

# **Mothers as Earners, Mothers as Carers: Responsibility for Children, Social Policy and the Tax System**

Christa Freiler, Felicite Stairs and Brigitte Kitchen  
with Judy Cerny

The research and publication of this study were funded by Status of Women Canada's Policy Research Fund. This document expresses the views of the authors and does not necessarily represent the official policy of Status of Women Canada or the Government of Canada.

March 2001

Status of Women Canada is committed to ensuring that all research produced through the Policy Research Fund adheres to high methodological, ethical and professional standards. Specialists in the field anonymously review each paper and provide comments on:

- the accuracy, completeness and timeliness of the information presented;
- the extent to which the methodology used and the data collected support the analysis and recommendations; and
- the original contribution the report would make to existing work on this subject, and its usefulness to equality-seeking organizations, advocacy communities, government policy makers, researchers and other target audiences.

Status of Women Canada thanks those who contribute to this peer-review process.

### **Canadian Cataloguing in Publication Data**

Main entry under title: Mothers as earners, mothers as carers [computer file]: responsibility for children, social policy and the tax system

Issued also in French under title: Les mères en tant que soutiens économiques et dispensatrices de soins.

Issued also in print format.

Mode of access: WWW site of Status of Women Canada.

Includes bibliographical references.

ISBN 0-662-65520-6 [print format]

Cat. No. SW21-76/2001 [print format]

1. Tax incidence – Canada.
  2. Working mothers – Taxation – Canada.
  3. Fiscal policy – Canada.
  4. Family policy – Canada.
  5. Income maintenance programs – Canada.
- I. Freiler, Christa.
  - II. Canada. Status of Women Canada.
  - III. Title : Les mères en tant que soutiens économiques et dispensatrices de soins.

HQ759.48M67 2001    336.2'94'0852'0971    C2001-980077-0

**Project Manager:** Nora Hammell, Beck Dysart, Status of Women Canada

**Publishing Coordinator:** Mary Trafford, Status of Women Canada

**Editing & Layout:** PMF Editorial Services Inc. / PMF Services de rédaction inc.

**Translation:** Pierre Chagnon

**Comparative Read:** Linqvistica

**Translation Coordinator:** Monique Lefebvre, Status of Women Canada

**Translation Quality Control:** Société Gamma

### **For more information contact:**

Research Directorate

Status of Women Canada

123 Slater Street, 10th Floor

Ottawa, Ontario K1P 1H9

Telephone: (613) 995-7835

Facsimile: (613) 957-3359

TDD: (613) 996-1322

E-mail: [research@swc-cfc.gc.ca](mailto:research@swc-cfc.gc.ca)

## **ABSTRACT**

The report examines and recommends how taxation can be used as an instrument of social policy to further women's equality, reduce their economic vulnerability and support mothers as earners and carers. The research combines an analysis of the federal income tax system with focus group findings illustrating the real life experiences of mothers. It integrates gender equality, family policy and tax policy goals into a single framework which includes social, economic and administrative considerations, and it advances the notion that the goal of gender equality can be compatible with a focus on children. The report makes recommendations regarding tax provisions related to the care of children and includes proposals for a progressive child allowance and a family leave program, among others, which contribute to building an adequate income floor and supporting women in their dual roles.

# TABLE OF CONTENTS

PREFACE.....	iv
ACKNOWLEDGMENTS .....	v
EXECUTIVE SUMMARY .....	vi
INTRODUCTION AND OVERVIEW .....	1
Earning, Caring and Sharing Responsibility for Children.....	1
The Goals, Contribution and Organization of the Report .....	3
<b>PART I: THE LIVES OF WOMEN WITH CHILDREN: LIFE CHOICES, LIFE CHANCES AND PUBLIC POLICY</b>	
1. INTRODUCTION: THE COMMON AND DIVERSE EXPERIENCES OF MOTHERS .....	5
Women’s Role as Caregiver .....	7
The Dynamics of Choice, Circumstance and Necessity.....	8
Child Care Arrangements, Attitudes and Experience.....	10
Shared Responsibilities and Resources .....	11
Evaluation of Support for Women as Caregivers and Earners .....	11
Tax and Social Policy Principles.....	12
Learnings.....	13
2. THE LIVES OF WOMEN WITH CHILDREN: DEMOGRAPHIC, STATISTICAL AND ECONOMIC PERSPECTIVES .....	15
Demographic and Labour Market Trends.....	15
Family Structure and Number of Earners in a Family.....	17
The Economic Vulnerability of Women with Children .....	18
International Perspectives on Women’s Poverty .....	19
<b>PART II: UNDERSTANDING CANADA’S TAX SYSTEM: PRINCIPLES, PURPOSES, AND IMPACTS ON WOMEN</b>	
3. TAXATION AS A TOOL OF SOCIAL POLICY.....	21
4. PURPOSES AND OBJECTIVES OF THE TAX SYSTEM.....	22
Revenue Gathering .....	22
Income Redistribution .....	24
Equity.....	24
Neutrality .....	25
Simplicity.....	26
Tax Expenditure Analysis.....	26

5. STRUCTURE OF THE PERSONAL INCOME TAX SYSTEM.....	28
The Tax Unit: Who Pays?.....	28
Tax Base: What Gets Taxed?.....	28
How Much Is Paid: Tax Rates, Deductions and Credits .....	29
The Gender Bias of the Tax System.....	29

### **PART III: CARING FOR CHILDREN AND THE TAX SYSTEM**

6. INTRODUCTION: THE TAX FAIRNESS DEBATE AND FAMILIES WITH CHILDREN.....	32
7. TAX PROVISIONS FOR FAMILIES WITH CHILDREN.....	34
8. RECOGNITION OF CHILDREN IN THE TAX SYSTEM.....	36
The Canada Child Tax Benefit.....	37
The Tax Unit .....	40
The Unit of Taxation for Tax Liability.....	40
Benefit Unit.....	43
The “Individual-in-Relation” .....	45
9. CHILD CARE EXPENSES.....	47
Child Care Expense Deduction .....	47
Provisions Related to the Child Tax Benefit.....	49
Spousal and Dependent Credits .....	49
The CCED and Tax Equity.....	49
The CCED and Child Care .....	51
10. PROGRAM FUNDING: DIRECT SPENDING OR TAX EXPENDITURES? .....	53
Disadvantages of Using the Tax System to Deliver Benefits.....	54
Conclusion .....	56

### **PART IV: LESSONS FROM EUROPEAN TAX SYSTEMS**

11. OVERVIEW OF EUROPEAN APPROACHES .....	57
12. THE TAX TREATMENT OF FAMILIES IN EUROPE.....	58
Child Benefits and Tax Credits.....	58
Children in Lone-Parent Families .....	60
Children with Disabilities .....	60
Non-Taxation of Child Benefits.....	60
Use of Tax Deductions or Credits in Support of Education .....	60
The Tax Unit .....	61
The Equity Problems of Family Taxation.....	63
Taxation by Family Type.....	63
Child Care Tax Deduction .....	64
Conclusion .....	64

**PART V: SUPPORTING MOTHERS: TOWARD A MODERN POLICY  
FRAMEWORK**

13. INTRODUCTION: THE PUBLIC POLICY CHALLENGE.....	65
14. TOWARD A MODERN POLICY FRAMEWORK: IDENTIFYING POLICY GOALS AND OBJECTIVES .....	67
15. CHOOSING POLICY GOALS: ISSUES AND PRIORITIES .....	69
1. Vertical and horizontal redistribution both important .....	69
2. Adequate income floor should be goal .....	69
3. Treating children as citizens advances women’s equality .....	70
4. Promoting attachment to the labour market as a questionable goal of family policy.....	71
5. Families should come first in work and family policies.....	72
16. ADMINISTRATIVE, ECONOMIC AND POLITICAL CONSIDERATIONS .....	73
Service Delivery/Administrative Considerations.....	73
Economic Considerations .....	74
Political Objectives.....	75

**PART VI: A NATIONAL AGENDA FOR FAMILIES:  
PROPOSALS AND RECOMMENDATIONS**

17. INTRODUCTION: LET’S STOP GIVING WOMEN A HARD TIME .....	76
18. A COMPREHENSIVE POLICY AGENDA FOR FAMILIES.....	78
The Four Pillars .....	78
19. POLICY RECOMMENDATIONS: AN AGENDA FOR 2005 .....	80
20. CONCLUSION: MAKING A DIFFERENCE IN WOMEN’S LIVES .....	88
APPENDIX A: SELECTION CRITERIA AND DISCUSSION GUIDE FOR FOCUS GROUPS .....	90
APPENDIX B: THE TAX SYSTEM.....	96
BIBLIOGRAPHY .....	101
ENDNOTES .....	115

## PREFACE

Good public policy depends on good policy research. In recognition of this, Status of Women Canada instituted the Policy Research Fund in 1996. It supports independent policy research on issues linked to the public policy agenda and in need of gender-based analysis. Our objective is to enhance public debate on gender equality issues, and to enable individuals, organizations, policy makers and policy analysts to participate more effectively in the development of policy.

The focus of the research may be on long-term, emerging policy issues or short-term, urgent policy issues that require an analysis of their gender implications. Funding is awarded through an open, competitive call for proposals. A non-governmental, external committee plays a key role in identifying policy research priorities, selecting research proposals for funding and evaluating the final reports.

This policy research paper was proposed and developed under a call for proposals in August 1998 on *Women and the Canadian Tax System*. Research was invited that would examine the tax system, its underlying assumptions about women's lives and whether it has a different impact on women and men. Status of Women Canada funded two research projects on this issue: one project providing a broad analysis and one that looks particularly at the impact on women as mothers and workers.

A complete list of the research projects funded under this call for proposals is included at the end of this report.

We thank all the researchers for their contribution to the public policy debate.

## ACKNOWLEDGMENTS

Thank you to the following for their contributions to the development of this paper: the women who shared their experiences and insights in the focus group meetings, Peter Donegan and Lorraine Sutton for facilitating, Ellen Zweibel for her review and comments on earlier drafts of the material in parts II and III, Richard Shillington for fruitful discussions, Status of Women Canada for research funding and, in particular, Julie Dompierre, JoAnne de Lepper and Julie Cool for their support and understanding at different stages of the process.

### **Research Team**

Christa Freiler works for the Child Poverty Action Group, co-ordinates the Children's Agenda Programme of the Laidlaw Foundation, and is the mother of an 18-year old daughter and an 8-year old son.

Brigitte Kitchen, Ph.D., teaches social policy and women's issues at York University, co-chairs the Child Poverty Action Group and is an involved grandmother.

Felicite Stairs, L.L.M., practises law at the Renfrew County Legal Clinic.

Judy Cerny is an "earner" and a "carer" who spends part of her time researching social policy issues and the other part caring for her three children.



## EXECUTIVE SUMMARY

No country has completely succeeded in accommodating parenthood and paid work in its public policies. All give women a hard time. For Canada, supporting women as both earners and carers has posed a particularly difficult challenge. This is partly because Canadian public policies remain ambivalent about the role of women in the labour market. For this and other reasons, questions about how we care for children and whose responsibility it is to care for children have never been resolved. At the same time, the once recognized principle that children should have a special claim on society's resources is no longer central to Canadian public policy. As a result, past generations of young families received considerably more assistance from governments than families of today, and women continue to be inadequately supported as both earners and carers.

Tax policy has been described as the "fiscal expression of a particular society." Not surprisingly, Canadian tax policies mirror the ambivalence toward the role of women and the shortcomings of Canadian public policies. Taxation has been the subject of recent media and public debate, focussing on issues of tax fairness among different kinds of families and the use of the tax system as a vehicle to deliver social policy. Concerns about tax fairness for families arose in the 1980s with the move away from universal recognition of the impact of the costs of raising children (i.e., the principle of horizontal equity). In 1999, the debate centred around the deduction for child-care expenses which is not available to families where one parent is at home caring for children.

The primary purpose of the tax system is to raise revenue for the functions and benefits provided by the state. It is also designed to meet a number of often-conflicting social objectives and to cover a multitude of economic situations. Economic growth and stability, and the encouragement of international competitiveness have generally been given priority over the achievement of greater social equality, including gender equality.

Taxation can be a powerful instrument of social policy. It can promote social objectives by redistributing resources. It can reduce or increase the gap in living standards resulting from market incomes. Tax policies can either support or hinder parents in their important job of raising children by either recognizing or ignoring the extra costs of children on the family budget. Equally important, the tax system can advance or hinder gender equality. While the design of the tax system does not directly discriminate against women, it does not consider the differences in social and economic circumstances between men and women, and between those with and without children.

There are no tax provisions that apply to all Canadian families with children. The only tax provisions exclusive to families with children are the Canada Child Tax Benefit (CCTB) and the child care expense deduction (CCED), and these are targeted at specific family types. The CCTB is available to low-, modest- and middle-income families with children, but its value decreases with family income. The CCTB has been critiqued both as a tax provision and as an anti-poverty measure. As a tax policy, the most common criticism of the CCTB is that it violates the principle of horizontal equity. High-income earners receive no recognition

at all for the costs of raising children. The CCTB also provides little benefit for economically vulnerable families of modest incomes, and it makes a mockery of the goal of fighting child poverty because the child benefit supplement is “clawed back” dollar for dollar from families on social assistance.

The CCED is available only to families in which the parents are employed or attending school. This has fuelled the perception that the program is unfair to single-earner families and that the tax system discourages “traditional” male breadwinner families. However, because the CCED is the only child-related benefit available for many families with higher incomes, it moves toward restoring equity among parents with child-care expenses. The CCED is not and never was a child care program; it is compensation to a taxpayer for the cost of earning income. Removing the CCED would make it even harder for women to contribute to the support of their family.

Most countries use their tax system to pursue family policy goals, many in the interest of enhancing child well-being. The most striking difference between the Canadian tax system and the various systems of the 15 European Union (EU) countries is their emphasis on equity in living standards between taxpayers with and without dependent children to support. Children are widely considered a shared responsibility between their parents and the society of which they are a part by birth or residency. The choice of tax unit in EU countries is tied to their concern with the conflicting goals of horizontal and gender equity. However, the trend in the EU has been a move to individual taxation.

In Canada, women as mothers can no longer be easily divided into carers and earners since the majority are both earners *and* carers. Their lives are fluid as they move in and out of different roles, fluctuating between child rearing and the labour market. Some women spend time in the paid work force, then withdraw while their children are young, and re-enter when their children get older. An increasing majority of women remain in the labour force except for short periods of time while on maternity or parental leave. Many participate in the labour market part time in order to accommodate the needs of their family.

For most women, the question is not whether to stay at home with children or be in the labour market. Couple families have to decide how much time one parent can be out of the labour market and how to share their earning/caring responsibilities. Lone mothers have to be in paid employment to support themselves and their children, the only other option, at present, being subsistence-level social assistance.

Despite some differences in personal circumstances and views about child rearing, our focus group research found that mothers have much in common: a desire to spend adequate time with their children, the conviction that young children up to the age of one are best cared for at home by a parent, and the need for flexibility and choice in combining or sequencing their earning and caring roles.

A policy agenda that supports mothers as earners and carers has to be approached from a number of angles. It has to link issues of tax fairness and gender equality with a broader set of social justice and social policy objectives. A policy framework, therefore, requires an

integration of tax policy, social policy (particularly family policies) and gender equality goals. Specifically, it must include a commitment to both vertical and horizontal redistribution, an adequate income floor as the goal and an understanding that treating children as citizens advances women's equality. Social policies in Sweden have taught us that programs, such as quality child care, flexibility in balancing employment and family work, extended maternity and parental leaves, and generous child benefits, also support children. Gender equality cannot, however, be achieved through family policy agendas in which support to mothers is merely a by-product of vertical equity to support low-income families.

With a budget surplus of \$9 billion, projected to rise to \$58.2 billion by 2009, the federal government is now in a position to make the investments necessary to lay the foundation for a comprehensive policy agenda for families with children. The four pillars of such an agenda, below, require the leadership of the federal government and the co-operation and commitment of all three levels of government:

- employment policies to provide sustaining and decent jobs for women and men;
- work redistribution and workplace restructuring;
- supportive and responsive community services; and
- tax and social security policies that contribute to an adequate income floor for families with children.

## **Recommendations**

Movement toward the comprehensive agenda of policies and programs outlined above is a long-term goal. This report makes recommendations in four areas which can be implemented within the next five years.

1. Introduce a progressive child allowance consisting of an enhanced child benefit and universal child tax credit.
2. Further enhance maternity and parental leave provisions, and introduce a family leave allowance.
3. Retain the child care expense deduction in its present form as long as child care is a cost of earning a living or taking part in training or post-secondary education.
4. Introduce designated funding to create a national program of universal child care and early childhood development services.

## INTRODUCTION AND OVERVIEW

Taxation has recently become the subject of considerable media and public attention in Canada. The debate has largely centred on three dimensions:

- the issue of tax fairness between different kinds of families;
- the use of the tax system as a vehicle to deliver social policy; and
- the call for tax cuts, framed sometimes as a response to perceived over-taxation and other times as the best way to support families or increase parental choices.

Even though these debates have sometimes cast more heat than light on the issues, they have also focussed attention on the underlying social policy challenges.

- How do we care for children?
- Whose responsibility is it to care for children?
- How do we support women in their dual roles as earners and carers?

In the last decade, the research evidence has been mounting that, unless these issues are resolved, we jeopardize the well-being of children, their future life prospects, and the social and economic vitality of this country. Equally important, how these issues are addressed is key to advancing the equality of women since it is women who continue to have primary responsibility for children.

### **Earning, Caring and Sharing Responsibility for Children**

The original working title of this report was “Women as mothers, women as workers: caring for children and the tax system.” We changed the title to *Mothers as Earners, Mothers as Carers: Responsibility for Children, Social Policy and the Tax System* to reflect the assumptions and contentions underlying this report.

First, the majority of mothers in Canada today are both carers and earners. Dividing the population of women with children into “mothers” and “workers” does not reflect reality. Whether by choice or by circumstance, most women with children combine the roles of earning and caring: they do not engage in only one or the other. Furthermore, just as caring for children must be regarded as “work,” so must it be recognized that women do not stop being mothers simply because they are in paid employment.

For most women, the question is not about whether to stay at home with children or to be in the labour market. The issue relates to how much time is taken out of the labour market to be at home with children. As well, how do the parents share caring and earning? As Leach (1994) suggests, the issue is about women’s and men’s continuous right to earn and care, rather than the right to choose one or the other.

For many families, unfortunately, these choices are very limited. Some parents may have to choose between spending adequate time with their children and earning adequate incomes. For others, including many lone mothers, the choices may be even starker: subsistence-level social assistance or a subsistence-level, low-wage job.

Finally, we recognize that there are mothers who have no choice about participating in the labour market, either because of their children's special needs or their own problems. Although addressing these mothers' circumstances is beyond the scope of this report, it is important to acknowledge that choice does not exist for all mothers with children.

A second reason for the report's name change is to highlight that support to mothers in their dual roles calls for a package of income supports *and* services, such as child care, both within and outside the tax system. Despite a theoretical debate about the tax system's neutrality, the role of taxation in shaping social policy has long been recognized. Most countries, including Canada, use their tax systems to pursue family policy goals.

While tax-related measures are the primary focus of this report and, admittedly, important tools of social policy, they are not the only ones and may not always be the best ones. Direct cash transfers, such as child allowances, and in-kind benefits, such as health care, medicine and education, may make a bigger difference to families than tax-related measures. Tax measures do nothing to ensure that a social infrastructure exists or the services (e.g., child care) are in place to allow parents to provide for themselves and their children.

Finally, the issue of responsibility for children is fundamental and must precede the discussion of how children can and should be cared for. Unless embedded in an explicit framework of social responsibility, the language of "giving parents choices about how to care for their children" may reinforce the view that children are the private responsibility of their parents. This report assumes that responsibility for children should be shared between the parents and the state, between men and women in society, and between both parents in a family.

Several federal (or joint federal-provincial) government committees released reports in 1999 which address the issue of responsibility for children. These include the 1999 discussion paper of the federal-provincial National Children's Agenda (*Developing a Shared Vision*), the interim report on children and youth at risk (Canada 1999) and the report on tax fairness for families with dependent children (Dept. of Finance 1999c).

These recent government initiatives are significant because they have contributed to a more open and public debate and discussion about difficult issues. Some critics, however, view the focus on children as a mixed blessing. While it has helped to highlight the need for public policies—including progressive tax policies—to support families with children, there is also a concern that the child focus masks issues related to women, such as "the problem of women's poverty as well as the primary responsibility women assume for children and the central role most women play in their children's lives" (SWC 1999).

We are sympathetic to this concern but do not reject the child focus nor do we see it as necessarily being in competition with a focus on women. A focus on children and the recognition that children should have a distinct claim on society's resources are the basis for the concept of social responsibility. As we have argued previously, gender equality cannot be achieved unless children are seen as having a claim on the state which is separate and distinct from that of their mother (and father) (Kitchen 1995; Freiler and Cerny 1998).

### **The Goals, Contribution and Organization of the Report**

The overall goal of this report is to help promote and develop a coherent, *national* public policy framework, which integrates tax and social policies, in support of families with children. A major purpose is to examine and recommend how taxation can be used as an instrument of social policy to further women's equality, reduce their economic vulnerability, and support mothers as earners and carers. The research combines an analysis of the federal income tax system with focus group findings illustrating the real life experiences of mothers. It integrates gender equality, family policy and tax policy goals into a single framework which includes social, economic and administrative considerations, and it advances the notion that the goal of gender equality can be compatible with a focus on children. The report's recommendations include proposals for a progressive child allowance and a family leave program, among others, which contribute to building an adequate income floor and supporting women in their dual roles.

It should be noted that the report deals exclusively with federal tax and social policies. There are several reasons for this. First, the political backdrop for this report was the 1999 debate about tax fairness which centred on federal tax programs such as the child care expense deduction. Second, the work of documenting and analyzing the tremendous variations in provincial tax and other policies was seen to be outside the scope of this research project.<sup>1</sup> Finally, it is our view that a national tax and social policy framework requires a distinct and significant role for the federal government. It is, therefore, important to articulate and develop the federal elements of a national framework which need to be in place. Having said this, we must also acknowledge the potentially important contribution of provincial tax, child benefit, child care and parental leave policies in providing support to women with children.

The report is organized in six parts.

Part I lays the groundwork for the examination of tax issues and the development of tax and family policies, by beginning with the focus group findings. This part concludes with demographic information on mothers, their labour market experiences and causes of economic vulnerability.

Part II contributes to an understanding of the tax system by discussing the different purposes of the tax system and the principles underlying taxation in Canada. It concludes with a summary of the issues related to the gender bias in this country's tax system.

Part III looks at debates in Canadian tax policy related to tax fairness and support to families, specifically focussing on issues related to the choice of tax unit, recognizing the costs of children and child care. Two tax programs are explored in detail: the child care expense deduction and the Canada Child Tax Benefit.

Part IV summarizes the tax treatment of families with children in a number of European countries and compares these to provisions in Canada.

Part V integrates tax and social policies by developing a common set of social, economic and administrative objectives. These then serve as a framework for assessing and developing policy recommendations and proposals.

Part VI presents tax recommendations and related social policy proposals for a comprehensive national agenda for families.

# **PART I: THE LIVES OF WOMEN WITH CHILDREN: LIFE CHOICES, LIFE CHANCES AND PUBLIC POLICY**

## **1. INTRODUCTION: THE COMMON AND DIVERSE EXPERIENCES OF MOTHERS**

A woman with children is always a mother, whether in the work force or at home with her children. The presence of children affects women's lives differently from the way it affects most men, in terms of both their life choices and their life chances.

Although both men and women make sacrifices when they become parents, women are more likely than men to make career choices in anticipation of having children, or to change job paths because of their children (Fox 1997).

Women who are "scripted" to care for others, observes McDaniel (1993), are less likely to plan for occupations that will allow them to support themselves and their children and, therefore, more likely to end up in insecure, low-paying jobs with few benefits. Partly because of their lower position in the labour market, they are also more likely to leave paid employment if "needed at home." Women who lack access to decent jobs with decent wages are then judged to be "victims of family choices, of family circumstances of their own making" (McDaniel 1993: 172).

Becoming a parent—in a world organized as ours is—may be the most significant experience producing gender differences today. The anticipation of mothering, more than anything else, seems to distinguish girls from boys (Fox 1997: 144).

Parenthood has been shown to be one of the most engendering experiences in the lives of children and adults. In her study of 10 heterosexual couples, Fox found that, even among couples that had never before divided domestic work along conventional gender lines, the birth of a child resulted in traditional patterns, with the woman becoming the primary caregiver and the man assuming the role of breadwinner. The birth of a baby increased the men's concern about money and made them take their breadwinning role more seriously. For the women, the idea of staying at home was attractive because they loved their babies and wanted to spend time with them, plus it provided an opportunity to "take time off" from jobs that may be far from fulfilling and rewarding. For others, staying at home with their babies provided a clear role or occupation in contrast to their lack of success in marketplace terms.

A substantial number of women continue to adjust their job commitments around caring responsibilities, often not by choice but by necessity. They may find that having children means they can no longer perform well on the job and either resign or work part time. This often means moving down the occupational ladder into jobs that require less responsibility and are less well paid than the jobs they had before their children were born. Women's future earnings are adversely affected by such a decision, as numerous studies have shown.



We must also recognize the barriers to labour force participation encountered by mothers caring for children with disabilities. While this report does not specifically address their circumstances, we acknowledge the special hardships faced by parents with children whose needs are not being met by existing services and who may be excluded from participating in community programs.

Finally, current welfare reform rhetoric notwithstanding, it must be understood that for many mothers on social assistance, full-time labour force participation is extremely unlikely. An American study recently found that, in some states, nearly one quarter of parents on welfare suffered from major obstacles to paid work, including clinical depression, post-traumatic stress disorder, physical disabilities and substance abuse problems (Sweeney 2000).

To deepen our understanding of women's circumstances, the choices families make in caring for their children, and the role of tax and social policy in supporting these choices, we conducted a facilitated meeting and two focus groups in 1999. The facilitated meeting, held in July 1999, involved a group of mothers we recruited from our own professional and social networks. While participants were generally knowledgeable about social programs to support families, their understanding of tax policies and programs was considerably more limited. Since the major purpose of this facilitated meeting was to help us identify the issues for the focus groups, we decided future discussions should deal less with the specifics of tax programs and more with women's experiences and their views on different policy approaches.

The two focus groups conducted in October 1999 consisted of one with "at-home" mothers and the other with "income-earning" mothers. While focus group findings are not statistically representative of the larger population, because of small sample sizes and the respondents not being recruited randomly, this type of research can offer valuable insights into the real-life experiences, needs and aspirations of women and how they are affected by public policy.

The major objectives of the focus group research were:

- Compare the experiences and views of women with children in different situations.<sup>2</sup> (The criteria for selecting participants and the discussion guide are in Appendix A.)
- Explore perceptions of the public policy supports available to mothers/families, particularly current tax measures, such as the Canada Child Tax Benefit and the child care expense deduction.
- Test reactions to specific approaches and principles pertaining to tax and social policy.

There were two reasons for dividing the focus groups along the lines of at home and income earning:

- Explore the similarities and differences between these two groups.

- Reduce the likelihood of conflict arising from possible differences in life choices and parenting philosophies.

We assumed there would be significant similarities between the two groups in terms of aspirations for their children; differences might emerge with respect to the women's aspirations for themselves, their opinions on what is in the best interests of children and their views of needed tax and social policy measures.<sup>3</sup>

While some interesting and useful findings emerged from the focus group process, one should be cautious about using these results to make generalizations about differences between at-home and income-earning mothers for the following reasons.

- The differences between the women within each group were as significant and, in some cases, more significant than the differences across the two groups.
- For the most part, the differences between the two groups were matters of degree, rather than qualitative or philosophical differences.
- Both groups contained a mix of women—some at home or in the labour market by choice and others by circumstance (e.g., child with a disability, inadequate supports to balance dual roles, lack of employment opportunities or economic necessity). Most were in their current situations for a combination of these reasons.
- Both groups included some participants who were combining earning an income *and* being at home with children. Which group they ended up in was determined by how they identified themselves (i.e., their primary identity), rather than being assigned to a group.

The following account of the findings is taken largely from the final report prepared by Peter Donegan, the consultant who conducted the focus groups and analyzed the findings. In those few instances where our own observations led to a different interpretation or conclusion, the researchers' analysis is presented, rather than the consultant's.<sup>4</sup>

### **Women's Role as Caregiver**

*We're there for our kids. Even if we go out to work part time, we consider ourselves "stay-at-home moms."*

*I stay at home because I believe that, as a woman, that's where my place is. Why have kids if you're not going to stay at home with them [until they are six]?*

The belief that women should remain at home with children, particularly while they are young, rather than participating in paid employment still has a share of followers. However, this view appeared to be motivated by a concern for children rather than an acceptance of an inferior role for women. If respondents accurately reflect the attitudes of women in society, women holding this belief are likely in the minority. Within this segment, there was some

evidence of intolerance toward mothers who chose to be in the labour market even though they could afford to stay at home. For the most part, it did not translate into a desire to impose personal values on others. Despite their strong views, those at home for philosophical reasons accepted that it was not always a matter of choice, fully aware that women in two-parent families had options that lone mothers simply did not have. Interestingly, several of the women who felt most strongly that a mother's place was in the home while her children were young, were also the ones with the most passionate adherence to the notion of collective responsibility for children. Their concern for their own children clearly translated into a concern for the well-being of other people's children.

In arguing their case for staying at home, women in the at-home group made the connection between what they referred to as "absentee" parents and juvenile delinquency, and the propensity for children from these households to later get into trouble with the law. While generally more comfortable with the idea of the mother being the one to stay at home, there was some allowance that either parent might do. Those who were financially comfortable inferred materialism and greed as the motive for both adults working, ignoring the difference that two incomes can make in the lives of low-income earners.

The income-earning group also championed the need for a positive influence during a child's formative years, particularly the preschool years. While they did not underestimate or diminish the importance of the mother, indeed either parent, in a child's life, they did not believe that staying at home was integral to positive childhood development. They talked of quality rather than quantity of time with their children, and were open to the idea of the early years being shaped by other caregivers as well as themselves.

Income-earning potential and self-fulfillment were not the only reasons women gave for working. Some felt very strongly that in a male-dominated world, it was important for women to work in the labour market, so children would grow up to respect them as equal contributors to society. Lone parents also placed importance on providing an example to their children of self-reliance rather than "dependency" on the state.

While there was some disagreement about the role of mothers, all the women shared a passionate belief in the importance of the mother's presence in the first year of a child's life. It was not that mothers necessarily thought they had a monopoly on nurturing, for some did acknowledge their partner as a loving and caring parent. Whatever the reason, there appeared to be strong support for the idea that, financial circumstances permitting, a mother should stay at home as long as possible during the first year of her baby's life.

### **The Dynamics of Choice, Circumstance and Necessity**

*It's a time issue; I want to spend more time [with my child], not necessarily stay at home.*

*I liked working. I felt good when I worked—I felt like I was contributing. A job is important, but not more important than my child.*

*For my money, it's still so important to work [in the paid labour market]. You have to have some independence. Even if I had a million dollars, I would be working. (Lone mother)*

*What's going to happen to me in my old age? I don't have a career and not enough skills to get back in.*

Even for women who were philosophically amenable to the idea, the decision to stay at home as caregiver came at a price. Though they were prepared to accept the consequences of that choice, there was tension between their inner desires for themselves and the commitment and responsibility they felt toward their children. While unwilling to change much of what they have done or are now doing, there were instances of sober reflection particularly among mothers of older children that their chosen focus had come at the expense of personal growth and broader fulfillment. At-home mothers of younger children, while sometimes fantasizing about the rewards of working, were not as reflective on what might have been, but were concerned about their marketability when they did decide to re-enter the work force.

The decision to stay at home was not always philosophically based. There were instances where career-seeking women, who enjoyed both the demands of the job and of the household, were forced to choose. These mothers were harsh in their criticism of the attitude of business toward working mothers, such as their unreasonable demands to shorten maternity leave, and their unwillingness to work out compromises on overtime that would allow mothers to spend more time at home with their children.

Other women interviewed in the at-home segment were there largely because of circumstances, such as the demands of a child with disabilities or the stress of caring for three young children. They said they would like to be in the workplace because a job contributed so much to their self-esteem and fulfillment. Some showed no particular urgency in getting back to work. Often, it was because the child had not reached the magic age of 6 (full-day school program) that was generally used as a return-to-work yardstick. Employment for women with younger children remained unfeasible because of the lack of appropriate and affordable child care options.

