

Expanded Child Tax Credit Payments Have Not Reduced Employment

Evidence from Census Data

Stephen Roll, PhD; Leah Hamilton, PhD; Yung Chun, PhD

Approximately [60 million](#) American children living in [35 million households](#) are now receiving monthly payments from the federal government as part of the temporary Child Tax Credit (CTC) expansion. This credit provides families with \$3,600 for every child in the household under the age of six, and \$3,000 for every child between the ages of six and 17. If this credit is made permanent, it is [projected](#) to cut child poverty in half.

Recently, a debate has emerged over whether or not the expanded CTC will cause parents to leave the workforce. On one side of the debate, [a large number of economists](#) have argued that the CTC will not cause a reduction in employment—a claim supported by research estimating that cash transfer programs have [minimal effects](#) on [unemployment](#), and that the CTC will provide [\\$8 in social and economic benefits for every \\$1 in cost](#). However, [a recent study](#) used a simulation approach to estimate that 2.6% of parents will exit the labor force as a result of the CTC.

In this research brief, we address the question of whether the CTC is affecting parents' employment by using data from the Census Household Pulse to compare employment trends among parents and non-parents before and after the CTC payments began.

Key Findings

We begin by tracking the employment status of parents (i.e., those eligible for the CTC) and non-parents in the periods before and after the monthly CTC payments commenced. We do this using a question from the Census Household Pulse that asks if a person did “any work for either pay or profit” in the last seven days. In **Figure 1**, we see that both parents and non-parents under the age of 65 had very similar and stable employment rates in the months before the CTC payments went out on July 15, 2021. For the period after CTC payments were first issued, which spans July 21 through October 11, we also see no substantial differences in the rates of employment between parents and non-parents. **Figure 1** also examines the employment dynamics of those who actually *received* the CTC (as opposed to being *eligible*), and those who did not. We see that CTC recipients tended to be employed at higher rates than non-recipients, and that employment was stable for both groups.

However, there may be fundamental differences between parents and non-parents that make direct comparison between the groups difficult (e.g., differences in age, marital status, education, etc.). In **Figure 2**, we use a regression approach to correct for an array of these differences and better estimate the relationship between CTC eligibility and employment over time. We see no difference in employment trends between parents and non-parents before and after CTC payments started going out.

Figure 1. Employed, by CTC eligibility

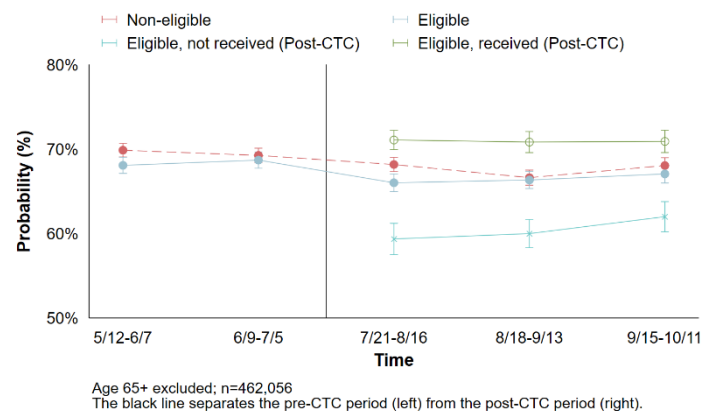
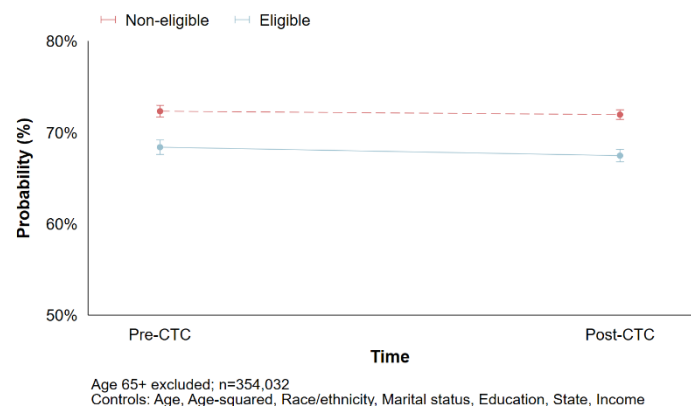


