

Reducing Child Poverty in the US

How a Comprehensive Package of Policies Can Cut Child Poverty
by More than Half

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In this presentation

- Policies proposed by the Children's Defense Fund to reduce child poverty
- Methods for assessing policies
 - Microsimulation modeling
 - Supplemental Poverty Measure
- Policy results

Policies proposed by the Children's Defense Fund

- **Minimum wage** increase to \$15 an hour
- **Transitional jobs** program for unemployed and underemployed people in families with children
- **Child support** pass-through for TANF (all child support passed to the families instead of retained by the government) and disregard for SNAP (a portion of child support disregarded when computing benefits)
- **Housing vouchers** expansion for low-income households with children

Proposed policies, continued

- **SNAP** benefit increase for families with children
- **Earned Income Tax Credit** (EITC) expansion
- **Child and Dependent Care Tax Credit** (CDCTC) increase
- **Child care subsidy** expansion for low-income families with children under age 13 and care provided at no cost for lower-income families

How we assessed the policies

Microsimulation modeling

- “Micro”
 - Operates on data on individual units – e.g., households, families, people
 - Those data come from survey or census (“input” data)
- “Simulation”
 - Computer code mimics a real-world process
- Example – simulating CCDF eligibility
 - For every household, one at a time:
 - Look at information on the family members, their ages, work status, income, etc.
 - Apply the program eligibility rules a caseworker would apply in their state
 - If they are eligible, determine enrollment and benefit level

Microsimulation model

- Transfer Income Model, version 3 (TRIM3)
 - Simulates major US tax, transfer, and health programs
 - Uses CPS data – analysis presented here uses calendar year 2015 data
 - Funded by HHS/ASPE and maintained by the Urban Institute

Addressing under-reported and unreported information

- Using survey data, select a caseload that accounts for under-reporting and unreported information
- Produce annual baseline simulations that come close to targets on a number of factors (giving us a “real world” picture to start from for alternative simulations)

Example: Number of participating assistance units (average monthly numbers in millions)

(selected 2015 results)

	Reported in public-use data	Administrative data (target)	Baseline simulation (TRIM)	Simulated as percent of target
TANF	0.800	1.326	1.325	99.9%
SNAP	12.245	22.404	22.367	99.8%
CCDF	Not reported	0.840	0.834	99.4%

Understanding interactions between programs

- Tax and transfer programs are often connected, as assistance received in one program can affect eligibility for and benefits received in another program
- Microsimulation modeling allows us to model policy changes and impacts across programs

Example: Modeling Increase in Child Care Subsidies

(selected 2015 results for Children's Defense Fund study)

	Changes in program benefits paid to recipients (\$millions)	Description of interaction between programs
CCDF (value of subsidy)	+ \$14,690	
Subsidized housing, (value of subsidy)	- \$105	Child care assistance affects net income
SNAP	- \$679	Child care assistance and housing assistance affect net income

Capturing current employment changes

- Microsimulation modeling allows us to model employment changes that result from various types of policy proposals
 - Increases in wage rate (minimum wage)
 - Transitional jobs (jobs for a subset of people in a target group)
 - Jobs in response to changed policies (e.g. more child care subsidies)

Simulating elements needed for Supplemental Poverty Measure (SPM)

- + Cash income

(TANF and SSI simulated)

- + Noncash benefits

(value of food assistance, public or subsidized housing, and LIHEAP benefits simulated)

- + Refundable tax credits

(tax credits simulated)

