

# **Growing Up in North America: The Economic Well-Being of Children in Canada, the United States, and Mexico**

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**Canadian Council on Social Development  
The Annie E. Casey Foundation  
Red por los Derechos de la Infancia en México**

## Economic Well-Being of Children in Canada, Mexico and the United States

The **Children in North America Project** aims to highlight the conditions and well-being of children in Canada, Mexico and the United States. Through a series of indicator reports, the project hopes to build a better understanding of how children are faring and the opportunities and challenges they face looking to the future.

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## **Shared Understandings**

**WHAT HAPPENS TO CHILDREN AFFECTS US ALL.** If our children do not thrive, our societies will not thrive. Decision-makers, both public and private, must take children's well-being into account as they undertake social and economic development.

**ALL CHILDREN MUST BE INCLUDED IN SOCIAL AND ECONOMIC PROGRESS.** All children must be prepared for the future. Some groups of children and families are not doing as well as others in the new knowledge-based, global economy. Disparities that thwart the healthy development of children in the present and limit the life chances of children in the future must be addressed.

**CHILDREN EXPERIENCE CHANGE IN AND THROUGH MULTIPLE CONTEXTS.** Children are affected by all the environments in which they live. The family is the first circle around the child. Beyond the family, the community has a role to play in child development. The circles widen to regional, national, and international contexts.

**CHILDREN ARE ENTITLED TO BASIC HUMAN RIGHTS.** Children's rights are economic, social, and cultural, as well as civil and political. Children have a right to participate, and to express their perceptions and aspirations. Children are entitled to the protection of society from exploitation and abuse. They also must be able to count on society to ensure their healthy development, beyond mere survival.

**KNOWLEDGE ABOUT CHILD WELL-BEING MUST LEAD TO ACTION.** Monitoring and reporting on measures of child well-being across North America can help us better understand the diverse experiences of childhood in different contexts. But monitoring is not an end in itself. Its purpose is to highlight our successes and challenges. Both can help to drive change.

## Project Partners

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. For more information, visit [www.aecf.org](http://www.aecf.org).

The Canadian Council on Social Development is one of Canada's key authoritative voices promoting better social and economic security for all Canadians. A national, self-supporting, membership-based organization, the CCSD's main product is information and its main activity is research, focusing on issues such as child and family well-being, economic security, employment, poverty, and government social policies. For more information, visit [www.ccsd.ca](http://www.ccsd.ca).

Red por los Derechos de la Infancia en México (The Children's Rights Network in Mexico) is the union of over 60 Mexican civil organizations and networks, which develops programs to offer support to Mexican children in vulnerable situations. To realize its mission for children and adolescents to know, exercise, and enjoy their rights, the Network promotes a social and cultural movement in favor of children's rights, advocates for equitable legal frameworks and public policies, and strengthens the capacity of Mexican civil organizations dedicated to children. For more information, visit [www.derechosinfancia.org.mx](http://www.derechosinfancia.org.mx).

The Population Reference Bureau informs people around the world about population, health, and the environment, and empowers them to use that information to advance the well-being of current and future generations. For more information, visit [www.prb.org](http://www.prb.org).

## **Table of Contents**

**Shared Understandings**

**Project Partners**

**Preface**

**Abstract**

**I. Children in a Changing World**

**II. How Are Children and Families Faring?**

**III. The Determinants of Economic Well-Being**

**IV. Conclusion**

**Acknowledgements**

**Endnotes**

## Preface

Representatives from the Canadian Council on Social Development, Red por los Derechos de la Infancia en México (The Children's Rights Network in Mexico), and the Annie E. Casey Foundation have come together to create the *Children in North America Project* based on our shared interest in the well-being of all children. We recognize that Canada, Mexico, and the United States have common bonds and challenges in ensuring that our children grow up healthy, not just because of geography, but also because of increasing economic, social, and cultural interaction.

There are enormous differences in the opportunities children have both within and across countries. These differences have important implications both for their current well-being and the extent to which they are equipped or prepared for the future. Our objective is to create awareness of the continent's children, the groups that are prospering and those that are struggling to carve out a place in the world.

Knowing that data are a powerful tool to raise awareness and lead to action that benefits children and strengthens families, a cross-national partnership began. The collaboration became the first-ever tri-national project on child well-being. All three nations monitor the status of children and youth in a variety of ways, but most of the work that is being done has a national focus. This project widens the lens.

The *Children in North America Project* strives to create a social and economic portrait of North America's children, highlighting different dimensions of child well-being against the backdrop of the changing environments in which children and families are living. The project's first report, *Growing Up in North America: Child Well-Being in Canada, the United States, and Mexico*, presented a basic demographic profile of children in the region. The report also introduced the different dimensions of child well-being to be considered in this series – health and safety and economic security.

Drawing on a variety of national and international sources, the project seeks to document how children are faring in each country and across North America; develop a baseline against which to measure and monitor their well-being over time; and build capacity in and across the three nations to continue the important work of measuring and monitoring the well-being of children.

## Abstract

Globalization is changing the landscape of childhood. As part of such change, North America is also becoming more economically, socially, and culturally integrated. It is against this backdrop of economic, social, and cultural transformation that the *Children in North America Project* is examining the well-being of the 120 million children across the continent. This paper examines the economic security of children across North America, looking at a range of measures, including family income, access to basic goods such as housing and health care, and the scope of public resources available to improve the economic security of families with children. Our findings confirm that there are tremendous disparities in the economic well-being of children across North America, both *between* and *within* the three countries. Even as the national economies recovered from economic crises in the early and mid-1990s and levels of child poverty started to fall, families at the top of the income ladder continued to pull away from the rest and incomes at the bottom stagnated or fell as was the case in Mexico. While the majority of children growing up in the United States and Canada enjoy a level of economic security not available to millions of Mexican children, the pattern of income inequality was common in each country.

## I. Children in a Changing World

Globalization is changing the landscape of childhood, here in North America and around the world. As part of such change, North America is also becoming more economically, socially, and culturally integrated.

Growth in regional commerce, investment, and migration influences children's lives and their prospects by altering their economic circumstances, family structures, and communities. In addition, these increased economic ties – together with tourism and technological improvements in communication – have led to greater social interaction between people and a wider opportunity for the exchange of ideas and values. From music to food, to television and the Internet, children are now exposed to cultural influences from other countries in a way not previously experienced.

It is against this backdrop of economic, social, and cultural transformation that the *Children in North America Project* is examining children's well-being across the continent. There are roughly 120 million children under the age of 18 in North America – 73 million in the United States, 38 million in Mexico, and 7 million in Canada. They account for over one-quarter of the 432 million people who live on the continent.

This paper examines the economic security of children across North America. A family's economic circumstances are clearly linked to the current and future well-being of children as measured by a host of indicators – physical survival, adequate housing, and nourishing food being the most obvious. Economic security is a fundamental prerequisite for the healthy development of children and youth. Child poverty, deprivation, and the denial of opportunity in the early years of life, by contrast, have been associated with a well-catalogued variety of negative outcomes for individual children, their families and communities.<sup>1</sup>

Regional integration has long been a reality in North America, certainly between Canada and the United States, and Mexico and the United States. Most recently, these links have grown stronger, facilitated by the adoption of the North American Free Trade Agreement (NAFTA) in 1994. While growing integration is one factor shaping the economic opportunities of children and their families in North America, it is an important factor to consider. Where do children stand economically in each country? Are children making progress? How are changing demographic, labor market, and government trends influencing child well-being? Are there similarities and differences in the experiences of children from Canada, Mexico, and the United States – particularly in light of growing economic integration?

With regard to economic development, the three countries are starting from different points and the measures of child well-being will necessarily reflect different concerns and priorities. Thus, any analysis of child well-being needs to take into account each country's economic context. North America is a very wealthy region, comprising roughly one-quarter of world output each year. However, the American economy is roughly ten

## Economic Well-Being of Children in Canada, Mexico and the United States

times the size of the economies of Canada and Mexico. Moreover, there are significant differences in the average GDP per capita of Canadians, Mexicans, and Americans that have been evident for many years. In 2005, the most recent year for which we have data, average per capita income was 1.2 times greater in the United States than in Canada, and almost four times greater than in Mexico.

This report looks at a range of measures of children's economic well-being, including family income and access to basic goods such as housing and health care. The report also examines the determinants of children's economic well-being in Canada, the United States, and Mexico, using indicators related to social and demographic trends, to labor markets and family income, and to the scope of public resources available to improve the economic security of families with children.

Our findings confirm that there are tremendous disparities in the economic well-being of children across North America, both *between* and *within* the three countries. Polarization of opportunity is one of the defining features of the three nations' economies. Even as the national economies recovered from economic crises in the early and mid-1990s and levels of child poverty started to fall, families at the top of the income ladder continued to pull away from the rest and incomes at the bottom stagnated or fell as was the case in Mexico. While the majority of children growing up in the United States and Canada enjoy a level of economic security not available to millions of Mexican children, the pattern of income inequality was common in each country.

Greater economic integration has benefited some economic sectors and geographic areas, while undermining the viability of others, directly and indirectly affecting the employment opportunities and household incomes of millions of families. In Mexico, for example, liberalization of the agricultural sector has led to the collapse of local economies and spurred the migration of millions of people to the United States over the past 15 years.

As the pressures of integration increase, within the North American region and with other countries such as China, more information is needed about how these fundamental changes are affecting the immediate environment of children. Specifically, much more needs to be known about how best to foster the economic security of children and families – to ensure that no child is left behind and that all are able to share in the benefits of economic prosperity today and into the future.

**Data Note:** We have drawn primarily upon the most recent international data sources and comparable survey findings for this analysis. We recognize that making cross-national comparisons is difficult. National-level data sources are important in this regard to confirm the trends evident in the cross-national analysis and to provide additional context and/or to fill in data gaps.

### Main Findings

### ***Economic Well-Being***

- Rates of child poverty in North America are high compared to other developed countries.
- The child poverty gap closed slightly in Canada and Mexico. In the United States, however, in spite of a falling rate of child poverty, the gap between the average incomes of poor families with children and the poverty line widened.
- The risk of poverty is not equal: significant disparities exist based on gender, region, disability, ethno-racial identity, and indigenous status.
- Food insecurity is a problem across the continent, most notably in Mexico where one in five households does not have the resources to purchase a safe and healthy diet for their families.
- Access to health care is a critical issue for children in the United States and Mexico; many are forced to go without care because of low family incomes.
- Housing affordability is a significant factor contributing to high rates of poverty in Canada and the United States. Concern in Mexico has revolved around basic housing conditions; in this regard, the 1990s marked an improvement for families with children.
- A majority of North Americans report that they are somewhat or very satisfied with their economic situation, although the proportion that reported being dissatisfied grew over the 1990s.
- Half of respondents in Canada and the United States and one-third of Mexicans believe that their children will be worse off economically than people are today.

### ***Determinants of Economic Well-Being***

- While most children live in two-parent families, single-parent families and blended or step families are becoming increasingly common. These families experience higher levels of economic insecurity.
- The level of education among mothers and fathers has been increasing in each country; the overwhelming majority of Mexican children, however, continue to live in households with parents who have low levels of education.
- Employment growth was strong through the late 1990s across the continent, although rates have leveled off notably in the United States and Mexico.
- There was positive family income growth over the 1990s in the United States and Canada. Median incomes in the United States have subsequently fallen while those in Canada continue to inch up.
- Increases in Mexico family income after the 1994-95 peso crisis did not fully offset the significant losses triggered by the recession; Mexican families are still struggling to make up lost ground.
- There is evidence of growing income inequality among families with children in the face of rising national incomes, notably in the United States and Canada. Mexico has made little headway in reducing its very high levels of inequality.
- Canada and the United States have stronger public income support systems for families with children than Mexico. These types of supports are important in

## Economic Well-Being of Children in Canada, Mexico and the United States

mitigating the negative impact of market developments and work to protect children from poverty.

- Canada's public income support system for families is more effective in reducing levels of child poverty than income supports available in the United States or Mexico.

## II. How Are Children and Families Faring?

This report is the first of its kind to track the economic well-being of children and families across North America. A relatively small set of indicators cannot begin to do justice to the complex economic story of children in North America – at a national or sub-national level. However, important trends are evident in the report’s findings that reveal both the tremendous opportunities and life-altering disparities shaping the lives of North American children.

We have grouped the indicators into two main sections. The first section looks at how children and families are faring economically, drawing primarily on comparative data from the Luxembourg Income Study.<sup>2</sup> The second section examines the determinants of children’s economic security and its three primary sources: the family, the labor market and income, and government. We also look at the key issue of inequality and its impact on children’s lives and the region.

While the economic well-being of children is directly linked to economic circumstances of families or households, we have made an effort to choose indicators where the child is the unit of analysis or that speak to children’s views of their economic well-being. As noted earlier, in assessing the well-being of children, the three nations are starting from different points. Therefore, we examine the findings in terms of progress within nations. At the same time, each country shares common goals and aspirations for their children. We believe that creating a regional portrait of children helps us to move the agenda forward for all children.

### Child Poverty

Evidence from many countries persuasively and consistently finds that children raised in poverty, even for short periods of time, are more likely to experience significant challenges, ranging from poor health, to learning difficulties, to underachievement at school, to higher levels of low income in their adult years. Certainly, all children raised in low-income households do not experience these outcomes. But, it remains true that, on average, children growing up in poverty are likely to be at “a decided and demonstrable disadvantage” compared to their non-poor peers.<sup>3</sup> As the UNICEF report, *Child Poverty in Rich Countries*, concludes: “the rate of child poverty remains the most telling single indicator of child well-being.”<sup>4</sup>

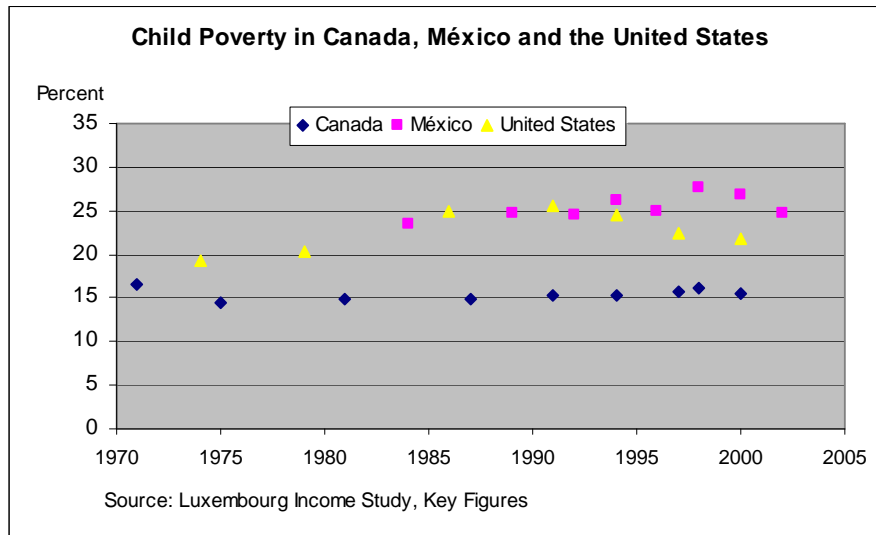
### ***Rates of child poverty in North America are high compared to other developed countries.***

Figure II.1a.1 shows the percentage of children growing up in relative poverty in Canada, Mexico, and the United States from the early 1980s through 2000, the most recent year for which we have comparative data. Poverty is defined here as those living in households where the *equivalent disposable income*,<sup>5,6</sup> after mandatory contributions and income taxes, is less than 50 percent of the *national median income*.<sup>7,8</sup> Using this

