

# Importance of Government Help: Public Policy Matters

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## GOVERNMENT TRANSFERS REDUCE CHILD POVERTY IN CANADA

Federal and provincial government income support programs play a huge role in reducing child poverty in Canada. If parents had been forced to rely only on earnings, income from investments and other sources of market income to make ends meet, the proportion of children in poverty in Canada would have been 29.1% in 2013. Government transfers reduced the poverty rate to 19%—a reduction of 35%.

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## GOVERNMENT TRANSFERS REDUCE CHILD POVERTY IN BC

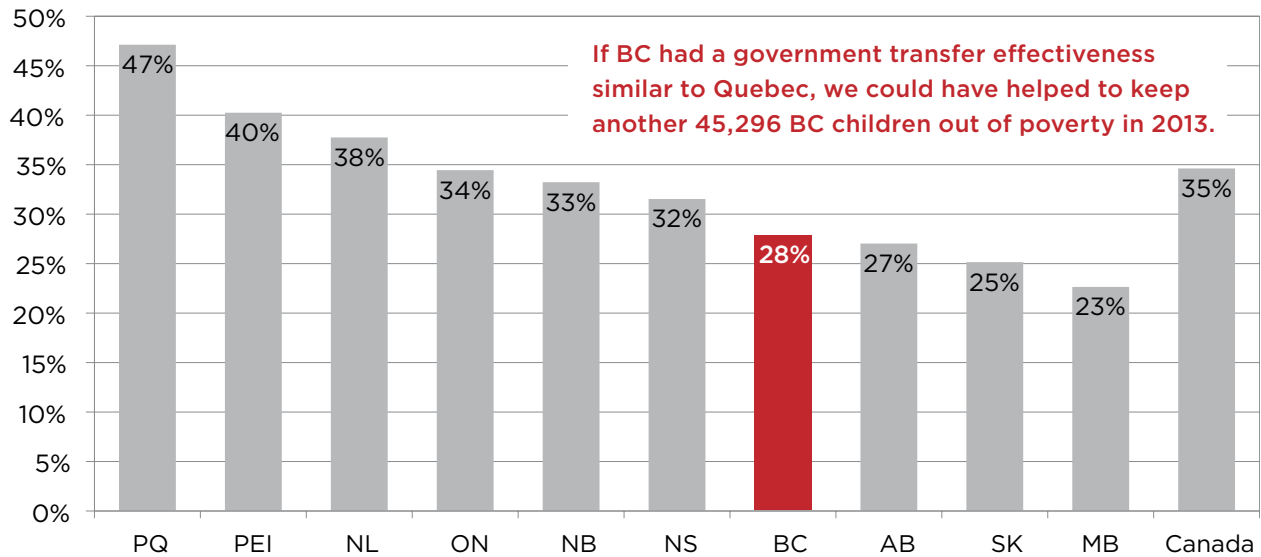
Without government transfers, using only family market income, British Columbia's child poverty rate was 28.2% in 2013. It came down to 20.4% after government transfers, a reduction of 28%. A total of 231,700 BC children were poor using market income alone, and 167,810 were poor once transfers were added to family income, meaning 63,890 BC children were lifted out of poverty that year thanks to government help.

## GOVERNMENT TRANSFERS BY PROVINCE - HOW DOES BC COMPARE?

The graph below shows the rate of reduction in child poverty in 2013 in Canada and individual provinces as a result of government transfers. Quebec and Prince Edward Island had the largest reductions. BC was among the provinces that did less to reduce their child poverty rates than the Canadian average of 35%.

Although government transfers played an important role in reducing BC's child poverty rate, in six other provinces, government transfers had a greater impact on reducing their child poverty rates in 2013. In Quebec, government transfers reduced the child poverty rate by 47%, keeping 203,830 children out of poverty. If BC had a government transfer effectiveness similar to Quebec, we could have helped to keep another 45,296 BC children out of poverty in 2013.

## Percentage Reduction in Child Poverty Rates in 2013 Due to Government Transfer Payments



Source: Statistics Canada custom tabulation. Taxfiler data.

