

# Poverty Research and Policy in the US: Building a Path to Mobility

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*These are summaries of papers presented at the UC Davis Poverty Research and Policy Summit at UC Center Sacramento on April 22, 2016.*

*The event brings together researchers, policymakers, practitioners and advocates to summarize and discuss the state of poverty research and public policy over the past decade, and how research can better inform policy in the decade to come.*

*Sessions follow four key areas of research and policy: labor markets and poverty, the state of the safety net, children and the intergenerational transmission of poverty, and the intersections of poverty and immigration.*

*Whitepapers include:*

**Labor Markets and Poverty in the United States:  
Basic Facts, Policy, and Research Needs**  
*By Ann Huff Stevens and Ariel Marek Pihl*

**Lessons About the Safety Net:  
Evidence From The Research Community**  
*By Marianne Bitler*

**Children and the Intergenerational Transmission of Poverty:  
Research Frontiers and Policy Implications**  
*By Marianne E. Page, Katherine Conger, Amanda Guyer,  
Paul Hastings, and Ross Thompson*

**The Poverty and Wellbeing of Unauthorized Immigrant Children  
and Children in Mixed Status Families**  
*By Erin R. Hamilton and Jo Mhairi Hale*

**Immigrants, Poverty and Welfare: How Do They Fare,  
How Do They Affect Natives?**  
*By Giovanni Peri*

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## TABLE OF CONTENTS

<b>Labor Markets and Poverty in the US: Basic Facts, Policy and Research Needs</b> Ann Huff Stevens and Ariel Marek Pihl, Department of Economics	<b>1</b>
<b>Lessons about the Safety Net: Evidence from the Research Community</b> Marianne Bitler, Department of Economics	<b>5</b>
<b>Children and the Intergenerational Transmission of Poverty: Research Frontiers and Policy Implications</b> Marianne E. Page, Department of Economics Katherine Conger and Amanda Guyer, Department of Human Ecology Paul Hastings and Ross Thompson Department of Psychology	<b>7</b>
<b>The Poverty and Wellbeing of Unauthorized Immigrant Children and Children in Mixed Status Families</b> By Erin R. Hamilton and Jo Mhairi Hale, Department of Sociology	<b>13</b>
<b>Immigrants, Poverty and Welfare: How Do They Fare, and How Do They Affect Natives?</b> By Giovanni Peri, Department of Economics	<b>17</b>

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# Labor Markets and Poverty in the US: Basic Facts, Policy and Research Needs

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The connection between poverty and labor markets is complex. High, stable wages and stable full-time employment can keep many out of poverty. However, stagnation of wages at the bottom of the US wage distribution over the past several decades and continuing low rates of full-time work, especially in single-parent households, often leave families below the official poverty threshold.

## What are poverty rates among workers?

Poverty rates are much higher among those who are not in the labor force than among the general population. In 2014 the poverty rate for male non-workers was more than 35 percent and 32 percent for women. In 2014 the poverty rate for full-time, full-year workers was only 2.9 percent (using the official poverty thresholds).<sup>1</sup> However, if we include those who work part of the year, or part time, poverty rates are substantially higher, at 6.9 percent.

The Supplemental Poverty Measure (SPM) adjusts thresholds for cost of living and adjusts family resources for the amount received in government assistance and lost to taxes and unavoidable expenses. The most recent SPM measure, for 2014 suggests that 7.6 percent of individuals working at least 27 weeks per year are poor, compared to an overall SPM poverty rate of 15.3 percent.

## How much do the poor work?

Using the official US poverty definition, among the poor between ages 18 and 64 who are not disabled or in school, in 2014 51.8 percent worked for part of the previous year, though only 25.2 percent worked more than 50 weeks. Summarizing weeks and hours worked between 1990 and 2014 shows a mixed trend. In 2014 poor adults are seven percentage points less likely to be working at all than in 1990, but the proportion of those working 50 or more weeks last year increased by four percentage points. This decline in full-time work for the poor could be both that those working full-time were less likely to be poor in 2014, or that low-skilled workers worked less in 2014.

Much of this decline in full-time work is driven by weak labor market opportunities. The years after 2001 saw a downward trend in work among the poor which accelerated during the recession of 2008 and remains well below the 2008 level as of 2014.

## Single parents

Single parents are also more likely to be in poverty, even if they're working. The poverty rate among single-parent families is 26 percent. In 2014, having a parent working at least 27 weeks reduces the chances of poverty to 12 percent.

Poor single parents are 30 percent more likely to be working in 2014 than in 1990. This increase is concentrated in full year employment in both part-time and full-time work. Compared to the full population, the fraction of single parents who did not work at all in the previous year fell from nearly half in 1990 to just over one-third by 2014. This increase likely reflects the strong economic expansion, but also welfare reform, which emphasized work attachment, imposed work and other requirements for single parent welfare participants.

## Are wages or jobs the problem?

Whether employment status reflects supply or demand factors remains a question. Poverty is substantially higher in states where wages at the bottom of the distribution are lowest. Poverty rates are nearly five percentage points higher in the lowest-wage states compared to states with wages in the middle.

The level of wages is clearly a factor. Between 1990 and today, most American workers have seen their wages stagnate or decline.<sup>2</sup> Between 2000 and 2013 the bottom decile's wages declined by an average of 0.1 percent each year, a loss of \$0.16 per hour in real terms. All else equal, the poverty rate would be roughly 1.5 percentage points lower (12%) if people worked as much as they did in 1999.<sup>3</sup>

While more hours worked and higher wages are effective at reducing poverty, it is also important to recognize that jobs

<sup>1</sup>All rates are calculated using the Annual Social and Economic Supplement to the Current Population Survey.

<sup>2</sup>Bivens, Josh, Elise Gould, Lawrence Mishel, and Heidi Shierholz. 2014. "Raising America's Pay: Why It's Our Central Economic Policy Challenge." Economic Policy Institute. <http://www.epi.org/publication/>

raising-americas-pay/.

<sup>3</sup> Authors' analysis of the 2015 Annual Social And Economic Supplement to the Current Population Survey (IPUMS-CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org)).

with irregular and inconsistent hours are much more likely to be low wage jobs compared to full-time work. At both the 20th and 50th percentile of earners in each group, FT-FY workers earn twice as much per hour as those who only worked part time for part of the year.

There are also, undoubtedly, demand factors. Unemployment and involuntary part-time work have been elevated since the Great Recession and remain well above historic levels. The number of discouraged workers who have given up on searching for work and those who work part time but would prefer full-time 10.4 percent in 2015, more than two percentage points higher than its 2007 level.

## Policies that may work

### *Subsidized employment:*

In theory, subsidized employment programs can provide work experience, reduce long-term unemployment, and thus promote more stable incomes and stronger labor force attachment among workers. Evaluations of these kinds of programs in the US and Europe have found mixed results that include sizable increases in income and employment, though not for all.

A recent example of subsidized employment in the US was funded in 2009 through the American Recovery and Reinvestment Act (ARRA). Under this program roughly 260,000 jobs were subsidized by \$1.3 billion in funding by 39 states and the District of Columbia.<sup>4</sup> An evaluation by the Economic Mobility Corporation (EMC) found that those who were placed in subsidized jobs earned \$2,500 more than those that didn't in the year after the program ended.<sup>5</sup>

### *The Earned Income Tax Credit (EITC):*

The EITC has become, by many accounts, one of the largest programs in terms of dollars spent to support poor or near-poor families. In addition to increasing family income, research has shown that the EITC improves infant health and children's academic achievement. Currently 27 states offer state-specific EITCs, almost all of which are additions to the federal EITC. These range from 3.5-85 percent of the federal credit, with a median of 12.5 percent.

