

Reform of Child Benefits for British Columbians

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Abstract

Since its pioneering introduction of the B.C. Family Bonus in 1996, by 2020 British Columbia went from being the leader to the laggard among Canadian provinces in its child benefit program. Only with its implementation of the B.C. Child Opportunity Benefit in late 2020 did the province renovate its scheme, which is still less targeted on poverty reduction than the other provincial child benefit programs. This paper explores alternative scenarios for B.C. to restructure its child benefits so as to target poverty much more effectively. It explores variants that would be cost-neutral, save costs, and expand costs. One of the cost-neutral alternatives could increase the maximum annual benefit per child by nearly half—to \$2,355 from \$1,600 for the first child in a family. Its benefits would go disproportionately to sole-parent families on account of their high poverty rates. A reform of this genre would also allow B.C. to take the last step in “getting the kids off welfare” by restructuring Income Assistance rates. The paper further explores the even greater potential for relieving poverty among B.C. families by obtaining discretion for cost-neutral increased income targeting of the much larger Canada Child Benefit program.

Introduction

One type of program that the government of British Columbia could expand or reform in order to reduce poverty among families with children is its cash benefits for children. Changes in this area are particularly relevant to female-headed sole-parent households, a group of B.C. residents with among the highest poverty rates. As shown in Table 1, the poverty rate for B.C. female sole parents was 3.75 times that for two-parent families with children.¹ The table also presents figures on median incomes and other measures showing the sharp gaps between two-parent and sole-parent families in B.C. Reduced child poverty is one of the key objectives identified in British Columbia's legislated poverty-reduction strategy; the Act targets at least a 50% reduction in the province's rate of child poverty by 2024 from the rate in 2016.² Child poverty is also a major concern for society because of the lifelong impacts on physical and mental health, work productivity and earnings, and social inclusion.

Raising family incomes above poverty levels through public programs of various kinds has been identified as a significant factor in improving healthy child development and long-term outcomes in many dimensions.³ Extensive evidence confirms that the use of cash transfers can significantly assist in raising a wide range of positive outcomes for children in beneficiary families, although the distinction among program types in their relative efficacy has not yet been resolved (Jones and Stabile 2020). However, a recent study of the Canada Child Benefit finds that the increased transfers were spent largely on items that are directly or indirectly beneficial to children. Increased payments to rental-tenure households below median income were overwhelmingly spent for items likely to benefit their children: shelter costs, food, and children's clothing (Najjarrezaparast and Pendakur 2020).

This study describes and assesses the federal and provincial child cash benefit programs that are available for families in B.C. While these programs operate separately from the province's income assistance (IA), IA beneficiaries with children can access their benefits. In fact, the federal Canada Child Benefit (CCB) is the largest component of total cash support for children in families dependent on IA. The CCB, B.C.'s Child Opportunity Benefit (COB), and predecessor programs were designed to lower the "welfare wall," the difference in benefits between those drawing IA and the working poor.⁴ This study explores potential reforms to the provincial child benefit program that would target more of its benefits on families at low and moderate incomes. Scenarios that involve equal-cost, cost-saving, and increased-cost reform variants are investigated. The study also explores potential B.C. reforms of the much larger

¹ Also see the detailed statistics on poverty incidence in B.C. in Petit and Tedds (2020a).

² Government of British Columbia (B.C.) (2018, Part 2, Division 1, 3 [1]); also Government of B.C. (2019). Bill 39-2018, Poverty Reduction Strategy Act, Part 2, Division 1, 3 (1).

³ See the evidence presented and reviewed in Yeung, Linver, and Brooks-Gunn (2002); Milligan and Stabile (2011); McEwen and Stuart (2014).; and Jones and Stabile (2020).

⁴ B.C. actually pioneered this policy area in 1996 with its introduction of the Family Bonus.

CCB program that would be feasible if the federal government were to grant individual provinces greater discretion over varying the structure of benefits within a cost-neutral framework.

The differentials in support plus shelter benefits provided for children in families on B.C.'s IA program are already very limited,⁵ consistent with the motivation for the National Child Benefit System in 1997 and child benefit reforms that have followed. By extending greater cash benefits for children in all families at lower incomes, regardless of their IA status, the financial barriers to moving from IA to employment are diminished. Past changes of this kind have had the effect of reducing welfare caseloads, consistent with the goal of moving the system toward an income-related basic income (Milligan and Stabile 2007).⁶ Shifting the policies further in that direction, and the higher cash support for low-income families, are good reasons to pursue policies that will increase child benefits provided outside of IA.

The motivation for these kinds of reforms of child benefit programs also stems from empirical evidence about the relative returns to supporting children in families at lower versus higher incomes. These studies assess the long-term benefits of increased incomes on children's academic performance and physical and mental health.⁷ Positive outcomes of these kinds arise for most children in higher-income families regardless of fiscal support. However, the impact of increased income on children in lower-income families is more significant, as Canadian researchers have concluded:

For children in families with middle to high incomes (above C\$60,000 year), there is evidence to suggest income transfers will have no significant effect. Currently, many child benefits are designed progressively and decrease as income increases, but many of these extend past what the evidence suggests is the threshold where income has an effect on child outcomes. (McEwen and Stewart 2014, 106)

⁵ See the figures for support rates and shelter maximums for the two programs and how they vary by family size in Government of B.C., Ministry of Social Development and Poverty Reduction (2019a, 2019b). Also see Table 12 later in this paper and associated discussion in the text.

⁶ See Petit and Tedds (2020b) for analysis of how receipt of IA reported on T5007 tax slips is counted as net income and thus subject to the CCB and COB tax-backs.

⁷ See the references cited in note 3 and Jones, Milligan, and Stabile (2019).

Description of Existing Programs

As noted, the two major programs that disburse cash benefits to families with dependent children in B.C. are the CCB and the COB. In October 2020, the COB was introduced to replace B.C.'s Early Childhood Tax Benefit (ECTB), which was limited in its maximum benefit and more restrictive in covering children only under six years.⁸ The COB conforms more closely to the child benefit programs of most other provinces in extending eligibility for children through age 17.⁹ Of the CCB's total annual cost of \$24 billion in fiscal 2018, about \$2.7 billion went to families in B.C.¹⁰ The provincial ECTB had an annual cost of \$140 million in that year, expanded under the COB to a projected full-year cost of about \$380 million.¹¹ That still leaves the CCB about seven times as large as the COB for B.C. beneficiaries. Introduction of the CCB in mid-2016, supplanting several other programs, was projected to decrease the number of children living in poor Canadian families by 300,000 between 2014–15 and 2016–17.¹²

All of these programs are administered and delivered by the Canada Revenue Agency based on family income information reported on annual income tax returns. The programs operate as a refundable tax credit, which is an operational variant of a basic income. Their benefits are paid out as monthly amounts based on the previous year's income information rather than used to offset the filer's tax liability.¹³ Therefore the benefit payments can be very slow to respond to sudden changes in a family's income, such as the loss of a job. This slow responsiveness runs counter to the practice under provincial income assistance and the negative income tax, which employ monthly income reporting to permit faster adjustment of benefits to income variations.¹⁴ To cover cases of gaps or delays in receipt of the CCB, B.C. provides and directly administers a Canada Benefits Top-Up Supplement for IA beneficiaries, but this does little to remediate the responsiveness lags.

⁸ This paper does not discuss the ECTB in detail; for a critique of the ECTB and reform proposals for B.C. that predated announcement of the COB, see First Call (2018), Kesselman and Montani (2018), and Kesselman and Mendelson (2019).

⁹ See Kesselman (2019) for description of the provincial programs.

¹⁰ Kesselman (2019, 317) based on the author's simulations using SPSPD/M v. 26.

¹¹ Government of B.C. budget for 2019/20 (59). This study uses its estimated cost of \$420 as the benchmark.

