

# Is the **CANADA CHILD BENEFIT** Targeted to those Most in Need?

Christopher Sarlo, Jason Clemens, and Milagros Palacios



**BETTER UNDERSTANDING  
THE CANADA CHILD BENEFIT**  
Essay Series

## CHAPTER 1

# Is the Canada Child Benefit Targeted to those Most in Need?

*By Christopher Sarlo, Jason Clemens and Milagros Palacios*

### Key points

- This essay assesses the federal government's multiple claims that the Canada Child Benefit (CCB) is targeted to those who need it most.
- Any program providing benefits to 90 percent or so of families will struggle to be targeted to only those in need.
- Of the total benefits paid under the CCB, 8.3 percent is allocated to families with a gross income below \$30,000; that proportion increases to 16.2 percent if gross family income is \$40,000 or less.
- More than half of the total CCB (50.3 percent) is allocated to families with incomes of \$70,000 or higher.
- The CCB represents a material increase in costs from the previous combination of the Universal Child Care Benefit (UCCB) and the Canada Child Tax Benefit (CCTB). The cost estimate for the CCB for 2019-20 is \$24.4 billion, an increase of \$5.7 billion, or 30.5 percent, compared to the previous programs.
- The most pronounced increase from the old UCCB plus CCTB programs compared to the new CCB were for those families with incomes between \$40,000 and \$120,000; the CCB also increased benefits to families with a gross income of up to \$180,000.
- Under the previous programs, eligible families with incomes below \$40,000 received 21.8 percent of the benefits whereas under the CCB, they receive 16.2 percent of the total.
- Families with incomes between \$50,000 and \$120,000 previously received 44.4 percent of the total benefits whereas they now receive 56.9

percent, a marked 28.1 percent increase in the distribution for middle-income families.

- The CCB cannot be credibly referred to as a targeted program and it transfers relatively more to the middle class than did the previous child benefits system.

## Introduction

The federal government has made a point of emphasizing that the Canada Child Benefit (CCB) is a “targeted” program. On the official CCB website, the government states that the benefit is “targeted to those who need it most.”<sup>1</sup> This same sentiment has been repeated by government officials including the prime minister and the minister of Families in their statements and press releases (Trudeau, May 16, 2020). In his 2019 budget speech, the minister of Finance also touted the program, announcing that 825,000 Canadians had been lifted out of poverty in part because of the CCB (Canada, 2019: 12). Earlier, the 2016 federal budget stated that the existing system of the UCCB and the CTTB was “both inadequate (it does not provide families with the support they need) and not sufficiently targeted to those who need it most (families with very high incomes receive benefits). Canadian families deserve better, and with this budget, will get the help they need to succeed.... [The CCB will be] better targeted to those who need it most” (Canada, 2016: 57). It is, then, a fair question to ask whether the CCB is in fact a targeted program.

To answer that question, this essay presents two analyses. The first looks at the distribution of the CCB by income group based on data from Statistics Canada’s Social Policy Simulation Database Model (SPSD/M). The second, which also relies on data from the SPSPD/M, compares the distribution of the previous child benefits (CCTB and the UCB) with the new CCB.

Statistics Canada’s Social Policy Simulation Database and Model (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 including earnings, taxes paid, transfers received from government, and demographic characteristics. It is the only integrated database available in Canada. The SPSPD/M currently relies on data from a number of surveys and other sources from 2016, which is then used to forecast to 2019.

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<sup>1</sup> See <https://www.canada.ca/en/employment-social-development/campaigns/canada-child-benefit.html>.

It is important to note that eligibility for the CCB is determined by “net income” (specifically line 23600 on the T1 tax form), not gross income. The distinction is important. To arrive at net income, deductions such as registered pension plan and RRSP contributions, union dues, child care expenses, business investment losses, moving expenses, spousal support payments, carrying charges and interest expenses (related to non-registered investments), employment expenses, and other deductions are subtracted from a person’s gross income. So, while the cut-off for receiving CCB is around \$200,000 in net income, families with much higher gross incomes could still be receiving benefits. For that reason, the analysis presented in this essay uses gross income to better identify the distribution of CCB funds that families across different income levels receive.

