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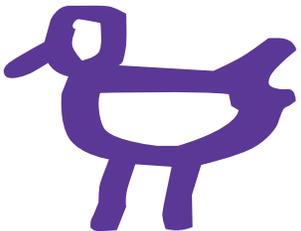
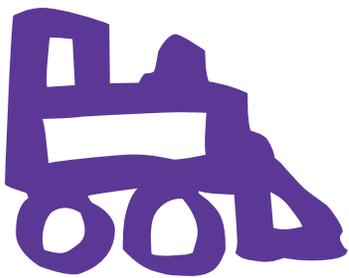
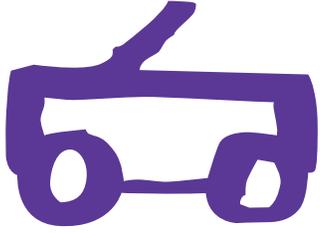
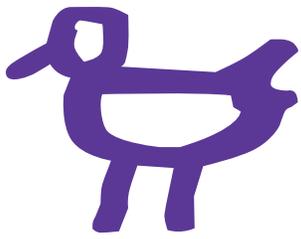
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The National Child Benefit Progress Report

1999

Message from Federal, Provincial and Territorial Ministers Responsible for Social Services

The National Child Benefit is a new initiative that is already making a difference for many low-income families with children across Canada. As federal, provincial and territorial governments, we started in 1998 to provide new and expanded benefits, supports and services to help give children a better start in life.

We began work on this initiative because we believe it is essential for Canada to make long-term progress in improving the situation of children in low-income families. This requires more than just increasing government payments to families. We need to take a more active approach — one that combines financial support with concrete measures to strengthen the connection between low-income families and the labour market.

We have worked closely together to design the initiative, which builds upon the considerable commitment that already exists to help families with children succeed in our changing economy. The National Child Benefit is the result of this partnership, representing an innovative and progressive approach to investing in Canada's children, and a model of federal, provincial and territorial co-operation.

This initiative combines major new federal investments in child benefits for low-income families with significant provincial and territorial investments in services and benefits for these families. It creates a stronger national platform of income support for all low-income families with children while enabling flexible and responsive approaches to local social and labour market needs. Together these elements contribute toward improving the life chances of hundreds of thousands of Canadian children.

We recognize that this is just part of what needs to be accomplished, and that larger economic and social trends will have a significant impact on our efforts. We also recognize the need for a broad approach to supporting children and families, and we are working together (through the Federal/Provincial/Territorial Council on Social Policy Renewal) to build a National Children's Agenda. The NCB initiative marks a major step forward in building an even better future for our children and for our country. It is a long-term initiative that responds to what we have heard from Canadians, who consider the well-being of our country's children to be of the highest priority.

This report begins to fulfil our commitment to report regularly on the progress of this initiative. It includes information that was available during the early months of the National Child Benefit. Future reports will provide detailed information on the resources going into the National Child Benefit, the programs, services and benefits that it includes, and, most important, the results it generates.

We will keep working together to meet the needs of children in the future, and to report regularly on our progress.

Federal, Provincial and Territorial Ministers Responsible for Social Services

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Executive Summary

A Shared Effort by Canada's Governments

The National Child Benefit is a joint initiative of Canada's federal, provincial and territorial governments to help children in low-income families get off to a good start in life. It is one of many initiatives governments are implementing to help support children and families.

Child Poverty and the "Welfare Wall"

Increasingly, people understand that childhood experiences play an important part in their well-being. Unfortunately, too many Canadian children have not been receiving the full benefits of Canada's success. Despite economic growth, the number of families with children living on low income has remained relatively steady in recent years.

In many cases, the policies and programs designed to help low-income families on social assistance have made it difficult for them to work without losing benefits for their children. Some parents may find themselves financially worse off in low-paid jobs as opposed to welfare, and may lose drug, dental and additional health coverage for their children. This "welfare wall" makes it difficult for families to enter and to stay in the labour force.

The National Child Benefit

Federal, provincial and territorial governments recognized that a new approach was needed to support low-income families with children. These governments have come together on the National Child Benefit initiative, which was designed to help prevent and reduce the depth of child poverty, promote attachment to the labour market and reduce government overlap and duplication.

The National Child Benefit helps all low-income families:

- Parents on welfare are supported as they move into jobs with better access to essential benefits and services for their children.
- Parents already working in low-income jobs now get much-needed support to stay employed.

Under the National Child Benefit, the Government of Canada is increasing the income support it provides to low-income families with children. This provides a basic benefit for children across Canada, regardless of whether their parents are in jobs or receiving social assistance.

In turn, most provinces and territories and First Nations on reserve have adjusted the support they provide to families with children through social assistance, and all of them have invested in new and enhanced benefits and services for low-income families with children. These investments have been designed to reflect local needs and priorities.

They are in key areas such as children's benefits and earned income supplements, child care, early childhood and children-at-risk services and supplementary health benefits.

How it Works

In July 1998, the Government of Canada added a new monthly federal benefit to the Canada Child Tax Benefit (CCTB) for low-income families with children, called the National Child Benefit (NCB) Supplement. It is paid as part of the CCTB to eligible families with incomes of up to \$25,921. This represents a federal investment of \$850 million for 1998-99 (July to June), and an increase in federal benefits for about 1.4 million Canadian families with 2.5 million children.

During the first fiscal year, provinces (excluding Quebec), territories and First Nations have invested about \$305.2 million in benefits and services for low-income families. Across Canada investments included the following:

- \$95.0 million in child benefits and earned income supplements;
- \$120.2 million for child/day care;
- \$9.6 million for supplementary health benefits;
- \$13.8 million for early childhood services and children at risk services; and,
- \$66.6 million for other programs consistent with National Child Benefit objectives (including those delivered by First Nations on reserves across Canada).

Monitoring Progress

Governments are committed to ongoing reporting and evaluation of the National Child Benefit initiative, particularly since

program activities are still evolving. Future progress reports will continue to provide details on program expenditures and activities, and will track indicators of progress, specifically those relating to the goals of the initiative: reduction of the depth of child poverty, attachment to the labour force and program harmonization. Governments will work together on an approach to evaluation and research that will provide a rich information base for learning about what works and for sharing effective practices.

The Way Ahead

The federal government has announced that funding for the NCB Supplement will be increased by \$425 million in July 1999 and an additional \$425 million in July 2000. As a result, the maximum level of the supplement will increase by a total of \$350 per child over two years. In turn, provincial and territorial governments and First Nations on reserve will further enhance their investments in services and supports for children living in low-income families.

Governments believe the National Child Benefit is already having a positive impact on the lives of Canadian children growing up in families living on low income. Starting in the fall of 2000, annual reports will describe the initiative's latest results. There is a commitment from all partners in the National Child Benefit initiative to continue to work together to ensure the best outcomes for children across the country.

Canada's federal, provincial and territorial governments want to hear from Canadians about the National Child Benefit initiative, how it is working and how it can be improved. Information on how to make comments is provided at the end of this report.

Chapter 1

Purpose of this Report

All Canadians share an interest in the well-being of children. The National Child Benefit (NCB) is a joint initiative of federal, provincial and territorial governments¹ to help children in low-income families get off to a good start in life. Children are a priority for all governments, and the NCB makes a significant contribution to this end.

In developing the NCB, federal, provincial and territorial governments agreed that it was essential to report regularly to the public on their progress. Governments agreed to report on the resources going into the initiatives and the new programs and services that are provided. Most important, governments will report on results, such as changes over time to the situation of low-income families with children. Expert and non-governmental organization roundtables held during the summer of 1998 confirmed the importance of such reporting. This progress report is a first step toward meeting that requirement.

This report sets the context for future progress reports. Compiled during the early stages of the NCB, it reflects progress during the initial period of the initiative. Through this and future reports, federal, provincial and territorial governments are committed to providing information to the public and to a process that is open to public scrutiny.

The impact of the National Child Benefit initiative will be monitored over time and reported on annually, starting in the fall of 2000. Longer-term impacts will be addressed in future research and evaluation studies.

This report discusses key aspects of the NCB initiative, including the challenges faced by children in low-income families (Chapter 2); income and labour market trends in the years leading up to the National Child Benefit's introduction (Chapter 3); how the initiative works and the latest program information available (Chapter 4); and potential indicators of outcomes that may be used in the future to assess the progress and influence of the National Child Benefit initiative (Chapter 5). Finally, this report encourages Canadians to express their views on the National Child Benefit initiative and on this report. Information on how to do so can be found in Chapter 6.

