

# Evaluating the (short-lived) US experiment with a child benefit

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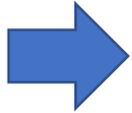
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Based on recent studies with and input from Elizabeth Ananat, Sophie Collyer, Megan Curran, Jill Gandhi, Irv Garfinkel, Thesia Garner, Benjamin Glasner, Bradley Hardy, Neeraj Kaushal, Jiwan Lee, Jordan Matsudaira, Kathy Neckerman, Ronald Mincy, Jake Schild, Christopher Wimer, and Zachary Parolin

# Background

## The experiment:

- The US stands out from peer countries in the limited support it provides to children and families. In particular, it lacks a child benefit. (Both the EITC and CTC are conditioned on employment.)
- In response to COVID, the US briefly engaged in an experiment with a monthly child benefit
  - The CTC was expanded to cover all families with children and delivered monthly from July 15, 2011 to December 15, 2021, at a rate of \$300 per child under 6, \$250 per child 6-17, per month



## Our evaluation:

- We use an array of data to evaluate the impact of the monthly payments on:
  - Poverty and hardship
  - Employment
  - Expenditures on children
  - Parenting and child outcomes
- Our evaluation is very much informed by what we know about other countries, in particular my earlier work based at CASE on child benefit and CTC reforms in the UK, Megan's comparative research on child benefits, and Zach's comparative work on poverty & social policy

# Today I'll provide a brief overview of three of our studies

## 1. Monthly child poverty

### Monthly Poverty Rates among Children after the Expansion of the Child Tax Credit

Zachary Parolin<sup>a,b</sup>, Sophie Collyer<sup>a</sup>, Megan A. Curran<sup>a</sup> and Christopher Wimer<sup>a</sup>

- a. Center on Poverty and Social Policy, Columbia University
- b. Bocconi University

This report discusses the estimated impact of the expanded Child Tax Credit on the monthly poverty rate for July 2021 in the United States.

#### Findings

- COVID-related economic relief, including the expanded Child Tax Credit, kept 6 million children from poverty in July 2021; without COVID relief, the monthly child poverty rate would have been 8.1 percentage points (or 40.6 percent) higher.
- The monthly child poverty rate fell from 15.8 percent in June to 11.9 percent in July 2021, representing a decline of 3 million children living in poverty.
- This drop in child poverty is primarily due to the first payment of the expanded Child Tax Credit, which on its own kept approximately 3 million children from poverty in July; without it, the monthly child poverty rate would have been 4.1 percentage points (or 25.6 percent) higher.

## 2. Food hardship



### The Initial Effects of the Expanded Child Tax Credit on Material Hardship

Zachary Parolin, Elizabeth Ananat, Sophie M. Collyer, Megan Curran & Christopher Wimer

The transformation of the Child Tax Credit (CTC) into a more generous, inclusive monthly payment marks a historic (temporary) shift in U.S. treatment of low-income families. To investigate the initial impact of these payments, we apply a series of difference-in-difference estimates using Census Household Pulse Survey microdata collected from April 14 through August 16, 2021. Our findings offer three primary conclusions regarding the initial effects of the monthly CTC. First, payments strongly reduced food insufficiency: the initial payments led to a 7.5 percentage point (25 percent) decline in food insufficiency among low-income households with children. Second, the effects on food insufficiency are concentrated among families with 2019 pre-tax incomes below \$35,000, and the CTC strongly reduces food insufficiency among low-income Black, Latino, and White families alike. Third, increasing the CTC coverage rate would be required in order for material hardship to be reduced further. Self-reports suggest the lowest-income households were less likely than higher-income families to receive the first CTC payments. As more children receive the benefit in future months, material hardship may decline further. Even with imperfect coverage, however, our findings suggest that the first CTC payments were largely effective at reducing food insufficiency among low-income families with children.

