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Canadian Social Policy Renewal and
The National Child Benefit

Mr. Bill Warriner
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**Canadian Social Policy Renewal
and The National Child Benefit**

Mr. Bill Warriner
SIPP Government of Saskatchewan Senior Fellow
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The Scholar Series

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For his public lecture, Mr. Bill Warriner, the 2004-05 Government of Saskatchewan Senior Fellow, examines social policy development, exemplified by the National Child Benefit, and demonstrates the connection between the general economic and social pressures associated with international economic integration and the particular social policy challenges and specific programmatic responses as they were expressed through the Social Policy Renewal initiative and the development of the National Child Benefit.

Mr. Ian Peach
Director, Saskatchewan Institute of Public Policy

Canadian Social Policy Renewal and The National Child Benefit

Bill Warriner

SIPP Government of Saskatchewan Senior Fellow

Introduction

Over the past thirty years or so, a dynamic and increasingly competitive process of globalization and international market integration has effected unprecedented changes, which have both stimulated and conditioned the need for economic and social restructuring. Technological change, enhanced communications and transportation, increased trade and investment, deregulation and privatization are all factors that define the current and emerging environment, and they have substantial implications for economic and social policy in areas such as intergovernmental relations, economic development, industrial adjustment, education, training, employment creation, social security, health care and welfare services.

The nature and impact of these dramatic changes have been controversial. Globalization of the market economy in the absence of an effective supra-national governance structure, and the associated intensification of economic competition, has encouraged a “race to the bottom” and promoted a mal-distribution of costs and benefits. This has contributed to increasing income inequality, undermined population health and well-being, and presented challenges for economic and social adjustment (Grinspun, 1993; Burtless, Lawrence, Litan, Shapiro, 1998).

In addition, the competitive consequences of international trade liberalization and market integration have made it difficult for governments to maintain social policy initiatives to protect or promote population health and well-being. Increasing rivalry by governments for economic development investment and job creation, and pressures to maintain or increase the competitiveness of national enterprises, have constrained the use of labour legislation and other social policy measures to address the detrimental effects of intensified competition and economic restructuring. Furthermore, government interventions to increase productivity and enhance competitiveness, and the limited implementation of effective labour force adjustment measures, have contributed to the deterioration of living standards, especially for low-skilled workers and their families (Banting, 1987; Battle and Torjman, 1995; Echenberg, 2004; Splene, 1987; Yalnizyan, 1993).

In Canada, the labour market impact of economic restructuring has contributed to persistently high poverty rates and increased the need for social assistance and other government transfers to maintain income levels among the poorest segment of the population. By the early 1990’s, about one in eight Canadians were receiving social assistance and about 20 percent of Canadian children were living in poverty.

In an environment of intensified international competition, there are pressures to maintain a low-wage economy. However, wage rates that are so low that they barely provide for the subsistence of individual workers are insufficient to support families with children. Increasing minimum wage rates is neither consistent with maintaining a low-wage economy nor is it an economically efficient means to address the income needs of low-income families with children. In addition, welfare programs and social security programs were designed to provide short-term relief, usually

associated with temporary or cyclical unemployment, for a relatively small portion of the population. Such programs are not appropriate for addressing the higher levels of poverty related to low-wage employment and long-term structural unemployment that have emerged.

During the mid to late 1990's, the prospect emerged for major reforms in Canada's social programs. There was real pressure for social and economic adjustment. Child poverty, in particular, presented a pressing social and political issue. Alternative measures were required to supplement insufficient employment incomes and provide assistance to low-income families with children. In addition, the national unity issue encouraged a political desire to demonstrate that the federation could work to address social and economic pressures, and there was substantial interest in redefining the roles and responsibilities of provincial and federal governments as provinces sought greater influence over the application of the federal spending power. All this contributed to a political environment with the potential for change.

The 1995 Federal Budget became a catalyst for social policy reform. In an attempt to limit the fiscal deficit, the federal government reduced financing for social programs and shifted costs to provincial and territorial governments through the creation of the Canada Health and Social Transfer. This exacerbated existing financial pressures on the provincial and territorial governments and precipitated a provincial/territorial initiative to lead a process of inter-governmental collaboration to reform and renew Canadian social policy.

The resulting Social Policy Renewal initiative established a framework for intergovernmental collaboration and cooperation, established precedents for intergovernmental relations, addressed issues of federal and provincial/territorial roles and responsibilities, and defined measures for ongoing policy development. It resulted in significant developments in Canadian social policy including the National Child Benefit, the National Children's Agenda, and the Social Union Framework Agreement, and it established a context and direction for future discussions on Canadian social policy.

The Social Policy renewal initiative is of particular interest because it was a major pan-Canadian endeavour that required substantial commitment and resources by the federal and the provincial/territorial governments, and demanded a high degree of intergovernmental organization and cooperation that was unanticipated in an environment of heightened federal-provincial animosity. The Social Policy Renewal initiative raises numerous questions about the effects and implications of international economic integration, the role of governments in facilitating social and economic adjustment, and the specific structures and mechanisms that link political and bureaucratic mandates to effect policy development in the interests of common objectives. All of these matters deserve to be examined. However, this document is limited to the more focussed objective of reviewing the events of the Social Policy Renewal initiative from 1995 to 1999, and documenting the intergovernmental process by which the federal and provincial governments and their bureaucracies came to develop the National Child Benefit. The information contained in this document has an intergovernmental relations perspective and is largely based on government documents and statements.

This examination of social policy development, exemplified by the National Child Benefit, demonstrates the connection between the general economic and social pressures associated with international economic integration and the particular social policy challenges and specific

programmatic responses as they were expressed through the Social Policy Renewal initiative and the development of the National Child Benefit.

The National Child Benefit

Background: Development of the Child Benefit Concept

The idea of income assistance for families with children comes from the recognition that wage rates are not related to family size and that incomes from low wage employment are not sufficient to provide the necessary subsistence or socially acceptable standard of living for families with children. This issue was recognized as early as 1918 when the Government of Canada introduced the Child Tax Exemption, Canada's first child benefit and one of its first social programs. The Child Tax Exemption provided income tax savings that varied in relation to taxable income and number of children. However, parents without taxable income were not eligible for benefits because they paid no income tax and, as a result, the poorest families did not benefit from the program.

In 1943, the Marsh report, *Social Security for Canada*, observed that family size and the inflexibility of wages were the main factors affecting the ability of families to provide for adequate maintenance and health. The Report indicated that if family income was at least moderate or adequate, the situation could be addressed through federally administered family allowances (Marsh, 1943). The proposed family allowance would not be sufficient to alleviate poverty in low-income families, but it would contribute to meeting a subsistence standard of living.

In addition to the positive effect of family allowances for maintaining the wellbeing of children and families, there were other economic arguments that supported the general concept of family income support. These arguments are related to concerns about global trade and international competition, pressure to increase labour productivity by suppressing wages, and the role of family allowances in facilitating a low-wage economy. On this, it has been observed that "Government interest in the concept and principle of family allowances was raised because of its commitment to its anti-inflationary price and wage stabilization policy" (Kitchen, 1987), and "to deflect trade union pressure to lift wartime wage controls and allow wage increases for low-paid workers" (Moscovitch and Drover, 1987). This point has been documented in reference to Government of Canada Finance Department files from 1943 which note that "children's allowances are the most direct and economic method of meeting the current strong demand for relaxation of wage control in respect of the lower wage rates" and that "Children's allowances are likely to protect Canada's ability to compete with other countries in world markets. In the long run minimum wages and average wages are likely to be pushed higher in the absence of family allowances..." (Finance Files, June 14, 1943, in Ursel, 1992).