## Economic Well-Being of Children in Canada, Mexico and the United States

measure, the rate of child poverty was 26.9 percent in Mexico and 21.9 percent in the United States in 2000,<sup>9</sup> the highest levels among member countries of the Organisation for Economic Co-operation and Development (OECD), a research organization of 30 member countries that provides social and economic data and analysis. Canada's child poverty rate was 15.5 percent in 2000. The nations with the best record (the four Scandinavian countries) had poverty rates below 5 percent in 2000.<sup>10</sup>

**Figure II.1a.1**



The good news is that the U.S. child poverty rate declined in the 1990s by over two percentage points, consistent with rising incomes experienced among low- and middle-income households at the end of the decade. The strong economy contributed to a significant drop in poverty levels from a peak in the early 1990s. More recently, child poverty levels increased again after the 2000-01 recession and have remained unchanged since 2003.<sup>11</sup>

Figure II.1a.1 shows that Canada's child poverty rate barely moved between 1987 and 2000. More sensitive national measures of poverty, however, track a rise in child poverty associated with the recession in the early 1990s and subsequent fall in rates through the late 1990s. Since 2000, child poverty rates in Canada have languished at pre-recessionary levels recorded in the late 1980s, despite continued economic growth through 2000-05.<sup>12</sup>

Mexico's child poverty rate rose by two percentage points between 1989 and 1998 but fell back to 1989 levels by 2002 and has continued to decline since then. According to national data sources, the percentage of the population living in "extreme poverty" (households that cannot afford basic food) and the proportion of people who are "moderately poor" (households that cannot afford basic food, health, and education services) have been falling since 1996 and are now at pre-recessionary (1994-95) levels.<sup>13</sup>

Looking at these comparative data, it is important to note that they do not compare the living standards of children in each of the three countries. While the level and depth of

poverty in the United States and Canada curtails the life chances of millions of children – and while pockets of acute poverty exist in these two countries – the challenge of child poverty in Mexico is on a different scale. Many Mexican children go without the basics of life, living in inadequate housing without running water, sanitation, and electricity.<sup>14</sup> Many children drop out of school to augment their families' income. There are children as young as six years of age working in the agricultural fields of the Mexicali, Sinaloa, and Ensenada Valleys.<sup>15</sup>

Mary Jo Bane and Rene Zenteno make this point in their study of poverty in North America. Using the official U.S. poverty measure – a market-based approach to poverty measurement – Mexico's poverty rate for all persons is much higher than it is when using the poverty line based on half of national median income (85.2 percent compared to 21.6 percent in 2000).<sup>16</sup> The comparable rates for the United States and Canada were 11.3 percent and 6.9 percent, respectively. Significant differences in the standard of living and disparities in purchasing power are two of the reasons why it is important to supplement a basic income measure of poverty with other measures of material well-being.

***The depth of poverty closed slightly in Canada and Mexico. In the United States, however, in spite of a falling rate of child poverty, the gap between the average incomes of poor families with children and the poverty line widened.***

The rate of child poverty is one key measure of children's economic well-being. But this measure does not reveal how far children and their families fall below the poverty line – that is, the depth of poverty.<sup>17</sup> Indeed, across the three countries, the average income of poor households falls considerably short of average incomes and established poverty benchmarks in each country and is further evidence of growing income polarization. Even as the economies rebounded through the late 1990s across the region, the income gap between rich and poor families widened, notably in the United States. Economic disparity between children in wealthy families and those living in poor or modest-income families is a defining feature of Canada, Mexico, and the United States.

Table II.1b.1 shows the depth of poverty (or the poverty gap) for Canada, Mexico, and the United States. While child poverty rates have stagnated in Canada, the average disposable income of the poor rose toward the end of the decade, closing the poverty gap somewhat. In 2000, the average poor family with children in Canada would have needed an additional \$2,809 (USD PPPs) to bring it to the poverty line. The poverty gap for families with children continued to trend downward until 2003 when it started to rise again.<sup>18</sup> Overall, while the depth of poverty has oscillated from year to year, there has been little real change since the 1980s.

The economic gains in Mexico after the peso crisis of 1994-95 also precipitated a drop in the rate of poverty and a smaller poverty gap for Mexican families with children. Overall, the depth of poverty of families with children in Mexico is significantly smaller than in Canada or the United States, a reflection of the very low levels of average and median income among Mexican families.

## Economic Well-Being of Children in Canada, Mexico and the United States

**Table II.1b.1**

**Average Depth of Poverty, by Country, 1991/92 and 2000 (constant USD PPPs)**

Household Type	Canada		México		United States	
	1991	2000	1992	2000	1991	2000
All households	\$3,041	\$3,555	\$729	\$672	\$3,678	\$4,104
Working-age families with children	\$2,956	\$2,809	\$705	\$623	\$3,850	\$4,048

Source: Calculations by author using data from the Luxembourg Income Study

Depth of Poverty: Difference in average equivalent incomes of poor households and 50% of national median income.

Poverty line: percentage of children living in households with disposable incomes below 50% national median income

Note: Pesos conversion based on values in Dec. 2000. PPP conversion based on OECD time series data at

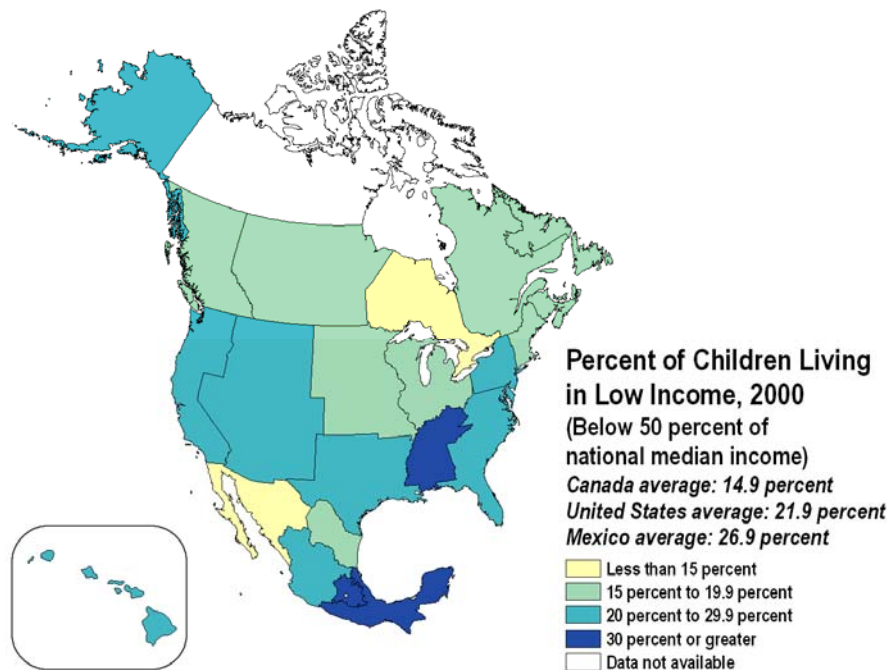
<http://www.oecd.org/dataoecd/61/56/1876133.xls>.

By contrast, the positive trend toward lower child poverty in the United States was tempered by a growing poverty gap among all households and families with children. Thus, while there were fewer poor children in 2000 than in 1991, those that lived in low-income families were poorer. In the face of a robust economy, poor children were left further behind. The U.S. Census Bureau has also documented this trend. Since 2000, the poverty gap for American families with children has increased by 4.3 percent.<sup>19</sup>

***The risk of poverty is not equal: significant disparities exist based on gender, region, disability, ethno-racial identity, and indigenous status.***

The risk of poverty and its negative consequences is not the same for all children. National averages can and do obscure deep inequalities based on wealth, gender, region, group identity, and other factors.

## Economic Well-Being of Children in Canada, Mexico and the United States



Source: Calculations by author using Luxembourg Income Study (LIS) Micro database, selected years; harmonization of original surveys conducted by the Luxembourg Income Study, Asbl. Luxembourg, periodic updating.

In Mexico, for instance, there are significant disparities between children living in the largely rural southern states and those living in the north. In 2000, over half of all children 0 to 17 years old living in the south were poor (52.9 percent) compared to 11.2 percent of children living in the northwest. The pronounced concentration of poverty in the south is not just a function of the local economy and out migration. The majority of Mexico's indigenous peoples live in the southern states. The rates of poverty are significantly higher among these families compared to the rate among non-indigenous Mexicans. For instance, the incidence of extreme poverty in 2002 was 4.5 times higher in predominantly indigenous areas than in non-indigenous municipalities, up from a ratio of 3.7 times a decade earlier.<sup>20</sup>

In the United States and Canada, there are significant disparities by race and ethnicity as well. In the United States, in 2006, national level data show that 35 percent of black and American Indian children lived below the official U.S. poverty threshold. Over one-quarter of Hispanic children (of any race) lived in families with incomes below the official U.S. poverty threshold compared with 11 percent of non-Hispanic white children and 12 percent of Asian children.<sup>21</sup> While there was a significant decrease in poverty rates among black and Hispanic children between 1995 and 2001, they have increased since then, tracking the increase in the overall rate.<sup>22</sup>

In Canada, Aboriginal children face high levels of economic insecurity. According to the 2001 Census, 40 percent of Aboriginal children under age 18 lived in households below

Canada's pre-tax low-income cut-off; the rate for all Canadian children under 18 was 18.4 percent. Visible minority children, many living in new immigrant families, struggle economically as well: 34 percent were poor in 2000.<sup>23</sup> Poverty has become increasingly concentrated among immigrant families living in Canada's large urban areas.<sup>24</sup>

The situation of indigenous children is particularly precarious across the three countries.<sup>25</sup> Over the past 500 years, the indigenous peoples of North America have suffered from the loss of land and culture and the breakdown of many tribal systems and communities as a result of European contact. Indigenous children struggle with high levels of poverty; substandard housing; lack of quality health care, education, and social services; and violence. This legacy is reflected in lower levels of well-being among indigenous children, those who live both on and off of traditional lands.<sup>26</sup>

### **Access to Basic Necessities**

While families draw on a range of resources to support the household – i.e., support from family members, accumulated assets, public programs such as food stamps in the United States – in market economies, access to income to purchase basic necessities is fundamental. The relative poverty rate of a given country or region is an important indicator of access to income. At the same time, it is also necessary to look at the distribution of key goods and services: How many children are inadequately housed? How many go hungry? How many lack access to health care? Answers to these questions provide a picture of the resources that directly reach children and help to flesh out the situation of children in need. This information is particularly important in a study such as this that is examining the economic security of children in different countries.

Much of the work on the distribution of goods and services has focused on the definition and impact of material deprivation and hardship at the bottom of the income scale. These studies have adopted varying approaches to the identification of social necessities.<sup>27</sup> In the following section, we focus on access to food, health care, and housing – key resources for healthy child development.

***Food insecurity is a problem across the continent, most notably in Mexico, where one in five households does not have the resources to purchase a safe and healthy diet for their families.***

Access to a safe and nutritious diet is of paramount importance to healthy child development. Food security exists, to paraphrase the Food and Agriculture Organization's internationally recognized definition, "when all children, all the time, have the physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life."<sup>28</sup>

Food insecurity is a problem across the continent, notably in Mexico. According to the Pew Global Attitudes Project, a significant share of survey respondents in all countries reported being unable to afford basic food items in the mid-1970s and again in 2002.

## Economic Well-Being of Children in Canada, Mexico and the United States

**Table II.2a.1**

**Proportion of respondents, aged 18 years and over, indicating economic stress, over time**  
**Have there been times during the last year when you did not have enough money ... ?**

	Canada		Mexico		United States	
	1974-75	2002	1974-75	2002	1974-75	2002
to buy food	6%	10%	42%	44%	14%	15%
to pay for medical and health care	4%	13%	39%	45%	15%	26%
to buy clothing		16%		43%		19%

Source: Pew Research Center for the People and the Press, 2002 Global Attitudes Survey, Final TOPLINE, p. T-67, www.people-press.org

The proportion of Mexican families who go hungry for lack of money was significantly higher than in Canada and the United States. Almost half of all Mexican respondents (44 percent) reported being in this situation at some point in 2002, an increase of two percentage points from survey findings in 1974-75.

The scale and scope of the problem of poverty in Mexico cannot be understated. Access to food and other basics of life such as health care and education is a significant challenge in Mexico. The purchase of food represents a sizable portion of a Mexican household's income, a larger proportion than Canadian or American households.<sup>29</sup> In 2000, according to the Mexican statistical agency, more than one-third of Mexicans (37.1 percent) were unable to afford the cost of a minimum diet and lived in extreme poverty. These households had incomes below the food poverty line, that is less than \$2.49 per person/per day in rural areas and \$3.38 per person/per day in urban areas (figures in USD PPPs).<sup>30</sup> By 2005, there had been considerable improvement: one in five Mexicans (18.2 percent), including 6.9 million children under age 18, had incomes insufficient to purchase a basic diet.<sup>31</sup>

Progress in reducing food poverty also has been positive, but significant disparities continue to exist across Mexico.

Food insecurity is a problem in the United States and Canada as well. While a majority of households in these countries have consistent access to enough food for active, healthy living, a minority of households experience food insecurity at times during the year. For some households, lack of access to money, quality or healthy grocery store options, or other resources results in going without or going with less food.

***Access to health care is a critical issue for children in the United States and Mexico, many of whom are forced to go without care because of low family incomes.***

Access to health insurance is a critical economic issue for large numbers of children in Mexico and the United States. Unlike Canada, where residents have universal access to a range of publicly funded health care services, the mix of private insurance and public programs provides very uneven access, especially among working-age households. The trend toward higher health care costs in these two countries is further compromising access to necessary health care among children and their families. (Please see *Growing Up in North America: Child Health and Safety in Canada, the United States, and Mexico*, 2007.)

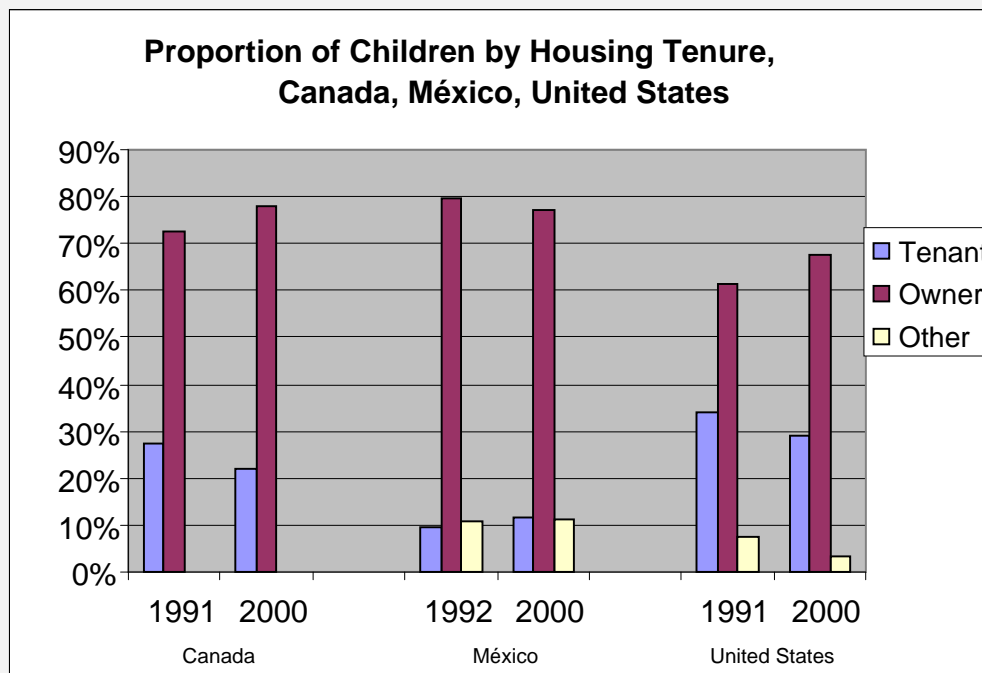
In 2006, 12 percent of children in the United States under age 18 did not have any health insurance.<sup>32</sup> These children are less likely to have a regular source of health care and are less likely to have access to prescription medicines than those with insurance. They tend to receive late or no primary care, which results in higher levels of hospitalization for avoidable health problems. Once in a hospital, they receive fewer services and are more likely to die than insured patients. “Being born into an uninsured household increases the probability of death before age 1 by about 50 percent.”<sup>33</sup>

In the United States, there are clear differences in access to insurance among children by income and by race. Hispanic children, for example, are the least likely to be covered by health insurance (public and private). In 2006, 78 percent of Hispanic children had coverage, compared with 93 percent of white non-Hispanic children, 89 percent of Asian and Pacific Islander children, and 86 percent of African-American children.<sup>34</sup>

Access to health care is a significant challenge for Mexican families. In 2000, one-third of children under the age of 14 did not have access to private or public health insurance. In total, more than 55 million Mexicans did not have access to publicly sponsored health care services, including 20.3 million children under 14. These children are forced to rely on fee-for-service public clinics if they are available in their areas and they can afford the fees. The result is that health care is beyond the means of many poor Mexican families and their children. Among indigenous language households in Mexico, 83 percent did not have any health coverage in 2000.<sup>35</sup> More recently, the government of Mexico introduced a basic health care insurance plan, *Seguro Popular*, to extend coverage of health care insurance and reduce the risk of catastrophic out-of-pocket health care spending for the uninsured. While many more people now have access to health insurance, the quality and availability of health care services, notably in rural areas, is still a significant problem.

