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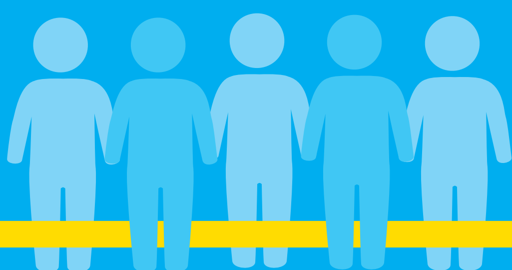
Poverty...
THE ONE LINE
we want our kids to cross



UNICEF Report Card 10: Measuring Child Poverty

CANADIAN COMPANION

UNICEF's comparison of child poverty across industrialized countries shows that government action is a key driver to reduce child poverty. In countries that accept higher levels of child poverty, this is not just a function of chance or necessity, but of policy and priority.

The latest in UNICEF's Report Card series, *Measuring Child Poverty*, shows that some of the world's richest countries are more successful than others in lifting children out of poverty, despite having similar economic performance, even in challenging economic times.

Nordic countries and the Netherlands have the lowest child poverty, while Japan, the United States and some of the southern and eastern European states have among the highest. The child poverty rate ranges from 5 percent in Iceland to 25 percent in Romania. Canada ranks in the middle, at 14 percent.

Low income is linked to poor child outcomes. In a society committed to prioritizing children's best interests, the child poverty rate would be lower than the overall poverty rate. Although child poverty is higher than the overall rate of poverty on average among industrialized countries[1], ten countries (about a third of the total) including Australia, Japan and Germany have lower child poverty than broader population poverty. Canada is not among them[2]. Canada ranks 18th of 35 industrialized nations – a middle position – in the size of the gap between child poverty and population poverty (14 percent in contrast to 12 percent). Quebec is one of only two Canadian provinces where the child poverty rate is slightly lower than that of the broader provincial population – in Manitoba children fare slightly better than the general population, and Ontario comes close[3].

It's time to make children our priority.

Children have the right to be the first to be protected from adverse economic conditions; this principle of "first call for children" holds for governments as well as for families. In recent federal, provincial and municipal government budget debates, none adopted an explicit "first call for children". Despite positive measures to increase child benefits in recent years, the lack of higher priority for children in government budgets shows up in higher rates of relative child poverty. In turn, it shows up in stunted individual potential, higher social costs, and dimmed economic prosperity for all.

Governments have responsibilities in fulfillment of the UN Convention on the Rights of the Child to give children "first call" on public attention and resources, to protect their vital, vulnerable early years from chance and from the choices over which they have no control. Children's right to grow up with a level of material resources sufficient to protect their physical and mental development and to allow their participation in the life of the society into which they are born is a right to be protected in good times and in bad. Their best interests should be a priority, and the maximum extent of available resources invested in them. Guaranteeing these rights should not depend on whether interest rates are rising or falling, or on whether a particular government is in power or on what particular policy is in fashion. This is what is meant by the principle of "first call". Reducing poverty is perhaps the single most meaningful and measurable test of how well a government lives up to that responsibility.

Children in Canada are more likely to live in poverty than the overall population.

When children come first

UNICEF Report Card 10 compares the state of child poverty in the richest countries, and their responses to it. The report shows that while the globalization of the economy has been a major force affecting job quality, the cost of living and the ability of families to raise young children, government action is a key driver to reduce child poverty and makes a tangible difference in children's lives. The risk of poor child development is affected by government policy and spending priorities. In countries that accept higher levels of child poverty, then, this is not entirely a function of chance or economic necessity, but of policy and priority.

UNICEF's cross-country comparison shows that some countries are doing a much better job than others protecting their children from poverty with similar resources. Some are achieving much more and some much less than their national income levels would predict.

For example, Belgium, Denmark, Germany and Sweden have a roughly similar level of economic development (and per capita income) but Denmark and Sweden manage to achieve a much lower rate of child deprivation. The Nordic countries and the Netherlands manage the lowest rates of child poverty among industrialized countries at around 7 percent. In contrast, between 10 and 15 percent of children live in low-income families in Canada, Australia, New Zealand and the United Kingdom. At 14 percent, Canada has more than double the rate of child poverty as Norway. A wide variation in country performance shows lower-achieving nations that children can be better protected from the costly personal and social impacts of child poverty, even in times of economic downturn.

