

A Test of Alternative Child Care Expense Capping in the Supplemental Poverty Measure

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Abstract

Child care is a significant part of household budgets for families with children and therefore plays an important role in their economic well-being. In keeping with the latest developments in scholarship and with expert recommendations from a recent National Academies of Sciences, Engineering, and Medicine panel, this paper explores implementation of a recommended change to capping child care expenses in the Supplemental Poverty Measure (SPM) for key groups of parents. Supported by the latest research and using data from the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC), we test the effect on poverty rates of adjusting the cap on child care expenses for SPM units that have a parent out of work and either enrolled in an education or training program, looking for work, or that is disabled. We find that the updated capping procedure has little practical effect on overall poverty rates or poverty rates for the affected groups we examine. The results of these changes inform the future potential changes to the SPM regarding the treatment of child care.

¹ This paper is released to inform interested parties of ongoing research and to encourage discussion of work in progress. Any views expressed are those of the author and not necessarily of the U.S. Census Bureau. The Census Bureau has reviewed this data product to ensure appropriate access, use, and disclosure avoidance protection of the confidential source data used to produce this product (Disclosure Review Board (DRB) approval number: **CDBRB-FY24-SEHSD003-046**). All comparative statements in this report have undergone statistical testing, and, unless otherwise noted, all comparisons are statistically significant at the 10 percent significance level. More information on confidentiality protection, methodology, sampling and nonsampling error, and definitions is available at <www2.census.gov/programs-surveys/cps/techdocs/cpsmar23.pdf>.

1. Introduction

Child care expenditures are a significant part of household budgets for families with young children. Taking into account the variation in median family income across counties (grouped by population size), the cost of child care ranged from 8.0 percent to 19.3 percent of family income per child for paid care in 2018 (Landivar, et al. 2023). Child care expenditures are not evenly distributed throughout the population, as various factors affect how much an individual or family pays for child care, including: age of the child, geographic region of residence, number of children for which care is required, and family composition (Lino et al., 2017; Gordon & Chase-Lansdale, 2001). Currently, the Supplemental Poverty Measure (SPM) accounts for child care expenses in the measurement of household economic well-being by treating them like a work expense: reported child care expenditures, capped at the earnings of the lowest earning parent, are deducted from a unit's resources. Part of longer-term efforts to improve the measurement of child care needs and resources in the SPM, the aim of this paper is to explore the effect on poverty rates of modifications to how child care expenses are capped for select units prior to being deducted from resources.

The Census Bureau recently commissioned the National Academies of Sciences, Engineering, and Medicine (NAS) to produce a comprehensive report documenting the strengths and weaknesses of the Census Bureau's current approach to poverty measurement in the SPM. This report (NAS, 2023) identified child care as a key domain for revisions that will increase the accuracy and precision of poverty measurement by better addressing child care needs and resources in the nation's premier poverty statistic. Specifically, the multi-disciplinary panel recommended Census explicitly incorporate child care needs and resources into the calculation of poverty. This represents a significant change in measurement which will require research and testing over the next few years. More immediately, the panel recommended changing assumptions around incorporating the cost of care in households eligible for child care subsidies even when a parent is unemployed which include households with disabled parents, parents in training or education programs, and parents looking for work. This paper presents the results of this initial research, which will inform subsequent phases of research on integrating child care resources into poverty thresholds and thus future decisions on changes to the SPM.

Our analysis shows that the portion of SPM units reporting child care expenses so that a parent could work, and thus subject to the expense capping procedure, is about five percent of all units. Among those units that report paying for child care for work, the portion identified in the NAS recommendation- units with a parent out of work and either enrolled in education or training programs, looking for work, or disabled- that are directly affected by a revised capping procedure is small. When we implement the revised capping procedure with a sample year of data, we find a small, statistically significant increase in the overall SPM poverty rate of 0.01 percentage points. We see no statistically significant change in poverty rates within the three specific groups affected by the revised capping procedure. However, this analysis is limited by the current question wording in the CPS ASEC which specifically instructs respondents to only report child care expenses incurred "while they worked", which could be limiting expenses reported for other purposes such as education, training, or job search, for example.

This paper is organized as follows. First, we describe literature supporting the measurement decision behind our short-term goal – removing the cap on child care expenses for households with a parent that is not working and is in education or training programs, looking for work, or that is disabled. Second, we present descriptive statistics that demonstrate the prevalence of child care needs and expenditures from the Current Population Survey Annual Social and Economic Supplement (CPS ASEC). We then present comparative analysis highlighting the changes in poverty rates evident when child care expense caps are removed for households that fall into our three focal groups. We conclude with discussion of findings and an outline of next steps for improving the integration of child care in the SPM.

2. Relevant Literature

In the current version of the SPM, child care is included as a component of necessary expenses in the SPM resource measure (Shrider and Creamer, 2023). Child care expenses are defined as the cost of paying someone to care for children while parents work. The SPM accounts for the child care expenses incurred so parents can work by adding these outlays to overall work expenses (including work-related transportation and uniform fees, for example), which are then deducted from overall resources. The amount added to work expenses is capped at the value of the lowest earning parent² in the household, meaning that child care expenses are not deducted from resources in cases where there is only one working parent (essentially a cap of zero). The treatment of child care expenses was developed from recommendations from the 1995 NAS report which noted shifts in the number of families with two working parents in the United States. The panel recommended the deduction of child care expenses in these cases to better measure the poverty status of working families (Citro and Michael, 1995).

While the current methodology considers the child care burden that working parents face, it assumes that individuals that are not working are available to provide care for children in the home. This is contrary to empirical research that suggests that parents spend money on child care while looking for work or while engaged in education or training programs, among other types of circumstances (Bagley, Smith, and Wolters, 2021). Furthermore, child care expenditures are not evenly distributed throughout the population – the costs of child care are more burdensome for individuals at the middle and bottom of the income distribution (Tekin, 2021). Indeed, Mattingly et al. (2017) find that a third of the poverty experienced by families with children is a result of child care expenses.