1. The Government of Quebec has stated that it agrees with the basic principles of the National Child Benefit. Quebec, however, has not taken part in the initiative because it wishes to assume control of income support for the children of Quebec. Throughout this report, references to joint federal/provincial/territorial positions do not include Quebec.

Chapter 2

Context for the National Child Benefit Initiative

Canadians want children to have a strong start in life. Increasingly, people understand that childhood experiences play an important part in later well-being. Children who are well cared for today are more likely to be healthy, responsible, productive and caring as adults, contributing to Canada's economy and society. Federal, provincial and territorial governments across Canada recognize that they have a part to play in helping create a positive environment for parents, families and communities to raise their children in. That is why these governments have come together: to work on a new approach to providing supports to children and their families.

Growing Up in Canada

Canada has an enviable worldwide reputation as a desirable place to live. International quality of life measures consistently place Canada near the top of the list in virtually every measure. Our vibrant economy, bountiful natural resources, spectacular natural environment, clean cities and low rates of crime contribute to a favourable quality of life. Most Canadian children benefit from this positive environment, growing up in healthy and supportive families and communities that offer them a solid basis to achieve their potential as adults.

The Impact of Low Income

Unfortunately, too many Canadian children have not been receiving the full benefits of Canada's success. Children may be disadvantaged for many reasons, but low income is often a significant contributing factor. While children in families of all income groups may experience problems, research has shown that growing up on low income can place children at greater risk of illness, behavioural and learning difficulties and family violence.²

The relationship between child outcomes and low income is complex. While it is clear that the level and stability of a family's financial resources affect many areas of a child's well-being, it is less clear how income influences child outcomes. On the one hand, income could influence development through reduced access to material goods and resources, neighbourhood influences, stress within the family and moves necessitated by a drop in income. On the other hand, factors such as positive parenting, quality child care, health and social supports and other community influences act as protective factors that can counteract or reduce disadvantages, including those associated with low income.

2. See, for example, Statistics Canada, National Longitudinal Survey of Children and Youth (NLSCY), Cycle 2 (1996/97), released October 1998.

What is clear is that income is one of many key influences in children's lives. To be effective over the long term, income support must be combined with measures that address other needs of low-income families such as child care, health benefits and social services.

Economic and Social Trends

The impact of children growing up in low income families is a particular concern today as many Canadian families face the challenge of adjusting to a labour market that demands new skills and provides different types of employment from the past.

Our economy has seen a shift from predominantly full-time jobs that typically lasted an entire working life to more frequent job change, increased demand for retraining and more contract, part-time work and self-employment. These changes have been difficult for many low-income families. This pattern is reflected in a decline in their full-time employment between 1984 and 1996.

While it was once the norm for families to have two parents living in the home, with one working full time in the labour market and the other working full time in the household, there is much more diversity today in family structure and parents' employment patterns. For instance, there is a growing number of one-parent families, the majority of all parents are in the paid labour force and most are working full time. Federal, provincial and territorial governments have had to reassess the social safety net to respond to these changes in the economic and social circumstances facing Canadian families.

Some groups in Canadian society tend to be overrepresented among those who are living on low income. These include lone-parent families, Aboriginal families, recent immigrant families and families led by persons with disabilities. For those families in particular, lower levels of parental education can compound difficulties for the parents in finding good jobs.

Despite progress in recent years, social, economic and health indicators in Aboriginal communities are below those of non-Aboriginal Canadians. The income gap between Aboriginal and non-Aboriginal people is widening, and the unemployment rate for Aboriginal people in Canada remains about twice the national rate (with an even higher rate for Registered Indians living on reserves). Social assistance dependency on reserves is about four times the national rate. These differences are compounded by an Aboriginal population growth rate which is double that of the overall Canadian population. Over the next two decades, this will result in large increases in the Aboriginal working-age population and the need for increased social services.

The “Welfare Wall”

In many cases, the policies and programs designed to help low-income families have made it difficult for them to work without losing benefits for their children. Some parents may find themselves worse off financially in low-paying jobs when compared to staying on welfare. In some cases, employment income is less than social assistance benefits. Often, low-income working families are not eligible for the supplementary health, dental or prescription drug benefits provided to families receiving social assistance. Some have difficulty paying work-related expenses such as child care, clothing and transportation. Income taxes, Employment Insurance premiums and Canada Pension Plan contributions further reduce their employment income.

These barriers to employment create a “welfare wall” for many families on social assistance. Despite their best efforts, many families who rely on social

assistance have found it difficult to get out of the welfare system and into employment. These financial factors are often compounded by education and life skill barriers that such clients face before they can exit the welfare system.

Governments have been working to make their policies and programs more equitable and to ensure that people are better supported in their efforts to get back into, and stay in, the labour market. Helping all parents, including single parents, find and keep jobs is the best strategy for reducing the impacts of low income on all families. By making more income and other benefits and services available outside the welfare system for families with children, many low-income families will find it easier to support their children while in the labour force.

Table 1: Comparison of Social Assistance and Low-Wage Families before NCB Initiatives

Social Assistance Family	Low-Wage Family
Benefits increase by number of children	Wages not related to number of children
Shelter allowance based on family size	Typically none
Prescription drug benefits, dental benefits, vision care	Typically none
Social assistance tax-free	Employment income-taxed
No employment deductions	Employment deductions
No child-care expenses	Possible work-related child-care expenses

Chapter 3

Where We Began

A review of trends in income and employment shows why the federal, provincial and territorial governments needed to take joint action. The key trends between 1984 and 1996 for families with children under 18 years of age can be summarized in this way:

- changing economic conditions and more families led by lone parents strongly influenced the increase in the number of low-income families;
- the total number of families living on low income declined between 1984 and 1989; however, by 1993, the incidence increased to the 1984 level and has since remained about the same;
- the real incomes of low-income families remained constant while the incomes of non low-income families increased;
- since 1990, low-income families were less likely to be employed and, if they were employed, were less likely to have worked full time, resulting in declining real earnings;
- as a result of declining employment and earnings, reliance on welfare increased; and
- government transfers became increasingly important to low-income families.

Currently no consensus exists on a single measure of low income. This report uses both pre-tax Low-Income Cut-Offs (LICOs) and the post-tax Low-Income Measure (LIM). While these two measures show different numbers of families living on low income, they often show similar trends. In future, the new Market Basket Measure (MBM) should prove a useful complement for reporting on low-income trends.

Measuring Low Income

There are several different measures of low income used in Canada, and in recent years there has been considerable debate about how to define and measure poverty. Some people believe low income means lacking enough income to buy the basic necessities of life, such as food, shelter and clothing. Others take the view that it means not having enough income to participate fully in their communities. Still others believe low income begins somewhere in between.

The two most widely used indicators are Statistics Canada's Low-Income Cut-Offs (LICOs) and the Low-Income Measure (LIM). Both are relative measures that establish a dollar figure below which a family is considered to be living on low income. They can be reported on pre- or post-tax income.

LICOs indicate the income levels where families spend significantly more of their income on basic needs (food, shelter and clothing) than the average family. The size of the family and community are taken into account, but geographical cost-of-living differences are not. LICOs are usually reported using pre-tax income.

The LIM was developed as an alternative to the LICOs. It considers a family to be low income if its income, adjusted for family size (number of adults and children), is less than half the median income (the point at which half of all families are above and half are below).

The post-tax-and-transfer LIM is similar to measures used in international comparisons, but it does not reflect geographical differences in living costs across Canada.

Another Low Income Measure

The Market Basket Measure (MBM) is a new measure currently being developed by federal, provincial and territorial governments.

Once fully developed, the MBM should prove a valuable complement to existing measures in tracking low income in Canada.

The MBM identifies income levels required for a basic, adequate standard of living that is above subsistence level. Since these income levels are based on the actual costs of goods and services, this kind of measure is often referred to as an “absolute” measure of low income.

While the LIMs and LICOs look at a family’s income compared to the incomes of other families, the MBM is based on the actual costs of the basic essentials of life (food, clothing and shelter) as well as other purchases (e.g., telephone services) widely viewed as unacceptable for anyone to be without. Compared to existing measures, the MBM more precisely reflects differing living costs as a result of geographic location.

