

# **Child Benefits:** **A Small Step Forward**

**A Report by the  
National Council of Welfare**

**Spring 1997**

**Canada**

**CHILD BENEFITS: A SMALL STEP FORWARD**

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National Council of Welfare**

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## **INTRODUCTION**

The latest efforts to improve the system of child benefits in Canada began with the release of the Report to Premiers of the Ministerial Council on Social Policy Reform and Renewal in March, 1996. The report proposed to put aside past differences among the federal, provincial and territorial governments and to seek a new framework for co-operating on problems of common concern.

One of the issues identified in the report was income support for poor families with children.

The federal government reacted favourably to the provincial and territorial overtures and agreed to open discussions on improving benefits for children.

The 1997 federal budget speech announced that both levels of governments had reached a preliminary agreement on the kinds of reforms they are prepared to support. The details of the proposals are to be worked out over the next several months, with a view to having the necessary changes introduced in Parliament by the fall of 1997.

Unfortunately, almost all of the work on reforming child benefits has been done behind closed doors. Governments saw little need to inform Canadians about the progress of the talks or the specific proposals on the table, and they made virtually no effort to invite comments from people interested in their work.

This report describes what is known about the proposed new system of child benefits, what lies ahead to put the new system into effect, and issues of concern to members of the National Council of Welfare. The final chapter puts forth recommendations to governments as they prepare to put the finishing touches on a child benefits package. The appendix describes the transitional arrangements proposed in the budget speech that would be in place between July 1, 1997, and the time the new system comes into being.

## **I. PRELUDE TO THE 1997 BUDGET**

In 1989, members of the House of Commons gave unanimous support to a resolution to eliminate child poverty by the year 2000. The magnitude of the task was underlined just a few months after the passage of the resolution, as the economy headed into the recession of 1990-1991. As in past recessions, poverty rates started climbing once again.

The National Council of Welfare expected to see the poverty rates start to fall as the country recovered from the recession. It now appears, however, that the rates are stuck at an unexpectedly and unacceptably high level.

The fight against child poverty has always carried with it a sense of urgency in our minds. The simple truth is that children need food, shelter, clothing and emotional support every day. They should not have to put their needs on hold while governments pursue other priorities. Study after study has shown that society as a whole pays a terrible price when it neglects its children.

The urgency of efforts to eradicate child poverty was underlined in December, 1996, when the latest low income figures were published by Statistics Canada. Given the state of the national economy, we were expecting to see a modest decline in poverty. Instead, the number of poor children under 18 jumped to a 16-year high of 1,441,000, and the poverty rate for children rose to 20.5 percent.

Between the time of the House of Commons resolution and 1995, the child poverty rate was up by 41 percent, and the number of poor children was 54 percent higher. Clearly, major new efforts by governments everywhere are needed in the final years of the century even to reduce - much less eliminate - child poverty.

As if the poverty rates and the number of children living in poverty were not bad enough, most poor children and their parents were living well below the poverty line. On average, poor families with children were living on incomes of less than 70 percent of the poverty line or \$8,583 a year below the poverty line in 1995. Statistics Canada calculated the poverty gap at

\$6.6 billion. That is the amount of money it would have taken to bring all families with children under 18 up to the poverty line.

Statistics Canada also reported that family income was down in 1995, due to sluggish employment growth and lower average earnings and also to reduced cash transfers from governments. Major cuts in federal government support for welfare, social services, medicare and post-secondary education were in effect for the 1996-97 fiscal year and the 1997-98 fiscal year that began on April 1, 1997, so the situation is almost certain to get worse in the absence of new government initiatives.

Given the high risk of poverty facing children, the depth of poverty for families with children, and the size of the poverty gap, governments will have to inject sizable amounts of money to put an end to child poverty. The National Council of Welfare does not expect governments to fill the poverty gap entirely on their own, but it does hope to see a significant increase in income support programs for families with children without undue delay.

## **II. FEDERAL CHILD BENEFITS, CURRENT AND PROPOSED**

Canada's current Child Tax Benefit came into being on January 1, 1993. It replaced a system of benefits that included Family Allowances that were paid monthly to parents with children under 18 and tax credits that were claimed by parents on the basis of the income reported on their income tax returns.

Under the Child Tax Benefit, low-income and most middle-income families get a basic benefit for each child of up to \$85 a month or \$1,020 a year. The ceiling or threshold for maximum benefits is net family income of \$25,921 a year. Net family income means earnings, interest and other income, minus deductions for items such as child care expenses, union dues, and contributions to pension plans and registered retirement savings plans (RRSPs). Welfare income or income from workers' compensation also has to be included in the total, even though this income is not taxable.

Families with incomes above \$25,921 a year get reduced benefits or no benefits at all. Families with two or more children are subject to a reduction rate of five percent - that is, their benefits are reduced by five cents for every dollar of income above \$25,921. Families with one child have a reduction rate of 2.5 percent - they lose 2.5 cents of benefits for every dollar of income over the threshold.

Low-wage or "working poor" families with children are eligible for a working income supplement of up to \$500 a family. Families with children who get all or most of their income during any given year from welfare, unemployment insurance or other government programs do not qualify for the supplement.

