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Child Poverty in Canada

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Introduction

Support for those in need, and reducing the number of Canadians living in poverty, have been driving principles behind Canadian social policy for decades. Among all the various groups of low-income Canadians, none have received as much public, media and political attention as have children living in poverty. However, despite years of programs targeted to this group, close to one million Canadian children still live in low-income households.

On 24 November 1989, the House of Commons passed an all-party resolution setting the goal of eliminating child poverty in Canada by the year 2000. Nonetheless, the child poverty rate in 2006 now stands at 11.3%, only slightly lower than it was in 1989. Child poverty rates for Aboriginal, immigrant, and visible minority children are more than double the average for all children.

Child poverty rates among nations that are members of the Organisation for Economic Co-operation and Development (OECD) range widely, from a low of 2.4% in Denmark to a high of 21.7% in the United States. A report on poverty in OECD countries indicates that the level of child poverty normally mirrors the level of poverty in the general population. Notable exceptions are four Nordic countries, where child poverty is lower; and five other countries, including the United Kingdom, the United States and Canada, where it is higher. A UNICEF 2007 report card ranked Canada at 11th out of 21 OECD countries in numbers of children living in poverty. UNICEF defines poverty as living in a household where the equivalent income is less than 50% of the median income for the country. (1)

Why Do Different Groups Use Different Measures of Child Poverty?

Canada currently does not have an official poverty line. Many people, however, use Statistics Canada's Low Income Cut-Off (LICO) to measure poverty. The LICO measures the proportion of households that spend significantly (20 percentage points) more of their income than average households on the essentials of life.

The use of the LICO to measure child poverty is complicated by the fact that there are two LICOs – one measuring the use of income before tax, and the other measuring the use of income after tax. The after-tax LICO is consistently 4–5% lower than the pre-tax LICO. Using the pre-tax LICO, the child poverty rate in 2006 was 15.8%, while the post-tax LICO places the child poverty rate at 11.3%. (2)

Some critics, such as the Fraser Institute, argue that the LICO does not provide an accurate measure of poverty. They propose a more stringent test of poverty that measures the level at which individuals cannot afford the basic necessities for subsistence.

Causes of Child Poverty

The reasons for the continued high rates of child poverty are varied and complex, but it is generally accepted that the rate of child poverty is affected by a combination of labour market trends, changes in government transfers, and demographic factors.

The early 1990s were a period of economic recession, and a time when federal and provincial governments cut budgets in order to fight deficits. Important changes were made to the regulations and eligibility criteria of major social support programs, such as Employment Insurance and social assistance programs, in several provinces. Child poverty rose during this period. Since the late 1990s, economic growth and government investment in child benefits have succeeded in modestly reducing the level of child poverty from the record levels set in the mid-1990s.

Demographic factors also affect the level of child poverty. For example, lone-parent families are more likely than other families to live in poverty (see Figure A.1 in Appendix A). The Canada Revenue Agency (CRA) administers child tax benefits and credits on behalf of 10 provinces and territories. While the poverty rate among

lone-parent families has decreased over the past two decades, there has been a rise in the number of such families.

The persistently high rate of child poverty despite economic growth suggests that, while good labour market conditions ease poverty, employment is not always a sure route out of child poverty. In fact, in 2005, 41% of the children living in poverty lived with at least one parent who worked full time all year.

The Impact of Child Poverty

Poverty affects children in several ways. Some children are deprived of the necessities of life, living in substandard housing and going hungry. Children experience relative deprivation – poor children are less likely to take part in recreational activities, which have been demonstrated to be an important contributor to healthy development. The effects of poverty on the family also include indirect impacts. Parents' mental health has a significant effect on the well-being of children, and children in poverty are more likely to live with a parent who shows signs of depression.

Canada's National Longitudinal Survey of Children and Youth provides information on the well-being of Canadian children over time. The survey's findings indicate that children in low-income households fare slightly worse than other children on cognitive and behavioural measures. This vulnerability increases for children who spend longer periods in poverty. (3) Other research has demonstrated a dramatic increase in vulnerability associated with extreme poverty.

