

Economic Contribution of the Canada Child Benefit: A Basic Income Guarantee for Canadian Families with Children

September 2019



**CANADIAN CENTRE FOR
ECONOMIC ANALYSIS**

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TABLE OF CONTENTS

Findings at a Glance	4
Background	4
Demographic Impacts of the Canada Child Benefit	4
Poverty Reduction Impacts	6
Economic Contribution	7
1.0 Introduction	9
1.1 Child Benefit Programs in Canada.....	9
1.2 Objectives.....	10
2.0 Background	11
2.2 The Canada Child Benefit and Recipients	13
2.3 Methodology.....	15
3.0 Contributions of the Child Care Benefit.....	17
3.1 Demographic Impacts	17
3.2 Economic Contribution	27
Conclusions	33
References	34
A. Data Sources	36
B. Glossary.....	37

LIST OF FIGURES

Figure 1	Average amount of federal child benefit received by Canadian families by year	10
Figure 2	Average CCB by income bracket in the 2017-2018 benefit year	17
Figure 3	Share of total income from CCB by income bracket in the 2017-2018 benefit year	18
Figure 4	Number of families receiving CCB in the 2017-2018 benefit year and total disbursed	20
Figure 5	Average benefit received per family by income in the 2017-2018 benefit year	21
Figure 6	Income distribution of families with children in the 2017-2018 benefit year excluding CCB	22
Figure 7	Income distribution of families with children in the 2017-2018 benefit year including CCB	23
Figure 8	Income distribution of lone-parent families in the 2017-2018 benefit year excluding CCB ..	24
Figure 9	Income distribution of lone-parent families in the 2017-2018 benefit year including CCB ...	24
Figure 10	Distribution of children by family income in the 2017-2018 benefit year excluding CCB.....	25
Figure 11	Distribution of children by family income in the 2017-2018 benefit year excluding CCB.....	26
Figure 12	Expenditure patterns by family income.....	28
Figure 13	GDP contribution by industry, cumulative since June 2016	29
Figure 14	Impact of CCB on key economic indicators, cumulative since June 2016	30
Figure 15	FTEs contributed by CCB, cumulative since June 2016.....	30

LIST OF TABLES

Table 1	CCB reductions by number of eligible children for the 2018-2019 benefit year	14
Table 2	Range of monthly benefits available by number of children and family income before CCB for the 2018-2019 benefits year	15
Table 3	Number of families by monthly CCB income in the 2017-2018 benefits year	19
Table 4	Lone-Parent families by monthly CCB income in the 2017-2018 benefits year	19
Table 5	Average monthly CCB income received by family type in the 2017-2018 benefits year.....	20
Table 6	CCB of families with incomes of \$50,000 or more, 2017-2018 benefits year	27
Table 7	Average increase in family income with CCB (25 th , 50 th and 75 th percentiles), 2017-2018 benefits year	27
Table 8	CCB's annual contribution to government revenues.....	31

FINDINGS AT A GLANCE

Since 2016, about \$71 billion has been disbursed to the families of over 6.4 million children in Canada through the Canada Child Benefit (CCB), which acts as a basic income guarantee for families with children. The objective of this research is to measure the economic contribution of the CCB to the Canadian economy since 2016. Impacts that are considered include the effect on families and their incomes, as well as the economic contributions in terms of economic indicators such as GDP, employment and government revenue.

BACKGROUND

Programs designed to transfer income to families with children, particularly low-income families, are common in the industrialized world. Government transfers to Canadian families with children date back to 1944 when the federal government put in place a federal Family Allowance, a tax-free payment to women with children under the age of 16 who attended school. A primary goal of this initial program was to stimulate economic activity postwar and avoid a recession, as it was expected lower and moderate-income families would spend this cash rather than save it (Moscovitch and Falvo 2017).

In subsequent decades, child benefits have been at times removed and reformed, and the programs' goals have evolved. Some of these goals include increasing opportunities for children from low-income families; improving children's educational and future labour market outcomes; and providing support to families with children out of distributional concern, as these families face higher expenses (Jones, Milligan and Stabile 2015, Milligan and Stabile 2008, Milligan and Stabile 2009). In some iterations, these programs have been tied to earned income in order to encourage workforce participation, particularly among women with young children (Milligan and Stabile 2009). Despite the different ways these programs have been framed since 1944, child benefits programs have been supported by successive governments in Canada across political ideologies.

Currently, eligible Canadian families can receive a child benefit under the CCB, which was introduced in the 2016 federal budget by the current government. The CCB represents a significant expansion to child benefits compared with previously existing programs, with nine out of ten families receiving more than they did previously (Department of Finance Canada 2018).

DEMOGRAPHIC IMPACTS OF THE CANADA CHILD BENEFIT

The CCB is a non-taxable¹ amount paid to eligible families monthly over a 12-month period to help with the cost of raising children younger than 18 years of age. It guarantees all families with children a certain income that increases with the number of children. For instance, families with one child are guaranteed about \$6,000 in annual income, while those with four children are guaranteed around \$24,000. The amount a family is eligible to receive decreases with family income.

¹ The CCB is not included on tax returns and is therefore not part of a family's net income.

From July 2016 to June 2019, about \$71 billion has been disbursed to Canadian families through the CCB. In the 2017-2018 benefit year, the most recent year for which detailed family data is available, \$24 billion was disbursed to 3.7 million families who, together, have 6.4 million children. The table below shows the number of families receiving CCB income by the amount of CCB income received monthly. In the 2017-2018 benefits year, families received on average \$556 per month or \$6,667 per year.

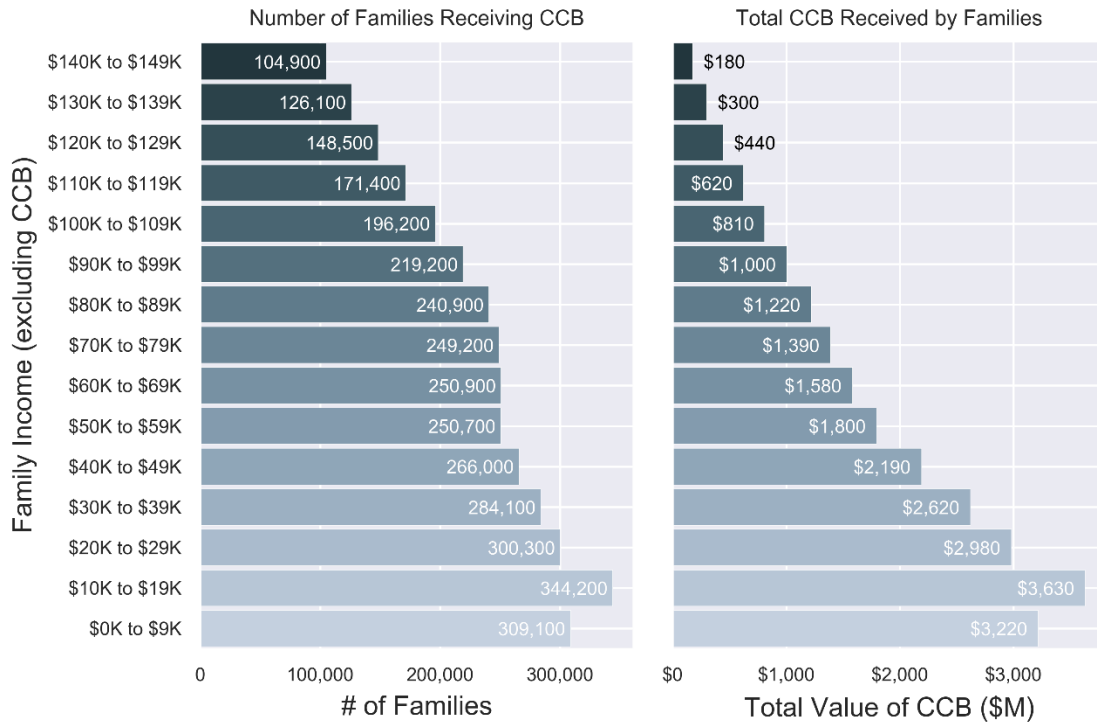
Number of families by monthly CCB income in the 2017-2018 benefits year

Monthly CCB	All Families			Lone-Parent Families	
	Percentage of All Families	Number of Families	Number of Children	Lone-Parent Families	Number of Children
\$0 to \$199	16%	584,148	736,657	34,649	45,283
\$200 to \$399	25%	900,062	1,268,510	229,491	293,297
\$400 to \$599	29%	1,047,086	1,470,609	401,745	495,678
\$600 to \$799	7.5%	274,138	639,724	93,863	205,445
\$800 to \$999	12%	440,345	959,174	172,913	359,028
\$1,000 to \$1,199	3.9%	141,878	363,440	49,702	116,293
\$1,200 to \$1,399	1.4%	50,372	165,038	17,805	54,903
\$1,400 to \$1,599	3.7%	135,312	424,872	45,902	137,764
\$1600 or more	2.4%	87,526	382,730	14,688	61,762
Total	100.0%	3.66 million	6.41 million	1.06 million	1.77 million

Families who receive income through the CCB have a wide range of family incomes, and the benefits extend well into the middle class. Over half of the families who receive CCB payments have a total income of \$60,000 or more. The number of families in each income bracket that receive CCB payments is shown on the left side of the figure below, along with the total amount disbursed to families in each income bracket on the right.

Of the total families who received CCB income in the 2017-2018 benefits year, 42% have an income below \$50,000, 55% have incomes between \$50,000 and \$150,000, and 4% have an income above \$150,000. However, since lower-income families are eligible for higher CCB payments, 60% of the total CCB disbursement goes to families whose incomes are under \$50,000, 39% goes to families with incomes between \$50 and \$150,000 and the remaining 1% goes to families whose income is above \$150,000.