The supplement begins as soon as family earnings top \$3,750 a year. The amount of the supplement is eight cents for every dollar of earnings over \$3,750 to a maximum of \$500 once earnings reach \$10,000 a year. Families with net incomes above \$20,921 lose ten cents of the supplement for every additional dollar of income until the supplement disappears at net family income of \$25,921. From there, the basic Child Tax Benefit is reduced by five percent or 2.5 percent of any additional income, depending on the number of children in the family.



For families who do not claim a child care expenses deduction on their tax forms and who have children under the age of seven, the Child Tax Benefit is increased by \$213 a year for each child under seven.

Larger families get an additional credit of \$75 for the third child in a family and each child after the third.

Provincial governments have the option of asking the federal government to restructure the Child Tax Benefit to meet their own priorities. Only Quebec and Alberta have chosen to exercise this option. Quebec asked the federal government to vary the benefit according to the age of the child and number of children in each family. Alberta asked for variations based on the age of the child. In both cases, the average benefit paid per child by the federal government is the same as in other parts of Canada.

The 1997 budget speech promised a very modest increase in child benefits and changes in the structure of those benefits. The new arrangements would add \$850 million a year by the 1998-99 fiscal year to the \$5.1 billion the federal government now spends on the Child Tax Benefit. Of the total new spending, \$250 million was announced in the 1996 budget speech and the other \$600 million in the 1997 budget speech.

The proposed new system is different in one other respect: it is designed expressly to direct increases in benefits to low-wage families, but not to families who rely on welfare as their main source of income. Families on welfare would get the same increases as low-wage families in the first instance, but the increases would be offset by decreases in their provincial or territorial welfare cheques. The budget speech suggests that low-income families on welfare would wind up no worse off, but no better off, than they are under current arrangements.

The money that the provinces and territories would save on welfare when federal money replaces provincial and territorial money would be "reinvested" in programs for low-income families who are not on welfare. The amount of money that would be available for reinvestment is thought to be in the neighbourhood of \$500 million or \$600 million a year. The budget speech says the money could go to provincial income support or tax credit programs, child care, or supplementary health benefits for prescription drugs or dental care. An agreement still being

negotiated between the two levels of government would specify what kinds of programs are suitable programs for reinvestment by provinces and territories.

Details of the new arrangements are to be concluded by the middle of 1997, and the federal government hopes to introduce legislation in Parliament to enact the proposed new Canada Child Tax Benefit in the fall of 1997.

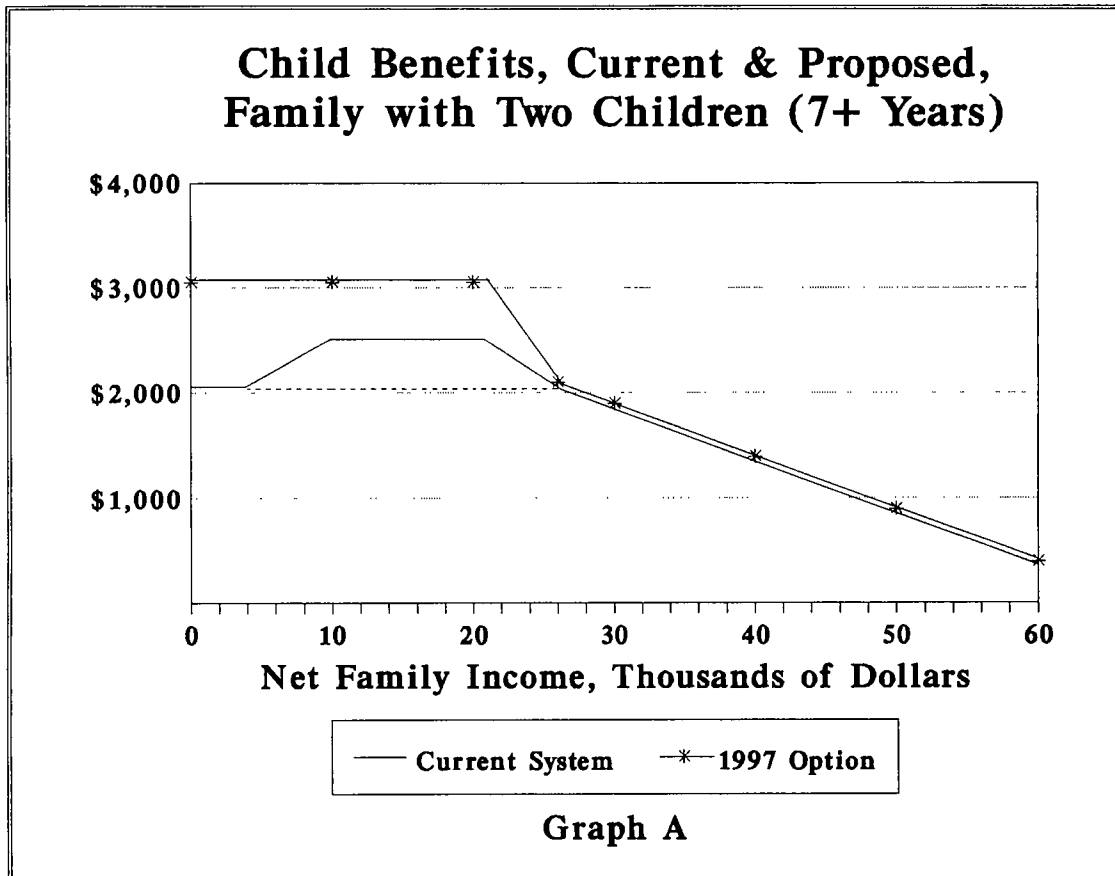
The new benefit would come into force on July 1, 1998, unless the federal, provincial and territorial governments reach an agreement on an earlier starting date. Between July 1 of this year and the start of the Canada Child Tax Benefit, there would be transitional arrangements that would affect benefits paid to low-income families with earned income. These changes are described in detail in the appendix of this report.

