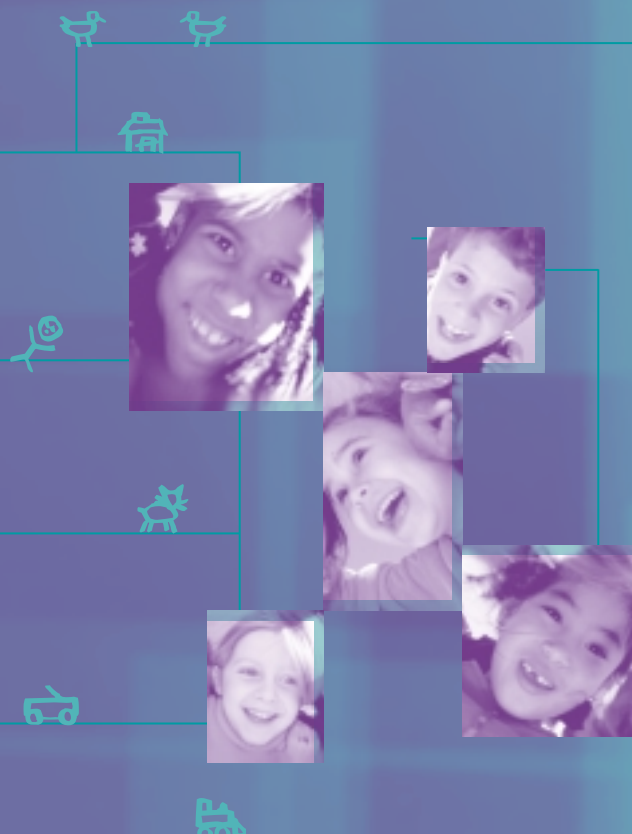


The National Child Benefit



2001 Progress Report



What is the National Child Benefit?

The National Child Benefit (NCB) is a partnership between federal, provincial and territorial governments¹ and First Nations that aims to help prevent and reduce the depth of child poverty.

As a result of the coordinated efforts of federal, provincial and territorial governments and First Nations, the NCB has improved the way child benefits and services are provided to low-income families. This improvement in the delivery of child benefits aims to promote attachment to the labour market by ensuring that families will always be better off as a result of working.

How the NCB Works

The NCB provides monthly payments to low-income families with children, along with benefits and services designed to help low-income families in each province and territory to raise their children.

Under the NCB, the Government of Canada has increased the benefits it pays to all low-income families with children, regardless of their source of income, through the NCB Supplement. In turn, most provinces, territories and First Nations have adjusted social assistance benefits provided on behalf of children by the full or partial amount provided under the NCB Supplement². These social assistance adjustments have allowed provinces and territories to pay for new and expanded benefits and services for low-income families with children.

In all jurisdictions, no family receiving social assistance has experienced a reduction in its overall level of income support as a result of introducing the NCB.

Lowering the "Welfare Wall"

Before the NCB, moving into a job often meant only a slight overall increase in disposable income, and could mean that parents could lose important income benefits that their children received under social assistance programs. Moreover, low-income

working families were often not eligible for the supplementary health, dental and prescription drug benefits provided to families receiving social assistance. As a result, some families may have been worse off financially in low-paying jobs compared to being on welfare.

The NCB was designed to help lower this "welfare wall" by providing child benefits outside of welfare and enhanced benefits and services for children that continue when parents move into jobs.

Impact of the National Child Benefit – Monitoring Progress

The number of low-income families with children is still on the decline. The proportion of families with children living in low income dropped from 20.4 percent in 1996 to 17.2 percent in 1999. While this decline is mostly due to the strong economic performance experienced in the late 1990s, the NCB initiative has also contributed to that trend in improving the situation for families with children.

For the first time, the *NCB Progress Report: 2001* reports on direct impacts the NCB is having in preventing and reducing child poverty, which is a key goal of the NCB.

In 1999, as a result of the NCB:

- Approximately 1.2 million families with 2.1 million children saw an increase in their income.
- Low-income families saw their income increase on average by \$775³.
- The number of low-income families with children decreased by approximately 2.4 percent (about 16,500 families with approximately 33,800 children).
- There was a reduction of almost 6.5 percent in the low-income gap (the total amount of income families would need to leave low income)^{4,5}.

These positive trends demonstrate that the NCB is working and is a good example of federal/provincial/territorial and First Nations cooperation.

The Federal Government's Contribution

The Government of Canada provides payments to families with children through the Canada Child Tax Benefit (CCTB). There are two parts to the CCTB:

- The **basic benefit** provides child benefits to all low- and middle-income families. More than 80 percent of Canadian families with children receive this basic benefit.

