REPORT CARD 12

CHILDREN OF THE RECESSION

CANADIAN COMPANION

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Canadian Companion

This "Canadian Companion" to UNICEF's ***Report Card 12***, ***Children of the Recession***, distills what we know about Canada's performance for children during the worst economic crisis in generations, and proposes actions to advance the well-being of Canada's children. For decades, UNICEF has worked to place children at the centre of economic and social policy. We hope this Report Card encourages all levels of government to reflect on the good things they did for children in challenging times and to make post-recession decisions that accelerate children's well-being.

Childhood is a time of great potential – and great vulnerability. **Children have one chance to get the right start in life, regardless of whether economic times are good or bad.** Economic recessions need not strip that chance from children, but many nations fail to protect their most vulnerable from deprivations that risk irreversibly stunting their lives and dimming the progress of their nations. UNICEF's ***Report Card 12***, ***Children of the Recession***, describes how the financial crisis turned into a crisis for children in many of the world's 41 most affluent nations, and the extent to which their countries protected them from it.

Today's children are not the first generation to weather an economic crisis. Recessions are usually temporary economic downturns, with transitory impacts on children as families endure short spells of unemployment and governments and businesses struggle with temporary contraction in revenue. **The Great Recession was different. The 2008 financial crisis triggered the first contraction in the world economy in the post-war era, the worst since 1929. It has been deeper and lasted longer than other downturns. It was not just an economic recession, but a recession in the well-being of children.**

LEGEND

- ↑ increase
- ↓ decrease
- –o– unchanged

How did the financial crisis turn into a crisis for children?

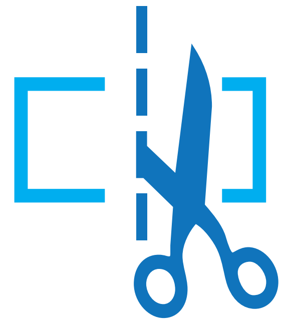
UNICEF's ***Report Card 12*** is the first attempt to explore how childhood has changed since the onset of the financial crisis. Using three significant measures that can be compared across the world's 41 most affluent nations – child poverty, the social inclusion of youth and perceptions of children's well-being – we can begin to understand how the Great Recession and the choices our societies made affected children. This is a partial picture. It can be expanded with national data that cannot be compared across nations like children's use of food banks or substance abuse; and it can be deepened with data that tell us about how different parts of the country and different groups of children fared – including indigenous and new Canadian children. We don't yet know what longer term impacts may be revealed with time. But we know enough to draw some important conclusions and to make decisions about what to do next.

What do we know about recessions? They usually hit children hardest, particularly those in the poorest families. They hit young people entering the work force very hard. By and large, this was true of the Great Recession. Child well-being requires a very broad set of conditions. It includes sufficient family income and public support for food security, a decent home, parental time and nurturing, quality child care, dental care, clothing, transportation, developmental supports and programs such as recreation or mentoring and safe work. Economic crises can compromise all of these conditions when they trigger unemployment, diminish family income (and the income earned by working-age children) and increase poverty if income benefits and credit are insufficient. A double whammy occurs if services for children such as recreation and early child care retreat as the budgets of governments and service organizations shrink. Children are particularly sensitive to deprivations that come with economic downturns given their developmental stage. Children already in poverty or at risk of it are the least equipped to weather economic crises – their families have fewer assets to buffer the loss of income and less access to credit and insurance. They may lose their homes, their friends, their work opportunities and their hope. Children's relationships, health, education, development and protection from harm can be eroded – sometimes with irreversible consequences.

The Great Recession affected families mainly through unemployment and cuts to services. A third of all households across the industrialized nations lost wages[1]. Households with children were most likely to experience reduced work hours or wages, job loss, the need to take

UNEMPLOYMENT

CUTS TO SERVICES



up additional work and the failure of family businesses. Caregivers reported a number of coping strategies, but tended to prioritize children's needs ahead of their own. Most families cut back on spending. They started by giving up annual vacations and using up savings, followed by foregoing new furniture, pocket money, leisure and social activities, and then meals, rent and other bills[i]. A quarter of households with children said they reduced their consumption of staple foods.

The next most common strategy was to apply for loans – private safety nets. This strategy was far more common than applying for government benefits. Canada's total household debt is now three times the size of the national debt – more than 1.6 trillion dollars[ii]. The average debt per household reached a record high in 2012, and Canada's debt-to-asset ratio is one of the highest in the industrialized nations, leaving many households vulnerable to future economic shocks including interest rate hikes. The perceived impact of the crisis was also greater for those with children in the household – particularly in countries where child poverty was most prevalent or worsened the most.

For many of the richest nations, a decade of steady improvement in child well-being and living conditions was erased during the Great Recession. But in the 41 industrialized nations there are 41 different stories, each told in our Report Card league tables. In the countries hit hardest, children fared the worst and will bear the consequences the longest. Yet some countries including Canada managed to soften the impacts on children. Here, we look at what happened to children in Canada, in contrast to their peers.

[1] based on research in 17 European countries.

For a moderately affected country[2], Canada managed to avoid worsening child poverty and the exclusion of young people better than most peer nations. However, that protection was uneven – because while the average risk of child poverty declined and social exclusion remained quite steady, conditions deteriorated for some children and improved for others. Although incomes increased, the depth of child poverty increased as well. And Canada failed to protect children – the most vulnerable of the vulnerable – as a matter of priority. Poverty and unemployment were higher among children than the broader population. Pessimism about the opportunities children have to reach to their potential deepened. Furthermore, the relatively high risk of child poverty in contrast to peer countries has not diminished.

