

The Case for a Federal Birth Grant: A Plan to Reduce Poverty for Newborns and their Families

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Many families experience significant declines in economic stability around the time of the arrival of a newborn due to increased spending related to preparing for and caring for an infant, as well as any loss of income during that period. Most wealthy, industrialized countries provide a “birth grant”—benefits or payments to parents of newborns to assist with parental and newborn expenses, which can be delivered at birth or prenatally. The United States, however, stands out among peer countries in its lack of support for newborn children and their families, which results in increased poverty and income inadequacy around the time of childbirth.

In this brief, we introduce the idea of a birth grant in the United States, and provide evidence on how such a birth grant can reduce the heightened poverty surrounding a birth. In addition, we show how a birth grant can be coupled with a monthly child allowance to further reduce infant and family' poverty across the first year of life.

SUMMARY & KEY FINDINGS

- In the United States, the birth of a child increases the likelihood of poverty by 33%, with over 1 out of 4 mothers experiencing poverty in the month after birth. Spikes in poverty following a birth are particularly pronounced for Black and Latina mothers.
- In addition to paid family leave, many countries also offer additional one-time cash assistance through a ‘birth grant’ to support families in this critical time. The United States currently offers neither.
- If the United States delivered an \$1,800 one-time birth grant to mothers, it would nearly eradicate poverty in the month of birth (reducing the poverty rate from 25.5 % to 2.4% for mothers of newborns).
- If a one-time birth grant was coupled with a monthly child allowance, poverty in the month of birth would be almost eliminated and poverty among mothers would be kept consistently lower throughout the first year of the child’s life.

INTRODUCTION

The arrival of a newborn is often a cause for joy and celebration. Too often, the arrival of a newborn is also the cause of a spell of poverty. Poverty at any time in childhood can negatively impact cognitive development,¹ as well as lead to poor health outcomes and lower educational achievement.² Given the consensus on the importance of the first year of life, poverty in infancy may have enormous consequences to children, their family, and indeed, society as a whole.

Why would childbirth be a poverty-inducing event? Part of the story is increased need. Newborns must be fed, clothed, and sheltered. Poverty is measured by the size of the family. When another person, in this case a newborn child, enters a family, the increase in the family size raises the poverty threshold (i.e., the minimum level of income a family needs to be out of poverty). But this is only part of the explanation. Many expectant parents work before the birth of their child but have to leave the labor force temporarily or reduce their hours around childbirth to care for their newborn. Absent other supports, many parents—particularly mothers—therefore face a loss in income at the same time as they are required to provide new resources to their newborns, including diapers, clothes, food, and a place to sleep. Moreover, parents incur added costs when they return to work as they must secure child care for their newborn, which is often more expensive than care for older children. The net result is a sharp increase in poverty in the period surrounding a birth. In other research,³ we show that poverty rates increase by around 33 percent in the month of childbirth, and that the sharp increase in poverty is particularly pronounced for mothers after the birth of their first child and for Black and Latina mothers.

Given the unique circumstances families face around the time of a birth, countries generally provide support to women and families of newborns. Nearly all industrialized democracies have paid leave to help replace the lost wages from taking time off to care for a newborn. In the United States, however, only 23 percent of workers have access to paid family leave.⁴ Nevertheless, paid leave, on its own, does not help families address the increased resources required to care for a newborn. To meet these additional costs, most wealthy, industrialized countries also provide a “birth grant”—benefits or payments to parents of newborns to assist with parental and newborn expenses. Some grants are delivered at birth, whereas others are delivered prenatally. The United States, however, stands out among peer countries in its lack of support for newborn children and their families.

The creation of a birth grant in the United States could serve at least two purposes: to help parents meet the increased expenses of their newborn and to mitigate the risk of the arrival of a newborn itself causing a poverty spell. Here, we examine the latter—the potential impact of a birth grant on reducing the chance of a poverty spell for a newborn and their family.

¹ Hair, Nicole L, Jamie L Hanson, Barbara L Wolfe, and Seth D Pollak. 2015. [Association of Child Poverty, Brain Development, and Academic Achievement](#). *JAMA Pediatrics* 169, no. 9: 822-29.; Najman, Jake M, Mohammad R Hayatbakhsh, Michelle A Heron, William Bor, Michael J O’Callaghan, and Gail M Williams. 2009. [The Impact of Episodic and Chronic Poverty on Child Cognitive Development](#). *The Journal of Pediatrics* 154, no. 2: 284-89.