<sup>4</sup> Roder, Anne, et al. 2013. "Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs." Economic Mobility Corporation. <http://economicmobilitycorp.org/index.php?page=subsidized-employment-study>.

<sup>5</sup> Ibid.

<sup>6</sup> Hoynes, Hilary W., et al. 2015. "Effective Policy for Reducing Inequality? The Earned Income Tax Credit and the Distribution of Income." Working Paper 21340. National Bureau of Economic Research. <http://www.nber.org/papers/w21340>.

<sup>7</sup> Kroft, Kory, et al. 2014. "Long-Term Unemployment and the Great Recession: The Role of Composition, Duration Dependence, and Non-Participation." Working Paper 20273. National Bureau of Economic Research. <http://www.nber.org/papers/w20273>.

<sup>8</sup> Dube, Arindrajit, et al. 2010. "Minimum Wage Effects Across State

The combination of increasing after-tax income near the bottom of the earnings distribution and the apparent net positive effect on labor supply means that the EITC has measurable effects on poverty when we consider after-tax income. A 2015 study shows that a \$1,000 increase in the EITC is associated with a nine percentage point reduction in an after-tax and -transfer poverty measure.<sup>6</sup>

### *Increasing the Minimum Wage:*

Minimum wage policy in the US remains controversial in both the policy and research realms. Adjusted for inflation, the real value of the federal minimum wage, now at \$7.25 per hour, is currently at 67 percent of its peak value in 1968.<sup>7</sup> From a policy perspective, the key arguments over raising the minimum wage focus on whether they may do more harm than good by burdening businesses and potentially discouraging employment. A 2010 study finds that a ten percent increase in the minimum wage increases employment by less than one percent.<sup>8</sup> A 2014 study suggests that the same increase lowers employment by 1.5 percent.<sup>9</sup>

Historically, both academics and policy-makers have noted that many minimum wage workers live in families and households with other earners and so are not necessarily considered poor. A 2007 study estimated that only approximately 13 percent of minimum wage workers lived in households below the poverty line.<sup>10</sup> This year, the Heritage Foundation calculated that in 2011-12, 23 percent of minimum wage earners lived in poverty.<sup>11</sup>

### *Education and Career Training Programs:*

A four-year college degree remains one of the strongest predictors of who will escape poverty. Unfortunately, progress at increasing rates of graduation from college has been very slow. Alternative educational opportunities, including both short-term employment and training programs and associate degrees and certificates in vocational areas are more frequently mentioned as potential avenues to improve the earning of the poor.

Employment and training programs for disadvantaged

Borders: Estimates Using Contiguous Counties." Review of Economics and Statistics 92 (4): 945–64.

<sup>9</sup> Neumark, David, et al. 2014. "Revisiting the Minimum Wage—Employment Debate: Throwing Out the Baby with the Bathwater?" Industrial & Labor Relations Review 67 (3 suppl).

<sup>10</sup> Burkhauser, Richard V., and Joseph J. Sabia. 2007. "THE EFFECTIVENESS OF MINIMUM-WAGE INCREASES IN REDUCING POVERTY: PAST, PRESENT, AND FUTURE." Contemporary Economic Policy 25 (2): 262–81.

<sup>11</sup> Sherk, James. 2016. "Who Earns the Minimum Wage? Suburban Teenagers, Not Single Parents." Issue Brief. The Heritage Foundation. Accessed March 15. <http://www.heritage.org/research/reports/2013/02/who-earns-the-minimum-wage-suburban-teenagers-not-single-parents>.

workers is the most direct approach to improving earnings. These programs—and their effectiveness—can differ substantially in terms of their length, intensity, industry or skill focus, and target population. A 2014 study notes that programs which are able to combine skill development and paid employment seem to offer the best outcomes.<sup>12</sup>

Most relevant to the population of the poor already working is recent attention to vocational education, or career technical education (CTE) programs. A 2014 study of Kentucky community college students found sizable returns overall.<sup>13</sup> A 2015 study of mine found that California community college CTE programs increase earnings by approximately 25 percent.<sup>14</sup>

One concern is enrollment capacity. A 2015 study on a two-year nursing program in a California community college found that there are roughly ten applicants for every seat in the program.<sup>15</sup> Many individuals wait up to two and half years to enroll. Many other vocational programs also have substantial requirements for enrollees and very low persistence and completion rates.

## Areas for future research

### *Subsidized employment to help the unemployed:*

Unprecedented levels of long-term unemployment during and after the great recession have led to renewed interest in understanding whether long-term unemployment can itself reduce the chances of later labor market success. We should understand whether subsidized employment programs, by helping individuals avoid long periods of joblessness, can have long-term positive effects on worker outcomes.

### *How scheduling affects employment and earnings for low-wage workers:*

Our understanding of these challenges is quite new, but studies of how scheduling rigidity, predictability, or instability are correlated with workers' long-term employment prospects or earnings growth could be a major contribution. A related set of questions, with even larger data and design challenges, is that of whether and how companies and their financial health or profitability are affected by these practices or by changes to more worker-friendly scheduling practices.

### *Childcare and supportive services:*

A focus on improving work conditions for low-wage workers also requires us to recall the marked rise in labor force

participation over the past two decades among poor single parents. This puts a premium on renewing our understanding of the challenges such workers face in finding affordable, high-quality childcare, and other work-supportive services.

### *The Earned Income Tax Credit:*

Future research on the EITC should combine findings on its overall effects on poverty and other measures of well-being in the longer term, including labor market attachment and earnings. State-level EITC programs may offer another important avenue for researchers to understand and utilize in studies.

### *The minimum wage*

One direction for future research is prompted by recent local ordinances in which specific cities or parts of cities impose higher minimum wages than the balance of the state. Because local policies leave additional margins for workers and firms to escape the minimum, economic theory predicts that local measures could have larger unintended or negative effects on employment. It should be a high priority to use variation in local policies to learn how local minimum wages may differ in their impacts on employment and poverty than state- or national-minimum wages.

### *Career and technical education*

We need to better understand which individuals are most likely to successfully complete specific vocational programs, and what factors make it unlikely that others will persist and complete vocational programs. We also need to better understand how individuals choose enrollment in particular programs, and whether capacity constraints in the most promising programs prevent access. Finally, as many of the working poor may be able to take only a few CTE classes given their need to work, it is important to understand whether the accumulation of a few vocationally focused courses can have any meaningful effect on future employment or earnings, and in which fields this is most likely to occur.

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<sup>12</sup> Edelman, Peter B., and Harry J. Holzer. 2014. "Connecting the Disconnected: Improving Education and Employment Outcomes Among Disadvantaged Youth." In *What Works for Workers?: Public Policies and Innovative Strategies for Low-Wage Workers*.

<sup>13</sup> Jepsen, Christopher, Kenneth Troske, and Paul Coomes. 2014. "The Labor-Market Returns to Community College Degrees, Diplomas, and Certificates." *Journal of Labor Economics* 32 (1): 95–121.

<sup>14</sup> Stevens, Ann Huff, Michal Kurlaender, and Michel Grosz. 2015. "Career Technical Education and Labor Market Outcomes: Evidence from California Community Colleges." National Bureau of Economic Research. <http://www.nber.org/papers/w21137>.

<sup>15</sup> Grosz, Michel. 2016. "Labor Market Returns to Community College Health Programs: Evidence from Admissions Lotteries." University of California Davis.

associate with the National Bureau of Economic Research. She received her Ph.D. from the University of Michigan in 1995 and has served as an investigator on numerous grants from the National Science Foundation and other agencies. Stevens' current research includes studies of the relationship between job loss and health, the relationship between aggregate unemployment rates and mortality, and the returns to technical and vocational education.