¹² Government of Canada, Finance (2016, 62). The actual measured decline in number of children under age 18 in poor families between 2015 and 2017 was 278,000 (Statistics Canada 2019, 6). For other estimates of program impacts on child poverty, see Harding (2018, 23–25) and Canadian Centre for Economic Analysis (2019). The latter study also presents estimates of the extent to which total CCB payments are already concentrated in lower- and moderate-income households.

¹³ Receipt of IA benefits reported on T5007 tax slips is counted as net income and thus subject to the tax-backs of CCB and COB. See Petit and Tedds (2020b) for analysis of the impacts.

¹⁴ See Kesselman (2020) for extensive discussion of policy trade-offs relating to the timing and responsiveness of benefits under the refundable tax credit versus negative income tax formats.

The benefit structure of each program has a threshold level of income (T1) below which the full maximum benefit is paid. For incomes above this threshold, one or more tax-back rates¹⁵ apply to reduce the net benefit until a break-even income (B) is reached, above which no benefits are paid. Table 2 reports the relevant parameters for the benefits under each of these programs as well as for the reform variants of the COB that will be assessed later in this paper. Term G is the maximum or “guarantee” entitlement paid for recipients with incomes below the first threshold; the amount of G may vary with the age or number of children, depending on the program. The tax-back rates are denoted R, and they may also vary by number of children or income level or both, again hinging on the program design. Some programs apply different tax-back rates over different ranges of incomes, and in that case a second threshold T2 arises for the second tax-back rate.

Figure 1 depicts the essential structure of benefits for each program with respect to family income. All programs have an initial income stretching up to their first tax-back threshold T1 over which the net benefit is a flat amount, invariant with changes in a family’s income. The CCB and COB each have two thresholds for tax-backs, while the ECTB had just one such threshold. Unlike the ECTB and CCB, the COB has a range of incomes between its two thresholds over which the net benefit is flat and unaffected by income. The slopes of budget lines reflect the tax-back rates (R) over their respective income ranges. The broken dashed (red) schedule depicts an illustrative cost-neutral variation to the CCB, in which tax-back rates are increased, with the revenue saved from the tighter income targeting used to increase guarantee amount from G_{CCB} to G'_{CCB} . Point X where the original and new benefit schedules cross denotes the income level that separates those who gain from those who lose from the reform. Reforms to the COB (shown as COB') explored in this paper have a single threshold like the previous ECTB.

Comparison of Provincial Child Benefit Programs

Comparing the child benefit programs of the eight provinces¹⁶ that have them provides useful background in understanding various approaches to restructuring (see Table 3). This comparison also illuminates the varied extent to which provinces have fashioned their program as poverty-reduction tools versus more widely dispersed benefits for families. It further allows us to assess British Columbia’s reform that expanded the ECTB into the COB, effective October 2020. A key aspect of B.C.’s reform was extending the eligibility from children under 6 years to children under 18 years. This potentially could have tripled the number of eligible children, although the actual increase would have been less, even with an unchanged benefit structure, because older children typically have parents with higher incomes. Our assessment here focuses instead on the change in B.C.’s benefit structure and comparisons with the other provinces.

¹⁵ These rates are also called phase-out, benefit reduction, or clawback rates.

¹⁶ Note that all three territorial governments also offer similar child benefit programs.

Prior to its reform in 2020 B.C.'s ECTB program had the highest threshold (T1) for the phase-out of benefits and the highest break-even level (B) of all the provinces, as shown in Table 3. The full benefit was paid to eligible families with incomes up to \$100,000 and benefits were not eliminated until \$150,000. The tax-back rate was applied at 1.32% times the number of children in the family, so that any increase in the number of children was offset by an increase in the tax-back rate to create a constant break-even level. This practice of applying a tax-back rate that is a multiple of the number of children, with a resultant constant break-even income irrespective of family size, is still followed in four provinces as shown in the table.¹⁷ For example, Manitoba applies a tax-back rate for a family with three eligible children of $3 \times 7.73\%$ or 23.19%. B.C.'s pioneering Family Bonus program in 1996 also set this pattern, with tax-back rates of 8% and 16% for families with one and two or more children, respectively. As shown in Table 2, the CCB also utilizes tax-back rates that rise with number of children, thus compressing the pattern of break-even incomes (Table 4).

Three notable aspects of B.C.'s reform of its child benefits in the COB (apart from the increased in guarantee levels and age coverage) were the following: (a) decreasing the threshold (T1) to \$25,000; (b) adopting a constant tax-back rate of 4% independent of the number of children; and (c) introducing a second threshold (T2) at \$80,000 below which a flat benefit per child was provided for a range of incomes.¹⁸ The reduced first threshold comes closer to the levels in other provinces and tends to make the program more focused on poverty reduction. The new, flat 4% tax-back rate for B.C. is significantly less than the rates in most other provinces except for Quebec and for one-child families in New Brunswick. This fact reduces the targeting efficacy of B.C.'s program on lower incomes, and the institution of the flat benefit suspends the application of the tax-back over a range of intermediate incomes, further reducing the program's targeting.

As a result of the cited factors, the COB's break-even income for a family with one child (\$97,500) is still far higher than the programs of the other provinces, with only Quebec coming close. Moreover, Quebec's program should be viewed as a special case in the Canadian context, given the province's pro-family and particularly its pro-natal stance. Its child benefit program has expenditures greater than those of all the other provinces combined. Its benefit structure offers a larger guarantee for the third child in a family than the preceding children, it provides a flat minimum benefit even for families at the highest incomes, and it provides a small supplement for sole-parent families.¹⁹ In general, British Columbia's revamped child benefit program displays far less focus on poverty-reduction goals than the other provinces. Still, all of the provincial programs including B.C.'s are more oriented toward redistributive goals than the federal CCB. This pattern may display a stronger taste for poverty reduction at the provincial

¹⁷ Some of these provinces cap the total tax-back rate at a given level for families with more than a set number of children. For details, see Kesselman (2019, 326, note 17).

¹⁸ The income range for the flat "minimum benefit" hinges on the family's number of children.

¹⁹ Quebec has been undertaken various reforms of its child benefit programs, in general raising the guarantee levels for second and third children. See Kesselman (2019).

level, or it may simply reflect provincial priorities when building on the base of high-level federal CCB guarantees and the need to use limited funds effectively for provincial priorities.

Potential Reforms of Child Benefits in B.C.

A starting point for discussing reforms to child benefits in B.C. is to assess the characteristics of the federal CCB program, since it is so much larger than the COB. Assuming that the CCB will remain in place in its current form, how can the province most effectively structure and target its provincial funds for supporting families with children? Table 4 reports the break-even income levels by number of children in a family for the CCB and the current COB as well as the illustrative COB reform scenarios. Three sets of break-even income levels are shown for the CCB, reflecting the program's different guarantee levels for each child under 6 years and those 6 through 17 years (see Table 2) and the mix of a family's children between the younger and older groups. The break-even income for a family with one preschool-age child is almost \$200,000 (CCB-C). A family with two children can have a break-even income from \$181,364 to \$218,452 hinging on their ages. These figures are far above the median incomes for two-parent families, not to mention the vast gap from median incomes of sole parents (Table 1).

Thus, the CCB disburses benefits widely across middle- through upper-middle incomes, while also providing significant assistance for poor families. This very broad coverage of the CCB accounts for its high budgetary cost and, perhaps, its popularity. However, as a result of this design with widely distributed benefits, the CCB's total cost is elevated, or, for the same cost, its poverty-reducing potential is attenuated. While high-income families draw some net benefits from the CCB, they are often small relative to incomes and contribute little to their costs of raising children; yet they divert program outlays from families where they would make a greater difference. For example, a family with income of \$190,000 and two younger children has a total guarantee of \$13,530 but a net benefit of just \$1,621 or less than 1% of their income.

