How do the U.S and Canadian social safety nets compare for women and children?
Online Appendix

September 9. 2018

Journal of Labor Economics

Hilary Hoynes
UC Berkeley and NBER
hoynes@berkeley.edu

Mark Stabile
INSEAD
Mark.stabile@insead.edu

Appendix A: changes in social safety net and provincial programs, Canada[1]

TAX BASED BENEFITS

Federal:

The *Canada Child Tax Benefit* pays $1,446 per child in 2014-15. For family net income over $43,953 it is phased out at a rate of 2% for one child; 4% when there are two or more children. The benefit amounts and thresholds have been updated annually since 1997 for inflation, but otherwise not changed.

The *National Child Benefit Supplement* began in 1998. The rates for 2014-15 are $2,241 for the first child, $1,982 for the second, and $1,886 for the third. The benefits are phased out sharply at rates of 12.2%, 23.0%, and 33.3% for incomes over $25,584. It is indexed annually for inflation. There were substantial additional increases in several years. Between 1998 and 2001 the benefit levels more than doubled. There were also increases of 13% in 2003, 14% in 2005, and 13% in 2006.

The *Universal Child Care Benefit* began in 2006. It pays $100 per month for each child under age 6 and is taxable in the hands of the lower income spouse.

The *Working Income Tax Benefit* began in 1997. It pays $500 to families with children, phased in with income over $3,750 and then phased out for income over $20,921. It was removed when the National Child Benefit Supplement was introduced in 1998. In 2007, the Working Income Tax Benefit began payments to adults. There was no supplement for children in this benefit. The amount for singles in 2014 is $998, with couples getting $1813. There are some differences across provinces, but for most provinces it is phased in at 25% for income over $3,000, and phased out at 15% starting at $11,332 for singles and $15,649 for couples. For singles, it is completely phased out by $18,000—so this benefit is very narrowly targeted.

Newfoundland and Labrador:

The Newfoundland Child Benefit was introduced in 1999 and is paid monthly. In 2014, the annual rate for a first child was $369, $392, for a second child, $421 for a third child, and $451 for a fourth child. The clawback of these benefits was in the income range $17,397 to $21,480. Increases through time followed inflation, except for a 25% increase to the one-child rate in 2007. An additional supplement for children age zero was added in 2001.

Prince Edward Island:

No child benefit program.

Nova Scotia:

The Nova Scotia Child Benefit started in 1998 and is paid monthly. In 1998, the payments ranged from $250 for the first child to $136 for a third (or higher) child. In 2001, the payments for third and higher children increased substantially. In 2005, the payment rates were $445 annually for a first child, $645 for a second, and $720 for a third. These benefits are clawed back at high clawback rates for incomes over $16,000. Nova Scotia does not update the benefit for inflation.

In 2010, the Affordable Living Tax Credit was introduced with a base benefit of $240 augmented by $57 per child. This is phased out at 5% for income over $30,000.

New Brunswick:

The New Brunswick Child Tax Benefit was introduced in 1997, before the national NCB program reached its starting point. The annual benefit is $250 per child paid monthly, and has

[1] This appendix draws heavily on Milligan, and Stabile (2011).

not changed since 1997. The benefit is clawed back at 2.5% or 5% for family net income over $20,000. In addition, there is a Working Income Supplement of $250 annually that is phased in at 4% for earned income over $3,750 and clawed back at a rate of 5% for family net income over $20,921. These amounts have been the same since 1997 with no updates for inflation.

Quebec:

Until 1997, residents of Quebec were eligible for a family allowance, an allowance for young children, and an allowance for newborn children. These amounts increased with the number of children in the family and did not depend on family income. In 1997, these were combined into a new family allowance. The rates for the new family allowance were $2,275 per child for a single parent family and $975 per child for a two-parent family. These amounts were clawed back starting at incomes of $15,332 for singles and $21,825 for two-parent families. However, the clawback only took benefits down to a minimum benefit level that was $80 annually for one and two child families and $975 for three child families. But, for those with family net incomes higher than $50,000 these 'minimum' benefits were clawed back at a rate of 5%. In Quebec there was also an earned income benefit called APPORT in place from 1988 to 2004. In 2004, this benefit was phased in for earnings over $1,200 at a rate of 35% until an earnings level of $11,370 (two-parent) or $7,790 (one-parent), and then clawed back at 43% after that. At the peak benefit level the benefit amount was quite large, but take-up of this benefit was not high. In 2005 a new Child Assistance program replaced the family allowance. The Child Assistance benefit in 2014 was $2,341 for the first child, $1,170 for the second and third children, and $1,755 for the fourth or higher child. The phaseout rate is 4% for incomes over $33,944 (single) or $46,699 (couple). The amounts have been updated annually for inflation. Benefit distribution defaults to a quarterly schedule, although families can opt to receive the benefit monthly.