² Hardy, Bradley L. 2014. [Childhood Income Volatility and Adult Outcomes](#). *Demography* 51, no. 5: 164-65.; Roos, Leslie L, Elizabeth Wall-Wieler, and Janelle Boram Lee. 2019. [Poverty and Early Childhood Outcomes](#). *Pediatrics* 143, no. 6.

³ Hamilton, Christal, Laurel Sariscsany, Jane Waldfogel, and Christopher Wimer. n.d. [Experiences of Poverty Around the Time of a Birth: A Research Note](#).; Stanczyk, Alexandra B. 2020. [The Dynamics of US Household Economic Circumstances around a Birth](#). *Demography* 57, no. 4: 1271-96.

⁴ U.S. Bureau of Labor Statistics. [National Compensation Survey: Employee Benefits in the United States, March 2021](#).

Of course, children are at risk of poverty spells across the life course. In 2021, the United States implemented a monthly child allowance, in the form of a fully refundable, monthly Child Tax Credit under the American Rescue Plan (ARP). For young children under age six, the credit reached \$300 per month, per child. While the expansion has expired, it was intended to be made permanent and was proposed in part to protect against poverty in childhood. That being said, the Child Tax Credit expansion was not designed to meet the acute resource needs associated with a newborn. Three hundred dollars simply does not cover these expanded costs.

In this analysis, we examine infant poverty in the months surrounding birth under three scenarios to see the potential impacts of these policies both jointly and separately:

1. Current policy climate (*no public supports provided to families at birth of a child*)
2. Birth grant provided to parents of newborns
3. Birth grant provided to parents combined with a monthly expanded Child Tax Credit

To model a birth grant, we must first decide on its size or generosity. One could imagine a variety of ways to find the right size of a birth grant, including basing it on the costs associated with a newborn, or the average increase in the poverty threshold that arises with the addition of a new family member. We chose to model an \$1,800 birth grant, which is equal to half the annual Child Tax Credit provided under the American Rescue Plan for young children, but this is just one option. Larger or smaller birth grants would of course lead to greater or smaller poverty reduction. We also model two different versions of the birth grant—a universal birth grant and a more targeted version tied to Medicaid eligibility.⁵

We model a monthly Child Tax Credit based on the structure of the proposed [American Family Act](#) (H.R. 1160/S. 690 in the 116th Congress; H.R. 928 in the 117th Congress) of a maximum fully refundable credit of \$300 per month for young children (age 0-5) and \$250 per month for older children (age 6-17), with the full credit available to children in families with low and moderate incomes. This credit structure was implemented in 2021 under the American Rescue Plan. We assume that the credit would be delivered from birth and continue as monthly payments for all children under the age of 18. We refer to this as the monthly child allowance in subsequent figures.

While families with newborns were unable to receive monthly payments during implementation of the expanded Child Tax Credit of 2021, for this analysis, we assume perfect administration of the benefit—that the birth grant can be delivered at birth and that the monthly child allowance can begin at birth as well. Delivering either benefit immediately after birth would require focused implementation strategies. While challenges exist to such delivery, other countries have been able to provide similar benefits within these time frames. Canada for example, which has a child allowance policy, delivers its first monthly benefit in the month after birth.⁶

