



Labour Market Matters

Special points of interest:

- Canada's Universal Child-Care Benefit (UCCB) found to reduce female labour force participation
- Higher parental disability benefits found to lead to improvements in development outcomes for children of disabled parents.

“Lower-educated mother’s participation in the labour force was found to be reduced by 3.3 percentage points when receiving the UCCB benefit. Median hours worked per week among lower-educated mothers was also found to be reduced by 2.3 hours. The effects on higher-educated mothers are also substantial - roughly half of that of lower-educated mothers”



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Universal Child-Care Benefit found to have significant negative labour supply effects for families who receive it

The Universal Child Care Benefit (UCCB) represents one of the largest transfer programs administered by the Canadian government, representing 4.5 percent of federal transfers to individuals.¹ The UCCB – which provides \$100 monthly to parents for every child under six years of age – was brought into force in 2006. At a time of increasing government austerity, some have begun to question the relative value of UCCB. The UCCB program is sizable – representing roughly 12-18 percent of the annual government spending on child benefits.² A study entitled *“The Effect of Universal Child Benefits on Labour Supply”* (CLSRN Working Paper no. 125) by CLSRN affiliate Tammy Schirle (Wilfrid Laurier University) finds that the UCCB program actually has significant **negative** effect on labour supply for families that receive the benefit.

Using a difference-in-differences estimator, Schirle finds a distinction between the results of “lower-education” individuals – those with high school education or lower and the results of “higher-education” individuals – those with post-secondary training. Lower-educated mother’s participation in the labour force was found to be reduced by 3.3 percentage points when receiving the UCCB benefit. Median hours worked per week among lower-educated

mothers was also found to be reduced by 2.3 hours. The effects on higher-educated mothers are also substantial - roughly half of that of lower-educated mothers, though an effect on hours may reflect greater flexibility in hours worked while mothers enjoy job protection and employment benefits until children reach 12 months of age. For men, the effects of the UCCB on labour force participation or hours worked are much smaller. The UCCB appears to reduce men’s participation in the labour force by less than 0.5 percentage points, and hours per week by only 4 minutes per week.

An important factor in accessing the relative value of the UCCB, is the degree to which it benefits child development. Previous research³ suggests that parents treat child benefits differently from other income, as though they experience a moral obligation to spend a relatively large part of the benefit on children’s goods. Schirle finds some weak evidence that families are using the UCCB to purchase some goods and services for their children. Families with lower-educated mothers appear to spend more on child-care and child’s clothing, while families with higher-educated mothers were found to increase spending on food. There are no significant effects found for total family expenditures and encouragingly, no significant effect on family purchases of tobacco and alcohol. Unfortunately Schirle notes that

limitations of data available in Canada did not allow for a measurement of the effect of the UCCB on the time parents spend in activities with their children. As such, this study was unable to determine whether children are benefitting from the extra time parents spend away from paid work when receiving child benefits.

In light of the negative labour market effects that the UCCB program has for families that receive it; perhaps a re-evaluation of the program’s value, relative to other programs and services that are currently being cut or curtailed under government austerity measures is warranted. The UCCB program costs taxpayers more than \$2.5 billion a year.⁴ These funds could be used to support targeted programs known to improve the well-being of children (such as the Canada Child Tax Benefit) and improve labour market attachment (such as the Working Income Tax Benefit).

¹ Estimates for 2013-14 government expenditures are available from the Treasury Board of Canada at <http://www.tbs-sct.gc.ca/ems-sgd/20132014/me-bpd/me-bpd01-eng.asp>

² Please see footnote 4 of [full paper](#)
³ Kooreman (2000) “The labeling effect of a child benefit system.” *American Economic Review*. 90 (3), 571-583.

