

# Family Economic Security



## Family Economic Security

Family economic security is affected by both economic trends and public policies. After the recession in the early 1990s, Illinois experienced strong job growth. Another economic downturn in the first part of this decade was followed by a period of slow recovery. Unemployment dipped to 4.5 percent in 2006 but increased again to 5 percent in 2007.

Economic growth in the 1990s led to higher incomes for Illinois families. Median family income for married couples with children outpaced inflation by 10 percent. Single-mother households made remarkable economic gains; their median income increased more than 30 percent in real, inflation-adjusted dollars. In recent years, however, much of this progress was erased. Between 2000-2001 and 2005-2006, median income barely kept pace with inflation for married-couple families and lagged 8 percent behind inflation for single-mother families.

The pattern has been similar for poverty rates in Illinois. The poverty rate for female-headed households with children declined from 43 percent to 32 percent in the 1990s, but rose again to 37 percent in 2005-2006. Overall poverty rates for Illinois children decreased from 20 percent to 15 percent between 1996-1997 and 1999-2000 but have remained in the range of 17 percent or 18 percent since 2001.

Welfare reform was the most significant policy change of the 1990s. Through 1996 federal legislation, Temporary Assistance for Needy Families (TANF) replaced Aid to Families with Dependent Children (AFDC), beginning an era of block grants for states, work requirements, and a lifetime limit on cash assistance. Caseloads declined dramatically in both Illinois and the United States as a whole. Between 1995 and 2001, the average monthly number of AFDC/TANF families in Illinois fell 73 percent, compared with 55 percent nationwide. Illinois TANF caseloads dropped another 39 percent between 2001 and 2003.

Shrinking caseloads fostered a widespread impression—in Illinois and elsewhere—that welfare reform was an unqualified success. Research, however, is mixed. The Illinois Families Study found that the proportion of TANF leavers without either TANF benefits or employment rose from 17 percent to 43 percent from 1999 to 2003.

Food Stamp participation by families with children also decreased in the late 1990s. Welfare reform restricted eligibility for immigrants, including children, and many TANF leavers lost Food Stamp benefits despite still being eligible. In 2001, participation increased again, reflecting changing economic conditions and more effective enrollment.

Concurrent with TANF implementation, Illinois instituted a new child care assistance program, with eligibility based on family income. As cash assistance caseloads declined, Illinois used more of its federal TANF block grant and its state maintenance-of-effort funds for child care services. The average monthly number of children served grew by 83,000 between state fiscal years 1998 and 2001. Participation leveled off in subsequent years but remained above 190,000.

The federal Earned Income Tax Credit (EITC), enacted in 1975, was expanded substantially in the 1990s and has become an important policy tool for reducing poverty among working families with children. Its refundability makes it distinctive; if a family's credit exceeds their income tax liability, the Internal Revenue Service refunds the difference. In tax year 2005, the maximum credit for a family with two or more children was \$4,400, while the average federal credit in Illinois was nearly \$2,000.

The state created an EITC in 2000 and made it refundable three years later. Illinois' EITC is set at 5 percent of the federal credit. Among states that currently have EITCs, Illinois' credit is one of the smallest. Voices for Illinois Children, a leader of the Make Work Pay coalition, has advocated for an increase in the state EITC to at least 20 percent of the federal credit.

## Median Income for Families with Own Children Under Age 18, Illinois and U.S. (in constant 2006 dollars)

	1989	1999	% Change	2000-2001	2005-2006	% Change
<b>Illinois</b>						
All families with own children	\$61,863	\$66,149	6.9%	\$62,492	\$62,141	-0.6%
Married-couple households	\$71,995	\$79,453	10.4%	\$78,254	\$78,374	0.2%
Single-mother households	\$20,446	\$26,877	31.5%	\$25,966	\$23,808	-8.3%
<b>U.S.</b>						
All families with own children	\$56,304	\$58,349	3.6%	\$55,798	\$55,820	0.0%
Married-couple households	\$66,167	\$71,987	8.8%	\$70,624	\$72,647	2.9%
Single-mother households	\$20,301	\$24,557	21.0%	\$23,548	\$22,875	-2.9%

Source: U.S. Census Bureau Decennial Census 1990, 2000, Supplemental Survey 2000-2001, American Community Survey 2005-2006

