

Expanded Child Tax Credit Payments Did Not Reduce Employment

Evidence from Census Data

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Approximately [60 million](#) American children living in [35 million households](#) received monthly payments from the federal government as part of the temporary Child Tax Credit (CTC) expansion between July 15 and December 15, 2021. This credit provided 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 the credit had been made permanent, it was [projected](#) to cut child poverty in half.

A debate has emerged over whether or not the expanded CTC would 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 would exit the labor force as a result of the CTC.

In this research brief, we address the question of whether the CTC affected parents' employment by using data from the Census Household Pulse to compare employment trends among parents and non-parents before and during the CTC payments and after they ended on December 15, 2021.

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, during, and after the monthly CTC payments. 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 in which CTC payments were issued, which spanned July 21 through December 13 in the Pulse data, 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. In the new year, employment declined amidst a rising COVID Omicron variant, but the decline was sharpest for CTC recipients once the expanded CTC was terminated (December 29, 2021 to February 7, 2022). In particular, the change in employment of CTC recipients (green) sharply dropped from 72.4% to 68.3% and the change is statistically significant at 0.05 level of significance.

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

Figure 1. Employed, by CTC eligibility

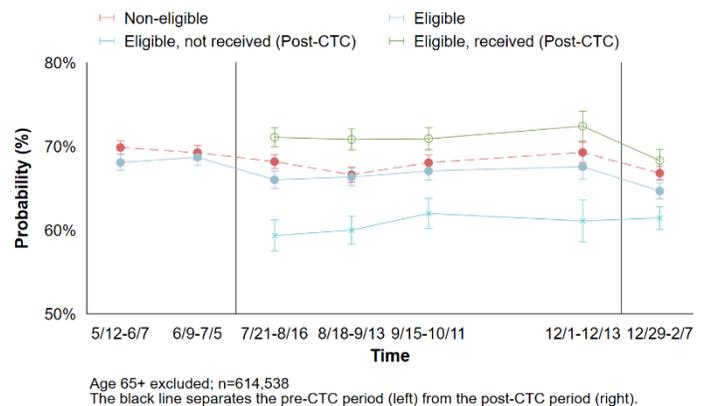
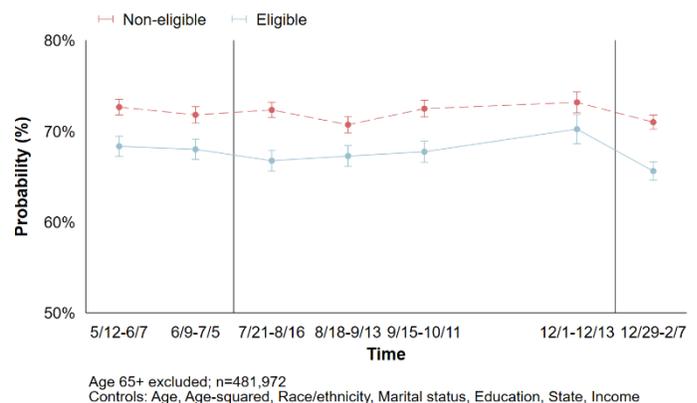


Figure 2. Employed, by CTC eligibility (Logistic regression)



time. We see no difference in employment trends between parents and non-parents before and after CTC payments started going out, but a significant relative decline for parents after payments ended ($p < .001$).

Next, we turn to the type of employment parents reported before and after the CTC. Having established that there were no declines in employment among parents, at least while the monthly CTC payments were issued, we also examined whether the reasons parents gave for their unemployment changed before and after receiving the CTC. **Figure 3** shows the rates of parents reporting they were unemployed because they had to care for children substantially decreased after the CTC went out; from 26.5% (6/9-7/5) to 22.5% (7/21-8/16, $p < 0.001$) and to 18.6% (8/18-9/13, $p < 0.001$). Notably this shift was more pronounced in moderate-income groups (\$50k to \$99k; $p < 0.05$) than other groups (see **Figure A1** in Appendix). 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, 12.1% of families also reported using their CTC payments for childcare expenses (see **Figure A3** in the appendix for detailed CTC usages by income). 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 commenced, though there do appear to be slight increases in self-employment and non-profit employment after the CTC went out.