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# Lessons about the Safety Net: Evidence from the Research Community

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We have seen great strides made in our understanding of our reformulated safety net in the last decade, driven by a variety of advances in availability of new data, new sources of variation, and creative research designs. There is great potential to learn more, especially to the extent that partners with access to administrative data are willing and able to make it more available.

## The new safety net and the Great Recession

In the mid to late 1990s, the traditional safety net was transformed from an out-of-work system to an in-work system. In 1996, the federal Personal Responsibility and Work Opportunity Reconciliation Act transformed the entitlement cash welfare program Aid to Families with Dependent Children (AFDC) into Temporary Assistance to Needy Families, with a new emphasis on working and time limits.<sup>1</sup> PRWORA also included changes to the Supplemental Nutrition Assistance Program (SNAP) to encourage work.

Around the same time, the Earned Income Tax Credit was greatly expanded for families with children, with the largest increase in benefits coming for families with two or more children. Created in 1975, the EITC is a tax credit intended originally to offset the effects of the payroll tax for low-income families.

A large body of work has revisited welfare reform in the wake of the Great Recession.<sup>2</sup> TANF no longer automatically stabilizes income during a recession in the way that the pre-welfare reform AFDC program did. Research shows that SNAP has become either more responsive or stayed the same, depending on the measure of the business cycle. The Earned Income Tax Credit has become more responsive, finding a similar pattern to SNAP. Unemployment Insurance is considerably more responsive than TANF.

Recently, this new, in-work safety net was strained as the country entered the Great Recession, facing unemployment rates unseen since the deep recessions of the early 1980s. In that time, the Supplemental Nutrition Assistance Program has grown to be our only universal safety net program.

## Long run effects of the War on Poverty

During the mid or late 1960s, the Food Stamp Program, Medicaid, Medicare, the School Breakfast Program, many job training programs, and Title I were all created or made permanent. Other programs such as the National School Lunch program and AFDC were expanded or altered. The Office of Economic Opportunity made grants to family planning clinics, Head Start programs, and community health centers. Several programs followed in the early 1970s, including Supplemental Security Income, the Earned Income Tax Credit, and WIC.

Research shows persistent effects of many of these programs. The Food Stamp Program, now SNAP, was started as a pilot and then made permanent. Research suggests that SNAP is like cash, and has been found to lead to higher birth weight for newborns. For adults it is associated with long-run positive outcomes on self-sufficiency and health. The rollout of Medicaid has been shown to improve health among children.

As part of spending on the office of Economic Opportunity, the Head Start program was launched with a disproportionate focus on getting the program in effect in the poorest 300 counties in the US. Research on the program suggests long-run positive effects on health and some suggestions of an impact on education.

## Advances in research

This body of research was possible for a number of reasons. Researchers realized that for national programs with uniform rules, there might still be room to leverage variation in how the program was first implemented to measure different effects. In some cases the existence of a new research infrastructure, such as the Federal Statistical Research Data Centers, created the ability to link county level spending or initiation of programs.

Another breakthrough in the study of some programs has come through increased access to large and comprehensive administrative data sets. Also, the discovery of old data sets such as the early NHISs also played a role, as did access to historical records from the national archives and the ability to translate some printed outcomes such as county spending or mortality

<sup>1</sup> GAO. 2010. Temporary Assistance for Needy Families. Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates. Report 10-525.

<sup>2</sup> See: Bitler, Marianne and Hilary Hoynes. 2015. "The More Things Change, the More They Stay the Same? The Safety Net and Poverty in the Great Recession" Journal of Labor Economics 34.

quickly and relatively inexpensively into digital form.

The final innovation that has lead to a deeper understanding of the safety net is from our improved understanding of behavioral science and economics. For example, complexity seems to affect decisions as does the level of trust of the authorities. There is also evidence that poor individuals who face a high cognitive load may not make good decisions. During the last decade, these insights have begun to work their way into various government decisions, but there is undoubtedly a long way to go.

## Need for data

One challenge to these data aiding our understanding of the safety net is the limited access to the large comprehensive tax data that is the result of the stringent and reasonable confidentiality needs associated with using such sensitive data. Yet, other countries manage to protect privacy without so tightly restricting access.

Also, much of our traditional safety net is run by states and not by the federal government. So, as in the education field, data on the Food Stamp or TANF program belongs to individual states, limiting the ability of researchers to study the whole US.

A recent act of Congress will lead to the creation of an Evidence Based Policy Commission in part to study these issues. Yet, without the ability to link in state data on many safety net programs which are run by and administered by the states, these data offer limited potential to study how the safety net affects our poorest residents.

## Areas for future research

### *Behavioral science:*

In the last decade the fields of behavioral science broadly and behavioral economics in particular have made huge strides, adding to our understanding of poverty and use of the safety net and offering a host of research opportunities.

### *Interactions between programs:*

Our complicated safety net has many aspects which interact in complicated ways in part due to the large number of patchwork and varied programs which can affect people's decisions. A few studies have started to explore these program interactions, yet there is much to be done.

### *Fadeout and resurgence of program effects:*

We have learned a great deal about short- and longer-run effects of specific safety net programs, yet there are puzzles such as widespread fadeout and sometimes resurgence of effects in the long run which we need to understand.

### *Income and other shocks and their effects across different points in children's lives:*

There is a need to understand how shocks, both positive and negative, interact across children's lifecycle, and how negative shocks can be buffered by positive effects of programs.

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# Children and the Intergenerational Transmission of Poverty: Research Frontiers and Policy Implications

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The idea that individuals can escape poverty through hard work is a fundamental tenant of American society. Intergenerational mobility is lower in the United States than in any other developed country in the world. One in ten American children spends at least half of their childhood in poverty. Understanding the mechanisms that lie behind the intergenerational transmission of poverty is necessary in order to design effective policies to improve poor children's life chances.

## The Importance of safety net programs

The evidence in recent years overwhelmingly indicates that the major established federal safety net programs that boost income, target better nutrition and increase access to health care, have substantive effects on children's short and longer term well-being.

### *Programs that increase family income:*

Increases in family income through the Earned Income Tax Credit have positive effects on children's well-being. A 2012 study found that a \$1,000 increase in family income raises a child's math and reading test scores by six percent of a standard deviation.<sup>1</sup> A 2015 study found that the same increase in income reduces the probability that a newborn is below the low birthweight threshold by 2-3 percent.<sup>2</sup> Both academic achievement and birthweights are predictors of later economic success.<sup>3</sup>

Other safety net programs provide in-kind benefits but act somewhat like income enhancements because participating families can preserve more of their income for other needs such as adequate housing and clothing. The Supplemental Nutrition and Assistance Program (SNAP; formerly the Food Stamp Program) and the Women Infants and Children (WIC)

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nutrition program are two examples of such programs. These programs have also been shown to have impacts on children's short and longer term outcomes.<sup>4</sup>

### *Programs targeting nutrition:*

Recent research has generated overwhelming evidence that safety net programs aimed at improving disadvantaged children's nutrition make a difference to their long term chances for success. For example, a study from 2011 estimates that for infants born to women with less than a high school education—children who generally have the lowest chance of escaping poverty—WIC increased birthweights by between 23 and 38 grams.<sup>5</sup>

Natural experiment methods have also recently been used to evaluate child nutrition programs such as the National School Lunch and Breakfast programs. A 2010 study finds that a ten percentage point increase in program exposure predicts increased completed education by a third of a year for women, and nearly a full year for men.<sup>6</sup> A 2015 study finds that at schools that provide meals through the School Breakfast Program math achievement increased by an average of 2.2 points and reading achievement increased by 2.0 points.<sup>7</sup>

### *Medicaid:*

Most studies find that more generous provision of public health insurance for disadvantaged children improves their health. Recently, with access to large datasets that include detailed information on adult outcomes, researchers have been able to confirm that these child health investments have long term effects on adult economic outcomes, and that they are cost-effective.<sup>8</sup>

The potential for reducing later government expenditures by investing in children today should be kept in mind

Evidence from the introduction of the WIC program." Journal of Public Economics.

