a poor excuse

Research report: How influential is child poverty in long term financial success?

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introduction

Child poverty is a term that is bandied about by governments, international aid organisations and churches. It is a term representing a concept, which thanks to international public relations (PR) agencies, successful branding efforts may bring to mind images of children stomachs bloated by malnutrition in Africa, or siblings huddled together playing in open sewers in India. Though not inaccurate, these mental images do very little to assist the people in developed nations identify poverty in their own society and therefore not feel any need to acknowledge their societal problem child who on the surface looks normal.

In an effort to be reflexive, as the author of this report, I am sharing my connection to this research report. I did not experience poverty as a young child – however both my parents did. Today they are high functioning and quite successful adults. But, neither they nor their siblings have managed to amass any economic wealth. They are above average intelligence, yet have never managed to break the financial ceiling, my curiosity was roused. What percentage of this common experience could be attributed to their experience of poverty as children? And so the subject of this report was born.

This report is structured so as to communicate specifically what is being referred to as childhood poverty. It will then discuss the data that has all been gathered from pre-existing sources from the USA, New Zealand and Australia. It is not qualified to examine statistical data, but will examine trends found in select research reports and longitudinal studies.

The author would like to acknowledge that this research report is by no means exhaustive, but gives only a window into the issue of child poverty in a developed nation and aims to discuss information pertaining only to the research question – how influential is child poverty as a predictor of future financial success?
Definitions of poverty

There are two methods for measuring poverty worldwide. The first and most dated method is an income measured poverty, which generally classifies poverty as around 50% the median income. The second more recent method for measuring poverty is the deprivation index, which empowers the person involved to measure their feeling of deprivation. For policy reasons both of these methods have a standardised scales.

The Henderson Line

The most significant measure of poverty in Australia was established by the Commonwealth Commission of Inquiry into Poverty in 1973, it is known as the Hederson Line. The line is named after Professor Ronald Henderson. Henderson, along with his team at the Melbourne Institute of Applied Economics and Social Research at the University of Melbourne authored several papers on poverty in Australia that polarised the political landscape of the time.

The Henderson line, also known as The Melbourne Poverty Survey, is still used today. In 1973 the Henderson Line set poverty lines were based on a benchmark income of $62/week for the December quarter of 1973. “The benchmark income was the disposable income required to support the basic needs of a family of two adults and two dependant children.” (UOM) (2015)

According to the Poverty Line for 2015 the poverty line for the December quarter of 2015 was $977.66 per week (inclusive of housing costs) for a family comprising two adults (one of whom is working) and two dependent children. “Poverty lines for other types of family are derived from the benchmark using a set of equivalence scales.” (UOM) (2015)

The poverty line highlights that it is an estimate only. And the downside of using the scale as an exact measure is that the poverty line rises in relation to incomes in the community. However general standards of living may change and therefore will cost of living. The Poverty Line report states that a cost of living index such as that which is generated by the ABS (Australian Bureau of Statistics) Consumer Price Index (CPI) is an absolute measure of poverty. “The real purchasing power of income at the poverty line is maintained, but it may change in comparison to general standards of living.”(UOM) (2015)
The Deprivation Index

The Deprivation Index is based on the work of British sociologist Peter Townsend. In ‘Poverty in the United Kingdom: A Survey of Resources and Standards of Living’ Townsend introduces a ‘Deprivation Standard’ based on the differences in living styles of families. (Townsend P, 1979)

‘Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns and activities.’ (Townsend, 1979, p. 31)

The UN identifies child deprivation in economically advanced countries by the following standards: the percentage of children (aged 1 to 16) who lack two or more of the following 14 items because the households in which they live cannot afford to provide them.

1. Three meals a day
2. At least one meal a day with meat, chicken or fish (or a vegetarian equivalent)
3. Fresh fruit and vegetables everyday
4. Books suitable for the child’s age and knowledge level (not including school books)
5. Outdoor leisure equipment (bicycle, roller-skates, etc)
6. Regular leisure activities (swimming, playing an instrument, participating in youth organizations etc.)
7. Indoor games (at least one per child, including educational baby toys, building blocks, board games, computer games etc.)
8. Money to participate in school trips and events
9. A quiet place with enough room and light to do homework
10. An internet connection
11. Some new clothes (i.e. not all second-hand)
12. Two pairs of properly fitting shoes (including at least one pair of all-weather shoes)
13. The opportunity from time to time to invite friends home to play and eat
14. The opportunity to celebrate special occasions such as birthdays, name days, religious events, etc (UNICEF)(2010)

When comparing these 2010 Unicef graphs in image.4 and image.5 the percentage of children living in poverty rises under the deprivation index.

It is the general consensus of social scientists worldwide that a combination of these methods is the most accurate form of measuring poverty.

