middle-class families and especially for children in low-income families.**

To smooth instability in the raw data, obesity is calculated here for children in three family income groups: a combined high-income and upper-middle-class group, the middle-middle-class group, and a combined lower-middle-class and low-income group. Because data collection for the early period spans 1988 to 1994, this report does not present results for trends across these years.

The results indicate that obesity increased by nearly the same amount, 4.6-4.9 percentage points for children in all three income groups between 1988-1994 and 2000. Then, between 2000 and 2007, obesity changed little for children in the combined highest and upper-middle-class group and for children in middle-middle-class families (0.45-0.75 percentage points), but obesity for the children in the combined lower-middle class and low-income group climbed by 5.8 percentage points.

- **Thus, the size of the gaps separating children in the combined lower-income group from children in middle-middle-class families and the combined higher-income group expanded from 2-5 percentage points in the early 1990s to 7-10 percentage points by 2007.**

### *Activity Limitations*

- **The gaps in activity limitations separating children in middle-class and the low-income families from children in high-income families expanded between 1986 and 2007.**
- **Activity Limitations increased for children in middle-class families especially between 1995 and 2005, and for children in low-income families between 1986 and 1993. Increases in activity limitations for children in high-income families were spread across the years between 1986 and 2005.**

The activity limitations indicator is based on questions asking parents whether their children experience physical limitations in the capacity to walk, run, or play, and whether or not the physical impairment is expected to last a year or more (CDC, 2010). Because of sample instability, results reported here are based on three-year moving averages for 1986 to 2007.

Trends in activity limitations for children in middle-class families and children in high-income families have been fairly steady across the 22 years in this report. For children in low-income families, activity limitations increased sharply between 1986 and 1992, and then little change occurred across the subsequent decade-and-a-half.

Overall, the gaps separating children in high-income families from children in other income groups grew between 1986 and 2007, with the greatest expansion occurring for children in lower-middle-class and low-income families. This pattern of results suggests that gaps in obesity across income groups are contributing to the gaps in activity limitations, but that other factors also are contributing to increasing activity limitations, insofar as obesity stabilized considerably for children in middle-class and high-income families after roughly 2000, but activity limitations for most groups continued to increase.

### *Health*

- **When we combine the three indicators of very good or excellent health, obesity, and activity limitations to form a single index of health, the large increases in obesity and activity limitations predominate, suggesting long**

and steady decline in the health of children for the period spanning 1985 through 2007.

- **Health deteriorated between 1986 and 2007, but especially for most income groups between the early 1990s and early 2000s.**
- **The gaps in overall health separating children in middle-class and low-income families from children in high-income families widened between 1986 and 2007.**
- **Children in high-income families experienced the smallest decline with the consequence that the health gaps separating this group from children in middle-class and low-income families have expanded over the past quarter century. The widening of these gaps was particularly large for children in lower-middle-class families, as well as children in low-income families.**

## The Social Relationships Domain

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The two social relationships domain indicators in the CWI focus on children in one-parent families and residential mobility.

### *One-Parent Families*

- **The gaps in proportion living in one-parent families that separate children in middle-class and low-income families from children in high-income families expanded between 1985 and 2008, but especially between 1985 and 1998/1999.**
- **Overall, the gap in one-parent families separating children in middle-class families from children in high-income families expanded from 9 percent to 16 percent between 1986 and 2007.**
- **The proportion living in one-parent families increased for children in middle-class and low-income families between 1985 and 2008, but especially between 1985 and 1998/1999. The proportion living in one-parent**

**families for children in high-income families peaked in 2000.**

Across these years, increases were larger for children in middle-class and low-income families than for children in high-income families, expanding the gaps that separated them from children in high-income families by 3, 7, and 13 percentage points, respectively, for children in upper-middle, middle-middle, and lower-middle-class families. The corresponding increase in the size of this gap for children in low-income families was similar to children in middle-middle-class families at 6 percentage points.

These increases in one-parent families for children in middle-class and low-income families reflect an increasingly precarious situation for these families, which is of concern, in part, because children in one-parent families tend, on average, to be somewhat disadvantaged in their educational success, compared to children in two-parent families (Cherlin, 1999; McLanahan and Sandefur, 1994).

### *Residential Mobility*

- **The gaps in residential mobility separating children in middle-class and low-income families from children in high-income families changed little between 1985 and 2007.**
- **Residential mobility declined for children in middle-class and low-income families, with temporary increases between the early and later 1990s. The trend was similar for children in high-income families.**

Residential mobility can be difficult for children, as they change to schools with new teachers and different curricula, and try to make new friends, although children can benefit from increased economic resources, if the move involves improved jobs and incomes for parents.

The proportion of children in middle-class families moving in the previous year declined from 1985 until about 1991/1992, with a brief rebound, followed by fairly steady decline. The trends were generally similar, as well, for children in low-

income and high-income families. Thus, the gaps separating children in middle-class and low-income families from children in high-income families changed little between 1985 and 2008.

Children in middle-class families were more likely than children in high-income families to experience residential mobility in any specific year, and the rate was still higher among children in low-income families. As early as 1981, research indicated that American children experienced high rates of residential mobility, compared to children in Great Britain, Ireland, Belgium, and Japan, and that the most likely explanation was greater family disruption and greater childhood poverty in the United States (Long, 1992).

- **Despite declines in residential mobility of 6-7 percentage points for children in various income groups during the past quarter century, the proportions moving in a specific year remain comparatively high for children in middle-middle-class families (12 percent), and especially for children in lower-middle-class families (17 percent), and low-income families (26 percent).**

#### *Social Relationships*

- **When we combine the one-parent family and residential mobility indicators to form an index of social relationships, the results suggest social relationships deteriorated for children in middle-middle-class and low-income families, but improved for children in upper-middle-class and high-income families, following a period of deterioration between 1985 and 1996 for children in middle-class and low-income families.**
- **The gaps in social relationships separating children in middle-class and low-income families from children in high-income families expanded between 1985 and 2008, especially between 1985 and 1998/1999.**

Comparatively little overall change occurred between 1985 and 2008 for children in upper-middle-class and middle-middle-class families, as reductions in residential mobility tended to offset increases in one-parent families.