Low-income lone mothers, many of whom had the additional challenge of upgrading their skills, faced a particularly heavy burden as they tried to re-enter the work force. With the interests of the child outweighing most other considerations, the at-home mothers seemed to put their career aspirations on hold until their children become more independent. Most of them did not complain but believed that to be appropriate.

Although half the women in the income-earning group stated a preference for spending more time at home with their children, they expressed fewer tensions, compared to at-home mothers, between what they wanted out of life and what they wanted for their children. This may have been because they thought of these objectives as being in sync. In their view, the future opportunities for their children depended on their earning capacity, and they seemed to focus more on their jobs and ambitions than on their children.

Among women with older children, the costs of raising a child, or of balancing the roles of caregiver and earner seldom surfaced directly as barriers to achieving their goals. Typically, they were more concerned about financial constraints in starting up a business, retraining for a more fulfilling occupation or access to/affordability of university than they were about their child's development or the support that connects to tax and social policy. When pressed, mothers of younger children tended to show more anxiety about not being around enough, and about the quality of care and stimulation their children received from those who look after them. But financial circumstances superseded their worries about their children.

Much like the at-home group, these women organized their life and child care needs around what they knew was available to them, and deficient though it might be, seemed prepared to operate within the limitations.

### **Child Care Arrangements, Attitudes and Experience**

*Some women are not caring to other people's children. Finding the right kind of care for your kids is really hard.*

*Day care was not an issue. The issue was quality time with my kids.*

Child care had an important role in supporting mothers, but formal child care was not supported by everyone, particularly not for very young children. A number of mothers did not regard a centre-based environment as the ideal setting for the first year of a child's life. According to the focus groups, most women seeking child care during this period would prefer a home setting, and the security of knowing the infant is in the care of family, friends or a caregiver they can trust. At this age, formal child care was perceived as impersonal, and often, a fallback position for those with no other option. Women seeking child care during the preschool years were more open to the idea of formal child care, but still many had their children cared for by family or friends either because of the trust factor or because there were not enough affordable spaces available. As children get older and a bit less dependent, child care demands became less stringent. Still, the need for supervision emerged as an important gap between the end of the school day and the end of the workday. Families, friends and neighbours filled the gap if formal child care was not the option of choice or else was out of reach.

The lack of affordable child care could place severe limitations on the type of work a lone mother could accept. As it often meant working around the schedules of family or friends, these women often found themselves on evening shifts and having to contend with the demands of the child during the day. The resulting fatigue meant they felt stressed and strained because of too little sleep. Both mothers and children suffer from such situations.

*You play both roles. What are you supposed to do—rip yourself in half?*  
(Lone mother)

## Shared Responsibilities and Resources

*He works very hard. I wouldn't expect him to come home and play "nicey-nicey" with the kids. (At-home mother of four children)*

Irregardless of whether both partners are in the work force, household responsibilities were generally not equally shared. Even though the man may have specific chores, and may take on more if circumstances dictate, women picked up most of the burden. The at-home mothers expected no more. Even some of the women in the labour market accepted it. When it came to money, there was little evidence of dual-income families operating separate bank accounts or having specific financial responsibilities. In several instances, it was the woman who controlled the money and paid the bills. On major purchases, it became a joint decision. While there was no evidence from the participants in the focus groups to suggest that at-home mothers had difficulty gaining access to money from their partners, there was the feeling that they were not in control of financial resources and had to keep within their so-called spending limits.

The degree to which partners of women in this study were involved in raising children varied. Some played an important day-to-day role. Others played catch-up on the weekend. In lone-mother households, the father sometimes played no role at all, financially or otherwise.

## Evaluation of Support for Women as Caregivers and Earners

Current tax measures, specifically the Canada Child Tax Benefit (CCTB) and the child care expense deduction (CCED) (discussed in detail later in this report), did not surface very often as support that is available to women as earners and caregivers. We interpreted this as reflecting a lack of familiarity with, and understanding of, these programs, rather than a lack of appreciation.

Income based as it is, the CCTB was regarded as assistance for lower-income earners rather than support for women as caregivers or to meet specific consumption costs for the child. Few respondents who received the benefit had the luxury of earmarking the money for the child. It was viewed as an income top-up that sometimes meant the difference between having enough money to buy groceries or having to visit the food bank.

Respondents generally felt the CCTB came nowhere close to recognizing the costs of raising a child. While they expected the government to step in with help where necessary, they saw the responsibility for the cost of raising a child to be the parents' rather than society's.

Awareness of, and experience with, the CCED was naturally greater among the income-earning group than the at-home group. Those who were aware of it, knew it was available to working mothers only, and that their child care costs were not fully deductible. The requirement of receipts to qualify for the deduction did not surface as an issue in the two focus groups, perhaps because the four that used the licensed services got them automatically and the rest relied on family and friends rather than unlicensed services, where receipts are

sometimes not given. (In the earlier facilitated meeting, the issue of receipts did emerge as a source of confusion. For example, a number of women did not know they could receive receipts from informal caregivers; older caregivers were worried that giving a receipt would affect their retirement pension.)

Some women stated a preference for tax relief that would allow them to choose between formal child care and private, informal arrangements. Others felt they would benefit more from affordable child care spaces. Income-earning mothers, in particular, viewed child care as a precondition for caregivers to participate in the work force and saw government support as appropriate. They were far less sympathetic to the idea of support for at-home mothers. There was a tendency to think of child care for at-home mothers as exclusively being a baby-sitting service. They preferred that these mothers used the drop-in centres that are available to them rather than expanding eligibility for the child care expense deduction or a similar benefit to this group.

The counter argument, of course, is that there are benefits to all children having access to the stimulating educational environment of formal child care and development services. This perspective is generally better received as it places the focus on the needs of the child and not on the needs of the parent.

### **Tax and Social Policy Principles**

Focus group participants were asked to respond to the following statements reflecting possible policy approaches or principles.

**Individuals or families with children should pay less tax in recognition of the extra costs in raising children.** Mothers in both groups generally supported the principle that the tax system should recognize lower income individuals and families with children. They were far less open to the idea that the system should recognize the cost of raising children in families with high-income earners. Some mothers expressed a resistance to “pay” for other people’s children through the tax system while others appeared to be confused about tax-related programs that could be used to recognize the extra costs in raising children. Even so, the baldness of the above statement can have the undesired effect of pitting elements of society against each other, those who have children against those who choose not to have children, those who are in the labour market against those who receive social assistance.

In both groups, the statement conjured up the stereotype of the welfare mom having more and more children to qualify for more benefits. Because the focus was presented as a benefit to the parent not to the child, it can set up the conditions for comparisons of, and judgments on, parenting philosophy and lifestyle. It also can convey a sense of it materially benefiting the parent(s) rather than the children.

Part of the reluctance to accept that higher-income families should receive recognition stemmed from a lack of awareness that there is no longer a federal budget deficit and that there is, in fact, a surplus now. Some women also interpreted the statement to mean that higher-income families would receive a cash benefit rather than pay reduced tax.

There was widespread agreement in both groups that the tax system should recognize the work of women caring for children at home. But, given the resistance to making child care benefits available to the at-home mother, it appears they were more open to the principle than to the specific policies or programs it might shape.

**Regardless of their employment status or previous employment history, parental or maternity leave should be expanded and should be available to all parents, including self-employed women and those on social assistance, so all new mothers are treated the same.**

There was mixed reaction to maternity benefits being available to all women. Both groups saw the relevance of expanding it to those who would otherwise experience a loss of income. Income earners were more likely to oppose its extension to at-home mothers. At-home mothers generally liked the idea, but had questions about its funding.

The federal government's 1999 throne speech announcement to extend maternity and parental leave benefits to one year was welcome news, but there was still some concern about the potential for employer backlash against hiring women of childbearing age if too long a leave period was granted. The women also expressed a concern with the difficulties business would incur with the extended parental leave program.

**Public policy should encourage the sharing of parenting and earning responsibilities more equally between men and women.** There was no disagreement at all with the goal of equal partners in a relationship, and there was evidence that it already existed in narrow segments of society, for example where the father has assumed the traditional role of caregiver and the mother had become the breadwinner. While some mothers thought it a good idea to offer a "bonus" period if taken by the father, most were uncomfortable with this aspect of social engineering. They believed the relationship should be worked out between partners and not involve the government. They felt the decision concerning which parent should take time out of the work force should be based on parenting skills and on income and, therefore, the parent with the lower income and the better parenting skills should withdraw from the work force to care for the children. They were concerned that offering incentives might attract the less appropriate caregiver. They believed that equal partnership is better achieved through education and would prefer that public policy apply equally to either parent—in other words, to be gender neutral.

### **Learnings**

Despite some differences in personal circumstances and views about child rearing, mothers have much in common: a desire to spend adequate time with their children, the conviction that young children up to the age of 1 are best cared for at home by a parent, and the need for flexibility and choice in combining or sequencing their earning and caring roles.

For most of the women, expectations of public policy support were surprisingly low. It is not clear whether it is the years of cutbacks and belt tightening that have reduced expectations or that many of these women accepted the view so prevalent in North America that children are largely the private responsibility of their parents and not a collective responsibility. The fact



that most women were unaware that Canada had a federal budget surplus, and thought that there was still a significant deficit, may also have contributed to their low expectations.

As anticipated, the level of understanding of the tax provisions and other supports available to women with children was mixed, as was the perception of their usefulness in providing support. While a few mothers understood the tax programs they used, many participants had little knowledge of either the tax system in general or specific tax programs. Several participants, for example, confused the federal child care expense deduction with provincial child care subsidies and with the Ontario Child Care Supplement for Working Families (an income-tested benefit available for low-income parents in Ontario).

Generally, the women were more likely to support programs or approaches that benefited mothers in situations that differed from their own if the program was presented or perceived as benefiting the child, rather than the mother.

The mixed reactions to the use of formal child care are consistent with other studies and appear to reflect the not-unfounded perception that regulated, formal child care is generally less affordable than unregulated child care (one notable exception is Quebec where the introduction of the \$5/day program renders regulated child care affordable) and people's lack of direct experience with the regulated child care system. The greater the experience, studies show, the more positive the reaction.

Interestingly, a number of the at-home mothers were also income earners, but chose to identify themselves as at home because they saw themselves as being there primarily for their children. Some felt they had made the right choice for their children, while others felt they had no choice either because of their children's special needs or because of the inflexibility of their workplace. However, these women expressed concerns about their future prospects in the labour market and the economic costs that their motherhood roles had imposed on them. They were fully aware of the fact that the transformation to motherhood comes at a price for many women.

In conclusion, while the focus groups helped us locate our discussion in the "real world" of women's lived experiences, it must be remembered that the findings are not scientific for the reasons mentioned earlier. The focus group results are probably also affected by respondents' prior knowledge of the subject and, obviously, by how the questions are phrased—issues which point to the problems with using focus group results in complex policy areas such as tax policy. However, while we cannot say that the focus groups are representative of the diverse experiences of Canadian women, they are anecdotally useful and enlightening.

## 2. THE LIVES OF WOMEN WITH CHILDREN: DEMOGRAPHIC, STATISTICAL AND ECONOMIC PERSPECTIVES

### Demographic and Labour Market Trends

The lives of most women with children are fluid as they move in and out of different roles, fluctuating between child rearing and the labour market. Some women spend time in the paid work force, then withdraw while their children are young, and re-enter when their children get older. In 1998, 61 percent of women with the youngest child under 6, and 71.9 percent with children between 6 and 15, were employed (Statistics Canada 1999a).

An increasing majority of women remain in the labour force except for short periods while on maternity or parental leave. A recent study of employment after childbirth (Marshall 1999) revealed that in 1993:

- 86 percent of employed mothers had returned to work within a year of giving birth, and 93 percent were back within two years;
- more than half of the women were back at work within six months; and
- overall, women took an average of 6.4 months off work.

Table 1 shows that a significant minority of women (nearly 23 percent of women aged 25 to 44) were employed part time in 1998. Over 37 percent of women, compared to 2.9 percent of men, cited caring for children and other personal/family responsibilities as their reasons for working part time. At the same time, 15.3 percent of men, compared to only 4.2 percent of women, were working part time in order to accommodate their schooling. The differences between men and women is not nearly so great when it comes to working part time for reasons of “personal preference,” with 22.2 percent of women and 15.4 percent of men giving that as their reason. Inability to find full-time work and business conditions were factors cited by 33.0 percent of women and 58.5 percent of men.

**Table 1: Reasons for Part-Time Work, Women and Men Aged 25 to 44, 1998**

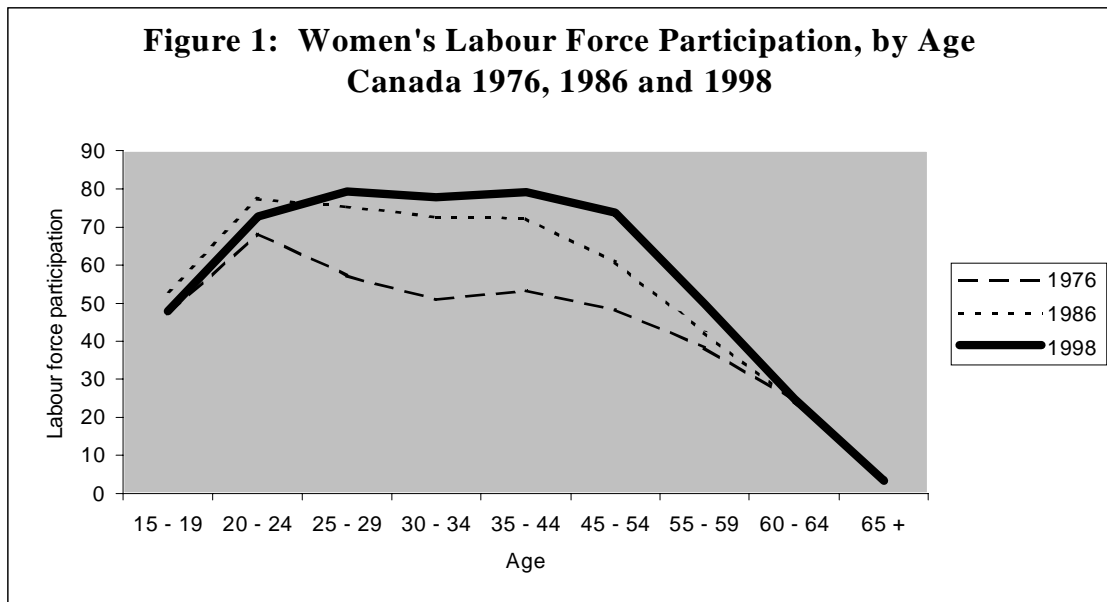
Reason	Women	Men
Own illness	1.7	3.9
Caring for children	30.8	1.5
Other personal/family responsibilities	6.6	1.4
Going to school	4.2	15.3
Personal preference	22.2	15.3
Other voluntary	1.6	4.1
Other (including business conditions and unable to find full-time work)	33.0	58.5
Total	100.0	100.0
Total employed part time ('000s)	805.3	204.8
Percentage employed part time (percentage of total employed)	22.7	4.9

Source:  
Statistics Canada, Labour Force Survey 1998b.

Discussions about women's economic position tend to focus on the income differential between women and men and the underpaid and unpaid status of most of the work women do. However, a relatively hidden but important aspect of women's economic vulnerability stems from their over-concentration in the part-time and the contractually limited job sector where hourly wage rates are generally lower than for full-time workers and benefits limited or non-existent.

In Canada, over 70 percent of part-time workers are women. Part-time work has become both a personal coping strategy for many women with young children, as well as a restructuring strategy for employers. Rational choice theorists argue that mothers prefer jobs in which they encounter little penalty for putting their work force participation on hold to give birth and raise children or in fields where part-time work is easily possible. Many mothers look for jobs that fit with their ideas of what they believe they owe their children. Thus, the current labour market's demand for flexibility seems to coincide conveniently with women's personal preferences for part-time jobs that allow them to meet family responsibilities.

Overall, women's labour market participation has changed dramatically over the last two decades. As illustrated in Figure 1, although the labour force participation rate of women up to age 24 has remained largely the same, there has been a significant increase in the participation rate of women between 25 and 44. Most of this increase occurred in the decade between 1976 and 1986, with more modest increases since then. For women between the ages of 45 and 54, there has been a steady, though more moderate increase sustained throughout the entire period.



Source:  
Statistics Canada, Labour Force Survey Historical Review 1998a.

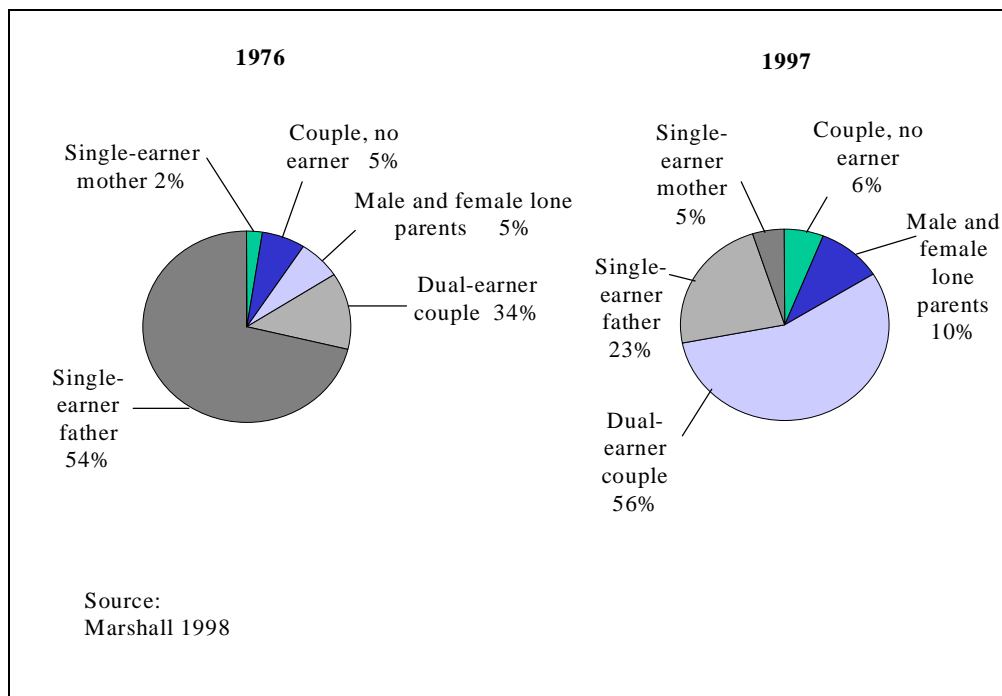
## Family Structure and Number of Earners in a Family

The majority of mothers continue to live with their spouse and children. However, a significant and increasing number of women experience other types of living arrangements, including lone-parent families, common-law relationships, blended families and same-sex relationships. According to the 1996 Census, 73.7 percent of women living in families were married, 11.7 percent were in a common-law relationship and 12.1 percent were lone mothers. Statistics on the number of women with children in lesbian families are not available.

If the current patterns in changing family structures continue, Statistics Canada (Peron et al. 1999) estimates:

- One in three women will experience lone parenthood at least once in her life.
- One in four lone mothers will go through at least two phases of lone parenthood in her lifetime.
- One in five women will experience at least three family episodes, and one in ten at least four.
- One in six women will live in a blended family.

**Figure 2: Family Structure by Earners, 1976 and 1997**



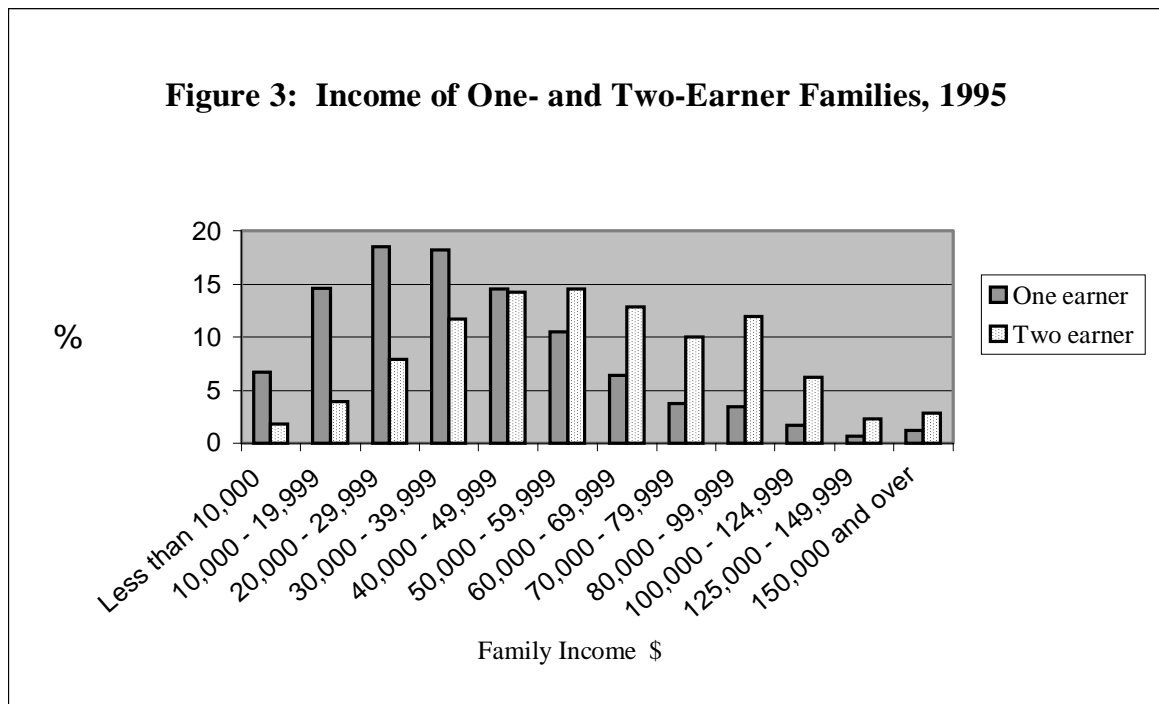
Another way to examine family structure is to consider how many families have dual earners, single earners or no earners. Over the last two decades, there have been considerable changes in families. In 1976, the majority of families (54 percent) had a

single-earner father whereas in 1997, most families (56 percent) consisted of dual-earner couples (Marshall 1998). This is significant not only because it shows, once again, that the traditional family has declined over the last two decades, but also because of the relationship between economic vulnerability and number of earners in a family.

### The Economic Vulnerability of Women with Children

From 1980 to 1997, the incidence of poverty among one-earner couples increased by 54.2 percent, compared to a rise of 13.8 percent for two-earner couples. However, the poverty rate for one-earner lone mothers declined by 13.1 percent during that period (Statistics Canada 1997).

Figure 3 illustrates the importance on family income of having two earners. The majority of families with incomes under \$30,000 in 1995 had only one earner. With two people in the work force, income levels began to rise. The number of dual-earner families peaked at the \$40,000 to \$80,000 income range and began to fall again when family income levels reached \$100,000 and above.



Source:  
Statistics Canada, 1996 Census (1999c).

Women's lives vary not only by family structure, but by their own labour force participation and that of their partner. Table 2 illustrates the following.

- In two-parent families with children, 70 percent of women whose husband/partner is employed are themselves in the labour force.

- Twenty-seven percent of married women and 29 percent of women in common-law relationships have a husband/partner who is not in the labour force.
- Fifty percent of female lone parents are employed.
- In most families where the husband or male partner is not in the labour force, the woman is also not in the labour force.

**Table 2: Women’s Labour Force Activity by Type of Family, 1996**

Family Structure	Labour Force Activity of Wife/Female Common-Law Partner or Lone Parent			
	Total families	Not in the labour force (%)	Employed (%)	Unemployed (%)
<b>Husband–wife families with children</b>	3,535,635	28.9	65.6	5.5
Husband not in the labour force (11.4%)	402,705	68.8	27.5	3.7
Husband in the labour force* (88.6%)	3,132,925	23.7	70.5	5.8
Employed (94.0%)	2,945,300	23.3	71.9	4.8
Unemployed (6.0%)	187,625	30.6	48.3	21.1
<b>Common-law couples with children</b>	434,955	28.1	62.7	9.2
Male partner not in the labour force (9.9%)	43,200	63.7	29.5	6.8
Male partner in the labour force (90.1%)	391,750	24.2	66.3	9.5
Employed (86.9%)	340,340	22.2	70.2	7.6
Unemployed (13.1%)	51,410	37.2	40.4	22.4
<b>Lone-parent families</b>	1,137,505	36.9	53.3	9.8
Female parent (83.1%)	945,230	39.3	50.8	9.9
Male parent (16.9%)	192,275	25.6	65.0	9.4

Note:

\* Includes both employed and unemployed.

Source:

Prepared by CPAG using Statistics Canada 1996 Census data (1999c).

### **International Perspectives on Women’s Poverty**

The presence of children is assumed to increase a family’s likelihood or risk of poverty. A 1999 study of poverty in industrialized countries found that it is not “parenthood” that is the risk factor, but rather “motherhood,” particularly lone motherhood. Smeeding et al. (1999) found that couples with children had poverty rates which mirrored those of non-parents, but that single-mother poverty rates were, on average, more than four times higher than the poverty rates of couple families.

Clearly related to the above is the fact that men earned more than women among parents in all nations, leading the researchers to conclude that gender patterns in earnings are deeply entrenched in all countries. The following findings are particularly significant in that regard.

- Earned income was the prime determinant of poverty status. Low income has replaced unemployment as the primary cause of poverty among families with children.
- Gender differences in earnings were much smaller among non-parents. In couples, women generally earned less than men irrespective of the presence of children.
- Mothers, whether married or lone parents, had significantly lower levels of earnings than did women who were not parents (with the exception of France).
- Even though lone mothers, on average, earned more than did mothers in general, their earnings were only 60 percent of the average earnings while lone male parents earned about the same as the average.

Consistent with the above, a 1999 study by Solera found that the mother's employment is the most effective insurance against poverty, particularly in the case of divorce; and that the degree of welfare state "success" in reducing family poverty depends largely on the policies that help women combine family and work responsibilities while children are young.

This and similar studies have found that whether mothers work in the labour market is influenced by a combination of factors:

- income transfers matter, but what really makes a difference is the cost and availability of child care;
- parental leaves and workplace supports to mothers/parents;
- income transfer rules (e.g., how much benefits are reduced on entry into the labour market);
- high marginal tax rates in jointly taxed couples (which act as a disincentive to take paid employment); and
- public policies that encourage part-time work.

As we see in the following sections, a combination of tax and social policy measures are needed to address the current realities of women's lives and to provide support to mothers in their dual roles. Part II begins with an introduction to Canada's tax system, followed by a description and analysis of several tax measures for families with children. Social policies outside of the tax system are discussed in the policy framework and proposals in parts V and VI.

## **PART II: UNDERSTANDING CANADA’S TAX SYSTEM: PRINCIPLES, PURPOSES AND IMPACTS ON WOMEN**

### **3. TAXATION AS A TOOL OF SOCIAL POLICY**

Taxation can be a powerful instrument of social policy. Traditionally, it has been viewed as a bastion of both male and class privilege. The highly technical nature of the discourse renders it inaccessible to most people, and appears to take it out of the realm of the “political” and into that of the “expert.”

Yet, understanding how the tax system can be used to support women with children is not primarily an economic or technical issue. It is a question of social values and the politics based on these values. Tax policy is a powerful tool of social policy precisely for this reason. It can promote social objectives by redistributing resources. It can reduce or increase inequality, including inequality between men and women. It can support or hinder parents in their important job of raising children. It can reflect, disregard or strengthen social values.

This is not a new perspective. Almost 50 years ago, the sociologist J.A. Schumpeter proposed that the tax state be viewed as the “fiscal expression of a particular society.” If and when it fails, he argued, the weakness of that society to reflect prevailing social values in its tax system is exposed (as quoted in Vansina 1991: 70). The *Income Tax Act* is a social policy document, influenced by ideological views of how the world should be ordered and how resources should be distributed, according to Eichler (1997). There is no such thing as a neutral policy, she points out, since the very purpose of a policy is to achieve certain outcomes.

Debate over tax policy is often framed in a way that excludes many Canadians from participating meaningfully in the discussion. Grounding the debate in the technical languages of economics and law discourages the participation of non-experts. On the other hand, ignoring the specialized concepts inherent in tax policy renders social policy critics vulnerable to the charge that they don’t understand the tax system. To facilitate participation in the discussion, this section locates tax policy in the broader context of social policy, and reviews the basic structure and principles of the income tax system.



#### **4. PURPOSES AND OBJECTIVES OF THE TAX SYSTEM**

The primary purpose of any tax system is to raise revenue for public spending. However, other allocational and distributional goals have arisen from a perception that the tax system can and should be used to pursue policy objectives. As a result, other goals accepted for the Canadian income tax system include the redistribution of income, economic stabilization and the promotion of economic growth. Table 3 lists goals put forward for the tax system by analysts, although not all are accepted by everyone. Whether and how much these goals should be pursued within the tax system are fundamental policy questions.<sup>5</sup>

These objectives often lead to contradictory results. Which goals take precedence on the public agenda have serious consequences for women. We limit our discussion to those goals we believe are especially important in understanding how the tax system can support women with children. We also attempt to unmask underlying values associated with each goal, their current status and their importance for women with children.

##### **Revenue Gathering**

The goal of revenue gathering for public spending is the *raison d'être* of the tax system. For government to be able to function, the tax system must generate an adequate and predictable income. According to the 2000 federal budget, the government expects to raise \$160 billion in 1999-2000, or 16.9 percent of gross domestic product (GDP) (Dept. of Finance 2000a: 17).

Unfortunately, the legitimacy of the revenue-sharing goal is under attack by those calling for across-the-board tax cuts. Those who believe that government's presence in the lives of citizens should be replaced by the private sector lead the charge. The 2000 federal budget reflected the influence of this group. The budget called for major tax cuts, despite public opinion evidence that Canadians are more concerned with the quality of health care and education than lower taxes.

The attack on the revenue-gathering goal has more serious consequences for women, particularly those with children. Because general tax cuts benefit individuals at higher incomes more than those of modest and lower incomes, tax cuts benefit more men than women. Further, women in general, and particularly those with children, are net beneficiaries of social programs and, therefore, have most to lose when programs are cut back or limited because of a lack of revenue to fund them.

**Table 3: Objectives of Income Tax**

Revenue gathering	The tax system must raise revenues for government.
Income redistribution	The rationale for this as a goal lies in the belief that people should not have to pay for the inequality of income that results from inequality of opportunity. The purpose of income redistribution is not complete income equality.
Equity	Equity (or fairness) requires a fair sharing of the tax burden based on ability to pay. This calls for graduated rates that rise as income rises. This is a progressive system.
Neutrality	Neutrality requires a tax system that does not affect people's behaviour. Business or personal opportunities, rather than tax planning, should drive business or personal decisions.
Simplicity	Compliance by taxpayers and administration by government are both easier and less costly in a system that is simple and understandable. Simplicity also leads to transparency.
Economic stabilization	Although not strictly a goal of the tax system, a progressive tax system has a stabilizing effect on the economy, restraining expansions by moving taxpayers into higher tax brackets, and restraining contractions by moving taxpayers into lower tax brackets. By the same token, income tax revenues are subject to more severe fluctuations than revenues from other taxes.
Economic growth	The use of the tax system to promote economic growth has led to special incentives for small business, farming, manufacturing and processing, research and development, etc. These provisions contradict equity, neutrality and simplicity, and many economists doubt that they enhance economic growth.
International competitiveness	The mobility of capital and skilled labour suggests that tax rates (and other elements of the system) should be competitive with other countries, especially the United States.
Balance	Balance signifies that the government should not be overly reliant on one kind of tax. A balance must be achieved between personal and corporate income taxes and between income taxes, and other taxes, such as payroll and sales taxes.

Source:

Adapted from Hogg and Magee (1997: 37); Royal Commission on Taxation (1966, Vol. 1, 3).

## **Income Redistribution**

Income redistribution has long been a fundamental part of the Canadian income tax system. It is clear that any system of taxation affects how economic well-being is distributed or redistributed. The Royal Commission on Taxation (known as the Carter Commission after its chair) explicitly endorsed a “more equitable distribution of output” as an objective (1966, Vol. 2: 7). The rationale for this as a goal lies in our belief that people should not have to pay for the inequality of income that results from inequality of opportunity, or from bad luck (McIntyre 1988). The objective of income redistribution has never been complete income equality, which is neither achievable through the income tax system nor considered desirable, as it would quash incentives to work and reward people whose lack of income resulted from personal choice. The redistributive goal is of critical importance to women, as the tax system can and does ameliorate at least some of the systemic effects of women’s labour market disadvantage and caregiving responsibilities (Status of Women 1997).

