

Child benefits in Canada: Politics versus policy ^[1]

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Problem Statement

Child benefits are social programs that can be powerful tools to combat poverty and inequality. They not only help low-income families but also the middle class. The federal and provincial/territorial governments over the years have achieved considerable progress in strengthening the architecture of child benefits in Canada.

Unfortunately, the current federal government took an about-face on child benefits when it came to power in 2006. It imposed a series of programs intended to help not only low- and middle-income families — the traditional target of child benefits — but also affluent households that do not need help from government.

Policy Objective

The policy objective for child benefits in our social architecture is to build a single, streamlined and progressive support with a strong poverty reduction impact and improved income security for modest- and middle-income families.

Current Status

Core objectives

To properly understand the current debate over federal child benefits, we first must explain what their core purposes are. In Canada, child benefits — meaning income payments on behalf of children, delivered either in the form of cheques or income tax reductions — have historically pursued two fundamental and related purposes: poverty reduction and parental recognition.

Under the poverty reduction objective, child benefits help fill the gap between the earnings of low- and modest-wage parents and their families' income needs, based on the long-recognized reality that a market economy does not vary wages child benefits in Canada and salaries to take into account the number of family members dependant on that income. The parental recognition objective views child benefits as an important way for society to provide some financial recompense for the fact that parents bear expenses that childless households, at the same income level, do not.

These dual objectives are interrelated. Both assume that society has an interest and obligation to help parents with their child-rearing costs. Children grow up to become workers and taxpayers and so it is in the interest of everyone — including those without children — that the value of this work is recognized and parents are supported in the child rearing work that they perform.

Old as they are, the twin aims of child benefits are as relevant today as they were when instituted decades earlier. Profound social, economic and demographic changes challenge the capacity of our social architecture to help Canadians [Mowat Centre 2015, Caledon Institute of Social Policy 2006]. Many families struggle to raise their children in a Canada of persistent poverty, stagnating incomes, precarious employment and widening inequality. Fortunately, child benefits play a crucial role in supplementing incomes for lower- and middle-income households.

Important social programs such as child benefits need to be modernized. Child benefits are a major but unappreciated element of federal income security policy. Not surprisingly, child benefits architecture has changed significantly over the years though the evolution has not been smooth and steady.

Recommendations

Canada should put its child benefits system back on the path of progressive reform through the architecture of an integrated child benefit. The federal government should dismantle the current hodgepodge of child benefits in favour of one big program in the form of an enhanced Canada Child Tax Benefit.

The challenge is to improve the Canada Child Tax Benefit for middle-income families, while also increasing benefits for low-income households. This approach would strengthen both the poverty reduction and parental recognition aim of the child benefits system.

An integrated child benefit should set its maximum payment at the cost of raising a child in a low-income family. That amount is an estimated maximum \$5,700, so we have reached it already for young children (the UCCB and CCTB together are \$5,670). Further increases to the Canada Child Tax Benefit are needed (above the current \$3,750) to bring us to the target \$5,700 since we strongly recommend a single program – the Canada Child Tax Benefit. This increase is \$1,950 (\$5,700 minus \$3,750).

The \$5,700 target was decided many years ago, at the Caledon Institute, so it would be prudent to update it, based on the cost of raising a child in a low income family. Note that a \$5,700 maximum amount should not be set in stone or that might preclude further improvements in benefits. One suggestion would be to adjust the maximum benefit annually by inflation plus 1 percentage point.

To improve benefits for modest- and middle-income families, we would increase the base benefit (which goes to the large majority of families) rather than the National Child Benefit Supplement (targeted to those with low income). Despite the necessary emphasis on child benefits as a stronger poverty reduction instrument, their parental recognition performance also is important and must be enhanced for families with modest and middle incomes.

Conclusion

Few Canadian families likely have a clear idea what they actually get from current child benefits and how these various programs operate. The names of the multiple benefits and their accompanying acronyms make for a confusing jumble. Confusion reigns — and perhaps not by accident: Social policy by stealth is alive and well in Ottawa.

An astonishing omission from the current debate over child benefits is the Canada Child Tax Benefit, which was rarely mentioned — with the exception of one journalist who said Child Tax Benefit when he meant Universal Child Care Benefit.

The Canada Child Tax Benefit displays superior social architecture — powerful, poverty-fighting, progressive, fair, inclusive, indexed, non-stigmatizing, transparent and efficient. The Liberals' recently proposed Canada Child Benefit builds firmly on the architecture of the Canada Child Tax Benefit. The Canada Child Benefit stands to be a major step forward in the history of child benefits in Canada — hopefully one that will prevail.

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