

BOOM OR BUST

FAMILY INCOME AND ITS IMPACT ON NORTH DAKOTA CHILDREN

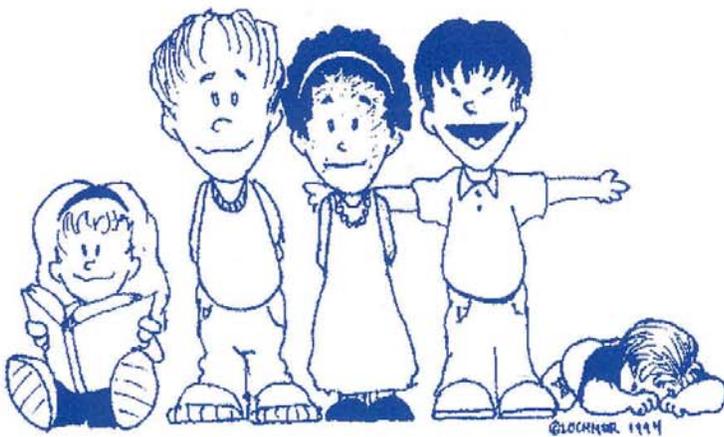
A NORTH DAKOTA KIDS COUNT! ISSUE BRIEF

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The Issue: Making Ends Meet

What does it take for a North Dakota family to make it day-to-day? To provide the basics of food, clothing, education, child care, transportation, housing, and medical care for raising children? What are the guidelines for public assistance, and how do they relate to family income? North Dakotans have a long and proud history of being hard workers who value their children. But what happens when a parent's work cannot provide for a child's needs?

Researchers have concluded that one of the best overall measures of child well-being is family income. Families with adequate income can better provide for their children's basic needs. While the nation's economy is booming, many North Dakota families are experiencing a bust in their ability to provide for the basic needs of their children. This publication will explain the terms and issues involved in family income discussions and emphasize the significance of family income as a key factor in child well-being across North Dakota.



Defining the Terms

Mean (Average) Income: Total income of a group divided by the total number of units in that group. Average incomes can be reported in a number of ways (according to profession, state, regional, or national levels).

Average Expenditures is a similar measure of expenses.

Median Income:

- Median means middle. If all the reported incomes are listed highest to lowest, the figure at the middle of the list becomes the median income.
- A mean may be figured from extreme values. A few very large or small numbers can have a major effect on the mean. For this reason, a median number may better reflect a category.

Minimum Wage: Determined at the state and national levels. States may accept the federal wage or increase it. North Dakota has not increased the most recent federal wage level of \$5.15.

Per Capita Personal Income: This figure reflects the total of all incomes divided by the number of people counted.

Average Wage: The total wage and salary earnings divided by the total number employed.

Living Wage: In most cases, making a living wage means a person earns enough to provide for a family living above the poverty level, and eliminating the need for government assistance.

How does Income Impact North Dakota Families?

Mean income of families with children is one of the first indicators to examine when assessing the economic well-being of children. This figure reflects the ability of a family to purchase food, clothing, shelter, child care, health care and other basics. When mean family income rises, it is more likely that children are enjoying an increased standard of living.

However, mean family income fails to capture important economic resources that may also be available to a family, such as employer-paid health benefits, Medicaid, or Food Stamps. Moreover, mean income says nothing about the distribution of income (the difference between the highest and lowest incomes).

The three-year average (1996-98) of median incomes for all types of households in North Dakota is \$31,717. The average median income for all households in the United States during the same time period is \$37,779. Among all states, North Dakota ranked eighth from the bottom in median income. The 1997 median income for a 4-person family in North Dakota was \$46,921, compared to \$53,350 for the United States.¹

The current federal minimum wage of \$5.15 was put into effect in September, 1997, and is being considered for an increase by the U.S. Congress. A worker making minimum wage will earn \$10,712 at the end of one year of full-time work.

In North Dakota, the average per capita income is \$22,892, while the United States' average is \$27,203. The North Dakota average wage is \$22,641, and the United States' average wage is \$31,299.

Living wage is a term that is often used but has no consistent federal or state calculation. This definition is most commonly used in discussions about policies that provide tax breaks to employers in hopes that the jobs created will provide a living wage. In North Dakota, there is no official research study that has determined an exact salary that will achieve the goal of living above poverty and without government assistance. However, there are estimates based on various data already available.

A limited study of the Fargo-Moorhead area estimated the cost of meeting basic expenses for an employed single mother with two children as \$511 per week, or \$26,556 per year. This means a take-home wage of \$12.77 per hour must be earned. If taxes are considered, this amount rises to \$13.85 per hour.²

2000 U.S. Poverty Guidelines³

Size of Family*	Poverty Level Income	Near Poverty Income Range
1	\$8,350	\$8,351-\$12,442
2	\$11,250	\$11,251-\$16,763
3	\$14,150	\$14,151-\$21,084
4	\$17,050	\$17,051-\$25,404
5	\$19,950	\$19,951-\$29,726
6	\$22,850	\$22,851-\$34,047

*Add \$2,900 for each additional person.