At lower income levels, notable declines in social relationships occurred with increases in one-parent families, while a notable improvement occurred at the highest income level associated with declining residential mobility.

- **The gaps in social relationships separating children in high-income families from children in middle-class and low-income families expanded from 1985 to 2008.**

## **Public Investments in the Next Generation are Critical to the Nation's Future**

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These findings on trends in economic inequality and the declining fortunes of children in middle-class families in the face the Great Recession underscore the importance of setting the right public policies for children, which, as history has shown, can and have led to substantial improvements in children's well-being. Today, the safety net has broadened to protect more children with access to PreKindergarten and health insurance coverage. Without these policies, both PreKindergarten enrollment and health insurance coverage would have fallen after 2000.

**As the effects of the Great Recession continue to unfold for children in middle-class families, some elected officials at the federal, state, and local levels are calling for large cuts in publicly-funded education and health programs. If such cuts occur, children in the large middle-class may suffer not only continuing reductions in family income, but also declining access to PreKindergarten education and health care.**

In our democratic society, rising family incomes, increasing economic equality, and equal and growing opportunities for improved education and health were hallmarks of national success during the decades following the Great Depression and World War II. The results presented here suggest that America is losing its way, as children in middle-class families fall further and further behind the most economically privileged children in our society.

Earlier generations of Americans in the decades following the Great Depression invested in programs aimed at fostering greater access to education and increased health insurance coverage. This included expanding access to high schools, as the percentage not enrolled in school at ages 14-17 dropped from 21 percent to ten percent between 1947 and 1957 (U.S. Bureau of the Census, 1975); increasing access to higher education through the implementation of the Federal G.I. Bill (Servicemen's Readjustment Act of 1944); strengthening science and math education through the National Defense Education Act of 1958; and increasing health coverage of low-income individuals by implementing Medicaid in 1965 and the State Children's Health Insurance Program in 1997.

As the baby-boom generation, born between 1946 and 1964, moves into the retirement ages over the next two decades, it is all the more critical that investments in children are made today to ensure that their productivity during their prime work-force years will be up to the task of supporting the costs of an aging society. Difficult trade-offs and choices must be made now, even in the face of hard economic times, to support essential investments in children and the future of the Nation (Edelman, Golden, Holzer, 2010).

**It is critical that policymakers not reduce funding for programs that children require to survive and thrive, if they are to ensure that children will become productive workers, informed citizens, and effective parents for decades to come.**

### Notes on Classifying Children by Family Income

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This report classifies children as belonging to one of five family income or quintile groups. Children in the highest 20 percent of the income distribution are classified as living in high-income families, children in the lowest 20 percent are classified as living in low-income families, and children in the middle 60 percent are classified as middle-class. Within the

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middle-class, the report distinguishes three groups, with the next-to-highest 20 percent as upper-middle-class, the middle 20 percent as middle-middle-class, and the next-to-lowest 20 percent as lower-middle-class.

Insofar as the federal poverty rate for children was in the range of 19 percent to 21 percent in the years from 1985 to 1998, and again in 2008, and did not fall below 16 percent during the intervening years, children classified as living in low-income families in this report overlap, to a substantial degree, with children living in federally-defined poverty during the study period.

Although the federal poverty measure is used most often to assess economic deprivation in the U.S., a National Research Council report urged in 1995 that the federal poverty measure be revised, because "...it no longer provides an accurate picture of the differences in the extent of economic poverty among population groups or geographic areas of the country, nor an accurate picture of trends over time." (Citro & Michael, 1995).

Recognizing the limitations of the federal measure of economic deprivation, major public programs for children increasingly set eligibility criteria at higher levels. For example, most households that are eligible for food stamps have a gross monthly income equal to or less than 130 percent of the federal poverty threshold (USDA, 2007). The eligibility thresholds for the State Children's Health Insurance Program (SCHIP) in 2006 were set substantially above the federal poverty threshold in every state. In particular, 26 states set 200 percent of the federal poverty threshold as the upper income eligibility standard; nine states set the standard in the lower range of 140-185 percent; however, six states set the standard in the higher range of 235-280 percent, and nine states set the standard in the much higher range of 300-350 percent (Herz, Peterson, & Baumrucker, 2007).

In fact, policy discussions often focus on the rate of children in families with incomes below 200 percent of the federal poverty threshold (Annie E. Casey Foundation, 2008; Child

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Trends, 2009; Kneebone and Garr, 2010; Nilsen, 2007), and in conjunction with family work activity this threshold is sometimes used to identify and classify working poor families (Child Trends, 2010; Roberts, Povich, and Mather, 2010). Insofar as the proportion of children with family incomes below 200 percent of the federal poverty threshold was in the range of 39-44 percent in the years from 1985 to 1991, in 1993, and throughout 1999 to 2008, and rose above 46 percent only in one year, children classified in this report as living in the lower-middle-class families overlap, to a substantial degree, with children living above the federal poverty threshold but below the 200 percent poverty threshold.

These children often are referred to in the U.S. as living in “near-poor” or “low-income” families. However, based on widely used international standards most children living in families with incomes below 200 percent of the federal poverty threshold would be classified as poor, and those below the federal threshold would be classified as very poor or extremely poor (Hernandez, Denton, and Macartney, 2007; Smeeding and Torrey, 1988; UNICEF, 2005).

## CWI Indicators in this Report

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The FCD Child Well-Being Index (CWI) is based on 28 statistical indicators clustered in seven domains. Unfortunately, data for only a portion of these indicators are collected in a way that allows children to be classified according to their family income. Such data are available for indicators in four of the seven domains, namely, family economic well-being, health, community engagement, and social relationships. Thus, the report presents results for 10 of the 28 indicators included in the FCD Child Well-Being Index. For additional technical information, see Hernandez and Marotz (under review), and Land (2010) and Land, Lamb, and Mustillo (2001).