## Distribution of CCB

Before delving into the specific distributional data of the CCB, it’s first worthwhile to recognize that any program that provides benefits to 90 percent of the population—in this case, families with dependent children—can hardly be called a targeted program. With a target that large it is more akin to a universal program—even if benefits diminish at higher incomes.

Moreover, the term ‘target’ is normally used to refer to some disadvantaged group or a section of the population deserving a special consideration. Indeed, statements that include the words “most in need” suggest that the “targeting” is directed at people living in poverty; those whose income does not permit them to adequately cover the costs of raising children.

Table 1 includes data on the number of families receiving CCB by income groups, specifically \$10,000 increments in gross income, as well as the overall value of the CCB for each income group. It also includes the distribution of the total CCB by each income group. Figure 1 illustrates this distribution.

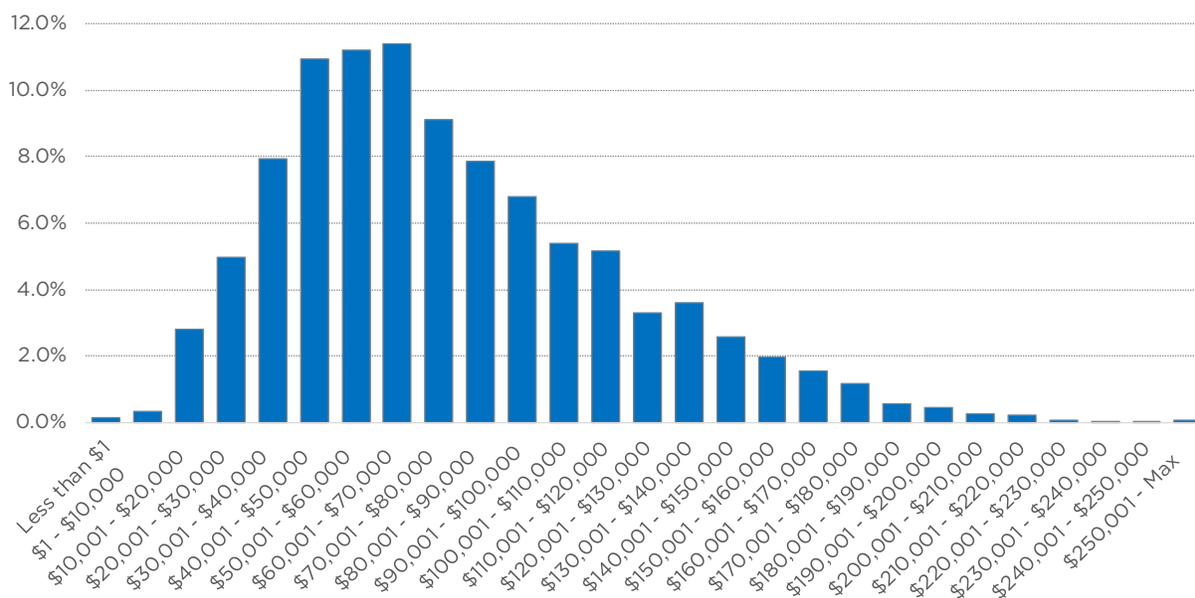
A little less than 10 percent (8.3 percent) of the CCB is allocated to families with gross income below \$30,000. The share of the CCB increases to 16.2 percent when families with income up to \$40,000 are included. Put differently, a little more than half of the total CCB (50.3 percent) is allocated to families with incomes of \$70,000 or higher. These basic distribution statistics certainly challenge the assertion that the CCB is targeted to those families most in need.

More instructive, however, is the next section, which compares the distribution of the previous children’s benefits with the CCB.

