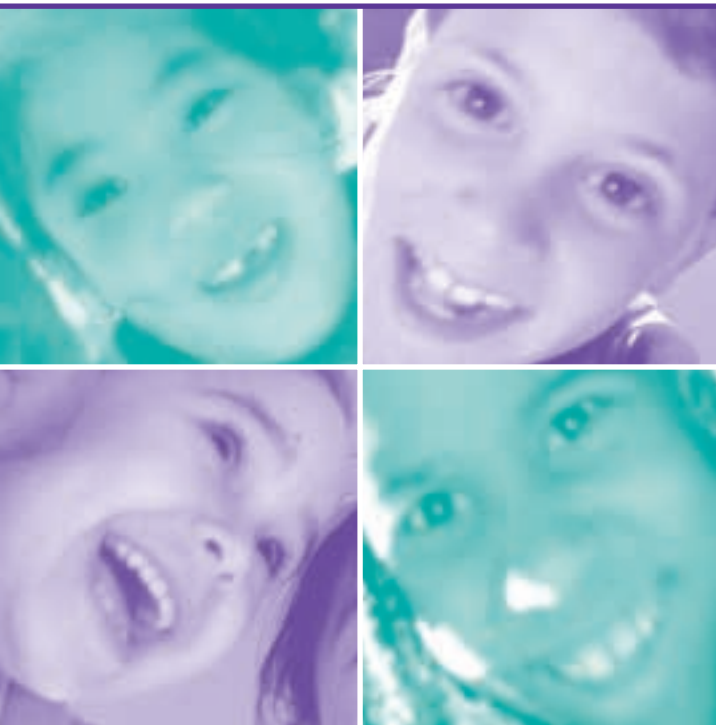




The National Child Benefit Progress Report: 2002



■ What is the National Child Benefit?

The National Child Benefit (NCB) initiative is a partnership among the federal, provincial and territorial governments¹ and First Nations that aims to help prevent and reduce the depth of child poverty, support parents as they move into the labour market and reduce overlap and duplication of government programs.

How the NCB Works

The NCB combines two key elements: monthly payments to low-income families with children, and benefits and services designed and delivered by the provinces and territories to meet the needs of families with children in each jurisdiction.

Under the NCB, the Government of Canada has increased the benefits it pays through the NCB Supplement² to low-income families with children, regardless of their source of income. 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 Supplement. These social assistance adjustments have allowed provinces and territories to pay for new and enhanced benefits and services for low-income families with children.

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

Lowering the “Welfare Wall”

Before the NCB, moving from social assistance into a paying job often meant only a minimal increase in family income for low-income parents. It could also mean a loss of other valuable benefits, including health, dental and prescription drug benefits. As a result, families could find themselves financially worse off in low paying jobs as compared with being on welfare—a situation known as the “welfare wall”.

The NCB works to reduce the welfare wall by providing child benefits outside of welfare and ensuring that enhanced benefits and services continue when parents move from social assistance to paid employment.

■ Monitoring the NCB’s Progress

When federal, provincial and territorial Ministers Responsible for Social Services introduced this innovative approach to supporting Canadian children and their families in 1998, they

made a commitment to report on the progress in achieving its goals. The *NCB Progress Report: 2002* is the fourth in the series of such reports.

The report shows that the numbers of low-income families with children in Canada continues to decline.³

- The incidence of low income among families with children dropped from a peak of 15.8 percent in 1996 to 11.4 percent in 2000.
- The number of children living in low-income families is down by 307,200 from a peak of 1,174,800 in 1996 to 867,600 in 2000.

Improving economic conditions contributed significantly to this positive outcome. But so did the contributions of Canada’s federal, provincial and territorial governments through the NCB initiative.

For the first time, the *NCB Progress Report: 2002* shows the NCB is making progress toward meeting all three of its goals, while providing provinces and territories and First Nations with the flexibility to meet their particular needs. For example:

Goal 1: Reduction of Child Poverty:

- As a result of the NCB in 2000,⁴ 55,000 children in 22,900 families were not living in low income, a 5.1 percent reduction in the number of low-income families or 1 in 20. These families with children saw their average disposable income increase by almost \$1,800, or 7.5 percent.
- Families with children living in low income in 2000 were, on average, about \$700 better off, representing an increase in their average disposable income of 4.1 percent.
- The low-income gap was reduced by \$320 million, a decline of 9.6 percent in 2000.

Goal 2: Promotion of Labour Market Attachment:

- In most jurisdictions, the NCB is making paid work financially more attractive than social assistance for families by improving the difference between minimum wage employment and social assistance. This improvement was associated with a reduced dependency on social assistance among families with children.

- In 1997, before the NCB, disposable incomes of single-parent families with two children declined by more than 8 percent when they left social assistance for full-time minimum wage employment. By 2001, their disposable incomes were 2 percent higher after leaving social assistance—an overall improvement of more than 10 percentage points since 1997. The NCB was responsible for 72 percent of that improvement.
- There is evidence that the reduction in the welfare wall brought about by the NCB was associated with a decline in the social assistance caseloads among families with children and a decline in the length of time single-parent families spend on social assistance.

Goal 3: Reduction of Program Overlap and Duplication:

- Simplified administration of child benefits allowed many jurisdictions to combine the NCB Supplement with provincial/territorial child benefits into a single integrated payment. Furthermore, the flexibility of the NCB agreement allowed provincial, territorial and First Nations governments to respond to the local needs of low-income families.

■ The Federal Government’s Contribution to the NCB

The Government of Canada contributes to the NCB initiative through a supplement to its Canada Child Tax Benefit (CCTB) system. This additional payment is called the NCB Supplement. It provides extra support to low-income families with children by topping up the monthly payments they receive under the CCTB system.