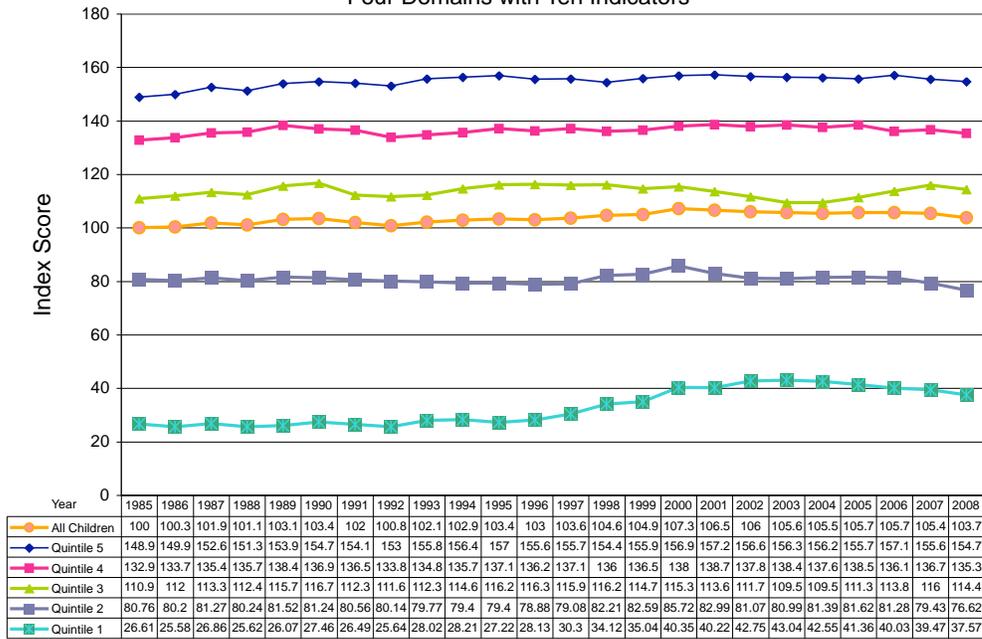
## About the Author

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Donald J. Hernandez, Ph.D., is Senior Advisor, Foundation for Child Development, and Professor, Department of Sociology, Hunter College and the Graduate Center, City University of New York. He is the author of seven books and monographs, and more than 40 articles and chapters. His early research on children, reported in *America's Children: Resources from Family, Government, and the Economy* (Russell Sage Foundation, 1993), was the first national study using children as the unit of analysis to document the timing, magnitude, and reasons for revolutionary changes experienced by children since the Great Depression in family composition, parent's education, father's and mother's work, and family income and poverty. He recently completed research on an alternative poverty measure for the U.S., on disparities in access to early education, and on internationally comparable indicators for children in eight rich countries. His current research includes the consequences of 3<sup>rd</sup> grade reading skills for high school graduation.

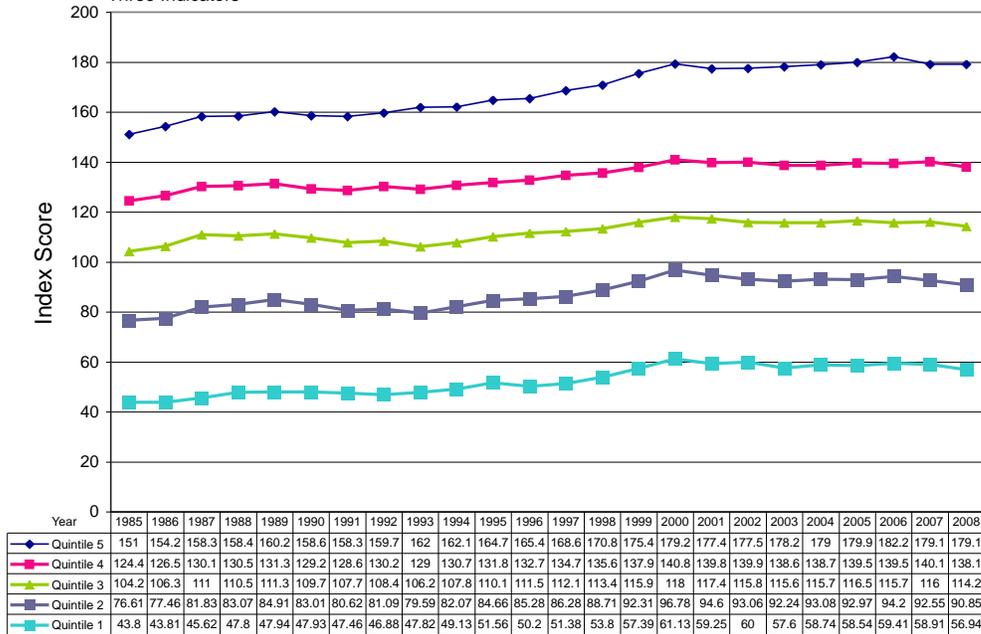
# Appendix

Figure 1. Child Well-Being Index (CWI), by Family Income Quintile:  
Four Domains with Ten Indicators



