



The Harper child care plan: Buyer beware

Stephen Harper's proposed child care allowance will provide the least benefit to working poor and modest-income families who need help most. The \$1,200 yearly allowance for each child under 6 is not what the large majority of Canadian families will end up with. Because it will be counted as taxable income in the hands of the lower income parent in the family, its *true value* will be less than its *face value*.

Because the child care allowance will increase their income, families will pay more federal and provincial/territorial income taxes, while at the same time receiving less from geared-to-income benefits such as the federal Canada Child Tax Benefit and GST credit as well as provincial/territorial child benefits and tax credits. Thus the *true value* of the child care scheme will be considerably less than its \$1,200 a year *face value* – significantly less in the case of many working poor and modest-income families, who will get a smaller after-tax benefit than middle- and upper-income families.

One-earner families with a parent who stays home will do better than lone-parent and two-earner families. But even for one-earner couples with children, those who earn the most would get to keep more of the proposed benefit.

Compare the current Canada Child Tax Benefit, which is increasing again this year, with the Harper child care allowance (Table 1). The Canada Child Tax Benefit is much larger and pays its benefit in a progressive manner, decreasing as incomes rise. But the proposed child care allowance will result in an erratic, irrational distribution.

Table 1: Benefits from Canada Child Tax Credit and proposed Child Care Allowance, two-earner family with two children (one under 6), by net income, Ontario, 2006

net family income	Canada Child Tax Benefit	Harper Child Care Allowance (true value)
\$10,000	\$6,382	\$1,176
\$20,000	\$6,382	\$1,022
\$30,000	\$4,547	\$460
\$40,000	\$2,594	\$671
\$50,000	\$2,194	\$827
\$100,000	\$194	\$778
\$150,000	\$0	\$826
\$250,000	\$0	\$679

Table 2: True value of Harper Child Care Allowance, families with two children (one under 6), Ontario, 2006			
net family income	one-earner couples	two-earner couples	one-parent families
\$0	\$1,200	\$1,200	\$1,200
\$10,000	\$1,176	\$1,176	\$1,176
\$30,000	\$673	\$460	\$607
\$50,000	\$1,049	\$827	\$802
\$100,000	\$1,032	\$778	\$655

Table 2 shows how the Conservative plan would pay more to most one-earner families than to two-earner and one-parent families, and more to higher-income families than to modest-income families earning \$30,000

The Harper plan in effect tries to fool families into believing they will get \$1,200 for each child under age 6, when in reality its true value – after factoring in tax increases and benefit losses – will be less.

It is unfair because it treats one-income couples better than two-income and single-parent families. It is also unfair because it will give the least assistance to working poor and modest-income families, while favouring the better-off who least need help. And for parents in all income categories, the amount they will end up with is so meagre it won't help parents find and afford good child care. A better solution to help Canada's families: invest in high quality child care and—at the same time—increase the existing Canada Child Tax Benefit.

Note: This discussion is based on Ken Battle, *The Choice in Child Care Allowance: What You See Is Not What You Get*. Ottawa: Caledon Institute of Social Policy, January 2006.

The Child Care Advocacy Association of Canada was founded in 1983 to promote quality, inclusive, publicly funded, non-profit child care accessible to all. The association's more than 140,000 members include parents, caregivers, researchers and students; and women's, anti-poverty, labour, social justice, disability and rural organizations.

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