In 1944, the government of Canada, aware of the Marsh proposal and other economic considerations, and certainly influenced by Keynesian fiscal policy as a means to maintain employment and increase purchasing power, introduced the universal Family Allowance program to assist families in the support of their children. In considering the rationale for the Family Allowance, it has been observed that the social and economic significance of family allowances "rests on the impossibility of providing for the needs of children through a wage and a social security system that fails to take into account the varying sizes of family units" (Kitchen, 1997).

Support for the Family Allowance legislation also referred to Keynesian economic principles, which regarded family allowances as an effective means to stimulate the economy by increasing the spending capacity of those with the highest propensity for consumption (Kitchen, 1997).

Throughout the post-war period there have been various programs designed to provide income assistance to low-income families with children, including programs such as family allowances, children's allowances, child tax benefits, family income supplements, and working income supplements. The Social Security Review of the early 1970's revisited the issue of inadequate incomes and considered the need for public measures to assist families. Several important reports of the time addressed income security matters, including child poverty. Key reports included: *Income Security for Canadians* (1970); *Poverty in Canada, the Report of the Special Senate Committee on Poverty* (1971); *Working Paper on Social Security in Canada* (1973); and the *Federal-Provincial Social Security Review Background Paper on Income Support and Supplementation* (1975).

Notably, the 1971 *Working Paper on Social Security in Canada* proposed a model social security system that included family income supplementation for those working at or near the minimum wage and whose incomes were inadequate by reason of family size. It was suggested that family income supplementation could take the form of a universal family allowance or targeted, income-related supplement. Specific proposals to address child poverty were advanced in 1975 by the federal-provincial Working Party on Income Maintenance. These options included: increased family allowances, the income-tested child allowance, and the refundable child tax credit.

Federal income tax provisions were revised during this period to increase benefits to families. In 1973, the Family Allowance was tripled, indexed to the cost of living, and made subject to income taxation. In 1978, the government of Canada introduced the Refundable Child Tax Credit program that, for the first time, used the personal income tax system to deliver benefits to families based on income and family size. The use of the tax system in this way to deliver social assistance benefits provided the administrative precedent for subsequent initiatives, including the National Child Benefit.

In 1985, the *Report of the Royal Commission on the Economic Union and Development Prospects for Canada* advocated a universal income security program, which would have paid a basic income supplement to all Canadians. It was proposed that this program could be funded through the elimination of family allowances, child tax credits, married and child tax exemptions, federal social housing programs, and federal contributions to the Canada Assistance Plan. The Report made an explicit connection between income supplementation and minimum wage regulation as alternative means for addressing poverty, arguing that a universal income security program would provide a wage subsidy for very low-wage workers and that it would become less important to maintain high levels of minimum wages.

The Conservative government of the time was inclined to reduce or redirect social security expenditures and introduce "proactive" labour force adjustment measures rather than consider universal income security. In 1985, federal child benefit programs were partially de-indexed, and in 1989 the federal government began to tax back Family Allowance benefits from families with higher incomes. The government was sharply criticized for these and other cutbacks in social

programs, and was accused of “social policy by stealth” for the means by which program reductions were imposed (Battle, 1990).

In 1991, the Report of the Standing Senate Committee on Social Affairs, Science and Technology, *Children in Poverty, Toward a Better Future*, included recommendations for alleviating child poverty, including: federal government implementation of either a national child benefit (consisting of the Family Allowance and an enhanced Refundable Child Tax Credit) or an enhanced Refundable Child Tax Credit. Significantly, both options would be financed partly through the elimination of provincial welfare-delivered child benefits. The Senate report contained the first options for a national child benefit that included an estimation of potential costs. Also in 1991, the Report of the Standing Committee on Health and Welfare, Social Affairs, Seniors and the Status of Women, *Canada’s Children: Investing in Our Future*, outlined a plan to eliminate child poverty by the year 2000.

In 1993, the federal government introduced a new Child Tax Benefit that replaced Family Allowances, the Refundable Child Tax Credit and the Non-Refundable Child Tax Credit. This benefit was paid monthly but, like the programs it replaced, it was only partially indexed. The Child Tax Benefit included a Working-Income Supplement that paid up to \$500 per family for lower-income families with employment earnings above \$3750. The subsequent refinement of this approach to facilitate the cooperation and coordination of the federal tax system with the provincial social security systems would establish the necessary infrastructure to support the National Child Benefit.

In 1994 the federal Social Security Review discussion paper, *Improving Social Security in Canada*, proposed options for the reform of child benefits, including an integrated federal-provincial child benefit (the basic structure of what would later become known as the National Child Benefit). In particular, the supplementary paper, *Income Security for Children*, argued that the primary means of addressing child poverty should be to strengthen the capacity of parents to earn income, and that measures to enhance the employability of low-income parents and reduce barriers to work would reduce the incidence of poverty among children. The paper identified three possible approaches: 1) enhanced and re-targeted Child Tax Benefit; 2) integrated federal-provincial child benefit; and 3) enhanced Working Income Supplement.

In early 1995, the *Report of the Standing Committee on Human Resources Development, Canada: Security, Opportunities and Fairness* identified three broad priorities: increasing pressures on Canadian families and the unacceptably high number of Canadian children living in poverty; challenges facing Canadian youth and the need for more effective support, particularly in making the transition from school to work; and the needs of unemployed and underemployed adults, especially those coping with major shifts in the economy. The Standing Committee concluded that social security must include, as a fundamental priority, a comprehensive and unwavering commitment to reducing child poverty and improving the quality of life for Canadian children. The Committee recommended that the federal government enhance the Working Income Supplement and work with the provinces and territories to create a new integrated benefit for children of low-income families.

At the provincial level, an important influence was the Ontario Social Assistance Review Committee proposal that federal and provincial governments integrate their income support and

social assistance benefits for families with children and create a new program, outside the welfare system, to provide benefits for children in low-income families. This proposal informed subsequent work toward an Ontario Child Income Program and provided important conceptual support for a national approach to family income support.

In 1993, the Ontario Ministry of Community and Social Services released a policy paper entitled *Turning Point: New Support Programs for People with Low Incomes*. This document asserted that social assistance was not an effective means of addressing child poverty, and proposed an Ontario Child Income Program, to remove children from the welfare system and replace social assistance with a new child benefit. Under the proposed Ontario Child Income Program, all low-income families would be eligible for benefits, dependent on level of income and the number of children. The Ontario Child Income Program was never implemented, due mainly to cost constraints, but it affirmed the concept of providing children's benefits outside the welfare system, and it provided a useful policy precedent for discussions toward the development of the National Child Benefit.

Development of the National Child Benefit

In 1989, just under 15 percent of Canadian children lived in families with incomes below the Statistics Canada low-income cut-offs. The issue of child poverty appeared to be manageable and, in a unanimous gesture of optimism and good intentions, the Canadian Parliament adopted a resolution to "seek to achieve the goal of eliminating poverty among children by the year 2000". By 1993 the extent of poverty in Canada had increased substantially and 21 percent of children were living in families with incomes below the Statistics Canada low-income cut-offs. Government policy analysts and others have identified several contributing factors including: changing economic conditions, the increased number of single-parent families, declining employment and earnings among low-income families, increased reliance on government transfers by low-income families (f/p/t Social Services Ministers, National Child Benefit Progress Report, 1999).

