

# Economic (In)Security



*North Carolina's state and local governments can help families and children by supporting an increase in the minimum wage, adequate funding for child care subsidies and the expansion of public health insurance to all children.*

After peaking in early 2001, the economy slid into a recession from which it is still recovering. This recovery has not yet reached the many North Carolina families who, in 2004, were financially worse off than in 2001. Unemployment has deepened, and median income is down after adjusting for inflation. Tens of thousands more children are poor.

Children who grow up poor are more likely to experience negative outcomes. They are more likely than higher-income peers to suffer poor health, die during childhood, experience out-of-wedlock births, drop out of school, score lower on standardized tests, be retained a grade in school and experience violent crime. Research also shows that the longer or deeper the poverty, the worse the effects on children.<sup>11</sup> However, ameliorating factors—such as quality early childhood education, access to health care and increased involvement with caring adults—can help to improve outcomes for poor children.<sup>12</sup>

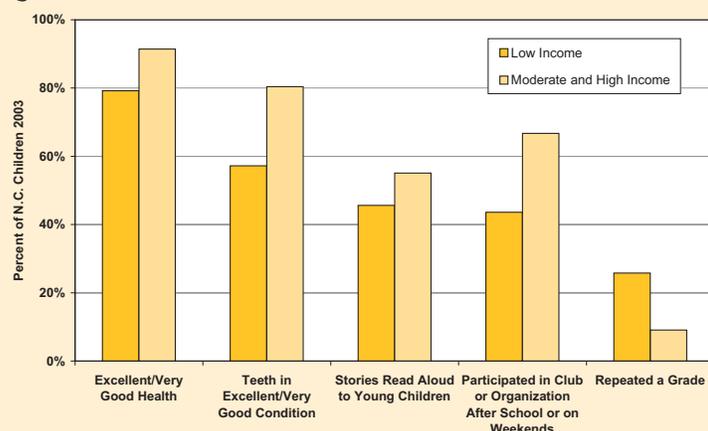
In contrast, when children live in moderate- and high-income families in North Carolina, they are more likely to enjoy excellent physical and dental health, more likely to be read to as young children, more likely to participate in after-school activities

and sports and less likely to repeat a grade compared to their lower-income peers.<sup>iii,13</sup>

On the plus side, some parts of the social safety net are helping ensure that children in low-income families have access to food: the percentage of children enrolled in free and reduced-price lunch programs and receiving Food Stamps has increased dramatically. More children are also covered by public health insurance. However, the primary program designed to help ensure a minimum basic level of subsistence appears to have let down children. The percentage of children who are Work First (welfare) recipients is down 22 percent even as more children are poor. At the same time, child care subsidies, which can help working parents avoid turning to Work First, do not reach tens of thousands of eligible families. North Carolina's state and local governments can help families and children by supporting an increase in the minimum wage, adequate funding for child care subsidies and the expansion of public health insurance to all children.

<sup>iii</sup> Moderate and higher income is considered about 200 percent of the federal poverty line, or approximately \$40,000 for a family of four.

**Higher Income Children Have Better Health and Academic Outcomes**



Data Source: Child and Adolescent Health Measurement Initiative (2005), National Survey of Children's Health, Data Resource Center on Child and Adolescent Health website [www.nschdata.org](http://www.nschdata.org)

# Economic (In)Security *(continued)*

## Economic (In)Security

	Current	Trend		Change
	2004	2001	2004	
Unemployment <sup>a</sup> (adult population)	235,552	4.4% <sup>a</sup>	6.0%	35.9% <sup>a</sup>
Median Family Income (in 2004 dollars)	\$47,112	\$49,334 <sup>a</sup>	\$47,112	-4.5% <sup>a</sup>
Children in Low-Income Working Families (\$40,000 for a family of four)	636,509 <sup>b</sup>	-	37.0% <sup>b</sup>	-
Children in Poverty (\$20,000 for a family of four)	455,000	20.0%	22.0%	10.0%
School Children Enrolled in Free/Reduced Price School Meals	634,917 <sup>c</sup>	39.8% <sup>a</sup>	47.7% <sup>c</sup>	18.5% <sup>c</sup>
Children Receiving Food Stamps <sup>e</sup>	376,404	11.8% <sup>d</sup>	18.2%	54.6% <sup>d</sup>
Children who are Work First Recipients <sup>e</sup>	63,398	3.9% <sup>d</sup>	3.1%	-22.3% <sup>d</sup>
Children in Households Where Someone Receives Social Security Income (SSI)	-	-	9.0%	-

<sup>a</sup> Data from 2000 and 2004. Percentages calculated by dividing the number unemployed by the number in the labor force.

