A Care System Built for Today's Economy

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Key Points

- The historic lack of investment in care infrastructure threatened the nation's economy at the start of the pandemic and deepened its racial- and gender-specific impacts.
- Investments in child care, the Child Tax Credit, paid leave, and home- and community-based services (HCBS) during the height of the pandemic demonstrated the essential value of care in keeping the economy running and offered a preview of what the nation's care infrastructure can and should be.
- While Congressional champions introduce legislation and fight for the resources needed, President Biden can use his megaphone to ensure that care and care policy remain a priority. He can also include in his proposed budgets substantial resources for these vital aspects of the care infrastructure and use executive and regulatory power to enact changes.

Care is at the center of our nation's economy, democracy, and society. The billions of dollars being spent to create millions of new jobs through the Inflation Reduction Act, the CHIPS and Science Act, and the Infrastructure Investment and Jobs Act present both a huge opportunity and a huge risk. Without incorporating care infrastructure into the nation's industrial policy plans, many jobs will remain unfilled and many individuals will face barriers to jobs because they have unmet care responsibilities.

The failure to provide the significant resources necessary for a care infrastructure—a publicly funded system that recognizes care as both an individual and social responsibility, values care workers, and supports family members to both care and provide financially for each other—has exacerbated care challenges across the country and deepened the pandemic's racial- and gender-specific impacts. Millions of women are struggling to both provide care and engage in paid work. Women of color in particular are disproportionately providing care to children, people with disabilities, or aging family members; they comprise the majority of the care workforce, while also either serving as essential workers or losing their jobs and being forced to look for new ones. As highlighted by the recently created "Congressional Dads' Caucus," men are also impacted by the lack of care infrastructure.

Pandemic Care Resources

The nation's failure to build a robust care infrastructure to support families and businesses alike is particularly frustrating, especially when considering how the emergency measures taken during the pandemic to support caregiving delivered immense benefits and demonstrated the true value of care. In particular, pandemic-era national investments in child care, the Child Tax Credit, paid leave, and home- and community-based services (HCBS) offered a preview (if incomplete) of what care infrastructure in the U.S. can and should look like.

This report can be found online at: https://tcf.org/content/report/a-2023-plan-for-economic-equity-and-progress/

Child Care

In March 2021, President Biden signed into law the American Rescue Plan Act (ARPA), providing states with $24 billion for child care stabilization, $15 billion to supplement the existing child care program for low-income families, and $1 billion for Head Start. These funds were intended to support children and families and shore up the devastated child care sector in the wake of the pandemic and ensuing economic crisis. They have been a crucial lifeline for child care providers and families alike. The COVID relief spending mitigated much of the disaster that had been predicted for the child care sector. A recent fact sheet from the White House and the U.S. Department of Health and Human Services showed that it helped 200,000 child care providers keep their doors open to as many as 9.5 million children, while employing more than 1 million child care workers. The relief dollars helped, but they were a temporary measure intended to prop up the sector while Congress worked on a long-term, sustainable, and robust child care investment that never came.

Child Tax Credit

Economic inequality—exacerbated by racism, sexism, ableism, and other forms of discrimination—makes it challenging for many families to meet the basic needs of raising children. During the pandemic, the challenges of paying for food, rent, mortgage and other household necessities that are critical for families' and children's wellbeing grew to untenable levels.

Since 1997, the Child Tax Credit (CTC) has provided qualifying families with a partially refundable tax credit if they have children under the age of 17 when they file their taxes. However, millions of the lowest-income families and children have historically been left behind by the CTC due to several limitations in its design—most notably the fact that it is not fully refundable, meaning that there is a minimum income threshold families must meet in order to qualify for the credit. As a result, an estimated 27 million of the nation's poorest children—including half of Black and Latino children, and half of children living in rural communities—received less than the full value of the CTC in 2020, while wealthier families with children received the full amount.

One of the cornerstones of the American Rescue Plan Act was an historic set of improvements to the CTC that, for one year, transformed the credit into a guaranteed monthly cash payment to help families cover the costs of raising children—an idea already woven into the social fabric of many other wealthy nations. Key improvements authorized for one year by ARPA included increasing the amount families were eligible for, from $2,000 per child per year to a maximum of $3,600 per child age 5 or younger and $3,000 for children ages 6–17; making the credit fully refundable so that it reached the families and children most in need, with no minimum earnings requirement; and making it an automatic monthly benefit, in recognition that childrearing often includes ongoing expenses that cannot wait for tax time. Families who received benefits were able to use them for myriad purposes ranging from paying rent and food bills, for holiday gifts or school books, and a range of other needs.