Turning now to British Columbia's own provision of child benefits, the break-even incomes for any number of children in a family are lower than in the CCB. The ECTB's tax-back rate structure was designed to yield a break-even income of \$150,000 irrespective of the number of children. The COB reform increased the targeting of benefits somewhat, reducing break-even levels to \$97,500 for one child and to \$147,500 for four children. At the same time, the reform more than doubled the guarantee for the first child in a family and extended coverage for children up through the age of 17 years. The reforms came with a near-tripling of the program cost. Nevertheless, the reform was not overtly focused on poverty reduction, evidenced by the high remaining break-even levels and the introduction of a flat range of benefits for intermediate incomes.

Given the presence of a much larger and more generous federal program of child benefits, it is worth exploring the potential for greater targeting of the COB on low- and moderate-income families. One focus for policy assessment is the extent to which the COB benefits sole-parent families, with their far higher poverty incidence and far lower incomes than two-parent families. The COB's large differential in guarantee between the first child in a family

(\$1,600) and subsequent children (\$1,000 for second child and \$800 for additional children) is relevant to this issue. Sole-parent families in B.C. are far more likely to have a single child (63%) than two-parent families (42%), as shown in Table 5. Also, in considering possible reforms of the COB, interest will focus on the flat benefit range that was added relative to the ECTB and its impact on the program's cost and distribution of benefits. More generally, we are interested in those kinds of impacts of alternative structures for increased benefit targeting.

Potential changes to increase the anti-poverty impacts of a child benefit program could include any of a variety of elements:

- Expansion of their funding with minimal change in benefit structure
- Changes in the relative base benefit levels by age of child
- Changes in the relative base benefit levels by number of children
- Differential base benefit level or supplementary benefit for sole-parent families
- Increased targeting of net benefits as family incomes increase by changes to the tax-back thresholds and/or rate structures
- Introducing a prenatal benefit paid to expectant mothers

We shall consider potential policy reforms that B.C. could pursue as straightforward changes to the COB program. Our illustrative scenarios focus on removal of the flat portion of the COB benefit schedule and various changes to the tax-back rates. We examine scenarios entailing cost neutrality, increased funding, and reduced cost. The scenarios presented here are just a small sample of possible approaches to increased targeting. Later in the paper we explore some possible reforms to the benefit structure of the CCB for B.C. residents if the province were granted greater policy discretion. These scenarios similarly focus on reforms to the tax-back rates.

COB Reform Scenarios and Results

Our scenarios for reform of the COB were summarized in Table 2 based on how they change parameters of the benefit structure. The existing program is denoted COB-0, with the reform scenarios numbered from COB-1 through COB-9. All of the reform scenarios eliminate the flat portion of the benefit schedule, which means that only one threshold for benefit tax-backs remains, T1.²⁰ In all scenarios we leave the *ratios* of the guarantee levels for each successive child in a family at those in the current program; that is, 1600 : 1000 : 800 : 800.²¹ Thus, the simulated results for each scenario will alter all of those guarantee levels proportionately. We also choose to leave the COB's tax-back threshold T1 unchanged at

²⁰ This change restores the single threshold of the ECTB and brings the B.C. program into conformity with child benefit programs in all the other provinces (Kesselman 2019, 314).

²¹ Other provinces' child benefit programs vary in their design of this aspect: Nova Scotia offers an increased guarantee for each successive child, while Quebec decreases the guarantee for a second and third child and then increases it for a fourth and subsequent children; Alberta's pattern is similar to that of B.C. (Kesselman 2019, 314).

\$25,000. Decreasing that threshold would not assist targeting of benefits on poor families, since the current figure is little above the poverty threshold for a single adult, let alone a family with children. We choose to set the guarantee levels independent of children's ages, similar to other provincial programs but unlike the CCB.

Our exploration of reforms to increase the targeting of COB focuses on variations in the tax-back rates at higher levels than the current 4% rate that applies in both of its existing benefit phase-out ranges. Tighter income targeting of the COB could be achieved by raising phase-out rates across-the-board or rates graduated by number of children (as in the ECTB and CCB). We choose the latter approach with figures that vary by scenario. For comparison, the CCB imposes much higher tax-back rates than any of our choices, with the following rates applied in its first phase-out income range: 7% for one child, 13.5% for two children, 19% for three children, and 23% for four children (Table 2). The break-even income levels associated with each reform scenario are shown in Table 3 for families with various numbers of children. Just as the shift from ECTB to COB reduced break-even incomes, the scenarios for COB reform would further reduce the break-even levels.²² Still, the break-even levels irrespective of family size are far above their poverty thresholds, so these reforms do not resemble a welfare program.

Our strategy for assessing reforms of the COB through sequential simulations is shown in Table 6.²³ We group reform scenarios into triplets of variations, with each of the three triplets shifting to successively greater targeting by higher and more progressive tax-back rates. Within each triplet of scenarios we undertake three variants: (a) *fixing the guarantee levels* at the status quo \$1,600 and \$1,000 for the first and second child in a family plus \$800 for each subsequent child, and *estimating the program cost*; (b) *fixing the program cost* at the estimated status quo level of \$420 million,²⁴ and *estimating the proportionate increase in the guarantee levels*; and (c) *fixing the program cost* at \$520 million for a \$100 million increase over the status quo, and *estimating the proportionate increase in the guarantee levels*. This sequence of simulations is repeated for each of the triplets with increasing degrees of income targeting. For each of the simulations we also compute a variety of statistics that gauge the distributional impacts, such as number of beneficiary families and average benefits by income level, with figures computed separately for two- and sole-parent families.

We next discuss the major implications of findings for each triplet of scenarios, beginning with COB-1 through COB-3. This triplet represents the impacts of eliminating the flat portion of the status quo COB benefit schedule, so that the 4% tax-back rate applies to all family income exceeding the single \$25,000 threshold. This decreases the break-even incomes for COB-1 relative to the status quo by about \$20,000 to \$30,000 (see Table 4). Because the assumptions

²² Two exceptions are COB-3 for families with three or four children, but these arise only on account of the \$100 million of additional funding and the resultant higher guarantee levels.

²³ The simulations were executed by Alexandre Laurin for the author, who thanks him for expert assistance; all responsibility for the results and their interpretation resides with the author.

²⁴ The estimated \$420 million is within 10% of the official projection of \$380 million, and this is taken as my benchmark for assessing program savings or the addition of \$100 million.

behind COB-2 allocate the revenue saved from elimination of the flat benefit range to augment guarantee levels, the resulting break-even levels come closer to their status quo counterparts. With COB-3 an additional \$100 million is injected into the program, and the resulting higher guarantee levels raise break-even levels to exceed their counterparts for larger families. Clearly, eliminating the flat portion of the benefit schedule but without raising the level or tilt of the tax-back rates has only a limited impact on the COB program's targeting effectiveness.

Moving on to the full impacts of the first triplet of scenarios, we examine the main set of results in Table 7. Eliminating the flat portion of benefits but holding the guarantee levels constant, as in COB-1, reduces the program cost to \$338 million, or a saving of \$82 million from the status quo. It would also reduce the number of beneficiary families by about 70,000 from the status quo 300,00 and reduce the share of benefits to families with incomes above \$100,000 by about two-thirds. Going to the equal-cost variant COB-2 or the augmented-cost variant COB-3 would partially restore the number of beneficiary families and the shares of benefits received by those with incomes above \$100,000. COB-2 would enable a 14% increase in all the guarantee figures, and the added funding in COB-3 would raise that increase in guarantee levels to 31%. However, as will be seen in the triplets of scenarios that raise the tilt of tax-back rates with larger families, retaining the flat pattern of tax-backs is relatively inefficient at directing benefits to low and moderate incomes consistent with poverty reduction.

