

Center for American Progress



# **Assuring Income Security for Children and Parents: The Role of Social Insurance and Assistance Today**

January 27, 2016

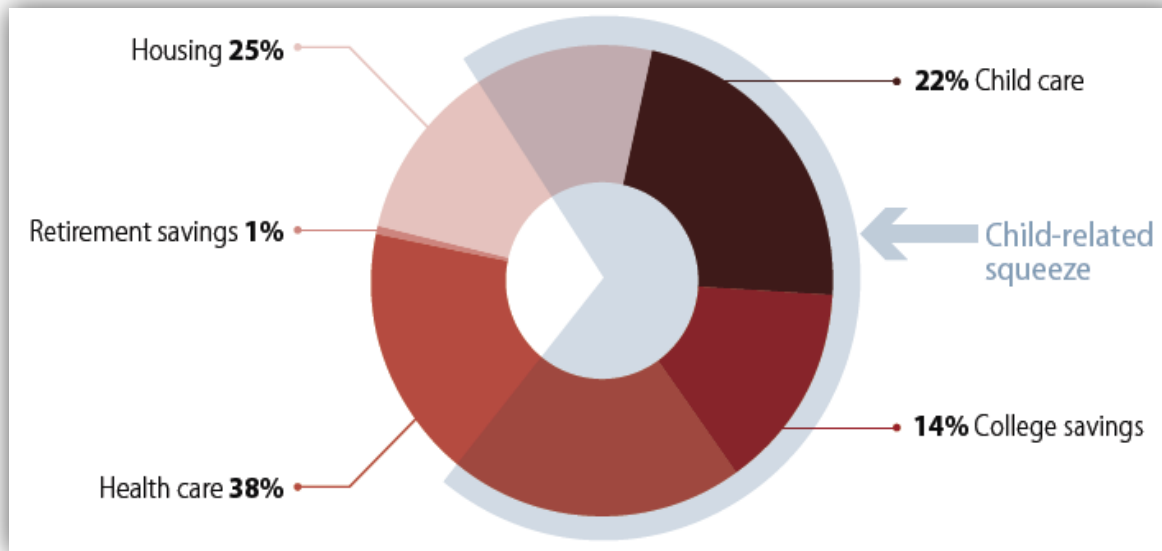
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# Rising costs and stagnant wages have hit **families with children** particularly hard

- Child-related costs account for **nearly 70% of the middle-class squeeze**
  - These costs have **increased much faster** than non-child-related costs



- The average family's first child is born **25 years** before parents' peak earning years
- Millennials—who were hardest hit by recession, and face higher unemployment and greater student debt—are particularly affected as they form families:
  - 40% of Millennials are already parents—and that share will double in 10-15 years

## Children—**particularly young children**—are more likely than other groups to be poor

- **CAP analysis shows that child poverty costs the U.S. economy **\$672 billion per year****
- New Census data show that **21.5% of children under 17** were in poverty in 2014
- Families with **infants and toddlers** are particularly at risk:
  - Nearly **24% of children under age 3** were poor in 2014
  - Diapers alone cost **\$936 per year** for one child—**nearly the full amount of the current CTC**
  - Yet these families are **less likely to receive the full current CTC** because they are more likely to be unemployed and have low earnings.

## The U.S. has **severely underinvested** in children

- Research shows strong effects of income on children's long-term outcomes
  - Including education, health, employment, and earnings
- Growing evidence shows that family income is hugely important for **young children's brain development**
- Yet the U.S. spends **only 1.2% of GDP** on family benefits
  - That's **less than half of the OECD average** of 2.6% of GDP
- The **Child Tax Credit** is our primary policy to offset the cost of raising children
  - But **the CTC has lost 34% of its purchasing power since 2001 because it's not indexed to inflation**

## CAP's CTC recommendations would **strengthen the CTC** as a tool to invest in the next generation

- **Eliminate the minimum earnings requirement** of \$3,000 per year
- **Make the credit fully refundable** to ensure the full amount reaches all low- and moderate-income families with children
- **Index the amount of the credit to inflation** so that its value does not continue to erode each year
- Create a supplemental **Young Child Tax Credit** of \$1500 per year for **children under age 3, available in monthly installments**