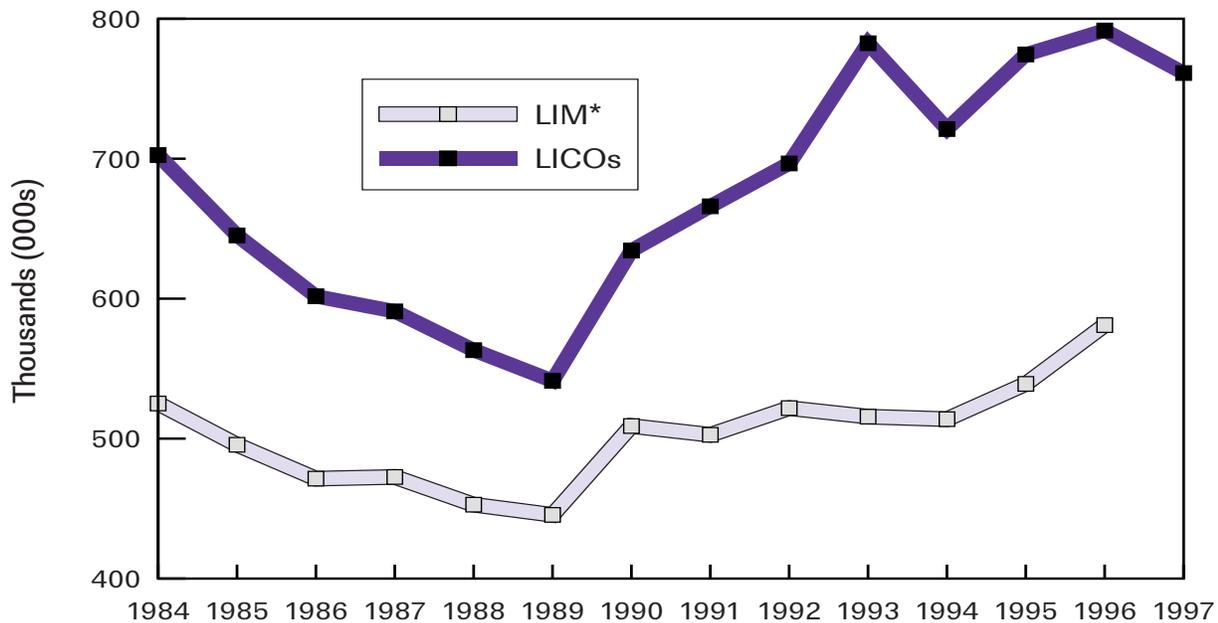
Families without enough income to pay for this “market basket” of goods and services, after accounting for taxes and extraordinary expenses for child care and health care, are considered to be living on low income.

More Low Income Families

The number of families living on low income is strongly influenced by economic conditions and population changes. Between 1984 and 1989, the total number

of low-income families with children under 18 years of age declined. Between 1989 and 1993, the number rose sharply to about the 1984 level. Since 1993, the number has remained relatively constant. Two main factors caused this initial decline and then substantial growth.

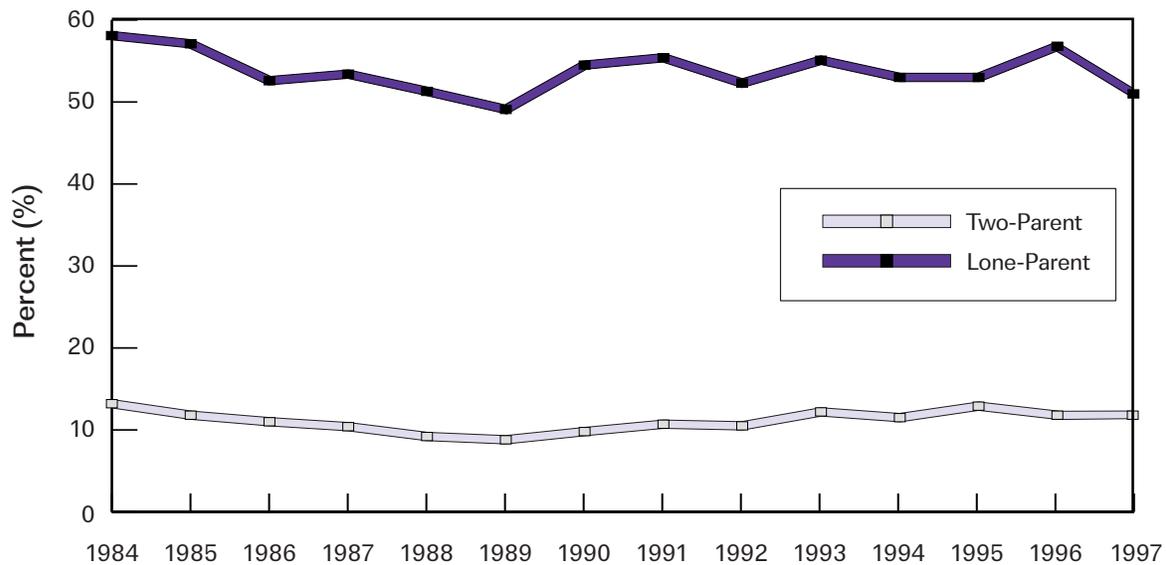
Figure 1: Number of Low-Income Families with Children
LICOs and LIM* — 1984 to 1997



* Post-tax statistics for 1997 will not be available until summer 1999.

First, the economy: during economic expansion up to 1989, the rate of low income for both two-parent and lone-parent families fell substantially. Then, with the start of the recession in the early 1990s, it rose again. Figure 2 shows this pattern for both types of family, using the LICO as the measure of low income.

Figure 2: **Incidence of Low Income for Two-Parent and Lone-Parent Families with Children, LICOs — 1984 to 1997**



Second, the proportion of all families with children under 18 years of age headed by a lone parent was increasing over this period — from 14 percent in 1984 to 18 percent in 1997. As Figure 2 shows, the proportion of lone-parent families living on low income is significantly higher than the proportion of two-parent families. With the increase in the number of lone-parent families with children there has been increasing pressure on the overall rate of low income.

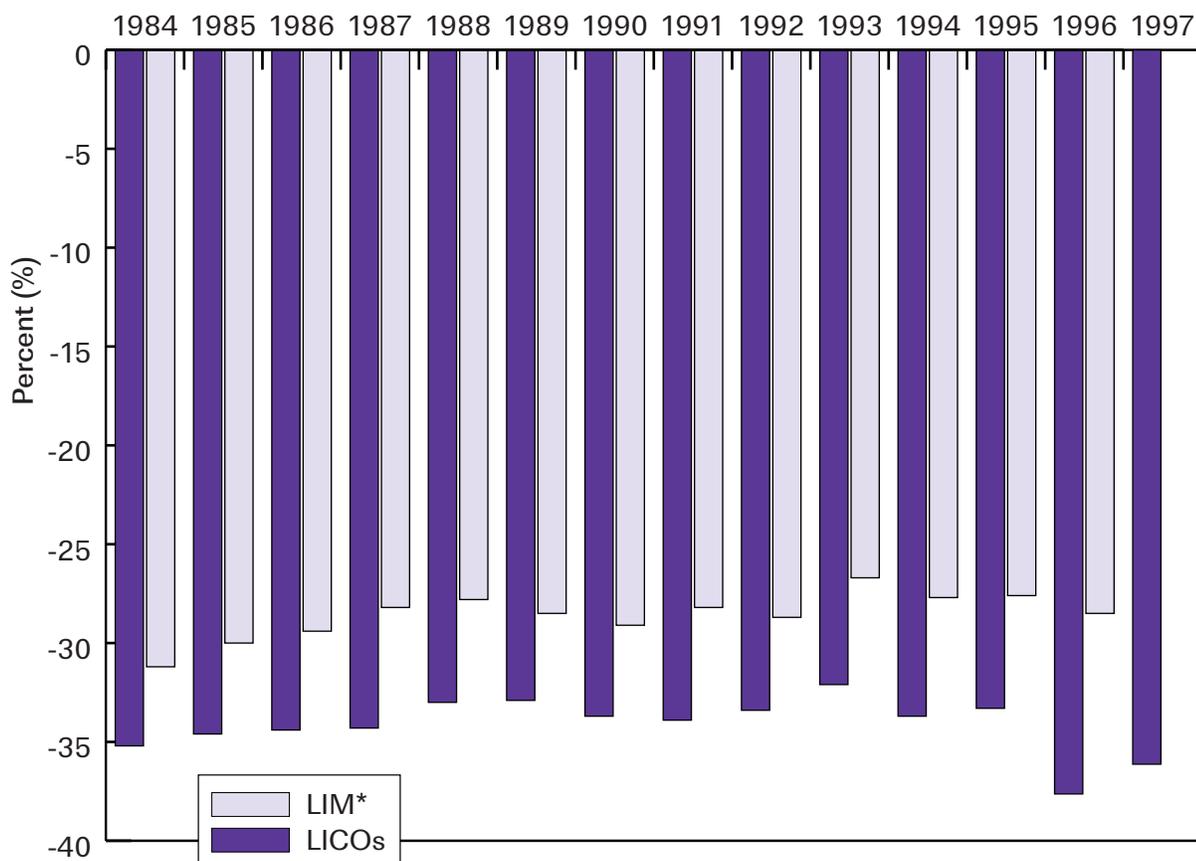
Thus, both the rising proportion of lone-parent families and the recession of the early 1990s contributed to the growth in the total number of low-income families with children.