We next consider the second triplet of reform scenarios, COB-4 through COB-6, which introduce a tilted set of tax-back rates, 4%, 6%, 7%, and 8% corresponding to additional children in a family. This approach is similar to that used in the federal CCB program, though the tax-back rates there are much higher. The pattern of break-even incomes becomes much flatter for successively larger family sizes, as shown in Table 4, which is also similar to the pattern under the CCB. The COB break-evens are now well below their levels under the status quo program regardless of family size. This pattern suggests that tilting the tax-back rates is helpful in improving targeting, as expected.

Continuing with the second triplet of scenarios, we now return to the main results shown in Table 7. When holding the guarantee levels constant, as in COB-4, the program cost declines to \$271 million or a 35% reduction from the status quo cost. With this set of tax-back rates, restoring the program to its status quo cost would enable a 32% increase in the guarantee levels; and adding \$100 million to the program would enable a 50% increase in the guarantees. These scenarios sharply reduce the share of benefits received by families with incomes above \$100,000 and increase the shares received by sole-parent families and those with incomes below \$40,000 (two overlapping groups). The number of families receiving COB under this triplet of reforms range from 194,000 in COB-4 (a decrease of one-third from the status quo) to 242,000 in COB-6.

Finally we turn to the third triplet of scenarios, which ramp up the tilt of the tax-back rates further to 6%, 8%, 9%, and 10% corresponding to additional children in a family. This change both lowers the break-even incomes and tightens their spread for families of different sizes, as shown in Table 4, even more closely mimicking the CCB pattern. Holding constant the status quo guarantee levels, this change further reduces the program cost to \$224 million or nearly half

of its status quo cost (Table 7). This result illustrates the high cost of the COB program's current design of a low, flat tax-back rate and its flat range of benefits, relative to a design more focused on poverty reduction. Or for the status quo cost, the guarantee levels could be increased by 47% or, with an additional \$100 million of funding, by 68%.

All scenarios in the third triplet significantly further increase the concentration of benefits on lower-income groups relative to the second triplet. To cite the impacts of the cost-saving scenario COB-7, with guarantee levels held constant, the top income group is reduced to a 0.04% share of benefits, the under-\$40,000 group's share rises to over half, and one-parent families receive a 47% share. This more concentrated benefit structure is also most favourable to effectively channelling any incremental program funding to those at low and moderate incomes; with an additional \$100 million of funds, COB-9 is able to raise all of the guarantee levels by 68%, with the figure for the first child in a family increasing from \$1,600 to just short of \$2,700.

Finer-grained results of the simulations appear in Tables 8A through 8D for the status quo COB-0 and the third triplet of reform scenarios. These tables show the breakdowns of numbers of beneficiaries, average benefit per beneficiary family, and aggregate benefits by income groups and also subdivided into two- and one-parent families. Table 8A for the status quo program reveals that beneficiaries with incomes over \$80,000 are overwhelmingly two-parent (over 125,000) versus sole-parent (7,000). The reform scenario COB-7 (Table 8B) that does not apply cost savings to the program reduces these numbers to 11,000 for two-parent families and 1,000 for sole parents. If the cost savings are re-injected so as to maintain the program cost, as in COB-8 or Table 8C, the numbers rise to about 30,000 and 3,000, respectively. Keeping that tax-back rate structure but adding \$100 million to the program yields somewhat larger numbers of beneficiaries with incomes above \$80,000 but still far smaller than in the status quo.

Next we examine the aggregate benefits received by families of the two types at various income intervals for the status quo program and the third triplet of reform scenarios. These figures are drawn from Tables 8A–8D. In the status quo situation, for incomes under \$40,000 two-parent families receive \$55 million and one-parent families receive about \$71 million; these results reflect the high concentration of sole-parent families at very low incomes and the differentially higher benefit for the first child in a family. Scenario COB-7 leaves the figures for both groups virtually unchanged, which reflects that reform's fixity of guarantee levels and tax-back threshold. Scenario COB-8 restores the program to its status quo funding with a proportionate increase in all the guarantee levels. This raises the aggregate benefits for incomes under \$40,000 to \$81 million for two-parent families and \$104 million for sole parents. Injecting \$100 million into the program would further increase the benefits for these lower-income groups but also start to raise the numbers of higher income beneficiaries.

Average benefits per recipient family display a pattern with respect to both incomes and the two types of families that is easily explained. Both the status quo COB program and all the scenarios in the third triplet show the same pattern (Tables 8A–8D). Moving from the lowest income category, Min–\$25,000, to the next category, \$25,001–\$40,000, shows an increase in

average benefits. This reflects the fact that the smallest families (usually one child) tend to be concentrated at the lowest incomes. As incomes move progressively higher above \$40,000, the average benefits per recipient family have a generally declining pattern, reflecting the increasing bite of the tax-back rates. That pattern is interrupted only for the two-parent families in moving from \$60,001–\$80,000 level to \$80,001–\$100,000, where the average benefit ticks up slightly again, presumably reflecting a larger average family size over that range.

In closing this section, we assess the comparative levels of net benefits provided by the status quo COB program and the CCB at incomes somewhat below the median for two-parent families. At an income of \$80,000, which is equal to the COB program's second threshold (T2), a family would receive the floor amounts of \$700 for the first child, \$680 for the second child, and \$660 for each additional child. The total amounts phase out at 4% of income exceeding \$80,000; for example at \$100,000 the net benefit is zero for one child, \$580 for two children, and \$1,240 for three children. All of these figures pale in contrast to the CCB benefits at a family income of \$100,000. Assuming preschool age children, the net benefits at that income are \$3,174 for one child, \$6,751 for two children, and \$10,385 for three children. In short, the current COB provisions for moderately higher-income families are relatively limited, but they dissipate funds that could be redirected toward a stronger poverty-reduction objective

Extension of COB to Prenatal Period

An innovative extension of benefit coverage could be considered with reform of the COB program by the B.C. government. This initiative would extend payments to expectant mothers for a period of their pregnancy. Maximum benefits could parallel those of the main COB: up to \$133 per month for the first child, \$83 for the second child, and so forth. The province currently offers a natal supplement of \$45 per month to expectant mothers from the date of their medically confirmed pregnancy, but this benefit is available only for IA beneficiaries. By enlarging this benefit and extending it to all people living in poverty independent of the IA program, B.C. could follow the lead of Manitoba's Healthy Baby Prenatal Benefit (HBPB) program.²⁵ The HBPB of \$81 per month is targeted to low-income persons and phases out between incomes of \$21,744 and \$32,000. The Manitoba benefit is payable from the start of the second trimester and is unconditional; distribution of the benefit is simply accompanied by a pamphlet advising on diet and health issues during pregnancy.

A B.C. counterpart to the HBPB could more actively link payments to provision of early prenatal care, health advice, and counselling. Women living in poverty face higher stress levels, poorer nutrition, and more exposure to tobacco, alcohol, and drugs during pregnancy, resulting in lower birth weights and more preterm births. Many studies have found the prenatal period to be critical for both newborn and lifelong health, such that any improvements in the general health and lifestyle of expectant mothers could yield valuable long-term gains in both the private and public spheres. Evaluation of the HBPB has estimated significant salutary effects including

²⁵ Brownell et al. (2007) assess conditions that improve program take-up.

reductions in low birth weights, fewer preterm births, larger sizes for gestational stage births, and increased breast feeding (Brownell et al. 2016). By instituting such a benefit independent of IA, B.C. could extend these advantages to a wider group of women than the current provision, and it would contribute in a small way to lowering of the welfare wall.²⁶

Provincial Discretion to Retarget the CCB

The federal CCB program permits individual provinces and territories to negotiate variations of the default benefit structure, but these are limited to alterations in the base amounts for the age and number of children in a family.²⁷ Moreover, any changes are required to provide a per-child benefit of at least 85% of the standard amount, and the amended benefits must be cost-neutral for the jurisdiction. Thus far, no province has opted to “reconfigure” its CCB under these rules. These constraints on the permissible CCB changes are tighter than those permitted in legislation for the Working Income Tax Benefit (now the Canada Workers Benefit).²⁸ Achieving greater targeting of the CCB on lower incomes in B.C. would require either changing program parameters applied nationally or expanding the permissible range and types of reconfigurations that lower jurisdictions could pursue to meet their policy goals including poverty reduction.

