

The Effect Of Parental In-Work Poverty on Child Development.

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Growing up in poverty has been consistently shown to negatively affect children's development (Ferguson et al., 2007). This relationship has been usually explained in terms of the material deprivation that certain families encounter, especially those who are excluded from the labour market. The existing literature, however, fails to disentangle whether is it the absence of a job itself the main factor driving the effect of poverty on child development. This paper sheds light on this issue by examining the effect of parental in-work poverty on child development, which has been previously overlooked.

Relevant literature

There are short- and long-term effects of growing up in poverty for children. In the immediate term, poverty negatively impacts the cognitive and socio-emotional development of children (Brooks-Gunn & Duncan, 1997). For instance, it decreases children's educational performance through different channels such as the direct impact on health or the decrease in the level of cognitive stimulation at home (Ferguson et al., 2007). In the long run, deprivation experienced during childhood increases the chances of being in a situation of poverty during adulthood, which has been named the cycle of poverty (Leseman & Slot, 2014).

The classic literature on poverty has usually associated poverty at the family level with parental unemployment, to the extent that most of the policy debates to alleviate children's poverty focus on the role of parents' jobs and their conditions. An example of this is that important welfare programs such as the Aid to Families with Dependent Children in the US targeted the nonworking poor, especially single mothers (Lichter & Eggebeen, 1994).

This approach to the intergenerational effects of poverty, however, has failed to consider which is the impact of in-work poverty on child development. This is important because in-work poverty has evolved to be an important share of the poverty found among families in Western

countries (Fraser et al., 2011). However, we still do not know whether its effect on children is similar to that of working poverty, or whether the type of policy interventions that should be designed are the same.

There are multiple determinants of in-work poverty, such as low parental education or working part-time (Lohmann & Marx, 2018). Among them, family demographic processes have been shown to be crucial. For instance, Polizzi et al. (2022) show that around 80% of the existing literature reports that parenthood and subsequent births increase the risk of in-work poverty. The consequence of this is that a large group of children will grow up in a situation of in-work poverty.

Therefore, the main research question of this paper is *how does parental in-work poverty impact the process of child development?*

Data and methods

To answer this question, I use two different household panel datasets. First, the US National Longitudinal Survey, which includes a Child and Youth Supplement with biannual information about children's development. It also presents yearly information on mothers and their partners' occupational status and family and individual income. Second, I use the Growing Up in Ireland (GUI) which also observes infants and children's developmental processes, as well as parental socioeconomic histories.

I implement a series of two-way fixed-effects (individual and time) models that estimate the effect of transitions into in-work poverty (i.e., families in which the family income is below the poverty line and where parents are in a situation of unemployment) on children's literacy and mathematical skills. To further explore the mechanism underlying this relationship, I account for how long the child has been in a situation of in-work poverty and whether the intensity of the effect on children increases with time. I also consider the possibility of in-work poverty exposure being heterogeneous at different stages of the childhood period.

Preliminary results

Preliminary findings suggest that when employed parents' income gets under 60% of the national median equivalised disposable income (poverty threshold), their children's development is reduced by about one-tenth of a standard deviation. Moreover, the longer the time the children are exposed to this situation, the stronger the negative effect of in-work poverty on children's skills. I do not find significant differences between exposure in the early and middle childhood period.

This effect is slightly stronger for the US, as compared to Ireland, and in both contexts, the largest effect is found among single-parent families. Furthermore, the effect size is larger for mathematical skills, as compared to literacy ones. The negative effect of in-work poverty on child development is smaller than the effect of poverty for unemployed parents, although still substantively and statistically relevant.

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