

Child Allowance

Evidence Review Findings: Needs Further Study

International and United States-based research on cash transfer programs and child tax credits suggests that a permanent child allowance policy implemented in the US could significantly reduce child poverty, narrow racial disparities in household resources, and have positive impacts on birth outcomes, on child health from infancy through adolescence, and on child-parent relationships. However, further causal research is needed to establish the impacts of permanent child allowances in the United States on the prenatal-to-3 period.

The United States is an outlier among peer countries in that it does not have a permanent, universal child benefit policy in place to support families with children. Many countries offer a permanent child allowance or child benefit—a recurring, universal, unconditional payment to supplement the incomes of families with children, typically disbursed monthly until children reach age 18. The US offers a child tax deduction and child tax credit to defray the costs of raising children, and federal legislation recently increased the generosity of the child tax credit for 1 year and began the option of monthly payments. This temporary expansion may become permanent with further legislative action. Monthly payments to families in the US began in July 2021, and survey data suggest that the payments have reduced family food insecurity and child poverty.^{72,74,75}

International evidence and results from unique cash transfer programs in Alaska and North Carolina indicate that a permanent child allowance could significantly reduce child poverty in the US, without producing negative impacts on labor force participation or earned income. Cash transfer programs in the US have been shown to yield positive ripple effects on outcomes such as birthweight, child health, and child-parent interactions. Rigorous simulations and analyses have estimated that a child allowance policy in the US could potentially reduce child poverty by more than 50 percent.^{35,67} In addition, scholars estimate that the benefits to society would amount to over eight times the investment in a US child allowance.⁶² Evidence on child allowances and universal cash transfer programs continues to build quickly as new pilot programs are being implemented around the country and as US households receive the new expanded child tax credit.

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 or mitigate poverty and defray the costs of raising a child.² Most child allowances are disbursed on a per-child basis, so a family with two children typically receives 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).³ Cash transfer programs can take many different forms, but the evidence reviewed here focuses on the likely benefits of unconditional, recurring cash payment programs in the US, with a particular focus on programs targeted toward families with children.

A child allowance is different from a universal basic income (UBI) because a child allowance is only provided to families with children, whereas UBI programs provide a floor of income to all individuals monthly, regardless of family composition. UBI programs would likely benefit children as well because they would provide caregivers with additional resources that can be spent on children and may reduce overall family poverty. UBI funds may also help individuals access needed resources such as education, nutrition, housing, and health care before they may have children, which may lead to better parent health and family economic security in later years.⁵⁸ 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,¹⁵ and others highlight the potential for a UBI to streamline multiple welfare programs¹ into a single, more efficient cash transfer that gives families more choice and control over their expenditures, thus reducing paternalism.¹⁶ 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 UBI as a prudent social policy. Political leaders from multiple parties in the US developed competing child allowance proposals to include in the 2021 COVID-19 relief package, sparking discussion about the costs and benefits of such a policy for American families.⁶¹

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.⁴ CCTs provide cash incentives to families to motivate certain behaviors, such as ensuring children's school attendance or 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 continue to be studied as the first child participants transition to adulthood.⁴

The most well-studied CCT program is PROGRESA, which began in Mexico in 1997 and benefited 10 percent of all families in the country.⁶ Another CCT, in India, provides child benefits to families

¹ Depending on the policy design, a child allowance could be implemented alongside of, or instead of, other safety net programs.

with daughters upon milestones such as school graduation and immunizations, with the goal of addressing gender inequities.³ Conditional cash transfers have been provided in experimental 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, New York and Memphis, Tennessee with cash incentives for doctor's visits, school attendance, and other child investment activities.³⁹ Some outcomes, such as poverty, material hardship, and dental care receipt, showed improvements, but fewer positive impacts were found for other health and education outcomes.³⁹

Alaska is the only state in the US that currently has a permanent state-level 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 measurably reduced poverty in the state^{50,53}), 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 dependent 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), and in past years it has reached as high as \$2,000 per person, but for 2021 the dividend will offer approximately \$1,100 per person.^{85,85} The Alaskan payment is considered taxable income, whereas child benefits in many countries, such as Canada, are not taxed.

In the US, a permanent statewide or federal unconditional child allowance policy has never been implemented, but rather a patchwork of employment-based and tax-based policies comprises the country's anti-poverty social safety net.²² However, this patchwork leaves many of the lowest-income families without needed resources. For example, the US's primary cash assistance program, Temporary Assistance for Needy Families (TANF), reaches fewer and fewer families each year.⁷ According to the Center on Budget and Policy Priorities, TANF reached 68 percent of families with children in poverty in 1996, but in 2019 the program reached just 23 percent.⁸ The program only supports approximately one in five families in poverty who have an infant or toddler,⁹ and in 14 states, TANF only reaches one in ten families in poverty.⁷ 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).^{9,88} The value of benefits also varies across states, with families receiving less than approximately \$350 per month in 18 states.¹⁰