Also in 2005, a new Work Premium replaced APPORT. It is phased in for incomes over $2,400 (single) or $3,600 (couple) at 25% (couples) and 30% (single). After a 'turnaround' point, it is phased out at a rate of 10%. The turnaround point is $10,286 (singles) or $15,914 (couples).

Ontario:

Ontario introduced the Ontario Child Care Supplement for Working Parents in 1997, and renamed as the Ontario Child Benefit in 2007. It pays out monthly. The initial rates were $400 per child age 0 to 6, clawed back at 4% for net family income over $20,000. In 1998, the amounts were revamped and largely stayed the same until 2005. From 1998, the amount was phased in with earned income over $5000, at a rate of 20% for 1998 and 21% from 1999 to 2005. The 2014 benefit amount was $1,100 per child age 0 to 6 for a one-parent family and $1310 for a two-parent family. The clawback rate was 8% for incomes over $20,000. These amounts did not change between 1999 and 2014, with no adjustments for inflation. In 2010, a new Sales Tax Credit was introduced, paying $260 per member of the family; phased out with income over $25,000 at a rate of 4%.

Manitoba:

Manitoba ran its own child benefit program called CRISP until 2008. In 2008, CRISP paid $360 annually per child, with a clawback rate of 2.083% for incomes over $12,384. These amounts had not changed in nominal terms since the 1980s.

Starting in 2009, a new Manitoba Child Benefit was introduced, with a rate of $420 per child, clawed back after income of $15,000 at rates of 7.73%, 15.46%, and 23.18% for families of one, two, and three or more children respectively. The amounts have not been updated for inflation.

Saskatchewan:

The Saskatchewan Child Benefit was introduced in 1998. In the first year, it paid $900 annually to a one child family, $1,104 for a second child, and $1,176 for a third. It is clawed back at high rates for family net incomes over $15,921. As the NCBS increased in the following years, the Saskatchewan Child Benefit was decreased downward dollar for dollar, so that by 2005 it paid only $7 annually for a 2nd child and $86 for a third. It was cancelled in 2006.

Additionally, there is a working income supplement in Saskatchewan. In 2005 the amount ranges from $2,385 for a one child family to $4,293 for a five child family. It is phased in for earnings over $1,500 at rates between 25% and 45% and clawed back at a 20% rate for incomes over $14,640. There is a supplement for children under age 13 that pays an extra 25% on top of the regular employment supplement. These amounts have not been updated for inflation through time.

In 2000, Saskatchewan introduced the Saskatchewan Low Income Tax Credit, paying $77 for each adult and $55 for each child. It was clawed back at 1% for incomes that varied with family type. The amounts increased to $100 and $75 in 2003, then $216 and $84 in 2008. The phased out rate was increased to 2%, and all family types faced the same threshold of $28,335. These amounts have been updated annually for inflation and it is paid quarterly.

<u>Alberta:</u>

Alberta has an employment-related child benefit that is paid monthly. It was introduced in 1997 with a phase-in rate of 8% for earnings over $6,500 up to a maximum of $250 for one child and $500 for two or more. The benefit is clawed back at a rate of 4% for incomes over $25,000. Between 1998 and 2004, the benefit maximum was set at $500 for one child and $1000 for two or more children, but was otherwise similar to 1997.

The benefit changed again for the 2005 year. The new rates were $550 for one child, $500 for two children, $300 for three children, and $100 for four. These amounts were phased in at 8% for earnings over $2,760, and then phased out on incomes of $25,000 or more at a rate of 4%. These amounts have been updated for inflation each year since 2005.

<u>British Columbia:</u>

The BC Family Bonus was introduced in 1996, two years before the NCB program, and is paid monthly. The Bonus rate was $1,236 per child and was clawed back at a rate of 8% for one child and 16% for two or more for incomes higher than $18,000. These amounts were increased to $1,332, 9%, 18%, and $20,500 in 2001 and have remained constant since. However, the NCBS is subtracted from the BC Family Bonus, rendering it to zero by 2005 since the NCBS is now larger than the prescribed BC Family Bonus payments.