## **Equity**

Revenue gathering, redistribution, economic stabilization and growth are the substantive goals set for the tax system. Other objectives have been identified which are more related to how we tax than what we expect to accomplish through taxation. Chief among these other goals is equity. The Carter Commission identified equity as the most important consideration in designing a tax system. In its view, the tax system should first and foremost allocate the burden of taxation fairly. The overarching principle from which our understanding flows is that people should pay tax based on their ability to pay.<sup>6</sup>

The Canadian tax system is based on two principles of equity. First, horizontal equity dictates that people in the same circumstances, with the same ability to pay, should pay the same amount of tax. Vertical equity encompasses the notion that people with greater abilities to pay should pay proportionately more tax than those with less ability to pay. However, determining when people are in the same circumstances, and how much more people with a greater ability to pay should pay, are inherently political choices.

Despite how some writers use the term, “equity” has no content in and of itself. Proponents of all political stripes have declared that equity supports their position. As a result, the usefulness of the concept of equity in analyzing tax policy has come under attack. However, because it embodies the vision we have for our society, it can be very useful in unmasking different visions. For example, there is no general recognition of the effect of children on ability to pay in our current tax system. While the Canada Child Tax Benefit is available to 80 percent of Canadian families with children, 20 percent receive no recognition at all. Further, for those families who do receive the CCTB, many receive only a token benefit. The result is that families with children pay virtually the same tax as families without children with the same income, even though no one disputes that it costs a significant amount of money to raise children. For proponents of the view that raising children is a consumer choice, this is equitable. For those who believe that raising children is a social as well as personal responsibility, the effect of children on ability to pay should be recognized,

and our system is not equitable. This theme will be explored in more detail later in the section on tax recognition of children.

Our belief in vertical equity, that is, a progressive tax system, led to the development of tax brackets. Philosophically, it originated in the notion that people should be “equal in sacrifice,” and the recognition that another dollar meant less to people with higher incomes than to people with lower incomes. The Carter Commission justified a progressive tax system on the grounds that people with higher incomes had a greater proportion of their incomes available for discretionary spending and, therefore, had a greater ability to pay. The consensus around this principle was eroded in the 1988 tax reform, when the number of tax brackets was reduced from ten to three. It is still under attack by proponents of a flat tax.

### **Neutrality**

The objective of neutrality was originally part of the broader objective of maximizing economic growth. It came from the belief that the best way to promote economic growth was through the free market. To enable the free market to operate efficiently, the tax system had to be designed to ensure that business decisions were based on business considerations, not tax consequences. In other words, the tax system should be neutral toward a given business decision.

Despite its origin, the objective of neutrality has been expanded to the realm of personal decision making. Many people espouse the belief that the tax system should be neutral with respect to personal decisions. While this resonates with our distrust of “social engineering,” it cannot stand up to careful scrutiny. First, the tax system was never intended to be neutral toward personal decisions about entering the labour market. The goal of maximizing economic growth has always included a labour market component. This flowed initially from the belief that full employment would lead to greater productivity. The prevailing, if not universally accepted, belief is that economic efficiency will be maximized through full labour market participation. Accordingly, our policies are aimed at removing barriers to employment, including disincentives to work inherent in high marginal tax rates, and in the costs of child care and other employment-related expenses. Our tax system does not attempt to make the decision to participate in the labour market neutral.

Further, the tax system by its very nature cannot be neutral toward personal decisions. The tax system does not exist in a vacuum. It arises from and embodies societal values, which are by definition not neutral. For example, when non-marital cohabitation was less socially acceptable and less prevalent than it is today, legally married couples were entitled to tax credits and deductions not available to cohabiting couples.<sup>7</sup> It was not until 1992 that the definition of spouse was extended to include common-law couples, and they could claim the benefits of these provisions. The battle of same-sex spouses to achieve neutrality in the tax system with respect to their sexual orientation was only very recently resolved, with the passage of Bill C-23, the *Modernization of Benefits and Obligations Act*, which received royal assent on June 29, 2000. The tax system has never sought to treat as neutral those decisions that were not considered socially desirable.

Unmasking the meaning and consequences of the objective of neutrality is particularly important for women, because so many of the personal decisions faced by women are value-laden. The decision to have and raise children is discussed above. The debate over the tax consequences of staying home to raise children versus returning to paid work is often framed in terms of neutrality, although feminists see it as an attempt to reinforce the traditional male breadwinner model of the family at the expense of more egalitarian models.

On a practical as well as historical basis, the goal of neutrality is most useful in the context of the goal of maximizing economic production. It is much less useful in examining the tax system's effect on personal decisions unrelated to economic production. Labour market participation decisions are personal and relate to economic production. Accordingly, it is most useful in evaluating the effect of the tax system on labour market participation and, in particular, its abilities to remove barriers to women's labour market participation.

### **Simplicity**

A final objective identified for the tax system is simplicity. Designing a tax system that is simple to understand and administer facilitates compliance and, consequently, reduces costs. Although an important principle, this goal is most often honoured in the breach. The *Income Tax Act* is increasingly complex and inaccessible to ordinary people, although the forms and explanatory material made available to the public, which reflect the Department's interpretation of the Act, are somewhat more comprehensible. Further, the objective of simplicity is often used to attack the fairness of the system as, for example, when it was used as a justification for reducing the number of tax brackets from ten to three in 1988, which in turn reduced the vertical equity of the system.

### **Tax Expenditure Analysis**

While the use of the tax system to collect revenue has always been well understood, the exposure of its role as a tool of social policy is a more recent development.<sup>8</sup> In 1976, the National Council on Welfare published *The Hidden Welfare State*, which documented the amount of money being collected by the corporate sector through tax credits designed to encourage or reward certain corporate activities. It became clear that expenditures through the tax system, that is, revenue foregone through the use of tax credits and deductions, were analogous to direct spending programs but without the accountability. As a result, the Department of Finance now regularly publishes a list of tax expenditures and their cost.<sup>9</sup>

However, not all tax concessions are tax expenditures, and determining whether a tax provision is a tax expenditure is not always easy.<sup>10</sup> Theoretically, a tax expenditure is a deviation from a normative or benchmark tax system. Determining what the tax system ought to look like is the starting point of the analysis. If the provision is necessary to the fair operation of the system, it is not a tax expenditure. If it is an add-on to the benchmark system, it is a tax expenditure.

The difference between whether a provision is characterized as a tax expenditure or not is central to the discussion of the treatment of the costs of raising children in the tax system. If

we believe that costs associated with raising children relate to a taxpayer's ability to pay, then tax provisions, which take these costs into account, are not tax expenditures. If they are part of the benchmark tax system, then fairness dictates that they remain in the tax system and be available to all taxpayers. On the other hand, if we do not believe those costs relate to a taxpayer's ability to pay, then those same tax provisions will be tax expenditures. In that case, questions such as who should benefit from those programs and what they should entitle recipients to should take place outside the tax system, like any other spending program. The tax system's only relevance to these programs is its suitability as a delivery mechanism.

## 5. STRUCTURE OF THE PERSONAL INCOME TAX SYSTEM

The first step in analyzing tax provisions in light of tax expenditure analysis is to examine the bare bones structure of the income tax system. This is defined by who pays tax (the tax unit) on what tax is paid (the tax base), and how much tax is paid by a given taxpayer (progressivity and tax rates). The structure flows in part from the weight given at a given time to the policy goals and objectives discussed above. This section contains a brief discussion of the basic characteristics of the Canadian income tax system.

### **The Tax Unit: Who Pays?**

In the Canadian tax system, the tax unit has always been the individual. That is, tax is assessed on the income of an individual, not on family income. Family responsibilities are recognized through tax credits. However, tax benefits delivered through the tax system are based on family income, with the exception of seniors' benefits. The appropriate tax unit has always been controversial, as the issue embodies many of the tensions underlying the conflict between the tax system's dual role as an instrument of social policy and revenue gathering. These issues will be canvassed in greater detail in a later section.

### **Tax Base: What Gets Taxed?**

In its landmark report, the Carter Commission equated ability to pay with "discretionary economic power," defined as the proportion of the total economic power that does not have to be used to maintain the members of the tax unit. Carter recommended that, for the purposes of determining ability to pay, income be given a broad meaning, and include all increases to the taxpayer's wealth during the taxable period. The Commission also recommended that all income be treated in the same way, following the principle that "a buck is a buck is a buck." This is known as the comprehensive income tax base.

The concept of income tax base comprises not only what is included in income, but also what is exempted or deducted. Many of the Carter Commission's recommendations were never adopted, and our tax system treats many sources of income anomalously, in particular capital gains, some government transfer payments, windfalls and gifts and inheritances. Further, "wealth" is not taxed at all,<sup>11</sup> even though it clearly impacts on ability to pay. The absence of any kind of wealth tax, as well as many of the other exclusions and deductions, not only violates the principle of taxation based on the ability to pay, but it does so in a way that benefits those who are already privileged. Those with money, reap the benefits of these deviations, at the expense of the rest of society (Brooks 1993; McQuaig 1987; Phillips 1996a).

Carter's comprehensive tax base drew heavily on the understanding of the term "income" in the discipline of economics. However, the Haig-Simons definition used in economics included not only all the accrued gains in assets during a year, but also all the goods and services consumed by the taxpayer, including those supplied by personal efforts rather

than through the market. Although there is no receipt of money, there is an economic benefit to the taxpayer and, therefore, it affects ability to pay. Carter rejected the inclusion of this imputed income in the definition of taxable income, because of the difficulty in placing a dollar value on it. However, the issue of imputed income, particularly as it relates to the value of unpaid work, remains a controversial issue. This is discussed in Appendix B.

### **How Much Is Paid: Tax Rates, Deductions and Credits**

The first \$7,131 of income is not subject to any income tax at all. After that, the Canadian income tax system has three rates of tax. The next \$22,873, up to an income level of \$30,004, is taxed at 17 percent. The next \$30,005 is taxed at 24 percent, and income over \$60,009 is taxed at 29 percent. The progressivity of the tax rates reflects our belief that people with higher incomes have proportionally more disposable income than people with lower incomes.

A straight application of the tax rates to income would not reflect ability to pay. First, when there are costs incurred in earning income, only that portion of the income not required to earn the income is discretionary income, and should be subject to tax. Further, when a taxpayer has family responsibilities that are not discretionary, the portion of the income required to meet those obligations should not be subject to tax. In our system, there are two ways in which adjustments are made for these differences in taxpayers' ability to pay. An amount may be deducted from income before tax rates are applied. Alternatively, the taxpayer may be given a credit against tax owing.

In a progressive tax system, the choice to use deductions or credits makes a difference. Because deductions are taken off the "top" of taxable income, they are worth more than credits for taxpayers in the top two tax brackets. For taxpayers in the lowest tax bracket, a credit is worth the same as a deduction. This has led to the charge that deductions are "upside down subsidies," because they benefit those with higher incomes more than those with lower incomes. Our current tax system uses a mix of deductions and credits. The choice of which to use remains the subject of debate, which is explored in more detail in Appendix B.

Credits and deductions only benefit people with taxable income or tax owing. Refundable credits are also applied to tax owing, but those with no taxable income also receive a refund. In a sense, they operate as a negative income tax, analogous to a direct spending social program.

### **The Gender Bias of the Tax System**

The structure of the tax system flows in part from the goals and objectives set for it, but also from the policy makers' understanding of current social values. Accordingly, Canadian income tax policy is based on the historical assumptions about the role of women and men in society and in family relations accepted at the time of its development. When Canada introduced the first *Income Tax Act* in 1917 most women were living in marital unions and



engaged in full-time homemaking. Women were expected to depend financially on men, particularly their husband. Taxpayers were, therefore, expected to be the male breadwinner of the family, and those with a wife and children to support were granted a tax exemption (today a tax credit) for their dependants. While the dependant credits recognize the impact of dependants on a taxpayer's ability to pay tax, they also reinforce women's dependency by supporting the traditional male breadwinner–female housewife family model.

This arises in part from the treatment of women's unpaid work in the *Income Tax Act*. At its enactment, the economic value of women's unpaid work was not recognized, and the question of imputed income did not arise. Despite the growing recognition of the value of women's unpaid work to the Canadian economy,<sup>12</sup> its value to a family is still not included in income for tax purposes. (See Appendix B for a fuller discussion of imputed income and unpaid work.) This has led to the charge that the income tax system played, and continues to play, a crucial role in maintaining existing gender divisions of labour. It assigns women primary responsibility for family and community work, and reinforces their financial dependency on a breadwinner husband. Simply put, women's earned income is taxed; the value their unpaid work adds to the family's life, including savings generated through the substitution of unpaid work for market commodities, is not.

The bias toward treating women as dependants in the Canadian tax system is not immediately apparent because both women and men with taxable income are assessed as separate and independent individuals for tax purposes. However, other provisions allow special treatment for taxpayers living in a spousal relationship. First, taxpayers with a financially dependent spouse may claim the spousal credit, as noted above, which is reduced by income earned by the dependent spouse. Further, taxpayers with sufficiently large incomes may make use of a number of tax credits and spousal transfer arrangements, leading to substantial tax reductions. These provisions particularly benefit those families with one high-income earner and one spouse with little or no income. For example, under the *Income Tax Act*, one spouse can assume tax liability for the interest and dividends earned by the other in a particular year, thus shifting the tax burden from the high-income earner to the low-income spouse, whose income is then taxed at a lower rate. In addition, contributions to a spousal Registered Retirement Savings Plan (RRSP) provide immediate tax savings for couples and contribute to their financial security in old age.

The *Income Tax Act* does not stipulate that the higher-income spouse be male. Accordingly, it has been argued that tax concessions allowing taxpayers to reduce their taxable income are, in fact, gender neutral because both men and women can claim them. However, women are more likely to be "dependent spouses" than men, partly because they are more likely to assume child and elder care responsibilities. Further, because men generally have higher incomes than women, the beneficiaries of many tax concessions that transfer income or tax credits between spouses are men. Further, it has been suggested that these tax concessions have been specifically designed to allow high-income men to use their dependent wife/partner as tax shelters.

The intersection of gender and class inequalities marks the treatment of spousal relationships in the tax system. While women, in principle, are able to use the same tax

shelters as men provided their incomes are high enough, their lower earnings prevent them from doing so. This kind of indirect and often unintended inequitable impact of a tax and social policy measure has to be considered a form of systemic discrimination. Whether intentional or not, the Canadian tax system results in gender discrimination because of rules that seem, on the surface, fair and gender neutral, but are not. It is designed without taking into account that in Canada today economic, political and social power is still predominantly in the hands of men. The systemic discrimination of women in the tax system is, therefore, a reflection of women's unequal access to economic resources and economic power.

The Working Group on Women and Taxation (1992b: 3) of the Ontario Fair Tax Commission identified two primary goals for reforming the tax system in support of women's fight for gender equality and income security.

- Enhance women's independence through paid employment and sufficient retirement income.
- Enhance women's individualization by treating them as individuals distinct from their familial relationships and, in particular, from their male partner.

These issues will receive a more detailed discussion in Part III.

Although this report focusses on the tax system and, more particularly, the income tax system as social policy, it is not the only tool available to government. The government can raise revenue in a number of ways. There are also a number of ways to promote social policies aside from the tax system, the most important being direct spending.<sup>13</sup> Part of the debate must always be not only whether a social policy is desirable, but whether the tax system is the most appropriate vehicle. Accordingly, included in Part III is a consideration of the factors involved in deciding whether to use the tax system or a direct spending program as the policy instrument for a given social program.

## **PART III: CARING FOR CHILDREN AND THE TAX SYSTEM**

### **6. INTRODUCTION: THE TAX FAIRNESS DEBATE AND FAMILIES WITH CHILDREN**

The treatment of families with children in the tax system is part of the larger issue of tax fairness. No one wants to feel they are paying more than their fair share of taxes, and everyone wants to believe they are receiving their fair share of the benefit of the tax and transfer system. The issue of tax fairness for families with children received a great deal of attention in 1999 and helped to shape the direction of the February 2000 federal budget. However, concerns about tax fairness for families with children arose well before that, with the move away from the universal recognition of the impact of the costs of raising children on taxpayers' ability to pay tax. Currently, only families meeting an income test qualify for a child benefit. This violation of the principle of horizontal equity remains a concern today, and is the subject of the next chapter.

In 1999, the debate on tax fairness for families with children revolved around two concerns. First was the claim that single-earner, two-parent families are unfairly treated by the tax system, in comparison to families in which both parents engage in paid work. The belief that the tax system is not neutral toward family types but, in fact, actively discourages traditional male breadwinner families fuelled the perception of unfairness. This is an important debate, bringing in not only principles of equity and neutrality, but also an understanding of the interaction between the progressivity of our tax system, the choice of tax unit and the exclusion of imputed income from unpaid work in our tax base, all of which were discussed in Part II. In 1999, the debate centred around the deduction for child care expenses, which is not available to families where one parent is at home caring for the children. The Sub-Committee on Tax Equity for Canadian Families with Dependent Children (1999) concluded that our system does not treat one-earner families inequitably. However, they recommended that the federal government "should consider":

- reviewing the child care expense deduction to make sure it meets its policy objectives efficiently and effectively;
- options for stay-at-home parents to contribute to pension plans during their caregiving years;
- improvements to the maternity and parental leave provisions of Employment Insurance, including greater flexibility and extension of the leave period to one year; and
- introducing a new refundable tax credit under the Canada Child Tax Benefit for parents who "provide direct parental care."

The 2000 federal budget extended maternity and parental leave provisions. At the time of writing, no action has been taken on the Committee's other recommendations. The issue of the fairness of the treatment of the costs of caring for children is still alive and well. Chapter 7 examines the issue of child care expenses and the tax system.

The second component of the current debate on tax fairness is the call for tax cuts and the promotion of the tax system as a vehicle to deliver social policy. The deleterious impact of across-the-board tax cuts on families with children has been examined elsewhere (Lightman and Mitchell 2000). This part also addresses the factors that must be considered in determining whether a given objective is best met through the tax system or through a direct spending program.

## 7. TAX PROVISIONS FOR FAMILIES WITH CHILDREN

There are no tax provisions that affect all families with children in Canada. Instead, each provision is directed at specific family types. The following table contains the key provisions affecting families with dependent children, by family type.

**Table 4: Family Type and Eligibility for Personal Credits<sup>14</sup>**

Family Type	Personal Credit	Spousal Credit	Equivalent to Spouse Credit	Child Tax Benefit	Child Care Expense Deduction
Dual earner Female Male	yes yes	no no	no no	yes no	yes yes
Single earner* Female Male	no yes	no yes	no no	yes no	no no
Lone parent Earner Not earner	yes yes	no no	yes yes	yes yes	yes no
Need taxable income?	yes	yes	yes	no	yes
Other restrictions?		reduced with earnings of “dependent spouse”	reduced with earnings of “dependent equivalent to spouse”	income tested	capped receipts required
Individual or family income?***	individual	individual	individual	family	individual: low-income earner

Notes:

\* Assumes male earner, female at home with children. Eligibility reverses if it is the female who is the earner.

\*\* “Family income” here refers to the aggregated income of cohabiting spouses, not to the income of all family members.

Several of the credits listed in Table 4 are available to taxpayers with children, but are not exclusive to them. The personal credit is available to all tax filers with tax owing. Its purpose is to “contribute to tax fairness by ensuring that no tax is paid on a basic amount of income” (Dept. of Finance 1999c: 140). The spousal credit is available to taxpayers with taxable income who have a spouse with little or no income of her/his own. It is intended to recognize the reduced ability to pay of a taxpayer supporting an economically dependent spouse, and is unconnected to whether there are children in the home. The equivalent to spouse credit available to lone parents is also not restricted to families with

children. It is also available to single taxpayers supporting a dependent parent or grandparent.

The only tax provisions exclusive to families with children are the Canada Child Tax Benefit and the child care expense deduction. The CCTB is available to all lower- and middle-income families with children, and its value decreases with the aggregated income of the cohabiting spouse. According to the Department of Finance (1998: 127), it has a dual purpose: to provide assistance to low-income families, and to recognize the reduced ability to pay tax of middle-income families. On the other hand, the child care expense deduction is intended to “recognize the costs incurred by single parents and two-earner families in the course of earning business or employment income, pursuing education or performing research” (Dept. of Finance 1998: 138). As such, it is only available to families when the parents are working or attending school.

It is apparent from Table 4 that high-income families without eligible child care expenses receive no recognition for the impact of children on their ability to pay. Although this is often painted as an inequity between single-earner and dual-earner families, dual earner families without child care expenses may also not be eligible for any child benefits because of their aggregated income. Further, middle-income families receive minimal child benefits. If they have no eligible child care expenses, they also receive very little recognition of the impact of the costs of raising children on their ability to pay. This has created a perception of inequity in the tax system. In the next chapters, we discuss the components of that perception: the recognition of children in the tax system, the tax unit and the compensation for the costs of child care.

## 8. RECOGNITION OF CHILDREN IN THE TAX SYSTEM

The presence of dependent children clearly affects a taxpayer's ability to pay. The average cost of raising a child is estimated at just under \$6,000 per year, excluding child care costs (CCSD 1996, 1998). The principle of horizontal equity would seem to demand that taxpayers responsible for dependent children should be treated differently than families without dependent children for tax purposes. Despite this, there has been no universal recognition of the effects of children on ability to pay in Canada since 1992. At that time, an income-tested benefit replaced the child tax credits and the Family Allowance formerly available to all Canadians. Canada became only one of two Organization for Economic Co-operation and Development (OECD) countries to have a tax system which fails to recognize the effect of children on their parents' ability to pay.

The history of the recognition of children in the Canadian tax system began shortly after the introduction of income tax itself. In 1919, a child tax exemption was introduced, and remained in place until 1988. An amount for each dependent child was deducted from the taxpayer's total income before taxable income was measured. During the tax reform of 1988, this was converted into a non-refundable credit, which was subtracted from tax owing. Despite the change from deduction to credit, the child tax credit retained its universal character. All taxpayers received the same tax savings in recognition of the costs of raising their children, as long as they had sufficient taxable income to offset the credit.

Neither the child tax credit nor the child tax deduction benefited families with no taxable income. To ensure that these tax filers also received help with the costs of raising children, a refundable tax credit was introduced in 1979, and stayed in place until 1993. These credits complemented the Family Allowance program initiated in 1945, which provided a flat rate per child benefit for all families with children.<sup>15</sup> In 1993, the refundable and non-refundable child tax credits and the Family Allowance program were replaced by an "integrated child benefit." However, the new child tax benefit was not universally available. It was only available to families with children who met an income test. It changed the basis of calculation from the income of the individual taxpayer to "family" income.<sup>16</sup> With that final metamorphosis, the recognition of the costs of raising children became clearly identified as a social benefit, rather than as a fundamental feature of tax equity.

It should be noted that recognizing the cost of raising children is merely one of the roles played by a child benefit historically. Also known as "horizontal equity," this goal not only reflects the financial costs incurred by parents (relative to families without children), but it also acknowledges the contribution that parents make to society by raising the next generation of citizens, workers and taxpayers. As Battle and Mendelson (1997) have pointed out, the child benefit in Canada has also assumed two additional objectives: an antipoverty role to supplement the incomes of poor and modest-income families and economic stabilization to put cash into the hands of parents to stimulate consumer demand and aid in the recovery from recession.

## The Canada Child Tax Benefit

The current child benefit is the CCTB. It is made up of two parts: a base benefit and a supplement. The maximum base benefit of \$1,104 is available to all families with children whose taxable income is below \$30,004. This is increased by \$219 per year for each child under 7 years old, if there are no child care costs claimed under section 63 of the *Income Tax Act*. Finally, the base benefit includes \$77 per child per year if there are more than two children in the family. Above the threshold amount, the base benefit is reduced by a percentage (the tax-back rate)<sup>17</sup> until it disappears entirely for families with taxable income above approximately \$71,000.

In addition to the base benefit, the National Child Benefit Supplement (NCBS) is available to families with income under \$30,004. A maximum supplement of \$977 per year for the first child, \$771 for the second, and \$694 for the third child is available for families with income below \$21,214. The supplement is also reduced by a percentage above that threshold, but at a much steeper rate than the base benefit.<sup>18</sup> It disappears for families with income above \$30,004.

The child benefit is payable to the primary caregiver of the child. If the parents are living together, this is assumed to be the woman unless she agrees in writing that she is not the primary caregiver. There is no provision in the Act to split the benefit between two parents who share custody. An agreement, or failing that a determination by the tax authorities, must be made as to which parent receives the benefits for any given period.<sup>19</sup>

The NCBS is the federal government's contribution to the joint federal-provincial/territorial program known as the National Child Benefit (NCB). The NCB is an anti-poverty program, not a tax provision. Its goals are to reduce child poverty, to encourage attachment of parents to the labour market, and to harmonize federal and provincial/territorial programs for children. Under the NCB, the federal government agreed to institute the CCTB, comprising the NCBS and the former Child Tax Benefit. It is an income-tested benefit based on income tax information. Horizontal equity between families with children and those without was not one of its goals. As a result, high-income families receive no benefit, and moderate-income families receive little. It was paid for, in part, by taking away the child tax credits formerly available to all families.

As their part of the NCB, the provincial and territorial governments agreed to invest in programs and services that conform to the goals of the program. They paid for these programs from the savings achieved by reducing provincial social assistance payments by the same amount as the increase in the NCBS over the former child tax credits. All provinces except New Brunswick and Newfoundland agreed to claw back the increase from social assistance recipients. Recently, Manitoba also announced its intention to stop the claw back.<sup>19</sup>

The National Child Benefit has been critiqued both as a tax provision and as an anti-poverty measure. As a tax policy, the most common criticism of the CCTB is that it violates the principle of horizontal equity. High-income earners receive no recognition at



all of the costs of raising children. Moderate-income families with children are treated almost identically to moderate-income families without children, despite the high costs incurred because of the presence of children. The goal of income redistribution, common to both tax and social policy, has completely overwhelmed the goal of distributing the burden of taxation fairly among taxpayers.

The complete elimination of any adherence to the principle of horizontal equity has serious implications that go beyond tax equity. A further result is the recasting of the costs of raising children from a shared responsibility of the parents and society, to the sole responsibility of the parent. They are no longer accepted as legitimate non-discretionary expenses in the measurement of ability to pay. Rather, the cost of raising children is accorded the same tax recognition as the cost of a “fancy boat” (Kesselman 1993: 117). Children become seen as a matter of simple personal choice, the benefit of which accrues only to the parents. The natural result of this is to assign total responsibility of the costs of raising children to the parents, as with any other consumer choice. Basing the amount of the benefit on family income rather than individual taxpayers’ income solidifies the treatment of the costs of raising children as outside the tax system. The consequences of using the family as the benefit unit are discussed in greater detail in Chapter 8.

Treating children as consumer choices imposes a heavy burden on women. If children are consumer choices, then the fact that women are disadvantaged in the labour market because of their caregiving role also becomes a matter of choice. If they have a choice, then the consequences of that choice should accrue to them. There appears to be no good reason to use the tax system to ameliorate the worst consequences of that choice. After all, we do not give preferential treatment to people who choose to spend their income on fancy boats, even if doing so leaves them impecunious. Taken a step further, the privatization of the costs of child rearing calls into question the legitimacy of all social programs that assist women to overcome systemic disadvantage resulting from their role as caregivers.

The child benefit has also been criticized on the basis that it is highly inefficient. Because the benefit is targeted and based on family income, taxpayers in low- and moderate-income families suffer from very high effective marginal tax rates, in some cases as high as 100 percent (Davies 1998; Rowe and Woolley 1999; Sayeed 1999). While some of this is the result of the interaction with provincial social assistance programs, the rates for families not receiving social assistance are also very high. Prior to the introduction of the NCBS and the social assistance claw back, families receiving social assistance faced losing the benefits received on behalf of their children when their employment income reached a certain level. This was believed to act as a disincentive for them to enhance their employment earnings, especially if they also faced losing drug and dental benefits. With the introduction of the NCBS and the social assistance claw back, families retain the same amount of “child benefits” when they leave social assistance, until their income reaches \$21,214. At that point, they lose benefits for every dollar above that limit. The CCTB has not so much reduced the work disincentive theoretically associated with high marginal tax rates as pushed it higher up the income ladder.

The CCTB integrates the tax and transfer system by using the tax system to deliver a social benefit that is otherwise analogous to a direct spending program. Entitlement and eligibility for the benefit are based on income tax information collected from returns. A major benefit is that information collection is less intrusive than under social assistance regimes. Further, the stigma associated with receipt of social assistance benefits does not attach to the receipt of a tax-delivered benefit. As a result, take-up rates are higher than under similar direct spending programs.<sup>20</sup>

From a social policy perspective, the claw back of the supplement from parents receiving social assistance also makes a mockery of the goal of fighting child poverty. It not only increases the income gap between social assistance families and other families, its effect is also highly gendered, due to the high poverty rate among single mothers. In fact, 83 percent of single mothers receive no increase in their income from the CCTB at all (NCW 1998a: 9). Further, single mothers are also more likely to receive assistance for longer periods of time because of labour market disadvantage, child care responsibilities and lack of sufficient supports (NCW 1998b: 27). Not only do they and their children receive no benefit because of the claw back, they are also further entrenched and stigmatized as the “undeserving poor” (Pulkingham 1997: 206-207).

The claw back punishes children in social assistance families for the source of their parents’ income, and makes the receipt of benefits conditional on the behaviour of parents. It is more like a welfare reform program, or a low-wage strategy to assure a supply of cheap labour for employers, than an anti-child-poverty program (Kitchen 1997: 70; Wiggins 1997). Even if rewarding labour market participation were an appropriate goal for a child benefit, the tax system is poorly designed to deliver this kind of benefit. It cannot distinguish between children of parents whose labour market participation is limited by disability or illness, or involuntarily by unemployment, and those whose work incentive is actually increased by such a measure. It also punishes single mothers working full time at low wages who receive a top-up from social assistance to make ends meet.

Further, it does not distinguish between sources of income, aside from earned and non-earned. A single mother whose entire income comes from support payments receives the same benefit as she would if the same income came from earnings. The CCTB does not promote labour force attachment as much as it rewards independence from social assistance.

Further, the CCTB does little for families of moderate income. Families with income over \$30,004 are not eligible for the supplement at all. Only families with income below \$30,004 receive the full base benefit. It is reduced dollar for dollar for income above this level. While the last two budgets have extended eligibility for the basic benefit to more middle-income families, the small amount of the benefit and the tax back still means a large number of Canadian families receive only minimal recognition of the costs of raising children. For example, a family with one child over 7 years old and with family income of \$60,000 receives a benefit of only \$354 a year. A family with income of about \$74,000 would receive no recognition at all of the impact of that child on the parents’ ability to pay tax.<sup>21</sup>

Under the current system, benefits must be received by only one parent. This restriction can cause hardship for parents who are separated but share custody equally. Sharing the benefit depends on the good will of the separated parents, and allows the child benefit to be used as a bargaining tool. The Canada Customs and Revenue Agency allows splitting the benefit by permitting one parent to collect it for half the year and the other parent for the other half. However, shelter and other costs must be provided on a full-time basis. This seriously disadvantages low-income single mothers. Further, in provinces where receipt of the CCTB is a prerequisite for the receipt of social assistance child benefits, they may effectively be denied the ability to share custody of their children.

Basing eligibility for the benefit on family income rather than individual income also affects women differentially. Women are more likely to have custody of their children following separation. Their income is also more likely to be lower than that of their cohabiting spouses. Basing benefits on family income also deviates from the norm of basing taxation on the income of the individual. The issue of the appropriate tax and benefit unit, and whether they ought to be the same, is addressed next.

### **The Tax Unit**

One way to address the impact of raising children is to measure ability to pay based on family status. However, the Canadian tax system is based on the individual as the subject of taxation, although this is modified by the recognition of family relationships within certain provisions. In general, all members of the family with income must file their own tax return, and pay income tax only on their own income. Despite this, most tax-delivered benefits are based on family income, defined as the aggregate income of the individual and cohabiting spouse. The appropriateness of using the individual as the unit of taxation for assessing liability, as well as the inconsistency of using a different unit for the benefit side of the tax and benefit system, have been the subject of ongoing debate since the Carter Commission.