Source: Calculated by Donald J. Hernandez

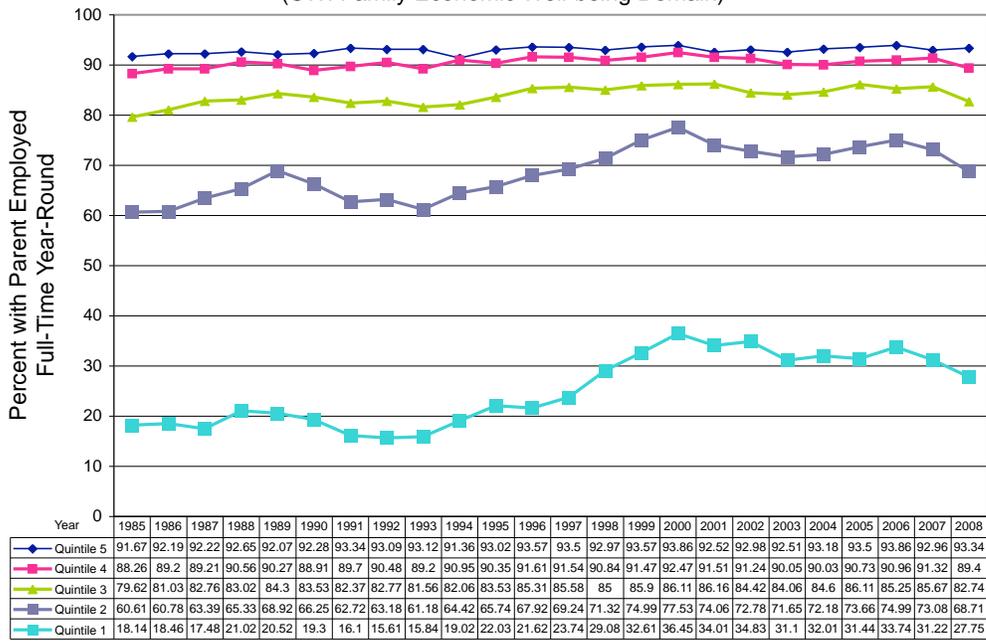
Figure 2. CWI Family Economic Well-being Domain, by Family Income Quintile  
Three Indicators



Source: Calculated by Donald J. Hernandez

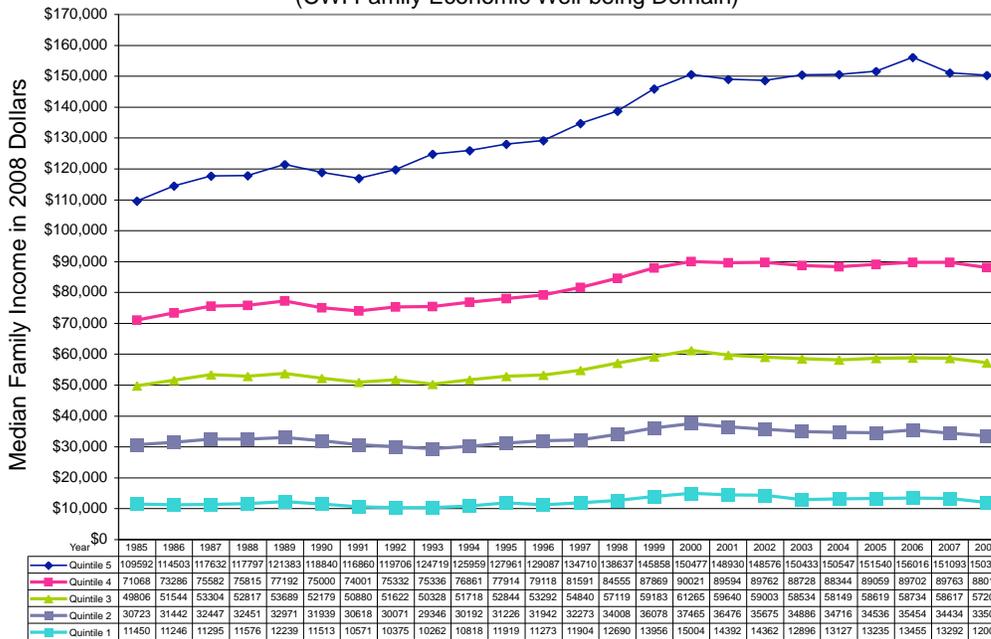
# Appendix

Figure 3. Children with Securely Employed Parent, by Family Income Quintile (CWI Family Economic Well-being Domain)



Source: Calculated by Donald J. Hernandez

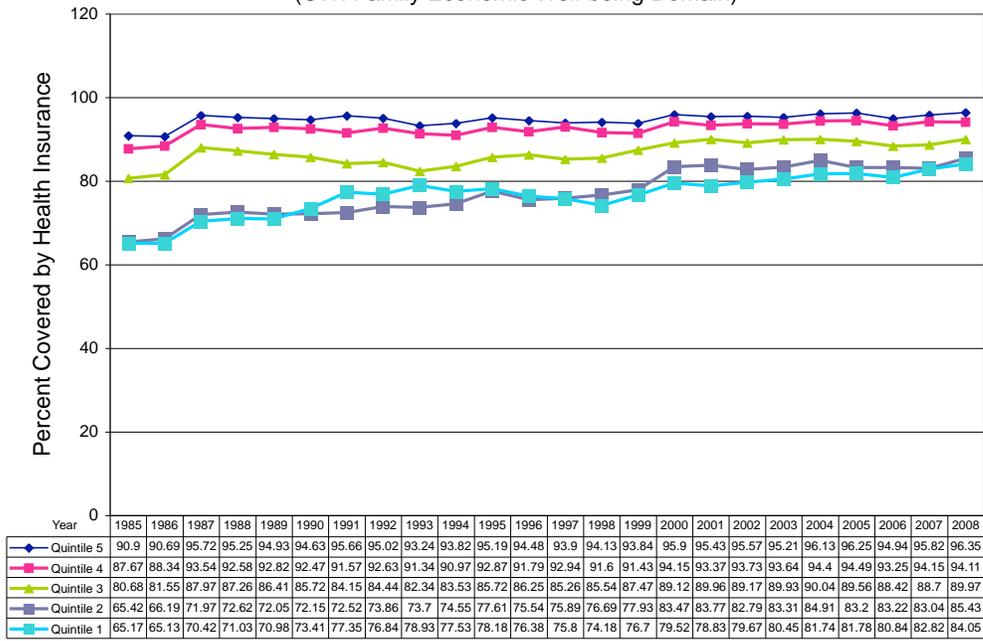
Figure 4. Children's Median Family Income, by Family Income Quintile (CWI Family Economic Well-being Domain)