Poverty level living is a phrase that is often used but rarely understood. The federal government determines dollar figures that indicate a family is living at poverty level. The U.S. measure of poverty is an important social indicator that affects not only public perceptions of well-being but also public policies and programs.

Originally (in the early 1960's) these figures were based on the amount of food budget needed to feed a family of various sizes for a year, and that amount was multiplied by three as a guide for what it takes to raise a family. From the beginning the poverty measure had weaknesses which have become more apparent and consequential because of far-reaching changes in U.S. society, the economy, and government policies.

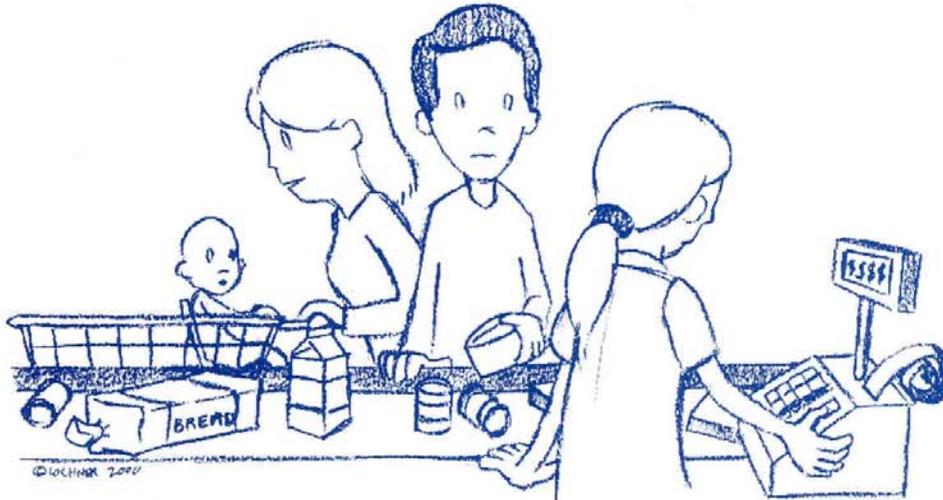
Poverty Rates in the United States and North Dakota

U.S. Poverty Rate:

- 1990 18.3%
- 1995 20.8%

N.D. Poverty Rate:

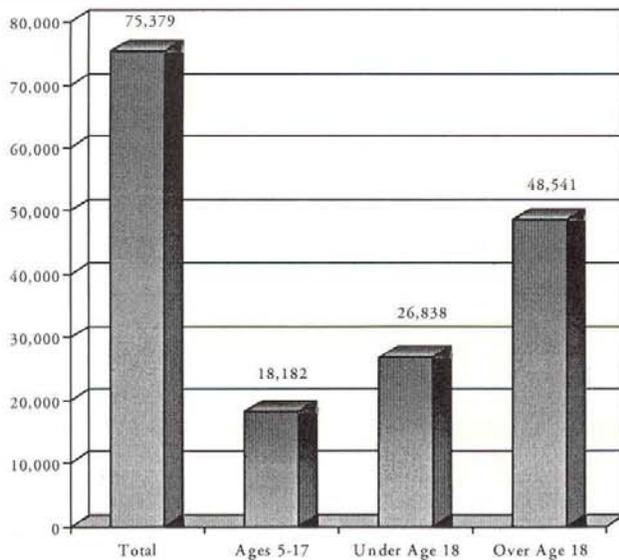
- 1990 17.1%
- 1995 15.9%



Why the emphasis on family income when considering child well-being? As early as 1918, researchers noted that as a family's income fell, infant death rates rose. Since that time, researchers have continued to relate family income levels to child health indicators. In 1993, data indicated for the first time that more American children lived in poverty in 1992 than in any year since 1965, although our Gross National Product doubled during that same time.⁴

What has happened since 1992? What are the current numbers of children living in poverty or near poverty?

North Dakotans Living in Poverty, 1995



How many North Dakota children are living in families who struggle with limited income?

About one in six North Dakota children lives below the poverty level. Another 13% live in near-poor families. Together, these two figures account for nearly one-third of all North Dakota children.

A family with two adults making minimum wage for full-time work with two children is living on \$21,424 per year or within the near poverty range. Minimum wage employment does not normally include benefits, such as health insurance. Health insurance for a family of four costs an average of \$4,800 per year. Thus, without medical assistance, this family would need to spend 22% of their pre-tax income on health insurance, leaving little left to cover the remaining necessities.

In December, 1999, the Center for Rural Affairs released a study indicating that rural poverty remained persistent in the Great Plains (N.D., S.D., Ia., Mn., Kans., Neb.). The study analyzed county level data from 1988 to 1997 for the 503 counties in these six states. Agriculturally-based counties experienced higher rates of poverty and significantly lower incomes than urban counties. These data predate the current farm crisis. The Center concluded that this region has developed a two-tiered economy, and rural people and communities are left behind. In rural and farm counties, more than one-third of households had annual income less than \$15,000. Only one in five households in metro areas had similar incomes. In rural farm counties, poverty is 60% greater than in metro areas. Child poverty in those rural farm counties is 50% greater than in metro areas.⁵

What would it take for an employed single North Dakota parent with two children to meet monthly bills without relying on government assistance?

