The United States is an outlier among peer countries in that it does not have a universal child benefit policy in place to support families with children. Although the US offers a child tax deduction and partially-refundable child tax credit annually to defray the costs of raising children, many countries offer a child allowance or child benefit—a recurring, universal, unconditional payment to supplement the incomes of families with children, typically disbursed monthly up to age 18. No causal, empirical evidence exists on federal or statewide child allowance policies in the US because such a policy has yet to be passed and implemented. However, international evidence and results from unique cash transfer programs in Alaska and North Carolina that share some of the features of child allowances indicate that a child allowance could significantly reduce child poverty in the US without producing negative impacts on labor force participation or reducing earned income. Cash transfer programs in the US have been shown to have positive ripple effects on outcomes such as birthweight, child health, and parent-child interactions. Rigorous simulations and analyses by US research groups and anti-poverty organizations have estimated that a child allowance policy in the US could potentially reduce child poverty by more than 50 percent. Evidence on child allowances and universal cash transfer programs continues to build quickly as new pilot programs are being implemented around the country, especially in response to the COVID-19 pandemic.
What Is a Child Allowance?

A child allowance is a cash-based family support policy aimed at providing families with children with a consistent, recurring income supplement to prevent poverty and defray the costs of raising a child. Most child allowances are disbursed on a per-child basis, so a family with two children would receive a larger benefit than a family with one child. In the international context, this policy is sometimes referred to as a universal child benefit (UCB) or unconditional cash transfer (UCT). Cash transfer programs can take many different forms, enumerated below. The evidence reviewed here focuses specifically on unconditional, recurring cash payment programs in the context of the United States, with a particular focus on those programs targeted toward families with children.

A child allowance is different from the policy known as a universal basic income (UBI) because a child allowance is only provided to families with children, whereas UBI policies provide a floor of income to all individuals monthly, regardless of family composition. However, UBI policies would likely benefit children as well because they would provide caregivers with additional resources that could be spent on children and could reduce overall family poverty. UBI funds can also help individuals access needed resources, such as education, nutrition, housing, and health care, before they choose to have children, which can lead to better parent health and family economic security in later years. Therefore, the potential impacts of UBI policies in the US are also discussed as part of this evidence review, although they are not the focus.

UBI and child allowance policies have drawn support from across the US political spectrum; some advocates emphasize that such policies would guarantee a minimum standard of living and dignity for all citizens and help them weather economic crises, and others highlight the potential for a UBI to streamline multiple welfare programs into a single, more efficient cash transfer that gives families more choice and control over their expenditures, thus reducing paternalism. Economists, advocates, and policy scholars from Milton Friedman, to Martin Luther King, Jr., to 2020 presidential candidate Andrew Yang have contributed to popularizing various forms of universal basic income as a prudent social policy.

It is important to distinguish a potential child allowance in the US from similar policies that seek to reduce child poverty through different mechanisms. For example, one similar policy is known as a conditional cash transfer or CCT. CCTs first became common in countries outside of the US in the late 1990s, specifically in Central and Latin America. This policy provides cash incentives to families to motivate certain behaviors, such as ensuring children’s school attendance or engaging in preventive health care activities. The goal of a CCT is to reduce poverty while simultaneously building human capital and encouraging positive investments in children’s and caregivers’ health and education. Experimental evidence on CCTs has found positive short-term impacts on poverty, health, nutrition, and education, whereas impacts on later employment and earnings are continuing to be studied as the first child participants transition to adulthood.

The most well–studied CCT program is PROGRESA, which began in Mexico in 1997 and benefited 10 percent of all families in the country. Another CCT, in India, provides child benefits to families with daughters upon milestones such as school graduation and immunizations, with the goal of addressing gender inequities. Conditional cash transfers have been provided in experimental

---

1 Depending on the policy design, a child allowance could be implemented alongside of, or instead of, other safety net programs.
programs in the US as well. A randomized trial called Family Rewards, originally begun in 2007 with a follow-up iteration in 2011, provided participating families in New York City and Memphis, Tennessee with cash incentives for completing doctor's visits, attending school, and other child investment activities. Some outcomes, such as poverty and material hardship, as well as receipt of dental care, showed improvements, but fewer positive impacts were found for other health and education outcomes.39 This evidence is outside the scope of this review, however, because of the conditional nature of the cash disbursement, which differs from a UCT or child allowance.

Alaska is the only state in the US that currently has a statewide policy resembling a child allowance or UBI, called the Alaska Permanent Fund Dividend. However, this dividend was not originally intended to be an anti-poverty toolii (although it has indeed reduced poverty in the stateii50,53), and it is not targeted at families with children.56 Rather, funds from the investment revenues produced by Alaska's oil reserves have been provided to every individual resident (including children) since 1982, as long as the individual has lived in Alaska for at least 1 year. Parents can claim the dividend on each minor child's behalf, and some scholars have argued that the state should ensure that the dividends awarded to parents in a child's name are actually spent on children.56 Currently, no such requirements exist. The payment level can change each year (as it is tied in part to the performance of stocks) but is now approximately $2,000 per person, and research on the dividend's impacts is discussed in this review. The Alaskan payment is considered taxable income, whereas child benefits in many countries, such as Canada, are not taxed. Local child allowance and UBI pilot programs in cities across the US are also discussed later in this review (see the section of the review entitled “How Do Child Allowance Policies Vary Across the States?”).