In addition, TANF benefits are limited to 60 months total over a lifetime and states must enforce work participation requirements for portions of their caseloads.¹¹ Depending on state policy, individuals may lose their TANF benefits if they are not engaged in work- or education-related activities for a certain number of hours per week. The federal government requires that at least half of the families receiving TANF assistance in a state engage in a work or training activity for at least

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

20 to 30 hours per week.¹¹ 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 refundableⁱⁱⁱ tax credit that has been shown to successfully incentivize employment, increase earnings, and improve health outcomes among families in poverty.^{iv}

The US child tax credit is another anti-poverty tool that has historically excluded the lowest-income families. Prior to the passage of the American Rescue Plan Act (ARPA) in March 2021, families with annual earnings of less than \$2,500 were ineligible for the credit.¹² In the previous version, before ARPA, the US child tax credit eliminated up to \$2,000 in federal income tax liability per child under age 17 and was refundable up to \$1,400 per child for those whose tax liability was less than the full credit amount but who earned at least \$2,500.^{v,13} Families could receive a nonrefundable credit of \$500 per child ages 17 and 18, as well as for dependents who were full-time students if they were ages 19 to 24.¹³

ARPA included a temporary expansion to the child tax credit that transforms the credit to more closely resemble a child allowance, and the expansion has the potential to become permanent.⁶⁴ Beginning in July 2021 and lasting for at least 1 year, families with children are eligible to receive a child tax credit totaling up to \$3,600 annually for children ages birth to 5 and up to \$3,000 for children ages 6 to 17.⁶⁴ This policy represents an increase from the previous cap of \$2,000 for all children regardless of age, it is newly inclusive of children age 17, and families are no longer subject to the \$2,500 earnings minimum to receive a refund.

Another key improvement is that the federal child tax credit is now fully refundable, whereas previously, only up to \$1,400 could be returned to families who had less than the full credit amount of \$2,000 in tax liability.⁶⁴ In addition, half of the benefit will be disbursed through monthly checks from July 2021 through December 2021, and the remaining portion will be provided at tax filing time in 2022 (unless families opt to receive the full amount at tax filing time). The full expanded benefit (the additional \$1,000 or \$1,600 beyond the previous \$2,000 cap) is available to single heads of household up to an adjusted gross income of \$112,500, and for married parents up to \$150,000.⁶⁴ Single parents with an adjusted gross income of up to \$200,000, or couples with children making up to \$400,000, can continue to receive the original \$2,000 child tax credit (with refundability up to \$1,400). The credit phases out after those thresholds. The credit does not count as taxable income, so the additional resources do not count against families' eligibility for other public assistance programs, such as SNAP benefits.

A permanent child allowance could build upon the US's current anti-poverty programs, including the child tax credit expansion, by continuing to offer universal and recurring income support—covering all families, including those out of work, and offering benefits throughout the year, rather than just once at the annual tax filing time. A permanent child allowance in the US could be designed in a number of ways, and the international context provides a variety of models to consider in addition to the current child tax credit expansion. For example, Denmark pays its benefit quarterly, whereas Canada provides its benefit each month.³ In Austria, the benefit is paid to

ⁱⁱⁱ Whereas the federal EITC is refundable, only some states have refundable state-level credits, and others offer nonrefundable credits.

^{iv} See the [State EITC Evidence Review in the Prenatal-to-3 Policy Impact Center Clearinghouse](#).

^v The refundable portion of the pre-ARPA child tax credit was formally known as the "Additional Child Tax Credit" or ACTC.

all resident children up to age 18 and can be extended to age 24 for young adults in training or education, whereas in Finland, the benefit is paid up to age 17.³ 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.³

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 a program, the benefit would impact all (or almost all) families with children.^{vi} In 2020, 3.6 million babies were born to parents in the US.⁵⁷ A child allowance would benefit these children and their families beginning in the infant and toddler period and throughout childhood. Such a policy would have the greatest impact on families in or near poverty, because the benefit would represent a greater percentage of income. The US currently has one of the highest child poverty rates (under age 18) among wealthy countries, at approximately 16.1 percent based on 2020 Census data released in September 2021.^{5,vii} This figure represents an increase from 2019 (when the rate stood at 14.4%).

A permanent child allowance may have particularly beneficial effects for families of color, who are disproportionately affected by poverty and financial hardship in the US.¹⁴ For example, the most recently released Census data show that 9.9 percent of White, non-Hispanic children (under age 18) lived in poverty in 2020, compared to 27.7 percent of Black, non-Hispanic children, 8.4 percent of Asian, non-Hispanic children, and 23.1 percent of Hispanic children.^{5,viii}

Families with young children may benefit most from a child allowance policy because their poverty rates are generally greater than those with older children.³² As of publication, the most recent available poverty data disaggregated by child age reflect poverty rates for children in 2019. Among infants and toddlers in the US (under age 3), 18.3 percent lived in poverty in 2019 and these figures varied by race and ethnicity (11.2% of White infants/toddlers, 34.2% of Black infants/toddlers, 25.0% of Hispanic infants/toddlers, and 16.1% of infants/toddlers of other races).⁵¹ Poverty rates are also highest among children in families headed by single mothers, who could benefit significantly from a child allowance.⁵

