The Distribution of the **Canada Child Benefit**
by Family Type and Income Level

Christopher A. Sarlo
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By Christopher A. Sarlo

Key points

• This essay examines the distribution of the Canada Child Benefit (CCB) by family type and by income level. It also compares the value of the average benefit and total spending on child benefits between the previous system of child benefits (UCCB plus CCTB) and the newer CCB.

• Based on data from the SPSD/M system, the average value of the CCB per family for lone-parent families, for two-parent families with one child, and for two-parent families with two children is somewhat skewed towards the bottom end of the income distribution but extends well into the middle and even upper middle income distribution. So, the CCB is somewhat “progressive” in that it does provide more cash to families the lower their income is.

• However, when we compare the CCB with the previous system of federal government child benefits (the UCCB plus CCTB) the changes are noteworthy particularly in light of the government’s claim that child benefits are going to “those who need it most.”

• For lone-parent families, only 30 percent of the increase in funding under the CCB went to families with incomes under $40,000. For two-parent families with one child and two-parent families with two children, only 10.5 percent and 2 percent respectively of the increase in funding went to families with incomes below $40,000. Therefore, the bulk of the new funds devoted to the CCB were allocated to the middle of the income distribution, not to the bottom.

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8 UCCB is Universal Child Care Benefit, CCTB is Canada Child Tax Benefit, and CCB is Canada Child Benefit (CCB). For the purpose of this essay, “child benefits” are defined as federal government cash benefits directed to families with children under 18, specifically the CCTB UCCB before 2015 and the CCB from 2015 onwards.
• Similarly, the change in the amount of the cash benefit shows a clear “skewing” towards the middle. Of particular note here is that the increase in the amount of the benefit for lone-parent families with incomes between $40,000 and $80,000 is almost double that for lone-parent families with incomes below $40,000.

• The essay also looks at the pattern for all families with children to ensure that any conclusions drawn were comprehensive. The data shows that the same pattern holds for all families with children, specifically, only 3.5 percent of the increase in funding flows to families with incomes below $40,000 and, as well, only 24 percent of the increase in the average benefit went to families with incomes below $40,000.

This essay presents two analyses. The first examines the distribution of the Canada Child Benefit (CCB) by income level for different types of families in Canada after 2015 and the second compares that with the distribution of the previous “child benefits” from the federal government prior to 2015. Of particular interest is the degree to which these child benefits are skewed towards the bottom end of the income distribution given the government’s repeated claim that it is targeted to “those who need it most” (Canada, Department of Finance, 2016: 57; and Canada, 2020) and how that targeting has changed since 2015.

The data source for this analysis is the new Social Policy Simulation Database and Model (SPSD/M) system from Statistics Canada. The SPSD/M is a micro-analysis system that includes detailed information drawn from a number of specialized databases for more than 1 million Canadians in over 300,000 households with approximately 600 variables included for each individual. The variables include earnings, taxes paid, transfers received from government, and demographic characteristics. It is the only database available in Canada that integrates taxes, transfers, and other characteristics. The SPSD/M currently relies on data from a number of surveys and other sources from 2016, which is then used to forecast to 2019.

It is important to understand that while the CCB is available to all families with children, it is subject to an income-based claw-back and it disappears completely once taxable incomes reach around $200,000. As of July 2020, the maximum annual benefit for a child under 6 is $6,765 and for a child between 6 and 17, it is $5,708. The CCB has two thresholds based on the Adjusted Family Net Income: the first is $31,711 of net income, after which the child benefit begins to decline; the second is $68,708 of net income, after which the remaining child benefit declines at a slower rate.9

9 According to one common source for tax information, the reduction rate for one child is 7 percent between the first and second income threshold and 3.2 percent above the second threshold (TaxTips.ca, 2020).
Figure 1a: Average CCB Benefit per Family by Income Group, Lone-Parent Families with One Child, 2019

Figure 1b: Average CCB Benefit per Family by Income Group, Couples with One Child, 2019

Figure 1c: Average CCB Benefit per Family by Income Group, Couples with Two Children, 2019

Source for all three figures: Statistics Canada's SPSD/M (V. 28); calculations by Milagros Palacios.
The distribution of CCB by family type and income level

We focus attention on three specific family types for this analysis: Lone-parent families with one child, two-parent families with one child, and two-parent families with two children. Figures 1a, 1b, and 1c display the distribution of the average CCB by income levels for lone-parent families with one child), two-parent families with one child, and two-parent families with two children, respectively. The patterns are broadly similar. While the benefits are somewhat skewed towards the bottom end of family total income, they continue to flow well into middle and even higher level incomes.