In line with recent research, the most recent NAS panel recommended a significant shift in the treatment of child care in SPM measurement: that child care should be treated not just as a work expense but rather as a basic need that all parents have. In the course of implementing this change, the panel identified an immediate change in the treatment of child care expenses that could be made and examined to inform future changes: “In households with children under the age of 13 (or, in line with current child care subsidy rules, up to age 18 if disabled), parents who are in education or training should be treated like parents who are employed, and a parent who is not working and is disabled should not be assumed to be available to provide child care while the other parent is working or in

² We note that the addition of child care expenses to work expenses is capped at the lowest earning reference person or spouse/partner of the reference person in a SPM unit. For simplicity in this paper, we will refer to this person as a parent, regardless of whether they are parents as indicated by their parent pointers (PEPAR1 and PEPAR2).

education/training,” (Recommendation 4.1, pg. 4-3, NAS, 2023). During the NAS briefing, the panel additionally agreed this expansion should also apply to parents engaged in job search activities. This change is intended to broaden the population of households with recognized child care expenses and better align with child care subsidy eligibility rules, producing a more accurate reflection of child care needs.

Literature supports the recommendation when it comes to parents not in the labor force but engaged in education or training programs. If busy with educational or job training activities, these parents require child care and are not available to caretake while completing program requirements (Morrissey, 2017). This aligns with the fact that child care subsidy programs, both at the state and Federal level, cite training and education programs as qualifying statuses to receive these subsidies (Blau and Tekin, 2007; Meyer, Heintze, and Wolf, 2002). Moreover, studies of employment training programs report an association between participant attrition and lack of consistent child care availability, which supports the hypothesis that individuals engaged in training or education are not available to provide child care during those hours (see Hofferth and Collins, 2000; Meyers and Heintze, 1999; Meyers, 1993; Siegel and Loman, 1991). Comparable patterns are seen among parents looking for work, a group similarly eligible for child care subsidies even if temporarily out of work (Brady, 2016).

The panel also recommended that a disabled parent not in the labor force with a co-parent working or in an education or training program not be assumed to be available to provide child care. Rivera Drew (2009) summarizes the sparse literature on how disabled parents negotiate work and child care and concludes that, in contrast to the NAS recommendation, disabled parents invest time in providing care even when out of the labor force. Indeed, time use studies suggest that many disabled parents provide important caretaking for children in their homes even if for fewer hours than non-disabled parents (Anand and Ben-Shalom, 2015; Pagán, 2013). The most recent empirical research concludes that parents with disabilities negotiate competing demands on their time similar to parents without disabilities (Kirshbaum and Olkin, 2002), and so the integration of this recommendation may require further research on household production by householders with disabilities to be implemented (see Jones and O’Donnell, 1995, as a potential example).

3. Data and Methodology

The CPS ASEC is the source of data for the official poverty and SPM estimates in the United States since it contains detailed information on household income and family composition. The CPS ASEC is a supplement to the Current Population Survey (CPS), a widely-used household survey for measuring socioeconomic characteristics of the U.S. population (U.S. Census Bureau, 2019). The CPS consists of two components. The first is a monthly component that is also used to compute the official unemployment rate. The second component comprises various thematic supplements that are conducted throughout the year. Of these, the most well-known is the CPS ASEC, which includes all sample households from the

monthly CPS for March of each year and an oversample of certain populations.³ SPM estimates have been produced using CPS ASEC data since 2011 (with estimates available back to calendar year 2009).

Currently, the SPM methodology incorporates child care spending in the poverty measure by adding these expenses to work expenses and then deducting these combined expenses from resources. The amount of this addition is capped at the earnings of the lowest earning parent in the SPM unit.⁴ One result of this cap is that in units where at least one of up to two parents report \$0 in earnings, no child care expenses will be added to unit-level work expenses, regardless of whether expenses were actually reported. Thus, individuals in capped units may look better off than comparable families with two working parents (or one working parent in a single-parent unit) since the unit's child care expenditures are not accounted for when combined work and child care expenses are deducted from resources.

The panel's recommendation is intended to improve the SPM by deducting child care expenses for individuals who are not working but still need to utilize paid child care (and could potentially still be eligible for child care subsidies). In addition, the panel proposed deducting child care expenses spent towards care only for children aged 12 years and under or those aged 13 to 18 years with a disability. These adjustments reflect changes from the current SPM methodology which deduct child care expenses for households with children aged 15 years and younger. We use variables indicating whether children aged 13 and 14 are receiving Social Security or Supplemental Security Income due to disability to identify specific units with a disabled child that is 13 or 14 years old.⁵ While it is possible to identify 15 through 18-year-olds, child care expense data are not collected for 15 through 18-year-olds. Thus, when examining child care expense caps, our analysis defines an "eligible child" as anyone 13 or 14 years old with a disability or 12 years and under (referred to throughout Section 4.2 as "eligible" children).

To test implementation of these recommended changes, we use data from the 2010 to 2023 CPS ASEC, with 2023 serving as a test year for applying the revised capping procedure. We first identify SPM units eligible for an updated child care expense cap by using CPS ASEC variables indicating the primary reason the SPM reference person or their spouse/partner (referred to hereafter as the parent/s for simplicity) was not working in the previous calendar year; we then identify whether they were out of work and looking for a job, were enrolled in an educational program, or were disabled in the previous calendar year.^{6,7} Disability status for the SPM reference person or their spouse/partner was assigned if individuals answered affirmatively to one of the six disability questions in the basic monthly CPS.⁸

³ For more details on CPS ASEC sample design and methodology, refer to <<https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar23.pdf>>.

⁴ There is a second cap, not examined in this paper, applied to the combined child care and work expenses. Combined child care and work expenses are capped at the lower earning person's earnings. The analyses in this report focus on the first cap that is applied to child care expenses.

⁵ These variables are only available on internal CPS ASEC files. Future iterations of this analysis will explore alternative definitions and assignments.