<sup>6</sup> Hinrichs, P. 2010. "The effects of the National School Lunch Program on education and health." Journal of Policy Analysis and Management.

<sup>7</sup> Frisvold, D. E. 2015. "Nutrition and cognitive achievement: An evaluation of the School Breakfast Program." Journal of Public Economics.

<sup>8</sup> Brown, D. W., et al. 2015. "Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?" (No. w20835). National Bureau of Economic Research.

<sup>1</sup> Dahl, G. B., et al. 2012. "The impact of family income on child achievement: Evidence from the earned income tax credit." The American Economic Review.

<sup>2</sup> Hoynes, H.W, et al. 2015. "Income, the Earned Income Tax Credit, and Infant Health." American Economic Journal: Economic Policy.

<sup>3</sup> See: Chetty, R., et al. 2011. "How Does Your Kindergarten Classroom Affect Your Earnings? Evidence from Project Star\*." Quarterly Journal of Economics.

<sup>4</sup> See: Rossin-Slater, M. 2013. "WIC in your neighborhood: New evidence on the impacts of geographic access to clinics." Journal of public Economics.

<sup>5</sup> Hoynes, H., et al. 2011. "Can targeted transfers improve birth outcomes?

when evaluating any program that is intended to improve children's life chances.

## Poverty and early life

The effects of growing up in poverty may be contingent upon its timing and duration.<sup>9</sup> The earliest years of life – the prenatal period through the preschool years – are often described by psychologists as a sensitive period, a time during which children may be particularly vulnerable to the effects of poverty due to the very rapid growth of multiple neurobiological systems and the establishment of foundational social relationships with caregivers.<sup>10</sup> Recent work in psychology indicates that early adolescence constitutes a second sensitive period.

There may also be critical periods, or specific windows of development during which exposure to poverty will have irreparable effects on some aspect(s) of functioning and development. In addition to being a sensitive period, the prenatal period is also believed to be a critical period.<sup>11</sup> A mother's experience of severe stress during pregnancy may result in *fetal programming*, or changes to the unborn child's developing brain and neural systems that alter how the child reacts to events and situations in the future.

Two large scale interventions that target early life are WIC and Head Start. In the short term, Head Start appears to increase students' average cognitive test scores, but these average gains "fade-out" in elementary school.<sup>12</sup> Research suggests that the program, and others like it, build social-emotional skills that do not immediately transfer to achievement scores, but are important determinants of later life outcomes (including academic success).

## Poverty and family dynamics

Economic stress has negative effects on both men and women, contributing to increases in mental health problems and marital problems.<sup>13</sup> Research finds that family economic stress is associated with depression and anxiety in parents, higher levels of marital conflict, and less nurturing parenting.<sup>14</sup> For children, these factors heighten the risk of conduct and other

problems that impact subsequent educational attainment, employment, and their own parenting practices as these children grow up.<sup>15</sup> Research is now able to document that these processes associated with the intergenerational transmission of poverty often parallel each other across generations.

## Poverty and place

Community influences may also contribute to poverty across generations. Low-income families are more likely to live in neighborhoods with lower quality schools, lower quality infrastructure, and compromised safety. The quality of local resources may be particularly important to low income families because they are more dependent on public education, public transportation, local health clinics, and social services for the essentials of daily living.<sup>16</sup>

In addition, it has long been surmised that communities may influence children's development through less tangible factors such as peer influences, or role-modeling and enforcement of social norms by adult residents. Higher levels of neighborhood disorder are correlated with more fear for safety, higher levels of parental stress and more family conflict.<sup>17</sup>

Emerging research is also making clear that the influential role of place in poor children's lives may not be restricted to urban neighborhoods with high concentrations of poverty. Rural poverty and urban poverty present unique place-based challenges related to service access, educational resources, and employment opportunities. Recent research has found that low-income children who move to higher-income commuting zones have better long-term outcomes in proportion to the time that they spent in those neighborhoods.<sup>18</sup>

## How poverty affects the body and brain

Taken as a whole, a rapidly growing literature is quickly establishing that childhood poverty is significantly associated with all levels of neurobiological functioning. When these components of neurobiology are compromised, it can

<sup>9</sup> Cohen, S., et al. 2010. "Childhood socioeconomic status and adult health." *Annals of the New York Academy of Science*.

<sup>10</sup> See: Feldman, R., et al. 2014. "Maternal-preterm skin-to-skin contact enhances child physiologic organization and cognitive control across the first 10 years of life." *Biological Psychiatry*.

<sup>11</sup> e.g., Weikum, W. M., et al. 2012. "Prenatal exposure to antidepressants and depressed maternal mood alter trajectory of infant speech perception." *Proceedings of the National Academy of Sciences*.

<sup>12</sup> Ludwig, J. et al. 2008. "Long-term effects of Head Start on low-income children." *Annals of the New York Academy of Sciences*.

<sup>13</sup> See: Conger, R. D., et al. 1997. "Family economic hardship and adolescent adjustment: Mediating and moderating processes." In G. Duncan & J. Brooks-Gunn (Eds.), *Consequences of Growing Up Poor*.

<sup>14</sup> Schofield, T. J., et al. 2011. "Intergenerational transmission of adaptive functioning: A test of the interactionist model of SES and human development." *Child Development*.

<sup>15</sup> For more about the Family Stress Model, see Conger, R. D., et al. 2010. "Socioeconomic status, family processes, and individual development." *Journal of Marriage and Family*.

<sup>16</sup> Barajas-Gonzalez, R. G. et al. 2014. "Income, neighborhood stressors and harsh parenting: Test of moderation by ethnicity, age, and gender." *Journal of Family Psychology*.

<sup>17</sup> Ibid.

<sup>18</sup> Chetty, R., & Hendren, N. (2015). *The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-level Estimates*. Unpublished Manuscript.

impede one's mental and physical health, ability to learn and work, and capacities for engaging in healthy social relationships.

### **The Brain:**

During childhood and adolescence growth and refinement of neural connections in the brain are established and reinforced. Childhood poverty has been associated with variations in both the structure and function of brain regions related to memory and cognition including the hippocampus, a part of memory and learning from context, and the prefrontal cortex (PFC), which supports the ability to exert self-control over one's thoughts, emotions and behaviors. These skills have been linked to later economic success.<sup>19</sup>

Lower perceived socioeconomic standing is associated with reduced PFC volume.<sup>20</sup> The extent to which individuals perceive themselves to be economically disadvantaged may even matter more than their actual financial resources. This suggests that an individual's subjective experience of the meaning of her socioeconomic position in society may also have effects on neurobiological development.

### **The hypothalamic-pituitary-adrenal (HPA) axis:**

The HPA axis (or adrenocortical system) produces hormones that are carried by the circulatory system and trigger physiological effects throughout the body and brain. The HPA axis hormone that has received the most study is cortisol, which is a vitally important hormone for normal, healthy functioning, including the mobilization of energy resources that support focused attention and effective coping behaviors.

