



Minister of State for Social Development Candice Bergen taking a question on the Harper government's family package in the Commons. House of Commons photo

More than Income Splitting: The Harper Government's Child Care Solution

Candice Bergen

While the three major parties will spend much of the next six months rolling out their policy platforms, the debate on child care has already begun. The NDP has proposed a national child care program, outlined by Tom Mulcair in this issue of Policy, and the Conservative government has opted for enhanced benefits and tax breaks. Here, Minister of State for Social Development Candice Bergen provides a spirited defence of that option.

When it comes to life choices such as careers, how to raise children, and preferences regarding child care, Canadian families are as varied as our nation's landscape. Coming from rural Manitoba, I experienced first-hand that one-size-fits-all solutions are not realistic, nor are they generally helpful. Admittedly, my experiences raising children, both in rural and in urban settings while balancing work and family commit-

ments, have informed my views as Minister of State for Social Development: Government investments should, as much as possible, go directly to those impacted by a particular policy. In the case of decisions surrounding child care, it's parents.

This is the underlying philosophy differentiating the Harper government from other political parties. The belief that money is better directed to decision makers rather than to large and expensive government programs is what led to the recent policy announcement of the Family Tax Cut and Benefits package.

Overall, the proposed measures will provide approximately \$4.6 billion in annual relief to about four million families. In fact, all families with children under the age of 18 will receive a direct benefit and, as I'll explain, an overwhelming majority of these benefits will go to low- and middle-income families.

There are three main elements to the plan, all designed to direct resources to individuals and families to spend on what they deem important.

The first element is the Family Tax Cut. This new federal non-refundable tax credit recognizes that under Canada's personal income tax system, a one-earner couple, or a two-earner couple in which one spouse earns significantly more than the other, often pay more federal personal income tax than a two-earner couple who has the same combined income, but where the spouses have equal earnings.

Under the Harper government's changes, the higher-income spouse will be able to, in effect, transfer up to \$50,000 of taxable income to a spouse in a lower income tax bracket for federal tax purposes, up to a maximum benefit of \$2,000. This will provide about \$2.4 billion in tax relief in 2014-15 and \$1.9 billion in 2015-16. Over 1.7 million families are expected to benefit from this new income splitting measure.

The second element is the enhancement and expansion of the Universal Child Care Benefit (UCCB). The needs and priori-

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ties of families across the country differ greatly, especially when it comes to what type of child care arrangement works best for their unique situations. Results from a recent Statistics Canada Survey on Child care in Canada showed that parents don't just rely primarily on one type of child care arrangement.

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Then there are single parents who may or may not be sharing parenting responsibilities with another person. Not to mention that in rural and remote areas, government-run daycare is sometimes simply not feasible.

Taking just these numbers into account, the NDP plan would help only a small fraction of the 46 per cent of families who rely on child care.

In fact, because the NDP plan would only be providing formal daycare spaces it would help less than 10 per cent of the 4 million families in our country overall. By contrast, the Harper government's plan provides direct support for 100 per cent of Canadian families.

Their plan also fails to take into account parents who work outside of nine-to-five hours. Many families choose careers that demand shift-work. Some decide to coordinate

working schedules with the other parent, also resulting in varied hours, in order to allow for extra time with the children. Some have special arrangements to allow each parent to be able to attend their children's extra-curricular activities. Some rely on other family members or friends for their child care needs, while some have one parent that has chosen not to work outside of the home. And then there are single parents who may or may not be sharing parenting responsibilities with another person. Not to mention that in rural and remote areas, government-run daycare is sometimes simply not feasible.