Child poverty increased in

↑23/41 industrialized countries between 2008 and 2012

creating

↑3 Million more poor children

for a total of

↑77 Million children in poverty

CHILD POVERTY

Before the Great Recession, there was a wide variation in child poverty levels across the industrialized countries. In most countries, including Canada, children were more likely to live in poverty than the population as a whole[3]. During the crisis, child poverty increased sharply in many countries. **Child poverty increased in more than half (23) of 41 industrialized countries between 2008 and 2012, creating 3 million more poor children for a total of 77 million**[4]. The most severely affected were the Mediterranean and Baltic states along with Ireland, Iceland and Luxembourg. Families with children were affected to a greater extent than others, deepening the historically disproportionate burden on the youngest and most vulnerable. While overall poverty rose by nearly 2 points on average, child poverty increased by 3 points.

Although some countries managed to reduce child poverty in the first years of the crisis (2008 to 2010), it increased between 2010 and 2012. By and large, the greater the drop in GDP per capita and in employment, the greater the increase in child poverty and deprivation. Both the extent and depth of child poverty increased. Adverse effects were not distributed equally: the most economically vulnerable children – in lone parent, workless and migrant families – experienced the greatest decline.

While millions of children fell into poverty, remarkably, child poverty fell in 18 of 41 industrialized nations. Canada was among them. In 2008, Canada careened into recession along with most other industrialized countries, and hundreds of thousands lost their jobs. Part-time and temporary jobs increased as full-time employment disappeared. Many Canadians turned to credit and to food banks. Yet child poverty declined, particularly in lone parent families, bucking the trend across the industrialized world.

Canada's child poverty rate decreased by 2 points between 2008 and 2011, from 23 to 21 percent[5]. 180,000 children rose out of poverty. Among the 41 industrialized nations, Canada ranks 11th in the size of the change in child poverty. Chile recorded the largest decrease in child poverty, by 8 points (from 31 to 23 percent) while Iceland recorded the largest increase, by 20 points (from a modest 11 percent to 32). Norway reduced child poverty by a remarkable 5 points, from 10 to 5 percent – achieving the lowest child poverty rate among the 41 industrialized nations.

While Canada's child poverty rate fell more than the poverty rate for the population as a whole during the Great Recession, sadly, Canada's children remained more likely to be poor than the population as whole. Total population poverty held steady at 18 percent. It was 5 points lower than child poverty in 2008 (23 percent) and in 2011 was still 2 points lower than child poverty (21 percent).

[2] countries which had debt greater than 60 percent of GDP or an above-average increase in debt

[3] The only exceptions are Australia, Japan, Korea, Norway, Finland and Estonia. (No comparable information for New Zealand or the United States.)

[4] Relative income poverty is less useful during a recession, when the average living standard of the entire population may be changing, so an anchored poverty rate is used to compare change over time. UNICEF used a measure of relative income poverty where individuals in households with income below 60 percent of the national median (adjusted for inflation) are considered poor.

[5] Using a poverty rate anchored in 2008 to account for the change in the median income between 2008 and 2011. If we use an un-anchored poverty rate, there is no change in Canada's child poverty rate between 2008 (23.3 percent) and 2011 (23.2 percent).

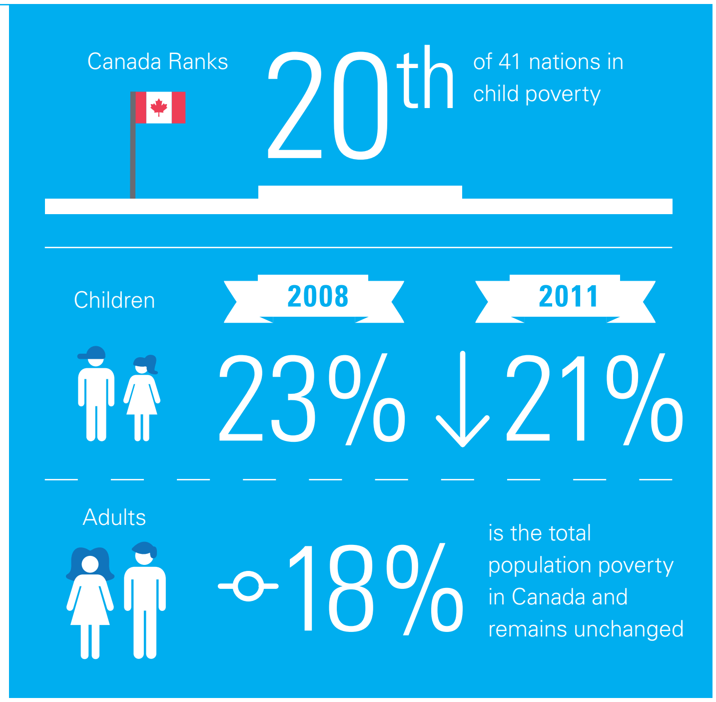
Today, child poverty in Canada remains higher than in close to half of our peer countries. **In fact, 19 of 41 nations have lower child poverty rates than Canada's, including some that were harder hit by the crisis. The distance between Canada's child poverty rate at 21 percent and Norway's at 5 is considerable – but not inevitable.**

UNEVEN IMPACTS

It is a remarkable achievement that the poverty rate for Canada's children in lone parent families declined even more than the national average fell – by 7 points in contrast to 2 points for all children. The decline in the child poverty rate for children in two-parent families was 1 point. However, the poverty rate was higher for lone parent families prior to the crisis at 46 percent (in 2008) in contrast to two-parent families at 19 percent, and remained higher at 38 percent in contrast to 18 percent (in 2011). Families with more than two children are also more likely to be poor, as are indigenous children and migrant children – and the rate varies across the provinces and territories.

However, the poorest Canadian children slid deeper into poverty during the Great Recession relative to the average. **The child poverty gap increased by 2 points (from 21 to 23 percent) between 2008 and 2011.** Poor children today are further away from average living conditions than poor children were at the start of the crisis. The situation of the poorest children deteriorated in most industrialized nations. Only 6 of 41 nations managed to reduce the depth of poverty among children[6].