It was recognized that low-wage employment was insufficient to maintain families with children, and that families on social assistance were often better off economically than families that relied on income from low-wage employment. Families on social assistance received welfare benefits on behalf of children that were not available to working poor families. Families on social assistance also received tax-exempt benefits, including shelter allowance, in relation to family size and typically were eligible for supplemental health benefits. In contrast, low-wage families had their earnings reduced by income taxes and payroll tax deductions (Canada Pension Plan or Quebec Pension Plan contributions and Employment Insurance premiums); had to pay work-related expenses such as clothing, transportation and, often, child-care; and did not qualify for supplemental health benefits and other in-kind benefits often available to welfare families.

Where welfare benefits exceeded wages levels, there were compelling reasons to choose welfare over employment. Consequently, low wages and the negative wage impact of economic restructuring for low skilled workers had contributed to increased demand for social assistance (August 2003). This impediment to employment experienced by families on social assistance, resulting from the loss of welfare benefits (especially child benefits) and exacerbated by the

burden of income and payroll taxes and work-related expenses, was referred to as the “welfare wall” (Battle and Muszynski, 1995).

Social welfare and child advocacy organizations, community groups, unions, business organizations, policy institutes, and the general public expressed concern about the high level of child poverty and called for government action to reduce the extent of child poverty. Key organizations included: the Canadian Council on Social Development, Child Poverty Action Group, Child Care Advocacy Association, Child Welfare League, National Anti-Poverty Organization, Family Service Canada, Canadian Teachers’ Federation, Canadian Child Care Federation, Canadian Association of Social Workers, Canadian Council of Churches, and many others, which came together under the umbrella organization, Campaign 2000.

Social policy institutions also focused attention on child poverty. The Caledon Institute of Social Policy was a prominent contributor to the discussion on child poverty and proposed options for a national approach to addressing the issue (Battle, 2003). Caledon had been directly involved in the development of the integrated federal-provincial child benefit option that had been presented in the 1994 Social Security Review discussion paper *Income Security for Children*, and the work of the institute was instrumental in the development of the National Child Benefit.

In an influential 1995 Caledon paper, *One Way to Fight Child Poverty*, authors Ken Battle and Leon Muszynski provided an elaboration on the Social Security Review proposal for an integrated child benefit. The Caledon paper outlined a detailed, costed design for a federal-provincial child benefit system with a single integrated benefit to all low-income families with children, *regardless of their source of income* (Battle and Muszynski, 1995). The proposed child benefit would assist parents on welfare to take up employment and to remain in the labour force because they would receive a significant low-income supplement. Essentially, this was the basic design for the subsequent development of the National Child Benefit.

The Caledon proposal advocated replacing the federal Child Tax Benefit, provincial welfare payments on behalf of children and other federal and provincial child-related benefits with an integrated child benefit for low-income families. The unique aspect of this approach was that it could remove children from the welfare system by providing benefits to all low-income families, regardless of income source. Families receiving social assistance would receive benefits for their children through the child benefit program rather than through welfare payments. In addition, providing child benefits outside the welfare system would provide an incentive for working parents to remain in the labour force rather than seek social assistance, and would enable parents on welfare to enter the workforce (Battle and Muszynski, 1995).

The 1995 federal Budget was a landmark event that forcefully expressed the federal position and clarified outstanding issues about the relative importance of social policy and fiscal restraint. The Budget focused on fiscal restraint measures, including program cuts and transfer reductions that would shift costs and political pressure to provinces. In particular, the federal Budget established the Canada Health and Social Transfer as a new structure of federal-provincial fiscal transfers that combined Canada Assistance Plan transfers for welfare and social services with Established Programs Financing transfers for health and post-secondary education into a single block fund and reduced federal transfers to provinces by approximately \$7.3B over the following three years. As

a result, the Budget dramatically altered the social policy environment and unilaterally redefined the main elements of the federal Social Security Reform agenda.

The federal government characterized the Budget, and its implications for social security programming, as an appropriate balance between affordability and flexibility. Provincial governments regarded the Budget as a deficit reduction exercise that would transfer costs to provinces. National advocacy organizations, such as the National Anti-Poverty Organization, the Charter Committee on Poverty Issues, the National Action Committee on the Status of Women, and others, were concerned that federal cost cutting and restructuring through the Canada Health and Social Transfer would undermine the social security principals and protections that had existed under the Canada Assistance Plan and fundamentally alter the nature of social programming in Canada.

The impact of the federal cuts to social programs, off-loading of federal program responsibilities, and the reduction of transfer payments created serious fiscal problems for provincial and territorial governments. In part as a consequence, Premiers became much more interested in social policy issues. At the 1995 Premiers' Conference, Premiers focused their discussion on the need for social policy reform and the implications of the 1995 federal Budget. The Premiers agreed to assert leadership on national issues affecting areas of provincial/territorial responsibility and develop a common position on the essential elements of social policy reform. To give effect to this initiative the Premiers created the Ministerial Council on Social Policy Reform and Renewal.

The Ministerial Council was an innovative and precedent setting approach to inter-provincial cooperation. The Council constituted a powerful new structure to coordinate the involvement of social service, health, education and other social program departments in developing a common provincial/territorial strategy on social policy objectives. Specifically, Premiers directed the Ministerial Council to lead inter-provincial consultations on the Canada Health and Social Transfer, develop common positions on the major social policy issues, and produce an inter-provincial policy statement on social policy reform. The Ministerial Council created, in turn, a task team of officials to undertake this work and draft a "framework document" that would facilitate intergovernmental discussions on social policy reform.

The Report of the Ministerial Council on Social Policy Reform and Renewal was a landmark document, which essentially established the tone and direction for subsequent inter-governmental discussions on national social policy reform objectives. The Council Report called for fundamental restructuring of the social security system. It included a statement of principles and recommendations that established a framework for inter-governmental cooperation on national social policy reform. The Report noted the importance of integrated and comprehensive social programming, and promoted cooperation and coordination in redefining federal and provincial responsibilities. In particular, it proposed a delineation of federal and provincial/territorial roles and responsibilities, and other measures to reduce overlap, improve efficiency and enhance accountability. The statement of principles reflected four central themes: 1) social programs must be accessible and serve the basic needs of all Canadians; 2) social programs must reflect individual and collective responsibility; 3) social programs must be affordable, effective and accountable; and 4) social programs must be flexible, responsive and reasonably comparable across Canada.

With respect to specific program initiatives, the Report proposed that consideration be given to the possible creation of a national child benefit program that would consolidate federal and provincial income support programs for children. Although the child benefit proposal was only one among numerous potential initiatives identified across several social policy areas, it became the top priority for intergovernmental discussions on social policy renewal. The prominence of the child benefit proposal was largely related to its high degree of public approval and support. Politically, it was easy to support improved benefits for children and it was difficult to oppose. In addition, the general consensus in support of the child benefit made it possible for governments to move relatively quickly toward implementation. Furthermore, it was recognized that early progress on a child benefit program would strengthen the credibility and momentum of the whole social policy renewal initiative and increase the possibility of progress on various other objectives.

Provincial Social Service Ministers met in April 1996 to review the progress on follow-up to the Ministerial Council Report. The Ministers instructed their Deputies to meet with the federal Deputy of Human Resources Development Canada to explore federal interest in redefining roles and responsibilities, and to prepare for a meeting of federal and provincial Ministers in September. Federal and provincial Deputy Ministers met in May and agreed to further work. Federal and provincial officials held a follow-up meeting in June and prepared for the September meeting of Ministers.