No Improvement in Income for Low-Income Families

Between 1984 and 1989, the average total real income of all Canadian families with children under 18 increased. Then, as Canada's economy went into a recession in the early 1990s, the average family income fell and, by 1997, was still below its peak in 1989. However, for

low-income families, real average income remained about the same over the 1984 to 1997 period, with average incomes about 30 percent below the low-income threshold. Thus, while the number of low-income families rose, the depth of poverty remained relatively constant.

Figure 3: Incomes of Low-Income Families with Children, Percentage below Low-Income Lines LICOs and LIM* — 1984 to 1997

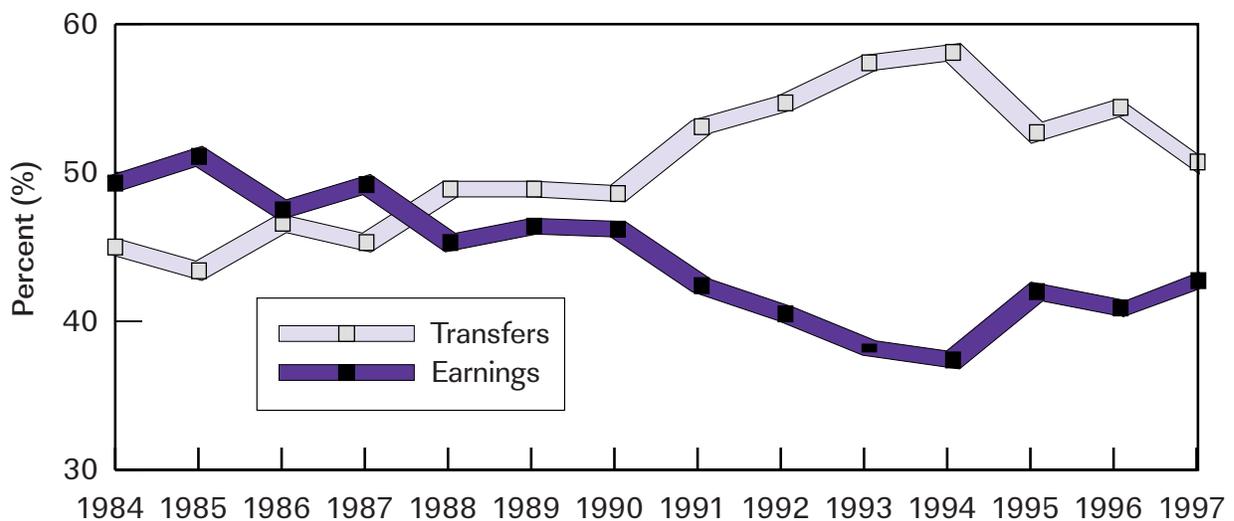


* Post-tax statistics for 1997 will not be available until summer 1999.

Declining Employment and Increasing Importance of Government Transfer Payments

During the 1990s, the percentage of low-income families that were employed at any point during the year declined. Among those employed, increasing numbers found themselves in part-time, contract, temporary and self-employment situations.

Figure 4: Sources of Family Income, Low-Income Families with Children, LICOs — 1984 to 1997



As low-income families saw their employment income decline in real terms, they depended more and more on government transfers such as child benefits, employment insurance and social assistance. With total family income remaining constant between 1984 and 1997, the decline in earnings was offset by growth in government transfers, such that by 1997, low-income families were more reliant on these transfers.

Increased Use of Welfare

Over the period, increasing numbers of low-income families with children came to depend on social assistance. The percentage of low-income families receiving welfare benefits at some point during the year increased substantially, although many were on social assistance for only part of the year. Caseloads began to decline in the mid-1990s. This was in part due to improved economic conditions, but was also influenced by changes in social assistance policies, including benefit adjustments and an emphasis on encouraging people to move into the labour market or into education and training.

Policy and Program Implications

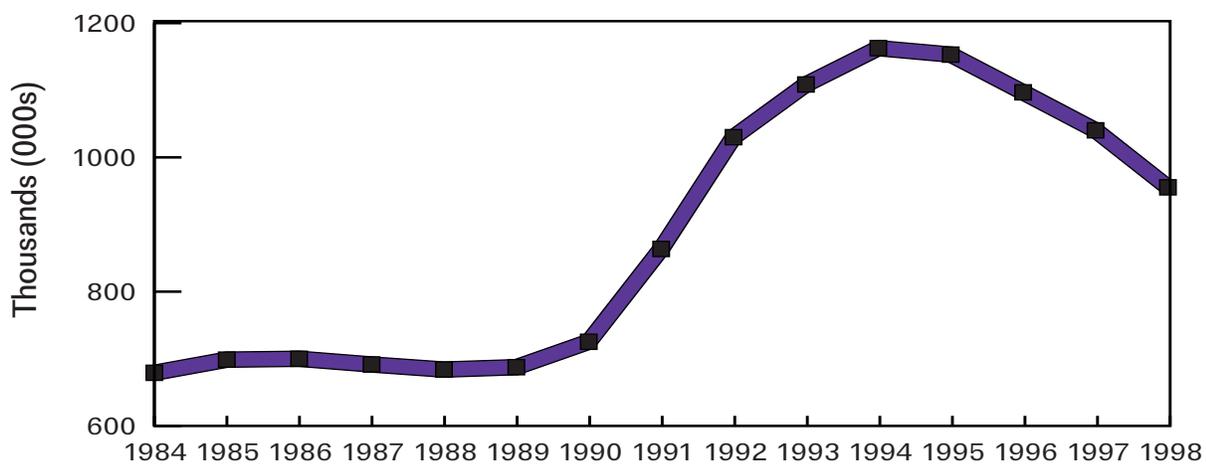
The trends presented here reveal that more families with children are living on

low income today than in the late 1980s because of the growth in the number of families, the increasing proportion of lone-parent families and lower levels of participation in the labour market. As a result, low-income families are more dependent on government transfers but are not better off financially.

These trends signal the need for a changed approach to tackling the problem of child poverty — one that encourages and enhances employment and earnings and reduces reliance on passive income support programs. The National Child Benefit has been designed specifically to respond to these challenges.

Information presented in this chapter highlights trends in low income, labour force participation and social assistance dependency. More detailed information on these trends can be found in the internet appendices indicated in Appendix 3.

Figure 5: Number of Children on Social Assistance
1984 to 1998



Chapter 4

The National Child Benefit Initiative

Canada's federal, provincial and territorial governments share a commitment to lowering the welfare wall, encouraging self-sufficiency and preventing and reducing poverty for families with children. In June 1996, First Ministers agreed that action against child poverty would be a collective priority. They identified support for low-income families as critical to helping parents better meet the needs of their children.

Federal, provincial and territorial governments designed the National Child Benefit (NCB) initiative to work toward three goals:

1. help prevent and reduce the depth of child poverty;
2. promote attachment to the labour market by ensuring that families will always be better off as a result of working; and
3. reduce overlap and duplication by harmonizing program objectives and benefits and simplifying administration.

National Child Benefit Operating Principles

As a shared effort between governments, the NCB combines the strengths of a national program with the flexibility of provincial and territorial initiatives designed to meet the specific needs of and conditions within each jurisdiction.