In Canada, median earnings declined by 3 percent – from $30,000 to $29,000 – between 2008 and 2010. Market income losses were about 18 percent among households in the bottom income group, 4 percent for the middle and 1 percent for the top. But by 2011 Canada's median income rose to $33,000 (or $32,000 adjusted for inflation)[7]. Canada was one of the few industrialized countries where market income rose during the Great Recession (the OECD average was a 2 percent decline). In contrast, median income levels for families with children regressed between eight and fourteen years in many peer nations. Most of the increase in Canada was employment income (a healthy natural resource sector and an increase in the number of working women buoyed family incomes) though close to half the increase was from social transfers.



Measuring the evolution of child poverty in Canada is a challenge because there is no official national headline indicator, and a variety of different measures are used that tell different stories. The uniquely Canadian Low Income Cut Off (After-Tax) measures a decline in the rate of child poverty (for those under age 18) from 9 percent in 2008 at the start of the Recession to 8.5 percent in 2011 – and this is lower than the rate for adults (age 18–64) at 8.8 percent[iii]. The Low Income Measure (After-Tax) measured the national poverty rate at 12.6 percent in 2011, slightly higher than before the Recession, and while child poverty declined from 15.3 to 14.3 percent, it remained higher than the poverty rate of the general population. Using the Low Income Measure, child poverty today is no lower than in 1989, when all parliamentarians committed to eliminate it by the year 2000. The rate of child poverty has fluctuated but has not declined substantially, despite the 67 percent rise in Canada's GDP between 1989 and 2012 (in constant dollars). For our Report Card, UNICEF used a child poverty measure similar to the Low Income Measure, but with a "poverty line" at 60 percent of the median income rather than 50 percent, which is the standard used across most industrialized nations. This captures a larger group, and is a fairer assessment of how many children live in families with incomes so much less than the average. We anchored the poverty rate to be able to compare the change between 2008 and 2012 to factor in the change in the median income level.

[6] Figure 7 in RC12 shows that there were six countries where the poverty gap decreased by one point or more: the UK, Romania, Norway, Malta, Lithuania, and Germany.
[7] The poverty line was $18,000 in 2008 and $20,000 in 2011 ($19,000 when adjusted for inflation).

YOUTH EXCLUSION

One of the most devastating impacts of the Great Recession is widespread unemployment and underemployment across the world's richest nations. The picture is bleakest for youth between the ages of 15 and 24. **The number of young people not in school, work or training (the "NEET" rate) climbed in almost every nation – mainly due to the rise in youth unemployment.** Between 2008 and 2013, the NEET rate increased in 34 of 41 industrialized countries. The largest increases were in countries that suffered the largest declines in economic output and employment – Greece, Italy, Spain and the USA among them. A high NEET rate signals difficulties in the transition into adulthood. Exclusion from school and work at an early age tends to have lasting negative effects on future employment, well-being and life satisfaction. With more young people trapped in temporary and part-time work, the societal costs include lower economic growth and the breakdown of intergenerational trust.

But during the crisis, the NEET rate actually declined in six countries (including Germany, Japan and Sweden) and held steady in Canada and Austria comparing the rate before and after the Recession. Among the 41 industrialized countries, **Canada's NEET rank ranks 7th in the size of the change during the Great Recession. Close to 10 percent of our young people are not in employment, education or training.** In contrast, Turkey, which had the worst NEET rate heading into the crisis, enjoyed the greatest decline by 12 points. Cyprus endured the greatest increase by 9 points. By the end of the Recession, a number of countries had NEET rates more than double that of Canada. However, emerging from the crisis, 13 peer countries have a lower NEET rate than Canada's, with Luxembourg the lowest at 5 percent and half of Canada's rate, showing the room for improvement.

Because the youth unemployment rate in Canada is generally higher than for other age groups even in good economic times, and there has been a long-term trend among youth to graduate high school and to pursue post-secondary education and training (postponing employment), the NEET rate is a more useful bellwether of risk of exclusion than the unemployment rate alone[8]. While the reigning in of the NEET rate in Canada during hard times is an accomplishment, the change in how young people are spending their time is a concern. Although the overall NEET rate did not change, it is likely that because more job-seeking youth are not finding employment, they have been returning to school to bolster their credentials and wait out the challenging job market. The size of the youth job loss during the Great Recession roughly corresponds to an increase in enrolment in post-secondary education and apprenticeships.

10% of Canada's young people are not employed or in school/training

Norway NEET rate of **5%** shows what is possible to achieve

Young people accounted for more than half of net job losses during the Recession – a disproportionate burden – and have yet to recover. The unemployment rate for 15- to 24-year-olds is twice the national average (14 percent in contrast to 7 percent for all persons in 2013) with about 400,000 youth who can't find work. Youth unemployment increased by 2 points since 2008. This places Canada 13 and 14 out of 41 countries in the rate of youth unemployment in 2008 and in 2013, respectively. The youth unemployment rate rises to 20 percent if we take into account "discouraged" workers and part-time workers who would prefer full-time employment[v]. Among the 90 percent who are not "NEET", roughly half are employed, and half are students. Among the rest – young people who are not in education, employment or training – close to half are seeking work but unemployed and slightly more are not in education or training. It is not clear what these young people are doing, but certainly some are at risk while others may be pursuing informal opportunities such as internships or travel.

While young people have always struggled to establish themselves, times may well be harder now. In Canada, diminished job security, growth of temporary work, lower wages, rising costs for education and record student debt levels are dampening the economic security of a generation, and there is speculation that it could leave a permanent

[8] Significantly lower rates of high school completion are experienced by Aboriginal young people and those living outside census metropolitan areas according to Statistics Canada, 2013.

gouge in the national economy[vi]. On the other hand, the length of time young people are unemployed is relatively short[vii]. In perspective, the youth unemployment rate is close to 50 percent in Greece and Spain.