The Canada Child Tax Benefit would provide a maximum annual amount of \$1,625 for the first child and \$1,425 for each additional child for families with net family incomes up to \$20,921. A family with two children would get a total benefit of \$3,050, a family with three children would get \$4,475 and a family with four children would get \$5,900.

Families who do not claim the child care expenses deduction would get an additional \$213 for each child under seven, the same as they do under current child benefits. However, the working income supplement and the \$75 supplement for the third and every subsequent child in a family would both disappear under the new system.

Families with net family incomes in excess of \$20,921 would see their benefits decline and eventually disappear as their incomes rose. Middle-income families would get the same as they do under the current system, and their benefits would disappear at the same income levels as they now do.

Graph A shows the existing Child Tax Benefit and one possible version of the proposed new Canada Child Tax Benefit for a family of two children aged seven or older.



The plain line shows the current system. The maximum basic benefit is \$1,020 for each child, and the maximum working income supplement is \$500 a year per family for a total benefit of \$2,540. The working income supplement - the area of the graph above the dotted line - starts to fall once net family income tops \$20,921. The basic benefit starts to fall at net family income of \$25,921 and eventually disappears at net family income of \$66,721.

The line marked with stars shows one possible way that the Canada Child Tax Benefit might work, according to the 1997 budget speech and subsequent briefings by officials of Human Resources Development Canada. The exact design of the benefit has not yet been finalized.

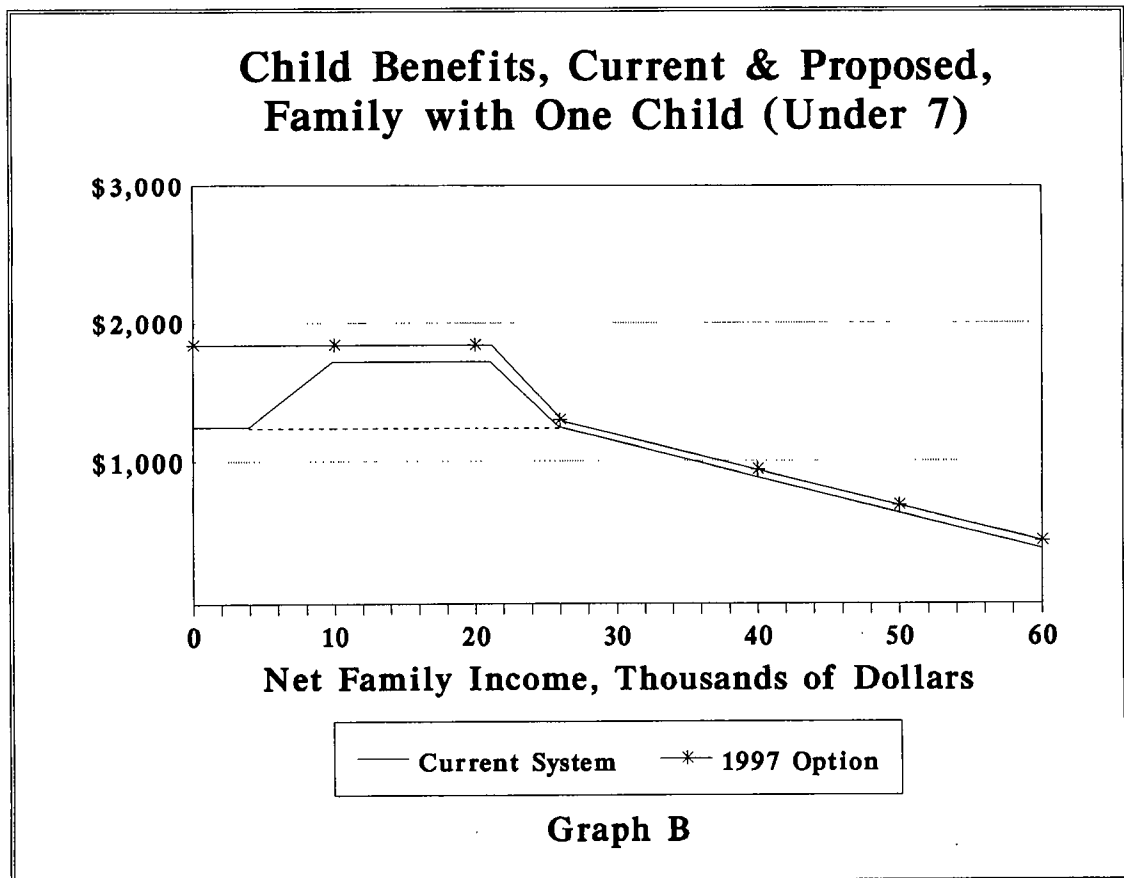
The 1997 budget proposals would do away with the working income supplement and provide a small increase in benefits for families with net family income up to \$25,921. The maximum benefit for the family in Graph A would be \$3,050 or an increase of \$510 a year over

the current system. Families with higher incomes would get the same as they do under the current system.