Annual Maximum CCTB (including the NCB Supplement) Benefits* for the July 2003 to June 2004 benefit year				
Number of Children	Base Benefit of the CCTB	NCB Supplement	Total	Monthly Benefit
1st child	\$1,169	\$1,463	\$2,632	\$219.33
2nd child	\$1,169	\$1,254	\$2,423	\$201.92
3rd and each additional child	\$1,251	\$1,176	\$2,427	\$202.25

Families that had net incomes below \$21,529 in 2002 qualify for the maximum base benefit of the CCTB and maximum NCB Supplement. Families that had net incomes between \$21,529 and \$33,487 in 2002 qualify for the maximum base benefit of the CCTB and part of the NCB Supplement. Families that had net incomes above \$33,487 in 2002 qualify for a part of the base benefit of the CCTB.

*In 2003-2004, there is also an additional supplement of \$232 provided for each child less than seven years of age for whom no child care expenses were claimed.

Increasing Benefits for Canadian Families

Since the NCB was introduced in 1998, the Government of Canada has steadily increased its investment in children and their families through the base benefit of the CCTB and the NCB Supplement.

- The **base benefit of the CCTB** provides child benefits to all low- and middle-income families. In 2001-2002, the Government of Canada provided \$5.2 billion through the base benefit of the CCTB to 3.2 million families with 5.8 million children, or approximately 82 percent of Canadian families with children.
- The **NCB Supplement** provides low-income families with additional child benefits on top of the base benefit. In 2001-2002, the Government of Canada provided \$2.5 billion through the NCB Supplement to 1.5 million families with 2.7 million children, or 40 percent of all Canadian families with children.

When the NCB initiative was introduced in 1998, the Government of Canada invested \$1.1 billion through the NCB Supplement. This amount is projected to reach \$2.8 billion in 2003-2004.

■ Provincial, Territorial and First Nations Components of the NCB

Increases in the federal NCB contribution have allowed provinces and territories to reduce the direct cost of social assistance payments to families with children. These provincial and territorial “savings” can be redirected to programs and services that benefit low-income families with children in

their jurisdictions. This means benefits to social assistance families can be maintained at the same level as before and provincial and territorial funds can be invested instead in “NCB reinvestments” to improve the lives of children.

Provinces, territories and First Nations reinvested and invested a total of \$692.4 million in 2001-2002 (estimated to increase to \$777 million for 2002-2003) in programs and services in five main areas:

Child benefits and earned income supplements—to provide low-income families with more money so parents can stay in jobs working toward higher wages.

Child/daycare initiatives—to help low-income families cover extra child care costs incurred when working.

Early childhood services and children-at-risk services—to help children get a healthy start in life by providing support to low-income families when their children are very young.

Supplementary health benefits—so that families can keep important health benefits when they move from welfare to work.

Other NCB initiatives—other programs and services as determined by individual provinces and territories.

■ First Nations and the NCB

The federal government is responsible for ensuring programs for First Nations children on reserve are comparable to those available to other Canadian children. Under the NCB, First Nations also have flexibility to reinvest savings from adjustments to social assistance budgets because of the NCB into programs and services tailored to meet the needs and priorities of individual communities. Some 600 First Nations participate in the NCB and each runs its own programs. For 2001-2002, First Nations reinvestments and investments in programs and services were \$57.2 million and are estimated to be \$51.9 million for 2002-2003.

The Way Ahead

The NCB initiative has established the key components of an integrated child benefit system. This system has resulted in a stronger national platform of child benefits, along with additional benefits and services provided at the provincial, territorial and First Nations levels.

The *NCB Progress Report: 2002* confirms that the NCB is making a significant and ongoing contribution to the goal of reducing and preventing child poverty in Canada and is meeting its specific program objectives.

The information contained in this report builds on the data and analysis presented in the *NCB Progress Report: 2001*. In particular, the current report goes further in documenting the progress of the NCB in reducing the number of children and families living in low income and in promoting increased labour force attachment.

The 2003 federal Budget announced further increases to the NCB Supplement so that by 2007-2008 an additional \$965 million per year will be invested by the Government of Canada to help children and their families. For low-income families with children, this means an increase in the NCB Supplement of \$150 per child as of July 2003, \$185 in July 2005, and \$185 in July 2006, plus indexation adjustments. This is projected to bring annual federal support to Canadian families with children delivered through the CCTB system to over \$10 billion per year by 2007-2008. This will bring benefit levels for a family with two children from a maximum of \$4,682 in 2002-2003 to a projected \$6,259 by 2007-2008.

The federal, provincial and territorial governments and First Nations will continue to build on this platform of child benefits and will keep Canadians informed of the progress being made.

For further information please see the National Child Benefit website at: www.nationalchildbenefit.ca.

¹ Although the Government of Quebec has stated it agrees with the basic principles of the NCB, it chose not to participate in the NCB because it wanted to assume control over income support for children in Quebec. Quebec has adopted an approach similar to the NCB, but references to federal, provincial, territorial positions in this pamphlet do not include Quebec.

² For a complete description of provincial/territorial social assistance adjustments/reinvestment models, please see the *NCB Progress Report: 2002* or the NCB website at: www.nationalchildbenefit.ca.

³ Based on special tabulations of the Survey of Consumer Finance and the Survey of Labour and Income Dynamics (SLID), Statistics Canada, 2000.

⁴ These results are based on post-tax LICO for 2000. The 2000 SLID data used for this analysis captured only NCB income benefits. As a result, approximately \$221 million of provincial/territorial NCB reinvestments and investments in in-kind benefits in 2000 (or 30 percent of provincial/territorial reinvestments and investments) are not included in this analysis. This also excludes approximately \$263 million invested in the NCB, which otherwise would have been invested in the Working Income Supplement (WIS) in 2000, if the NCB had not been introduced.