PERCEPTIONS OF CHILDREN'S WELL-BEING

How people say their lives have changed is an important vantage point on the way the Great Recession affected families and their ability to raise their children. The Gallup World Poll measured a decline in people's perceptions of their circumstances and children's opportunities in many industrialized countries between 2007 and 2013. The fact that feelings of insecurity and stress have continued to rise after the Great Recession "technically" ended tells us that the crisis is not over for children. The ability of families to buy food, their stress, their life satisfaction and their perception of the opportunities children have to learn and grow generally worsened most in the countries most affected by the Great Recession – those that experienced the steepest decline in GDP per capita and higher unemployment and child poverty (especially Greece, Italy, Ireland, Portugal and Spain). So the perceptions reported by Canadians are surprising.

The proportion of Canadians who reported food insecurity peaked in 2012 at 12 percent but returned to pre-recession level of 9 percent by 2013. We know that during the Great Recession, food security in Canada deteriorated, according to the increase in the number of Canadians using food banks – which in 2013 was 23 percent higher than in 2008. One-third of food bank users were children, despite representing less than a quarter of the total population[viii]. One in 10 people using food banks were indigenous and another 10 percent were recent immigrants, reflecting higher poverty rates and a more difficult labour market for those groups. But there is some evidence that reliance on food banks is declining now.

Perhaps most striking is the deterioration in Canadians' belief that children in this country have sufficient opportunities to thrive. **Canada ranks 34 of 41 peer nations in the extent that perceptions of children's opportunities have declined since the onset of the Great Recession.** Mindful of the challenges in comparing perceptions across cultures, there appears to be a deepening pessimism about children's chances to blossom in this wealthy nation. Only in the nations battered most by the Great Recession has it worsened more. **However, in spite of the decline of 7 points, 86 percent report that children in Canada have the opportunity to learn and grow, one of the highest rates in the comparison.**

Out of 41 industrialized countries Canada ranks **34th** in perception of children's opportunities

Perception of children's opportunities has declined since the onset of the crisis **↓7 pts**

It is possible that even though the Great Recession did not deplete family incomes in Canada to the extent it did elsewhere, it nevertheless brought a crisis in confidence. Family life, even for those who did not experience job or income loss, seems to be more stressful. **For the size of the change in perceptions of stress during the crisis years, Canada ranks in the bottom third of industrialized nations (32nd of 41), with an increase of 11 points from 36 percent to 47 percent reporting stress.** New Zealand enjoyed the greatest decrease in reported stress and Greece endured the greatest increase. While intuitively it can be expected that parental stress will increase with unemployment and financial insecurity, family stress and worry about children's well-being may be a structural issue in Canada more than a temporary phenomenon. Parents are also concerned about the future prospects for their children. Recent polls have reported Canadians' views that the current generation of children will be worse off than their parents, with greater competition for good jobs, less affordable living conditions and poorer health[ix].

A UK Parliamentary committee inquiry on Children and the Recession heard that recession-linked family stress was showing up in a higher family court case load, with worrying disruptions in children's lives[x]. In its extreme form, there is some evidence in the United States that children were more likely to experience physical abuse during the Great Recession. The drop in consumer confidence beginning in 2007 was associated with a six-fold increase in the likelihood that a parent will hit their children frequently (on at least a monthly basis)[xi]. However, a US study published in March 2014 showed that while the rate of parental aggravation in the US increased substantially between 1997 and 2012 (from 20 to 33 percent), there was no clear link between the prevalence of parental aggravation and the Great Recession – suggesting a more structural trend.

Even more worrisome is that this pessimism is shared by children themselves. Canadian children report one of the lowest levels of life satisfaction among industrialized nations[xii]. There is evidence that the anxiety that adolescents feel about school performance and their futures is taking a toll on their mental health[xiii]. Some of this may be a reflection of adults' high stress level and the Great Recession may have added pressure to already stressed relationships. Parental functioning is one of the critical factors determining whether children flourish[xiv]. High levels of anxiety and frustration can impair this nurturing relationship, and in turn affect a child's health, education and social and mental well-being. Children feel anxious and stressed when parents do. And, like adults, children experience stress and anxiety as a result of financial worries. A 2011 study by a UK organization reported that children are twice as likely to experience low levels of child well-being when a parent has concerns over financial security compared to children whose parents have few or no financial worries, noting that these are aggravated during recessions[xv]. A 2014 survey of 14-year-old children in England found that over a third said that the economic crisis had affected their families significantly. Children who are aware of financial difficulties faced by their families often change their behaviour in response to this – for example by not asking overstretched parents for things in order to spare them the stress of saying no and avoid putting further pressure on already tight budgets[xvi]. UNICEF found that in Greece, family tension was one of the most reported impacts of the Great Recession, by a third of children. In the UK survey, children reporting a stronger impact of the economic crisis on their families had significantly lower levels of life satisfaction. Children living in families which are suffering as a result of the crisis may face a double impact to their well-being: directly from their awareness and experiences of the crisis, and indirectly through the impact of the crisis on their parents' well-being[xvii].

If we have any inclination to feel complacent about how we have managed to reign in child poverty and limit the extent to which youth were excluded from work or education during the Great Recession, deepening pessimism about the lives of Canada's children is distressing – and should call us to action.

Did we do enough to protect children?