### **The Unit of Taxation for Tax Liability**

The Carter Commission pointed out that the use of the individual as the tax unit violates the principle of taxation based on ability to pay. Because the Commission believed that families were the basic economic units of society, they assumed that resources were shared among family members within the unit. Accordingly, it was the unit's ability to pay that should be taxed (1966, Vol. 3: 123-124). The Commission argued that individual taxation led to the completely inequitable result that families with the same total income would pay different amounts of tax depending on whether the income came from one spouse or both, and in what proportion. Because of the economies of scale arising from shared living expenses within a family, Carter also recommended that married couples be taxed on a different rate schedule than individuals. However, the recommendation to use the family as the tax unit was rejected by the government, on the basis that it amounted to a tax on marriage, and penalized a wife who goes to work by taxing her income at her husband's marginal rate (Dept. of Finance 1969: 15). In other words, efficiency concerns were deemed more important than perceived equity.

The themes raised in these initial discussions continue today. Because of the decision to retain the individual as the tax unit, single-earner and dual-earner families earning the same income pay different amounts of tax. They also may face different rates of tax, depending on the distribution of earnings between spouses. A single-earner family with \$60,000 in earned income faces a federal marginal tax rate of 29 percent, resulting in \$12,962 in tax payable.<sup>22</sup> Only \$47,038 remain for discretionary expenses.<sup>23</sup> A dual-earner family where both spouses earn \$30,000 receives the same amount of total income. However, each spouse faces a marginal tax rate of 26 percent and pays \$5,136. The total amount of tax payable is only \$10,272, and \$49,728 remains for discretionary expenses. If one agrees that the family is the basic economic unit, then the principle of taxation based on ability to pay is clearly violated. It is this result which has led to the perception that the use of the individual as the tax unit leads to inequity between single- and dual-earner families, and the belief that the solution to the problem is to tax both families on their total income.

Taxing both single- and dual-earner families on total income would result in the same amount of tax payable. However, the same result is achieved by eliminating progressivity in the system (Dept. of Finance 1999b: 4). In a system with a single flat tax rate of 20 percent, the single earner would pay \$12,000 on her/his income. The dual-earner couple would pay \$6,000 each, also for a total of \$12,000. The perceived inequity between dual- and single-earner families is, therefore, as much a result of the progressivity of our system as of the use of the individual as the tax unit.

Even if the family is the appropriate economic unit, the inequity between single- and dual-earner families is not as great as this calculation makes it appear. A family with two earners incurs two sets of costs associated with earning income, including two sets of deductions for payroll taxes, as well as miscellaneous expenses such as clothing needed to engage in employment and increased costs from time-saving measures necessary to accommodate two employment schedules. Further, under our system, the single-earner family is not taxed on any imputed income arising from the increased household production of the non-earning spouse. When these calculations are considered, the tax inequity virtually disappears (Dept. of Finance 1999b).

Historically, the primary reason put forward in favour of maintaining the individual as the tax unit has been the effect on the labour market participation of women. Under this theory, women as “secondary earners” are assumed to have a choice about whether to enter the labour market or not. Under a system of joint taxation, they would be taxed at their spouse’s top marginal rate, even though expected earnings are much less than their spouse’s. This, combined with the non-taxation of imputed income from household production, produces a large distortion in women’s choice to enter the paid labour market, by penalizing them for engaging in paid employment and providing a subsidy for unpaid work. Using the individual as the tax unit means that women are taxed at their own marginal tax rate, and is much more efficient than joint taxation.

The secondary earner theory has been criticized because of its assumption that women are “secondary” earners who have a “choice” to engage in paid employment or not

(Grbich 1991; Maloney 1994). In fact, many women work because their earnings are necessary to support their family, not just for “pin money.” They may work part time by choice, or because that’s all that is available. Similarly, women who work in the home may do so by choice, but they may also do so because of the high unemployment rate faced by women. Although women’s labour supply is empirically much more elastic than men’s, this may be due to market wage discrimination rather than women’s alleged status as secondary earners (Maloney 1994). The costs of child care also have a strong effect on women’s ability to take paid work (Averett et al. 1997; Cleveland et al. 1996). Basing tax liability on individual income can be justified on the basis that it reduces barriers to women’s paid employment, rather than making paternalistic assumptions about the status of women’s earnings within the family.

In addition to efficiency arguments, women’s independence and autonomy have also been used to justify deviating from the ability to pay principle (London 1988; Ontario Fair Tax Commission 1993; Boessenkool 1999). Using the couple as the unit of taxation would mean that women are not seen as distinct from their relationships with men. Because of the impact on women’s labour market participation discussed above, women’s current and future economic independence would be compromised. Discouraging paid employment would perpetuate women’s lack of specialized skills, affecting present and future marketability and wage rates. This, in turn, affects pension contributions, increasing the likelihood of poverty for elderly women.

Another reason put forward in favour of using the individual as the tax unit is that it respects the privacy of spouses. Joint filing would require complete disclosure of all financial transactions necessary to file income tax returns. Currently, the information contained in individual income tax returns is confidential, and cannot be released without authorization, even to a spouse. However, this reason is more compelling for higher income taxpayers, the majority of whom are male, than for others. First, it would only be a major change from the status quo for high-income spouses with children, and couples without children. Spouses claiming tax-delivered benefits based on family income must know and disclose their spouse’s income as well as their own in order to qualify. For the majority of families in which earned income is the main income source, this is tantamount to full disclosure anyway.

The choice of the individual as the tax unit has been justified on efficiency grounds, as well as on the basis that it furthers women’s economic independence and autonomy, even though it has generally been accepted that this violates vertical and horizontal equity. However, recent work by feminist economists is challenging the assumption that the family is the appropriate economic unit for the purpose of ascertaining ability to pay. It has long been suspected that spouses in high-income families do not pool resources (Dulude 1985). In high-income families, the evidence is that husbands are more likely to control the finances, unless both partners have earnings. In that case, partners control the resources in proportion to their relative contribution (Pahl 1989: 168-177). In low-income families, women are more likely to be responsible for day-to-day management of family finances, but men are still more likely to determine how money is allocated (Goode et al. 1998: 25-33). Sharing of resources and shared control of resources does occur on a

regular basis in all family types. However, the evidence is that it is not the norm in any family type (Pahl 1989; Lundberg et al. 1996; Goode et al. 1998). With reduced stability in relationships, and changing family forms, the assumption that one spouse has a greater ability to pay because her/his spouse has a higher income may be even harder to substantiate (London 1988; Boessenkool 1999). Accordingly, even if the use of the individual as tax unit was not justifiable on equity grounds at the time of the Carter Commission, it may be today.

### **Benefit Unit**

In contrast to the taxation side of the tax and transfer system, tax-delivered benefits are based on the income of both the tax filer and the cohabiting spouse. These benefits include the child tax benefit and the Goods and Services Tax credit.<sup>24</sup> “Spouse” includes both legally married and common-law spouses, and is defined as a person with whom the taxpayer has a child, and a person of the opposite sex with whom the taxpayer has been cohabiting for at least 12 months at the end of the taxation year.<sup>25</sup> The total income of the couple is used to determine both eligibility for, and the amount of, benefits.

The inconsistency between the tax and the transfer systems has been justified on the basis that tax-delivered benefits are no different than benefits provided through direct spending programs, and direct spending programs use the family as the benefit unit. The use of the family for direct spending programs is premised on the belief that the family is the basic economic unit, and that all members have access to resources of individual family members. Because low-income families have little disposable income, it is assumed that they share the benefit of what income there is. Accordingly, the family’s income should be used to determine economic need. The child benefit and the GST credit are targeted to moderate- and low-income families and, therefore, require the assessment of “need.”

Basing the amount of child benefits on the income of both spouses assumes that all that income is available to meet that child’s needs. However, the assumption that low-income families share their income is not borne out by research. While some low-income families may share their resources more readily than higher-income families, there is no evidence that they do so in sufficient proportions to justify basing policy on it. In fact, the evidence is that women suffering from wife abuse, and those in families where there is no earned income, have very little access to “family” financial resources (Pahl 1989). As these are the most vulnerable women, and the most financially in need, it does not make sense to base their child benefits on income which they have no access to. Unfortunately, we do not yet have a clear picture of intra-household economics in Canada. However, research shows that the consequences of assuming shared access to family resources when there is, in fact, none results in poverty rates 57 times as high for children as for their fathers (Woolley and Marshall 1994).<sup>26</sup> This clearly has serious implications for the benefit unit used in a program aimed at child poverty.

In recognition of the empirical fact that benefits given to mothers are more likely to be spent on household and child-related expenses than benefits given to fathers, the child benefit is presumptively given to the mother.<sup>27</sup> While this goes some way to addressing the

issues raised here, it does not resolve them. A mother with no income of her own may fail to qualify for anything more than a minimal benefit because her spouse's earned income is too high. If she actually doesn't have access to this income, she will not be able to meet the child's needs despite high household income.

The use of the family as the benefit unit is also subject to the charge that it undermines women's autonomy and economic independence. In the same way that joint filing for spouses results in the subordination of women's identity to the men they live with, so too does the aggregation of women's income for the purposes of eligibility for benefits. We question whether it is justifiable to defer to high-income women's need for economic independence while at the same time overriding the same need for low-income women.

Even if the family is accepted as the appropriate benefit unit for the transfer system, the issue arises of who should be included. In our view, the benefit unit for assessing the child benefit should relate to the child, not the child's mother. It should depend on the income of those in the household who have an obligation to support the child, regardless of the mother's relationship to that person. Currently, the cohabiting spouse's income must be included in the calculation of the child benefit regardless of her/his relation to the child, and without consideration of whether or not there is a support obligation toward that child. In the social assistance context, low-income activists have expressed concern that this inhibits new family formation. Although low-income men may be willing to assume financial responsibility for a new spouse when they begin cohabiting, they may be unable or unwilling to support her children from a previous relationship. In the child benefit context, and in light of the above discussion, it also raises concerns that the income of a cohabiting spouse unrelated to the child may not be accessible for the child's benefit. In these cases, the mother's income alone may better reflect need.

Basing the child benefit on individual income rather than the aggregated income of the spouses will increase the cost of the child benefit. It will also mean that some women with little or no income of their own will receive the maximum child benefit even though they are living with high-income spouses. However, given that in many families there is no legal obligation for that spouse to support her children,<sup>28</sup> and she cannot provide for them from her own income, this is a fair result. Requiring a woman to assert her total dependence on her spouse for the needs of her child as well as herself is completely contrary to the goal of economic autonomy for women.

The use of the family as the benefit unit also raises compliance problems, which may increase as the value of the benefit increases. Some cohabiting spouses may deny their relationship to increase the benefit, particularly if there is no relation between the child and the cohabiting spouse. In most cases, the tax authorities may ascertain whether a couple is cohabiting through cross-checking address information. They then assume that co-residence amounts to cohabitation, and reassess tax and benefits on that basis. The couple may dispute this characterization of their relationship at an appeal of any resulting tax or benefit reassessment. Broadening the definition of spouse to include same-sex couples has the potential to increase greatly the intrusiveness of the system, as address

verification is clearly not sufficient to raise a presumption of spousal status for co-residents of the same sex, even if it can be justified for heterosexual couples.

Using the individual as the basis for assessing tax liability and the family as the basis for assessing eligibility for the child benefit affects men and women differently. Assessing tax liability on the basis of the individual results in lower tax liability for the individual. It benefits most those people with taxable incomes and net tax owing, most often men. On the other hand, basing benefits on family income reduces eligibility for those benefits. Because women receive child benefits most frequently, basing eligibility on family income disadvantages women more than men. While the use of two different bases may be considered justified, the gendered consequences should not be forgotten. Similarly, including same sex spouses in the definition of spouse will have a similar impact: gay men will benefit from the availability of family credits, and lesbian women will lose child benefits because of the inclusion of their spouse's income in the calculation of child benefits.

A final comment on the use of the family as the benefit unit for the transfer system arises from the recent characterization of the child benefit as "tax relief" for low- and moderate-income families (Dept. of Finance 1999a). As Canadians pay tax individually, tax relief can only be granted on an individual basis. If the child benefit is calculated on the basis of the individual, its characterization as tax relief may be justifiable. Otherwise, it appears that individuals get tax relief if they have high incomes, but low- and middle-income taxpayers get tax relief based on family income.

### **The "Individual-in-Relation"**

The use of the individual as the tax unit has been criticized on the grounds that human beings do not exist in isolation. Similarly, subsuming individuals within the family has been criticized for not recognizing the individuality of the family members. Julie Nelson has suggested that we view people as "individuals-in-relation." By this, she means individuals and their dependants (Nelson 1991). The Canadian tax system does this through tax credits for dependent family members. However, because we characterize our taxation unit as the individual, these adjustments appear anomalous, rather than being an integral part of the tax system (London 1988). Recharacterizing our tax unit as the individual-in-relation provides a theoretical basis for these apparent deviations.

It also provides a justification for basing the child benefit on the aggregated income of the adults who stand "in relation" to the child, rather than those who happen to be sleeping with the mother. In addition, it provides a framework to address the issue of how to treat the child benefit in joint custody cases. Given that the child is "in relation" to both parents, both parents should be eligible for part of the benefit if they share caregiving equally.

Viewing the tax unit as the individual-in-relation also provides a rational way to look at the issue of tax recognition of child support. While the support received on behalf of the child should not be taxable, as other income received on behalf of the child is not, it is clear that the child is the dependant of both parents. Accordingly, men who pay child



support should receive some tax recognition for the impact of meeting their obligation toward their dependant. This is not the same as suggesting that there is a “post-divorce family unit” as the court did in *Thibaudeau*. The father is not viewed as an individual-in-relation to the mother, but only to his child. This is not only good tax policy, but also promotes the goal of encouraging the sharing of parenting responsibilities.

In conclusion, the use of the individual as the tax unit is justifiable not only on the grounds of efficiency, but also on equity. Further, the use of the income of the individual and her/his cohabiting spouse to calculate benefits, particularly child benefits, should be reviewed. If it is determined that the family is the appropriate benefit unit, then the calculation of the benefit should be based on the income of the primary caregiver and cohabiting spouse only if the cohabiting spouse has a support obligation to the child.

## 9. CHILD CARE EXPENSES

In the tax system, the child care component of the costs of raising children is recognized through the child care expense deduction, and, to a much more limited degree, through the child benefit. Since the replacement of the child tax credits by the income-tested child benefit, the only child-related provision potentially available to all taxpayers with children is the child care expense deduction. However, the child care expense deduction is restricted to families with child care expenses paid to a third party, incurred to enable parents to work or attend school. Families in which one parent stays at home with the children and whose income precludes eligibility for the child benefit receive no tax recognition of the costs of caring for their children. Further, because the child care expense deduction is the only universally available child-related provision, the tax system appears to reward families for having both spouses engage in paid employment, and to punish families where one spouse decides to stay home to care for the children, even though there is no direct impact on the tax situation of single-earner families.<sup>29</sup>

The issues in this debate are crucial to women's economic independence and autonomy. As well, they form the nexus between recognition of the value of women's paid and unpaid caring work. We first examine the provisions that potentially recognize both paid and caring work, and analyze them with respect to their impact on women.

### **Child Care Expense Deduction**

The CCED recognizes the impact of the costs of earning income.<sup>30</sup> Before 1972, there was no recognition of this cost. The *Income Tax Act* was enacted at a time when the vast majority of families with taxable income were single-income families with a male breadwinner and a female caregiver. While there were exemptions for spouses with no income of their own and for children, there was no direct provision for child care expenses, which were considered discretionary personal expenses, incurred by the choice of the mother to earn income instead of care for her children. It was not until 1972, when the child care expense deduction was enacted, that child care costs were formally recognized.

The child care expense deduction was part of the reform of the tax system which took place following the release of the Carter Commission Report. The Report recommended that the non-discretionary costs incurred by families with working mothers be recognized through a credit for the expenses at the top marginal rate. Because of the difficulty in determining whether and how much of the child care expense was necessary for earning income, Carter recommended that the credit be capped (Royal Commission on Taxation 1966, Vol. 3, 19-20). In recognition of the fact that when a lone parent works, or when both parents work, "child care expenditures constitute a real cost of earning income" (Dept. of Finance 1969: 15), the child care expense deduction for working mothers was introduced in 1972.

The child care expense deduction has gone through a number of changes since its inception. Although originally designed to be a deduction for working mothers only, this was changed to a deduction for the lower-income spouse following a challenge under the Canadian Human Rights Code in 1983. The cap has also been raised several times. Finally, in 1996, the deduction was expanded to cover not just families where all adults were in the work force, but also those families in which at least one adult was in school full time (Hung 1998). In 1998, the deduction was extended to part-time students (Dept. of Finance 1998).

The child care expense deduction provides benefits to families where the adults have receipts for child care expenses. The current maximum deduction is \$7,000 for each child under 7, and \$4,000 for older children under 16 years old. The 2000 budget announced an increase of the credit to \$10,000 for taxpayers with children with severe disabilities who are eligible for the Disability Tax Credit (Dept. of Finance 2000b).

The CCED is based on the earned income of the individual who is eligible for the deduction, not on family income. However, in a two-adult family, the spouse with the lower income must claim the deduction except under certain limited circumstances.<sup>31</sup> The value of the deduction is limited to the lesser of the actual cost of acceptable child care expenses and two thirds of the individual taxpayer's earned income. As noted above, it is capped at \$7,000 for each child under 7 years old or for whom a dependent credit has been claimed because of disability, and \$4,000 for each child 7 to 16 years of age.

The amount of the deduction is based on earned income. This includes employment income, as well as Canada/Quebec Pension Plan disability benefits. It does not include Employment Insurance, support payments or other income, except in the case of lone parents attending school or training, or in families where both adults are in school or training.

To qualify for the purposes of the deduction, child care expenses must have been incurred to enable the taxpayer or supporting person to be employed, or actively self-employed, carry on research for which the person received a grant, or attend school or training. Given that one of these conditions is met, the category of items which may be claimed as a child care expense is quite broad. It includes payments made to eligible caregivers, day nursery schools and child care centres. It also includes payments to educational institutions for the part of the fees related to child care. Payments made to day camps and day sports schools are eligible, as well as those to boarding schools, overnight sports schools and overnight camps, up to a capped maximum, as long as the purpose was to enable participation in work or school.<sup>32</sup>

While the category of allowable expenses is broad, there are restrictions on who can be considered a caregiver for the purposes of the CCED.<sup>33</sup> The taxpayer's spouse, the child's parents and related individuals under 18 years old are not eligible caregivers. Payments made to them cannot be claimed. The person claiming the expense must also have receipts for it, although there is no requirement that receipts be submitted when the tax return is filed.

### **Provisions Related to the Child Tax Benefit**

The child benefit also compensates for caring for children. While it does not specify the costs associated with raising children, it is intended to compensate. The additional benefit received for children under 7 years old is reduced by 25 percent of any claim made for child care expenses under the child care expense deduction. This suggests that it is intended to compensate parents for the costs of unpaid caregiving work. However, while this additional benefit is part of the base benefit, reaching approximately 80 percent of families with children, it has a maximum value of \$213 per child per year.<sup>34</sup>

As well as reducing the amount of the additional benefit for children under 7 years old, the child care expense deduction and the child tax benefit interact in other ways. In particular, the amount of the child benefit is based on net family income, after the deduction for child care expenses has been subtracted. A claim for the child care expense deduction will result in a higher child benefit for a family qualifying for the child care expense deduction than for a family that doesn't, even if the pre-tax earned income is the same. However, examining the figures (which we do below) belies the perceived unfairness in this.

### **Spousal and Dependent Credits**

The third potential source of recognition for the value of caregiving lies in the personal credits.<sup>35</sup> The spousal credit is available for taxpayers with spouses with little or no income of their own. It has a maximum value of \$915, and is reduced dollar for dollar for income over \$500 until it disappears entirely with spousal income of \$5,380 (1998 tax year figures). However, taxpayers without children are also eligible for this credit. It, therefore, does not compensate for child care, but recognizes the effect of a financially dependent spouse on a taxpayer's ability to pay.

Lone parents are eligible for a "wholly dependent person" ("equivalent to spouse") credit for the first dependent child. This credit is also worth \$915, and is taxed back for income over \$500 received by the dependent person in the same way as the spousal credit. This credit is not available to families with two adults. It is also available for non-child dependants including parents, grandparents and relatives under 18 years old who depend on the taxpayer because of physical or mental infirmity. There is also a credit for any of the taxpayer's children over 18 years old who depend on the taxpayer because of physical or mental infirmity. This is worth \$400 per year.

While all the above credits recognize the value of caring, they are not specific to children. The only personal credit that is specific is the proposed \$500 tax credit for caregivers of children with severe disabilities announced in the 2000 budget (Dept. of Finance 2000b).

### **The CCED and Tax Equity**

Because the child benefit is only available to taxpayers with modest incomes, the CCED is the only child-related benefit available for many families with higher incomes. The

perceived inequity in providing a child-related benefit to families with children where all adults work or attend school, and not to families where one parent stays at home with the children, was noted above. A further concern is that some expenses are incurred by all caregivers, whether paid or not. Items such as juice, snacks, craft materials and toys are included in the cost of paid child care, and claimed as part of the child care expense deduction. Parents caring for their own children incur the same expenses, but receive no compensation. (Of course, these may not all be covered by the CCED in any case, because of the caps placed on how much can be claimed).

The fact that paid child care is compensated and unpaid child care is not results in a perception that unpaid caregiving work, mostly done by women, is not valued in our society. This concern was first raised by Status of Women Canada (SWC) in its 1972 report, commenting on the proposed child care expense deduction. It stated that, while any tax recognition of children was welcome, SWC could not support a deduction which was contingent on the mother being in the labour force, “because these services have to be provided whether the mother works in the home or outside” (Royal Commission on the Status of Women, 1970: 301). Instead of a child care expense deduction, SWC proposed “substantial cash allowances for dependent children.”

More recently, Mothers Are Women, a group of grass-roots activist mothers not in the paid labour force, voiced the same concerns (1999b). Beverley Smith, another mother, lodged a complaint with the United Nations Commission on the Status of Women. These concerns are reflected internationally in the recommendations of the Beijing conference on the valuing of unpaid work.

In our view, these criticisms arise, in large part, from the general failure of the tax system to recognize the costs of raising children and the parents’ ability to pay. Because of this, the child care expense deduction has assumed an importance in tax equity debates that belies its origin as a measure to facilitate women’s access to paid work through the recognition that child care expenses are a legitimate cost of earning income. Like other costs of earning income, it should not be part of the tax base. The proper comparison is not between those with two incomes and those with one, but between those who must spend money to earn their income, and those who have no costs of earning income.

The tax equity issues are brought into sharper focus by the following scenarios. Suzanne, Maya and Irshad are all single mothers, with one child under 7. Suzanne and Irshad have employment income of \$30,000 and child care expenses of \$7,000. Maya receives \$30,000 from taxable support payments and investments. Assume a simple system in which they all get personal credits and equivalent-to-spouse credits, but no other deductions. Suzanne can claim the child care expense deduction of \$7,000 against her earned income. Irshad is under a “reformed” tax system in which no child care expense deduction is available.

**Table 5: Tax Equity With and Without CCED**

	<b>Suzanne</b>	<b>Maya</b>	<b>Irshad</b>
Employment income	\$30,000	0	\$30,000
Non-earned income	0	\$30,000	0
Child care expenses	\$7,000	0	\$7,000
Deduction for child care expenses	\$7,000	0	0
Taxable income	\$23,000	\$30,000	\$30,000
Federal tax owing	\$2,471	\$3,140	\$3,140
Child benefit	\$1,373	\$1,131	\$1,131
Disposable income	\$21,902	\$27,990	\$20,990

Disposable income is the amount remaining from total income after taxes, and after child care costs have been paid. The table makes it clear that Suzanne is not “given” \$7,000 to spend on child care; it is removed from her tax base as a non-discretionary cost. She still ends up with less disposable income than Maya, who has not had to incur the expense in order to obtain her income.<sup>36</sup> Irshad, on the other hand, ends up paying a full \$9,000 from her earnings in order to make her take home pay. From this perspective, it is clear that the child care expense deduction actually moves toward restoring equity between parents who have child care costs related to earning income and those who don’t. Removing the child care expense deduction simply makes it even harder for women to contribute to the support of their family.

### **The CCED and Child Care**

Not all writers accept that the child care expense deduction is a cost of earning income. For some, it is a child care policy (Ontario Fair Tax Commission 1993; Boessenkool and Davies 1998). As such, the child care expense deduction has been criticized because of its inadequacies as a child care program, and because of the diversion of financial and political resources away from the institution of a national child care program (Ontario Fair Tax Commission 1993). According to this view, the child care expense deduction merely perpetuates the privatization of child care and the use of unlicensed poor quality care. The not inconsiderable amount of money tied up in a child care expense deduction would be better spent on providing universal, affordable, quality child care.<sup>37</sup> This position is bolstered by the low take-up rate of the deduction. Only 15 percent of families with children benefit from the CCED (Dept. of Finance 1999b).<sup>38</sup> Of those families with child care expenses in 1996, less than one third claimed the child care expense deduction.

For those who see the child care expense deduction as a child care program, it has also been criticized for being an “upside down subsidy.” As a deduction, it benefits higher-income taxpayers more than lower income taxpayers. Further, because it is limited to two

thirds of the earned income of the lower-income spouse, it does not compensate for the actual cost of child care for those who need it most. The average deduction in 1996 was \$2,600. However, the benefit at this level ranged from \$650 for those in the lowest tax bracket to \$1,300 for those in the highest. Three quarters of claimants had average incomes between \$10,000 and \$40,000, and the average benefit was \$685 in reduced tax liability (Dept. of Finance 1999c: 8).

However, the child care expense deduction is not and never was a child care program. It is compensation to a taxpayer for the cost of earning income. It is clearly not child focussed, and has no component or ability to determine what kind of care is being compensated for, and whether it is serving the interests of children, their parents or anyone else. It simply seeks to place women who must incur a non-discretionary expense resulting from their caregiving responsibilities on an equal footing with other taxpayers who do not have to incur that expense. As a tax policy, it recognizes that child care is a non-discretionary cost, without which employment for caregivers is impossible. Child care expenses clearly affect ability to pay, as well as being necessary to promote economic growth through the full labour market participation of caregivers as well as men and women without child care responsibilities.

## 10. PROGRAM FUNDING: DIRECT SPENDING OR TAX EXPENDITURES?

Support for families with children can occur either through the tax system or outside of it. It seems obvious that, insofar as an item is a matter of horizontal equity, impacting directly on a taxpayer's ability to pay, it should be recognized through the tax system as a clear matter of tax policy. Thus, some recognition of the impact of the costs of raising children should be part of the benchmark tax system. Similarly, as long as child care expenses remain a cost of earning income, that is, *in the absence of a universally accessible, affordable, high-quality child care system*, they should also remain part of the tax system.

However, providing tax recognition of these items does not preclude granting additional assistance. The tax system recognizes that having children affects taxpayers' ability to pay. The tax system may also be used to deliver assistance to low-income families, as it does through the child benefit. It may also deliver child care subsidies for low-income families. These programs can also be delivered through a direct spending program, such as the former family allowance program, provincial social assistance or child care programs. There are institutional as well as political dimensions to both direct spending and tax-delivered programs. The choice of whether to deliver a program through the tax system or a direct spending program must follow an assessment of the advantages and disadvantages of each.

In the case of income benefits, such as the child benefit, the tax system has a number of advantages.<sup>39</sup> First, using the tax system to deliver benefits may be less intrusive than a direct spending program, partly because the constraints of the tax system itself do not allow for a means-tested system. Targeted benefits delivered through the tax system can only be income tested. This inability to consider assets or the possibility of other resources results in much less intrusion into the lives of recipients than a means test.

A further advantage to using the tax system to deliver income benefits is the reduced stigma associated with these benefits. Partly because of the reduced intrusion, and partly because of the current political climate of welfare bashing, there is far less stigma attached to receipt of benefits through the tax system than through direct spending programs. Accordingly, because the take-up rate is higher, it is more effective in reaching the people it is designed to assist. This not only helps beneficiaries, but it also encourages more people to file income tax returns, which is of particular importance in Canada where filing returns is only mandatory for those with taxable income.

Another advantage often cited of tax-delivered benefits is that they can be effectively targeted at those with a given income level. However, given the broad sweep of the term "income" under the *Income Tax Act*, and the complexity of the Act itself, effective targeting may be more illusory than real. Thus, we included this as a "disadvantage."

It may also be easier to develop political support for increased funding for a tax-delivered program, as it can be configured as tax relief. This is particularly important in today's political climate of calls for tax cuts by powerful interests such as the Business Council on National Interests and the Canadian Alliance. Further, the perception that the system is



unfair, that levels of taxation are too high and that taxpayers are not getting much for their tax dollars, fostered by the above organizations and supported by the media, has led to the political popularity of delivering support for families through tax measures. Because of this, many social groups have reframed their own demands for social investment in children and families as “tax relief.” For example, the Caledon Institute on Social Policy and Campaign 2000, among others, are positioning an investment in the child tax benefit as a tax “cut” for low- and modest-income families. Consequently, both the federal and some provincial governments are positioning many forms of tax cuts as family support. They argue that tax relief gives families more choice over how to provide for their children, while at the same time addressing declining or stagnating family incomes.

It needs to be stressed, however, that the term “tax relief,” as currently used, can have very different meanings with dramatically different impacts on people. Novick (1999) draws an important distinction between two very different approaches:

- cuts to personal tax rates which aim the greatest benefits at those with the highest incomes and do not distinguish between families with children, and adults without children; and
- improvements to designated tax credits, which direct benefits to families with children and to economically disadvantaged individuals.

According to Novick, the second category is to be supported because it consists of those tax measures which “support social investment goals” by using the fiscal resources of the tax system to promote social objectives. The first category, also known as “general tax cuts,” tends to disadvantage women, families with children and individuals with lower incomes.

### **Disadvantages of Using the Tax System to Deliver Benefits**

There are also disadvantages to delivering benefits through the tax system rather than through a direct spending program. First, they cannot be as responsive as direct spending program benefits. Tax-delivered benefits are based on information reported in income tax returns from previous years. They cannot compensate for a reduction in income due to job loss until at least the following year.<sup>40</sup>

If the program being delivered requires a certain kind of behaviour as a condition of eligibility, then the tax system is also less appropriate than a direct spending program. Programs with behaviour requirements need a more intrusive reporting system to monitor a recipient’s behaviour than can be provided under the income tax system, as well as a quicker response time to apply sanctions if necessary. For example, while the child benefit may reflect a tax filer’s attachment to the labour market in the previous year, it cannot determine whether that tax filer has strong motivation to stay in the work force this year, or adjust benefits immediately to provide an incentive. Direct spending programs such as social assistance are more appropriate for a program where the policy objective is to promote attachment to the labour force.

Finally, the tax system cannot target people in real financial need as effectively as a direct spending program. For example, the amount of child benefit depends on taxable income. Because the tax system also encourages savings for retirement through deductions for

contributions to RRSPs, a family with \$40,000 of disposable income will receive the same child benefits as a family with \$47,200 income that has contributed \$7,200 to an RRSP. Further, that family may also have a second property, several cars, a yacht and so on. Because the tax system cannot measure these things, of necessity they will receive the same as the family that has none of these additional resources. While a certain amount of slack in the targeting may be acceptable in some programs, it may not be in others, and the effectiveness of the tax system in light of overall program objectives varies in each case.

The CCTB is an income program, and so the considerations involved in delivering it directly or through the tax system are relatively simple. The factors which must be considered when assessing the delivery of child care through the tax system are much more complex. The provision of child care has two purposes: to enable parents to earn income and to further child development. As discussed above, the goal of enabling parents to earn income is furthered by inclusion of child care expenses as a cost of earning income. However, that does not assist parents who are not eligible for the child care expense deduction because they have no taxable income. It also does nothing to ensure that child care also promotes child development.

Child care costs are a major barrier to employment for low-income single mothers. Theoretically, parents with no taxable income could be assisted by providing a refundable tax credit for child care expenses. However, many parents with a low income cannot afford the initial outlay, and cannot wait until they have filed their income tax returns to recover expenses they have been able to pay. The tax system cannot assist with a cash flow problem.

Further, a tax deduction cannot cover child care costs completely. A parent in the lowest tax bracket with child care expenses at the maximum of \$7,000 for a child under 7 years old would receive a credit of \$1,190. The other \$5,810 would have to come out of after-tax disposable income. While it is theoretically possible for the government to provide a refundable benefit on a monthly basis, it is not likely that it would do so in the amounts necessary. Also, the problems with effective targeting of those who are in real financial need, discussed above, apply to providing a refundable child care credit as well.

The other concern with using the tax system to deliver child care programs is that there is little ability to monitor the quality of care provided. Tax credits tied to child care receipts alone do nothing to ensure that the care paid for met a given standard. Tax credits for child care in approved institutions, or for approved institutions themselves, could potentially promote good quality care. However, ensuring that institutions meet quality standards must be done outside the tax system, through some other agency. The tax system itself is not administratively equipped to do this job.