There is also a BC Earned Income Benefit that was introduced in 1998. It pays differing amounts for each child and is phased in between earnings levels of $3,750 and $10,000. It is clawed back for incomes higher than $20,921 at high rates. The amounts for 2005 are $365 for the first child, $370 for the second, and $372 for the third or higher. Until 2003, the amount for the first child was $605, with $405 for the second and $330 for the third. After 2003, the BC Earned Income Benefit was diminished as the NCBS grew, leading it to zero by 2013.

SOCIAL ASSISTANCE

Income support is provided by provincial/territorial governments in all 13 provinces and territories. The eligibility criteria differs by jurisdiction. In 2013, for example, the basic welfare cut-off income for a single employable individual ranged between $6,807 (NB) and $10,876 (SK), and the basic welfare cut-off income for a couple with two children ranged between $20,724 (NB) and $26,690 (PEI) (Tweddle et al., 2014).

The benefit amount also differs by jurisdiction, and is generally tied to the family status, income level, and financial need of the individual or family. For single employable individuals, the basic welfare income provided by the province/territory ranges from $6,807 (NB) to $17,343 (YK), and for a couple with two children, the basic welfare income ranges from $20,724 (NB) to $37,733 (YK) (Tweddle et al., 2014).[2]

In British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick, and Prince Edward Island, a separate social assistance program provides benefits for individuals with a disability (Tweddle et al., 2015). In all provinces and territories, with the exception of Newfoundland and Labrador, additional social assistance benefits are provided in some form - either through a higher benefit as part of their general social assistance program, or through separate program directed to individuals with disabilities (Tweddle et al., 2014).

Appendix B: Data Appendix

United States: We use the CPS to construct private income (PI) poverty and after-tax-and-transfer (ATT) poverty. Private income includes earned income, asset income, and private transfers (child support, alimony, private disability and retirement). After-tax-and-transfer resource measure, developed in Bitler and Hoynes (2010, 2015), includes private income plus cash transfers (AFDC/TANF, Social Security, SSI, Unemployment Compensation, veterans payments and workers' compensation), the cash value (as reported by the household or imputed by the Census Bureau) of non-cash in-kind programs (food stamps/SNAP, school lunch, housing subsidies, and energy subsidies), tax credits (the EITC, child tax credits, and stimulus payments) and then subtracts payroll, federal, and state income taxes. We use the NBER TAXSIM model for all tax variables.

Canada: We use SLID income variables to construct private income (PI) poverty and after-tax-and-transfer (ATT) poverty. SLID's market income variable (private income) includes earnings, investment income, private retirement pensions and support payments received, such as alimony and child support. Moreover, SLID's after-tax (and after-transfers) income variable is defined by total income before taxes (market income plus federal and provincial government transfers) minus federal and provincial income tax.

[2] The welfare income for Nunavut is actually the lowest of all the provinces or territories, but the vast majority of social assistance recipients reside in public housing, and have housing, and many other costs, covered.

References

Bitler, Marianne, and Hilary Hoynes. 2010. The state of the safety net in the post-welfare reform era. Brookings Papers on Economic Activity 2010 (Fall): 71–127

———. 2015. Heterogeneity in the impact of economic cycles and the great recession: Effects within and across the income distribution. American Economic Review 105, no. 5:154–60.

Milligan, Kevin, and Mark Stabile. 2011. Do child tax benefits affect the wellbeing of children? American
Economic Journal: Economic Policy 3, no. 3:175–205.

Tweddle, Anne, Ken Battle, and Sherri Torjman. 2014. Welfare in Canada 2013. Caledon Institute of Social Policy. http://www.caledoninst.org/Publications/PDF/1057ENG.pdf.

———. 2015. Welfare in Canada, 2014. Caledon Institute of Social Policy. http://www.caledoninst.org/Publications/PDF/1086ENG.pdf.