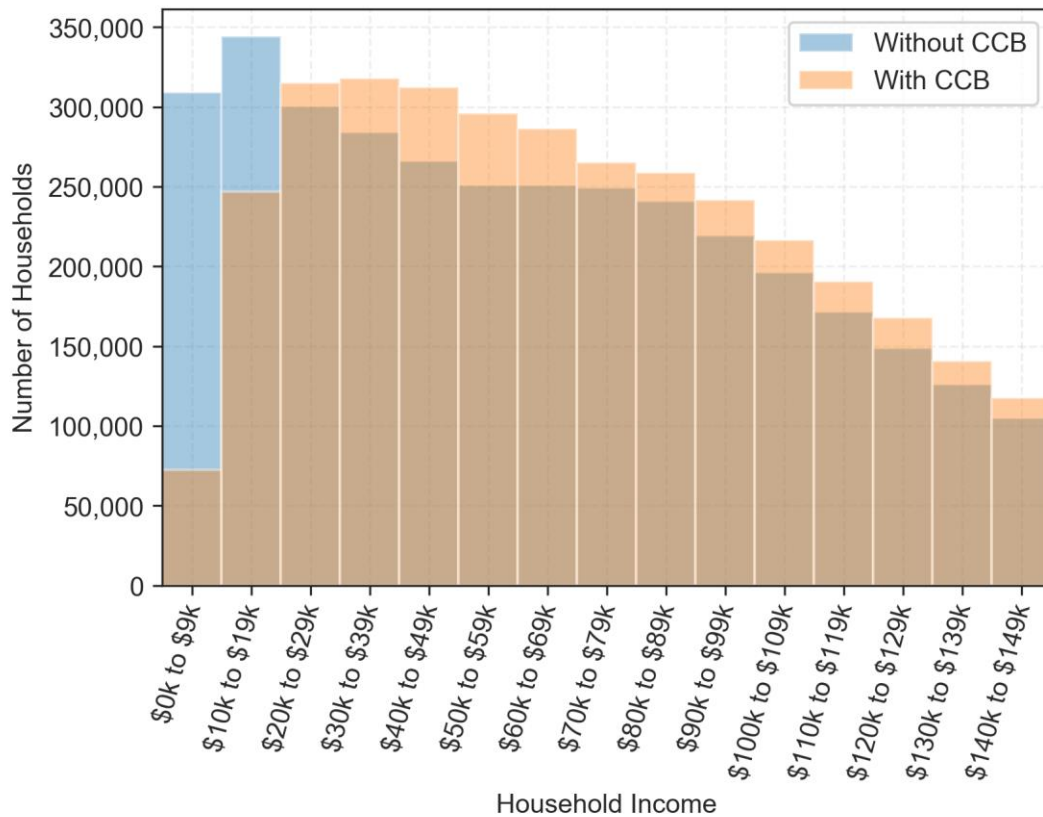
Families that receive CCB by income bracket and total amount disbursed



POVERTY REDUCTION IMPACTS

In the 2017-2018 benefit year, the CCB has kept 277,000 families above the poverty line, defined as the Market Basket Measure (MBM) low-income threshold. This represents 27% of all Canadian families who would be under the poverty line without CCB payments. Furthermore, income from the CCB helps 37% of lone-parent families whose income would be below the poverty line remain above it, amounting to 131,600 families in total. Of these families 105,300 (80%) are female-led. Out of the 6.4 million Canadian children whose families receive the CCB, 9% would be below the poverty line without the income provided through the CCB or an alternative benefits program. In total, this represents 588,000 children. Children who live in low-income families with one parent and one or two siblings and in families with two parents and three siblings are those most likely to be below the poverty line in the absence of the CCB or a comparable benefits program.

Distribution of children by family income



The figure above shows the distribution of children by family income. The blue set of bars represent the income distribution of families excluding income from CCB and the orange set represents the distribution including income from CCB. This figure shows the distributional impacts of the CCB, namely that it moved 750,000 children above the \$20,000 family income level and increases their concentration towards the middle-income of the income distribution.

ECONOMIC CONTRIBUTION

Families who receive CCB income contribute economic activity by spending this additional income according to their needs. In so doing, they increase the demand for certain goods and services, which creates ripples throughout the economy through indirect and induced effects. To fulfil the larger demand generated by the CCB, some businesses require more staff and workers, for example, additional store clerks, truck drivers, and supply chain managers. The industries and sectors of the economy which benefit the most from CCB-induced spending depend on the expenditure patterns of recipient families.

The CCB’s contribution to the Canadian economy can be measured by its effect on key economic indicators of prosperity. These are presented in the table below:

Key Economic Contributions of CCB, July 2016-June 2019

Contribution Metrics		Cumulative	Annual Average	Impact Summary
Contribution to GDP	GDP contribution	\$139B	\$46B	51% direct, 28% indirect and 21% induced
	Gross Output ²	\$256B	\$85B	51% direct, 29% indirect and 20% induced
	Private capital investment	\$27B	\$9B	Private capital investments support economic growth
Employment	Total Wages	\$77B	\$26B	With an average wage of \$56,800
	Employment	1.4M FTE	453,000 FTE	418,000 full-time jobs and 70,300 part time jobs per year
Government Revenue	Federal	\$21B	\$7B	60% through income tax, 22% corporate tax and 18% consumption tax
	Provincial	\$18B	\$6B	48% through income tax, 35% consumption tax and 17% corporate tax

The economic contribution of the CCB to Canada's economy is substantial. Over the course of the program's existence, the CCB's contribution to GDP amounts to 2.1% of Canada's total GDP. Every \$1 disbursed through the program to Canadian families has translated to a \$1.97 contribution to GDP, meaning that the economic activity generated by the CCB is almost twice the size of the CCB payments themselves. This economic stimulus also generates tax revenue which can help offset the cost of the program. For every \$1 disbursed to Canadian families through the CCB, over half (\$0.55) is recuperated through taxes, \$0.30 to the federal government and \$0.25 to provincial governments.

² Gross output is the value of all goods and services produced. It differs from GDP as it is the sum of the final purchases and intermediate inputs, while GDP subtracts intermediate inputs.

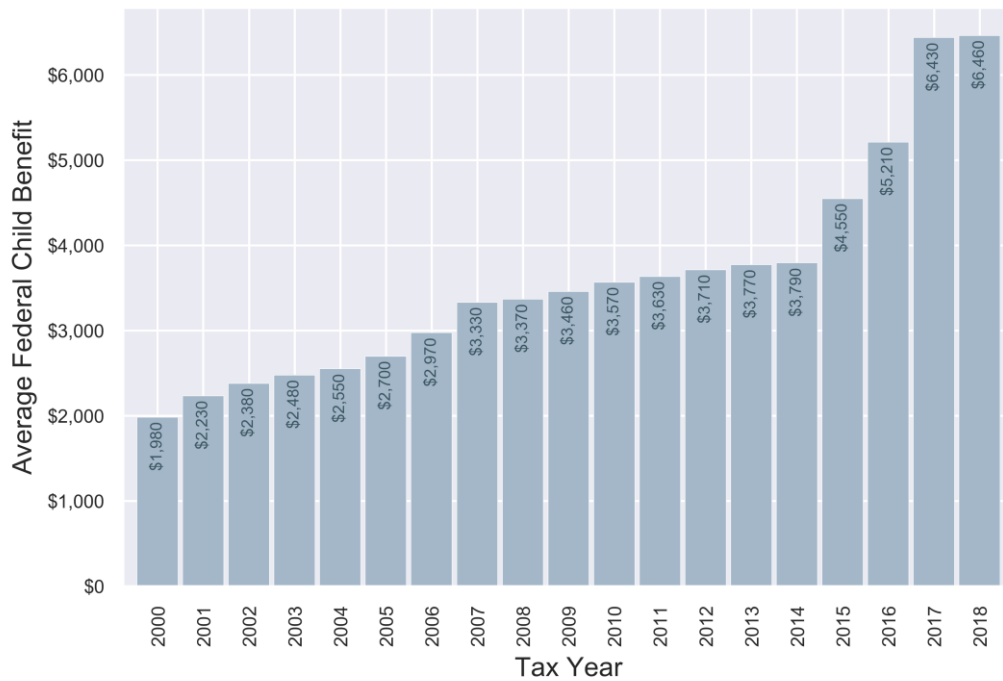
1.0 INTRODUCTION

1.1 CHILD BENEFIT PROGRAMS IN CANADA

Programs designed to transfer income to families with children, particularly low-income families, are common in the industrialized world. Government transfers to Canadian families with children date back to 1944 when the federal government put in place a federal Family Allowance, a tax-free payment to women with children under the age of 16 who attended school. A primary goal of this initial program was to stimulate economic activity postwar and avoid a recession, as it was expected lower and moderate-income families would spend this cash rather than save it (Moscovitch and Falvo 2017).

In subsequent decades, child benefits have been at times removed and reformed, and the programs' goals have evolved. Some of these goals include increasing opportunities for children from low-income families; improving children's educational and future labour market outcomes; and providing support to families with children out of distributional concern, as these families face higher expenses (Jones, Milligan and Stabile 2015, Milligan and Stabile 2008, Milligan and Stabile 2009). In some iterations, these programs have been tied to earned income in order to encourage workforce participation, particularly among women with young children (Milligan and Stabile 2009). Despite the different ways these programs have been framed since 1944, child benefits programs have been supported by successive governments in Canada across political ideologies.

Currently, eligible Canadian families can receive a child benefit under the Canada Child Benefit (CCB), which was introduced in the 2016 federal budget. The CCB represents a significant expansion to child benefits compared with previously existing programs, with nine out of ten families receiving more than they did previously (Department of Finance Canada 2018). In 2018, the average amount of federal benefits received by Canadian families was \$2,670 higher than in 2014. On average, between 2000 and 2014, the average amount of federal benefit received by Canadian families grew at 5% a year, while between 2015 and 2017 which corresponds with the implementation of the CCB, average benefits grew by 19% a year. The average amount received by Canadian families under various federal child benefits programs is shown by year in Figure 1.

Figure 1 Average amount of federal child benefit received by Canadian families by year

1.2 OBJECTIVES

The CCB is a tax-free monthly payment made to eligible families to help them with the cost of raising children under 18 years of age. In practice, it acts as a basic income guarantee for Canadian families with children. Research has shown evidence that child benefits such as the CCB are effective tools to alleviate poverty and food insecurity, improve physical and mental health outcomes of children in lower-income families and improve cognitive outcomes and educational achievement (Milligan and Stabile 2009, Milligan and Stabile 2008, Dahl and Lochner 2008, Michelmore 2014).

While the benefits of the CCB on child health and development are potentially significant, its economic contribution as a type of basic income guarantee has not been robustly assessed and measured. The objective of this research is to complete an economic impact analysis of the potential economic contribution of the CCB to the Canadian economy since its introduction in 2016. Presented are the effects of the CCB on families by type and income level, as well the effects of the economic stimulus provided by the CCB on government revenues and on the national economy.

This next section provides an overview of previous research relevant to the topic in order to frame the current study, followed by a comprehensive explanation of the CCB and how it is structured, as well as the methodology used for this study. Section three presents the findings of this analysis in two parts: demographic impacts and economic contribution.

2.0 BACKGROUND

2.1.1 PAST RESEARCH ON THE BENEFITS OF CHILD BENEFIT PROGRAMS

The effects of past child benefit programs in Canada have been widely studied thanks to the availability of historical data. These previous studies and studies on similar programs in the USA have measured the effects of child benefit programs on the development and well-being of children. Some also attempt to empirically determine how providing additional income to families brings about these positive effects. Furthermore, studies on the Bolsa Família program in Brazil have demonstrated the significant positive socio-economic impacts that a large-scale transfer program can have on a country. This section details existing findings from these various studies and how these relate to the CCB.

Across the research on programs in Canada and the USA, the most consistent finding is the positive effect of child benefits on children’s physical and mental health and development. Many also find some evidence that child benefits have a positive effect on educational attainment. This indicates potential long-term economic benefits the CCB, namely in terms of raising future earning potential and reducing healthcare costs. Measuring these economic impacts will only be possible after several decades of data on the program has been collected.