Finally, embedding programs within the tax system makes them less transparent than if they are delivered through a direct spending program. The *Income Tax Act* itself is inaccessible to all but experts and, consequently, the public must rely on information provided by the administering departments for their understanding. For example, most parents do not understand why they qualify for the amount of child benefit which the Canada Customs and

Revenue Agency tells them they are entitled to receive, despite plain language notices, because the calculation of that benefit itself is highly complex, as discussed below.

Further, while direct spending programs must be introduced, debated and passed in the legislature, tax provisions are passed as technical bills with little public scrutiny. While programs themselves may be the subject of public debate, the complex interaction of different tax provisions results in hidden effects and unintended consequences when the tax provisions are enacted into law.

Increasingly important is the fact that using tax measures to deliver social programs can change the dynamics of influence within government. Since the 1993 introduction of the child tax benefit, for example, the Department of Finance has been much more influential than in the past (and perhaps more influential than the social development departments) in matters of social policy, a direction which many see as undesirable.

Finally, there is a relationship between the delivery mechanism and the level of generosity of income programs. The comparative family policy literature divides countries into two main categories: those that rely mainly on tax concessions and those that rely on social insurance programs to support families with children, with the latter generally having lower rates of child poverty and a more equitable distribution of income. Baker (1995) suggests that one reason is that governments may see tax concessions to assist families with children as an alternative to major structural reform that would more effectively redistribute income. Given the current climate and debate, it is important to recognize that benefits delivered through the tax system are generally not as generous as direct transfers to individuals or families (Baker 1995; Phipps 1999).

## **Conclusion**

Tax policy is a highly developed and complex component of social policy. It is designed to meet a number of objectives that may conflict, and to cover a multitude of economic situations for a highly diverse set of taxpayers. Because it transfers resources from private individuals to the collectivity, it is also the institutional locus of the conflict between those who benefit from our current political economy and those who are harmed by it. The increasing use of the tax system to deliver social programs, such as the child benefit, adds a further level of complexity. A principled and open approach to tax policy is critical to ensuring that the system does not lose its credibility or legitimacy as a fair, appropriate and effective tool in achieving a just society.

In reviewing the provisions in place for the support of families with children, it is clear that, while we are doing some things right, we are not addressing the needs of these families. We do not recognize the impact of the costs of raising children on all families, whatever their level of impact, and by failing to do so, the understanding that children are a shared responsibility, benefiting all of us, is seriously eroded. Further, while we believe child care expenses for families with both parents in the work force or at school are appropriately treated, it is clear that we could do more to support families and children. The tax system is the appropriate vehicle to meet some objectives, but not all.

## **PART IV: LESSONS FROM EUROPEAN TAX SYSTEMS**

### **11. OVERVIEW OF EUROPEAN APPROACHES**

Many countries of the European Union (EU) use their tax systems in the interest of enhancing child well-being. As a policy objective, this is very different from Canada's where the support for children has been targeted to poor and low-income families. In European countries, children are widely considered a shared responsibility between their parents and the society of which they are a part. Considerably more generous and untaxed family allowances or benefits have been a crucial part of an adequate income floor that has effectively protected children and families from sliding into poverty.

The continuing practice of using the family as the basic tax unit in some EU countries is related to recognition of the conflicting goals of family (horizontal) equity with gender equity. Countries differ in their commitment to one goal over the other. Gender equality, however, seems to be gaining the upper hand. The trend in the EU has been a move to individual taxation.

Gender equality between women and men is particularly advanced in countries, such as Sweden, where a highly progressive tax system makes it more favourable for women to get a job than it is for husbands to work longer hours. In Germany, the trend is in the opposite direction. There, greater emphasis is placed on the importance of women's unpaid work in the home, which is seen essentially as complementary to the socially necessary labour of breadwinner.

The economic circumstances of women as mothers are generally better in the EU countries than in Canada. In regards to women's work force participation, it is necessary to consider the broader gender divisions in society. The organization of the workday is more sensitive to the demands of family life. This has made it easier to combine work force participation with caring responsibilities. Increasingly, different countries are seeking to supplement financially their family-focussed benefits with family supportive measures such as a shorter work week (35 hours in France) and increased parental leave policies allowing both women and men who are parents to spend more time with their children.

Social and tax policies in the EU are based on the recognition that all (or nearly all) parents, regardless of their socio-economic circumstances, need income support and more family time. Member countries are committed to supporting families in both those aspirations. Some are more advanced in their policies than others, but membership in the EU requires the eventual equalization of social policy and tax standards. The expectation is that the policy laggard will catch up with the more socially advanced countries to the advantage of women and children in all member countries. In a report for UNICEF, Cathal O'Donoghue and Holly Sutherland (1998) reviewed the current tax systems in the 15 EU countries and evaluated the success of different approaches in supporting families. Chapter 12 summarizes some of their findings.

## 12. THE TAX TREATMENT OF FAMILIES IN EUROPE

The most striking difference between the Canadian tax system and the various systems in the 15 European Union countries is their emphasis on equity in living standards between taxpayers with equivalent pre-tax incomes, with and without dependent children to support. In the sense that tax systems in Europe are used to obtain the well-being of families, they are instruments of family policy. Many EU countries direct tax benefits specifically at children largely ignoring the marital status of parents; others favour tax concessions for children based on family status. The choice of specific child and family-focussed tax measures flows from a shared recognition that taxpayers with children to support require more income to maintain a standard of living comparable to that of childless individuals and couples. Besides children and family status, the distribution of income between families with the same or similar incomes but different family compositions rather than between families in different income brackets is the key element governing tax systems within the EU. Tax concessions in support of families with dependent children lean more toward horizontal than vertical redistribution. The focus is on tax recognition of children, the tax unit and tax recognition for child care.

The equalization of living standards among families can be achieved in a number of different ways and through wide variations in the combination of tax instruments used. O'Donoghue and Sutherland (1998) have categorized the tax systems of the EU into four distinct types:

- those with independent taxation of couples and few instruments in the income tax system to support families;
- those with independent taxation, combined with family-related instruments such as credits or allowances for children, marriage or lone parenthood;
- systems with optional joint taxation; and
- systems with mandatory joint taxation.

Tax concessions in support of families with children are complemented or replaced within these different tax schemes by cash transfers that are part of the social security systems of the various countries. The combination of tax and cash transfers is based on the recognition that fairness for families and children cannot be met by one system alone. The extent and the specific variations of the combined use of tax and social security benefits vary from country to country.

### **Child Benefits and Tax Credits**

In their support for children, most EU countries, with the exception of Italy and Spain, have opted for cash transfers in the form of universal child benefits. These two countries rely on the tax system and the use of a child tax credit. The Italian child tax credit is broadly equivalent to a refundable tax credit whereas the Spanish tax credit is non-refundable.

**Table 6: Family-Related Tax Allowances and Tax Credits in EU Countries**

	Family Tax Allowances	Family Tax Credits	Universal Child Benefits*
Austria	None	Children, lone parents, one-earner couples	Yes
Belgium	None	Children, lone parents, one-earner couples, widows, other dependants, children with a disability	Yes
Denmark	None	Transferable tax credits	Yes + lone-parent supplement
Finland	None	None	Yes + lone-parent supplement
France	None	None	Yes (maximum is income related)
Germany	Allowances for old age, lone parenthood, children, owner-occupiers with children	None	Yes (maximum is income related) + lone-parent supplement
Greece	Persons with a disability	Children, one-earner couples	Yes
Ireland	Allowances for widow(er)hood, caring, disabled children, lone parenthood	Children, other dependants, spouse (all income dependent**)	No
Italy	None	None	Yes
Luxembourg	Lone-parent allowance	Lone parents	Yes
Netherlands	Lone-parent allowance (varies by age of child); single allowances are transferable between spouses	One-earner couples	Yes
Portugal	None	Children, other dependants	No
Spain	None	None	Yes
Sweden	None	Married couples, lone parents	Yes + lone-parent supplement
United Kingdom	None		

Notes:

\* Broadly equivalent to refundable child tax credits.

\*\* If one spouse has income less than a set limit, then the other spouse receives a credit. The value of this credit also depends on the recipient's income.

Source:

O'Donoghue and Sutherland 1998.

In the remaining countries, cash transfers (i.e., child benefits), are the preferred policy instruments in accounting for the basic needs of children. Furthermore, the extra needs of

children in lone-parent families and of children with disabilities are supported through the tax system of several EU countries. Four countries—Denmark, Finland, Greece and Britain—have added a lone-parent supplement to their child benefit program. Britain and Germany integrated their previous child tax deductions and family allowance programs into a uniform child benefit in the 1970s. In Germany and Greece, the maximum level of the child benefit is income rated. Germany re-introduced a child tax deduction, which benefits higher-income earners more, to maintain horizontal equity for parents throughout the income distribution. Within a progressive rate structure, tax credits weaken horizontal equity at higher income levels. A universal child benefit has a similar effect. Table 6 outlines the various family-related tax allowances and credits in EU countries.

### **Children in Lone-Parent Families**

Germany, Ireland, Luxembourg and the Netherlands allow a tax deduction for lone parents. In the Netherlands, the deduction varies with the age of the child and is transferable between spouses who are divorced or separated. Tax credits for lone parents exist in Austria, Belgium, the Netherlands and Britain.

### **Children with Disabilities**

The tax system is not only used to provide special tax concessions for lone parents but also to provide for children with special needs. Tax deductions exist for children with disabilities in Ireland and Greece while Austria, Belgium, Italy and Spain use tax credits. The remaining countries use neither child tax deductions nor tax credits.

### **Non-Taxation of Child Benefits**

Child benefits are income tax exempt. This is in line with the importance EU countries attribute to the principle of horizontal equity. Equity concerns, between families with children and those without, hold that the respective differences in their costs of living affect their ability to pay taxes. The financial circumstances of families supporting children are not considered to be equal to those who are either childless or no longer supporting children. To compensate parents for the difference in financial resources throughout the income distribution, child benefits are not taxed. The Meade Commission on Tax Reform in Britain (1978: 288) explained the non-taxation of child benefits.

[T]here is an argument on grounds of horizontal equity for continuing [their child benefits] exemption from tax, insofar as such benefits are regarded not only as one means of setting a floor for the avoidance of poverty but also as means of discriminating at all levels of income between the capacity to pay tax of families with and without children.

### **Use of Tax Deductions or Credits in Support of Education**

Parents in EU countries receive additional public support toward their children's education. To achieve this, the preferred choice in most countries is the tax system. Tax deductions or

credits can be claimed as long as children are in secondary or post-secondary education, in an apprenticeship or other educational training program. Only Austria allows an automatic deduction for general family-related expenses up to a ceiling, which varies with family composition and the number of earners in a family. France operates an education tax credit and, in Germany, the tax deduction for children in education is enhanced. In Italy and Portugal, tuition costs are tax deductible. Greece accepts the costs of rent paid by children in education away from home as a tax-deductible expense.

A striking feature of the tax treatment of dependent children is the length of time European parents, compared to Canadian parents, can receive tax concessions for their children. Seven of the 15 countries of the EU recognize the continued financial dependence on their parents of adult children who are students. High unemployment rates make it difficult for students to find jobs that would support them during the time they are attending an educational institution. In France, Portugal and Italy, dependent adult children have to be less than 25 and 26 years of age respectively. In Austria, Germany, Luxembourg and the Netherlands, the age limit is under 27. In Spain, dependent children do not have to be students but parents can support them if they have low income. The age limit is under 30. These limits are set in accordance with the time frame in which students normally are expected to complete their studies.

In Austria and Belgium, parents also receive tax relief if they are supporting adult children with no or low earnings. This is pragmatic provision in the tax system at a time when high unemployment rates coincide with cuts to social programs and stricter eligibility criteria for income supports. These tax concessions help parents support their children through tax relief. In this way, young adults unable to find a job are not reduced to being on social assistance.

### **The Tax Unit**

In determining the extent of support to be achieved for families by a tax system, the choice of the tax unit on which taxes are assessed assumes crucial importance. The tax unit is the entity over which the tax base is aggregated. The choice of tax unit can be based either on the assumption of who controls the income or who benefits from it. The person earning the income is generally considered to control it and taxes, therefore, are imposed on this individual. Alternatively, it is assumed that married or cohabiting couples pool their resources to enjoy them together and are, therefore, taxed jointly. The tax systems of the EU differ in using the individual, the couple, or the couple and their dependent children as the basic units. Over the last 20 years, the trend in EU countries has been to move away from family taxation to individual taxation. The prevalent norm in eight EU countries has become individual taxation. Three countries rely on family taxation, a further three provide options for either individual or family taxation, and Belgium employs a combination of individual and family taxation. In family circumstances where one spouse is a low-income earner, a family's tax load is assessed through the use of a family quotient. Property is also jointly taxed but, for all other purposes, the individual is the basic tax unit.

Denmark and Sweden tax earnings from employment based on the individual. For reasons of gender equity, the Danish and Swedish tax systems do not recognize the category of a dependent spouse. There is no marriage subsidy for one-earner couples. They pay the same tax



as a single individual. In Britain, the government of Tony Blair abolished the marriage subsidy and folded the additional tax revenue it received from removing it into the child benefit. For income from capital, self-employment and wealth, the couple is the basic unit of taxation in Sweden. The joint taxation of wealth is considered essential to strengthen the power of the tax system to narrow the economic gap between richer and poorer families. Property and investment incomes tend to be even more unevenly distributed than earnings. Allowing couples to split their wealth would blunt the edge of the tax system in influencing the distribution of wealth. However, the large and increasing number of couples cohabiting in Sweden has been attributed by some to the fact that marriage imposes a property and investment tax penalty for couples.

In Germany, Spain and Ireland, couples are given a choice of filing separately or splitting income based on a quotient of 2 for couples and 1 for single individuals. Only in situations where the earnings of a couple are more or less equal would a tax advantage be gained if they opted for individual taxation. The generally lower earnings of women and the low work force participation rate of married women in these countries ensure that the majority of taxpayers file as a family unit.

France, Portugal and Luxembourg are the only countries with mandatory joint taxation for couples at all income levels. Their methods for joint taxation, however, are different from each other. Portugal uses a system of income splitting with a quotient of a value of 2. Luxembourg relies on the aggregation method and France on the use of a family quotient system. While income splitting and income aggregation generally favour couple families over individuals and parents with children, the French quotient system treats all family types, including lone-parent families with children, more generously than the tax system in any other EU country. It deserves a closer look.

The French family quotient is based on the division of all income among members of a family unit, including that of children. The family's total income is then divided by the so-called "family quotient" calculated on an equivalence scale with a value of 2 for a couple (1 for an individual) and 0.5 for a child. For a couple family with two children, the family quotient would be three. This number is then applied to a tax schedule used also to determine the tax load for individual taxpayers. When applied to an individual tax schedule, the family quotient establishes a tax ratio for a couple with two children in relation to an individual taxpayer with the same income of 3:1. This means that an individual taxpayer pays three times the amount of taxes that a couple with two children pays.

The tax effects of dividing income in this way result, on the one hand, in major inter-generational transfers of financial resources from the present generation of taxpayers to the future generation. It offers considerable tax relief to couples over individuals and even larger tax relief for those with children. This is the primary reason why countries, such as France, that favour maintaining horizontal equity throughout the income distribution, generally prefer the use of family taxation, tax deductions over individual taxation. Tax credits or family-focussed benefits outside the tax system fail to maintain horizontal equity at all levels of income.

The emphasis on horizontal equity has a major equity drawback. The trade-off between horizontal and vertical equity in the allocation of tax burdens in France is clearly in favour of high-income families with children. In most countries, these families are not the ones with the majority of children; demographic reality is that children are concentrated in families in lower- and middle-income brackets. The years of peak earnings for families do not usually coincide with the child-rearing years.

### **The Equity Problems of Family Taxation**

Family taxation posits three fundamental equity problems, as discussed earlier. First, the more steeply progressive the tax rates, the greater the tax advantage for couples who through aggregation and splitting of income can lower their marginal tax rate and total tax burden. Second, unattached individuals and lone parents are put at an immediate tax disadvantage since they do not have a spouse or partner with whom they could split earnings. They end up being more heavily taxed than single-earner couples who, in addition, benefit from women's unpaid work and services in the home.

Third, the tax advantage to one-earner couples raises the problem of gender equity. Family taxation is far from neutral in influencing married women's choices to work in the home or to work both in the home and in the labour market. Under a family tax system, a couple faces the same marginal tax rate even if the respective incomes differ greatly. This creates a situation where the secondary earner, usually the woman, ends up paying more income tax than she would pay if she were an unattached earner. In countries that continue to operate family tax systems, married women generally have low work force participation rates. Whether this is in response to the work disincentive effect of family taxation remains, of course, an open question. With a growing commitment to gender equality in EU countries, the possible disincentive effect of family taxation systems on married women remaining or re-entering the work force has become a source of increasing concern.

### **Taxation by Family Type**

In a number of countries, married pensioners, couples, lone parents and one-earner couples are allowed tax deductions or credits reflecting their family status. Italy is the only country that still operates a genuine marital tax credit. It is paid to all married couples even if there are two earners. As mentioned earlier, Britain abolished its marital credit but continues to pay its more generous benefit to pensioner couples, presumably in recognition that for pensioners a work incentive is superfluous. The credit can be claimed by either spouse or split between them. In addition to Britain, Denmark and the Netherlands permit the transfer of tax credits not used by one spouse to the other spouse.

One-earner couples in Italy qualify for an additional one-earner tax credit, which also covers couples where the earnings of the second spouse are considered low. Austria, Belgium, Italy, Greece and Portugal have marital tax deductions for one-earner couples. These are countries with low divorce rates and low rates of married women in the work force. Consequently, their income tax system is based on assumptions of financial dependency within couple families and they target tax breaks predominantly toward one-earner couple families. Different countries

also operate a wide array of special tax deductions and credits for pensioners, care providers, widowed persons, people with disabilities and the parents of children with disabilities.

### **Child Care Tax Deduction**

A reflection of the preference for the public provision of child care among the countries of the European Union is that only five countries allow a child care deduction. Belgium permits parents to deduct 80 percent of the actual costs of child care; in Greece up to 40 percent of the costs incurred can be deducted. France has imposed a daily limit on its child care deduction for children under the age of 4. For children under 5, there is a 25 percent limit of child care expenses. Given the excellent and widely used French public child care system, these tax deductions have to be considered a concession to the minority of French parents who prefer other child care arrangements. The Netherlands allows a partial deduction of child care costs and for single parents an additional deduction for costs above the limit for two-parent families. Lone parents can use a tax deduction for their child care costs in Germany and have first claim on a space for their children in child care centres. Only Spain uses a tax credit to reduce parental taxable income by 15 percent of child care costs incurred to balance the value of the tax benefit between high- and low-income earners.

### **Conclusion**

A review of European tax systems reveals the many ways in which it is possible to support families with children. Tax and social policy measures are devised with the goal of improving the living standards of all families and their children. In the countries of the EU, tax systems direct tax and cash benefits specifically to children *per se* and not only to children falling into a special needs category (i.e., children in low-income families).

The choice of the tax unit in the countries of the EU is tied to their concern with the conflicting goals of horizontal and gender equity. Countries differ in their commitment to one goal over another. Gender equality, however, seems to be gaining the upper hand. The trend in the EU has been a move to individual taxation. Tax fairness between women and men has been improved by removing the work disincentive inherent in family taxation.

## **PART V: SUPPORTING MOTHERS: TOWARD A MODERN POLICY FRAMEWORK**

### **13. INTRODUCTION: THE PUBLIC POLICY CHALLENGE**

Although many European countries do much better than Canada in the level of assistance given to families with children, no country has provided an adequate level of support for parents. We have long looked to European countries, with their generous social welfare schemes, as models of family policy. There is significant variation in the level of assistance given to families, as reflected in widely divergent poverty rates among families with children. Canada and the Anglo world (i.e., Australia, New Zealand and Great Britain) consistently bring up the rear when it comes to supporting families and preventing poverty.

However, feminist critics of the welfare state appear to agree that “none of the capitalist societies nor the socialist ones has ever really succeeded in accommodating parenthood and work. All give women a hard time” (Ostner 1993: 94). It is important to understand why this is the case.

The welfare state<sup>41</sup> is generally judged to be one of the great achievements of democratic states. Not only does it protect people from the whims of the market, it frees them from the constraints of traditional family roles. This has meant greater collective responsibility for the costs of children, as well as policies that contribute to individual independence by allowing both men and women to choose participation in the labour market (Phipps 1993).

On the down side, welfare state policies were not developed to accommodate the combination of earning and caring. They were designed for men who had both jobs and wives; they were not designed for women with children. Modernizing the welfare state means recognizing that what is missing is a concept of citizenship that considers people’s economic roles as well as their caring commitments.

In Canada, providing support to mothers in their dual roles has proven to be an even greater public policy challenge than in many European countries. There are several reasons for this.

First, responsibility for children and many other “family matters” are seen as private in Canada. This is a problem for women in two ways. Because children are largely viewed as the private responsibility of parents, public policy supports, such as child care, which are key to women’s equality, are underdeveloped. At the same time, responsibility for caring for dependent family members is being “re-privatized” as a result of cuts to social programs. Women, of course, bear most of the burden of such changes to public policy.

This “privacy orientation” may manifest itself as reluctance on the part of some people to have public policy “prescribe” or “dictate” how families should behave. For example, if focus group participants are an indication, public policies that promote the more equal sharing of responsibilities between men and women are considered, by some, to be an

intrusion into family life. Some couples believe it is up to them to work out child care and other family-related arrangements, not the government. Not surprisingly, messages which equate tax cuts with more money in families' pockets, as a way of giving parents greater choices, resonate with the public, particularly with economically secure or advantaged families.

Second, for both philosophical and fiscal reasons, there has been a shift away from universal provisions to greater targeting of benefits to those in need. The principle that children should have a special claim on a society's resources, once recognized in Canadian public policy, has diminished in importance with the result that past generations of families received considerably more support from governments than young families of today. Assumptions about social responsibility for all children that had once been the basis for public support have given way to targeted programs in which only poor children are seen to have a claim, and even then, not much. Ironically, many of the changes made in the name of targeting (e.g., to child benefits) did not improve the situation of low-income families; all they did was make modest- and middle-income families worse off. This contributed to the feeling that many families were not benefiting from tax-supported social policies, thereby weakening the sense of solidarity among families with children in Canada.

In European countries, by contrast, universal child benefits or child allowances reflect the view that children are a major societal resource—a public good—and that the whole society should share in the costs of raising children. Europeans also understand that the need for reciprocity between generations is a strong argument in favour of greater social responsibility for children. The principle of paying for other people's children and for other people's retirement is the fundamental pillar of a solidarity contract between generations, based on a transfer of resources between people of different age groups. The concept of “inter-generational reciprocity” is well understood in European social policy schemes, as being “based on the reciprocity of a generation of parents who cared for the generation of their children, who will in turn care for their aged parents' generation when they become adults” (Wintersberger 1999: 23).

Third, Canadian public policies and public attitudes continue to show considerable ambivalence toward mothers in the labour market. Public policy wavers between one and the other of women's roles, supporting neither adequately. On the one hand, women are given the message that mothers should be in the labour market. Provincial social assistance, for example, is defining lone mothers as “employable.” At the same time, public policy support is being withdrawn for many of the programs that allow women to be in the paid labour force. The consequences of this ambivalence are very serious for women, particularly for those who are economically most vulnerable. Many mothers are condemned to poverty as both earners and carers.

Interestingly, although questions about working mothers are frequently interpreted as reflecting a concern about the well-being of children, a report published by the European Commission concluded that such reservations are “mainly due to male resistance to contributing a fair share to household and child care work” (Wintersberger 1999: 19).

#### **14. TOWARD A MODERN POLICY FRAMEWORK: IDENTIFYING POLICY GOALS AND OBJECTIVES**

A policy agenda that supports mothers as earners and carers has to be approached from a number of angles. It has to link issues of tax fairness and gender equality with a broader set of social justice and social policy objectives. Developing a policy framework, therefore, requires an integration of tax policy, social policy (particularly family policies) and gender equality goals.

Gender equality goals are necessary, but not sufficient, to address the needs and circumstances of women with children. Defining the issues first and foremost as one of equality between men and women will not produce the policies required to support mothers in either of their roles. As we have already stressed, gender equality goals need to be embedded in a social responsibility framework that articulates society's collective responsibility for children.

Equally important, a child-centred or family-centred policy focus that does not explicitly identify and address the *gendered* dimensions of responsibility and caring for children will not necessarily advance women's equality. Two factors are important in determining the likely impact of a particular focus on the pursuit of women's equality: whether the focus leads to policies based on the principle of social/shared responsibility for children or to the further privatization of parenting, and whether the commitment to women's equality is an explicit goal of social policy or merely a by-product of progressive family policies.

Eichler (1997) identifies another important point: equality between men and women will not likely be achieved in a society that tolerates other inequalities and injustices. This means that gender cannot be singled out without putting it into the broader context of social inequality in society. The interaction between just families and just societies needs to be understood and acknowledged. As Eichler (1997: 117) questions: "How far can we push family policies that assume gender equality in the absence of such equality in the rest of society?"

Neither tax policy nor social policy should be approached in isolation. They should be integrated by making their objectives explicit and ensuring that the policies complement each other in meeting the same goals. Tax policy is an inseparable part of social policy because taxation can be a useful way to achieve social objectives and, because, without taxation, there could be no publicly funded social programs.

The articulation of policy goals and objectives is potentially the most controversial and conflict-ridden part of policy development. It is here that interests (both public and private), values and politics intersect. Developing a policy framework consists of identifying the goals we wish to achieve as a society, translating these into policy objectives, and developing criteria or measures against which to judge the success of specific policies in meeting these goals. Because the actual policies and programs flow from the objectives we have chosen, it is critical that we get them right in the first instance.

Table 7 presents a list of possible goals and objectives drawn from the areas of social justice, social/family policy and gender equality. Specific goals/objectives were selected because they are highly relevant and frequently cited. As the later discussion makes clear, we do not necessarily endorse all the goals and objectives presented below.

**Table 7: Possible Policy Goals and Objectives**

<b>Possible Policy Goals</b>	<b>Policy Objectives</b>
1. To promote equity and redistribution	<ul style="list-style-type: none"> <li>• Redistributing resources from richer to poorer members of society</li> <li>• Reducing income inequalities</li> <li>• Redistributing resources to those with children</li> <li>• Redistributing over the life cycle of individuals</li> </ul>
2. To reduce and prevent poverty	<ul style="list-style-type: none"> <li>• Providing an adequate income floor</li> <li>• Providing adequate benefits/financial assistance with the costs of raising children</li> <li>• Reducing economic vulnerability</li> <li>• Increasing financial security</li> <li>• Protecting people against risks (e.g., unemployment, illness)</li> <li>• Reducing the poverty gap (i.e., bringing people closer to the poverty line)</li> </ul>
3. To support families with children	<ul style="list-style-type: none"> <li>• Recognizing the value and social contribution of mothers/parents</li> <li>• Helping parents balance commitments to parenting and employment</li> <li>• Caring for children while parents are in the labour market</li> <li>• Promoting more equal sharing of both caring and earning responsibilities between men and women</li> <li>• Increasing women's/parents' choices about how to care for children</li> <li>• Expanding options for parents to spend more time with their children</li> </ul>
4. To advance women's equality	<ul style="list-style-type: none"> <li>• Increasing economic independence</li> <li>• Increasing equality of economic power within households</li> <li>• Increasing choices about mix of economic activity and child rearing</li> <li>• Increasing ability/capacity to establish independent household</li> <li>• Contributing to more equal sharing of both parenting (caring) and employment opportunities (earning) between men and women</li> </ul>
5. To improve the well-being of children	<ul style="list-style-type: none"> <li>• Equalizing/improving children's life chances</li> <li>• Addressing children's needs regardless of parents' situation</li> <li>• Providing early childhood development opportunities</li> <li>• Expanding options for children to spend more time with their parents</li> <li>• Fostering strong adolescent development</li> </ul>
6. To promote attachment to the labour market	<ul style="list-style-type: none"> <li>• Reducing dependence/promoting self-sufficiency</li> <li>• Facilitating the transition from welfare to work</li> <li>• Reducing barriers to employment</li> <li>• Removing disincentives to work (e.g., making work pay, tearing down the welfare wall)</li> </ul>

## 15. CHOOSING POLICY GOALS: ISSUES AND PRIORITIES

As a group, these goals provide a good starting point. Following is a discussion of the issues and considerations that need to be taken into account in formulating and assessing policy recommendations.

### 1. Vertical and horizontal redistribution both important

Resources and incomes should be redistributed both vertically and horizontally. Vertical redistribution reduces income inequalities by shifting resources from those with higher incomes to those with lower incomes. Horizontal redistribution takes place from adults without children to adults with children *within the same income group*. Redistribution can also occur over the life cycle of individuals so incomes are distributed from stages of people's lives characterized by higher incomes and lower needs to those characterized by lower incomes and higher needs.

Women with children would tend to benefit from both vertical and horizontal redistribution, since women are overrepresented among lower-income households. Horizontal redistribution benefits families with children. The extent to which women benefit relative to men depends on how the program is delivered, whether income is pooled within the household and the benefit unit.

As MacDonald (1998) points out, women's access to benefits can be improved either by policies which encourage, rather than assume, income pooling (e.g., issuing individual cheques) or by policies which ensure individual entitlements (e.g., universal programs or those where the benefit unit is the individual). Women with children are less likely than men to benefit from life cycle redistributions given their lower earnings throughout their child-raising years.

### 2. Adequate income floor should be goal

Providing an adequate income floor throughout the life cycle, rather than poverty reduction, should be the primary income support goal. The objective of providing an adequate income floor includes, but goes beyond, the traditional goal of reducing poverty. Poverty reduction continues to be important but it is not ambitious enough because it does not address the issue of preventing poverty and economic vulnerability. Rather than picking people up once they are poor, people should not be allowed to fall into poverty in the first place.

The concept of an income floor also incorporates concern with protecting incomes during economic hard times (e.g., recessions), protecting against risks and increasing financial security during periods of changing circumstances in people's personal lives.

We have added the word adequate to indicate that the income must be at a level that allows a mother/parent to raise children well above subsistence levels. For example, Novick (1999)



has proposed a minimum income floor of \$18,000 for a lone mother with a young child, an amount roughly equivalent to the average income floor provided to an elderly couple.

Providing an adequate income floor is not the same as a guaranteed annual income because the objective can no more be met by a single program, than the goal of advancing women's equality can be met by a single program. To achieve this goal, an integrated system of circumstance-specific or contingency-related income support and tax programs is needed. Adequacy would be achieved by the cumulative impact of the overall income package, not necessarily by any one measure or program. A number of the elements of the package exist already but need to be enhanced, such as child support provisions, the child benefit, employment insurance, and maternity and parental benefits. Recommendations for improvements are made in Part VI.

Providing an adequate income floor throughout the life cycle is particularly important for women with children who are more likely to move in and out of the labour market. The assumption that the traditional work patterns of men apply to women with children has led to the development of employment-based programs that disadvantage women (e.g., employment insurance).

### **3. Treating children as citizens advances women's equality**

A commitment to children's well-being should stem from a desire to enhance children's lives, as well as optimize their future prospects as adults. The economic arguments for caring about children and, increasingly, the public policy arguments, are framed in terms of human capital investment. Investing in children is an investment in our future prosperity, productivity and collective well-being. It is important to invest in children, so the argument goes, so they do not turn into criminals, tax evaders or worse. Children are considered a public good from which the whole community benefits. Raising children is, therefore, seen as a service which parents, particularly mothers, provide for the larger society. While this is a legitimate and important argument for recognizing the costs of children in the tax system, it is one dimensional.

There is another perspective on why children are important: for themselves, for who they are as children, not merely the adults they are in the process of becoming. Interestingly, Sweden has this orientation. Family policies in Sweden are associated with promoting and achieving a high level of equality between women and men and, in fact, a high level of equality overall among citizens. What is less well known is that Swedish family policy is also extremely child-centred. The policies which support Swedish mothers in both their earning and caring roles also benefit children, such as quality child care, long and generous maternity and parental leaves, and flexibility in balancing work and family.

Although gender equality is an explicit goal of family policies in Sweden, so is meeting the needs of children. Child development specialist, Penelope Leach (1994: 99) points out that in Sweden children are seen and treated as citizens, as clearly entitled to having their needs met as adults. She describes Sweden's work and family provisions, for so long the envy of North American parents (feminists in particular), from the perspective of children:

In order to ensure that all children have equal access to their parents, irrespective of the jobs those parents do, all employment arrangements affecting parenting are universal legal entitlements rather than something left to collective bargaining or to individual firms. This is a vital point. It means that unlike children in many Western countries, Swedish children cannot lose out on parental care because their parents work for unsympathetic employers or in high-status competitive fields....

