

They regard universal programs such as family allowances, Old Age Security, the Canada Pension Plan ...as the indispensable and hard-won foundation upon which rest selective social programs geared to families and individuals in financial need. All Canadians, no matter where they live and what their income, benefit from universal programs at some point in their lives. Abandoning the principle of universality in so prominent a benefit as family allowances would weaken the foundation of Canada's social security system. Over time, taxpayers' support for social spending would decline and people who have to turn to selective programs for financial assistance would suffer as a result.

Universal programs serve all Canadians who share a commonplace characteristic which is not related to financial need. The family allowance goes to all families with children under the age of 18, Old Age Security to all men and women 65 and older, and unemployment insurance to all the unemployed. Canadians from different income levels share alike in these universal benefits. Therefore universal social programs unite Canadians and foster a sense of community...

Universal family allowances also have been defended on the grounds that they 'belong to women'. According to this popular argument, family allowances are the only source of income to which all Canadians mothers are entitled as a right. There are cases, even in affluent families, where husbands refuse to provide adequately for their wives and children. As long as matrimonial property laws deny married women an equitable share of their families' financial resources, it would be unreasonable to take away from them a long-standing right like family allowances on the assumption that their husbands' income is also their own.

The universality debate has now taken on an historical and theoretical air. The 1989 federal budget effectively did away with universal family allowances and old age pensions in proposing a clawback, which will tax back all of the benefits from higher-income parents and pensioners.

In order to comprehend the clawback, we first must understand how the old family allowance operated. Critics of universal family allowances often ignore the fact that, while families at all income levels receive the same amount for each child, poor families end up with larger benefits than do middle-income families and affluent families get the least. Since 1973, family allowances have been taxable in the hands of the father (changed a few years ago to the higher-income spouse, which still usually means the same thing).

For instance, a welfare poor family which pays no income tax kept the full family allowance payment (\$400 per child in 1990); a working poor one-earner family with income of \$20,000 paid back on average 26 percent of its family allowances through the income tax system, leaving it with a net (after-tax) benefit of \$295 per child or 74 percent of the gross payment; a middle-income (\$50,000) family ended up with \$239 per child or 60 percent of the gross payment; and an upper-income (e.g., \$75,000) family got \$220 or 55 percent of its family allowances.

Lower-income and (at first) most middle-income families with children will continue to receive the same after-tax family allowances. However, higher-income families now have their family allowances further reduced by an additional tax in the form of the clawback.

The clawback affects families in which the higher-income parent's net income is \$50,000 or more, taxing back family allowances at a rate of 15 percent for every dollar of income over that \$50,000 threshold. For example, families with two children will lose all of their family allowances once the higher-income parent's income exceeds \$55,240. (The clawback is being phased in by one-third in