

Differences in the social
safety net and the
implications for women and
children

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Large social safety net changes over 1990s and 2000s

- Period between 1992 and 2015 was one of big changes in the design of the social safety net for both US and Canada
- Most of the backbone of today's social safety nets did not exist
- Both countries moved in a similar direction:
 - movement away from welfare benefits and towards tax benefits
 - toward families with children (and hence single women with children)
 - Effort to reduce welfare wall and promote labor force attachment.

Major changes US:

- 1990, 1993, 2009: EITC expansions
- 1996: Welfare reform, TANF replaces AFDC (huge decline in cash assistance)
- 1997, 2001, 2009: Child Tax Credit
- Though not a focus in our study, also a large expansion of public health insurance:
 - 1996: SCHIP (and Medicaid Expansions before this)
 - 2010: Affordable Care Act

Major Changes Canada:

- 1993: Canada Child Tax Benefit (replaces former child tax credit/family allowance)
- 1998: National Child Benefit
- 2006: Universal Child Care Benefit
- 2007: Working Income Tax Benefit
- 2016: Canada Child Benefit (replaces CCTB, NCB, UCCB)
- Provincial benefits also shift over this period

Figure 1: Real per capita spending on key safety net programs

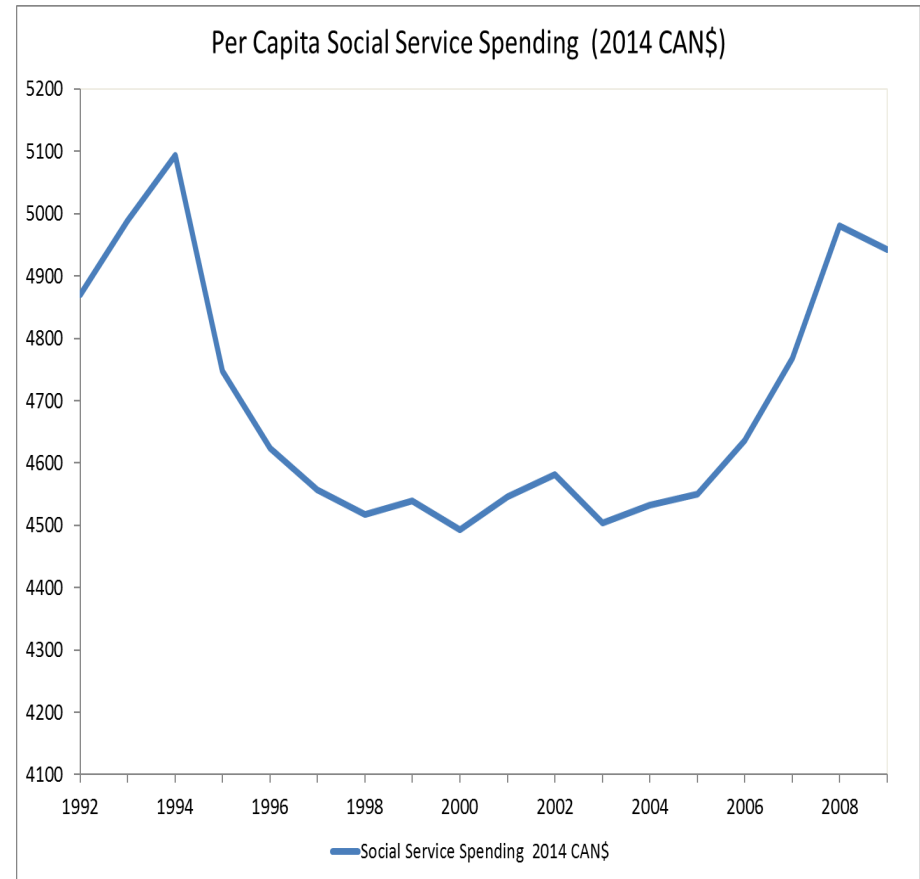
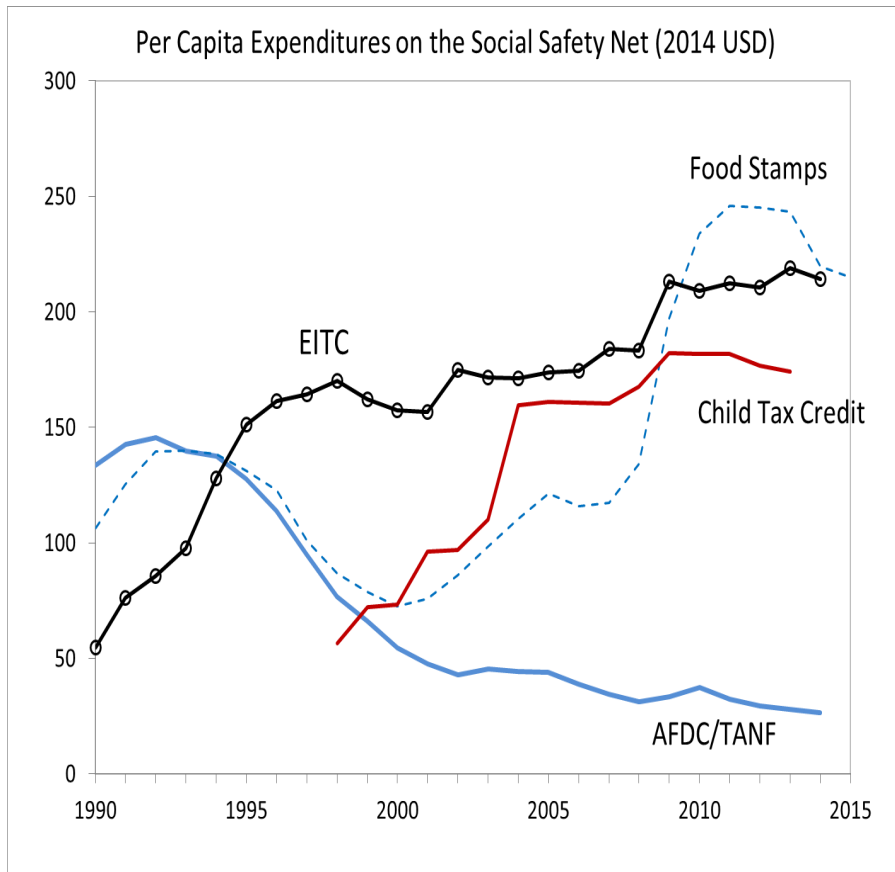
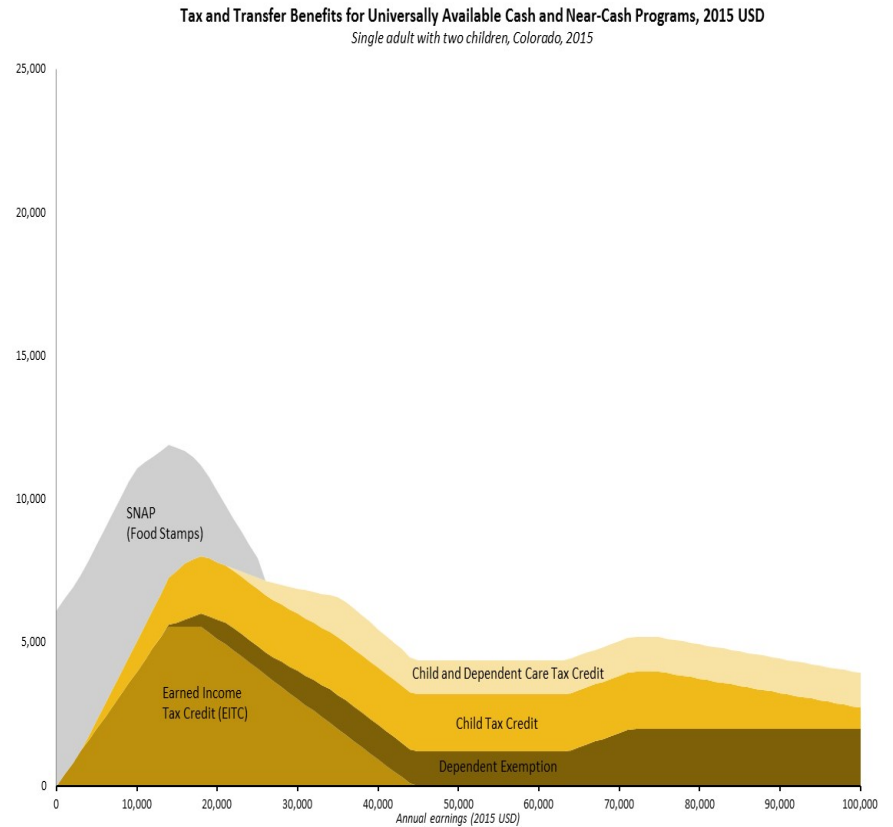
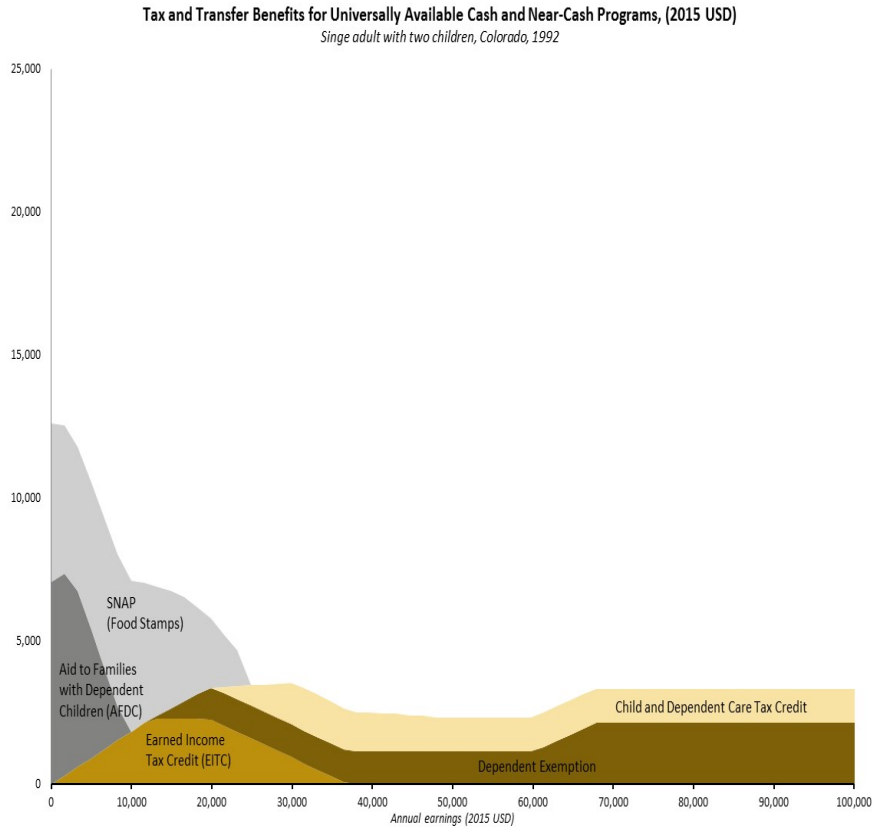


Figure 2: US budget constraint, cash and near-cash universal programs
Panel A: 1992 *Panel B: 2015*