Notably, however, changes in self-employment were most pronounced in the lowest income group (below \$50,000), as their self-employment rate increased by 2.3 percentage points following the CTC payments ($p < 0.05$; see **Figure A2** in the Appendix), though self-employment had returned to near its baseline level around the time that the payments ended in December, 2021.

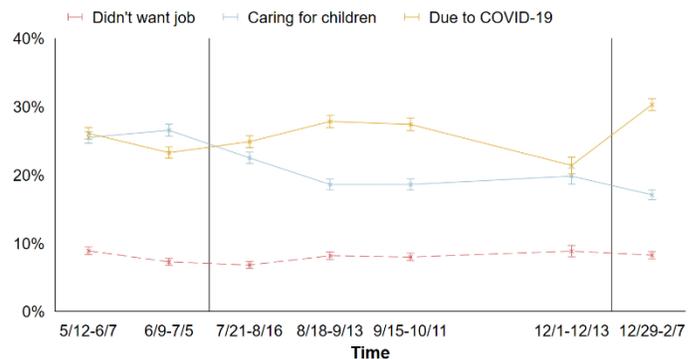
Conclusion

There is no evidence within the Census Household Pulse data—a large, high-quality, nationally-representative data source—that CTC payments led parents to leave the workforce. Our analyses also found no significant differences in employment rates 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. Our results appear consistent with the bulk of the evidence concerning the CTC and employment, including [a 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

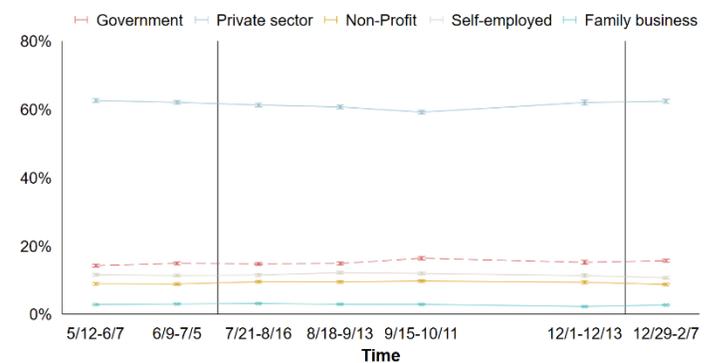
We are grateful to Humanity Forward for their generous support of this project.

Figure 3. Primary reason for unemployment, among CTC eligible only



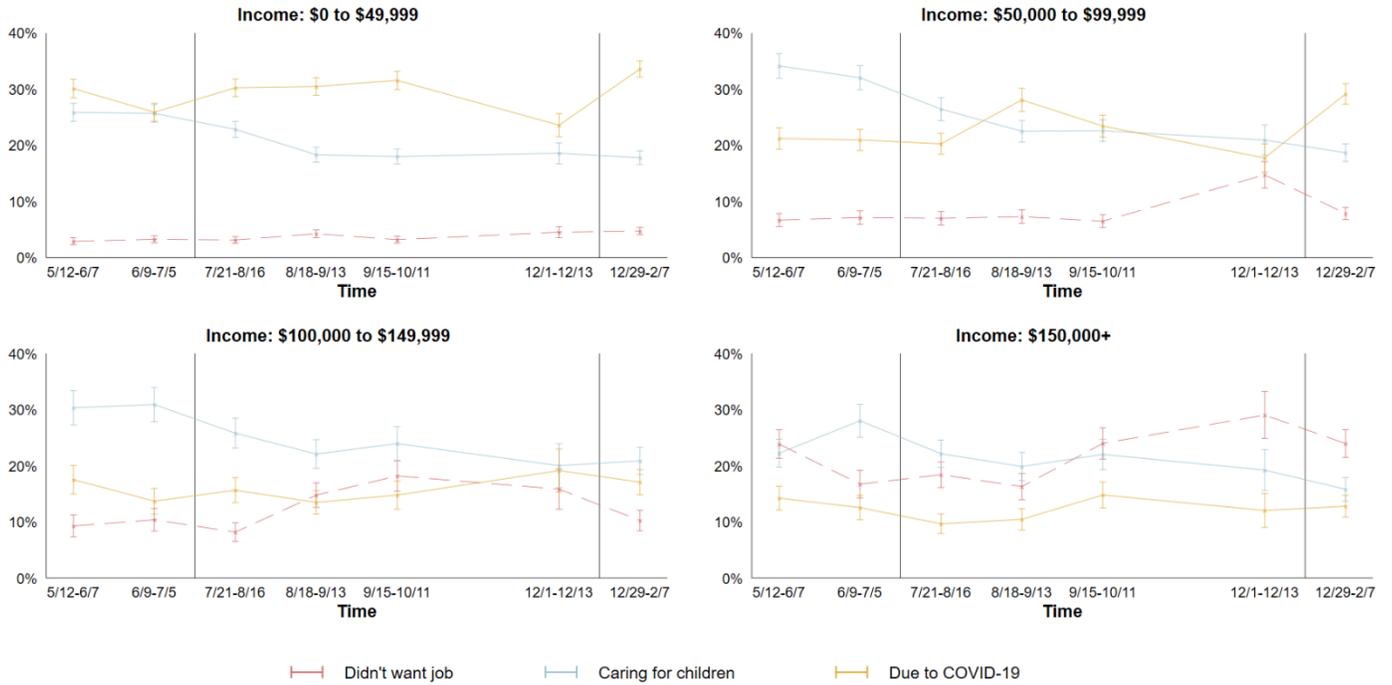
Age 65+ excluded; n=63,454
The black line separates the pre-CTC period (left) from the post-CTC period (right).

