

# Anti-poverty policy needs protection <sup>[1]</sup>

Opinion

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## AVAILABILITY

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## EXCERPTS

While the glossy cover pages and political messaging in the recent federal budget were focused on the middle class, the budget itself contained one of the most significant investments in poverty reduction in a generation. The Canada Child Benefit, a new income support program for families that replaces a suite of pre-existing benefits, is designed to target its most significant support towards the lowest-income families — enough to move 300,000 children out of poverty.

This initiative, which was a centrepiece of the Liberal Party's election platform, was widely celebrated when the details were announced as part of the budget, and rightly so. Yet as the confetti cleared, a few wise analysts, including the Caledon Institute and Jennifer Robson, pointed out a critical design flaw that could, over time, erode all the poverty-fighting power of this measure.

Unlike a wide range of government benefits and tax policies in Canada, the Canada Child Benefit is not indexed to adjust for inflation. Both the size of the full benefit (\$6,400 per child under six and \$5,400 per child 6 to 17) and the family income brackets that determine how much of that benefit a family is eligible for will be set in legislation at today's rates, and won't change unless a future government introduces new legislation to change them.

When the Liberals first proposed this policy, they said the benefits would be indexed to inflation. Now they have reportedly said that they would bring in indexing by 2020. To make sure that this policy plays the role that it should in meeting our obligations to reduce poverty, the federal government should make sure indexing is in place before the next federal budget.

Why is indexing benefits to inflation so important? Because the costs facing families go up each year. Even at the relatively low levels of inflation projected in the federal budget, the \$6,400 worth of necessities paid for today would cost over \$7,000 by 2020. That likely understates the extent to which frozen benefit levels would fall short of people's needs — important household costs like food, housing and child care are increasing at a faster rate than the overall inflation rate.

At the same time, wage inflation would mean that families would move up in unindexed income brackets, making them eligible for lower benefits even if their need has not decreased (and their purchasing power has remained flat). This is why we automatically adjust income tax brackets in Canada, and why we index most benefits.

Some of the benefits that the Canada Child Benefit is replacing (the Canada Child Tax Benefit and National Child Benefit Supplement) were indexed to inflation. The other portion being replaced, the Universal Child Care Benefit (UCCB), which was not indexed, gives us a sense of just how quickly the purchasing power can be eroded for families who rely on it. The Parliamentary Budget Officer found that the total value of the UCCB program fell from 47 per cent of Canadians' household spending on child care in 2007-2008 to 41 per cent just six years later.

While there is nothing to stop future federal budgets from including changes to adjust the benefits for inflation manually, history shows we can't count on this to happen. The Child Care Expense Deduction limit, for example, was left at \$7,000 from 1998 until 2015, during a time when the cost of child care services went up by 50 per cent. While there may be political advantages to getting to announce each increase as a new investment, our commitment to reducing poverty and protecting people's basic rights to access food and shelter shouldn't be left to political will and the context of the day.

For that reason, the commitment that the federal government has made to bring in automatic indexing for the Canada Child Benefit is welcome. However, we shouldn't wait, allowing the value of the benefit to lose ground against costs. The best thing the federal government can do now to protect and build on this progress for child poverty is to bring in indexing immediately through the budget implementation act — or at a minimum by the next budget — to make sure we don't lose any ground in addressing poverty.

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**Region:** Canada <sup>[3]</sup>

**Tags:** child poverty <sup>[4]</sup>  
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