Appendix Table 1: Average tax rates from no work to part-time and full-time work
Single Individual, No Children

Panel A-US

Hourly wages	1992			2015		
% of minimum wage	0--> PT	0 --> FT	PT --> FT	0--> PT	0 --> FT	PT --> FT
100%	14%	34%	54%	-6%	12%	30%
125%	18%	34%	50%	-4%	11%	27%
150%	23%	34%	44%	2%	10%	17%
200%	34%	33%	33%	12%	7%	3%

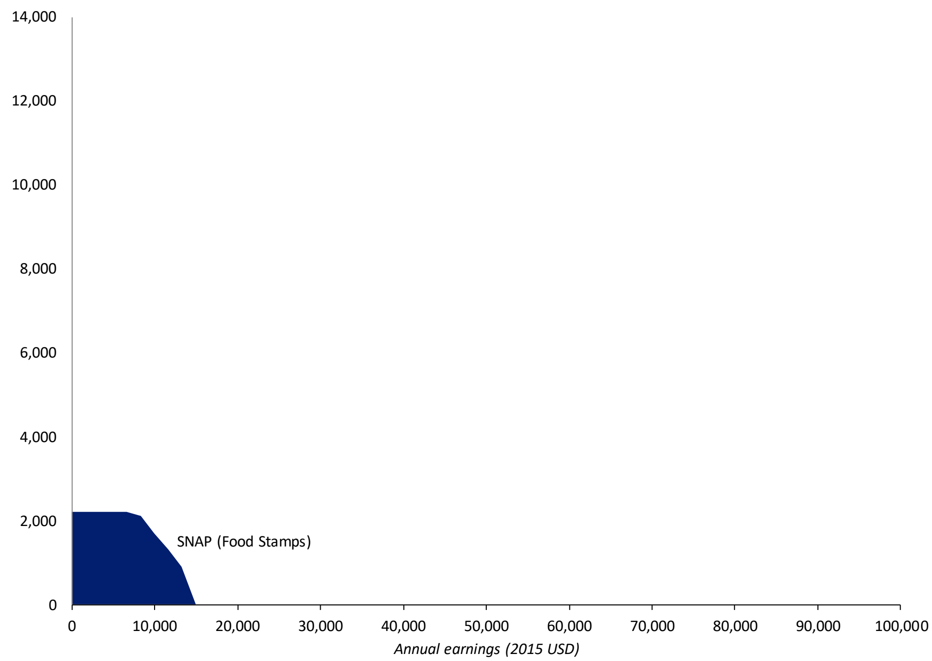
Panel B-Canada

Hourly Wages	1992			2015		
% of minimum wage	0--> PT	0 --> FT	PT --> FT	0--> PT	0 --> FT	PT --> FT
100%	70%	67%	63%	32%	45%	58%
125%	76%	58%	41%	42%	41%	40%
150%	80%	53%	26%	49%	38%	26%
200%	67%	47%	27%	45%	34%	23%

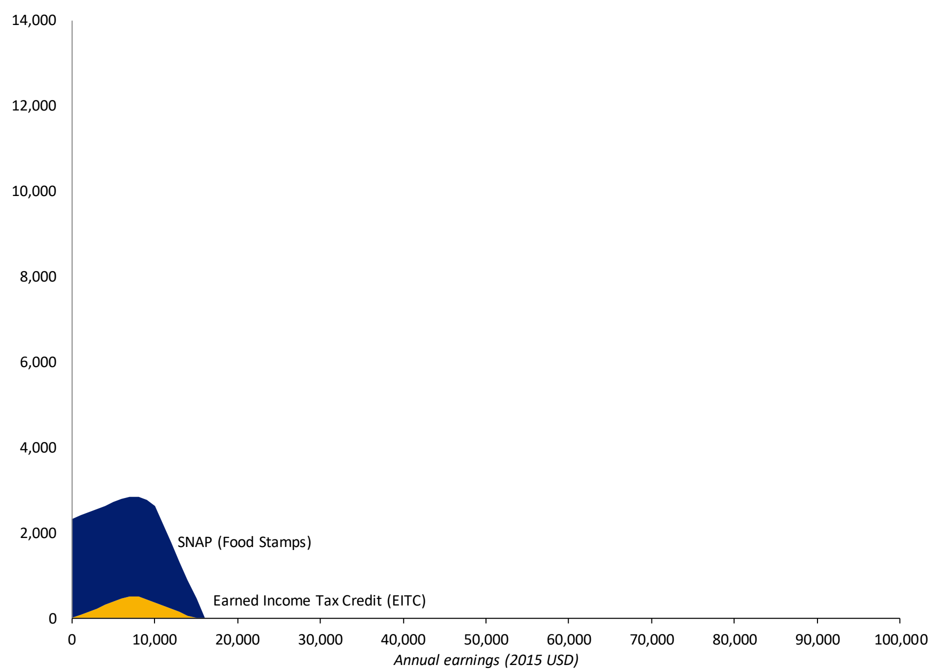
Notes: Part-time (PT) defined as working 20 hours a week, 52 weeks a year. Full-time (FT) defined as working 40 hours a week, 52 weeks a year. Each cell shows the participation tax rate on cash and near-cash universal state/provincial and federal transfers for a hypothetical single individual with no children moving out of work into employment with wages equivalent to the 2015 minimum wage (adjusted for inflation using the CPI-U). For the US, this example scenarios faced by a single individual living in Colorado. For Canada, this example illustrates scenarios for a single individual living in Ontario. See text for details.