Existing research suggests that increased family income improves children’s health, development and educational outcomes in two distinct ways:

1. By increasing spending on goods and services that directly improve health and educational outcomes, e.g. tuition, books, healthcare, etc.
2. Indirectly, by increasing spending on non-durable goods that help the family function better and decrease overall levels of financial stress, which creates a better environment for children to develop in.

Previous studies show evidence that both of these factors are at play (Jones, Milligan and Stabile 2015, Hoynes, Miller and Simon 2012) and that the indirect channel has the largest effect (Milligan and Stabile 2008).

In terms of improving health outcomes, research has shown that increasing child benefits has a measurable positive effect on child and maternal physical and mental health specifically (Milligan and Stabile 2008).³ A subsequent study by the same authors finds further evidence that expansions of child benefits increased the mental, motor and social skill development of children in eligible families while decreasing their physical aggression and anxiety (2009). A corroborating study on child benefits in the USA finds that these contribute to reducing the incidence of low-birth weights (Hoynes, Miller and Simon 2012). The authors also find evidence that families who receive greater child benefits increased their spending on goods that increase health and reduce their spending on “risky” goods such as tobacco and alcohol, which likely contributes to these positive health outcomes (Hoynes, Miller and Simon 2012).

³ Interestingly, these findings differ along gender lines with boys seeing larger improvements in educational outcomes and physical health and girls seeing larger improvements in mental health outcomes.

These studies provide significant evidence that additional income from the CCB can play an important role in improving children's long-term health outcomes.

There is also some evidence that increasing child benefits has a positive impact on educational attainment. Using data from the EITC program in the USA, Micheltoreau finds that an increase in benefits increased high school completion rates, as well as the number of years of schooling and college enrollment among children from recipient families where the parent had a low level of education (2014). The same study showed that the effect was larger for children who were younger when the benefits program were implemented, which emphasizes the importance of investing in children from an early age (Micheltoreau 2014). A further study shows that increases in family income have a positive effect on educational achievement, which, the authors posit, could be due to increased expenditure on educational goods and services in addition to the long-term positive effects of living in a family under less financial stress (Dahl and Lochner 2008). These findings have important implications, namely that child benefits such as the CCB help increase future earnings of children in recipient families and therefore contribute to long-term GDP growth.

As a large federal transfer program that offers benefits to families with children, the Bolsa Família program in Brazil can also be compared to the CCB. Similarly to the CCB, families receive a monthly payment based on income and number of children. One main way in which it differs from the CCB is that transfers are conditional on the recipient meeting certain conditions that aim to encourage school attendance, immunization of children, prenatal monitoring of expectant mothers, and remedial education for children and those at risk of child labour (Cirkovic 2019). Studies find that the largest effect of this program has been to decrease poverty and inequality (S. Soares 2012), and there is also evidence that it has improved health and educational outcomes (Erdoglu and Akar 2018, Cirkovic 2019). It is likely that some of the health and educational benefits result from the conditions imposed on the transfer, however, there is also evidence that the transfers shift expenditure patterns, increasing families' share of expenditures on necessities, namely food, education and child clothing (Soares, Ribas and Osorio 2010). These findings provide support to the notion that a large-scale federal program such as the CCB can have wide-ranging socio-economic effects, namely in terms of poverty and inequality reduction.

2.2 THE CANADA CHILD BENEFIT AND RECIPIENTS

The CCB is structured as a non-taxable⁴ amount paid to eligible families monthly over a 12-month period to help with the cost of raising children younger than 18 years of age. The Canada Child Benefit is disbursed in monthly instalments from July to June of the following year and the amount each recipient receives is based on:

- The family adjusted net income⁵ reported in the recipient’s tax return for the previous calendar year; and
- The number of dependent children.

For instance, in July 2016, a given family will receive their first monthly CBB instalment based on their number of eligible children and on their adjusted family net income from January 2015 to December 2016. In this report, the term “benefit year” refers to a July-June period, noting that the income reported in a given benefit year refers to a family’s income in the previous calendar year. For simplicity, adjusted net family income will be referred to as “income before CCB” moving forward.

To be eligible to receive the CCB, the claimant must:

1. Live with a child under 18 years of age.
2. Be the primary responsible person for the care and upbringing of the child.
3. Be a Canadian resident for tax purposes.
4. Be either a Canadian citizen, permanent resident, protected person, temporary resident, or Indian as defined in the Indian Act.

The CCB is calculated based on the claimant’s income tax and benefit returns for the previous year. Starting in July 2019, the maximum amounts per child are as follows⁶:

- \$552.25 per month (\$6,639 per year) for each eligible child under the age of 6
- \$466.83 per month (\$5,602 per year) for each eligible child aged 6 to 17

These amounts are reduced progressively for families whose income is over \$31,120. The reductions are outlined in Table 1 below. For examples of how these calculations are performed for a family with a given income and number of children, see the box on the following page. Table 2 presents the maximum and minimum monthly CCB income that a family with a given income and number of children could receive (the maximum corresponds to the case if all children are below the age of 6 and the minimum to the case where all children are 6 to 17). Note that there is no set maximum benefit. Rather, it is constrained by the number of children in the family and the family income.

⁴ The CCB is not included on tax returns and is therefore not part of a family’s net income.

⁵ Net family income is the sum of the net incomes of spouses or common-law partners (if applicable) before taxes and deductions. Adjusted family net income differs minimally from net income. Full definitions for adjusted net income and net income can be found in the glossary.

⁶ The maximums have increased every year since the program’s introduction in 2016 to keep pace with increasing costs of living.

Table 1 CCB reductions by number of eligible children for the 2018-2019 benefit year

# of Eligible Children	Of the income between \$31,120 and \$67,426	Of the income over \$67,426
1	7.0%	3.2%
2	13.5%	5.7%
3	19.0%	8.0%
4 or more	23.0%	9.5%

Source: Canada Revenue Agency, Government of Canada

Sample Calculations of CCB Income for the 2019 Benefit Year**a) A family with two children of ages 6 to 17 with an income of \$18,000**

The family is eligible to receive a yearly benefit of \$11,204, which is twice the maximum for a child aged 6 to 17. Since the family income is below \$31,120, no reductions apply.

b) A family with one child under 6 years of age with an income of \$45,000

Since the family earns \$12,800 more than \$31,120, the family's CCB is reduced by 7% of this amount, which is equal to a reduction of \$971.60. Therefore the amount that the family receives is \$6,639 less the reduction, for a total of \$5,667.40 per year.

c) A family with 3 children, two under 6 years of age and one over 6 with an income of \$100,000

The total maximum that this family could earn before income reductions is \$18,880. Since the family's income is above \$67,426, the family's CCB is reduced in two steps: First, by 19% of the difference between \$31,120 and \$67,426, which is equal to \$6,898.10, and second, by 8% of the amount above \$67,426, which is equal to \$2,606. After the reductions, the family receives \$9,376 in CCB income annually.

d) A family with one child of age 6 to 17 with an income of \$165,000

The maximum CCB that this family could receive before income reductions is \$5,602. Since the family's income is above \$67,426, the family's CCB is reduced in two steps: first, by 7% the difference between \$31,120 and \$67,426, which is equal to \$2,541.42, and second, by 3.2% of the amount above \$67,426, which is equal to \$3,122.37. The total reductions applied to this family's benefits add up to 5,663.79. Since the reductions are higher than the maximum, this family is not eligible for any benefit under the CCB.

Table 2 Range of monthly benefits available by number of children and family income before CCB for the 2018-2019 benefits year

Family income	1 Child		2 Children		3 Children		4 Children	
	Min. CCB	Max. CCB	Min. CCB	Max. CCB	Min. CCB	Max. CCB	Min. CCB	Max. CCB
\$10,000	\$467	\$553	\$934	\$1,107	\$1,401	\$1,660	\$1,867	\$2,213
\$40,000	\$415	\$501	\$834	\$1,007	\$1,260	\$1,519	\$1,697	\$2,043
\$70,000	\$248	\$335	\$513	\$686	\$808	\$1,068	\$1,151	\$1,497
\$100,000	\$168	\$255	\$370	\$543	\$608	\$868	\$914	\$1,259

2.3 METHODOLOGY

To understand the impact of the CCB on Canadian families, we estimate the number of children who benefit from the program with particular emphasis on children from low- and middle-income backgrounds, using publicly available data from the Canada Revenue Agency. This report uses Statistics Canada CCB data from the 2016-2017 benefit year, 2017-2018 benefit year and estimates for the 2018-2019 benefit year. This data is used to present the demographic profile of recipient families, highlighting those who derive the most benefit from the program. Demographic characteristics include income level, number of children, as well as the number of parents and the gender of the parent in the case of lone-parent families.

Measuring the economic contributions of the CCB to Canada's prosperity requires quantifying all economic activity generated by the additional expenditures of recipient families that are due to the CCB. This economic activity must then be translated into tangible impacts for communities. Prosperity metrics of interest include the CCB's contribution to GDP, the number of jobs supported by the CCB and the government revenue generated, for instance.

This study uses CANCEA's statistical analysis platform to compute the CCB's total economic contribution to the Canadian economy. The data used includes input/output tables and household expenditures by category tables from Statistics Canada, as well as benefit statistics from the Canada Revenue.

The resulting economic contributions can be classified into three main effects by economic convention, which are the following:

- **Direct effects** are computed as the value of all economic activity that can be directly attributed to the expenditures generated by the CCB. This includes, for instance, the value of sales of the goods and services purchased by recipient families with income from the CCB.
- **Indirect effects** are computed as the value of the economic activity that arises through business-to-business interactions within the supply chain. Indirect effects include, for example, additional wages paid to salespeople working in shops where recipient families spend their extra income

and the inputs required to produce and supply the additional goods bought by recipient families with their CCB income.

- **Induced effects** are computed as the economic activity generated through the spending of the wages earned by workers who supply the additional goods and services, as well as the inputs to the additional goods and services purchased by CCB recipient families. Induced effects also include expenditures on increased capacity or the replacement of depreciating capital stock that result from reinvesting business profits (Heintz, Polin and Garrett-Peltier 2009). These purchases or activities can lead to further hiring, resulting in income and tax revenues that reverberate throughout the economy.

The following section reports these economic contributions at the national level and highlights the industries in which these economic contributions are the greatest. Economic benefits are reported as changes in economic indicators such as gross total output, GDP, employment, wages, and government revenue.

3.0 CONTRIBUTIONS OF THE CHILD CARE BENEFIT

From July 2016 to June 2019, about \$71 billion has been disbursed to Canadian families through the CCB. In the most recent year for which detailed statistics are available, the 2017-2018 benefit year, \$24 billion was disbursed to 3.7 million recipient families who, together, have 6.4 million children. The demographic profiles of these families are presented in section 3.1 below, and the economic benefits generated by the CCB are described in section 3.2.

