

HUMANITY FORWARD

STUDY FINDS THE EXPANDED, MONTHLY CHILD TAX CREDIT SUPPORTS WORK AND PROMOTES SMALL BUSINESS FORMATION

Using Census Pulse Data, Researchers from Social Policy Institute at Washington University in St. Louis and Appalachian State Find the Expanded CTC Has Not Affected the Labor Rate, and Is Increasing Self-Employment and Small Business Formation



KEY FINDINGS



Parents receiving the child tax credit are working as much as everyone else.

- After monthly CTC payments began, there were no significant differences in the rates of employment between parents and non-parents.
- Even after correcting for fundamental differences between parents and non-parents in a regression analysis (differences in age, marital status, education), there were no differences in employment trends between parents and non-parents after monthly CTC payments were issued.
- Of the 54.6 million households eligible for the CTC, recipients tended to be employed at higher rates than non-recipients.



Monthly CTC support is encouraging lower income parents to start new businesses.

- Among employed parents eligible for the monthly CTC, private sector employment decreased very slightly, while self-employment and non-profit employment increased slightly.
- The lowest income group (making less than \$50K each year) showed the largest growth in self-employment, with 3% of households, or approximately 300,000 additional low-income households are now small business owners.



In October 2021, three million fewer CTC-eligible parents faced child care as a barrier to employment, compared to pre-expanded CTC.

- The rates of CTC-eligible parents reporting they were unemployed because they had to care for children substantially decreased after the monthly CTC payments began, declining from 26% of respondents to 19.9% and representing a change for approximately 3.3 million households.
- Low and middle-income parents were more likely to report this shift, particularly those making under \$150k.
- 11.4% of respondent families reported using their monthly CTC payments for child care, suggesting that the credit is helping middle-income families afford child care, which can reduce their barriers to employment. This equates to approximately 3.9 million American households using the monthly support for child care.

ABOUT THE STUDY

Researchers tracked the employment status of parents and non-parents in the period before the expanded CTC payments were sent to parents and the period after the first two rounds of CTC payments were sent out.

They tracked employment trends using data from the Census Bureau's Household Pulse Survey, a large, high-quality, nationally representative data source.