



A Future of Child Poverty: How Much It Costs and What We Can Do About It



"I'm always anxious, I try to relax, but sometimes it's impossible. The day-to-day, the economy... you know... not having a job, only getting by with food stamps... you know... it's difficult."
- 47 years-old grandmother of a public housing project of San Juan

58% of children live below the poverty level, while 37% live in extreme poverty with an annual income of around \$3,900. Most of these children live in poverty most of their lives and carry a heavy burden on their shoulders: building the future of Puerto Rico. Poverty limits their opportunities for healthy development in childhood, such as cognitive development, nutrition, health, educational achievement, and exposure to crime. Certainly, some of these children will overcome the obstacles imposed by poverty and will do well, but many will fall behind.

This study focuses on the perspective of human potential and how poverty constrains opportunities in childhood, with consequences in adulthood and for the country.

It is difficult to quantify all the costs associated with poverty. Therefore, this study focuses on costs related to:

Income

Reduced income due lower education levels, lower productivity, and low employability

Health

Increase in health expenses, years of lost quality of life, and costs related to special education

Crime

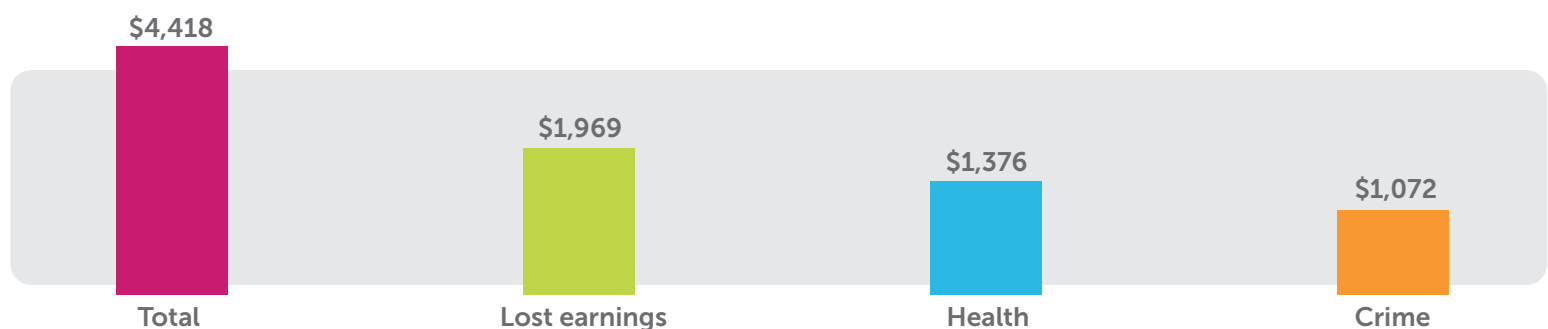
Government costs to fight and prosecute crime, costs of homicides, value of stolen property, private security, loss of income due to incarceration

Some sources of information used are government reports, scientific evidence of studies in Puerto Rico, national surveys, municipal data and in-depth interviews with low-income mothers. Estimates are for 2017.

The study shows that:

- 1 Growing up in poverty has consequences on health, income, and exposure and participation in criminal activities.
- 2 Each minor who lives most of his or her life in poverty loses an average annual income of \$17,922.
- 3 Health expenses per person are 58% higher and those for special education are almost triple due to child poverty.
- 4 50% of the cost of crime in the country can be attributed to child poverty.
- 5 The annual cost of child poverty in Puerto Rico is \$4,418 million, or 4.3% of the Gross Domestic Product.

Cost of Child Poverty 2017 (in millions)



A Future of Child Poverty: How Much It Costs and What We Can Do About It

As part of the analysis, we identified and simulated the impact of a group of public policies with the ability to significantly reduce child poverty in Puerto Rico during the next 10 years. Ten public policies were considered, which we grouped into four categories:

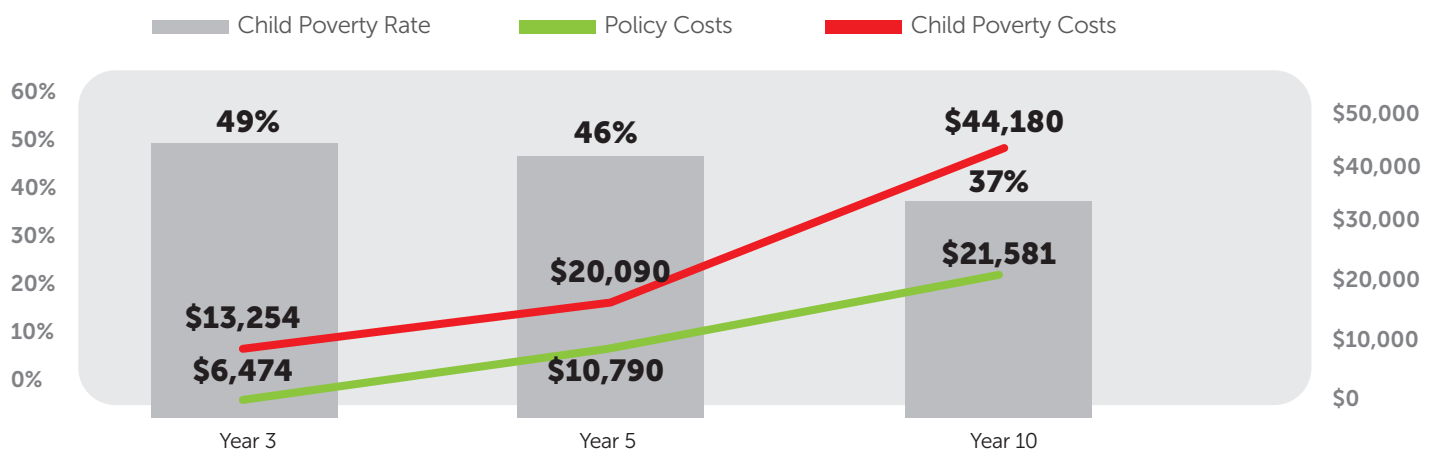
- 1 **Tax policies**
 - a. Extend the Federal Child Tax Credit to families with 1 or 2 children
 - b. Maintain the Local Earned Income Tax Credit
 - c. Create Welfare-to-Work Opportunity tax credit for employers
- 2 **Economic and work policies**
 - a. Expand government-subsidized job programs for parents and youth
 - b. Create a universal child allowance program
- 3 **Policies to remove barriers to work**
 - a. Ensure access to early child development programs to all children aged 0 to 5
 - b. Extend after-school programs to all children in public schools
 - c. Introduce two-generation programs to public schools
- 4 **Human capital development policies**
 - a. Develop a sector-based work training program
 - b. Revamp high school and associate degree completion programs

These ten public policies were combined into three groups according to their cost and effectiveness. These three combinations, at different costs, have different impacts in reducing child poverty. However, all three combinations have a significant impact on reducing child poverty in Puerto Rico for the next ten years.

The analysis of these public policies shows that eradicating poverty costs, but it costs us more to do nothing. Specifically:

- 1 If nothing is done the cost of child poverty in ten years can reach up to \$44,418 billion, while the implementation of any of the three combinations of recommended public policies reaches a maximum cost of \$27,741 million.
- 2 For example, Combination # 1 shows that 58% of child poverty in Puerto Rico could be reduced to:
 - a. 49% in 3 years at a cost of \$6.8 billion
 - b. 46% in 5 years at a cost of \$10.8 billion
 - c. 37% in 10 years at a cost of \$21.6 billion
- 3 Extreme child poverty could be reduced from 39% to 11% in ten years.

Relation between costs and child poverty



This graph shows the relationship between the current cost of poverty (red line), the cost of the policies evaluated in Combination #1 (green line), and the percentage of child poverty (bars) in the next three, five, and ten years. In this figure, we see how the percentage of child poverty is decreasing and the cost-effectiveness of implementing these public policies in comparison to doing nothing.

For more information on the study "A Future of Child Poverty: How Much It Costs and What We Can Do About It," go to www.cuantonoscuesta.com. If you want to know more about the Youth Development Institute (IDJ), visit www.juventudpr.org/en; our Facebook page: @IDJ.PR; Twitter: @IDJ_PR; or write us an email at info@juventudpr.org.