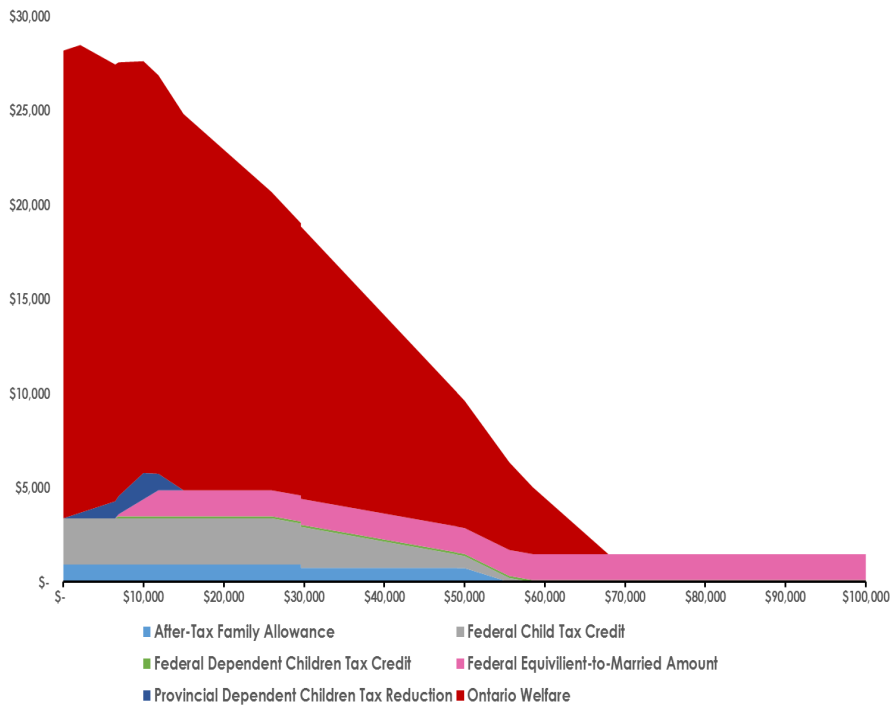


Notes: Estimated value of tax and transfer benefits for a single parent with two children living in Colorado. Program parameters from Internal Revenue Service and Tax Policy Center (EITC, CTC, Dependent Exemption, Child and Dependent Care Tax Credit) and Ways & Means Green Book and Department of Agriculture (SNAP). Based on data from Steuerle and Quakenbush (2015).

Figure 3: Canada budget constraint, cash and near-cash universal programs

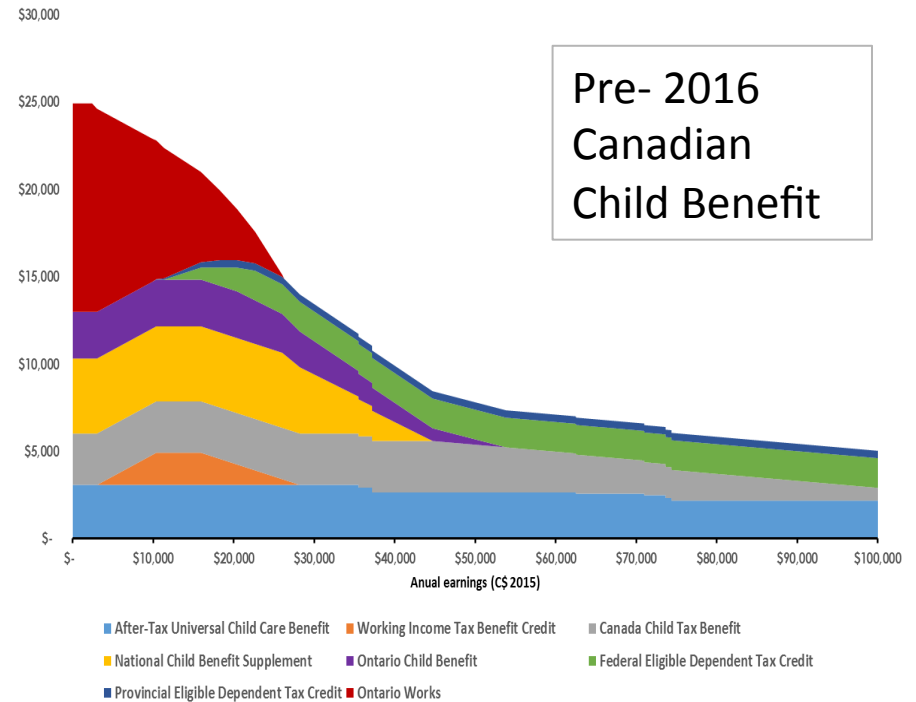
Panel A: 1992

Tax and Transfer Benefits for Universally Available Programs
Single adult with two children in Ontario, 1992 in C\$2015



Panel B: 2015

Tax and Transfer Benefits for Universally Available Programs
Single adult with two children in Ontario, 2015 in C\$2015



Notes: Estimated value of major tax and transfer programs for a single parent family with two children in the province of Ontario in real (2015) CDN dollars. Program parameters from Department of Finance, Canada and the Ontario Ministry of Finance.

Despite similarities, there are some (not so) small differences

- More tax assistance tied to work in US (required for EITC/CTC, not for CCTB/NCB)
- Out of work safety net stronger in Canada (welfare reform was severe in US, little aid if out of work)
- Overall generosity of coverage is higher in Canada

Suggests should see differences in:

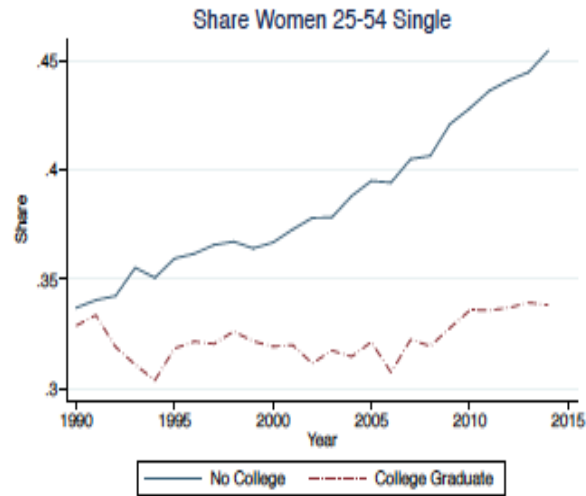
- Labor force attachment (higher in US since more aid is tied to work)
- Absolute poverty rates lower & greater reductions in poverty in Canada (due to higher levels of support)
- Though ... examining differences across countries is complicated by other changes in labor force, strength in the macroeconomy and the fact that despite differences, the programs are much more similar to each other than what came before.