***Housing affordability is a significant factor contributing to high rates of poverty in Canada and the United States. Concern in Mexico has revolved around basic housing conditions; in this regard, the 1990s marked an improvement for families with children.***

Poor-quality and overcrowded housing, lack of access to clean water and other amenities, and living in communities with high levels of pollution all increase the risk of poor developmental outcomes for children. In addition, high shelter costs leave many families with inadequate resources to cover other basic expenses such as food and health care. Higher housing costs also mean that in many cases parents face the untenable choice of paying the rent or feeding their children.



Children live in a variety of housing arrangements in living in owner-occupied housing, 77.9 percent in 2000, while the United States has the lowest at 67.6 percent. Both of these countries experienced an increase in homeownership between 1991 and 2000, in the latter half of the decade.

Source: Calculations by author using Luxembourg Income Study (LIS) Micro database, selected years; harmonization of original surveys conducted by the Luxembourg Income Study, Asbl. Luxembourg, periodic updating. each of the three countries. The largest proportion of children lives in owner-occupied housing. This includes housing that is mortgaged and mortgage-free, and in the case of Mexico, housing built on private or communal lands. Canada has the largest proportion of children

The issue of housing affordability affects all children. In the United States and Canada, housing affordability emerged as a key economic security issue in the 1980s and early 1990s, at the same time that the incomes of lower- and middle-income families were either stagnating or declining. Rising shelter and utility costs, notably in large urban areas, have been a significant factor affecting the rate and depth of child poverty in recent years. These costs also contributed to the growth in homelessness among families documented in the 1990s, even as rates of homeownership among middle-income families increased toward the end of the decade.<sup>36</sup> Increases in average incomes in the late 1990s have helped to reduce the burden of high shelter costs for some families. That said, the escalation of housing prices since 2000 in both Canada and the United States continues to exert tremendous financial pressure on families and their children. The price-to-income ratio has increased, notably in large housing markets such as Los Angeles and Vancouver.<sup>37</sup> The erosion of housing programs in Canada and the United

States has served to compound the risk of poverty due to the high cost of housing in the private market.

In Canada, in 2003, one of every five families with children (21.4 percent) and two in every three low-income families with children (69.3 percent) lived in unaffordable housing, where shelter costs were more than 30 percent of their total income.<sup>38</sup> In total, three-quarters of a million children under the age of 15 (15 percent of children in this age group) lived in inadequate housing in 2001 – housing that was either unaffordable, in need of major repair, or overcrowded. With almost one in three living in inadequate housing, Aboriginal children are, on average, 2.3 times as likely as non-Aboriginal children to live in housing need, a result in large part of higher levels of poverty in Aboriginal communities.<sup>39</sup>

The U.S. data show a similar pattern. The proportion of U.S. households with children under 18 with a cost burden greater than 30 percent increased from 15 percent in 1978 to 34.2 percent in 2005. During the same period, the proportion of households with children under 18 with a cost burden greater than 50 percent increased from 6 percent to 14.5 percent.<sup>40</sup>

The pressures of housing costs are also keenly felt in Mexico. But the main issues have revolved around basic housing conditions. In this regard, the situation has improved for children. For example, according to the 2000 Census, the proportion of children living in overcrowded housing declined from 54 percent in 1990 to 42.6 percent in 2000. The share of young people living in homes with electricity, water, and indoor plumbing increased. These types of improvements are significant in enhancing the health and safety of children's homes.<sup>41</sup>

As in the United States and Canada, the majority of Mexican children live in owner-occupied housing. Indeed, an even-larger proportion of poor children live in owner-occupied housing (88.4 percent in 2000) compared to the United States and Canada. It is important to note, however, that many of these dwellings do not have electricity, indoor plumbing, or access to clean water. Poor children in Mexico have roofs over their head but little else. Rising costs for water, gas, electricity, and other fuels between 1990 and 2005 have added considerably to the economic strain Mexican families face.<sup>42</sup>

### **Perception of Economic Well-Being**

Level of income and access to goods are objective measures of family economic well-being. At the same time, it is also important to know how families feel about their economic position – whether they are positive about the economy and labor market, whether they believe their level of income is adequate to purchase necessities or the standard of living they desire, whether they believe that their children have positive economic prospects, whether young people see a future for themselves. These types of indicators flesh out the story of family economic well-being and our understanding of the environments within which children are raised.

***A majority of North Americans report that they are somewhat or very satisfied with their economic situation, although the proportion reporting being dissatisfied grew over the 1990s.***

The World Values Survey (WVS) canvasses respondents about their level of satisfaction with their household's financial situation. In Table III.3a.1, we see that a majority of respondents (15 years and older) in Canada, Mexico, and the United States reported that they were "satisfied" or "somewhat satisfied" with their situation in 1990 and 2000. Combined, the levels of satisfaction were slightly higher in Canada than in the United States and roughly 10 percentage points higher in Canada than in Mexico.

**Table II.3a.1**  
**Perceptions of Economic Security: Percentage of Respondents (Aged 15 years and Older), by Country, 1990 and 2000: How satisfied are you with the financial situation of your household?**

	Canada		México		United States	
	1990	2000	1990	2000	1990	1999
Satisfied	29.2%	24.0%	15.1%	30.1%	27.2%	18.9%
Somewhat satisfied	49.5%	52.0%	49.7%	36.3%	47.7%	51.2%
Somewhat dissatisfied	16.0%	18.4%	24.5%	17.8%	19.2%	22.4%
Dissatisfied	5.4%	5.6%	10.7%	15.8%	5.9%	7.4%

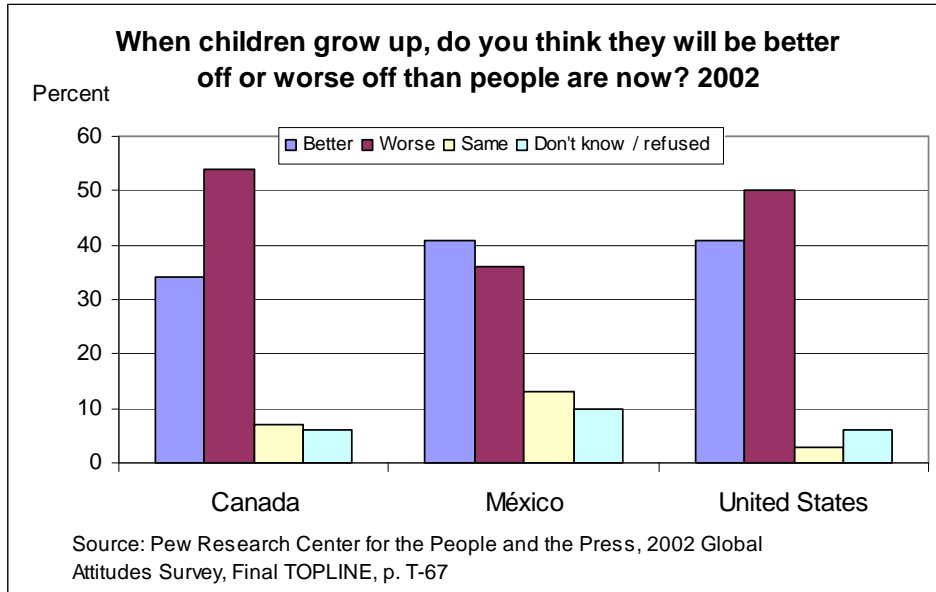
Source: <http://www.worldvaluessurvey.org>. Retrieved April 2007

***Half of respondents in Canada and the United States and one-third of Mexicans believe that their children will be worse off economically than people are today.***

Do North Americans have confidence in their children's economic future? The answer varies across the region. The 2002 Pew Global Attitudes Survey reveals that most Canadians and Americans (54 percent and 50 percent, respectively) believe that their children will be worse off economically than people today. Only one-third of Canadians believe that their children will be better off in the future than people are now; this was true of four in ten Americans (41 percent). For the United States, this represents a decline in optimism from the boom years of the late 1990s, when the majority (55 percent) believed that children would grow up to be better off than their parents. Between 2002 and 2006, the proportion of Americans reporting that U.S. children would be better off in the future fell further to 34 percent.<sup>43</sup>

In contrast, Mexicans are more evenly split. The largest group (41 percent) believe that their children will be better off, one in seven (13 percent) believe that children will have the same standard of living in the future, and over one-third (36 percent) believe that their children will be worse off. In this regard, Mexicans appear to be more optimistic about their children's futures. These findings echo those of surveys of Hispanic Americans. Hispanics, many of whom are immigrants from Mexico, reported being optimistic about the future of the next generation, 44 percent compared to 33 percent of non-Hispanic whites in 2006.<sup>44</sup>

Figure II.3b.1



### **III. The Determinants of Economic Well-Being**

What lies behind the polarization of economic opportunity and well-being? How can we begin to understand children's economic outcomes in North America? What brings the three countries together and what sets them apart?

To answer these questions, we look at three broad groups of economic determinants: social and demographic trends, labor market conditions and family income, and government policies. These forces have been described as the “shifting tectonic plates that support the material well-being of children.”<sup>45</sup> While a number of factors such as race and immigration status are linked to an individual's risk of economic vulnerability, social and demographic trends, labor market and income, and government policies set the context within which families pursue economic security and well-being.

#### **Social and Demographic Trends**

*While most children live in two-parent families, single-parent families and blended or step families are becoming increasingly common. These families experience higher levels of economic insecurity.*

Children are growing up in a variety of household types, just as they did in the past. Today, with relatively high rates of divorce and remarriage in the United States and Canada, new family types are emerging. While most children live in two-parent families, single-parent families and blended or step families are now increasingly common. Moreover, families tend to be smaller and the average age of parents has been rising.<sup>46</sup> These trends raise questions about the stability of households and the resources at their disposal that are important to children's well-being.

While couples with children still constitute the largest group of households with children, single-parent households have been on the rise for the past several decades across North America. This trend leveled off over the 1990s in the United States and Canada but the rate continues to rise in Mexico.<sup>47</sup> According to the Luxembourg Income Study, in 1992, 10.3 percent of Mexican children lived in households headed by a single parent; by 2002, this proportion had climbed to 15.7 percent.<sup>48</sup>

## Economic Well-Being of Children in Canada, Mexico and the United States

**Table III.1a.1**

**Distribution of Children by Family Type and Level of Education of Head of Household, by Country, 1991 and 2000**

	Canada		México		United States	
	1991	2000	1992	2000	1991	2000
<b>Family Type:</b>						
Couple Household	84.7%	83.0%	89.7%	85.4%	74.5%	76.8%
Single Father Household	2.1%	3.9%	2.2%	2.5%	4.1%	3.7%
Single Mother Household	13.3%	13.1%	8.1%	12.1%	21.3%	19.5%
<b>Level of Education of Head:</b>						
Low	26.6%	15.6%	88.8%	80.8%	19.9%	16.8%
Medium	57.8%	64.7%	6.1%	8.1%	52.4%	48.9%
High	15.7%	19.5%	5.1%	7.6%	27.7%	34.2%
Other	na	na	na	3.5%	na	na

Source: Calculations by author using data from the Luxembourg Income Study

na: not available

Poverty line: Percentage of children living in households with incomes below 50% national median income

Note: Low Education = less than secondary education; Medium Education = completed secondary/vocational education and some post-secondary; High Education = completed university / college education or above; Other = missing, unknown, level undefined, other school degree, not asked, and still in school. See <http://www.lisproject.org/dataaccess/educlevel/educdefcountry.htm>

Large numbers of single-parent households are an important factor in explaining the comparatively high rates of child poverty in the United States. As Table III.1b.1 below shows, there is a significant difference in the rates of poverty among children living in single-mother households and couple households in Canada and the United States. While important progress was made through the 1990s in reducing levels of child poverty among single-mother families – in Canada, from 52.3 percent to 40.7 percent and in the United States, from 60.0 percent to 49.5 percent between 1991 and 2000 – much remains to be done to improve the economic circumstances of these families.

In Mexico, our data show that the rate of child poverty does not vary substantially by family type. It is important to keep in mind, however, that the estimate for single-parent families is likely an undercount as many women do not report being the head of household, even if they have been living apart from their husbands for many years. According to national data sources, the situation of female-headed households is certainly more precarious than two-parent or multiple-earner families.<sup>49</sup> The growth in single-parent households – acknowledged and unacknowledged – has been one of the most troubling results of the economic turmoil and out-migration that Mexico has experienced over the past 15 years and is an important indicator to follow as we seek to better understand the impact of economic integration on children.

***The level of education among mothers and fathers has been increasing in each country; the overwhelming majority of Mexican children, however, continue to live in households with parents who have low levels of education.***

The average age of parents and the level of education among mothers and fathers have been increasing in each country.<sup>50</sup> Generally speaking, this is a positive trend for children's economic well-being as older parents and more highly educated parents are more likely to be employed and have better employment opportunities and higher

## Economic Well-Being of Children in Canada, Mexico and the United States

earnings than younger parents or those with lower labor market skills. This is true in Canada, Mexico, and the United States. However, there is a significant difference in the general level of education in Mexico compared to Canada and the United States. Low levels of parental education, in the context of an intensely competitive global market place, constitute one of the most significant obstacles to the economic well-being of millions of Mexican children – in the present and into the future.