## HOW GOVERNMENT HELPS

Both the federal and provincial governments have programs that reduce child poverty. One of the most powerful programs helping reduce child poverty has been the monthly Canada Child Tax Benefit (CCTB), which provides families with children under 18 with income support. Another federal program is the taxable Universal Child Care Benefit (UCCB) for children under six, expanded in 2015 to include payments for children up to age 17.

The federal government also pays a quarterly GST credit to low-income families and individuals. Ottawa administers the Employment Insurance (EI) fund to assist Canadians who are temporarily out of work and to pay maternity and parental leave benefits. EI is considered a government program, even though the money in the fund comes from contributions by workers and employers.

The federal and provincial governments also provide a refundable Working Income Tax Benefit (WITB) for eligible families who are in the workforce. The 2015 upper-income threshold for this benefit for a family of any size with children in BC is \$28,328 per year.

The BC government provides welfare payments for people who have exhausted other sources of income. Part of the cost of welfare is covered by the federal government through the Canada Social Transfer (CST). The CST is a government-to-government transfer designed to defray the costs to provinces of welfare and social services, early childhood development and early learning and child care, and post-secondary education. In 2015-16, BC is expected to receive \$1.69 billion under the new Canada Social Transfer.

The BC government also assists some low-income families directly with rent supplements and child care subsidies. While they benefit some families, these programs have a limited reach. Many low-income families do not meet the eligibility criteria for the rent supplement. Similarly, child care subsidy rates increasingly are insufficient to cover the actual cost of care, leaving many low-income parents unable to make up the difference and, as a result, unable to access quality care for their children.

## FEDERAL ELECTION PROMISES FOR FAMILIES

The newly elected federal Liberal majority government promised during the October 2015 election to create a new non-taxable Canada Child Benefit, which will increase income supports to families at a variety of income levels, before phasing out at \$200,000 in annual income. They also promised to eliminate the Universal Child Care Benefit and use the money to pay for the new Canada Child Benefit. We should be able to see the impacts of these policy changes on child poverty rates in future years' report cards.



### BC'S EARLY CHILDHOOD TAX BENEFIT

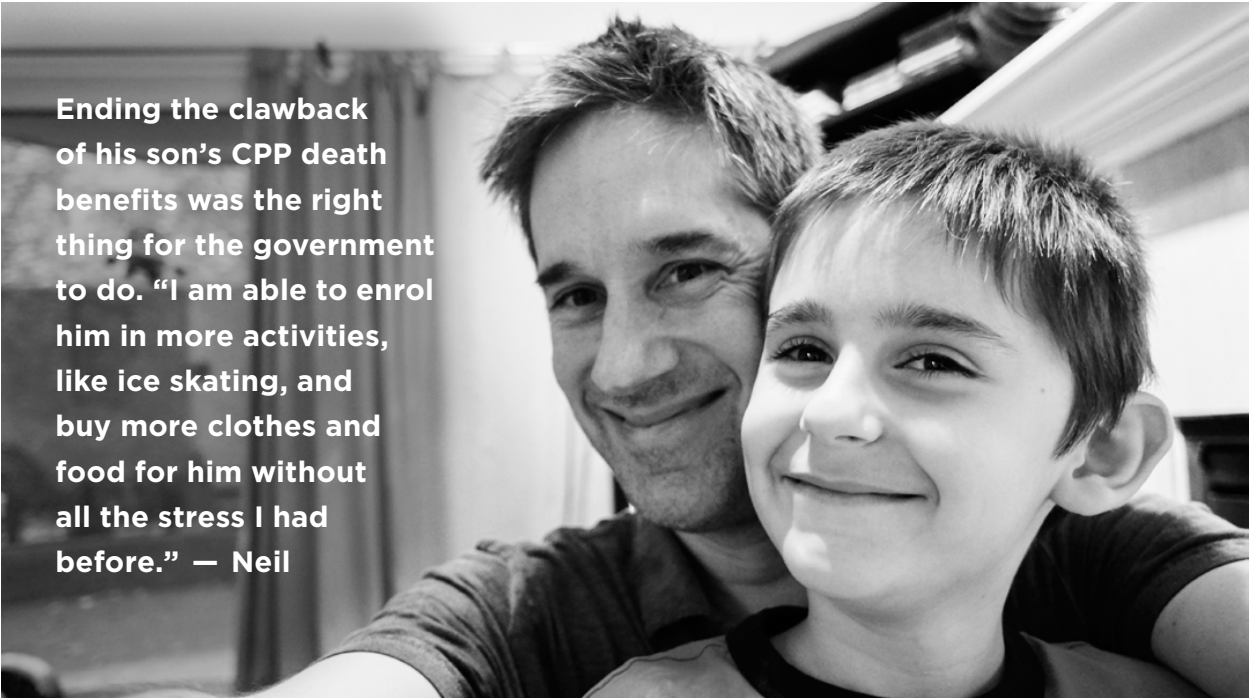
Starting in April 2015, some families became eligible for a new BC Early Childhood Tax Benefit (BCECTB) of \$55 per month per child under age six. Benefits from this program will be combined with the federal CCTB and the BC family bonus program into a single monthly payment. Benefits are based on the number of children in the family and the family's net income. The BCECTB will be reduced if the family's net income exceeds \$100,000 and will be zero once the family's net income exceeds \$150,000. Ontario's monthly child tax benefit is double the amount of BC's and includes payments for children up to age 17.