⁶ In this paper, we use "parent" as shorthand for a reference person or the spouse/partner of the reference person in an SPM unit. They may or may not have a parental relationship to a child or children in the SPM unit as indicated by their parent pointers (PEPAR1 and PEPAR2).

⁷ The variables used for identifying individuals engaged in job search are RSNNOTW and NWLOOK.

⁸ We use the summary variable PRDISFLG. The six disability questions ask about whether an individual: 1) has difficulty dressing or bathing (PEDISDRS); 2) is deaf or has serious difficulty hearing (PEDISEAR); 3) is blind or has serious difficulty seeing even when wearing glasses (PEDISEYE); 4) has difficulty doing errands alone such as visiting a doctor's office or shopping because of a physical, mental, or emotional condition (PEDISOUT); 5) has serious difficulty walking or climbing stairs (PEDISPHY); and 6) has serious difficulty concentrating, remembering, or making decisions because of a physical, mental, or emotional condition

SPM units are classified as a capped unit if their reported child care expenses exceed the earnings of the lowest earning parent. Using this information, the quick fix simply changes the value of the cap from zero to the earnings of the highest earning parent in the SPM unit for units which meet the conditions described above. SPM poverty rates are then recalculated, replacing the existing value of child care expenses with the updated values based on the quick fix.

Note that there could be measurement error due to the wording of the question on the CPS ASEC. It could be the case that individuals who would now have child care expenses to deduct from resources do not report these expenses since they are not working. The U.S. Census Bureau is currently conducting testing on expanding the wording of the child care expense question to include specifics on child care expenses while in a job search or for school or training purposes to ameliorate these concerns.

4. A Quick Fix to Child Care in the SPM

4.1 Background on Child Care Expenses

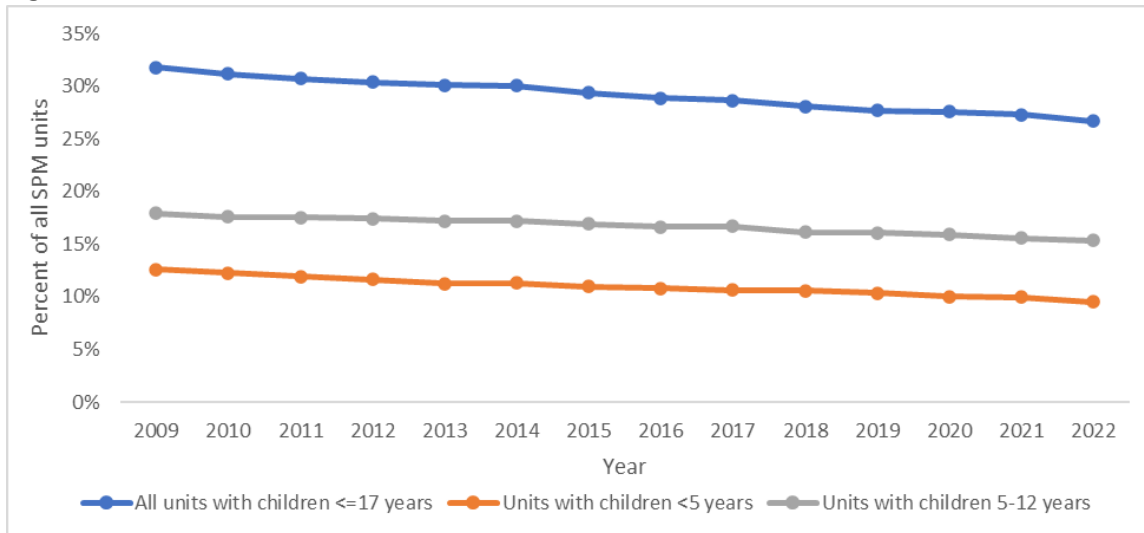
Examining descriptive statistics on the incidence of child care and child care expenses is important since they can help us understand the scope and magnitude of these issues. Figure 1 presents the share of SPM units that have at least one child.⁹ During 2009 to 2022, 29.2 percent of SPM units had at least one child aged 17 years or younger.¹⁰ In the same time frame, 11.0 percent of SPM units had at least one child younger than 5 years of age, whereas 16.7 percent of SPM units had at least one child between the ages of 5 and 12 years (inclusive). These numbers suggest that child care expenditures potentially affect a large proportion of families.

(PEDISREM). Future iterations of this analysis could examine a more expansive definition of disability by including individuals reporting disability-related income.

⁹ SPM units are comprised of all related individuals who live at the same address, any coresident unrelated children who are cared for by the family (such as foster children), and any cohabiters and their children.

¹⁰ All estimates referring to the period 2009 to 2022 in this paper are averages of annual values during that period.

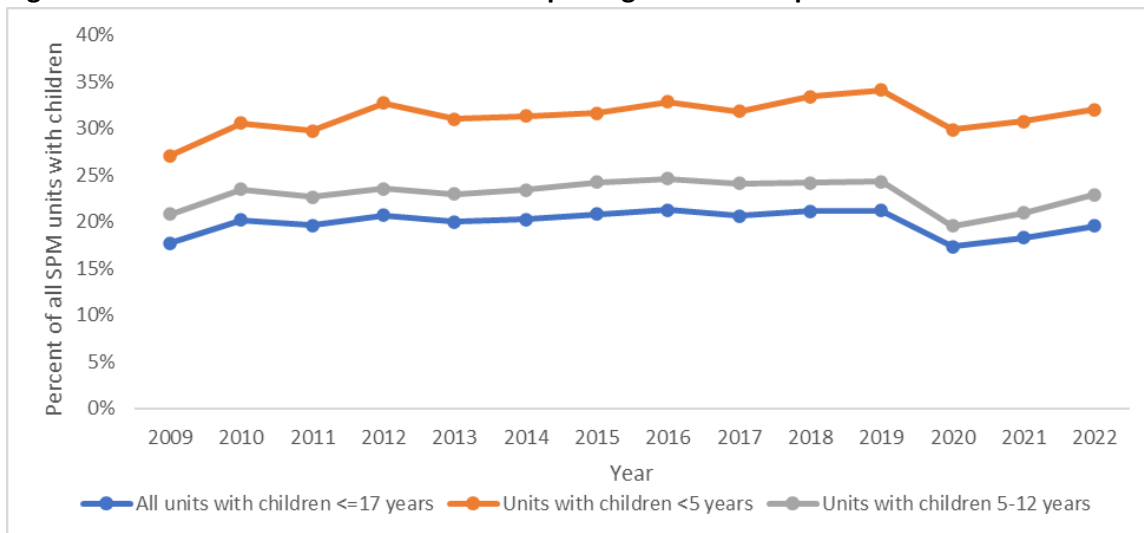
Figure 1: Share of SPM units with children: 2009-2022