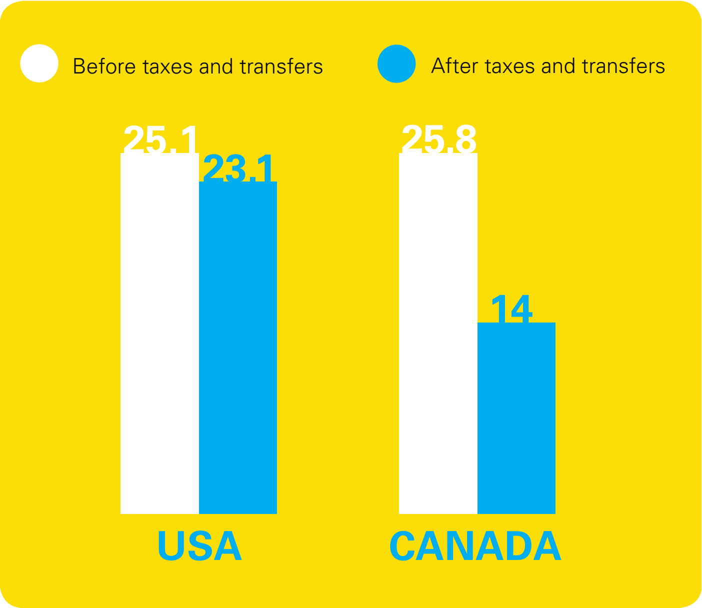
That Canada can do better is evident in contrast to similar nations:

- Canada's rate of relative child poverty is 14 percent: 24th of 35 industrialized countries, at the "top of the bottom third".
- Canada's child poverty gap (the depth of child poverty) is 23rd of 35 industrialized nations, at the top of the bottom third.
- Canada's tax and transfer policies are moderately effective in contrast to other affluent countries. Canada's child poverty rate is 25.8 percent before taxes and transfers. Only 6 of 35 countries had higher pre-tax poverty rates. After taxes and transfers, child poverty in Canada is cut by about half, to 14 percent[4].

When children come first

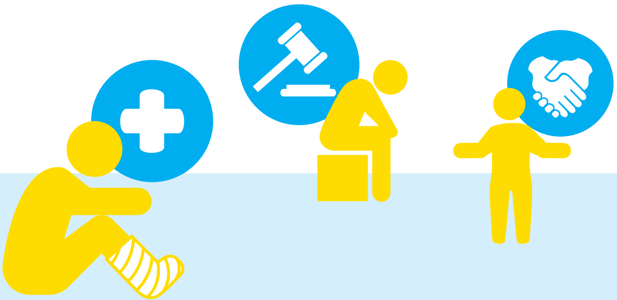
Compared to most other industrialized countries, Canadian children in lone parent families and children who have parents with low education levels have a particularly high risk of poverty (at 25 and 39 percent, respectively), even though the rate for lone parent families has declined over the past decade. The rate of low income among families with low work intensity is high, at 33 percent, but much less accentuated compared to most industrialized countries. This result reflects the labour market situation, and in particular the low rate of unemployment in Canada (one of the lowest levels of long-term unemployment among the OECD countries, although the quality/pay of jobs for many has declined); the greater emphasis placed on active labour market policies; and a social transfer system that focuses on reducing poverty for working households, though jobless households do not enjoy the same benefits[5].

Governments that are most successful in protecting children from poverty are generally those that strive to reduce the number of low-income households through sufficient and well-designed benefits and tax credits; and help provide essential services and opportunities for good child development, including early child care, education and health care.



There is a strong relationship between the level of investment and the results achieved. In Canada and the USA, the relative child poverty rate before taxes and benefits is 25.8 percent. However, after taxes and benefits, the rate in Canada is almost halved while the rate in USA remains almost unchanged (an 11.8 percentage point, or 44 percent, reduction). Canada spends about 1.25 percent of GDP on family benefits and tax breaks. The reduction in child poverty this achieves is considerable relative to the amount spent. A number of countries spending at the same rate don't achieve this level of impact. Although the influence of government policies varies between provinces and territories, Campaign 2000 estimates that these policies prevent more than 700,000 Canadian children from living in low-income. Although how money is spent and not just how much is important, countries like the US who are among the lowest spenders, at less than 1 percent of GDP, by and large have higher child poverty rates. The lack of priority for children in national government budgets shows up in higher rates of relative child poverty.

However, Canada reduces child poverty through tax and transfer policies less than for other groups[6]. As well, measuring the impact of cash transfers, tax benefits and services for children and families, Canada is in the middle of similar affluent nations. Countries including Sweden, Denmark, Belgium and the UK spend twice as much, and have lower rates of child poverty.



Canada can do better.