## Child Support Enforcement, Illinois and U.S., Total Distributed Collections (in \$ millions)

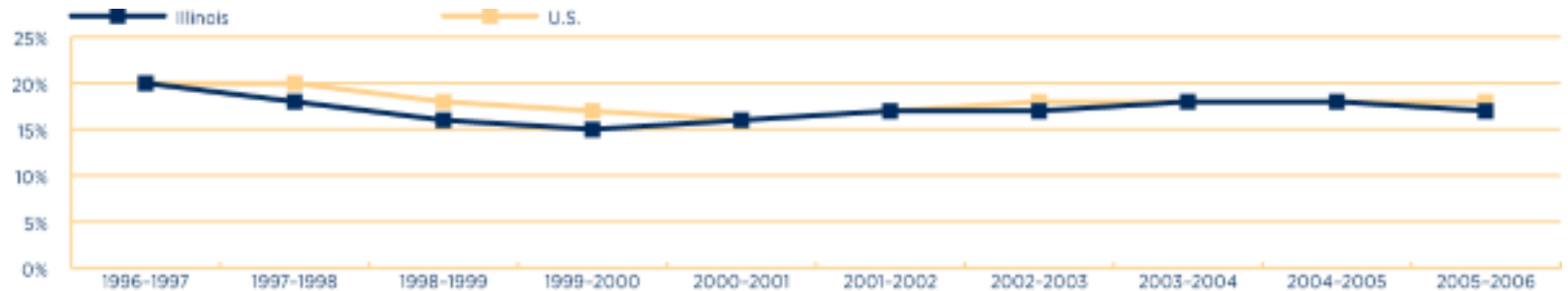
FFY	Illinois	% Change	U.S.	% Change
1996	\$250	----	\$12,020	----
1997	\$267	7.0%	\$13,364	11.2%
1998	\$300	12.3%	\$14,347	7.4%
1999	\$326	8.5%	\$15,901	10.8%
2000	\$361	11.0%	\$17,854	12.3%
2001	\$424	17.4%	\$18,958	6.2%
2002	\$460	8.5%	\$20,137	6.2%
2003	\$471	2.4%	\$21,176	5.2%
2004	\$511	8.5%	\$21,861	3.2%
2005	\$562	9.9%	\$23,006	5.2%
2006	\$621	10.5%	\$23,933	4.0%
<b>% Change 1996-2006</b>	<b>148.6%</b>	<b>----</b>	<b>99.1%</b>	<b>----</b>

Source: U.S. Department of Health and Human Services

Single-mother households saw the biggest increase in inflation-adjusted income between 1990 and 2000, earning 31 percent more. Since then, their real income has dropped 8 percent.

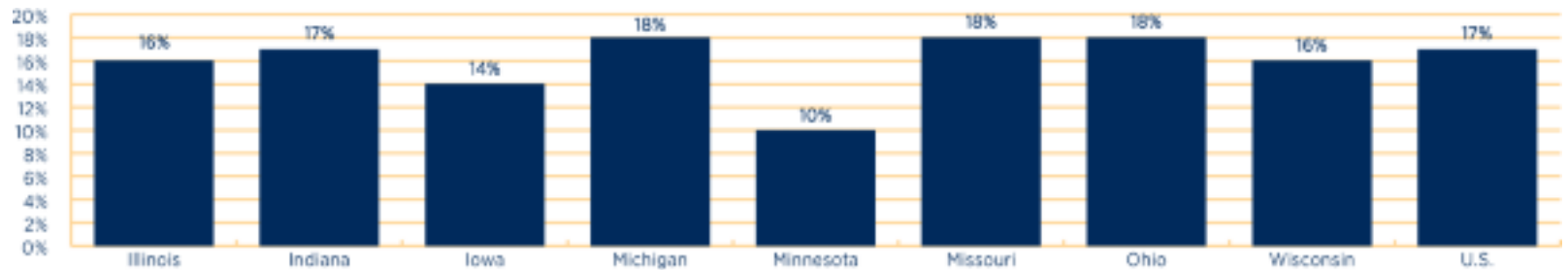
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**Percentage of Children in Poverty, Two-Year Moving Averages, Illinois and U.S.**



Source: National Center for Children in Poverty, based on data from U.S. Census Bureau, Current Population Survey