**Table III.1b.1**  
**Child Poverty by Family Type and Level of Education of Head of Household, by Country, 1991 and 2000**

	Canada		México		United States	
	1991	2000	1992	2000	1991	2000
<b>By Family Type:</b>						
Couple Household	9.3%	10.9%	24.9%	27.3%	15.6%	14.8%
Single Father Household	23.2%	13.2%	18.6%	25.2%	26.0%	25.2%
Single Mother Household	52.3%	40.7%	22.5%	24.5%	60.0%	49.5%
<b>By Level of Education of Head:</b>						
Low	26.8%	27.6%	27.6%	31.1%	54.8%	50.8%
Medium	12.3%	14.6%	1.8%	3.5%	24.0%	22.6%
High	7.0%	5.4%	0.4%	0.5%	7.5%	6.8%
Other	na	na	na	41.1%	na	na

Source: Calculations by author using data from the Luxembourg Income Study

na: not available

Poverty line: Percentage of children living in households with disposable incomes below 50% national median income

Note: Low Education = less than secondary education; Medium Education = completed secondary/vocational education and some post-secondary; High Education = completed university / college education or above; Other = missing, unknown, level undefined, other school degree, not asked, and still in school. See <http://www.lisproject.org/dataaccess/educlevel/educdefcountry.htm>

Children living in families with low levels of education are also at a considerable disadvantage. Rates of poverty among children whose parents have low levels of education are predictably higher than among children whose parents are more highly educated, particularly in the United States. Rising levels of education among parents in the United States and Canada have worked to reduce the number of children living in low education families, a factor contributing to the reduction of child poverty.<sup>51</sup>

But again, the case in Mexico is different. Certainly more highly educated households enjoy a marked economic advantage; the child poverty rate in this group was less than 1 percent in 1992 and 2000 – lower than the child poverty rates for similar groups of children in the United States and Canada. But rising levels of education – reflected in the falling share of children living in families with low levels of education – did not translate into lower child poverty rates for this group. This suggests that length of time in the labor market or level of education play less of a role in determining present-day child economic well-being in a situation where profound structural inequities exist (fully eight in ten Mexican children live in households with low human capital). In addition, successive economic crises in Mexico in the 1990s and the resulting drop in annual earnings were powerful drivers in pushing up rates of child poverty.<sup>52</sup> There is also evidence that the recession led the poor to take their children out of school – many of whom never returned

– and propelled migration to the United States.<sup>53</sup> While enrollment in all levels of schooling continues to increase, the outcome in part of new government initiatives linking income support to school attendance, the quality of education is still considered a significant barrier in many areas of the country.<sup>54</sup> It will take a considerable period of time to realize gains from the trend toward higher levels of education.

#### Macroeconomic Trends: Country Overviews

While the three North American countries experienced comparatively high rates of growth in the post-World War II period up through the 1970s, the 1980s marked a period of significant change for all. In Mexico, there were two recessions, first the debt crisis of 1982 and then a second recession in 1986, following the collapse of international oil prices. A period of expansion followed, up until 1994, when the peso crisis of 1994-95 precipitated a severe recession and another major decline in the standard of living. Starting in 1996, the Mexican economy experienced sustained growth through 2000, surpassing the annual average for the 1989-1994 period.<sup>55</sup> Annual growth in GDP per capita was negative in 2001 through 2003, but has since recovered and now stands at around 4 percent.<sup>56</sup> This growth rate, given population growth of around 1.3 percent per year, is still too low to bridge the gap in living standards with wealthier countries and tackle still-widespread poverty.

In contrast, the 1990s was a very positive decade overall for U.S. families, following the economic recession that marked the early years. Economic growth over the decade – as measured by annual change in GDP per capita – averaged 2.3 percent, a rate that surpassed most other advanced economies.<sup>57</sup> Between 1996 and 2000, economic growth averaged a very strong 4.5 percent per year.<sup>58</sup> These years represent the longest economic expansion in U.S. history.<sup>59</sup> The positive economic news ended in late 2000 when the U.S. economy slipped into recession again. Like the recession in the early 1990s, the recovery period was slow in taking hold, reflected in modest employment growth, higher levels of unemployment compared to the late 1990s, and deceleration in average wage growth through the 2001-2003 period. Annual growth in GDP per capita recovered by 2004; recent economic growth is on par with pre-2001 recessionary levels.<sup>60</sup>

Canada has experienced lower average rates of economic growth since the 1980s. Through the 1990s, aggregate demand averaged 1.9 percent a year. Economic gains were concentrated in the second half of the 1990s following a severe recession in 1991-92. Like the United States, Canada posted strong economic growth between 1997 and 2000. While aggregate growth declined, Canada largely avoided the U.S. recession in 2001. The economy recorded modest annual growth rates between 2001 and 2005.<sup>61</sup>

#### Labor Markets and Family Income

Developments in the labor market are particularly important, as employment is the primary source of economic security for the overwhelming majority of families across all three countries. The level of labor force attachment and the type of employment are two important factors in establishing a family's economic foundation. Both are shaped by broader forces such as employment growth, the distribution of income, the demand for labor, external debt, and currency fluctuations – all associated with the trend toward globalization and economic integration within North America.

Overall, a growing majority of children live in households with two or more earners. The greater the employment rate among mothers and fathers, the less likely children will live in poverty. This is not the only determinant of a family's economic security, however, as

the Mexican case amply illustrates. The level of earnings is also key. In this regard, the polarization of earnings that has been associated with globalization has fueled the growth of the low-wage sector, already sizable in the United States, Canada, and especially Mexico. Low wages result in low family incomes and high levels of economic insecurity, despite high levels of employment and rising rates of female participation.

***Employment growth was strong through the late 1990s across the continent, although rates have leveled off notably in the United States and Mexico. The majority of children – poor and non-poor – live in families where there is at least one income earner.***

Canada, Mexico, and the United States all have relatively high levels of employment by international standards.<sup>62</sup> In the United States, rapid economic growth combined with low unemployment between 1995 and 2000 improved the job prospects of U.S. workers, especially for traditionally disadvantaged groups such as women, African Americans, and Hispanics.<sup>63</sup> In Canada, the level of employment increased slowly through the 1994-2000 period after a decline following the recession of the early 1990s. The employment rate surpassed its pre-recessionary high in 2000 and has inched up since, reaching 72.5 percent in 2005.

**Table III.2a.1**  
**Employment Indicators, Population 15 to 64 years, for Canada, México and the United States**

	Employment to population ratio for				Employment to population ratio (%), 2005, by:				
					Gender		Educational level		
	1990	1995	2000	2005	Men	Women	Less than upper secondary education	Upper secondary education	Tertiary education
Canada	70.3	67.5	71.1	72.5	76.7	68.3	57.1	76.7	82.2
México	58	57.2	60.1	59.6	80.2	41.5	64.8	63.8	82.2
United States	72.2	72.5	74.1	71.5	77.6	65.6	56.5	72.8	82.0

a) 1990 employment to population: 1991 for México

Source: OECD, Labour Force Statistics, by Sex and Age Indicators, data extracted on 2007/07/16 20:14 from OECD.Stat

Source: OECD (2006), OECD Employment Outlook, OECD, Paris ([www.oecd.org/els/employmentoutlook/EmO2006](http://www.oecd.org/els/employmentoutlook/EmO2006)).

Overall, the employment-to-population ratio is lower in Mexico (59.5 percent in 2005) than in Canada or the United States. The Mexican employment situation deteriorated during the early years of the 1990s, before beginning to grow strongly in 1996. In 2000, the employment rate reached 60.1 percent; little change was recorded between 2000 and 2005.<sup>64</sup> In particular, there was steady growth in the proportion of Mexican women engaged in paid employment.<sup>65</sup> There was growth in formal employment as well over the past decade in Mexico, but not enough to absorb the growing labor supply, particularly after the crisis in the agricultural sector following the peso crisis. As a result, the proportion employed in the informal sector remains high, at almost half of total non-agricultural employment.<sup>66</sup>

High employment levels translate into multiple earners in the home. Data from the Luxembourg Income Study show that the majority of children live in families where there is at least one income earner. Indeed the majority of children in Canada (71.3 percent) and the United States (64.5 percent) lived in families with two or more earners in

2000, an increase from a decade earlier. In Mexico, just under half of children lived with two or more earners (at 47.2 percent). This represents an increase from 41.9 percent in 1992, reflecting women’s rising labor force participation rates.

Poor children were more likely than non-poor children to live in families where no income earner was present.<sup>67</sup> However, a *majority* of poor children in each country lived in families where there was at least one income earner. Indeed, in the United States and Canada, a significant share of poor children – 31.3 percent and 27.4 percent, respectively – lived with two or more earners. This indicator graphically reveals that employment is not always enough to prevent children from growing up in poverty in Canada, Mexico, or the United States.<sup>68</sup>

Table III.2a.2 looks at the rates of poverty among children according to the number of income earners in their home. Rates of child poverty are very high in households where no income earner is present, reflecting the very low levels of social benefits available to these families. This situation deteriorated in Canada and Mexico over the 1990s, as poverty rates among children with no income earners rose substantially. In the United States, the very high rate of child poverty in households with no income earners fell between 1991 and 2000, a result of the overall drop in U.S. child poverty rates.

The high level of economic insecurity in Mexico is evident. Over the 1990s, the risk of living in poverty grew for all children regardless of the number of earners in the home. Overall, more poor children were living in multiple-earner households in 2000 than in 1992. This reflects deteriorating labor-market conditions in Mexico especially for those at the bottom of the income ladder – a sizable proportion of all households in Mexico.

**Table III.2a.2**  
**Child Poverty by Number of Earners in Household, by Country, 1991 and 2000**

Number of Earners	Canada		México		United States	
	1991	2000	1992	2000	1991	2000
None	83.5%	90.7%	33.3%	45.6%	93.9%	90.1%
One	24.5%	27.9%	31.3%	33.0%	38.2%	37.2%
Two	6.8%	6.6%	17.8%	21.3%	11.1%	11.8%
Three +	3.6%	2.7%	10.5%	11.7%	6.8%	6.2%

Source: Calculations by author using data from the Luxembourg Income Study

Poverty line: Percentage of children living in households with disposable incomes below 50% national median income

Overall, families are contributing a greater number of hours to the labor market in order to achieve and maintain economic security. This trend is well documented in the United States. By international standards, U.S. workers contribute more hours to GDP per year than other advanced industrial countries.<sup>69</sup> While hours worked at the individual level have declined slightly over the past two decades,<sup>70</sup> there has been a notable increase in the hours that families contribute to the labor market. For example, between 1989 and 1996, middle-class families increased their annual hours of paid work from 3,550 to 3,685, or more than three weeks a year. Most of the added hours came from women. If

## Economic Well-Being of Children in Canada, Mexico and the United States

women had not increased their labor market supply, the real incomes of these middle-class families would have declined by 1.1 percent over this period.<sup>71</sup>

The same trends are evident in Canada among all workers, including those with children under 18. The average number of weeks of paid employment per year of families with children has crept up steadily since the late 1970s, from 81 weeks per family in the 1976-1979 period to 91 weeks per family in the 2001-2004 period.<sup>72</sup> Average families are working harder than ever to stay afloat – if not get ahead – financially.

Mexican families also work very long hours. Indeed, average hours of work per person are higher in Mexico than in the United States or Canada (in 2004, 46 hours per week,<sup>73</sup> and 1,849 hours per year<sup>74</sup>). Very long hours of work are typical in many developing countries such as Mexico where there is a large informal labor market and a burgeoning service sector, both characterized by very low wages. Family members are forced to work long hours in order to ensure adequate earnings. In some instances, children and teens are drawn into paid employment to help support the family.<sup>75</sup> The tension between family and paid employment can be acute, resulting in “time shortages” for families, with negative consequences for children’s well-being. The issues of “time crunch” and work/family balance have emerged in all three countries.<sup>76</sup>

### Child Labor in Mexico

Child labor is a complex issue, which is inexorably linked to poverty and reflects the fragility of Mexico’s struggle toward greater economic prosperity.

There are an estimated 3.3 million children between 6 and 14 years old working in Mexico.<sup>77</sup> They represent 22.5 percent of children in that age group, and over one-third of children (36.0 percent) living in indigenous communities.

Many children work long hours under hazardous conditions. This is true despite the fact that the Mexican Constitution establishes 14 years as the basic minimum age for work and the Federal Labor Law includes special provisions concerning the work of children between the ages of 14 and 16, prohibiting minors in this age group from work that is dangerous or unhealthy. One-quarter of children between the ages of 6 and 14 work over 35 hours a week.

Children work in many industries. Child labor is found in workshops producing a variety of handicraft and folk art items, assembly factories, and the textile industry. Children and adolescents also work on the streets and in public spaces of the big cities, i.e., México City, Guadalajara, and Monterrey. Whereas some of these children live at home or have some connection with parents and family, others have cut their ties with family and communities and call the streets their home. These children work and live on the streets as a result of extreme poverty, violence within their families and communities, and limited access to the education system. A large number of children in the cities also work as grocery baggers in grocery stores, receiving no wages, just tips.

Agricultural work is the most prevalent form of child labor, and one of the most hazardous. Child labor is currently an integral part of the Mexican agriculture industry. The National Program of Agricultural Day Laborers (*Programa Nacional con Jornaleros Agrícolas*) estimates that Mexico has 500,000 child field workers, only 10 percent of whom attend school. Many of these children begin work as early as six years of age, working with older brothers and sisters and parents. Field workers often live in poor conditions without clean drinking water, toilets, and sewers, and work in dangerous conditions with pesticides and herbicides. Many children – and their families – work for multinational companies that grow crops such as tomatoes and green onions for sale in the United States and Canada. For example, much of the green onion

production in the Mexicali Valley depends on child labor.

Children from rural areas also comprise a significant percentage of the children who eventually end up in the worst and most exploitive forms of urban child labor.

It is important to point out that not all work is labor. Developmentally appropriate economic activity can be beneficial to the full development of a child, but at its extreme, work can place a child's life and well-being at risk. Work that is exploitative, dangerous, and detrimental to the physical, social, moral or spiritual development of children, or thwarts children from acquiring a good education, is hazardous labor and poses a significant human rights and socioeconomic challenge.

***There was positive family income growth over the 1990s in the United States and Canada. Median incomes in the United States have subsequently fallen while those in Canada continue to inch up. Increases in Mexico after the 1994-95 peso crisis did not fully offset the significant losses in family income triggered by the recession; Mexican families are still struggling to make up lost ground.***

The growing trend of families working more hours dates back to the 1970s and is in part a response to the stagnation of wages in Canada and the United States, notably through the 1980 to 1995 period, and successive economic crises in Mexico. Increases in annual family earnings were achieved primarily through greater work effort rather than higher hourly wages. In the late 1990s, there were real gains in family income – the result of earnings growth – and families began to make up lost ground. Income gains in the United States and Mexico have stalled since 2001; Canada is still experiencing modest increases. Overall, market and after-tax and transfer incomes have not kept pace with economic growth over the past decade. For many, family economic security remains precarious. The economic pie has grown substantially, but its distribution remains highly unequal. This prosperity gap is a marked feature of the economies in Canada, Mexico, and the United States.

Table III.2b.1 shows the trends in median equivalent income of families with children, by poverty status, in the 1990s – the most recent years for which we have comparative data.<sup>78</sup> It also shows the significant disparity that exists regarding the level of family income between the United States and Canada, on the one hand, and Mexico, on the other. In Mexico, the vast majority of families live on incomes that are significantly below median incomes in Canada and the United States, even after taking the cost of living into account. This is especially true of poor households.

For example, in 2000, the annual median equivalent household income of *poor* children in Mexico – after taxes and transfers – was \$1,227 USD PPPs.<sup>79,80</sup> By comparison, in the same year, the median household income of poor children in Canada was \$8,063 USD PPPs and the median household income of poor American children was \$8,699 USD.<sup>81</sup> (The annual median equivalent income of *all* households with children was \$3,595 USD PPPs, \$19,325 USD PPPs, and \$22,609 USD for Mexico, Canada and the United States, respectively.) This is not to say that poverty and income disparities do not exact an enormous toll on families in the United States or Canada, but that economic insecurity

## Economic Well-Being of Children in Canada, Mexico and the United States

and poverty are comparatively much larger problems, for a larger share of families, in Mexico.