In May 1996, Saskatchewan Premier Romanow referred to the concept of an integrated national child benefit in his speech at the Annual Meeting of the Canada Council on Social Development. The Premier indicated that a national child benefit would allow federal and provincial governments to coordinate resources to assist low income families, reduce welfare dependency and move family income security away from the welfare approach and toward a more advanced and efficient approach, and support labour market involvement by parents, while increasing transfers to the working poor (Romanow, May 1996). Then, at the 3-5 June Western Premiers' Conference, Premiers agreed that "development of a national child benefit proposal that would integrate and improve the various federal, provincial and territorial programs supporting low-income families with children should be raised at the First Ministers' Meeting in June" (APC Issues Paper, 1996).

At the First Ministers' Meeting on 21 June 1996, the Premiers and the Prime Minister discussed the issue of child poverty and called for the development of a proposal for a National Child Benefit program on a priority basis. The First Ministers agreed to create a federal/provincial/territorial Council on Social Policy Renewal to collaborate on the social policy agenda outlined in the Ministerial Council Report, coordinate social policy reform initiatives, and address priority issues. The Prime Minister named the Minister of Human Resources Development Canada, assisted by the Minister of Health Canada, to work with their provincial counterparts in implementing the proposals set out in the *Report of the Ministerial Council on Social Policy Reform and Renewal*, including the proposal for an integrated National Child Benefit.

Premiers further advanced the National Child Benefit initiative at the 1996 Annual Premiers' Conference by endorsing the recommendations of the *Issues Paper on Social Policy Reform and Renewal* that had been prepared by officials. The recommendation concerning a proposal for a National Child Benefit required Social Services Ministers to work with provincial Ministers of

Finance and federal Ministers of Human Resources Development and Finance to develop a proposal that could be implemented within existing fiscal frameworks. The recommendation specified that the proposed child benefit system should help ensure an effective response to preventing and reducing child poverty, be designed in accordance with the 'Principles to Guide Social Policy Reform and Renewal', reduce overlap and duplication, and promote attachment to the workforce, resulting in fewer families having to rely on social assistance. The Premiers also requested that the Ministers prepare an interim report for First Ministers by 31 January 1997, and a final report by June 1997 (APC *Communiqué*, August 1996; APC, *Issues Paper* August 1996). In addition, the Premiers established a provincial/territorial Council on Social Policy Renewal to provide a forum to address provincial/territorial issues and to facilitate the development of provincial/territorial positions on issues that would be addressed by the federal/provincial/territorial Council on Social Policy Renewal.

At the 17 September 1996 meeting of provincial Social Services Ministers and the Minister of Human Resources Development Canada, the Ministers discussed the First Ministers' interest in addressing child poverty and approved development of a proposal for a National Child Benefit. As prescribed by the Premiers, the Ministers agreed that the National Child Benefit should help ensure an effective response to preventing and reducing child poverty, promote attachment to the workforce, resulting in fewer families having to rely on social assistance, and reduce overlap and duplication of federal and provincial programs. In addition, it was agreed that the National Child Benefit should not result in any reduction in benefits to families receiving social assistance.

At the meeting, the Minister of Human Resources Development Canada expressed the federal interest in "fast-tracking" work on the National Child Benefit to meet the federal budget and legislative agenda. The federal Minister indicated that a 15 December target date for completion of a multilateral proposal would be required. The provincial Social Services Ministers were disturbed by the imposition of federal timelines, and they concluded that they would follow the time-lines set out by Premiers. However, they also agreed to work as expeditiously as possible, noting the timeframes discussed by the federal Minister.

The provincial Ministers directed their officials to establish a National Child Benefit Working Group and begin work immediately, with Finance officials, on developing a proposal for a National Child Benefit. The Ministers asked that the Working Group develop an interim proposal for Premiers that addressed costs, flexible approaches for different regions, impact on social assistance clients/rates and related family benefits, research and definition issues, and program options. Notably, with respect to timelines and the sense of immediacy expressed by the federal Minister, the provincial Ministers asked that the Working Group give "best efforts" to advance the process.

The National Child Benefit Working Group included officials from provincial/territorial departments responsible for Social Services and Finance and officials from the federal departments of Human Resources Development, Finance, Revenue and Health. The Working Group met and held various conference calls throughout October and November of 1996, and it formed five Task Groups to lead work on various issues, including data collection, analysis and rationale, model design, administration and delivery, and implementation and governance (f/p/t Social Services Officials, *Social Services Status Report*, November 1997). Specifically, the Working Group and the Task Teams addressed issues such as the interface between the federal

Child Tax Benefit and provincial social assistance, the provincial reinvestment framework, legislative changes, accountability and governance, and public consultation and communications. The officials estimated that a Child Tax Benefit sufficient to take children off welfare would cost about \$2.5B annually in addition to current expenditures. They noted that a federal expenditure at this level would allow provincial reinvestment of approximately \$1.25B annually for programs and/or services for children and families (Saskatchewan briefing notes, November 1996 and June 1997).

At their Meeting on 8 October 1996, the National Child Benefit Working Group reviewed the main design issues and developed a work plan, with the objective of developing a discussion paper with options for consideration at the November meeting of the federal/provincial/territorial Council on Social Policy Renewal. Federal officials demonstrated a willingness to consider various design possibilities and to contribute positively to the development of a multilateral proposal. As a result of productive collaboration between government officials across departments, the Working Group meeting provided a positive indication that work on the National Child Benefit proposal could be accelerated to meet an advanced time frame. The approach and work plan adopted by federal and provincial/territorial officials reflected their intentions to undertake the measures necessary to develop a proposal for consideration by First Ministers in early January.

Further discussions by federal and provincial/territorial officials of Social Services and Finance departments were held on 29 October 1996 in Regina and 21-22 November 1996 in Toronto. It was determined that potentially feasible design options would require the federal government to reallocate \$5B used for the Child Tax Benefit and Working Income Supplement. In addition, the federal and provincial/territorial governments would need to provide additional funding ranging from \$0.6B to \$2.2B. Depending on the specific benefit design and eligibility parameters, the National Child Benefit would partially or substantially replace provincial/territorial social assistance for children. Consequently, provinces and territories would be able to reallocate social assistance funds toward National Child Benefit funding and/or supplemental child related support and services.

Federal officials indicated that initial federal funding would likely to be limited to somewhere between \$300M and \$600M. Federal officials also suggested that the National Child Benefit initiative should provide a framework for incremental development, beginning with the harmonization of a moderate federal base benefit with provincial/territorial supplementation and moving toward benefit enhancement and integration. Federal officials were particularly interested in maintaining or increasing the level of provincial funding for services for children following any increased federal commitment to a National Child Benefit.

The provincial/territorial Council on Social Policy Renewal reviewed progress on the National Child Benefit at their first meeting on 2 October 1996 and again at their meeting on 26 November 1996. The National Child Benefit was discussed with the federal Minister, Pierre Pettigrew, at the first meeting of the federal/provincial/territorial Council on Social Policy Renewal on 27 November 1996. Notably, on the same day as the Council meeting, Saskatchewan Premier Romanow was also in Toronto as the keynote speaker at the *Canada's Children - Canada's Future* Conference, where he said: "Today's news reports indicate that expectations should be lowered at today's meeting of Ministers in Toronto. I say to those officials - elevate those

expectations. Because, if we succeed, we provide children with basic benefits based on their family's income..." (Romanow, November 1996).