Source: Calculated by Donald J. Hernandez

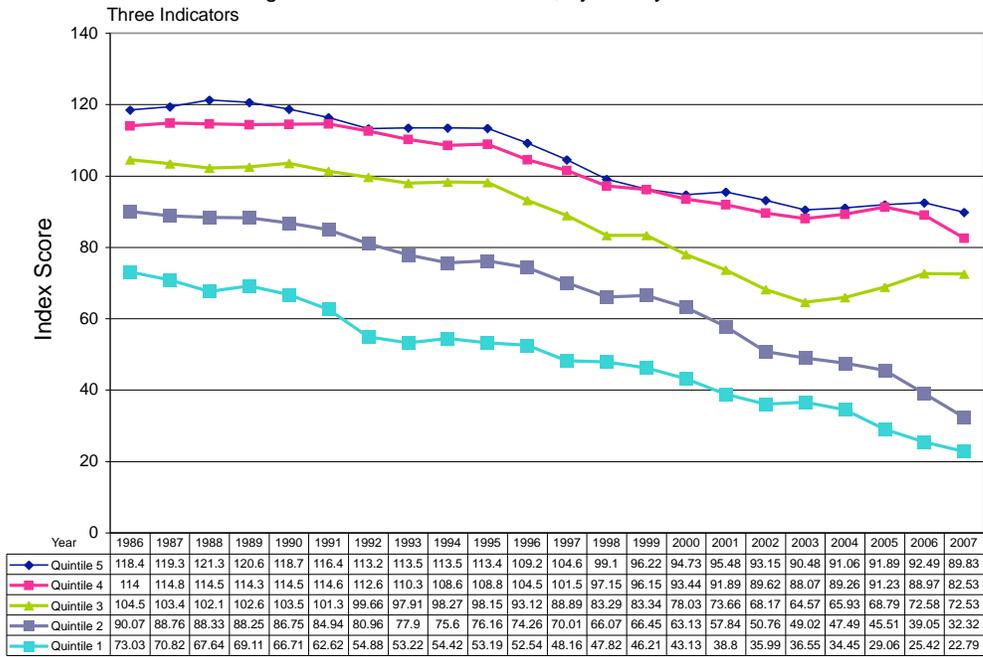
# Appendix

Figure 5. Children's Health Insurance Coverage, by Family Income Quintile (CWI Family Economic Well-being Domain)



Source: Calculated by Donald J. Hernandez

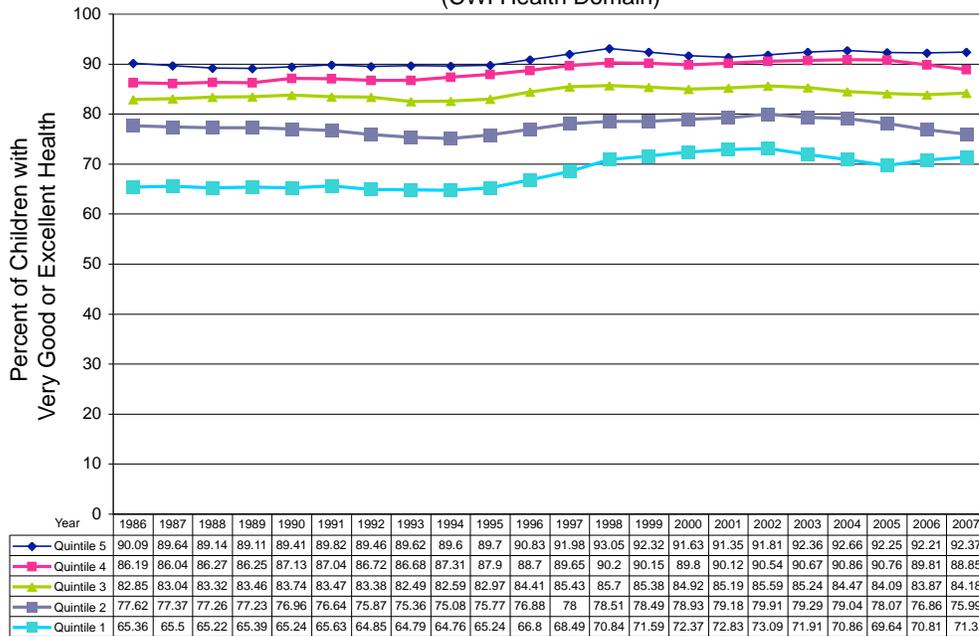
Figure 6. CWI Health Domain, by Family Income Quintile



Source: Calculated by Donald J. Hernandez

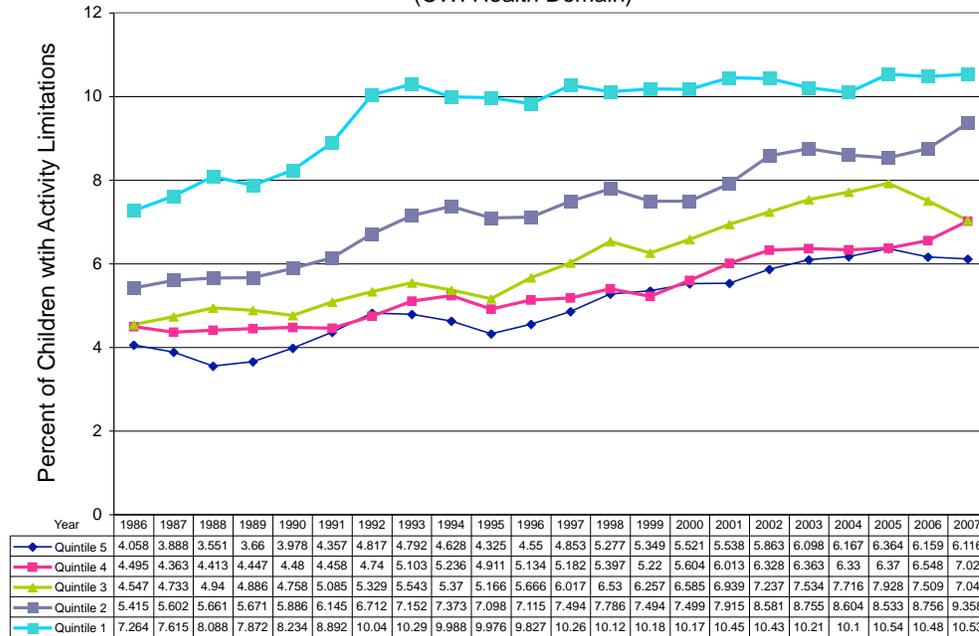
# Appendix

Figure 7. Children with Very Good or Excellent Health, by Family Income Quintile (CWI Health Domain)