Measures to Address Child Poverty

While 1989 was the year of the House of Commons resolution to eliminate child poverty by 2000, it was also the beginning of new efforts to reform supports to families with children in order to target benefits to those families most in need. In 1989, a clawback was introduced for the universal monthly Family Allowance benefits for all families with children under 18 years of age. As a result, benefits were reduced for families with incomes above a certain threshold. In 1993, both the Family Allowance program and the income tax exemption for parents with children under the age of 18 were ended. In their place, the government introduced the Canada Child Tax Benefit for low- and middle-income families with children.

National Child Benefit

In July 1998, the National Child Benefit program for low- and middle-income families was formally launched. This joint federal–provincial/territorial initiative was designed to

... help prevent and reduce the depth of child poverty; to promote attachment to the labour market by ensuring that families will always be better off as a result of working; and to reduce overlap and duplication by harmonizing program objectives and benefits and simplifying administration.

The federal government's contribution to the National Child Benefit (NCB) is the Canada Child Tax Benefit (CCTB), a monthly payment sent directly to low- and middle-income families with children. Currently, over 80% of families with children in Canada receive a CCTB payment, with payments decreasing as family net income rises beyond \$37,885.00. Low-income families receive a National Child Benefit Supplement (NCBS) in addition to the CCTB. Families with net incomes under \$21,287 receive the full NCBS. This supplement is gradually reduced by a percentage of family net income that is more than \$21,287, based on a formula that takes into consideration the number of children in the family.

The 2006 National Child Benefit report "contains an analysis that compares the actual child benefits structure in 2004 to what it would have been without the NCB. The report shows that the NCB prevented 59,000 families with 125,000 children from living in low income in 2004." (4) The report concluded that, without the National Child Benefit, 13.0% of all families with children would have lived in low income in 2004. (5)

The Child Disability Benefit (CDB), introduced in 2003 as a supplement to the CCTB, provides benefits to children with a severe and prolonged mental or physical impairment in low- and middle-income families. In 2005, the maximum CDB amount of \$2,000 was provided to eligible families with net incomes under \$35,595. This amount is gradually reduced for families with incomes above \$35,595.

The CRA administers child tax benefits and credits on behalf of 10 provinces and territories.

While 6.6% of two-parent families were living in low income in 2005, the rate for single-parent families was much higher at 24.3%. The low-income rate for two-parent families has changed minimally over the past decade, but the rate for single-parent families has decreased significantly (see Figure A.2 in Appendix A). Single mothers were more likely to lead low-income households (28.2%) than single fathers (7.2%). (6)

National Child Benefit Clawback Mechanism

Under the terms of the NCB agreement, provinces and territories may reduce payments to families receiving social assistance, on a dollar-per-dollar basis. Some provinces and territories consider the National Child Benefit Supplement as income and reduce a family's basic social assistance accordingly. Others have lowered their social assistance rates on the assumption that applicants are receiving the maximum NCBS amount. These provinces have channelled the money saved in social assistance payments into initiatives such as subsidized child care, dental and prescription drug plans for low-income families, and nutrition support programs for families with children. A federal–provincial progress report on outcomes and reinvestments is prepared annually. While families on social assistance in these jurisdictions may benefit from additional services, they are not financially better off due to the NCBS. This reduction in social assistance payments is often referred to as the National Child Benefit clawback.

The policy rationale underlying the clawback is to eliminate or at least reduce the disincentives to moving from social assistance to employment, a phenomenon known as "the welfare wall." Parents leaving social assistance often risk forfeiting thousands of dollars in child benefits and services. Moreover, some parents find themselves worse off financially in low-paying jobs compared to staying on welfare. Prior to the introduction of the NCB, many low income working families were not eligible for supplementary health, dental and prescription drug benefits provided to families on social assistance. Other disincentives to joining the labour market included work-related expenses, such as child care, transportation, EI premiums and CPP contributions.




Critics of the NCB clawback mechanism argue that it is punitive to families on social assistance, which are usually the poorest families. Some provinces, including Newfoundland and Labrador, Nova Scotia, New Brunswick, Quebec and Manitoba, have chosen not to claw back payments from social assistance recipients. Three provinces, Prince Edward Island, Ontario and Alberta, continue to claw back part of the National Child Benefit from their welfare benefits. In 2001, Prince Edward Island introduced its Healthy Child Allowance as a new benefit for welfare families. In 2007, Ontario introduced the Ontario Child Benefit as part of the major restructuring of its income security system. The reform will mean the end of the clawback over the next five years. The United Nations Committee on Economic, Social and Cultural Rights in its 2006 report said it was deeply concerned by the "discriminatory impact" of the National Child Benefit "clawback system" on the

poorest families in Canada, in particular single-mother led families. (6)

References

- Information on the Canada Child Tax Benefit and the provincial and territorial child tax credits and benefits is available at Canada Revenue Agency, [Canada Child Benefits](#).

