Income Instability in the Lives of Hispanic Children

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Overview

In order to inform public policies and programs aimed at supporting the healthy development of at-risk children, it is important to understand the experiences of children living in poverty. Static depictions of poverty (such as the percentage of children living under the federal poverty level) have proved essential for capturing trends and determining eligibility for programs. However, such depictions do not reveal the fuller economic complexity of the lives of children in income-poor households. Recent estimates suggest that differences in the amount of income instability (the amount of fluctuation in income, measured monthly) between the highest- and lowest-income households with children has increased nearly five-fold from 1984 to 2010, with the lowest-income households becoming less income stable.¹

These shifts in the economic context are coupled with shifts in the racial and ethnic composition of children in poverty; today there is an increasingly higher proportion of poor children who are Hispanic as compared to two decades ago. High levels of poverty among Hispanic families, coupled with high income instability, suggests that Hispanic children may be increasingly vulnerable to financial shocks, whether generated by unpredictable paychecks or unexpected household purchases or needs. Moreover, while positive financial shocks may represent a path toward upward economic mobility, frequent, and, in particular, negative income shocks may be challenging for families to recover from. Such vulnerability could be impacted by policies that either help stabilize or unintentionally increase income instability. For instance, food stamp benefits can boost family net income by similar amounts month-to-month. In contrast, policies that determine eligibility and re-determination for support services based on the number of hours recently worked may not adequately reflect the need for these services in cases of fluctuating work hours.

In this research brief, we take a close look at poverty and income instability among Hispanic children and compare their experiences with those of non-Hispanic children. This brief focuses on the following questions: Do experiences of income instability differ for Hispanic versus non-Hispanic children overall? Do these experiences differ for lower-income as compared to higher-income Hispanic and non-Hispanic children? Does income instability differ by Hispanic children’s select household and demographic characteristics?

We examine these questions using nationally representative data from February 2004 to September 2006, a period of time for which samples of Hispanic households in the United States are large enough to make empirical comparisons across and within racial/ethnic and income groups.

**Key findings**

- **Hispanic children, in 2004 to 2006, were nearly twice as likely as non-Hispanic children to reside in low-income households.** Moreover, only nine percent of Hispanic children lived in households that had annual incomes at or above $107,000 (the highest income quintile), as compared with 25 percent for non-Hispanic children.

- **The gap in the proportion of children living in the lowest versus highest income households was larger among Hispanic children than among non-Hispanic children.** This is in part because such a low proportion of Hispanic children resided in the highest income (as compared with middle-income) households. In contrast, the gap between the proportion of non-Hispanic children living in the lowest-income households versus the highest-income households was only nine percentage points.\(^a\)

- **Hispanic children in the lowest-income households had less income instability (or, more income stability) than their non-Hispanic counterparts.**

- **Among Hispanic children in the lowest-income group, income instability was experienced similarly across households with certain demographic characteristics, with the exception of linguistic isolation.** Income instability among children in the lowest-income Hispanic households was similar irrespective of adults’ nativity or citizenship status, parents’ English-language proficiency,\(^b\) country of origin (Mexican versus non-Mexican), or geographic region of the United States. However, Hispanic children in low-income households that were linguistically isolated (i.e., no person over the age of 14 speaks English very well) were more income stable than Hispanic children in the lowest-income households that were not linguistically isolated.

**About this brief**

This brief is part of a series that examines the economic conditions of Hispanic children and families using the Survey of Income and Program Participation (SIPP). The companion briefs examine how income instability differed between the period marking the start of the Great Recession and the period right after the recession (2008 to 2011), and the reasons why Hispanic parents do not apply for government assistance programs.

Companion briefs include:


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\(^a\) If there were an equal distribution of children across income quintiles irrespective of race/ethnicity, we would expect 20 percent of children (one out of five) to fall in each income quintile. Instead we see that one out of approximately three Hispanic children reside in the lowest income quintile households and one out of 10 Hispanic children reside in the highest income quintile households. In contrast, approximately one out of four non-Hispanic children reside in the highest income quintile households.

\(^b\) Most household heads are parents, though not all adults in the sample are parents.
Background

Living in a low-income household that is also income unstable puts unique economic and psychological stress on children's cognitive, social, and emotional development in ways that are different from living in an environment where the income is stable, but low. Unstable and unpredictable income can interrupt family routines and disrupt parent-child relationships.1,2

Outside of indicators of overall economic or poverty status, very little is understood about the economic circumstances and dynamics of income among Hispanic children, particularly those who are low-income.3 Compared with some other racial/ethnic groups, Hispanic families have less in savings and fewer economic assets (such as home ownership),4,5 lower rates of health and related insurance,6 and fewer formal ties to financial institutions.7,8 They also experience more employment uncertainty (with the majority of jobs in the agricultural or construction sector that often vary with the uncertainty of seasonal or business cycles).9 These factors put Hispanic families at particular risk of unfavorable impacts from negative income shocks.10,11