The primary task of nations in responding to economic shocks is to make sure that children, the most vulnerable members of society, do not bear the burden[xviii]. We have the duty to ensure that policies to deal with economic crises do not result in disproportionate impacts on children, particularly disadvantaged children who are most sensitive to economic shocks. The Great Recession did not hit all industrialized nations in the same way. Different economic conditions affected the scale of the economic shock and the fiscal space governments had to respond. However, governments could and did make difficult choices in response to the crisis. It is unconscionable that children bore a disproportionate share of the poverty generated during the Great Recession because some nations failed to do what they could to protect them.

Despite the differences in the market impact of the Great Recession, the early public policy reactions of governments were fairly similar. Almost all governments introduced fiscal stimulus measures in the first year or two of the crisis. Social transfers and tax cuts partially mitigated the impact of the economic shock on child poverty and inequality. Public expenditure in the industrialized countries increased in the first few years of the Great Recession between 1 and 12 points (between 2007 and 2009), with one of the most common interventions to increase cash benefits. In 2009, UNICEF calculated that industrialized countries allocated on average 27 percent of fiscal stimulus to social protection measures. Canada's allocation was close to the average at 26 percent. UNICEF inventoried the changes in child-focused income-related policies across industrialized countries since 2010, when the crisis had taken hold. Different governments spent on different priorities. Some countries preferred one-off payments to low-income families. Many governments reformed child care benefits and parental leave policies. Through the stimulus Canada Economic Action Plan, the Working Income Tax Benefit (a refundable tax credit available to low-income workers) doubled and the Family Supplement in the Employment Insurance program enabled low-income families with children to receive up to 80 percent of their insured earnings, above the normal rate of 55 percent. Australia and France dedicated close to 10 percent of their total stimulus spending to housing support. The Netherlands and Switzerland directed funding to support professional training for unemployed youth. Stimulus investments helped prevent the loss of family income and assets and coping strategies that could be harmful to children, such as resorting to poor quality, less expensive food, housing or child care, or withdrawing children from arts and sports programs.

But by 2010, government responses to the crisis became highly uneven. Many shifted to fiscal austerity measures under pressure from financial markets, which worsened living conditions for children. As the crisis wore on, some increased taxes, and between 2009 and 2011 public expenditure decreased in all European nations with the exception of Slovenia. The majority of countries cut spending on children and families more than other areas. The most common policy intervention was the reduction of child or family benefits. A number of countries froze benefits or tightened eligibility (e.g., the United Kingdom, Finland, Netherlands, Greece and Hungary) while others cut benefits and reduced the scope of parental leave (e.g., Denmark, France, Ireland, Czech Republic and Estonia)[xix]. The countries that undertook the most severe austerity measures generally experienced the greatest increases in child poverty. **But some countries like Canada pursued policies of sustained or increased support for children between 2008 and 2012. It is likely that this was an important influence on their ability to hold child poverty in check.**

While a good part of the economic crisis visited upon Canada was beyond the reach of public policy, the extent to which it affected children had quite a lot to do with economic and social policies. Canada cannot be accused of administering the kinds of austerity measures that saw deep cuts to children's services and cash benefits in many other nations. Canada cut taxes and spent stimulus in almost equal measure; and some parts of the safety net covering children were weakened and others were strengthened. Some governments even managed to make new investments in children in the midst of financial pressures to do the opposite – such as increased child

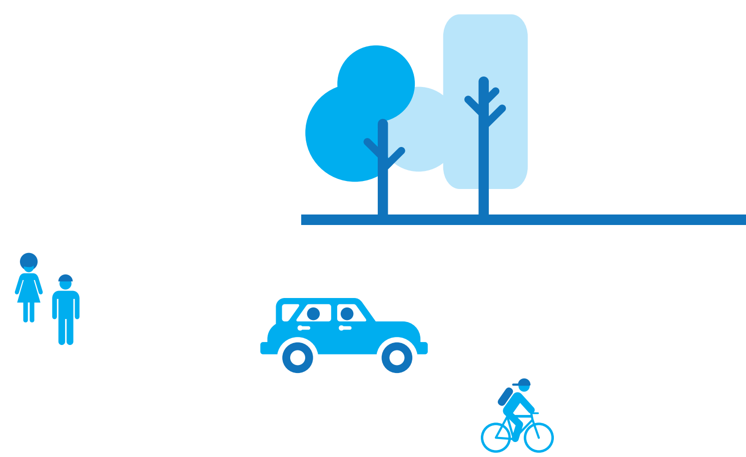
cash benefits, access to dental care, breakfast programs and early child care services. Ontario and Quebec in particular made progress to reduce child poverty in these challenging conditions. In Ontario, for example, the overall child poverty rate decreased by close to 9 points or 47,000 children between 2008 and 2011. This has been attributed to increases in the Ontario Child Benefit and the minimum wage. These efforts worked to reign in poverty and exclusion for many Canadian children.

Youth unemployment is highly calibrated to economic booms and busts – they tend to be the last to get work and the first to be laid off during recessions, and Canada's youth unemployment rate has fluctuated higher and lower than it is today, but the school-to-work transition is more protracted than ever before. The expansion of post-secondary education, the stagnant and globalizing employment market and the shift to the "knowledge economy" make the route longer and narrower. This is a new normal rather than a temporary condition related to the Great Recession. Young people from rural areas, low-income families, those who leave school early, Aboriginal youth, recent immigrants, young people with physical and cognitive disabilities and disenfranchised youth all face significant challenges finding a pathway from school to work. There is a recognized need for closer collaboration among governments, business, education and civil society to create flexible pathways for more young people to access education, training and employment. In 2014, the federal government announced the Canada Apprentice Loan to expand the Canada Student Loans Program, and increased its investment in the Youth Employment Strategy which includes funding for internships and summer work for youth. Given the disproportionate impacts of the Recession on youth employment, more could have been done sooner by governments and business to protect them from job loss and to make the alternative – education – more affordable.