According to analyses by the Center on Budget and Policy Priorities and other groups, over 90 percent of children in the US are eligible for the recent child tax credit expansion, ranging from 76 percent of children in the District of Columbia to 96 percent of children in Mississippi.^{65,66} The expansion is expected to lift 4.1 million children out of poverty, including 1.2 million Black children and 1.7 million Hispanic/Latino children, cutting child poverty by over 40 percent overall.⁶⁵ Preliminary analyses of the effects of the first payments are presented later in this review.

^{vi} 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 the benefit in Canada.⁸⁹

^{vii} This figure is from the US Census Bureau's September 2021 release and it represents the Official Poverty Measure. The Supplemental Poverty Measure (SPM) considers additional expenses, tax credits, and benefits that the Official Poverty Measure does not consider. The 16.1 percent figure is based on the US Census Bureau's 2020 Current Population Survey. The Supplemental Poverty Measure estimates the child poverty rate at 9.7 percent for children under age 18 in 2020, which represents a decrease in that figure from 12.6 percent in 2019.

^{viii} These data come from Table B-5 of the US Census Bureau's 2021 data release of 2020 poverty rates: "Poverty Status of People by Age, Race, and Hispanic Origin: 1959 to 2020," using the categories of "White Alone, Not Hispanic," "Black Alone," "Asian Alone," and "Hispanic, Any Race."

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 is earmarked to fund the child benefit.³ Canada funds its child benefit through federal revenue, and some provinces fund their own supplements to the benefit as well.⁴³ In the US, 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. 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.

As mentioned, the federal government passed a significant temporary expansion to the child tax credit in March 2021 as part of the COVID-19 stimulus package, such that the credit now closely resembles a child allowance given the monthly disbursement option and full refundability.⁶⁴ The expansion to the child tax credit could be renewed or modified in future years, and new sources of funding for a more permanent child allowance may be considered depending on the success of the expansion.

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, and having sufficient household resources is particularly important in the infant and toddler years.¹⁷ Research shows that young children growing up in poverty may experience chronic, toxic stress that can hinder optimal brain development, and the most sensitive period of brain development occurs during the first 3 years of life.¹⁹ Greater income allows parents to better meet children's basic needs (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.¹⁸ The child development literature describes the two primary mechanisms by which income can improve children's outcomes as the "resources channel" and the "family process channel."⁴³ A child allowance could theoretically support both mechanisms, leading to better outcomes for infants and toddlers.

A child allowance provided monthly would guarantee a minimum level of resources for families in poverty to support their children and would 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 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 (p. 3).⁵⁴

Child allowance policies are sometimes discussed alongside the concept of a universal basic income (UBI), which is typically 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 economic security for many families. A child allowance policy is more often discussed as a direct response to child poverty, in 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 UBI for boosting investments in children (even though both are cash payments that would be provided to parents) because of the “labelling effect.”²⁰ As one 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 (p. 17).²⁰ However, a child allowance policy may work in concert with a broader UBI policy.

One of the most common objections to unconditional cash transfers is that they may disincentivize work, leading to lower labor force participation and producing negative ripple effects for the economy and household earnings.²¹ However, other arguments claim that the additional income could lead to greater demand for goods and services, increasing economic activity.²¹ Still others predict that most people would continue to work not just to meet a floor of income, but because of the meaning or satisfaction they derive from the work.³³ In addition, the payments proposed in most child allowance and UBI experiments provide less than the amount workers could earn from full-time work, so many workers may continue to participate in the labor force even in the presence of a guaranteed minimum income. The labor supply response may depend on the level of the guaranteed income and the share of earned income that the benefit may supplant for various workers.

Decades of research in the field of child development have made clear the conditions necessary for young children and their families to thrive.¹ These conditions are represented by our eight policy goals, shown in Table 1. Given the importance of income for so many indicators of wellbeing, a child allowance policy is likely to lead to improvements in all eight of the policy goals in the table.

Table 1: Policy Goals Theoretically Aligned With a Child Allowance

Aligned	Policy Goal
	Access to Needed Services
	Parents' Ability to Work
	Sufficient Household Resources
	Healthy and Equitable Births
	Parental Health and Emotional Wellbeing
	Nurturing and Responsive Child-Parent Relationships
	Nurturing and Responsive Child Care in Safe Settings
	Optimal Child Health and Development

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

The expanded US child tax credit was only recently implemented, and evidence on its impacts is just beginning to be published.^{74,75} Strong causal studies of cash transfer programs in Alaska and North Carolina, however, provide insight into how child allowances may affect child and parent outcomes in the US.^{29,50} In addition, rigorous simulations conducted by research groups at The Century Foundation, Columbia University, and the National Academies of Sciences, Engineering, and Medicine (NASEM), among others, have provided estimates for how a child allowance could impact child poverty and family economic security in the US.^{2,34,35,49} 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.^{ix}