**Table III.2b.1**

**Annual Median Equivalent Income of Working-age Households with Children, by Poverty Status, by Country (cons**

	Equivalent Market Income					Equivalent Disposable Income				
<b>Canada</b>	<b>1991</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>		<b>1991</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>	
Above poverty line	\$24,721	\$25,331	\$25,786	\$28,257		\$20,383	\$20,470	\$20,608	\$20,935	
Below poverty line	\$4,179	\$3,237	\$3,988	\$5,272		\$7,637	\$7,720	\$7,513	\$8,063	
All Children	\$20,963	\$20,807	\$21,319	\$23,470		\$18,894	\$18,877	\$18,826	\$19,325	
<b>México</b>	<b>1992</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>	<b>2002</b>	<b>1992</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>	<b>2002</b>
Above poverty line	\$4,218	\$4,428	\$3,042	\$4,199	\$4,352	\$4,301	\$4,550	\$3,195	\$4,471	\$4,514
Below poverty line	\$879	\$860	\$634	\$824	\$874	\$1,095	\$1,258	\$905	\$1,227	\$1,306
All children	\$3,406	\$3,515	\$2,455	\$3,259	\$3,518	\$3,597	\$3,776	\$2,662	\$3,595	\$3,802
<b>United States</b>	<b>1991</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>		<b>1991</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>	
Above poverty line	\$27,188	\$28,021	\$29,638	\$32,005		\$22,147	\$22,603	\$23,679	\$26,066	
Below poverty line	\$4,490	\$4,626	\$5,498	\$7,294		\$6,766	\$6,934	\$7,811	\$8,699	
All children	\$21,402	\$21,574	\$23,020	\$25,503		\$18,661	\$19,097	\$20,352	\$22,609	

Source: Calculations by author using data from the Luxembourg Income Study

Note: PPP conversion based on OECD time series data at <http://www.oecd.org/dataoecd/61/56/1876133.xls>.

Poverty line: Percentage of children living in households with disposable incomes below 50% national median income

Family income trends across North America have been on somewhat different tracks over the past 15 years, following the ups and downs of national economic fortunes. (See *Macroeconomic Trends: Country Overviews*.) In Canada and the United States, in the years after the 1991 recession, families benefited from the expanding economy. Market incomes – including gross wages and salaries, self-employment income, cash property income, and private pension income – increased between 1991 and 2000, significantly in the case of the United States. Among American households with children, market equivalent incomes increased by 19.2 percent, and among Canadian households, by 12.0 percent. The buoyant economies also drove up equivalent after-tax incomes. Median equivalent after-tax or disposable incomes were 21.2 percent higher in 2000 than in 1991 in the United States. Canadian households experienced a much more modest increase of 2.3 percent. In both countries, gains in market and disposable income were largely driven by income growth among families at the top of the income ladder – as we see below.

In the United States, the real wage growth in the late 1990s was enjoyed across the wage structure, by low-, middle-, and high-income earners, and by both men and women. This represented a dramatic turnaround from the early 1990s and the two previous decades, especially for low-wage workers who had not only fared worse than other groups of workers but saw their real wages decline through the 1979-1995 period.<sup>82</sup> The positive economic news ended in late 2000 when the U.S. economy slipped into recession again. Wage and income growth of middle- and low-income families, in particular, stalled and in some cases reversed course. Among families with children, median disposable incomes fell by 4.0 percent between 2000 and 2005.<sup>83</sup>

In Canada, growth in median equivalent market and disposable income was more modest over the 1990s than in the United States, as noted earlier. By 2000, families had finally recouped the market losses associated with the 1991-92 recession. The recovery was long

and difficult for poor families who were particularly hard hit by the recession, seeing their market earnings halved through this period.<sup>84</sup> The period between 2000 and 2004 was much stronger according to national data sources. Low-income families shared in these gains as well.<sup>85</sup>

By contrast, the 1990s was a lost decade in terms of economic progress for Mexican families with children. All families with children experienced declines in their median equivalent market incomes between 1992 and 2000 (-4.3 percent), driven by the market losses of families after the 1994-95 peso crisis. Even after taking government transfers into account, all families with children experienced a 0.1 percent decline in their median equivalent disposable income over the decade.

Low-wage sectors of the economy, those with meager savings and limited economic mobility, bore the brunt of successive recessions in the form of reduced wages and incomes.<sup>86</sup> Workers engaged in more precarious and low-wage occupations and industrial sectors such as agriculture experienced the greatest losses.<sup>87,88</sup> Not even the relative stability of prices since 1996 has lent itself to the recovery of the purchasing power of earnings from work.

Since 2000, there have been increases in average earnings and positive real income growth. At the same time, average household labor income is still below levels recorded in 1994.<sup>89</sup> Employment levels have slipped as well, notably in the manufacturing sector, including the maquiladora and non-maquiladora sectors.<sup>90</sup> Growth in GDP slowed in 2000 and 2001 but has recovered; however, not to levels experienced in the 1996-2000 period. Mexican families are still trying to recoup their economic losses from the mid-1990s.

What is not evident from these tables and figures is that despite gains, notably in the United States and in Canada, income growth in all three countries has not kept pace with per capita GDP growth.<sup>91</sup> Part of the disconnect between family incomes and GDP per capita growth is the result of the trend toward smaller family size and the growth in the number of single households. But just as significant, especially in the case of Mexico, is the downward pressure on wages and earnings linked to the pressures of economic integration, and historically high levels of corporate profits in all three countries. This combination of factors has contributed to the growth in income inequality now shaping the lives of children across North America – a theme we take up next.

***There is evidence of growing income inequality among families with children in the face of rising national incomes, notably in the United States and Canada. Mexico has made little headway in reducing its very high levels of inequality.***

The economic prosperity of the late 1990s, notably in the United States and Canada, did improve the economic fortunes of millions of families with children. At the same time, all children did not benefit equally. Looking behind the overall income trends, we see that the benefits of market income growth in each country were disproportionately concentrated among high-income families. Indeed, the income gap between children at

the top and the bottom of the income ladder was widest in those years of robust economic growth, even after the impact of government transfers. As families worked harder than ever to stay afloat financially, many children from low- and modest-income families continued to be left behind.

Inequality of market and disposable income has been increasing in Canada, Mexico, and the United States since the 1980s. In particular, markets have disproportionately benefited families at the top of the income ladder – though families in every income group have been working longer and harder. The scale of government intervention via public income transfers was not enough to offset the growing gap in market incomes. The inequality of disposable incomes in Canada, the United States, and Mexico all rose as well.

**Table III.2c.1**

**Income Inequality: Gini Co-efficients, Households with Children, by Country, 1991/92 and 2000**

	Market Income		Disposable Income	
	1991/92	2000	1991/92	2000
Canada	0.392	0.401	0.274	0.295
México	0.493	0.544	0.473	0.480
United States	0.431	0.458	0.335	0.371

Source: Calculations by author using data from the Luxembourg Income Study

NOTE: The most commonly used measure of inequality is the Gini Coefficient. It measures the extent to which the distribution of income deviates from perfect equality (which has the value of 0). Changes of 0.01 are considered statistically significant.

The trend in income inequality was distinct in each country. The United States experienced a marked increase in inequality from the mid-1980s to the mid-1990s. The growth in income inequality slowed through the late 1990s when families across the income scale experienced gains. However, through this time and since 2000, the level of inequality among all households has continued to grow, albeit at a slower pace.<sup>92</sup>

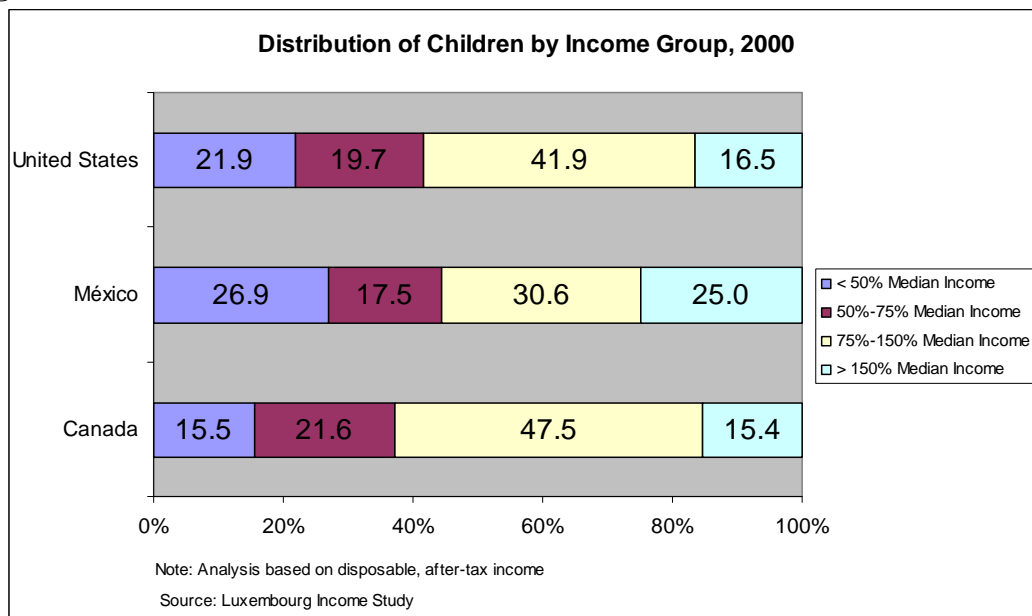
In Canada, government transfers were effective in offsetting the impact of growing market income inequality – a point we come back to in the next section – until the mid-1990s, when the inequality of after-tax incomes started to climb, particularly among families with children. Since 2000, the level of inequality among families with children has remained relatively unchanged in Canada, each income group experiencing modest income growth.<sup>93</sup>

Mexico experienced very large increases in inequality from the mid-1980s to the mid-1990s. In the most recent economic period, after the 1994-95 economic crisis, inequality based on per capita income has leveled off and started to fall. And income growth among the wealthiest Mexicans has slowed. At the same time, there has been modest growth in average and median incomes among lower- and middle-income families. However, market and after-tax incomes are still vastly unequal in Mexico – a sizable share of Mexico’s wealth is controlled by a small group of multi-billionaires.<sup>94</sup>

## Economic Well-Being of Children in Canada, Mexico and the United States

The shape of the income distribution in each country is distinctive. For example, as shown in Figure III.2c.1 below, the proportion of children living in middle-income families is the largest in Canada, while the proportion of children living in families with greater than 150 percent of median family income is highest in Mexico. Over the 1990s, in Canada, there was growth in the proportion of children living in near-poor families (those with incomes 50 percent to 75 percent of median income) and in upper-income families (those with incomes over 150 percent of median income). In Mexico, the proportion of children living in poor families (those with less than 50 percent of median income) and upper-income families grew, while the proportion of children living in middle-income families (those with incomes between 75 percent and 150 percent of median income) declined. In the United States, the proportion of children living in poor families fell at the same time as the proportion living in middle-income families and upper-income families grew.

**Figure III.2c.1**



There are competing explanations behind the rise in inequality that is now evident across many countries, including Canada, Mexico, and the United States. Different explanations stress: the earnings differential between skilled and unskilled workers in today's knowledge economy; the adoption of new technologies displacing unskilled labor; the shift from "good" jobs in sectors such as manufacturing that provided relatively high wages to lower-paying, non-unionized employment in services such as retail trade or business services; the surge in compensation for top executives; and the increased pressure on low-skilled workers via increased international trade, outsourcing, and off-shoring facilitated through agreements such as NAFTA. All of these pressures have been identified in North America, resulting in high levels of economic vulnerability and impoverishment for many families.<sup>95</sup>

Two factors are worth highlighting. In Canada, Mexico, and the United States, wage and income inequalities are rooted in the rise of more insecure forms of employment across the region and in skill polarization. In 2005, for instance, more than one in five full-time workers in Canada and the United States (22.2 percent and 24.0 percent, respectively) were low paid – defined as earning less than two-thirds of the median earnings.<sup>96</sup> There is a very polarized pattern of employment in North America, where highly skilled professional employment coexists with a sizable pool of low-end, routine service jobs that offer poor working conditions.<sup>97,98</sup> In Mexico, there is also a very large informal sector where millions work outside the protection of the law for scant wages.<sup>99</sup> In this context, the downward pressure on wages in sectors exposed to heightened competition from regional partners and other countries such as China serves to reinforce structural inequities in the labor market.

Secondly, the rewards for highly skilled workers have never been higher, while the disadvantages faced by the poorly educated have never been greater. In this regard, Mexico, with its very high proportion of workers with low levels of educational attainment, faces a greater challenge than Canada or the United States. Historically, a very large share of the population in Mexico has been employed in labor-intensive, low-wage sectors of the economy such as agriculture. Policies facilitating greater trade and foreign investment, introduced through NAFTA, have benefited selected groups of highly educated workers the most. However, the vast majority of Mexican workers remain locked into low-wage, informal sectors of the economy such as construction, commerce, and services<sup>100</sup>—which account, by varying estimates, for between one-third to one-half of all employed.<sup>101</sup>

#### **Economic Impact of Immigration on Families**

Migration is part of the experience of hundreds of thousands of North American families each year. Specifically, lack of opportunity and ongoing economic vulnerability continue to propel hundreds of thousands of Mexican families to seek better lives in the United States. It is estimated that fully 400,000 Mexicans left the country each year through the 1990s. Since 2000, these figures have climbed; Mexico's statistical agency now estimates that an average of 577,000 Mexicans emigrated each year to the United States between 2000 and 2005. There are currently an estimated 10 million individuals born in Mexico currently residing in the United States. The migration of Mexican families to the United States is perhaps the most powerful indicator of the unequal distribution of economic opportunities across the North American region and the failure of narrowly focused trade and investment programs to advance the well-being of all children and their families.

The vast majority of Mexican immigrants living in the United States are living with their families. There are at least 5 million children living in the United States who were born in Mexico or have at least one parent who was born in Mexico. Although parents are coming to the United States to provide their children with better lives, Mexican immigrants are primarily employed in the food service, maintenance, construction, agriculture, and manufacturing industries, often in low-paying jobs. In fact in 2005, 42 percent of Mexican immigrants living in the United States who worked full-time, year round earned less than \$20,000 USD per year.

In spite of their low earnings, like immigrants all over the world, they send money to family in

their country of origin. For Mexican families on both sides of the border, the issue of remittances is significant. The Central Bank of México has estimated that the flow of remittances from migrants living in the United States to families in Mexico has ballooned to over \$23 billion in 2006 from the \$2 to \$3 billion that flowed south in 1990. This amount exceeds Mexico's combined revenues from tourism, foreign aid, and foreign direct investment. It is the country's second-largest source of foreign currency after oil exports.

According to the U.S. Census American Community Survey and estimates by the Pew Hispanic Center, fully two-thirds of the Mexican adult immigrant population in the United States sent remittances to family members during the first six months of 2007. The average amount sent by each Mexican is approximately \$3,550 per year. Remittances make up over a third of family income in the Mexican households that report receiving them. A 2000 Census sample reported that about 4 percent of families received remittances, but this number is considered a very low estimate. Moreover, in high-migration states like Zacatecas, it is estimated that up to 45 percent of families receive remittances.

There are signs that the flow of remittances may be slowing in response to the ongoing U.S. housing industry slowdown, and the introduction of state and local laws threatening harsher penalties for businesses who employ undocumented immigrants and landlords who board them. English-only laws have also proliferated, making it harder for immigrants searching for work. According to a survey sponsored by the Inter-American Development Bank, more than 80 percent of the immigrants polled said they were having a harder time finding work in 2007 compared to 2006 because there were fewer jobs and more employers were requiring legal work documents. As a result, around half a million migrants living in the United States have stopped sending money home; whereas 80 percent of immigrants sent money to relatives in 2006, only 56 percent reported doing so in 2007. As a result, over the past year, 2 million people in Mexico lost a vital lifeline.

References: Consejo Nacional de Población (Conapo). *La Situación Demográfica de México 2006, 2007*; Jeffrey Passel, "The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates based on the March 2005 Current Population Survey," Research Report, Pew Hispanic Centre, Washington, March 7, 2006; Pew Hispanic Centre, *Fact Sheet: Indicators of Recent Migration Flows from México*, Washington, May 30, 2007; Pew Hispanic Center, *Foreign Born at Mid-Decade*, 2006; Washington Miriam Wasserman, *Children and North American Economic Integration*, Children and North America Project, Background Paper, 2005; Inter-American Development Bank, *Survey of Mexican and Central American Immigrants in the United States*, Washington, 2007.

