



# The National Child Benefit

## Progress Report 2005



SP-540-11-06

### What is the National Child Benefit?

The National Child Benefit (NCB) initiative is a joint initiative of Canada's federal, provincial and territorial governments,<sup>1</sup> with a First Nations component, 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, territories and First Nations to meet the needs of low-income families with children in each jurisdiction.

The Government of Canada contributes to the NCB initiative through a supplement to the base benefit of the Canada Child Tax Benefit (CCTB).<sup>2</sup> This additional payment is called the NCB Supplement. It provides extra support to low-income families with children by increasing the monthly payments they receive through the CCTB.

Provinces and territories have the flexibility to adjust social assistance or child benefit payments by an amount equivalent to the NCB Supplement. First Nations follow the approach of the relevant province or territory. As a result, families with children on social assistance maintain at least the same level of benefits, while funds resulting from such adjustments support new or enhanced programs benefiting low-income families with children.<sup>3</sup>

No family receiving social assistance in any jurisdiction 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 social assistance and ensuring that enhanced benefits and services continue when parents move from social assistance to paid employment.

### Monitoring the NCB's Progress

In 1998, Canada's Federal/Provincial/Territorial Ministers Responsible for Social Services introduced the NCB initiative, as part of the National Children's Agenda, under which Canadians in every part of the country are engaged to ensure that all Canadian children have a good start in life, and that families with children have the tools they need to provide care and nurturing. *The National Child Benefit Progress Report: 2005* is a key element of the *National Child Benefit Governance and Accountability Framework* as it fulfills the commitment of Federal/Provincial/Territorial Ministers Responsible for Social Services to report annually to Canadians on the progress made under this initiative.

This seventh report provides an update on the progress the NCB is making in improving the economic well-being of low-income families with children. The report examines both societal level indicators, which track socio-economic trends that relate to the NCB, and direct outcome indicators, which identify the direct impact of the NCB on families with children.

The report indicates that while there was a slight increase in the percentage of families with children living in low income from 11.4 percent in 2002 to 11.7 percent in 2003, based on Statistics Canada's post-tax Low-Income Cut-Offs (LICOs), this was still well below the peak of 17.6 in 1996. During this period, the number of children living in low income decreased from 1.3 million in 1996

to 850,500 in 2003, a decrease of approximately 453,500 children.

The report also identifies the direct impact of the NCB in preventing and reducing low income among families with children. Using the most recent available data on the post-tax LICOs, the analysis estimates that in 2003, as a direct result of the NCB, 159,000 children in 60,500 families were prevented from living in low income, a reduction of 12.4 percent. These families saw their average disposable income increase by an estimated \$2,600, or 9.7 percent. For those families with children who remained in low-income situations, the NCB reduced the low-income gap by 16.1 percent.

### The Government of Canada's Contribution to 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.

In 2004–2005, the Government of Canada invested \$8.9 billion through the CCTB system (the base benefit of the CCTB plus the NCB Supplement) to support all low- and middle-income families with children. Of this amount, investments for low-income families with children are estimated to total \$6.5 billion to support 1.6 million low-income families with 2.8 million children. This includes \$2.9 billion through the NCB Supplement and \$3.6 billion through the base benefit of the CCTB.

To support middle-income families with children, the Government of Canada invested a further \$2.4 billion through the base benefit of the CCTB to support another 1.8 million middle-income families with 3.2 million children.

The annual level of federal child benefits that low-income families with two children were eligible to receive through the combined CCTB base benefit and NCB Supplement reached \$6,175 in July 2006.

### Maximum Levels of Federal Child Benefits for 1996–1997 and 2006–2007 Program Years (July to June) in Current Dollars<sup>a</sup>

Number of Children	1996–1997	2006–2007	Percentage Increase from 1996–1997 to 2006–2007
	Maximum CTB+WIS <sup>b</sup>	Maximum Base Benefit + NCB Supplement	
1	\$1,520	\$3,200	111%
2	\$2,540	\$6,175	143%
3	\$3,635	\$9,155	151%
4	\$4,730	\$12,135	157%

<sup>a</sup>Current dollars are in actual dollars in a given year, and are not adjusted for inflation.

<sup>b</sup>CTB – Child Tax Benefit; WIS – Working Income Supplement.

### Provincial/Territorial Contribution to the NCB

Provinces and territories have the flexibility to adjust social assistance or child benefit payments by an amount equivalent to the NCB Supplement. This allows families on social assistance to maintain the same level of benefits, while provinces and territories can use the additional funds for new or enhanced programs benefiting low-income families with children. Since the introduction of the NCB initiative, a number of approaches to adjusting social assistance and child benefits have evolved.<sup>3</sup>

It is estimated that provinces and territories reinvested and invested a total of \$841.4 million in 2004–2005 in programs and services in six main areas:

**Child/day care initiatives** – to help low-income families cover extra child care costs incurred when working.

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

**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.

**Youth initiatives** – to assist and support youth, with particular attention to youth-at-risk. Youth initiatives range from alcohol and drug strategies to transitional support for youth leaving child welfare.

**Other NCB programs, benefits and services** – other programs and services as determined by individual provinces and territories.

### First Nations and the NCB Initiative

Like provincial and territorial governments, First Nations have the flexibility to reinvest savings from adjustments made through social assistance into programs and services tailored to meet the specific needs and priorities of the individual community. This flexibility allows the First Nations to implement projects that are culturally relevant and are responsive to the unique needs of each community, and that reduce the incidence and depth of child poverty.

For 2004–2005, it is estimated that First Nations reinvestments and investments were \$55.1 million. NCB reinvestment projects for First Nations are categorized in five key areas:

- home-to-work transitions;
- cultural enrichment;
- child nutrition;
- child care; and
- support to parents.

### Citizenship and Immigration Canada (CIC)

CIC reinvested an estimated \$2.6 million in 2004–2005 to support refugee families with children in receipt of income support benefits under the Resettlement Assistance Program.

### The Way Ahead

The NCB initiative is a key component 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. These reinvestments and investments in programs and services for low-income families with children are estimated to be \$899.2 million in 2004–2005.

Annual federal support delivered through the CCTB system including the NCB Supplement is projected to reach \$9.5 billion per year by 2007–2008.

Federal, provincial and territorial governments and First Nations will continue to support the NCB initiative and will keep Canadians informed of the progress being made.

For further information please see the National Child Benefit website at: [www.nationalchildbenefit.ca](http://www.nationalchildbenefit.ca).

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<sup>1</sup> The Government of Quebec has stated that it agrees with the basic principles of the 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 to the NCB. Throughout this pamphlet, references to joint federal/provincial/territorial positions do not include Quebec.

<sup>2</sup> The CCTB is made up of two components: the base benefit, which is paid to low- and middle-income families with children, and the NCB Supplement, which is an additional benefit paid to low-income families with children.

<sup>3</sup> For a complete description of provincial/territorial social assistance adjustments/reinvestment models, please see *The National Child Benefit Progress Report: 2005* or the NCB website, at: [www.nationalchildbenefit.ca](http://www.nationalchildbenefit.ca).