Source: Calculated by Donald J. Hernandez

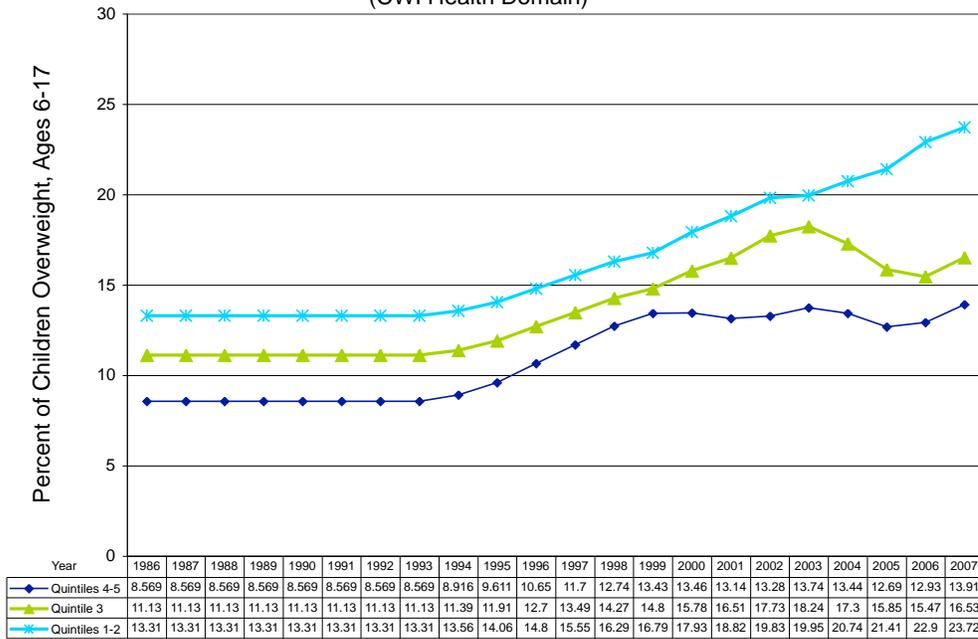
Figure 8. Children with Activity Limitations, by Family Income Quintile (CWI Health Domain)



Source: Calculated by Donald J. Hernandez

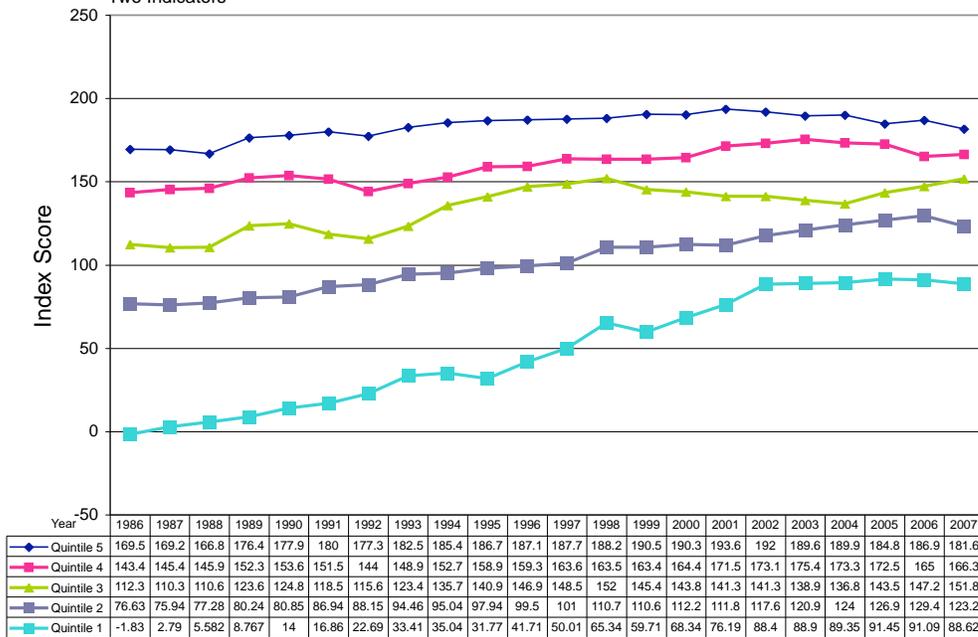
Appendix

Figure 9. Children's Obesity, by Family Income Quintile (CWI Health Domain)