## 3. Employment and labor force participation

Initial Effects of the Expanded Child Tax Credit on Employment Outcomes

Elizabeth Ananat<sup>a,b</sup>, Benjamin Glasner<sup>a</sup>, Christal Hamilton<sup>a</sup>, Zachary Parolin<sup>a,c</sup>

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#### ABSTRACT

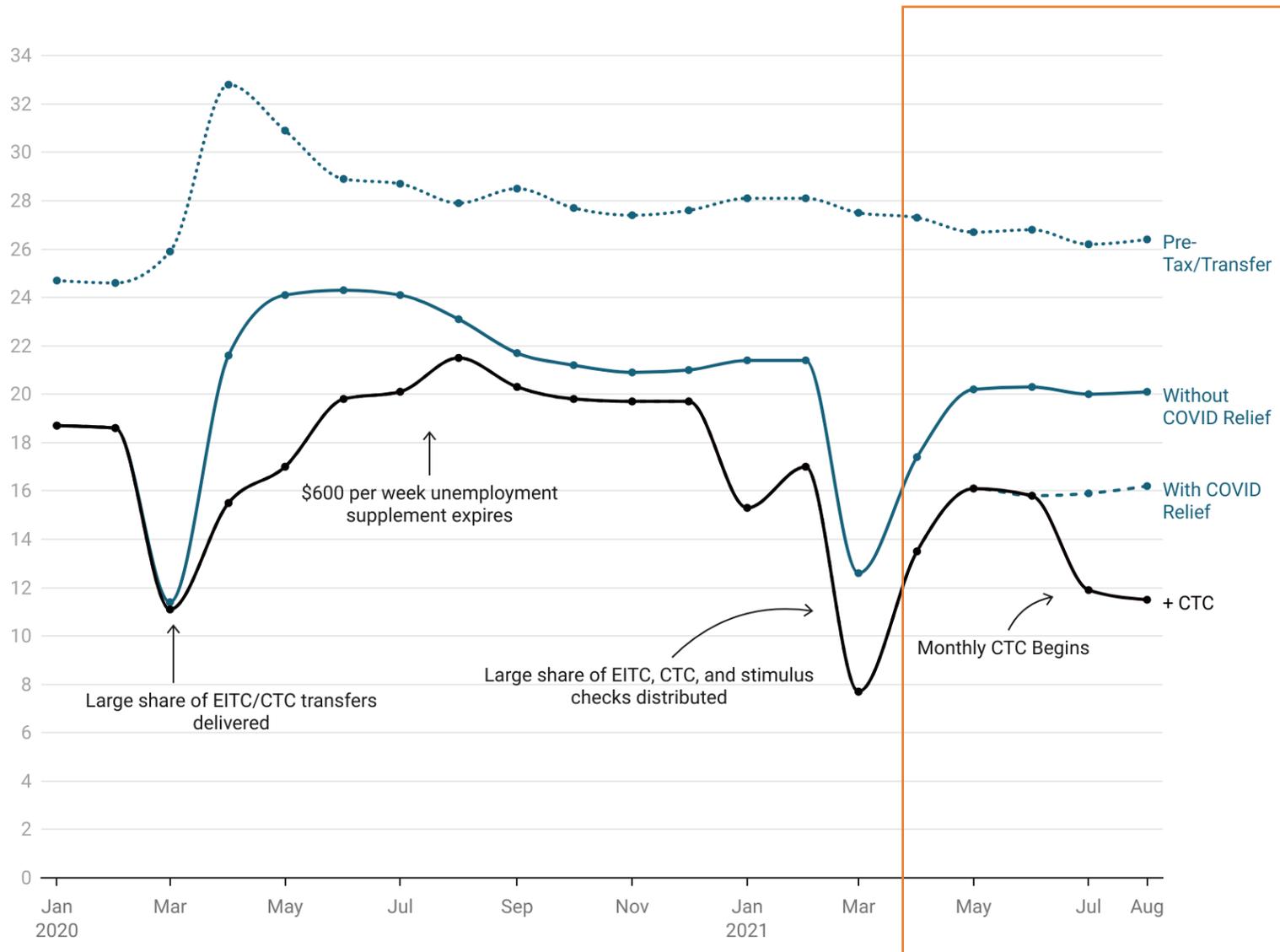
Early studies have established that the expanded Child Tax Credit (CTC), which provides monthly cash payments to most families with children in the United States, has substantially reduced poverty and food hardship since its introduction in July 2021. Some researchers posit, however, that the CTC payments may generate negative employment effects that will offset its potential poverty-reduction effects. Scholars have simulated various employment scenarios using different assumed labor supply elasticities, but no study to date has empirically assessed how the initial CTC payments have affected employment outcomes. To evaluate real-world employment effects, we follow previously-established methodology used to estimate other actual CTC impacts, applying a series of difference-in-differences estimates using data from the monthly Current Population Survey files from April 2021 through August 2021 and the Census Household Pulse Survey microdata collected from April 14 through September 13, 2021. Across both samples and