Figure 2. Employed, by CTC eligibility (Logistic regression)



Next, we turn to the type of employment parents reported before and after the CTC. Having established that there has been no decline in employment among parents, at least in terms of the early phase of the CTC, we also examined whether the reasons parents gave for their unemployment changed before and after receiving the CTC. **Figure 3** shows that the biggest changes in parents' reasons for unemployment were in terms of those reporting that they were sick (with or without COVID-19) or that they were caring for children. Interestingly the rates of parents reporting they were unemployed because they had to care for children substantially decreased after the CTC went out (from 26.0% to 19.9%). **Figure A1** (see Appendix) indicates that this shift was more pronounced in low- and middle-income groups (\$0 to \$49k, \$50k to \$99k, and \$100k to \$150k) than in the highest income group (more than \$150k). This could be due to several factors, including seasonality (parents sending their children back to school), parents being able to afford more child care, or simple statistical variation. While the vast majority of families in the Census Pulse survey reported using the credit on food and other essentials, 11.4% of families also reported using their CTC payments for child care expenses (see **Figure A3** in the appendix). Further, in a [nationally representative survey](#) conducted in July 2021, approximately a quarter of parents told us that they planned to use the credit to pay for childcare expenses. Taken together, these findings may suggest the credit is helping middle-income families afford childcare, which can reduce their barriers to employment.

In **Figure 4**, we also see no evidence that employed parents switched the type of job they held after the CTC payments started going out, though there do appear to be slight increases in self-employment and non-profit employment. Notably, however, changes in self-employment were most pronounced in the lowest income group (below \$50,000), as their self-employment rate increased by 3.0 percentage points following the CTC payments (see **Figure A2** in the Appendix). If this trend continues, it could indicate that the CTC is encouraging low-income households to pursue self-employment to make ends meet.

Conclusion

Thus far, there is no evidence within the Census Household Pulse data—a large, high-quality, nationally-representative data source—that CTC payments are leading people to leave the workforce. Our analyses also found no significant differences in employment for low-income, middle-income, or high-income families receiving the CTC. We also see no evidence that the CTC is increasing the proportion of parents who are staying home with their children rather than working. Currently, we only have data for three months of CTC payments, and it is possible that these results may change over time. However, our results appear consistent with the bulk of the evidence concerning the CTC and employment, including [a recent study from the Center on Poverty and Social Policy](#) that used both Current Population Survey and Census Household Pulse data to demonstrate that CTC payments have not led to employment declines. Taken together, the research indicates that providing parents with financial support for their children is not leading them to forgo employment income altogether. We intend to update this report periodically with new waves of the Census Pulse survey.

Acknowledgement

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Figure 3. Reason for Unemployment among CTC-Eligible

