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## Working Paper Series

# Literature review on the impact of welfare policy design on children and youth

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# **Literature review on the impact of welfare policy design on children and youth\***

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## **Abstract**

We review the empirical literature on the causal effects of welfare-to-work policies on the employment of low-income parents and the intergenerational impacts on their children. We focus on welfare policies that change benefit levels, activity requirements, time-limits and in-work benefits. These policies may affect children through several mechanisms, including changes in family income, time spent with parents, and attitudes towards work or welfare. To unpack these mechanisms and understand the net effects of these policies, we assess how the impact on children varies across outcomes, home environments and institutional settings. Overall, the literature shows that income tax credits are an attractive policy, simultaneously increasing employment and improving child development outcomes. In contrast, other policies that boost employment either have no or negative impacts on child development.

**JEL classification:** I38, J13, J12

**Keywords:** Literature review; Welfare policy; Intergenerational impacts