3.1 DEMOGRAPHIC IMPACTS

3.1.1 FAMILY CHARACTERISTICS

The CCB helps families of various income levels with the costs of raising children under the age of 18. The amount an individual family is eligible for decreases with income and increases with their number of children. The CCB guarantees families a basic income which increases with the number of children but decreases with increasing non-CCB income. For example, a family with an income of \$25,000 before CCB and two children is eligible to receive between \$11,000 and \$13,500 annually from the CCB, while a family with an income of \$150,000 and four children is eligible to receive between \$6,000 and \$10,200.

Figure 2 Average CCB by income bracket in the 2017-2018 benefit year

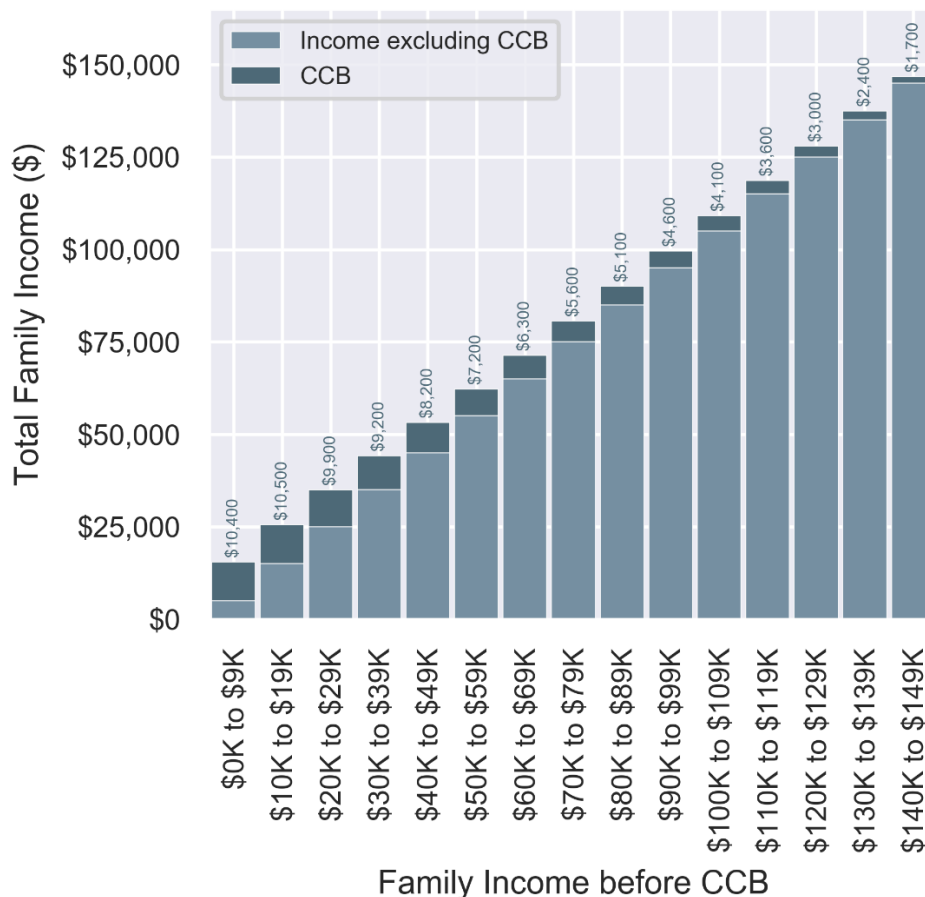


Figure 2 shows the average amount of CCB received by families in different income brackets, and Figure 3 shows the average share of a family’s total available income (including CCB) that comes from the CCB. The share of a family’s total available income that comes from CCB payments decreases rapidly as family income before CCB increases.

Figure 3 Share of total income from CCB by income bracket in the 2017-2018 benefit year

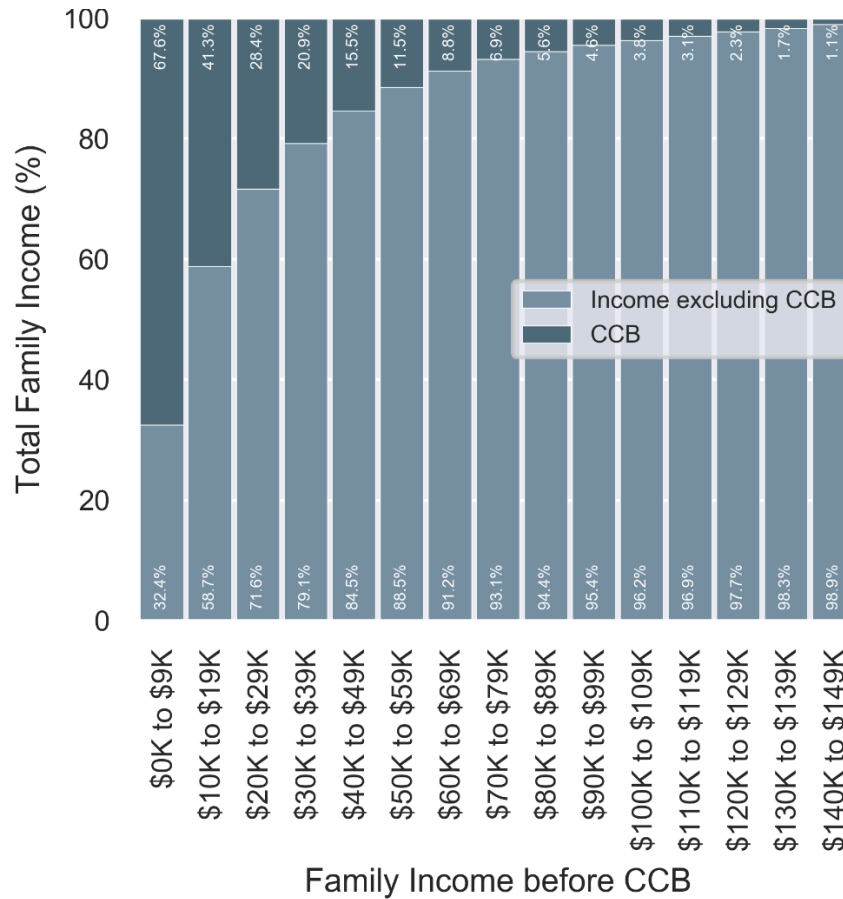


Table 3 shows the number of families receiving CCB income by the amount of CCB received monthly. The average size of CCB payments across families of all income levels and number of children is \$556 per month or \$6,667 per year. The number of female- and male-led lone-parent families by monthly CCB income is given in Table 4. As shown in the table, 79% of the lone-parent families who receive income from the CCB are female-led.

Table 3 Number of families by monthly CCB income in the 2017-2018 benefits year

Monthly CCB	All Families			Lone-Parent Families	
	Percentage of All Families	Number of Families	Number of Children	Lone-Parent Families	Number of Children
\$0 to \$199	16%	584,148	736,657	34,649	45,283
\$200 to \$399	25%	900,062	1,268,510	229,491	293,297
\$400 to \$599	29%	1,047,086	1,470,609	401,745	495,678
\$600 to \$799	7.5%	274,138	639,724	93,863	205,445
\$800 to \$999	12%	440,345	959,174	172,913	359,028
\$1,000 to \$1,199	3.9%	141,878	363,440	49,702	116,293
\$1,200 to \$1,399	1.4%	50,372	165,038	17,805	54,903
\$1,400 to \$1,599	3.7%	135,312	424,872	45,902	137,764
\$1600 or more	2.4%	87,526	382,730	14,688	61,762
Total	100.0%	3.66 million	6.41 million	1.06 million	1.77 million

Table 4 Lone-Parent families by monthly CCB income in the 2017-2018 benefits year

Monthly CCB	Female led			Male led		
	Percentage	Families	Children	Percentage	Families	Children
\$0 to \$199	2.3%	23,889	31,099	1.0%	10,760	14,184
\$200 to \$399	16%	169,318	213,258	5.7%	60,173	80,039
\$400 to \$599	30%	317,573	388,769	7.9%	84,172	106,909
\$600 to \$799	7.3%	77,155	168,348	1.6%	16,708	37,097
\$800 to \$999	14%	144,809	300,809	2.6%	28,104	58,219
\$1,000 to \$1,199	3.9%	41,786	98,280	0.7%	7,916	18,013
\$1,200 to \$1,399	1.5%	16,157	49,733	0.2%	1,648	5,170
\$1,400 to \$1,599	3.6%	38,112	114,382	0.7%	7,790	23,382
\$1600 or more	1.1%	12,026	50,447	0.3%	2,662	11,315
Total	79%	840,826	1,415,124	21%	219,932	354,329

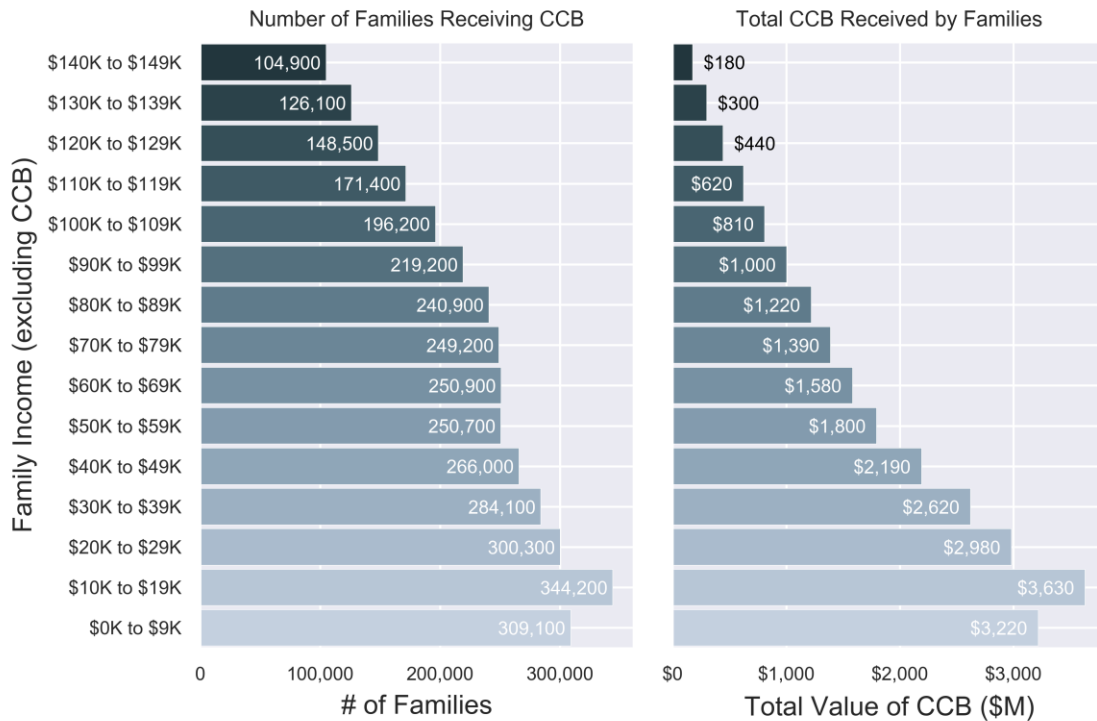
The number of families receiving CCB by type and the average monthly amount received by family configuration is given in Table 5.