## Public Resources for Children

North Americans have some of the highest levels of labor market participation in the world. At the same time, as our analysis reveals, many families with children struggle on poverty-level incomes. This suggests that employment alone does not always provide an effective buffer against poverty, and that North Americans differ markedly in their capacity to derive enough income from the labor market to attain an adequate standard of living for their families. That is why governments have come to play such an important role in protecting children and their families from the vicissitudes of the market.

To this end, governments provide a range of supports designed to improve family economic security – child tax credits, disability benefits, subsidies for child care, unemployment insurance, labor market adjustment programs, and other forms of social assistance such as welfare and food stamps. Governments also invest substantial amounts

of money in health care and education, investments critical to the long-term economic security of children and their families. Those countries that invest in a range of public supports have been shown to lower the risk of children growing up in poverty – a key indicator of family economic security.<sup>102</sup> What has been the experience in North America?

***Canada and the United States have stronger income support systems for families with children than Mexico. These types of supports are important in mitigating the negative impact of market developments and work to protect children from poverty.***

Governments vary widely in their approaches to the provision of services and income security programming.<sup>103</sup> For the most part, governments in North America in comparison to their European counterparts have emphasized private provision for children – the responsibility of caring for and preparing children for the future falls largely to families. This is particularly true in the United States in comparison to Canada where there is a stronger infrastructure of public supports for families. Mexico, as a developing country, is still building its social infrastructure; public protection and support for children and families are minimal and uneven.

Differences in public resources are evident when we look at the role of income security programs.<sup>104</sup> For example, in 2000, a majority of children in Canada (88.2 percent) lived in families that reported receiving income from one or more government programs. In the United States, just under half of children under 18 (46.2 percent) lived in families in receipt of government transfers or payments. And in Mexico, less than one-quarter of children (23.3 percent) received income transfers in 2000.

**Table III.3a.1  
Percentage of Children living in Households  
that Report Income from Government  
Programs**

	Canada	México	United States
<b>1991</b>	99.7%	4.0%	48.4%
<b>1994</b>	91.3%	14.1%	49.5%
<b>1997</b>	88.4%	13.7%	na
<b>2000</b>	88.2%	23.3%	46.2%
<b>2002</b>	na	27.2%	na

Note: data for México is 1992, 1994, 1996, 2000 and 2002

na = not available

Source: Calculations by author using data from the Luxembourg

These findings are reflected in the level of social expenditures devoted to children and families.<sup>105</sup> Canada devotes a higher share of GDP to spending on children (approximately 6 percent) than the United States; the United States in turn devotes a higher share of GDP to children than Mexico – 2.5 percent and 1.5 percent, respectively. The countries devoting 10 percent or more of GDP to social spending on children have

been shown to have the lowest child poverty rates; those devoting less than 5 percent tend to have the highest rates of child poverty.<sup>106</sup>

Patterns of spending appear to be changing, however. In Canada, the proportion of children in receipt of transfers has fallen as Canada has moved to more narrowly targeted income supports. This is the result of efforts undertaken in the mid-1990s to reduce social spending more broadly, which included deep cuts in social transfers to the provinces for programs such as social assistance and child care, and in income security programs for the working-age population (e.g., unemployment insurance). While targeted federal spending on children was sustained and enriched in the late 1990s with the introduction of the Canada Child Tax Benefit,<sup>107</sup> there was a significant drop in total social spending from 18.8 percent of GDP in 1990 to 16.7 percent in 2000.<sup>108</sup> Overall, the average amount received by families in receipt of government transfers (any transfer income) fell by 12.2 percent.<sup>109</sup> Rates of child poverty would have been higher, given sluggish earnings among low- and middle-income families, had it not been for increases in targeted child benefits.<sup>110</sup>

In the United States, the proportion of children in receipt of transfers fell slightly between 1991 and 2000 by 2.2 percentage points. While overall social spending increased from 13.4 percent to 14.6 percent of GDP over this period,<sup>111</sup> the share of benefits targeting children as a proportion of GDP fell by roughly a percentage point. Indeed, overall transfer income for families declined by 6.4 percent between 1991 and 2000.<sup>112</sup> More recently, social spending as a percentage of GDP increased, driven by rising health care costs. However, spending on children as a proportion of GDP is forecast to decline, as spending on Social Security, Medicare and Medicaid absorbs a greater share of public resources.<sup>113</sup>

Federal spending on children in the United States has become increasingly targeted to the poor. Of all federal spending on children, the share spent on poor children rose from 11 percent in 1960 to 61 percent by 2006. Over time, cash-transfer programs such as tax credits and exemptions and welfare benefits have lost ground to targeted in-kind spending such as food stamps, housing, and Medicaid – from 92 percent of all children's spending in 1960 to 49 percent in 2006. However, the introduction of the Child Tax Credit in 1997, in conjunction with increases to the Earned Income Tax Credit, boosted cash transfers. Combined, tax programs now represent 34.4 percent of total spending on children, less than half of their share in 1960.<sup>114</sup>

In Mexico, the introduction of a succession of income support programs for families with children steadily expanded the share of children receiving government support, from 4.0 percent of children under 18 in 1992 to 27.2 percent in 2002. Most recently, the Fox administration launched the *Oportunidades* program in 2000, an expansion of the 1997 anti-poverty program, *Progresá*. *Oportunidades* is a system of conditional transfers and support services targeting families living in extreme poverty, both in urban and rural areas. The program has three components. First, basic benefits are available to very poor families, paid directly to mothers, conditional upon children's school attendance. Benefit levels are based on an estimate of children's foregone wages. Payments rise as children

get older and are set at a higher level for girls in secondary school in order to encourage participation. The program provides additional resources to schools in the communities where it operates in an effort to cope with increased attendance. Second, *Oportunidades* includes a health component under which resources are provided to communities to expand the provision of primary care to poor families. And third, a nutrition component provides a fixed cash payment to families to improve food consumption. Food supplements are provided to children from age 4 months to 2 years, unweaned babies, and breastfeeding mothers. These supplements are also given to children age 2 to 5 years who are at risk of malnutrition or are poorly nourished. To continue qualifying for the benefits, families have to visit health clinics regularly.

*Oportunidades* has had an impact on the rate of extreme poverty in Mexico, especially in rural areas. In conjunction with improving labor market conditions, rates of extreme poverty and moderate poverty have declined since 2000. Overall, it has been calculated that child transfers represent an average of 22 percent of participating families' monthly income.<sup>115</sup> At the same time, investment in health and education services has fallen significantly short. The quality of these services has been called into question.<sup>116</sup> Moreover, levels of funding for these types of basic supports tend to be unstable. Indeed, research indicates that there was a significant decline (65.5 percent) in the value of average transfer income among families with children between 1989 and 1998.<sup>117</sup> Recent progress has been positive, but the underlying situation of public finances is not stable. Much remains to be done to secure the financial foundation of these vital programs.

***Canada's income support system for families is more effective in reducing levels of child poverty than income supports available in the United States or Mexico.***

Public supports for children can and do make a difference in bolstering family economic security. Higher levels of support translate into lower levels of economic insecurity. One of the reasons that the rate of child poverty is relatively high in the United States and Mexico is that the level of public support is relatively low compared to other countries with more comprehensive social programs.

To assess the impact of public supports for children in Canada, Mexico, and the United States, we analyzed the rate of child poverty before and after government transfers. The first is effectively the rate of market poverty – the rate of child poverty that would ensue if market forces prevailed. In practice, this exercise does not take into account possible behavioral changes on the part of families or employers that might result from the withdrawal of benefits. However, it does provide a measure of the distribution of the labor market's rewards and the key role that governments play through income transfers in redistributing income.

As shown in Table III.3b.1, in Canada, 15.5 percent of children were poor in 2000, but 24.0 percent were market poor. In other words, if only market income were considered, over a half million more Canadian children would have been poor. Government efforts effectively reduced market poverty rates by 35.4 percent. In the United States and Mexico, by contrast, the rate of child poverty based on market income and disposable

## Economic Well-Being of Children in Canada, Mexico and the United States

income were fairly close. The scale of government support was lower in these countries than in Canada. In 2000, the United States began with a market poverty rate of 26.8 percent; government intervention reduced this by 18.3 percent.

**Table III.3b.1**  
**Child Poverty, Before and After Government Transfers, by Country, 1991/92 - 2000**

	1991/1992		1994		1996/1997		2000	
	Before	After	Before	After	Before	After	Before	After
<b>Canada</b>	24.1	15.3	25.4	15.4	25.2	15.7	24.0	15.5
<b>México</b>	26.0	24.6	26.6	26.2	27.2	25.0	28.1	26.9
<b>United States</b>	30.2	25.6	29.9	24.5	28.4	22.5	26.8	21.9

Source: Calculations by author using data from the Luxembourg Income Study

Poverty line: Percentage of children living in households with disposable incomes below 50% national median income

Note: data for México is 1992, 1994, 1996 and 2000

The level of support for children was even lower in Mexico. In 2000, the child poverty rate resulting from markets alone was 28.1 percent compared to a rate of 26.9 percent after government intervention, for a decrease of 4.3 percent. The highly targeted character of income supports in Mexico ensures that only a limited number of families benefit from government support. In effect, benefits work to reduce the depth of poverty but are not effective in moving children and families out of poverty.

Nancy Birdsall, president of the Center for Global Development, makes the point that in advanced market economies there is usually a well-defined social contract that tempers the inequalities of income and opportunity naturally generated by markets. Progressive tax systems provide for some redistribution, with the state financing at least minimal educational opportunities for all and some form of support for the unemployed and seniors. Yet in developing countries such as Mexico that don't have strong social infrastructures, the economic reforms that competitiveness in global markets require, and the risks to economic stability these reforms bring, tend to exacerbate existing inequality, creating enormous social pressures.<sup>118</sup> The destructive consequence of inequality remains one of the biggest challenges to families and governments seeking better futures for children across the region.

## IV. Conclusion

Global affairs have always played a role in children's experience, but the reach of forces outside national borders has become longer and is more likely to affect the day-to-day lives of children and families than in the past. This is particularly true as we consider the economic circumstances of children growing up today in North America, one of the most populous regions in the world.

Overall, we see that the majority of children living in the United States and Canada live in economically secure households. They have access to a range of basic goods and services such as housing, food, and health care that are fundamental to their healthy development. At the same time, there is a significant minority of children living in economically insecure families. Further, economic disadvantage is particularly concentrated among certain groups of children – those living in single-parent families, for example, or children of indigenous ancestry. These children are much more likely to live in substandard housing, experience food insecurity, and have limited access to health care and other goods and services that facilitate healthy development. While the proportion of children living in poverty declined through the economic boom years of the 1990s, more recently levels have stalled and remain high by international standards.

The economic well-being of children clearly varies substantially across North America. There are marked disparities in the economic well-being of children and their families *between* Canada and the United States and Mexico. At the same time, the experience of growing income inequality and segregation by income is common to all children in North America, even as each economy recovered from recessions in the early and mid-1990s and recorded substantial growth. This suggests that there are significant and troubling disparities *within* each North American country as well.

The growth in inequality in Canada, Mexico, and the United States among families with children is taking place against the backdrop of growing economic integration. Evidence from this study, and others, suggests that the opportunities and costs generated by greater economic integration have not been equally distributed. Economic losses linked to increased competition tend to be concentrated in particular communities and families. And economic gains tend to favor specific groups: mainly workers with higher levels of education have benefited from greater income opportunities in all three countries.

Economic integration is only one dimension of the economic development in North America – but it is an important one. While there are significant social and demographic trends working to reduce economic vulnerability across North America (i.e., rising levels of education attainment), labor market trends continue to undermine the economic security of children and their families. Downward wage pressures, high levels of low-wage employment, the economic struggles of families with low levels of human capital, the racialized concentration of disadvantage – all trends evident in North America – shape the futures of children in each country. Even as the national economies recovered

from economic crises in the early and mid-1990s and levels of poverty started to fall, families at the top of the income ladder continued to pull away from the rest.

The response of all three countries' governments has been inadequate in the face of the high levels of economic insecurity among families with children. Significant changes in the policies and spending priorities of North American governments have changed the types of supports available to families, and low-income families in particular. Income support is now more highly targeted in Canada, Mexico, and the United States, leaving modest- and middle-income families more vulnerable to market pressures. Certainly, there has been little response to the economic displacement that has resulted from the increased regional integration taking place under NAFTA and greater international competition.

The situation in Mexico demands special note. Slow economic growth and high levels of income inequality in Mexico have created widespread economic insecurity and deprivation. Vulnerability to adversities such as ill health, unemployment, meager harvests, and natural disasters remains widespread, affecting rural and urban poor and non-poor, particularly those employed in the informal sector who have very limited access to public social supports such as health care. The position of indigenous groups is especially precarious because of historical patterns of social exclusion and very deep levels of poverty.<sup>119</sup>

Given what we know now, there are a few key policy areas through which governments could help to ensure that children are able to take advantage of new opportunities, while reducing the devastating impact of growing up in poverty.<sup>120</sup> Building and sustaining services and supports for children and their families is essential to creating a context within which children can grow and thrive. Government income programs can and do play an important role in preventing and alleviating child and family poverty. Similarly, quality child care, affordable housing, and universal health care are key components of a comprehensive poverty reduction strategy. Adjustment assistance for those families directly impacted by economic dislocation is also important as its absence can devastate families and whole communities.

Education is another area in which government policies could help children benefit from the increased opportunities available in the new economic environment. Although education by itself does not guarantee economic security, education has become more important in all three economies. Lack of education has brought real losses in income and relative social status to workers and their families. Improving the quality of education, especially in Mexico, is important to realizing the potential of children.

A well-functioning labor market and effective social policies are essential to creating stronger and more equitable growth. To this end, encouraging the creation of more – and especially more productive – jobs requires action on a broad front, including education and reforms in the labor market and social policies. Tackling the problem of informality in Mexico also requires labor market measures to strengthen the incentives for formal employment, especially for low-paid workers.

## Economic Well-Being of Children in Canada, Mexico and the United States

Ensuring the protection of children's rights becomes a regional affair when what happens in one country has implications for children living in another. Moreover, as national boundaries become blurred it becomes unclear which nation looks after the welfare of children such as undocumented migrants or the children of immigrants with allegiances to more than one country. Certainly, much more could be done by Canada and the United States to align their immigration policies with their overall economic development objectives. Sharing of tax receipts of skilled immigrants across sending and receiving countries is one example. Another is the effort to reduce the transaction costs of remittances.

Economic growth itself is not a sufficient prescription for healthy child development. Regional integration that does not attend to the potentially negative consequences of integration and economic restructuring – that does not provide for the programs and support necessary to facilitate social development – is destined to entrench inequities further. Regional integration that does not adopt a children's lens ignores our greatest and best hope for an equitable and prosperous future.

Today's children depend on their families, their communities, and their local and national institutions to support their present well-being and their prospects for the future. Today's children also depend on nations working together to create what the United Nations has called "a world fit for children" in which nations commit to protecting the rights and well-being of all children. Calling attention to the well-being of children against a backdrop of major economic and social change in North America is the purpose of the *Children in North America Project*. But monitoring alone is not enough. Data are only powerful if those who care about children and families use them to stimulate action.