Additional resources

- See the [National Child Benefit site](#), for NCB annual reports and information about the child poverty rate over time in Canada.
- Campaign 2000** is a network of organizations that work together to monitor child poverty in Canada and prepare an annual report on child poverty. The 2006 report is entitled *Oh Canada! Too Many Children in Poverty for Too Long ...*  PDF (310 kB, 6 pages).
- See also Campaign 2000, *Pathways to Progress: Structural Solutions to Address Child Poverty*  PDF (359 kB, 82 pages).
- The Fraser Institute is critical of using the LICO as a measure of child poverty; see the Institute's bulletin, outlining these concerns.
- UNICEF's *Child Poverty in Perspective: A Comprehensive Assessment of the Lives and Well-Being of Children and Adolescents in the Economically Advanced Nations*, provides an international comparison of child poverty in OECD countries.
- Canada's plan-of-action response to the United Nations Special Session on children is described in [A Canada Fit for Children](#)  PDF (359 kB, 53 pages).
- The National Council of Welfare publication *Welfare Incomes 2005*, describes the practices of all provinces and territories in considering the Child Tax Benefit Supplement for families on social assistance.
- The Library of Parliament has prepared two documents about poverty in Canada: *Measuring Poverty: A Challenge for Canada*, TIPS-71E, 27 February 2006 and *Redefining Poverty: the Market Basket Measure*, PRB 03-10E, 29 May 2003.
- Hunter, Garson. "Child Poverty and the Canadian Welfare State," In: *Canadian Social Policy: Issues and Perspectives* Waterloo: Wilfrid Laurier University Press, 2006, pp. 179-201.
- Ismael, Shereen. *Child Poverty and the Canadian Welfare State*. Edmonton: University of Alberta Press, 2006.
- Raphael, Dennis, "Politics, Political Platforms and Child Poverty in Canada," *Policy Options* July-August 2006, pp. 99-103.
- Willms, J. Douglas (ed.). *Vulnerable Children: Findings from Canada's National Longitudinal Survey of Children and Youth*. The University of Alberta Press and Human Resources Development Canada, 2002.

Appendix A

Figure A.1 -- Families in Low Income, By Economic Family Type




Source: Statistics Canada, CANSIM, Table No. 202-0804, "Families in low income, by economic family type, 2006 constant dollars, annual."

Figure A.2 -- Low Income After Tax, Lone-parent and Two-parent Families With Children



Source: Figure prepared by the author using data obtained from Statistics Canada, *Income in Canada*, 75-202-XWE, Table 13-1, "Low income after tax (92 LICOs base), by selected family types, Canada – Prevalence."

Notes

- UNICEF, *Child poverty in perspective: An overview of child well-being in rich countries*, Innocenti Report Card 7, 2007.
- Statistics Canada, CANSIM, Table 202-0804, "Families in low income, by economic family type, 2006 constant dollars, annual."
- J. Douglas Willms, "Socioeconomic Gradients for Childhood Vulnerability," in *Vulnerable Children: Findings from Canada's National Longitudinal Survey of Children and Youth*, ed. J. Douglas Willms, University of Alberta Press, 2002, pp. 71–104.
- The report shows that the National Child Benefit is improving the situation of families with children living in low income. See National Child Benefit, *The National Child Benefit: Progress Report 2006*  PDF (3.33 MB, 105 pages), January 2008.
- Ibid.*, p. 35.
- Statistics Canada, *Income in Canada*, Cat. No. 75-202-XWE, Table 13-1, "Low income after tax (92 LICOs base), by selected family types, Canada – Prevalence.
- United Nations Economic and Social Council, Committee on Economic, Social and Cultural Rights, "Considerations of reports submitted by states parties under articles 16 and 17 of the Covenant: Concluding observations of the Committee on Economic, Social and Cultural Rights – Canada," E/C.12/CAN/CO/4 and E/C.12/CAN/CO/5, 22 May 2006.