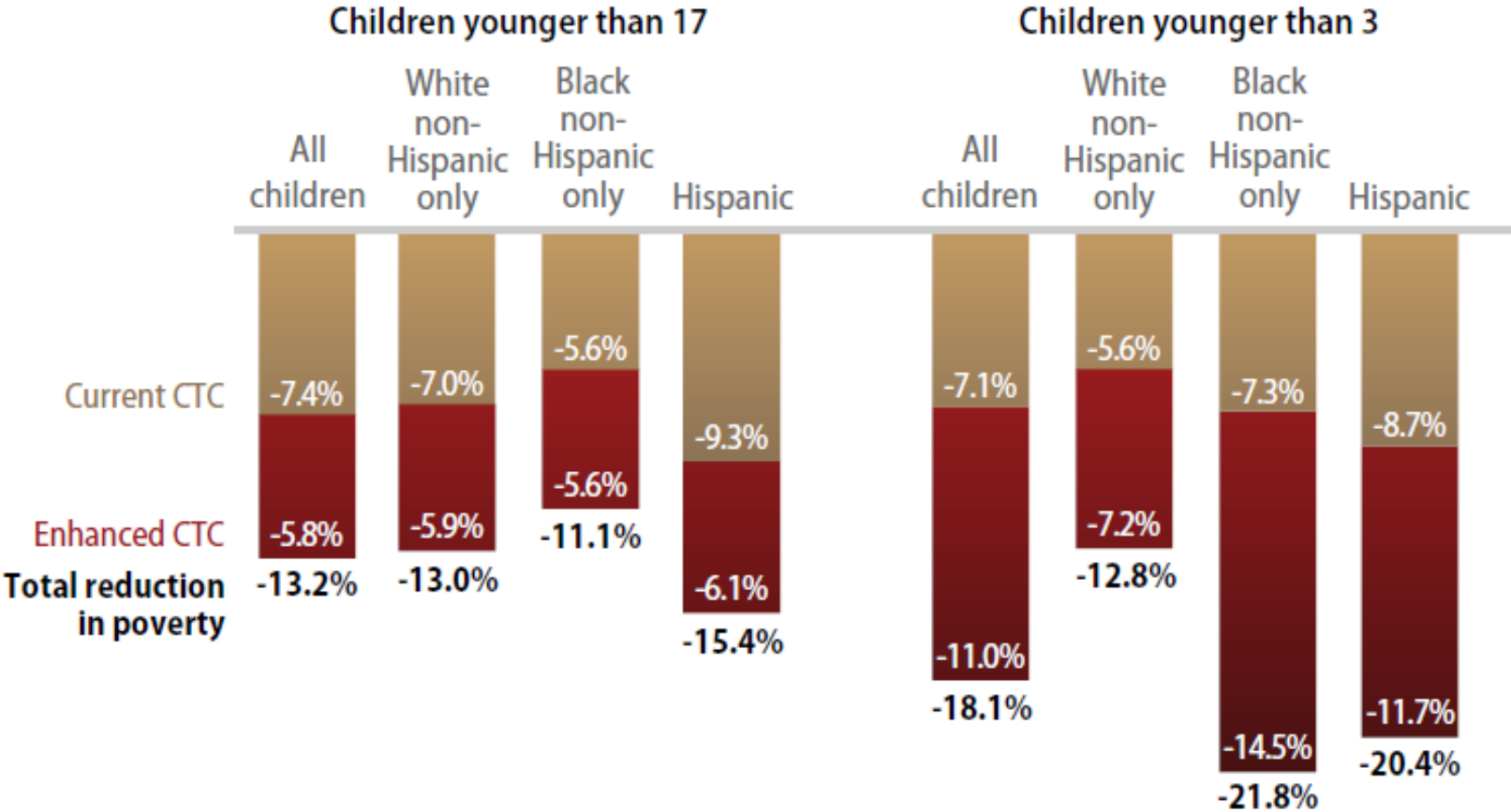
# CAP's CTC proposal would **significantly decrease economic stress** among families with children

*The proposed reforms would:*

- Address a **considerable share of the middle-class squeeze** for families with children—and an even greater share of the “child-related squeeze”
- Protect more than **two and a half times** as many children under age 3 from poverty as current law
- **Close more than one-quarter of the poverty gap** for children under 3 who remain below the poverty line
- Nearly **double** the number of children under 17 lifted out of poverty by the CTC