⁴ HRSDC. Formative Evaluation of the Universal Childcare Benefit. May 2011. http://www.hrsdc.gc.ca/eng/publications/evaluations/social_development/2011/may.shtml

Higher Disability Benefits found to result in better Child Development Outcomes

Individuals with disabilities face greater challenges in the labour market than able-bodied individuals and a growing body of research is finding that their children also tend to have more developmental problems than the children of able-bodied parents. Can transfer payments help reduce this gap? In Canada, disability benefits are primarily provided by provincial governments. As each provincial government has its own rules and benefit levels, which have changed by different amounts at different times, there is considerable variation in the disability benefit levels per province. A paper entitled **“Intergenerational Effects of Disability Benefits – Evidence from Canadian Social Assistance Programs”** (CLSRN Working Paper no. 122) by CLSRN affiliates Kelly Chen (Digonex Technologies Inc.), Lars Osberg (Dalhousie University), and Shelley Phipps (Dalhousie University) finds that the achievement gap between children of disabled and children of non-disabled parents is smaller in provinces where disability benefits are higher.

The researchers use changes in real benefits under ten disability benefit programs in Canada as an identification strategy and Statistics Canada's National Longitudinal Survey of Children and Youth (NLSCY) as their data source on child outcomes. They find strong evidence that higher parental disability benefits lead to improvements in children's cognitive functioning and non-cognitive

development, as measured by math scores in standardized tests, and hyperactive and emotional anxiety symptoms. For example, a \$1,000 increase in disability benefit is found to lead to 9.3 % of one standard deviation (9.77 point) increase in math test scores – with somewhat stronger effects on child behaviour problems and emotional anxiety than on child cognitive ability as measured by standardized math test scores. Higher parental disability benefits thus act to protect child development and cognitive skill formation in a disadvantaged population. On the other hand, the gaps in developmental outcomes between children of disabled parents and children of non-disabled parents grow wider in provinces that decrease their benefits compared to provinces that do not.



Higher parental disability benefits thus act to protect child development and cognitive skill formation in a disadvantaged population.
Image: Stockimages/Freedigitalphotos.net

These estimates can be interpreted as *causal effects* of parental disability benefits, because a family's exposure to

benefits affects the parents' income and employment, and between province differences in benefit changes are independent of unmeasured characteristics of individuals.

“[H]igher parental disability benefits lead to improvements in children's cognitive functioning and non-cognitive development, as measured by math scores in standardized tests, and hyperactive and emotional anxiety symptoms. For example, a \$1,000 increase in disability benefit is found to lead to 9.3 % of one standard deviation (9.77 point) increase in math test scores”

The researchers also find gender effects: lower benefits have strong detrimental effects for children with a disabled mother, while the effects are small and insignificant for children with disabled father– which is consistent with what the researchers note as the “good mother hypothesis” which argues that a mother's income is more likely than a father's to be spent in ways that benefit the children. All things being equal, a \$1,000 benefit reduction results in a 0.02 of a standard deviation reduction in math test scores, and a 0.06 and 0.04 standard deviation increase in

parent-report of hyperactive and anxiety symptoms for children who have a disabled mother.

However, while a tight family budget can directly limit the material resources that parents can afford for their children, long hours of work reduce the amount of time parents can spend with children, erode parental health, and increase stress levels, all of which negatively affect the well-being of children. Benefit reductions were found to significantly increase a non-disabled father's full-time employment in families with a disabled mother - an increase in the father's time away from home which was found to lead to a substantial decline in children's math test scores and an increase in behavioural problems. Thus, lower benefits adversely affect child development both through parents' potentially available family time and the stress associated with employment and through the direct impact of lower family income – a finding in line with related Canadian studies which indicate both parental time and money are important inputs to the well-being of children.¹ By reducing the gap in achievement between the children of able-bodied and disabled parents, higher disability benefits would also reduce the inequality of opportunity facing these disadvantaged children.

¹Curtis and Phipps 2000; Burton et al. 2006. Please see [paper](#) for full bibliographic references.

Endnotes

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