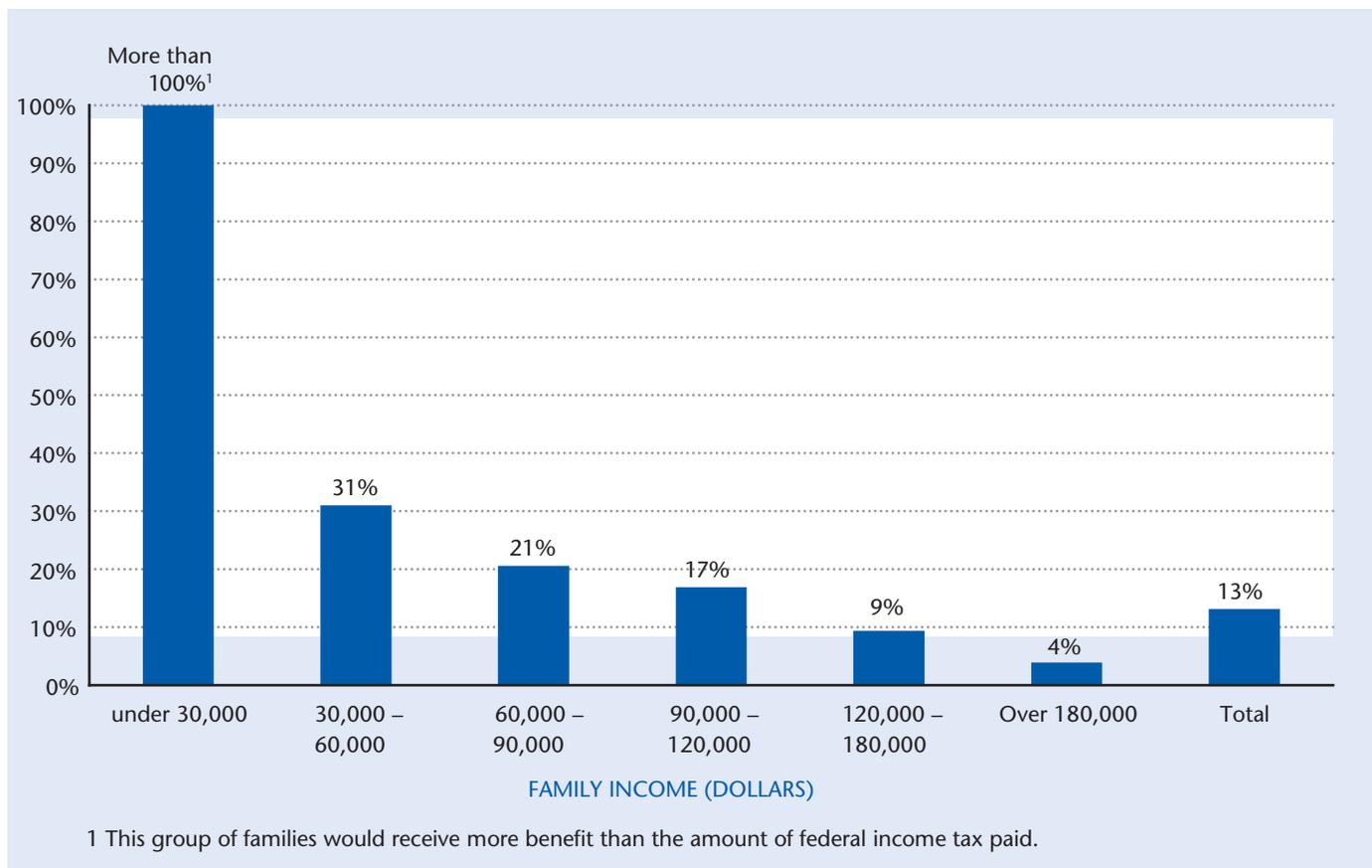
Whatever the case is, it cannot be disputed that each family faces a unique set of circumstances and they deserve choices to make the best decisions for their own situation.

Under the Harper government's plan, the UCCB will increase to \$160 per month (up from the current \$100) to parents of children under the age of 6. Additionally, the UCCB will be expanded for older children aged 6 through 17 by providing parents of these children with a benefit of \$60 per month. And families currently receiving the Child Tax Benefit will continue to do so, at the exact same level of funding. All families with children under the age of 18 will receive direct funds under these new benefits.

The changes to the UCCB will take effect as of January 2015 and begin to be reflected in monthly payments to recipients in July 2015. As a result, more than two million new families will now benefit—for a total of about 4 million families nationwide.

It's clear that the intention of the UCCB is not to subsidize or cover all child care costs. That's simply not re-

Chart 1: Relief from the Proposed New Measures as a Share of Federal Income Tax Paid, Families with Minor Children, by Family Income (2015)



Source: Department of Finance.

alistic. Rather, it is meant to be a financial support to empower and enable parents to do what they believe is best.

As well, it should not be forgotten that since 2006, the federal government's social transfers to the provinces and territories have increased by nearly 50 per cent. Alongside a new 25 per cent investment tax credit to businesses that create new child care spaces for their employees, this funding has been used to create more than 216,000 daycare spaces across the country.

The final element of the government's new package is a \$1,000 increase per year, per child, in the dollar limits of the Child Care Expense Deduction in each category. This allows child care expenses incurred while earning employment or business income, pursuing education or performing research to be deducted from income for tax purposes.

The Harper government has also announced a doubling of the Children's Fitness Tax Credit to \$1,000 to further help families with costs associated with their children's fitness activities.

While families at all income levels will benefit from the new measures, it's clear that low- and middle-income Canadians would receive proportionately greater relief as a share of federal income tax paid, as seen in Chart 1 above.

About 68 per cent of the tax relief and benefits provided by the proposed measures would go to low- and middle-income families (i.e., those with family incomes less than \$120,000 a year). Further, those with annual family incomes below \$30,000 would receive 25 per cent of the benefits and relief provided by these measures.

Governments should not tell parents how to raise their children. That's why creating

new billion-dollar programs that will only help a few parents with child care needs is not in the best interest of all Canadian taxpayers. When it comes to the role of government, directing money to primary decision makers for them to invest according to their needs is paramount. Because they are the ones who are most directly affected and are best placed to make decisions. That's why these policies for families are purposely designed to empower Canadian parents rather than impose a "government knows best" ideology upon them. **P**

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