Given that the CCB was a signature policy of the Liberal Party of Canada in its 2015 electoral campaign, the government might be more amenable to expanding provincial discretion of program parameters than amending them nationally.²⁹ This approach would shift the onus for reduced or eliminated benefits for children in higher income families, and it could also allow each jurisdiction to tailor the program to its own social and poverty-reduction goals. That change would facilitate the poverty-reduction strategies pursued by both the federal and provincial governments, each of which has targets embedded in legislation. Given that the CCB is much larger than all eight provincial child benefit programs together—with outlays more than six times as large³⁰—it would potentially afford greater potency as a poverty-reduction tool. A particularly useful dimension for expansion of provincial discretion over the parameters of the CCB that would apply to its residents is the structure of benefit tax-back rates.

If a province were granted discretion to vary the tax-back rates and/or thresholds, in a cost-neutral change, it could tilt its total benefits further toward lower-income families. Figure 1 provided an example of how this might work with the thresholds (T1 and T2) unchanged but

²⁶ This initiative would be an example of shifting supplemental benefits from B.C.’s IA program to the wider population; for analysis of the general issue, see Kesselman and Mendelson (2020).

²⁷ Canada (1985, Division E, Subdivision A.1 Canada Child Benefit 122.63[1]-122.63[2]).

²⁸ For details see Kesselman (2019, 311).

²⁹ Figures in the Liberal campaign platform of 2015 stressed the middle class and showed its proposed CCB raising benefits far more for a family with one or two children in the \$45,000–\$90,000 income range than for those at \$15,000. Liberal Party of Canada (2015, 4).

³⁰ See Table 3. Of the total spending on child benefits by the lower jurisdictions, Quebec accounts for more than half.

increased tax-back rates applied above each threshold. Table 9 presents six illustrative scenarios of this kind of change focusing on increased tax-back rates, with all leaving T1 unchanged and two varying T2. The variations in R-L and R-H are percentage point changes that correspond to the income ranges from T1 to T2 and above T2, respectively, and some vary by number of children. The scenarios are applied in simulations for B.C. beneficiaries on a cost-neutral basis for the province for 2018, with the total CCB expenditure fixed at its estimated \$2.7 billion figure for that year.

By shifting net benefits further down the income scale, the cost-neutral guarantee levels can be increased. Each scenario for altered benefit structure has been implemented using two alternative variants on how the savings from increased targeting are allocated: (a) by raising the base benefits for children in the two age groups proportionately; and (b) by devoting all of the savings to an increase in the base benefit level for children under 6 years. The corresponding results of simulations for B.C. are signified as G' and G'' in Table 10. A possible reason for concentrating the increases on children under 6 years is the child-care costs associated with that stage of their lives. A second reason is that parents of younger children are typically younger themselves and at a lower point in their lifetime earnings. That approach is also more supportive of parents who choose to raise their preschool children at home rather than using paid care.

Table 10 presents the results of simulating the scenarios as cost-neutral changes in B.C.³¹ The scenario CCB-0 is the status quo program for 2018 with the base benefit level of \$6,496 for younger children and break-even levels shown for that year associated with the benefits on weighted ages of children (like CCB-B in Table 4). The key results of interest are the impacts of the program changes in each scenario on the levels of the per child benefit, G' and G'' depending on the policy variant. If the retargeting of benefits is spread proportionately on the base benefits for children at all ages, the increases range from about 9% (scenario CCB-1) to 26% (scenario CCB-3). But if the retargeting is channelled to children under age 6 years, the \$6,496 status quo base benefit could be increased to over \$10,000 or a 55% hike (scenarios CCB-3 and CCB-4).

Distributional impacts of the scenarios are also displayed in Table 10 based on the number of children in a family, from one to four.³² The first item is the level of family income at which the benefit schedules in the original scheme and the scenario variant cross, denoted X (and as illustrated in Figure 1). For incomes below the cross-over point, families gain from the program change, and those at incomes above that point lose. The cross-over incomes generally increase with the number of children in a family, as would be expected. The range of incomes over which families would lose all of their benefits is indicated by the decreased break-even incomes, B', shown for each scenario and number of children, relative to the corresponding B figures for the status quo CCB.

³¹ All of the results and interpretations are presented in greater detail in Kesselman (2019).

³² More detailed distributional breakdowns of the scenarios, such as by family type and income, but for the changes implemented at a national level, appear in Kesselman (2019).

The impacts on break-even levels are particularly large for families with one child and the more aggressive retargeting scenarios. That result might suggest that sole-parent families would be adversely affected because they are far more likely to have a single child, as shown earlier. However, the negative impacts on benefits will arise for higher-income one-child families and not lower-income families. Of all CCB paid to BC sole-parent families, 86% went to units with incomes (excluding CCB) of \$40,000 or less; the counterpart figure for two-parent B.C. families was less than one-third. Table 11 provides details on the aggregate gains for lower-income families in B.C. from the scenarios. In the status quo for 2018, families with incomes of \$40,000 or less excluding CCB were already receiving almost half of the total CCB in B.C. The scenarios would increase the CCB receipts for those families by about \$120 million to \$350 million, with more than half of the total gains going to sole-parent families.

Child Benefits Inside and Outside of IA

The cash benefit programs for children that would be reformed by any of these proposals operate outside the IA program, but their benefits are equally available to families receiving IA. The incremental cash benefits for children in B.C.'s existing IA program are already quite small, as shown in Table 12 for sole-parent families in both the employable and disability categories as well as employable couples. The monthly support rates for sole parents in both categories are independent of family size, and they are also invariant to the number of children for couples on Temporary Assistance. The allowance for shelter increases modestly with additional children, and it is the only source of variation in benefits by presence or number of children in these IA categories. Given this finding, children could be removed entirely from the IA benefit structure if the shelter allowance were replaced by a broader rent subsidy program applying to all families at low incomes irrespective of their IA status.³³

Introduction of the COB provides an added benefit for children age 6 through 17 years in amounts up to \$1,600 for the first child or \$133 per month, which would permit the elimination of children from the IA benefit rate schedule.³⁴ This approach would achieve the goal of “getting the kids off welfare” that motivated earlier reforms of the child benefit system beginning in the 1990s and continuing through the CCB. As an alternative, without lowering the welfare wall, the full increase could be added to the IA benefit rates, and the increases would equally go to all lower-income families irrespective of IA status. That approach would have a greater impact on child poverty. The reform scenarios for COB and CCB explored in this paper would further increase the levels of guarantees available for children. All of those increases would go to children in families not on IA, and for families on IA the policy choice would be how much, if at all, to apply to reducing the small existing child component of IA benefit rates.

³³ See the proposals and assessment in Mendelson and Kesselman (2020).

³⁴ For a single child under 6 years, the increase would be up to \$940 annually or \$78 per month.

