

Are Black and Latine Families with Babies Feeling Relief from the Child Tax Credit?



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Introduction

The American Rescue Plan of 2021 introduced the Child Tax Credit (CTC) program, a set of monthly payments received by millions of American families from July 2021 to December 2021. This program ended in December as Congress failed to pass Biden's "Build Back Better" agenda which included an extension of the expanded CTC.ⁱ

There has been a lot of debate surrounding the impact and efficacy of CTC and whether it should have been extended. Politically, one of the main arguments why CTC was not extended was due to high inflation in U.S. But there were also concerns surrounding how the money was being spent by parents and whether it was used fruitfully.ⁱⁱ How has the child tax credit benefitted families with low income? What have these cash transfers been used for? How have they benefited children, specifically Black and Latine children? How does it impact workforce participation? Has CTC stymied anti-poverty efforts by discouraging people to work? – these are some of the questions associated with the issue of extending this program.



The Equity Action Research Coalition has been studying the impact of CTC on income stability and economic hardship faced by American families with low income with babies (from birth to age three) since August of last year. We have used quantitative data from the Rapid Assessment of Pandemic Impact on Development-Early Childhood (RAPID-EC) to track how CTC payments have impacted income volatility, financial strain, and material hardships among Black and Latine families with low income with babies. Our research shows that CTC has helped to reduce economic burden and material hardship that families faced during the pandemic.

In this brief we are looking at the economic impact of the pandemic, receipt of CTC and its benefit on families with low income. We are using *qualitative* data consisting of parental written responses on open-ended questions from RAPID-EC to extend our quantitative analysis. We focus on the experiences of 452 Black, 1,702 Latine, and 1,699 other families with low income with babies. In our sample, 270 Black, 911 Latine, and 834 other families with low income with babies have received CTC.

I. Major Concerns During the Pandemic

Many American families have struggled to meet their basic economic needs during the pandemic. Parents have reported job loss or loss of income due to reduction in hours. Low-wage workers lost jobs at five times the rate of middle-wage workers, while high-wage employment actually increased over the first year of the pandemic.ⁱⁱⁱ Mothers have had to give up employment due to lack of childcare. With fewer options for alternative childcare, women of color, women without a college degree, and low-income women lost more hours of work to care for children than higher income and White women.^{iv} Parents have reported reduction in savings and going into debt. Hispanic and Black adults with low income were most likely to report that their families reduced spending on food, delayed major purchases, and used savings or increased credit card debt.^v

When respondents in the survey were asked whether the pandemic had affected their financial situation the majority of responses indicated that finances had been unaffected. Many responses affirmed a change in financial situation due to a decrease or increase of household income from a spouse's or husband's employment. Job was the one of the main concerns along with work and income. Our topic model using qualitative data is displayed in Figure 1.^{vi}

III. Future Concerns After the CTC

The CTC ended in December 2021 and parents are reeling in the aftermath of losing the cash payments. For many families the CTC was a lifeline, that helped feed hungry mouths and afford basic necessities. From a macroeconomic point of view, the cash payments played a critical role in reducing child poverty. If the expanded benefits were to continue long term, it could cut child poverty by as much as 40 percent in a typical year, according to an analyses by Urban Institute, drastically improving the lives of millions of American children who lived in poverty in 2019.^{xi}

More analyses are being done with the RAPID-EC to see the impact of the end of the CTC on Black and Latine families with children.



Conclusion

The CTC has been a crucial lifeline for several families. Both quantitative research and anecdotal evidence point towards the fact that CTC was very helpful to families with low income. With the end of CTC but the pandemic still continuing, many families with low income with babies are again going to feel the pressure of taking care of their families' needs. CTC provided temporary relief for families with low income but the question remains that with rising costs and increasing prices, do American families with low income with babies need a more consistent and sustained social protection program?

Methodology

This series of briefs draws on data from the Rapid Assessment of Pandemic Impact on Development-Early Childhood (RAPID-EC). RAPID-EC is an ongoing national survey of households with children ages 5 and under, designed to gather valuable information on the needs and wellbeing of families during the COVID-19 pandemic.

Families who identified as "Black/African American" are referred to as Black in this brief; those who identified as "Hispanic, Latinx, or Spanish" are referred to as Latine in this brief. Families with low income are defined as families with incomes less than 200% of the federal poverty threshold. The average household income for Black families with low income with babies in this brief was \$25868.31. Nearly five percent also identify themselves as Latine, nearly all (98.5%) report that English is their primary language, and 5% report being first-generation immigrants born outside of the United States. Among Latine families with low income with babies in this brief, the average household income was \$30511.06. More than ninety percent report that English is their primary language and 10% report being first-generation immigrants born outside of the United States.

Acknowledgments

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Endnotes

- i Shivaram, D. (2022). "Families are in distress after the first month without the expanded child tax credit". *NPR*.
- ii Greve, J. (2022). "The uphill battle to resurrect the US child tax credit that lifted millions from poverty". *The Guardian*.
- iii Chetty, R., Friedman, J., Hendren, N., Stepner, M. & the Opportunity Insights Team. (2020). "The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data". *National Bureau of Economic Research*.
- iv Modestino, A.S. (2020). "Coronavirus child-care crisis will set women back a generation". *The Washington Post*.
- v Karpman, M., Zuckerman, S., Gonzalez, D., & Kenney, G. (2020). "The COVID-19 Pandemic Is Straining Families' Abilities to Afford Basic Needs". *Urban Institute*.
- vi Topic modeling is a machine learning technique that is capable of scanning a set of documents, detecting word and phrase patterns within them, and automatically clustering word groups and similar expressions that best characterize a set of documents.
- vii Turner, C. (2022). "The expanded child tax credit briefly slashed child poverty. Here's what else it did". *NPR*
- viii *ibid*
- ix Haider, A. (2021). "The basic facts about children in poverty." *Center for American Progress*.
- x Parolin, Z., Collyer, S. & Curran, M. (2022). "Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022." *Poverty and Social Policy Brief Vol 6, no. 2. Center on Poverty and Social Policy, Columbia University*.
- xi Acs, G & Werner, K. (2021). "Expanding the Child Tax Credit Could Lift Millions of Children out of Poverty". *Urban Institute*.

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