The proposed new system is relatively less generous to families with one child and relatively more generous to families with more than two children.

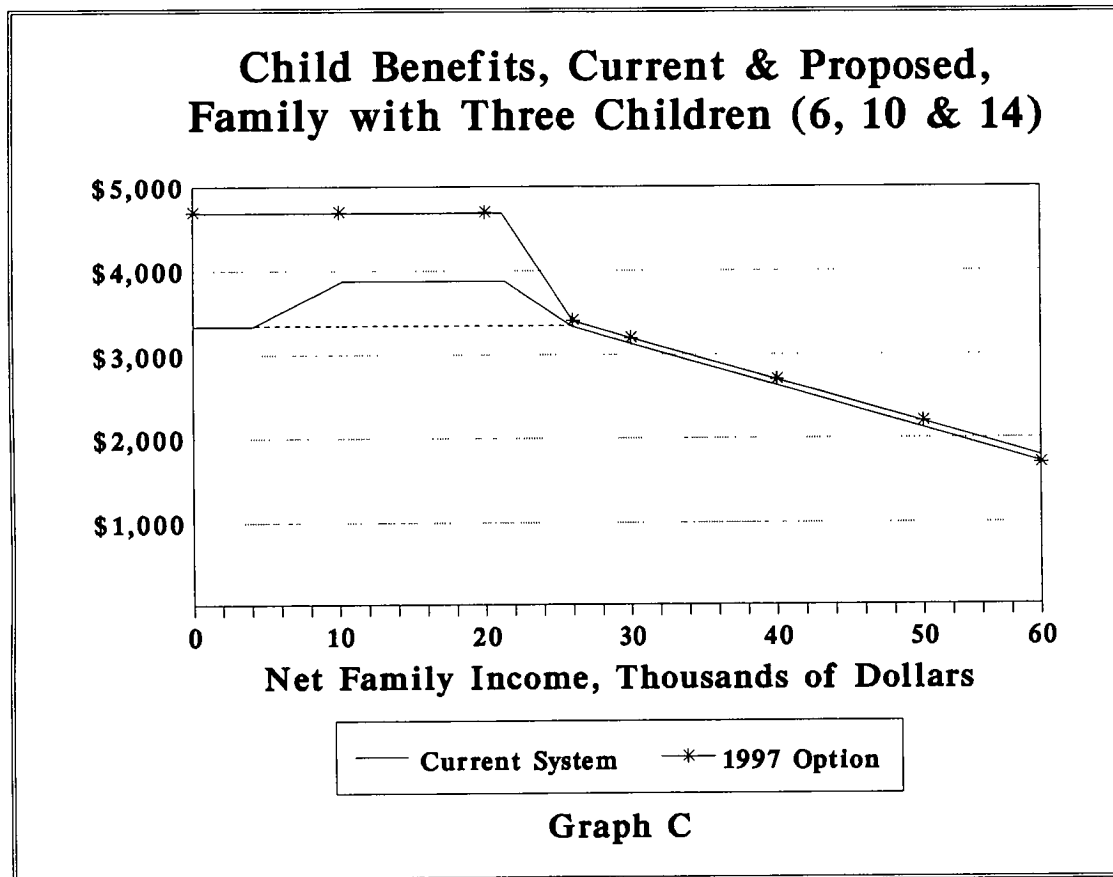
Graph B compares the current system and the budget proposals for a family with one child under the age of seven. The maximum benefit under the current system is \$1,020 plus a supplement of \$213 for a child under seven plus the working income supplement of \$500 for a total of \$1,733. The working income supplement declines after net family income reaches \$20,921 and the basic benefit disappears at net family income of \$75,241.

The maximum new Canada Child Tax Benefit is \$1,625 plus a supplement of \$213 for a child under seven for a total of \$1,838. The proposed new maximum would be a mere \$105 a year or 29 cents a day higher than the current maximum.