Source: U.S. Census Bureau, Current Population Survey, 2010 to 2023 Annual Social and Economic Supplements (CPS ASEC).

Figure 2 presents estimates of the proportion of SPM units with children that reported some child care expenses (for children 17 years and younger) incurred while parents worked.¹¹ During 2009 to 2022, 19.9 percent of all SPM units with children reported spending some money on child care expenses. The share (31.3 percent) was much larger among SPM units with at least one child 4 years or younger. In the same time frame, 23.0 percent of SPM units with children between the ages of 5 and 12 years reported spending some money on child care so they could work. These numbers suggest that child care expenses affect a substantial proportion of families with children.

Figure 2: Share of SPM units with children reporting child care expenses: 2009-2022

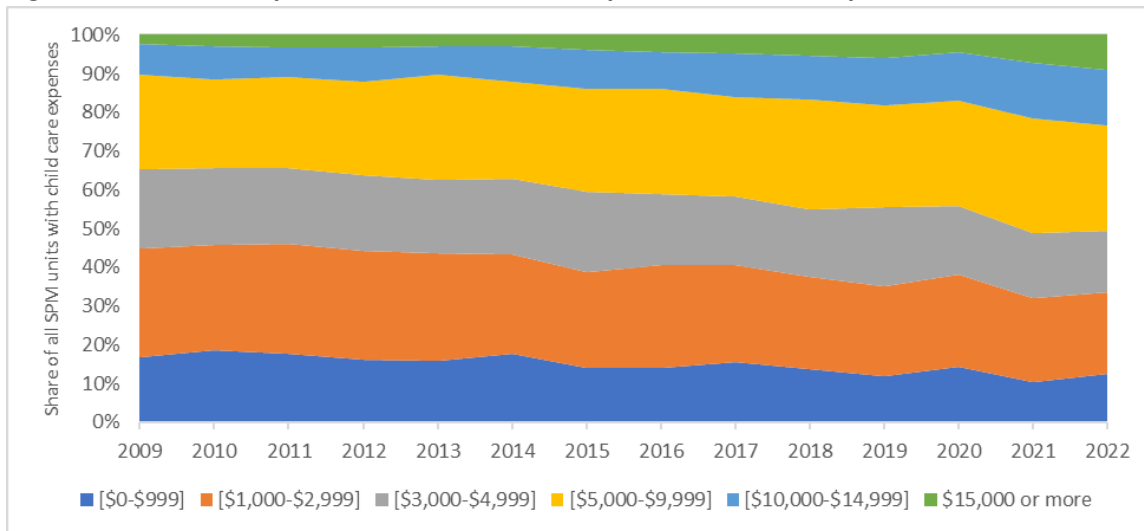


Source: U.S. Census Bureau, Current Population Survey, 2010 to 2023 Annual Social and Economic Supplements (CPS ASEC).

¹¹ The precise wording of the question in the CPS ASEC is as follows: “Did (you/anyone in this household) PAY for the care of (your/their) (child/children) while they worked last year? (Include preschool and nursery school; exclude kindergarten or grade/elementary school)?”

Figure 3 presents estimates of the distribution of child care expenses of SPM units that reported child care expenses. We combine all child care expenses into the following buckets for ease of comparison: [\$0-\$999], [\$1,000-\$2,999], [\$3,000-\$4,999], [\$5,000-\$9,999], [\$10,000-\$14,999], and [\$15,000 or higher]. All of these values are inflated to 2023 dollars. During this period, the share of SPM units reporting child care expenses of \$15,000 or higher increased from 2.5% in 2009 to 9.1% in 2022. The share of SPM units reporting child care between \$10,000 and \$14,999 also increased from 7.9% to 14.4% during this period. This suggests that families spent larger amounts on child care in 2022 compared to 2009.

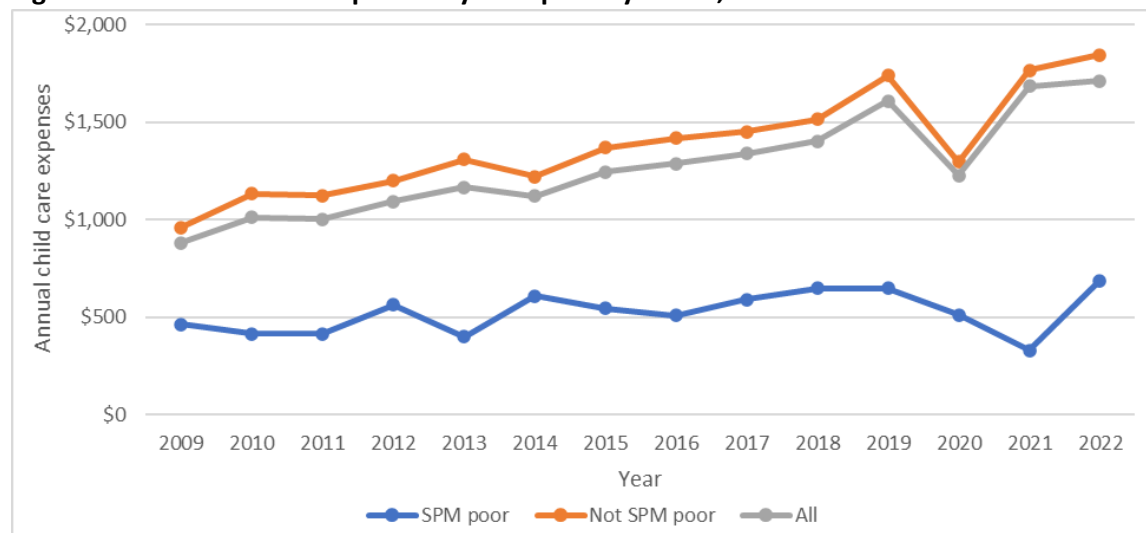
Figure 3: Child care expenses of SPM units that reported child care expenses: 2009-2022



Source: U.S. Census Bureau, Current Population Survey, 2010 to 2023 Annual Social and Economic Supplements (CPS ASEC).