- Taxes

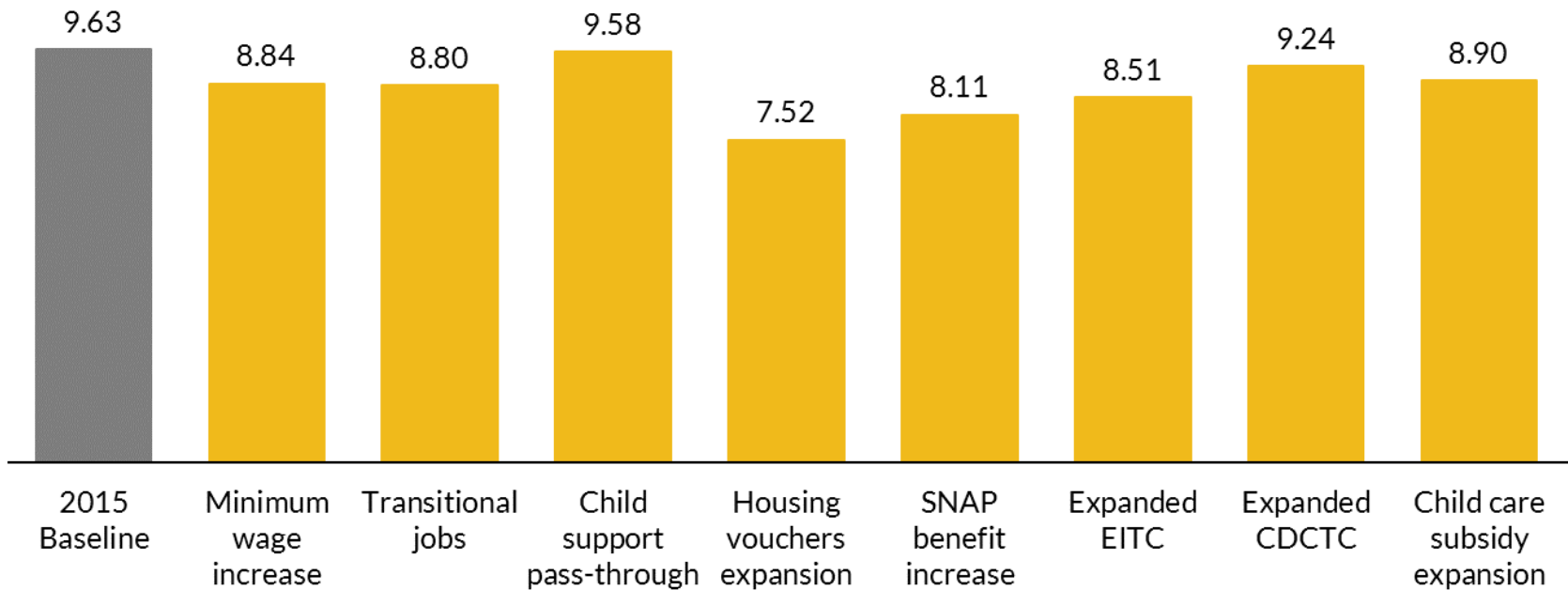
(payroll tax, federal income tax, and state income tax simulated)

- Nondiscretionary expenses

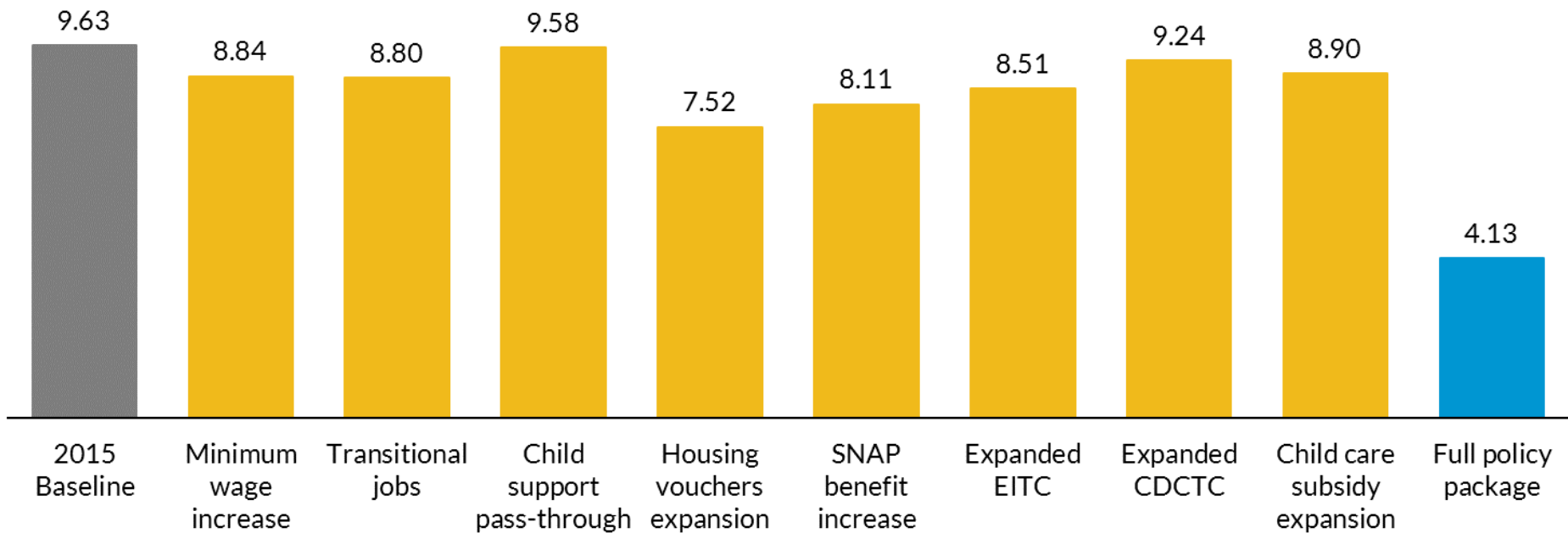
(child care expenses and work expenses simulated)