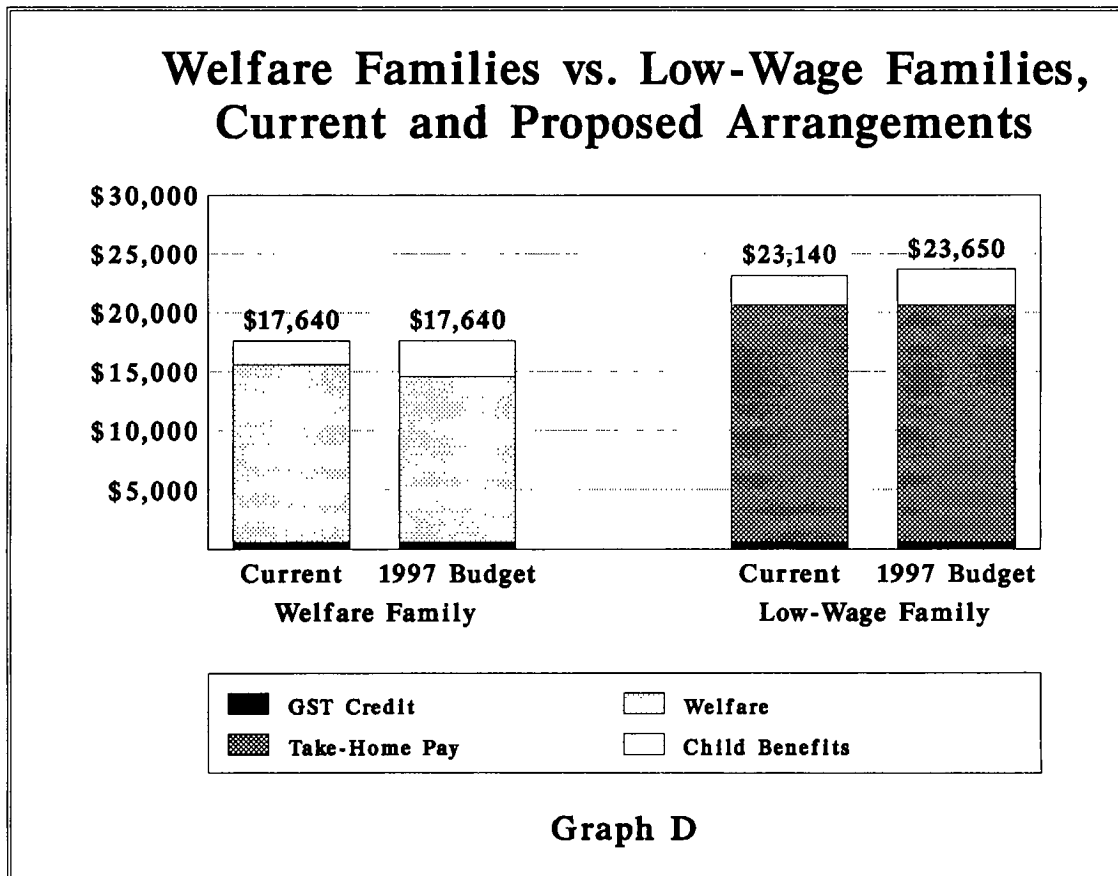
Graph C shows the current and proposed systems for a family with three children, aged six, ten and 14. The maximum benefit under the current system is \$1,020 for each child, a supplement of \$213 for the child under seven, a supplement of \$75 for the third child in the family and the working income supplement, for a total of \$3,848. Benefits decline as family income rises and disappear at net family income of \$92,881.

The proposed Canada Child Tax Benefit would consist of a benefit of \$4,475 for the three children and a supplement of \$213 for the child under seven, for a total of \$4,688. The maximum benefit would be \$840 a year higher than under the current system.



As mentioned earlier, one of the key features of the new system is the way the proposed new system would treat families with children on welfare and low-wage or working poor families with children.

Graph D shows sources of income for typical families under the current system of child benefits and under the 1997 budget proposals.



The two bars on the left side of the graph show a family of two adults and two children aged ten and 14 where welfare is the main source of family income. The tiny black portions at the bottom of each bar represent the federal GST credit. The white portions at the top of each bar represent federal child benefits, either the Child Tax Benefit under current arrangements or the proposed new Canada Child Tax Benefit. In the middle of each bar is the main source of family income - in this case, welfare paid under a provincial or territorial government program.

With the switch from the current to the new systems, the money from federal child benefits would go up, and the money from provincial or territorial welfare would go down by

the same amount. Total family income would stay the same - at \$17,640 a year for the example in the graph.

The scenario is different for the low-wage family shown in the two bars on the right side of the graph. In the switch from the old to the new systems, the family's GST credit and take-home pay would stay the same, but their child benefit from the federal government would go up by \$510 from \$2,540 to \$3,050, and their total disposable income would rise by the same amount from \$23,140 to \$23,650.

### **III. ISSUES OF CONTINUING CONCERN**

While the overall thrust of the reforms proposed by the federal, provincial and territorial governments is promising, the National Council of Welfare has numerous concerns about some of the details. This chapter outlines our concerns, and the concluding chapter restates them as recommendations to governments.

The Size of the Increases. The federal government seems to be ahead of its timetable for eliminating the deficit and putting Ottawa's finances in good order. Given the success of the Minister of Finance, the National Council of Welfare is puzzled by the very modest level of support for child benefits announced in the 1997 budget speech.