Parents' Ability to Work

Critics of basic income proposals often emphasize the potential for such policies to depress labor force participation, given that individuals would receive payments regardless of employment status and the transfers could supplant earned income.³⁶ Existing evidence on the impact of child allowance policies from observational studies, quasi-experimental studies, and the international context suggests that these policies do not meaningfully depress labor force participation. For example, a survey of over 1,500 parents in July 2021, before the first expanded child tax credit payments were disbursed, found that 94 percent of parents planned to work the same amount or more after receiving the credit.⁸³

^{ix} Unlike most of the other evidence reviews in the Prenatal-to-3 Policy Clearinghouse, this evidence review does not yet include an Evidence of Effectiveness table with lettered studies (indicating strong causal studies that speak directly to the impacts of the policy on the eight prenatal-to-3 policy goals) because no state-level child allowances have been implemented in the US. The effects of similar policies are discussed throughout the review, 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, also suggests that sizeable reductions in labor force participation are unlikely.^{21,29} For example, 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 and income), 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, the authors did not find significant differences^x 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 This finding counters the common objection to cash transfers that predicts depressed labor force participation.

A 2020 working paper examined the impacts of Alaska's dividend on employment and work hours 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 increased the probability of employment by 1.7 percentage points (from a baseline employment rate of 87%).²¹ Meanwhile, the \$1,000 increase had no effect on the probability of women's employment overall, but was linked to a modest decrease of about 1.3 hours worked per week (on average) among those who remained in the labor force immediately after the dividend was distributed. Among women with children under age 5, the effect was a decrease of 2.1 hours worked 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. This study offers evidence that basic income policies may actually increase employment among some groups because of the increase in the demand for goods and services, and the increase in demand may outweigh any negative impacts on labor supply or work hours among groups such as women with young children.

A second recent study of Alaska's dividend also found no adverse effects on employment overall and found a 1.8 percentage point increase in part-time work.³⁶ The authors determined that this increase was not attributable to workers reducing their hours (or leaving full-time positions), but rather reflected new entrants into part-time positions. Similar to the first study, the authors explained that the evidence suggests the dividend increased demand for goods and services in Alaska's economy.

International research suggests very small and mixed 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 of 0.8 hours worked per week (on average).

^x An impact is considered statistically significant if $p \leq 0.05$. Results with p-values above this threshold are considered null or nonsignificant.

Research on Canada's benefit found small reductions in mothers' labor force participation (1 percentage point) and weekly hours worked (1 hour), and even smaller reductions for fathers (less than half a percentage point decline in labor force participation, and a 2.4-minute decline on average in weekly hours worked).^{31,xi} The effects were greatest among mothers and fathers with lower educational attainment, who saw a 3.2 percentage point decline and a 1.1 percentage point decline in labor force participation, respectively.

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.³⁶ 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).³⁶

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. Available evidence suggests that cash transfer policies and child tax credits may significantly reduce child poverty and food insecurity.

Initial Findings from Analyses of the 2021 Enhancement of the Federal Child Tax Credit

Analyses of the US Census Bureau's Household Pulse Survey, which collected responses from families before and after the disbursement of the first monthly child tax credit checks in July 2021, found that the expanded credit was associated with reductions in family financial hardship.⁷⁴ In particular, researchers found a 7.5 percentage point (or 25%) drop in food insecurity after the disbursement of the first credit payment in households with children with incomes of \$35,000 per year or less, relative to similar households with no children, who served as the comparison group.⁷⁴

Each \$100 increase in child tax credit benefits per family was associated with a 4 percentage point decline in families with children reporting food insecurity.⁷⁴ The analysis did not find significant effects on the likelihood of having difficulty paying household expenses or paying rent or mortgages, but significant effects may appear in future analyses once families have received subsequent installments of the recurring payments. Data from the survey also revealed that families who received the first monthly child tax credit payments spent the funds primarily on food, essential bills, and clothing for their children.⁷⁸ Families also reported using the funds to pay down debts or to build savings.^{xii}

One analysis found that higher-income families were more likely to receive the first two payments than lower-income families, indicating that further outreach to families who have not previously paid taxes is still necessary to ensure all eligible families benefit from the policy.⁷⁴ The study also revealed disparate rates of receipt across race/ethnicity groups. Whereas 66 percent of children overall received the first or second payments of the credit, the breakdown by race/ethnicity revealed that 61

^{xi} See Table 3, Panel A on p. 455 of the study.