At the same time, Hispanic households may have a number of characteristics that help buffer the negative ramifications of income instability,12-14 such as financial optimism, marital stability, family cohesion, a higher likelihood of having at least one employed adult, and close social networks.15,16

Programs and policies may share the goals of enhancing overall income, but differ in whether their strategies stabilize or destabilize household income. Low-income families may be particularly vulnerable to unstable income in today's political and economic environment because of the precarious and sporadic nature of low-wage work and the resulting unpredictability of earned income. Such unpredictability of earnings can, in turn, affect initial or continued eligibility for social assistance programs.17 For example, a household that suddenly experiences an increase in earned income (whether it is an unexpected increase in hours worked, or an unanticipated seasonal job) may risk losing eligibility for food stamp benefits (under the Supplemental Nutrition Assistance Program, or SNAP) if the redetermination period for those benefits happens to co-occur with the period of higher income. Programs with longer windows of eligibility would avoid this destabilizing impact. For this reason, many early education programs, such as Head Start, may be income stabilizing for families since a child's eligibility is secured for a full year (irrespective of subsequent fluctuations in income that the family might experience). Minimizing the disruption of children's eligibility for attending this type of early education or care program contributes to income stability because it enables parents to continue to work while children are in care (and, children could further benefit through the stability of staying with the same care provider).

About the data source for this brief

Data for this study come from the Survey of Income Program Participation (SIPP) 2004 Panel, a nationally representative survey of households conducted by the U.S. Census Bureau. This study uses the first nine waves of data that were collected between February 2004 and September 2006 (each wave retrospectively collects information over a four-month period). The sample used for the analyses in this brief includes 7,651 children who were aged zero through 18 and resided in 4,069 households. Roughly 20 percent (19.8 percent) of the child sample (N=1,516) were identified as Hispanic, representing 18.5 percent (or, 753) households. Approximately 90 percent of children resided in single-family households, meaning that 10 percent or less of children resided in multiple-family households irrespective of Hispanic ethnicity. Nearly all of the children who were identified as Hispanic resided in households with other siblings/children who were also identified as Hispanic. Tests for statistical significance in differences across outcomes by racial/ethnic group and/or income level at the p<0.05 are noted. Adjustment of standard errors for clustering of children within households do not substantively alter the main conclusions. Analyses also apply study design weights to adjust for the longitudinal nature of the panel, and to derive nationally representative statistics.

Average monthly income is a variable computed by the Census Bureau by combining the pre-tax real income of each member of the household. This measure includes earned income, cash transfer payments (i.e., assistance based on income eligibility but not the cash equivalent of programs such as food stamps), lump-sum and one-time payments, regular salary or other income from self-owned business, property income, and any interest and dividend income.4 All income is reported in 2011 dollars. Income information is available for each of the months in the wave. We only use income reported for the month of the interview to reduce recall error and minimize issues of seam bias. This means that we have monthly income that is reported three times per year for each household.6

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1 Because Hispanic households and children represent a high proportion of low-income households, analyses of the economic circumstances of the poor will generally capture the experiences of income-poor Hispanic households by default. Knowledge gained about the economic circumstances of Hispanic households is often not a primary research question and thus a byproduct rather than a direct focus of current empirical or qualitative research investigations.
Intra-year (or within year) income instability is measured in two ways in this brief:

The number of income shocks are measured as changes in monthly income of 33 percent or more between the first month of Wave X and the first month of Wave X+1 for each X=9 waves included in the analysis. Negative (and positive) income shocks are comparably measured as reductions (or increases) in monthly income.

The coefficient of variation (CV) is a measure that takes into account variations in monthly income (in this case the reference month of the survey data wave) as compared to annual income (the ratio of the household’s standard deviation of monthly income to the household’s mean income). A higher value indicates more income instability. Zero indicates the same monthly income is observed for each month (no within-year month-to-month income instability). The CV has the advantage of being able to make comparisons for households of different income groups or other characteristics because it is not dependent on starting values. Sensitivity analyses are also conducted with the standard deviation of arc percent change (APC), defined as the average difference in income between two time points relative to the mean value across the two time points. Both the CV and APC measures respect symmetry, such that a family that has a 100 percent increase in one year from 50 to 100 and has income fall by 50 percent in the next from 100 to 50 would have similar absolute quantitative values for both kinds of transitions (up and down). Each construct is also not dependent on starting values so that the formula can be applied equivalently for different subgroups. The CV is more heavily influenced by differences in mean income (i.e., it jointly captures income inequality as well as variability). In contrast, the value of the APC is bounded by -200 and 200. Both are preferable to alternative measures such as percent change, which cannot be computed with a value of zero income.