Income Targeting in Canadian Policy

The reforms assessed in this study at both the provincial and federal levels would increase the income targeting of child benefits. The existing programs already embody targeting and exclude households at higher incomes.³⁵ Current programs reflect a long evolution of tax and transfer provisions for children in Canada along a tortuous path of alternately decreased and increased targeting.³⁶ These have included exemptions, credits, and demogrants, some refundable and some vanishing. An ill-fated 1970 proposal for the Family Income Security Plan would have phased out all family allowances for incomes above \$10,000, albeit leaving in place child tax exemptions. The 1993 Child Tax Benefit replaced all other fiscal provisions for children and instituted a refundable credit that phased out fully with higher incomes. Fiscal recognition for children even at top income levels was reinstated in 2006 with the Universal Child Care Benefit (UCCB) and a non-refundable child tax credit in 2007. Introduction of the CCB in 2017 swept away the UCCB and the child tax credit, once again extinguishing all benefits for children in upper-income families. Thus, Canada's policy choices for child benefits have focused on the desired degree of income targeting and not universality versus selectivity *per se*.

Broader policy issues attend the choice of how tightly child benefits should be targeted on income or whether and at what level they should be fully phased out. These issues relate to the effects on social cohesion, public support, and political sustainability of more or less targeted schemes. In short, are more targeted or more universal programs most effective at redistribution? Analyses have employed political economy (Tullock 1982; De Donder and Hindriks 1998); sociological frameworks (Coleman 1982; Van Oorschot and Roosma 2017); and conceptual and empirical methods (Korpi and Palme 1998; Olivier and Noël 2018). Not surprisingly, the findings vary widely (and often inconclusively) and hinge upon various assumptions and program contexts. For example, targeting benefits narrowly on the poor can fund higher benefit levels for that group, but it may reduce political support for a program and thus total funding for redistribution.³⁷ These analyses do not provide useful guidance here, since our retargeting scenarios avoid narrow targeting on the poor. Moreover, delivery of child benefits via an anonymous tax authority avoids the stigma stemming from the application for, receipt of, or usage arising with certain other types of social benefits.

Summary and Conclusions

The unconditional income-tested cash benefit programs for children currently operating in B.C. are a significant part of the anti-poverty arsenal. That they are situated outside the income assistance system helps to lower the welfare wall for beneficiaries seeking self-

³⁵ A notable exception is the minimum benefit amount for children in high-income families in Quebec. My account here also excludes the child care expense deduction.

³⁶ See Kesselman (1979, 661-64; 1993, 110, Table 1) and Milligan (2016).

³⁷ Ferrarini et al. (2013) assess this issue relative to the differential "fiscalization" of child benefits among OECD countries, meaning use of the tax system to deliver the benefits.

sufficiency; they provide support to families with children at low incomes regardless of their welfare status. While these programs already reduce the incidence of child poverty, their targeting on poverty reduction could be further enhanced by simple reforms. B.C.'s Child Opportunity Benefit could be restructured to target its benefits more on families at lower incomes. These changes could be accomplished on a cost-saving, cost-neutral, or increased-cost basis, and they would bring the B.C. program more in line with other provinces' focus on poverty reduction in their child benefit programs. If B.C. were to lobby the federal government successfully for greater provincial discretion over the structuring of the Canada Child Benefit, this could enable substantially greater poverty-reduction potency for the province on a cost-neutral basis.³⁸

Through a series of reform scenarios, this study explores the potential for the enhanced use of both the provincial and federal child benefit programs as part of poverty reduction. The scenarios focus on increases in the tax-back rates and are just a sample of potential changes in the program parameters. The reforms considered here are moderate and would not eliminate most families with incomes well above poverty thresholds as beneficiaries, especially for a provincially reconfigured CCB. British Columbia's COB in particular warrants tighter income targeting of benefits, since it operates under the umbrella of the much larger CCB program that pays benefits far higher up the income scale. Even after its major expansion in 2020, the COB still provides just about one-seventh the total benefits paid by the CCB to B.C. residents. For those reasons, if B.C. could secure greater provincial discretion over of the CCB for B.C. residents, that would offer greater scope for reducing poverty. For example, our strongest scenario for CCB reform would increase benefits for families with incomes under \$40,000 by nearly \$350 million versus the entire \$380 million that COB pays to families at all income levels.

The results of our most redistributive targeting scenarios for both the provincial and the federal child benefits on a cost-neutral basis for B.C. recipients are striking. For the provincial program, holding expenditures constant at their estimated 2021 level, this is scenario COB-8. This variant would permit the guarantee levels for each number of children in a family to increase by 47%; the annual guarantee for the first child could be increased from \$1,600 to \$2,355. For the federal program, holding expenditures in B.C. at their estimated 2018 level, this would be scenario CCB-3. This variant would permit the guarantee levels for each age group of children to increase by about 26%. If all of the retargeted savings were devoted to children aged under 6 years, the annual CCB guarantee per child could be increased 60% to \$10,350.

Any real cost from reforms that channel given total amounts of program funding more on lower incomes is not a budgetary cost—instead, it is the disincentive effects and efficiency cost of the increased tax-back rates. But even our most redistributive scenarios cited above would not radically increase these rates. COB-8 would raise the current 4% tax-back rate to a range

³⁸ Most likely the federal government would impose some limits on the extent of variations. Similar to the agreements yielding the National Child Benefit System in the late 1990s, federal terms could require that savings to provincial income assistance be applied to “reinvestments” in services and in-kind benefits to lower-income families irrespective of welfare status.

between 6% (for one child) and 10% (for four or more children), which is in line with rates in some other provinces. CCB-3 would raise tax-back rates by 6 percentage points in the lower phase-out range and 8 percentage points in the higher range. These figures are larger but compare with the existing rates of 7% to 23% for one to four children in the lower tax-back range. Moreover, these changes reduce the break-even income levels of the program, so that the increased tax-back rates would no longer compound with higher income tax rates further up the income scale.³⁹

The fact that many of these reforms could be implemented on a cost-neutral, or even a cost-saving, basis makes them especially attractive as components of a broader poverty-reduction strategy. Other elements of that strategy will undoubtedly necessitate additional funding, so that measures that can reduce poverty without consuming more funds will assume priority. Tighter targeting of existing COB or CCB outlays on families at lower incomes would particularly assist sole-parent families, on account of their high incidence of poverty. Reforms of these kinds would promote the poverty-reduction goals espoused by governments at both levels and embedded in their legislation. Moreover, all reforms of types explored in this study would be simple changes of program parameters that could be implemented easily, quickly, and at no cost.

³⁹ All of the reform scenarios for both programs leave unchanged the initial tax-back thresholds (T1) at \$25,000 and low-\$30,000 for the two programs. Thus, any impacts on the incentive to move from welfare to employment (the participation tax rate) would be little affected.

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Table 1

*Poverty Rates and Income Statistics for Two- and Sole-Parent Families,
British Columbia, 2018*

Measure	Two-parent	Sole-parent		
		Total	Female head	Male head
Poverty rate (MBM)	5.2%	18.6%	19.5%	N/A
Median market income	116,200	48,100	43,900	75,300
Median govt transfers	6,300	12,200	13,700	NA
Median total income	126,500	63,300	59,500	84,500
Median income tax	15,800	N/A	N/A	NA
Median after-tax income	108,600	59,600	56,600	77,600

Note. N/A: figures are not available, described as “too unreliable to be published.”

Source: Statistics Canada, Table 11-10-0136-01, Low Income Statistics by Economic Family Type; Statistics Canada, Table 11-10-0190-01, Market Income, Government Transfers, Total Income, Income Tax and After-Tax Income by Economic Family Type.