Table 5 Average monthly CCB income received by family type in the 2017-2018 benefits year

	Lone-Parent Families			Two-Parent Families		
	Families	Total Children	Average CCB	Families	Total Children	Average CCB
1 Child	481,573	481,573	\$391	1,031,246	1,031,246	\$291
2 Children	433,593	867,186	\$709	958,062	1,916,124	\$505
3 Children	108,351	325,053	\$1,201	322,519	967,557	\$855
4 Children	15,416	61,664	\$1,724	95,488	381,952	\$1,385
5 or More Children	3,038	15,190	\$2,529	37,907	189,535	\$2,277

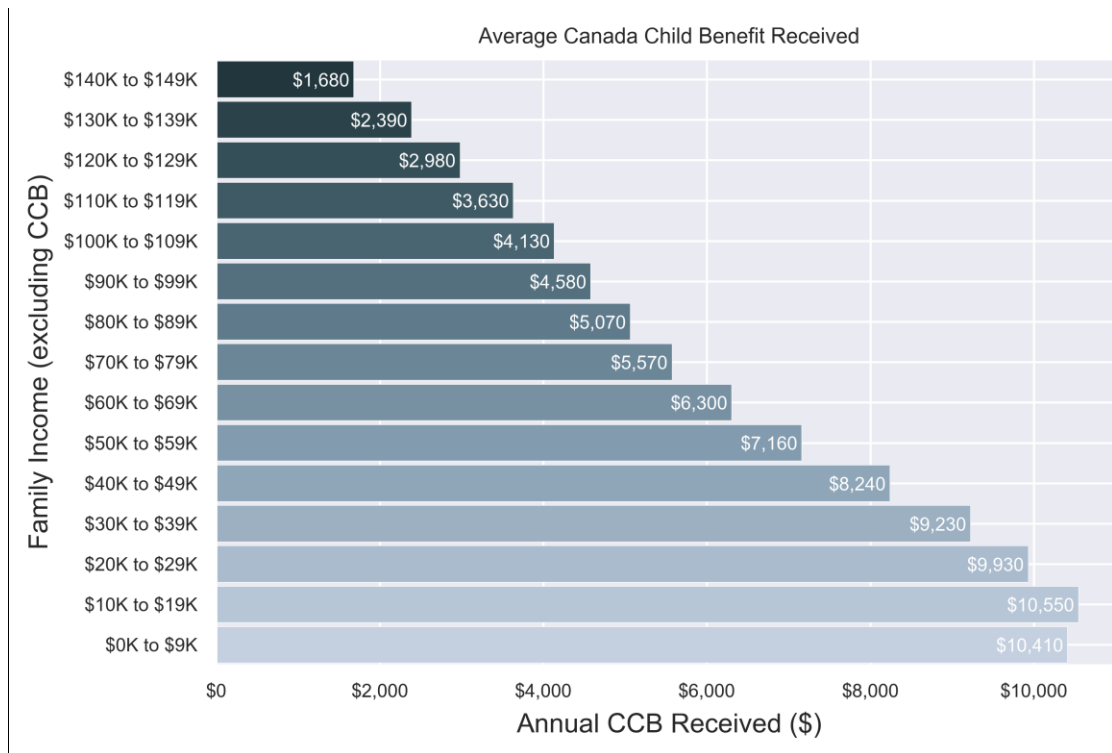
Families who receive the CCB are spread across a wide range of family incomes, including many families whose incomes before CCB are above \$50,000. Figure 4 presents the number of families in each income brackets that receive any income from the CCB. Of the total recipient families in the 2017-2018 benefits year, 42% have a pre-CCB income below \$50,000, 55% have incomes between \$50,000 and \$150,000, and 4% have an income above \$150,000. However, since lower-income families are eligible for higher CCB payments, 60% of the total CCB disbursement goes to families whose pre-CCB incomes are under \$50,000, 39% goes to families with incomes between \$50,000 and \$150,000 and the remaining 1% goes to families whose income is above \$150,000.

Figure 4 Number of families receiving CCB in the 2017-2018 benefit year and total disbursed



The average annual CCB income received per family in each income bracket is given in Figure 5. Note that the reason that the average does not strictly decrease with income is that these monthly payments are averaged across all family sizes and ages of children.

Figure 5 Average benefit received per family by income in the 2017-2018 benefit year



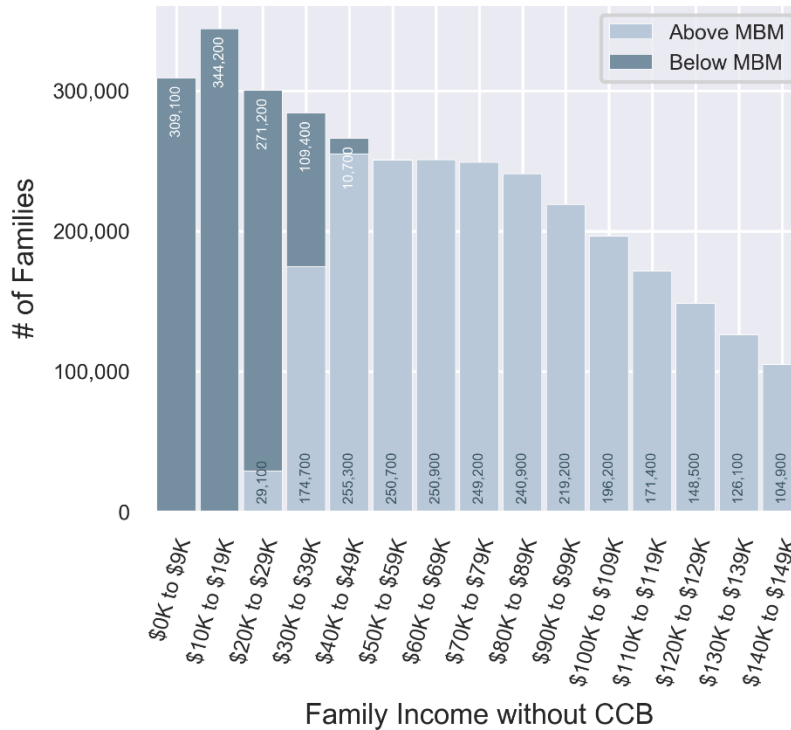
3.1.2 POVERTY REDUCTION IMPACTS

In the 2017-2018 benefit year, without the additional income provided by the CCB (or a comparable federal benefits program), one million Canadian families would be below the poverty line, defined as the Market Basket Measure (MBM) low-income threshold. The Market Basket Measure (MBM) is the official standard of living metric developed by Employment and Social Development Canada. Families whose income falls below the MBM threshold⁷ are unable to afford a modest, basic standard of living. With CCB income, this number is reduced to 767,600. The result is that CCB income kept 277,000 families completely above the poverty line while improving the standard of living for the rest. This represents 27% of all families with children who would be below the MBM threshold without the CCB. The number of

⁷ The threshold represents the costs of specified qualities and quantities of food, clothing, footwear, transportation, shelter and other expenses for a reference family of two adults and two children. The square root of economic family size is the equivalence scale used to adjust the MBM thresholds for other family sizes. This study uses an estimated MBM threshold of \$19,000 for a single-person household in Canada in 2016, adjusted for household size, based on the following [table of MBM thresholds for 2015](#) given by Statistics Canada. For more information about the MBM, see [Statistic Canada’s 2016 Census Dictionary](#).

recipient families in each income bracket excluding CCB is shown in Figure 6 and the number in each income bracket including CCB is shown in Figure 7.⁸

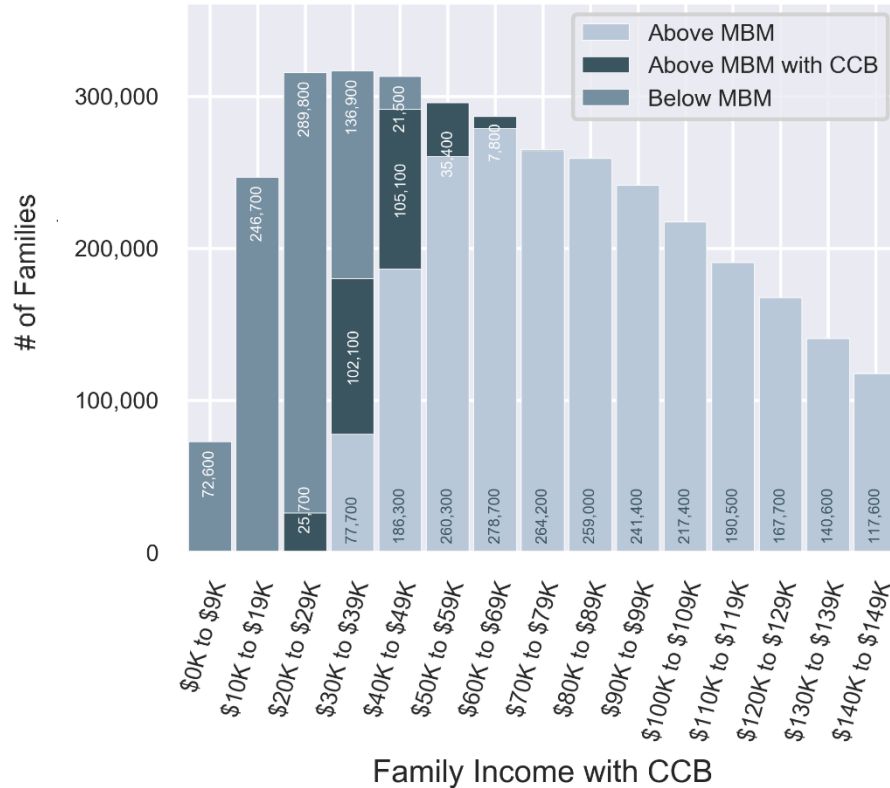
Figure 6 Income distribution of families with children in the 2017-2018 benefit year excluding CCB



The difference between Figure 6 and Table 7 highlights how the CCB pushes the income distribution up, meaning that there are far fewer families in lower income brackets. In fact, the FFB moved about 350,000 families and 750,000 children above the \$20,000 family income level.

⁸ Only families with incomes under \$150,000 are shown.

Figure 7 Income distribution of families with children in the 2017-2018 benefit year including CCB



The income distributions of lone-parent families who receive CCB income before and after CCB are presented in Figure 8 and Figure 9, respectively. Income from the CCB helps 37% of lone-parent families whose income would be below the poverty line remain above it, amounting to 131,600 families in total. Of these families 105,300 (80%) are female-led.