**Ontario's monthly child tax benefit is double the amount of BC's and includes payments for children up to age 17.**

### FIRST CALL RECOMMENDS

- Redesign the BC Early Childhood Tax Benefit into a BC Child Benefit covering children under 18 and increase the maximum benefit to \$1,320 per child per year.
- Extend and enhance supports for youth transitioning out of government care at age 19 and offer the extension of foster care for youth up to the age of 25.
- Remove financial barriers for low-income students and lower student debt levels through tuition fee reductions, student grants instead of loans, and interest free loans
- Establish universal public dental care, prescription drug and eye care programs.
- Adopt and begin implementing the \$10aDay Child Care Plan.
- End the clawback of federal maternity and parental leave benefits from people on income and disability assistance and allow all those on income or disability assistance to retain benefits while attending a post-secondary institution.

See the full list of recommendations on pages 48 and 49.



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## Neil and Jake's Story

For dad Neil Matheson, who lives on disability assistance with his six-year-old son Jake, August 2013 brought the unthinkable into their lives: the loss of Jake's mother. Neil's wife, Elana, who also lived with a disability on assistance, was a music teacher in the Langley public school system. She earned what she was permitted to take home while on disability to support her family, and paid into her pension throughout her working life. Grieving and coping with becoming a single dad, Neil was shocked to discover the BC government had immediately begun clawing back Elana's Canada Pension Plan (CPP) death benefit amounts allocated for himself and his son—about \$700 a month—from his disability assistance.

Neil lent his voice to the call to end this clawback and as of September 2015, the provincial government ended the children's portion of the death benefits clawback. Now, his son Jake can keep his portion of the death benefit—about \$240 a month. The change has brought some welcome light and hope into their lives. The \$240 dollars immediately had a positive impact on Jake, Neil says. "I am able to enrol him in more activities, like ice skating, and buy more clothes and food for him without all the stress I had before."

"My wife paid into this thing for 17 years, thinking it would be security for her son. That is the point of a pension—that \$240 means more security, more comfort for my son," he says, adding that ending the clawback of his son's CPP death benefits was the right thing for the government to do.

However, Neil is still coping with the loss of his wife's income and the clawback of his portion of her CPP death benefits—around \$400 per month—plus the loss of income he suffered when he left his job to help his son through the bereavement period.

Neil believes the government should continue to do the right thing and allow people on disability to benefit from their deceased spouse's death benefits.

"The way they designate 'earned' versus 'unearned' income—they should just throw out that whole term. The BC government says it is 'unearned'—but she did earn it."