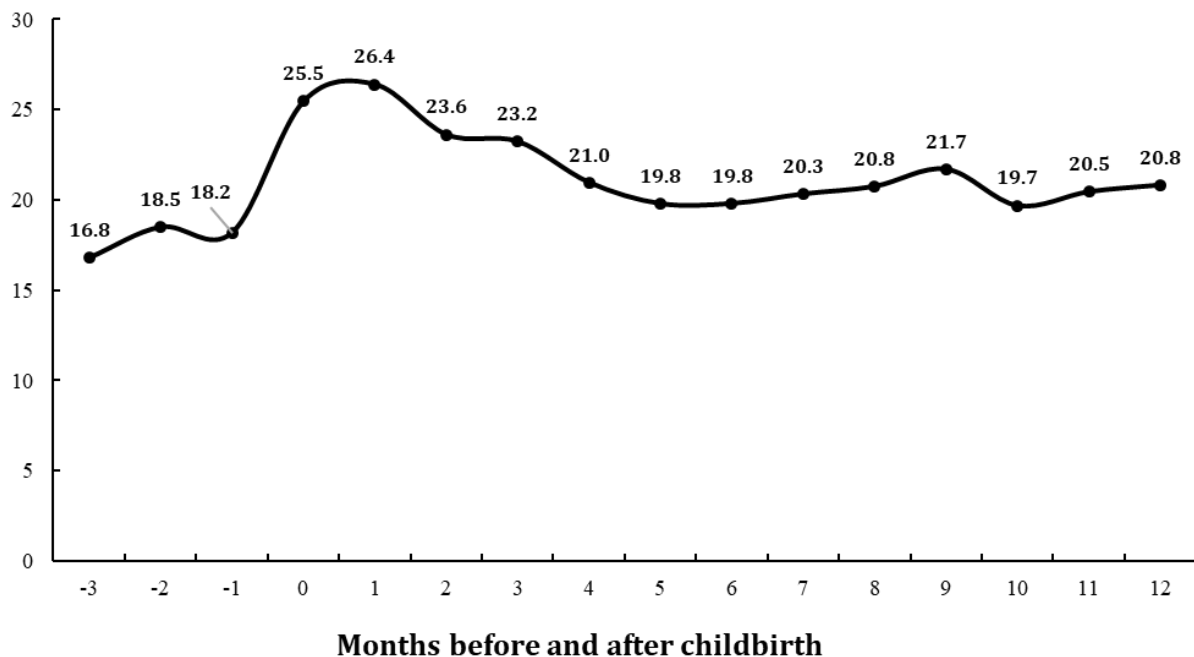
⁵ The proposed policy could take the form of a spending program in the form of a grant, or as a tax credit, consistent with the American Family Act Child Tax Credit.

⁶ Because the IRS used taxpayers' prior tax returns to determine eligibility to implement the expanded Child Tax Credit of 2021 within four months, they had no record of children born in 2021. Also, the IRS portal set up for "nonfilers" to file for the expanded Child Tax Credit was not updated to allow families to receive advance payments for their newborns. Instead, these families were eligible to receive the entire annual credit when they filed their 2021 taxes.

RESULTS

Figure 1 depicts monthly poverty rates in the Survey of Income and Program Participation (SIPP) using the Supplemental Poverty Measure (SPM). See the Methodological Appendix for details on our methods and data sources. We look at mothers of newborns tracked in the SIPP from three months prior to the month of childbirth to 12 months after. We see a sharp spike in poverty rates among these mothers (and by extension their newborns post-birth) over this period. In the month before birth, poverty rates in this sample of mothers stand at a bit over 18 percent, but shoot up to over 26 percent one month after the baby is born. This represents a 45 percent increase in monthly poverty from just one month before the birth to one month after. After the first month, poverty rates gradually drift back downward but even 12 months after the birth remain higher than in the months prior.