Appendix Figure 1: US budget co Appendix Figure 1: US budget constraint, cash and near-cash universal programs (2015$)

Panel A: Single adult with no children, Colorado, 1992



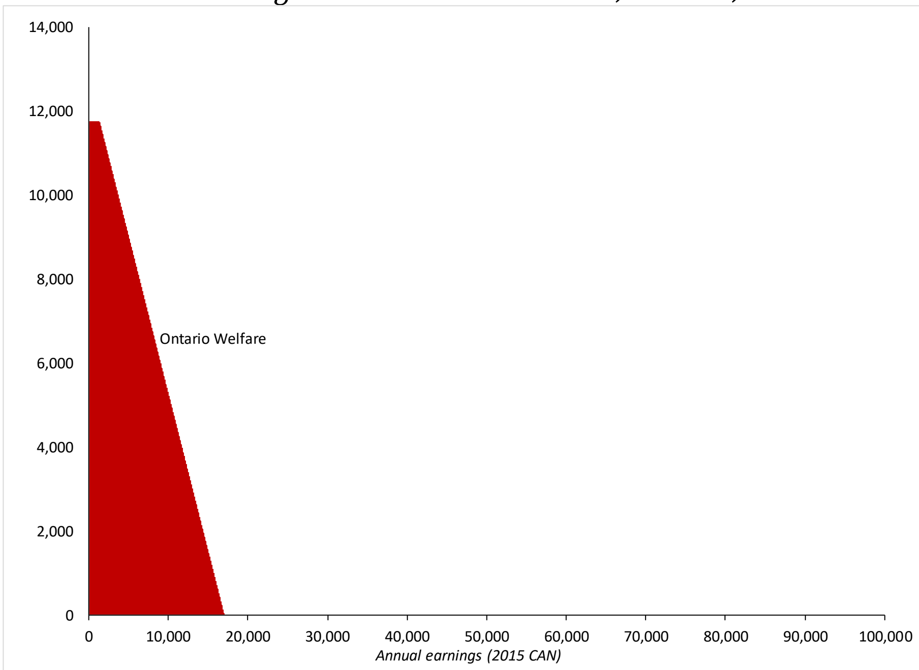
Panel B: Single adult with no children, Colorado, 2015



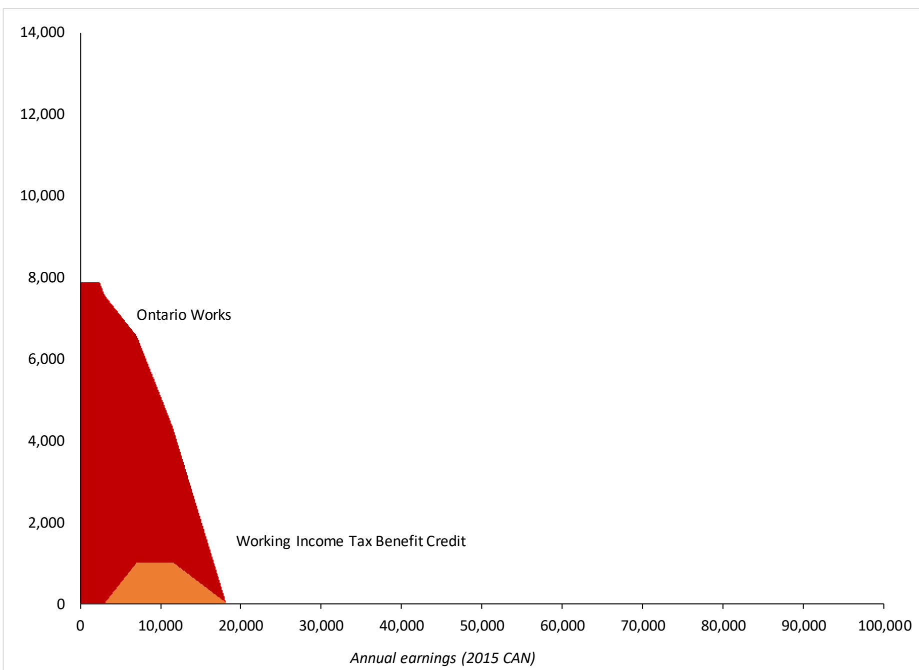
Notes: Estimated value of tax and transfer benefits for a single parent with two children living in Colorado. Program parameters from Internal Revenue Service and Tax Policy Center (EITC, CTC, Dependent Exemption, Child and Dependent Care Tax Credit) and Ways & Means Green Book and Department of Agriculture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

