
April 16, 1999

Comparison of outcomes sheds light on policies for young children

Study blazes trail for future research

Ottawa – A Canadian study is the first to explore the effect of government policy on children's welfare, and the results show a strong, universal social safety net leads to the greatest reduction in child poverty and better outcomes for children.

An International Comparison of Policies and Outcomes for Young Children, a survey by Dalhousie University economist Shelley Phipps and sponsored by the Canadian Policy Research Networks and Human Resources Development Canada, looks at outcomes for children in the context of such indicators as changing employment patterns, work, family status, health and education in five nations: Canada, the United States, the United Kingdom, Norway and the Netherlands. It sets out to answer three questions:

- How have the needs of parents and children changed over time?
- How does the social, economic and policy context affect families?
- How do the pieces fit together?

The objective was to provide those three key elements of information, which were formerly unavailable, and to indicate what policy models may work best for Canadians.

"This is, to my knowledge, a first attempt to establish benchmarks on specific outcomes for children across countries," Dr. Phipps says. "Previously, the range of outcomes that could be compared was rather small. The work is preliminary, but it begins a process that should eventually enable us to understand links between types of policies and outcomes for children.

"I wouldn't say we have anything more than impressions at this stage, but the comparison of outcomes is an important step forward."

Another step forward, the report concludes, would be to undertake additional research on the consequences of increasing labour-force participation among mothers using a "carrot" or "stick"

approach. The author states that research is also needed on the stress levels of parents in the labour force across the countries studied.

The study draws on a variety of data sources, including the Organisation for Economic Cooperation and Development, the World Values Survey, the Luxembourg Income Study and the National Longitudinal Survey on Children and Youth.

The countries studied cover a spectrum of policy approaches. The North American approach to social policy is to target assistance mainly to the poor, and European strategies use a more universal approach. More specifically, the United States mainly targets assistance to the very poor, and Norway adopts the most universal approach. Canada, the United Kingdom and the Netherlands take mixed approaches to social policy.

Yet, even taking those differences into account, the report concludes that countries that target their social programs to the poor have the worst record of alleviating poverty, and countries pursuing a universal strategy have "vastly superior track records."

As may be expected in this type of study, Canadian policies fare well in comparison with those of the United States, where assistance is targeted strictly to the poorest of the poor and there is no universal health care system. Outcomes for children in Canada seem considerably less positive when compared to Norway; however, where universal cash transfers is combined with programs that make it easier for parents to join the work force.

Norwegian policies are aimed at providing some support for all children. The result is that all outcomes for children are consistently as good as and in most cases better than elsewhere, the study concludes. Norwegian children have a lower incidence of asthma, are less likely to have accidents, and are less likely to be anxious or frightened than children in the other countries studied.

In contrast, the United States spends more on health care but has worse health outcomes than any other country. In the United States, where the policy strategy is to help children in need but otherwise leave families to fend for themselves, children have consistently worse outcomes than in the other four countries studied. Both infant mortality rates and the incidence of low-weight births are higher, and American children are more likely to be aggressive and obese.

One conclusion that can be drawn from the research is that both the level of funding and the way money is spent matter. Norway has the most extensive programs for children ranging from generous lone-parent benefits and parental leave programs, to a state plan that guarantees income support payments.

Americans enjoy the highest median income of the five countries studied (\$46,474), while suffering the second-worst rates of child poverty after the U.K. Norwegians, on the other hand, have the third-highest median income (\$39,854), yet the incidence of poverty among lone-parent families (16 per cent) is lower than that for two-parent families in the United Kingdom and the United States.

Transfers matter more than taxes

Comparisons of the standard of living among lone-parent families in the five countries reveal some striking facts about the effectiveness of tax relief and social transfers on child poverty. Based on before-tax income without social transfers, the levels of poor children in Norway, the United States and Canada are roughly the same, at about two-thirds of all lone-parent families. See table line A.

But taking social transfers into account, the poverty levels drop dramatically in Norway, less so in the United States and Canada. See table line B.

The Effect of Social Transfers on Child Poverty Rates

	Norway	U.S.	Canada
A. Before tax income, excluding transfers	61.1	68.4	66.8
B. Before tax income, including transfers	14.8	57.9	41.6

Giving back taxes would remove very few families from poverty. However, taking away social transfers would increase the percentage of poor children in Norway from 14.8% to 61.1%, more than quadrupling their numbers. In the United States, however, removing social transfers would only increase the child-poverty numbers from 57.9% to 68.4%. In Canada, removing social transfers would increase child poverty rates from 41.6% to 66.8%.

The two conclusions that can be drawn from this sort of statistic are :

- that receiving social transfers matter a great deal in the welfare of children, particularly those in single-parent households;
- and paying less taxes does not generally make for fewer poor children.

Conclusions

Canada's social policies are significantly more effective in reducing child poverty than those of the United States, but considerably less so than Norway's.

The Norwegian approach is to strive for social solidarity, providing a basic standard of living for all citizens and offering more extensive programming than Canada and the United States. The study points out that fiscal conservatives would argue that this "is naive, since it is likely to be extremely bad for over-all economic performance," and deter poor parents from joining the labor force.

Both the macroeconomic data and unemployment figures for the countries surveyed show exactly the opposite. In terms of economic growth, Norway closely matches the other countries in the survey. In 1994, the latest year for which figures were available, Norway led with a real GDP growth of about 5.5%, compared to roughly 4.5% for Canada and the United States. At the same time, figures dating from 1960 to 1994 show the Norwegian unemployment rate consistently the lowest of the four countries involved in the survey. In 1994, Norway's

unemployment rate was a little less than the American 6%, significantly lower than Canada's 10%.

"The five countries differ significantly in terms of geography and culture," Dr. Phipps warns in her introduction. "Canada and the United States are huge geographically, relatively 'young' and have more ethnically heterogeneous populations than, for example, Norway or the Netherlands. Results should be interpreted with such differences in mind some countries may have 'easier' problems; it may not always be possible to straightforwardly transfer a particular policy mix from one country to another, given differences in history, culture and circumstances."

- 30 -

CPRN is a national not-for-profit research institute whose mission is to create knowledge and lead public debate on social and economic issues important to the well-being of Canadians, in order to help build a more just, prosperous and caring society.

For more information on the publication, please contact:

Peter Puxley, Director, Public Affairs, Tel: (613) 567-7500 ext. 2019 – E-mail: ppuxley@cprn.org

To download a free copy of the report visit our home page: <http://www.cprn.org>

A weekly e-mail service, *e-network*, provides short updates on research projects or corporate activities.

Visit www.e-network.ca to subscribe.