

## A Poverty-Free Childhood...*for Every Child*

Canada has both the tools and the resources to effectively end child poverty within the decade. But does it have the political courage?



**Canada has the tools and resources to end child poverty. Leaving children in poverty is a choice.**

Children have unique experiences of poverty, and are affected by it in different ways, more acutely and for longer than are adults. The Canada Child Benefit (CCB) is a successful policy that serves multiple policy objectives, but it still leaves an unacceptable number of children living in poverty. **A low-income household supplement should be added to the CCB** to spare more children the lifelong health and well-being impacts of childhood poverty.

### **AN HISTORIC OPPORTUNITY**

Children's experiences and exposures during their early years play a critical role in

shaping their chances for long-term health and well-being. The first years of life are a particularly vulnerable developmental period, and in Canada, the lifetime risk of

poverty is the highest during these years. Public policy in this formative period should provide time, resources and services for parents to nurture their children. A child-focused income benefit is a fundamental policy in a trifecta of “family-friendly” policies (including parental leave and child care) that each make distinct contributions to get children off to the best start and open the way to the brightest futures.

Canadians have long envisioned being a country without child poverty. In 1989, an all-party resolution in the House of Commons committed to ending child poverty by the year 2000. Yet, through the first two decades of the 21st century, about 1 in 5 children has grown up in poverty, and children have until recently been more likely than adults to live in poverty. In Canada, child well-being has fallen relative to its peer countries since the 1989 pledge to eradicate child poverty, ranking as low as 30<sup>th</sup> out of 41 EU and OECD countries in UNICEF Innocenti’s 2019 Report Card.<sup>1</sup> It is no coincidence that during this time, income inequality rose and the high rate of child poverty persisted relatively unchanged.

In recent years, concerted government effort - particularly the introduction of the universal Canada Child Benefit (CCB) in 2016 - has led to a substantial and sustained reduction in the number of children living in poverty in Canada.<sup>2</sup>

<sup>1</sup> UNICEF Canada. 2020. Worlds Apart: Canadian Companion to UNICEF Report Card 16: UNICEF Canada, Toronto.

<sup>2</sup> Tax-free- monthly benefit for families with children under age 18.

According to the Market Basket Measure (MBM), the child poverty rate fell from 17% in 2015 to 9.7% in 2019. According to the Low Income Measure (LIM), 17.1% or 1.3 million children still lived in low income in 2019, down from 20.9% in 2015.<sup>3</sup> Further income supports temporarily provided during the COVID-19 pandemic further contributed to historic lows in both Canada’s overall poverty rate and the child poverty rate in 2020. This momentum toward better material security, using proven tools available to the government, is a foundation upon which Canada can further advance and achieve its long-term vision of ending child and family poverty.

## **SOCIAL PROTECTION FOR ALL**

Children in Canada are most likely to be poor in the first years of life, when the impacts of deprivation are most acute. Childhood experiences of poverty are one of the primary determinants of a child’s lifelong health, development and well-being.

Children with experiences of poverty tend to have poorer health, both in childhood and through adulthood. Rates of almost every communicable and non-communicable disease correlate directly with levels of income, including type II diabetes and cardiovascular diseases, which are widely prevalent in Canada and

<sup>3</sup> Campaign 2000 (2021). National Report Card on Child and Family Poverty. No One Left Behind: Strategies for an Inclusive Recovery.

place a significant strain on the country's healthcare systems. The impacts on children in the lowest income families are compounded in many ways; for instance, they are most likely to be exposed to health-limiting pollution and other impacts of environmental degradation and climate change. Poverty's impact on a child's health can be acute, chronic, cumulative and latent - meaning even a brief experience of childhood poverty can negatively affect a person's health—years and even decades later.

Living in poverty can also affect a child's ability to develop to their full potential and to succeed in other areas of life. Childhood poverty impairs early cognitive development, readiness for school and school performance, and is associated with lower youth engagement in education, employment or training. It is a powerful indicator of future lifelong earnings. Children who experience poverty are also more likely to be bullied and to be victims of other forms of violence. They are more likely to become involved with child welfare and justice systems, and to rely on social assistance as adults.