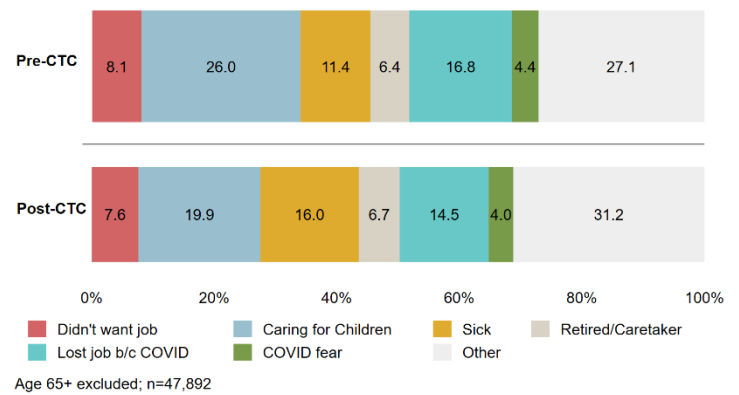


Figure 4. Type of Employment among CTC-Eligible

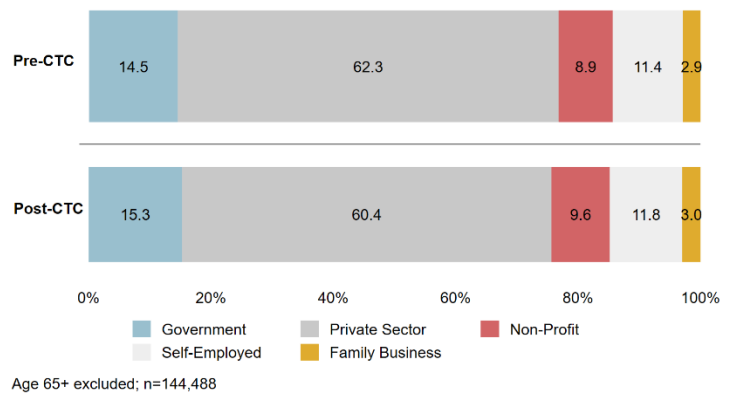
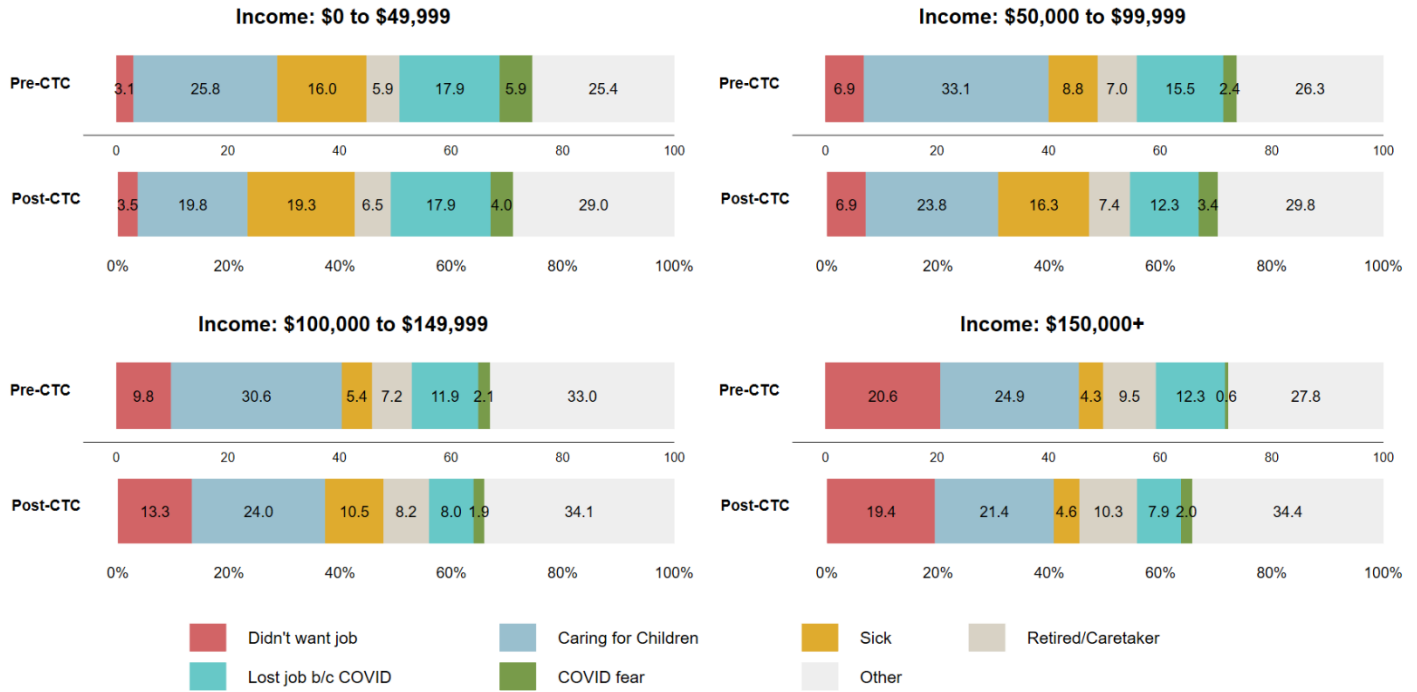
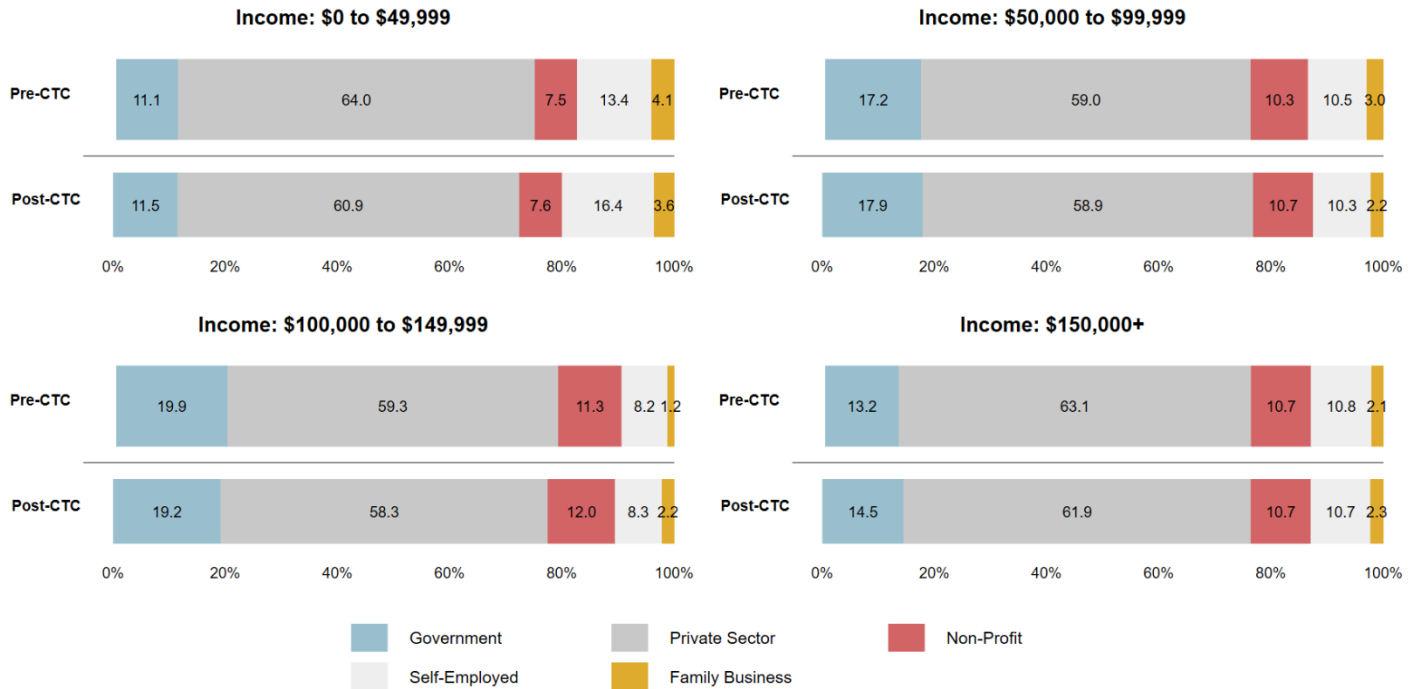