**Table 1: Distribution of Canada Child Benefits by Income Group, 2019**

<b>Income groups by total income</b>	<b>Number of recipient families (in thousands)</b>	<b>Total benefits (in millions of dollars)</b>	<b>Distribution</b>
Less than \$1	5.9	37.5	0.2%
\$1 - \$10,000	12.1	74.9	0.3%
\$10,001 - \$20,000	80.9	634.7	2.8%
\$20,001 - \$30,000	138.0	1,124.2	5.0%
\$30,001 - \$40,000	203.8	1,801.7	7.9%
\$40,001 - \$50,000	243.0	2,483.6	11.0%
\$50,001 - \$60,000	258.7	2,541.1	11.2%
\$60,001 - \$70,000	260.5	2,580.5	11.4%
\$70,001 - \$80,000	240.5	2,070.8	9.1%
\$80,001 - \$90,000	231.4	1,782.5	7.9%
\$90,001 - \$100,000	221.0	1,542.4	6.8%
\$100,001 - \$110,000	215.3	1,221.3	5.4%
\$110,001 - \$120,000	201.6	1,168.5	5.2%
\$120,001 - \$130,000	163.6	750.3	3.3%
\$130,001 - \$140,000	186.5	814.8	3.6%
\$140,001 - \$150,000	150.1	584.2	2.6%
\$150,001 - \$160,000	122.1	447.7	2.0%
\$160,001 - \$170,000	127.3	349.9	1.5%
\$170,001 - \$180,000	110.6	269.8	1.2%
\$180,001 - \$190,000	70.4	130.1	0.6%
\$190,001 - \$200,000	50.6	104.8	0.5%
\$200,001 - \$210,000	37.0	55.9	0.2%
\$210,001 - \$220,000	26.3	53.6	0.2%
\$220,001 - \$230,000	11.6	16.5	0.1%
\$230,001 - \$240,000	8.3	11.1	0.0%
\$240,001 - \$250,000	4.8	7.2	0.0%
\$250,001 - Max	7.5	13.8	0.1%
<b>Total</b>	<b>3,389.4</b>	<b>22,673.4</b>	

Sources: Statistics Canada's SPSPD/M (V. 28); calculations by authors.

**Figure 1: Distribution of CCB by Income Group, 2019**

Source: Table 1.

## CCB compared to the previous UCCB plus CCTB

It's first worth noting the marked expansion of the CCB over its predecessor programs. In 2015, the last full budget delivered by the Harper government, the cost of the various programs providing benefits to families with children was estimated at \$18.0 billion in 2015-16, rising to \$18.7 billion in 2019-20. The current cost estimate for the CCB and related programs for 2019-20 is \$24.4 billion, an increase of \$5.7 billion or 30.5 percent relative to the amount planned in the 2015 budget.

Table 2 contains data for the number of recipient families, the total CCB paid, and the distribution of the benefits paid by income group for both the current CCB and the previous UCCB plus CCTB. In addition, two columns on the right-hand side of the table show the change in total benefits received by income group as well as the change in the distribution of total benefits between the CCB and the UCCB plus CCTB.

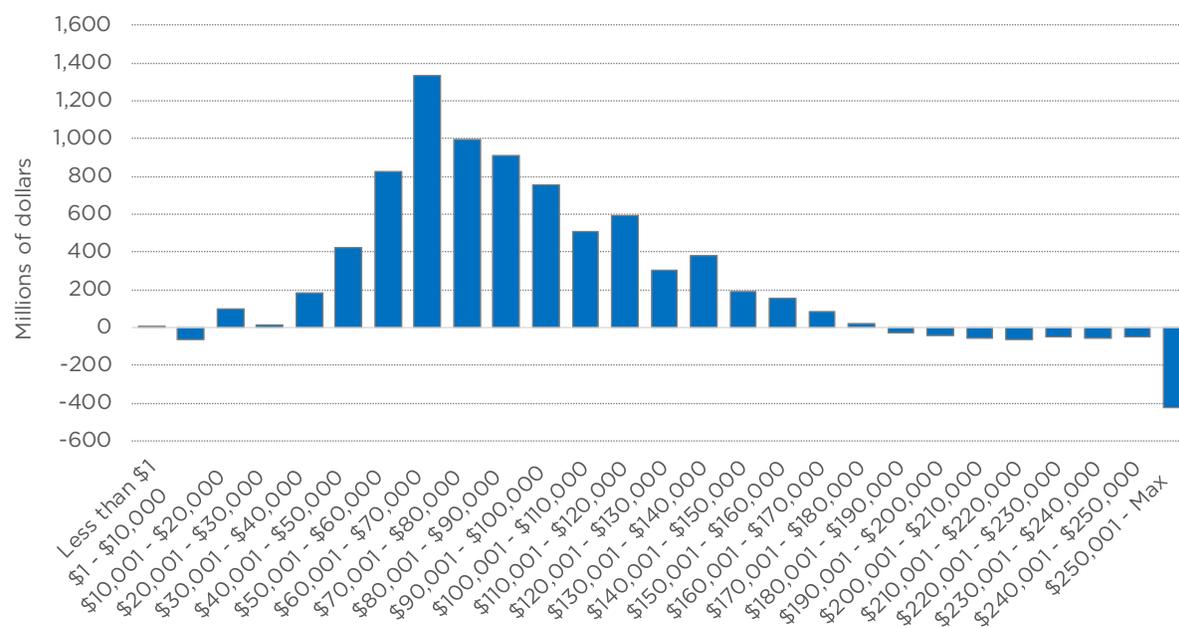
Figure 2 illustrates the change in the total benefits paid by income group under the CCB compared to the previous UCCB plus CCTB. As the Liberals promised during the 2015 campaign, the CCB increased benefits for almost every income group in the lower- and middle-income groups.

