

# Tax credits boost school performance, study shows

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Boosting the income of poor families can increase their children's academic achievements significantly, researchers have found.

A study in the United States, published today, found that increasing a family's annual income by \$1,000 (£550) improved children's maths test scores by 2.1 per cent and their reading test scores by 3.6 per cent.

It also showed that if families were given the maximum \$4,000 (£2,228) credit available under the earned income tax credit (EITC), one of the US's largest anti-poverty programmes, their future earnings could rise by as much as 2 per cent.

The findings have important implications for the UK and give support for more money to be given to the poorest families in tax credits. Gordon Dahl, associate professor at the Uni-

versity of Rochester, who carried out the research, said the UK's tax credit system was likely to yield similar results as in the US.

"The boost to children's test scores was much bigger than expected. It's not going to get you into Harvard or Oxford because it's not going to push you right to the top. But it is not a trivial increase. It is significant and would be enough to produce young people who earn higher wages for the rest of their lives."

In Britain one in four children is believed to live in poverty - defined as having a family income of less than 60 per cent of the national average. Professor Dahl said: "In the US one in six children currently lives in poverty, and it's a big issue in other countries too."

"Our research suggests that income transfers to poor families can help alleviate some of these consequences - in particular, that extra income can improve

maths and reading achievement. Given that the explicit rationale for income support programmes, like the EITC, is often to improve the lot of children, our research provides policymakers with evidence that such programmes can have a positive impact."

The study, which was carried out with Lance Lochner of the University of Western Ontario, followed 6,000 children between the ages of five and 14. Its findings will be presented today at the 2005 World Congress of the Econometric Society being held at University College London.

It looked at how children's performance in tests changed after the EITC programme was changed to make it more generous to poor families.

Previous studies on the relationship between income and educational achievement have failed to come to a consensus because it has proved difficult

to untangle the adverse effects of a child's home environment - such as having poorly educated parents - from the income effect. The methodology of this latest study enabled researchers to study the effects of increasing family income while keeping all other aspects of family life the same.

The research also found that children benefited from the boost to family income whatever their age. This contradicted earlier arguments that help needed to reach children before they started school if it was to have any effect.

"We have no idea what the parents spent the extra money on," Professor Dahl said. "It could be on books, but it could also be because of a reduction of stress in the family. If you know you are going to have an extra \$4,000 a year until your child is 18 then it will relieve a lot of the stress that can be a real problem for families in poverty."