

Family Allowances Act, 1973

Mr. Hovdebo: I am glad the Hon. Member brought that up. The defence of this Bill by both himself and the Minister of National Health and Welfare has been that the selective part of their Program, the Child Tax Credit Program, will take the place of the money that these people are not going to get from Family Allowances. The Minister said that in her speech yesterday, and so did the Parliamentary Secretary. They said, we will take care of everybody with the tax credit, even though they will lose some money. But tax credits are selectivity. Therefore, they are backing away from universality on this Program.

One of the arguments about selectivity is that it is more efficient. The Minister in this case has made the assumption that more selectivity means more efficiency in the provision of social programs, such as Family Allowance. This appears to have been accepted by both the Liberals and the Conservatives.

The Canadian Council on Social Development has challenged this assumption. The Minister argues that efficiency is a cost of universality.

Miss Bégin: I never argued that.

Mr. Hovdebo: On the other side of that same argument, the Minister of Finance (Mr. Lalonde) argues that more selectivity enables the Government to target benefits to those who really need them, and at the same time they can save some money. But is selectivity really more efficient? Since 1974, when Family Allowances were made taxable, a portion of the Family Allowances have been returned to the federal Government and to the Provinces, through the tax system. To the extent that the tax system is progressive, it represents the principle of means testing which already operates within the system in regard to Family Allowances, but it is a hidden system which does not denigrate the people who are affected by it.

The Department of National Revenue already employs a small army of public servants whose work it is to administer taxes, to take back from those with relatively higher incomes relatively larger portions of the Family Allowance which they have received. To administer an additional form of selectivity, which is the tax credit, takes another army of civil servants, and payment of that group of civil servants must be subtracted from the savings which could be effected. Even the cut-off level will require a section established in the National Health and Welfare Department to process and monitor claims. Therefore, it does not appear that the process is that much more efficient than the process already in place.

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There are other ways of doing this which might be more efficient. For example, if we desire to cut off high income earners entirely, there is a simple way of doing that. On page 4 of the income tax form, after the net tax payable has been calculated, an additional item can be added requesting that one who pays high income tax add on Family Allowance received directly to the tax payable, in lieu of showing it as

income. This super taxation of Family Allowance was used from 1935 to 1947, at which time it was again taken off.

The Canada Council on Social Development, to its credit, has publicly opposed the proposal made by the Government with regard to the increased selectivity of Family Allowance through the tax credit. It has provided some figures on cost savings that are contemplated. Using the Child Tax Credit as a method of assessing the need, the Council argues that 70 per cent of the families receive the Child Tax Credit. The saving would be 30 per cent less than the amount taxed back, or 15 to 20 per cent of the total expenditure.

If we project the 1982 Family Allowance expenditure, it will be approximately \$2.16 billion. After taking off the cost of administration and the six and five program reduction, the Government might save around \$300 million. There are 3.6 million families which receive the Family Allowance and 2.5 million who receive the Child Tax Credit. That number will likely increase if the six and five program is put into effect. With that \$2 billion spent on Family Allowance and adding the increased tax credit, the saving amounts to 1 per cent of the total expenditure for Family Allowance. A lot of heartache and a lot of poverty will result from a 1 per cent saving. Where are the priorities of this Government?

Mr. Schroder: I would like to point out to the Hon. Member that the purpose of this Bill is not to save the Government money but to stimulate economic recovery so that those people receiving—

The Acting Speaker (Mr. Corbin): Order. That is definitely not a point of order. It is debate.

Mr. Anguish: He is also incorrect.

Mr. Hovdebo: One of the ways to stimulate the economy would be to give people more money to spend. This reduction for families that need it most will hurt. This money does not stay in their pockets or go into the bank. It is spent that day or the next day. Families that are destitute or close to being destitute are dependent on the Family Allowance. The moment they get that money, they use it. That is the kind of stimulation we need, not a reduction in the amount they are given.

Previous speakers have shown the effects of reducing the indexing of Family Allowances and how this will affect low income families. The Parliamentary Secretary pointed out another factor. If you take money away from people, they do not have it to spend. The reason this Bill is being brought forward is so that more money will be spent, and this in turn will stimulate the economy. The Parliamentary Secretary's logic requires a little refinement. I will not spend time documenting further the effect of this reduction of income for families who need it.

After the indexing is resumed in 1985, the allowance will be \$391 for each child rather than the \$429 it would have been without the June budget. Adding on the Child Tax Credit, low and middle income families will receive \$742 per child in 1985, \$38 less than they would have received without the budget.