**Percentage of Children in Poverty, Three-Year Averages, Midwestern States and U.S., 2004-2006**



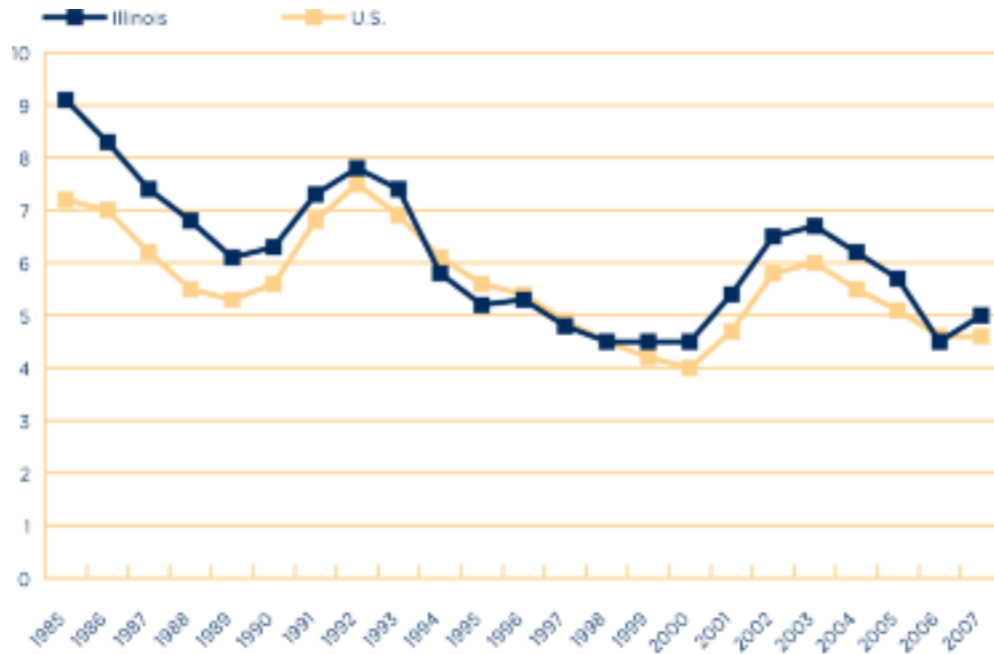
Source: National Center for Children in Poverty, based on data from U.S. Census Bureau, Current Population Survey

**Poverty Rates for Families with Related Children, Illinois and U.S.**

	1989	1999	2000-2001	2005-2006
<b>Illinois</b>				
All families with related children	13.8%	11.6%	12.5%	14.0%
Married-couple households	5.5%	4.9%	4.5%	5.4%
Female householder	43.2%	32.1%	33.2%	36.8%
<b>U.S.</b>				
All families with related children	14.9%	13.6%	14.1%	15.3%
Married-couple households	7.3%	6.6%	6.1%	6.7%
Female householder	42.3%	34.3%	35.2%	37.3%

Source: U.S. Census Bureau Decennial Census 1990, 2000, Supplementary Survey 2000-2001, American Community Survey 2005-2006

**Average Annual Unemployment Rates, Illinois and U.S.**



Source: Illinois Department of Employment Security

The average number of AFDC/TANF caseloads in Illinois fell 73 percent between 1995 and 2001. They dropped another 39 percent between 2001 and 2003.

**Average Monthly Number of AFDC/TANF Families (in 1,000s)**

FFY	Illinois (1,000s)	% Change	U.S. total (1,000s)	% Change
1986	241.3	----	3,747.5	----
1987	236.6	-2.0%	3,784.0	1.0%
1988	220.1	-7.0%	3,747.9	-1.0%
1989	206.9	-6.0%	3,771.0	0.6%
1990	208.5	0.8%	3,974.3	5.4%
1991	221.5	6.3%	4,373.9	10.1%
1992	228.6	3.2%	4,768.5	9.0%
1993	231.3	1.2%	4,981.2	4.5%
1994	240.3	3.9%	5,046.3	1.3%
1995	236.2	-1.7%	4,870.9	-3.5%
1996	224.1	-5.1%	4,543.4	-6.7%
1997	198.9	-11.3%	3,936.6	-13.4%
1998	169.7	-14.7%	3,199.7	-18.7%
1999	122.8	-27.7%	2,673.6	-16.4%
2000	84.8	-30.9%	2,355.6	-11.9%
2001	62.8	-25.9%	2,199.6	-6.6%
2002	48.8	-22.4%	2,194.7	-0.2%
2003	38.4	-21.3%	2,181.2	-0.6%
2004	36.3	-5.4%	2,160.7	-0.9%
2005	39.3	8.2%	2,090.2	-3.3%
2006	37.2	-5.3%	1,963.8	-6.0%
1989-1995	----	14.2%	----	29.2%
1995-2001	----	-73.4%	----	-54.8%
2001-2006	----	-40.8%	----	-10.7%