<sup>b</sup> Data from 2003.

<sup>c</sup> Data for school years 2000-2001 and 2004-2005.

<sup>d</sup> Data for 2000 and 2004. These numbers reflect the average monthly number of recipients ages 0-17 for the Food Stamp and Work First Programs.

<sup>e</sup> Percentages calculated by Action for Children using data from the N.C. State Demographics office, <http://demog.state.nc.us/>.

Note: Percent changes have not been tested for statistical significance.



# Early Care & Education

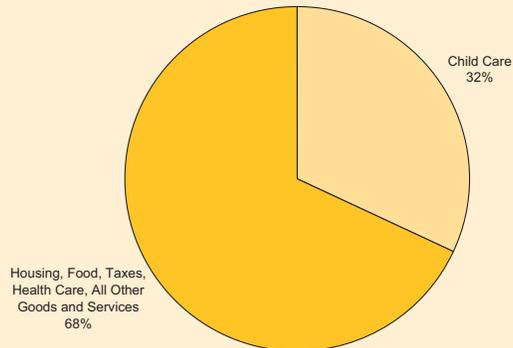
## More High Quality, Affordable Child Care Needed

With Smart Start and More at Four, North Carolina has a strong tradition of promoting quality early care and education for our youngest children, especially for those at-risk children who benefit the most from such programs. Children from all backgrounds benefit from the availability of high quality, affordable child care, but those in low-income families often show the greatest gains on cognitive, language and social skills.<sup>14</sup> Child care subsidies help low-income, working parents afford quality child care.

However, in recent years, it has become more difficult for low-income, working families in North Carolina to obtain child care subsidies. At the end of 2005, more than 37,000 children who qualified for subsidies were not receiving them due to inadequate public funding. When parents cannot afford safe, reliable child care, they are forced into difficult choices about quitting jobs, turning to public assistance, leaving bills unpaid or

## Working Families Struggle to Afford Child Care

Percent of Monthly Income Spent on Child Care (for a 3-year-old) for a Dual-Earner Couple Each Making \$6.15 per Hour



Data Sources: Child care cost data come from the Child Care Services Association. Data are from 2005-2006 and reflect the average cost of child care for a three-year-old at a four-star child care center in Wake County (\$673/month). Income data reflect the following calculation: \$6.15/hour\*40 hour/week\*4.3 weeks/month\*2 earners = \$2116/month.

putting children into unsafe situations. A survey of parents in North Carolina found that for 1-in-6 low-income families, problems with child care caused someone in the family to change, quit or not take a job.<sup>15</sup>

Budget choices made by federal and state governments have profound impacts on the daily lives of children and families as well as on the businesses that

rely on parents as employees. Chronic underfunding, coupled with continual strains on Smart Start funding, have put a tremendous strain on families and businesses in North Carolina.

## Per Pupil Spending and Test Scores on the Rise

North Carolina's focus on standards-based education and school

### A survey of parents on one state's (Arizona) waiting list for child care subsidies found:

#### Parents had to make work adjustments

- 32% changed work hours
- 25% cut work hours
- 12% quit their job

#### Children were in unreliable and unsafe care

- 40% patched together care arrangements using multiple arrangements
- 9% left children home alone with older children caring for younger ones

