Family allowances are taxed and recovered on the basis of individual incomes, which may result in families with similar total incomes receiving different benefits.

Delays in payment mean that modest income families, for whom the Refundable Tax Credit may represent more than half of federal child benefits, may have to wait more than a year to receive full credit. Thus, tax discounters flourish and families sacrifice part of their benefits to meet their immediate needs. I have some intimate personal knowledge of tax discounters from when I was a member of the Social Planning Council staff in Winnipeg.

The most compelling argument for change, however, is the most familiar one—inadequate support for low income families. Greater assistance is needed to help children in lower income families. A recent Senate report, as you will remember, spoke of the national disgrace of our Canadian children living in poverty.

Inadequate support creates barriers to work for low-income families. Families are faced with employment-related expenses and a possible reduction in social assistance when they choose to work. The proposed new Child Benefit, adding $400 million in federal benefits annually to the existing $4.5 billion in programs, has the following features, once the three programs are wrapped together.

The present Family Allowance, Child Credit and Refundable Child Tax Credit will be consolidated into one benefit paid monthly based on income reported in previous years that will be neither taxed nor recovered at tax time. All children under 18 will be eligible.

The proposed benefit will be subject to a reduction formula much like the existing Refundable Child Tax Credit. It would contain an earned income supplement of up to $500, much like that now available through the refundable GST credit. The base amounts set out in clause 12 of the bill at annual rates would be $1,020 for each qualified dependent; $75 for the third and subsequent dependent under 18 years; $213 per dependent under the age of 7, as well as an earned income supplement equal to 8 per cent of family earned income in excess of $3,750 to a maximum of $500 per year.

The supplemental amount for young dependents would be reduced by 25 cents per dollar of claimed child care expenses, while the earned income supplement would be reduced by 10 cents on the dollar per family income in excess of $20,921. The earned income supplement is phased out entirely at a net income of $25,921, the point at which child tax benefits start to be reduced.

After total benefit levels are determined, the result would be divided by 12 to establish monthly payments. The monthly cheque would be received by the eligible individual presumed to be the female parent who would have to be the principal caregiver and reside with the dependent.

To receive the benefit, an individual would have to file a tax return or some other form in lieu thereof. For example, tax benefits for the first six months of 1993 will be based on income earned in 1991 and, starting in July 1993, the benefits will be based on 1992 income. Every July thereafter, the payments will be updated to reflect the previous year's tax information.

All amounts will be indexed according to the "CP less 3 per cent" rule that applies to so many other tax and benefit measures.

According to government figures, the large majority of families will receive more assistance. Average annual benefits for families with incomes below $50,000—about 2 million families—will be $250 higher under the new system. Single parents will retain the present equivalent-to-married credit for their first child; this is worth an average of $1,445 in reduced federal and provincial taxes.

Changes in family status, marriage breakdown, birth of a child, et cetera, will be reflected in adjustments to monthly payments.

Mr. Ken Battle, the director of the Caledon Institute for Social Policy, as I mentioned, and Mr. Pat Johnson, the director of the Canadian Council on Social Development, listed some of the advantages. I want to quote some of the advantages of the latest proposal. Of course they had criticisms, but these are the advantages:

First, the new system will put the child benefit system on a fairer and more consistent family income basis. At present, there is a mish-mash, as Mr. Battle put it. The childcare expense deduction is based on the income of the lower-income spouse. The non-refundable credit and the Family Allowance are based on the income of the higher-earning spouse. And the Refundable Child Tax Credit is based on family income. This legislation, in this respect, is a good thing and a positive step forward.

Second, incorporating three major programs into one benefit responds to the long-standing criticism that the child benefit system is irrational and complicated. It is not a perfect attempt, but it is a response to this criticism.

Third, $400 million of new moneys, added to the $4.5 billion in 1992, will be put into child benefits each year over the next five years. In the present economic context, this is welcome news. It will also incorporate additional support for lower-income working families with children and will target assistance to those who need it most.

Critics of the new child benefit scheme have attacked the proposal on several grounds. I will not deal with all of them, but some of them are as follows: Family Allowance is no longer a universal program. However, in my view, this is not a sudden death. It is a death by a thousand cuts. Surely a system which has taxed back the benefit from the personal incomes of higher income families since 1974 is universal in appearance only, because, since it is taxable, it is selective in its real effect.

Another strong criticism is that, because indexation of the Child Tax Credit will be limited to changes in prices in excess of 3 per cent, families will get less and less every year.