The United States is unique among developed nations for its high rate of child poverty. Numerous reports using the supplemental poverty measure, which includes refundable tax credits, asset-based assistance programs such as the Supplemental Nutrition Assistance Program (SNAP), and other near-cash benefits, indicate that the nation has a poverty rate of twenty-one percent. While the country’s poor performance in this area is likely due to a host of factors, a major reason why it is outperformed by many of its counterparts in the developed world is because those countries provide a universal child benefit— a cash grant given to all families with children to cover the costs of childcare. Some countries implement their programs through traditional welfare programs and others through the tax code, but they all share one notable trait in common— universality. These universal child benefit plans are accessible to all families with children regardless of their parents’ work status or income level.

In contrast, the United States currently uses a patchwork system of subsidies to help cover the costs of childcare that is administered through the federal tax system. The Child Tax Credit offers a refund of $1,000 per child per year, and the Child Tax Exemption offers $4,000 per child per year. While these exemptions can be of great aid to the families who receive them, they are by no means a universal safety net. A 2016 analysis of these programs by the Tax Policy Center found that they mostly go to families with incomes well above the poverty line. Other studies found that, due to the work-based nature of these tax subsidies, they are not available for families in which the parents are unemployed or irregularly employed. In effect, while the federal government does subsidize childcare at an annual cost of $100 billion a year, these limitations have made these tax credits nonexistent to the American families that need cash assistance the most.

Given these limitations, an effective strategy for reducing child poverty among families with children in the United States is to emulate other countries and convert the Child Tax Credit and child tax exemption into a child allowance that is distributed to families with children on a monthly schedule. With the nation’s laws already recognizing the significant costs that families incur in childcare every year, a universal child allowance is the next logical step in ensuring the security and well-being of the nation’s children.

Poverty’s Impact on Child Health and Development

Extensive research has shown that poverty has tangible impacts on the well-being of
children, especially children below the age of six. Economic studies on households suggest that children from low-income families fall behind their wealthier peers, partially because their parents have fewer resources to invest in items such as books, tutors, quality child care, relocation to safe neighborhoods, and extracurricular activities. Moreover, psychological and neuroscientific studies have found that the economic pressure felt by low-income families can create high levels of stress and foster an environment of poor mental health. This can lead to a strained home environment and conflict between parents and their children which ultimately harms children’s development.

Researchers have also found associations between poverty and reductions in children’s cognitive skills, educational attainment, and projected future earnings. Consistent associations between a family’s economic status and the physical and mental health of children within those families have also been supported by the literature. Moreover, quasi-experimental studies around the impact of tax benefits such as the Earned Income Tax Credit (EITC) linked the income effects of these programs to improvements in health and educational outcomes for families, showcasing the link between income and improved family stability and well-being.

Research is also clear that children younger than six years old would especially benefit from the positive effects of income transfers. Studies on family income and child development have found that the developing brains of infants and young children are incredibly sensitive to both positive and negative environmental stimuli. A recent study on the impact of the Food Stamp Program on child well-being found an association between food stamp availability and reduced risk of ill health in adulthood, as well as positive impacts on educational attainment, with the largest adult impacts being associated with the availability of food stamps prior to birth. Additional studies have also found long-run improvements in children’s health associated with the availability of social benefits to mothers.

**Principles Behind a Universal Child Allowance**

The weight of this evidence suggests that cash or near-cash transfers can be an effective way of improving the material well-being of low-income families, especially young children. Despite this, policy supporting investments in childcare in the United States is largely targeted towards families with incomes well above the poverty line via tax credits, leaving little cash support available to the nation’s most impoverished children. To address these and other shortcomings, these fragmented tax-based benefits should be replaced with a universal monthly child allowance. This policy should adhere to a set of core principles laid out by Luke Shaefer and colleagues in their 2018 article calling for a universal child
allowance in the United States. 

Firstly, the child allowance should be universal, applying to all families within the United States. Universality will allow for families to have additional support for providing basic needs such as food, clothing, and housing. Parents will also be able to promote the well-being of their children through enrichment items such as childcare and extracurricular activities. While critics of social welfare policies would likely call this notion an overextension of government, the idea that a society should collectively ensure its children’s welfare is hardly a revolutionary one, even in the United States. This exact notion serves as one of the key philosophies underpinning the nation’s public provision of universal elementary and secondary education. Provided universally to all school-aged children, investments in a universal system of public education have played a key role in making the United States the wealthy and influential nation it is today. In this regard, ensuring that child benefits are distributed universally is merely the next logical step in collectively ensuring the prosperity of the nation through its children.

The proposed child allowance should also be readily accessible to recipients. Currently, the refundable tax benefits used by the United States are paid as a lump sum at tax time. This payment schedule does not address the issue of intra-year income instability that has increasingly been felt by American families. By distributing the benefits on a more frequent basis, the allowance would be able to deal more effectively with fluctuations in the labor market, in addition to other life events that can create instability throughout the year. As Shaefer et al. point out, a monthly approach similar to the way the Social Security program pays out benefits would allow for the effective distribution of benefits over a large population.

Additionally, the program should account for more extensive benefits for younger children. Research shows that early childhood is a time of rapid psychological development that serves as the foundation for a wide array of cognitive, social, and health outcomes that are highly responsive to increases in household income. Early childhood is also the period when expenditures on child enrichment areas such as childcare are the highest, meaning that a child benefit will have more of an impact during this period. Parents of young children also tend to have lower incomes than parents of older children, giving them fewer resources to invest in enrichment activities that can have significant long-term consequences for a child’s success. Shaefer and colleagues propose that an additional $50 per month per child under the age of six could account for this and allow for the extra needs of young families to be met.
Operationalizing a Universal Child Benefit

Scholars working with the Robert Woods Johnson Foundation simulated the potential impact of three different universal child allowance models: a simple version where every child receives $250 per month, a tiered version where children aged six or less receive $300 per month, and a tiered and equalized model that allows benefits to be reduced for each additional child in the family. While all three versions of the program were found to reduce poverty, the tiered version of the program was found to produce the best results, reducing child poverty from its current state of just over sixteen percent to just over nine percent. These changes were found to be relatively similar across racial and ethnic lines and had a particularly notable effect on poverty among families with unmarried cohabiting partners, dropping poverty in this group from just over twenty-one percent to just over twelve percent.

Based on a cost-benefit analysis conducted by these scholars that accounts for the savings from the child tax exemption and the Child Tax Credit, costs of a tiered universal child allowance would range from sixty-three dollars for the tiered and equalized model to 105 billion dollars for the tiered model. The proposal could be paid for by a variety of methods including an increase in marginal income tax rates, an increase in taxes on investment income, and a higher tax on benefits for high-income earners.

The United States already recognizes the value of assisting its citizens with childcare via the child tax exemption and Child Tax Credit. While these programs have been helpful to middle-income families, they have systematically omitted low-income families, and their once-yearly payment schedule is not designed to address the growing epidemic of family income instability throughout the year. By replacing these two tax-based programs with a universal child allowance, the United States would provide an income floor for all families with children and formally recognize the notion that the well-being of future generations is worth a significant social investment.

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