Figure 4 presents average annual child care expenses by SPM poverty status for all SPM units with children for the years 2009-2022 (not conditional on having non-zero child care expenses). We see that the average annual child care expenses for all SPM units with children and that were in poverty increased from \$462 in 2009 to \$687 in 2022, an increase of 49%. The average child care expenses of SPM units with children and that were not in SPM poverty increased from \$959 in 2009 to \$1,844 in 2022, an increase of 92%. This suggests that the increased burden of child care costs may have been borne more by SPM units not in poverty compared to SPM units in poverty.

Figure 4: Mean child care expenses by SPM poverty status, all SPM units with children: 2009-2022



Source: U.S. Census Bureau, Current Population Survey, 2010 to 2023 Annual Social and Economic Supplements (CPS ASEC).

4.2 Implementing the Quick Fix

We now turn to our examination of the effects of implementing the proposed changes to the child care capping procedure on SPM poverty rates. We begin by identifying the population potentially affected by these changes- SPM units with children that report child care expenses. Again, it should be noted that currently the CPS ASEC question text instructs respondents to only report on child care expenses incurred “for work”, so these results should be considered lower-bounds as future question changes could result in greater reporting of child care expenses.

Table 1 shows the percent of SPM units with children of various age ranges. This shows the spread of units that might be affected by any change to how child care expenses are treated in the SPM, including the proposed change to the capping procedure.

Table 1: Percent of all SPM units with at least one eligible child of a given age range, by focal group: 2022

| | Has child under 15 years [†] | | | Has disabled child 13-14 [†] years old | | Has child 12 years and under | | Has child 5-12 years old | | Has child 4 years and under | |
|--------------------|---------------------------------------|----------|-----|---|-----|------------------------------|-----|--------------------------|-----|-----------------------------|-----|
| | Total N | Estimate | MOE | Estimate | MOE | Estimate | MOE | Estimate | MOE | Estimate | MOE |
| All units | 138,300 | 20.7 | 0.3 | 0.1 | Z | 20.6 | 0.3 | 15.4 | 0.3 | 9.5 | 0.2 |
| Education/training | 2,230 | 18.4 | 2.3 | 0.0 | 0.0 | 18.4 | 2.3 | 13 | 2.1 | 8.8 | 1.6 |
| Looking for work | 1,102 | 24.4 | 3.6 | 0.0 | 0.0 | 24.4 | 3.6 | 18.2 | 3.1 | 10.1 | 2.7 |
| Disabled parent | 17,870 | 5.5 | 0.4 | 0.2 | 0.1 | 5.4 | 0.4 | 4.3 | 0.4 | 1.9 | 0.3 |

MOE indicates margin of error; generated using survey replicate weights. Total N are in thousands.

Z rounds to zero.

[†]Eligible children are either 12 years and under or 13-14 with a disability.

[‡] indicates the child received Social Security or Supplemental Security Income because of a disability.

Note: Age range categories are not mutually exclusive. A table of the number of SPM units with children of various ages is presented in Appendix A. An SPM unit may be in multiple focal groups.

Source: U.S. Census Bureau, Current Population Survey, 2023 Annual Social and Economic Supplements (CPS ASEC).

Table 1 shows that in 2022, less than a quarter of units could potentially be affected by the change in capping procedure: 20.7 percent of all SPM units have at least one child under 15 years, which is the closest we can match the population of children identified by the NAS report (recall that we define this group to include all children 12 years and under, and those 13 to 14 years old with a disability; hereafter these are referred to as “eligible children”). Less than one percent of units have a child between 13 and 14 years old with a disability. If the recommendation were applied without considering children 13 and 14 years old with disabilities, the population decreases to 20.6 percent of units with at least one child 12 years and under. The prevalence of eligible children differs across the three focal groups - only 5.5 percent of units with a disabled parent had an eligible child under 15 years compared to 24.4 percent of units with a parent looking for work and 18.4 percent of units with a parent in school.¹²

Of the 20.7 percent of units with an eligible child under 15 years identified in Table 1, how many of these units also report child care expenses? Table 2 presents the number of units with child care expenses for each group and age range of child.

Table 2: Percent of SPM units reporting child care expenses, by age of child and focal group: 2022

| | Total N | Estimate | MOE |
|--|---------|----------|-----|
| All units with eligible children | 28,590 | 24.7 | 0.8 |
| In education/training with child under 15 years | 411 | 19.5 | 5.2 |
| In education/training with child 12 years and under | 411 | 19.5 | 5.2 |
| In education/training with child 5-12 years | 291 | 19.9 | 5.9 |
| In education/training with child 4 years and under | 196 | 25.0 | 8.1 |
| Looking for work with child under 15 years | 269 | 7.8 | 4.2 |
| Looking for work with child 12 years and under | 269 | 7.8 | 4.2 |
| Looking for work with child 5-12 years | 201 | 8.8 | 5.3 |
| Looking for work with child 4 years and under | 112 | 11.9 | 7.7 |
| Not working and reports disability with child under 15 years | 984 | 7.6 | 2.0 |
| Not working and reports disability with child 12 years and under | 957 | 7.8 | 2.1 |
| Not working and reports disability with child 5-12 years | 762 | 7.7 | 2.6 |
| Not working and reports disability with child 4 years and under | 348 | 15.6 | 4.5 |

MOE indicates margin of error; generated using survey replicate weights. Total N are in thousands.