Policy simulation results

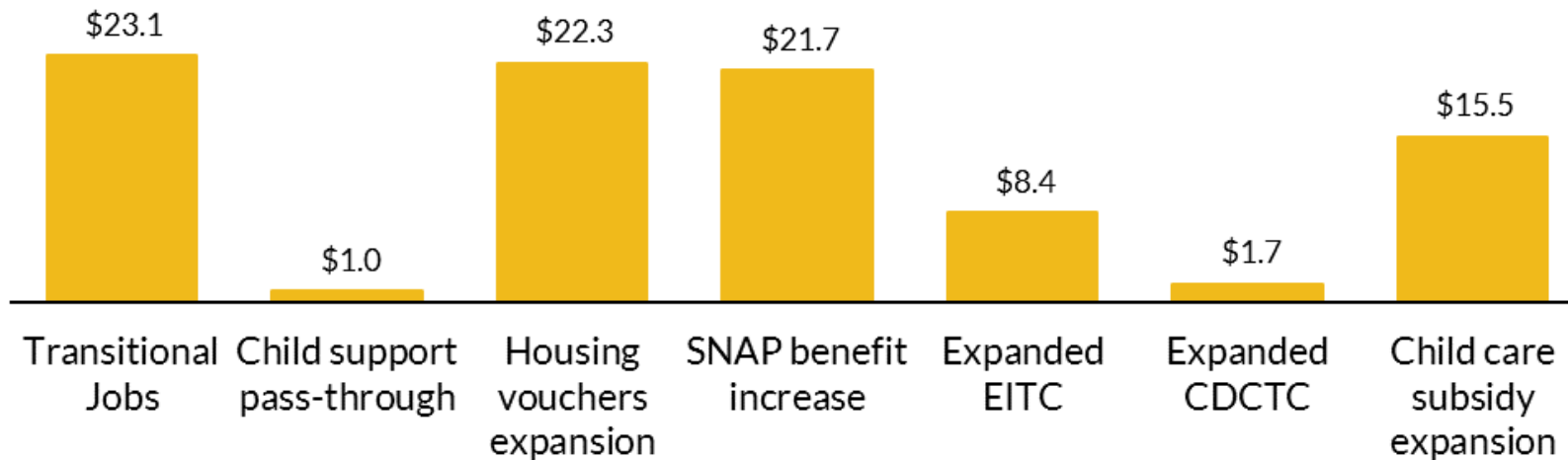
Children under 18 in SPM Poverty (millions)