Figure 4. Type of employment sector, among CTC eligible only



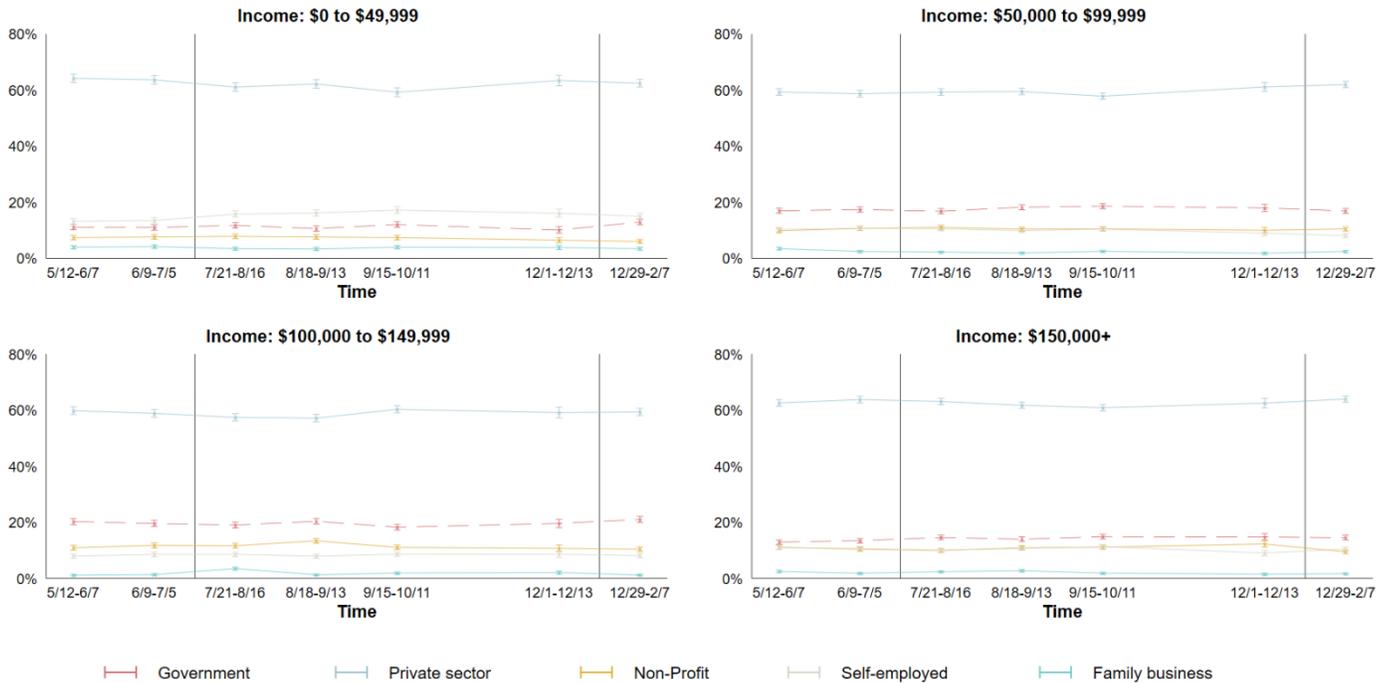
Age 65+ excluded; n=189,482
The black line separates the pre-CTC period (left) from the post-CTC period (right).