Table 2*Program Benefit Parameters (July 2020–June 2021)*

Program	Cost (\$mn) ^a	G (\$) ^c	T1 (\$)	T2 (\$)	R 1 child	R 2 children	R 3 children	R 4 children
CCB	~2,800	6,765 under 6 5,708 for 6–17	31,711 ^f	68,708 ^g	7.0% 3.2%	13.5% 5.7%	19.0% 8.0%	23.0% 9.5%
ECTB	140	660 for < 6 ^d	100,000	N/A	1.32%	2.64%	3.96%	5.28%
COB-0	420 ^b	1,600 first 1,000 second 800 per add ages 0–17 ^e	25,000	80,000	4.0%	4.0%	4.0%	4.0%
COB-1	338	Fixed	25,000	–	4.0%	4.0%	4.0%	4.0%
COB-2	420	Proportionate	25,000	–	4.0%	4.0%	4.0%	4.0%
COB-3	520	Proportionate	25,000	–	4.0%	4.0%	4.0%	4.0%
COB-4	271	Fixed	25,000	–	4.0%	6.0%	7.0%	8.0%
COB-5	420	Proportionate	25,000	–	4.0%	6.0%	7.0%	8.0%
COB-6	520	Proportionate	25,000	–	4.0%	6.0%	7.0%	8.0%
COB-7	224	Fixed	25,000	–	6.0%	8.0%	9.0%	10.0%
COB-8	420	Proportionate	25,000	–	6.0%	8.0%	9.0%	10.0%
COB-9	520	Proportionate	25,000	–	6.0%	8.0%	9.0%	10.0%

Notes to Table 2. All dollar figures are at annual rates.

^a The cost estimate for CCB pertains to benefits paid to B.C. residents; COB-0 is the simulated cost estimate for the actual program in 2021; cost estimates for the COB scenarios are the estimates from the simulations (Table 7); see the text for explanations.

^b The simulations in this study estimate the full-year 2021 cost of the COB at \$420 million, which is used as the benchmark for other measures such as cost savings or increased funding; the official estimate for the COB is \$380 million.

^c For the COB scenarios, “fixed” means that the guarantees are held at the COB-0 status quo levels; “proportionate” means that they are allowed to increase in the simulations but are constrained to the same ratios as in the status quo.

^d ECTB restricted to children under age 6 years; all other programs for children from birth up to attainment of 18th birthday.

^e COB program has minimum benefit levels for incomes between T1 and T2, which creates a flat range of benefits: \$700 for the first child, \$680 for the second child, and \$660 for each additional child in a family.

^f Relevant tax-back rates for incomes above this threshold are the upper figures in each cell to the right based on number of children.

^g Relevant tax-back rates for incomes above this threshold are the lower figures in each cell to the right based on number of children.

Source: Published program descriptions, other than the COB reform scenarios.

Table 3*Comparison of Provincial Child Benefit Programs, 2018^a*

Province	Benefit for 1 child (\$)	Threshold T1 (\$)	Tax-back rate R (%)	Break-even B (\$)	Cost (\$mn)
QC	2,430	48,250	4.0	91,950	2,281
BC	660	100,000	1.32 ^b	150,000 ^c	140
BC (2020)	1,600	25,000	4.0	97,500	380
ON	1,403	21,416	8.0	38,953	1,180
AB	1,128	26,141	7.0	42,255	175
NS	628	18,000	7.81 ^b	26,000 ^c	25
MB	420	15,000	7.73 ^b	20,435 ^c	2
NL	398	17,397	5.07 ^b	25,247 ^c	7
NB	250	20,000	2.5 ^b	30,000 ^c	11

Notes. ^a Benefit guarantee, tax-back rates, and break-even incomes apply for a family with one child; guarantee levels for a second and subsequent children in a family may be higher or lower than for the first child, depending on the province. See also notes b and c.

^b Tax-back rates in these provinces are a multiple of the tabulated figure for families with more than one child, with the tax-back rate = (number of children) x R. See the source for further details by province.

^c Break-even income is invariant with respect to number of children (up to a limit in some provinces), because the tax-back rate is multiplied by number of children. See the source for further details by province.

Source: Kesselman (2019, 313).

Table 4*Break-Even Incomes by Program, 2020–2021*

Program	Number of children in family			
	1	2	3	4
CCB-A	166,152	181,364	194,890	219,473
CCB-B	177,284	193,863	208,248	234,471
CCB-C	199,183	218,452	234,528	263,978
ECTB	150,000	150,000	150,000	150,000
COB-0	97,500	114,500	131,000	147,500
COB-1	65,000	90,000	110,000	130,000
COB-2	70,700	99,263	122,113	144,963
COB-3	77,200	109,825	135,925	162,025
COB-4	65,000	68,333	73,571	77,500
COB-5	77,625	82,010	88,902	94,070
COB-6	85,125	90,135	98,009	103,914
COB-7	51,667	57,500	62,778	67,000
COB-8	64,250	72,836	80,604	86,819
COB-9	69,900	79,722	88,608	95,718

Note. Figures for CCB relate to mid-2020 to mid-2021 and are adjusted annually to reflect indexation of guarantee levels and thresholds; figures for ECTB reflect 2020 program, and COB figures reflect its initial operation in 2020; COB variant figures reflect the scenarios estimated for 2021.

CCB-A computed based on assumption all children in family are above age 6 years.

CCB-B computed based on assumption that base benefit per child is a weighted average of younger (weight 0.337) and older (weight 0.663) children.

CCB-C computed on assumption that all children in family are below age 6 years.

See Table 10 for the break-even incomes by number of children for the CCB status quo and each of the CCB reform scenarios as of 2018.

Source: Computed by author from program parameters; for CCB using the formula $B = G/R2 - (T2 - T1) R1/R2 + T2$ and for the ECTB and COB-1 through COB-10 the formula $B = T1 + G/R$, where G values for COB scenarios are taken from the simulation results (Table 5).

Table 5*Number of Children by Family Type, British Columbia, 2018**(Percentage Distributions)*

Family type	Number of children (%) ^a					
	1	2	3	4+ ^b	Total	Mean No.
Two-parent	41.8	44.7	10.8	2.8	100.0	1.76
Sole-parent	62.8	28.2	4.9	4.1	100.0	1.52

Notes: ^a Dependent children under age 18 years in the family.

^b Computed by author based on families with 4 children and those with 5+ children assumed to have an average of 5.5 children.

Source: Kesselman (2019, 316), computations based on SPSS/M v. 26.0

Table 6*Sequential Simulation Strategy for COB Reforms*

Scenario	Fix G or fix cost (\$ millions)	Tax-back rate (R) by number children
COB-0	Fix G – Estimate \$420	All 4%, T1 & T2
All scenarios have T1 only, no flat benefit range		
COB-1	Fix G – Estimate \$	All 4%
COB-2	Fix \$420– Estimate G	
COB-3	Fix \$520 – Estimate G	
COB-4	Fix G – Estimate \$	4%, 6%, 7%, 8%
COB-5	Fix \$420 – Estimate G)	
COB-6	Fix \$520 – Estimate G	
COB-7	Fix G – Estimate \$	6%, 8%, 9%, 10%
COB-8	Fix \$420– Estimate G	
COB-9	Fix \$520 – Estimate G	

Table 7*COB Reforms—Main Results, British Columbia, 2021*

Scenario	Cost \$millions	G1 (\$/1st child)	G1 % increase	Families (000)	Distribution of total benefits (%)		
					1-parent	Income≤\$40,000	Income>\$100,000
COB-0	420	1,600	–	299	31.8	29.9	13.0
COB-1	338	1,600*	–	228	37.8	37.2	4.4
COB-2	420*	1,828	14.3	245	36.1	34.3	6.7
COB-3	520*	2,088	30.5	268	34.3	31.6	9.6
COB-4	271	1,600*	–	194	44.5	46.4	0.2
COB-5	420*	2,105	31.6	218	40.9	39.5	1.3
COB-6	520*	2,405	50.3	242	39.1	36.5	2.4
COB-7	224	1,600*	–	152	47.1	55.7	0.04
COB-8	420*	2,355	47.2	198	42.8	44.1	0.8
COB-9	520*	2,694	68.4	210	41.2	40.7	1.4

Note: * Indicates whether cost or G1 was held constant in the simulation exercise for each scenario; \$420 million was the estimated cost of the status quo COB for its first full year of operation, 2021.