Fiscal austerity adjustments to economic downturns tend to remove essential support for the most vulnerable at a time when their need is greatest. But failure to act swiftly, boldly and smartly is harmful as well – because uninterrupted by sufficient policy measures, market impacts often disproportionately settle on children, allowing the poorest to become poorer and excluding older children from work and a successful transition to adulthood. For children, whose critical development milestones can't wait for fiscal crises to end, some deprivations can last a lifetime. **Children's well-being went into free fall as the policies adopted by many industrialized countries amplified the negative impact of the crisis and contributed to worsening children's living conditions and widening inequality. In contrast, many of Canada's children were in a holding pattern.**

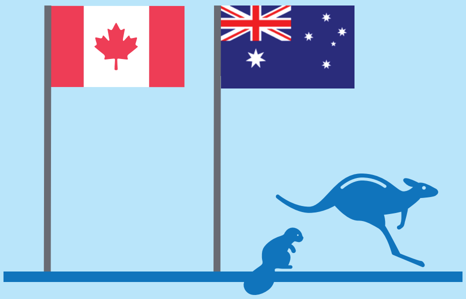
DID WE DO ALL WE COULD TO PROTECT CANADA'S CHILDREN FROM THE GREAT RECESSION?

UNICEF's ***Report Card*** suggests Canada rose to a higher level of responsibility than many of our peer nations. But it was not enough to give all children the priority they are entitled to and not enough to prevent some children from falling further behind. Canada's tax cuts, stimulus and program spending were sufficient to increase incomes and avoid an overall increase in child poverty and social exclusion – a notable achievement for a moderately affected nation. But the poorest children slid deeper into relative poverty. Emerging from the crisis, children remain poorer than the general population, and more excluded once they reach working age. A number of the countries who cut or froze spending had more generous social investments in children than did Canada heading into the Great Recession, and came out of it with still lower child poverty.



A TALE OF TWO COUNTRIES:

CANADA & AUSTRALIA



Canada and Australia had similarities as resource export nations with stronger fiscal positions and higher employment than many nations heading into the Great Recession. While most European countries turned part way through the Recession to austerity measures, contributing to deteriorating economic and social conditions, the prompt reactions of the governments of Canada and Australia to a great extent limited its impacts and boosted economic recovery. How they each accomplished this was quite different.

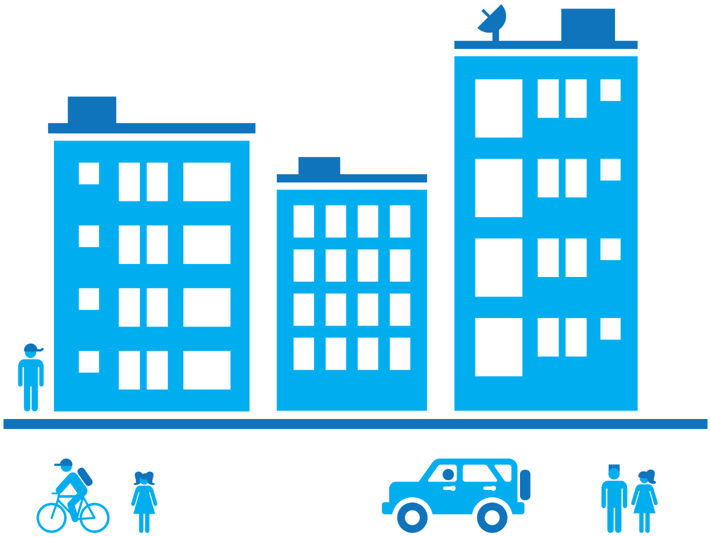
Canada implemented a federal fiscal stimulus package that focused on physical infrastructure development to generate employment. It also cut taxes and sustained social spending more than many. On the other hand, Australia provided a social stimulus package at the federal level, with three main cash payments: the Back to School Bonus, the Single Income Family Bonus and the Tax Bonus for Working Australians[9]. The first two of these benefitted 66 percent of all families – especially middle and low income families. They reduced the risk of poverty during a recession, and promoted economic recovery by stimulating consumption spending. It seems that transfers to lower income families were more effective in stimulating consumption than tax adjustments because these families had tighter budgets and so had a higher propensity to spend rather than save this income. The third measure in the Australian stimulus package favoured higher earners and had no positive impact on poverty or spending. Australia's fiscal efforts were among the largest across the advanced economies with spending at 2.4 percent of GDP[xx].

Both countries' shares of spending through tax cuts were similar (and close to half of total spending), but Australia's social spending was slightly higher than Canada's. Both countries spent just slightly more than the UK and Germany, and achieved a decline in child poverty. Australia's 6-point decline was significantly greater than Canada's 2-point decline, achieving a child poverty rate far lower than Canada's, but its NEET rate increased above Canada's.

Every recession is different and so it is difficult to draw durable conclusions about specific public policy responses. With roughly similar amounts of spending, Canada and Australia got somewhat different results. However, both results confirm the crucial role of governments to protect the most vulnerable – limiting both social hardship and promoting faster economic recovery when interventions are timely and well-targeted.

[9] The Back to School Bonus (with a cost of $2.6 billion AUD) was a cash transfer of $950 per child targeted to low and middle income families with children aged 4-18 entitled to the Family Tax Benefit (Part A). The Single Income Family Bonus (with a cost of $1.4 billion AUD) was a cash transfer of $900 targeted to families entitled to the Family Tax Benefit (Part B).

A defining moment



Children's well-being is important not just for children themselves and the adults they become, but it is also a reflection on the place we hold for children in society. We have to decide how important that is.

What can we do to better protect children next time? And what is our responsibility to children as decisions are made about debts and surplus in the wake of the Recession?

The next economic crisis is sure to be different than the previous, but we know that the most disadvantaged are more likely to slide farther behind, and that young people's transition to adulthood and employment will be harder. Children will likely be the hungriest, the most anxious and the most vulnerable to the deprivations they endure. But they need not be.