# CAP's CTC proposal would have particularly strong effects for **communities of color**

Percent reduction in official poverty, by children's race and ethnicity

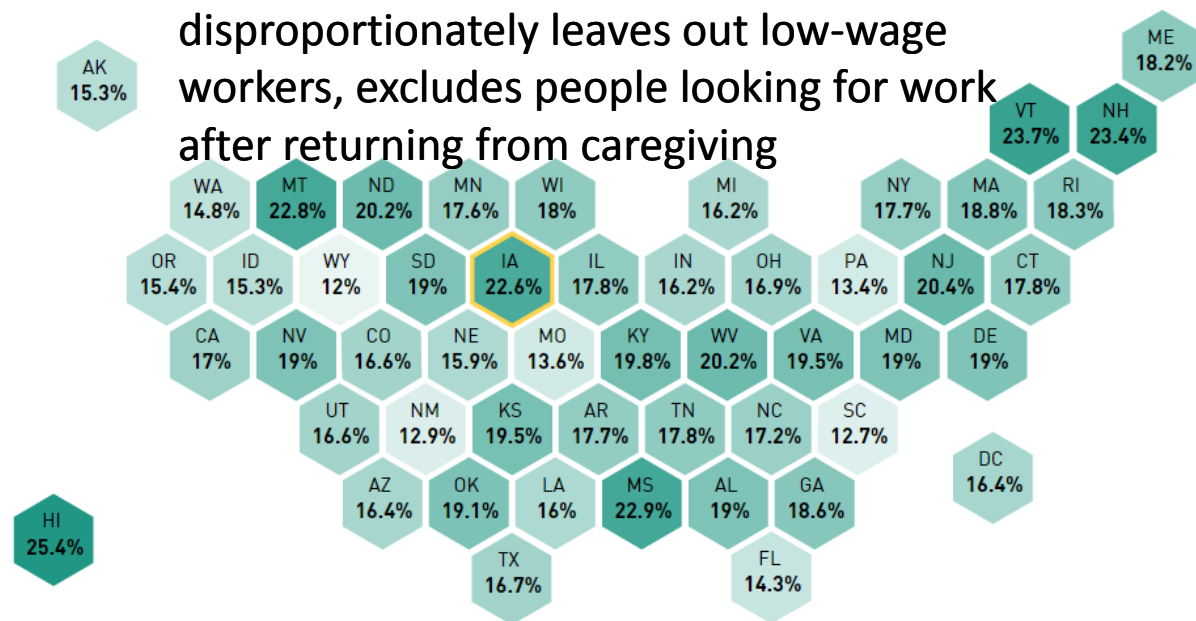


# State-by-state interactive map shows the proposal's effects

## Enhancing the Child Tax Credit Would Substantially Lessen the Depth of Child Poverty Across States

Percentage reduction in child poverty gap  
12% 25%

Sort



disproportionately leaves out low-wage workers, excludes people looking for work after returning from caregiving

NEW YORK



# Brief overview of Unemployment Insurance

- UI is a **partnership** between states and federal government
  - **Significant variation** across states in eligibility criteria and benefit adequacy
- Generally serves **recently unemployed** full-time workers who have been **laid off through no fault of their own**
- Provides **temporary, partial wage replacement** while workers search for new employment
  - Historically, benefits replace about **50% of wages** for **26 weeks** for the typical worker, contingent on **work-search requirements**
- Financed by modest **payroll taxes** on employers
- Typically **expanded** by Congress during recessions to boost aggregate demand and protect workers during longer spells of unemployment

## Unemployment Insurance's dual mandate: Protecting **working families** and the **economy**

*At the peak of the Great Recession, UI:*

- Kept more than 5 million Americans **out of poverty**
- Prevented 1.4 million **home foreclosures**
- Saved over 2 million **jobs**
- Closed 18 percent of the **shortfall in GDP**

*Less than 1 in 4 unemployed workers receive UI today—an all-time low.*

# Unemployment Insurance is particularly important for **young families with children**

*Relative to childless workers and older families, young families are more likely to:*

- Experience **labor-market disruptions**
- Face **unemployment or underemployment**
  - In 2014, unemployment was **5.9%** among parents with children under 6, versus **4.3%** for parents of older children
- **Lack sufficient savings** to cope with a job loss
  - Fewer than **half** (45%) of American households could replace **one month's worth of income** with liquid savings—but families with children are **21%** more likely to be asset poor than childless households
- Face higher and non-deferrable **expenses**

# Young families with children are **less likely to be protected by UI today**

- *UI excludes or underserves workers who:*
  - Earn **low wages** or face irregular or unpredictable **schedules**
  - Work **part time, temporary, or seasonal** jobs
  - Return to work after **caregiving**
  - Must leave work for **compelling reasons**, such as:
    - Escaping domestic violence
    - Illness or injury to themselves or their dependents
    - Inability to find replacement childcare arrangements
    - Relocation for a spouse or partner's work
    - Substantial involuntary cuts in pay or hours
- *As a consequence, UI underserves workers who are most likely to be caring for young children, including women and workers of color*

# A proposal to **strengthen** and **modernize** the Unemployment Insurance system

*A forthcoming proposal from CAP, GCPI, and NELP would:*

1. Ensure that more unemployed workers have access to **reemployment assistance and training**, and **reduce lay-offs**.  
*→ Strengthen employment services, and implement effective job-retention measures to keep workers in the jobs they already have.*
2. Provide **more Americans** with **more adequate protection** against the shock of unemployment.  
*→ Reform UI eligibility criteria to reflect our modern labor market, boost benefit adequacy, and increase program access and reciprocity.*
3. **Prepare** the Unemployment Insurance system for the **next recession**.  
*→ Reform UI's financing, boost solvency, and improve the ability to respond to recessions.*

# Jobseekers who remain beyond UI's reach

*Even a dramatically expanded UI system will not cover all jobseekers, including:*

- Individuals with little or no work history
  - New labor-market entrants, such as recent graduates
  - Individuals rejoining the workforce after caregiving or illness
- Independent contractors
- Self-employed workers
- UI exhausters
- Workers who leave jobs for non-covered reasons

# Complementing UI: Helping jobseekers with limited resources

*A new effort to help jobseekers with limited resources could entail:*

- A weekly benefit more **modest** and **shorter in duration** than UI's
- Based on **work search requirements** at least as stringent as UI's
- A platform for **connecting workers** to job opportunities and **raising labor-force participation**
- A strong **countercyclical tool** for policymakers

*Examples from other nations:*

- United Kingdom's **income-based Jobseeker's Allowance**
- Germany's **Unemployment Assistance** ("Hartz IV")

# Center for American Progress



THANK YOU!

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