Past reports by our group and other social policy groups have suggested that increased funding in the order of \$2 billion a year is needed to make substantial inroads into child poverty. The 1997 budget speech set aside \$600 million in new money for the 1998-99 fiscal year, plus the increase of \$250 million a year announced in the 1996 budget speech for an eventual total increase of \$850 million a year.

As much as the National Council of Welfare welcomes increases in support for low-income families with children, we believe that the Minister of Finance should be doing more and should be providing the money earlier than announced.

Another possibility would be to modify the design of the proposed Canada Child Tax Benefit to direct more benefits to poor families with children and fewer benefits to well-to-do families.

As we saw in the previous chapter, some families with incomes well above average would continue to receive modest benefits under the new arrangements. We think the federal government should consider higher reduction rates for phasing out benefits as family incomes rise and using the money saved to increase benefits for poor families.

Better Treatment of Families on Welfare. Under the budget proposals, the increased federal money going into the Canada Child Tax Benefit for families on welfare is supposed to



be offset by reductions in provincial and territorial welfare benefits, and the money saved by provinces and territories is supposed to be reinvested in other programs for low-income families. The budget speech said specifically that the money would be reinvested in programs for low-income working families as opposed to low-income families who rely on welfare or other government income support programs.

Members of the National Council of Welfare are troubled by the suggestion implicit in the budget speech that working poor families with children deserve additional help from governments and families with children on welfare do not.

The reality is that people on welfare - including the children in families on welfare - are among the poorest of the poor in Canada. The vast majority of recipients are on welfare because of circumstances well beyond their control - the loss of a job, the loss of a spouse or parent, or the loss of good health.

We would much rather see any increases in federal child benefits retained by welfare families instead of being clawed back by provincial and territorial governments and reinvested in other programs. We believe the clawback and reinvestment strategy should be a last resort rather than a preferred alternative.

We believe there are also a host of practical problems with any requirement to limit provincial and territorial reinvestment to programs exclusively for poor working families. The main problem is that many low-income families move on or off welfare or employment insurance or other government income support programs in any given year. Trying to target programs only to working poor families is probably impossible.

For provinces and territories which insist on focusing their efforts on low-wage families, we believe there should be clear guidelines of which programs are suitable candidates for reinvestment and which programs are not.

One of the best possible investments would be additional money for subsidized child care for low-income families. The need for affordable, quality child care is great, and the demand far exceeds the supply.

Another worthwhile area is sometimes known as "early childhood interventions." The term covers a wide range of programs from prenatal care to home visiting programs for newborns and their parents to Head Start programs that have had impressive results in many parts of North America.

Beyond these types of programs, we would urge caution. Reinvesting money in the public schools system, for example, would certainly be helpful to children, but we believe it goes too far beyond the scope of the federal-provincial agreement that would accompany the Canada Child Tax Benefit.

A Long-Term Federal Commitment. One issue that was not mentioned explicitly in the 1997 budget speech was a continuing commitment to further improvements in child benefits from the federal government. The budget speech described the 1998 version of the proposed Canada Child Tax Benefit as a "down payment," but it offered no clues about the kinds of increases that might be available further into the future.

The National Council of Welfare believes the federal government would do well to expand its horizons on child benefits. It should have a financial plan for increasing its support for child benefits at least five years in advance.

Because the average depth of poverty is so large for families with children, it may not be possible to see huge reductions in the overall poverty rates for families with children. However, it is relatively easy to track the average incomes of poor families, and the federal government should commit itself to raising family incomes steadily over the next five years.

No More Federal Cuts in Social Programs. If the federal government is truly committed to improving the lot of poor families with children, it should stop making cuts in the social programs that it supports directly or indirectly.

The National Council of Welfare has been a vociferous critic of federal cuts that have a direct and disastrous impact on poor people. It strongly criticized the decision in 1990 to put a cap on federal support for welfare and social services under the Canada Assistance Plan in Ontario, Alberta and British Columbia. It was first time in our memory that a federal

government had insisted that the poorest of the poor had an obligation to sacrifice their own needs to help reduce the federal deficit.

When the federal government moved to eliminate the Canada Assistance Plan altogether in 1996 in favour of block funding for the provinces and territories under the Canada Health and Social Transfer, the Council described the move as the worst social policy initiative by the federal government in more than a generation. The move to the Canada Health and Social Transfer was accompanied by huge reductions in federal support for medicare, post-secondary education, welfare and social services collectively.

According to the 1997 budget plan, the estimated loss in the 1996-97 fiscal year was \$3.7 billion. The estimated loss in the current fiscal year is \$2.4 billion in addition to the \$3.7 billion lost in the last fiscal year. The total drop in federal support over the two fiscal years is \$9.8 billion.

The cuts announced in previous budget speeches have already added to the distress of poor people. It would be counter-productive in the extreme to provide additional help for families with children without a firm commitment that we have seen the last of the federal cuts in support for social programs.

No More Provincial and Territorial Cuts. If the federal government stops cutting its financial support for social programs, it is only fair that provincial and territorial governments do likewise.

As the National Council of Welfare reported in the 1995 edition of Welfare Incomes, many of the people on welfare saw their purchasing power decline in 1995, some due to the absence of cost-of-living increases and some due to actual cuts in benefit levels. The worst of the cuts were the reductions of 21.6 percent imposed by Ontario in October, 1995. Cuts elsewhere were less severe.