Furthermore, 28% of parents with children under age 18 in Canada have some form of non-standard employment.<sup>4</sup> Income swings—for example, because of seasonal employment or a job in the gig economy—are stressful for parents and can wreak havoc on the family resources, routines and relationships that are essential to

children's social, emotional and cognitive well-being.

Preventing child poverty is therefore one of the most effective interventions a government can make, with extensive impacts on child and family health, development and broader well-being. Income transfers designed to both alleviate poverty and reduce inequality are globally recognized as a cornerstone of effective social protection and as a core “family-friendly” policy. Compelling evidence demonstrates that paid parental leave, quality childcare and child benefits enable families to provide their children with the best possible start in life, especially when benefits reach pregnant women and infant children. Adequate child benefits complement other “family-friendly policies” to better enable parents and caregivers to raise healthier, better-educated and happier children. These impacts flow downstream and reduce costs for a country's healthcare, education, justice and social assistance systems. They boost a country's economic wealth and social cohesion.

### ▶ How does Canada compare to other wealthy countries?

**Overall child well-being:**

**30<sup>th</sup>** out of 41 countries

<sup>4</sup> UNICEF Canada (2019). Where We Stand: Canadian Index of Child and Youth Well-being.

**Rate of child poverty:**

26<sup>th</sup> out of 41 countries

**Spending on families and children as a % of overall GDP:**

28<sup>th</sup> out of 41 countries

**National income (GDP per capita):**

15<sup>th</sup> out of 41 countries

## CANADA HAS POLICY TOOLS THAT WORK

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Tax-funded social transfers or income benefits<sup>5</sup> are considered globally to be the most effective means of addressing child poverty, and Canada has developed a strong example in the CCB. Since its introduction in 2016, the CCB has been central to a rapid and real decline in Canada's child poverty. Canada has proven its ability to design effective and efficient social protection and care policies.

The progressive, near-universal design of the CCB and its adequacy (with higher value delivered to children and their families than similar policies in many rich countries) effectively and efficiently lowers

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<sup>5</sup> This brief defines 'income benefits' as social or cash transfers provided by governments (or other agents) to families with children for the purpose of tackling poverty and vulnerability and promoting children's well-being.

the risk of child poverty; serves multiple policy objectives beyond poverty reduction; and acknowledges the higher and rising family costs and the social importance of raising children.

However, the CCB still leaves too many children in poverty. In 2019, 680,000 children lived in households with income below Canada's official poverty line, and almost double that number (1.3 million) met the international definition of low-income (living in households with less than 50% of the median income).<sup>6</sup> Preventing child poverty with the CCB is still a policy box that has not been checked.

In 2021, 3.8 million families and around 6 million of Canada's 7.2 million children under age 18 received the CCB, with an undetermined number who may be eligible but not receiving it (i.e., if they have not filed taxes) or excluded due to various barriers. This is fundamentally because the CCB is structured as a household benefit rather than as a child benefit as in many other rich countries. Access to the CCB requires the household to file taxes, and eligibility requirements under the Canada *Income Tax Act* exclude certain parents from claiming the CCB.

Around 10% of working-age people in Canada did not file their personal income tax in 2016, resulting in \$1.2 billion unclaimed federal and provincial child benefits. The requirement to file taxes to

<sup>6</sup> Campaign 2000 (2021). National Report Card on Child and Family Poverty. No One Left Behind: Strategies for an Inclusive Recovery.

receive the CCB creates barriers for hard-to-reach populations. For instance, at least 79% of eligible households in First Nations reserve communities do not take up the CCB. Children living in kinship care, customary care and informal foster care face barriers to prove they meet eligibility requirements including limitations on who can attest to residency and access to the required documentation.

Some children are excluded by the *Income Tax Act* due to their parent's immigration status.<sup>7</sup> These include refugee claimants and other individuals who are living in Canada with precarious status – even if they are legally working and filing a personal income tax return. In some cases, these families have Canadian-born children, who are denied the CCB because of their parents' immigration status. As a result of their parents' immigration status, 24,000 children under 18 could not access the CCB in 2017. The Canadian Centre for Policy Alternatives estimates that the cost of this extension would be \$160 million a year, well under 1% of the total CCB paid.