In the United States, a statewide or federal unconditional child allowance policyiii has never been implemented, but rather a patchwork of employment-based and tax-based policies comprise the country's anti-poverty social safety net. However, this patchwork still leaves many of the poorest families without needed resources. For example, the US's primary cash assistance program, called Temporary Assistance for Needy Families (TANF), reaches fewer and fewer families each year. According to the Center on Budget and Policy Priorities, TANF supported 4.4 million families in 1996, but only 1.2 million in 2018.7 This decrease means that TANF reached 68 percent of families with children in poverty in 1996, but now reaches just 22 percent.8 The program only supports about one in five families in poverty who have an infant or toddler,9 and in 16 states, TANF only reaches one in ten families in poverty.10 Because TANF is awarded as a block grant from the federal government, states have considerable control over their TANF rules, and the percentage of families in poverty with infants or toddlers who benefit from the program varies widely from state to state—from 88.2 percent (in the District of Columbia) to 2.7 percent (in Idaho).9

In addition, TANF benefits are limited to 60 months total over a lifetime and states must enforce work participation requirements for portions of their caseload.11 Depending on state policy, individuals may lose their TANF benefits if they are not engaged in work- or education-related

---

ii The creator of the dividend, former Governor Jay Hammond, stated that it was “a means of ensuring that everyone benefitted from oil production on state-owned lands” (p. 89).56

iii Evidence from policies similar to a child allowance or UBI, including in Alaska and in certain Native American tribal communities, is discussed in this review. Between 1968 and 1982, the US federal government tested a “negative income tax” policy in six states that was similar to a universal cash transfer, but the findings are disputed as there were concerns about misreported income and inconsistent research design.23
activities for a certain number of hours per week. The federal government requires that at least half of the families receiving TANF assistance engage in a work or training activity for at least 20 to 30 hours per week. States determine which individuals on their caseloads must participate in these activities. Many of the US's other anti-poverty programs are tied to work as well; the federal and state earned income tax credits (EITCs) reward earned income with a refundable tax credit that has been shown to successfully incentivize employment, increase earnings, and improve health outcomes among families in poverty.

The US child tax credit is another successful anti-poverty tool that still, however, excludes the very poorest families—those with annual earnings of less than $2,500. The US child tax credit eliminates up to $2,000 in federal income tax liability per child under age 17, and is refundable up to $1,400 per child for those whose tax liability is less than the full credit amount. Families can receive a nonrefundable credit of $500 per child ages 17 and 18, as well as for dependents who are full-time students if they are ages 19 to 24. The child tax credit phases out after an income of $200,000 for those who file individually, and after an income of $400,000 for married couples filing jointly.

A child allowance could build upon the US's current anti-poverty programs by offering universal and recurring income support—covering all needy families without letting the poorest and those out of work slip through the cracks, and offering benefits throughout the year, rather than just once at the annual tax filing time. A child allowance in the US could be designed in a number of ways, and the international context provides a variety of models to emulate.

**Key policy parameters that would need to be determined include (but are not limited to):**

- **How much** each family would receive per payment;
- **How often** the benefit would be provided (monthly, quarterly, etc.);
- Whether the benefit would phase out for families with the highest incomes;
- Whether the same amount would be provided for each additional child;
- Whether payments would differ depending on children's ages; and
- Whether other programs within the social safety net would remain the same and offer benefits alongside the child allowance, or would be replaced by the child allowance.

Countries with child allowance policies differ regarding the above parameters. For example, Denmark pays its benefit quarterly, whereas Canada provides its benefit each month. In Austria, the benefit is paid to all resident children up to age 18, but it can be extended to age 24 for young adults in training or education, whereas in Finland, the benefit is paid up to age 17. The value of the benefit also varies, from 2 percent of the average wage in countries such as Estonia, the Netherlands, and Norway, up to 7 percent of the average wage in Ireland.

---

iv Whereas the federal EITC is refundable, only some states have refundable state-level credits.

v See the State EITC Evidence Review in the Prenatal-to-3 Policy Impact Center Clearinghouse.

vi The refundable portion of the child tax credit is formally known as the “Additional Child Tax Credit” or ACTC.
Who Is Affected by a Child Allowance?