This paper:

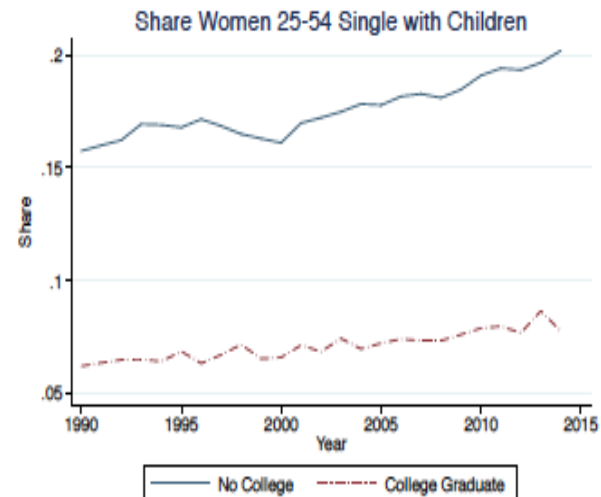
- Comparative analysis using CPS and SLID over this period
 - Trends in employment, poverty, family structure
 - Poverty measured using OECD absolute poverty (60% of median equivalized income is threshold)
 - Focus on single women with children (and compare to married, and those without children)
 - Focus on those with less than a college education
 - Note: CPS/US: 1990-2014, SLID/Canada: 1996-2011
- Review of research examining the effects of these programs on female labor supply, child outcomes, poverty
- D-in-D analysis in Canada in the spirit of Hoynes and Patel (2015) to look at the effect of the NCB on poverty.