**Table 2: Comparing CCB with the Previous UCCB plus CCTB by Income Group, 2019**

Income groups by total income	UCCB+CCTB			CCB			Change in Total Benefits (in millions of dollars)	Change in Distribution of CCB (in percentage points)
	Number of recipient (in thousands)	Total benefits (in millions of dollars)	Distribution	Number of recipient (in thousands)	Total benefits (in millions of dollars)	Distribution		
Less than \$1	6.7	28.8	0.2%	5.9	37.5	0.2%	8.7	0.0
\$1 - \$10,000	26.8	138.6	0.9%	12.1	74.9	0.3%	-63.7	-0.6
\$10,001 - \$20,000	79.4	535.4	3.4%	80.9	634.7	2.8%	99.3	-0.6
\$20,001 - \$30,000	161.2	1,109.0	7.1%	138.0	1,124.2	5.0%	15.2	-2.1
\$30,001 - \$40,000	226.6	1,615.9	10.3%	203.8	1,801.7	7.9%	185.8	-2.3
\$40,001 - \$50,000	267.1	2,063.0	13.1%	243.0	2,483.6	11.0%	420.6	-2.2
\$50,001 - \$60,000	289.7	1,714.5	10.9%	258.7	2,541.1	11.2%	826.6	0.3
\$60,001 - \$70,000	241.7	1,246.4	7.9%	260.5	2,580.5	11.4%	1,334.1	3.5
\$70,001 - \$80,000	226.0	1,074.8	6.8%	240.5	2,070.8	9.1%	996.0	2.3
\$80,001 - \$90,000	210.9	873.9	5.6%	231.4	1,782.5	7.9%	908.6	2.3
\$90,001 - \$100,000	213.8	786.7	5.0%	221.0	1,542.4	6.8%	755.7	1.8
\$100,001 - \$110,000	215.8	711.5	4.5%	215.3	1,221.3	5.4%	509.8	0.9
\$110,001 - \$120,000	184.3	578.2	3.7%	201.6	1,168.5	5.2%	590.3	1.5
\$120,001 - \$130,000	157.9	449.2	2.9%	163.6	750.3	3.3%	301.1	0.5
\$130,001 - \$140,000	173.2	430.6	2.7%	186.5	814.8	3.6%	384.2	0.9
\$140,001 - \$150,000	149.2	394.1	2.5%	150.1	584.2	2.6%	190.1	0.1
\$150,001 - \$160,000	118.1	292.1	1.9%	122.1	447.7	2.0%	155.6	0.1
\$160,001 - \$170,000	122.9	263.3	1.7%	127.3	349.9	1.5%	86.6	-0.1
\$170,001 - \$180,000	111.1	246.1	1.6%	110.6	269.8	1.2%	23.7	-0.4
\$180,001 - \$190,000	85.8	161.4	1.0%	70.4	130.1	0.6%	-31.3	-0.5
\$190,001 - \$200,000	64.6	145.3	0.9%	50.6	104.8	0.5%	-40.5	-0.5
\$200,001 - \$210,000	57.3	111.6	0.7%	37.0	55.9	0.2%	-55.7	-0.5
\$210,001 - \$220,000	53.5	115.4	0.7%	26.3	53.6	0.2%	-61.8	-0.5
\$220,001 - \$230,000	34.8	66.3	0.4%	11.6	16.5	0.1%	-49.8	-0.3
\$230,001 - \$240,000	29.6	66.4	0.4%	8.3	11.1	0.0%	-55.3	-0.4
\$240,001 - \$250,000	29.3	59.0	0.4%	4.8	7.2	0.0%	-51.8	-0.3
\$250,001 - Max	220.0	440.5	2.8%	7.5	13.8	0.1%	-426.7	-2.7
Total	3,757.3	15,718.0		3,389.4	22,673.4			