Children have the right to a standard of living adequate for their development and well-being, and governments the responsibility to do all they can to support it – in good times and in bad. Social spending on children may shift to address emerging needs, but overall spending on children should be protected and investments increased to help the children and their families at greatest risk avoid disruptions and cope with new challenges. The goal should be to prevent retrogression and permanent harm to children's health, development and protection. While some measures may be temporary, their potential to contribute to lasting improvements in child well-being should be considered. Social protection for children is not very expensive relative to other investments and can help boost the economy. There is no economic justification for cutting or failing to make investments in children.

UNICEF Canada asks all levels of government in Canada to adopt a five-point ***First Call for Children Strategy***, to build on their successful efforts during the Great Recession and guide early and robust responses to the next economic downturn:

1. Make an explicit commitment to protect children with a First Call for Children policy: Place the well-being of children at the top of responses – whether austerity or stimulus. Ensure children's needs are met as the priority, to the maximum extent of available resources. This is a principle accepted by most families for their own children but still only rarely recognized by governments despite having already committed to it with the Convention on the Rights of the Child.

2. Rescue, prevent and give hope: The Great Recession has illuminated the importance of responding with quick-impact social protection measures when jobs are lost and family incomes fall:

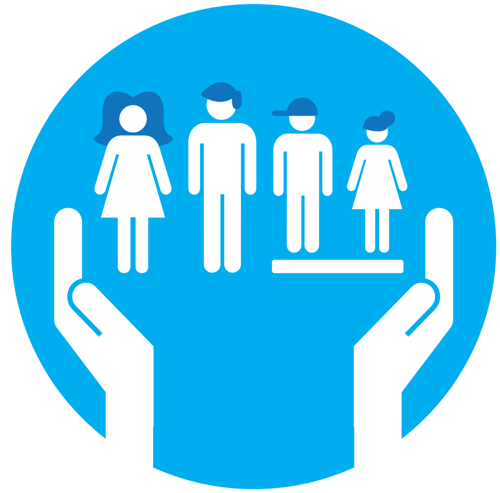
- Help households with children maintain their income with a temporary increase in the National Child Benefit and Supplement.
- Ensure that children do not lose access to the services they have, and increase temporary supports for housing security, access to quality and affordable child care, school meal programs, youth employment and training, and child and family crisis support programs.
- Ensure tax benefits and credits flow to those in greatest need – usually families with children.

Various proposals have been suggested to improve youth participation in education, training and work that could be quickly expanded as stimulus during economic downturns, such as increasing paid internships, wage subsidies and apprenticeships (particularly in high-unemployment regions) and tuition grants for youth; funding new public works projects with a reserve of 20 percent of jobs for young workers and apprentices; amending the Canada Labour Code to ensure interns and trainees are protected in relation to wages and statutory benefits (and monitoring internships in the Labour Force Survey); and expanding support for community organizations to offer tutoring and mentoring for low-income youth. The federal government could expand during recessions the Canada Student Loans and Canada Student Grants to further support youth in low- and middle-income families to attend post-secondary education.

3. Produce data to guide action: Generate information about what is happening to children during a crisis to support rapid response. In addition to the priority given to real-time economic and financial data to measure the pulse of a crisis and recovery (such as trade volumes, stock market indices, inflation and exchange levels), use Rapid Child Well-being Surveys to collect data about the impacts on children, adjust policies and programs and direct stimulus quickly and cost-effectively. Time-sensitive indicators of children's living conditions (such as hunger, homelessness, education, family stress and health) can be taken through periodic surveys similar to the Deprivation Index used across Europe and UNICEF's Impact and Vulnerability Alert System that uses RapidSMS. Hearing directly from children would enable decision-makers to get insights about the ways that changes in family income as well as broader social conditions are affecting them, and to target interventions to support young people in the ways they need and want them.

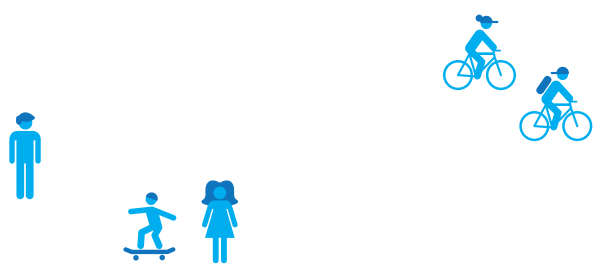
4. Test proposed adjustment policies with Child Impact Assessment: As a tool for making difficult decisions about public spending it can help give due consideration to the best interests of children, predict the potential impacts on them (including the most vulnerable groups) and identify compensatory measures to alleviate adverse impacts. The obligation to consider children's best interests extends to taxation and public expenditure on benefits and services[xxi]. Child Impact Assessment should examine the extent to which families with children benefit from stimulus or bear the cost of fiscal consolidation and the impacts on families with different incomes and family characteristics[xxii]. This can be measured by the likely change in child poverty and the proportion of change in public spending on goods and services consumed by families with children in contrast to others. Measuring impact recognizes that improvements in efficiencies can occur even if budget allocation does not change, and that reduced access and quality can occur even with a budget increase if demand increases or allocation shifts to costs such as salaries.

5. Use a no-child-left-out principle for decision-making. Just as the benefits of economic boom times do not automatically benefit the most vulnerable, the benefits of policy interventions during downturns can broaden disadvantage. There are many important reasons for adopting a universal approach to interventions for children, including the fact that the majority of vulnerable children are in middle income families and family stress exists across the social gradient. However, special provisions may be necessary to reach particularly vulnerable groups of children and ensure that adjustments do not



exacerbate inequalities. The most vulnerable who often bear the brunt of economic crises also run the risk of being left behind in recovery.