Appendix Figure 2: Canada budget constraint, cash and near-cash universal programs (2015$)

Panel A: Single adult with no children, Ontario, 1992

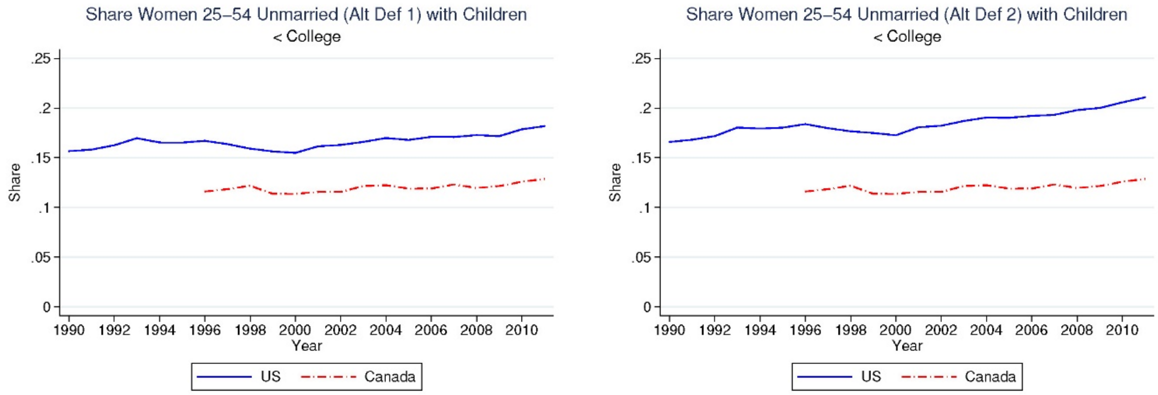


Panel A: Single adult with no children, Ontario, 2015



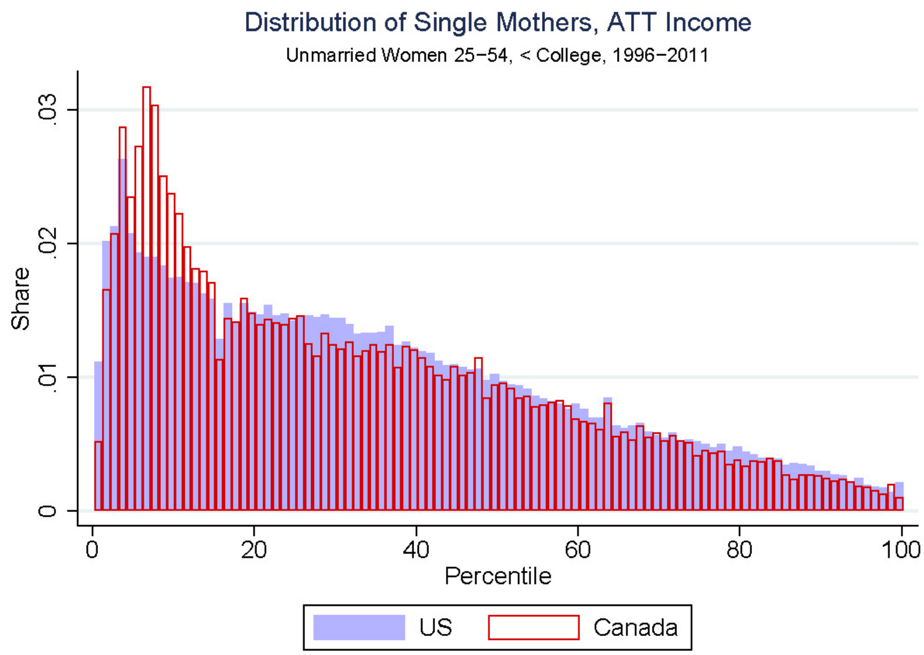
Notes: Estimated value of major tax and transfer programs for a single individual with no children in the province of Ontario in real (2015) CAD dollars. Program parameters from Department of Finance, Canada and the Ontario Ministry of Finance.