Figure 1: Monthly poverty rates of mothers of newborns



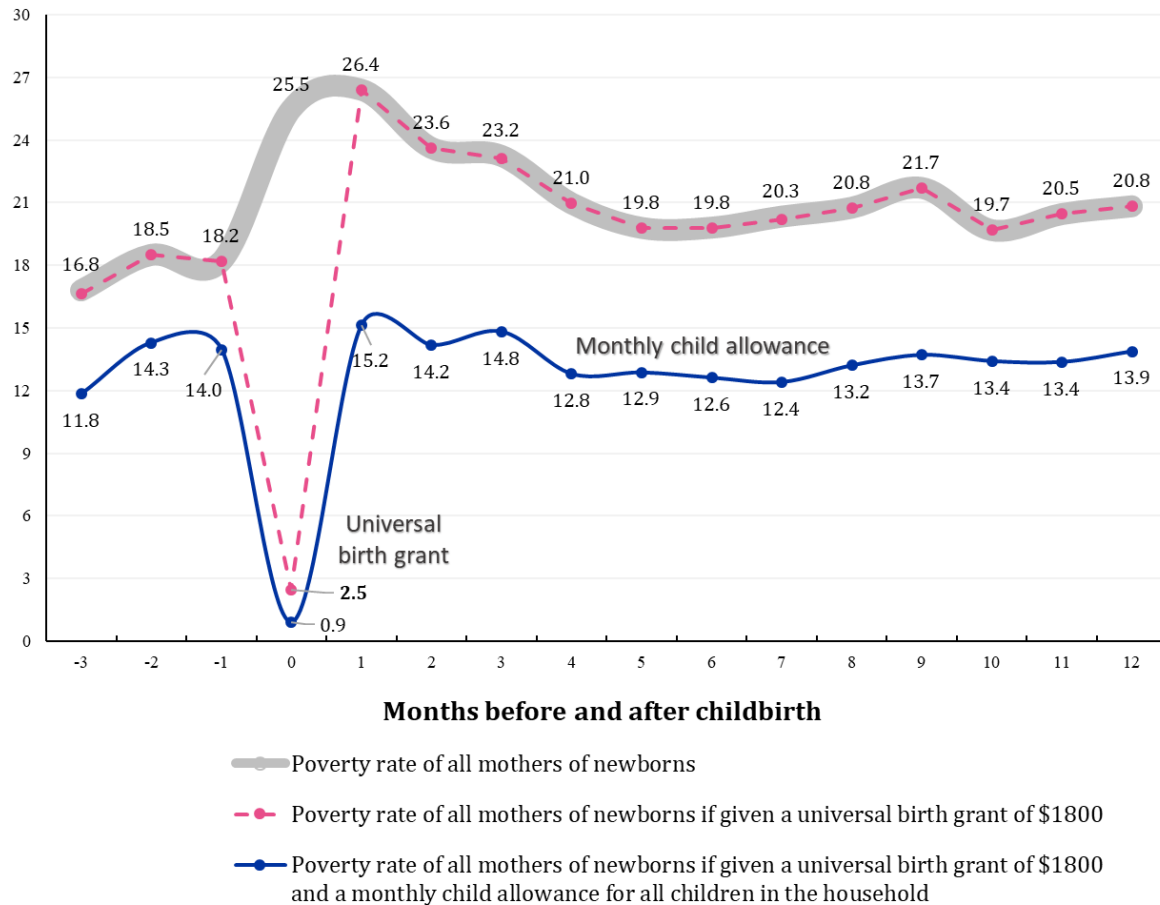
Source: [Columbia University Center on Poverty and Social Policy](#) analysis using the data from the 2014 and 2018 panels of the Survey of Income and Program Participation, which provides reference data for January 2013–December 2019.

Notes: Figure shows the monthly poverty rates of mothers of newborns in the months before and after a birth, with month zero representing the month of childbirth. Sample includes women who had a birth (either of their first child or any subsequent children) during the survey panel years who were observed in the data for the 16-months period, who lived in the same household as their newborn after birth, and whose child(ren) was not born in the first year of each SIPP panel.

Given this troubling increase in poverty just when mothers and newborns need resources the most, what can public policy do to buffer these effects? As noted, one idea is a birth grant to parents of newborns to help offset the cost of their baby’s needs and help account for loss of prior resources. In Figure 2, we examine the degree to which an \$1,800 birth grant delivered at birth would buffer against the sharp rise in poverty surrounding a birth.

The potential poverty reducing effect of this policy is striking. The \$1,800 birth grant reduces monthly poverty in the month of birth to under three percent, turning the existing spike in poverty during the month of birth on its head (pink dashed line). While we count all of the income from this birth grant in the month of the birth, we do want to note that many families may likely choose to spread out its use over the baby's first months of life.

Figure 2: Effects of a universal birth grant and a monthly child allowance on the monthly poverty rates of all mothers of newborns



Source: [Columbia University Center on Poverty and Social Policy](#) analysis using the data from the 2014 and 2018 panels of the Survey of Income and Program Participation, which provides reference data for January 2013–December 2019.

Notes: Figure shows the monthly poverty rates of all mothers of newborns in the months before and after childbirth, under three policy scenarios. The gray line shows the poverty rate of all mothers of newborns in the months before and after a birth, with month zero representing the month of birth. The pink dashed line shows monthly poverty rates of all mothers of newborns when a birth grant of \$1,800 per newborn is provided to all mothers of newborns in the month of childbirth. The blue solid line is the monthly poverty rate of all mothers of newborns when all mothers of newborns receive payments from an \$1,800 birth grant in the month of childbirth plus a monthly expanded Child Tax Credit is given to all eligible children in the household (those already in the family who would have been receiving it prior to the addition of a new child; the newborn receives it beginning from the month they are born). Sample includes women who are either first-time mothers or who have children already, who had a birth (either of their first child or any subsequent children) during the survey panel years who were observed in the data for the 16-months period, who lived in the same household as their newborn after birth, and whose child(ren) was not born in the first year of each SIPP panel.

