

ECONOMIC UPDATE

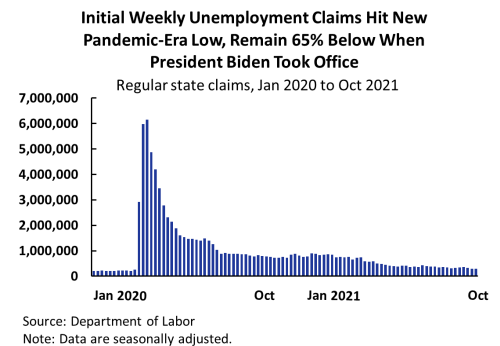
October 22, 2021

Economic Issue in Focus – Work Requirements and An Income Cutoff for the Child Tax Credit Would Increase Hardship and Childhood Poverty

Recent proposals to add work requirements to the Child Tax Credit (CTC) and jettison its full refundability will eliminate the majority of the CTC’s poverty-reducing impact while having little to no impact on employment. The CTC is expected to reduce childhood poverty by over 40%, lifting more than 4 million children out of poverty. Over 80% of this effect comes from the provision that makes the credit available to families with low or no earnings. In more than 95% of the families who benefit from making the credit fully refundable, the parent or other caretaker is working, between jobs, ill or disabled, elderly or has a child under age two. A recent [analysis](#) conducted by the Center on Budget and Policy Priorities provides state level breakdowns for how CTC payments were spent. The analysis finds that almost 90% of the lowest income households in the United States spent their CTC payments on basic necessities including food, clothing and utilities. As [research](#) conducted by the JEC Democrats shows, the finances of American families improved significantly after the first monthly expanded CTC payments were distributed in July 2021.

Key Economic Indicators to Track

- Unemployment Insurance Claims:** [Data](#) released by the Department of Labor show that new unemployment claims fell to 290,000, a new pandemic-era low, outperforming analysts’ expectations for the week ending October 16. Initial claims remain 65% lower than when President Biden took office and 95% lower than during the peak of the pandemic. The four week moving average, which smooths week-to-week volatility in the data, also fell to a new pandemic-era low of 319,750.
- State Jobs Data:** [Data](#) released by the Bureau of Labor Statistics show that unemployment rates in September were lower in 27 states and the District of Columbia and stable in 22 states, underscoring that the economy continues to strengthen across the country.
- Federal Reserve Economic Estimates:** The most recent [release](#) of the Federal Reserve’s Beige Book, which provides qualitative information gathered from each of the Fed’s 12 regional reserve bank districts, indicates that the economic outlook is positive, with recent strong demand for workers and increased consumer spending, despite uncertainty caused by the Delta variant and ongoing supply chain hurdles. The Fed estimates the U.S. economy will grow by 5.9% in 2021.
- Gross Domestic Product:** On Thursday, October 28, the Bureau of Economic Analysis is scheduled to release its first estimate of Q3 2021 GDP. Despite a rise in coronavirus cases due to the Delta



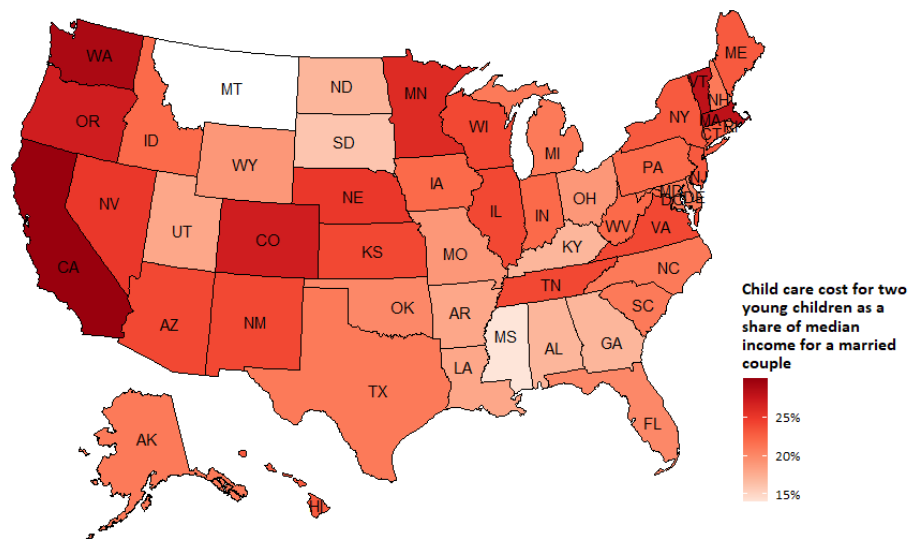
variant, analysts estimate the U.S. economy grew by between 2% and [3.5%](#) in the third quarter of 2021. This shows the U.S. economy is likely to continue to rebound faster than peer economies such as the UK, where third quarter growth is estimated to be around 2.2%.

JEC Spotlight – The United States Needs To Invest in Child Care To Bolster Future Economic Growth

A new JEC [issue brief](#) highlights that high-quality, accessible child care provides economic and socioeconomic benefits on both the individual and national levels. Underinvestment in child care and the resulting high prices have prevented the United States from fully realizing those benefits, constraining future economic growth. Recent national [estimates](#) find that child care costs for a single child average between \$9,200 and \$9,600 per year. These costs can be significantly elevated depending on the state and are usually higher for younger children. For a family with two young children—an infant and a four-year-old—average child care costs [exceed the median cost of rent](#) in every reporting state and the District of Columbia.

The high cost of child care takes up a significant portion of family income. The Department of Health and Human Services (HHS) has determined that child care is unaffordable if it [exceeds 7% of family income](#). However, in 36 states and the District of Columbia, a typical married couple with an infant and a four-year-old spends on average more than 20% of their income on child care. In eight states, families spend over 25% of their income on child care—more than three times the affordability cap established by HHS. As can be seen in the map below, these affordability issues are found nationwide, with all reporting states and the District of Columbia exceeding the 7% cap.

Across the Country, Child Care is Unaffordable



Source: "Picking Up the Pieces" - Appendices by ChildCare Aware of America
Note: Cost of child care for two children refers to the cost for one infant and one four-year-old in a child care center. Median income for a married couple refers to the median income in that state. Data for Montana is not available.

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Selected JEC Resources

- [*Universal Paid Family and Medical Leave Will Generate Economy-Wide Benefits and Spur Economic Growth*](#)
- [*Health Insurance Tax Subsidies in the Build Back Better Act Will Provide Affordable Health Insurance for Millions of Americans*](#)
- [*National and State Level Data on the Economic Situation of Hispanic Americans*](#)
- [*Expanding the Housing Choice Voucher Program to Improve Housing Affordability and Economic Security for the Lowest-Income Families*](#)
- [*Strong Care Infrastructure Is Critical to Increasing Labor Force Participation and Driving Future Economic Growth*](#)
- [*Hispanic Workers Kept the U.S. Economy Moving During the Coronavirus Pandemic but Face Lower Wages and Poor Working Conditions*](#)

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