Social Services Ministers and the Minister of Human Resources Development Canada met on 13 January 1997 and reviewed a draft "Options Paper" on the National Child Benefit. The Ministers approved the objectives for the National Child Benefit: to help prevent and reduce the depth of child poverty; promote attachment to the workforce; and reduce overlap and duplication. The Ministers also approved a set of "operating principles" to guide development and implementation of the National Child Benefit system. These principles specified that the National Child Benefit:

- is a partnership between federal and provincial/territorial governments;
- requires a significant, incremental and permanent investment, as well as appropriate and complementary provincial/territorial investments benefiting children in low-income families;
- will be developed in a staged approach, with the initial investment representing a starting point to a more significant investment in the future - an investment which is sufficient to remove benefits for children from the welfare system;
- involves provincial and territorial governments reinvesting social assistance funds made available by the federal government's investment in low-income families with children in a manner consistent with the National Child Benefit objectives;
- will see provinces/territories exploring whether incremental funds can be devoted to the provincial/territorial component of the National Child Benefit, fiscal resources permitting;
- will not result in the reduction of the overall level of income support for families in receipt of social assistance;
- will simplify administration and delivery of children's benefits by governments, and simplify receipt of benefits for families with children; and,
- is considered one of a number of measures that will need to be employed as part of a comprehensive approach to child poverty (f/p/t Social Services Ministers, *Report on the National Child Benefit*, 1997).

The Ministers agreed to seek confirmation from their respective Cabinets on approval for the development of a National Child Benefit, approval for development of a framework for "re-investment" of Social Assistance funds freed up by the increase in the federal Child Tax Credit, and prioritization of optional approaches for the National Child Benefit. The Ministers also agreed that an effective National Child Benefit would require a significant, incremental and permanent federal investment, as well as appropriate and complementary provincial investments benefiting children in low-income families. The Minister of Human Resources Development indicated federal plans to announce the National Child Benefit in its 1997 Budget (Saskatchewan briefing note, January 1997; f/p/t Social Services Ministers, *Communiqué*, January 1997; f/p/t Social Services Officials, *Final Record of Decisions*, March 1997).

The Minister of Human Resources Development Canada and provincial Social Services Ministers met again on 28 January 1997 to review and finalize the interim report of Social Services Ministers on the National Child Benefit. The Report, simply entitled *Report on the National Child Benefit*, was provided to the federal/provincial Council on Social Policy Renewal at their 29 January 1997 meeting, and was also forwarded to First Ministers. (Saskatchewan briefing notes, January/February 1997; f/p/t Council on SPR, *Communiqué*, January 1997).

The Report reflected the Ministers' agreement that the National Child Benefit should help ensure an effective response to preventing and reducing child poverty, promote attachment to the workforce, and reduce overlap and duplication. It also reflected the Ministers' agreement that the Child Benefit should not result in any reduction in benefits to families receiving social assistance. The Ministers' Report proposed that the National Child Benefit be composed of both federal and provincial initiatives, with federal provision of a basic income support benefit and a provincial component that could be made up of either income support benefits or services to support the overall Child Benefit initiative. It was a fundamental principal of the National Child Benefit design that provinces and territories would redirect social assistance funds made available by the increased federal benefit for children to other programs targeted at children in low-income families. It was also understood that the federal government would not prescribe, approve or regulate the specific application of provincial contributions. (Saskatchewan briefing notes, January/February 1997; f/p/t Social Services Ministers *Report on the National Child Benefit*, January 1997).

Essentially, the Social Services Ministers' Report outlined an agreement between the federal and provincial/territorial governments that the joint approach to implementing the National Child Benefit would involve three simultaneous elements: 1) the federal government would increase benefits to low-income families with children through the Canada Child Tax Benefit; 2) provincial and territorial governments would make corresponding decreases in their social assistance payments for families with children; and 3) provincial and territorial governments would "reinvest these newly-available funds" in complementary programs targeted at benefits and services for low-income families with children. In addition, the federal government would reinvest "reallocated federal social assistance funds for Aboriginal children living on reserve" into programs and services that were consistent with the general objectives on the National Child Benefit initiative (p/t Council on SPR, *Progress Report to Premiers*, July 1997).

The provincial/territorial Council on Social Policy Renewal met on 29 January 1997. Important objectives of the meeting included sustaining a positive and cooperative environment in developing the National Child Benefit and advancing the joint work of Health and Social Services Ministers in developing a National Children's Agenda. The provincial Chair of the Social Services Ministers, Newfoundland Minister Joan Marie Aylward, presented the Social Services Ministers' Interim Report on the National Child Benefit (Saskatchewan briefing notes, January/February 1997; f/p/t Council on SPR, *Communiqué* January 1997).

On 17 February 1997 the Co-chairs of the federal/provincial/territorial Council on Social Policy Renewal sent a letter to the Prime Minister and Premiers reporting on the status of their work. The letter noted that addressing child poverty would require a combination of income support measures and complementary services. The letter referred to the Social Services Ministers' *Report on the National Child Benefit*, and noted that all participating governments endorse, in principle, the development of a National Child Benefit system. The letter also observed that "A National Child Benefit should remove a major barrier to employment because families would keep their child benefits when they move from social assistance to low and modest income jobs". In addition, the letter reported that Social Service Ministers would develop a mutually agreed federal/provincial/territorial framework to guide reinvestment under the program, whereby savings resulting from federal funding of the National Child Benefit would be reinvested for

children in low-income families, recognizing the need for appropriate flexibility (Pettigrew and Day, Letter to Prime Minister, February 1997).

The 1997 Throne Speech identified investing in children as a key objective and the 1997 federal Budget provided increased funding to replace the Child Tax Benefit and Working Income Supplement with a new Canada Child Tax Benefit and its National Child Benefit Supplement. The design of the Canada Child Tax Benefit and National Child Benefit Supplement would enable provinces to redirect savings resulting from increased federal spending, and thereby increase provincial spending on initiatives that would have the general objective of reducing child poverty. Although the Liberal election platform had promised to at least double the \$850 million additional funding for the Canada Child Tax Benefit as resources became available, the federal Budget announcement did not indicate the total federal funding commitment, nor did it propose an implementation schedule.

The elimination of the Working Income Supplement and its replacement with the National Child Benefit Supplement was a major departure in the policy direction of the federal government, which, to that point, had been committed to encouraging employment and labour force attachment through the supplementation of wages for low-income families. The Canada Child Tax Benefit and its Supplement differed from the Child Tax Benefit and its Working Income Supplement in that the former would provide benefits according to family income, regardless of employment status or source of income.

On 19 February 1997, the day after the federal Budget announcement on the National Child Benefit, the federal/provincial/territorial Ministers Responsible for Social Services issued a press release indicating that the federal Budget initiative was a “critical building block” toward a National Child Benefit that would enable provinces to “identify initiatives that build on the federal contribution by providing better supports to low-income families” (f/p/t Social Services Ministers, *Communiqué*, February, 1997). Also, in an interview shortly after the Budget, the federal Minister of Human Resources Development noted the positive aspects of the National Child Benefit as a model for federalism, observing that “This kind of approach shows that federalism works” (Tibbetts, 1997). Saskatchewan Premier Romanow considered that the federal Budget commitment of \$600 million for the National Child Benefit was “a good start”, but that it should have been accompanied by a “road map” that specified a schedule for increasing funding for the program to \$2 billion annually within five years (Wyatt, 1997).

Provincial Social Services Deputy Ministers met with the Deputy Minister of Human Resources Development Canada on 7 April 1997. Given the high profile of work on the National Child Benefit, the meeting was also attended by Intergovernmental Affairs officials from several provinces. Although the federal government had taken a first step toward the National Child Benefit with the introduction of the Canada Child Tax Benefit and its National Child Benefit Supplement, there were many elements of the Canada Child Benefit design that were yet to be completed and commitments between governments remained somewhat fragile (Saskatchewan briefing note, April 1997).