Parolin, Z., Curran, M., Matsudaira, J., Waldfogel, J., and Wimer, C. (2020). “[Monthly poverty rates in the United States during COVID-19.](#)” Poverty and Social Policy Working Paper. Center on Poverty and Social Policy, Columbia University

**Overview:**

- Monthly poverty rates applying the Supplemental Poverty Measure (SPM) framework
- Takes into account new taxes and transfers (e.g. CTC)
- Assumes incomplete coverage of the CTC (following state-month distributions from Dept. of Treasury)
- Assumes lowest-income tax units are less likely to receive the CTC

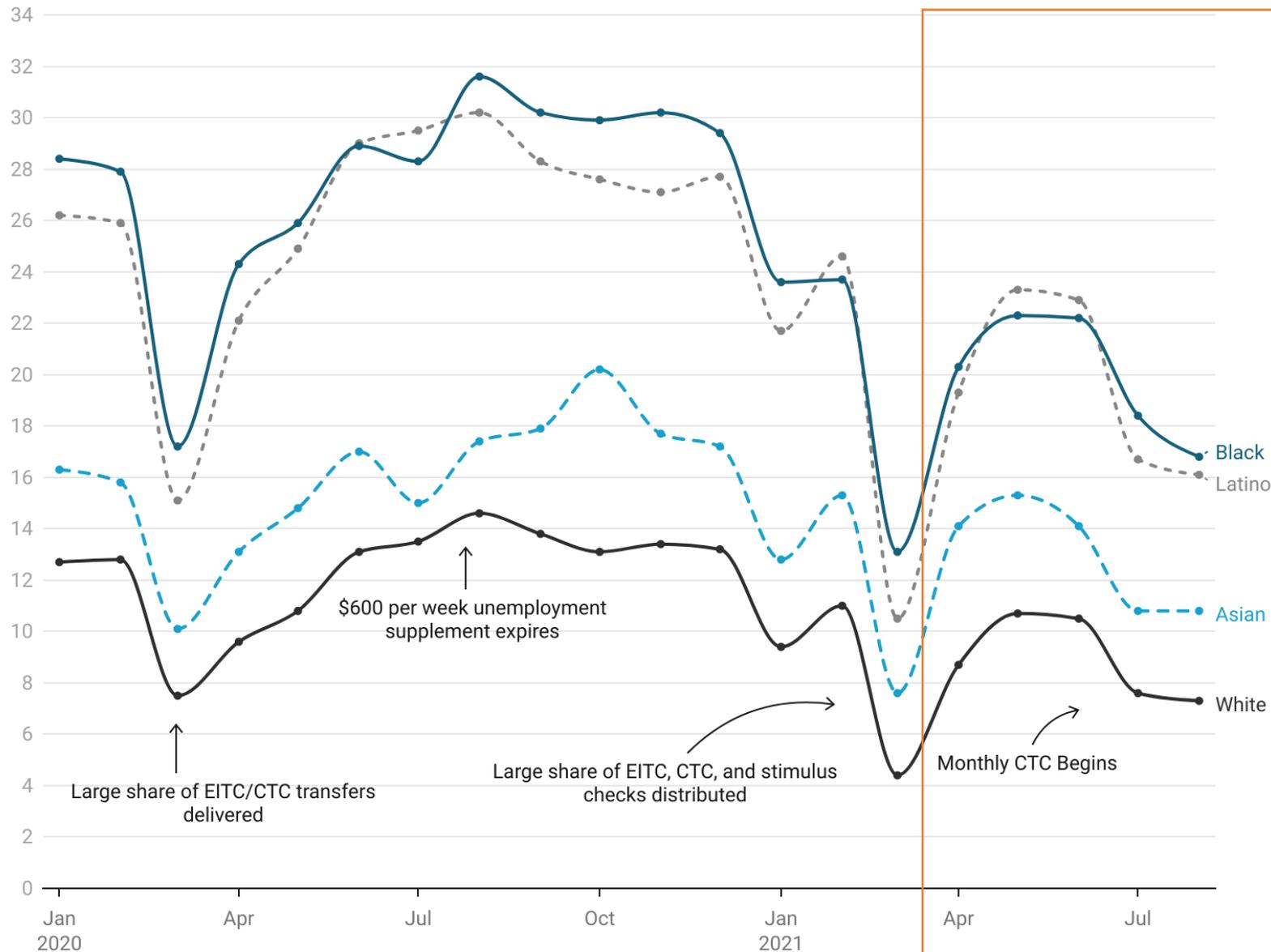
# Monthly Child Poverty Rates



## Findings:

- Monthly child poverty rate fell from 15.8% to 11.9% after first monthly CTC payment
- CTC lifted 3 million children out of poverty
- Stronger effects in August with increase in coverage rate of CTC
- Important consequences for month-to-month **volatility** in poverty

