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## **Federal child benefits**

### *Investigating the early history of social welfare*

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The Canadian government has long extended benefits to children and families, in an attempt to recognize need and the public value of strong families. Whether in the form of tax deductions, credits and exemptions, or direct benefits paid to families, the stated goal is always to bolster Canadian families. Naturally, as in other policy areas, politicians don't always get it right.

If politicians would examine the history of social welfare in Canada, they would be better able to recognize some pitfalls. One in particular is the creation of one-size-fits-all solutions to the social problems of the day. This one-size-fits-all approach can be seen in the history of the Family Allowances Act which was introduced in 1944 by the Liberal government under Prime Minister Mackenzie King. Of course, the Liberals aren't the only federal party to back universal welfare grants; the Conservatives have done so too, most recently in 2006 with the introduction of the Universal Child Care Benefit (UCCB).

A precursor to the Family Allowances Act was the Children's Tax Exemption, which was introduced in 1918 after the "temporary" income tax was established during World War I. [1] The tax exemption was meant to alleviate hardship experienced by families during World War I. But by a major folly in policy design the tax was regressive, meaning that it forced a greater tax burden on lower income families instead of higher income families. The tax exemption failed to provide assistance to those families below the income tax threshold who were most in need. [2] As a result Family Allowances were introduced in 1944, which were, in part, intended to ameliorate poverty experienced by children and families in Canada. [3]

The Family Allowance Act of 1944 provided a universal welfare grant to all Canadians who had children under the age of 16. This sudden increase in social welfare caused some great joy, one calling it "one of the most progressive and worthwhile pieces of legislation ever enacted by the Canadian Government." [4] However, this may not have been the progress Canadian families needed as benefits were directed to every family no matter their income.

So why were family allowances introduced in the first place? Then Prime Minister Mackenzie King thought that “the family, one of the most important institutions in Canada, had endured tremendous stress during the Great Depression and the Second World War, and it had to be protected and strengthened.” [5] If government grants do indeed strengthen the family, then his was very strengthening. The universal grant was large, providing the average family with a monthly payment of \$14.18, about \$177.80 today. [6]

By the late 1960's the department responsible for administering the Family Allowances started to realize it had become an inadequate measure of providing social welfare assistance to Canadians who needed it most. [7] In fact, it was the policy makers who “advocated for major revisions to the universal program in the 1960s and 1970s to get greater resources into the hands of families most in need.” [8] The major flaw in this, as with other universal social programs is the fact that it doesn't adequately solve the problems of those who need it most and provides benefits to those who don't.

But it wasn't until 1973 that the universal allowance was taxed to provide more of the benefit to low-income families while higher-income families kept less. [9] In this way, the UCCB is more like the universal allowance of 1973 as it is also taxed and provides a measure of selectivity, ensuring that the benefit makes its way to families who need it most. While also making the universal allowance more selective, Prime Minister Trudeau also increased and indexed the universal allowance to the consumer price index to match the living standards of the day so that families now received up to \$16 per month or \$77.43 today. [10]

Prime Minister Trudeau resisted the push from officials within the civil service to get rid of the universal family allowance. It would be done away with by Prime Minister Brian Mulroney in 1992 when a crisis would force him to. “It was left to the Progressive Conservative government of Prime Minister Mulroney, during a political crisis created by the mushrooming deficit and debt, to implement the reforms that officials in the Department of National Health and Welfare had been advocating since the late 1960s”. [11]

Mulroney asked the question: “Does the man who earns \$500,000 a year as bank president need to collect the family allowance?” [12] And so the federal Family Allowance finally ended in 1992 under the Progressive Conservative government, who replaced the allowance with a new targeted Child Tax Benefit. This marked the end of 50 years of this universal welfare grant. [13]

Naturally, there are drawbacks to targeted benefits, too. For one, the higher administrative costs. Still, we can learn from this brief history of federal benefits extended to children and their families. Specifically, that the universal, one-size-fits-all approach to social welfare are generally wasteful because they fail to address the specific needs of lower-income families, while tax exemptions, because of their regressive nature, fail at providing adequate welfare assistance to Canada's working poor. The solution lies in providing

assistance only to those who need it most while also providing tax relief to the middle class.

## Endnotes

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- [1] Philips, S. D. (1995). *How Ottawa Spends, 1993-1994: a more democratic Canada?* Montreal: McGill-Queen's University Press.
- [2] Guest, D. (1985). *The Emergence of Social Security in Canada*. Vancouver: University of British Columbia Press.
- [3] Guest, p. 131.
- [4] Guest, p. 133.
- [5] Blake, R. B. (2008). *From Rights to Needs: A History of Family Allowances in Canada, 1929-92*. Vancouver: UBC Press.
- [6] Guest, p. 132.
- [7] Blake, p. 13.
- [8] Blake, p. 13.
- [9] Guest, p. 175.
- [10] Guest, p. 175.
- [11] Blake, p. 20.
- [12] Guest, p. 229.
- [13] Guest, D. *The End of Federal Family Allowance*. The Canadian Encyclopedia. Retrieved August 19, 2009 from <http://www.thecanadianencyclopedia.com/index.cfm?PgNm=TCE&Params=A1SEC820300>