There was agreement in principle that provinces and territories would reinvest savings resulting from increased federal expenditures, but there continued to be disagreement on the specific criteria that would be used for deciding the range of programs acceptable for reinvestment

purposes. In the view of many provinces, the fundamental problem was that federal expectations for reinvestment in prescribed programs were unreasonable given the limited financial commitment it had made in the 1997 Budget. The federal government clearly wanted investment focused on areas that supported re-entry to the labour market, while some provinces wanted more flexibility. Several provinces, notably Manitoba, Ontario and the Atlantic provinces, were only just beginning to consider reinvestment plans (Saskatchewan briefing note, April 1997).

Although Quebec disagreed with the national approach to social policy, it did support the basic objectives of the child benefit initiative and had plans to develop a Quebec integrated child benefit. The issue of how Quebec would handle participation with other provinces and the federal government in what was clearly a national undertaking had yet to be resolved. Quebec representatives attended meetings of the Council on Social Policy Renewal, as well as the meetings of Social Services Ministers and Health Ministers, but it became the practice for Quebec to note its opposition in the public communications and reports that were related to such meetings. A typical Quebec exemption note would say the following: “Quebec agrees with the basic principles of the National Child Benefit, which aims to increase resources available for poor children and promote employment retention and the return to work. The family policy implemented by Quebec is consistent with this orientation. However the Government of Quebec has not taken part in the development of the National Child Benefit because it wishes to assume control of income support for the children of Quebec. Consequently, any reference to joint federal, provincial and territorial positions in this text does not include Quebec” (*f/p/t Social Services Ministers, NCB Governance and Accountability Framework*, 1998).

Public consultations were planned for the summer of 1997. Federal government officials indicated a particular need to communicate with national organizations, and federal and provincial Social Services Deputy Ministers agreed that there was a need to manage the flow of information jointly, to ensure that accurate information was provided. Technical work was initiated to ensure an adequate interface between federal and provincial income support programs, and to ensure that no one would be worse off following the elimination of the federal Working Income Supplement. The federal government had begun consultations on the National Child Benefit with national Aboriginal organizations, but regional consultations had not yet been undertaken (Saskatchewan briefing note, April 1997).

Substantial progress had been achieved on the first phase of developing the National Child Benefit, but it would be necessary for officials to complete work on the details of the program, particularly the provincial reinvestment framework. It was also important to expand the discussion on child poverty and focus attention on the need for a fully developed national program which involved substantially more federal funding and corresponding provincial commitments to redirect funding for children’s services.

Provincial Social Services Ministers met together and with the Minister of Human Resources Development Canada in April, September and October of 1997 to review progress on the National Child Benefit and discuss other outstanding issues. At the April meeting, the Ministers reaffirmed their commitment to the three objectives of the National Child Benefit. They also agreed that the reinvestment framework would provide provinces with the flexibility to design or enhance programs consistent with the objectives of the National Child Benefit initiative while recognizing the special needs and priorities of each province or territory. The Ministers committed to

implementing the National Child Benefit by July 1998 (f/p/t Social Services Ministers, *Communiqué*, April 1997).

At the Western Premiers' Conference in May 1997, the Premiers reaffirmed their commitment to the social policy renewal initiative. They agreed that "fighting child poverty is of the highest priority" and called for "a full federal government investment in the National Child Benefit of at least \$2.5 billion by the year 2000". The Premiers emphasized the importance of federal/provincial cooperation and maintaining flexibility for provincial reinvestment in programs for low-income families with children (WPC *Communiqué*, May 1997).

In July 1997, provincial and territorial Social Service Ministers submitted their *Status Report on the National Child Benefit* to Premiers. The Report provided an update on developments since its previous Report in January. As to next steps, the Report indicated that provinces and territories would soon confirm the social assistance funds that would be available for reinvestment, and identify the children's programs and services to which these funds could be reallocated as the provincial/territorial component of the National Child Benefit. The Report also indicated that federal and provincial/territorial Ministers responsible for Social Services would undertake the legislative and administrative changes, systems development, and staff training necessary to implement the National Child Benefit (p/t Social Service Ministers, *Status Report on the National Child Benefit*, July 1997).

At the August 1997 Annual Premiers' Conference, Premiers noted substantial progress toward the National Child Benefit and directed Social Services Ministers to complete work for implementation as soon as possible. Premiers also called for the federal government to provide the annual investment necessary for the National Child Benefit to meet its objectives fully by the year 2000. It was noted that this would require a federal investment of about \$2.5B annually (APC *Communiqué*, August 1997).

The December 1997 First Ministers' Meeting on the Social Union was a critical event in the evolution of the Social Policy Renewal initiative. The purpose of the meeting was to review progress on the established Social Policy Renewal initiatives and to provide political direction to guide further work. The First Ministers reviewed progress reports on the various social policy renewal initiatives and essentially endorsed the work being coordinated through the federal/provincial/territorial Council on Social Policy Renewal. In particular, the First Ministers (except the Quebec Premier) reconfirmed their commitment to the National Child Benefit, and agreed to develop a plan for the second federal contribution of \$850M, and complete provincial reinvestment strategies as soon as possible. The First Ministers also agreed to fast-track work toward the National Children's Agenda, and agreed to negotiate a framework for Canada's social union.

The February 1998 federal Budget committed additional federal contributions of \$425M in 1999 and \$425M in 2000. This second federal installment of \$850M over two years did not meet the expectations expressed by Premiers at the 1997 APC for full funding of \$2.5B by the year 2000, but it did reflect progress and suggest that, eventually, the target for fully funding the program would be met.

As the National Child Benefit program became more established, and as benefits increased and design details were addressed, the issue of benefit indexation became more important. There was some discussion about the relative merits of pushing for indexation immediately or waiting until target benefit levels had been achieved. Should additional funding be used to increase base benefits or provide indexation at current levels? Eventually, both increased benefits and indexation would be achieved.

At their meeting of 12 March 1998, federal and provincial Social Services Ministers released a *Governance and Accountability Framework* that committed the federal and provincial/territorial governments to the objectives and operating principles of the National Child Benefit. Essentially, this was the intergovernmental agreement for the operation of the National Child Benefit. According to the “Framework”, Ministers Responsible for Social Services would “constitute the principal mechanism for governance of the National Child Benefit”. The Ministers would provide overall strategic policy directions for the program at the national level, monitor and assess all aspects of implementation, identify areas of potential concern and seek solutions, and adjudicate and resolve disputes where required. Social Service Deputy Ministers were delegated responsibility for general management, implementation and operation of the program (f/p/t Social Services Ministers, *Governance and Accountability Framework*, 1998; f/p/t Social Service Ministers, *Communiqué*, March 1998).

The Ministers also released a paper on *Approaches to Measuring and Reporting on Results* and committed to reporting annually on the performance of the National Child Benefit. The Ministers announced that the first National Child Benefit accountability and performance report would be released by the end of 1998. It was intended that, through regular public reporting, governments would provide information on complementary investments, and would develop ways to measure the impact of the National Child Benefit on reducing child poverty and increasing labour force attachment (f/p/t Social Service Ministers, *Communiqué*, 12 March 1998).

On 18 June 1998, federal and provincial Ministers responsible for Social Services, in a coordinated communications strategy, announced the launch of the new National Child Benefit as a collective initiative to help reduce the depth of child poverty and promote employment for all lower income families (Canada, Press Release, 18 June 1998; Ottawa Citizen, 18 June 1998). In announcing the new program, considerable emphasis was placed on both the poverty reduction and employment enhancement aspects of the program. For example, a Globe and Mail commentary entitled *Tearing down Canada’s “welfare wall”*, noted that the goals of the new initiative were to “increase the money available for children in poor families and break down the welfare wall that stops many parents from accepting jobs because they would lose benefits for their children” (Greenspon, 1998). Special note was also taken of the high degree of federal-provincial co-operation that was involved in developing the program (Ottawa Citizen, 1998).