# Monthly Child Poverty Rates by Race/Ethnicity



## Findings:

- Monthly CTC payments contribute to strong reductions in poverty for Black and Latino children, in particular

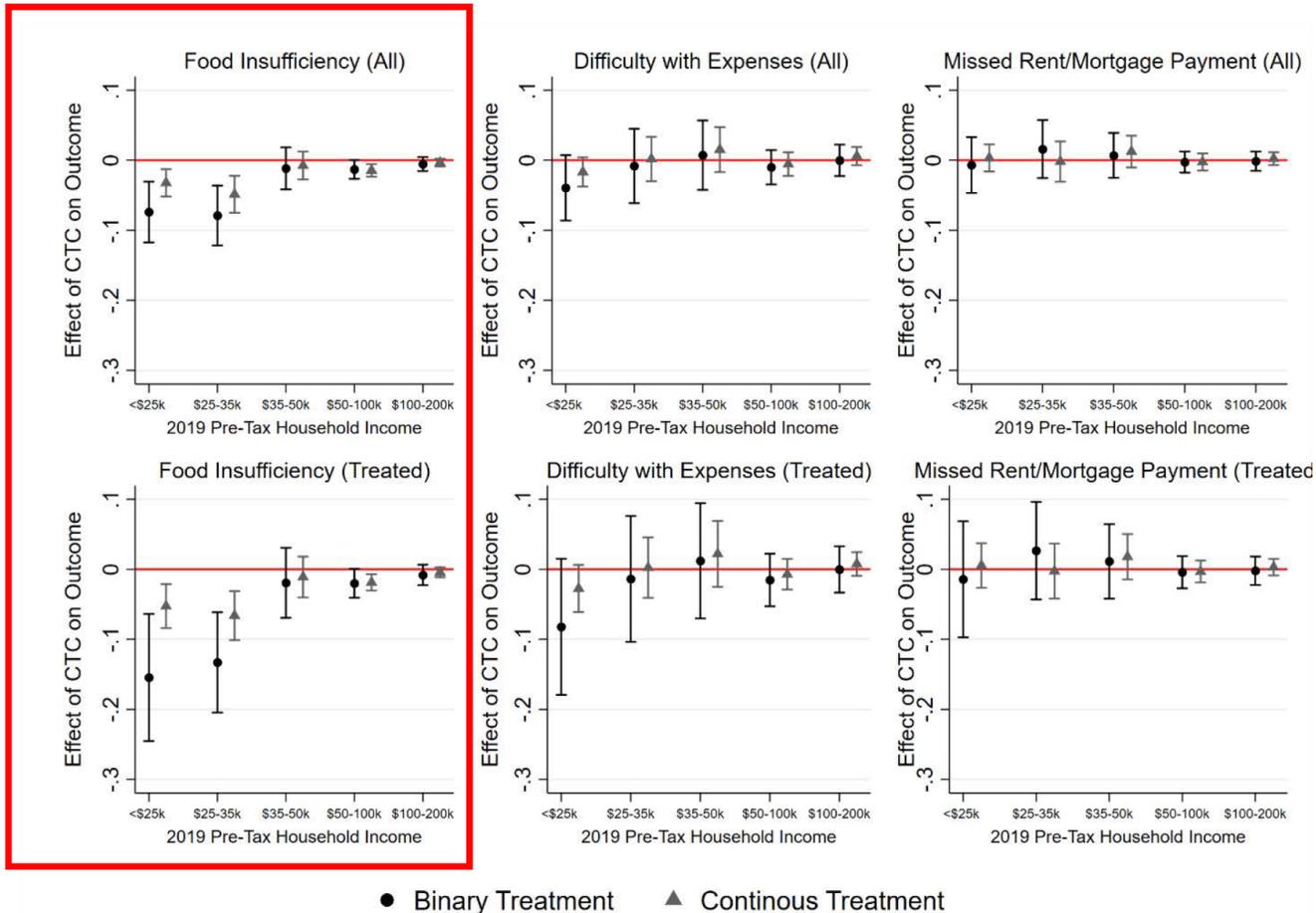
Parolin, Z., Ananat, E., Collyer, S., Curran, M., and Wimer, C. (2021).  
[“The initial effects of the expanded child tax credit on material hardship”](#)