On the lower end of the distribution, a threshold of $40,000 represents a relatively low income for families with children. This is not to suggest that $40,000 per annum is a “poverty” threshold as that would require a more careful definition and analysis. This level is arbitrary, but is both convenient and fits with most people’s idea of “lower-income” for families with children in 2020. That level is also expansive enough to include most notions of “those who need it most.”

So, as figure 1a shows, only 42 percent of the value of average benefits flow to lone-parent families with incomes below $40,000. Most of the remainder of the benefits flow to middle and upper middle income families with children. For example, fully 35 percent of the value of average CCB benefits flow to lone-parent families with an annual income of more than $80,000. It is much the same with the other family types. With two-parent families and one child, 44 percent of the value of average benefits flows to families with annual incomes of less than $40,000 and 32 percent goes to those with annual incomes in excess of $80,000. Finally, for two-parent families with two children, only 33 percent goes to those with annual incomes below $40,000; 39 percent flows to families with incomes over $80,000. So, for all of these families with children, it is fair to say that much less than half of the value of average CCB funds flow to families “who need it most.”

It is notable, as well, that the average value of the CCB for each of the family types examined here in the $140,000 to $160,000 range is about a third of that for families with incomes in the $20,000 to $40,000 range, yet the incomes are about five times higher.
Figure 2a: Changes in Total Benefits (in $ Millions) for the CCB vs. UCCB plus CCTB, by Income Group, Lone-Parent Families with One Child, 2019

Figure 2b: Changes in Total Benefits (in $ Millions) for the CCB vs. UCCB plus CCTB, by Income Group, Couples with One Child, 2019

Figure 2c: Changes in Total Benefits (in $ Millions) for the CCB vs. UCCB plus CCTB, by Income Group, Couples with Two Children, 2019

Source for all three figures: Statistics Canada's SPSD/M (V. 28); calculations by Milagros Palacios.
Contrasting the CCB with the previous child benefits program (UCCB plus CCTB)

How does the CCB program compare to the previous (pre-2015) regime of cash child benefits, namely, the UCCB and the CCTB? One thing we know for sure is that the new Liberal government channelled more taxpayer money into “child benefits” than did the previous Conservative government. Specifically, the UCCB-CCTB combo would have cost about $18 billion in fiscal 2015. However, the Liberals replaced the previous programs with the new CCB plan and by 2019 it cost close to $25 billion—about $7 billion in new funds. So, we would expect that most of the changes in flows to most families would be positive. However, again, our interest is the manner in which the changes are skewed. Are the additional funds used, as the government claims, to help those who need it most or, as has been suggested in a previous essay, are those additional funds spread out more widely with a substantial amount going to middle-income families with children?

Figures 2a, 2b, and 2c display the changes in the distribution of total spending on child benefits from the old system (UCCB plus CCTB) for lone-parent, two-parent plus one child- and two-parent plus two children families respectively. For lone-parent families, the increase in spending on benefits under the CCB went largely to the middle income families. Specifically, only 30 percent of the total went to lone-parent families with incomes below $40,000. As figure 2b shows, for families consisting of two parents and one child, the skew in the change in benefit flow is even more pronounced. Only 10.5 percent of the increase in spending on child benefits under the CCB flowed to families with under $40,000 of income. In other words, almost 90 percent of the increase in funds flowing to nuclear families with one child went to families with incomes higher than $40,000 per year.

For nuclear families with two children, the story is the same. The increased benefits are again skewed towards the middle class with only 2 percent of the increase going to families with annual incomes less than $40,000. The pattern is pretty clear. The Liberal government pumped considerably more taxpayer money into the CCB program but appeared to allocate the largest share of new funds to the middle class. That pattern shows up for both single-parent and two-parent families. As well, the changes in the actual per-family amount of the CCB seems to show the same distributional pattern for each of the family types.