Low levels of cortisol (hypocortisolism) and high levels of cortisol (hypercortisolism) have both been linked with poorer academic and occupational performance and more mental and physical health problems. Hypercortisolism may damage brain tissue,<sup>21</sup> whereas hypocortisolism<sup>22</sup> may reduce focused attention and effective coping. Children growing up in low SES families are more likely to have these atypical cortisol levels, which in the short- and long-term can undermine their well-being.

### **Autonomic Nervous System (ANS):**

The ANS serves as the rapid communication channel

between the brain and the body, producing effects on heart rate, blood pressure, respiration, perspiration, digestion and numerous other physiological processes within fractions of seconds. Prolonged reactivity to the stress of poverty produces cumulative wear-and-tear on the circulatory system, which may compromise future cardiovascular health.<sup>23</sup>

Several recent studies have documented that adults who grew up in low SES families are more likely to have elevated blood pressure, which is in turn associated with increased risk for the development of hypertension and cardiovascular disease. A 2013 study<sup>24</sup> found that adolescents who lived in low SES households as children have prolonged blood pressure reactivity to acute challenges—in other words, it takes them longer to recover from a stressful event.

### **Immune system:**

The immune system is comprised of a complex network of cells, tissues and organs distributed throughout the body that serve to protect the body from infection by pathogens. One of the primary responses to cell damage caused by infection is inflammation. While inflammation is necessary to the recovery process, it is a key feature of many of the illnesses that are prevalent among the poor, such as cardiovascular disease, diabetes and obesity.

Children and adults living in lower SES conditions are more likely to experience chronic inflammation.<sup>25</sup> This could increase susceptibility to acute infections and chronic diseases. Even when children are able to break the cycle of poverty by achieving better economic outcomes in adulthood, they may be unable to fully escape the long-term impacts on their health.

### **Gene expression:**

Our genes are responsible for regulating cellular and neurobiological functioning through the gene expression (protein synthesis). External events can change the nature of the protein synthesis by a particular gene. For example, genes that generate the body's stress response might be altered through stressors associated with not being able to make ends meet.

There is growing evidence that the experience of living in

International Journal of Epidemiology.

<sup>24</sup> Evans, G. W., et al. 2013. "Childhood poverty and blood pressure reactivity to and recovery from an acute stressor in late adolescence: the mediating role of family conflict." Psychosomatic Medicine

<sup>25</sup> See: Gimeno, D., et al. 2008. "When do social inequalities in C-reactive protein start? A life course perspective from conception to adulthood in the Cardiovascular Risk in Young Finns Study." International Journal of Epidemiology

<sup>26</sup> Lam, L. L., et al. 2012. "Factors underlying variable DNA methylation in a human community cohort." Proceedings of the National Academy of Science.

poverty alters gene expression. Childhood socioeconomic disadvantage predicts both increased and decreased expression of several hundred genes,<sup>26</sup> suggesting that childhood poverty has the potential for profound and widespread effects on biological functioning and behavior.

#### **Allostasis and allostatic load:**

Allostasis describes the body's ability to adapt to the continuously changing demands of our complex social and physical world. It is essential for adaptive behavior and good health. Allostatic load is the loss of such adaptive physiological flexibility due to the wear-and-tear of chronic or severely stressful life experiences.

Individuals who live in lower SES contexts have higher allostatic load,<sup>27</sup> meaning that their bodies are less able to withstand the biological wear and tear from daily stress. Children with higher allostatic load have relatively more emotional and behavioral problems, and are in poorer physical health. Poverty and lower SES in childhood and adolescence appear to have direct and adverse effects on neurobiological development that are still evident in adulthood.

#### **Cognitive and Motivational Processes:**

It is clear that, relative to children growing up in more advantaged families, poor children have lower self-esteem,<sup>28</sup> and that they are more likely to have symptoms of depression.<sup>29</sup> Poverty may affect whether they perceive themselves as competent and valued individuals, which may in turn affect their behavior in ways that compromise their ability to succeed. Although children from poor families are often optimistic about their future prospects, they generally have lower career aspirations than children from middle-income families.<sup>30</sup>

Children adopt social values concerning differences between rich and poor from as early as four years old. Young children may not perceive income-related social categories as flexible and changing. As a consequence, they may be more likely to believe that someone in poverty will always be so and will pass on their poverty status to their children.

## **Policies that could improve mobility for children in poverty**

#### **Money Matters:**

Increasing family income boosts both short-run measures of child well-being and long-run labor market and health outcomes. Programs that increase income, like SNAP and

the EITC, are likely to be cost effective because the associated later improvements in health and earnings substantively reduce later public expenditures on welfare and health care.

#### **Large scale safety net programs:**

This includes nutritional interventions such as WIC and the Free and Reduced Priced School meal programs, early life educational interventions such as Head Start, and access to health care through publicly provided insurance (i.e. Medicaid). A caveat is that many of the best studies to date have, by necessity, been based on analyses of these programs as they existed prior to the 2000s.

#### **Neighborhood interventions:**

Programs aimed at improving the neighborhood environment, like the Harlem Children's Zone may hold promise.

#### **Rural poverty:**

The importance of place is not uni-dimensional. Poor families living in rural areas face a very different set of challenges from those living in poor inner city neighborhoods.

#### **Two-generation interventions:**

Parental depression and anxiety, marital conflict, and compromised parent-child relations are correlated with many measures of child well-being and later life success. Two-generation interventions targeting parental behaviors that are believed to be affected by the stress associated with living in poverty may help to reduce this pathway.

## **Directions for future research**

#### **Studies on increasing family income:**

Future research should focus on further combining new data opportunities with creative quasi-experimental approaches to understand which children benefit most from income boosts, and why. We are also well poised to apply these advances towards understanding when in children's developmental trajectories exposure to poverty and its associated correlates matters most, and the relative importance of timing vs. cumulative exposure.

#### **Safety net program evaluations:**

It is important for evaluations of current state of programs such as WIC and the Free and Reduced Priced School meal programs, early life educational interventions such as Head Start, and access to health care through publicly provided insurance (i.e. Medicaid) to understand which children benefit most from these programs, and why. Future research should also aim to better understand how the different

<sup>27</sup> Blair, C. et al. 2012. "Individual development and evolution: Experiential canalization of self-regulation." *Developmental Psychology*

<sup>28</sup> e.g. Wong, Y., et al. 2015. "Poverty and quality of life of Chinese children: From the perspective of deprivation." *International Journal of Social Welfare*

<sup>29</sup> Ho, K. et al. 2015. "The effect of poverty and income disparity on the psychological well-being of Hong Kong children." *Public Health Nursing*

<sup>30</sup> Weinger, S. 2000. "Opportunities for career success: Views of poor and middle-class children." *Children and Youth Services Review*

and distinct programs that fall under the safety net interact with each other, and the extent to which these interactions compound (or detract from) the observed benefits.

#### **Neighborhood interventions:**

In order to design the most effective interventions, however, we need to know which neighborhood characteristics matter most, and for whom. The research advances that have been made over the last decade will help us move towards answering those questions.

#### **Importance of place:**

The influence of place on children's long term outcomes is not likely to be captured in easily observed, standard measures of disadvantage such as the fraction of adults that are unemployed, or the fraction of young men who are incarcerated. We need to invoke more thoughtful measures of context in order to better understand the nuanced effects of place on children's life chances. Existing research, however, makes clear that we cannot expect a one-size-fits-all approach to targeted community interventions to be very effective.