Figure 8 Income distribution of lone-parent families in the 2017-2018 benefit year excluding CCB

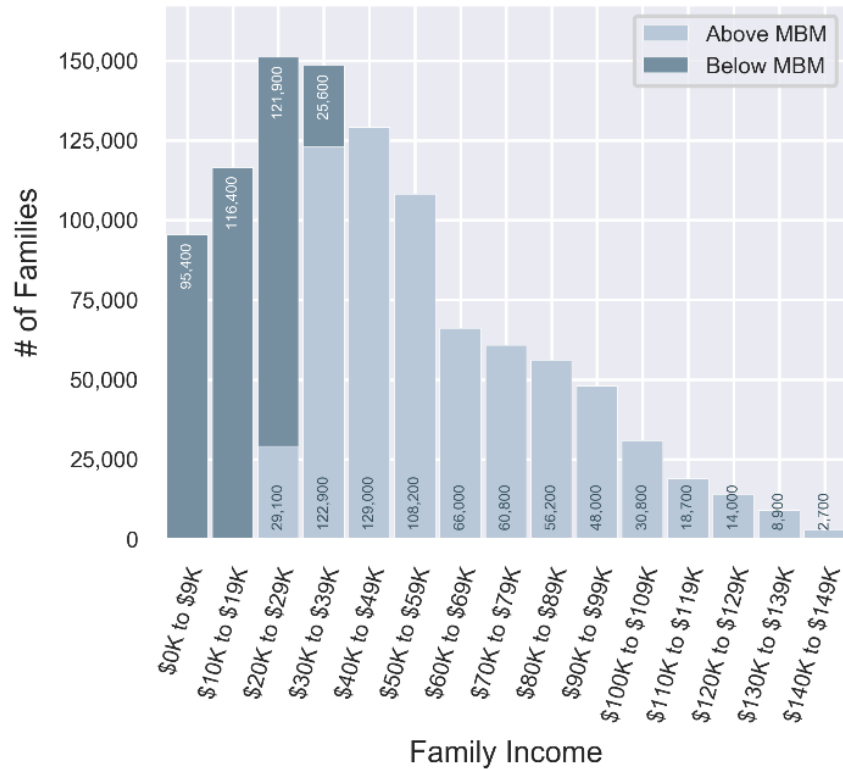
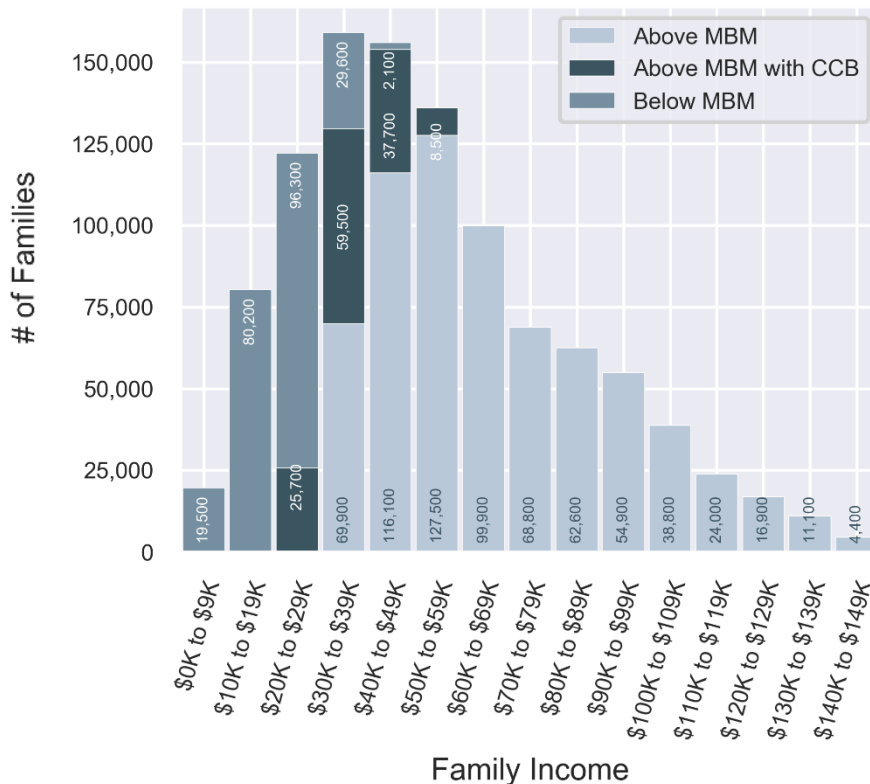


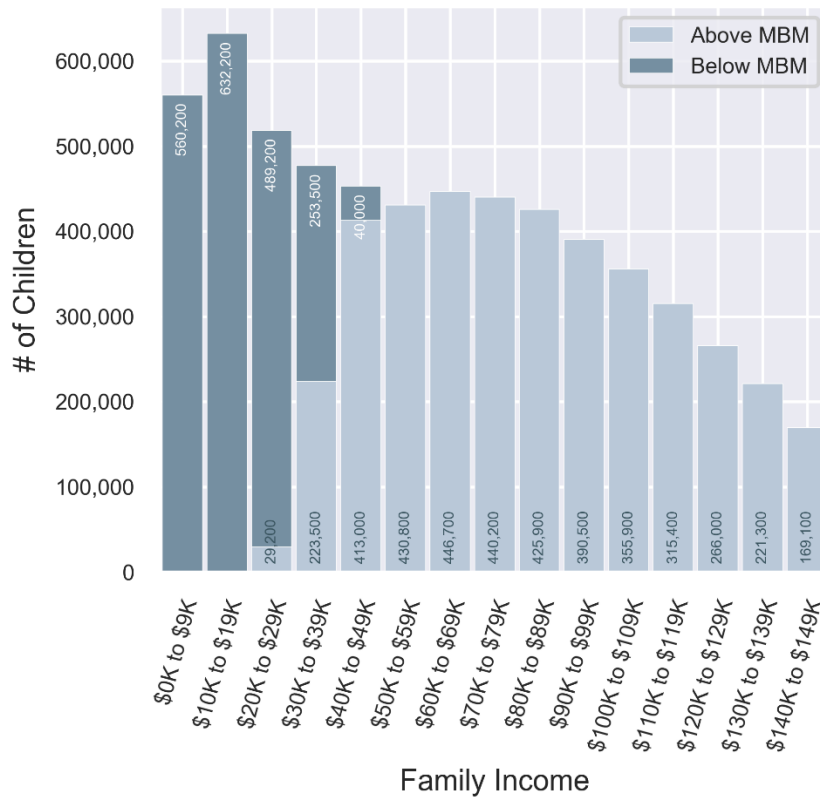
Figure 9 Income distribution of lone-parent families in the 2017-2018 benefit year including CCB



3.1.3 IMPACT ON CHILDREN

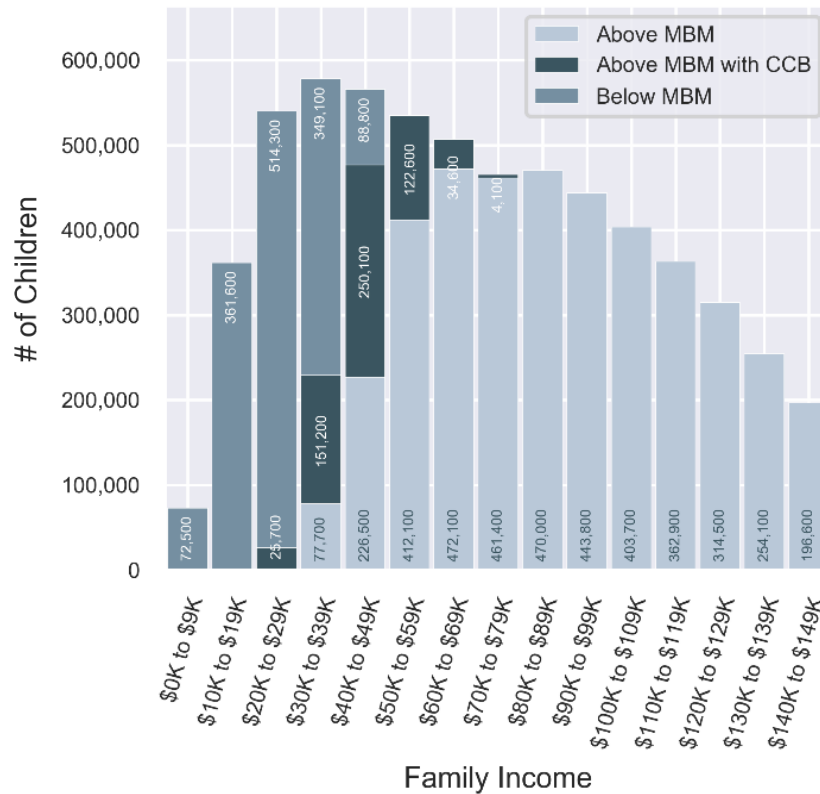
Many studies have demonstrated a strong relationship between income and children’s development and educational outcomes. In total, the CCB has been disbursed to the families of 6.4 million Canadian children. Nine percent of these children (588,000 in total) are from families who would fall under the poverty line in the absence of CCB income or income from a comparable benefits program.⁹ This contributes to creating a more financially stable home for these children and can reduce financial stress in the family, leading to better development outcomes. In addition, the CCB increased the incomes of the families of 750,000 children to above \$20,000. The distribution of children by family income excluding CCB is shown in Figure 10 and the distribution of children by family income including CCB is shown in Figure 11.

Figure 10 Distribution of children by family income in the 2017-2018 benefit year excluding CCB



⁹ Note that these are children who would be below the MBM measure without the CCB or any alternative federal child benefit. For this reason, this figure is higher than the change in number of children living in poverty between 2015 and 2017, which is reported to be 278,000. (see the [Government of Canada’s Canada Child Benefit page](#))

Figure 11 Distribution of children by family income in the 2017-2018 benefit year excluding CCB



Most children whose families would fall below the poverty line without the CCB are from families that have two parents and two children, followed by families with a lone-parent and two children. However, children from lone-parent families with two or three children and those in dual-parent families with four children are kept above the poverty line at the highest rate. In other words, a larger share of families from these types of families would fall below the poverty line without CCB income than children from other family types.

3.1.4 IMPACT ON THE MIDDLE CLASS

While the CCB has a dramatic impact on families below the MBM threshold, the benefits extend well into the middle class. Over half of the families who receive at least some CCB payments have a pre-CCB income of \$60,000 or above. Although payments decrease as income increases, even a relatively small monthly supplement can help families budget, lessen their financial stress and help parents make longer-term investments into their family’s education, health, and overall well-being.

Table 6 shows the average CCB payments received by families whose pre-CCB income is over \$50,000. This includes over 2 million families with 3.7 million children between them. Most of these families have one or two children, and the average amount received by families with incomes over \$50,000 is \$381 per month or \$4,567 annually.

