

Special Focus: Child Poverty in New Mexico

New Mexico's children are at a marked disadvantage when compared to children in other states. In 1998, the Children's Rights Council ranked New Mexico 50th on its list of best states in which to raise children. The same year New Mexico ranked 46th in the KIDS COUNT composite index of child well being. Unfortunately, the 2001 New Mexico KIDS COUNT data book contains little with which to refute these dismal findings. Most of the key indicators show little change over previous years. New Mexico continues to lead the nation in births to single mothers and teenagers. In 1999, 45% of babies born in New Mexico had mothers who were single. One in five babies were born to teenagers. Fourteen percent of mothers received little or no prenatal care.

These troubling statistics are inextricably linked to poverty. New Mexico continues to vie with Mississippi for the unfortunate distinction of having the nation's highest rate of child poverty. One in four New Mexico children live in poverty. One in three children under 5 is poor. Poverty significantly increases the probability that a child will experience one or more risk factors or negative outcomes such as teen pregnancy, high school drop out and juvenile incarceration (Duncan and Brooks-Gunn, 1997). But research also shows that poverty produces negative effects independent of the many risk factors with which it is associated and that income supplements are effective in reducing negative outcomes associated with poverty even when other risk factors remain present (Arloc, 1997).

Poverty is self-perpetuating because it undermines the health of children and reduces their ability to learn. Children raised in poverty are often deprived of the opportunity to develop a sense of their own worth and competence and, as a result, engage in behaviors such as dropping out of high school or becoming teenage parents that markedly increase the probability that they will become poor adults and raise their own children in poverty.

The cycle of poverty is perpetuated in labor markets. Children raised in poverty enter the workforce with less education, fewer skills and often lacking the ability to make plans, anticipate consequences and communicate effectively (Arloc, 1997). Employers

balance the cost of reduced work force productivity with lower wages, increasing the prevalence of poverty despite work and decreasing the incentive for some to work at all.

New Mexico has long been one of the nation's poorest states with a poverty rate exceeding 20% for most of the last 25 years (Alcantar, Kargacin, Mora, Santos, and Waldman, 1997). In 1999, The Census Bureau estimates that 20% of New Mexicans and 28% of New Mexico's children lived in poverty. The New Mexico Taxation and Revenue Department estimates that in 1998 over 60% of New Mexico's children lived in households with income below 200% of the federal poverty threshold¹.

Several factors distinguish poverty in New Mexico from poverty in other states. Nationally poverty is largely an urban phenomenon, while in New Mexico it is primarily rural. In 1997 the Census Bureau estimated that only 23% of people living in poverty lived outside of the metropolitan areas, but in New Mexico more than half of poor people live outside one of the state's three metropolitan statistical areas. Many poor New Mexicans live in remote rural locations, far from jobs, medical care, and state agency offices where they apply for food stamps, Medicaid or cash assistance. For these New Mexicans the impact of poverty is compounded and the cycle of poverty is perpetuated by limited access to employment, healthcare, education, and social service programs.

Not surprisingly, Albuquerque, New Mexico's largest metropolitan area and home to one third of the state's population, scores considerably higher than the state as a whole on most indicators of child well-being. For instance, the percentage of mothers receiving late or no prenatal care is 14% for New Mexico, but only 8.6% for Albuquerque. Single parenthood is 5 percentage points lower for Albuquerque than for the state as a whole and teen parenthood is 2 percentage points lower (Croan, Hatcher, Jager, Long, O'Hare, and Wertheimer, 2001).

New Mexico has a higher incidence of extreme poverty, with over half of poor families having incomes below 50% of the federal poverty threshold. Comparably, approximately 41% of poor people in the US live in extreme poverty. Extreme poverty is associated with



homelessness and diseases of deprivation such as malnutrition. In 2000, the USDA ranked New Mexico first in the nation for food insecurity and hunger. Lewit, Terman, and Behrman (1997) note that the negative effect of poverty on school achievement, physical health, and cognitive ability “is most pronounced for children who experience persistent and extreme poverty.”

