

## CHAPTER 2: EXISTING BENEFITS AND THEIR IMPACT ON CHILDREN

### INTRODUCTION

In order to evaluate the impact on families of any changes to federal child benefits, it is essential to look at all government resources available to Canadian families at different income levels. The frequent interdependence of federal and provincial benefits must also be investigated.

The federal child benefits discussed in the 1985 Consultation Paper entitled "Child and Elderly Benefits" were the Family Allowance Program, the Child Tax Credit and the Child Tax Exemption. Families with children may also deduct child care expenses from their income tax, however, and federal money is transferred to the provinces for child care facilities. One-parent families may claim the Equivalent to Married Exemption for one of their children. Families may also receive Unemployment Insurance, Worker's Compensation and child and orphan's benefit under the Canada and Quebec Pension Plans. For the purposes of this report, the three child benefits mentioned in the Consultation Paper, as well as the Child Care Expense Deduction and the Equivalent to Married Exemption are considered the most important federal child benefits and will therefore be the focus of our discussions.

There is also a variety of provincial programs to assist families raising children, the vast majority of which are geared to low-income families. These programs include social assistance, supplements to the Family Allowance, subsidized housing and other programs. Families in different provinces may have similar incomes but experience a wide discrepancy in standard of living because of provincial variations in social assistance and the cost of living. Because of varying regulations for social assistance, provincial comparisons are difficult to make; some provinces, for example, offer only housing allowances while others provide subsidized housing as well. Provincial benefit levels may also vary by the number of children or their ages.

### FEDERAL PROGRAMS

#### A. Family Allowance Program

Initiated in 1945, the Family Allowance (FA) Program was designed to help parents to meet the cost of raising dependent children (initially those under 16 years). Monthly payments are mailed to the mother or the custodial parent or guardian.

From 1974 to 1982, FA rates generally increased with the Consumer Price Index. It must be noted, however, that in January 1976, Family Allowance payments were frozen at 1975