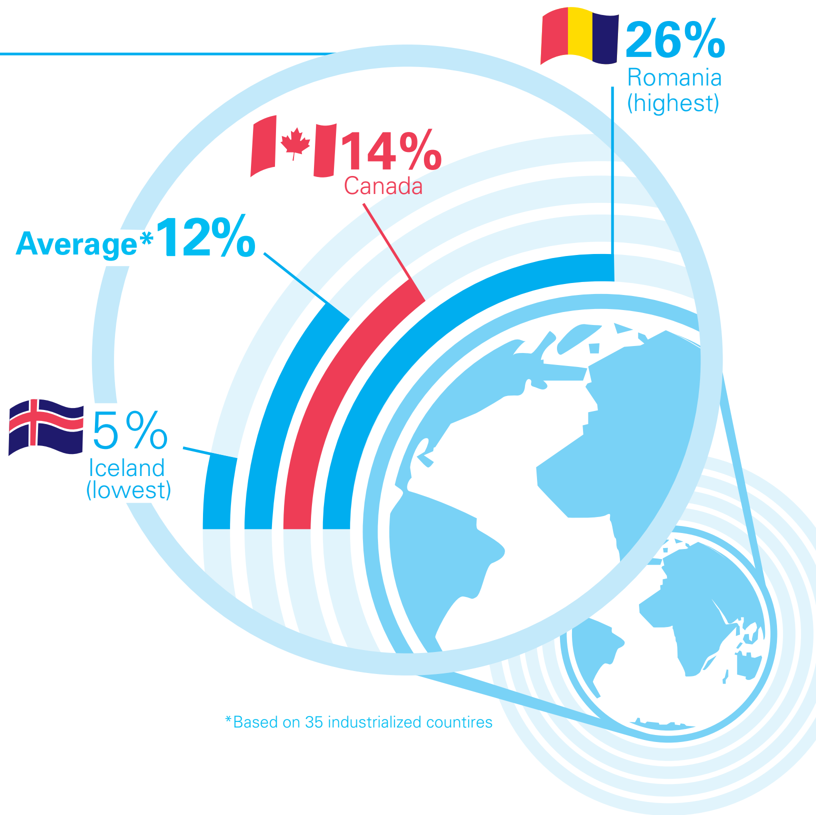
Allowing children to grow up in poverty limits individual potential, reduces economic prosperity and increases social costs for all, such as:

- Courts and social protection
- Health and hospital services
- Social assistance

When children come first

In recent years, the federal government has enhanced the National Child Benefit and the Canada Child Tax Benefit. Since the late 1980s the federal child benefit as a proportion of low-income family income has more than doubled. Canada's 2012 budget invests $13.2 billion in child benefits[7], maintaining a steady level of investment in contrast to a number of European nations that recently cut child benefits in the economic downturn. But many of the nations that cut child benefits had higher investments per capita than Canada.

Canada invests $40.4 billion in elderly benefits, close to three times the amount it invests in children. The rate of low income of Canada's elderly has declined to 6.3 percent, in contrast to a rate of child poverty of 14 percent. That the rate of children in low income is also higher than that of the general population (at 12 percent) suggests they are not being prioritized in our tax and social policies. There is no excuse not to apply the same determination to reduce child poverty as we have for our elderly.



Children have one opportunity to grow and develop normally, whether economic times are good or bad. There is a mass of evidence describing how children suffer as a result of poverty. Impaired development, poorer health and school achievement, greater welfare dependency and other consequences are costly to individual children and to a country's economic and social well-being. That there are many exceptions – children who grow up in economically poor families who go on to do well – does not alter the fact that childhood poverty is strongly associated with poor outcomes for individuals and for their societies.

What should Canada do?

Canada needs to place greater priority on children in policy decisions and achieve a fairer balance between the generations. A policy mix oriented to generational justice keeps both children and senior citizens in focus and seeks a balance between the interests of young and old. A recent measure of intergenerational justice among industrialized countries finds that Canada is a little out of balance: Canada ranks below the OECD average in an index of intergenerational justice that includes indicators such as the level of national debt, child and pension policies, and investment in research[8]. Children's rights to have their best interests prioritized and the maximum allocation of available resources recognize that at their critical stage of development, there are lifelong benefits for doing so, and costs for failing to do so. It is particularly important in a period of economic retrenchment and consolidation to prioritize and protect public spending on support for poor children and families.

Make children a priority in budget allocations and give them first call on the nation's resources. 1

Work is a very important route out of poverty in Canada, but a strategy to assure a decent standard of living for children must take into consideration not only the generation of employment but also decent working conditions and better support for children in jobless households.

Tax and benefit policies have a significant impact on child poverty. Government spending on children should be prioritized, and protected in difficult economic times. Child benefits and tax credits could be improved in a number of ways, given Canada's moderate level of spending relative to other affluent nations:

- Increase the Child Tax Benefit to at least $5,000 and index it to inflation to lift thousands of children out of low income;
- To obtain some child tax credits, a family must be able to cover costs in advance and wait up to year to obtain relief. The child benefit and tax credit system should be reviewed, as the federal government has indicated it will do, to ensure these measures are efficient and fair;
- Allow more earned income from the Working Income Tax Benefit and Employment Insurance to be retained by parents with children under age 18.