Appendix Figure 3: Share of women unmarried with children, alternative definitions for US



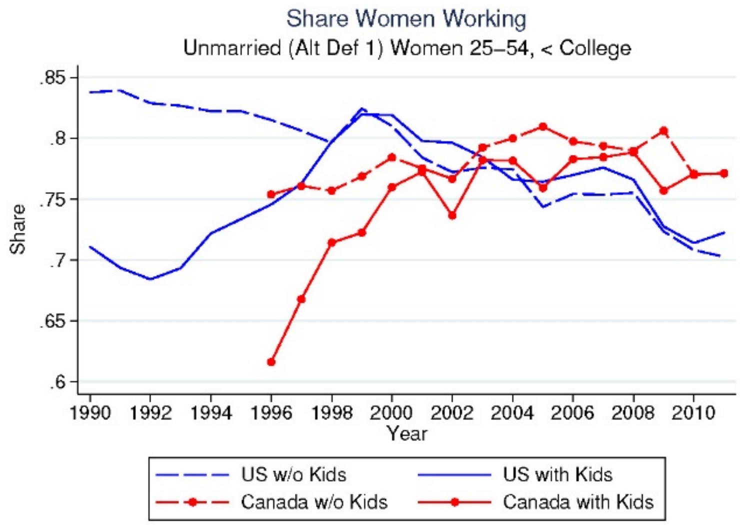
Notes: Unmarried (alternative definition 1) excludes women in the U.S. who reside with the father of one of the household's children or live with an unmarried partner. Unmarried (alternative definition 2) excludes unmarried women in the U.S. who reside with a man who is unrelated to her and within five years of her age or who live with an unmarried partner. Sample limited to women with children ages 25-54 who have less than a college education. Data from the Current Population Survey, Annual Social and Economic Supplement (US), and Survey of Labour and Income Dynamics (CA).

Appendix Figure 4: Histograms of percentile in the county-year distribution of equivalized income, comparison of US and Canada (1996-2011)



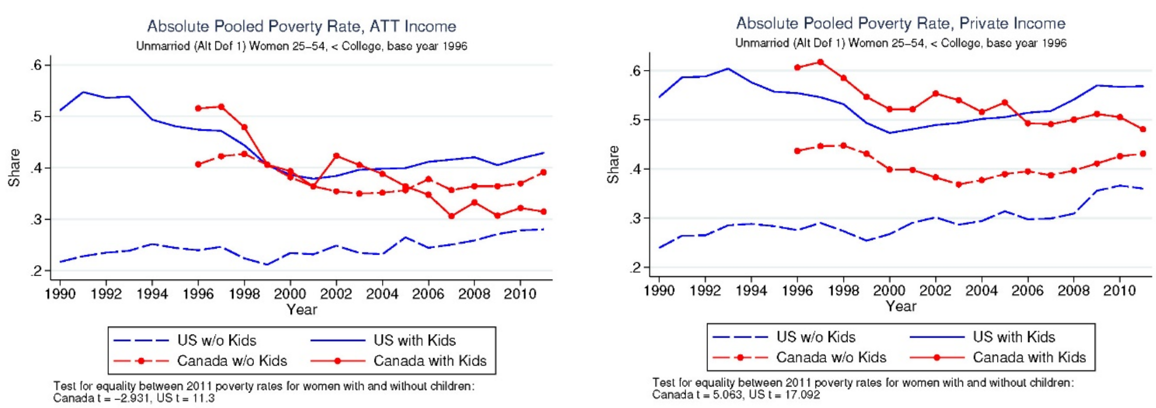
Notes: Figures plot the equivalized ATT income distribution for single mothers ages 25-54 with less than a college degree. The equivalized distribution is computed as each household's percentile in the own-country (US or Canada) income distribution for each year, adjusted for household size and composition. Data from the Current Population Survey, Annual Social and Economic Supplement (US), and Survey of Labour and Income Dynamics (CA).