Federal, provincial and territorial governments have agreed on a set of operating principles to guide the development and implementation of the NCB. These state that the NCB:

- is a partnership between the federal and provincial/territorial governments;
- requires a significant, incremental and permanent federal investment, as well as appropriate and complementary provincial and territorial investments benefiting children in low-income families;
- will be developed through a staged approach, with the initial investment representing a starting point to a more significant investment in the future — an investment that is sufficient to remove benefits for children from the welfare system;
- involves provincial and territorial governments reinvesting social assistance funds, made available by the federal government's investment in low-income families with children, in a manner consistent with NCB objectives;
- will see provinces and territories exploring whether incremental funds can be devoted to the provincial/territorial component of the NCB, fiscal resources permitting;
- will not reduce the overall level of income support for families which receive social assistance;

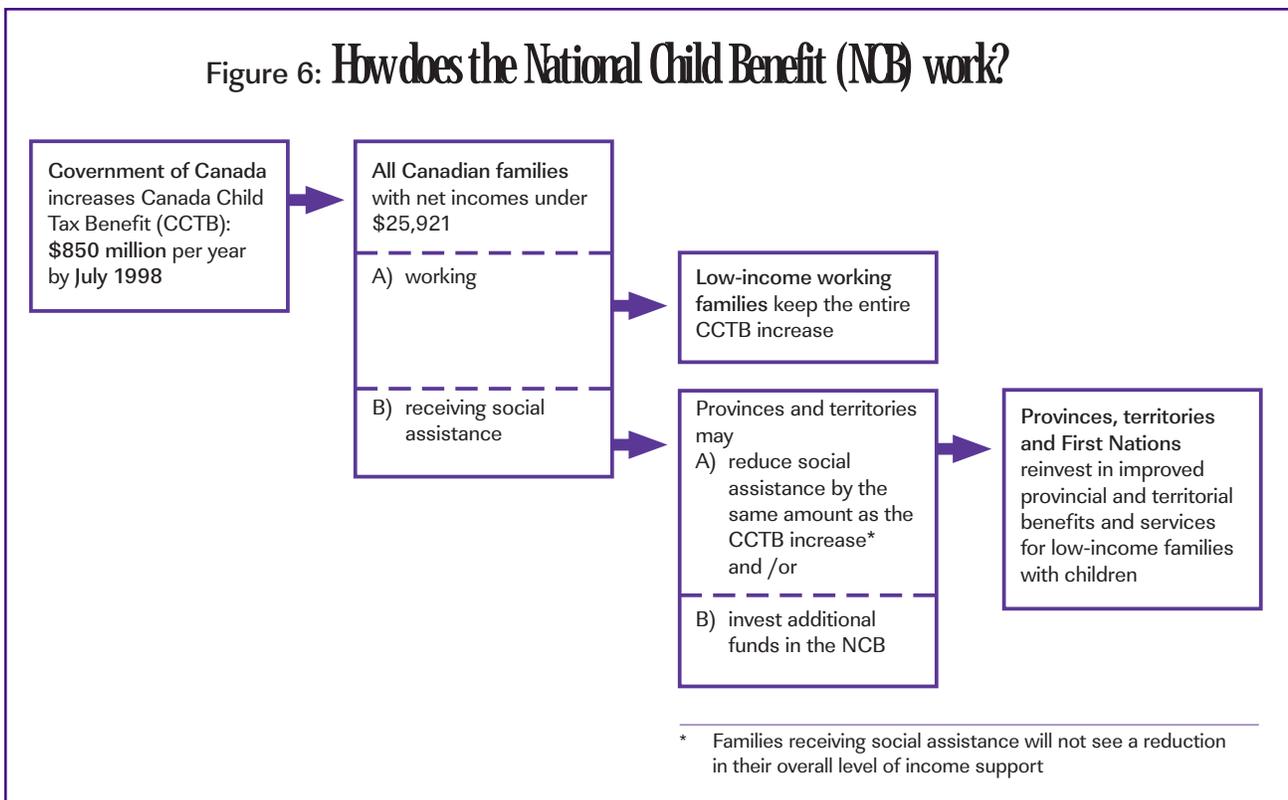
- will simplify administration and delivery of children’s benefits by governments, and simplify receipt of benefits for families with children; and
- is considered one of a number of measures that need to be employed as part of a comprehensive approach to child poverty.

Governments recognize that the NCB is just one of many factors that can affect child poverty. Changing family structures, national and international economic trends and changes in other social programs can also affect the incomes and employment of low-income families. The NCB is one of a number of efforts needed to create an economic and social environment that enables children to become healthy and successful citizens.

How It Works

Under the NCB, action is being taken by federal, provincial and territorial governments and by First Nations. The federal government is increasing the income support it provides to low-income families with children. This provides a basic level of income support for children whether their parents are in the labour market or receiving social assistance. In turn, provinces, territories and First Nations have adjusted the support they provide to families with children through social assistance and invested in new and enhanced benefits and services that meet the objectives of the NCB. Now that a basic benefit for children that is not tied to the social assistance system is provided, parents will find it easier to move into and stay in employment.

Figure 6: **How does the National Child Benefit (NCB) work?**



Federal Component

As an initial contribution to the National Child Benefit initiative, the Government of Canada committed \$850 million per year to increase child benefits for low-income families with children. In 1998-99, this additional investment resulted in an increase in benefits for about 1.4 million Canadian families with 2.5 million children.

The Government of Canada combined two existing programs - the Child Tax Benefit and the Working Income Supplement - into one benefit: the Canada Child Tax Benefit (CCTB). The

new CCTB has two main elements: the base benefit, which is paid monthly to 80 percent of all Canadian families with children, and the National Child Benefit (NCB) Supplement, which goes to low-income families with children.

The CCTB amount payable to each family is determined through the income tax system based on the previous year's family income and is automatically adjusted in July of each year. In 1998-99, the base benefit is available to families with incomes of up to \$66,721 (in the case of a two-child family), and the NCB Supplement is available to families with incomes of up to \$25,921 per year (in the case of a two-child family).

Table 2: Total Maximum CCTB Benefits Payable from July 1998 to June 1999

	Maximum Base Benefit**	+	Maximum NCB Supplement	=	Total Canada Child Tax Benefit
1 child	\$1,020		\$ 605		\$1,625
2 children	2,040		1,010		3,050
3 children	3,135		1,340		4,475
4 children	4,230		1,670		5,900

* Recipients in Alberta receive different maximum amounts depending on the age of their children.
 ** Amounts do not include the \$213 annual per child supplement for children under age seven with no child care expense claim.

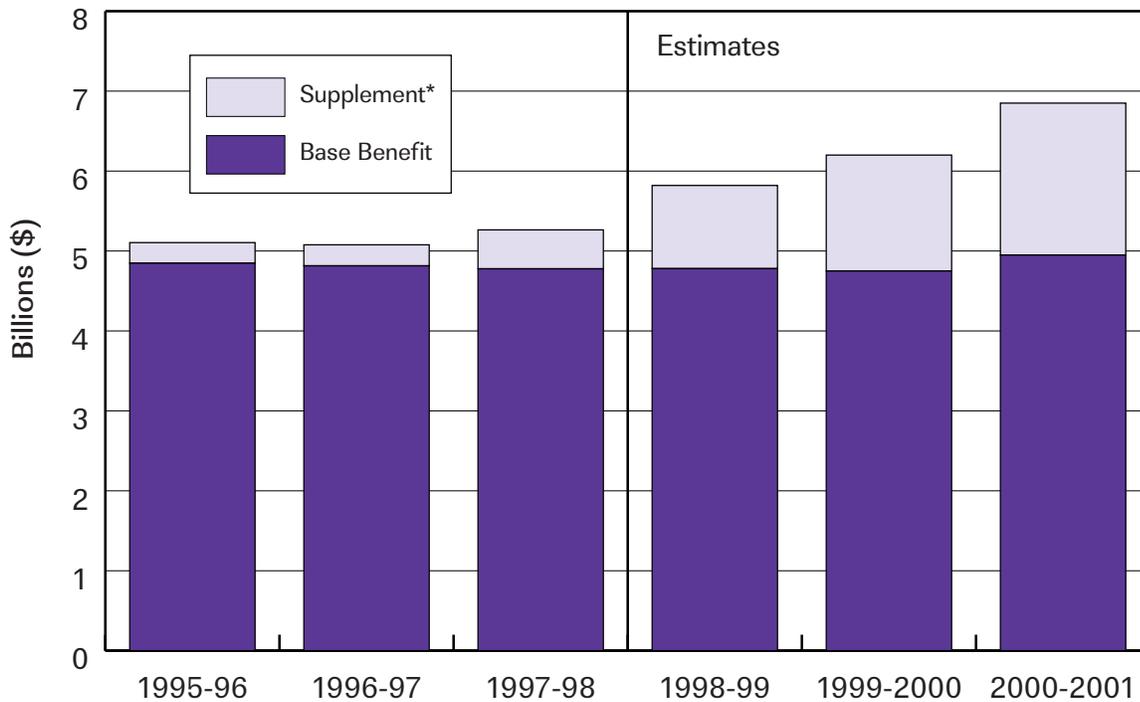
Figure 7 shows the actual and projected annual expenditures on the CCTB from 1995-96 to 2000-01. For 1998-99, the value of the NCB Supplement is expected to reach \$1.02 billion. This includes \$760 million in new funding, plus \$260 million in existing funding for the Working Income Supplement.