Source: Calculated by Donald J. Hernandez

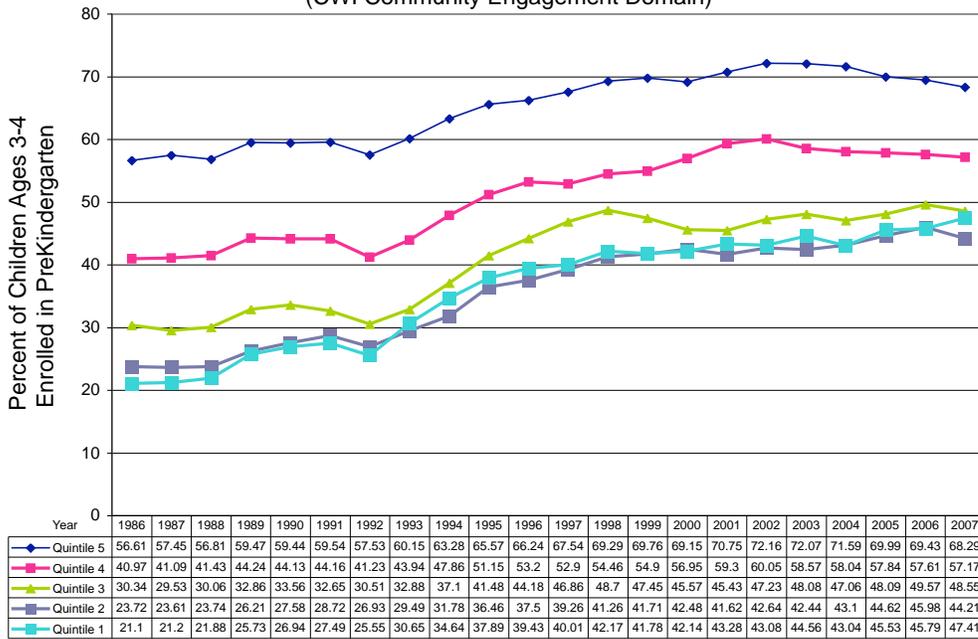
Figure 10. CWI Community Engagement Domain, by Family Income Quintile Two Indicators



Source: Calculated by Donald J. Hernandez

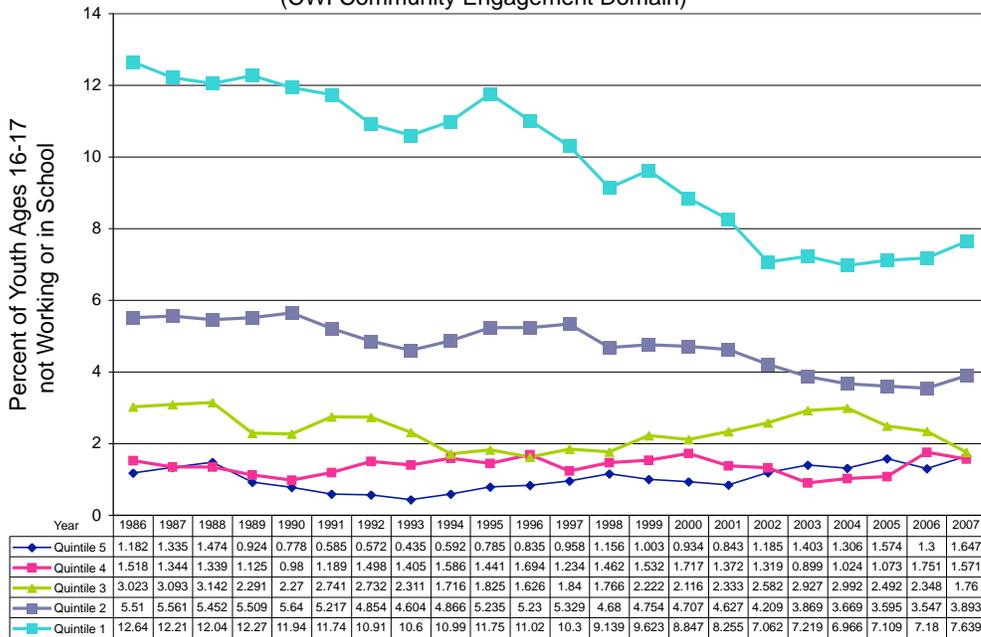
Appendix

Figure 11. Children Enrolled in PreKindergarten, by Family Income Quintile (CWI Community Engagement Domain)



Source: Calculated by Donald J. Hernandez

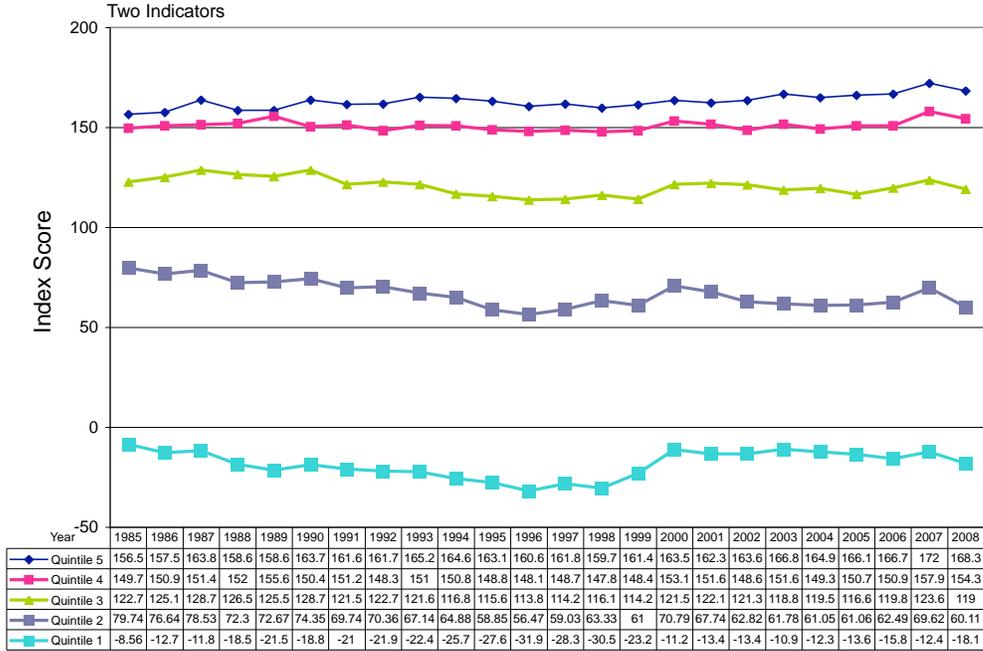
Figure 12. Youth Idle or Disconnected, by Family Income Quintile (CWI Community Engagement Domain)