^{xii} The most commonly reported categories were, in order: food, essential bills, clothing, rent/mortgage, school expenses, pay down debt, savings/investment, child care, other, gifts/toys/recreation, tutoring/after-school programs, and charity/family support (p. 1).⁷⁸

percent of Latino/Hispanic children received the payments, 70 percent of Black children did, 61 percent of Asian children did, and 67 percent of White children received the payments.⁷⁴ The authors described these figures as “general coverage rates and not take-up among the eligible” (p. 13).⁷⁴ The Center on Budget and Policy Priorities found that although 60 million children have received payments already, an additional 4 million eligible children may be missing out because their families have not previously filed taxes or they have not used the non-filer portal available to claim the child tax credit.⁸⁰

In addition, an analysis of child poverty rates after the first installment of the expanded child tax credit in July 2021 found that pandemic-related financial relief, including the child tax credit, kept 6 million children out of poverty overall.⁷⁵ The monthly child poverty rate^{xiii} fell from 15.8 percent in June 2021 to 11.9 percent in July 2021 after the first payments were disbursed, and the authors noted that this change represents 3 million children lifted out of poverty through the credit alone.⁷⁵

Children experienced different impacts on poverty by race/ethnicity as a result of the child tax credit^{xiv}: White children’s poverty rate was 3 percentage points lower in July 2021 than it would have been without the credit (7.7% compared to 10.7%), Black children’s poverty rate was 4.9 percentage points lower (18.4% compared to 23.3%), Latino/Hispanic children’s poverty rate was 5.6 percentage points lower (16.8% compared to 22.4%), and Asian children’s poverty rate was 2.9 percentage points lower (11.0% compared to 13.9%).⁷⁵ Even with the credit, Black and Hispanic children continue to experience the highest poverty rates. As take-up of the credit among eligible families increases, Black and Hispanic children are likely to see greater reductions in poverty, as they were more likely to miss out on the first payments as a result of not having previously filed taxes.⁷⁵

Studies conducted prior to the distribution of the first payments estimated reductions in poverty from the expanded child tax credit that may be realized once families receive the full annual benefit (\$3,000 or \$3,600, depending on child age). A study by the Columbia University Center on Poverty and Social Policy estimated that the American Rescue Plan would reduce child poverty by 56 percent (or 7.5 percentage points) overall, with much of this reduction owed to the child tax credit expansion.⁶⁷ The scholars estimated that the poverty rate among Black children would be reduced by 11.8 percentage points, for Hispanic children by 10.3 percentage points, for White children by 5.2 percentage points, and for Asian children by 5.6 percentage points. Despite the significant reductions in poverty for Black and Hispanic children, their poverty rates would still remain high even after accounting for the relief, standing at 9.7 and 9.2 percent, respectively. This analysis used the Supplemental Poverty Measure.

An August 2021 report by the Urban Institute estimated the impact of a permanent expansion of the child tax credit using 2018 data and found similar estimates for the reduction in child poverty.⁷³ The report similarly found that the credit would have a greater impact on reducing poverty^{xv} for Black and Hispanic children compared to White and Asian children.

^{xiii} Using the Supplemental Poverty Measure, which considers taxes paid and government assistance received.

^{xiv} Table 1 on p. 7 of the study provided the race/ethnicity data discussed here.

^{xv} In terms of the percentage point reduction in the poverty rate.

The Impact of State-Level Child Tax Credits in the US

In addition to the federal child tax credit, six states^{xvi} have their own state-level child tax credits, although only two of the states have refundable child tax credits.⁸¹ The state credits are smaller in value than the federal credit; for example, Idaho's credit offers \$130 per child, and California's credit offers up to \$326 per child.⁸¹ A rigorous study found that compared to the EITC, SNAP, and TANF, state-level child tax credits have the smallest impact on poverty because the benefits are not targeted at families in poverty the way that the other programs are, and the benefits are often lower in value.⁸² However, the state child tax credit was found to boost children's resources-to-needs ratio^{xvii} by between 0.5 to 1.3 percent, depending on the level of poverty that a family experienced before the credit was applied.⁸²

Evidence from Cash Transfer Programs in the US

Evidence from Alaska's Permanent Fund Dividend (PFD) program 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 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 without the PFD, the number of children living below the poverty threshold would rise 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

Another source of evidence for how universal cash transfers may affect child poverty is the distribution of stimulus payments to families in 2020 as part of the federal COVID-19 relief efforts. The first round of payments offered \$1,200 to adults and up to \$500 for eligible dependent children under age 17 (if households fell below certain income caps).⁷⁷ The second round of payments provided checks for \$600 per child or adult. A third round of payments was disbursed in 2021, offering \$1,400 per adult or child (for this round, children age 17 were eligible). The most recent poverty data show that when the 2020 stimulus payments (and other government relief) were taken into account, child poverty (using the Supplemental Poverty Measure) dropped to 9.7 percent, down 2.9 percentage points from 12.6 percent in 2019.⁷⁶ Analyses revealed that the stimulus payments were responsible for keeping 3.2 million children out of poverty in 2020.⁷⁶

Evidence From the International Context and From Simulations

In the international context, universal child benefits in 15 OECD^{xviii} countries have reduced poverty in households with children by up to 5 percentage points on average.³ Evidence from Canada, for example, supports the claim that universal child benefits can reduce family poverty.⁴⁶ In the 2017 to 2018 Canadian benefit year, the child benefit reduced family poverty by 27 percent, keeping 277,000

^{xvi} The states are California, Colorado (refundable, only available for children age 5 and younger), Idaho, New York (refundable but children must be over age 4), North Carolina, and Oklahoma.