While sadly short-lived (the ARPA expansions of the CTC were allowed to expire after just one year), these improvements brought about the largest single-year drop in U.S. child poverty in recorded history—slashing the nation's child poverty rate nearly in half, and bringing it to its lowest point in history. According to the U.S. Census Bureau, the expanded CTC protected 2.1 million children from poverty in 2021. The largest drops in child poverty were for Hispanic children of any race and Black children, whose poverty rates dropped by 6.3 and 8.8 percentage points, respectively, from 2020 to 2021. All told, the expanded CTC reached roughly 61 million children in 40 million families in 2021. Since its expiration, Congress has failed to pass an expanded and fully refundable Child Tax Credit, leaving millions of families and children without support for essential needs.

Paid Leave

At the height of the pandemic, care policy moved forward in important, but temporary ways. The Families First Response Act, signed into law on March 18, 2020, guaranteed two workweeks of emergency paid sick leave and ten workweeks of emergency paid family leave to people working in businesses with fewer than 500 employees for many pandemic-related purposes, such as quarantines and recovering from the virus. While more limited a policy than was truly needed, for those that were included and able to use it, the results were clear. A study published in Health Affairs found that emergency paid sick days helped flatten the curve of COVID-19 infections in the United States. The emergency paid leave program was discontinued before its impacts could be widely felt by workers, however, and the many gaps from political compromise weakened what it could have done. Still, the emergency program had several tenets that were extremely positive and distinct from existing paid leave policies. Notably, the emergency paid sick leave program was immediately available to covered workers (as opposed to having a waiting period for benefits, often thirty days). Additionally, the program covered part-time workers, which is especially important for women who are more likely to work part-time due to care responsibilities. Unfortunately, Congress allowed these provisions to expire at the end of 2020 rather than extend them.

Home- and Community-Based Services

The American Rescue Plan Act (ARPA) included a temporary ten-percentage-point increase to the federal medical assistance percentage (FMAP) for Medicaid home- and community-based services (HCBS) to address the needs of disabled people, their families, care workers, and older adults made more urgent by the pandemic. This funding for HCBS—approximately $12.7 billion—helped states to increase coverage, expand benefits, improve conditions for the workforce, and improve how funding operates in the state to pay for state Medicaid programs. The funding in ARPA was developed to be a down payment on expanding HCBS with significantly more funding to follow in the Build Back Better agenda (which, unfortunately, has not moved forward). As such, the one-year increase was a drop in the bucket as compared to the total need, and was intended only to supplement existing spending and address more immediate needs. Some states capitalized on the funding with ready to move forward initiatives, while others were slower to develop plans and showed less innovation.

Lessons from Care Infrastructure Progress

The historic lack of investment in care infrastructure means that, on the one hand, even temporary investments make a big difference, and on the other, the chasm between our current reality and what's needed is significant. TCF has outlined how the child care stabilization and supplemental funding has helped families, shored up the child care sector, and improved the equitable distribution of child care funding. TCF has also written about the impact of the ARPA HCBS funding on improving recruitment, retention, and ongoing working conditions; investing in technology and tools to improve services; increasing access to HCBS for beneficiaries; and improving transitions from congregate care into stability in community and independent living. The achievements regarding paid leave policy offered a critical template for what's possible, especially as a blueprint for how to fill gaps and fight back against opposition. Similarly, the expanded Child Tax Credit served families better than previous iterations of the credit, as the majority of parents prefer monthly payments to a one-time payment via a tax return, due to better predictability and consistency meeting basic needs. The vulnerable communities at the center of much of this impact have, in particular, been provided the support they need to participate in the labor force while caring for their loved ones.

Looking Forward

Over the next two years of the 118th Congress, political dynamics will likely stymie significant legislative progress. However, President Biden can prioritize and include in his proposed budgets substantial resources for all of these vital aspects of the care infrastructure. Even if they are more aspirational than feasible, given the current Congress, continuing to drive the agenda in a visionary way helps set the stage for future progress too, demonstrates the Biden administration's commitment to its unfinished business, and can hold Congress accountable for providing resources through the appropriations process.

The Biden administration can also use its executive and regulatory power to enact changes. For example, for HCBS, the administration can put into place measures that improve access to independent living, tie Medicaid payments to adequate wages for home care and other direct care workers, build infrastructure that helps consumers and workers connect, and allow independent home care providers to collectively bargain and access training and other benefits.

In addition, states will continue to feel the care crisis deeply, innovate where they can, and implement the combination of existing programs and the temporary funding from the COVID-relief packages. As states leverage federal funding to raise compensation, reach more families, lower payments for families, support independent living, and sustain the significant operating costs of running programs in child care, the federal government can learn from states about what's needed, what works, and where improvements could be made. This is especially important as legislators introduce or reintroduce federal legislation reflecting the policy vision for moving forward.