If a child allowance were implemented as a universal policy, as it is in most countries that have such an allowance, the benefit would impact all (or almost all) families with children.\textsuperscript{vii} In 2019, 3.7 million babies were born to parents in the US, and a child allowance would benefit these children and their families not just in the infant and toddler period, but throughout their childhood.\textsuperscript{57} Such a policy would have the greatest impact on families in or near poverty. The US currently has one of the highest child poverty rates among wealthy peer countries, at approximately 14.4 percent based on 2019 Census data.\textsuperscript{5, viii} Although this figure represents a decrease from 2018 (when the rate stood at 16.2 percent), poverty is expected to rise as the economic fallout from the COVID-19 pandemic reveals its full scope. Scholars have begun to examine the benefits of a child allowance with increasing urgency as a result of the economic despair that rippled through many households in 2020.\textsuperscript{22}

A child allowance would have particularly beneficial effects for families of color, who are disproportionately affected by poverty and financial hardship in the US.\textsuperscript{14} For example, the 2019 Census data show that 8.3 percent of White, non-Hispanic children (under age 18) lived in poverty in 2018, compared to 26.4 percent of Black, non-Hispanic children and 20.9 percent of Hispanic children.\textsuperscript{5}

Families with young children may benefit most from a child allowance policy because their poverty rates are generally greater than those with older children.\textsuperscript{32} Among infants and toddlers in the US (under age 3), 19.5 percent lived in poverty in 2018 (12.0 percent of White infants/toddlers, 36.8 percent of Black infants/toddlers, and 27 percent of Hispanic infants/toddlers lived in poverty).\textsuperscript{51} Poverty rates are also highest among children in families headed by single mothers, who could benefit significantly from a child allowance.\textsuperscript{5}

What Are the Funding Options for a Child Allowance?

Child allowance policies can be funded in a variety of ways. Some countries, including Denmark, Estonia, and Finland, finance their child benefits through general tax revenue, whereas in others, including Brazil and Iran, revenue from specific taxes or resources are earmarked to fund the child benefit.\textsuperscript{3} Canada funds its child benefit through federal revenue, and some provinces fund their own supplements to the benefit as well.\textsuperscript{43} As mentioned, revenues from Alaska’s oil reserves fund the state’s universal income supplement, the Permanent Fund Dividend, but it would be difficult to replicate this mechanism in states without lucrative natural resources.

Some proposals recommend implementing a child allowance as a replacement for, not an addition to, other safety net programs. For example, the child allowance could be funded in part by eliminating or reducing programs such as the Supplemental Nutrition Assistance Program (SNAP), the child tax credit, public housing vouchers, or TANF, and providing families with the cash directly.

\textsuperscript{vii} Some countries, including Canada, phase out the benefit at the highest levels of family income, and about 90 percent of families are eligible to receive it.

\textsuperscript{viii} The reported poverty rate differs depending on the source’s chosen definition, measurement methodology, and data source. The Supplemental Poverty Measure, for example, considers additional expenses and benefits that the Official Poverty Measure does not consider, and the American Community Survey has different sample sizes from the Current Population Survey, used by the US Census Bureau. The 14.4 percent figure is based on the US Census Bureau’s 2019 Current Population Survey.
However, it would be critical to ensure that families’ total resources would not decrease as a result of such a consolidation, as this could potentially exacerbate poverty rather than alleviate it.

The funding mechanism that has garnered most discussion in the US is a transformation of the child tax credit. A recent proposal in the US Senate, called the American Family Act of 2019 (S. 690, 116th Congress), aimed to modify the current child tax credit so that it would more closely resemble a child allowance. The bill would have eliminated the earnings minimum for eligibility and would have expanded the refundable portion of the child tax credit so that families with the lowest earnings could receive $3,000 per year for children ages 6 to 16, or $3,600 for children under age 6. The payment could be distributed monthly rather than as a lump sum given at tax filing time, and would begin to phase out at $130,000 per year for single parents and $180,000 for married couples. The effects of various modifications of the child tax credit are discussed in the “Impact” section of this review.

Why Should a Child Allowance Be Expected to Impact the Prenatal-to-3 Period?

The research is clear that money matters for children’s wellbeing and achievement. Research has shown that children growing up in poverty may experience chronic, toxic stress that can hinder brain development, and the most sensitive period of brain development occurs during the first 3 years of life. Greater income allows for parents to ensure children’s basic needs are met (e.g., access to proper nutrition, safe and clean housing, and health care when needed), and financial stability may also reduce parental stress, leading to more nurturing child-parent relationships and reducing the likelihood of adverse experiences in the household. The literature has sometimes categorized these two mechanisms by which income can improve children’s outcomes as the “resources channel” and the “family process channel.” A child allowance could theoretically support both mechanisms, leading to better outcomes for infants and toddlers.

A child allowance provided monthly could guarantee a minimum level of resources for families in poverty to support their children, and could supplement earned income for parents in the workforce. The universal nature of the child allowance would ensure that families with the lowest earnings would not be excluded from the social safety net, and such a policy would be free of the stigma that accompanies some means-tested programs because the allowance would be provided to families of various income levels. The monthly, rather than lump-sum, disbursement schedule (as in the current US child tax credit refund policy) could be beneficial for helping families smooth their consumption and “make ends meet throughout the year,” according to an analysis of periodic payments for the earned income tax credit by the Brookings Institution.