^{xvii} This measure represents the ratio of a family's resources, using the Supplemental Poverty Measure's methodology, to the SPM poverty threshold.

^{xviii} The OECD is the Organization for Economic Cooperation and Development, an international group of 38 member countries focused on promoting trade and economic progress across the world.

families out of poverty.⁴⁶ The benefit lifted 37 percent (or 131,600 total) of single-parent families above the poverty line. A 2021 working paper also examined the anti-poverty effects of the Canadian child benefit and found that the benefit reduced poverty among single-mother families by 5 percentage points from 2014 to 2018 relative to single women with no children, who served as the control group.⁶⁸ The study identified no significant effects on labor force participation, whether in terms of employment status or hours worked.

Some critics of basic income policies have argued that the additional cash may be spent on “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

A number of simulation studies have estimated how a permanent child allowance in the US could impact poverty, especially in comparison to the child tax credit as it existed before the 2021 reform. 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%, from a 16.1% to a 9.7% poverty rate using the Supplemental Poverty Measure).² 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 estimated 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^{xix} compared child tax credit expansions to possible child allowance policies and concluded that “child allowances that achieve equal reductions in poverty when compared to expansions of the child tax credit 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 only (alongside the child tax credit) could lift 3.2 million children out of poverty (reducing child poverty by 12% or 2 percentage points, using the Supplemental Poverty Measure), and a \$4,000 child allowance for all children under age 18 (with no child tax credit) could lift 8.1 million children above the poverty level (reducing child poverty by 59% or 11 percentage points).³⁴

The National Academies of Sciences, Engineering, and Medicine (NASEM) conducted a rigorous review of various anti-poverty policies for children and families in a 2019 report, and the study included a simulation of two possible child allowance policies^{xx} (of \$2,000 or \$3,000 per year,

^{xix} 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.

^{xx} 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).³⁵

alongside the elimination of the pre-2021 child tax credit and deduction).³⁵ 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, lifting 4 million children out of poverty. The authors determined that such a policy could produce a 5.3 percentage point reduction in poverty (using the Supplemental Poverty Measure, and after factoring in possible negative employment effects) and would cost approximately \$54 billion.³⁵

Healthy and Equitable Births

Existing evidence supports positive impacts of cash transfers on birth outcomes, but further research is needed.³⁸ A rigorous 2016 study of Alaska's Permanent Fund Dividend (PFD) 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.³⁸ 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 points (from an average score of 8.87).³⁸

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 in the US 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," (p. iii) and results suggested that the program improved parents' self-reported health for those in poorest health at the beginning of the program.³⁹

A small basic income pilot targeted at Black mothers in Jackson, Mississippi^{xxi} found that all 20 participants "reported worrying less because of their met needs" as a result of a \$1,000 per month cash transfer (p. 1).²⁶ A 2011 study of Canada's child benefit found that the additional income was linked to a significant decrease in maternal depression scores on a screening tool, so it is plausible that a child allowance could have similar effects on mothers' mental health in the US.⁴³

Survey results after the first expanded US child tax credit payment found that 56 percent of respondents reported a reduction in financial anxiety after receipt of the credit.⁷⁹ More rigorous research is warranted to determine the causal impact of the credit on parents' health and wellbeing.

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

^{xxi} This pilot is discussed further in the section of this review entitled "How Do Child Allowance Policies Vary Across the States?"

of 3 to 5 percent in parental supervision^{xxii} of children (for both mothers and fathers) and a 4 percent increase in “enjoyable” child-parent activities that occurred between mothers and children in the study as a result of the cash transfer (but not for fathers). The authors did not identify a specific causal mechanism through which the transfer worked to improve the relationships, given that parents were not spending less time at work, but they noted that this is an area for further research.

Optimal Child Health and Development

Poverty has been linked to worse health and developmental outcomes for children in decades of research.³⁷ A monthly child allowance may mitigate some of these effects, leading to better physical and mental health for young children. This review identified three US-based studies that examined child health outcomes in the context of an unconditional cash transfer; one study looked at outcomes at age 3, and two 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 obesity at age 3 by 4.5 percentage points.²⁰ The authors estimated that by reducing childhood obesity, the dividend may save the state \$2 million to \$10 million annually in medical costs. The study did not examine mechanisms underlying this effect, but the authors suggested that additional income may allow for the purchase of healthier, more nutritious foods.