Sources: Statistics Canada's SPSD/M (V. 28); calculations by authors.

**Figure 2: Changes in Total Benefits in Million of Dollars for the CCB vs. UCCB plus CCTB, by Income Group, 2019**



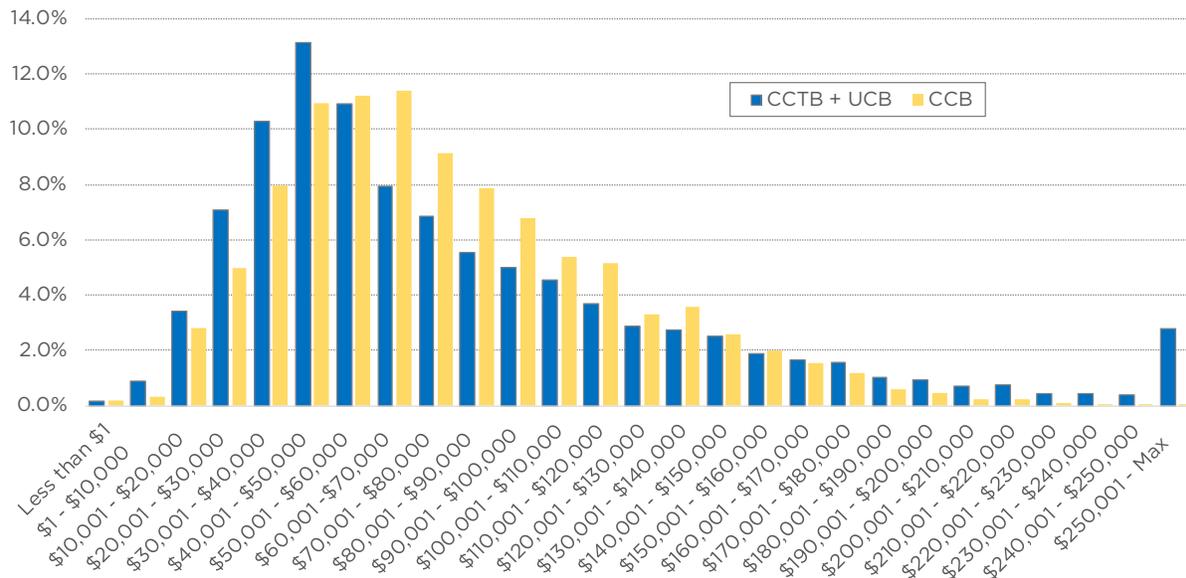
Source: Table 2.

The most pronounced increases were for families with income between \$40,000 and \$120,000. However, the CCB also increased the benefits paid to families with gross income up to \$180,000. The reduction in benefits under the new CCB took effect for families with gross income above \$180,000 as illustrated in figure 2.

Figure 3 illustrates the distribution of the total benefits paid by income group under CCB compared to the previous UCCB plus CCTB. Figure 4 illustrates the percentage point change in the distribution between the two programs. The previous system (UCCB plus CCTB) provided a greater share of the overall benefits to the lower end of the distribution than does the CCB. For example, under the previous programs, those families (with children) with gross incomes below \$40,000 received 21.8 percent of the benefits paid whereas under the CCB program, they receive 16.2 percent of the total.