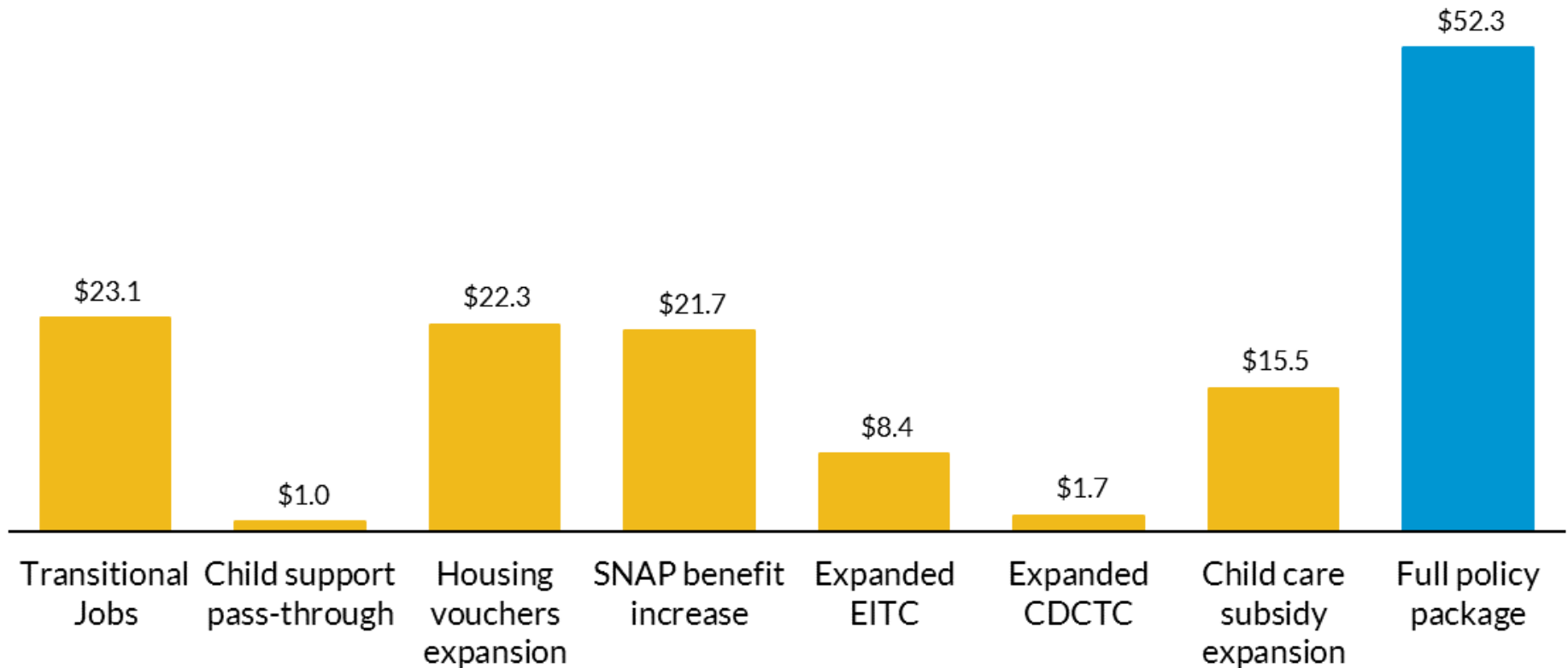
Children under 18 in SPM Poverty (millions)



Government Costs of Proposed Policies (\$ billions)