Figure 2 also shows the effect of layering a monthly child allowance (\$300 to children under six years old and \$250 to children six years and older), such as the one proposed by numerous legislators in recent years and similar to the policy enacted temporarily under the American Rescue Plan, also starting at birth with the \$1800 birth grant (blue line).

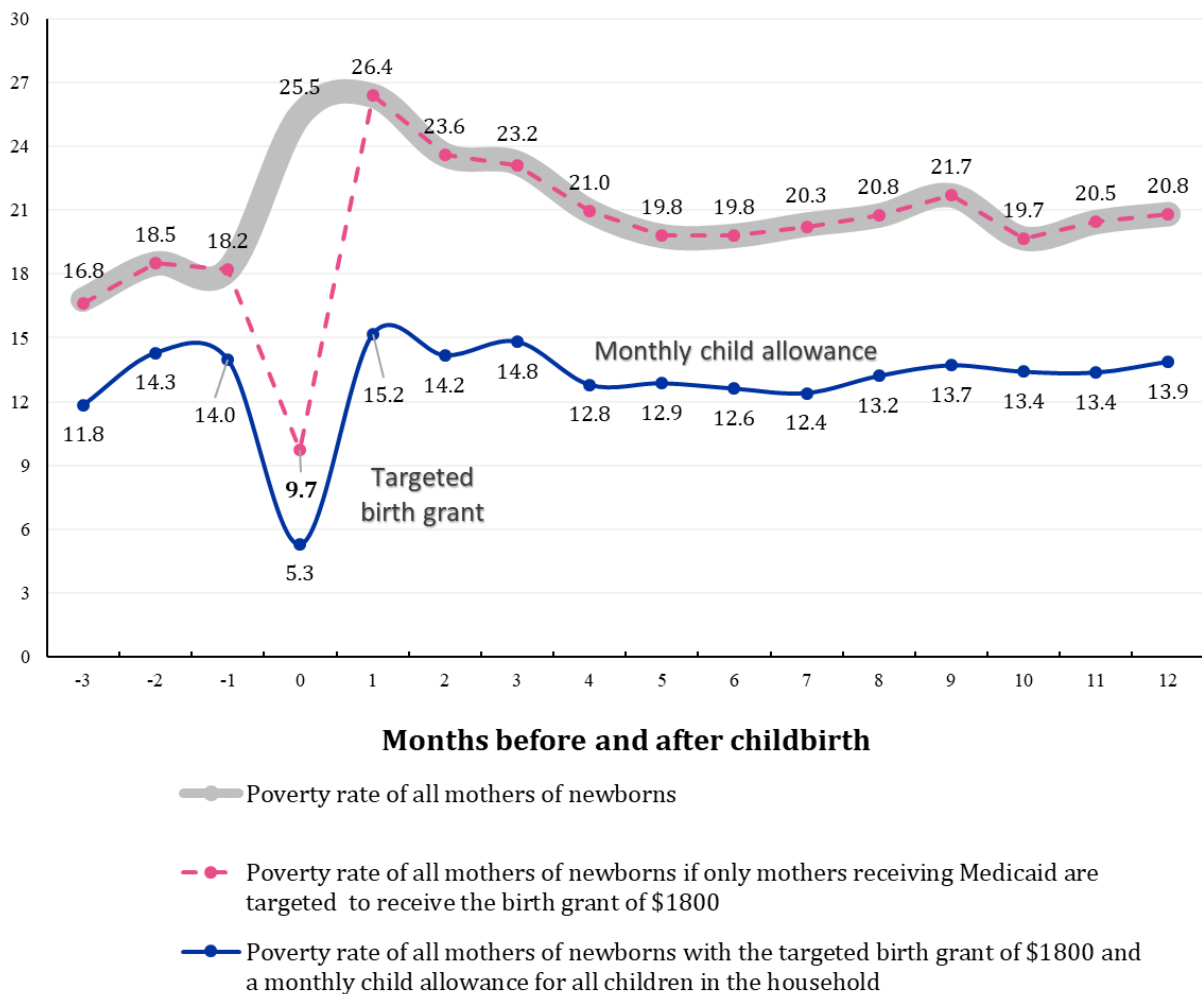
Child allowance policies can effectively reduce poverty among children; nevertheless, they are insufficient to offset the increase in poverty experienced during the perinatal period.⁷ By layering on a monthly expanded Child Tax Credit with the birth grant, we highlight the effect both policies can have in ensuring the long-term increase in family size post-birth does not result in persistent increases in poverty compared to pre-birth. In this model, as the simulated effects of the birth grant payment go away in the month after childbirth, the monthly child allowance holds poverty to levels experienced prior to the birth and reduces poverty by about eight percentage points, on average, in any given month (a relative reduction of between 32–42 percent).