Source: Calculated by Donald J. Hernandez

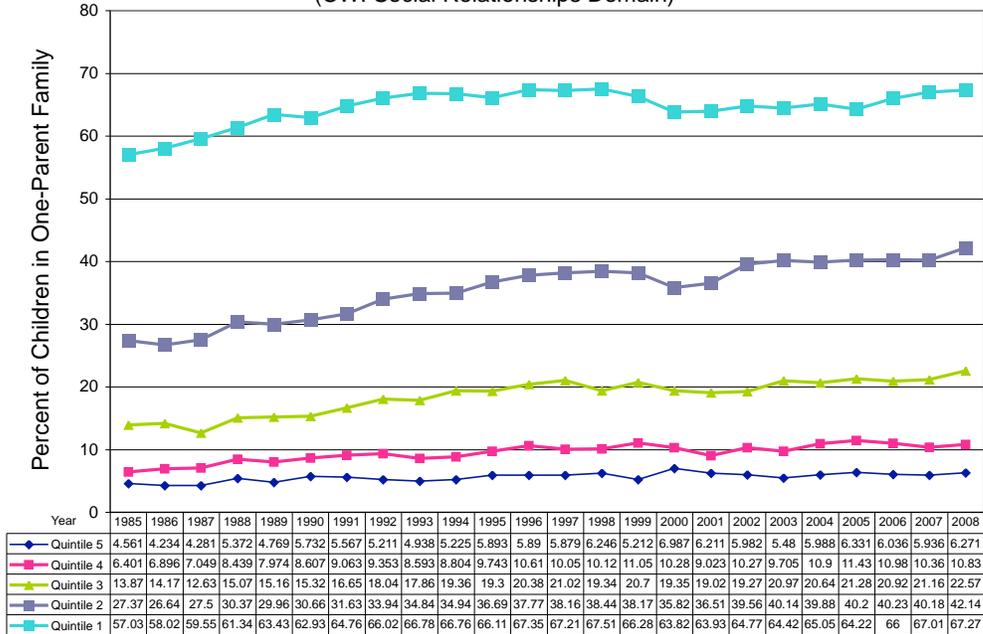
Appendix

Figure 13. CWI Social Relationships Domain, by Family Income Quintile



Source: Calculated by Donald J. Hernandez

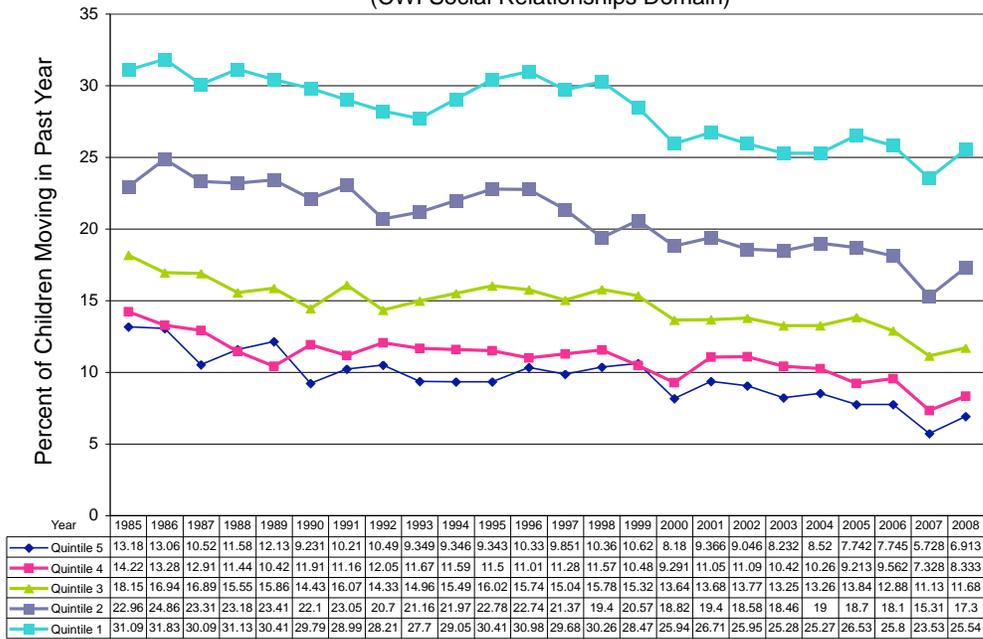
Figure 14. Children in One-Parent Families, by Family Income Quintile (CWI Social Relationships Domain)



Source: Calculated by Donald J. Hernandez

# Appendix

Figure 15. Residential Mobility among Children, by Family Income Quintile (CWI Social Relationships Domain)



Source: Calculated by Donald J. Hernandez

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## Child Well-Being Index (CWI)

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The Foundation for Child Development (FCD) Child Well-Being Index (CWI) is a national, research-based composite measure that describes how young people in the United States have fared since 1975. Updated annually, the CWI is the nation's most comprehensive measure of trends in the quality of life of children and youth. It combines national data from 28 indicators across seven domains into a single number that reflects overall child well-being. The seven quality-of-life domains are Family Economic Well-Being, Health, Safe/Risky Behavior, Educational Attainment, Community Engagement, Social Relationships, and Emotional/Spiritual Well-Being.

The goal of the CWI is to provide a tool, similar to the Consumer Price Index, that helps policymakers and the public monitor how well children are doing over time. Kenneth Land, a social demographer at Duke University, provides the annual updates of the CWI. The CWI was released publicly for the first time in 2004, after publication in a [peer-reviewed journal](#).

Please visit the FCD web site ([www.fcd-us.org](http://www.fcd-us.org)) for [Annual Releases](#) of the CWI; [Critical Reviews](#) on its construction, implications, and use; and [Related Studies](#) which include analyses of gender issues, the relationship of the CWI to state indicators, the well-being of African-American children over the past 30 years, and a focus on racial/ethnic inequalities.

For more information on the *Declining Fortunes of Children in Middle-Class Families*, please contact Donald J. Hernandez, FCD Senior Advisor, at [don@fcd-us.org](mailto:don@fcd-us.org).

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