Under its current structure, there is evidence that the policy's impact on child poverty rates may have run its course. The rate of decline in child poverty had begun to flatten before the pandemic, suggesting the overall number of children that could be lifted out of poverty at the current CCB

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<sup>7</sup>Section 122.6 of the *Income Tax Act* defines individuals eligible for CCB as parents (or their cohabiting partners) who have the status of (i) citizens, (ii) permanent residents, (iii) protected persons, (iv) temporary residents who have resided in Canada for 18 months, or (v) "Indians" registered under the *Indian Act*. It excludes children of refugee claimants.

value had been reached. Furthermore, the much higher risk of poverty and low income for Black children and First Nations children living on reserve demonstrate persistent equity gaps.<sup>8</sup>

Canada's 2018 Poverty Reduction Strategy includes the laudable goal of making "Canada a world leader in poverty reduction." In 2018, Canada's rate of children in low-income families (at least 50% below the median income), at 21%, was just above the rich-country average and higher than in the majority of rich countries. It was double the rate of the best-performing country. According to the most recent data, it is 17.7%. Canada is in reach of the top 10 countries, which have rates of children in low income below 15%, but not yet a world leader.<sup>9</sup>

Using the CCB, and based on the MBM of child poverty, Canada achieved the poverty reduction target in Goal 1 of the Sustainable Development Goals (SDGs) embedded in the federal Poverty Reduction Strategy: to reduce the rate of child poverty by 50% from the 2015 level. But it is important to reflect that a decrease in child poverty by 50% in Canada still leaves more children in poverty than in Germany or Australia. Furthermore, other rich countries are held to a higher standard in poverty measurement, based on the number of children below 50% of median income.

<sup>8</sup> Campaign 2000 (2021). National Report Card on Child and Family Poverty. No One Left Behind: Strategies for an Inclusive Recovery.

<sup>9</sup> UNICEF Canada. 2020. Worlds Apart: Canadian Companion to UNICEF Report Card 16: UNICEF Canada, Toronto.

The MBM is intended to measure of how well a household is meeting its basic needs. Yet 17.7% of children (1.3 million) experience food insecurity, which is more reflective of the number of children below the low-income cut-off (households at least 50% below the median income).<sup>10</sup> In fact, children have the highest rates of food insecurity in Canada. The SDG target of “zero hunger” will not be achieved without “zero poverty.”

## BEND THE CURVE AND CHILD POVERTY

Child poverty is not a natural or intractable occurrence. Rich countries essentially “choose” their levels of child poverty through their policy choices. The fact that Canada has both the resources and an effective tool in the CCB that could lift virtually every child out of poverty implies a moral obligation to use it to greater effect. Canada’s recent strides to invest more in child-focused income benefits and child care demonstrate a renewed commitment to its youngest, after years of under-investment compared to other rich countries in these fundamental, “family-friendly” policies. But access to child care at lower fees is not a precise or proven poverty reduction policy—it has a range of other policy objectives. The CCB is the tool to eliminate child poverty, but it needs more ambition.

<sup>10</sup> Tarasuk V, Li T, Fafard St-Germain AA. (2022) *Household food insecurity in Canada, 2021. Toronto: Research to identify policy options to reduce food*

While the association between the introduction of the CCB and the decline in child poverty and broader income inequality suggests the policy has had a substantial impact, broader and more adequate pandemic income supports such as the Canada Emergency Response Benefit (CERB) led to an even greater decline in the child poverty rate in 2020. The decrease may have been temporary as pandemic income programs mostly concluded by early 2021, and high inflation in 2022 may plunge more children into poverty despite the indexation of the CCB to inflation.

Universal and unconditional child benefits are evidenced to provide the greatest positive impact on children’s material security and broader well-being, as they largely avoid exclusion errors and therefore the most vulnerable children are more likely to benefit. The evidence from high-income countries shows that those with a universal child benefit—representing the vast majority—report lower-than-average child poverty rates (they are effective) and greater reductions in poverty with incrementally higher spending (they are efficient).

