

Enhanced competitiveness, and its associated employment opportunities, should benefit Canada generally and enable families receiving social assistance and "working poor" families to leave poverty and achieve a higher standard of living. The Sub-Committee believes that full-time, well-paid employment opportunities are critical in the alleviation of child poverty.

4. The Tax and Transfer System

The Sub-Committee is of the opinion that poverty among Canada's children is unacceptable and must end. The Sub-Committee also feels that the federal government, through the tax and transfer system, must give greater recognition to the importance of our children. While all Canadian children are important and deserve recognition, the Sub-Committee feels that the situation of poor children, in particular, must be addressed. To this end, the Sub-Committee feels that some changes must be made to the tax and transfer system which supports families. The Sub-Committee feels that improving the situation of poor children should be the responsibility of all income earners, and that there should be a clear tax preference for families raising children, who perform a valuable service for all society.

First, the Sub-Committee feels that the non-refundable personal, married and equivalent-to-married tax credits, being of different values, do not treat everyone in an equitable manner. The Sub-Committee believes that, on the basis of equity, these credits should have an identical value.

Second, the Sub-Committee received much testimony regarding the Family Allowance benefit, in particular the partial de-indexation of its value in 1986 and the more recent social benefit reduction tax, or "clawback", for higher-income individuals. It has been estimated that under a fully-indexed system, since 1986 the Family Allowance benefit would have totalled approximately \$38.58 per child per month, rather than the 1991 value of \$33.93. Further, it has been estimated that by 1995, ten years of inflation will have reduced the Family Allowance benefit to \$35.65, compared to the monthly rate of \$47.75 per child had full indexation of the benefit remained.

This policy of partial de-indexation is also important with regard to the Family Allowance reduction threshold, which will fall steadily over time, affecting increasing number of families at lower and lower income levels. It has been predicted that by 1995 the threshold will have fallen to an estimated \$41,886 in constant 1990 dollars. The Sub-Committee recognizes the erosion in the value of the benefit over time and the manner in which the falling value of the threshold will affect increasing numbers of Canadian households. The Sub-Committee feels that while the Family Allowance benefit cheque is mailed to all eligible families, the treatment of the benefit as taxable income and the implementation of the social benefit reduction tax necessarily mean that the benefit is not, in fact, universal. The Sub-Committee believes that it would be preferable to deliver these moneys through an alternative measure, such as the refundable Child Tax Credit. The Sub-Committee recognizes that the Family Allowance program is redistributive, delivering greater benefits per child to poorer families, but feels that the moneys should be more highly targetted and suggests that an enhancement of the refundable Child Tax Credit is an appropriate mechanism.

Third, several witnesses expressed dissatisfaction with the Child Care Expense Deduction which, as noted earlier, is the only assistance available to most families in defraying child care costs. They feel that the Deduction is a regressive measure giving the greatest tax savings to high-income tax filers, and that it should be replaced with a more progressive measure, such as a tax credit.