The National Council of Welfare believes any federal-provincial agreement on child benefits should include iron-clad guarantees against cuts in provincial or territorial welfare benefits of any kind. We further believe that the prohibition against cuts should apply to benefits for all welfare recipients, not just for welfare recipients with children.

In this regard, the example set by British Columbia last summer is disturbing. B.C. trimmed the incomes of welfare recipients in 1996 to help finance its new Family Bonus, a program designed to provide income support to working poor families with children.

The National Council of Welfare believes it is wrong in principle to take money from one group of poor people to give to another.

Full Indexation of the Canada Child Tax Benefit. One of the worst features of the existing Child Tax Benefit is the lack of full protection against inflation. The benefit is partially indexed to the Consumer Price Index, but it increases only for inflation in excess of three percent a year. Because of the partial indexing formula, the value of the benefit declined by nearly six percent in the four years following its introduction. The loss in purchasing power on the basic benefit of \$1,020 per child works out to \$59 in 1997 alone.

The threshold for maximum benefits - or the point where the benefit starts to decline as family income rises - is also only partially indexed. Among other things, that means that even modest increases in earnings for some parents can lead to a reduction in their Child Tax Benefit.

The 1997 budget speech did not say whether the new Canada Child Tax Benefit would be fully indexed, partially indexed or not indexed at all.

One encouraging precedent is the federal government's announcement last year that the proposed new Seniors Benefit would be fully indexed. Both the value of the benefit and the threshold for maximum benefits would rise in line with the Consumer Price Index.

The National Council of Welfare urges the federal government to ensure that the Canada Child Tax Benefit is also fully indexed. The federal government should encourage provincial and territorial governments to pass on the annual increases in the benefit due to indexing to all families - whether they are families on welfare or low-wage families.

Opening Closed Doors. One of the most disturbing and most unnecessary features of negotiations between the two levels of government on child benefits is the extreme secrecy that has characterized the opening months of the process.

Virtually everything was done behind closed doors. Outsiders had to guess at the kinds of options on the table, the scope of the negotiations, the timetable for steps along the way to the Canada Child Tax Benefit, and every other question of public policy associated with a significant shift in the way governments view benefits for children.

Secrecy has been a long tradition in federal-provincial negotiations, but it is a tradition that should be ended immediately. The National Council of Welfare believes that ordinary people have a right to know what kind of deals their elected representatives are making and what kind of reasonable alternatives exist. Armed with that kind of information, they have a right to make representations to their governments before new programs are set in stone.

We urge both levels of government to shed much more light on the process of making public policy. We believe at least some federal-provincial meetings on child benefits should be open to the media and the public at large. We believe all serious options being considered by governments should be made public in detail. We believe that the likely impact of the various options on ordinary Canadians should be described in detail. And we believe there should be a mechanism within the federal-provincial process to allow interested outsiders to make representations and to have those representations circulated to all the governments at the bargaining table.

## **CONCLUSION AND RECOMMENDATIONS**

The National Council of Welfare was pleased to see the federal government propose an increase - even a small increase - in child benefits in the 1997 budget speech. The true test of the federal government's commitment to children remains to be seen, however. The 1997 budget could turn out to be the first step in a serious effort to combat child poverty or it could fade into the background as little more than rhetoric.

The challenge ahead is huge, especially in light of the increases in poverty among families with children in recent years and cuts in a wide range of social programs that benefit poor Canadians. On the other hand, the 1995 poverty gap of \$6.6 billion for families with children was equivalent to less than one percent of the value of all the goods and services produced in Canada. That tells us that poverty can be beaten if the political will is there.

We sincerely hope that the "down payment" on child benefits in the budget speech turns out to be the first step to bigger and better programs for families with children. In that hope, we offer the following recommendations:

1. The federal government should make it a priority to find additional money to close the gap on child poverty as quickly as possible. It should set increased levels of federal support for child benefits for a minimum of five years into the future.
2. The federal government should consider redesigning the proposed Canada Child Tax Benefit to direct additional benefits to poor families with children.
3. Provincial and territorial governments should consider passing on the increases in federal child benefits to families on welfare rather than clawing them back and reinvesting the money saved.
4. Provincial and territorial governments which insist on clawing back benefits from welfare families should agree to clear guidelines for reinvesting money in other programs for families with children. They should also provide proof that the money reinvested in these programs is "new" money and not money that would have been spent anyway.

5. The federal, provincial and territorial governments should all stop cutting social programs for low-income Canadians.
6. Both levels of government should reaffirm their obligations to ensure a decent standard of living for poor Canadians, regardless of their family status, their sources of income or the reasons they are in need.
7. The proposed new Canada Child Tax Benefit should be fully indexed to increases in the cost of living.
8. Both levels of government should open up their discussions on child benefits and other issues of social policy to ordinary Canadians.
9. The Minister of Finance should correct the anomaly in the 1997 budget speech that would give families with one child a federal child benefit that is lower than promised a year earlier in the 1996 budget speech.