In addition to the \$760 million provided to low-income families with children through the NCB Supplement as part of the CCTB, \$66.5 million in funding is being devoted to the following items in 1998-99: transitional funding to ensure that families on social assistance do not experience a drop in overall income

support as a result of the NCB; an increase in the Children's Special Allowance for children in care of governments; and NCB-related income benefits provided to First Nations communities on reserve. This brings total

projected new expenditures to approximately \$825 million in the 1998-99 benefit year, which is about \$25 million less than projected, primarily due to stronger than expected economic growth.

Figure 7: **Total Annual Expenditures, Canada Child Tax Benefit**
1995-96 to 2000-01 (July - June)



* Includes the former Working Income Supplement (WIS) for the years 1995-96 to 1997-98.

SUMMARY OF CHANGES TO THE CANADA CHILD TAX BENEFIT (CCTB)

July 1997 The Working Income Supplement (WIS) was enriched and restructured. The maximum WIS increased from \$500 per family to \$605 for the first child, \$405 for the second child and \$330 for each subsequent child.

- Increase of \$195 million in annual benefits.

July 1998 The National Child Benefit Supplement replaced the WIS. The maximum NCB Supplement was fixed at \$605 for the first child, \$405 for the second child and \$330 for each subsequent child.

- Increase of \$665 million in annual benefits.

Table 3: National Child Benefit Supplement Paid to Low-Income Families with Children for 1998-99*

Jurisdiction	Estimate for July 98 - March 99 (in \$ millions) 9 months	Estimate for benefit July 98 - June 99 (in \$ millions) 12 months	Estimated monthly average number of children receiving the Supplement
Newfoundland and Labrador	18	24	51,081
Prince Edward Island	4	5	10,990
Nova Scotia	27	36	78,994
New Brunswick	22	30	63,639
Quebec	185	247	547,469
Ontario	263	350	788,753
Manitoba	36	48	110,284
Saskatchewan	35	47	108,621
Alberta	71	95	219,218
British Columbia	102	136	298,686
Northwest Territories	3	4	8,531
Yukon	.7	1	2,459
Total**	767	1,023	2,289,465

* Estimates provided by Human Resources Development Canada based on Revenue Canada administrative data.
** Totals include Canadian beneficiaries living abroad.

July 1999 The NCB Supplement will increase by \$180 per child, to reach \$785 for the first child, \$585 for the second child and \$510 for each subsequent child. The income threshold at which the NCB Supplement is phased out will be extended to \$27,750 from \$25,921.

- Increase of \$425 million in annual benefits (for families with up to three children).

July 2000 The NCB Supplement will increase by \$170 per child, to reach \$955 for the first child, \$755 for the second child and \$680 for each subsequent child. The income threshold at which the NCB Supplement is phased out will be extended to \$29,590 from \$27,750. This enrichment will provide increased benefits to 1.4 million families with 2.5 million children (for families with up to three children).

- Increase of \$425 million in annual benefits.

The income threshold at which the base CCTB begins to be phased out will be increased to \$29,590 from its current level of \$25,921. This will provide increased benefits to 2 million families with incomes over \$25,921.

- Increase of \$300 million in annual benefits.

Provincial and Territorial Component

When the National Child Benefit initiative was first established, governments agreed in principle that social assistance savings would be reinvested to benefit low-income families with children. To reduce barriers to leaving social assistance, most provinces/territories³ adjusted their social assistance payments when the National Child Benefit Supplement was introduced.

Funds that were made available as a result of provincial and territorial social assistance adjustments were reinvested in improved benefits and services for low-income families. These funds are called NCB reinvestments in Table 4. The result of these changes was that many low-income families with children received new federal financial support and new provincial benefits and services. First Nations followed a similar approach by adjusting social assistance benefits and reinvesting in community-based initiatives for low-income families with children.

The National Child Benefit initiative builds on significant prior investments by a number of provinces and territories to support low-income families with children. In addition, several provinces and territories used the National Child Benefit initiative as an opportunity to commit additional provincial and territorial resources into related initiatives. These funds are described in Table 4 as “Additional Provincial, Territorial and First Nations NCB Investments.”

Families on social assistance continue to receive at least the same combined federal and provincial/territorial basic income support as before. This system is intended to reduce barriers to moving from social assistance to employment and help low-income families stay in the labour force. Many families which rely on social assistance do not do so continuously. Therefore, while they may not experience an increase in income while receiving social assistance, they would be better off at other times of the year because the National Child Benefit Supplement is paid regardless of the family’s source of income. They may also benefit from other NCB investments.

3 New Brunswick and Newfoundland and Labrador chose to maintain social assistance payments at their previous levels. Both provinces also invested new provincial funds in programs benefiting low-income families. Newfoundland and Labrador’s new investments equalled the amount that would have been available for reinvestment had social assistance payments in that province been adjusted.

The Government of Quebec chose not to participate in the National Child Benefit initiative, but has acted on its own in a comparable way. Quebec residents benefit from the increased Canada Child Tax Benefit in the same way as other Canadians. Quebec’s reinvestments are not reflected in figures presented in this report.

Table 4: Estimated Provincial/Territorial and First Nations Reinvestments by Jurisdiction

Jurisdiction*	1998-99 Estimates (\$ millions)	Full Benefit Year Estimates (\$ millions)
Newfoundland and Labrador [□]	--	--
Prince Edward Island	.8	1.3
Nova Scotia	11.2	15.2
New Brunswick [□]	--	--
Ontario	117.0	156.0
Manitoba	10.8	14.0
Saskatchewan	11.3	15.0
Alberta	13.5	21.2
British Columbia	60.2	80.0
Yukon	.1	.2
Northwest Territories	1.4	2.1
First Nations on reserve	24.1	33.0
Total	250.5	338.2
Additional Provincial and Territorial and First Nations NCB Investments**	54.7	Not available
Total NCB Investments	305.2	Not available

* Figures for Quebec are not included.

[□] Newfoundland and Labrador and New Brunswick do not have reinvestment envelopes because they did not adjust social assistance benefits in 1998-99 to offset the NCB. However, Newfoundland and Labrador invested \$7.8 million and New Brunswick invested \$2.1 million in NCB initiatives.

** Additional information on these investments can be found in Appendix 2.

Provinces, territories and First Nations on reserve are estimated to have reinvested about \$251 million from adjustments to social assistance funding during 1998-99. This translates into about \$338 million per year on a full-year basis, invested in programs and services benefiting children in low-income families. In

addition, in 1998-99, provinces and territories are investing about \$55 million over and above their reinvestments.

Figure 8 shows total estimated provincial, territorial and First Nations expenditures for the fiscal year 1998-99, including reinvestments and additional investments.

In the selection of reinvestment strategies, provinces and territories are guided by the National Reinvestment Framework agreed to by Social Services Ministers. Under the Reinvestment Framework, provinces and territories have the flexibility to make decisions on reinvestments and investments that respond to their needs and priorities while meeting the objectives of the National Child Benefit. Many provinces and territories based their reinvestment decisions on formal or informal consultations or included them as part of a broader-based redesign of income supports. These reinvestments, combined with NCB investments, provided new or enhanced supports for low-income families in key areas such as:

- *Child Benefits and Earned Income Supplements:* A number of provincial/territorial reinvestment strategies include directing funds to children's benefits regardless of the family's source of income. Earned income supplements are paid to working families, which provide them with additional resources to help with the added costs of employment.
- *Child/Day Care:* Funds directed to child-care services allow more low-income working families to gain access to these supports or to have their share of child-care costs reduced. These strategies are assisting low-income families with the additional costs of work.
- *Early Childhood Services and Children-At-Risk Services:* Reinvestment funds are being directed to early intervention programs to help give children a healthy start in life. These

include nutritional programs, prenatal screening programs, recreational programs and community programs for youth.