Figure A1. Reason for Unemployment among CTC-Eligible, by income



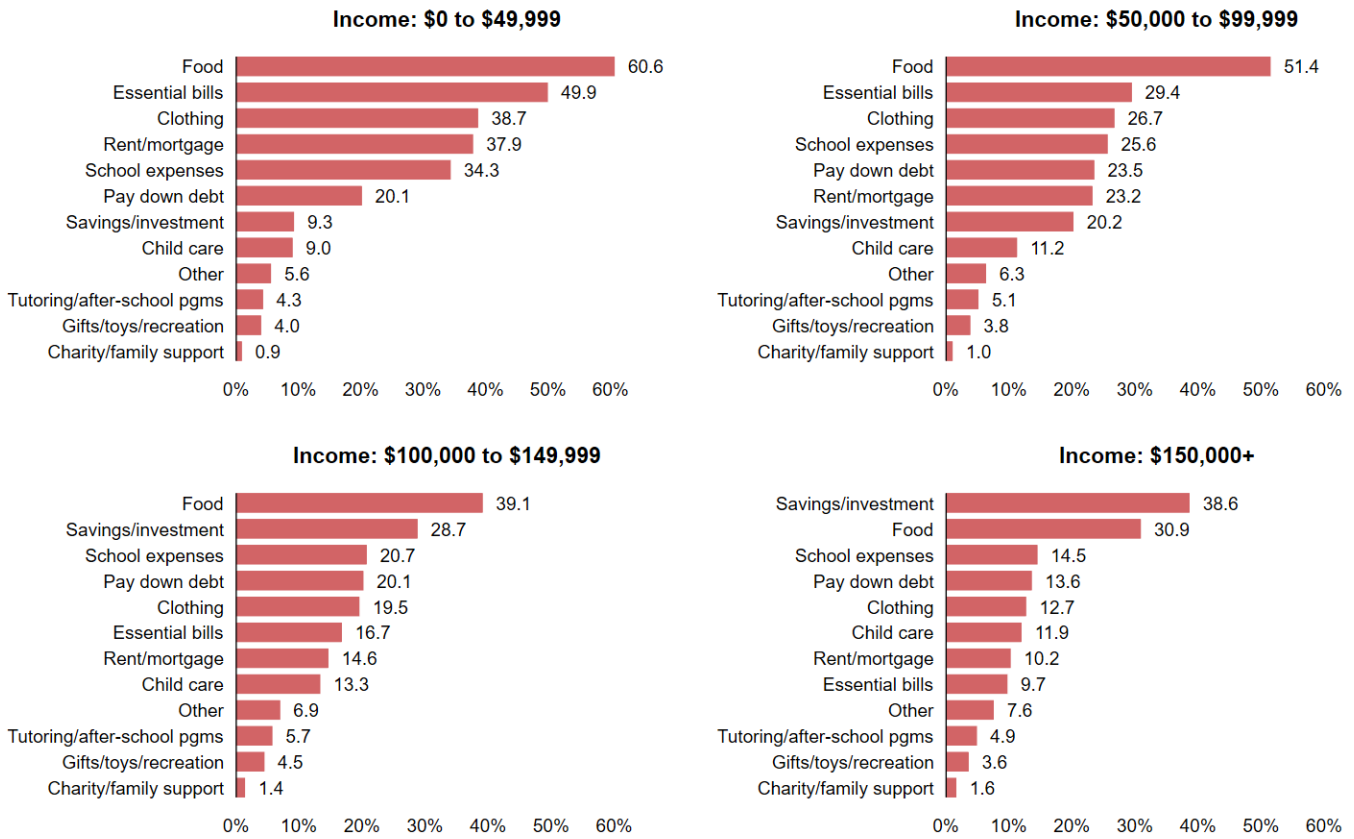
Age 65+ excluded; n=47,892

Figure A2. Type of Employment among CTC-Eligible, by income



Age 65+ excluded; n=144,488

Figure A3. CTC usage, by income



CTC recipients only, n=72,839