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## Endnotes

<sup>1</sup> G. Duncan, *et al.*, “Economic Deprivation and Early Childhood Development,” *Child Development*, 1994, Vol. 65:296-318; S. J. Gunn, *Consequences of Growing Up Poor*, New York: Russell Sage Foundation, 1997; G. Duncan and J. Brooks-Gunn, “Family Poverty, Welfare Reform and Child Development,” *Child Development*, 2000, Vol. 71:188-96; S. Phipps and L. Curtis, “Poverty and Child Well-Being in Canada and the United States: Does It Matter How We Measure Poverty?” Paper commissioned by Applied Research Branch, Human Resources Development Canada, SP-556-01-03E, 2000; J. Bradshaw, *Poverty: The Outcomes for Children*, London: Family Policy Studies Centre/National Children’s Bureau, 2001.

<sup>2</sup> Comparative economic indicators have been drawn from the Luxembourg Income Study (LIS), a collection of household income surveys. These surveys provide standardized demographic, income, and expenditure information on three different levels: household, person, and child for many countries.

<sup>3</sup> UNICEF Innocenti Research Centre, *Child Poverty in Perspective: An Overview of Child Well-Being in Rich Countries*, Report Card No. 7, Florence, Italy: UNICEF Innocenti Research Centre, 2007:5. Available at [www.unicef.org/irc](http://www.unicef.org/irc).

<sup>4</sup> UNICEF Innocenti Research Centre, *Child Poverty in Rich Countries*, Report Card No. 6, Florence, Italy: UNICEF Innocenti Research Centre, 2005:7. Available at [www.unicef.org/irc](http://www.unicef.org/irc).

<sup>5</sup> Equivalent income is an income concept by which incomes of households of different types are made comparable by taking into account the benefit of shared consumption. It is defined as the household income of an individual adjusted for differences in household size. Unrelated individuals are considered to be one-person families. Each member of a given household has the same equivalent income, regardless of age or family relationship. The Luxembourg Income Study equivalence scale used here is calculated as the square root of the number of people living in the household. No distinction is made between adults and children.

<sup>6</sup> Unless otherwise noted, *disposable* income is used in this report to analyze child poverty. Disposable income is total income from all sources, including government transfers (gross income), minus the amount paid in direct taxes such as mandatory employee contributions and income tax. Tim Smeeding, *et al.*, *Making Cross-Country Comparisons of Income Distributions*, Luxembourg Income Study, Paper prepared for the 26<sup>th</sup> General Conference on the International Association for Research in Income and Wealth, Cracow, Poland, August 3, 2000, <http://www.iariw.org/papers/2000/smeeding.pdf>.

<sup>7</sup> This relative measure of poverty is commonly used in comparative research. The focus on the national context is an important one because, as the UNICEF’s *Overview of Child Well-Being in Rich Countries* argues, “the cutting edge of poverty is the contrast, daily perceived, between the lives of the poor and the lives of those around them” (UNICEF, 2007:6). At the same time, this definition has its limitations, not the least of which is that it makes no allowance for varying levels of national wealth, a key consideration in a report on the economic status of children in North America. It also only measures income deprivation and so does not capture all of the resources a given family may or may not have or how such resources are distributed within the family.

<sup>8</sup> The respective income cut-offs in 2000 for Canada, Mexico, and the United States were: \$10,371 USD PPPs, \$1,802 USD PPPs, and \$12,047 USD, respectively. The poverty benchmarks are presented in U.S. dollars, calculated using Purchasing Power Parities (PPPs). PPPs are currency conversion rates that both convert to a common currency – in this case, U.S. dollars – and equalize the purchasing power of different currencies. In other words, they eliminate the differences in price levels between countries in the process of conversion.

<sup>9</sup> Luxembourg Income Study (LIS), Key Figures, accessed at <http://www.lisproject.org/keyfigures.htm> on August 20, 2007. More recent data for Mexico shows a decline in child poverty, from 26.9 percent in 2000 to 24.8 percent in 2002.

<sup>10</sup> UNICEF Innocenti Research Centre, *Child Poverty in Rich Countries*. See also W. Chen and M. Corak, “Child Poverty and Changes in Child Poverty,” UNICEF Innocenti Working Paper, No. 2005-02. Data based on information from the Luxembourg Income Study.

<sup>11</sup> U.S. Census Bureau, “Table 3. Poverty Status of People, by Age, Race, and Hispanic Origin: 1959 to 2006,” accessed online at [www.census.gov/hhes/www/poverty/histpov/hstpov3.html](http://www.census.gov/hhes/www/poverty/histpov/hstpov3.html), on Oct. 2, 2007.

## Economic Well-Being of Children in Canada, Mexico and the United States

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These data are based on calculations using the official poverty threshold, set by the U.S. Office of Management and Budget. It consists of a series of income thresholds based on family size and composition.

<sup>12</sup> See Campaign 2000, *2006 Report Card on Child and Family Poverty in Canada*. Retrieved September 2007 from [www.campaign2000.ca/rc/rc06/06\\_C2000NationalReportCard.pdf](http://www.campaign2000.ca/rc/rc06/06_C2000NationalReportCard.pdf). The child poverty estimates are based on low-income cut-off produced by Statistics Canada.

<sup>13</sup> World Bank calculations based on Generación de Ingreso y Protección Social para los Pobres.

<sup>14</sup> According to the United Nations Development Program, 26.3 percent of all Mexicans lived on \$2 U.S. per day; 9.9 percent lived on less than \$1 U.S. per day. One dollar a day and \$2 a day are measures of low income, defined using 1985 international prices, adjusted for purchasing power parity (PPP). See note 8 for PPP definition. United Nations Development Program, "Inequality and Health in the United States," *Human Development Report 2005*, New York: UNDP:227.

<sup>15</sup> David Bacon, *The Children of NAFTA*, University of California Press, 2004:3.

<sup>16</sup> Mary Jo Bane and Rene Zenteno, "Poverty and Place in North America," Faculty Research Working Papers Series, No. RWP05-035, John F. Kennedy School of Government, Harvard University, 2005:15.

<sup>17</sup> The depth of poverty – or the poverty gap – is derived by calculating the difference between the average equivalent disposable income of poor families with children and 50 percent of median equivalent disposable income.

<sup>18</sup> Calculations by the CCSD based on Statistics Canada Survey of Labour and Income Dynamics Masterfile, based on pre-tax low-income cut-off.

<sup>19</sup> U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, accessed at [http://pubdb3.census.gov/macro/032007/pov/new28\\_001\\_01.htm](http://pubdb3.census.gov/macro/032007/pov/new28_001_01.htm); [http://pubdb3.census.gov/macro/032001/pov/new20\\_001.htm](http://pubdb3.census.gov/macro/032001/pov/new20_001.htm); [http://pubdb3.census.gov/macro/031996/pov/20\\_000.htm](http://pubdb3.census.gov/macro/031996/pov/20_000.htm). These estimates are based on the official poverty threshold, set by the U.S. Office of Management and Budget.

<sup>20</sup> World Bank, *Indigenous Peoples, Poverty and Human Development in Latin America: 1994-2004*, 2005. [http://wbln0018.worldbank.org/lac/lacinfoclient.nsf/e7fa9f9c5de82e6e8525694d007a6689/3bb82428dd9db ea785257004007c113d/\\$FILE/IndigPeoplesPoverty\\_Exec\\_Summ\\_en.pdf](http://wbln0018.worldbank.org/lac/lacinfoclient.nsf/e7fa9f9c5de82e6e8525694d007a6689/3bb82428dd9db ea785257004007c113d/$FILE/IndigPeoplesPoverty_Exec_Summ_en.pdf)

<sup>21</sup> Population Reference Bureau, analysis of data from the U.S. Census Bureau's 2006 American Community Survey, accessed online at [www.kidscount.org/sld/compare\\_results.jsp?i=191](http://www.kidscount.org/sld/compare_results.jsp?i=191) on Oct. 19, 2007.

<sup>22</sup> See Child Trends, "Children in Poverty," Child Trends Data Bank. Retrieved September 2007 from [www.childtrendsdatabank.org/indicators/4Poverty.cfm](http://www.childtrendsdatabank.org/indicators/4Poverty.cfm).

<sup>23</sup> CCSD calculations using Canadian Census data, 2001.

<sup>24</sup> G. Picot, F. Hou, and S. Coulombe, *Chronic Low Income and Low-income Dynamics Among Recent Immigrants*, Analytical Studies Branch Research Paper Series, Catalogue 11F0019MIE, 2007, No. 294; G. Picot and A. Sweetman, *The Deteriorating Economic Welfare of Immigrants and Possible Causes: Update 2005*, Analytical Studies Research Paper Series, 2005, No. 11F0019MIE, Catalogue No. 262.

<sup>25</sup> All these terms are used to refer to the peoples who originally inhabited North America. Canada uses "Aboriginal," Mexico uses "Indigenous," and the United States uses "American Indian/Alaska Native" for this discussion.

<sup>26</sup> A.A. Willetto and G. Charlotte, Overview of American Indians and Alaska Natives in *KIDS COUNT Pocket Guide, American-Indian Children, State-Level Measures of Child Well-Being from the 2000 Census*, Baltimore: The Annie E. Casey Foundation, 2003. Retrieved on August 30, 2005 from [www.aecf.org/publications/data/american\\_indian\\_pocket\\_guide\\_2004.pdf](http://www.aecf.org/publications/data/american_indian_pocket_guide_2004.pdf).

<sup>27</sup> Please see Romina Boarini and Marco Mira d'Ercole, "Measures of Material Deprivation in OECD Countries," OECD Social Employment and Migration Working Papers No. 37, OECD Publishing, 2006:15. Boarini and d'Ercole make the point that those who are income poor do not always experience material deprivation and vice versa. For example, income statistics do not account for housing costs, which leads to an underestimation of income poverty. Conversely, some families that report low incomes have access to savings or accumulated wealth that allow them to avoid material deprivation. Their analysis highlights the importance of exploring the different dimensions of poverty. Certainly access to affordable housing and health care is critical from the perspective of healthy child development. Families might have incomes above the poverty line but still experience material deprivation in areas where costs of housing and health

care are high and out of the reach of low-income and even middle-income families. This is the case in the United States and especially Mexico where high levels of material deprivation go hand in hand with high levels of income poverty and low GDP per capita – affecting the lives of millions of children.

<sup>28</sup> Food and Agriculture Organization, *Rome Declaration on World Food Security and World Food Summit Plan of Action*, Rome: FAO, 1996, [www.fao.org/docrep/003/w3613e/w3613e00.htm](http://www.fao.org/docrep/003/w3613e/w3613e00.htm).

<sup>29</sup> According to International Labour Organisation (ILO), food and non-alcoholic beverages accounted for 22.9 percent of average monthly expenditures in Mexico in 2002 compared to 8.6 percent in the United States in 2003. Source: Household Income and Expenditure Statistics, Table 2: Distribution of Household Expenditure Groups, 2005. Extracted on April 19, 2007.

<sup>30</sup> Bane and Zenteno estimate that the incidence of poverty in the United States would have been 1.8 percent in 2000 using the Mexican extreme poverty line. Bane and Zenteno, 2005:15. For the definition of PPPs, see note 8.

<sup>31</sup> INEGI, Encuesta Nacional de Ingresos Gastos de los Hogares, 2005.

<sup>32</sup> Carmen DeNavas-Walt, Bernadette Proctor, Cheryl Hill Lee, “Income, Poverty and Health Insurance Coverage in the United States: 2006,” Washington: U.S. Census Bureau Current Population Reports, August 2007:60-233. [www.census.gov/prod/2007pubs/p60-233.pdf](http://www.census.gov/prod/2007pubs/p60-233.pdf)

<sup>33</sup> UNDP, *Human Development Report*, 2005:58.

<sup>34</sup> DeNavas-Walt, Proctor, and Lee, “Income, Poverty and Health Insurance Coverage in the United States: 2006.”

<sup>35</sup> Estimations from XII Censo General de Población y Vivienda 2000 and Indicadores Socioeconómicos de los Pueblos Indígenas de México 2002.

<sup>36</sup> See Canada Mortgage and Housing Corporation (2003), Research Highlights: Family Homelessness: Causes and Solutions. Prepared by the Social Planning Council of British Columbia.

<sup>37</sup> Median housing prices were generally still affordable in Canada and the United States compared to countries such as Australia, Ireland, and the United Kingdom, according to the Demographia International Housing Affordability Survey. However, there has been an overall increase in unaffordability. Of the 107 American housing markets analyzed in the survey, only one-third were found to be affordable; in Canada, median incomes and median house prices were in balance in only 7 of 17 housing markets included in the study. Demographia, *3<sup>rd</sup> Annual International Housing Affordability Survey, 2007: Ratings for Major Urban Markets*, 2007, [www.demographia.com/dhi-ix2005q3.pdf](http://www.demographia.com/dhi-ix2005q3.pdf).

<sup>38</sup> Canadian Council on Social Development using Statistics Canada, Survey of Labour and Income Dynamics, 2003 masterfile.

<sup>39</sup> John Engeland, “Exclusion from Acceptable Housing: Canadians in Core Housing Need,” *Horizons*, 2004, Vol. 7, No. 2, Policy Research Initiative, Human Resources and Skills Development Canada. [http://policyresearch.gc.ca/page.asp?pagenm=v7n2\\_art\\_05](http://policyresearch.gc.ca/page.asp?pagenm=v7n2_art_05)

<sup>40</sup> Federal Interagency Forum on Child and Family Statistics, *America’s Children: Key National Indicators of Well-Being, 2006*, Table PHY4, accessed online at [www.childstats.gov/americaschildren/xls/phy4.xls](http://www.childstats.gov/americaschildren/xls/phy4.xls), on April 7, 2008.

<sup>41</sup> In 2000, 5.8 percent of Mexican children under age 18 years (2,254,103) did not have electricity in their homes, a decline of 9.2 percentage points from 1990. The proportion of children living in homes with indoor plumbing increased from 59.0 percent in 1990 to 72.5 percent in 2000, while share of those living in homes with indoor access to water grew from 43.7 percent to 50.0 percent over this same period. Source: INEGI, *Estimaciones from XII Censo General de Población y Vivienda 2000 and Indicadores Socioeconómicos de los Pueblos Indígenas de México 2002*.

<sup>42</sup> See OECD, *Society at a Glance: OECD Social Indicators 2006 Edition*, 2006, Table EQ8.1.

<sup>43</sup> Paul Taylor, Cary Funk and Peyton Craighill, *Once Again, the Future Ain’t What It Used to Be*, Washington: Pew Research Center, 2006.

<sup>44</sup> Ibid.

<sup>45</sup> This section follows the framework presented by Chen and Corak (2005:14), looking at the three types of economic well-being determinants.

<sup>46</sup> UNICEF Innocenti Research Centre, *Child Poverty in Rich Countries, 2005:Table 2*.

<sup>47</sup> In this analysis, single-parent families are defined as non-couple households with children present. We break this down by sex of head of household. We use single-parent families to describe this group, recognizing that there may be non-couple households with children where the children present are not the children of the head of household (e.g., siblings, other relatives).

<sup>48</sup> Data on number of children and household by family type based on analysis of the Luxembourg Income Study, selected years.

<sup>49</sup> See Red por los Derechos de la Infancia en México, *La Infancia Cuenta en México, 2006*.

[www.infanciacuenta.org/Documentos/ICM06/La\\_Infancia\\_Cuenta\\_2006.pdf](http://www.infanciacuenta.org/Documentos/ICM06/La_Infancia_Cuenta_2006.pdf)

<sup>50</sup> See Chen and Corak, 2005:13.

<sup>51</sup> According to Chen and Corak (2005), the proportion of children living with university-educated mothers and fathers grew over the 1990s. In United States, the share of children with a university-educated father grew from 24.4 percent in 1991 to 28.8 percent in 2000, and the share of children with a university-educated mother grew from 16.4 percent to 23.2 percent over the same time period. The comparable figures for Canada were, among fathers: 16.8 percent to 18.8 percent, and among mothers: 11.9 percent to 17.0 percent. And for Mexico, among fathers: 5.1 percent to 5.6 percent, and among mothers: 1.6 percent to 3.1 percent.

