



Child benefit reform is back on track*

The Liberals' proposed Canada Child Benefit is a historic advance in income security policy for families. It is a win-win initiative that will fight child poverty and boost the incomes of the middle class.

The Canada Child Benefit (CCB) is everything the present hodgepodge of child benefits is not. It is a single, simple and transparent social program compared to the current collection of child benefits, which is hopelessly complicated and virtually impossible to decipher without a computer and a PhD.

With the Canada Child Benefit, what you see is what you would get because it would not be taxed. The Universal Child Care Benefit (UCCB), Ottawa's flagship child benefit, is taxed by the federal and provincial/territorial governments and so is worth less than its face value.

Moreover, couples must pay tax on their UCCB but single parents are exempt, which is unfair. The UCCB is a crazy-quilt of after-tax benefits that vary by family type, income and province or territory. The Canada Child Benefit, by contrast, is a nation-wide program that would treat all families equally.

The Canada Child Benefit would deliver its monthly payments in a fair and progressive manner geared to the level of family income. For children ages 5 and under, maximum benefits would be \$6,400 a year (\$533 monthly). Payments would decline as incomes rise, to end at \$192,000. The maximum benefit for children ages 6 and over would be \$5,400 annually (\$450 per month) and would fall with increases in family income to end at \$160,000.

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The design of the proposed Canada Child Benefit is progressive because its value is tied to family income. By contrast, the new Family Tax Cut, a form of family income splitting, is a riches-for-the-rich scheme that favours well-off families with one income.

An Achilles heel of the current Universal Child Care Benefit is that it is not indexed, so leaks value every year. The proposed Canada Child Benefit would be fully protected from inflation.

Despite its title, the Universal Child Care Benefit is not tied to use of child care: Families can spend the money as they wish. If it truly were intended for child care, then why was the Universal Child Care Benefit recently extended to households with children ages 6 to 17 who are beyond the child care stage? If the parents need some money for childrearing costs – and most do – then why not add an amount to the existing Canada Child Tax Benefit intended for that purpose?

The proposed Canada Child Benefit is an evidence-based reform. It builds on research done by governments, think tanks and academics into the National Child Benefit, a predecessor to the Canada Child Benefit. They found that the measure had positive income and behavioural effects, such as reducing poverty, improving school test scores, reducing aggression and maternal depression, easing hunger and helping recipients move from welfare to work.

Over the years, the Caledon Institute has urged the federal government to build one big child benefit, with a target maximum payment set at the cost of living for a child in a low-income family – estimated at

\$5,700 this year. The Canada Child Benefit will more than meet this goal, with its maximum benefit of \$6,400 per child age 5 and under.

The Canada Child Benefit has been carefully calibrated to protect benefits for low-income families while at the same time generating substantial gains for modest- and middle-income households. Take the example of four families with different incomes, each with one child age 5 and under.

A low-income family with income of \$15,000 currently gets \$5,825 in child benefits. It would receive \$6,400 from the Canada Child Benefit, for a significant increase of \$575.

A modest-income family with income of \$45,000 receives \$3,350 from the current system but would get \$5,380 under the Canada Child Benefit – a sizeable gain of \$2,030.

While a middle-income family with income of \$90,000 now gets child benefits of \$2,125, it would receive \$3,245 from the new Canada Child Benefit, for a substantial boost of \$1,120.

An upper-middle income family with \$140,000 now qualifies for \$1,500 a year. It would be eligible for \$1,695 from the Canada Child Benefit, a small increase of \$195.

The Canada Child Benefit is affordable because it would be financed by eliminating three existing child benefits. Their consolidation into one Canada Child Benefit would reduce current confusion, dismantle the programs that are unfair – the Universal Child Care Benefit and Family Tax Cut – and

build on the existing Canada Child Tax Benefit that has a progressive design.

The Canada Child Benefit promises to be a superior social program – powerful, progressive, fair, transparent and efficient. It will help fight poverty and improve the incomes of middle-class families.

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