Figure 4: Share single and share single with children, by education group

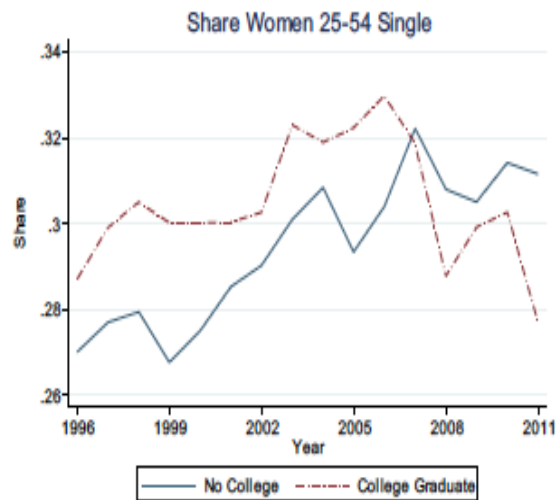
Panel A: US



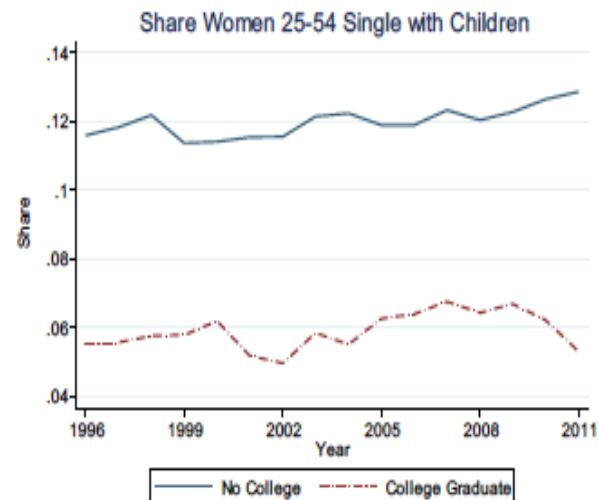
Panel B: US



Panel A: CA



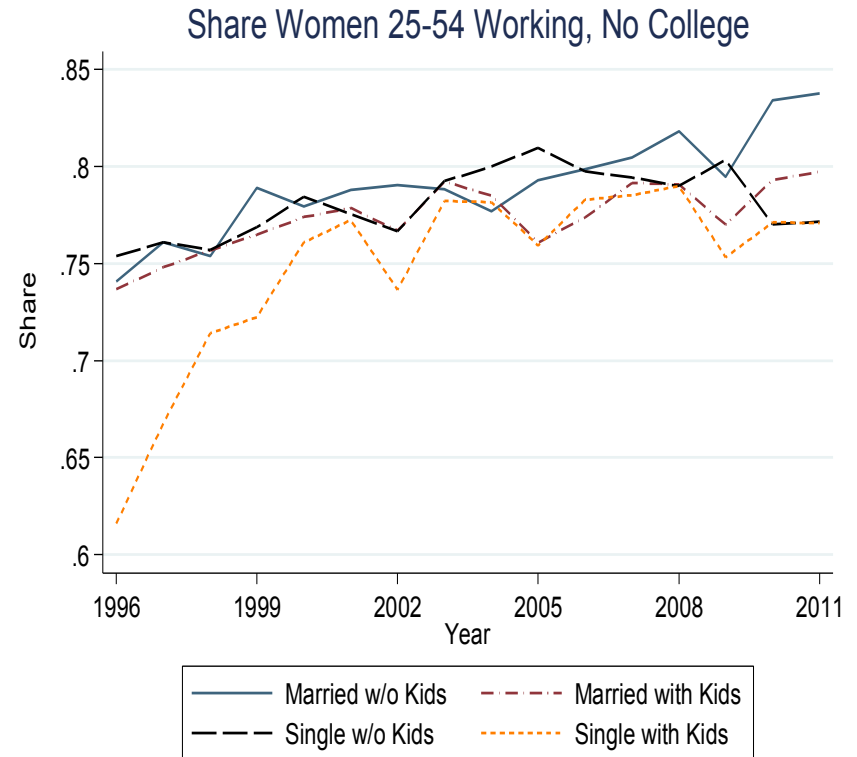
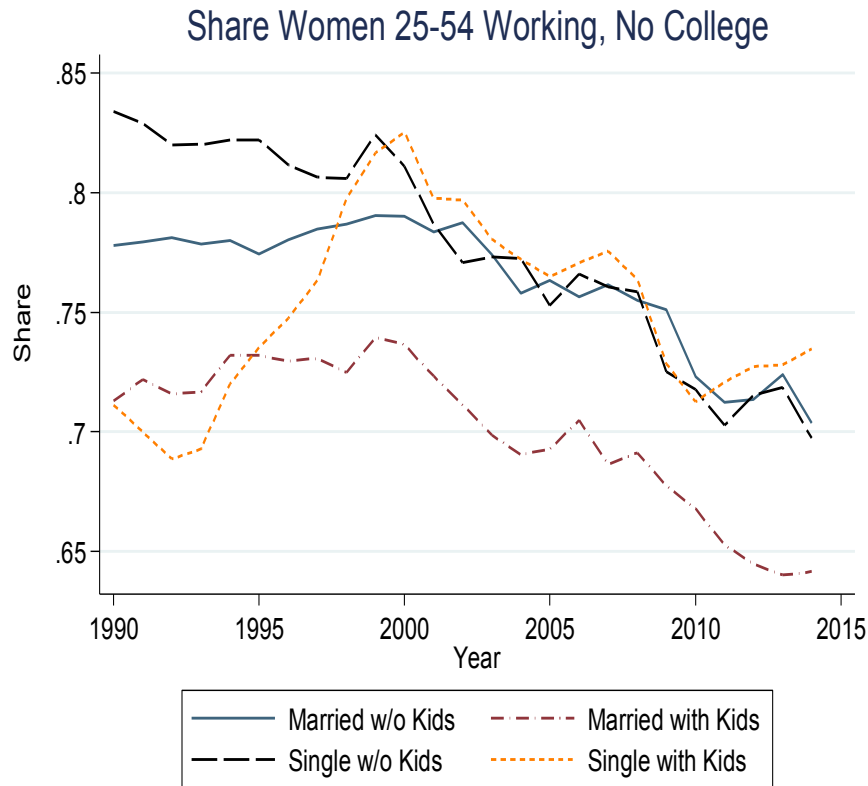
Panel B: CA



Notes: No college defined as less than a four-year degree; "college graduate" defined as a four-year degree or higher. Data from Current Population Survey, Annual Social and Economic Supplement (US), and Survey of Labour and Income Dynamics (CA). Sample includes women 25-54.

Figure 5: Employment by Marital Status and Children

(A) US (B) Canada



Large gains for single mothers in US; all groups decline together starting in 2000s

