

## **FAMILY POLICY BRIEF**

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### **INTRODUCTION**

Strong, stable families are irreplaceable and are foundational to a healthy society. Good family policy can also enhance family well-being by addressing the diverse needs of families and their most vulnerable members, children.

Our best social policies do not replace or attempt to replicate families but to make it easier for Canadians to form the families they desire and to ensure stability and well-being that benefits their children. Nobel prize-winning economist James Heckman states,

The “intervention” that a loving, resourceful family gives to its children has huge benefits that, unfortunately, have never been measured well. Public preschool programs can potentially compensate for the home environments of disadvantaged children. No public preschool program can provide the environments and the parental love and care of a functioning family and the lifetime benefits that ensue.<sup>1</sup>

The discussion below examines policy options to better serve families.

### **CHILD-CARE EXPENSE DEDUCTION**

#### **Current Policy**

Parents and guardians can claim up to \$8,000 annually for children aged zero to six, and up to \$5,000 for children aged seven to sixteen. Parents of children with disabilities can claim a disability credit up to \$11,000 annually. The Child-Care Expense Deduction is currently applied to the lower-earning parent and cannot exceed two-thirds of their income. In 2015, the average family received just under \$4,000.

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<sup>1</sup> James J. Heckman, interviewed by Gonzalo Schwartz. “Nobel-Prize Winning Economist Dr. James Heckman on Social Mobility, the American Dream, and How COVID-19 Could Affect Inequality.” Archbridge Institute (blog), April 23, 2020. <https://www.archbridgeinstitute.org/2020/04/23/nobel-prize-winning-economist-dr-james-heckman-on-social-mobility-the-american-dream-and-how-covid-19-could-affect-inequality/>

## Enhancements

***Make the Deduction a Refundable Credit.*** A refundable credit would assist low-income families. Quebec and Ontario offer refundable child-care tax credits that are scaled to income, allowing low-income families to claim up to 75 percent of eligible child-care expenses. Cardus's recent survey with the Angus Reid Institute found that 85 percent of parents with children under age six supported this policy.

***Remove the "Two-Thirds Limit."*** Removing the two-thirds limit in favour of a scale geared to income would assist low-income families.<sup>2</sup> The C.D. Howe Institute notes that the two-thirds limit reduces the benefit for 40 percent of recipients, disproportionately impacting low-income families.

***Pay Out the Credit in Advance Over the Year.*** One criticism of the deduction is that families must wait until they file their taxes to benefit. Spreading the refund out would help families pay for the care at the time they are using it.

## Considerations

The enhancements would help parents keep more of their money, especially among those who need it most. This policy recognizes that parents who use non-parental care use diverse forms of child care.

## THE CANADA CHILD BENEFIT

### Current Policy

The origins of the CCB can arguably be claimed by Conservatives and Liberals. The tax-free, geared-to-income benefit is paid out monthly. The maximum benefit amount from July 2020 to July 2021 is \$6,765 per child under the age of six and \$5,708 per child aged six through seventeen. The Fall Economic Statement promised an additional temporary support in 2021 that would pay out a maximum of \$1,200 for each child under age six.

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<sup>2</sup> Alexandre Laurin, "Reforming the Child Care Expense Deduction" (Toronto, Canada: C.D. Howe Institute, December 2, 2019). <https://www.cdhowe.org/intelligence-memos/alexandre-laurin---reforming-child-care-expense-deduction>

## Enhancements

***Permanently Enhance the CCB for Children Under Six.*** The CCB assists all families, recognizing the cost of raising children and assisting with child care expenses regardless of the type of care they use. Enhancement of the benefit for children under age six would ease the cost of care when it is greatest. Increasing the CCB was supported by 84 percent of parents with children under six according to the recent poll that the Angus Reid Institute conducted in partnership with Cardus.

***Leverage the CCB to Better Help New Parents.*** Child-related expenses increase as families prepare for the arrival of a new child. Once a child arrives, many families experience an income drop as one or both parents use job-protected leave. CCB payment amounts are based on the previous year's tax filing, so the payments are geared to pre-leave income. Providing the benefit prior to the birth of the child would deliver support as expenses begin to increase. Another option is to make the first number of payments retroactive for the third trimester or more, so that parents receive an increased benefit at the time they experience a decrease in income. A more complex solution offered by economist Jennifer Robson is to determine CCB payments during leave using a projected family income based on prior tax returns, information from the EI benefit application, and the assessment of weekly EI payments to be received.<sup>3</sup>

## Considerations

The CCB provides parents with the flexibility to use the care that works best for them and their child. The CCB also recognizes the vital contribution that parents make to the common good.

## MATERNITY AND PARENTAL LEAVE

### Current Policy

Maternity leave covers up to fifteen weeks, taken by the birth parent. The maximum insurable amount is \$56,3000. The rate is 55 percent of pay, up to a maximum of \$595 per week. Parental leave can be taken by either parent or be split between parents. The standard leave is up to forty weeks, but one parent cannot use more than thirty-five weeks. As with

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<sup>3</sup> Jennifer Robson, "Parental Benefits in Canada. Which Way Forward?" IRPP Study (Montreal, Quebec: Institute for Research on Public Policy, March 2017), 31. <https://irpp.org/wp-content/uploads/2017/03/study-no63.pdf>

maternity leave, the rate is 55 percent of pay, to a maximum of \$595 per week. The extended leave is up to sixty-nine weeks, but one parent cannot use more than sixty-one weeks. The rate is 33 percent of pay, to a maximum of \$357 per week. To qualify, new parents must meet a threshold of 600 insurable hours in the previous year.