Nor can children in Sweden benefit unfairly from having parents who are privileged to set their own hours and terms. It is accepted that children need their parents; the existence of a child is therefore the sole qualification for employment arrangements that free parents to meet that need.

#### **4. Promoting attachment to the labour market a questionable goal of family policy**

We question whether promoting attachment to the labour market is an appropriate goal of social policy, particularly of policies designed to address either poverty or the well-being of children. Policy goals have been shifting in recent years in Canada, from poverty reduction to a concern with the labour force participation of parents (Phipps 1993). As noted previously, one goal of the national child benefit is to promote attachment to the work force which, as critics have pointed out, may not be consistent with the goal of reducing child poverty, given the labour market's inability to provide decent jobs at decent wages. Low wages, rather than unemployment, are now the primary cause of poverty among families with children in industrialized countries.

Why has the promotion of labour force attachment become popular as a social policy goal? In Canada, this focus stems primarily from a concern about the supposed work disincentive effects of social programs (particularly social assistance). It is significant, however, that the preoccupation with work disincentives seems to be a peculiarity associated with Canada and the other English-speaking countries. Recent international research shows that the debate about the disincentive effects of social security benefits seems to be based "more strongly on ideological factors than on empirical evidence" (Forssen and Hokovirta 1999: 1).

There is no evidence to support the view that there is a work disincentive problem in Canada, at least not in any motivational sense of the word. Most people, including single mothers, want to be in the work force and, in fact, most leave social assistance by the time their children are in school. Poverty traps can be created by not providing employment support. The major barriers to employment have to do with the shortage of child care, the lack of jobs that pay a wage sufficient to raise children and, particularly for lone mothers, the lack of support in trying to combine full-time earning with caring for children.

It should be stressed that the interest in supporting women's labour force participation can exist for reasons other than a concern about work disincentives. Some European countries, most notably the Scandinavian countries, are committed to promoting and supporting labour force participation for women in order to advance equality between men and women. This is an explicit goal of their social and labour market policies.

## 5. Families should come first in work and family policies

Policies to help parents balance work and family life must be *family* supports first and *workplace* supports second. Many family-friendly workplace policies may, in fact, be employment supports, rather than family supports (e.g., split-shift child care). Their primary purpose is to support parents to be better, more productive and less stressed workers. While this is important, it should not be confused with supporting parents in their family roles (e.g., expanding the time parents have with their children). Workplace policies that make it easier for parents, either men or women, to adapt to the “male model” of employment (e.g., long hours, evening work, total commitment to job over family) serve the interests of the workplace, not the interests of either parents or children.

The new economy of non-standard jobs has not brought greater flexibility for parents, because flexibility is generally all on the employers’ terms now. Far from supporting employed mothers and fathers, the new flexible labour market is hostile to family life. Increases in flexible work arrangements have been largely because of employer, not employee, preferences.

Another concern is that many of the solutions to balancing work and family life reinforce existing inequalities or create new ones. For example, employees who may need the supportive programs the most (e.g., lone mothers, working-poor families) are often least likely to work for companies with such policies. This raises questions about whether workplace policies are easily accessible and fairly distributed.

Existing market solutions to ease the tensions in workers’ lives are, according to some accounts, expanding class and race differences in our society by creating an underclass of caregivers and personal service workers (de Wolff 1994). While family-friendly workplace policies can play an important role in an overall strategy to support both women and men as parents, they cannot and should not be expected to take the place of public policies, such as family policies and employment policies that are truly family friendly. The introduction of voluntary workplace policies should complement public policies, not take the pressure off governments to ensure the provision of needed public services, thereby adding to disparities that already exist.

## 16. ADMINISTRATIVE, ECONOMIC AND POLITICAL CONSIDERATIONS

While the *social* goals and objectives form the foundation of a policy framework, there are other considerations in developing and assessing policies to support women with children. These are service delivery or administrative, economic and political in nature.<sup>42</sup>

### **Service Delivery/Administrative Considerations**

It is not only outcomes that matter, but also processes. Good outcomes may become tainted by bad processes, unnecessary complexity or the perception of unfairness. This principle has long been recognized in Canadian public policy as reflected in the following statement taken from the working paper of the 1973 federal social security review.

A model social security system must be humane and fair, both in its benefits and in its administration, in order to help beneficiaries to live in decency and dignity (Lalonde 1973: 18).

How a program is delivered can determine whether or not a program is capable of meeting its objectives. Further, how a program is administered also embodies our views of those the program is designed to serve. For example, a program designed to deliver income support to low-income families will not succeed if the method used to determine low income is inappropriate. It will also not succeed if low-income individuals are reluctant to take advantage of the income support offered because the application process is intrusive and receipt of the benefit stigmatizing. An intrusive and punitive application process also bespeaks a belief that the applicant is likely to lie and must prove her/his deservedness before benefits can be granted.

The administrative or service delivery considerations that are important in furthering social policy objectives include:

#### ***Promoting Dignity and Reducing Stigma***

- How intrusive is the program?
- What values does it reflect/what message does it send about the people using the service/receiving the benefit?

#### ***Flexibility, Accessibility and Responsiveness***

- How responsive to changing circumstances?
- How accessible?
- How easy is it to apply?

***Simplicity and Comprehensibility***

- Can the public (i.e., non-experts) understand the policies/programs? This is important because compliance by taxpayers and administration by government have been shown to be easier and less costly in a system that is simple. In a democracy, it is critical that citizens understand how programs actually work, so they can make informed choices about what and who to support politically.

***Transparency***

- Is it easy to track and monitor how money has been spent? This is important from both an administrative and a political perspective.

**Economic Considerations**

It would be naïve to assume or argue that economic considerations do not or should not play a role in the development and assessment of tax and social policies. While we acknowledge their importance, it must be recognized that social and economic objectives sometimes conflict (as in the case of the goals of the National Child Benefit). This should be acknowledged, and the criteria for choosing one objective over the other must be made explicit and public. Presenting economic objectives as though they were social objectives is also potentially problematic because it obscures the real intent or hoped-for outcome of a policy.

As Mendelson (1996) has pointed out, because economists dominate so much of the tax and benefit discourse, social policies are frequently developed on the assumption that people are merely utility-driven individuals, rather than human beings with passions, desires and fears that have nothing to do with their economic best interests.

Below are several economic considerations that are important to developing policies to support women with children.

***Providing Incentives for Independence and Self-Sufficiency***

For example, providing incentives to save or to invest, such as the RRSP programs or registered educational programs.

***Removing Barriers for People to Enter or Increase Their Participation in the Labour Market***

In addition to the barriers already identified (e.g., the lack of child care or decent jobs), economic barriers might include high marginal tax rates or tax back rates. Addressing the need to remove economic barriers to labour force participation is not incompatible with the assumption that most people will want to work in the labour market, if given the opportunity.

***Promoting Economic Stabilization***

As discussed earlier, income transfer programs and tax relief measures may be promoted and justified on the grounds that putting cash into people's (consumers') pockets helps to stimulate the economy. This argument was made in favour of the family allowance program in 1945, and is still relevant today.

***Making Sure Future Commitments Are Matched by an Ability to Finance***

This means ensuring an adequate revenue base so social policy is sustainable. Examples include proposals for a social investment fund or a national infrastructure fund—earmarked funds tied to a percentage of GDP that would protect programs/policies from government debt reduction measures and economic downturns (Novick 1999; Novick and Shillington 1996).

**Political Objectives**

***Political Acceptability***

This is a dynamic process, not an absolute fact. What is politically acceptable today may not be tomorrow and vice versa. If politics is the art of the possible, social policy development is the art of creating those possibilities. Thus, we believe that social policy recommendations must be grounded in our vision of society, with political acceptability informing, but not dictating, our vision.

To secure political acceptance, policies should be seen as being fair and should contribute to building solidarity among families with children. These are not only political and strategic considerations, but also overriding principles of social policy.

The move away from universality toward greater targeting of social benefits to those most in need is a good example of the changing winds of political acceptability. We have previously argued that targeted benefits are divisive since they pit modest-income families against poor families. Furthermore, when middle-class families are locked out of receiving benefits altogether, solidarity among families is severely threatened. After years of government arguments against the principle of universality on the grounds that it was inefficient and unaffordable, it is both surprising and heartening to have two recent government sub-committees come out in favour of universality. In May 1999, the report of the sub-committee on children at risk, co-chaired by Liberal MP, John Godfrey, first stated that the federal government had moved too far away from the principle of universality. The call for universality was given further support by the sub-committee on tax equity for families in its positive response to the suggestion that a universal family allowance be reintroduced.

***Safeguarding the Tax Base***

The need to protect the tax base is related to the sustainability of social policy. Although a full discussion of this issue is outside the scope of this report, it is mentioned here because of its importance in assessing public policy decisions. Extensive tax cuts, such as those announced in the February 2000 federal budget, appear to run counter to this consideration and should, therefore, be seen as a threat to sustainable social policy.

In the next and final part of this paper, the above goals and considerations are translated into concrete policy recommendations and proposals for a comprehensive national agenda for families.

## **PART VI: A NATIONAL AGENDA FOR FAMILIES: PROPOSALS AND RECOMMENDATIONS**

### **17. INTRODUCTION: LET'S STOP GIVING WOMEN A HARD TIME**

*Through my personal experience I have learned that you better look after yourself because, if you don't, you are in real trouble. I was lucky that I was able to go to university and build a career. (Lone mother of one, employed full time)*

*I've made all those different kinds of child care arrangements and I don't think that I've ever felt ahead of the game. Like when I made enough money to pay the day care that got me a tax receipt, as opposed to the time when I was not making much money and paid under the table. There was no gain and, in fact, I find it more frustrating to be earning an income that tips me just beyond being able to access the benefits. (Married mother of one, employed full time)*

*So, quite frankly, I don't have a choice. I have to work full time and take on as much extra work as I can. I sometimes work on the weekends and that is the only way. So, when my son says things like: "Are you going to have money to send me to university?" That is how I say I can do it. I think the only people who have a choice are those who have either won the lottery or have family money somewhere or something like that. (Single mother of three, employed full time)*

*When I first went back to work after my oldest son was about a year and a half, my husband went back to graduate school. We qualified for a day-care subsidy, and it's been the only time since I have had kids that I felt completely supported as a family. If it wasn't for that, I wouldn't have had the luxury of the choice I have made to stay at home and look after my kids. Because it is the only thing that I have really felt has given us a hand up. (Married at-home mother of three)*

*Then it comes to the part where instead of supporting me and helping me go to school and helping me to do my placement and helping me find a job, the government uses it as a weapon against me, right? You want me to get out there into the labour force. You want me to participate, but you are going to punish me for doing that. It doesn't make sense. (Lone mother of two, employed part time, student part time, receiving social assistance)*

The above quotes from five women who participated in our research project<sup>43</sup> support the earlier claim that industrialized societies have not yet managed to accommodate parenthood and paid work and, therefore, "give women a hard time." What emerges from the stories

behind the quotes is evidence of women's economic vulnerability, particularly among mothers raising children alone; the limited support public policies seem to provide; the punitive and, at times, irrational application of social assistance rules; and the lack of real choices for many mothers. It is not hard to see why focus group participants exhibited such low expectations of public policies (as discussed earlier). Like the women quoted above, their experience was of an inadequate, non-system of income programs and other services, and a labour market that is often hostile to family life.

Supports to families have never been exemplary in this country, particularly compared to our proud achievements in income security programs for seniors and universal health care. Canada continues to lag behind other industrialized countries when it comes to policies and programs to support families with children. The high level of child and family poverty in this country is one of the serious consequences of this situation.

With a budget surplus of \$9 billion, projected to rise to \$58.2 billion by 2009, the federal government is now in a position to make the investments necessary to lay the foundation for a comprehensive policy agenda for families with children. Action on a national policy agenda would achieve the goals outlined in Part V and address the needs, frustrations and aspirations of mothers both in and out of the labour market.



## 18. A COMPREHENSIVE POLICY AGENDA FOR FAMILIES

### The Four Pillars

Presented below are the four pillars of a comprehensive agenda for families with children, followed by specific tax recommendations and proposals in several key areas. This part concludes with a discussion of how these proposals address the needs and concerns expressed by the women in our focus groups.

- 1. Employment policies to provide sustaining and decent jobs** for women and men, including:
  - A living minimum wage.
  - Employment-related social insurance programs.
  - Benefits for part-time workers.
  - Employment equity and anti-discrimination provisions.
  - Family and training leaves.
  - Work redistribution measures (see below).

An interesting and promising recent proposal is the establishment by the provinces and federal government of “a national commission to develop strategies which can improve the availability of good jobs with living wages” (Novick 1999: 41).

- 2. Work redistribution and workplace restructuring**

- Reducing the workweek from 40 to 30 hours to address the time problem of overextended families and to generate more employment.
- Introducing the concept of “suitable parental employment” to workplace and public policies. This could include giving preferential treatment to parents of young children for certain kinds of jobs, for example, regular 9 to 5 jobs and no shift work. It could also include the redefinition of full-time employment to no more than 25 hours for lone parents, and no more than 1.5 full-time equivalents for two parents. (Preferably, this would be split 50/50 between the parents, rather than the traditional division of full time for the man and half time for the woman.)
- Reducing the workday to six hours as an alternative. This would also greatly benefit families with children while avoiding the risk of resentment or resistance from other workers if parents were singled out for special treatment.

- 3. Supportive and responsive community services**, most significantly, housing, community resource centres, crisis services and early childhood development services, including child care (specific recommendation to follow).

**4. Tax and social security policies** that would contribute to an adequate income floor for families with children, including:

- Shifting the tax benefits and burdens from economically more advantaged individuals and households to less advantaged individuals and households.
- A child benefit system (recommendation to follow) consisting of both a universal base for all families with children and an income-tested portion for low-, modest- and middle-income families.
- A public advance maintenance system which would forward child support payments to the mother/custodial parent in situations where the non-custodial parent either failed or was unable to meet court-ordered support obligations.
- An extended maternity parental leave program that would cover women/parents currently not eligible, such as the self-employed, women with no previous employment history or insufficient weeks worked (recommendation to follow).

## 19. POLICY RECOMMENDATIONS: AN AGENDA FOR 2005

Movement toward the comprehensive agenda outlined above is a long-term goal. In this chapter, we make recommendations in four areas:

- tax recognition for children;
- tax benefits for families;
- child care, including the child care expense deduction; and
- extended maternity and parental leaves.

We believe these are key areas for two reasons: they are important in supporting mothers as earners and carers and, because they build on existing policies and programs, they are realistic, politically acceptable and achievable within the next five years.

The recommendations that follow also address many of the issues and concerns raised by the women in the focus groups—if not always reflecting their prescriptions—namely, more time with children, greater economic security, more attention to the well-being of children, greater flexibility and choice in combining and sequencing their caring and earning roles, and less stress in trying to “keep it all together.”

### **Recommendation 1: Introduce a progressive child allowance consisting of an enhanced child benefit and universal child tax credit.**

We recommend a two-part child allowance consisting of a universal portion and an income-tested portion. The total value of the child allowance would be about \$4,000, divided as follows:

- A universal child tax credit worth a maximum of about \$1,000 per child per year for all families with children under 18. The child tax credit would be fully indexed to inflation, and be refundable to those with no tax owing.
- An income-tested non-taxable benefit of at least \$3,000 per child per year—an amount equal to about 50 percent of the cost of raising a child. Benefit levels would vary depending on income, with low-income families receiving the maximum benefit of \$250 per month per child.

The benefit would be paid to families for children up to the age of 18 or, if the child is living at home and attending high school, up to age 20.

- Consideration should also be given to expanding the child allowance to begin five months before the birth of the child to recognize the crucial importance of the prenatal period on the future of the child and, equally important, to protect the health of the mother.

### ***Rationale and Impact on Women***

Our focus group respondents generally regarded the current CCTB as assistance for lower-income earners rather than support for women as caregivers or to meet specific consumption costs for the child. They generally felt the CCTB came nowhere close to recognizing the costs of raising a child. A child allowance worth over \$4,000 per year per child would come closer to recognizing these costs and reflect the principle of a shared or collective responsibility for raising children. The progressive child allowance would also:

- recognize the importance and value of parenting;
- expand the range of options for mothers/parents to combine earning and caregiving; and
- protect and enhance the living standards of modest- and middle-income families, as well as provide necessary income support to low-income families. Although a child benefit, by itself, cannot provide an adequate income floor, it is an important cornerstone.

The current benefit structure of the child benefit, with its division into a base benefit for parents below a certain income and a supplementary benefit for working poor parents, allows the re-introduction of horizontal equity for all families with children while maintaining and enhancing an income-tested benefit for low-, modest- and middle-income families.

We recommend that the base be extended to all families as a universal tax credit and the supplement be enhanced to achieve a combined benefit that provides at least \$4,000 in support per child. This is significantly higher than current provisions. The February 2000 budget increased the Canada Child Tax Benefit by \$2.5 billion a year by 2004 which will mean a maximum benefit of \$2,400 per child (for the first child).

It should be noted that we are not alone in calling for a child allowance or child benefit of this magnitude. Both Campaign 2000 and the Caledon Institute of Social Policy are also promoting child benefits in the amount of about \$4,000 per year per child. (See Battle and Mendelson 1999; Novick 1999.)

It is hard to recommend the exact amount of the base. If the tax system existed in a vacuum, a tax credit of \$600, equivalent to a deduction of \$3,530 at the lowest marginal rate, might be reasonable. However, the base and supplement portions are treated differently by at least some provincial social assistance agencies. As long as provincial authorities claw back the supplement from families receiving social assistance, we must recommend that the base benefit be maintained, and that future increases to the benefit accrue to it, to ensure that all low-income families receive a benefit from the program.

- **Continue to provide a supplement to families based on an income test, for a total credit/benefit of at least \$4,000 per year.** However, the current vanishing point for the supplement of \$25,950 is far too low, and we recommend raising it to \$40,000.
- **Attachment to the labour market should be removed as a goal of the National Child Benefit.** The provinces and federal government should reach an agreement that the full amount of the current child benefit supplement should be passed on to all families below a certain income level, regardless of source of income. As argued earlier, it is an

inappropriate goal for a child benefit. This goal is better achieved through policies which promote full employment at a living wage, and through the provision of in-kind benefits, such as extended health benefits, drug benefits and social housing, to all low-income families

- **The child benefit supplement should continue to be presumptively paid to the mother**, although provision should be made to split the benefit between parents in joint custody cases where parents share care and control relatively equally. We considered recommending that the benefit be split between the parents on request. However, this has no advantage for families in which money is pooled. It does, however, pose a disadvantage for families in which the mother has responsibility for providing for the needs of the child.
- **We recommend that the benefit unit, for the purpose of imposing tax liability, should remain the individual**, on the basis of equity as well as to further women's economic independence. Ideally, the individual should also be used as the unit for conferring benefits, for the same reasons. However, in recognition that this is not likely to be politically or financially acceptable, the benefit unit should be redefined in terms of those who have a legal obligation to support. For the purpose of the child benefit, this would result in only the income of those who are "parents" of the child in law being taken into account in calculating eligibility and amount of the benefit.

**Recommendation 2: Further enhance maternity and parental leave provisions and introduce a family leave allowance.**

We recommend a two-part program consisting of:

- **An enhanced 12-month maternity and parental leave system:** 24 weeks for the mother and another 28 weeks by either parent or shared between the parents, with a possible "bonus" of six weeks to be taken by the father (or non-birthing parent). (Another option is to have the full 52 weeks taken by either parent or shared between the parents, without distinguishing between maternity or parental leave.)

Benefits would extend to adoptive parents, self-employed parents and students. The benefit level would be set at 80 percent of the mother's/parent's annualized earnings for the designated reference period up to a maximum equivalent to the average earnings of salaried employees (currently \$35,000 to \$40,000 a year).

The designated reference period could be defined as 20 aggregate weeks of employment in the previous two years, or 10 aggregate weeks of employment in the previous year, or in full-time training or engaged in full-time studies in the previous year.

Any unused portion of the 12-month benefit could be banked for up to five years and used as parental leave for subsequent children or for other child-related reasons.

- **A family-leave allowance** which would guarantee an adequate income floor for mothers/parents in the following two situations:
- A 24-month benefit for mothers/parents who are not eligible for the maternity/ parental leave benefit because of insufficient or no labour market experience. This family income-tested benefit, would replace provincial social assistance for mothers/parents of children under the age of 2. The amount of the benefit should be significantly higher than the current subsistence-level social assistance. It should guarantee an income that is adequate and that signals society's commitment to support mothers/parents to raise their children out of poverty.
- An extension of the enhanced maternity/parental leave (building on the first part of this recommendation) for parents who wish to remain at home with a young child for up to another 12 months and who have exhausted the first 12-month benefit.

The family leave allowance could be used by either parent or shared between parents and could be used on a part-time or full-time basis. The allowance would represent both a guarantee of a job after the 12-month period and an adequate economic benefit to make this a viable option for modest- and middle-income families. We do not have a specific proposal regarding the value of the benefit, but it could be a flat rate benefit of approximately 2.5 times the value of the child allowance for that family.

### ***Rationale and Impact on Women***

Our two-part proposal would address many of the issues identified by women in the focus groups: greater flexibility, more time with children and more choices about combining earning and caring.

Several elements are particularly important and innovative: a maternity benefit level of 80 percent of earnings, allowing mothers to bank unused portions of their benefit for use later and creating a family leave allowance for those who want to spend more than 12 months at home with a child and for women with no prior labour force experience who would otherwise be relying on subsistence-level social assistance. This latter application of the proposal would contribute to “treating all new mothers the same,” so prior labour-market earnings would not be the only basis for maternity leave for new mothers (and fathers, for that matter).

In addition, our proposal would contribute to improved living standards for families with children by enabling mothers/parents to enhance their earning capacity through the pursuit of further education. It would also make part-time work financially viable for mothers/parents during the child's early years (i.e., first two years) by filling all or some of the gap between part-time and full-time earnings.

To promote the more equal sharing of caring responsibilities between men and women (or between partners, in the case of lesbian parents), we also propose that an additional six weeks be added to the maternity/parental leave period if the father (or non-birthing parent) wishes to take advantage of it. Even though several focus group participants disagreed that it is the job of public policy to encourage the sharing of responsibilities more equally between

men and women, we believe such a provision sends an important signal to parents: the world has changed and it is important for both parents to be involved in the work of caring for their young children. Equality between men and women depends on the extent to which both the earning and the caring roles are shared between the parents.

The expansion of maternity/parental leave is an important way to support families with children, as recognized by the recent expansion to one year announced in the 2000 federal budget. This announcement reflects the earlier commitment made in the 1999 throne speech to double the duration of maternity and parental leave under Employment Insurance from six months to one year to give new parents the opportunity to spend more time with their newborn or newly adopted children.

While this expansion is welcome, it does not go far enough in addressing the needs of an increasing number of mothers who are not able to take advantage of the existing and proposed provisions. Maternity benefits are based on 55 percent of women's insurable earnings, which means that benefits cannot adequately meet financial needs. As a result, many women, particularly those with low earnings, are forced to return to their jobs prematurely. Other women are not even eligible for maternity benefits, including those who may have held several jobs with a number of different employers before becoming pregnant, or those with little or no previous labour force experience.

Mothers not in the work force have to rely on husbands/partners or social assistance for financial support for the period immediately following the birth of a child. Thus, one of the most significant differences in the coverage for maternity benefits must be that between a married professional woman with a full-time, well-paid job and a single mother who is not in the work force. One qualifies for maternity benefits while the other does not and has to rely on provincial social assistance for financial support. By treating all mothers the same, our proposal would go a long way toward ending the unequal treatment of motherhood in the social security system that has divided women in the past.

**Recommendation 3: Retain the child care expense deduction in its present form as long as child care is a cost of earning a living or taking part in training or post-secondary education.**

- We recommend that the child care expense deduction be maintained in its current form, as a deduction, until women/parents no longer experience child care as a work-related expense. We do not believe the child care expense deduction is a substitute for a national child care program. In the long run, our intention is to remove child care as a cost of earning a living, through the gradual introduction and expansion of a national child care program (proposal to follow).
- For most parents, the CCED would no longer be necessary or justified if child care costs were non-existent or minimal. However, the CCED would continue to be available for those parents who demonstrate that they are not able to use available child care services (e.g., hours not suitable, no child care available in their community).

- Favouring the retention of a child care expense deduction as part of tax equity does not mean the benefit cannot be improved. It clearly does not reach all the families who could be eligible for it. Our focus group research indicates there is still confusion about eligibility requirements, and about the effect of the interaction with the child benefit. We recommend an active public education program to ensure that all potential claimants are aware of how the program works. We support reviewing the CCED to ensure it actually compensates mothers who are also earners for the cost of earning their income. This is an important step in improving tax equity. However, this recommendation does not take away from the need to provide accessible, affordable universally available child care for all children.
- The child care expense deduction is available only to the lower-earning spouse, except in exceptional circumstances. However, child care expenses should not be the sole responsibility of the mother. To continue this practice merely entrenches the systemic disadvantages women face because of their caring responsibilities. This is the same problem we faced in determining who should receive the child benefit. However, in the case of the CCED, we recommend that it continue to be claimed by the lower-earning spouse.

### ***Rationale and Impact on Women***

As we noted earlier, a large part of the controversy surrounding the child care expense deduction results from the lack of recognition of the costs of raising children for families that are eligible for neither the child benefit nor the child care expense deduction. To suggest the child care expense deduction should remain intact does not negate the importance of those concerns.

While reinstating some form of tax recognition of children is important, it should not be done at the expense of the CCED. Allowing the erosion of the recognition of the legitimate costs of working that are overwhelmingly borne by women contributes to the privatization of the costs of caring, and further undermines women's access to paid work. Further, while the answer to the need for child care programs may not lie in the tax system, that does not mean women who bear these expenses should be forced to do so alone. The child care expense deduction already fails to compensate for the full costs of child care, even when the full cost can be claimed. Reducing the deduction further, or eliminating it, only penalizes those women who now have access to it.

Further, replacing a portion of the CCED by a universal deduction is not gender neutral. The CCED is restricted to the lower-earning spouse. In a perfect world, this will not have a gendered meaning, but in this world, it does. It means that, in most circumstances, women's tax burden is reduced by the deduction, not men's. This is fair, given that women are the ones most likely to take time off work, interrupt their work or reduce their career potential because of child-rearing responsibilities. A universal deduction, which could be taken by either spouse, would in all likelihood be taken by the higher-earning spouse, as it would have a higher monetary benefit for that individual.



The debate over the transformation of the deduction to a credit, or to a refundable credit, arises from the upside down subsidy effect of a deduction. Providing a fixed credit against tax owing would provide the same benefit in disposable income to all taxpayers with sufficient income. Making the credit refundable would provide the same benefit to all tax filers with children, whether or not they had a taxable income. However, from a theoretical as well as practical point of view, this has serious implications. Transformation to a credit puts that portion of earned income required to pay for child care expenses back into the tax base, into taxable income. This treats child care expenses differently than expenses necessary for earning income that don't arise from women's caregiving role. More important, it relegates women's participation in the labour market to a matter of personal choice, rather than a right.

From a practical point of view, the CCED is overwhelmingly used by women in the lower- and middle-income tax brackets. Accordingly, the effect of the transformation from a deduction to a credit is likely to be minimal for most women. However, it will affect higher-income women, who would see their maximum tax savings decrease from \$2,030 per child per year to \$1,190.

While changing the deduction to a credit would have a mainly theoretical consequence, replacing the child care expense deduction with a refundable tax credit would remove child care expenses from the tax side of the tax and benefit system, and implant it solidly on the benefit side. Once it is no longer part of the tax equity debate, but clearly a social program, transformation to a selective benefit aimed at those "most in need" is a simple step (Special Committee on Child Care 1987; Kent 1999). With that, any universally available tax recognition of the costs of raising children on ability to pay would disappear.

Transformation to a refundable credit would also allow the federal government to entrench itself in its position that it is taking "action" on child care. As long as it remains a matter of tax equity, it is harder for the government to make this contention stick.

**Recommendation 4: Introduce designated funding to create a national program of universal child care and early childhood development services.**

In its 1999 throne speech and the February 2000 budget, the federal government "invited" the provincial and territorial governments to agree by December 2000 on an action plan to support early childhood development. We endorse the proposals for a national program supported by national social policy organizations and child care experts. The following are the key elements contained in a framework document prepared by the organizations working on the Sign on for Canada's Kids Campaign.<sup>44</sup>

- A publicly funded system of early childhood development services requires the federal government to transfer federal dollars to the provinces/territories to develop programs that are consistent with the common principles. Provinces and territories would make a commitment to financially support ECD services in their jurisdiction.

Designated funding for early childhood development services would be initiated by the federal government for the operation of quality ECD services. The federal funding will begin with an initial investment of \$2 billion and grow until the ECD service needs of all Canada's children are met. Designated funding would be ongoing.

- The federal/provincial/territorial governments would develop a timetable with clear targets for implementation of ECD services. Provinces/territories would establish their own infrastructure and operating framework for ECD services. Local authorities and/or communities would be responsible for the design and delivery of services that respond to their needs.

### ***Rationale and Impact on Women***

The rationale for a national system of early child development services is almost self-evident. It has been well documented and is the subject of several recent policy reports by national organizations.<sup>45</sup> It is supported both by the concerns about quality and affordability expressed by focus group participants, as well as by international research results that show that the cost and availability of child care is a primary determinant of whether women will be in the labour market. The comprehensive program promoted here advances the well-being of children by ensuring that all children have access to quality early childhood programs whether their parents are at home, at school or at work. This would address the needs of mothers both in and out of the labour market. Access to programs would be de-linked from labour market participation.

## 20. CONCLUSION: MAKING A DIFFERENCE IN WOMEN'S LIVES

Our proposals for an integrated system of circumstance-specific and related tax and income support programs contribute to building an adequate income floor. They address themselves directly to the financial and emotional tensions the women in the focus groups expressed between what they wanted for themselves and the commitment and responsibility they felt for their children. Many of these women belonged to the large group of economically “stretched,” middle-income families losing out on social benefits for families that had become restricted to the poor for reasons of fiscal constraint. Both groups, the at-home mothers as well as the employed mothers, are looking for ways to make additional money as their participation for a small remuneration in the focus groups indicates.

Our proposal for a child allowance of \$4,000 addresses the issue of child and family poverty and eases the tension between paid work and parenting. The proposal is premised on the realization that children require money, time and energy that conflict with the time and energy required at the job. The reinstatement of a child tax credit for all children and raising its income-tested portion to \$40,000 of family income would restore fairness among families by recognizing the extra costs all parents encounter in raising their children. Both the at-home and the income-earning focus group mothers would benefit from a universal child tax credit.

The difficulties of balancing their role as carers with that of labour market earners provided some of the women with persuasive lessons about the inevitability of their scripted female role that made them decide to drop out of the work force, often for extensive periods. One focus group mother gave up her high-skilled and demanding job in the computer industry after the birth of her third child. The demands of her job and balancing the needs for substitute care for her three children proved overwhelming. The availability of an enhanced maternity and parental leave system of up to 24 months would have allowed her to remain with her young child, secure in the knowledge that her job was protected. Coupled with a national universal child care and early childhood education program, easing mothers' concerns about the quality of care their children receive and reducing the work week to 30 hours, it would have been possible for her to remain in the work force. Demographers estimate that women's work force participation eventually will be identical to that of men. This means that women will have to distribute themselves more equally between domestic work and work outside the home or pursuing a full education program. Women would then truly be able to be earners and carers.

Focus group mothers would also benefit financially from a national early childhood education program. Many women are excluded from the paid work force without access to affordable child care which many families simply cannot afford even on two pay cheques. Women's consistently lower wage levels often do not offset the costs associated with being in the work force. In addition to the costs of child care, premiums that have to be paid to the Canada Pension Plan and for Employment Insurance made paid work for some of these women not worth it financially.

Restructuring the labour market in ways that make it more responsive to the needs of children would greatly reduce the time deficit overextended parents experience today. In this sense, our proposals are setting the stage for the kind of decision parents, particularly women, are likely to make in the future about their personal life. Being protected from the worst economic consequences of parenthood by being able to remain in the work force, women would no longer have to worry about what is going to happen to them should they end up as a lone parent or about their financial situation in their retirement years.