As mentioned, child allowance policies are often discussed alongside the concept of a universal basic income (UBI), which would be provided to all individuals regardless of family structure. Although the policies are similar in that they involve cash transfers to supplement income, the main motivations behind each are distinct. A UBI is often touted as a response to a changing labor market, with the possibility of widespread automation threatening employment and therefore economic security for many families. A child allowance policy is more often discussed as a direct response to child poverty, in much the same way that Social Security was able to target and significantly reduce poverty among the elderly as a specific vulnerable group. A child allowance may be more effective than a universal basic income for boosting investments in children (even though both are cash payments that would be provided to parents) because of the “labelling effect.”
scholar writes, “money is mentally assigned to particular forms of consumption based on how it is acquired,” and therefore, a payment made explicitly to or for children may be more likely to be spent in ways that directly benefit them.20 However, a child allowance could potentially work in concert with a broader UBI policy to be most inclusive and have the greatest anti-poverty effect.

One of the most common objections to unconditional cash transfers such as a child allowance or UBI is that the unearned income may disincentivize work, leading to lower labor force participation and producing negative ripple effects for the economy and household earnings.21 However, other arguments posit that the additional income could lead to greater demand for goods and services in the economy, increasing overall economic activity.21 Still others predict that most people would continue to engage in work not just to meet a floor of income, but because of the meaning or purpose they derive from the work.33 In addition, the payments proposed in most child allowance and UBI experiments generally provide less than what many workers could earn from full-time work, so it is likely that most workers would continue to participate in the labor force even in the presence of a guaranteed minimum income.

Decades of research in the field of child development have made clear the conditions necessary for young children and their families to thrive. These conditions are represented by our eight policy goals, shown in Table 1. Given the importance of income to so many indicators of well-being, a child allowance policy can be theoretically aligned with all eight of the policy goals below.

Table 1: Policy Goals Theoretically Aligned With a Child Allowance

<table>
<thead>
<tr>
<th>Aligned</th>
<th>Policy Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Access to Needed Services</td>
</tr>
<tr>
<td></td>
<td>Parents’ Ability to Work</td>
</tr>
<tr>
<td></td>
<td>Sufficient Household Resources</td>
</tr>
<tr>
<td></td>
<td>Healthy and Equitable Births</td>
</tr>
<tr>
<td></td>
<td>Parental Health and Emotional Wellbeing</td>
</tr>
<tr>
<td></td>
<td>Nurturing and Responsive Child-Parent Relationships</td>
</tr>
<tr>
<td></td>
<td>Nurturing and Responsive Child Care in Safe Settings</td>
</tr>
<tr>
<td></td>
<td>Optimal Child Health and Development</td>
</tr>
</tbody>
</table>

**What Impact Does a Child Allowance Have, and for Whom?**

Although a child allowance has never been formally implemented or evaluated in the US as a statewide or federal policy, evidence from cash transfers in Alaska and North Carolina provide some insight into how such an allowance could affect child and parent outcomes. In addition, rigorous simulations from research groups including The Century Foundation, the Russell Sage Foundation, and the National Academies of Sciences, Engineering, and Medicine (NASEM) have provided estimates, based on existing policies such as the child tax credit, for how a child allowance could...
impact child poverty and family economic security. This research is discussed below, grouped by the six policy goals for which evidence is currently available: Parents’ Ability to Work; Sufficient Household Resources; Healthy and Equitable Births; Parental Health and Emotional Wellbeing; Nurturing and Responsive Child-Parent Relationships; and Optimal Child Health and Development.

**Parents’ Ability to Work**

Basic income proposals are often met with criticism regarding the potential to depress labor force participation, given that such a transfer would be received regardless of employment and could supplant earned income. However, evidence from Alaska’s Permanent Fund Dividend and from a cash transfer study in North Carolina, in addition to international experiences with child benefits, suggests that these worries may be unfounded or overstated.

A 2010 study took advantage of a natural experiment in North Carolina in which a casino was opened on the Eastern Cherokee reservation, and portions of the profits were provided every 6 months to Native American families (all adult tribal members received the payment, regardless of family composition, income, etc.), but not to the non-Native American families in the same 11 counties.29 These groups formed the treatment and control groups, providing an opportunity to examine the effects of an external source of income on child and family outcomes. Although the additional income led to improved educational and social outcomes for youth in the treatment group (described in subsequent sections of this review), the authors did not find significant differences in parental employment, suggesting that “households do not alter their labor participation in response to this additional household income” of roughly $3,900 per year (p. 92).29

A 2019 working paper examined the impacts of Alaska’s dividend on employment and hours of work for both men and women.21 The authors found that the additional income in the economy increased demand for labor, especially in service and retail sectors. For men, each additional $1,000 in dividend funds per individual increased the probability of employment by 1.6 percentage points. Meanwhile, the dividend had no effect on the probability of women’s likelihood of being employed, but was linked to a modest decrease of about 0.91 hours worked per week (on average) among those who remained in the labor force. For women with children under age 5, the reduction in hours worked was greater than for women with older children or no children—a reduction in hours worked of about 1.96 per week. The authors did not measure how this time was re-allocated, but they posited that some of the time may have been invested in children, which could potentially have positive impacts on children’s development. Overall, combining the impacts on men and women led to an annual contraction in labor market activity of 0.2 percent in this study—driven by the modest reductions in hours rather than exits from the labor force altogether. The authors consider this to be evidence that basic income policies have no significant adverse effect on employment, and can even increase employment among some groups because of the increase in the demand for goods and services.