Poverty despite work is also more prevalent in New Mexico. Nationwide, 73% of poor families include at least one parent who works (Johnson, 1999). State tax data indicates that over 80% of New Mexico’s poor families derive income from employment. Twenty-eight percent of New Mexico’s working poor are employed full-time (Alcantar, Kargacin, Mora, Santos, and Waldman 1997). This troubling statistic originates, to some extent, from the New Mexico economy’s heavy reliance on the traditionally low-skill and low-pay agriculture and service industries. In 1997, the poverty rate among full-time agricultural workers in New Mexico was 15.8%. Ten percent of New Mexicans employed full-time in the service occupations were poor.

New Mexico’s low wages are not confined to the agriculture and service sectors. In 1998, 35.6% of New Mexico workers made less than \$7.49 per hour and the median hourly wage for the lowest 20% of earners was \$6.44, 90% of the national average. Low wages are one reason New Mexico ranks 43rd in the country for work force participation by people over 25 (US Bureau of Labor Statistics, 1998) and it is not surprising that 1998 per capita personal income for New Mexico was \$21,853, 77% of the national average and second lowest in the country. As of June 2000, New Mexico was second only to Mississippi in unemployment.

Lastly, the income distribution in New Mexico is more unequal than it is in most other states. Income disparity intensifies the effects of poverty on physical and behavioral health, undermining the effectiveness of anti-poverty interventions by exacerbating the poor child’s sense of deprivation. Numerous studies, of which Kawachi, Wilkinson, and Kennedy (1999) provide an excellent review, have established a link between income disparity and negative health outcomes including child health and infant mortality. Income inequality, expressed as the ratio of the income of the top income quintile to the income of the bottom quintile averaged 10.7 for the

United States in the period 1994-1996. Income disparity in New Mexico was 13.0, making it the nation’s fourth most unequal state².

The Public Costs of Poverty

Child poverty imposes significant social and economic costs, most of which are born by New Mexico tax payers. New Mexico is 36th in education spending per pupil yet ranks last or near last in most measures of academic achievement. The low return on our investment in public education can be traced, in part, to poverty.

Poverty is costly to schools because children who enter with physical and cognitive deficits are more expensive to educate. Poor children are 1.3 times more likely than non-poor to have a learning disability, twice as likely to flunk a grade and three times as likely to be expelled from school. Each year a child spends in poverty increases by two percentage points the probability that he or she will score below grade level (Arloc, 1997).

The National Education Goals Panel (2000) finds that both nationally and in every state 4th and 8th graders who do not qualify for free or reduced price lunches significantly out-perform those who do on assessments of reading proficiency. In New Mexico, where 22% of 4th graders and 24% of 8th graders are proficient in reading, 13% of free lunch-eligible children scored at or above the “proficient” level on the National Assessment of Educational Progress examination compared to 33% of those who were ineligible.

The effect of poverty on academic achievement may also be reflected in the wide disparity in reading achievement between New Mexico’s urban and rural areas. Even though New Mexico minimizes the impact of profound geographic disparities in income distribution through state-centralized funding of public education, children living in New Mexico’s cities are almost twice as likely to be proficient readers as are children living in rural areas. Nationally the opposite trend is observed, urban children are 15% less likely than rural children to be proficient readers (National Education Goals Panel, 2000).

Educational attainment in New Mexico also reflects the state’s high rate of child poverty. Duncan, Yeong, and Brooks-Gunn (1998) find that in families with income that fluctuated over time, siblings who grew up when the family’s income was relatively high completed more schooling than those who grew up when



the family's income was relatively low. New Mexico's estimated 14% high school drop out rate is the nation's second highest. Arloc (1997) finds that nationally poor children are twice as likely as middle class children to drop out of high school. In 1999, 28.2% of births in New Mexico were to mothers with less than 12 years of education (Croan, Hatcher, Jager, Long, O'Hare, and Wertheimer, 2001).