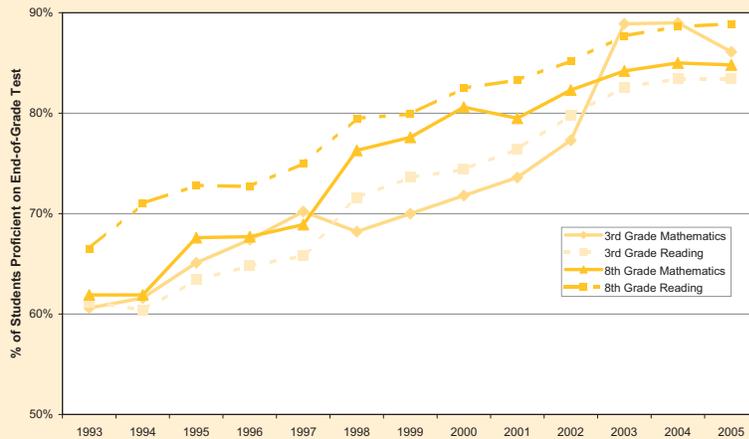
Data Source: Children's Action Alliance. "The Real Realities of Arizona's Working Families, Child Care Survey Highlights." Phoenix, Arizona, 2004.



Photo Credit: Elizabeth Hudgins

# Early Care & Education *(continued)*

**N.C. End-of-Grade Test Scores on the Rise**



Data Source: N.C. Department of Public Instruction, The Green Book, August, 2005, Tables 2 and 3. Available online at <http://www.ncpublicschools.org/accountability/testing/shared/statetestresults>

accountability measures have resulted in remarkable improvements in student performance. When standardized testing began in 1993, 60 percent of students tested proficient; at the end of the 2005 school year, more than 80 percent of students tested proficient.<sup>16</sup> While holding schools more accountable, federal, state and local governments have all supported school systems with increases in funding over the past 13 years (even after adjusting for inflation). Since 2001, scores

on end-of-grade tests have risen between 7 to 17 percent.

## Students in High School Face Many Challenges

Every year in North Carolina, a high percentage of students drop out before graduating from high school. Only 62 percent of students who enter ninth grade graduate from high school four years later. Not graduating high school severely restricts students' opportunities for further education,

employment and income. Adults who did not complete high school are more likely to be unemployed, rely on public assistance and to be incarcerated.<sup>17</sup> A myriad of factors contribute to the high number of dropouts. For example, national studies reveal that students who are suspended from school are three times more likely to drop out than other students.<sup>18</sup> During the 2003-2004 school year, almost 135,000 short-term and 2,500 long-term suspensions were given to high school students.<sup>iv, 19</sup> Students in North Carolina are 45 percent more likely to be suspended than the national average.<sup>20</sup>

One of the first steps to fixing the problem is to accurately define and assess graduation and dropout rates. The graduation and dropout rates reported by the Department of Public Instruction (DPI) have received some criticism.<sup>v</sup> To address this problem, North Carolina has agreed to adopt the national standards agreed upon

<sup>iv</sup> During the 2003-2004 school year there were 382,799 students in high school (<http://www.ncpublicschools.org/fbs/factsfigs0304.pdf>).

<sup>v</sup> For more information see the Data Notes and Definitions in this publication.

## Early Care

	Current	Trend		Change
	2005	2001	2005	2001 to 2005
<b>Children in Regulated Child Care<sup>a</sup></b>				
Ages 0-5	184,500	24.2%	26.4%	9.1%
Ages 0-12	260,252	14.5%	17.3%	19.6%
<b>Children in Regulated Child Care Receiving Subsidies<sup>a</sup></b>				
Ages 0-5	65,540	38.9% <sup>b</sup>	35.2% <sup>b</sup>	-9.5% <sup>b</sup>
Ages 0-12	95,067	41.5% <sup>b</sup>	36.1% <sup>b</sup>	-13.1% <sup>b</sup>
<b>Children (0-12) who are Eligible and Have Applied for Subsidies, Not Receiving Them</b>	37,063 <sup>c</sup>	-	-	-

<sup>a</sup> Regulated care includes all child care that is monitored by the N.C. Department of Health and Human Services, Division of Child Development. Percentages calculated by dividing the number of children in regulated care by the number of children in the given age range.