International research suggests very small and heterogeneous effects of universal child benefits on parental employment in higher-income countries. For example, evidence from a study of Germany’s 1996 child benefit reform revealed that on average, mothers with a working partner reduced their own weekly work time by about 1 hour after the reform (conditional on employment), but their employment rates did not change.30 The study found that single mothers saw an increase of 2.9 percentage points in employment alongside a decrease in 0.8 hours worked per week (on average).
Research on Canada’s benefit found small reductions in married women’s labor force participation (1 percentage point) and weekly hours worked (1 hour), and even smaller reductions for men (less than half a percentage point decline in labor force participation, and a two-minute decline on average in weekly hours worked). The effects were greatest among married women with lower educational attainment, who saw a 3.2 percentage point decline in labor force participation. As in other studies examining the relationship between child benefits and parents’ time working, the author hypothesized that mothers may have re-allocated time towards caregiving activities, but this was not measured in the study.

As a corollary to the concerns about a child allowance or UBI disincentivizing work, some arguments anticipate that a reduction in earned income would offset some of the positive effects of cash transfers. However, evidence from studies on unearned income in the US (including studies on lottery winners) suggests that the effects would be small. Evidence from a number of studies on cash transfers converge on an income effect of about -0.1, which suggests that “a 10 percent increase in unearned income will reduce earned income by about 1 percent” (p. 1).

**Sufficient Household Resources**

By design, a child allowance policy is intended to directly impact the policy goal of sufficient household resources for families with children by providing a reliable source of supplemental income. Research can help determine the magnitude of the impact of such a policy on household poverty and discern whether cash transfers have an effect on earned income, which is one concern that skeptics have raised about UBI policies.

In the international context, universal child benefits in 15 OECD countries have reduced poverty in households with children by up to 5 percentage points on average. A number of simulation studies have estimated how a child allowance in the US could impact poverty, especially in comparison to existing policies such as the child tax credit. For example, a 2018 study co-authored by a group of prominent child policy scholars estimated that a $250 per month, per child allowance could reduce child poverty by 6.4 percentage points (or 40 percent). Their proposal also examined a tiered model, in which children under age 6 would receive a slightly higher allowance at $300 per month, and this model produced a greater reduction in young child poverty. The study also assumed that the child allowance would be implemented alongside the elimination of the child tax deduction and child tax credit, but with the EITC and TANF programs kept intact. The authors estimated that the net cost of a child allowance policy, after factoring in savings from the eliminated policies, would range from $66 billion to $105 billion depending on the design of the allowance (compared to $97 billion spent annually on the child tax credit and tax deduction). This finding indicates that for a similar or lower annual cost, a child allowance could replace some of the current anti-poverty tax policies while achieving a greater reduction in poverty.

An analysis published by The Century Foundation in 2016 compared child tax credit (CTC) expansions to possible child allowance policies and concluded that “child allowances that achieve...”

---

ix The OECD is the Organization for Economic Cooperation and Development, an international group of 37 member countries focused on promoting trade and economic progress across the world.

x The report was published prior to the 2017 expansion of the child tax credit that offered $2,000 per child and refunded up to $1,400.
equal reductions in poverty when compared to expansions of the CTC actually cost less to implement” (p. 2).34 The authors analyzed child allowance policies of varying generosity levels and determined that an annual $2,500 allowance per child under age 6 (alongside the child tax credit) could lift 3.2 million children out of poverty (reducing child poverty by 14 percent or 2 percentage points), and a $4,000 child allowance for all children under age 18 could lift 8.1 million above the poverty level (reducing child poverty by 59 percent or 8.7 percentage points).

The National Academies of Sciences, Engineering, and Medicine (NASEM) conducted a rigorous review of various anti-poverty policies aimed at children and families in a 2019 report, and the study included a simulation of two possible child allowance policiesxi (of $2,000 or $3,000 per year, alongside the elimination of the current child tax credit and deduction). Of the 20 policy scenarios that NASEM analyzed (including increases or expansions in the EITC, SNAP, child care subsidies, and the minimum wage, among others), the child allowance policy of $3,000 per year came closest to achieving the goal of reducing child poverty by 50 percent in the US. The authors determined that such a policy would produce a 5.3 percentage point reduction in poverty (after factoring in possible negative employment effects) and would cost $54.3 billion. As part of a package of policy changes (including an expansion of the EITC, a new child support program, and an increase in the minimum wage to $10.25 per hour), a $2,700 annual child allowance could contribute to a 52.3 percent reduction in child poverty (or 6.8 percentage points, based on the Supplemental Poverty Measure) while also creating over 600,000 new jobs for low-income workers and boosting earnings by $13 billion.