The women in the focus groups were clearly aware of the personal price they have to pay for putting the interests of their children ahead of their own. They almost axiomatically accepted that it is women who are primarily responsible for the upbringing of children. The women had worked outside the home for years before they became mothers and interrupted their work force participation. They planned to return to paid employment although they were concerned about their employment prospects. Our proposals are intended to allow women to be both earners and carers. To achieve this goal, however, along with the other goals described in Part V, is a long-term proposition that requires all the pillars of a national agenda for families to be in place.

The time has come to recognize that women's lives today resemble more and more the lives of men. They are parents and they are breadwinners. Many have husbands or partners; some parent on their own. If children have both parents in the labour market, the question has to be raised: Who, besides their parents, is responsible for caring for children? The community, through social provisions for the material and physical care of children, clearly has a responsibility for its future citizens.

At the ideological level, demands for the support of families have generally translated into attempts to reassert the position of mothers in the home. Before making policy decisions in support of children, it is important that these ideological assumptions be clearly understood. These assumptions have to be overcome if we are ever to achieve gender equality in the labour market and put family life on a foundation of equality in the relations between women and men.

## **APPENDIX A: SELECTION CRITERIA AND DISCUSSION GUIDE FOR FOCUS GROUPS**

### **Selection Criteria**

- All respondents will be women.
- The income earner and stay-at-home groups will be segregated.
- All respondents will have children under 12 living at home. At least six per group will have children under 6.
- Four respondents per group will have household incomes of \$51 K to \$80 K (dual income) or \$26 K to \$40 K (single income).
- Four respondents per group will have household incomes of \$31 K to \$50 K (dual income) or \$16 K to \$25 K (single income).
- Four respondents per group will have household incomes of <\$30 K (dual income) or <\$15 K (single income).
- Two respondents per group will be on social assistance.
- Four respondents per group will be lone parents.
- Six respondents per income-earner group will work by choice. Six would prefer to be at home. Any part-time workers will be working part-time by choice.
- Six respondents per stay-at-home group will be at home by choice. Six would prefer to be at work.
- Participants will represent the ethnic diversity of Toronto.
- No respondent will work for the federal Department of Finance.
- No respondent will be an active member of a woman's group or taxpayers association.
- No respondent will have attended a group discussion in the last six months or on a related topic in the last three years.
- Age and education will be a fall-out of other criteria, but as wide a representation as possible will be sought.
- No respondent or immediate family member will have worked in the communications industry, market research, marketing, advertising or the media.

### **Discussion Guide: At-Home Mothers**

#### ***Introduction***

Thank respondents for attending. State purpose of session. Introduce self. Stress impartiality. Explain process: mirror, taping and confidentiality. Have respondents introduce themselves. Ask what they do and how many children in the household.

### ***Aspirations, Goals and Desires***

- Q: I want to start the session by talking about the things you aspire to. It's a pretty broad question, but are you really getting what you want out of life? Is the role you have the one you want? Where is your focus right now? Where do you wish it could be? Anything standing in the way of your achieving what you want? Do you find the struggle more financial or emotional? Tell me more about that.
- Q: Do you find there is any tension between what you want for yourselves and what you want for your kids? In other words, are you able to fulfill your own aspirations as well as those for your kids? Are you getting what you need? Are they getting what they need? How do you deal with that tension? What would have to change so you get what you want and the kids get what they need? Do your needs differ depending on the age of the child? Tell me more about that.

### ***Sharing Responsibilities and Resources***

- Q: For those of you involved in a relationship, do you and your partner share resources? Do you share responsibilities? Does he take any responsibility for raising the kids? Including the financial costs?

### ***Options, Choices***

- Q: Do you stay at home because you want to or you have to? Tell me some more about that. If you could, would you spend less time at home and more time in the labour force? Why? Why not? What support would you need to be able to have what you want?
- Q: What kind of support is available to you now? What's been your experience with the Child Tax Benefit? Is it helpful? Tell me more about that. Are there problems with it? Tell me more about that. Should it be available to all families with children or only those below a certain income? Why do you say that?
- Q: What kind of child care arrangement do you have now? Did you consider alternatives? What made you choose that arrangement?
- Q: You know about the child care expense deduction. Is it a good way to deal with child care needs? Why? Why not? How does it work? Does it benefit all women or are some excluded? Tell me more about that. Are there any other problems with it? What would you prefer and why?

### ***Themes***

There is a view that the kind of tax policy the government introduces, the kind of social programs it develops should work together to support a common goal, let's call them principles. I am particularly interested in hearing what you have to say about four planning principles for tax and social policy, and whether or not you think they influence what the government does to support you in caring for your kids, whether you are working in the home or out in the paid labour force.

**Individuals or families with children should pay less tax in recognition of the extra costs incurred in raising children.**

Q: What do you think this is saying? Do you think that the cost of raising a child should be shared between families and society? Why? Why not? Is it fair to ask people without children to share the cost of raising the children of other families? Why? Where should society's responsibility begin and where should it end?

Q: Should the tax system recognize the work of women caring for children at home? How?

Q: Government now supports parents in two ways, by offering programs for kids and by providing assistance through the tax system. Do you think it's better to give credits or deductions through the tax system or invest in services and benefits? Why? Why not? Or do you think both are important ways to support families? Why?

Q: To what extent were taxes and lack of affordable programs a deterrent to your having kids/a barrier to raising kids? Which programs?

**Regardless of their employment status or previous employment history, parental or maternity leave should be expanded and should be available to all parents, including self-employed women and those on social assistance, so all new mothers are treated the same.**

Q: What is this saying? Are you for or against the idea of maternity leave for all parents, regardless of employment history? What are the arguments for it? What are the arguments against it? Do you think it is feasible?

**Parents with children under the age of 2 should have the option of withdrawing from employment to raise their child.**

Q: What is this saying? Are you for or against this principle? What are the arguments for it? What are the arguments against it? Do you think it is feasible? What would be needed to make it possible?

Q: In Canada, we file income tax returns as individuals, not as family units. However some benefits (such as the child benefit and the child care expense deduction) are based on family income. Some people feel we should file as families rather than as individuals. What do you think of this idea? What would the advantages be for you and your family? What would the disadvantages be for you and your family?

**Public policy should encourage the sharing of parenting and earning responsibilities more equally between men and women.**

Q: What is this saying? For example, the parental leave program could offer a bonus period if it was taken by the father, but would be lost otherwise. Are you for or against this principle? What are the arguments for it? What are the arguments against it?

***Wrap Up***

Q: Before we wrap up the session, I'd like to check with my colleagues to see whether there are any other questions they would like me to ask. (Ask client questions.) Any additional thoughts on how government can best help you overcome the barriers to achieving the

goals and desires you have for yourselves and for your children? Thank respondents and close meeting.

## **Discussion Guide: Income Earners**

### ***Introduction***

Thank respondents for attending. State purpose of session. Introduce self. Stress impartiality. Explain process: mirror, taping and confidentiality. Have respondents introduce themselves. Ask what they do and how many children in the household.

### ***Aspirations, Goals and Desires***

Q: I want to start the session by talking about the things you aspire to. It's a pretty broad question, but are you really getting what you want out of life? Is the role you have the one you want? Where is your focus right now? Where do you wish it could be? Anything standing in the way of your achieving what you want? Are the problems you face more financial or more emotional? Tell me more about that.

Q: Do you find there are conflicts between your desires and goals as a mother and your desires and goals as an earner? Tell me more about that. What do you need so you can fulfill your own aspirations as well as those you have for your kids? Do your needs differ depending on the age of your child? Tell me more about that.

### ***Sharing Responsibilities and Resources***

Q: For those of you involved in a relationship, do you and your partner share resources? Do you share responsibilities? I know that some of my friends have separate bank accounts and each have specific responsibilities. In your case, is the money pooled or do you each have separate responsibilities? Does he take any responsibility for raising the kids? Including the financial costs?

### ***Options, Choices***

Q: Are you working because you want to or because you have to? Are you working to make ends meet or are you trying to build a career? If you could afford to, would you spend less time in the paid work force and more at home with the kids? Why? Why not? Those of you with part-time jobs, would you prefer to be working full time? Why? Why not? What support would you need to be able to have what you want?

Q: What kind of support is available to you now? What's been your experience with the Child Tax Benefit? Is it helpful? Tell me more about that. Are there problems with it? Tell me more about that. Should it be available to all families with children or only those below a certain income? Why do you say that?

Q: What kind of child care arrangement do you have now? Did you consider alternatives? What made you choose that arrangement?

Q: You know about the child care expense deduction. Is it a good way to deal with child care needs? Why? Why not? How does it work? Does it benefit all women or are some



excluded? Tell me more about that. Are there any other problems with it? What would you prefer and why?

### **Themes**

There is a view that the kind of tax policy the government introduces, the kind of social programs it develops should work together to support a common goal, let's call them principles. I am particularly interested in hearing what you have to say about four planning principles for tax and social policy, and whether or not you think they influence what the government does to support you in caring for your kids, whether you are working in the home or out in the paid labour force.

### **Individuals or families with children should pay less tax in recognition of the extra costs incurred in raising children.**

Q: What do you think this is saying? Do you think the cost of raising a child should be shared between families and society? Why? Why not? Is it fair to ask people without children to share the cost of raising the children of other families? Why? Where should society's responsibility begin and where should it end?

Q: Should the tax system recognize the work of women caring for children at home? How?

Q: Government now supports parents in two ways, by offering programs for kids and by providing assistance through the tax system. Do you think it's better to give credits or deductions through the tax system or invest in services and benefits? Why? Why not? Or do you think both are important ways to support families? Why?

Q: To what extent were taxes and lack of affordable programs a deterrent to your having kids/a barrier to raising kids? Which programs?

### **Regardless of their employment status or previous employment history, parental or maternity leave should be expanded and should be available to all parents, including self-employed women and those on social assistance, so all new mothers are treated the same.**

Q: What is this saying? Are you for or against the idea of maternity leave for all parents, regardless of employment history? What are the arguments for it? What are the arguments against it? Do you think it is feasible?

### **Parents with children under the age of 2 should have the option of withdrawing from employment to raise their child.**

Q: What is this saying? Are you for or against this principle? What are the arguments for it? What are the arguments against it? Do you think it is feasible? What would be needed to make it possible?

Q: In Canada, we file income tax returns as individuals, not as family units. However some benefits (such as the child benefit and the child care expense deduction) are based on family income. Some people feel we should file as families rather than as individuals. What do you think of this idea? What would the advantages be for you and your family? What would the disadvantages be for you and your family?

**Public policy should encourage the sharing of parenting and earning responsibilities more equally between men and women.**

Q: What is this saying? For example, the parental leave program could offer a bonus period if it was taken by the father, but would be lost otherwise. Are you for or against this principle? What are the arguments for it? What are the arguments against it?

***Wrap Up***

Q: Before we wrap up the session, I'd like to check with my colleagues to see whether there are any other questions they would like me to ask. (Ask client questions.) Any additional thoughts on how government can best help you overcome the barriers to achieving the goals and desires you have for yourselves and for your children? Thank respondents and close meeting.

## APPENDIX B: THE TAX SYSTEM

### Tax Rates and Progressivity

Federal tax liability is calculated by applying the statutory tax rates to taxable income. Tax brackets specify the *marginal tax rate* applicable to each dollar earned in that bracket. People in all tax brackets pay the same rate of tax on the first \$30,004 of income. The next \$30,005 of income is taxable at a rate of 24 percent, effective July 1, 2000. Finally, for taxpayers with over \$60,009 in taxable income, the marginal tax rate is 29 percent, as of July 1, 2000. Someone with \$80,000 of taxable income has a marginal tax rate of 29 percent. However, the *average tax rate*, calculated as the average across tax brackets, is much lower, at just under 23 percent.

Before 1988, there were 10 tax brackets in the Canadian *Income Tax Act*. The reduction to three brackets exemplifies the tensions between the objectives of equity and efficiency. A strong commitment to vertical equity (a belief that people with more money should pay more taxes) would lead to a higher number of tax brackets. A system with fewer and wider tax brackets means that people with widely divergent incomes are subject to the same marginal tax rate. In our system, people who make \$30,010 have the same marginal tax rate as people who earn almost twice as much money. Further, even with fewer tax brackets, a commitment to vertical equity would be reflected in the relative differentials between tax brackets. In our system, the largest increase in marginal tax rate occurs at the lowest incomes: 17 percent when income passes the basic personal exemption level of \$7,131; a further seven percent increase after an additional \$23,000 and another five percent after the next \$30,000.

However, while more brackets and higher differentials among brackets may increase progressivity, they decrease efficiency. According to this theory, the higher the increase in marginal tax rates, the more it discourages the earner from working harder, earning more and increasing general productivity. However, concerns about disincentives are raised only with respect to higher-income earners. Marginal tax rates are determined not just by the federal income tax schedule, but by provincial rates, surtaxes and the tax-back rates on social benefits. Low- and middle-income Canadians are subject to very high marginal rates of tax. The efficiency response to this has not been to reduce their marginal tax rates but rather, to make them ineligible for certain social benefits, and to impose work requirements on others.

The logical result of a commitment to efficiency over equity is the *flat tax*, where everyone pays the same percentage of their total income in tax. This not only attacks the principle of vertical equity, but also benefits high-income earners more than low- and middle-income earners. To raise the same amount of revenue, the flat tax rate would have to be higher than the lowest bracket, meaning that low-income people would see a tax increase. Taxpayers in the highest tax bracket would pay less tax than they do now. Alberta has recently changed its provincial tax to a flat rate.

The call for across-the-board tax cuts is also an attack on progressivity. The Canadian Taxpayers Federation (1999) calls for an immediate three percent reduction in the tax rates, resulting in new tax brackets of 14 percent, 23 percent and 26 percent. This is tantamount to a tax cut for the rich, as taxpayers in the higher tax brackets would receive a much bigger tax savings than those in the lowest bracket.

### **Adjusting for Ability to Pay: Deductions and Credits**

The choice of deductions or credits to adjust the tax burden to reflect ability to pay remains the subject of debate. Adjusting through deductions takes the item out of the tax base, before taxable income is calculated. On the other hand, credits are applied after tax owing is calculated. Our current tax system uses a mix of deductions and credits, although what is subject to each has varied over the years. Further, the rationale behind which is used is not always clear. However, there are some basic principles and issues underlying the debate.

First, it is generally accepted that the costs of earning income should not be subject to tax, and should be deducted from earned income before taxable income is calculated. The Carter Commission recommended that all the costs of earning income should be excluded. While this is accepted in principle, our tax system gives much greater recognition to the costs of earning income for those who are self-employed than for those who are employees. Other allowable deductions from total income include the child care expense deduction, the costs of an attendant to enable a person with a disability to maintain employment, and other expenses related to earning income. Deductions are not limited to expenses associated with earning income, but include tax provisions designed to encourage specific behaviour. For example, there are deductions for contributions made to Registered Pension Plans and Registered Retirement Savings Plans, intended to encourage Canadians to save for their retirement. What is left after deductions is taxable income—that portion of income which is subject to tax.

Adjustments for ability to pay may also be made by subtracting allowable tax credits from the tax owing. Our system includes personal, disability and age credits, as well as adjustments for family responsibilities. All of these are non-refundable credits, that is, they can only be offset against tax owing. The child benefit and the GST tax credit are both refundable credits. Like non-refundable credits, they are subtracted from the tax owing. However, they are also payable to tax filers without a taxable income as a kind of negative income tax.

Both credits and deductions may be used to adjust the amount of tax owing. In a flat tax system, taxpayers would derive the same benefit from a deduction as from a credit. However, because our system is progressive, deductions reduce the taxes of those in higher tax brackets more than for low-income taxpayers, the so-called “upside down subsidy” effect. A deduction reduces the amount of taxable income at the taxpayer’s top marginal rate. Accordingly, a deduction of \$1,000 from a taxpayer in the top tax bracket is worth \$290. For a taxpayer in the lowest bracket, it is worth \$170. Because credits are fixed amounts subtracted from tax owing, they provide the same monetary value to all taxpayers, provided they have sufficient taxable income to make the deduction.

During the 1988 tax reform, many deductions were transformed into credits, calculated as the value of the deduction at the lowest tax rate of 17 percent. The result was an increase in vertical equity, because high-income earners no longer got a higher benefit. However, the trade-off was a change in our conception of the appropriate tax base. A system using deductions removes that portion of a taxpayer's income devoted to non-discretionary, that is, essential, expenditures from the tax base. In a credit system, "total income" is subject to tax, and essential expenditures are accommodated through adjustments to tax owing, that is, tax relief.

There are advantages and disadvantages to each system. Using deductions for essential expenditures makes it clear that those expenditures are considered unavoidable, the burden of which should be shared by the public in a fair system of taxation. Awarding the same tax savings through credits makes it easier to conceptualize the tax relief as a social program. This is easiest to see in an examination of the personal credit. As a deduction, taken before taxable income is computed, it can be envisioned as the portion of a taxpayer's income which must be used entirely for non-discretionary spending, and should not be subject to tax at all. As a personal credit, the taxpayer is determined to owe tax on all income, even the portion which must be used for basic subsistence; tax relief is applied afterward. The first implies an element of fairness in taxation; the second has the character of generosity on the part of the tax authority.

Further, in a progressive system converting deductions to credits decreases horizontal equity. However, there is no apparent justification for granting high-income earners a higher tax savings than lower-income earners for expenditures which must come out of disposable, after-tax income for both. Transforming the deduction to a credit is identical in outcome to allowing all taxpayers a deduction from the first dollars of their income rather than at their top marginal rate. It recognizes that, while the public should be responsible for non-discretionary expenses, each eligible taxpayer should receive the same amount from the public purse for those expenses. While a high-income taxpayer may actually spend more money on personal needs because they can afford to, this doesn't justify granting them a larger tax savings out of public money.

Finally, because of the complexity of the tax system, the choice of a credit or a deduction has a number of other ramifications. For example, the choice affects provincial tax revenues, as well as federal, because provincial taxes (except Quebec) are calculated as a percentage of federal tax owing, after credits and deductions. A switch from deductions to credits results in higher provincial tax for those in the top two tax brackets, as well as an increase in provincial tax revenues. It also affects the calculation of other deductions or credits which rely on net or taxable income, such as the child benefit.

Other programs providing in-kind benefits include universal health care, public education, rent-g geared-to-income housing and child care subsidies for low-income families.

### Income Support Programs for Families with Children

Program	Eligibility Criteria
National Child Benefit (federal)	Income: low- and moderate-income families
National Child Benefit (provincial/territorial)	Income: low- and moderate-income families Work-related: varies by province
Employment Insurance Benefits - Family Income Supplement (FIS) - maternal/parental benefits	Work-related FIS is income-tested: must be eligible for the Canada Child Tax Benefit
Canada Pension Plan - Disabled Contributor's Children's Benefit (DCCB)	Work-related: deceased person or parent with a disability must have made contributions to the Canada Pension Plan
Social assistance	Income tested Asset-tested: assets may not exceed allowable limits Work-related: degree varies by province

#### **The Tax Base: Imputed Income**

Imputed income covers the value of all goods and services obtained in extra-market transactions. It includes the benefit accruing to homeowners because they do not have to pay rent. It also includes the economic value of unpaid household labour. According to this theory, savings in the cost of clothing, food, child care and housekeeping resulting from household production are an economic benefit. They should be treated as income and taxed accordingly. This has been rejected on a practical basis because of the difficulty in valuing unpaid household production. It has also been rejected on the basis that, while economic theory can inform tax theory, they are not synonymous. The definitions in each discipline must suit its purposes. Income tax theory is concerned with market transactions with discernible outcomes, rather than expectations of future economic benefit (McIntyre 1988: 205).

Despite the orthodox views on imputed income, some feminist analyses support the inclusion of imputed income in the tax base (Maloney 1989; Woolley 2000).<sup>46</sup> In this view, the failure to tax imputed income results in preferential tax treatment of unpaid work. Because unpaid work is not taxed, but paid work is, women are encouraged to stay at home rather than enter the paid labour market. This not only results in women's continuing economic dependence and vulnerability, it also gives preferential tax treatment to one decision over another.

The valuation of household production is not an insurmountable task. One method proposed is to calculate the "opportunity cost" foregone when one family member stays at home to engage in household production rather than entering the labour market. This method would result in the unpaid work of potentially higher-earning people being valued more highly. The second method is to use an estimate of the market costs of the work performed. This has been estimated at \$15,000 per year on average (Woolley 2000).

However, there are serious practical and theoretical difficulties of how to assign the benefit from unpaid household production, and who should pay tax on it. Our system is based on individual tax liability. If imputed income were included, to whom would it be imputed? If it were considered income to the woman who stays at home, it would result in her owing tax which she has no actual ability to pay.<sup>47</sup> If it were imputed to her spouse, the value of the woman's work to herself would be denied, and she would be seen as acting only in the service of her spouse. It is also unfair to bring the imputed income resulting from household production into the tax system when other sources of imputed income, such as that from owning a home, remain outside the system.

On the other hand, denying the economic value of unpaid work not only devalues the work and the women who perform it, it negates the experience of many women and their families as to its value. While it provides a tax subsidy to families where one adult stays at home or works part time, that tax subsidy is rendered invisible in current tax policy discourse.

## BIBLIOGRAPHY

- Allen, D. and J. Richards. 1999. *It Takes Two: The Family in Law and Finance*. Toronto: C.D. Howe Institute.
- Alstott, A.L. 1996. "Tax Policy and Feminism: Competing Goals and Institutional Choices." *Columbia Law Review*. Vol. 96: 2001.
- Atkinson Letter, The*. 2000. "Universal early childhood development services: Time for action – Part 1." Toronto, Atkinson Charitable Foundation, Seventh issue, January.
- Averett, S.L., H.E. Peters and D.M. Waldman. 1997. "Tax Credits, Labor Supply, and Child Care." *Review of Economics and Statistics*. Vol. 125.
- Baker, M. 1995. *Canadian Family Policies: Cross National Comparisons*. Toronto: University of Toronto Press.
- Basran, J.S. 1993. "Individual or Family: Beyond Ability to Pay, an Examination of the Appropriate Unit of Tax in Relation to the Broad Goals and Policies of the Canadian Tax System." *Saskatchewan Law Review*. Vol. 57: 349.
- Battle, K. and M. Mendelson. 1997. *Child Benefit Reform in Canada: An Evaluative Framework and Future Directions*. Ottawa: Caledon Institute of Social Policy.
- . 1999. *How to Do a Children's Budget and a Tax Cut Budget in 2000*. Ottawa: Caledon Institute of Social Policy.
- Battle, K. and S. Torjman. 1992. *Child Benefit Primer: A Response to the Government Proposal*. Ottawa: Caledon Institute of Social Policy.
- . 2000. *Ottawa Should Help Build a National Early Childhood Development System*. Ottawa: Caledon Institute of Social Policy.
- Bergmann, B. 1996. "Child Care: The Key to Ending Child Poverty." In *Social Policies for Children*. Edited by I. Garfinkel, J.L. Hochschild and S. McLanahan. Washington, D.C.: The Brookings Institution.
- Bernard, J. 1982. *The Future of Marriage*. New Haven: Yale University Press.
- Block, S.M. and A.M. Maslove. 1994. "Ontario Tax Expenditures." In *Taxes as Instruments of Public Policy*. Edited by A.M. Maslove. Toronto: University of Toronto Press.
- Boadway, R.W. and H.M. Kitchen. 1984. *Canadian Tax Policy*. Second edition. Toronto: Canadian Tax Foundation.



- Boessenkool, K. 1999. "Putting Tax Policy in Its Place: How Social Policy Took Over the Treatment of the Family." In *It Takes Two: The Family in Law and Finance*. Edited by D. Allen and J. Richards. Toronto: C.D. Howe Institute.
- Boessenkool, K. and J. Davies. 1998. *Giving Mom and Dad a Break: Returning Fairness to Families in Canada's Tax and Transfer System*. Toronto: C.D. Howe Institute.
- Brandon, P.M. 1999. "Income-Pooling Arrangements, Economic Constraints, and Married Women's Child Care Choices." *Journal of Family Issues*. Vol. 20: 350.
- Brooks, N. 1993. "The Changing Structure of the Canadian Tax System: Accommodating the Rich." *Osgoode Hall Law Journal*. Vol. 31: 137.
- Brooks, N. (Ed.). 1988. *Tax Expenditures and Government Policy: The Seventh John Deutsch Institute for the Study of Economic Policy*. Kingston, Ontario: Queen's University.
- Bruce, N. 1988. "Pathways to Tax Expenditures: A Survey of Conceptual Issues and Controversies." In *Tax Expenditures and Government Policy: The Seventh John Deutsch Institute for the Study of Economic Policy*. Edited by N. Bruce. Kingston, Ontario: Queen's University.
- Bruegel, I. 1983. "Women's Employment, Legislation and the Labour Market." In *Women's Welfare, Women's Rights*. Edited by J. Lewis. London: Croom Helm.
- Canada. 1999. *Interim Report of the Standing Committee on Human Resources Development and Status of Persons with a Disability, Sub-Committee on Children and Youth at Risk*.
- Canada, Commission on Equality. 1984. *Equality in Employment*. (Abella Report). Ottawa: Minister of Supply and Services.
- Canada, Department of Finance. 1969. *Proposals for Tax Reform*. Ottawa: Queen's Printer.
- . 1997. "Working Together Towards a National Child Benefit System." In *Building the Future for Canadians: Budget 1997*. Ottawa: Queen's Printer.
- . 1998. *Tax Expenditures 1998*. Ottawa: Public Works and Government Services.
- . 1999a. "Canada Child Tax Benefit Update." In *Building Today for a Better Tomorrow: Budget 1999*. Ottawa: Queen's Printer.
- . 1999b. Presentation to the Standing Committee on Finance, Sub-Committee on Tax Equity for Canadian Families with Dependent Children, April 21, 1999.
- . 1999c. *Tax Expenditures 1999*. <<http://www.fin.gc.ca/taxexp/taxexp99e.pdf>>.
- . 2000a. *Better Finances, Better Lives: The Budget in Brief 2000*.

- . 2000b. Budget 2000. Ottawa: Queen's Printer. <<http://www.fin.gc.ca/budget00/toce/2000/bud2000e.htm>>.
- Canada, Department of Finance, Standing Committee on Finance. 1999. *For the Benefit of Our Children: Improving Tax Fairness*. Maurizio Bevilacqua, Chair. June. Ottawa.
- Canada, Federal/Provincial/Territorial Council of Ministers on Social Policy Renewal. 1999. *A National Children's Agenda: Developing a Shared Vision*. Ottawa: Canada Health/Human Resources Development.
- Canada, Governor General. 1999. *Building a Higher Quality of Life for All Canadians: Speech from the Throne to Open the Second Session of the Thirty-Sixth Parliament of Canada*. October. Ottawa.
- Canada, Revenue Canada. 1989. "Personal Tax Credits." *Interpretation Bulletin IT-513R*, February 3.
- . 1994. "Meaning of 'Spouse' for Income Tax Purposes." *94-145 Technical News*. 2(3).
- . 1995. "Meaning of Arm's Length." *Interpretation Bulletin IT-419R*. August.
- . 1997. "Child Care Expenses." *Interpretation Bulletin IT-495R2*. January 13.
- Canada, Royal Commission on Taxation. 1966. Report. (Carter Report). Three volumes. Ottawa: Queen's Printer.
- Canada, Royal Commission on the Economic Union and Development Prospects for Canada. 1985. Report. (Macdonald Commission). Three volumes. Ottawa: Minister of Supply and Services.
- Canada, Royal Commission on the Status of Women. 1970. Report. September. Ottawa: Minister of Supply and Services.
- Canada, Special Committee on Child Care. 1987. *Sharing the Responsibility*. Shirley Martin, Chair. March. Ottawa.
- Canada, Statistics Canada. 1997. *Income Distributions by Size in Canada*. Ottawa: Statistics Canada.
- . 1998a. *Labour Force Historical Review*. Catalogue No. 71-F0004-XCB. Ottawa: Statistics Canada.
- . 1998b. *Labour Force Survey*. Catalogue No. 71-201-XPB. Ottawa: Statistics Canada.
- . 1999a. *A Comparison of the Results of the Survey of Labour and Income Dynamics (SLID) and the Survey of Consumer Finances (SCF) 1993-1997: Update*. Income Statistics Division. Catalogue No. 75F0002MIE – 99007. Ottawa: Statistics Canada.

- . 1999b. *Canada Year Book 1999*. Catalogue No. 11-402-XPE. Ottawa: Statistics Canada.
- . 1999c. *Census 1996*. <<http://www.statcan.ca/english/census96/oct14/fam2.htm>>, <<http://www.statcan.ca/english/census96/may12/t6can.htm>>, <<http://www.statcan.ca/english/census96/June9/f3can.htm>> accessed December 1, 1999.
- Canada, Status of Women Canada. 1997. *Economic Gender Equality Indicators*. Ottawa: Minister of Supply and Services.
- Canadian Centre for Policy Alternatives - BC Office. 1999. *Gender Equality and the Taxation of Families*. A submission to the Standing Committee on Finance, Sub-Committee on Tax Fairness for Canadian Families with Dependent Children. May. Ottawa.
- Canadian Taxpayers Federation. 1999. *Toward the Millennium: A Taxpayers' Budget*. A Pre-Budget Submission to the House of Commons Standing Committee on Finance for Budget 2000.
- Cassin, A.M. (1993). "Equitable and Fair: Widening the Circle." In *Fairness in Taxation: Exploring the Principles*. Edited by A.M. Maslove. Toronto: University of Toronto Press.
- CCIH (Canadian Institute of Child Health). 1989. *The Health of Canada's Children: A CICH Profile*. Ottawa.
- CCSD (Canadian Council on Social Development). 1996. *The Progress of Canada's Children 1996*. Ottawa: CCSD.
- . 1998. *The Costs of Raising Children 1998*. <<http://www.ccsd.ca/factsheets/fsrzch98.htm>>.
- Clark, C. 1998. *Canada's Income Security Programs*. Ottawa: Canadian Council on Social Development.
- Clarke-Stewart, A. 1992. "Consequences of Child Care for Children's Development." In *Child Care in the 1990s: Trends and Consequences*. Edited by A. Booth. Hillsdale, New Jersey: Lawrence Erlbaum.
- Cleveland, G. and D. Hyatt. 1997. "Assessing Federal Child Care Policy: Does the Arrow Reach Its Target?" *Policy Options*. January. Montréal: Institute for Research on Public Policy.
- Cleveland, G., M. Gunderson and D. Hyatt. 1996. "Child Care Costs and the Employment Decision of Women: Canadian Evidence." *Canadian Journal of Economics*. Vol. 29: 132.
- Clinton, D., M. Yates and D. Kang. 1994. *Integrating Taxes and Benefits?* London: Institute for Public Policy Research.

- Davies, J. B. 1998. *Marginal Tax Rates in Canada: High and Getting Higher*. Toronto: C.D. Howe Institute.
- Day, S. and G. Brodsky. 1998. *Women and the Equality Deficit: The Impact of Restructuring Canada's Social Programs*. Ottawa: Status of Women Canada.
- DeWolff, Alice. 1994. *Strategies for Working Families*. Toronto: Ontario Coalition for Better Child Care.
- Dobbin, M. 1999. "10 Tax Myths." *CCPA Monitor*. Vol. 6(5). Ottawa: Canadian Centre for Policy Alternatives.
- Donegan, P. 1999. "Caring for Children: Public Policy and the Tax System." Unpublished report on two focus groups prepared for Child Poverty Action Group, October. Toronto.
- Dulude, L. 1985. "Taxation of the Spouses." *Osgoode Hall Law Journal*. Vol. 23: 43.
- Eansor, D.M. and C. Wyrdrzynski. 1993. "Troubled Waters: Deductibility of Business Expenses under the Income Tax Act, Child Care Expenses and Symes." *Canadian Journal of Family Law*. Vol. 11: 249.
- Eichler, M. 1997. *Family Shifts: Families, Policies, and Gender Equality*. Toronto: Oxford University Press.
- Equality for Gays and Lesbians Everywhere. 1999. Recorded evidence to the Standing Committee on Finance, Sub-Committee on Tax Equity for Canadian Families with Dependent Children, May 27, 1999. Ottawa <<http://www.parl.gc.ca/InfoComDoc/36/1/STFC/Meetings/Evidence/stfcev20-e.htm>>.
- Folbre, N. 1994. *Who Pays for the Kids? Gender and the Structures of Constraint*. London: Routledge.
- Forssen, K. and M. Hakovirta. 1999. "Family Policy, Work Incentives and Employment of Mothers: Findings from LIS." Paper presented at Conference on Child Well-being in Rich and Transition Countries. Are Children in Growing Danger of Social Exclusion? Luxembourg Income Study. September 30-October 2, 1999, Dommeldange, Luxembourg.
- Fox, B. 1997. "Reproducing Difference: Changes in the Lives of Partners Becoming Parents." In *Feminism and Families: Critical Policies and Changing Practices*. Edited by M. Luxton. Halifax: Fernwood Publishing.
- Freiler, C. and J. Cerny. 1998. *Benefiting Canada's Children: Perspectives on Gender and Social Responsibility*. Ottawa: Status of Women Canada.
- Freiler, C. and K. McCuaig. 1999. *A National Agenda for All Families: Re-framing the Debate about Tax Fairness*. A submission to the Standing Committee on Finance, Sub-Committee on Tax Equity for Canadian Families with Dependent Children. May 12, 1999. Toronto: Child Poverty Action Group and Child Care Education Foundation.