Make governance more child-sensitive. 2

Canada has no official definition of poverty, and no national strategy to eliminate poverty, with a focus on child poverty.

- Canada needs to set an official definition of child poverty and adopt more informative ways to measure it, as a fundamental means of monitoring the well-being of Canada's children and making effective decisions about where to invest. A national definition should be paired with minimum measures that are common across all provinces and territories. UNICEF's Report Card shows how two measures of child poverty – one using a common relative income poverty measure, and one a new Child Deprivation Index – can provide decision-makers with different views of poverty to guide policy action to reduce child poverty.
- Since 2002, twelve provinces and territories have established or signaled strategies to reduce poverty[10]. The results in Quebec, among the first to set targets to reduce poverty and implement changes, have been positive. Quebec is the province where the rate of child poverty is lowest, as compared to the broader provincial population. Every jurisdiction, including the federal government, should have a strategy to eliminate child poverty with a target to reach the lowest level of child poverty in the industrialized world, at 5 percent. Thirteen industrialized countries achieve a rate of child poverty below 10 percent.

How far is too far?

There will always be some children who fall behind their peers, whether in material resources, education or health. But the question for Canadians, as for any society, is at what level is it unnecessary and unjust to have so many children fall so far behind? International comparison can suggest how far is too far. Among the most affluent of the affluent nations, is it acceptable that Canada's level of child poverty is among the bottom third? Is it acceptable that the level of child poverty is higher than that for Canadians in general? Governments have a tremendous responsibility and the ability to protect children from the worst effects of poverty. Doing so is proven to be right not only in principle but also right in practice. If we believe that no child is too far, we can resolve to do better.

For more information, visit **unicef.ca/irc10**

1. In the European Union, children are more at risk of poverty than the overall population with a rate of 26.9% in contrast to 23.4% using the headline indicator for the Europe 2020 strategy poverty target.
2. Cyprus, Australia, Finland, Germany, Norway, Denmark, Slovenia, Iceland, Sweden.
3. Murphy, B., Z. Xuelin and C. Dionne. 2012. Low Income in Canada – A Multi-line and Multi-Index Perspective. Accessed April 18 at http://publications.gc.ca/collections/collection_2012/statcan/75f0002m/75f0002m2012001-eng.pdf.
4. Taxes include: income tax and compulsory social insurance contributions. Benefits include: retirement benefits, universal child and family allowances, unemployment pay, sick pay, accident pay, disability pay, maternity pay, war benefits, other social insurance payments, and "near cash" benefits such as food, medical, housing, heating, educational and child care allowances.
5. OECD (2009), OECD Employment Outlook 2009: Tackling the Jobs Crisis. OECD, Paris.
6. Janet C. Gornick and Markus Jantti. 2012. Child Poverty in High and Middle Income Countries: Selected findings from LIS. UNICEF Child Poverty Insights.
7. The Child Tax Benefit, the National Child Benefit Supplement, the Child Tax Credit, and the Universal Child Care Benefit.
8. Bertelsmann Stiftung. 2011. Social Justice in the OECD: How Do the Member States Compare? Sustainable Governance Indicators 2011. Accessed April 18 at www.sgi-network.org.
9. An increase in the child benefit to $5,000 is estimated to cost $5 billion and to achieve a 37 per cent reduction in Canada's after-tax family income poverty rate. Source: Ken Battle. 2008. A $5,000 Canada Child Tax Benefit: Questions and Answers. Caledon Institute of Social Policy. Accessed April 18 at www.caledoninst.org/Publications/PDF/669ENG.pdf. Campaign 2000 recommends an enhanced child benefit for low-income families to a maximum $5,400 per year. Source: Campaign 2000. 2011. Revisiting Family Security in Insecure Times: 2011 report card on child and family poverty in Canada.
10. Five Canadian provinces have legislated poverty measurements or annual progress reports. UNICEF Report Card 10 finds that governments that are most successful in protecting children from poverty are generally those that reduce the number of low-income households and help provide essential good, services and opportunities for children growing up in such households. See the European Network of Independent Experts' 2011 report, Policy solutions for fostering inclusive labour markets and for combating child poverty and social exclusion, for an outline of the mix of policies necessary to ensure a comprehensive approach. Available at: http://www.peer-review-social-inclusion.eu/network-of-independent-experts/2011/policy-solutions-for-fostering-inclusive-labour-markets-and-for-combating-child-poverty-and-social-exclusion