Figures 3a, 3b, and 3c display the changes in the cash benefit per family as a result of the replacement of the older system of child benefits (UCCB plus CCTB) with the CCB. Each of the graphs indicates that much
Figure 3a: Changes in Average Benefits (in $) per Family/Child for the CCB vs. UCCB plus CCTB, by Income Group, Lone-Parent Families with One Child, 2019

Source for all three figures: Statistics Canada's SPSD/M (V. 28); calculations by Milagros Palacios.
of the increase in the amount of the benefit flows to families with annual incomes above $40,000. Specifically, for lone-parent families, the change in average per-family benefits for those with incomes between $40,000 and $80,000 is almost double that for those with “low-income,” that is, for those families with incomes below $40,000. The pattern is similar for other family types but is not as pronounced. This shows, as well as anything else in this analysis, that more new money was allocated to the middle of the income distribution and relatively less to “those who need it most.”

**All families combined**

While the analysis above has shown a consistent pattern of CCB cash favouring the broad middle class, it has focused attention only on three common family types—lone-parent families with one child, two-parent families with one child, and two-parent families with two children. But there are certainly more families with children in Canada than that. Does the same pattern of distribution hold for families with children as a general rule? Specifically, can we say that, in general, the CCB has channelled more funds towards the middle class and, therefore, relatively less towards those families who need it most?

Figure 4a displays the distribution of the change in overall cash benefits to all families with children under the CCB in comparison to the previous system of government cash benefits for families with children. Figure 4b displays the distribution of the change in average cash benefits per family under the CCB in comparison to the previous system.

In figure 4A, the skewed pattern of the benefits towards the middle of the distribution under the CCB is most striking. Only 3.5 percent of the increase in funding goes to families with incomes of less than $40,000, i.e., to those who would need it most. It is fair to say, then, that the CCB is largely a benefit for middle income earners. The pattern is consistent for lone-parent families and for two-parent families. As figure 4b shows, the change in the average benefit skews towards the middle of the distribution and is again very striking. Specifically, only 24 percent of the increase in the average benefit flowed to families with incomes below $40,000. The majority of the change in the family average benefit flowed to those with middle incomes.

11 It is particularly striking (yet almost anomalous) that, in the case of lone-parent families, the change in average benefit for those with zero income is about the same as for those with incomes of $100,000 to $120,000.
Figure 4a: Changes in Total Benefits (in $ Millions) for the CCB vs. UCCB plus CCTB, by Income Group, All Recipient Families, 2019

Figure 4b: Changes in Average Benefits per Family ($) for the CCB vs. UCCB plus CCTB, by Income Group, All Recipient Families, 2019

Source for both figures: Statistics Canada’s SPSD/M (V. 28); calculations by Milagros Palacios.
Conclusion

An empirical analysis of the distribution of cash benefits under the CCB by family type and by income reinforces the conclusion of an earlier essay, which is that the CCB is not targeted to lower income Canadian families with children but is, rather, a program that spreads cash benefits more widely—especially to middle income families. This result is most striking when we look at the changes in the distribution of benefits under the CCB compared to the previous child benefits system. When broken down by family type, this distributional pattern is certainly consistent but somewhat less pronounced with lone-parent families and somewhat more prominent in two-parent families. So, while the data show that the CCB is broadly “progressive” in the sense that it provides higher average benefits to lower income families, that progressivity was already there with the previous program (UCCB plus CCTB). The new billions infused into the child care cash program (CCB) are going disproportionately to middle income families. Because the overall distributional change is so clear across all families, it would be hard to argue that it was not intentional.

References


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Christopher A. Sarlo is emeritus professor of economics at Nipissing University in North Bay, Ontario, as well as a senior fellow with the Fraser Institute. He is the author of Poverty in Canada (Fraser Institute, 1992, 1996), Measuring Poverty in Canada (Fraser Institute, 2001, 2006), and What is Poverty? Providing Clarity for Canada (Fraser Institute, 2008). Some of his recent publications include Understanding Wealth Inequality in Canada, Consumption Inequality in Canada: Is the Gap Growing?, Child Care in Canada: Examining the Status Quo in 2015, and Income Inequality Measurement Sensitivities. Professor Sarlo has published a number of articles and studies on poverty, inequality and economic issues relating to the family.

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