A Dialogue on Racial/Ethnic Equity and Policy Proposals to Reduce Child Poverty

Federal Reserve Bank of Boston

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The National Academies of Sciences • Engineering • Medicine
Study Sponsors

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Statement of Task

- Review research on linkages between child poverty and child well-being
- Analyze the poverty-reducing effects of existing major assistance programs directed at children and families
- Provide a list of alternative evidence-based policies and programs that could reduce child poverty and deep poverty by 50% within 10 years
Causal impacts of poverty

• The weight of the causal evidence indicates that poverty itself causes negative child outcomes, especially when poverty occurs in early childhood or persists throughout a large portion of childhood.

• Some programs that alleviate poverty—e.g., SNAP, EITC, medical insurance—have been shown to improve child well-being.
Statement of Task

Review research on linkages between child poverty and child well-being

Analyze the poverty-reducing effects of existing major assistance programs directed at children and families

Provide a list of alternative evidence-based policies and programs that could reduce child poverty and deep poverty by 50% within 10 years
Child Poverty Rates Would Be Higher Without Existing Programs

13% with all programs

+8.7% without all programs

Federal EITC, CTC
SNAP
SSI
Social Security
UC, WC, and other social insurance
Housing subsidies
Other benefits

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Child Poverty Rates Would Be Higher Without Existing Programs

- With all programs: 13%
- Without all programs: +8.7%

Programs:
- Federal EITC, CTC: +5.9%
- SNAP: +5.2%
- SSI: +1.8%
- Social Security: +2.3%
- UC, WC, and other social insurance: +0.7%
- Housing subsidies: +1.8%
- Other benefits: +4.1%
Deep Child Poverty Rates Would Also Be Higher Without Existing Programs

With all programs: 2.9%
Without all programs: +8.0%

Federal EITC, CTC: +0.8%
SNAP: +2.8%
SSI: +1.0%
Social Security: +1.5%
UC, WC, and other social insurance: +0.3%
Housing subsidies: +0.4%
Other benefits: +1.0%
Statement of Task

Review research on linkages between child poverty and child well-being

Analyze the poverty-reducing effects of existing major assistance programs directed at children and families

Provide a list of alternative evidence-based policies and programs that could reduce child poverty and deep poverty by 50% within 10 years
The Committee Developed

- 20 individual policy and program options
- 4 policy and program packages
Other programs considered but not simulated for lack of:

• Evidence on poverty-reducing effectiveness:
  – LARC (Long Acting Reversible Contraceptives)
  – Mandatory Work Programs
  – Marriage Promotion
  – TANF
  – Paid Family and Medical Leave
  – Block Grants

• Data:
  – American Indian/Alaska Native

• Comprehensive poverty measurement:
  – Public Health care programs
    (1/3 of federal expenditures on children)
Simulated Programs and Policies

Program and policy options tied to work:

• Expand the Earned Income Tax Credit (EITC)
• Expand child care subsidies
• Raise the federal minimum wage
• Implement a promising training and employment program called WorkAdvance

Modifications to existing safety net programs:

• Expand Supplemental Nutrition Assistance Program (SNAP)
• Expand the Housing Choice Voucher Program
• Expand Child Supplemental Security Income (SSI) levels

Policies used in other Countries:

• Replace Child Tax Credit with a nearly-universal child allowance
• Introduce a child support assurance program that sets guaranteed minimum child support amounts per child per month

Modifications to existing provisions relating to immigrants:

• Increasing immigrants’ access to safety net programs
No Single Program or Policy Option Met the 50% Reduction Goal
More Effective Policies Generally Cost More

Children Lifted Above 100% TRIM3 SPM (millions)

Program Cost (billions)
Impacts on Employment

- Income support enhancements decreased employment by up to 160,000.
- Work-based enhancements (e.g., to EITC, CDCTC) increased employment by up to 550,000.
The Committee Developed

20 individual policy and program options

4 policy and program packages
## Composition and Impacts of Program and Policy Packages

| Policy Package                                      | Work-oriented package |  |  |
|-----------------------------------------------------|-----------------------|  |  |
| Expand EITC                                         | X                     |  |  |
| Expand Child and Dependent Care Tax Credit          | X                     |  |  |
| Increase the minimum wage                           | X                     |  |  |
| Roll out WorkAdvance                                | X                     |  |  |
| Expand housing voucher program                      |  |  |  |
| Expand SNAP benefits                                |  |  |  |
| Begin a child allowance                             |  |  |  |
| Begin child support assurance                       |  |  |  |
| Eliminate 1996 immigration eligibility restrictions |  |  |  |
| **Percent Reduction in the number of poor children** | -18.8%                |  |  |
| **Percent Reduction in the number of children in deep poverty** | -19.3%                |  |  |
| **Change in number of low-income workers**          | +1,003,000             |  |  |
| **Annual cost, in billions**                        | $8.7                  |  |  |
## Composition and Impacts of Program and Policy Packages

<table>
<thead>
<tr>
<th>Policy Package</th>
<th>Work-oriented package</th>
<th>Work-Based and Universal Support Package</th>
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<tbody>
<tr>
<td>Expand EITC</td>
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<td>-19.3%</td>
<td>-41.3%</td>
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<tr>
<td><strong>Change in number of low-income workers</strong></td>
<td>+1,003,000</td>
<td>+568,000</td>
</tr>
<tr>
<td><strong>Annual cost, in billions</strong></td>
<td>$8.7</td>
<td>$44.5</td>
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## Some Program and Policy Packages DID Meet the Goal

<table>
<thead>
<tr>
<th>Package</th>
<th>Work-oriented package</th>
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<th>Means-tested supports and work package</th>
<th>Universal supports and work package</th>
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<td>+568,000</td>
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<td>+611,000</td>
</tr>
<tr>
<td>Annual cost, in billions</td>
<td>$8.7</td>
<td>$44.5</td>
<td>$90.7</td>
<td>$108.8</td>
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Costs of the Packages

Package costs range from $8.7 billion to $108.8 billion per year

Studies have estimated the annual macro costs of child poverty to range from $800 billion to $1.1 trillion (4% of GDP)
Lessons From the Packages:

Individual policy and program changes are insufficient

Bundling work-oriented and income-support programs can reduce poverty AND increase employment
Contextual Factors

Stability & predictability of income
Equitable & ready access to programs
Equitable treatment across racial & ethnic groups
Equitable treatment by the criminal justice system
Positive neighborhood conditions
Health & well-being

Context can greatly influence the impact and success of anti-poverty programs and policies.
Research Priorities

- State and local waivers to test new work-related programs, supported by federal funding
- More research on contextual impediments
- Improve federal data on and measurement of poverty
Learn More:
www.nap.edu/reducingchildpoverty

• ~220 page report
• Appendices
• TRIM3 spreadsheet with demographic and state details for policy options
• Data Explorer Tool
• Report Highlights

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