

Proposal to offset families' child-care costs could enhance equity by dramatically cutting poverty among people of color across New England ^[1]

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Excerpted from Abstract and Key Findings

Abstract

In this brief, authors Beth Mattingly and Jess Carson consider the impact of capping child-care expenses for New Englanders paying out of pocket for child care. Using the Census Bureau's Supplemental Poverty Measure, they find that poverty would decline by 40 percent among New Englanders in families paying for care if out-of-pocket payments were eliminated for those below their state median income and capped at 7 percent of income for higher-earning families. Absolute reductions would be greatest for Black and Hispanic New Englanders, meaning that such a policy change would also bring their poverty rate closer to rates among white New Englanders, thereby decreasing the racial/ethnic poverty-rate gap.

Key Findings

- Subsidizing child care entirely for families with incomes under the state median and capping expenses at the federal affordability threshold (7 percent of income) for higher-earning families would affect two-fifths of New England families paying for care.
- The poverty rate for individuals in these families would be cut by 40 percent.
- Among people in families paying for care, this policy would reduce poverty most among those without any college education, single parents, and Black and Hispanic individuals.
- Resulting child-care cost savings would reduce racial/ethnic gaps in poverty rates among New Englanders paying for care: although Black and Hispanic poverty rates are still the highest, the policy would reduce rates by around 7 percentage points for each group.
- Our findings may reflect a conservative estimate of poverty reductions, as we do not account for increases in labor-force participation that would further boost income. Still, such care might be of higher quality and offer other benefits to children and families.

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Source URL (modified on 22 Sep 2021): <https://childcarecanada.org/documents/research-policy-practice/21/09/proposal-offset-families%E2%80%99-child-care-costs-could-enhance>

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