Note: Age range categories are not mutually exclusive. A table of the number of units with child care expenses by age of child and capped group is presented in Appendix A. An SPM unit may be in multiple focal groups. Eligible children are either 12 years and under or 13-14 with a disability, therefore only 13–14-year-olds with a disability are included in the group with children under 15 years. Eligible 13-14-year-olds are not reported due to small sample size.

Source: U.S. Census Bureau, 2023 Current Population Survey Annual Social and Economic Supplement (CPS ASEC).

Of all SPM units with eligible children, 24.7 percent had child care expenses, regardless of the age of children in the unit and employment status of the parents. Among our three focal groups, units with a

¹² The percent of SPM units with a parent looking for work and an eligible child under 15 years is not statistically different from the percent of SPM units with a parent in an education or training program and an eligible child under 15 years.

parent in an education program had the highest incidence of child care expenses at 19.5 percent of units with an eligible child under 15 years.¹³ Units with a parent in an education program and with a child four years old and under have the highest portion of units reporting child care expenses at 25 percent.¹⁴ Overall, Table 2 indicates that approximately one-fifth of SPM units with an eligible child under 15 and a parent enrolled in an education or training program are paying for child care while approximately one-tenth of SPM units with an eligible child under 15 and a parent job searching or with a disability are paying for child care.¹⁵ This foreshadows that revising the cap on child care expenses will affect a small portion of the population of units with children.

Table 3 presents poverty rates by select demographic characteristics using both the current capping approach (“original SPM”) and the recommended revised approach (“revised SPM”). This gives a sense of the effect of the change on overall poverty rates.

Table 3: Original and revised SPM poverty rates, overall and by demographic characteristics: 2022

| | Total N | Revised SPM | MOE | Original SPM | MOE | Difference | MOE |
|------------------------|---------|-------------|------|--------------|------|------------|------|
| All people | 330,600 | 12.38 | 0.28 | 12.37 | 0.28 | -0.01* | 0.01 |
| Male | 163,400 | 11.92 | 0.31 | 11.91 | 0.31 | -0.01* | 0.01 |
| Female | 167,200 | 12.83 | 0.32 | 12.83 | 0.32 | -0.01* | 0.01 |
| Under 18 years | 72,500 | 12.41 | 0.51 | 12.39 | 0.51 | -0.02* | 0.02 |
| 18 to 64 years | 200,200 | 11.86 | 0.33 | 11.85 | 0.33 | -0.01* | 0.01 |
| 65 years and older | 57,880 | 14.14 | 0.50 | 14.14 | 0.50 | 0.00 | 0.00 |
| White | 249,200 | 11.45 | 0.31 | 11.44 | 0.31 | -0.01 | 0.01 |
| White, not Hispanic | 193,500 | 9.14 | 0.30 | 9.14 | 0.30 | -0.01 | 0.01 |
| Black | 44,620 | 17.19 | 0.93 | 17.19 | 0.93 | 0.00 | 0.00 |
| Asian | 21,600 | 11.58 | 1.09 | 11.58 | 1.09 | 0.00 | 0.00 |
| Hispanic (any race) | 63,960 | 19.33 | 0.76 | 19.32 | 0.76 | -0.01 | 0.02 |
| With one or more child | 153,600 | 11.41 | 0.43 | 11.39 | 0.43 | -0.02* | 0.02 |
| With no children | 177,100 | 13.22 | 0.36 | 13.22 | 0.36 | 0.00 | 0.00 |

* represents statistically significant differences at the 90% confidence level. MOE indicates margin of error; generated using survey replicate weights. Total N are in thousands.

Note: A table of the number of units in poverty, overall and by demographic characteristics is presented in Appendix A. Differences are calculated prior to rounding and may not be apparent from table estimates.

Source: U.S. Census Bureau, 2023 Current Population Survey Annual Social and Economic Supplement (CPS ASEC).

¹³ The percent of all SPM units with an eligible child (under 15 years) is not statistically different from the percent of SPM units with an eligible child under 15 years and a parent enrolled in an education or training program.

¹⁴ The percent of SPM units with a child 4 years and under with a parent in education/training is not statistically different from the percent of SPM units with a child 4 years and under with a parent looking for work or from the percent of SPM units with a child 4 years and under and with a parent with a disability. The percent of SPM units with a child 4 years and under is also not different from any of the other groups of SPM units with a parent in education/training.

¹⁵ The percent of SPM units with an eligible child under 15 years with a parent with a disability is not statistically different than the percent of SPM units with an eligible child under 15 years with a parent looking for work.

The overall poverty rate shows a small change with the revised capping procedure implemented, increasing by a hundredth of a percentage point, from 12.37 percent to 12.38 percent. This small increase is observed across some key demographic groups, including sex and age, and whether the unit has a child in the home.¹⁶ The poverty rate among men increases one hundredth of a percentage point from 11.91 percent under the current measurement procedure to 11.92 percent. The poverty rate among women also increases one hundredth of a percentage point. Among age categories, the poverty rate for those under 18 increases from 12.39 to 12.41 percent while 18 to 64 years increases from 11.85 to 11.86 percent.¹⁷ The poverty rate for those 65 and older does not change significantly between the original and revised procedure.

The poverty rate among White individuals did not change significantly between the original and revised procedure, from 11.44 to 11.45 percent; for White individuals not of Hispanic ethnicity, there is no significant difference in the poverty rates. There is no significant change in SPM rates between the original and revised procedure for Black or for Asian individuals. Finally, the poverty rate increases for individuals living in a SPM unit with children present, from 11.39 to 11.41 percent. There is no significant increase for those living in units without children, as we would expect.

Given that we see quite small changes among the broader population, what is the magnitude of change in poverty rate for the three potentially impacted groups? Table 4 shows poverty rates among the three focal groups using both the original and revised capping procedure.