The private sector and service organizations share the pressure of economic downturns with families and governments, and also share in the responsibility to do all they can to cushion children from the impacts. **Canadian businesses that strove to preserve jobs through extraordinary measures showed leadership in difficult times. Businesses can also prepare emergency plans for economic downturns, including creating a cash reserve for employee and family protection. They can step up efforts to recruit and train young people and increase corporate philanthropy for the most disadvantaged.**



The Recession isn't over for children

While technically the Great Recession has ended, it isn't over for some children. In the wake of the Great Recession, some indicators of child well-being in Canada such as food bank use have stabilized or slowed in regression[10], while others such as substance abuse have improved despite the crisis. But some say the crisis for children started before the financial crisis. **Canada's level of child well-being relative to our peer nations was average heading into the Recession, with higher family income poverty than most, poorer child health and a deteriorating outlook on life among our young people. Despite our efforts to protect children during the crisis, those problems have not disappeared.** This is not the result of temporary economic ups and downs but a persistent "structural deficit". It's time to deal with it. Now, we need to give priority to our children as some governments wrestle with debt, and others decide what to do with surplus. **Canada can seize this opportunity to fulfil our long-standing promise to give "first call for children" and strengthen our common future[xxiii]. If generations have defining moments, this is one of them.**

Recovery from the Great Recession confronts governments everywhere with the challenge of shoring up children's health, protection and development while fiscal resources remain limited and under competition to meet a range of needs. We have a responsibility to ensure that recovery includes children, but the bill for governments who spent to protect people from the worst of the Great Recession has arrived in the form of higher deficits and debts. Although some of the temporary impacts on Canada's children are receding, the "structural" problems in child well-being that predated the crisis may be worsened as governments reign in debt if it reduces spending on children. Today, we have to find ways to increase the priority afforded our children in budgets and in broader public policy – and in private investment by businesses, service organizations and philanthropic enterprise.

Parliament, provincial/territorial legislatures and municipal councils should study and report on how public responses shaped children's experience of the Great Recession. In the UK, an all-party parliamentary committee held an inquiry hearing from children and young people and a range of professionals – in education, health, early child development, youth services, child protection and justice – to understand the impacts on children and make recommendations for recovery.

At the same time, governments at all levels should adopt a ***Children First Policy***, an explicit commitment to ensure that children are given first consideration for budget surplus spending and that spending on children is protected from budget cuts. Returning to balanced budgets has education, health care and other services for children under pressure. In the scramble for public resources in the post-crisis period, those with the least voice and influence can be marginalized. Maintaining and increasing the share of the budget invested in children is among the most important tasks for recovery and progress. Social spending is already at a historic low, and the share for the youngest is smaller than in many industrialized nations. Social spending can boost the well-being of children as well as the economy – often more so than tax cuts. For highly indebted governments, Public Expenditure Review can assess the efficiency of budget allocations and direct them to areas of need, based on current comparative data such as UNICEF's Index of Child Well-being.

The federal government could dedicate half its projected $6.4 billion surplus to a ***Good Childhoods Action Plan***[11]. We could then expand the National Child Benefit and the Supplement for low-income families, to limit inequality and significantly reduce child poverty. All levels of government should shore up children's health by investing more in interventions to reduce infant mortality and low birthweight, unhealthy weight and poor mental health – some areas where Canada's performance is below our peers. Together with business they should create better transitions for youth from compulsory education to training

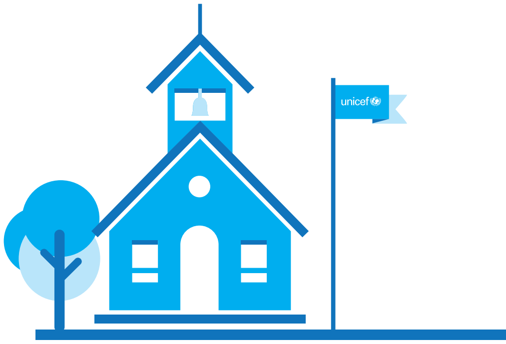
[10] The number of Canadians using food banks fell by 4.5 percent between 2012 and 2013, reflecting improvement in some provinces, particularly the Prairies.
[11] A surplus of $6.4 billion is projected for 2015–16: http://www.budget.gc.ca/2014/docs/plan/ch4-2-eng.html

and employment. Targets for improved child well-being should be calibrated to what the best-performing nations achieve and "red-lines" set below which indicators of child well-being will not be allowed to fall. A long-term target should be to reduce the average rate of child poverty and the NEET rate each to 5 percent (as currently achieved by the best performers) and to improve the overall level of child well-being from 17 place to first on UNICEF's Index of Child Well-being. We should also join the small club of nations whose child poverty is lower than the population average. As we have seen time and again, nations that commit to bold action plans get results.

Strengthening investments in children in good times and protecting them during crises will contribute to good outcomes for individual children and safeguard future national progress. This has less to do with the size of the economy and more to do with how nations spend the money they have – how much of that is invested in the early years rather than on remedial spending later in life. Evidence is clear that investing in children has lifelong benefits to the child and to society – while the consequences and costs of failing to do so can also last generations.

CANADIAN LEADERSHIP FOR CHILDREN

During the economic crisis in the 1980s, UNICEF called for Adjustment with a Human Face to protect children from the austerity measures imposed by the Washington Consensus of the Bretton Woods institutions. They promoted cuts to and fees for health, education and other services in the poorest nations to reduce national debt, at the same time that unemployment and poverty were surging. Canada and the Netherlands were the early champions of UNICEF's counter-effort to sustain social investment and protect the world's poorest children during economic reforms. Adjustment with a Human Face was based on the conviction that children must be protected during economic crises, and showed that health care, housing, education and social protection measures could be sustained while making financial adjustments.



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