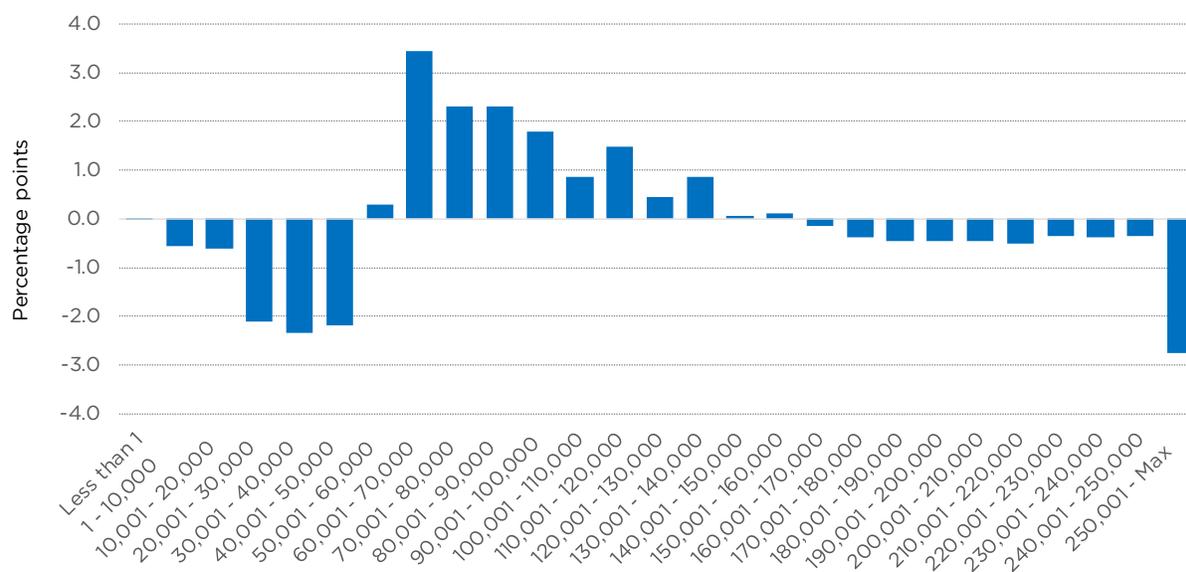
The comparison for families with incomes below \$50,000 (still relatively low) is even starker: a 34.9 percent share under the previous programs compared to 27.2 percent under the CCB. The CCB was clearly structured to reduce the share of benefits at the lower end and increase the shares for families in the middle.

**Figure 3: Distribution of CCB versus UCCB plus CCTB by Income Group, 2019**



Source: Table 2.

**Figure 4: Change in the Distribution of Benefits—CCB versus UCCB plus CCTB, 2019**



Source: Table 2.

Families with incomes between \$50,000 and \$120,000 previously received 44.4 percent of the total benefits whereas they now receive 56.9 percent, a marked 28.1 percent increase in the distribution for middle-income families. Figures 3 and 4 illustrate this shift in the distribution of the benefits. Again, it's important to recognize that the shift in the distribution of the benefits doesn't mean lower benefits for those families with incomes below \$50,000 (as illustrated in figure 2) but rather a relative decline in the share.

Recall also that more than 50 percent (50.3 percent) of the benefits from the CCB flow to families with annual incomes in excess of \$70,000. These middle- and upper-income families are not, realistically, in need of assistance to raise their children. This kind of transfer is particularly worrying when we realize that some of the taxes used to fund the program come from people who are less well-off than many of the recipients.

## Conclusion

The combination of the distribution of CCB by income groups coupled with the comparison of the previous UCCB plus CCTB with the new CCB makes it very difficult to conclude that the new CCB is a program targeted to those in need. So, while it is true that the absolute value of the benefits paid have increased for all families with children with incomes below \$180,000, it is the relative shift towards the middle (and away from the bottom) that displays how the government has intended the benefit to be distributed. It is therefore reasonable (and supported by the evidence) to conclude that the CCB is not a targeted benefit. It has, in fact, taken a greater share of the available resources away from lower income families with children and channeled them to middle and upper-middle income families.

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