Economic Security in Good Times and Bad:

COVID-19 Demonstrates Why We Need a Child Allowance

The United States needs a child allowance—now and always.

In order for children to thrive, their families must have enough income to meet their basic needs. But even when the economy is strong, millions of American children live in families that cannot afford basic necessities.[1] Children are being denied what they need to lead happy and healthy lives because of our policy choices.

Over the past two and a half decades, policymakers have tied a growing number of our social supports to parent's work in the wage labor force.[2] While policies like the Earned Income Tax Credit and the Child Tax Credit provide meaningful cash assistance to millions of working families, they provide less assistance to the lowest income families, and no assistance to the families who need it most.[3] Temporary Assistance for Needy Families (TANF), the block grant to states to provide cash assistance to families with children, is beset with harsh and cumbersome work reporting requirements and time limits. Only 22 out of every 100 families living in poverty get any cash assistance through TANF, and because of the way the program is designed and implemented, immigrant families and families of color are systematically and disproportionately denied the assistance they need.[4]

Most other higher-income countries provide an income floor to families with children to ensure that all families can meet their basic needs. Many—including the UK, Australia, Ireland, and Canada—do so in the form of a child allowance.[5]

A child allowance is a regular cash payment that goes to families based on the number of children in the household. As a universal benefit tied directly to children, it is not conditioned upon parental employment, or any other parental actions. It is often designed as a universal or near-universal benefit to help defray the costs of raising the next generation—costs that are otherwise born by individual families, but from which society as a whole benefits.[6] Canada's child benefit now pays a maximum monthly benefit of CA$553.25 per child under the age of six, and CA$466.83 per child aged six to 17 (approximately $381.40 and $321.83 USD respectively).[7] The international evidence is clear that families spend this additional income on items to meet their children's basic needs.[8] Research has shown that child allowances reduce child poverty, and are associated with improved educational outcomes for children, and improved physical and mental health for children and their parents.[9] A landmark report from National Academy of Sciences in 2019 found that if a child allowance were adopted in the United States, it would do more than any other policy to reduce child poverty.[10]

If the United States adopted a child allowance, it would ensure that families with children always have a minimum income on which they can rely, whatever the circumstances. A child allowance would not replace existing supports,* but in combination with these supports—including unemployment insurance, Supplemental Nutritional Assistance Program (SNAP), TANF, housing assistance, and child care assistance—as well as other much-needed supports such as paid family

* A child allowance could replace the child tax credit, but should not replace other existing supports. The United States should follow the example of other countries and not count the child allowance as income for purposes of eligibility for other means tested programs—to further ensure that it complements, and does not supplant, existing supports.

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and medical leave, it would ensure that families with children can meet their basic needs, so that children have what they need to grow and thrive.

A child allowance would help us respond quickly and effectively at times of crisis—like today.

Because child allowances are dispersed on a regular basis, they would provide a ready mechanism to increase support for families as circumstances change, and boost consumer spending during economic downturns. Typically, child allowances are distributed monthly, though they could be designed to be distributed weekly or biweekly. They can be directly deposited into families' bank accounts, or onto electronic benefit transfer (EBT) cards—the debit cards that states currently use to distribute food and cash assistance to families. They could also be designed to be picked up in cash at an easily accessible location, such as a post office. Because child allowances create the infrastructure to give cash to families on a regular basis, they can also be quickly and easily increased in response to unanticipated needs. In the current COVID-19 crisis, for example, as childcare centers and schools close across the country and families are suddenly confronted with feeding and educating their children at home, a child allowance could be increased to cover these additional costs. Increasing a child allowance in moments like these would also boost consumer spending, and help mitigate an economic downturn. Canada has recently announced that it is temporarily increasing its child allowance as one of a number of measures of fiscal stimulus in response to the COVID-19 crisis.[11]

If a child allowance is structured to advance equity, any additional funding during economic downturns would go to the very families who need it the most and are most likely to spend it, ensuring that the funding has the intended stimulative effect.

A child allowance can and should be designed to advance equity.

The United States' failure to establish a national income floor, and administer it federally, is rooted in a long history of excluding families of color and immigrant families from the most basic supports.[12] The result has hurt all families. Establishing a child allowance would be a significant step toward providing all families the support they need, and if properly designed can also advance equity. A child allowance should:

Provide a national income floor to all families with children.

- Benefit levels for a child allowance should be set nationally, provide meaningful support to families, and be administered by the federal government. The American Family Act of 2019, introduced by Senators Michael Bennet and Sherrod Brown, creates a child allowance of $300 per month per child under age six, $3,600 annually, and $250 per month per child ages six to 16, or, $3,000 annually. For a family of three, with one adult and two children, a child allowance at this level would put them just under 30 percent of the Federal Poverty Line in 2020, so there is good reason to set the allowance substantially higher. Whatever the value of the child allowance, however, it should include an automatic annual adjustment to keep pace with the cost of living.
- The child allowance should be available to all children, including children in immigrant families. More than a quarter of all children in the US are children of immigrants, and almost a third of poor children are children of immigrants. All children in immigrant families should have access to a child allowance, regardless of legal status, on the same terms as children born in the United States.

Provide more support to families who need it most.

- A child allowance should support families across the economic spectrum, but should be structured to provide more support for families with the lowest incomes. This could be done in one of two ways. The child allowance itself could be universal, but it could be progressively taxed back for families with the highest incomes. Alternatively, a child allowance could be means tested, so that lower middle, and even upper income families get the full benefit, but the benefit phases out gradually for the highest income families. However, means testing a child allowance would significantly increase the administrative costs and complexity of the benefit and likely reduce uptake.
- A child allowance should reflect families' expenses. Families with young children bear significant expenses, ranging from diapers and formula to childcare and early learning activities. As children approach adolescence, costs increase once again. There is evidence to suggest the merit of a higher child allowance for different stages of childhood, such as early childhood and adolescence, when costs are high for families. A child allowance that varies by the age of the child, however, might be more difficult and costly to administer, and more difficult for families to understand. For this reason, it may be better policy to institute a consistently higher benefit across age groups.
- A child allowance should support children in large families. Children living in large families are more likely to experience poverty and economic insecurity, but social policy too often reduces and even eliminates benefits for children in families with over

a threshold number of children. In the United States, these policies have been fueled by racist myths about women of color. The per-child child allowance should not decrease in value for subsequent children.

In the policymaking community, there is a growing consensus that a child allowance is an effective way to provide income support for families with children. Now is the time to establish a child allowance, to ensure that families have the resources they need to weather this immediate crisis, and to thrive in the future.

Acknowledgements

Center for the Study of Social Policy Senior Policy Analyst Elisa Minoff authored this brief. She is grateful for the thoughtful feedback from her colleagues Megan Martin at CSSP, and Megan Curran at the Center on Poverty and Social Policy at Columbia University. This report is in the public domain. Permission to reproduce is not necessary. Published March 2020.

Suggested citation: Minoff, Elisa. "Cash for Families with Children: Covid-19 is demonstrating why we need a child allowance." Center for the Study of Social Policy, March 2020.

Endnotes

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