Canada’s CCB is near universal, and progressively so as the benefit is greater for lower income children. Therefore, a targeted low-income supplement to the CCB would be the most efficient and cost-effective way to increase the policy’s impact for children still in poverty. There

*insecurity (PROOF)*. Retrieved from <https://proof.utoronto.ca/>

are numerous ways that such a supplement could be structured to bring almost all households with children up to or above the federal poverty line.

A supplement could be integrated into the existing payment structure, “bending the curve” of CCB payments across lower household income levels, thereby maintaining the universal and progressive nature of the current policy. **A globally historic rate of child poverty as low as 3.6% (MBM) is estimated to be achievable for approximately \$7B per year.**<sup>11</sup>

Although extensive evidence demonstrates the need for and the effectiveness of social protection programs including cash transfers, governments usually cite fiscal space constraints as a reason for restricting social protection coverage. Canada has not only a well-designed policy tool in the CCB to achieve a more ambitious goal, but also the fiscal space for it. At a current investment of 1.1% of GDP, the CCB investment is not the highest among child social transfer policies in other OECD countries. Despite a notable increase after 2015, Canada’s investment in family policies is still less than the 2% GDP average among rich countries in the OECD, reported as 1.62% in 2018.<sup>12</sup>

Furthermore, societies get a return on their social protection investments, because households generally multiply the value of

social transfers through increased spending and other engagement in economic activities. For instance, sufficient income can be a stabilizing factor for working parents, helping them pay for child care and continue their work attachment. Child-sensitive social protection provides the highest yielding investment in a nation’s long-term human capital stock. Nobel Laureate James Heckman demonstrates that rates of return on investments made during the prenatal and early childhood years average between 7 and 10% greater than investments made at older ages. The United States Congressional Budget Office estimated that child-focused social transfers played a particularly important role in the wake of the Great Recession, calculating that they had an output multiplier of 0.8 to 2.1. Furthermore, there is much less inequality—a drag on economic growth—in countries with high social expenditure than in those with lower social expenditure, as measured by Gini coefficients of between 0.225 and 0.261 in the former, compared with above 0.3 in the latter.

## FROM INVESTMENT TO IMPACT

Policy decision-makers today face vital choices for the future of societal well-being and prosperity in their nations. As the CCB policy enters its seventh year, little

<sup>11</sup> Canadian Centre for Policy Alternatives (2022) *Alternative Federal Budget 2023: Rising to the Challenge: An Agenda for Public Leadership*. Retrieved from: <https://policyalternatives.ca/publications/reports/alternative-federal-budget-2023>

<sup>12</sup> OECD (2022), Family benefits public spending (indicator). doi: 10.1787/8e8b3273-en (Accessed on 31 August 2022).

research has been undertaken to assess its impacts on aspects of child well-being beyond rates of poverty. Around the time the CCB was introduced, Canada ranked 28<sup>th</sup> in child mortality; 29<sup>th</sup> in child obesity; 23<sup>rd</sup> in bullying; and 20<sup>th</sup> in NEET (excluded) youth among rich countries.<sup>13</sup> A comprehensive assessment of CCB impacts on child outcomes would be useful evidence for both Canada and other countries as they continue to develop and fine-tune their social protection systems including complementary programs like dental care. Despite complex pathways of influence, based on demonstrated effect in rich countries, we would expect to see some improvements in fundamental indicators of child well-being with a robust drop in income inequality and in child poverty.

The most successful countries over the next several decades will recognize now that the future of inclusive societies with equitable economic growth depends more than ever on their investments in “family-friendly” policies. No country can build prosperity-producing human capital if it leaves a vast proportion of its children disadvantaged during their developmental years. It is not a situation we can “immigrate” our way out of. Parliament’s 1989 all-party resolution to end child poverty remains a relevant but yet unrealized commitment to the children of Canada. Now, the government should round the last curve in the journey to end

child poverty: enshrine this goal in refreshing the federal Poverty Reduction Strategy, and commit the resources necessary to achieve it.