Figure A1. Primary reason for unemployment by income, among CTC eligible only



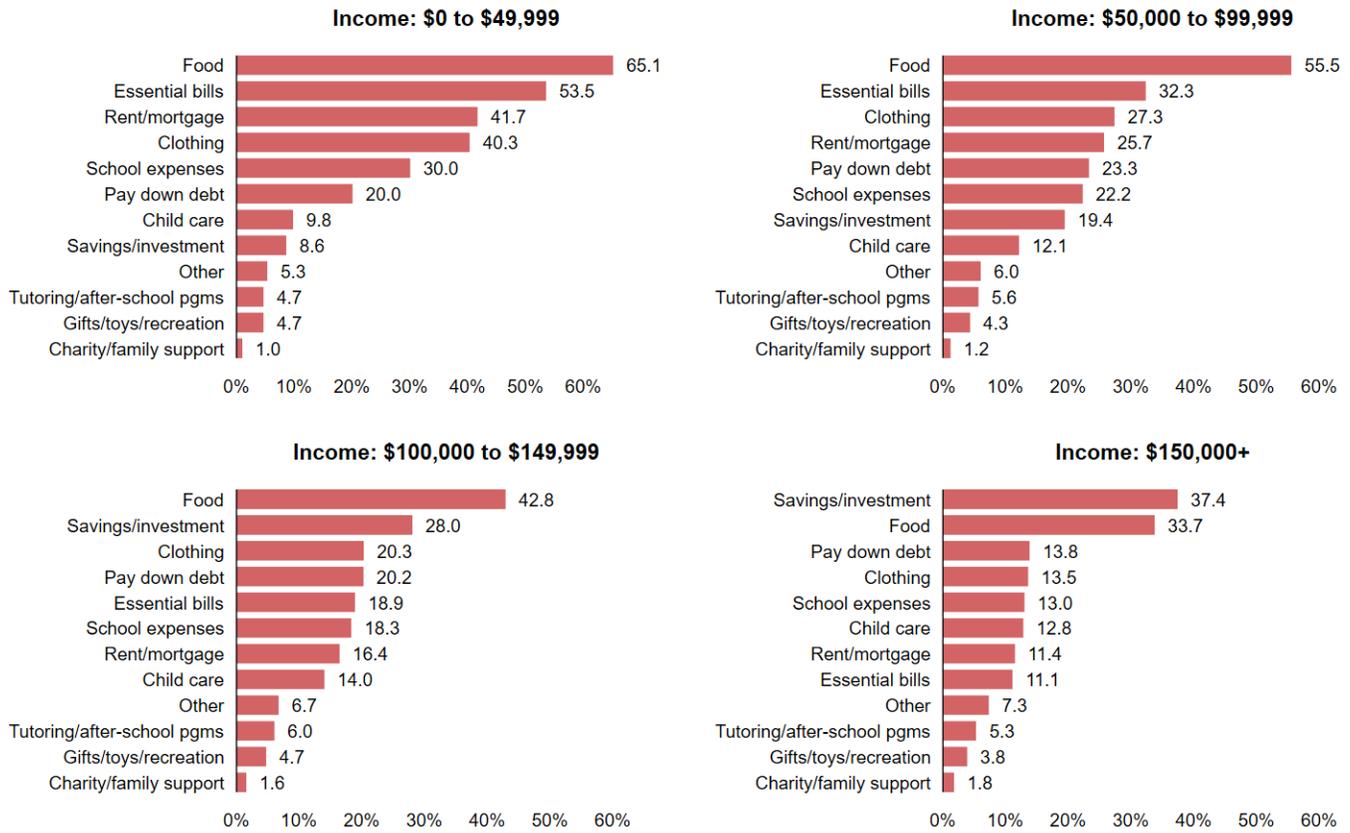
Age 65+ excluded; n=63,454
The black line separates the pre-CTC period (left) from the post-CTC period (right).

Figure A2. Type of employment sector by income, among CTC eligible only



Age 65+ excluded; n=189,482
The black line separates the pre-CTC period (left) from the post-CTC period (right).

Figure A3. CTC usage, by income



CTC recipients only, n=106,889