Table 4: Original and revised SPM poverty rates among three child care focal groups: 2022

| | Total N | Revised | | Original | | Difference | MOE |
|---|---------|---------|------|----------|------|------------|-----|
| | | SPM | MOE | SPM | MOE | | |
| In education/training with child under 15 years | 1,762 | 28.6 | 5.3 | 27.5 | 5.2 | -1.2 | 1.4 |
| In education/training with child 12 years and under | 1,762 | 28.6 | 5.3 | 27.5 | 5.2 | -1.2 | 1.4 |
| In education/training with child 5-12 years | 1,358 | 29.8 | 6.8 | 29.0 | 6.7 | -0.9 | 1.4 |
| In education/training with child 4 years and under | 833 | 23.0 | 7.6 | 21.9 | 7.4 | -1.1 | 1.8 |
| Looking for work with child under 15 years | 1,110 | 56.7 | 7.5 | 56.7 | 7.5 | 0.0 | 0.0 |
| Looking for work with child 12 years and under | 1,110 | 56.7 | 7.5 | 56.7 | 7.5 | 0.0 | 0.0 |
| Looking for work with child 5-12 years | 864 | 55.1 | 9.4 | 55.1 | 9.4 | 0.0 | 0.0 |
| Looking for work with child 4 years and under | 461 | 55.1 | 11.8 | 55.1 | 11.8 | 0.0 | 0.0 |
| Disabled with child under 15 years | 231 | 8.6 | 10.4 | 4.1 | 7.5 | -4.5 | 7.5 |
| Disabled with child 12 years and under | 231 | 8.6 | 10.4 | 4.1 | 7.5 | -4.5 | 7.5 |
| Disabled with child 5-12 years | 227 | 8.8 | 10.6 | 4.2 | 7.7 | -4.6 | 7.7 |
| Disabled with child 4 years and under | 165 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

* represents statistically significant differences at the 90% confidence level. MOE indicates margin of error; generated using survey replicate weights. Total N are in thousands.

Note: Age range categories are not mutually exclusive. A table of the number of units in poverty, overall and by demographic characteristics is presented in Appendix A. An SPM unit may be in multiple focal groups. Differences are calculated prior to rounding and may not be

¹⁶ These increases are not statistically different from one another.

¹⁷ The original poverty rates for individuals under 18 years old and for individuals 18-64 years old are not statistically different from one another. The revised poverty rates for individuals under 18 years old and for individuals 18-64 years old are not statistically different from one another.

apparent from table estimates. Eligible children are either 12 years and under or 13-14 with a disability, therefore only 13-14-year-olds with a disability are included in the groups with children under 15 years. Eligible 13-14-year-olds are not reported due to small sample size. Source: U.S. Census Bureau, 2023 Current Population Survey Annual Social and Economic Supplement (CPS ASEC).

There is no statistically significant difference between the revised and original SPM rates for any of the three focal groups, regardless of the age of children in the home. Overall, the adjustment to the capping procedure for the three focal groups does not significantly impact their respective poverty rates.

5. Conclusion

This paper outlines the Census Bureau's preliminary work to address the NAS panel's suggestions for revising the treatment of child care expenses in the SPM. Correcting assumptions about who is available to care for children in the home is a simple start to this work. Using single-year data from the CPS ASEC, our analysis confirms that in 2022 20.7 percent of U.S. households had children 12 years and younger or 13-14 years with a disability and thus make decisions about utilizing child care. Of this group, approximately one-fifth of households paid for care so that someone in the home could work. Among SPM units that did pay for care, approximately one-fifth met child care subsidy criteria allowing continued use of subsidized care while a parent is out of work and enrolled in an education or training program, and approximately one-tenth met those criteria while an out-of-work parent searched for a job or has a disability.¹⁸ Thus, the group of units potentially affected by the cap revisions was fairly small.

When the cap changes are implemented, we see small changes to some poverty rates. The overall poverty rate increases by .01 percentage points, a significant but not meaningful amount. The poverty rate for key demographic groups show small increases- the difference between original and revised rates for men and women both increase by .01 percentage points, for example. The rate changes among the three subsidy focal groups are not statistically significant, suggesting that either these units were already far below their respective poverty thresholds or far above them prior to the procedure change (i.e., deducting additional expenses previously excluded did not push many units over their poverty thresholds), or that the effect cannot be detected due to small group size and large margins of error. Additionally, it is possible that respondents in those focal groups did not report (or reported lower levels of) child care expenses as the question text specifically instructs respondents to only report expenses for work, not for education, training, or job search activities. Future research is needed to fully understand the impact of changing the question text in addition to changing the capping procedure.

This work provides a preliminary framework for future updates by starting with amendments focused on child care needs for those in education and training programs, those looking for work, and for caretakers not in the labor force and with disabilities.

¹⁸ The percent of SPM units with an eligible child 18 years and under with a parent with a disability is not statistically different than the percent of SPM units with an eligible child 18 years and under with a parent looking for work.

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Appendix A

Appendix A presents the estimates and margins of error from Tables 1-4 in the main report.

Table A1: Number of SPM units with an eligible child of a given age range, by focal group: 2022

| | Has child under 15 years | | Has child 13-14* years old | | Has child 12 years and under | | Has child 5-12 years old | | Has child 4 years and under | |
|--------------------|--------------------------|-----|----------------------------|-----|------------------------------|-----|--------------------------|-----|-----------------------------|-----|
| | Number | MOE | Number | MOE | Number | MOE | Number | MOE | Number | MOE |
| All units | 28,590 | 352 | 107 | 25 | 28,500 | 350 | 21,240 | 333 | 13,180 | 285 |
| Education/training | 411 | 53 | 0 | 0 | 411 | 53 | 291 | 47 | 196 | 36 |
| Looking for work | 269 | 46 | 0 | 0 | 269 | 46 | 201 | 37 | 112 | 32 |
| Disabled | 984 | 77 | 28 | 14 | 957 | 76 | 762 | 69 | 348 | 48 |

Numbers are in thousands. MOE indicates margin of error; generated using survey replicate weights. Eligible children are either 12 years and under or 13-14 with a disability.