## **APPENDIX: TRANSITIONAL BENEFITS**

The 1997 federal budget speech provided a brief overview of a new system of child benefits that would take effect no later than July 1, 1998. The budget also cancelled improvements in the existing Child Tax Benefit that were due to begin on July 1, 1997, and announced a system of transitional arrangements leading up to the 1998 changes.

The changes in government policy relate to the working income supplement of the existing Child Tax Benefit. The 1996 budget proposed an increase of \$250 a family on July 1, 1997, and a further increase of \$250 a family on July 1, 1998. The 1997 budget proposed a different kind of working income supplement that would take effect on July 1, 1997, a supplement that would vary with the number of children in the family.

The working income supplement would be dropped entirely with the switch to the proposed new Canada Child Tax Benefit on or before July 1, 1998. The level of income support provided on July 1, 1997, would be the same as the level of support under the new child benefit.

Table 1 on the next page shows federal child benefits under the existing system, the 1997 transitional arrangements, and the new Canada Child Tax Credit in 1998.

The existing Child Tax Benefit includes a working income supplement of \$500 a family. Under the transitional arrangements for July 1, 1997, low-wage families would be eligible for a supplement of \$605 for the first child in the family, \$405 for the second child, and \$330 for the third child or each additional child.

The increase in benefits works out to \$105 a year or 29 cents a day for a family with one child, \$510 a year for a family with two children, \$840 for a family with three children and \$1,170 for a family with four children. No further increases in benefits would accompany the switch to the proposed Canada Child Tax Benefit.



<p style="text-align: center;"><b><u>TABLE 1</u></b></p> <p style="text-align: center;"><b><u>INCREASES IN BENEFITS PROPOSED IN THE 1997 BUDGET SPEECH</u></b></p>				
Number of Children in Family	Existing Child Tax Benefit	Transitional Arrangements, July 1, 1997	Increase in Benefits	New System, July 1, 1998
One Child	\$1,520	\$1,625	\$105	\$1,625
Two Children	\$2,540	\$3,050	\$510	\$3,050
Three Children	\$3,635	\$4,475	\$840	\$4,475
Four Children	\$4,730	\$5,900	\$1,170	\$5,900

The proposals in the 1997 budget speech were substantially different than those in the budget speech just one year earlier. The 1996 budget proposed increases in the working income supplement, but the supplement would have continued to be calculated for families as a whole, rather than according to the number of children in the family.

The unexpected and unexplained change in strategy from one year to the next has the effect of giving families with one child less money than they were originally promised by the Minister of Finance. Table 2 on the next page shows the anomaly in detail.

The family with one child now gets up to \$1,520 a year with the Child Tax Benefit and the full working income supplement. Under the 1996 budget proposals, the family would have got an increase to \$1,770 on July 1, 1997, and an increase to \$2,020 on July 1, 1998.

Under the 1997 budget proposals, the family would get an increase to \$1,625 on July 1, 1997, and no further increase the following July 1. Although the family would not suffer an actual cut in benefits, it would get \$145 a year less as of July 1, 1997, and \$395 a year less as of July 1, 1998, because of the changes proposed in the 1997 budget.

<p align="center"><b>TABLE 2</b></p> <p align="center"><b><u>CHILD BENEFIT PROPOSALS IN THE LAST TWO FEDERAL BUDGETS</u></b></p>							
		1996 Budget		1997 Budget		Budget to Budget Comparisons	
	Existing Child Tax Benefit	July 1, 1997	July 1, 1998	July 1, 1997	July 1, 1998	Difference on July 1, 1997	Difference on July 1, 1998
One Child	\$1,520	\$1,770	\$2,020	\$1,625	\$1,625	-145	-395
Two Children	\$2,540	\$2,790	\$3,040	\$3,050	\$3,050	+260	+10
Three Children	\$3,635	\$3,885	\$4,135	\$4,475	\$4,475	+590	+340
Four Children	\$4,730	\$4,980	\$5,230	\$5,900	\$5,900	+920	+670

Well-to-do Canadians might not notice a drop in family income of \$395 a year, but it means a lot to a poor family struggling to make ends meet.

Families with more than one child would be better off under the 1997 proposals, but the proposed increase for families with two children works out to a mere \$10 a year.

The National Council of Welfare believes the Minister of Finance should correct the inconsistent approach to child benefits in the 1996 and 1997 budget speeches for families with one child.

Budget speeches go to the very heart of confidence in the government of the day. When promises are made in one budget and rescinded in the next, it reflects poorly on governments and raises doubts about their ability to honour the commitments they make.

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## **NATIONAL COUNCIL OF WELFARE**

The National Council of Welfare was established by the Government Organization Act, 1969, as a citizens' advisory body to the federal government. It advises the Minister of Human Resources Development on matters of concern to low-income Canadians.

The Council consists of members drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income people, as well as educators, social workers and people involved in voluntary or charitable organizations.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, welfare reform, medicare, poverty lines and poverty statistics, the retirement income system, taxation, labour market issues, social services and legal aid.

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, 2<sup>e</sup> étage, 1010 rue Somerset ouest, Ottawa K1A 0J9.