#### **Poverty in adolescence:**

Children are particularly vulnerable in early life. Research also points to adolescence as a particularly sensitive period of development, which opens possibilities to foster positive changes in health, well-being, and later life outcomes at multiple points in development, not just during the "zero-to-five" period of early life.

#### **Sense of self and educational attainment:**

Poverty impacts children's thinking and sense of self, and contributes to the poor educational attainment and diminished employment prospects that helps to keep children from moving out of poverty when they move into adulthood. There is promising research on interventions that can improve these consequences of poverty, but much more research is needed.

#### **Poverty and neurobiology:**

Poverty is associated with the development of neurobiological functioning at every level throughout the body, and we know that many of these aspects of neurobiological functioning predict children's subsequent development. Future research should investigate the extent to which interventions can normalize neurobiological processes that have been dysregulated by influences associated with poverty.

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# The Poverty and Wellbeing of Unauthorized Immigrant Children and Children in Mixed Status Families

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Over the past decade, research on the children of immigrants has increasingly focused on the impact of limited immigrant legal status. In particular it has focused on how being unauthorized or living in a mixed-status family where at least one member is unauthorized affects the wellbeing and incorporation of children of immigrants.

## Immigration status and poverty

The population of children who are unauthorized or living in a mixed-status families has grown over the past two decades, totaling 5.2 million in 2012.<sup>1</sup> One in ten children and one in three children of immigrants live in a mixed-status family. The population of US-born children of unauthorized parents more than tripled in size from 1.2 million in 1995 to 4.5 million in 2012.<sup>2</sup> These US-citizen children are 85 percent of children who live with at least one unauthorized parent.

More than a third of children of unauthorized parents live below the poverty line, compared to 17 percent of US-born children of authorized immigrant parents and 18 percent of US-born children of US-born parents.

By and large, unauthorized children and children in mixed status families face these same disadvantages as many US citizen children of authorized immigrant parents. However, protective factors like in-tact families and access to the social safety net are restricted by exclusion from mainstream social institutions and the constant threat of deportation.

Unauthorized legal status is a major area of concern for the integration of immigrants and their children. It is considered the primary contemporary determinant of immigrant assimilation into the mainstream economic and social life of the United States and a central new axis of stratification in US society.<sup>3</sup>

## Family structure and resources

Immigration policy undermines the ability of unauthorized and mixed-status families to be together legally in one place. This is despite recent shifts in the form of the 2011 Deferred

Action for Childhood Arrivals (DACA) program, and 2014 protections that should lower the risk of deportation for most parents of US citizens.

Although immigration law provides for the legal sponsorship of family members by US citizens and legal permanent residents, annual per-country quotas produce long waitlists. In some cases, the wait can be as long as 21 years.<sup>4</sup> Some families qualifying for visas choose to reunite in the United States with members in unauthorized status rather than wait for the visa, despite consequences of up to a ten year bar on attaining legal status.

Border control has also inadvertently led to growth in the population of mixed-status families in the US.<sup>5</sup> Unauthorized migrants work longer to recoup the costs of crossing and skip trips home to avoid re-crossing, leading to longer stays and more permanent settlement. Deportations reached a high of more than 400,000 deportations in 2012, and have since declined to about 230,000 in fiscal year 2015. Between July 2010 and September 2012, 90,000 parents claiming a US-citizen child were deported each year.<sup>6</sup>

Unauthorized status also limits families' economic resources. Unauthorized immigrants earn lower wages, receive lower returns to their human capital, and are exposed to greater occupational hazards. The deportation of fathers creates "suddenly single mothers" who can suffer severe economic consequences. A 2010 study found that family income fell by an average of 70 percent six months after the detention of a parent.<sup>7</sup>

## Health and development

At all ages, children of unauthorized parents are potentially negatively affected by their parents' socioeconomic disadvantage, social isolation, and psychological distress resulting from unauthorized status.<sup>8</sup> Growing awareness of the common stigma associated with being undocumented and exclusion from mainstream society can compromise their identities, feelings of self-worth, and friendships.<sup>9</sup> Studies show that regardless of legal status, Latino immigrants report similar levels of deportation-related fears and perceived discrimination.

<sup>1</sup> Passel et al. 2014

<sup>2</sup> Ibid

<sup>3</sup> Greenman and Hall 2013

<sup>4</sup> Waters and Pineau 2015

<sup>5</sup> Reyes 2004

<sup>6</sup> DHS 2015

<sup>7</sup> Chaudry et al. 2010

<sup>8</sup> Suarez-Orozco et al. 2011b

<sup>9</sup> See: Gonzales et al. 2013

Studies find that the possibility of experiencing a parent's deportation has profound and long-lasting consequences. In California, children of unauthorized Mexican parents are 53 percent more likely than children of US-born Mexican American and white parents to be at risk of developmental problems.<sup>10</sup> In adolescence, children of unauthorized parents have higher rates of depression and anxiety than children of authorized parents.<sup>11</sup>

## Access to the social safety net

Unauthorized immigrants are largely excluded from public health insurance and federally-funded social services. The US government has weakened public program support for immigrants over the past three decades, with withdrawal of social welfare benefits for noncitizens since the early 1980s and the 1996 reforms that tied eligibility for federal benefits to citizenship. Unauthorized individuals are ineligible for Medicaid, Medicare, and for subsidies provided to low-income households to purchase private insurance through the insurance exchanges established by the Affordable Care Act (ACA).

Unauthorized immigrants can make use of some government services. These include hospital emergency rooms, services through the Women, Infants, and Children (WIC) program, and prenatal care funded through the State Child Health Insurance Program (SCHIP) under the 2002 "unborn child" ruling adopted in seventeen states and the District of Columbia.

Studies examining variation in these policies reveal their consequences. For example, low-income, foreign born Latina single mothers in states that passed the unborn child SCHIP expansion experienced greater increases in prenatal care.<sup>12</sup> Research shows that unauthorized immigrants use the ER for problems that could have been addressed more affordably with preventive care.<sup>13</sup>

US-citizen children of unauthorized parents are eligible for social services, but studies suggest that unauthorized parents are fearful of accessing services. This fear is based in several policies passed in 1996, including a reporting provision requiring agencies administering SSI, public housing, and TANF to report to the INS (now the DHS) persons whom the agency determines are not lawfully present in the US.

## Education

Unauthorized children and children in mixed status families are guaranteed access to public education from Kindergarten through 12th grade (K-12). Disadvantages these children experience in school largely result from the same disadvantages that many other children of immigrants face. However, children of unauthorized parents may be additionally at risk as a result of their unauthorized parents' reluctance to engage with school officials for fear of revealing their legal status.<sup>14</sup>

The consequences of unauthorized status become manifold at the transition from K-12 to post-secondary schooling. No federal protections exist for post-secondary schooling. Scholars have shown how this shift in educational contexts serves as one of several ways that young unauthorized immigrants come to understand the degree of their social exclusion and the subsequent limited opportunities for upward mobility.

States vary in terms of rules and laws regarding access to post-secondary education among the unauthorized. Two states, Alabama and South Carolina, prohibit unauthorized students from enrolling at any public postsecondary institution, and three states, Arizona, Georgia and Indiana, prohibit in-state tuition rates. Twenty states have some provisions for in-state tuition at a public university, and six allow unauthorized students to receive state financial aid.

Studies show that unauthorized immigrants and their children experience educational disadvantages as a result of these rules. In 2008, only 49 percent of eighteen-to twenty-four-year-old unauthorized immigrants with high school degrees had completed some college or a college degree, compared to 75 percent of legal immigrants and 71 percent of US born.<sup>15</sup> Research shows that restrictive policies deter students from enrolling in college.<sup>16</sup>

## Policy recommendations

### *Comprehensive immigration reform:*

Research has found unauthorized status to be a unique source of social disadvantage, while legal status supports integration, mobility, and wellbeing. In spite of the severe

<sup>10</sup> Ortega, A. N., et al. 2009. "Documentation status and parental concerns about development in young US children of Mexican origin." *Academic Pediatrics*.