- *Supplementary Health Benefits:* These reinvestment strategies provide low-income families with additional benefits for their children outside of the social assistance system, helping with the transition to employment. Some of the items covered include prescription drugs, dental and optical care.
- *Other:* In this category are reinvestments by First Nations and Ontario municipalities as well as other programs and services for low-income families with children that address National Child Benefit objectives.

Provincial and territorial NCB initiatives are generally fully operational. However, a number of these new benefits and services have taken longer to implement than was originally anticipated. This is particularly the case with programs that are community-based or require their own application processes, such as with health benefits. All provinces and territories remain strongly committed to having all social assistance savings reinvested and reinvestment programs functioning in the shortest possible time. Actual expenditures will be available in the next NCB report expected in the fall of 2000.

Figure 8: Provincial/Territorial and First Nations Estimated Expenditures on National Child Benefit Initiatives by Jurisdiction, 1998-99



Table 5: Summary of Provincial/Territorial and First Nations NCB Initiatives, by Program Area, for Canada, 1998-99 (June-July)

Program Area	1998-99 Initiative (\$ millions)	Jurisdictions
Child benefits and earned income supplements	\$95.0	Nova Scotia, Saskatchewan, British Columbia, Northwest Territories
Child/day care	\$120.2	Newfoundland and Labrador, Prince Edward Island, Nova Scotia, Ontario, New Brunswick, Manitoba, Alberta, British Columbia
Supplementary health benefits	\$9.6	Newfoundland and Labrador, Saskatchewan, Alberta, Yukon
Early childhood services and children-at-risk services	\$13.8	Newfoundland and Labrador, Prince Edward Island, Nova Scotia, Manitoba, British Columbia, Yukon
Other*	\$66.6	Newfoundland and Labrador, Prince Edward Island, Ontario, Manitoba, Alberta, British Columbia, First Nations
Total	\$305.2	

* This includes \$22 million for Ontario municipal investments, \$6.6 million for Alberta which is being carried forward to future fiscal years and \$30.3 million for First Nations on reserve.

Examples of Provincial/Territorial NCB Initiatives

Child Benefits and Earned Income Supplements

The Nova Scotia Child Benefit is providing an annual cash payment of \$250, \$168 and \$136 respectively for the first, second and each subsequent child in a low-income family.

The Saskatchewan Child Benefit is providing a monthly allowance for all children of low-income families. It is assisting low-income working families with the cost of raising children and helping them remain in the workforce.

The BC Earned Income Benefit is a new employment incentive program, which together with the BC Family Bonus, is making it more attractive for those on welfare to seek work and remain employed.

The NWT Child Benefit is paid to all low-income families, and those with more than \$3,750 in working income in the previous year also receive the Territorial Working Supplement.

Child/Day Care

Newfoundland and Labrador's Child Care Subsidy Program is providing more day-care subsidies and is increasing subsidy rates.

The PEI Child Care Benefit is increasing the per diem subsidy amounts and adjusting the sliding fee scale to provide greater access to the program.

The New Brunswick Day Care Subsidy Program is providing an additional 200 to 400 spaces. An additional 200 spaces are available for alternative child care, benefiting parents working shifts and weekends.

The Ontario Child Care Supplement for Working Families is providing low- to modest-income families with children under the age of seven with a maximum benefit of \$1,020 per child annually for child-care costs.

Supplementary Health Benefits

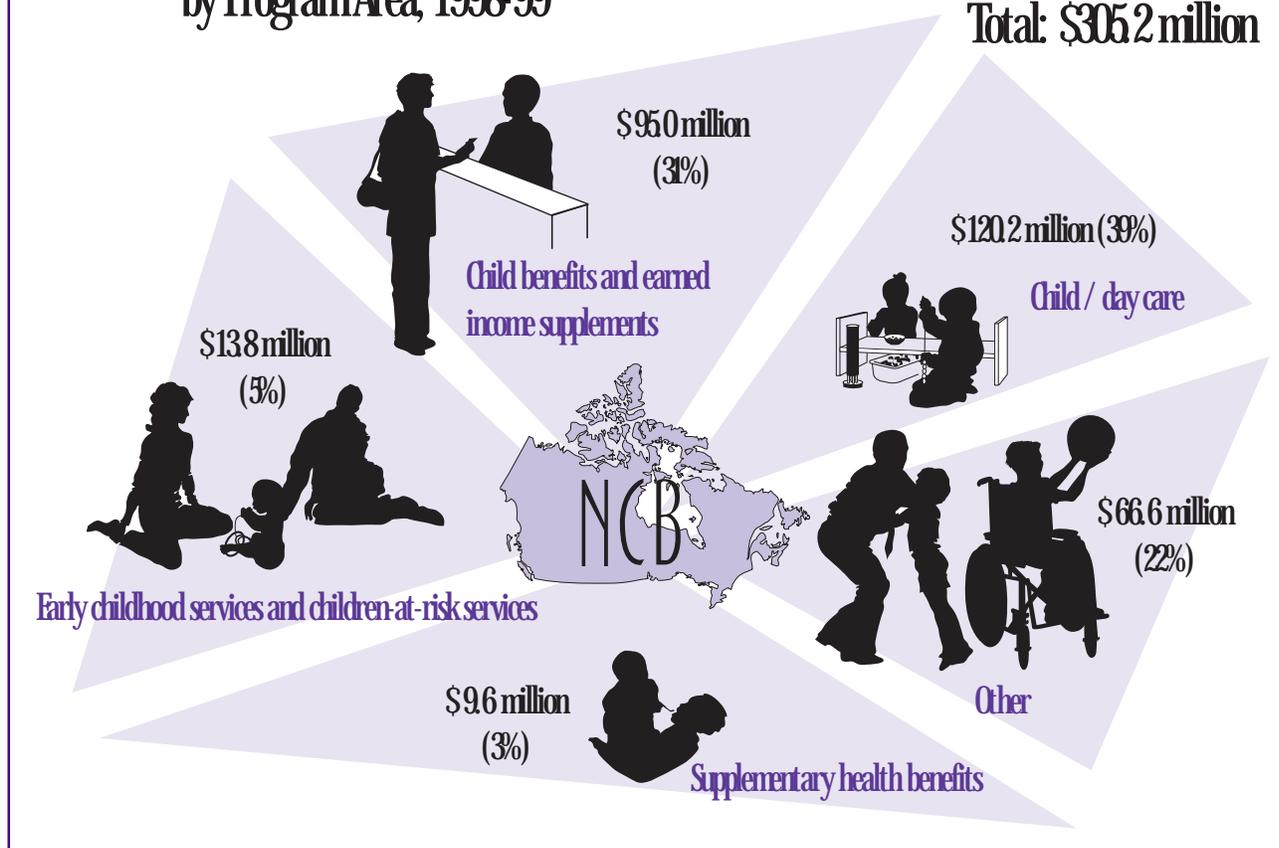
The Alberta Child Health Benefit is a new program providing supports outside the welfare system to low-income children for prescription drugs, dental, optical care, ambulance and diabetic services.

Early Childhood Services and Children-at-Risk Services

The Yukon's Food for Learning program is providing funds for meals or snacks for children at school who do not have food from home.

Manitoba has developed the Women and Infant Nutrition (WIN) program that provides nutrition information and counselling to low-income families. The WIN program offers a \$65 monthly supplement to expectant mothers and mothers with infants on social assistance.

Figure 9: **Summary of Provincial/Territorial & First Nations NCB Initiatives by Program Area, 1998-99**



First Nations Component⁴

First Nations play a unique and significant role in the National Child Benefit in that they, for the most part, administer the reinvestment component of the initiative on reserves. First Nations have also made adjustments to social assistance programs administered on reserves, and First Nations communities have decided how to reinvest these funds to meet the needs of their families and children. First Nations families receiving social assistance continue to receive the

same amount of income support as before while, at the same time, they are eligible to benefit from new, community-based reinvestment initiatives.

In consultation with the Department of Indian Affairs and Northern Development, a wide variety of innovative reinvestment initiatives has been developed in First Nations communities. These programs and services are consistent with the objectives of the National Child Benefit. At the same time they address the specific needs

⁴ This section provides information concerning First Nations who administer social assistance on reserve through the Department of Indian Affairs and Northern Development. Other low-income Aboriginal families with children receive benefits through the CCTB and through provincial and territorial governments. The National Child Benefit represents one of a number of measures that need to be employed as part of a comprehensive approach to improving the circumstances of Aboriginal families and children on and off reserve. The federal government as well as provinces and territories will work with Aboriginal groups to ensure that the needs and circumstances of Aboriginal people are considered in the National Child Benefit initiative.

of low-income families with children living on reserves. They include programs such as income support, child care, child nutrition, parenting, family services, recreation, youth development, clothing outlets and training and employability skills.

