

Summary

Measuring Up
Family Benefits in British Columbia and Alberta in
International Perspective
by Paul Kershaw

Over the last decade, child care has been a central policy issue in Canada. In general the debate has been polarized between proponents of financial support for parents who care personally for their children full-time and proponents of financial investment in services that supplement familial care while parents participate in the labour market.

In this study, Paul Kershaw goes beyond this dichotomy and looks at the whole “family benefits package” – that is, the full range of federal and provincial public supports available to families, from tax allowances, cash benefits and exemptions from various social charges, to subsidies and services in kind. This holistic approach allows him to tackle issues raised by those who do not believe that child care services should be the sole focus of public policy for families, while also acknowledging the paucity of these services in Canada by international standards. He focuses on two provinces: British Columbia and Alberta.

The paper builds on the “family models” methodology developed by the OECD and adapted by UK researcher Jonathan Bradshaw to analyze the net impact of public support to families. Kershaw defines several family models according to whether a family has one or two parents; whether there are one or two earners; whether they rely on child care services; the age of the child (a toddler or aged seven); and their level of income. He then calculates the value of the family benefits package for each model. This value is defined as the family net disposable income after taking into account revenues from employment (or income assistance) and all public supports, and expenses such as income tax, social security premiums, housing costs, health, dental and Pharmacare expenses, and child care costs (where applicable). For each model, the benchmark is childless couples with the same level of income. This method is particularly suitable for examining horizontal equity, but Kershaw also considers four other social objectives: time for parents to care personally for their children, gender equality, labour supply, and income security.

He first presents the main federal and provincial components of the BC and Alberta benefits packages and calculates their value for various family models for the year 2005. He finds, among other things, that one-earner couples with a toddler enjoy a monthly benefit of at least \$78 or more in both provinces compared to childless couples with the same income. By contrast, two-earner couples that rely on regulated child care services struggle with

monthly deficits in disposable income that range from \$350 to \$500 compared to childless couples with the same earnings. He offers insights about the impact of child care providers’ wages and child care fees on the family package and examines the interaction between federal and provincial policies, focusing on changes in BC in 2001, 2004, 2005 and 2006. These dates capture important provincial and federal policy shifts, including the introduction of the universal child care benefit in 2006.

In terms of their international performance, Kershaw finds that in 2004, both Alberta and BC ranked in the bottom half when it comes to promoting horizontal equity, even for one-earner families who often receive a larger family benefit than lone parents and two-earner families. He notes that the introduction of the universal child care benefit in 2006 will go a long way toward improving the two provinces’ rankings for one-earner couples, but will do little for two-earner families.

Kershaw also examines how the package affects gender equity in terms of unpaid caregiving and labour market participation, and how the package helps fight poverty. In the case of gender equity, he measures the difference in net disposable income enjoyed by one- versus two-earner couples (after additional income, clawbacks and other costs incurred by participation in the labour market are considered). In looking at poverty and income security, he measures the difference between the net disposable income enjoyed by lone parents on and off income assistance. On both counts, Kershaw finds that the benefits packages available to BC and Alberta families rank low in international rankings.

Given the significant horizontal inequities incurred by families using child care services whose earnings levels are well below average, Kershaw concludes that public funding for these services is the major missing piece of the family benefit puzzle. His results suggest that publicly funded child care services would also help improve BC and Alberta’s ranking in terms of labour supply, gender equality, and income security. Since family and other private time is an important source of satisfaction and a legitimate aspiration, he also recommends enhancements to income support programs and the redesign of parental leave benefits.