<sup>52</sup> *Ibid.*, p. 35.

<sup>53</sup> Nancy Birdsall, "Rising Inequality in the New Global Economy," 2005 World Institute for Development Economics Research Annual Lecture, *WIDER Angle*, No. 2, 2005:3.

<sup>54</sup> Between 2000 and 2005, enrollment in primary school climbed from 95.8 percent of school-age children to 97.2 percent; the enrollment rate in secondary school increased as well from 84.6 percent to 91.5 percent over the same time period. Source: Red por los Derechos de la Infancia en México, *La Infancia Cuenta en México, 2006*, [www.infanciacuenta.org/Documentos/ICM06/La\\_Infancia\\_Cuenta\\_2006.pdf](http://www.infanciacuenta.org/Documentos/ICM06/La_Infancia_Cuenta_2006.pdf)

<sup>55</sup> Commission for Labour Cooperation, "North American Labor Markets," Washington, 2003:1.

<sup>56</sup> OECD, *Economic Survey of México 2005*, September 12, 2005.

[www.oecd.org/document/8/0,3343,en\\_2649\\_201185\\_35307080\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/8/0,3343,en_2649_201185_35307080_1_1_1_1,00.html)

<sup>57</sup> Bane and Zenteno, "Poverty and Place in North America," 2005:4.

<sup>58</sup> Andrew Sharpe, "A Comparison of Canadian and U.S. Labour Market Performance, 1989-2000," Ottawa: Centre for the Study of Living Standards, 2001:9.

<sup>59</sup> National Bureau of Economic Research (2003), Business Cycle Dating Committee, National Bureau of Economic Research. By R. Hall, *et al.*, retrieved July 20, 2005, from [www.nber.org/cycles/recessions.html](http://www.nber.org/cycles/recessions.html).

<sup>60</sup> Development Data Group, The World Bank, *2006 World Development Indicators Online*. Washington, DC: The World Bank, 2006.

[http://publications.worldbank.org/ecommerce/catalog/product?item\\_id=631625](http://publications.worldbank.org/ecommerce/catalog/product?item_id=631625)

<sup>61</sup> *Ibid.*

<sup>62</sup> The rate of employment is the employment-to-population ratio among those age 15 to 64 years. All data from OECD, Labour Force Statistics, by Sex and Age Indicators, extracted from <http://stats.oecd.org/> on July 16, 2007.

<sup>63</sup> The rate of employment among Americans age 15 to 64 years increased steadily between 1990 and 2000 as the entry of women into the labor force continued, albeit at a slower pace than observed in the 1970s and 1980s. The employment-to-population ratio peaked in 2000 at 74.1 percent and subsequently declined; by 2005, the employment-to-population ratio was 71.5 percent – 77.6 percent among men and 65.6 percent among women.

<sup>64</sup> OECD, Labour Force Statistics, by Sex and Age Indicators, extracted from <http://stats.oecd.org/> on July 16, 2007.

<sup>65</sup> The employment-to-population ratio among Mexican women increased by 7.3 percentage points between 1991 and 2005.

<sup>66</sup> Maria Elena Vicario, Sandra Polaski, and Dalil Maschino, "North America Labor Markets: Main Changes Since NAFTA," Washington, DC: Secretariat of the North American Commission for Labor Cooperation, 2003. [www.naalc.org/english/study8.shtml](http://www.naalc.org/english/study8.shtml)

<sup>67</sup> For example, in 2000, less than 1 percent of non-poor Canadian children lived in households with no income earners compared to 26.9 percent of poor children. The respective figures for Mexico were 2.6

percent of non-poor children and 6.0 percent of poor children, and for the United States, 0.4 percent of non-poor children and 13.7 percent of poor children.

<sup>68</sup> Even full-time, full-year employment is not always enough of a safeguard. For example, one in seven children in the United States (14.7 percent) living in families where income earners contributed more than 50 weeks of labor per year were poor, an increase from one in ten (11.1 percent) in 1991. In Canada, one in 12 children living in families with full-year employment were poor in 2000 (8.3 percent), a slight increase from 1991 (7 percent). Stated another way, among poor children, 58.8 percent and 48.9 percent in the United States and Canada, respectively, lived in households where the combined weeks of paid employment was in excess of 50. [No data are available for Mexico for this variable.]

<sup>69</sup> Economic Policy Institute, "Executive Summary," *The State of Working America, 1998-99*, Washington, 1999:15.

<sup>70</sup> In the United States, average annual hours worked per person in employment was 1,825 in 1983, 1,842 in 1994, and 1,809 in 2004. In Canada, the respective figures are 1,780, 1,780, and 1,752. Source: OECD, *OECD Employment Outlook 2007*, Statistical Annex, Table F, 2007.

<sup>71</sup> Increases in work were not confined to married couples. In conjunction with welfare reform, strong labor market demand also resulted in very large increases in the employment rates of single mothers. Among poor mother-led families with children, hours of work grew 40 percent in the 1990s, far more than any other family type. Source: Economic Policy Institute, "Executive Summary," *The State of Working America, 2000-2001*, Washington, 2001:4.

<sup>72</sup> Armine Yalnizyan, *The Rich and the Rest of Us: The Changing Face of Canada's Growing Income Gap*, Ottawa: Canadian Centre for Policy Alternatives, 2007:22.

<sup>73</sup> Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank). [www.depeco.econo.unlp.edu.ar/cedlas/sedlac/statistics.htm#employment](http://www.depeco.econo.unlp.edu.ar/cedlas/sedlac/statistics.htm#employment)

<sup>74</sup> OECD, *Employment Outlook 2007*, Table F.

<sup>75</sup> S. Lee, D. McCann and J.C. Messenger, *Working Time around the World: Trends in Working Hours, Laws and Policies in a Global Comparative Perspective*, London and Geneva: Routledge and ILO, 2007.

<sup>76</sup> For a comparative discussion of time crunch, see Peter Burton and Shelley Phipps, *Families, Time and Money in Canada, Germany, Sweden, the United Kingdom and the United States*, unpublished manuscript, 2007.

<sup>77</sup> El Trabajo Infantil en México, 1995-2002. Instituto Nacional de Estadística, Geografía e Informática (INEGI) 2002.

<sup>78</sup> Please note that 1991 was a recessionary year in Canada and the United States, resulting in negative pressure on family incomes, and 2000 was near the top of the economic cycle in both countries. In Mexico, 1992 was a positive year in terms of economic growth. The impact of the 1994-95 peso crisis is reflected in the 1996 income figures. The rate of economic growth improved in 1997 and was sustained through to 2000. In 2001, the United States and Mexico fell into recession. Thereafter, both economies experienced slow growth until 2003 when growth picked up once more. The following discussion on income trends needs to be interpreted in this context.

<sup>79</sup> Purchasing power parities (PPPs) have been used to compare family income across the three countries. See note 8.

<sup>80</sup> The terms "after-tax and transfer income" and "disposable income" are used interchangeably in this report.

<sup>81</sup> The Canadian and American figures were calculated using the average exchange rate for the year 2000; the Mexican income estimate was prepared using the average exchange rate in December 2000.

<sup>82</sup> Economic Policy Institute, "Executive Summary," *The State of Working America, 2000-2001*, 2001:3.

<sup>83</sup> U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, accessed online at [www.census.gov/hhes/www/income/histinc/f09ar.html](http://www.census.gov/hhes/www/income/histinc/f09ar.html).

<sup>84</sup> Yalnizyan, 2007:36-37.

<sup>85</sup> Median earnings of families with children under 18 grew by 2.5 percent over this period, while disposable income recorded a 7 percent increase (Yalnizyan, 2007:36-39).

<sup>86</sup> For a detailed discussion of income trends in Mexico over the past 20 years, see Jaime Ros and César Bouillon, "Chapter 9: México: Trade Liberalization, Growth, Inequality and Poverty," undated manuscript; Carlos Salas, "Between Unemployment and Insecurity in México: NAFTA enters its second decade," EPI

Briefing Paper, No. 173: Revisiting NAFTA: Still not working for North America's Workers, Washington: Economic Policy Institute, 2006; and Carlos Salas and Enrique de la Garza, *The State of Working México*, Washington: American Centre for International Solidarity, 2003, [www.solidaritycenter.org/content.asp?contentid=506](http://www.solidaritycenter.org/content.asp?contentid=506).

<sup>87</sup> For example, between 1991 and 2003, remuneration paid to day laborers in the agricultural sector fell significantly from 535 pesos to 483 pesos per month, while earnings from self-employed field workers collapsed from 1,959 pesos to 228 pesos over the same period (all figures in constant 1993 pesos). (Salas, Table 2-3, 2006:46-47.)

<sup>88</sup> Minimum-wage workers – representing one in six Mexican workers – saw the value of their earnings as a proportion of median adult full-time earnings fall from 31 percent in 1990 to 19 percent in 2003, widening the already considerable gap in wages with salaried workers. Source: OECD, Minimum Wage Data Base, extracted July 16, 2007.

<sup>89</sup> Salas, 2006:48.

<sup>90</sup> Established in 1965, maquiladoras refers to specialized production facilities straddling the U.S.-Mexican border that are allowed to import components duty-free. Products are then assembled and subsequently re-exported to the United States and elsewhere. The word is from the Mexican-Spanish “maquilar,” meaning to assemble.

<sup>91</sup> For example, between 1991 and 2000, annual median market equivalent income of families with children rose by 12.0 percent in Canada and 19.2 percent in the United States, while it fell in Mexico by 4.3 percent over roughly the same period. If market incomes had kept pace with GDP per capita growth over the 1990s, market equivalent income would have been \$30,627 USD PPPs in Canada, \$4,543 USD PPPs in Mexico, and \$32,317 USD in the United States. This represents a difference of \$7,157 in Canada, \$1,284 in Mexico and \$6,814 in the United States. The prosperity gap has continued to widen since 2000, notably in the United States where median family incomes have fallen from 2000 levels.

<sup>92</sup> U.S. Census Bureau, “Table H-4. Gini Ratios for Households, by Race and Hispanic Origin of Householder: 1967 to 2006,” accessed online at [www.census.gov/hhes/www/income/histinc/h04.html](http://www.census.gov/hhes/www/income/histinc/h04.html), on October 2, 2007.

<sup>93</sup> Statistics Canada, *Income in Canada 2005*, June, Catalogue No. 75-202-XIE.

<sup>94</sup> Isabel Guerrero, Luis Felipe López-Calva, and Michael Walton (2006), “The Inequality Trap and Its Links to Low Growth in México,” draft, 2006.

<http://iepecdg.com/DISK%201/Arquivos/Leiturassugeridas/walton-ingles-24-11-17122006.pdf>

<sup>95</sup> See Economic Policy Institute, “Revisiting NAFTA: Still Not Working for North America's Workers,” Briefing Paper, Washington, DC: Economic Policy Institute, 2006, No. 173.

<sup>96</sup> This compares to just one in 20 workers (6.4 percent) in Sweden, and only one in six in Germany (15.8 percent), for example. Source: OECD, *Employment Outlook 2007*, Statistical Annex, Table H.

<sup>97</sup> For a recent study of low-wage employment in the United States, see Eileen Applebaum, Annette Bernhardt, and Richard J. Murnane, eds., *Low-Wage America: How Employers Are Reshaping Opportunity in the Workplace*, Russell Sage Foundation. Cited online January 28, 2004, at [www.russellsage.org](http://www.russellsage.org).

<sup>98</sup> Teresa Janz, *Low-Paid Employment and “Moving Up,” 1996-2001*, Statistics Canada, Income Research Paper Series, Catalogue No. 75F0002MIE – No. 003, 2004; Rene Morissette and Garnett Picot, *Low-Paid Work and Economically Vulnerable Families over the Last Two Decades*, Statistics Canada, Catalogue No. 11F0019MIE, No. 248, April 2005.

<sup>99</sup> OECD, *Economic Survey, México, 2003/2004*, July 28, 2004.

<sup>100</sup> See Jaime Ros and César Bouillon, “Chapter 9: México: Trade Liberalization, Growth, Inequality and Poverty,” undated manuscript:10.

<sup>101</sup> See note 76.

<sup>102</sup> UNICEF, 2005:23.

<sup>103</sup> See Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Princeton University Press, 1990; Geoff Wood and Ian Gough, “A Comparative Welfare Regime Approach to Global Social Policy,” *World Development*, 2006, Vol. 34, No. 10; Julia O'Connor, Ann Orloff, and Sheila Shaver, *States, Markets, Families*, Cambridge University Press, 1999; Sheila Kamerman, *et al.*, “Social Policies, Family Types and Child Outcomes in Selected OECD Countries,” Paris, France: OECD Working Paper, 2003.

<sup>104</sup> In this analysis, we analyze the proportion of children living in households that receive income from government programs. We have included all possible government programs here and not just those targeted to families with children. Programs include: child or family allowances, unemployment compensation, maternity allowances, military or veterans' benefits, means-tested cash benefits such as basic social assistance, cash sickness insurance benefits, accident pay, social retirement benefits, and near-cash benefits (benefits that are in-kind payments but have a cash equivalent value such as means-tested housing allowances and food stamps). Refunds from tax benefit programs such as the U.S. Earned Income Tax Credit and Canadian National Child Tax Benefit are treated as a means-tested cash benefit program. This analysis does not include non-cash benefits such as health care provided under a national health insurance program or public housing. This is an important limitation in understanding the scope and impact of the welfare state. See Irwin Garfinkel, Lee Rainwater, and Timothy Smeeding, "Welfare State Expenditures and the Redistribution of Well-being: Children, Elders and Others in Comparative Perspective," LIS Working Paper, 2005, No. 387, [www.lisproject.org/publications/LISwps/387.pdf](http://www.lisproject.org/publications/LISwps/387.pdf).

<sup>105</sup> Social transfers here include family allowances, disability and sickness benefits, formal child care provisions, and unemployment insurance.

<sup>106</sup> UNICEF, 2005:23.

<sup>107</sup> *Ibid.*:24.

<sup>108</sup> OECD, *Social Expenditure Database 1980-2003*. [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)

<sup>109</sup> Chen and Corak, 2005:10.

<sup>110</sup> Federal Provincial Territorial Ministers Responsible for Social Services, *The National Child Benefit Progress Report, 2005, 2007*.

[www.nationalchildbenefit.ca/ncb/Progress\\_Reports/2005/pdf/ncb\\_progress\\_report\\_2005.pdf](http://www.nationalchildbenefit.ca/ncb/Progress_Reports/2005/pdf/ncb_progress_report_2005.pdf)

<sup>111</sup> OECD, *Social Expenditure Database 1980-2003*. [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)

<sup>112</sup> Chen and Corak, 2005:10.

<sup>113</sup> Adam Carasso, Eugene Steurele, and Gillian Reynolds, *Kids' Share 2007: How Children Fare in the Federal Budget*, Washington: Urban Institute, 2007:21.

<sup>114</sup> *Ibid.*:11-19.

<sup>115</sup> P. Villatoro, "Conditional cash transfer programmes: Experiences from Latin America," *CEPAL Review*, August 2005, Vol. 86.

<sup>116</sup> OECD, "Economic Survey of México, 2007," *OECD Observer*, October 2007.

<sup>117</sup> Chen and Corak, 2005:12.

<sup>118</sup> Nancy Birdsall, "Inequality Matters: Why Globalization Doesn't Lift all Boats," *Boston Review*, March/April, 2007. <http://bostonreview.net/BR32.2/birdsall.html>

<sup>119</sup> Michael Walton and Gladys Lopez-Acevedo, *Poverty in México: An Assessment of Conditions, Trends and Government Strategy*, Washington: World Bank, 2005.

<sup>120</sup> See Miriam Wasserman, "The Impact of North American Integration on Children," *Children in North America*, Background Paper, 2005:24-25.