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% reduction in minor crime activity for 16- and 17-year-olds).²⁹ Another analysis of this transfer program found that the additional income led to an increased Body Mass Index (BMI) for adolescents in families with average incomes below \$30,000, but not for those with higher family incomes.⁵² Impacts on other health outcomes, such as asthma, allergies, headaches, and eczema, were not statistically significant. The authors explained that their findings may shed light on possible unintended effects of cash transfers for adolescents in low-income households.

Another analysis of the North Carolina study found that significantly fewer of the Native American adults who had received the cash transfers as children had diagnosed psychiatric disorders^{xxiii} later in life, compared to the control group (30.2% compared to 36%).⁴² Effects were greatest for those who were in the youngest cohort, who had received the cash transfer for longest.

A study of the Canadian child benefit found that among households with lower parental educational attainment, the additional family income significantly 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 indirect aggression/social conflict with other children.⁴³

^{xxii} This was a self-reported measure of whether the parent has “adequate control or knowledge of the child’s whereabouts” (p. 98).

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

Is There Evidence That a Child Allowance Reduces Disparities?

Child poverty in the US disproportionately affects children of color. In July 2021, the child poverty rate (before taking into account the expanded child tax credit, but after including other COVID relief, such as stimulus checks) varied significantly by race and ethnicity: 10.7 percent of White children were living in poverty, compared to 23.3 percent of Black children, 22.4 percent of Latino children, and 13.9 percent of Asian children.⁷⁵

Preliminary data show that the first installment of the expanded child tax credit contributed to reducing disparities in the poverty rate between these groups. After including the tax credit in families' income, the poverty rates in July 2021 were 7.7 percent of White children, 18.4 percent of Black children, 16.8 percent of Latino children, and 11.0 percent of Asian children.⁷⁵ These results show that the gap in the poverty rates between White and Black children decreased from 12.6 percentage points to 10.7 percentage points after the credit, and between White and Hispanic children from 11.7 percentage points to 9.1 percentage points after the credit. Black and Hispanic children continue to have much higher poverty rates than their White peers, but the expanded child tax credit has the potential to continue to narrow the gaps. More research is needed on how child tax credits and child allowances may affect subgroups differently, including for outcomes beyond poverty, such as health, social, or educational benefits.

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...homelessness and maltreatment,” (p. 73) 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.^{35,55}

A 2021 analysis by Columbia University researchers examined the costs and benefits of a permanent child allowance in the US, finding that a \$100 billion yearly investment in such a policy^{xxiv} would produce over \$800 billion in annual benefits to society.⁶² The expected benefits would include increased future earnings (as adults) for current child recipients, increased future tax revenue, better child health and longevity, lower infant mortality, reductions in crime, reductions in child welfare expenditures, and more. The greatest benefit (over \$530 billion) was estimated to come from improvements in children's health and longevity.

Additional studies of the expanded federal child tax credit and the costs and benefits realized over the first year may offer insights into the effects that a permanent child allowance could have on children and families in the US. 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 may significantly reduce poverty in the US and internationally, especially for families with children. Small labor market impacts have

^{xxiv} This analysis used a \$3,600 annual allowance for children ages birth to 5 and a \$3,000 annual allowance for children ages 6 to 17 as the basis for the calculations.

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, boosting labor force participation. Available evidence suggests positive impacts of cash transfers on child health and parenting outcomes in the US, but more empirical analyses of a universal, permanent child allowance policy implemented at the state or federal level in the US 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 permanent 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 those with the lowest incomes. In addition, more research is needed on how to best fund a child allowance, what level of benefits to provide, 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.

Evidence on child allowances and universal cash transfer programs continues to grow as more and more pilot programs are being implemented around the country. Initial survey findings indicate that the expanded US child tax credit, distributed in July 2021 for the first time, has already significantly reduced food insecurity among low-income families and has reduced racial disparities in poverty.^{74,75}

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

Currently, no US state has a true child allowance policy in place offering monthly, recurring benefits regardless of income level. The expanded monthly federal child tax credit in the US, resembling a child allowance, was first distributed to families in July 2021, and the emerging findings suggest significant, beneficial impacts on the lowest-income families who receive the credit, particularly for reducing material hardship such as food insecurity. However, the child allowance needs further study before it can be deemed an effective policy for improving prenatal-to-3 outcomes in the US, and the policy is not part of the Prenatal-to-3 State Policy Roadmap because of the need for more state-level interventions and evidence.

International evidence and results from unique cash transfer programs in Alaska and North Carolina, as well as evidence from federal stimulus payments and federal and state child tax credits in the US, indicate that a permanent child allowance in the US, whether on a federal or state level, 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 permanent child allowance policy in the US could potentially reduce poverty by more than 50 percent, depending on the generosity and policy design. In addition, cash transfer programs have been shown to yield positive effects on outcomes such as birthweight, child health, and child-parent interactions.

How Do Child Allowance Policies Vary Across the States?