Welfare reform has mandated the dual challenges of moving recipients off public assistance into employment and limiting access to public assistance for a lifetime total of 60 months. However, these changes in the social safety net assume not only that enough jobs will be available, but that they will pay sufficiently to end any further need for assistance.

Based on existing data, it was calculated by the NDSU Extension Service Welfare Reform Task Force (1998) that a wage of \$13.85 per hour for full-time work for a year is necessary to meet minimum monthly expenses and pay taxes.⁶

How does income affect a family's ability to qualify for assistance?

Most public assistance programs base eligibility on poverty guidelines. Some programs are based on net income, others on gross income. The following chart lists several programs that directly impact the well-being of children.

Programs Based on Federal Poverty Guidelines

Figures below are established as a percent of poverty guidelines. Federal Poverty Level at 100% for a 4-person family (e.g., 2 parents, 2 children) is \$17,050 per year.

Program	Poverty Guidelines	Annual Income to Qualify	Hourly Wage to Qualify
<i>Head Start</i>	100% and below	\$17,050 (net)	\$8.20
<i>Food Stamps</i>	130% and below	\$22,165 (formula based on both gross and net)	\$10.66
<i>Free School Breakfast/ Lunch</i>	130% and below	\$22,165 (gross)	\$10.66
<i>Medicaid</i>	133% and below (for children ages 5 and under)	\$22,677 (gross)	\$10.90
	100% and below (for children ages 6 through 18)	\$17,050 (gross)	\$8.20
<i>WIC</i>	185% and below	\$31,543 (gross)	\$15.16
<i>SCHIP</i>	140% and below	\$23,870 (net)	\$11.48
<i>LIHEAP</i> (fuel and heating assistance)	150% and below	\$25,575 (gross)	\$12.30

The Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC) helps North Dakota families boost their paychecks.

- North Dakotans who qualified for the EITC in 1998 received an average of \$1,442.⁷
- Preliminary figures for tax year 1998 indicate that 36,133 low-income working families and individuals in North Dakota claimed \$52,111,000 as an Earned Income Tax Credit.⁸
- Workers raising one child and earning less than \$26,928 in 1999 could receive up to \$2,312.⁹
- Workers raising more than one child and earning less than \$30,580 in 1999 could receive up to \$3,816.¹⁰
- Workers between the ages of 25 and 64 who have no children and earn less than \$10,200 in 1999 could receive up to \$347.¹¹

In 1992, more American children lived in poverty than in any year since 1965. During this same time period, the U.S. Gross National Product doubled.

Think About It...

No one person can fix the family income situation in North Dakota. Knowing that family income is a key contributor to a child's well-being, and understanding all the terms associated with family income issues, is a first step toward making improvements for families and their children. Challenge yourself to think about the issues and ask yourself the following questions:

- Have North Dakota communities challenged elected officials and business leaders to ensure that families have the tools they need to work their way out of poverty?
- Are employment opportunities that provide a living wage (an adequate monthly budget, without also needing government assistance) available to the majority of people in my area?
- How many jobs in my area pay at least \$13.85 per hour (amount needed to meet bills and avoid government assistance for a family of three)?
- How many people with children in my area do not have health insurance?
- If individuals are employed full-time but still do not earn enough to meet their families' monthly costs of living, how do they close the gap between earnings and monthly costs, especially after exhausting their 60-month lifetime limit of assistance?
- If North Dakota supplemented federal Earned Income Tax Credit payments, how many North Dakota families would realize increased incomes?



Final Thoughts...

Most people believe there is a single dollar figure that indicates a person lives in poverty or does not live in poverty. Some believe that employed adults should be able to support their families and stay off public assistance. However, we know that even full-time work may not raise families above the poverty level.

Another term that emerges in poverty discussions is working poor (people who work full-time but still live at or slightly above poverty levels). Based on the information presented, it is easy to understand how a person can work full-time and still struggle to provide for his or her family. We know that improving the economic well-being of families with young children is a smart investment in the future.

The various poverty guidelines for public assistance demonstrate the complexity of creating effective public policy. One cannot assume that people in need automatically receive the support they need. And, one cannot assume that it is easy for people in need to wade through the paperwork and find the appropriate office to gather the support needed. Each program has its own qualification criteria and process for participation.

The bottom line for children and families in North Dakota is that family income plays a key role in every family's ability to support their children. Improving the economic well-being of families with children is an investment in our collective future.

Summary

This publication provides the most recent information available, combined with a challenge to each citizen of North Dakota to do what he or she can to improve the well-being of the state's children. Whether you are involved at the local, county, regional, state, or national level, you can take the first step to study the issues related to children and bring your information and ideas to decision makers at any level you feel you can make a difference.

References

This is a publication of North Dakota KIDS COUNT!, with special contributions from Dr. Deb Gebeke, Education Consultant, and Debb Pankow, Family Economics Specialist with the NDSU Extension Service. All data were compiled by the North Dakota KIDS COUNT! project, unless indicated.

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