Table 6 CCB of families with incomes of \$50,000 or more, 2017-2018 benefits year

Number of Children	Average Monthly CCB Income	Number of Families
1 Child	\$215	835,525
2 Children	\$397	878,141
3 Children	\$634	256,268
4 Children	\$1,013	54,060
5 or more Children	\$1,993	14,975

The income from the CCB alters the Canadian income distribution across a wide range of family incomes. Table 7 shows that the CCB shifts the median income of families with one child up by almost \$4,000 and the income of median families with four children by just under \$19,000 relative to without child benefits. As shown in the table, the CCB significantly shifts the 25th percentile income upwards. For instance, the CCB increases the 25th percentile income for a family with two children increased by over \$11,000. Since the upward shift is largest for the 25th percentile income and the lowest 75th percentile, this means that the CCB is concentrating more families in the middle of the income distribution.

Table 7 Average increase in family income with CCB (25th, 50th and 75th percentiles)¹⁰, 2017-2018 benefits year

Number of Children	25 th Income Percentile	Median Income	75 th Income Percentile
1	+\$5,870	+\$3,834	+\$2,366
2	+\$11,094	+\$6,485	+\$4,178
3	+\$17,075	+\$10,671	+\$7,495
4	+\$22,659	+\$18,966	+\$13,158

3.2 ECONOMIC CONTRIBUTION

The economic contributions of the CCB are generated by the additional spending by the recipient families which has direct, indirect and induced effects on the economy. Families who receive the CCB will spend this additional income according to their needs. Their expenditures are multiplied through the economy, since an increase in spending on some goods and services generates the need for inputs to those goods and services. To fulfil the larger demand generated by the CCB, some businesses will require more staff and workers, including, for example, additional store clerks, truck drivers, and supply chain managers. The industries and sectors of the economy which benefit the most from CCB-induced spending depend on the expenditure patterns of recipient families.

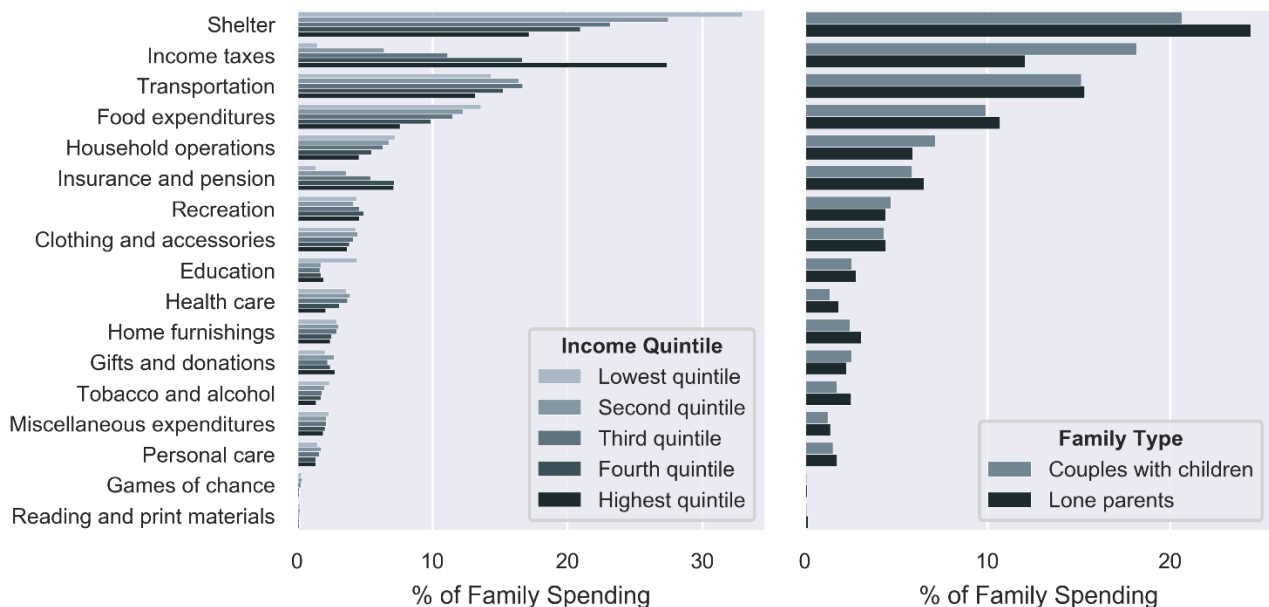
¹⁰ The 25th percentile family income is the income below which 25% of families are and above which 75% of families are. The median family income is the income below which 50% of all families are and above which 50% are. The 75th percentile family income is that of the family whose income is higher than 75% of all families.

3.2.1 GDP CONTRIBUTIONS BY SECTOR

The CCB’s contributions to the economy can be understood as changes to key economic indicators such as GDP, output, gross operating surplus, wages, and employment. Since its introduction, the CCB has contributed an estimated \$139 billion to Canada’s GDP. This represents 2.1% of Canada’s total GDP over the same time period. The annual GDP contribution amounts to \$46 billion, which is about the GDP of the province of Nova Scotia. These results are well in line with the Bank of Canada’s estimation that the CCB added 0.5% points to economic growth in 2017 (Poloz 2017). Seventy-nine percent of the GDP contribution is attributed to direct and indirect effects, and 21% to induced effects.

The industries that most benefit from the additional spending generated by CCB income depend largely on the expenditure patterns of those who receive the most through the program. In Canada, according to the Office of Consumer Affairs 2011 surveys of spending patterns, low-income families spend most of their income on necessities, namely food, shelter and clothing. In addition, the survey shows that spending patterns differ between lone-parent and dual-parent families. Dual-parent families report higher expenditures on computer equipment and internet services, and since they are more likely to own a home and to have a mortgage, also report spending more on financial services. Lone-parent families are on average less likely to have durable assets than double-income families and therefore report higher expenditures on services such as laundromats and taxi transportation. Furthermore, they are more likely to be renters and therefore have higher moving expenses, in addition to storage and delivery (Office of Consumer Affairs 2011).

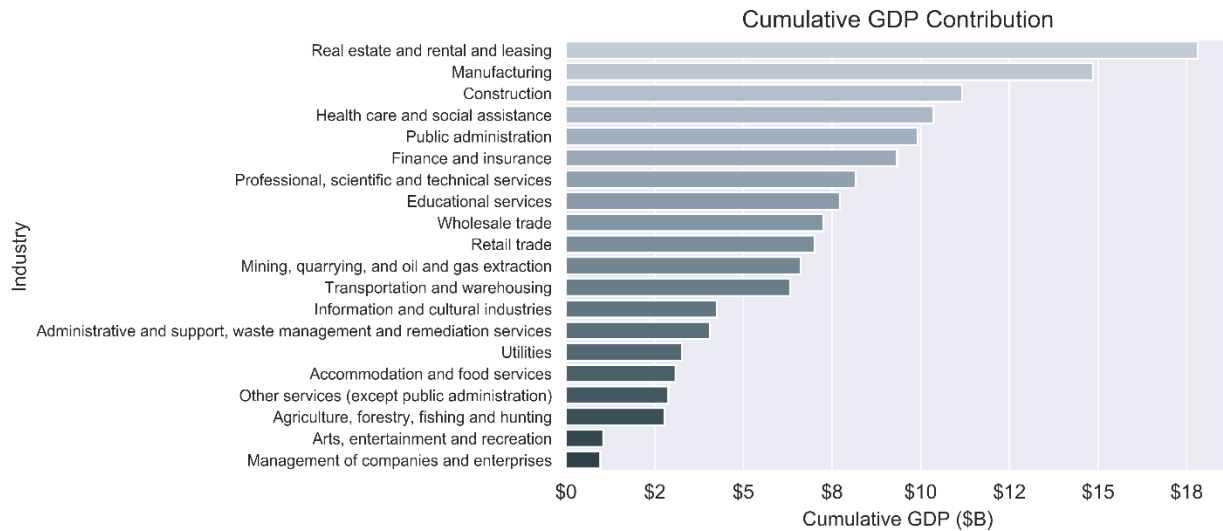
Figure 12 Expenditure patterns by family income



Since the CCB is more generous for lower-income families, their expenditure patterns will have the largest influence in determining the sectors of the economy that the CCB will most benefit. Figure 12 demonstrates lower-income families’ (lowest two quintiles) higher relative expenditures on necessities as

well as education, which usually directly benefits children. Sectors of the economy that produce these types of goods and services therefore see increased economic activity due to the CCB. Figure 13 presents the cumulative GDP contribution by industry. Since rent is the largest single expenditure item, it follows that the real estate industry is the main industry supported by the CCB. Real estate is followed by the manufacturing sector, which includes producers of various necessities. Through indirect and induced effects, benefits extend to many expenditure categories independently of the spending patterns of CCB recipients. As a result, all industry sectors are supported to some degree by the stimulus generated by the CCB.

Figure 13 GDP contribution by industry, cumulative since June 2016



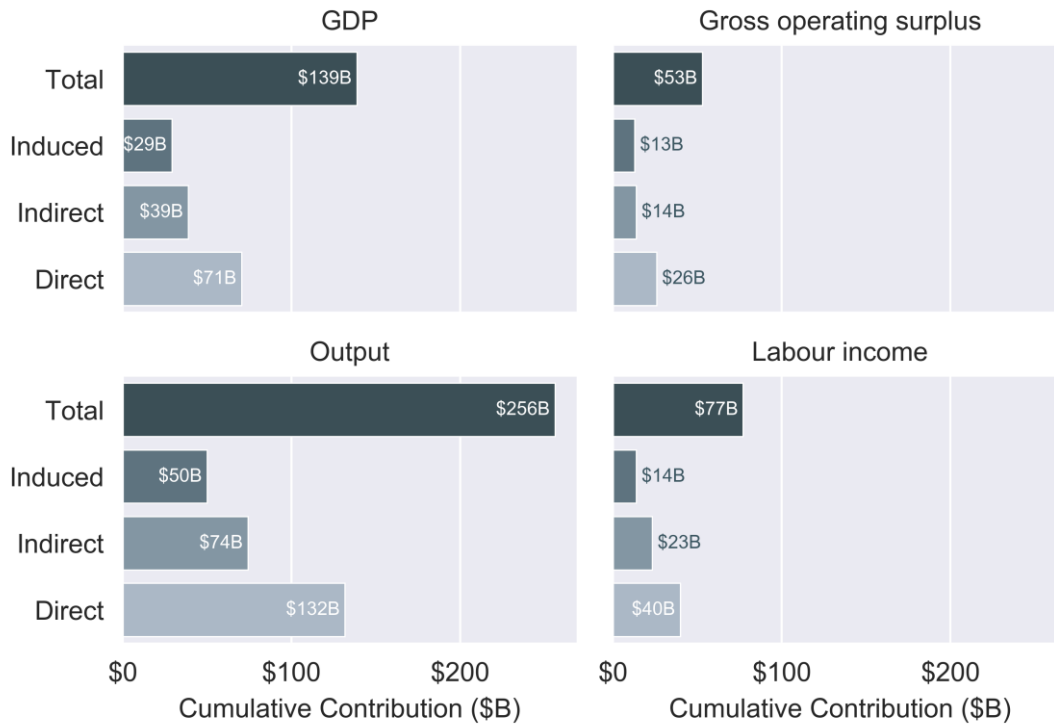
3.2.2 CONTRIBUTIONS TO EMPLOYMENT, INVESTMENT AND OUTPUT

The total output¹¹ directly contributed by the CCB is estimated at \$85 billion annually. Across all industry sectors, the annual contribution is estimated at \$18 billion in Gross Operating Surplus.¹² These contributions and their breakdown by direct, indirect and induced effects are presented in Figure 14.