One way to constrain costs of birth grants is to make them more targeted, such as by limiting eligibility to births covered by the Medicaid program (which provides health coverage for individuals with low incomes), which as of 2019 amounts to about 42 percent of all births in the year.⁸ Figure 3 shows the same poverty effects of these birth grant and child allowance payments but where birth grant payments are targeted only to mothers who have Medicaid at the time of the birth. Because Medicaid covers most mothers at risk of poverty surrounding a birth, the poverty reduction effects are similar, though not identical, to those presented in Figure 2. Tying eligibility to Medicaid births may also allow for payments to arrive quickly after the birth of the newborn.

⁷ See Appendix B for poverty rates among mothers of newborns when only a monthly expanded Child Tax Credit benefit is provided to newborns starting in the birth month.

⁸ Martin, Joyce A, Brady E Hamilton, Michelle J K Osterman, and Anne K Driscoll. 2021. [Births: Final Data for 2019](#). National vital statistics reports. Centers for Disease Control and Prevention, National Center for Health Statistics, *National Vital Statistics System*, vol. 70 , no. 2: 1-51.

Figure 3: Effects of a targeted birth grant in addition to a monthly child allowance on the monthly poverty rates of all mothers of newborns



Source: *Columbia University Center on Poverty and Social Policy* analysis using the data from the 2014 and 2018 panels of the Survey of Income and Program Participation, which provides reference data for January 2013–December 2019.

Notes: Figure shows the monthly poverty rates of mothers of newborns in the months before and after a birth, under three policy scenarios. The gray line shows the poverty rate of all mothers of newborns in the months before and after a birth, with month zero representing the month of childbirth. The pink dashed line shows the poverty rate of all mothers of newborns when a more targeted birth grant of \$1800 per newborn is provided just to mothers who received Medicaid in the month of childbirth. The blue solid line is the poverty rate of all mothers of newborns when mothers who received Medicaid in the month of childbirth receive payments from an \$1800 birth grant in the month of childbirth plus a monthly expanded Child Tax Credit is given to all eligible children in the household (those already in the family who would have been receiving it prior to the addition of a new child; the newborn receives the payments beginning from the month they are born). Sample includes women who are either first-time mothers or who have children already, who had a birth (either of their first child or any subsequent children) during the survey panel years who were observed in the data for the 16-months period, who lived in the same household as their newborn after birth, and whose child(ren) was not born in the first year of each SIPP panel.

When the birth grant is restricted to the approximately 40 percent of mothers of newborns covered by Medicaid, the reduction in poverty among all mothers of newborns in the month of birth is, as expected, smaller, though still quite dramatic—a decline of 10.7 percentage points, compared to 16.2 percentage points with universal birth grants. Fewer newborns are moved out of poverty, though the more targeted policy preserves two-thirds of the poverty reduction at about 40 percent of the total cost.