Analyses are presented by income quintile so that patterns across the entire income distribution can be examined. In 2004, the lowest income quintile at $24,000 (in 2011 dollars) is slightly above the 2011 average poverty threshold of $23,201. Children are categorized into income quintiles based on the current month’s income reported in Wave 1. In this brief, all sources of income in the household, including income from multiple-families residing in the household, are counted in order to capture all financial resources potentially available to the child. The measure of income excludes the post-transfer value of some non-cash social assistance programs (such as Medicaid) and does not adjust for taxes; as a result, this may understate disposable or net income for the lowest-income households more generally and overstate disposable or net income for the highest-income households more generally. Alvira-Hammond and Gennetian (2015) use only family-earned income to better map onto economic criteria for public assistance eligibility.

The racial/ethnic identity of households is based on reports of the adult respondent (in the majority of cases the parent of the child), though the main results are similar when based on reports of the racial/ethnic identity of the child (results not shown).

As compared to non-Hispanic children, a higher proportion of Hispanic children lived in the lowest-income households, and the gap between the proportions of children who resided in the lower-income versus higher-income households was larger among Hispanic children. Twenty-nine percent of Hispanic children resided in households in the lowest-income quintile, compared with 16 percent of non-Hispanic children (see Figure 1). In comparison, nine percent of Hispanic children lived in households in the highest-income quintile, compared with 25 percent of non-Hispanic children. Thus, according to the measure of income used in this analysis, not only were Hispanic children more likely to be poor, but there was a striking 20-point difference between the percentage of Hispanic children in the lowest- and highest-income quintiles, compared with a nine-point difference among non-Hispanic children.

However, Hispanic children in the lowest-income households experienced slightly less income instability than non-Hispanic children in the lowest-income households. Figures 2 and 3 present the total number of income shocks and the total number of negative income shocks, respectively. Income shocks can result from a variety of factors such as job loss, increased work hours, or varying timing of earnings payments, to loss or gain of social assistance.
Figure 1: A higher proportion of Hispanic than non-Hispanic children lived in the lowest-income households (2004-2006).

Distribution of children ages 0-18 across household income quintiles, by Hispanic ethnicity, SIPP

An equal distribution of children across quintiles is indicated by the dark black line.

*Reflects statistically significant differences at p<= 0.05 between Hispanic children and non-Hispanic children within quintile.

Note: Results are weighted.

Figure 2: Hispanic and non-Hispanic children in low-income households experienced similar numbers of total income shocks (2004-2006).

Number of income shocks experienced by children ages 0-18 across household income quintile, by Hispanic ethnicity, SIPP 2004

An income change is defined as a 33% or more increase in monthly income between waves measured over a 2.5-year period.

*Reflects statistically significant differences at p<=0.05 between Hispanic children and non-Hispanic children within quintile.

Note: Results are weighted.

In the lowest-income households, Hispanic children experienced fewer negative income shocks. In general, during the 2.5 years examined, we find that the number of income shocks experienced by all children in the lowest-income households was higher than for children in higher-income households (see Figure 2). Specifically, children in the lowest-income households experienced drops in income of at least 33 percent 1.3 times over the 2.5-year period. In comparison, children in the highest-income households experienced comparable drops of income once or fewer times on average. Hispanic children in the lowest-income households experienced statistically fewer negative income shocks (1.27 over the 2.5-year period) than non-Hispanic children in the lowest-income households (1.39 over the 2.5-year period, as shown in Figure 3).

The comparative experience of negative income shocks looks different for middle- to higher-income households (Figure 3). Hispanic children in middle- to higher-income households (quintiles 3 to 5) experienced slightly more negative income shocks (0.83 to 1.04 over the 2.5-year period) than non-Hispanic children in middle- to higher-income households (0.78 to 0.80 over the 2.5-year period).
The pattern of results holds when using the CV measure of income instability (see data box for a fuller description). Using this measure, again we see that Hispanic children in the lowest-income households experienced more income stability, compared to non-Hispanic children in the lowest-income households (CV=0.51 vs. CV=0.62). Is the CV lower because Hispanic children in the lowest-income households had lower household income on average, or because of less variation in that income? Notably, the average level of monthly total household income across the period of analysis was nearly identical for Hispanic and non-Hispanic children in the lowest-income households (at $2,196 and $2,194, respectively). The main difference between the groups is the amount that income fluctuated around that average. A Hispanic child in the lowest-income household experienced variation in monthly income of about $1,083 on average, compared with non-Hispanic children in the lowest-income households, who experienced variation in monthly income of about $1,314.