<sup>11</sup> Potochnick, S. R., et al. 2010. "Depression and anxiety among first-generation immigrant Latino youth: Key correlates and implications for future research." *The Journal of Nervous and Mental Disease*.

<sup>12</sup> Drewry, J., et al. 2015. "The impact of the State Children's Health Insurance Program's unborn child ruling expansions on foreign-born Latina prenatal care and birth outcomes, 2000–2007." *Maternal and Child Health Journal*.

<sup>13</sup> Footracer K. G. 2009. "Immigrant health care in the United States: What ails our system?" *JAAPA*.

<sup>14</sup> Yoshikawa, H. 2011. "Immigrants Raising Citizens: Undocumented Parents and Their Young Children." Russell Sage Foundation.

<sup>15</sup> Passel, J. S. et al. 2009. "A Portrait of unauthorized immigrants in the United States." Pew Hispanic Center.

<sup>16</sup> Abrego, L. J., et al. 2010. "Blocked paths, uncertain futures: The postsecondary education and labor market prospects of undocumented Latino youth." *Journal of Education for Students Placed at Risk*.

enforcement regime imposed by the federal government and enacted with the cooperation of local law enforcement over the past decade, most immigrant families with children are here to stay. If the goal of policy is to support the wellbeing and incorporation of all American children, research suggests that the most straightforward way to overcome the disadvantages associated with unauthorized status is through legalization.

#### *Match immigration policy to US labor market demand:*

An alternative to ongoing legalization programs would be to restructure the legal immigration system to eliminate the need for unauthorized migration. This would include both providing greater legal avenues for migrants filling jobs in the secondary sector and restructuring the visa quota system. Immigration policy does not provide sufficient legal avenues to meet the ample US demand for immigrant labor in low-wage jobs. Providing legal status would allow immigrant workers filling these jobs to bring family members with them in legal status or to choose a transnational family life and have the legal means to leave and reenter the US.

#### *Eliminate putative immigration policies:*

The enforcement regime of the past fifteen years has resulted in historic levels of deportations, including many family separations among them. These policies ignore that unauthorized families are frequently here to stay. They could be reversed to recognize the long-term investments that unauthorized immigrants have made in US society and to soften the hardships faced by children in mixed-status families.

#### *Making DACA and DAPA permanent:*

Although these programs do not confer legal status on recipients, they provide temporary work authorization and relief from the threat of deportation. Early studies of the impacts of DACA show that it increases integration into US society across a variety of contexts, including work, school, and civic participation. It also increases health insurance coverage and reduces stress.

#### *Increase access to mainstream institutions:*

Research also suggests that unauthorized status would be less harmful if policies were not designed to limit the access of unauthorized immigrants to mainstream institutions. Policy can be reversed to recognize the long-term investments that unauthorized immigrants have made in US society and to soften the hardships that children in mixed-status families face. Doing so would right various systemic injustices against this population and create a context where this large group of new Americans is better able to thrive.

## **Priorities for future research**

#### *Large-scale national data on unauthorized immigrants:*

Large-scale national data would provide sufficient sample sizes for examining whether and how the findings vary among the unauthorized across contexts and by national origin, gender, age at migration, or other important characteristics. Most national surveys do not include questions about legal status, reflecting concerns that the unauthorized will refuse to participate or to respond (accurately) to such questions. Yet studies show that immigrants do participate in studies asking about legal status and respond reliably to those questions. Longitudinal and repeated cross-sectional surveys could allow researchers to design studies that can better estimate the causal effects of legal status.

*Mechanisms between unauthorized status and negative outcomes:* Although research describes the multiple hardships and experiences linking unauthorized status to negative outcomes, policy-relevant research should focus on the mechanisms involved. Do the harmful impacts of limited legal status primarily result from family separations, socioeconomic disadvantage, fear of enforcement regimes, social isolation and exclusion, or stigma and discrimination? Each of these mechanisms implies a slightly different policy response.

#### *Assimilation and legal status:*

Recent research suggests that the assimilation of some groups, particularly from Mexico and Central America, is adversely impacted by the large degree of unauthorized immigration among them, and that their assimilation story is not one of national origin but of legal status. Research examining the lives of children of authorized, unauthorized, and mixed status, as well as research accounting for unauthorized status in models examining national origin and ethnic differences in assimilation, could assess this possibility.

#### *Families and transnational migration:*

The recent “surge” of unaccompanied minors migrating from Central America to the US reveals our inadequate understanding of the family-based processes of migration. We have no good estimates of the prevalence of transnational families or of the length and extent of family separations involved in the migration process. To fully understand the family processes involved in migration, cross-national data are needed.

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her current work examines the process of immigrant incorporation in the United States, looking specifically at access to health care and health outcomes within a framework of racial and ethnic inequality. This work attempts to understand whether, how, and why immigrant health changes over time in the United States, examining the roles of socioeconomic inequality and access to social services.

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# Immigrants, Poverty and Welfare: How Do They Fare, and How Do They Affect Natives?

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Households in which the main breadwinner has a low level of education in the US are at the highest risk of poverty. Immigrants constitute about 25 percent of that group. Overall, among households at risk of poverty, immigrants are a different type of “poor” relative to natives: they are more likely to work, are part of larger families, and are more dependent on labor and less on welfare.

## Immigrants, employment and poverty

Individuals without a high school degree, especially if they are young and single parents, are much more likely to be in poverty relative to more educated, older and married heads of household. As of 2014, about 25 percent of those without a high school degree are foreign-born. They represent about 13 percent of all immigrants. Immigrants from Mexico and Central America constitute a large part of the group of young individuals without a high school degree, and for that reason are at a high risk of poverty.<sup>1</sup>

The schooling levels of MCA immigrants are significantly lower than natives. In particular, the share of high school dropouts among them is much larger. This difference in levels of education explains the higher risk of poverty and lower average wages of MCA immigrants.

However, the poverty rate of MCA immigrants for adults 18 or older with no high school degree is comparable to that of natives. In fact, it was lower than for natives in the expansionary years of 2005-08 and then after 2012. Similarly, poverty rates for other immigrants in this group are smaller than for natives and are more subject to economic fluctuations.

Average yearly income from wages is significantly higher in this group for MCA immigrants than for natives.<sup>2</sup> Low educated MCA immigrants earned an average wage income close to \$12,000 per year in 2014, while low educated natives earned close to \$6,500. This substantial difference is determined by the much larger employment rate of MCA immigrants in this group.<sup>3</sup>

<sup>1</sup> The percentage of individuals with no high school degree among MCA immigrants was about 60% in 2000 and declined to about 52% in 2014. The same percentage for natives increased from 18% to 9% in the same period. Other immigrants’ percentage of no degree among 18 years and older was very close to that of natives’.

Although MCA immigrants get paid somewhat less than natives per hour worked, their wage income is significantly higher due to them working more hours per day and more weeks per year. For MCA immigrants, the employment rate in 2014 was around 70 percent. That year the rate for natives was only about 33 percent.

A regression analysis shows that a large portion of the differences in employment and welfare receipt is neither due to observable characteristics of immigrants’ households, such as their age, family structure, number of children, nor is it due to the state where they live and its economic conditions. MCA immigrants without a high school degree have a 33 percentage-point higher likelihood of working than similar US natives.