**Overview:**

- Census Household Pulse Survey, April 2021 through September 2021
- Difference-in-difference estimates with multiple treatment specifications
- Food insufficiency: “Sometimes” or “often” not having enough to eat in the last 7 days

# Initial Effects on Food Hardship

Figure: Effect of CTC on material hardship by income level



Note: Y-axis plots coefficients from interaction of treatment indicator and post-treatment period indicator, similar to results from Tables 1 and 2. All models include state fixed effect and age, education, and sex controls. Separate estimates run for each income group displayed on Y-axes.

## Findings:

- Among families with pre-tax incomes of less than \$35,000 per year:
  - 7.5 p.p. (25%) decline in food insufficiency attributable to first CTC payments
  - Notably stronger effects for families who report receiving the CTC payments (treatment effect on the treated; bottom panel)
  - Consistently strong reduction effects for White, Black, and Latino children (see full paper)

Ananat, E., Glasner, B., Hamilton, C., and Parolin, Z. (2021). [“Effects of the expanded Child Tax Credit on employment outcomes: Evidence from real-world data from April to December 2021.”](#) NBER Working Paper, July 3, 2022

**Overview:**

- Recent debates over labor supply elasticities and potential employment effects of the CTC
- Prior work: based on simulations and elasticities derived from past literature
- But: any **initial** real-world evidence that CTC payments are causing labor market dropouts?
- We test this both in Current Population Survey and Pulse (through September 2021)

# Initial Effects on Employment

**Table 2:** Difference-in-differences Estimates of the Effect of Expanded CTC on Employment Outcomes (U.S. Census Household Pulse Survey, April 14 through September 13, 2021)

	Binary Treatment		Continuous Treatment (\$100s of Net Monthly Benefit Value)	
	1: Employed (Intent to Treat)	2: Employed (Treatment on Treated)	3: Employed (Intent to Treat)	4: Employed (Treatment on Treated)
Household with Children	0.006 (0.004)	0.006 (0.004)	-0.018*** (0.003)	-0.018*** (0.003)
Post-July 15	-0.010* (0.004)	-0.010* (0.004)	-0.011* (0.004)	-0.011* (0.004)
Household with Children X Post-July 15	0.002 (0.007)	0.003 (0.010)	0.000 (0.005)	0.000 (0.006)
Pre-Treatment Mean among HH w/ Children	0.701	0.701	0.701	0.701
Observations	375,676	375,676	326,543	326,543

Note: Sample: adults between ages 18-65. All models include state fixed effects and control for age, education, and sex of household head. Robust standard errors in parentheses. \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

## Findings:

- Across both samples and several model specifications:
  - very small, inconsistently signed, and statistically insignificant impacts of the CTC on employment and labor force participation
- Labor supply responses do not differ for households previously earning within the phase-in range of the prior CTC
- No early evidence to support claims that CTC has negative employment effects that offset its strong reductions in poverty and hardship

- In results thus far, we find initial monthly CTC payments:
  - Have lifted around 3 million children per month out of poverty
  - Led to particularly strong reductions in poverty for Black and Latino children
  - Also led to strong reductions in food insufficiency for low-income families
  - Contributed to lower and more stable poverty rates for families with children
  - Have not led to declines in employment or labor force participation among families with children
- In work in progress, we are studying:
  - Family expenditures (using data from the CE with colleagues from BLS)
  - Parenting and child outcomes (using data from NYC-LSW)
- We are also continuing to track all the research on the CTC expansion:
  - See our “Research Roundup” on the CPSP website <https://www.povertycenter.columbia.edu/> and check in there for updates

Thanks!

We gratefully acknowledge funding from the The JPB Foundation, Annie E. Casey Foundation, Gates Foundation, Robin Hood Foundation, and Washington Center for Equitable Growth. We are also grateful for support from CPRC which is funded by NICHD.