¹¹ Refers to the revenue from all goods and services produced. It differs from GDP as it is the sum of the final purchases and intermediate inputs, while GDP subtracts intermediate inputs.

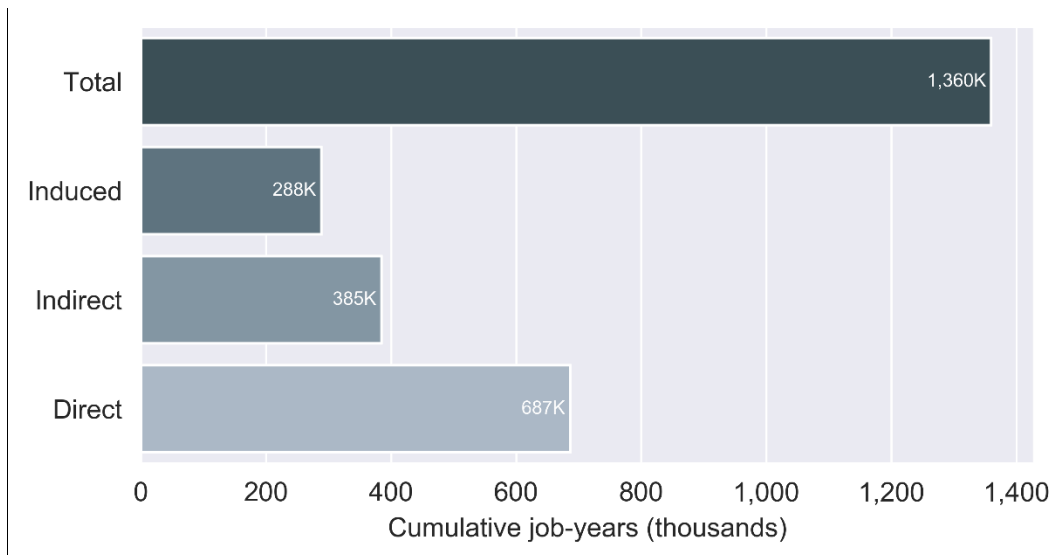
¹² Gross operating surplus is the value added minus personnel cost of a firm.

Figure 14 Impact of CCB on key economic indicators, cumulative since June 2016



Through the economic activity it has stimulated, the CCB has contributed 1.4 million job-years since its introduction (see Figure 15), which is equivalent to 418,000 full-time jobs per year and 70,300 part-time jobs per year. The total wages associated with these jobs amount to \$26 billion per year.

Figure 15 FTEs contributed by CCB, cumulative since June 2016



3.2.3 GOVERNMENT REVENUE CONTRIBUTIONS

The CCB generates government revenue through the consumption tax on all additional goods and services purchased by CCB recipients and their inputs, as well as through corporate and income tax paid on the revenues and wages supported by the CCB. This means that although the federal government finances the CCB, a portion of this expense is recovered. In total, the CCB contributes \$13 billion in annual tax revenue across both levels of governments, which includes \$7.0 billion in federal revenue and \$6.0 billion in provincial revenue. This means that for every \$1 disbursed to Canadian families through the CCB \$0.55 is recovered through taxes, including \$0.30 by the federal government itself. The remainder can be seen as a type of transfer to provincial governments. The breakdown of government revenue generated by the CCB by tax type is given in Table 8.

Table 8 CCB's annual contribution to government revenues

	Federal	Provincial	Both
Consumption Tax	\$1.2B	\$2.1B	\$3.4B
Corporate Tax	\$1.6B	\$1.0B	\$2.6B
Income Tax	\$4.2B	\$2.9B	\$7.1B
Total	\$7.0B	\$6.0B	\$13.0B

3.2.4 ADDITIONAL ECONOMIC CONSIDERATIONS

Some benefits of a large economic stimulus such as the CCB appear over the longer term. As such, these cannot yet be measured. However, evidence from expenditure patterns combined with findings from prior studies can provide some indication of the types of long-term benefits that can be expected. One such benefit has to do with the investments made possible by the CCB into the overall health and educational development of children who will go on to form the future labour force. Further benefits relate to a potential decrease in pressure on the healthcare system due to possible improvement in health outcomes supported by the income boost provided by the CCB.

As has been mentioned earlier in the report, a large share of CCB payments benefits children in low- to moderate-income families. As presented in section 3.2.1, families in the lower two income quintiles have a propensity to spend a larger share of their income on necessities, as well as healthcare and education. In fact, healthcare is among the top five industries that are the most supported by the CCB, and education is among the top ten (see Figure 13). Early investments in childhood education and health can have long-lasting positive effects on health, well-being and earning potential, which can improve long-term economic productivity and lessen future strain on government-provided services such as healthcare.

In addition, previous research shows considerable evidence to the fact that additional income has positive, indirect effects on the health of entire families, most notably for low-income families. In addition to reducing financial stress, additional income can help families afford the necessities that make an environment conducive to better childhood health and development outcomes (Milligan and Stabile

2008). For instance, the additional income can not only reduce affordability pressures but also help these families move to dwellings that are better suited to their needs.

These potential long-term economic benefits generated by the CCB may be quite significant as the effects compound over the years, and measuring them will represent an interesting area for future research.

CONCLUSIONS

The Canada Child Benefit provides Canadian families with children with a basic income guarantee that helps them cover the costs of raising children. This additional source of income helps keep a significant number of children above the poverty line while providing support to middle-income families as well. In the absence of this program (and of any alternative program), about 588,000 children would fall below the poverty line, and 750,000 more Canadian children would live in families with incomes below \$20,000. The CCB provides a more financially secure environment for these children and increases their chances of growing up in a family where their basic needs are met.

A guaranteed income for families with children also has potentially large long-term effects on population health, educational success and earning potential. Related studies have consistently shown that child benefits increase physical and mental health outcomes and promote healthy development in children whose parents receive child benefits. These positive effects are amplified if families receive benefits earlier on in their children's lives. Many also find that child benefits increase educational achievement. In the long term, the CCB may, therefore, contribute to economic growth by reducing healthcare costs and increasing the productivity of the workforce, and promote a healthier, more upwardly mobile population.

In the shorter term, the CCB contributes to Canada's economy and prosperity by increasing family spending on goods and services. Since June 2016, the CCB has contributed 2.1% to Canada's total GDP. For every \$1 disbursed to Canadian families through the CCB, \$1.97 is contributed to national GDP through direct, indirect and induced effects. In other words, the economic activity generated by the CCB is almost twice the size of the CCB payments themselves. This adds up to \$46 billion in GDP annually. Additionally, the CCB contributes about 453,000 full-time job equivalents a year which are paid \$26 billion dollars in wages annually. For comparison, that's about one full-time job for every 8th recipient of the CCB.

Through the economic activity it generates, the CCB generates tax revenue for provincial and federal governments, partially offsetting its costs. In total, the CCB has contributed an estimated \$39 billion in combined tax revenue, with \$21 billion returned to the federal government. This means that for every \$1 CCB payment made to families, the federal government recuperates \$0.30 through tax revenue, and provincial governments receive an additional \$0.25 in tax revenue.

As a whole, the program can be said to provide economic stimulus to the Canadian economy while supporting families with the cost of raising children. This contribution is significant in terms of GDP and employment, and the program may yet prove to have longer-term socio-economic benefits on the future population. In the shorter term, it can already be said to alleviate poverty, enabling more families to reach the middle class.

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B. GLOSSARY

AFNI: Stands for adjusted family net income. It is calculated as the family net income minus any universal child care benefit and registered disability savings plan income received, plus any universal child care benefit and registered disability savings plan amounts repaid.

Benefit year: The period of time over which CCB benefits are disbursed to families, spanning from July to June of the following year.

CCB: The Canada Child Benefit, a federally funded program to help eligible families with the cost of raising children under 18 years of age, whereby eligible families receive a non-taxable amount paid monthly.

Direct effects: in this report, refers to the value of all economic activity that can be directly attributed to the expenditures generated by the CCB. This includes, for instance, the value of sales of the goods and services purchased by recipient families with income from the CCB.

Full-time equivalent: often abbreviated to FTE, it is the ratio of the total number of paid working hours during a period by the number of working hours in that period. An FTE of 1 is equivalent to a full-time worker.

Gross output: the value of all goods and services produced. It differs from GDP as it is the sum of the final purchases and intermediate inputs, while GDP subtracts intermediate inputs.

Gross operating surplus: the value added by a firm minus the personnel cost. It is the balance available to a unit which allows it to recompense the providers of own funds and debt to pay taxes and to finance all or a part of its investment.

Indirect effects: in this report, refers to the value of the economic activity that arises through business-to-business interactions within the supply chain. Indirect effects include, for example, additional wages paid to salespeople working in shops where recipient families spend their extra income and the inputs required to produce and supply the additional goods bought by recipient families with their CCB income.

Induced effects: in this report, refers to the economic activity generated through the spending of the wages earned by workers who supply the additional goods and services, as well as the inputs to the additional goods and services purchased by CCB recipient families. Induced effects also include expenditures on increased capacity or the replacement of depreciating capital stock that result from reinvesting business profits. These purchases or activities can lead to further hiring, resulting in income and tax revenues that reverberate throughout the economy

Job-year: equivalent to a full-time equivalent for one year. This metric is used to capture job contributions over a period of time spanning multiple years.

MBM low-income threshold: Stands for market basket measure. The threshold represents the costs of specified qualities and quantities of food, clothing, footwear, transportation, shelter and other expenses for a reference family of two adults and two children. The square root of economic family size is the

equivalence scale used to adjust the MBM thresholds for other family sizes. This study uses an estimated MBM threshold of \$19,000 for a single-person household in Canada in 2016, adjusted for household size, based on the following table of MBM thresholds for 2015 given by Statistics Canada. For more information about the MBM, see Statistic Canada's 2016 Census Dictionary.

Median family income: the income below which 50% of families are and above which 50% of families are.

Net income: the amount from line 236 on an income tax and benefit return, which is net income before taxes and deductions. Net incomes of spouses or common-law partners are summed together.

Quintile: a statistical value of a dataset that represents 20% of a given population. The first quintile represents the lowest fifth of the data (1% to 20%), the second quintile represents the second fifth (21% to 40%) and so on.