These results imply that Hispanic children are more likely to be poor than non-Hispanic children (confirming evidence reported from other data sources), but their experience of poverty comes with greater income stability within that lower economic bracket. At the same time, Hispanic children in the highest-income households experience greater income instability than their peers within the higher-income bracket. During the period we examined, Hispanic children experienced relatively similar levels of income stability whether rich or poor (CV of 0.51 vs. 0.41); whereas poor non-Hispanic children had much less income stability than their higher-income peers (CV of 0.62 vs. 0.29).
Hispanic children in the lowest-income households that were linguistically isolated experienced more income stability than children in the lowest-income Hispanic households that were not linguistically isolated. Otherwise, the co-occurrence of low and stable income was similar for Hispanic children across a variety of other characteristics, including adults’ nativity or citizenship status, country of origin (Mexican versus non-Mexican), and geographic region of the United States.

How stable or unstable income is depends on its source, and while overall income might look similarly stable across Hispanic children’s households of different sociodemographic characteristics, the stability of earned income may look very different from the stability of unearned income. A re-occurring earned income of zero, for example from unemployment, is a form of income stability, though not a positive form. Some additional analyses suggest that children in the lowest-income Hispanic households with at least one adult born in the United States are less likely to have at least one employed adult; but the lowest-income households may be more likely to receive social assistance, such as SNAP (food stamps); when we convert SNAP benefits into their cash value among those reporting receipt, income stability increases. (Note, however, that the lowest-income Hispanic households are less likely than non-Hispanic households to receive SNAP and other types of government assistance. Thus, the income stabilization benefits that accrue to other low-income households do not tend to accrue to the lowest-income Hispanic households to the same degree.)

Discussion and implications

Child poverty rates monitor economic deprivation, but fail to portray the impact of daily or monthly fluctuations in household income. The combination of low and unstable income may impact family routines, psychological stress, and residential stability, which in turn can lead to negative repercussions for children’s development. This brief shows that in 2004 to 2006, Hispanic children were more likely to live in poor households than their non-Hispanic peers, but that among the lowest-income households, Hispanic children had less income instability than non-Hispanic children did. Thus, the experience of poverty for Hispanic children appears qualitatively different when viewed through the lens of income fluctuations.

The overall pattern of lower-but-more-stable income appears similar for Hispanic children regardless of the citizenship and nativity status of the adults in the household, whether they were of Mexican origin, and where they were located in the United States. However, low-income Hispanic children who lived in households that were linguistically isolated (with no members over the age of 14 who speak English) experienced more income stability than low-income Hispanic children in households with members who did speak English well. Analyses do not suggest that this is because of differences in adult employment and their contribution of stable earnings. More work is necessary to better understand why Hispanic children in linguistically isolated low-income households experience more-stable income than Hispanic children in low-income households with at least one adult who speaks English well.

1 We separately code and examine income instability among Hispanic households by: whether at least one adult household member reports being born in the U.S.; whether at least one adult household member reports U.S. citizenship status; whether the reference adult, often the household head, is proficient in English (1 if the adult speaks only English, or English well/very well and another language; 0 if the reference adult does not speak English at all or not very well); whether the child lives in a linguistically isolated household where no person age 14 and over speaks English very well; whether the reference adult is originally from Mexico (state or country of birth sample size for others is too small to examine); and current residence in each of four regions of the United States.
What are the implications for children’s developmental outcomes? On the one hand, stable earnings and less reliance on social assistance income may bode well for Hispanic children, particularly if associated with broader family stability, even if at low overall income. On the other hand, stable chronic poverty is not good for children. In addition, earnings stability may result from one or more adults in the household juggling multiple jobs or work shifts, or balancing seasonal work with odd jobs, and thus may come at the cost of instability in other aspects of family life (i.e., household routines or time spent with parents). That is, whereas some research points to the unfavorable associations of income instability with outcomes such as suspensions and expulsions among low-income adolescents, the impact of income stability at low incomes is not as clear.

The role of the social safety net and equivalent policies in supporting upward economic mobility requires further investigation. Researchers may determine the ways different sources of income contribute to or exacerbate income instability. This analysis did not fully account for the value of all public or social assistance programs among eligible households. Such an accounting may show an even larger gap in income level and income stability between low-income Hispanic children and low-income non-Hispanic children, because citizenship status determines eligibility and Hispanic households have a lower level of take-up of social assistance benefits overall. Indeed, further exploratory analysis suggest that receipt of food stamps (converted into its cash value) improves income stability among lowest income households, but less so among Hispanic children because of lower rates of food stamp receipt.

Further, this brief captures a time of broader economic stability in the United States, leaving questions about whether and how, for example, the Great Recession in 2008 and the early period of recovery might have altered income experiences among low-income Hispanic children. This question is explored in a companion brief.

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8 Nonetheless, the lowest-income Hispanic children still experience similar or higher levels of income stability—even when the cash value of food stamps is counted—than levels of lowest-income children of other racial/ethnic groups.
Endnotes


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About the Center
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