A study by the Columbia University Center on Poverty & Social Policy analyzed the potential impacts of the American Family Act and its proposed expansion to the child tax credit. The authors determined that removing the earnings minimum and expanding refundability (to resemble a child allowance) could reduce the child poverty rate in the US by 42 percent34 or 5.6 percentage points (dropping the rate to 9.3 percent) and would move 4 million more children out of poverty than the child tax credit already does (lifting a total of 6.1 million children out of poverty).49

Evidence from Alaska also corroborates that unconditional cash transfers can mitigate poverty in the US. A 2016 working paper by researchers at the University of Alaska's Institute of Social and Economic Research determined that the Permanent Fund Dividend (PFD) had reduced poverty rates in the state by 2.3 percentage points over the previous 5 years.50 This means that 25 percent more people would have lived in poverty in the state had it not been for the cash transfer. In particular, the transfer had strong anti-poverty effects for rural Native American individuals and for children. The authors estimated that the PFD reduced the number of children living below the poverty threshold by one-third.

Another study of poverty in Alaska with and without the PFD found that the benefit reduced poverty among residents from 11.4 percent to 9.1 percent, and for rural Native children, the poverty rate was reduced from 32.9 percent to 24.8 percent as a result of the dividend.53

Evidence from Canada also supports the claim that universal child benefits can reduce family poverty.46 In the 2017-2018 Canadian benefit year, the child benefit reduced family poverty by 27

34 The proposal included stipulations that the child allowance benefit would be “neither taxable for income tax purposes nor countable for means-tested benefits” (p. 430).
percent, keeping 277,000 families above the poverty line who otherwise would have fallen below. The benefit lifted 37 percent (or 131,600 total) of poor single-parent families above the poverty line.

Some critics of basic income policies have argued that the additional cash may be spent on vices or “temptation goods,” such as alcohol, tobacco, or unhealthy foods. However, a 2015 study of the Canadian child benefit found that spending increased on education, rent, food, transportation, and child care as a result of the policy, but decreased on items such as alcohol and tobacco.44 A 2014 review of global evidence on this issue, conducted by The World Bank, found that cash transfers either have no effect or are linked to significantly lower consumption of such “temptation goods.”45

**Healthy and Equitable Births**

A rigorous 2016 study of Alaska’s Permanent Fund Dividend found that each $1,000 in additional income provided by the dividend was linked to an increase in birthweight of 17.7 grams and decreased the likelihood of low birthweight by 14 percent. The effect was greatest among lower-educated mothers. The PFD was also found to increase newborns’ Apgar scores, a measure of health at birth, by 0.063 (from an average score of 8.87).38

No other studies were identified that linked cash transfers to better birth outcomes, but given that other policies that increase income (such as the earned income tax credit40 and higher minimum wages41) have been linked to better birth outcomes in rigorous research, it is likely that a child allowance or UBI policy could have a positive effect on healthy births as well.

**Parental Health and Emotional Wellbeing**

This review identified no rigorous US-based studies of child allowances or UBI policies that examined parental health and wellbeing, but findings from studies of conditional cash transfers and from small pilot programs suggest that parents could benefit from a child allowance. For example, the Family Rewards conditional cash transfer program in New York City and Memphis, Tennessee, found that the income supplement of about $2,000 per year “led to improvements in parents’ reports of life satisfaction and happiness,” and there was evidence that the program improved parents’ self-reported health for those in poorest health at the beginning of the program (p. iii).39

A small basic income pilot targeted at Black mothers in Jackson, Mississippi4ii found that all 20 participants “reported worrying less because of their met needs” as a result of the $1,000 per month cash transfer.

Finally, a 2011 study of Canada’s child benefit found that the additional income was significantly linked to decreased maternal depression, so it is plausible that a child allowance could have similar effects on mothers’ mental health in the US.43

**Nurturing and Responsive Child-Parent Relationships**

The 2010 casino cash transfer study described earlier in this review found that some aspects of child–parent relationships significantly improved in the treatment group (Native American families) relative to the control group.29 For example, the authors measured a statistically significant increase of 3 to 5 percent in parental supervision of children (for both mothers and fathers) and a 4 percent

---

38 This pilot is discussed further in the section of this review entitled “How Do Child Allowance Policies Vary Across the States?”
increase in “enjoyable” parent-child activities that occur between mothers in the study and their children as a result of the cash transfer.

**Optimal Child Health and Development**

Poverty has been linked in decades of research to poorer health and developmental outcomes for children. A monthly child allowance may mitigate some of these effects, leading to better physical and mental health for young children. This review identified only three US-based studies that examined child health outcomes in the context of an unconditional cash transfer; two of the studies looked at long-term outcomes when the children were teenagers or older.

A 2019 study examined the impacts of Alaska’s PFD on childhood obesity and determined that each additional $1,000 in payments decreased the likelihood of child obesity at age 3 by 4.5 percentage points. The authors estimated that if such a dividend were paid throughout the US, “66 thousand annual cases of childhood obesity could be averted, on average, resulting in medical cost savings of approximately $310 million” (p. 2).