No states or cities in the US have permanent child allowance policies like those in Canada and other peer countries, but the US federal child tax credit is now being disbursed on a monthly basis for the first time, and many jurisdictions are currently piloting local UBI programs or conducting small-scale evaluations targeted at families with children or low-income adults. In addition, six US states (California, Colorado, Idaho, New York, North Carolina, and Oklahoma) have their own child tax

credits, but they are available once annually at tax time, rather than monthly like the expanded federal credit.⁸¹ Only the credits in Colorado and New York are refundable, and the credit in New York is not available for children age 4 or younger.⁸¹

A community-based cash transfer program likely to produce evidence relevant to the prenatal-to-3 period is Baby's First Years. This program enrolled 1,050 families with infants born between May 2018 and June 2019 at 12 hospitals to mothers who were 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 are receiving a monthly cash transfer of either \$333 (treatment group) or \$20 (control group) for 40 months.²⁴ The evaluators will examine how child health and development, parenting behaviors, and other outcomes differ between the groups. Although some aspects of data collection have been 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. Researchers will use the findings 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.²⁷

As mentioned previously in this review, another basic income program targeted at parents and children is the Magnolia Mother's Trust, based in Jackson, Mississippi. This program is led by a nonprofit organization 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.²⁶ Although there was no true 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.^{26,87} The second phase of the program began in March 2020 with 110 participants, and data showed that compared to similar mothers who did not receive the cash, the recipients were "40 percent less likely to report debt from emergency loans, 20 percent more likely to have children performing at or above grade level, 27 percent more likely to seek professional medical help for sickness or chronic illness, [and] able to budget up to \$150 more for food and household costs" (p. 1).⁸⁶

In June 2020, former 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^{xxv} 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 provided 125 randomly selected adults in Stockton with a \$500 cash transfer for 24 months, alongside any other benefits they may have already been receiving.⁴⁷ A control group of 350 people was compared to the cash recipients to

^{xxv}As of September 1, 2021, the mayors of the following cities are involved: Flagstaff, AZ; Alhambra, Compton, Emeryville, Long Beach, Los Angeles, National City, Oakland, Palm Springs, San Diego, San Francisco, Santa Monica, Stockton, and West Hollywood, CA; Denver, CO; Middletown, CT; Gainesville and Miami Gardens, FL; Atlanta, GA; Evanston, IL; Gary, IN; New Orleans and Shreveport, LA; Cambridge, Chelsea, and Holyoke, MA; Baltimore, College Park, and Takoma Park, MD; Minneapolis and St. Paul, MN; St. Louis, MO; Jackson, MS; Durham and Kinston, NC; Newark and Paterson, NJ; Santa Fe, NM; Hudson, Ithaca, Jamestown, Mount Vernon, and Rochester, NY; Harrisburg, Philadelphia, and Pittsburgh, PA; Providence, RI; Columbia, SC; Austin, Houston, and San Antonio, TX; Seattle and Tacoma, WA; Madison, Milwaukee, and Wausau, WI; Montpelier, VT; and Richmond, VA.

determine the impact of the transfers. Preliminary findings from the SEED program, released in March 2021, showed that recipients of the cash transfer “transitioned from part-time to full-time employment at over twice the rate of those who didn’t receive the cash transfer” and they were better able to secure basic needs for their families including food, clothing, utilities, and transportation (p. 1).⁶⁰ In addition, the recipients reported less anxiety and depression than before the program, and lower levels compared to the control group, as well.⁶³

The Compton Pledge began in late 2020 and provides cash transfers to about 800 low-income residents of Compton, California. The Pledge will be evaluated by the Jain Family Institute, a research group that focuses on guaranteed income policies.²⁸ As of March 2021, St. Paul, Minnesota also had a basic income pilot program underway, distributing \$500 per month to 150 families who were all impacted by the COVID-19 pandemic and 80 percent of whom identify as people of color.⁵⁹

Another study, called the Abundant Birth Project, provides \$1,000 each month to 150 Black and Pacific Islander pregnant individuals during the prenatal period and their infants’ first 6 months.⁶⁹ This privately funded program began implementation in 2021 through a partnership between a nonprofit, Expecting Justice, and the Preterm Birth Initiative at the University of California, San Francisco.

An additional new project likely to produce evidence for the impact of cash transfers is New York University’s Cash Transfer Lab. The Lab will begin its work in 2021 with an analysis of Alaska’s Permanent Fund Dividend.⁷⁰

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.

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.

Articles were considered relevant if they examined the impact of unconditional income transfers on families with children. Because of limited implementation of such policies at the statewide level in the US, studies of federal and local cash transfer programs were considered within the scope of this review, and international evidence is discussed as well.

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. 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 collected on or before September 30, 2021.

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, RCTs 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.

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Evidence Review Citation:

Prenatal-to-3 Policy Impact Center. (2021). *Prenatal-to-3 policy clearinghouse evidence review: Child allowance* (ER 22B.1021). Child and Family Research Partnership. Lyndon B. Johnson School of Public Affairs, University of Texas at Austin. <https://pn3policy.org/policy-clearinghouse/child-allowance/>