UNIVERSITY OF CALGARY
O'Brien Institute for Public Health

RAISING CANADA

Economic commentary on Raising Canada: A case for investing in children

Prepared for

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That report is available HERE.

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We are harnessing the strength of many organizations that are committed to improving the lives of Canada's children, including children's charities and hospitals, research centres, government, corporations, community leaders, and children themselves.

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Economic commentary on *Raising Canada*: A case for investing in children

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Introduction

Raising Canada presents a view of the wellbeing of Canada's children: demographics, health and wellbeing, and the social determinants of health.[1] This brief commentary discusses the economic implications of the findings of *Raising Canada*. To be sure, the wellbeing of children has supreme intrinsic importance – but it also impacts Canada's economic future.

Demographics

Raising Canada makes several observations about demography. First, it notes that the share of children aged 0-14 years in the Canadian population is declining and is predicted to fall from 16.6% of the population to 15.9% between 2016 and 2036. This seems ominous, but isn't. The child share of the population under 65 is anticipated to *increase* from 20% to 21%. In effect, the share of the population over 65 is growing because people are living longer. That is a phenomenon that will eventually benefit even today's children.

> *"…a disproportionate burden of childcare rests on Indigenous families in Canada. The higher burden of childcare is aggravated by lower incomes."*

Another notable feature of the demography of children in Canada is the share of the child population classified as Indigenous, including First Nations, Inuit and Métis persons. 7.7% of children under age 15 are Indigenous but only 4.3% of the population aged 15 and over.[2] A particularly important implication of this is that a disproportionate burden of childcare rests on Indigenous families in Canada. The higher burden of childcare is aggravated by lower incomes: the median income of First Nations households is only 69% of the median income of the non-Indigenous households.[3] Given that, as discussed below, children raised in poverty tend to have worse health outcomes, there is a particular urgency to ensure adequate investment in supporting access to resources for First Nations, Inuit and Métis families with children.

Health and wellbeing

Raising Canada offers some sobering statistics on the physical and mental health of Canadian children.

The research shows high rates of mental health disorders, including hospitalizations for mental health concerns, suicides, and depression. The report points out the significance of bullying in Canada. The UNICEF Innocenti Report Card 14 indicates that 15% of Canadian children aged 11-15 reported being bullied at least twice in the last month, compared to 10.8% on average in other countries.[4] Bullying is not merely a miserable experience for children – it affects their success in school and eventually also their expected earnings. A careful study using long-term data in the U.K. showed that being bullied occasionally as a child led to a roughly 3% decrease in income in adulthood; being bullied frequently led to a 6% decrease.[5] This has surprisingly large economic implications. Average employment income in Canada is approximately $47,000 annually for individuals who report employment income.[6] If 15% of the individuals with employment income earned 3% less because they were bullied as children, the implied overall impact on total employment income in Canada is approximately $4 billion per year. The implied gain in incomes if Canada could lower its bullying levels to the mean of other high-income countries is approximately $1 billion per year.

"Child abuse is intrinsically wrong and our primary motivation for preventing it should be the value of children as children – but the economic losses caused by child abuse are enormous and support a … case to invest in helping parents, guardians and others in contact with children."

The results of child abuse on economic outcomes are also severe and long-lasting. *Raising Canada* records that almost one third of adults report having suffered abuse before the age of 16. Most did not report it at the time. Child abuse is intrinsically wrong and the primary motivation for preventing it should be the value of children as children – but the economic losses caused by child abuse are enormous and support a purely financial case to invest more in helping parents, guardians and others in contact with children to be able to better care for children. Child abuse has many costs other than the suffering it causes to both victims and abusers: there are court and social services costs and long-term effects on earnings, and increased healthcare costs due to the short- and long-term impacts of trauma to physical and mental health. A 1998 study estimated a lower bound of annual dollar costs of child abuse of approximately $15.7 billion, or about $23 billion in 2018 after adjusting for inflation.[7]