Appendix Figure 5: Share Women Working, Alternative definition of “unmarried” in the U.S.



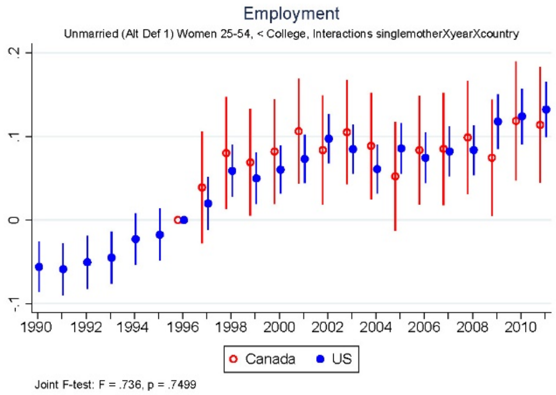
Notes: Unmarried (alternative definition 1) excludes women in the U.S. who reside with the father of one of the household’s children or live with an unmarried partner. Women are considered working if they worked at least one week in the previous year. Data from the Current Population Survey, Annual Social and Economic Supplement (US), and Survey of Labour and Income Dynamics (CA).

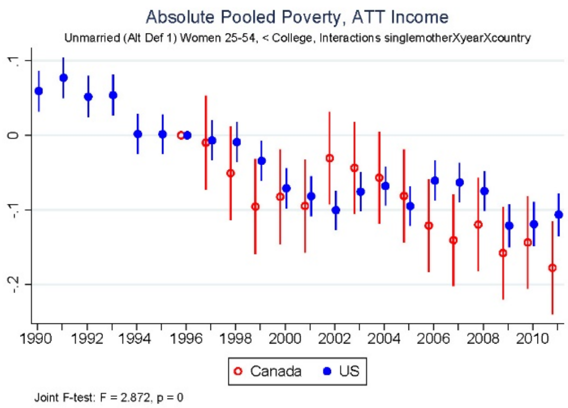
Appendix Figure 6: Trends in Poverty, Alternative definition of “unmarried” in the U.S.

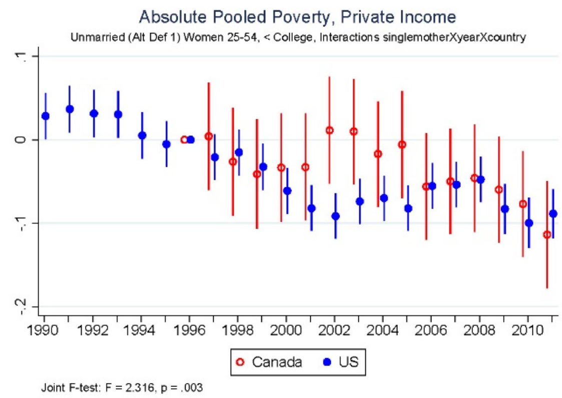


Notes: Unmarried (alternative definition 1) excludes women in the U.S. who reside with the father of one of the household’s children or live with an unmarried partner. The absolute poverty threshold is defined as 60 percent of the median equivalized ATT income for US and Canada combined in 1996, adjusted for inflation. The same threshold is used for private income poverty and ATT poverty, the measures differ only in what resource measure is used. See main text for details. Data from the Current Population Survey, Annual Social and Economic Supplement (US), and Survey of Labour and Income Dynamics (CA).

<u>Appendix Figure 7:</u> Relative employment and pooled poverty trends, Alternative definition of "unmarried" in the U.S.







Notes: Figures plot the coefficients on the interaction between single mother*year for each country for regressions of employment on fixed effects for year*country, province/state unemployment rates, single mother, and singlemother*year. Sample combines the 1990 through 2011 from the CPS 1996 through 2011 from the SLID and consists of all low-educated, unmarried women. Test statistics of joint hypothesis of equality between the US and Canadian interactions displayed below each graph. No college defined as less than a four-year degree. Unmarried (alternative definition 1) excludes women in the U.S. who reside with the father of one of the household's children or live with an unmarried partner. Data from the Current Population Survey, Annual Social and Economic Supplement (US), and Survey of Labour and Income Dynamics (CA).