

# In-work tax credits for families: What do we know about their impact on the health status of adults?



SUMMARY

## Background

It is recognised that income and employment play an important role in determining the health and wellbeing of families. In-work tax interventions aim to increase income in families living in or at risk of poverty and to improve attachment to the labour force through creating an additional financial reward for taking up or remaining in paid work. As such, it is expected that by reducing income poverty and unemployment, the health status of low and middle income families will improve.

If in-work tax credits (IWTC) are to be implemented with an aim of improving the health status of families and health equity in the population, it is important to review all the available evidence from research studies and determine if and how such programmes can make improvements to the social determinants of health, population health and health equity. This review specifically examined the effects of IWTC on health outcomes in working-age adults.

## What was done?

International evidence on in-work tax interventions, defined as a tax credit implemented as part of a welfare to work policy, which were received by families, and adults currently in work and which were not time limited, was assessed and synthesized. Examples of schemes eligible for the review included, the Earned Income Tax Credit (USA), the Minimum Family Tax Credit (New Zealand) and the Working Tax Credit (UK). The review sought to include randomised and quasi-randomised controlled trials and cohort studies, controlled before-and-after and interrupted time series studies of IWTCs in working-age adults.

The review authors looked for studies which reported adult self-rated general health; mental health/psychological distress; mental illness; overweight/obesity; alcohol use; and tobacco use. The review covers evidence published between 1980 and July 2012.

## What was found?

Four controlled before-and-after studies and one interrupted time series study, comprising a total of 5,677,383 participants (all women), were eligible for inclusion in the review. These studies were all based in the US and assessed the Earned Income Tax Credit (EITC) intervention, established in 1975. The review found very low-quality evidence suggesting that the EITC interventions has no discernable effects on self-rated general health and mental health/psychological distress five years after policy implementation and overweight /obesity levels eight years after policy implementation.

Evidence of the effect of EITC on tobacco use was mixed, with one study finding no effect five years after implementation, one study finding a moderate reduction one year after implementation and one study finding differential effects one year after a change in EITC (no effect in African Americans and a larger reduction in European-Americans.)

Given that these non-experimental studies had considerable systematic errors in the way they conducted their analysis, this body of evidence was judged very low overall quality.

## What does the review tell us?

The small and methodologically limited body of evidence with a high risk of bias provided no evidence of an effect on IWTC for families on health status. Mixed evidence for tobacco use in adult women was identified. This current body of evidence is not sufficient to determine whether IWTC have a positive, a negative or no effect on the health status of adults. Further research is very likely to have an important impact on our confidence in and to change estimates of the effects that IWTC interventions have on health status in adults.

## What does the review recommend?

Good quality studies of IWTC for families and their effects on health status are required. To improve the external validity of the current evidence base, studies are required in a range of country settings (especially in countries outside of the US, where evidence is currently lacking) and should examine a range of participant groups. The different impacts of IWTC on subgroups of families should also be examined, for instance the role of gender, ethnicity, family type and income level should also be explored, to allow for better targeting of these interventions for greatest effect.

Pega F, Carter K, Blakely T, Lucas PJ. In-work tax credits for families and their impact on health status in adults. Cochrane Database of Systematic Reviews 2013

For more information about the review please contact Frank Pega: frank.pegas@otago.ac.nz

Cochrane Public Health Group acknowledges the funding of the Victorian Health Promotion Foundation, The Jack Brockhoff Foundation and NHMRC (Australia).