Canada also has relatively poor physical health outcomes for children. The UNICEF Innocenti Report Card 14 ranks Canada at a lowly 29th out of 40 countries for children's health and well-being.[4] Improving child health, not surprisingly, improves adult outcomes. Consider, as an example, obesity: as *Raising Canada* notes, 27.9% of youth in Canada report being overweight or obese. Numerous studies have noted that being overweight or obese in childhood is correlated with higher healthcare costs through life, and also incurs a penalty in the employment market. A recent meta-analysis, applying costs from several European countries and the U.S., finds that the average additional healthcare cost of being obese or overweight in childhood is approximately €18,000 ($27,000).[8] Given the proportion of overweight or obese children in Canada, this implies an annual increase in total healthcare costs of roughly $3 billion.[1] In addition, there is a productivity cost associated with being overweight or obese in childhood (which also results in lower lifetime earnings) of approximately $195,000. The implied total loss in income in Canada is $22 billion per year. To put this into context, total private and public spending on pre-elementary, elementary and secondary educational institutions in Canada in 2017 was approximately $68 billion.[9] Bringing Canada's rate of childhood obesity/overweight to the average in the UNICEF Innocenti Report Card would reduce annual excess healthcare costs and lost productivity by approximately $10 billion.

Social determinants of health

Health does not emerge in a vacuum, of course: it is strongly affected by the physical and social environment of a person, especially during early childhood. A leading cause of poor health in childhood and impaired outcomes in adulthood is deprivation in childhood. Unfortunately, as *Raising Canada* shows, too many children in Canada grow up in food-insecure or impoverished households. Food insecurity has been shown to be associated with numerous negative outcomes, including delays in socioemotional, cognitive and motor development, impaired ability to focus and remember, and higher frequency of chronic illnesses.[10] All of these, not surprisingly, limit children's future opportunities and earnings. It is difficult to estimate the costs in dollar terms, but when children go hungry repeatedly or are fed low-quality diets because they live in a poor household, their futures are impaired. Since children are *our* future as a nation and as individuals, it is also *our* futures that are impaired.

One particularly impressive initiative is the prenatal benefit paid to low-income women in Manitoba in their second and third trimesters. While relatively small at only $81 per month, this benefit appears to have lowered rates of pre-term and low-birthweight births and increased rates of breastfeeding initiation.[11,12] Pre-term and low-birthweight births are not only medically costly, they can also have significant implications for child and adult health. Studies show that

[1] This is calculated by multiplying 1 year's cohort of overweight or obese youth by the estimated lifetime costs.

pre-term birth children have increased risk of ADHD and asthma in youth, and ultimately lower earnings as adults, on average, even when controlling for parental income.[13] As with many other initiatives specifically designed to improve outcomes for children, this solution requires addressing the needs of adults so that they can be better parents. Fortunately, such interventions can have a win-win-win nature: the child, the parents, and society all benefit.

"Too many (children) are raised in poverty; they face hunger and distressing social circumstances in school. Too many suffer from abuse, and pay a hefty toll throughout their lives."

Addressing poverty effectively is one of the most vexing of all social challenges. Often, there is an unwillingness to invest in new approaches, whether as experimentation or even imitation of tools that have succeeded elsewhere. The premature ending of the guaranteed income experiment in Ontario is disappointing since it could have proven, or disproven, the value of this mechanism, or offered lessons on how to make it work most effectively in Canada. Despite evidence on the effectiveness of the prenatal income supplement in Manitoba, it has not been universally copied. A national pharmacare program could effectively increase access to medicines for poor people, including children.[14] Another extremely important intervention for very poor people is addressing homelessness. Numerous studies have shown that providing suitable accommodation for homeless persons can improve their outcomes *and* reduce overall costs.[15] This is particularly important for children. Well-designed interventions to improve educational outcomes in young children in low-income neighbourhoods have been shown to lead to much higher rates of high school and university graduation.[16] Many effective programs have long-term pay-offs that make them good investments, but only when government is able to take the long view.

Discussion

Raising Canada makes it clear that, as a nation, we face some significant challenges in our treatment of children. Too many suffer from physical and mental health issues, many of which are preventable. Too many are raised in poverty; they face hunger and distressing social circumstances in school. Too many suffer from abuse, and pay a hefty toll throughout their lives. These are difficult problems, to be sure, but we can certainly do better with respect to some of these challenges.

From an economic perspective, what should be apparent is that children's health and wellbeing is the foundation of future economic success. Early interventions that address known public health problems in children can have enormous payoffs in the future.[17,18] While our political

system encourages short-term thinking, that is exactly the perspective that we cannot afford with respect to children. It also turns out that the policies that can benefit children's welfare today, such as anti-bullying programs, school lunches in low-income areas, support for low-income and socially vulnerable parents, and child abuse prevention, are exactly the policies that can have very large long-term economic payoffs.

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