“The deprivation approach is designed to supplement, not replace the poverty line studies —— The two approaches produce distinct but overlapping measures and can be combined to identify those who are both income poor and unable to buy a minimum number of necessities.” Saunders (2015, p.20)
Table 1  Adult outcomes by poverty status between the prenatal year and age 5

<table>
<thead>
<tr>
<th></th>
<th>Income below the official US poverty line Mean or %</th>
<th>Income between one and two times the poverty line Mean or %</th>
<th>Income more than twice the poverty line Mean or %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed schooling</td>
<td>11.8 years</td>
<td>12.7 years</td>
<td>14.0 years</td>
</tr>
<tr>
<td>Earnings ($10,000)</td>
<td>$17.9</td>
<td>$26.8</td>
<td>$39.7</td>
</tr>
<tr>
<td>Annual work hours</td>
<td>1,512</td>
<td>1,839</td>
<td>1,963</td>
</tr>
<tr>
<td>Food stamps</td>
<td>$896</td>
<td>$337</td>
<td>$70</td>
</tr>
<tr>
<td>Poor health (%)</td>
<td>13</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Arrested (men only) (%)</td>
<td>26</td>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>Nonmarital birth (women only) (%)</td>
<td>50</td>
<td>28</td>
<td>9</td>
</tr>
</tbody>
</table>

Earnings and food stamp values are in 2005 dollars

Source: Duncan et al. (2010)
Not long after researchers started studying child poverty, it became apparent that longitudinal studies were the only research of value on this topic. Due to its income line approach, The Australian Bureau of Statistics currently lacks consistency and detail in longitudinal data around issues pertinent to the deprivation index and social exclusion approach, which is imperative for studies about the real impacts of poverty. The Household, Income and Labour Dynamics (HILDA) Survey report clarifies:

“Although the ABS has introduced a series of measures designed to improve the quality of its income statistics across the entire distribution (ABS 2003; 2009a; 2011), this has made it harder to track changes over time in poverty (and income distribution) – particularly over longer periods (see Saunders and Bradbury, 2006).’ (UOM) (2015)

Gaining in complexity and hopefully consistency, the ABS data will be of use as a longitudinal tool in the future. At present as a tool for the longitudinal measurement of poverty and its effects, it is of use for income measured poverty and employment numbers.

Data of value to an approach of social inclusion, deprivation and income line poverty is the HILDA Survey, The Australian Social Inclusion Board (ASIB) report and The Australian Council of Social Security (ACOSS) annual report. These reports use a combination of data from the ABS and other non-government organisations.

### Discussion and Findings

The cyclic nature of childhood poverty is uncontested and is more the rule than the exception. Persistent poverty experienced as a child has been link to the adult outcomes of:

- lower wages
- less hours worked per week
- higher unemployment rates
- lower rate of high school completion
- lower level of educational achievement
- less years spent in school
- higher rate of incarceration (particularly among males)
- teenage pregnancy
- poor nutrition
- poor health
- out-of-wedlock births
- greater number of single parent households
- rise in number of mental health issues

In their paper ‘The Importance of Early Childhood Poverty’ (2011) Duncan, Magnuson, Kalil & Ziol-Guest explore how it is not only the experience of persistent childhood poverty that pre-disposes and individual to the above mentioned negative outcomes, but it is the age of exposure that seems to significantly raise risk.

“Emerging research in neuroscience and developmental psychology suggests that poverty early in a child’s life may be particularly harmful. Not only does the astonishingly rapid development of young children’s brains leave them sensitive (and vulnerable) to environmental conditions, but the family context (as opposed to schools or peers) dominates children’s everyday lives.” (Duncan, Magnuson, Kalil and Ziol-Guest 2011, p. 88)

Their report finds evidence that increasing household income in the range of 0-5 years-of-age has a significant impact in later educational achievement, hours worked and adult earnings. Increasing household income beyond the 0-5 year range was virtually ineffectual. (see image.11). Results from this study were compelling but could be enhanced by including new information from social exclusion studies in addition to income line and deprivation models.
In a 30-year childhood family income study from New Zealand, it was found that:

“Declining childhood family income was associated with a range of negative outcomes in adulthood, including: lower educational achievement; poorer economic circumstances; higher rates of criminal offending; higher rates of mental health problems; and higher rates of teenage pregnancy.” (Gibb, Fergusson & Horwood 2012)

The study used data “drawn from the Christchurch Health and Development Study, which was a longitudinal study of a birth cohort of 1265 individuals born in Christchurch, New Zealand in 1977 and followed to age 30.” (Gibb, Fergusson & Horwood 2012) As shown in their table of results, low family income correlates directly with income age 30 as does by contrast an increased income, “all associations between childhood family income and later outcomes were statistically significant (p < 0.05), with 11 of the 14 comparisons meeting the modified Bonferroni significance level of p<0.006.” (Gibb, Fergusson & Horwood 2012) The report analyses the data further and suggests an intergenerational transmission of education and employment levels, it acknowledges its limitation in not being able to lend any clarity to this suggestion.