* indicates the child received Social Security or Supplemental Security Income because of a disability.

Note: Age range categories are not mutually exclusive. An SPM unit may be in multiple focal groups.

Source: U.S. Census Bureau, Current Population Survey, 2023 Annual Social and Economic Supplements (CPS ASEC).

Table A2: Number of SPM units with child care expenses, by age of child and focal group: 2022

| | Number | MOE |
|--|--------|-----|
| All units | 7,061 | 236 |
| In education/training with child under 15 years | 80 | 24 |
| In education/training with child 12 years and under | 80 | 24 |
| In education/training with child 5-12 years | 58 | 19 |
| In education/training with child 4 years and under | 49 | 19 |
| Looking for work with child under 15 years | 21 | 12 |
| Looking for work with child 12 years and under | 21 | 12 |
| Looking for work with child 5-12 years | 18 | 11 |
| Looking for work with child 4 years and under | 13 | 9 |
| Not working and reports disability with child under 15 years | 75 | 20 |
| Not working and reports disability with child 12 years and under | 75 | 20 |
| Not working and reports disability with child 5-12 years | 59 | 20 |
| Not working and reports disability with child 4 years and under | 54 | 17 |

Numbers are in thousands. MOE indicates margin of error; generated using survey replicate weights.

Note: Age range categories are not mutually exclusive. An SPM unit may be in multiple focal groups. Eligible children are either 12 years and under or 13-14 with a disability, therefore only 13-14-year-olds with a disability are included in the groups with children under 15 years. Eligible 13-14-year-olds are not reported due to small sample size.

Source: U.S. Census Bureau, 2023 Current Population Survey Annual Social and Economic Supplement (CPS ASEC).

Table A3: Number of SPM units in poverty using original and revised poverty rates, overall and by demographic characteristics: 2022

| | Total N | Revised SPM | MOE | Original SPM | MOE | Difference | MOE |
|------------------------|---------|-------------|-----|--------------|-----|------------|-----|
| All people | 330,600 | 40,940 | 926 | 40,900 | 927 | -31* | 29 |
| Male | 163,400 | 19,470 | 501 | 19,460 | 502 | -17* | 16 |
| Female | 167,200 | 21,460 | 538 | 21,450 | 538 | -14* | 13 |
| Under 18 years | 72,500 | 8,997 | 369 | 8,980 | 371 | -14* | 14 |
| 18 to 64 years | 200,200 | 23,750 | 649 | 23,730 | 648 | -17* | 17 |
| 65 years and older | 57,880 | 8,187 | 288 | 8,187 | 288 | 0 | 0 |
| White | 249,200 | 28,550 | 775 | 28,520 | 777 | -23 | 23 |
| White, not Hispanic | 193,500 | 17,690 | 587 | 17,680 | 587 | -14 | 16 |
| Black | 44,620 | 7,671 | 417 | 7,671 | 417 | 0 | 0 |
| Asian | 21,600 | 2,502 | 237 | 2,502 | 237 | 0 | 0 |
| Hispanic (any race) | 63,960 | 12,360 | 483 | 12,360 | 485 | -9 | 14 |
| With one or more child | 153,600 | 17,520 | 661 | 17,490 | 662 | -31* | 29 |
| With no children | 177,100 | 23,410 | 649 | 23,410 | 649 | 0 | 0 |

Numbers are in thousands. * represents statistically significant differences at the 90% confidence level. MOE indicates margin of error; generated using survey replicate weights.

Note: Differences are calculated prior to rounding and may not be apparent from table estimates.

Source: U.S. Census Bureau, 2023 Current Population Survey Annual Social and Economic Supplement (CPS ASEC).

Table A4: Number of SPM units in poverty using original and revised poverty rates among three child care focal groups: 2022

| | Total N | Revised SPM | MOE | Original SPM | MOE | Difference | MOE |
|---|---------|-------------|-----|--------------|-----|------------|-----|
| In education/training with child under 15 years | 1,762 | 505 | 118 | 484 | 116 | -21 | 24 |
| In education/training with child 12 years and under | 1,762 | 505 | 118 | 484 | 116 | -21 | 24 |
| In education/training with child 5-12 years | 1,358 | 405 | 116 | 394 | 115 | -12 | 19 |
| In education/training with child 4 years and under | 833 | 191 | 71 | 182 | 69 | -9 | 15 |
| Looking for work with child under 15 years | 1,110 | 630 | 149 | 630 | 149 | 0 | 0 |
| Looking for work with child 12 years and under | 1,110 | 630 | 149 | 630 | 149 | 0 | 0 |
| Looking for work with child 5-12 years | 864 | 476 | 129 | 476 | 129 | 0 | 0 |
| Looking for work with child 4 years and under | 461 | 254 | 94 | 254 | 94 | 0 | 0 |
| Disabled with child under 15 years | 231 | 20 | 24 | 10 | 17 | -10 | 17 |
| Disabled with child 12 years and under | 231 | 20 | 24 | 10 | 17 | -10 | 17 |
| Disabled with child 5-12 years | 227 | 20 | 24 | 10 | 17 | -10 | 17 |
| Disabled with child 4 years and under | 165 | 0 | 0 | 0 | 0 | 0 | 0 |

Numbers are in thousands. * represents statistically significant differences at the 90% confidence level. MOE indicates margin of error; generated using survey replicate weights.

Note: Age range categories are not mutually exclusive. An SPM unit may be in multiple focal groups. Differences are calculated prior to rounding and may not be apparent from table estimates. Eligible children are either 12 years and under or 13-14 with a disability, therefore only 13-14-year-olds with a disability are included in the groups with children under 15 years. Eligible 13-14-year-olds are not reported due to small sample size.

Source: U.S. Census Bureau, 2023 Current Population Survey Annual Social and Economic Supplement (CPS ASEC).