

**Notes pour une allocution de  
l'honorable Pierre S. Pettigrew  
Ministre du Développement des  
ressources humaines**

**Un double chantier : le renouvellement  
de l'union sociale et du fédéralisme  
canadien**

**Chambre de commerce de Laval  
(Québec) le vendredi 24 octobre 1997**

**Pettigrew: « Ce bénéfice pour les enfants représente le plus important programme social des 30 dernières années. C'est aussi important que ce que nous avons réalisé pour nos aînés avec le Régime de pensions du Canada dans les années 60. Une chose est certaine: des enfants qui ont faim et qui ont froid n'arrivent pas à l'école en état d'apprendre. »**

***Total Federal benefits (1992 dollars)***

<b><i>1974</i></b>	<b><i>2000</i></b>
<b><i>7.9 billion</i></b>	<b><i>6.6 billion</i></b>

***Per child***

<b><i>1,077</i></b>	<b><i>984</i></b>
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Pettigrew: « Ce n'est pas juste. Au Canada, ça n'a pas de sens. Les enfants représentent notre avenir, l'avenir de notre société, l'avenir de notre développement économique : en effet, un bon départ dans la vie permettra à l'enfant d'être un adulte en meilleure santé, mieux intégré au marché du travail. »

- ***In the best case, the average increase since 1996 of the CCTB, is for families between 10,000 and 22,000 in net income: \$1,432 (could be a few hundred dollars more by now)***

- **Pettigrew :« La mécanique de la prestation pour enfants est simple : le gouvernement du Canada augmentera le crédit fiscal pour enfant, donc le revenu des familles à faible revenu. Les provinces verseront les économies qu'elles réaliseront au chapitre du bien-être social et les réinvestiront en programmes et services. »**
- *Adding provincial benefits freed up by cctb adds little*
- *Québec frees up the money to finance 7\$ day care, which benefits in a very large proportion higher income families.*
- *Actually difficult to find out what exactly they are financing.*
- *Welfare amounts are cut dollar for dollar in almost all provinces.*

**Pettigrew:** « Ceux-ci viseront à faciliter le passage des parents du bien-être social vers l'emploi. Trop de parents en ce moment ne peuvent accepter un travail peu rémunéré sans pénaliser leurs enfants: en quittant le bien-être, ils perdent parfois jusqu'à 3 000 dollars. Notre prestation vise à aider ces parents à sortir de la trappe du bien-être et à réintégrer le monde du travail. »

***Up until now no evidence has been produced to support this statement . In fact, the international evidence points to very weak effects of the CCTB, given the amounts involved. Work incentives are not clear.***

- Costs of the policy to families
- To implement the CCTB, families with children in the middle and high income range receive very little.
- A family with one child and 65000 in net income (median family) receives ~500\$ per year.
- Many families with children receive no preferential tax treatment, which is contrary to many developed countries including the U.S.

# High marginal tax rates

- For certain low-income families marginal tax rates range between 60 to 100% which enhances the poverty trap.

- The international evidence shows that income enhancements of the CCTB type makes little difference for child development.

- We need to rethink family policy in Canada globally with a life-cycle perspective while balancing equity and efficiency considerations.

# **Summary of proposals**

IRPP study 2003

Lefebvre and Merrigan

- *Non-taxable benefits that are most generous for young children and decrease with age, with no benefits for children over 17 years (except for full-time high-school students). Short-term target: 0–5 years, \$2,000; 6–17 years, \$1,000. Medium-term target: 0–3 years, \$2,500; 4–5 years, \$2,000; 6–17 years, \$1,500.*

- *Work Income Credit, a family tax credit targeting low earners, delivered through the pay packet, to those who work (approximately) 17 hours or more per week, being more generous with full time workers.* Increasing evidence of the positive effects of such policies, in particular on single mothers.

- *Increase paid maternity and parental leave and maternity allowance.*
- *Child care: transform the Child Care Expense Deduction into a refundable tax credit for child-care expenses, making it more progressive and generous.*

- Governments should not as in Quebec marginalize the private sector in the area of the production of child care services.
- Substantial evidence that a competitive structure for the delivery of educational services is helpful (Hoxby, Harvard U).
- Creating monopolies within the public sector is very costly
- In Quebec, child care costs have doubled in 7 years and the quality remains a concern

- The needs of parents with young children are diverse. They require a flexible and dynamic structure for child care.
- The policy must also be equitable for mothers who stay at home with their young children. Several european countries have policies which recognize this fact.
- The system must not discourage mothers with preferences to stay at home with their child.

- Evidence shows that the large majority of parents are most concerned with the well being of their children.
- There is some growing evidence that child care services for the very young are poor substitutes to motherly care, in particular if they are used intensively

# Non experimental studies with panel data

- Ruhm finds that maternal labor supply during the first three years of the child's life is predicted to have a small negative effect on the verbal ability of 3 and 4 year olds and a substantial detrimental impact on the reading and math achievement of 5 and 6 year olds (Journal of Human Resources (2004)).

- Ermish and Francesconi (2001) find a negative and significant effect on the child's educational attainment of the extent of mother's full-time employment when the child was aged 0-5.
- More evidence is needed to make better informed policy choices.

- *In order to support early learning (“educare”) and reduce skill inequalities, make kindergarten full-day for 5-year-olds (publicly funded and under the aegis of provincial education ministries, along with before- and after-school care). Thereafter gradually extend junior kindergarten to 4-year-olds on a full-day basis.*

- *Redirect federal resources currently committed to the Early Childhood Development Agreement to provincial Early Head Start and Head Start programs, with additional financial support from the provinces, making sure the amounts transferred be used for at-risk children.*

- *Reconsider policies on post-secondary education subsidies and public training programs.* Increase relative share of human capital investments in young children where the return is much higher.