Once the design of the National Child Benefit was known publicly, and especially following the official announcement, substantial concern was expressed about the benefit structure. In particular, the reduction in provincial social assistance that resulted from increased federal benefits under the National Child Benefit Supplement was sharply criticized by child advocacy organizations, anti-poverty groups, and other community organizations. It was argued that, as a result of the “provincial claw-back” of benefits, social assistance recipients would not benefit from the new program.

Advocates of the National Child Benefit responded that these critics of the National Child Benefit did not understand the concept of the “welfare wall” and would not accept that low-income families could have less access to resources than families on welfare. It was also argued that income-tested child benefits are more likely than needs-tested welfare to improve the well being of children and families. In this regard it was also noted that, for most welfare families, social assistance was a temporary situation providing short-term relief, and that, over any significant period of time, virtually all low-income families with children would benefit from the increased federal and provincial/territorial benefits available through the National Child Benefit program (Battle and Mendelson, 1999).

At the July 1998 Western Premiers’ Conference, Premiers called for full implementation of the National Child Benefit by the year 2000, and proposed additional federal investments of \$850 in 1999 and 2000 and additional provincial re-investments of \$500M these years (WPC, *Communiqué*, July, 1998). Later, at the August 1998 Annual Premiers’ Conference, Premiers reiterated their agreement to cooperate in planning the National Child Benefit second phase contributions and ensuring that related federal, provincial and territorial programs would be complementary and effective. The Premiers expressed their support for full implementation of the National Child Benefit and noted that “future commitment to the National Child Benefit will be required to fully accomplish its major objectives and support families with children outside the welfare system” (APC *Communiqué*, August 1998).

The momentum for full implementation of the National Child Benefit was growing. Premiers had proposed a strategy for fully implementing the program and increasing benefits to a level that would remove children from welfare. The federal government was committed to periodic increases in the Canada Child Tax Benefit and had announced plans in the 1998 Budget to provide an additional \$850M for implementing the second phase of the program. Once committed, federal officials sought to build on public support for government initiatives to address child poverty. Notably, in an address to a Liberal fundraising event in November 1998, then Finance Minister Martin was quoted as saying that child poverty in Canada was “a national disgrace” and that “We should essentially establish the elimination of child poverty as a great national objective” (Stewart, 1998). The popularity of the National Child Benefit had become apparent and governments were interested in acknowledging their involvement.

The National Child Benefit was a remarkable achievement and its contribution to the Canadian social policy fabric is widely acknowledged. Perhaps the essential elements of the National Child Benefit are succinctly reflected in the following observation: “...the Canada Child Tax Benefit is a policy masterstroke: it makes a huge dent into child poverty; it encourages labour force attachment because it converts the children’s component of welfare into a negative income tax; it respects the provinces since they are free to re-allocate equivalent welfare monies into priorities relating to children in working poor families; and it streamlines policy roles since Ottawa now looks after the kids and the elderly, leaving the provinces to design integrated programs for dealing with adults...” (Courchene, 2004).

In 1997, the federal government converted the Child Tax Benefit to the Canada Child Tax Benefit (CCTB) by restructuring the existing \$5.1B Child Tax Benefit and its Working Income Supplement; redirecting \$250M that was previously committed to increase the Working Income Supplement, and adding \$600M in new money. This was referred to as the “crucial first step”

toward the National Child Benefit (Budget Speech, 1997). The Canada Child Tax Benefit has a two-tier structure. The foundation is the base Canada Child Tax Benefit that, like its predecessor Child Tax Benefit, provides a basic, income-related benefit for all low-income and middle-income families with children. When it was introduced, the program provided benefits to over 80 percent of Canadian families with children. The second tier of the Canada Child Tax Benefit is the National Child Benefit (NCB) Supplement, which delivers additional benefits to low-income families with children.

Beginning in July 1998, the Canada Child Tax Benefit provided a maximum annual benefit of \$1,625 for the first child (\$1,020 from the base CCTB and \$605 from the NCB Supplement), and \$1,425 for each additional child (for the second child, \$1020 in base CCTB and \$405 from the NCB Supplement; for the third and each additional child, \$1,020 in base CCTB, \$330 from the NCB Supplement and an additional \$75). The National Child Benefit Supplement paid its maximum amount to families with net annual incomes up to \$20,921, depending on the number of children, and above that income threshold NCB Supplement payments declined to end at \$25,921 in net family income. This resulted in an increase in Government of Canada benefits for about 1.4 million Canadian families with 2.5 million children.

Ottawa subsequently boosted its investment in the NCB through phased increases in the CCTB. By July 2005, the maximum monthly payment under the Canada Child Tax Benefit and Supplement had been increased to a total of \$2,950 annually for the first child, \$2,730 for the second child, and \$2,734 for each additional child; with an additional benefit of \$243 for each child less than 7 years of age. The maximum National Child Benefit Supplement was provided for families with net annual incomes below \$23,000. Families with somewhat higher incomes qualify for partial payments. Eligibility ends once net annual family income exceeds \$35,595 for families with between one and three children. The federal government has committed to increase spending on the Canada Child Tax Benefit through 2007, when the maximum payment will reach a projected \$3,243 for the first child, \$3,016 for the second child and \$3,020 for each additional child.

Provincial National Child Benefit re-investment initiatives included: provincial, income tested child benefits; earned income supplements; additional child-care spaces; child care subsidies for low-income working families; early childhood intervention programs such as nutrition programs, prenatal screening programs, recreation programs, and youth community programs; supplemental health benefits for children in low-income working families including coverage of prescription drugs, dental and optical care; and employment and training programs (f/p/t/ Social Services Ministers, *National Child Benefit: Progress Report*, 1999, 2000, 2001). First Nations investments go beyond these to also include community enrichment activities intended to increase self-awareness and self-esteem and foster cultural pride. By the end of the 1998/99 fiscal year, provincial, territorial and First Nations investments under the National Child Benefit were an estimated \$305M. It was anticipated that the amount of these investments would increase as the federal government increased benefits under the National Child Benefit Supplement (p/t Council on SPR, *Progress Report to Premiers*, 1999).

The Quebec government did not participate in the National Child Benefit because it wanted to maintain control of income support for Quebec children. However, Quebec did agree with the objectives of increasing resources available for poor children and promoting employment. It was

noted that the Quebec family policy was consistent with the orientation of the National Child Benefit (f/p/t Social Services Ministers, *The National Child Benefit: Building a Better Future for Canadian Children*, 1997).

National Child Benefit: Elements of Success

The National Child Benefit was a breakthrough success of federal-provincial relations. In fact, the approach to intergovernmental collaboration that facilitated development of the National Child Benefit was so effective that it was regarded as a positive model that could apply to intergovernmental relations more generally and should be adopted for negotiations on the Social Union Framework Agreement.

Several factors can be identified which contributed to the success of the National Child Benefit initiative. These include the following:

Necessity - Substantial evidence was presented which identified the need for income support and services to address the developmental needs of Canadian children and enhance their health and well-being.

Broad Public Support - The issue of child poverty attained a high level of public awareness. The National Child Benefit initiative received wide public support and achieved a broader consensus than the relatively well-established movement for childcare.