Given their larger dependence on wage income, MCA immigrants may suffer more significant income losses in recessions. However, there are two other ways in which MCA immigrants seem to differ from natives in how they respond to economic cycles. Low-skill immigrants are much more likely to look for jobs across US labor markets. Also, during periods of recession net immigration from Mexico declines significantly and return-migration to Mexico increases. This means that during economic booms the supply of low-skill Mexican workers increases while during recessions it decreases.

## How immigrants impact jobs and wages for native workers

Research strongly suggests that the presence of immigrants does not deteriorate the employment and wages of less skilled natives. Researchers find that in the US low-skill immigrants move to places where job opportunities are more abundant, and that the presence of immigrants, even at low skill levels, is associated with booming economies. As low-skill immigrants come to a local economy, firms expand. Manual production tasks become less expensive, which creates complementary opportunities for other production tasks performed by natives.<sup>4</sup>

Overall, native workers can benefit from these transformations

<sup>2</sup> All data from the 2000-2014 ACSs and 2000-2014 March CPSs.

<sup>3</sup> See also: Duncan, B. et al. 2012. “The Employment of Low-Skilled Immigrant Men in the United States.” *The American Economic Review*.

<sup>4</sup> See: Peri Giovanni, et al. 2009. “Task Specialization, Immigration, and Wages,” *American Economic Journal: Applied Economics*

in response to immigration. Low-skill immigrants take jobs in niches that natives are leaving, such as in agriculture, personal services, and manufacturing. This generates market segmentation that reduces job competition between natives and immigrants.

Locations where low-skill immigrants go, especially large metropolitan areas, are also locations chosen by many highly skilled immigrants. This means that the relative proportion of more and less educated workers does not change significantly as a consequence of immigration in many large labor markets.

Immigrants also do not increase poverty among the US-born. In one study I found that during the 2000-10 period in some locations, skilled immigrants helped reduce native poverty by creating new job opportunities.<sup>5</sup> Low-skilled immigrants seem to have no effect on natives' poverty rates through labor market competition.

## Immigrants and safety net participation

MCA immigrants with no degree have roughly the same probability of being in poverty as similar natives because of the significantly smaller proportion of income they draw from safety net programs. For MCA immigrants, between 70 and 100 percent of their household income in 2000-14 came from wages. For natives it was only 30 percent. Other things being equal, if immigrants used welfare at a rate similar to that of natives, their total income would be significantly higher and their poverty rate lower.

The lower participation and reliance on welfare programs of low-skill MCA immigrants relative to natives depends, at least in part, on their ineligibility. The group of undocumented can be as large as half of the group of MCA immigrants with no high school degree and their ineligibility strongly affects the average.

A second very important factor potentially reducing participation is the perception of immigrants. The 1996 welfare reforms significantly restricted noncitizen's eligibility to means-tested programs, which may have created the so-called "chilling effect" that has discouraged even eligible households from claiming benefits. More recently, the toughening of enforcement for undocumented immigrants may have discouraged both documented and undocumented immigrants from participating in programs for which they or their children are eligible.

<sup>5</sup> Peri, Giovanni et al. 2011. "Assessing inherent model bias: An application to native displacement in response to immigration," Journal of Urban Economics.

<sup>6</sup> Hunt, Jennifer. 2012. "The Impact of Immigration on the Educational Attainment of Natives," NBER Working Papers; Smith, Christopher

An important factor for immigrants who do qualify for benefits is their ability to navigate the details of applications and requirements. Their limited knowledge of the English language and US policies may discourage families from applying. Their awareness of the existence of these programs may also be limited.

The low participation rates among MCA immigrants could also be due to the selection of type of workers who migrate. Most low-skill immigrants are attracted by wage and employment opportunities in the US as a means of raising their families' living standards through work. This may create a stigma of reliance on welfare transfers.

## Impact on schools

Several studies show that low-income immigrants could potentially have the effect of lowering school quality. Increased numbers of immigrant children may reduce the quality of schooling if a large number of children from non-English speaking and low socioeconomic status households produce a deterioration of the learning environment. However, two recent studies found evidence that an inflow of less skilled immigrants increases the probability that natives will attend college.<sup>6</sup>

Several reports and studies describe a high level of segregation of MCA immigrant students in US schools,<sup>7</sup> in particular in California. In most western states 40-50 percent of Latino children were in schools that are 90-100 percent Latino, and in California Latino children attend schools that are, on average, 87 percent Latino.

A concerning trend shows that US-born non-Hispanic families leave school districts where MCA immigrants arrive and/or move their children to private schools. Given the existing literature emphasizing the important role of teacher quality and peer academic quality on students' academic achievement, immigrants segregated in lower quality schools may experience worse educational outcomes and subsequent career opportunities in the long run.

## Policy recommendations

### *Path to legalization:*

By increasing the bargaining power of workers, their mobility and their willingness to invest in US-specific skills, legalization may have a significant impact on wages. Several

L. 2012. "The Impact of Low-Skilled Immigration on the Youth Labor Market," Journal of Labor Economics.

<sup>7</sup> See: Orfeld, Gary, et al. 2014. "Segregating California's Future: Inequality and Its Alternative 60 Years After Brown V. Board of Education." UCLA Civil Rights Project.

studies have shown that, in the years after legalization, immigrants gain between four and ten percent in wages.

*Regularization for undocumented immigrants:*

Being able to circulate freely in the US, and to access more job opportunities, currently undocumented immigrants would likely increase their productivity, the quality of their job matches, and their wages. Regularization will also allow those immigrants to leave the shadows and be more confident in participating in welfare program for which their children qualify. For younger immigrants, it will give them a less uncertain outlook, encouraging them to acquire language skills and on-the-job skills. At the very minimum, protecting undocumented immigrants from deportation unless they commit crimes (as do DAPA and DACA) would provide some degree of certainty and probably still improve their labor conditions. Less aggressive enforcement would also likely increase the participation of immigrant children in health care programs and in schools.

*Reduce Barriers to enroll in Welfare programs:*

Support from more established Spanish-speaking communities, simplification of the process and measures to ensure privacy and protection from deportation when enrolling may boost participation rates.

*Access to education, especially highly-impacted districts:*

Investing in schools that receive large inflows of low income immigrants can be crucial to the economic success of these areas and of the immigrants' children. By investing in better, larger schools and more teachers, even the non-Hispanic flight to private schools can be stemmed and the effects of segregation would be reduced. One way to fund investments could be to direct income from fees and back-taxes in a regularization program for undocumented towards school districts where undocumented children reside, in proportion to their number. Processing fees paid by employers for new visas for low-skill immigrants (H1A) can also be directed towards school districts in proportion of the presence of low-skill immigrant workers. Additionally, bilingual education, which is regarded by many as a very valuable asset for all children, could substantially improve the degree of integration of Hispanic immigrants into native communities.

*Education and opportunities for young undocumented immigrants:*  
A second important idea in promoting the assimilation and success of young undocumented immigrants includes the possibly to link the achievement of a college degree with regularization. The DREAM Act, first proposed time and again in the Senate since in 2001, would have two important benefits. It would provide strong incentives for attaining a college education, and it would significantly improve the labor market opportunities of young undocumented

immigrants.

*An increased minimum wage:*

Some of the jobs performed by immigrants are likely to be at or close to the minimum wage. Hence, an increase in the minimum wage will boost their income, provided that employers do not respond by cutting hours or reducing employment. The existing empirical evidence on the employment effects of minimum wages does not seem to support the idea that its increase would reduce employment much, which means that such a policy may help reducing poverty among immigrants by increasing their income.

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