In the HILDA survey as reported in the findings waves 1-2, child poverty is acknowledged as a concern due to it’s long term effects. “Child poverty is of a particular concern to policy-makers because of the damage poverty may do to children’s future productive capacity and life prospects more generally.” (UOM) (2015)

As the HILDA survey is quite young in terms of longitudinal data it is unable to make large comparisons. However, it has been able to make a small analysis of individuals over eight years. There data has shown a correlation between household income at 17-years-old and individual outcomes by age 25. (see image 9) The survey will become more value in time due to the nature of data needed for such comparisons.
Other conclusions from the same survey present findings that when linked with other data support the notion of social exclusion. Family characteristics become evident across schooling types (government, Catholic or non-government schools),

“mean equivalised income and proportions with parents holding university degrees are the highest for students of non-government schools. The proportion living in a lone-parent household is also lowest for children in other non-government schools and highest in government schools. In all cases differences across school types are more pronounced for high-school students than primary school students.”

(UOM)(2015)

The education and labour market outcomes also mention that links between education levels and labour market outcomes are becoming clearer, but will clarify over time as more data becomes available.

The Poverty, Social Exclusion and Disadvantage in Australia Report 2013, prepared by the University of Canberra, links education levels to the experience of poverty:

“Poverty rates for children (and adults) are strongly related to the education level of the family. Figure 9 [image.10] shows that a family with at least one university level qualification is less than half likely to experience poverty as the rest of the population.”(UOC) (2013, p.21)

**Further Discussion**

The links between childhood poverty and adult financial incomes are well known and are becoming increasingly well documented. The most interesting insight found was in the Duncan, Magnuson, Kalil and Ziol-Guest paper, where the link between age and duration of exposure to child poverty was shown to be of greater impact. The other correlation discussed in that paper was the link between early cognitive and socio emotional development or lack there of, and the ability to acquire human capital once of school age. The reasons why this may not have impacted social research at this time is that the studies are by neuroscientists.

“Emerging evidence from human and animal studies highlights the critical importance of early childhood for brain development and for establishing the neural functions and structures that shape future cognitive, social, emotional, and health outcomes (Sapolsky 2004; Knudsen et al. 2006). Two recent neuroscience studies show strong correlations between socioeconomic status and various aspects of brain function (Farah et al. 2006; Kishiyama et al. 2009).

(Duncan, Magnuson, Kalil & Ziol-Guest, 2011, p.91)

It goes on to explain how the model predicts the economic deprivation in childhood creates inequality in social capabilities from which they never recover. Social interactions as acquired by children from of middle to upper income stream homes, may become a language the child subjected to prolonged poverty in the early childhood bracket may never learn. This may affect their capabilities of social interaction which may also correlate to workplace success or failure.
Conclusion

Child poverty is a complex topic with a large pool of research to wade through. It is only once we start looking at specifics such as the research question, do the gaps in available data, particularly in Australia, become apparent. This is in part due to income line poverty measurement having been part of the policy, and ABS’s landscape for so long and their resistance to change. The general consensus from social scientists and researchers worldwide is that a deprivation and social inclusion approach needs to be adopted. Institutional Australia is slowing adjusting, but the data required for a longitudinal approach requires time and consistency and so we wait.

In the meantime, existing data still shows conclusively the links between the experience of childhood poverty (most notably between 0-5 years) and low education levels which translates to lower wages per week and less hours worked. Combined with the statistics for teenage pregnancy and single parent households it is evident that unless the cycle of intergenerational poverty is broken, it is will continue.

In relation to the research question, ‘how influential is child poverty as a predictor of future financial success?’, most research indicates that child poverty is an significant indicator of future financial limitation.

Areas for further research

As discussed above, longitudinal data collection in Australia based on inclusion and deprivation models will assist researchers and policy makers address child poverty in a more effectual manner.

An area of recommended research would be the role of early intervention programs in early childhood for those within the low socio-economic bracket. “Support for the idea that children’s early years are a fruitful time for intervention to improve educational and achievement outcomes for low-income and disadvantaged children”, the paper mentions that both the Abecedarian program and the Perry Preschool program (both American), “have been shown to generate impressive long-term improvements in subsequent education, crime, and employment.” (Duncan, Magnuson, Kalil & Ziol-Guest, 2011, p.91). There are many early intervention style programs being run by non-government organisations and local councils Australia wide. It would be an opportunity for longitudinal data collection and learning if these programs were enhanced, funded and utilized by existing longitudinal research projects.
References and additional reading


Australian Bureau of Statistics (ABS) 1996, Poverty and Deprivation in Australia 1996, cat. no.1301.0, ABS, Canberra


Melbourne Institute of Applied Economic and Social Research 2015, Poverty Lines: Australia December Quarter 2015, University of Melbourne, Melbourne


Reflection on BCM210 Research Project

My kitchen is overflowing with dishes; my lounge room looks like a Chinese laundry; my children don’t remember what their mother looks like anymore; my internet and phone have been disconnected for two days – my research report is complete. As I step outside of my cave/office and reflect on this research project, there are some clear issues of planning and time management that through the window of hindsight I would do differently.