Also large gains for single mothers in Canada; no such decline

Figure 6: FT Employment by Marital Status and Children

(A) US (B) Canada

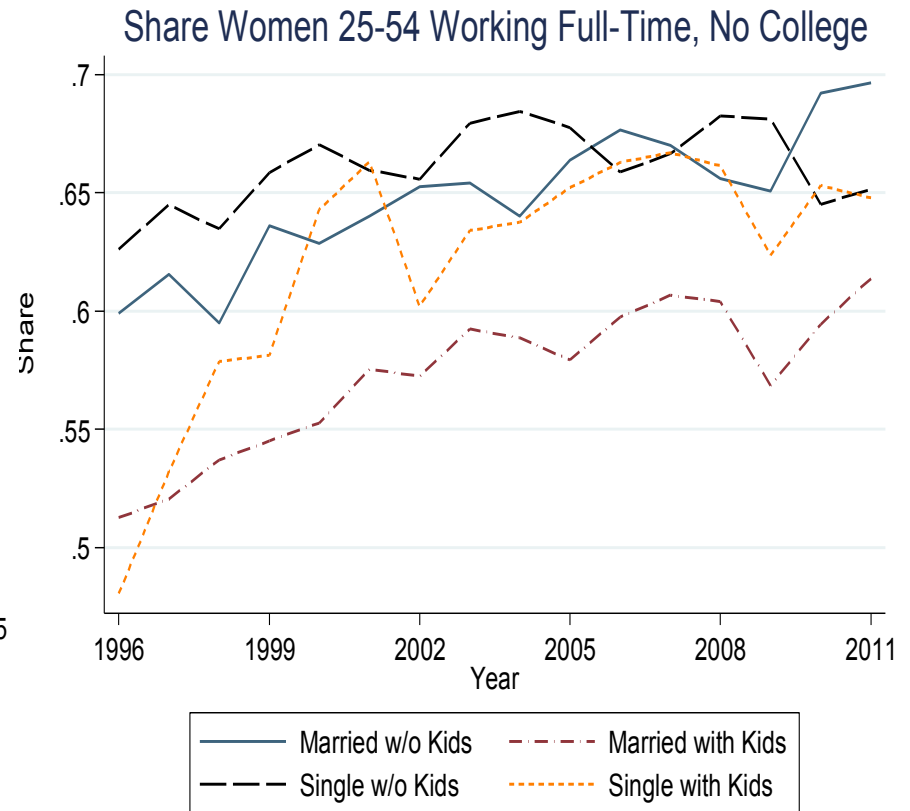
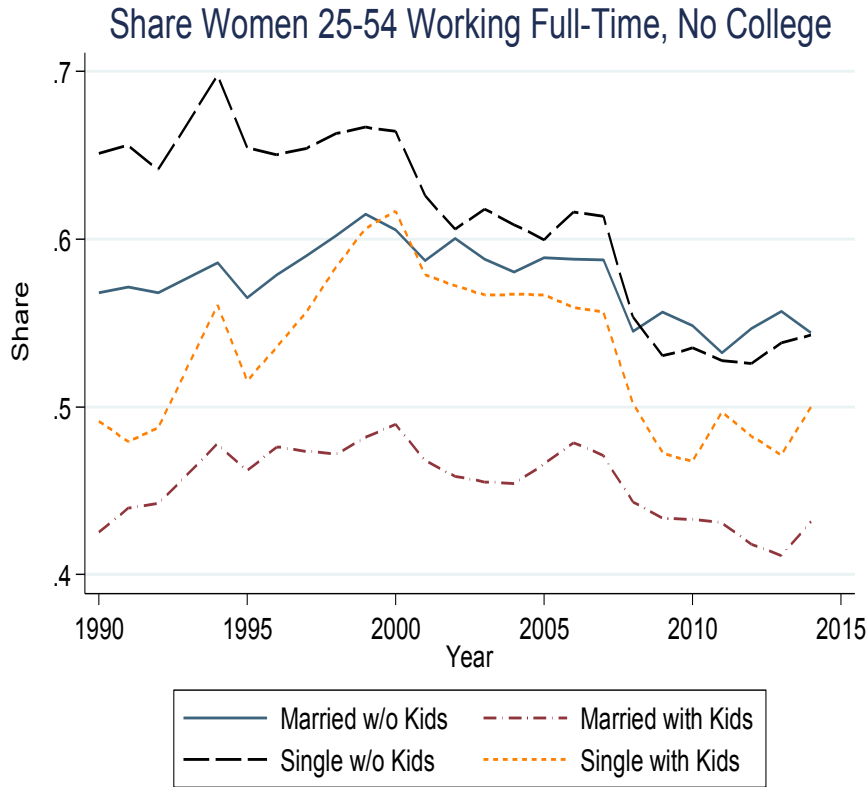
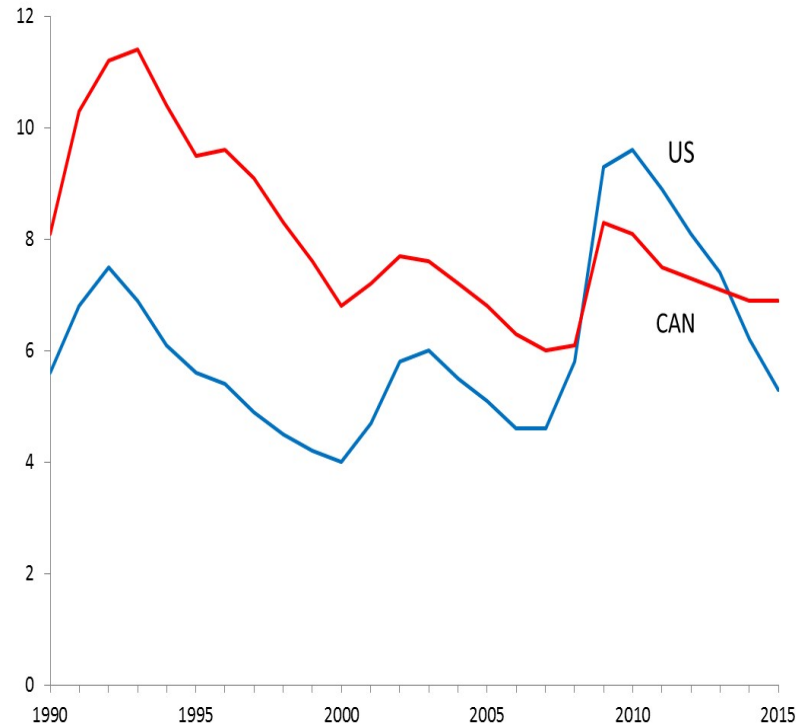


Figure 7: Annual unemployment rate

Annual Unemployment Rate, US and Canada, 1990-2015



Notes: Figure presents annual unemployment rate. Data from Bureau of Labor Statistics and Statistics Canada, Labour Force Survey (CA).

State of the labor market:

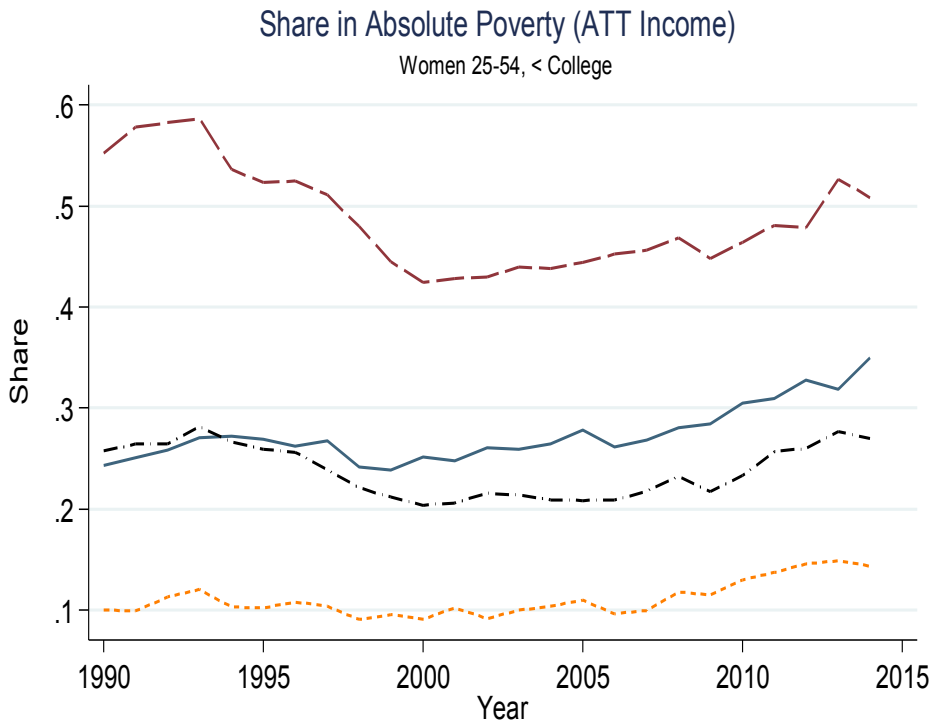
Historically Canada has higher UR

Starts to narrow in 2000, less severe shock in Great Recession in Canada

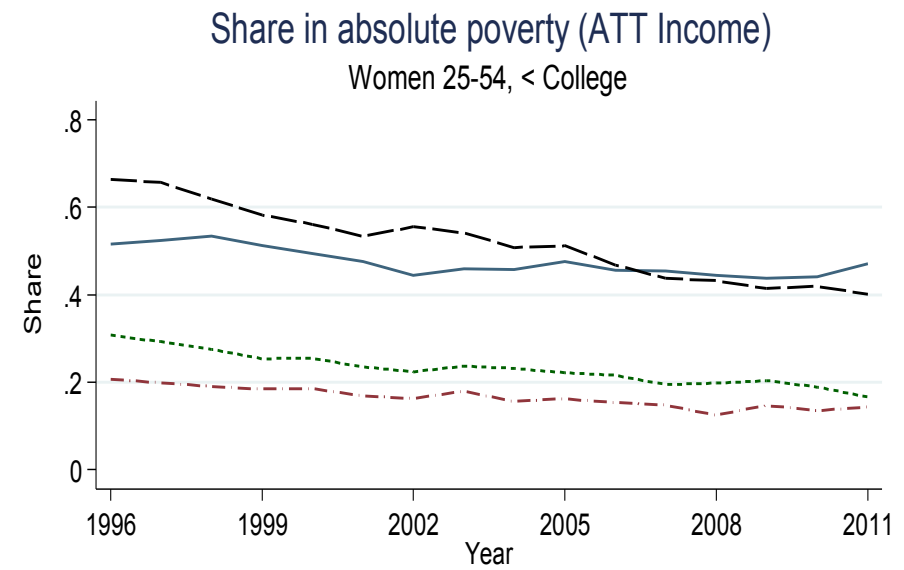
These differences make it difficult to draw conclusions from comparing time series graphs

Figure 8: Absolute Poverty by Marital Status and Children

(A) US (B) Canada



— Single w/o Kids - - - Single with Kids
 . . . Married w/o Kids - . - . Married with Kids



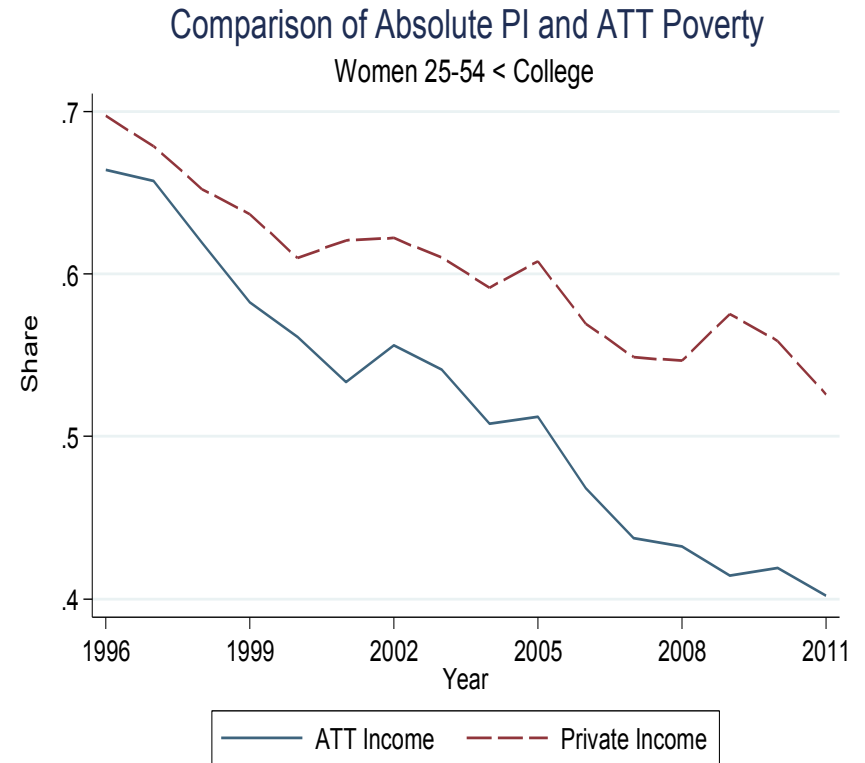
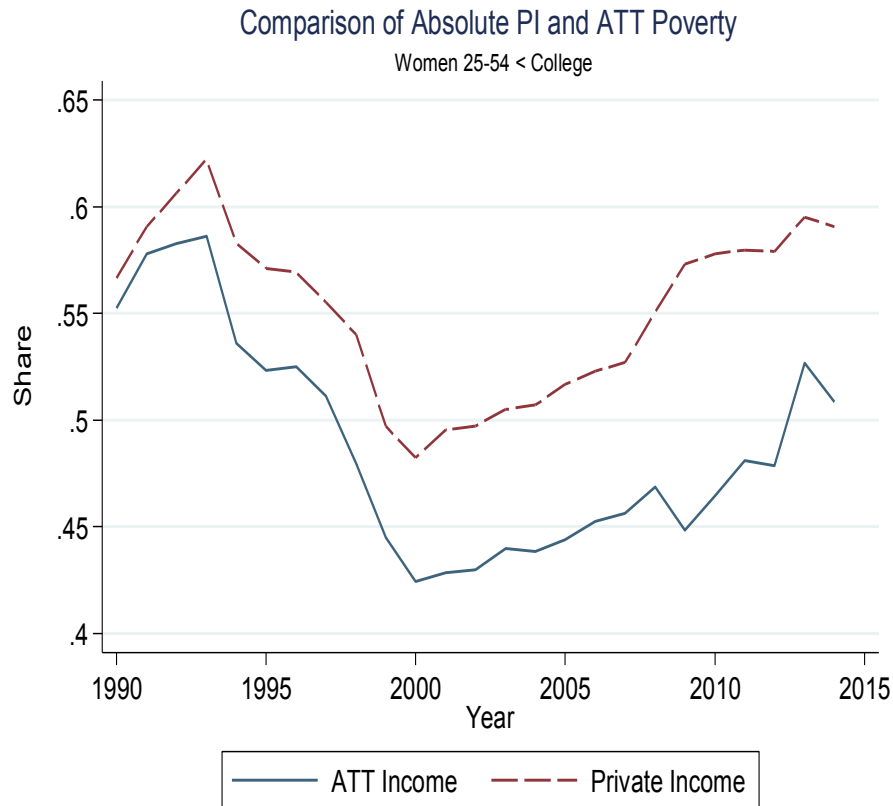
— Single without children - - - Single with children
 - . - . Married without children . . . Married with children