Conclusion

Many families experience significant declines in economic stability around the time of childbirth because of the increased spending related to preparing for and caring for the infant, which can be compounded by reduced income as parents take time off from work after childbirth. Unlike most developed countries that provide paid parental leave and additional resources to families to help with the cost of child rearing, the United States does not offer these supports at the federal level. As recent research has shown, this lack of support results in increased poverty and income inadequacy around the time of childbirth.⁹

In this brief, we estimated the impact that a birth grant would have on reducing poverty around the time of birth, alone or in combination with a monthly child allowance. Our analysis shows that the provision of a birth grant and a child allowance starting in the birth month can significantly reduce poverty rates among infants and their families during the first year post birth. Given the documented increase in family poverty associated with the arrival of a newborn, providing increased financial support to families during this time of economic hardship is critical when considering the negative impacts poverty has on child development, health, and wellbeing. Further, similar to the effect a fully refundable Child Tax Credit can have on reducing racial inequality among children,¹⁰ the provision of a birth grant can help reduce noted disparities in poverty rates by race and ethnicity around the time of a birth.

Suggested Citation

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⁹ Hamilton, Christal, Laurel Sariscsany, Jane Waldfogel, and Christopher Wimer. n.d. Experiences of Poverty Around the Time of a Birth: A Research Note; Stanczyk, Alexandra B. 2020. [The Dynamics of US Household Economic Circumstances around a Birth](#). *Demography* 57, no. 4: 1271-96.

¹⁰ Creamer, John, Emily A. Shrider, Kalee Burns, and Frances Chen. 2022. [Poverty in the United States: 2021](#). US Census Bureau.; Wimer, Christopher, Sophie Collyer, David Harris, and Jiwan Lee. 2022. [The 2021 Child Tax Credit Expansion: Child Poverty Reduction and the Children Formerly Left Behind](#). Poverty & Social Policy Brief 6, no. 8

Appendix A: Methodology

This analysis used data from the 2014 and 2018 panels of the Survey of Income and Program Participation (SIPP), which provides data from January 2013 through December 2019. Administered by the U.S. Census Bureau, the SIPP is a nationally representative longitudinal survey of the US civilian non-institutionalized population. The survey includes detailed data on economic well-being, income dynamics, employment, household composition, and government program participation, as well as information on demographic characteristics and fertility.¹¹ Since a redesign in 2014, the SIPP asks respondents to provide information on life events for each month in the previous (reference) year. The 2014 and 2018 SIPP panels therefore provide detailed monthly data on economic wellbeing, program participation, and fertility, which are necessary for our analysis.

Our sample included women who had a birth during the survey panel years who were observed in the SIPP from the third month prior to childbirth through 12 months after the month of childbirth and who lived in the same household as their child for the full 12 months after childbirth. We excluded mothers of children born in the first reference year of each SIPP panel because we lacked information on their income and earnings from the prior year to determine their tax liability and tax credit amounts in the first SIPP panel year.

We used the Supplemental Poverty Measure (SPM) to examine mothers' poverty status. The SPM improves upon the official poverty measure (OPM) by accounting for cash and noncash benefits received from various government programs, as well as non-discretionary expenses such as taxes, child care expenses, medical expenses, and other household expenses. The SPM also has a broader definition of the family unit—resource unit—than the OPM family unit. In addition to the family unit, as defined by the OPM, the SPM resource unit includes co-resident unrelated children, foster children, unmarried partners and their relatives, and other unrelated individuals (who are not otherwise included in the family definition).¹² Further, SPM thresholds are based on expenditures on food, clothing, shelter, and utilities, and are adjusted for family size, family composition, and geographical differences in housing costs.

