

amount of the cheques may vary from province to province, depending on provincial legislation, family allowances will continue to be sent by the federal government directly to families. Of course, a province may pay its own allowances as it sees fit. I should also like to draw attention to the fact that if a province chooses to have a \$12 allowance paid in respect of children in a certain age group or in respect of a certain size of family, it will be necessary to pay more than \$20 in respect of other children in order that a \$20 average can be achieved. The provision to permit the provinces to vary the rates of family allowances flows from the fourth principle enunciated in the Speech from the Throne, namely:

It must be recognized that Provinces may wish to have the structures of social security vary in accordance with the social needs, income standards and the cost of living in different communities.

Mr. Speaker, this is consistent with recommendation No. 84 of the Special Joint Committee of the Senate and House of Commons on the Constitution of Canada. I should add that the approach of having two parallel sets of laws governing social security transfer payments represents a significant innovation in constitutional arrangements as well as a new and, hopefully, continuing phase of federal-provincial cooperation.

Two provinces to date—Alberta and Quebec—have indicated their intention to take advantage of this “flexibility formula”, and all provincial ministers of welfare have welcomed the federal government’s initiative to give this increased flexibility.

The government has proposed in this bill that the minimum allowance that can be paid in respect of any child must be 60 per cent of the national norm. We have selected this percentage figure taking account of the recommendation of the Special Joint Committee of the Senate and House of Commons on the Constitution that, where a province wishes to vary the benefits paid to individuals under federal programs involving demographic grants or guaranteed income payments, such benefits should not be less than a certain percentage—the committee suggested perhaps one-half or two-thirds—of the amounts that would be paid under the scheme proposed by the federal government.

I should also mention, Mr. Speaker, that the bill contains a provision to pay a special allowance of \$20 per month for the care and maintenance of children who are maintained by provincial governments or agencies of provincial governments in institutions or in foster homes or who are maintained by private institutions.

The principle underlying the new family allowance program is that the allowance represents a supplement to family income. Logically-speaking, therefore, we should not be paying an allowance in respect of children maintained by provincial governments in foster homes or institutions or maintained in private voluntary institutions. There are other provisions to cover the costs for such care, such as the Canada Assistance Plan. However, I have received strong representations to the effect that we would be discriminating against already disadvantaged children in institutional care if we were to eliminate the allowances now paid. Consequently, the government has decided to ask Parliament to approve payment of a special

Family Allowances

allowance of \$20 to be paid for the care and maintenance of these 58,000 children.

Moreover, we propose to include children in the care of those private voluntary institutions that have been approved by a provincial government. This will mean that allowances now will be paid in respect of an estimated 9,000 children maintained in private voluntary institutions and for whom payments are not made under existing legislation.

In order to avoid discriminating against children residing with foster parents, we propose that the special allowance cheque be sent directly to the foster parent in the same way that a family allowance cheque is sent to a regular parent.

● (1620)

[English]

Turning to the matter of costs, the proposed new family allowance program will result in an annual total cost of \$1,830 million. This may be compared with the \$640 million which was being expended annually on family and youth allowances prior to the October increase. However, we are also proposing that the family allowance should be treated as taxable income in the hands of the parent who claims an exemption for the child for income tax purposes. The estimated tax recovery will be \$350 million to the federal treasury and a further \$115 million to provincial treasuries, as a result of the tax-sharing agreements. Consequently, the net additional cost to the federal treasury of the new allowances will be \$840 million, for a total net cost for the whole program of about \$1,365 million.

I should stress that the proposal to tax the family allowance will mean that if a province does not vary the rates and an allowance of \$20 is paid, only a very limited number of taxpayers with very high taxable incomes, for example, those with taxable incomes of over \$40,000 whose children are 16 and 17 years of age, will suffer some loss compared with their existing family and youth allowance payments. Obviously, the situation may be somewhat different in those provinces which decide to modify the configuration of family allowances. The taxation of family allowances will bring them into line with the tax treatment accorded to other income security payments, such as Old Age Security, Canada Pension Plan benefits and Unemployment Insurance.

It will also be recalled that the Economic Council emphasized the need to concentrate family allowance benefits on the poor. The Family Income Security Program, or FISP, which my predecessor brought before this House last year, was designed to provide greater benefits, the lower the family’s income. In the Speech from the Throne, and in my January 11th speech, the government’s intention of bringing forward a new family allowance program which would concentrate the greatest benefits on those families with the lowest incomes was clearly stated. By taxing family allowances we will bring about a substantial degree of selectivity in the amount of the benefit, because a large part of the allowance will remain in the hands of those who need it most—the lower income families who do not earn sufficient income to pay taxes or who earn just enough to be taxed at the lowest marginal tax rate. On the other hand, families in the higher income tax