

Family Allowances

Let me remind the minister of what the hon. member for Athabasca said earlier about the various percentages of people in the different income categories. If she looks at the statistics she will find that of the families with incomes of \$6,000 or less only 2 per cent have taken advantage of the registered retirement savings plan in this country. What I am saying is that the impression should not be left that there is a cut-off point at the \$26,000 income level. In fact, people with higher incomes can gain the benefits of this program because of the deductibility aspects of income tax. Those people with higher incomes in Canada, perhaps even in the top bracket, can still take advantage of this \$200 tax credit for each child because of the deductibility provision. They can get, if they have two or three children, \$200 or \$400 extra. I do not call that redistribution in favour of the poor.

Miss Bégin: Mr. Chairman, if one studies the items that can be deducted from gross income to arrive at net income one finds that the only items that can be questioned as not benefiting the "poor" or "small income" people are the RRSP and the RHOSP, the registered retirement savings plan and the home ownership plan. The other items, including the Canada Pension Plan contributions, unemployment insurance, dues to unions, child care, etc., are not questionable items.

The hypothesis which is put forward by the hon. member for Cape Breton-East Richmond regarding RRSP and RHOSP is that many people can benefit because they can deduct contributions under these programs from net income and suddenly become eligible for the child tax credit. That will not be the case. We have studied this very carefully, and for each dollar in savings under these two programs that is deductible in arriving at net income there will be only a five cent credit under the child tax credit. As a result, someone who can contribute the maximum under home ownership or a savings plan, which is \$1,000, would receive only \$50 maximum in child tax credit, which is limited to \$200 per child. This means that families with two or three children, the average in Canada, would get \$50 maximum. This would qualify a family with two or three children for \$400 or \$600 under the child tax credit. In other words, a very small proportion of the child tax credit would be "acquired" by a family with enough money to contribute the maximum under the home ownership or retirement savings plans. I am convinced that we are not opening the door to people who should not be receiving the money.

Mr. Hogan: Mr. Chairman, I thank the minister for that answer; I think I understand a little better now. I hope she is right in what she says because her last explanation made it a little more clear to me, and made a little more clear her intentions in this regard. I hope this turns out to be the case with members of the Department of Finance.

The only other observation I want to make, to be followed by a final question, has to do with the total social budget of the minister. I know that one minister in government can have no control over this type of thing because of cabinet pressures, particularly in a time of restraint. I am sure that the provinces will try to get around this. The minister has indicated that she

intends to carry out an educational program, and I am sure that those of us who believe in that tax credit system will do what we can to help out, mainly because we think this system is somewhat better than the situation we now have, and perhaps a step toward a guaranteed annual income when the economy picks up.

At this time our biggest problem results from slow growth or what the AIB has called a sluggish economy. It is comical to hear that body refer to the fact that an increase in interest rates such as the one just made will help inflation while at the same time it talks about restraints and a sluggish economy. If you substitute slow growth plus higher unemployment for the phrase "sluggish economy", then the board is praising the fact that the government is allowing this increase in already high interest rates along with increased restraint in order that we can have higher unemployment and slower growth. That is just an aside, but that is convoluted economy if I have ever heard it, and certainly poor social philosophy.

One of the things I am concerned about is the fact that at a time of government restraint CMHC is cutting back on such programs for the poor as the residential rehabilitation assistance program to the tune of \$29 million, and now the minister has indicated cuts in respect of co-op housing, all of which will hurt the poor and those on low income. What I am afraid of is that the totality of these things, in addition to changes in unemployment insurance which will make it tougher for young adults to enter the labour force, will have a negative effect on what the minister is trying to do.

As my final question I would ask what percentage of the total social sectoral budget, if I can put it that way, which is under the minister's care—and she mentioned something like \$300 million—is represented by this type of expenditure, what percentage does the total sectoral budget represent of the GNP, and what percentage is involved in this tax credit scheme?

Miss Bégin: I am not sure I have understood the question fully, but in the totality of the decisions made in August regarding the government budget, the result in respect of programs under national health and welfare, in what one could call the social sector under my responsibility, will be an increase in expenditure, but not an increase in taxes, of about \$290 million or \$300 million. That is the cost of the GIS increase. The child tax credit will finance itself within the system in the sense that it uses the savings through the cancellation of the \$50 child tax exemption, and the savings from the cancellation of the special privileges for the 16 and 17 year olds and from the reduction in basic family allowance. In this way it is self-financing within the system.

An hon. Member: What about the budget for social expenditures?

Miss Bégin: I think the important question is, does it reduce the percentage of social commitment or social expenditures in the total budget of the government, and it does not. The distribution is changed slightly in that we have changed the