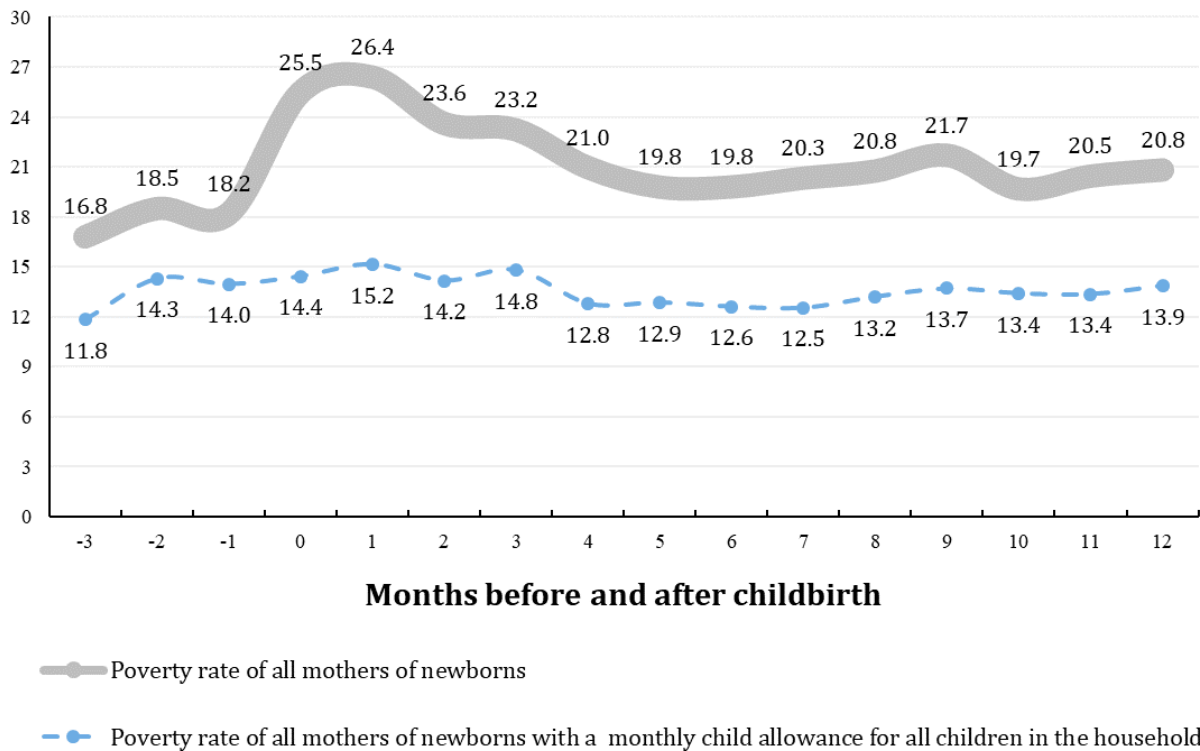
To determine the poverty status of mothers in our sample, we first identified income and expenses amounts for each individual in the SIPP. We then calculated the SPM resource unit value for each income and expense component by summing the values for all individuals in the SPM unit. Because we used multiple years of data for our analysis, we adjusted the SPM unit's total income, total expense, and threshold amounts for each year to represent 2019 values. To calculate a SPM unit's total resources, we subtracted the SPM unit's total expenses (medical expenses, child support paid, work-related expenses, child care expenses, and taxes paid) from the unit's total income (monthly total income and non-cash benefits). We classified mothers as poor if the total resource amount of their SPM unit was less than the SPM unit's poverty threshold, and as non-poor if the total resource amount of their SPM unit was greater than or equal to the unit's SPM poverty threshold. For full details on how we measured the various concepts related to the Supplemental Poverty Measure in the SIPP to identify respondents' poverty status, please refer to Hamilton, Wimer, Collyer, and Sariscsany (2022).¹³

¹¹ U.S. Census Bureau. 2022. [Survey of Income and Program Participation \(SIPP\)](#).

¹² Fox, Liana, and Kalee Burns. 2021. [The Supplemental Poverty Measure: 2020](#). *Current Population Reports*. U.S. Census Bureau.

¹³ Hamilton, Christal, Christopher Wimer, Sophie Collyer, and Laurel Sariscsany. 2022. [Monthly Cash Payments Reduce Spells of Poverty across the Year](#). *Poverty & Social Policy Brief* 6, no. 5.

Appendix B: Effects of a monthly child allowance on the monthly poverty rates of all mothers of newborns



Source: [Columbia University Center on Poverty and Social Policy](#) analysis using the data from the 2014 and 2018 panels of the Survey of Income and Program Participation, which provides reference data for January 2013–December 2019.

Notes: Figure shows the monthly poverty rates of mothers of newborns in the months before and after a birth, under two policy scenarios. The gray line shows the poverty rate of all mothers of newborns in the months before and after a birth, with month zero representing the month of childbirth. The light blue dashed line shows the monthly poverty rate of all mothers of newborns when parents receive payments from a monthly expanded Child Tax Credit for all eligible children in the household (those already in the family who would have been receiving it prior to the addition of a new child; the newborn receives the payment beginning from the month they are born). Sample includes women who are either first-time mothers or who have children already, who had a birth (either of their first child or any subsequent children) during the survey panel years who were observed in the data for the 16-months period, who lived in the same household as their newborn after birth, and whose child(ren) was not born in the first year of each SIPP panel.