Annual maximum CCTB (including the NCBS) for the July 2002 to June 2003 benefit year for families with net incomes below \$22,397 in 2001

NUMBER OF CHILDREN	BASIC CCTB ⁶	NCBS	TOTAL	MONTHLY BENEFIT
1st child	\$1,151	\$1,293	\$2,444	\$203.66
2nd child	\$1,151	\$1,087	\$2,238	\$186.50
3rd & each additional child	\$1,231	\$1,009	\$2,240	\$186.66

Families with net incomes between \$22,397 and \$32,960 in 2001 qualify for the maximum basic CCTB and part of the NCB Supplement. Families with net incomes between \$32,960 and \$79,000 in 2001 qualify for a part of the basic CCTB. There is also an additional supplement of \$228 per year (\$19 per month) provided for each child less than seven years of age for whom no child care expenses were claimed.

- The **NCB Supplement** provides low-income families with additional child benefits on top of the basic benefit. This is how the Government of Canada is contributing to the NCB.

More benefits for Canadian families

The federal investment in the NCB Supplement, which is delivered through the CCTB, has increased dramatically, up to an estimated \$2.5 billion in 2001-2002. Overall, the support to families with children provided by the CCTB reached an estimated \$7.9 billion in 2001-2002.

Since 2000, the CCTB has been fully indexed, making sure that benefits increase with inflation.

In 2002-2003, maximum benefits for most families will reach \$2,444 for the first child, \$2,238 for the second child and \$2,240 for each additional child.

Approximately 1.5 million families with about 2.6 million children will benefit from the NCB Supplement.

About 80 percent of all Canadian families with approximately 5.9 million children will benefit from the CCTB in 2002-2003.

By 2004, CCTB maximum benefits, which include the NCB Supplement, will increase to more than \$2,500 for the first child and \$2,300 for the second and for each additional child totalling more than \$4,800 for a two-child low-income family.

Provincial and Territorial NCB Investments

As part of the NCB initiative, provinces and territories are investing in programs and services for low-income families with children.

In 2001-2002 – the third full year of the NCB – provinces, territories and First Nations invested an estimated \$734.7 million in NCB programs and services in five main areas⁷:

- **Child benefits and earned income supplements** – to provide low-income families with more money, and help parents stay in jobs, working toward higher wages.
- **Child/day care initiatives** – to help low-income families cover the extra child care costs they have because they are working.
- **Early childhood services and children-at-risk services** – to support low-income families when their children are very young, so they can give their kids a healthy start in life.
- **Supplementary health benefits** – to make sure that families can keep important health benefits when they move from welfare to work.
- **Other NCB initiatives** – programs and services to meet the particular needs of children in each province and territory.

First Nations and the National Child Benefit

The federal government is responsible for making sure there are programs for First Nations children on reserve that are comparable to those available to other Canadian children. About 600 First Nations across the country are part of the NCB. Each community runs its own NCB programs. In 2001-2002, First Nations NCB reinvestments were estimated at \$59.5 million. Details on First Nations programs and services can be found in the forthcoming 2001 First Nations NCB Progress Report being prepared by Indian and Northern Affairs Canada.

The Way Ahead

The *National Child Benefit Progress Report: 2001* reveals for the first time that the NCB has been successful in reducing and preventing child poverty⁸. It is expected that the impacts may further increase for 2000 and 2001. These impacts will be reported on in future NCB Progress Reports.

While these results are encouraging, we recognize that challenges remain in addressing child poverty and helping low-income families.

A more in-depth evaluation of the NCB is underway and will be reported on in detail in the next NCB Progress Report.

For more information, please see the National Child Benefit Website at <http://www.nationalchildbenefit.ca>

¹ The Government of Quebec has stated that it agrees with the basic principles of the National Child Benefit (NCB). Quebec chose not to participate in the NCB because it wanted to assume control over income support for children in Quebec; however it has adopted a similar approach. Throughout this pamphlet, references to joint federal/provincial/territorial positions do not include Quebec.

² For a complete description of provincial/territorial social assistance adjustments/reinvestment models please see Progress Report: 2001 or the National Child Benefit Website at <http://www.nationalchildbenefit.ca>.

³ Results are based on pre-tax LICOs for the period of July 1999 to June 2000. Based on post-tax LICOs, low-income families saw an average increase of \$765 in their income due to the NCB.

⁴ The impact analysis excludes the \$260 million spent on the NCB, which would have been spent in 1999 had the 1996 Working Income Supplement continued, and approximately \$160 million of provincial/territorial NCB reinvestments and investments in in-kind benefits in 1999.

⁵ Results are based on pre-tax Low-Income Cut-Offs (LICOs). Based on post-tax LICOs, the NCB reduced the number of low-income families by 5.4 percent (or 28,500 families with 69,200 children). Based on post-tax LICOs, the NCB reduced the low-income gap by 9 percent.

⁶ The Alberta provincial government varies the amount of the basic benefit its residents receive. The basic benefit for Albertans is \$1,055 for children under 7, \$1,126 for children 7 to 11, \$1,260 for children 12 to 15, and \$1,335 for children 16 and 17, plus an additional supplement of \$80 per year for the third and each additional child.

⁷ This pamphlet does not include data on investments and reinvestments for Quebec. All Quebec residents benefit in the same way as other Canadians from the Canada Child Tax Benefit. Moreover, they benefit from important investments made by the Quebec government, in the context of its family policy, in services for families and children.

⁸ For the year 1999.