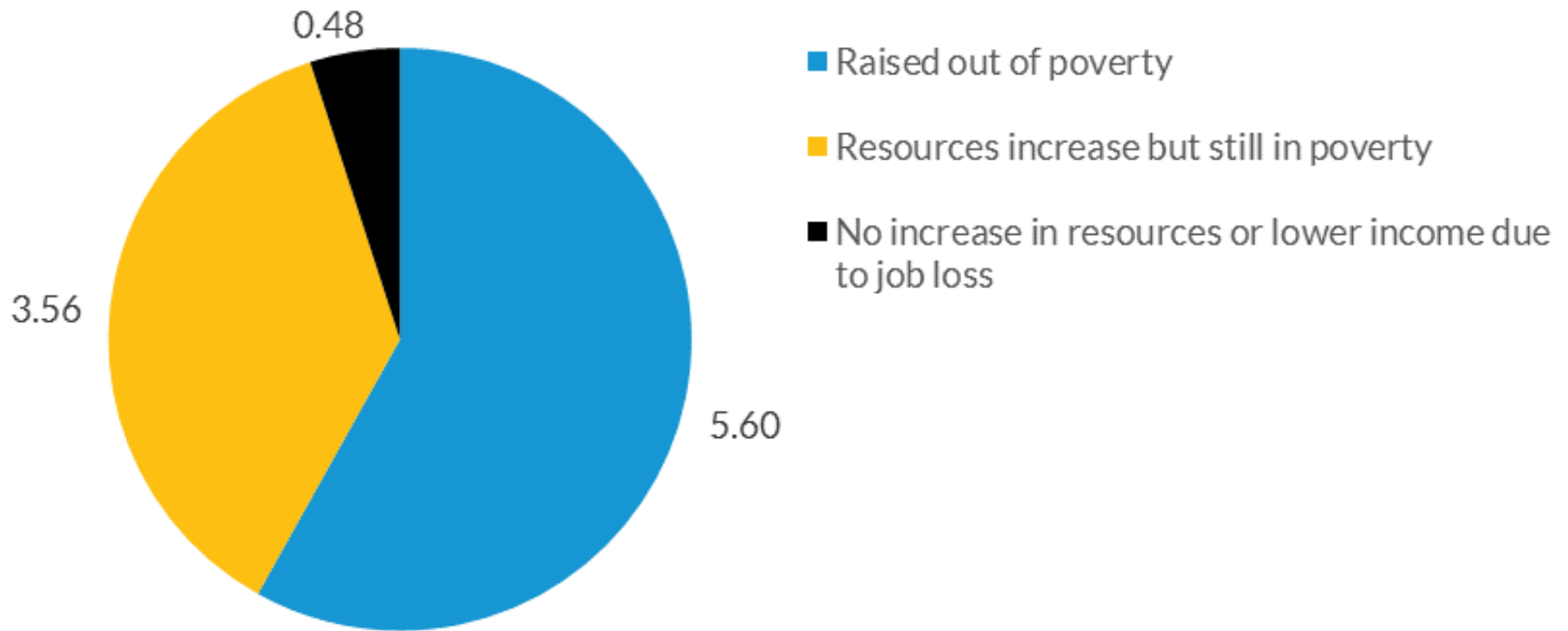


Government Costs of Proposed Policies (\$ billions)



Impact on children in SPM poverty in 2015 (millions)

Full policy package



Summary results for full policy package

Child poverty characteristics and related impacts	Baseline	All Policies	
		level	change
Child SPM poverty rate	13.0%	5.6%	-57.1%
SPM poverty rate, all individuals	12.8%	9.0%	-29.2%
Distribution of children by family income level			
<50% of SPM poverty	2.9%	1.2%	-57.9%
50–99% of SPM poverty	10.1%	4.4%	-56.9%
Number of children in SPM poverty (thousands)	9,633	4,128	-57.1%
By Race/Ethnicity			
White (non-Hispanic)	3,008	1,450	-51.8%
Black (non-Hispanic)	1,830	634	-65.4%
Hispanic	3,970	1,628	-59.0%
Other races (non-Hispanic)	824	417	-49.4%
By region			
Northeast	1,529	637	-58.3%
South	4,080	1,714	-58.0%
Midwest	1,507	678	-55.0%
West	2,517	1,099	-56.4%

Summary results for full policy package, continued

Child poverty characteristics and related impacts	Baseline	All Policies	
		level	change
Other poverty data			
Poverty gap (families with children) (\$ millions)	\$39,339	\$16,625	-57.7%
Poverty gap (all families) (\$ millions)	\$133,880	\$107,279	-19.9%
Change in government costs (\$ millions, federal and state)			
Costs of benefit programs	\$197,908		\$92,742
Tax collections (net of credits)	\$2,701,384		\$40,412
Benefits minus tax collections (\$ millions)			\$52,330
Change in poverty gap as % of change in government costs			50.8%

Conclusion

Summary

- Findings
 - Policy proposals that look across programs to address the various needs of families show greater potential for reducing child poverty.
 - The proposed policies could significantly reduce child poverty, but not all children would be lifted out of poverty. For most children still in poverty, the proposed policies would result in increased family resources.
- Future analysis
 - Assess alternate policy proposals
 - Look at state-level impacts, using American Community Survey data

Study report

Reducing Child Poverty in the US: An Updated Analysis of Policies Proposed by the Children's Defense Fund

<https://www.urban.org/research/publication/reducing-child-poverty-us-updated-analysis-policies-proposed-childrens-defense-fund>

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