- Friendly, Martha. 2000. *Child Care and Canadian Federalism in the 1990s: Canary in a Coal Mine*. Toronto: Child Care Research and Resource Unit.
- Garfinkel, I. and S. McLanahan. 1994. "Single Mother Families: Economic Insecurity and Government Policy." In *Confronting Poverty: Prescriptions for Change*. Edited by S.H. Danziger, G.D. Sanefur and D.H. Weinberg. Cambridge, Mass: Harvard University Press.
- Goode, J., C. Callender and R. Lister. 1998. *Purse or Wallet?* London: Policy Studies Institute.
- Goodin, R. and J. Le Grand. 1987. *Not Only The Poor: The Middle Classes and the Welfare State*. London: Allen & Unwin.
- Grbich, J. 1991. "The Tax Unit Debate Revisited: Notes on the Critical Resources of a Feminist Revenue Law Scholarship." *Canadian Journal of Women and the Law*. Vol. 4: 512.
- Guettel, C. 1974. *Marxism and Feminism*. Toronto: Women's Press.
- Gustafsson, S.S. and M. Bruyn-Hundt. 1991. "Incentives for Women to Work: A Comparison between The Netherlands, Sweden, and West Germany." *Journal of Economic Studies*. Vol. 18. No. 5/6: 30-55.
- Hartle, D. 1971. *Taxation of the Incomes of Married Women*. Royal Commission on the Status of Women in Canada, Studies, 5. Ottawa: Information Canada.
- Hartmann, H. and R. Spalter-Roth. 1996. "A Feminist Approach to Public Policy Making for Women and Families." *Current Perspectives in Social Theory*. Vol. 16: 33-51.
- Heen, M.L. 1995. "Welfare Reform, Child Care Costs, and Taxes: Delivering Increased Work-Related Benefits to Low-Income Families." *Yale Law and Policy Review*. Vol. 13: 173.
- Hewlett, S. 1986. *A Lesser Life: the Myth of Women's Liberation in America*. New York: Warner Books.
- Hogg, P.W. and J.E. Magee. 1997. *Principles of Canadian Income Tax Law*. Toronto: Carswell.
- Hung, C. 1998. "Thoughts on Tax Reform and Policy: The Deduction for Child Care Expenses." *Canadian Family Law Quarterly*. Vol. 15: 251.
- Jackman, M. 1995. "Women and the Canada Health and Social Transfer: Ensuring Gender Equality in Federal Welfare Reform." *Canadian Journal of Women and Law*. Vol. 8(2): 371.
- Jenson, J. and J. Maxwell. 1999. "Choices for Parents." *Globe and Mail*. Commentary, Friday September 17.
- Jenson, J. and S. Stroick. 1999a. *What Is the Best Policy Mix for Canada's Young Children?* CPRN Study F/09. Ottawa: Canadian Policy Research Networks Inc.

- . 1999b. *A Policy Blueprint for Canada's Children*. CPRN Reflexion No. 3. Ottawa: Canadian Policy Research Networks Inc.
- Jenson, J., with S. Thompson. 1999. *Comparative Family Policy: Six Provincial Stories*. Ottawa: Canadian Policy Research Networks.
- Kent, T. 1999. *Social Policy 2000: An Agenda*. Ottawa: Caledon Institute of Social Policy.
- Kesselman, J.R. 1979. "Credits, Exemptions, and Demogrants in Canadian Tax-Transfer Policy." *Canadian Tax Journal*. Vol. 653.
- . 1988. "Direct Expenditures versus Tax Expenditures for Economic and Social Policy." In *Tax Expenditures and Government Policy: The Seventh John Deutsch Institute for the Study of Economic Policy*. Edited by N. Bruce. Kingston, Ontario: Queen's University.
- . 1993. "The Child Tax Benefit: Simple, Fair, Responsive?" *Canadian Public Policy*. Vol. 12: 109.
- Kitchen, B. 1990. "Employment Strategies for Women and the Sexual Division of Labour." In *Unemployment and Welfare: Social Policy and the Work of Social Work*. Edited by G. Riches and G. Ternowetsky. Toronto: Garamond Press.
- . 1995. "Children and the Case for Distributive Justice between Generations in Canada." *Child Welfare*. Vol. LXXIV, No. 3, May-June.
- . 1997. "The New Child Benefit: Much Ado About Nothing." *Centre for Research on Social Policy*. Vol. 39: 65.
- Kitchen, B., A. Mitchell, P. Clutterbuck and M. Novick. 1991. *Unequal Futures: The Legacies of Child Poverty in Canada*. Toronto: Child Poverty Action Group and Social Planning Council of Metropolitan Toronto.
- Konig, H., F. Laisney, M. Lechner and W. Pohlmeier. 1995. "Tax Illusion and Labour Supply of Married Women: Evidence from German Data." *Kyklos Magazine*. December 1, 1995.
- Krashinsky, M. and G. Cleveland. 1997. "Rethinking the Rationales for Public Funding of Child Care." *Policy Options*. January. Montréal: Institute for Research on Public Policy.
- Kruesselberg, H. 1987. "Vital Capital Policy and the Unity of the Social Budget." *International Journal of Sociology*. Vol. 17(3): 81-95.
- Lahey, K.A. 1985. "The Tax Unit in Income Tax Theory." In *Women, the Law and the Economy*. Edited by E.D. Pask, K.E. Mahoney and C.A. Brown. Toronto: Butterworths.
- . 1996. "Developments in Taxation Law: The 1994-95 Term." *Supreme Court Law Review* (2d). Vol. 7: 381.

- . 1997. "The Impact of the Canadian Charter of Rights and Freedoms on Income Tax Law and Policy." In *Charting the Consequences: The Impact of the Charter of Rights on Canadian Law and Politics*. Edited by D. Schneiderman and K. Sutherland. Toronto: University of Toronto Press.
- Lalonde, Marc, Minister, National Health and Welfare. 1973. *Working Paper on Social Security in Canada*. Ottawa: Government of Canada.
- Leach, P. 1994. *Children First: What Our Society Must Do - And Is Not Doing for Our Children Today*. New York: Knopf.
- Leira, A. 1992. *Welfare States and Working*. Cambridge, England: Cambridge University Press.
- Lewis, J. 1985. "Towards a Framework for Analyzing the Position of Women Under Income Security Policies." In *Women, the Law and the Economy*. Edited by E.D. Pask, K.E. Mahoney and C.A. Brown. Toronto: Butterworths.
- . 1993. "Introduction: Women, Work, Family and Social Policies in Europe." In *Women and Social Policies in Europe: Work, Family and the State*. Edited by J. Lewis. London: Edward Elgar.
- Lightman, E. and A. Mitchell. 2000. *General Tax Relief: Impacts on Canada's Families*. Paper written for the Child Poverty Action Group and the Child Care Education Foundation.
- London, J.R. 1988. "The Impact of Changing Perceptions of Social Equity on Tax Policy: the Marital Tax Unit." *Osgoode Hall Law Journal*. Vol. 26: 287.
- Lundberg, S.J., R.A. Pollak and T.J. Wales. 1996. "Do Husbands and Wives Pool Their Resources? Evidence from the United Kingdom Child Benefit." *Journal of Human Resources*. Vol. 463.
- MacDonald, M. 1998. "Gender and Social Security Policy: Pitfalls and Possibilities." *Feminist Economics*. Vol. 4(1): 1-25.
- Macklin, A. 1992. "Symes v. M.N.R.: Where Sex Meets Class." *Canadian Journal of Women and Law*. Vol. 5: 498.
- Maloney, M. 1987. *Women and Income Tax Reform*. Ottawa: Canadian Advisory Council on the Status of Women.
- . 1989. "Women and the Income Tax Act: Marriage, Motherhood, and Divorce." *Canadian Journal of Women and Law*. Vol. 3: 182.
- . 1994. "What is the Appropriate Tax Unit for the 1990s and Beyond?" In *Issues in the Taxation of Individuals*. Edited by A. Maslove. Toronto: University of Toronto Press.
- Marshall, K. 1998. "Stay-at-home Dads." *Perspectives on Labour and Income*. Spring. Catalogue no. 75-001-XPE. Ottawa: Statistics Canada.

- . 1999. "Employment After Childbirth." *Perspectives on Labour and Income*. Autumn. Catalogue no. 75-001-XPE. Ottawa: Statistics Canada.
- Maslove, A. 1989. *Tax Reform in Canada: the Process and Impact*. Montréal: Institute for Research on Public Policy.
- Maslove, A. (Ed.). 1994a. *Issues in the Taxation of Individuals*. Toronto: University of Toronto Press.
- . 1994b. *Taxation and the Distribution of Income*. Toronto: University of Toronto Press.
- . 1994c. *Taxes as Instruments of Public Policy*. Toronto: University of Toronto Press.
- McAllister, D.M. 1994. "The Supreme Court in Symes: Two Solitudes." *National Journal on Constitutional Law*. Vol. 4: 248.
- McCaffery, E. 1997. *Taxing Women*. Chicago: University of Chicago Press.
- McDaniel, Susan. 1993. "Where the Contradictions Meet: Women and Family Security in Canada in the 1990s." *Family Security in Insecure Times*. National Forum on Family Security. Ottawa: Canadian Council on Social Development.
- McIntyre, M.J. (1988). "What Should be Redistributed in a Redistributive Income Tax?: Retrospective Comments on the Carter Commission Report." In *The Quest for Tax Reform: The Royal Commission on Taxation Twenty Years Later*. Edited by N. Brooks. Toronto: Carswell.
- McIntyre, M.J. and C.E. Stearle. 1996. "Federal Tax Reform: A Family Perspective." *Canadian Tax Journal*. Vol. 44: 1512.
- McQuaig, L. 1987. *Behind Closed Doors*. Toronto: Penguin.
- Meade, J.R. 1978. *The Structure and Reform of Direct Taxation*. London: George Allen & Unwin/Institute for Fiscal Studies.
- Mendelson, M. 1996. "The Best Income Security System We Never Had." *Family Security in Insecure Times*. Vols II and III. Ottawa: Canadian Council on Social Development.
- Mothers Are Women. 1999a. *Brief on Taxation*. A submission to the Standing Committee on Finance, Sub-Committee on Tax Equity for Canadian Families with Dependent Children. April 29, 1999. Ottawa.
- . 1999b. *When Women Count*. Ottawa: Status of Women Canada.
- Nantell, S.C. 1997. "The Tax Paradigm of Child Care: Shifting Attitudes Toward a Private/Parental/Public Alliance." *Marquette Law Review*. Vol. 80: 879.
- NCW (National Council of Welfare). 1979. *Women and Poverty*. Ottawa: National Council of Welfare.



- . 1990. *Women and Poverty Revisited*. Ottawa: Minister of Supply and Services Canada.
- . 1997. *Child Benefits: A Small Step Forward*. Ottawa: Minister of Supply and Services Canada.
- . 1998a. *Child Benefits: Kids are Still Hungry*. Ottawa: Minister of Public Works and Government Services Canada.
- . 1998b. *Profiles of Welfare: Myths and Realities*. Ottawa: Minister of Public Works and Government Services Canada.
- . 1999. *Poverty Profile 1997*. Ottawa: Minister of Public Works and Government Services Canada.
- Nelson, J.A. 1991. "Tax Reform and Feminist Theory in the United States: Incorporating Human Connection." *Journal of Economic Studies*. Vol. 18(5/6): 11-29.
- Noreau, N., M. Webber, P. Giles and A. Hale. 1997. *Crossing the Low Income Line*. Ottawa: Statistics Canada.
- Novick, M. 1999. *Fundamentals First: An Equal Opportunity from Birth for Every Child*. A Discussion Paper on Life Cycle Priorities to Prevent and Reduce Child Poverty in Canada. Toronto: Campaign 2000.
- Novick, M. and R. Shillington. 1996. *Crossroads for Canada: A Time to Invest in Children and Families*. Toronto: Campaign 2000.
- O'Donoghue, C. and H. Sutherland. 1998. "Accounting for the Family: The Treatment of Marriage and Children in European Income Tax Systems." *Innocenti Occasional Papers*. Economic and Social Policy Series, no 65. Florence: UNICEF International Child Development Centre.
- Okin, M.S. 1989. *Justice, Gender and the Family*. New York: Basic Books, Inc. Publishers.
- Ontario Fair Tax Commission. 1992a. *Working Group Report on Low Income Tax Relief*. December.
- . 1992b. *Working Group Report on Women and Taxation*. November 1992.
- . 1993. *Fair Taxation in a Changing World*. Toronto: University of Toronto Press.
- OECD (Organization for Economic Co-operation and Development). 1999. *A Caring World: The New Social Policy Agenda*. Paris: OECD.
- Orloff, A.S. 1993. "Gender and the Social Rights of Citizenship: the Comparative Analysis of Gender Relations and Welfare States." *American Sociological Review*. Vol. 58, June: 303-328.

- Ostner, I. 1993. "Slow Motion: Women, Work and the Family in Germany." In *Women and Social Policies in Europe: Work, Family and the State*. Edited by J. Lewis. London: Edward Elgar.
- Pahl, J. 1989. *Money and Marriage*. Basingstoke, UK: MacMillan.
- Peron, Y., H. Desrosiers, H. Juby, E. Lapierre-Adamcyk, C. LeBourdias, N. Marcil-Gratton and J. Mongeau. 1999. *Canadian Families at the Approach of the Year 2000*. Ottawa: Statistics Canada.
- Philipps, L. 1996a. "Discursive Deficits: A Feminist Perspective on the Power of Technical Knowledge in Fiscal Law and Policy." *Canadian Journal of Law and Society*. Vol. 11: 141.
- . 1996b. "Tax Policy and the Gendered Distribution of Wealth." In *Rethinking Restructuring: Gender and Change in Canada*. Edited by I. Bakker. Toronto: University of Toronto Press.
- Philipps, L. and K. Brooks. 1999. *Supporting Families, Supporting Gender Equality: Improving Canada's Tax and Transfer System*. A submission to the Standing Committee on Finance, Sub-Committee on Tax Equity for Canadian Families with Dependent Children. May 12, 1999. Ottawa: National Association of Women and the Law.
- Philipps, L. and M.E. Young. 1995. "Sex, Tax and the Charter: A Review of *Thibaudeau v. the Queen*." *Review of Constitutional Studies*. Vol. 2: 221.
- Phipps, S. 1993. "International Perspectives on Income Support for Families with Children." Paper prepared for presentation at the Canadian Employment Research Forum Workshop on Income Support, Ottawa, photocopy, September 24.
- . 1995. "Canadian Child Benefits: Behavioural Consequences and Income Adequacy." *Canadian Public Policy*. Vol. 21: 20.
- . 1999. *An International Comparison of Policies and Outcomes for Young Children*. Ottawa: Canadian Policy Research Networks.
- Phipps, S. A. and P.S. Burton. 1995. "Sharing within Families: Implications for the Measurement of Poverty Among Individuals in Canada." *Canadian Journal of Economics*. Vol. 28: 177.
- Powell, L.M. 1997. "Family Behaviour and Child Care Costs: Policy Implications." *Policy Options*. January. Montréal: Institute for Research on Public Policy.
- Pulkingham, J. 1997. "The New Canada Child Tax Benefit: Discriminating Between the 'Deserving' and 'Undeserving' Among Poor Families with Children." In *Child and Family Policies: Struggles, Strategies and Options*. Edited by J. Pulkingham and G. Ternowetsky. Halifax: Fernwood.

- REAL Women of Canada. 1999. *Brief to Sub-Committee on Finance*. A submission to the Standing Committee on Finance, Sub-Committee on Tax Equity for Canadian Families with Dependent Children. May 12, 1999. Ottawa.
- Rowe, N. and F. Woolley. 1999. "The Benefits of Universality." *Policy Options*. June. Montréal: Institute for Research on Public Policy.
- . 1985. "Choosing Between Tax Credits and Exemptions for Dependent Children." *Canadian Tax Journal*. Vol. 975.
- . 1999. *Improving the National Child Benefit: Matching Deeds with Intentions*. Toronto: C.D. Howe Institute.
- Sherman, D.M. 1992. "Til Tax Do Us Part: The New Definition of 'Spouse'." *Canadian Tax Foundation Annual Conference Report*. Vol. 20: 1.
- Shillington, R. 1994. "Child Benefits: Notes on the Federal Government's Supplementary Paper: *Income Security for Children*." In *Research Notes: The Social Security Review and its Implications for Women*. Canadian Advisory Council on the Status of Women.
- Smeeding, T.M., K. Ross, P. England, K. Christopher and S. McLanahan. 1999. *Poverty and Parenthood across Modern Nations: Findings from the Luxembourg Income Study*. Luxembourg Income Study Working Paper No. 194. Syracuse, New York: March 1999.
- Solera, C. 1999. *Income Transfers and Support for Mothers' Employment: The Link to Family Poverty Risks. A comparison between Italy, Sweden and the U.K.*
- Spakes, P. 1995. "Women, Work and Babies: Family-labor Market Policies in Three Countries." *Affilia*. Vol. 10(4) Winter.
- Stairs, F. 1999. "The Canada Child Tax Benefit: Income Support and the Tax System." *Journal of Law and Social Policy*. Vol. 14: 123.
- Sweeney, E. 2000. "Recent Studies Indicate that Many Parents Who Are Current or Former Welfare Recipients Have Disabilities or Other Medical Conditions." Washington D. C.: Center on Budget and Policy Priorities. February 29.
- Teghtsoonian, K. 1995. "Work and/or motherhood: The Ideological Construction of Women's Options in Canadian Child Care Policy Debates." *Canadian Journal of Women and Law*. Vol. 8: 411.
- Van Horn, S.H. 1988. *Women, Work and Fertility, 1900-1986*. New York: New York University Press.
- Vansina, Y. 1991. "A Schumpeterian Approach to Emancipatory Economics." *Journal of Economic Studies*. Vol. 18(5/6): 66-76.

- Wiggins, C. 1997. *The Canada Child Tax Benefit*. Canada Labour Congress Research Paper No. 8, December.
- Wintersberger, H. 1999. "Work Viewed from a Childhood Perspective." *Family Observer*. Vienna: European Observatory on Family Matters.
- Woodman, F. 1990a. "A Child Care Expense Deduction, Tax Reform and the Charter: Some Modest Proposals." *Canadian Journal of Family Law*. Vol. 8: 371.
- . 1990. "The Charter and the Taxation of Women." *Ottawa Law Review*. Vol. 22: 625.
- Woolley, F. 1994. *Research Notes: The Social Security Review and Its Implications for Women*. November. Ottawa: Canadian Advisory Council on the Status of Women.
- . 1998. "For a Radical Redesign of Our Tax Treatment of the Family." <<http://irpp.org/archive/policyop/sep98/woolley.pdf>>.
- . 2000. "Taxing Canadian Families: What's Fair, What's Not." *Choices*. Vol. 6(5): 36.
- Woolley, F. and J. Marshall. 1994. "Measuring Inequality Within the Household." *Review of Income and Wealth*. Vol. 40: 415.
- Woolley, F., A. Vermaeten and J. Madill. 1996. "Ending Universality: the Case of Child Benefits." *Canadian Public Policy*. Vol. 22(1): 24-39.
- Young, C.F.L. 1994. "Child Care and the Charter: Privileging the Privileged." *Review of Constitutional Studies*. Vol. 2: 20.
- . 1995. "It's All in the Family: Child Support, Tax and Thibaudeau." *Constitutional Forum*. Vol. 6: 107.
- . 1997a. "(In)visible Inequalities: Women, Tax and Poverty." *Ottawa Law Review*. Vol. 27: 99.
- . 1997b. "Public Taxes, Privatizing Effects, and Gender Inequality." In *Challenging the Public Private Divide: Feminism, Law, and Public Policy*. Edited by S.B. Boyd. Toronto: University of Toronto Press.
- Zellner, H. 1975. "Determinants of Occupational Segregation." In *Sex Discrimination and the Division of Labour*. Edited by C. Loyd. London: Croom Helm.

### **Legislation and Case Law**

*Income Tax Act*, R.S.C. 1985 (5<sup>th</sup> Supp.), c. 1.

*Rosenberg v. Canada (Attorney General)*, (1998) 158 D.L.R. (4<sup>th</sup>) 664 (Ont. C.A.).

*Symes v. M.N.R.*, [1993] 4 S.C.R. 695, [1994] 1 C.T.C. 40, 94 D.T.C. 6001, 161 N.R. 243, 19 C.R.R. (2d) 1, 110 D.L.R. (4<sup>th</sup>) 470, [1994] W.D.F.L. 171.

*Thibaudeau v. M.N.R.*, [1995] 2 S.C.R. 627, 124 D.L.R. (4th) 449, 182 N.R. 1, 95 D.T.C. 5273, 12 R.F.L. (4th) 1.

## ENDNOTES

<sup>1</sup> For a description and analysis of provincial variations in tax and social policies, see Jenson's and Thompson's 1999 report, *Comparative Family Policy: Six Provincial Stories*, published by Canadian Policy Research Networks (CPRN).

<sup>2</sup> Because of small sample sizes, it was not possible to specify that mothers representing all groups be selected. Lesbian mothers and mothers with a disability, for example, were not specifically identified in the selection criteria which focussed on income, age of child, family type (lone/two-parent) and at-home/income-earning status.

<sup>3</sup> As a result of several last minute cancellations, the income-earning group was overrepresented by young lone mothers. This should be noted because it raises some questions about how representative the income-earning group was of the general population.

<sup>4</sup> All four researchers observed both focus group meetings, three "live" through a one-way mirror and one later on videotape.

<sup>5</sup> An evaluation of the appropriateness of the goals of economic stabilization and growth is beyond the scope of this paper. For discussions see Brooks 1993 and Dobbin 1999.

<sup>6</sup> The other potential rationale for allocating taxes is on the basis of who benefits from those taxes. However, except for certain clear cases, such as gasoline taxes to finance roads, most Canadians have rejected this tax. First, it negates the redistribution goal of the tax system, as it would lead to those who are least capable of paying for private services and, therefore, most in need of government services, having to fund those services. Further, it is administratively difficult, if not impossible, to determine who receives the benefit of expenditures made for public purposes, and in what proportion. For example, school age children and their parents receive the direct benefit of public funding for education, but society as a whole also benefits from having informed citizens and well-trained workers. See also Royal Commission on Taxation, 1966, Vol. 3, 3-5; Ontario Fair Tax Commission 1993: 55-57; Hogg and Magee 1997: 38-39.

<sup>7</sup> Note that this did not always lead to disadvantage. Prior to the expansion of the definition of spouse to include common-law spouses in 1993, a two-earner cohabiting couple with a child could be eligible for the equivalent to married credit, whereas the legally married two-earner couple would have been entitled only to the (lower) child tax deduction.

<sup>8</sup> The concept was initially developed in Surrey (1973).

<sup>9</sup> The most recent ones are available on the Internet <<http://www.fin.gc.ca/taxexp>>.

<sup>10</sup> See articles in Bruce (1988); Block and Maslove (1994). For the purposes of public reporting, the Department of Finance's policy is to adopt a wide definition of tax expenditure,

and to report on all items that may possibly be considered a tax expenditure while accepting that not everything they report on is considered a tax expenditure by everyone.

<sup>11</sup> The increase of wealth is taxed, however, on its transfer. A deemed disposition occurs on the death of the owner or an *inter vivos* transfer and a capital gains tax is imposed on the proceeds of this deemed disposition. There are a few exceptions to this rule, one being in the case of transfer to a spouse.

<sup>12</sup> Statistics Canada estimated the value of unpaid work to the Canadian economy as making up one third of the value of GDP in 1992 (the measure of the total value of goods and services produced).

<sup>13</sup> The available vehicles have been much reduced by the repeal of the Canada Assistance Plan and its replacement by the Canada Health and Social Transfer. This change not only reduced the amount of money committed by the federal government to social spending, but also eliminated its ability to control how social program money is spent by provinces (Jackman 1995; Day and Brodsky 1998).

<sup>14</sup> General tax treatment, some exceptions may apply.

<sup>15</sup> The history of the Family Allowance program also mirrored that of the child tax exemption. Although initially available as a tax-free benefit, it was included in taxable income in 1973 (Clark 1998).

<sup>16</sup> The recognition that the child is dependent on both parents does not require the use of family income. The deduction or credit can be split between the parents on the assumption that they share costs, or it could be available to one spouse only.

<sup>17</sup> The benefit is reduced by 2.5 percent for each dollar of income above the threshold for families with one child, and five percent for families with more than one child.

<sup>18</sup> 11.1 percent for each dollar over \$21,214 for a family with one child, 19.9 percent for two children, and 27.8 percent for three children.

<sup>19</sup> If the benefit is increased further, other provinces may also flow the benefit through to social assistance recipients, although none have announced their intention to do so as of the date of this writing.

<sup>20</sup> However, note that at least some of this is also due to it being an income-tested program, rather than means-tested (Brooks 1988; Stairs 1999).

<sup>21</sup> For families with one child. While the enhancements to the CCTB now mean that 90 percent of families with children receive some benefit, the fact that any families with children don't, means there is no general recognition that children affect their parents' ability to pay tax. Only a universal benefit would provide this recognition.

<sup>22</sup> Based on 1999 tax rates.

<sup>23</sup> This is clearly very simplified as provincial taxes, surtaxes, and possible credits and deductions have been ignored.

<sup>24</sup> It also includes the Guaranteed Income Supplement for seniors, as well as the Employment Insurance Family Income Supplement, both of which are calculated based on the previous year's income tax return.

<sup>25</sup> Section 252(4) of the *Income Tax Act* and Revenue Canada (1994). It does not, as of this writing, include same-sex spouses. However, the recent decisions of *Rosenberg* in the income tax context and *M v. H* in the family law context make it highly likely that same-sex partners will be included in the definition of spouse under the *Income Tax Act* in the near future.

<sup>26</sup> They assumed the presence of a "good mother" who shares resources, and are based on simulations of different financial management scenarios given actual data on the income of men and women.

<sup>27</sup> The father can rebut the presumption by proving that he is the primary caregiver.

<sup>28</sup> While the legal obligation of a parent to support his or her own child is obvious, the obligation to support a child of one's spouse is more complicated. The leading case on this issue is currently *Chartier v. Chartier* [1999] 1 S.C.R. 242 (QL) which dealt with the ability of a step-parent to unilaterally withdraw from a relationship with his spouse's child. The court held that all relevant factors must be considered in determining whether the step-parent could unilaterally repudiate the relationship. In that case, the step-parent had been legally married to the mother of the child for some years, had changed the name of the child on her birth certificate, and was the only father the child had known. The court found that the child was a "child of the marriage." However, it is clear that each case must be considered on a case-by-case basis.

<sup>29</sup> This is exacerbated by the treatment of single-earner and dual-earner families under a progressive tax system where the individual is chosen as the tax unit, discussed above.

<sup>30</sup> In *Symes*, the Supreme Court accepted that child care expenses were necessary to earn income, although they left open the question of whether they were "business expenses." They rejected the taxpayer's claim that child care expenses should be deductible as a "business expense," as in the view of the majority, section 63 was a complete code for the treatment of child care expenses. Note that some writers argue that the CCED is a child care subsidy, and not a cost of earning income (Ontario Fair Tax Commission 1993; Boessenkool and Davies 1998). This is discussed below.

<sup>31</sup> The higher earning spouse may claim the deduction when the lower-earning spouse is a student at a secondary or post-secondary school, is incapacitated through illness or disability, or is incarcerated, for at least two weeks during the year, or was living separate



and apart from the taxpayer at the end of the year, and for a period of at least 90 days beginning in the year. In these cases, the value of the deduction is limited to the lesser of the actual expenses, the difference between the amount the taxpayer can claim and the amount claimed by another person, and \$150 per week that the exceptional circumstances apply if the child is less than 7 years old or disabled, or \$90 per week otherwise. The taxpayer must have resided with the child when the expenses claimed were incurred.

<sup>32</sup> These expenses are capped at \$150 per week of attendance for children under 7 years old and for lone parents, and \$90 per week of attendance otherwise: ITA s. 63(3). The caps on the total expenses claimed also apply.

<sup>33</sup> “Child care expenses” include the cost of babysitting services, day nursery services and services provided at a boarding school or camp if the expenses were necessary to enable the taxpayer or supporting person to engage in employment or carry on a business, to attend approved educational institutions, or to carry on research under a grant program. Medical expenses, clothing, transportation or education costs (unless the child is less than the age of compulsory schooling), and some board and lodging expenses are excluded. However, to qualify as a child care expense, the payment cannot be made to the child’s mother or father, a supporting person of the child, a person who is under 18 years old and related to the taxpayer or supporting person, or a person for whom a dependent credit has been claimed under s. 118.

<sup>34</sup> This is equivalent to a deduction of \$1,253 from taxable income.

<sup>35</sup> Personal credits are contained in s. 118 of the ITA, and explained in Revenue Canada (1989).

<sup>36</sup> Maya would be able to deduct costs associated with earning her income: management costs, interest on loans to purchase her investments, legal fees to obtain her support order and so on.

<sup>37</sup> *Tax Expenditures 1998* projected \$525 million for 1999. (See Revenue Canada 1998: 16.)

<sup>38</sup> In some cases, there are simply no child care expenses. According to the Statistics Canada survey of household spending, only 41 percent of families with two full-time earners report child care expenses, and only 31 percent of lone-parent families with earnings do. The remainder of the families are either eligible for child care subsidies (predominantly low-income, lone-parent families), arrange their work lives to be able to provide direct parental care, or have “latch key” children who care for themselves.

<sup>39</sup> See Stairs (1999) for a more detailed comparison of the delivery of child benefits delivered through the tax system and direct spending.

<sup>40</sup> The current benefit can be adjusted for a decrease in income because of the loss of a family member, or an increase in the number of kids.

<sup>41</sup> The “welfare state” includes health and social services, employment-based programs, income security programs and family policies.

<sup>42</sup> This way of conceptualizing policy development and assessment considerations derives from a 1994 report published by the Institute for Public Policy Research in Great Britain. The authors developed a framework for integrating taxes and benefits using four kinds of objectives: social, economic, administrative and political.

<sup>43</sup> The five women were among those who participated in the facilitated meeting we held on July 27, 1999 to help us test our approach for the focus group meetings. Their stories and situations were not explicitly included in the focus group findings presented in Part I of this report.

<sup>44</sup> The organizations include: the Childcare Advocacy Association of Canada, the Canadian Child Care Federation, The Childcare Resource and Research Unit (University of Toronto), Campaign 2000, Citizens for Public Justice, the YWCA of/du Canada, the Childcare Education Foundation, Canadian Labour Congress, Canadian Auto Workers, and Canadian Union of Public Employees.

<sup>45</sup> For a detailed description of how a national child care program can be created and the rationale for investing in early childhood care and development, see *The Atkinson Letter*, (2000). For recent reports promoting the development of early childhood services, see the Caledon Institute (Battle and Torjman, 2000); Campaign 2000 (Novick, 1999); Canadian Policy Research Network (Jenson and Stroick, 1999); the National Council of Welfare, 1999; and Friendly (2000).

<sup>46</sup> The Working Group on Women and Taxation made the distinction between unpaid caregiving work and unpaid household work. In their view, unpaid caregiving work, which clearly has a social as well as personal benefit, should be recognized as socially valuable and not be subject to tax. The Working Group did not reach a conclusion with respect to the treatment of unpaid household work.

<sup>47</sup> Maloney (1989) suggested that the spouse should be forced to pay the woman the imputed amount, which could then be taxed. However, this doesn't get around the problem of the woman as servant, discussed below.

Projects Funded Through Status of Women Canada's Policy Research Fund  
Call for Proposals

**WOMEN AND THE CANADIAN TAX SYSTEM**

*Women, Tax and Social Programs: The Gendered Impact of Funding Social Programs  
Through the Tax System*

Claire Young

*Mothers as Earners, Mothers as Carers: Responsibility for Children, Social Policy and  
the Tax System*

Christa Freiler, Brigitte Kitchen and Felicite Stairs with Judy Cerny