The introduction and evolution of child benefits in Canada [1]

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EXCERPTS

Child benefits have significant potential to reduce homelessness and the need for emergency shelter beds by putting more money into the hands of low-income parents. They also can (and do) reduce child poverty, though not always as much as governments claim. And because they do not carry the same stigma as other forms of poverty-reduction initiatives (such as social assistance and social housing), they're also popular among voters—certainly more popular than social assistance benefits for adults. Many elected officials are therefore more eager to create and enhance child benefits than they are to spend on other forms of poverty-reduction.

Since they were first established child benefits in Canada have changed significantly in their intention, their recipients, and their method of delivery. Here's an eight-step guide to that evolution.

1. Legislated in 1944, Canada's first federal Family Allowance made its first tax free payments in 1945 to all women with children under the age of 16 who attended school. In 1964 it was extended to mothers with youth between 16 and 18. All costs were incurred by the federal government; cost-sharing by provincial governments was not required. There were several reasons why the Liberal government supported a family allowance. Above all, the government wanted to avoid a recession (and social unrest) which had happened after the First World War. Influenced by the ideas of John Maynard Keynes, that cash in the hands of lower and moderate income families would be spent and not saved, the government hoped that the Family Allowance would stimulate postwar economic expansion, increase the standard of living of the family, and perhaps even encourage women workers to leave the labour force after the end of the war. It might also relieve the pressure from the rapidly growing labour movement (by increasing the wages of workers). Finally, the wartime publication of the British Beveridge Report and, three months later, the Canadian Marsh Report, influenced public thinking on the importance of a family allowance in a public program of social security. Offering a social benefit was an opportunity for the Liberals to bolster their support while undermining growing support for the CCF (the precursor to the NDP).

2. The Family Allowance was the first major benefit program in Canada extended to Indigenous peoples—but it was also used to assimilate them. From its inception in 1945, there was no prohibition against its application to "Indians" as defined under the Indian Act (unlike the first Old Age Pension under which they were excluded). However, the Department of Indian Affairs did not trust Indigenous peoples to administer their own funds, putting tighter controls on the money. A drop in relief expenditures after the introduction of the Family Allowance suggests that it was being used to replace rather than supplement them.

3. The first major federal government changes to the Family Allowance occurred in 1974, when the value of the family allowance was increased to $20 per child per month. This occurred during a time of a minority Liberal government supported by the New Democratic Party (which was in favour of the increase). At the same time, the Family Allowance was made taxable and indexed to inflation. With a majority government after 1974, and growing concern over the federal deficit, the federal government moved to an income-related redesign of child benefits in which the Family Allowance was reduced. Now, child benefits would have two components: a Family Allowance that was smaller than before (but still universal) and a child tax credit. The refundable tax credit (meaning that if the recipient had no tax owing they could still get money back), introduced in 1978, was only fully available to households with incomes below $18,000, with households up to $26,000 still receiving some benefits related to their incomes. As Dennis Guest notes, since the median family income in 1978 was $19,500 it is likely that more than a 50% of families received some benefit from this new program which came into effect the following year. This was the first time that the federal government used the tax system to deliver a social benefit in this manner. Initially, there were many low-income households that did not receive the benefit because they were unaccustomed to and wary of filing an income tax return.

4. In 1992, the federal government eliminated the Family Allowance altogether. During the 1984 election campaign, Brian Mulroney, then leader of the Progressive Conservative Party, had described universal social programs as a sacred trust, successfully reassuring Canadians that the views of his party were not far from the mainstream. But soon after election, social benefits in general and the Family Allowance in particular became targets of the Progressive Conservative government. By 1989, the government had introduced targeting of the family allowance; and in 1992, they were able to eliminate it entirely without opposition, as the ideology of austerity took hold in the country. Funds from the family allowance were folded into a reformed child tax benefit

5. In 1997, under the terms of the Social Union Framework Agreement between the federal government and the provinces, the federal government created the National Child Benefit Initiative. It was a two-part program that was based on the federal Canada Child Tax Benefit and a new National Child Benefit Supplement. The new initiative—the National Child Benefit (NCB) agreement—involved an understanding that provinces and territories would have the right to claw back the additional funds from those received by social assistance recipients in the province to ensure that welfare recipients would not be better off as a result of the federal program. The only proviso was that if the provinces put a clawback in effect, they would have to use those funds for anti-poverty initiatives.

6. The Universal Child Care Benefit (UCCB)—which looked remarkably like the Family Allowance that had been canceled 14 years earlier—was introduced by the Harper Conservatives after they canceled Paul Martin's promised plan to make federal funds available to the provinces to create new child care spaces. The Conservatives created a taxable $100/month benefit for each child under the age of six. In October 2014, with a majority government, Harper put additional funds into family benefits including what was expected to be a $4.47 increase in the UCCB by 2019-20. These funds paved the way for the changes initiated by the Trudeau government in 2016.

7. The 2016 federal budget—the first under a Justin Trudeau government—contained important provisions for child benefits. In creating the Canada Child Benefit (CCB), the federal government increased federal spending on child benefits, making them more generous for low- and middle-income households, and less generous for higher-income households. Households earning more than $200,000 annually do not receive any benefit at all (which wasn't the case prior to the 2016 federal budget). With the CCB, Canadian households can receive up to $6,400/year for each child under the age of six, and $5,400/year for each child between the ages of six and 17 (those maximum benefit levels apply to households earning less than $30,000 annually). The benefit levels decrease with rising income. (The budget also eliminated the Universal Child Care Benefit, the Canada Child Tax Benefit, the National Child Benefit and the Children's Fitness Tax Credit and Children's Arts Tax Credits.) It's estimated that Canada's child poverty rate (as measured by the after-tax low income cut-off) will decrease from 7.8% to 6.7% after the CCB's first full year of implementation. The federal government estimates that Canadian households will receive a total of $23 billion in benefits annually under this program. (For more on the CCB, see pages 57 to 64 of the 2016 federal budget.)

8. There are other tax expenditures for children. For example, at the federal level, the Child Care Expenses Deduction is worth $900 million annually. Unlike medical expenses (which are converted to a 15% tax credit) child care expenses are a direct deduction from income before calculation of taxable income which means that to someone in a higher tax bracket, the same child care expense is worth more. And in addition to federal benefits, some provincial and territorial governments have their own child benefit programs. (Information on the Ontario Child Benefit can be found here, while information on the Alberta Child Benefit can be found here.) (p. 14)

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