<sup>b</sup> Percentages for Children in Publicly-Subsidized Child Care were calculated by dividing the number of children in subsidized care by the number of children in all child care.

<sup>c</sup> Data reflect the waiting list in November 2005.

Note: Percent changes have not been tested for statistical significance.

Data Source: Regulated and Subsidized Child Care, N.C. Division of Child Development, Child Care Study, special data request, January 2006.

# Early Care & Education *(continued)*



by the National Governors Association and recommended by the Government Accountability Office. Starting in the summer of 2006, DPI will begin reporting the cohort graduation rate, the most accurate measure of the percentage of students who complete high school. To ensure such improvements, support for the employment and retention of top-notch staff and completion of other DPI projects to improve data collection and reporting are necessary. Concurrently, North Carolina must tackle reducing the high rate of short- and long-term suspensions, improving alternative education programs and ensuring that every child receives a sound, basic education.

## Education

	Current	Trend		Change
	2005	2001	2005	2001 to 2005
<b>Students Proficient on End-of-Grade Testing</b>				
Third Grade Math	86.1%	73.6%	86.1%	17.0%
Third Grade Reading	83.4%	76.4%	83.4%	9.2%
Eighth Grade Math	84.8%	79.5%	84.8%	6.7%
Eighth Grade Reading	88.9%	83.3%	88.9%	6.7%
Four-Year Completion Rate	61.9% <sup>a</sup>	57.1%	61.9% <sup>a</sup>	8.4% <sup>a</sup>
<b>Students Receiving Suspensions (all grades)</b>				
Short-term Suspensions	150,916 <sup>b</sup>	9.3% <sup>b</sup>	11.2% <sup>b</sup>	20.4% <sup>b</sup>
Long-term Suspensions	1,536 <sup>b</sup>	2.1 per 1,000 <sup>b</sup>	1.1 per 1,000 <sup>b</sup>	-45.0 <sup>b</sup>
<b>SATs</b>				
Seniors Taking the SATs	53,314	65.0%	74.0%	13.8%
Average SAT Scores	1010	992	1010	1.8%
Per Pupil Expenditure <sup>d</sup>	\$7,006.13 <sup>c</sup>	\$6,280.30 <sup>c</sup>	\$7,006.13 <sup>c</sup>	11.6% <sup>c</sup>
Students in Public Schools (average daily membership)	1,311,163 <sup>c</sup>	1,237,794 <sup>c</sup>	1,311,163 <sup>c</sup>	5.9% <sup>c</sup>

<sup>a</sup> The ratio of graduates (diplomas and certificates) at the end of the current school year to ninth grade final enrollment four years earlier. Data are for the 2003-2004 school year.

<sup>b</sup> Data are for the 2000-01 and 2003-2004 school years.

<sup>c</sup> Data are for the 1999-2000 and 2003-2004 school years (not adjusted for inflation).

<sup>d</sup> Includes all federal, state and local current expenses (excludes capital expenses).

Note: For definitions of the terms used in this table and for additional information on selected calculations see the data notes at the end of this publication. Percent changes have not been tested for statistical significance.

Data Sources (in order): End-of-Grade Testing, North Carolina Department of Public Instruction, Division of Accountability Services, special data request, October 2005; Four-Year Completion Rate, North Carolina Public Schools Statistical Profile, 2005. Available online at <http://www.ncpublicschools.org/fbs/stats/>; Suspensions, North Carolina Department of Public Instruction, 2005. "Annual Study of Suspensions and Expulsions: 2003-04." Available online at [www.ncpublicschools.org](http://www.ncpublicschools.org); SATs, NC Department of Public Instruction. For years 2001 and 2005, "The North Carolina SAT Report." August 2005. Available online at <http://www.ncpublicschools.org/accountability/reporting/sat/>; Per Pupil Expenditure and School Size, N.C. Department of Public Instruction's online tool: ESAS- Education Statistics Access System. Table: "Per Pupil and Current Expenditures, FY1980 to Most Recent FY." Available online at <http://www.ncpublicschools.org/reportstats.html>.