Source: U.S. Department of Health and Human Services, Administration for Children and Families

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## Federal Earned Income Tax Credit Claims in Illinois

	No. of returns with EITC (1,000s)	% of returns with EITC	Average credit per return (\$)
1997	766	13.8%	\$1,470
1998	754	13.4%	\$1,540
1999	752	13.2%	\$1,605
2000	755	13.1%	\$1,626
2001	770	13.3%	\$1,661
2002	837	14.6%	\$1,717
2003	855	14.9%	\$1,755
2004	868	15.1%	\$1,817
2005	884	15.1%	\$1,888

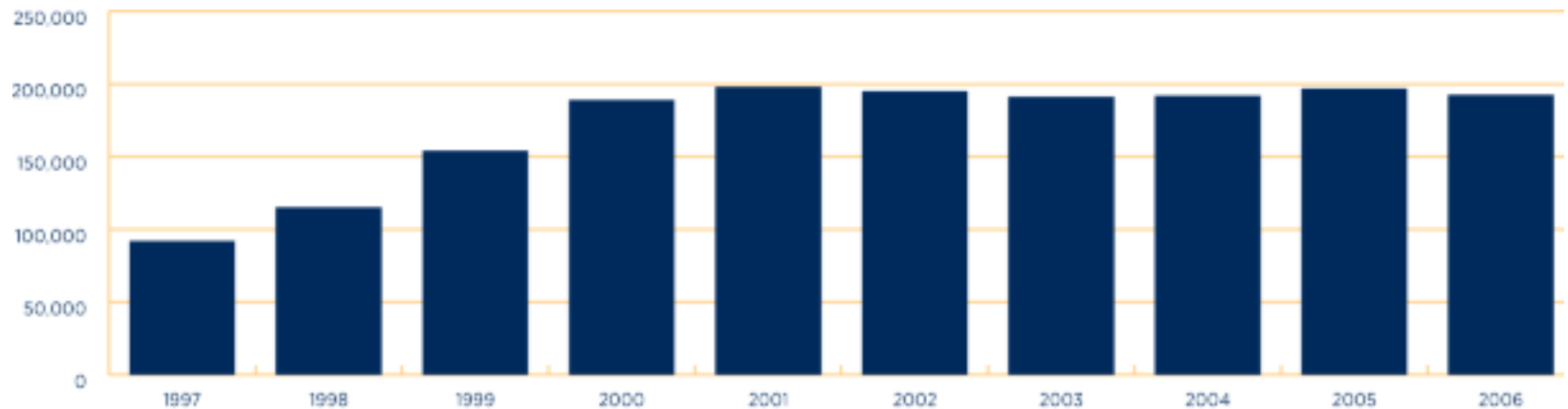
Source: Tax Policy Center of the Urban Institute and the Brookings Institution

## Average Monthly Food Stamp Participation, Illinois and U.S.

FFY	Households with children (1,000s)	
	Illinois	U.S.
1996	253	6,280
1997	234	5,508
1998	210	4,806
1999	171	4,275
2000	162	3,955
2001	180	3,992
2002	189	4,437
2003	212	4,908
2004	228	5,472
2005	261	5,838
2006	273	5,906
1996-2000	-36.0%	-37.0%
2000-2006	51.7%	47.9%

Source: Food and Nutrition Service, U.S. Department of Agriculture

## Average Monthly Enrollment in the Illinois Child Care Assistance Program



Source: Illinois Department of Human Services

# An Integrated Approach to Self-Sufficiency and Financial Stability

By John Bouman, J.D.

*President, Sargent Shriver National Center on Poverty Law*

In 1996, Congress enacted a conservative reform of many of the nation's core safety net and economic opportunity programs. Welfare reform eliminated Aid to Families with Dependent Children's guarantee of support for needy kids and replaced it with Temporary Assistance to Needy Families (TANF) and its time limit and work mandates and caseload reduction imperative.

The same law made deep cuts in other key programs and withdrew federal help for most legal immigrants. In addition, the federal government defunded or blocked most of the programs that help lower-paid workers access the education or skills training necessary for higher-paying work. These changes exposed Illinois children to harm, especially those in families with adults unable to maintain employment. There was a rapidly growing demographic of families without earned income that also was not receiving any assistance.