## Enhancements

***Ease of Access.*** Maternity and parental leave is administrated through the Employment Insurance system. Although a 2011 change allowed the self-employed to opt in, by 2015 these workers made up 0.1 percent of claims.<sup>4</sup> Studies also show that younger workers and women are more likely to be ineligible. Furthermore, as economist Jennifer Robson suggests, some mothers choose to work fewer hours, or choose self-employment, to better navigate paid work and unpaid caregiving work. She notes that this choice reduces access to future maternity and parental benefits.<sup>5</sup>

Solutions include reducing the 600 hours of insurable income or moving to insurable dollars earned, as in the Quebec Parental Insurance Plan (QPIP). The QPIP is easier to qualify for, compared to the federal leave. The program requires minimal insurable earning of \$2,000, and the maximum earning level for 2021 is \$83,500, much higher than the federal level.

***Reduce Impediments to Earning a Small Amount of Income.*** Earning small amounts of income while on leave is permissible, but the process is cumbersome. Part-time work while on leave allows parents to remain connected to the labour force, should they so choose. It also enhances the family's economic well-being.

***Increase the Length of Leave.*** The first three years of life are critical to life-long well-being. Expanding the length of parental leave would have positive effects on child well-being. When leave was expanded from six to twelve months, employers experienced a net economic benefit as employees were more likely to return to work. Robson argues that longer leaves reduce employee turnover and training costs.<sup>6</sup>

Increased leaves may also reduce demand for infant child care, which is the most expensive age to care for and the most difficult spaces to create. Robson notes that even in Quebec's highly subsidize child-care system, less than 5 percent of spaces are infant spaces (under eighteen months).<sup>7</sup>

Again, the early years are critical for child development, and an enhanced leave would provide the time and space for parents to form critically important attachments with their young children. Canadian developmental psychologist Gordon Neufeld argues that

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4 Robson, 4.

5 Robson, 4.

6 Robson, 27.

7 Robson, 12.

inadequate attachments contributes to later issues of self-harm, aggression, and bullying.<sup>8</sup> The benefits associated with strong parent-child attachments are worth policymakers' consideration.

## Considerations

Improving leave access, extending leave time, and ability to earn are all family-friendly positions that allow parents to spend more time with their very small children. As the saying goes, no one has ever said on their deathbed that they wish they had spent more time at the office. Policies should champion both access to work options and respect for families at home when children are small.

## MULTILATERAL EARLY-LEARNING AND CHILD-CARE FRAMEWORK

### Current Policy

The agreements focus on regulating programs and services that support the federal government's goals of increasing quality, accessibility, affordability, flexibility, and inclusivity in early learning and child care, with consideration for those more in need. According to the 2020 Fall Economic Statement, the federal government will increase funding in these agreements.

### Enhancements

***Provincial Flexibility.*** If the federal government is going to fund child care through agreements with the provinces, the agreements should provide maximum flexibility to direct the funds as provinces see best. Flexibility will allow for more innovation in a sector where innovation is difficult. Flexibility will also allow provinces to direct funding to parents, rather than the inequitable practice of directing funding to spaces only.

***Encourage a Portion of Multilateral Funding to Support Parenting Programs.***

Psychologist Jay Belsky, who participated in the \$150 million longitudinal NICHD child-care study in the US, reports on the often overlooked finding that

the kind of family that a child grew up in proved to be much more developmentally significant than his or her day-care experience. . . . That family trumps day-care is an

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<sup>8</sup> Helen Ward, "A Is for Attachment," Cardus (blog), April 14, 2016, <https://www.cardus.ca/research/family/articles/a-is-for-attachment/>

important take-home message of the NICHD Study, one that is often lost in the debate about the effects of day care.<sup>9</sup>

There are many evidence-based parenting programs operating across the country that would benefit from support. These programs enhance parenting skills by working with the strengths already present in families. Nobel laureate and University of Chicago economist James Heckman argues that “These programs only become effective when the mother (or main caretaker) is involved.”<sup>10</sup> Whatever programs or systems governments support, “the whole activity has to engage the family.”<sup>11</sup>

## Considerations

Imposing narrow restrictions on federal funding to provinces for child care contrasts poorly with choice, flexibility, and diversity. Canadian families rely on diverse care options, and funding should recognize and respect these choices.

## SUMMARY

Families know how to make the choices that work best for them. Federal policy should maximize the flexibility of families to make varied choices across the country, emphasizing respect for these choices and decisions in the arena of caring for children (and elders).

A combined approach of flexible leave policy, with financial support alongside the existing provision of child-care spaces at the provincial level, empowers families. Families make decisions regarding paid and unpaid labour as units, not as a collection of individuals with competing interests. Public policy should recognize how families actually organize themselves and function.

Family policy creation should occur from a posture that appreciates and empowers families for the work they do, regardless of how they choose to do it. Such a posture stands in stark contrast to a top-heavy approach that nudges families toward a single path in order to meet government objectives.

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9 Jay Belsky et al., *The Origins of You: How Childhood Shapes Later Life* (Cambridge, MA: Harvard University Press, 2020), 175–76.

10 James Heckman, *The Role of Families in Human Flourishing: A Conversation with James Heckman*, interview by Katharine B. Stevens, video, February 25, 2021. <https://www.aei.org/events/the-role-of-families-in-human-flourishing-a-conversation-with-james-heckman/>

11 Heckman, *The Role of Families in Human Flourishing*.

## About Cardus

CARDUS is a non-partisan, faith-based think tank and registered charity dedicated to promoting a flourishing society through independent research, robust public dialogue, and thought-provoking commentary.

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## About Cardus Family

CARDUS FAMILY conducts, compiles, and disseminates Canadian research on family and marriage and their strengthening impact on civil society.

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