More detailed information on First Nations, provincial and territorial programs and services in the National Child Benefit initiative can be found in Appendix 2 and on the internet. See Appendix 3.

Program Harmonization

Governments committed to reduce overlap and duplication by harmonizing program objectives and benefits and simplifying administration.

Program harmonization focuses on organizing programs and services around the needs of people to provide more effective programs and services to clients. Harmonization can make it easier for people to understand how programs work and makes clearer the roles of different governments. It can also increase the stability of benefits people receive from different levels of government because federal and provincial/territorial income supports are beginning to be linked, each taking the other into account. One example of a benefit of program harmonization is the identification of people who are eligible for benefits but who have not been receiving them.

There has been substantial progress made toward achieving the goal of reduced overlap and closer harmony of federal, provincial and territorial programs for children. The first steps have been taken to make program objectives and benefits more consistent across the country and to simplify program administration. For

example, several jurisdictions are already using the Canada Child Tax Benefit mechanism of Revenue Canada to deliver additional benefits to residents in their jurisdictions with combined monthly payments.

Summary

While Canada's federal, provincial and territorial governments have long provided benefits to families with children, the National Child Benefit marks a significant change in several ways.

- It represents a significant new investment in Canada's children.
- The National Child Benefit Supplement provides additional federal benefits to low-income families that, combined with provincial and territorial investments, help make employment a better option than social assistance.
- It provides children's benefits outside the social assistance system, which eliminates a major barrier to leaving social assistance.
- It maintains the level of total child benefits received by families with children on social assistance.
- By reinvesting funds from their social assistance systems and, in some cases, by adding additional resources, provinces and territories are providing new and/or enhanced services and supports tailored for low-income families.
- It marks a basic shift of income support for children from provincial or territorial social assistance programs to the National Child Benefit Supplement, which is designed to be non-intrusive, administratively efficient and consistent across Canada.

Chapter 5

Monitoring Progress

One of the key purposes of future National Child Benefit reports will be to monitor program activities and the results they generate, and to present research and evaluation results that will indicate whether the initiative's goals are being met. Monitoring is essential to ensure there is accountability to the public for the funds invested in the NCB. Federal, provincial and territorial governments are committed to reporting on and evaluation of the National Child Benefit, particularly since its program activities are still evolving.

Indicators of Program Activities

This report describes National Child Benefit activities and outlines the funds being invested and program activities being undertaken (Chapter 4 and Appendices 1 and 2). Future progress reports will report on program expenditures and activities and provide updates on the evolution of NCB-related programs and services.

Indicators of Progress

The National Child Benefit was created to help prevent and reduce the depth of child poverty; promote labour market attachment; and reduce overlap and duplication between government programs. A number of indicators are being considered for tracking progress made

toward these goals. Several may be needed, since progress toward meeting the goals of the National Child Benefit initiative may not be captured by any single indicator.

The challenge in assessing these indicators will be to determine to what extent the National Child Benefit initiative is responsible for future changes to the depth of low income and to the labour market participation of low-income families. The influences on child poverty and labour force participation are complex, and it will not be easy to separate the effects of the National Child Benefit from demographic and economic changes that will have a significant influence in both the short and longer term.

The progress indicators outlined below are a starting point for assessing the key social and economic trends related to the goals of the NCB. Future progress reports will track the evolution of these indicators and will report on other possible indicators that would more precisely monitor the direct impact of the NCB initiative in terms of its stated objectives. In addition, more qualitative and quantitative analysis will be undertaken through evaluation and research work to better understand the influence and impact of the National Child Benefit.

Chapter 3 presents trends for some of these indicators over the 14-year period before the introduction of the NCB.

NCB Goals	Progress Indicators
1. Help prevent and reduce the depth of child poverty	<ul style="list-style-type: none"> • Reduction in the depth of low income due to National Child Benefit-related transfers. • Additional indicators: <ul style="list-style-type: none"> • Number of low-income children and families. • Incidence of low income among families with children. • Depth of low income among families with children (percentage that family income is below low-income thresholds).
2. Promote labour market attachment	<ul style="list-style-type: none"> • Percentage of low-income parents who are employed during the year. • Average weeks worked by parents of low-income families. • Percentage of weeks worked full time by employed low-income families. • Average earnings of employed low-income families as a percentage of the low-income thresholds. • Percentage of low-income families on social assistance during the year. • Social assistance benefits for families with children as a percentage of total family income.
3. Increase harmonization and reduce overlap and duplication of federal, provincial and territorial programs	<ul style="list-style-type: none"> • Indicators have yet to be developed. They likely will be both qualitative and quantitative and reflect key delivery issues such as payment systems, information sharing, reinvestment program design and delivery.

Evaluation and Research

Federal, provincial and territorial governments are committed to evaluation of the National Child Benefit to help determine program effectiveness. A co-ordinated approach to evaluation will also provide a rich information base for learning about what works and for sharing effective practices.

Evaluation of the National Child Benefit will need to consider the combined impact of its two major components: enriched federal child benefits, and the

broad range of provincial, territorial and First Nations reinvestment programs. Evaluation and research will examine the combined effect of preventing and reducing child poverty and promoting labour market attachment and will assess progress toward harmonization.

Federal, provincial and territorial governments believe the National Child Benefit initiative will have a positive long-term effect. However, economic and social trends will always have an impact on outcomes. For this reason, the success of the NCB initiative will be examined in the larger context through both evaluation and research.

Chapter 6

The Way Ahead

During 1999 and in future years, significant additional steps will be taken to enhance the National Child Benefit.

Many provinces and territories based their reinvestment decisions on formal or informal consultations or included them as part of a broader-based redesign of income supports.

Future Enhancements

As part of the 1999 federal budget, the benefit levels and structure of the federal government's second phase of the NCB initiative were announced.

- Funding for the National Child Benefit Supplement will be increased by \$425 million in July 1999 and an additional \$425 million in July 2000.
- The maximum level of the NCB Supplement will increase by a total of \$350 per child—by \$180 in July 1999 and an additional \$170 in July 2000.
- This will result in maximum annual Canada Child Tax Benefit amounts of \$1,975 for the first child and \$1,775 for each additional child.

Provincial and territorial governments and First Nations on reserve will enhance their investments in services and supports for low-income families with children as they realize additional funding through the federal enhancements and make additional programming commitments.

Reinvestments will be announced through provincial and territorial budgets or other announcements this spring. A joint update on 1999-2000 reinvestments will be released by July 1999.

Conclusion

Although it is early in the National Child Benefit initiative's history, federal, provincial and territorial governments believe it is already having a positive impact on the lives of Canadian children growing up in low-income families. As the initiative is enhanced and its medium- and long-term effects begin to emerge, future progress reports will present data showing those effects.

This report was compiled during the early months of the National Child Benefit initiative, and already a great deal has been accomplished. The new National Child Benefit Supplement has been introduced and is providing benefits to thousands of Canadian families. Provinces, territories and First Nations have adjusted their social assistance systems and are reinvesting in new benefits and services.

Future NCB reports will outline what is accomplished over coming months and years in achieving the National Child Benefit initiative's goals, including the continuing effort to reduce overlap and harmonize programs.

Evaluation, feedback from stakeholders and the public, and flexibility to adjust the National Child Benefit over time are important characteristics of the initiative that will ensure it remains relevant to changing economic and social circumstances. The National Child Benefit initiative will be monitored and refined on an ongoing basis to make sure it helps prevent and reduce the depth of child poverty, promotes attachment to the labour market and reduces overlap and duplication of government programs.

In the long run, success will be measured by the increasing number of Canadian children who grow into healthy and successful participants in their communities.

Over the coming months, additional research and evaluation activities will add to our understanding of the nature of child poverty and how to reduce it.

Ministers will provide future updates on the National Child Benefit initiative, and annual progress reports will be published starting in the fall of 2000.

Invitation to Dialogue

Canada's federal, provincial and territorial governments want to hear from Canadians about the National Child Benefit initiative, how it is working and how it can be improved. An Internet site has been established to help achieve this goal. It is located at <http://socialunion.gc.ca> and provides information on the National Child Benefit, as well as an opportunity for visitors to submit questions and comments. Comments can also be directed to:

National Child Benefit
Box 307
Ottawa ON
K1A 0J9