The 2010 casino cash transfer study in North Carolina, mentioned previously, found that the treatment group (Native American children) completed more years of education and reported lower criminal involvement and drug use than the control group (a 22 percent reduction in minor crime activity for 16- and 17-year-olds). The study also found that the income transfer led to an increased Body Mass Index (BMI) for adolescents from families with average incomes below $30,000, but not for those with higher family incomes.

Another analysis of the North Carolina study found that significantly fewer (30.2 percent) of the Native American adults, who had received the cash transfers as children, had diagnosed psychiatric disorders when they became adults, compared to the control group (36 percent). Effects were greatest for those who were in the youngest cohort, who had received the cash transfer for the greatest number of years.

A study of the Canadian child benefit found that the additional family income improved children’s math scores (as part of a test administered for the National Longitudinal Survey of Children and Youth) and decreased the frequency of aggression/social conflict with other children.

**Is There Evidence That a Child Allowance Reduces Disparities?**

Child poverty in the US disproportionately affects children of color and children in single-parent households. For example, 12 percent of White infants and toddlers under age 3 live in poverty, compared to 36.8 percent of Black and 27 percent of Hispanic children of the same age. As an anti-poverty solution, a child allowance could have a significant impact on reducing financial hardship among families of color and could narrow poverty gaps. The Century Foundation’s analysis of a US child allowance policy based on Canada’s child benefit predicted that it could reduce child poverty among Black children (under age 18) from 23.7 to 9 percent, for Hispanic children from 21.7 to 10.1 percent.

---

xiii Results were significant for “any psychiatric disorder,” “any substance use disorder,” “alcohol abuse/dependence,” “cannabis abuse/dependence,” but not for “nicotine dependence,” “other drug abuse/dependence,” “any emotional disorder,” and “any behavioral disorder.”

xiv Disparities are defined here as differential outcomes by race, ethnicity, or socioeconomic status (SES).
Evidence Review: Child Allowance

Has the Return on Investment for a Child Allowance Been Studied?

According to an analysis by researchers at Washington University in St. Louis, childhood poverty costs the US up to $1.03 trillion per year in “loss of economic productivity, increased health and crime costs, and...homeless and maltreatment,” and solutions like a child allowance would cost much less than this (depending on the policy design), while reducing child poverty by up to 50 percent.③5 Along with other anti-poverty solutions like the earned income tax credit, a child allowance would provide a positive return on investment for taxpayers in addition to producing social benefits such as those discussed throughout this review. A more comprehensive analysis of the return on investment is forthcoming.

What Do We Know, and What Do We Not Know?

Existing evidence on cash transfer programs suggests that they can significantly reduce poverty in the US and internationally, especially for families with children. Small labor market impacts have been found in international studies of child benefit policies, such as mothers slightly reducing weekly work hours in response to the benefit, but evidence from Alaska suggests that universal cash transfers can sometimes increase demand in an economy and create more opportunities for workers. Available evidence suggests positive impacts of cash transfers on child health and parenting outcomes in the US, but more empirical analyses specific to a child allowance policy are needed to build the research base for the eight focal policy goals for the prenatal-to-3 period.

More evidence is needed on how a child allowance could reduce racial disparities in poverty and child outcomes, especially given that such an allowance would be provided to families with a wide range of incomes, rather than just the neediest. In addition, more research is needed on how to best fund a child allowance and whether consolidating and replacing other safety net programs alongside the introduction of a child allowance would have any negative impacts for children and families.

Is a Child Allowance an Effective Policy for Improving Prenatal-to-3 Outcomes?

No causal, empirical evidence exists on federal or statewide child allowance policies in the US because such a policy has yet to be implemented. Therefore, this policy needs further study before it can be deemed an effective policy for improving prenatal-to-3 outcomes in the US. However, international evidence and results from unique cash transfer programs in Alaska and North Carolina indicate that a child allowance could significantly reduce child poverty in the US without negative impacts on labor force participation or earned income. Rigorous simulations and analyses by US think tanks and anti-poverty organizations have estimated that a child allowance policy in the US could potentially reduce poverty by more than 50 percent, depending on the generosity and policy design. In addition, as discussed throughout this review, cash transfer programs have been shown to have positive ripple effects on outcomes such as birthweight, child health, and parent–child interactions. Evidence on child allowances and universal cash transfer programs continues to grow as more and more pilot programs are being implemented around the country.

© Prenatal-to-3 Policy Impact Center at The University of Texas at Austin LBJ School of Public Affairs
How Do Child Allowance Policies Vary Across the States?