Clearly Defined Objective - The *Ministerial Council on Social Policy Reform and Renewal - Report to Premiers*, recommended: "...the possible consolidation of income support for children into a single national program, jointly managed by both orders of government, with options for either federal or provincial/territorial delivery of benefits". The agreed objectives of the National Child Benefit were clearly identified: to prevent and reduce the depth of child poverty; to promote attachment to the workforce; and to reduce overlap and duplication.

Strategic Importance - In order to consolidate and advance the Social Policy Renewal agenda it was necessary to demonstrate its feasibility and potential through the successful implementation of a significant initiative. The National Child Benefit was identified as the initiative most likely to achieve support and success within a short timeframe.

Political Feasibility and Desirability - Political leaders immediately recognized the strong public support for the National Child Benefit. It was also appreciated that the Social Policy Renewal agenda, and the National Child Benefit as its practical focus, had important implications for strengthening the Canadian social identity and national unity.

Collaborative Machinery - The federal/provincial/territorial Council on Social Policy Renewal, the Council of Social Services Ministers, and the National Child Benefit Working Group of Officials, provided the structure and processes necessary to advance work toward the National Child Benefit.

Shared Priority Setting - Throughout 1996 and 1997, the National Child Benefit concept was strongly endorsed at Western Premiers' Conferences, Annual Premiers' Conferences, First Ministers' Meetings, meetings of Social Services Ministers, and meetings of provincial/territorial and federal/provincial/territorial Councils on Social Policy Renewal.

Building Confidence and Expectations - Officials were asked to give "best efforts" to complete the initial design of the National Child Benefit within three months. They were supported in bringing their expertise and creativity to the task, and preconceived notions about structural and financial parameters were suspended. Public statements by political leaders raised public expectations and built confidence in the project.

Delineation of Roles and Responsibilities - The design of the National Child Benefit clearly defined the respective roles of the federal and provincial/territorial governments. The federal government would provide a base of income support for low-income families with children and the provincial and territorial governments would provide complementary programs and services to address their specific needs, objectives and priorities respecting low-income families with children.

Federal/Provincial/Territorial Flexibility and Consensus - The National Child Benefit Framework did not require a formal federal/provincial/territorial agreement. Governments were able to initiate specific actions that were generally within the parameters of the National Child Benefit consensus. The strong intergovernmental understanding of the National Child Benefit concept and design has accommodated certain federal actions to expand the Canada Child Tax Benefit and eliminate the Working Income Supplement. At the same time, provincial and territorial governments demonstrated substantial and unrestricted flexibility in their "reinvestment" strategies and initiatives. Although Quebec did not support the federal/provincial/territorial approach on social policy reform and did not agree to adopt the terms of the National Child Benefit reinvestment strategy, nevertheless, it did develop programs to address child poverty.

Human Resources - The development of the National Child Benefit involved the commitment and collaboration of a large number of individuals, including elected government officials, federal and provincial policy and technical advisors, academics, and community advocates.

Future Directions for the Child Benefit

Intense economic competition associated with internationalized production and trade will continue to present serious economic and social challenges. There will be ongoing pressure undermining wages and working conditions, and the number of people and families with insufficient incomes will continue to be unacceptably high. The need for social programs to address the impacts of economic and social adjustment will continue, and governments will need to improve programming in the areas of healthcare, social security, welfare, education, and labour market training.

Although such domestic measures will be required to respond to immediate and pressing circumstances, they do not address the underlying source of the problem and, in the longer term,

they may not be sustainable. It may not be possible for governments to find the resources necessary to offset the decline in wages and working conditions and maintain living standards through income supplementation and the subsidization of services. It will eventually be necessary to implement an effective international policy initiative to address the issues related to global economic integration.

The implementation of the National Child Benefit, the commitment to the National Children's Agenda, the negotiation of the Social Union Framework Agreement, and federal reinvestment in the Canada Health and Social Transfer, marked the end of what might be regarded as an initial phase of a larger project of social policy renewal which is required to facilitate adjustment to continuing economic restructuring. This phase of social policy renewal included development of the conceptual framework and approach, establishing structures and processes, setting objectives and priorities, mobilizing commitment and resources, and demonstrating success and potential. Future initiatives could include the work to renew and strengthen intergovernmental mechanisms for social policy development, and further initiatives for income supplementation including full implementation of the National Child Benefit.

The Canada Child Tax Benefit has become an effective mechanism for providing significant income support to families with children, but benefit levels are still not sufficient to fully meet the needs of children in low-income families. In addition, there is an increasing need to provide more financial assistance to middle-income families with children. Accordingly, there is general agreement that the Canada Child Tax Benefit should be increased, but there is no clear and definitive understanding on exactly how much the maximum benefit should be or how benefits should be structured in relation to income levels.

Policy analysts are currently considering these issues. In a recent paper that investigates and discusses the methodological issues involved in determining the appropriate level of child benefits, Michael Mendelson has concluded that an adequate child benefit will be "sufficient to pay the average incremental cost of an additional child for a family living just above a poverty-level standard of living" (Mendelson: 60, 2005). Based on existing information, Mendelson has estimated that this amount is about \$4000+ depending on the structure of the family, noting that an accurate estimate will require the development of credible poverty lines for various family structures. There appears to be general support for the Caledon estimate that the mature Canada Child Tax Benefit should provide a maximum annual benefit of about \$4,700 per child.

It is important to note that the child benefit provides only a base level of support for an average family living at the poverty line. Additional supports will be required for different needs based on family size, gender mix, children's age, geographic location, special health requirements and other special circumstances. Mendelson has suggested that benefits should decline as the number of children increases, and be higher for older children and newborns. In addition, Mendelson concludes that an adequate child benefit can serve as a platform for the reform of the income security system's benefits for adults, in that it provides a base of income support for families with children and establishes an approach to income subsidization that can be generalized to address the basic subsistence needs of workers.

There is agreement that the child benefit should be higher than it is, but there is no definitive notion of what would be the optimal benefit level and structure. While the determination of child

benefits is subject to ongoing negotiation influenced by social, economic, cultural and historical factors, it is clear that development of a consensus on child benefits would be assisted by a better understanding and general agreement on the concept of the subsistence or poverty-level standard of living. It is also clear that, whatever the structure of child benefits, it should remain an income related benefit and avoid creating employment disincentives.

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About the Author

During his time at SIPP, Mr. William Warriner was on secondment from his position as Director of International Relations for the Saskatchewan Government, Department of Government Relations and Aboriginal Affairs. His recent work has focused on international relations strategic planning, Saskatchewan-U.S. relations, and international aid. Mr. Warriner was previously an officer with Saskatchewan Intergovernmental Relations and was closely involved with the Social Policy Renewal initiative, which was undertaken by Provincial Governments in cooperation with the Government of Canada. Mr. Warriner has worked for the Government of Saskatchewan since 1981, in various positions, including: Intergovernmental Officer, Federal-Provincial Relations, Intergovernmental and Aboriginal Affairs; Manager of Policy and Research, Saskatchewan Human Resources Labour and Employment; Senior Project Officer, Policy Consultant, and Senior Research Officer, Saskatchewan Labour; Manager of Policy Analysis and Economist, Employment Development Agency; and Senior Policy Analyst, Saskatchewan Justice. In 2002, Mr. Warriner was on leave working as a CUSO volunteer on a governance project for the Government of Vanuatu. Mr. Warriner studied at the University of Regina, where he received a Bachelor of Arts, Economics; and Masters degree in Social Studies. His academic work includes Graduate Studies in Sociology at Carleton University in Ottawa. Mr. Warriner is now a Senior Policy Advisor with Cabinet Planning, Executive Council, Government of Saskatchewan.

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