Reading existing studies on child poverty from around the world changed the shape of this project to make it meaningful. After reading a substantial matter on the topic of child poverty in Australia, some of the ideas and aims that I put forward in my portfolio became untenable as it became clear, that to answer my research question, data sources had to be:

- Longitudinal studies
- Using definitions of poverty that included both deprivation and social exclusion indexes as well as poverty line
- Showing specificity in regards to child poverty, education & employment
- Credible

<table>
<thead>
<tr>
<th>Planned Action</th>
<th>Discovery</th>
<th>Problem</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Bureau of Statistics (ABS)</td>
<td>Australian Bureau of Statistics only uses an income line based approach</td>
<td>Most of the world has added a deprivation &amp; social exclusion element to their data</td>
<td>Sourced more reliable longitudinal studies from academic and non-government sources</td>
</tr>
<tr>
<td></td>
<td>ABS has changed most of their relevant questions every census</td>
<td>Inconsistency in data collection does not form a reliable source for longitudinal study</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focusing on Rosemeadow</td>
<td>ABS data on the area was too generalised</td>
<td>Focused on Australia as the location and poverty in developed nations</td>
</tr>
<tr>
<td></td>
<td>There was no location specific data available without consultation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using the income based poverty line as a definition for poverty</td>
<td>Income based poverty measurement is not the sole method used worldwide.</td>
<td>Income based poverty measurement is not entirely reflective of the experience of poverty, deprivation &amp; social exclusion</td>
<td>Studies were included that followed all three methodologies</td>
</tr>
</tbody>
</table>

My next project will include more time for reading before the planning phase to improve my understanding of the topic and therefore influencing the structure and planning of the project as a whole.

The amount of data available on child poverty and its effects is overwhelming. The challenge was to sort through the available data and find sources are were both credible and relevant. As Sarah Tracy says in ‘Qualitative Research Methods’ 2013,
‘The reader needs to feel confident that the data collected are substantial and appropriate for providing a significant representation. Certainly, “There are no stories out there waiting to be told and no certain truths waiting to be recorded; there are only stories yet to be constructed”’ (Denzin, 1997, p.267)’ (Tracey, 2013 p.260)

This was true in the case of this report where much of the data seeming ignorant of the 0-5 year old impact zone put forward in the Duncan, Magnuson, Kalil & Ziol-Guest paper, as well as the advances in neuroscience regarding environment and its impact on early childhood development.

The factor of time influenced my choice of sources and ability to analyse them in detail. So, I feel that I was focused on meeting the requirement of the subject and finishing the task at hand.

“Hertz (1997) attested that reflexivity implies a shift in our understanding of data and its collection, and is achieved through detachment, internal dialogue and constant scrutiny of ‘what I know’ and ‘how I know it’. It is vital that the researcher makes sure that he or she enters the process with the right instrument and ignores any pre-conceived ideas about the topic.” (Jootun, D, McGhee, G. 2009, p.42)

Throughout the process I have made efforts to be reflexive. Living in a low socio-economic area of Sydney I cannot detach from my life experience, neither should I.

“Ultimately, reflexivity should be ‘neither an opportunity to wallow in subjectivity nor permission to engage in legitimised emoting’ (Finlay, 1998a). The challenge for researchers using introspection is to use personal revelation not as an end in itself but as a spring board for interpretations and more general insight.” (Findlay, L 2002, p.215)

Using Findlay’s explanation, the process was well balanced in this respect. Organisation and systematic approaches would have aided the process. Online diarising and manual coding helped me organise the data.

Overall, the task of constructing a simple research project beginning to end has been a great learning experience. The additional benefit to me is that I satisfied my own curiosity by choosing a topic that was of personal interest to me and gave more meaning to some of my life experience. It deepened my understanding poverty and the research and policy landscape surrounding the topic.


Tracy, S 2012, Qualitative Research Methods: Collecting Evidence, Crafting Analysis, Communicating Impact, Wiley-Blackwell 2013, West Sussex, UK


The Australian Council of Social Service (ACOSS) 2014, Poverty in Australia 2014, ACOSS, Strawberry Hills NSW

Hudson, J & Kühner, S 2016, Innocenti Report Card 13, The UNICEF Office of Research, Florence Italy