No states or cities in the US have true child allowance policies like those in Canada and other peer countries, but many jurisdictions are currently piloting local UBI programs or conducting small-scale evaluations, and some are targeted at families with children or low-income adults. For example, the program most likely to produce evidence relevant to the prenatal-to-3 period is called Baby’s First Years. This program enrolled 1,000 families with infants born at 12 hospitals who are living below the poverty level in four US cities (New York City, NY; New Orleans, LA; Omaha, NE; and Minneapolis/St. Paul, MN), and the families receive a monthly cash transfer of either $333 (treatment group) or $20 (control group) for 40 months. The evaluators will examine how child health and development, parenting behaviors, and other outcomes differ between the groups. Although data collection has had to be modified from in-person to phone interviews as a result of the COVID-19 pandemic, the researchers are continuing to work with families to assess outcomes to the extent possible. The landmark study plans to investigate the effects of poverty and income relief on the brain functioning of infants and toddlers, including using electroencephalography to measure children’s brain development.

As mentioned previously in this review, another basic income program targeted at parents and children is called the Magnolia Mother’s Trust, based in Jackson, Mississippi. This program is led by a nonprofit called Springboard to Opportunities, and it began with a pilot phase from 2018 to 2019 providing $1,000 monthly to 20 Black mothers in Jackson for 12 months. Although there was no control group, surveys from this phase of the program showed that the mothers used the income support to increase their educational attainment, pay off debts, and spend more time preparing nutritious meals for their children. The second phase of the program began in March 2020 with 110 participants, and results are still being measured and analyzed.

In June 2020, Mayor Michael D. Tubbs of Stockton, California worked with a group of other mayors to form Mayors for a Guaranteed Income (MGI), which is an alliance of city leaders who aim to implement UBI pilots in their cities and advocate for wider adoption of basic income policies. Currently, UBI pilots with rigorous evaluation plans are underway in Stockton and Compton, California, called the Stockton Economic Empowerment Demonstration (SEED) and the Compton Pledge, respectively. SEED began in February 2019 and is providing 125 randomly-selected adults in Stockton with a $500 cash transfer for 18 months, alongside any other benefits they may be receiving. A control group of 350 people will be compared to the cash recipients to determine the impact of the transfers. The Compton Pledge is set to begin in late 2020 and will provide cash transfers to about 800 low-income residents of the city. The Pledge will be evaluated by the Jain Family Institute, a research group that focuses on guaranteed income policies.

As the above pilot projects conclude and research on their effects is published, this evidence review will be updated to reflect the findings and share policy implications for children and families.

As of December 2020, the mayors of the following cities are involved in this initiative: Stockton, Compton, Los Angeles, Long Beach, and Oakland, CA; Newark and Paterson NJ; Columbia, SC; Atlanta, GA; New Orleans, LA; St. Paul, MN; Seattle and Tacoma, WA; Providence, RI; Hudson and Ithaca, NY; Holyoke, MA; Philadelphia, PA; Jackson, MS; Madison, WI; Gainesville, FL; and Richmond, VA.
How Did We Reach Our Conclusions?

Method of Review

This evidence review began with a broad search of all literature related to the policy and its impacts on child and family wellbeing during the prenatal-to-3 period. First, we identified and collected relevant peer-reviewed academic studies as well as research briefs, government reports, and working papers, using predefined search parameters, keywords, and trusted search engines.

From this large body of work, we then singled out for more careful review those studies that endeavored to identify causal links between the policy and our outcomes of interest, taking into consideration characteristics such as the research designs put in place, the analytic methods used, and the relevance of the populations and outcomes studied. Articles were considered relevant if they examined the impact of unconditional income transfers on families with children in the United States. Because of limited implementation of such policies at the statewide level, rigorous simulations and experimental or quasi-experimental studies were included even if not at the state level. Articles were considered beyond the scope of the review if they were primarily advocacy or discussion pieces, if they focused on international experiences with child benefits (outside of the US), or if they examined the impact of conditional cash transfers contingent upon certain behaviors.

We then subjected this literature to an in-depth critique and chose only the most methodologically rigorous research to inform our conclusions about policy effectiveness. All studies considered to date for this review were released on or before November 30, 2020.

Standards of Strong Causal Evidence

When conducting a policy review, we consider only the strongest studies to be part of the evidence base for accurately assessing policy effectiveness. A strong study has a sufficiently large, representative sample, has been subjected to methodologically rigorous analyses, and has a well-executed research design allowing for causal inference—in other words, it demonstrates that changes in the outcome of interest were likely caused by the policy being studied.

The study design considered most reliable for establishing causality is a randomized controlled trial (RCT), an approach in which an intervention is applied to a randomly assigned subset of people. This approach is rare in policy evaluation because policies typically affect entire populations; application of a policy only to a subset of people is ethically and logistically prohibitive under most circumstances. However, when available, randomized controlled trials are an integral part of a policy's evidence base and an invaluable resource for understanding policy effectiveness.

The strongest designs typically used for studying policy impacts are quasi-experimental designs (QEDs) and longitudinal studies with adequate controls for internal validity (for example, using statistical methods to ensure that the policy, rather than some other variable, is the most likely cause of any changes in the outcomes of interest). Our conclusions are informed largely by these types of studies, which employ sophisticated techniques to identify causal relationships between policies and outcomes. Rigorous meta-analyses with sufficient numbers of studies, when available, also inform our conclusions.
References