### ▶ Detailed Recommendations

1. Introduce a Low-Income Supplement to the CCB that is specifically targeted at the lowest-income households with children, adequate to lift every child out of poverty and above the low-income level by 2030, while maintaining the universality and coherence of the current policy. Like the CCB itself, this supplement should be non-taxable and protected from clawbacks.
2. Conduct a thorough Parliamentary study of the impact to-date of the CCB on child well-being in the broadest sense, in order to properly account for its impacts and to better understand the opportunity for further CCB investment and coherence with other social policies such as child care, parental leave, dental care and a school food program.
3. Include child poverty-specific targets and measurements and equity

<sup>13</sup> UNICEF Canada. 2020. Worlds Apart: Canadian Companion to UNICEF Report Card 16: UNICEF Canada, Toronto.

- dimensions in future iterations of Canada's Poverty Reduction Strategy and the federal Quality of Life framework.
4. In every provincial, territorial and federal jurisdiction, eliminate claw backs to the CCB and other child-focused benefits such as parental leave pay to recoup government debt or offset other social transfers.<sup>14</sup>
  5. Introduce ambitious new approaches to include every resident child in Canada in eligibility for and the receipt of the CCB, regardless of their parent's immigration status, including the potential for school registries and community service agencies to assist hard-to-reach families and independent minors to apply for the CCB and to act as access points for parents who do not file taxes. Increase accessible payment options with digital cash transfers.
  6. Research the potential to introduce prenatal CCB eligibility, given the potential impacts on maternal health and infant outcomes.
  7. Double the Canada Child Disability Benefit to support families of children with complex needs.
  8. With consultation among children and youth, introduce modifications to the MBM to be more inclusive of their distinct needs and rights. Consider developing a child- and youth-sensitive deprivation index (akin to the EU model) to deepen understanding of how they experience poverty in order to guide policy development and investments.
  9. Further develop the federal Quality of Life indicator framework to include multidimensional child and youth well-being measures that can help track the impacts of core policies like the CCB.
  10. Incorporate Child Rights Impact Assessment as a requirement of the policy development process to help ensure children's rights and give greater priority to children's needs and interests, including among the goals and impacts of parental leave policy. The best interests of the child should guide policy design and decisions.

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<sup>14</sup> A 2022 Parliamentary Budget Office report found that 791,000 families will have CCB payment reductions by an average \$606 in 2022/2023 due to CERB or CRB, and federal spending on the CCB will be \$1.45 billion less

over three years due to these clawbacks. Those most affected are mothers with a moderate income who have multiple children.

## ADDITIONAL UNICEF RESOURCES

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The Role of Child Benefits in Enabling Family-Friendly Policies to Achieve the Triple Bottom Line: An evidence brief

### ▶ Family-Friendly Policies

For children, families, societies and economies to thrive, countries need “family-friendly” policies. “Family-friendly” policies typically provide time, resources and services in the critical childhood years and include income benefits, child care and parental leave. These policies support a good start for all, and lay the foundation for children’s success in school, the attainment of lifelong health and the ability of children and families to exit poverty. They are also core public policies because they bring high returns for well-being, gender equality, sustainable growth, productivity and economic advancement. “Family-friendly” policies have features of both care policies and social protection policies. According to the ILO, *care policies* refer, in part, to “public policies that allocate resources in the form of money, services or time to caregivers or people who need care” and *social protection policies* include “policies that facilitate parents’ involvement in both direct care and paid employment, such as paid

maternity, paternity and parental leaves”. Social protection policies give all children a fair chance in life and reduce the lifelong consequences of poverty and exclusion.

## ABOUT UNICEF CANADA

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UNICEF stands for every child, everywhere. UNICEF is the world’s farthest-reaching humanitarian organization for children. Across 190 countries and territories, and in the world’s toughest places, we work day in and day out to defend children’s human rights and a fair chance to fulfil their potential, guided by the 1989 Convention on the Rights of the Child. UNICEF Canada was founded in 1955 to fundraise for UNICEF’s highest priorities and to secure the human rights of children in Canada. As part of the UN family, our ability to work neutrally with to work neutrally with governments, civil society, the private sector and young people generates results on a scale that is unparalleled. Our mission has always been for children as the highest priority – regardless of race, religion or politics – and has always relied on voluntary contributions. A global UNICEF goal is that every child has access to inclusive social protection and lives free from poverty. UNICEF works in more than 140 countries to strengthen and expand a wide range of social protection policies and systems.

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