Single mothers have highest poverty rates
 Dramatic reduction in poverty for both countries in 1990s, continued gain in Canada
 Higher rates of poverty in US at end of the period

Figure 10: Comparison of PI and ATT Absolute Poverty, Single Mothers

(A) US

(B) Canada



Comparing private income and ATT income poverty shows that labor market forces in US leading to higher poverty while in Canada leading to lower poverty.

Evidence on SSN and Labor Force Participation

- EITC raised labor force participation of single mothers (Eissa and Liebman 1996, Meyer and Rosenbaum 2000, 2001, Hoynes and Patel 2015)
NCB raised employment for single mothers in Canada (Milligan and Stabile, 2007)
- EITC: \$1000 benefit increase results in 7.3pp increase in employment (Hoynes and Patel, 2015)
- NCB: \$1000 benefit increase results in 4 pp increase in employment (Milligan and Stabile, 2007)

Evidence on SSN and Child Outcomes

- Education:
 - EITC and NCB both associated with increased math scores for children.
 - EITC: \$1000 increase in benefits increases math scores by 6% of a standard deviation (Dahl and Lochner, 2008)
 - NCB: \$1000 increase in benefits increases math scores by 7.3% of a standard deviation (Milligan and Stabile, 2011)
- Health:
 - EITC: Reductions in LBW and infant mortality (Hoynes, Miller and Simon, 2015)
 - NCB: Improvements in self-assessed health and height (Milligan and Stabile, 2011)

SSN and Poverty

- Since the EITC encourages work, then the full effects of the EITC on poverty includes: credit effect, earnings effect, (less) income adjustment effect
- Hoynes and Patel (2015) find that \$1000 increase in EITC leads to a 9.4pp decrease in after tax and transfer income poverty.
- Here, we use their DD approach (comparing single women with children to single women without children) to evaluate the introduction of the NCB.
 - pre (1996-1997) and post (1998-2011) periods

Table 1: Difference-in-Differences analysis of the effects of benefit programs on poverty

| | (1) | (2) | (3) | (4) |
|------------------------------------|----------------------|------------------------|---------------------------------------|------------------------------------|
| Dependent variables | All women Canada | Single women Canada | Women with less than College | Single women, less than College |
| Absolute poverty ATT income | -0.040*** (0.007) | -0.114*** (0.009) | -0.042*** (0.01) | -0.111*** (0.014) |
| Mean | 0.25 | 0.42 | 0.28 | 0.47 |
| Relative poverty ATT income | -0.009 (0.013) | -0.085*** (0.016) | -0.013 (0.015) | -0.099*** (0.02) |
| Mean | 0.18 | 0.34 | 0.20 | 0.38 |
| Absolute poverty Private income | -0.011 (0.014) | -0.070*** (0.022) | -0.014 (0.01) | -0.066*** (0.016) |
| Mean | 0.27 | 0.45 | 0.31 | 0.51 |
| Relative poverty Private income | 0.005 (0.015) | -0.057** (0.025) | 0.004 (0.013) | -0.06*** (0.019) |
| Mean | 0.22 | 0.41 | 0.26 | 0.46 |
| Controls: | | | | |
| Demographics | x | x | x | X |
| Province*year | | | | |
| indicators | x | x | x | x |
| # kids indicators | x | x | x | x |

Notes: Standard errors in parenthesis clustered at province level

Significance levels: * p<.1; ** p<.05; *** p<.01.

Each coefficient is the d-in-d interaction of year>= 1998* having children (and hence being eligible for the National Child Benefit introduced in 1998).

Tentative conclusions

- Major shift in the backbone of the social safety net in both countries
- Both encouraged labor force participation among single mothers
- Research on child outcomes between countries suggests that both programs improved child educational outcomes and child health (very similar estimates where comparable)
- Both programs reduced families in poverty through both increasing labor force attachment and through direct cash benefits.
- Evidence does not reveal significant differences potentially because of the similarities across programs or potentially because of other labor market differences.