

Family Allowances

● (1542)

Mr. Gordon Ritchie (Dauphin): The introduction of this bill, Mr. Speaker, gives scope for discussion on the effectiveness of allowances such as these, and an opportunity to debate the whole question of the redistribution of income from one group in the community to another, regardless of ability to pay, and in the process hoping to achieve a desirable result.

The previous speaker mentioned that she hoped that the middle income group would not have to bear the brunt of these proposed changes in the family allowance. Who else is there? It is only the middle income group that can afford to pay because they make up the vast bulk of the taxpayers. Even if you took all the assets of the very wealthy it would still not achieve the amount of money necessary to allow this income redistribution. We must look at it on the basis that the middle income earner will be the one to pay.

I have always thought that children's allowances differed from old age pensions in the sense that most families in receipt of the family allowance were also the producers and taxpayers in the community. Of course a few recipients of the old age pension will point out, quite proudly sometimes, that they are in receipt of the family allowance, but these people are usually a minority and looked upon with some awe in the community.

The main change proposed in the family allowance is that it is to be reduced from \$25.68 for each child under 18 to, I believe, \$20 as of January 1. However, it is to remain indexed on a yearly basis, and for this present year the rate of indexation rate was 7.5 per cent. The cost estimated for the fiscal year 1978-79 is \$2 billion, some 4 per cent of the gross federal budget for the country. The mere fact that 7.2 million children were encompassed in half as many families indicates it is a program that has a wide application.

The proposed tax changes will differ in a significant way when the redemption is reduced as of January 1, 1978, from \$840 to \$460 for those children who are 16 to 17 years of age. This, to me, is a negative proposal, as is the tax credit of \$50 per child that will be eliminated on the federal tax payable. It is an attempt to reduce the effect of the allowances payable on those who pay higher income tax. The most significant fact is the proposed refundable child tax credit which is to reduce taxes on a means test basis by up to \$200 per child. In cases where there are no taxes payable, a refund will be given.

These things raise a host of questions about which way this program is going, particularly whether or not this form of negative income tax, the \$200 direct payout, is a good departure from the accepted norm. I have worked with welfare people and low income people during much of my professional life, and while I am not greatly in favour of universal programs, I deplore this departure from the standard practice of universality. It seems to me that the payments should be made across the board to all families, regardless of their financial situation. Of course the family allowance is considered as income and is taxed at a marginal rate. This way there is not the feeling of alienation by middle class families who feel that for their hard work and efforts they are being unnecessarily penalized. Certainly it is not a good thing to have citizens in

the community feeling that the tax system treats them unfairly.

While in England some years ago, I noticed that there were a lot of letters to the newspapers from young women with children born at home, who had been unable to get into the hospitals. These women were complaining that they had to give birth at home while people on welfare were able to use the facilities of the hospital, due largely to the fact that midwives refused to work for welfare recipients in poor housing conditions.

The negative income tax to which I have referred will mean an exemption of \$200 per child, and many families will receive upwards of \$2,000 or more in one lump sum. Most people who deal with social welfare programs feel that one of the underlying problems with families on social welfare is their failure to budget properly for food, clothing, and other essentials. People who operate small grocery stores in isolated areas and deal with welfare recipients will tell you that the best thing that could be done for these people is to give them a course in how to shop for such things as, for example, foodstuffs, and fruit in season rather than in the off season. To hand out between \$200 and \$2,000 in one lump sum to these people is not a very good move because much of the money will not benefit the family greatly. The payout should be made in instalments, for example, on a monthly basis, and there should not be a massive outflow of cheques from the federal treasury on April 1, 1979. Perhaps the government is thinking of votes in the June election.

There are a couple of problems that I see with this negative income tax. One is obviously the expense involved in the administration of the program. People are always complaining about the vastness of the bureaucracy and how it is tying up good, productive people who could be better involved in other efforts which do not show up on tax forms. To set up the program will require an investigation of people's income tax files in order to ascertain the extent of the family need through last year's income. Presumably it will be based on the total family income, but with many wives working, and submitting separate income tax returns, the problem is doubled. There is also the fact that the government will be digging into people's personal income tax returns, a further intrusion into the financial affairs of families, not of corporations or the wealthy, but of the ordinary person.

Another factor to be considered is that the income tax return of an individual may bear little relation to a family's financial position. For example, they may have a low income but a large amount of assets, a situation which often occurs when the individual is self-employed. Where one lives is also important. A person living in a rural area may show a much lower cash requirement, but in fact they make a substantial living through their own efforts, what they raise on the farm, etc.

There is also what I call the underground economy. Some people have suggested that it amounts to 15 per cent of the total economy in the United States. In Canada it is probably higher because our income tax is greater. When I say under-