Many poor children are already at an educational disadvantage before they enter school. The quality of programs attended by preschool children has been demonstrated to have a lasting impact on school performance. When tested in second grade, children who attended high quality child care as preschoolers scored higher on tests of language and math and had fewer behavior problems (National Center for Early Development and Learning, 1999). Poor children have also been found to benefit more from high-quality child care, and are hurt more by low-quality care, than are children who are not poor (ibid).

In addition to taxing the educational system, limited access to quality child care negatively impacts productivity. A study of families on the waiting list for child care subsidies in Santa Clara, California found that 29% were unable to work because they could not find affordable child care, 32% reduced their work hours, and two-thirds changed their child care arrangements while on the list. Another study finds parents receiving child care subsidies much less likely to miss work due to child care problems. Howes, Smith, and Galinsky (1995) find that increasing public funding for child care increases the probability that current and former welfare recipients will find paid employment. Greater investment by the state of Massachusetts in child care subsidies also resulted in higher employment rates for current and former TANF (Temporary Assistance to Needy Families) recipients and Texas families receiving child care subsidies earned \$260 more per quarter than similar families who did not receive subsidies.

Poverty taxes the healthcare system by increasing the incidence and severity of illness among people unable to pay for their own care. Poverty limits access to primary care, the basic diagnostic and treatment services that enable the identification and correction of health deficits before they become chronic and/or disabling.

Lack of health insurance is the single largest barrier to healthcare for low income New Mexicans. The US Census Bureau estimates that 25.8% of New Mexicans

lacked health insurance in 1999, and, despite the availability of Medicaid, 27.7% of New Mexico's children remained uninsured (NM Health Policy Commission, 2001). A survey of New Mexico households conducted in 2000 by the New Mexico Health Policy Commission reveals that most uninsured New Mexico adults would obtain health insurance if they could afford it. In contrast, the same survey finds that the vast majority of uninsured children in New Mexico were eligible for Medicaid (Reynis and Alcantar, 2000).

Financial barriers continue to impede access to healthcare even when low income people are insured. The health insurance provided to low wage workers by employers is often limited in coverage and may require a prohibitively high degree of employee cost-sharing. Medicaid is available to most low-income children in New Mexico, but parents are only eligible if they are pregnant or eligible for TANF (households with children and income below 37% of the federal poverty threshold). Lack of transportation and provider scarcity significantly impede healthcare access for the rural poor. Literacy and language deficits create further barriers by making it difficult to communicate healthcare needs and navigate the increasingly complex healthcare system. For these and many other reasons, poor people are less likely to obtain primary preventative care and more likely to obtain routine care in an

Poverty Reduction as a Policy Priority

By reducing the burden placed on public services, elimination of child poverty could conceivably pay for itself. But the up-front costs of such a policy would be high and the benefits would take time to accrue. If it were possible to give every poor family in New Mexico the precise difference between their current annual income and the poverty threshold, it would cost \$450 million to eradicate child poverty entirely for a year. But even if sufficient funds were available, a policy to eliminate child poverty through direct cash transfers to poor families would garner little political or popular support.

However, if the cycle of poverty in New Mexico is to be broken, public expenditure on poor families will have to increase. An efficient and politically viable poverty reduction strategy will combine cash and in-kind transfers with investments in public education and economic development. These policies intercede in the cycle of child poverty by increasing family income and by providing poor families access to goods and services such as housing, nutrition, healthcare, education, and childcare that ameliorate the effects of poverty on their children.



Notes

¹ In 1998, 200% of the federal poverty threshold was \$27,300 for a family of three and \$32,900 for a family of four.

² Income inequality for the period 1994-1996 was 13.8 in Arizona, 13.7 in New York, and 13.3 in Louisiana. North Dakota, Utah, and Vermont had the smallest gap between rich and poor, with income inequality of 7.0, 7.1, and 7.4 respectively.

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