On the other side of the ledger, the decade also saw the growth of programs designed to enable employment activity and improve working families' finances. Illinois adopted TANF policies that helped working families.

The federal Earned Income Tax Credit (EITC) grew, and Illinois added and grew its own EITC and raised its

minimum wage dramatically. Illinois filled in some of the gaps created by the federal retreat from support for legal immigrants. There were new federal funds for child care subsidies, which Illinois supplemented with state funds to drive a major expansion and reform of the child care system.

The State Children's Health Insurance Program began in 1998, and coverage for Illinois children climaxed with All Kids, effective July 2006. The state also began a steady growth toward offering preschool for all children, a key long-term investment in the enhancement of life chances for Illinois children.

This history suggests three themes for the next 20 years. First, Illinois should continue to build and invest in the programs that are effective: child care, health care, EITC and the minimum wage, and Preschool for All.

Second, Illinois must repair two broken systems. It should improve its system of workforce development so that low-paid workers can acquire the skills and credentials needed for career-type, family-sustaining jobs. And Illinois urgently needs to build reasonable supports for families in which there is no wage earner. This includes the many family caregivers who cannot seek employment because they care for children with disabilities and, increasingly, for aging

baby boomer grandparents. This population also consists of families whose working-age members cannot succeed in the workforce despite their best efforts and need a much smoother path into programs for people with disabilities.

Third, Illinois can open an exciting new front: building financial assets. The state should adopt a children's savings account program. Opened at birth for each child with an initial deposit, children's savings accounts would encourage ongoing savings that the child can access at age 18 for college or other approved purposes. The program teaches kids to plan and aspire, and it starts them on the path to building financial and personal capital, which is also the route to the economic stability and upward mobility that characterize the middle class.

Since welfare was reformed more than 10 years ago, Illinois families and their children have been both harmed and helped by the changes. Building off of this history, the state must continue to invest in policies and programs that help workers acquire skills to reach self-sufficiency and set children on a path toward educational success and financial stability.

# Illinois Cannot Turn Away from Rural Children in Poverty

By Anna Jackson

*Lecturer, Southern Illinois University*

Have you ever looked deep into the eyes of a child of rural poverty? Did you see the light of infinite possibilities, the bright face of a child loved and provided with rich opportunities? Or did you see despair and loneliness in those eyes and then quickly turn away?

We must not turn away. No child's eyes should reflect failure because of his or her family's economic strife and poor living conditions.

Unfortunately, even now, at the beginning of the 21st century, far too many children in rural Illinois live in deep poverty, with little sense that the future can be different. In the southern part of our state, distant from the centers of power in Chicago and Springfield, rural poverty is entrenched. It is passed down from one generation to the next. Children witness the survival struggles of their parents, their grandparents and other family members, but rarely meet potential role models of achievement and success.

Of the 31 rural counties in southern Illinois, 27 have child poverty levels above the state average of 17 percent. Moreover, while the poverty level has declined by 14 percent in the state and 15 percent in Cook

County since 1989, the conditions for rural children have worsened. In all but five of these rural counties, the poverty rate has increased.

The 2005 statistics of children living in poverty are especially sobering for some counties at the southern tip of the state:

- Alexander: 57 percent
- Pulaski: 42 percent
- Saline: 32 percent
- Pope: 30 percent
- Hardin and Gallatin: 28 percent
- Jackson: 27 percent

While more families in these counties are claiming their federal and state earned income tax credits, the amounts are not enough to change the dire realities.

For a child, there is nothing romantic about rural poverty. It is feeling the cold through thin sneakers as she waits for the school bus. It is white bread and cheap margarine for dinner when the food stamps run out. It is the humiliation of being shunned by classmates.

Rural poverty is largely invisible and, for those of us who can choose to look away, easy to avoid. We have

to get off the expressway and onto the back roads to see poor children in front of dilapidated trailers and rundown houses. We have to visit schools in small towns that have few resources compared with those in wealthy communities of our state. Only when we make an effort will we hear the children's dreams and recognize their potential.

We must all make that effort. Low-income families living in rural areas are isolated. As residents of Illinois, we all have the obligation to break that isolation and speak up for the needs of these children. To end the cycle of rural poverty, we must insist that families, communities and government provide economic stability, affordable housing and comprehensive health care for all children. We must demand equitable education funding across the state so that all children can receive an A+ education.

Do not turn away. We must all work together to light the fire of hope in the eyes of Illinois' poor rural children.