Source: Simulation results based on SPSD/M v. 28; the same applies to Tables 8A–8D.

Table 8A*COB Reforms—Original COB*

Income (\$)	2-Parent families			1-Parent families			All families
	Number (000)	Average \$	Total (\$mn)	Number (000)	Average \$	Total (\$mn)	Total (\$mn)
Min-25,000	10.0	1,970	19.8	14.7	1,772	26.0	45.8
25,001-40,000	15.5	2,286	35.4	24.7	1,807	44.6	80.0
40,001-60,000	24.5	2,030	49.6	23.0	1,526	35.0	84.7
60,001-80,000	37.7	1,312	49.4	16.5	1,205	19.9	69.3
80,001-100,000	57.2	1,383	79.1	5.9	1,175	6.9	86.0
100,001-Max	67.6	786	53.2	1.3	902	1.2	54.4
Total or average	212.4	1,348	286.5	86.1	1,553	133.7	420.2

Table 8B*COB Reforms—Scenario COB-7*

Income (\$)	2-Parent families			1-Parent families			All families
	Number (000)	Average \$	Total (\$mn)	Number (000)	Average \$	Total (\$mn)	Total (\$mn)
Min-25,000	10.0	1,970	19.8	14.7	1,772	26.0	45.8
25,001-40,000	15.5	2,243	34.7	24.7	1,800	44.4	79.2
40,001-60,000	23.9	1,768	42.2	21.8	1,272	27.7	69.9
60,001-80,000	17.4	692	12.0	11.6	627	7.2	19.3
80,001-100,000	11.3	889	10.0	0.9	249	0.2	10.3
100,001-Max	0.1	521	0.1	0.0	0	0.0	0.1
Total or average	78.2	1,519	118.8	73.6	1,435	105.6	224.4

Table 8C*COB Reforms—Scenario COB-8*

Income (\$)	2-Parent families			1-Parent families			All families
	Number (000)	Average \$	Total (\$mn)	Number (000)	Average \$	Total (\$mn)	Total (\$mn)
Min-25,000	10.0	2,899	29.1	14.7	2,608	38.3	67.4
25,001-40,000	15.5	3,359	52.0	24.7	2,659	65.7	117.7
40,001-60,000	24.2	2,898	70.2	23.0	2,170	49.9	120.0
60,001-80,000	36.5	1,230	45.0	16.2	1,364	22.1	67.1
80,001-100,000	25.8	1,588	40.9	3.2	1,176	3.8	44.7
100,001-Max	3.7	902	3.3	0.0	0	0.0	3.3
Total or average	115.7	2,078	240.4	81.8	2,197	179.7	420.2

Table 8D*COB Reforms—Scenario COB-9*

Income (\$)	2-Parent families			1-Parent families			All families
	Number (000)	Average \$	Total (\$mn)	Number (000)	Average \$	Total (\$mn)	Total (\$mn)
Min-25,000	10.0	3,316	33.3	14.7	2,984	43.8	77.1
25,001-40,000	15.5	3,859	59.7	24.7	3,045	75.2	134.9
40,001-60,000	24.2	3,416	82.7	23.0	2,603	59.8	142.5
60,001-80,000	37.0	1,706	63.2	16.5	1,779	29.4	92.6
80,001-100,000	32.8	1,833	60.2	3.8	1,527	5.9	66.0
100,001-Max	7.0	991	6.9	0.2	463	0.1	7.0
Total or average	126.6	2,418	306.0	83.0	2,582	214.2	520.2

Table 9*Scenarios for Retargeting the Canada Child Benefit*

Scenario	Children	Vary T1	Vary T2	Vary R-L	Vary R-H
CCB-1	Any	0	0	+2	+2
CCB-2	Any	0	0	+4	+4
CCB-3	Any	0	0	+6	+8
CCB-4	Any	0	+30,000	+4	+4
CCB-5	1	0	0	+2	+2
	2	0	0	+3	+4
	3	0	0	+4	+6
	4+	0	0	+6	+8
CCB-6	1	0	No T2; R-L applies to all above T2	8%	Same rates as R-L per number of children
	2	0		14%	
	3	0		19%	
	4+	0		24%	

Note: Variations in values of parameters T1 and T2 are in dollars per year; variations in parameters R-L and R-H are in percentage points, where R-L relates to the lower tax-back range and R-H relates to the higher tax-back range of CCB (Table 2); for scenario 6 the figures are the actual tax-back rates and not variations to the existing CCB rates.

Source: Reproduced from Kesselman (2019, 315).

Table 10*Impacts of Cost-Neutral CCB Reforms for British Columbia, 2018*

Scenario	G' ^a		G" ^b	1 child		2 children		3 children		4 children	
	Value	% incr.		X	B'	X	B'	X	B'	X	B'
CCB- 0	6,496	–	–	–	170,233	–	186,153	–	199,966	–	225,147
CCB- 1	7,095	9.22	7,946	57,293	126,795	84,136	159,655	110,978	182,169	137,821	209,960
CCB- 2	7,613	17.20	9,100	55,490	106,487	80,529	142,597	105,569	168,500	130,608	197,135
CCB- 3	8,215	26.47	10,348	56,136	90,493	77,861	122,917	97,126	148,546	116,391	175,430
CCB- 4	8,112	24.88	10,065	66,329	96,861	78,485	127,689	85,473	152,175	90,965	180,379
CCB- 5	7,434	14.44	8,462	72,487	132,639	81,368	142,943	84,329	150,407	81,368	159,420
CCB- 6	7,546	16.16	8,944	78,179	115,001	86,510	127,079	91,639	137,251	89,484	143,184

Notes: All figures in the table except column marked "% increase" are dollars per annum; figures for X and B' correspond to family net incomes with assumptions underlying the estimates of G'.

^a Cost-neutral guarantee for a child aged under 6 years, assuming a proportionate increase in the guarantee for older children, which is 84.4% of that amount.

^b Cost-neutral guarantee for a child aged under 6 years, holding constant the guarantee level for a child aged 6 to 17 years at the 2018-2019 value of \$5,481.

Source: Kesselman (2019, 321).

Table 11*Distribution of Benefits by Family Type, CCB and with Reforms**\$ Millions, British Columbia, 2018 ^a*

Scenario	Total	2-parent	1-parent
Existing CCB	2,744	1,882	862
Families with \leq \$40,000	1,334	593	741
<i>Increase for families with \leq \$40,000</i>			
1	122	54	68
2	227	101	126
3	349	155	194
4	330	147	183
5	191	85	106
6	217	97	120

Note: ^a Family income figures exclude their receipt of CCB in these results, unlike the earlier results presented for variants of the COB that include CCB as income.

Source: Kesselman (2019, 319) with simulation results based on SPSS/M v. 26.

Table 12*Differential Benefits for Children in B.C.'s IA Program (\$/month)^a*

Unit Size ^b	Support Rate			Shelter Maximum (All)	Differential by Size	
	TA-Sole	Disability-Sole	TA-Other		TA-Sole & Disability-Sole	TA-Other
1	–	–	385	375	–	–
2	526	949	507	570	195	(317)
3	526	949	601	660	90	184
4	526	949	601	700	40	40
5	526	949	601	750	50	50
6	526	949	601	785	35	35
7	526	949	601	820	35	35

Notes: ^a Figures for sole-parent units on Temporary Assistance or Disability Assistance start with unit size of 2 for the parent and the first child. TA-Other denotes rates for employable singles, couples, and two-parent families (but only the latter are relevant here. Figure in parentheses (317) is immaterial to differentials for children because these are two-parent families. All figures are rounded to the nearest dollar.

^b Unit size is total number of persons in a unit, not differentiated between adults and dependent children.

Source: BC MSDPR (2019a, 2019b) and calculations by the author.

Figure 1
Benefit Structures for Three Child Benefit Programs

