HBRP | Healthy Balance Research Program

A community alliance for health research on women's unpaid caregiving.

Policy Options to Support Dependent Care:

The Tax/Transfer System

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Executive Summary

In the Healthy Balance Research Program, caregiving encompasses care and support provided for dependent children of any age, people with disabilities, and parents, grandparents or others who, due to aging, may be unable to perform some activities of daily living and personal care.

Background

This report examines measures available through Canada's tax and transfer system to support caregiving work. Since the vast majority of caregiving is undertaken by women, a recurring theme is the differential impact of public supports on women and men. The policy context is characterized by a complex array of interacting and conflicting objectives and complicated eligibility criteria.

The report looks mainly at measures available through the federal jurisdiction. This is not to suggest that measures in the provincial jurisdiction are less important or necessarily of higher quality; the resource limitations for this project simply prevented full extension of the work to an additional 13 jurisdictions.

In the Healthy Balance Research Program, caregiving encompasses care and support provided for dependent children of any age, people with disabilities, and parents, grandparents or others who, due to aging, may be unable to perform some activities of daily living and personal care.

Caregiving

Dependence and interdependence are part of the normal life course, certainly for the young, occasionally for adults due to illness or accident, more often as one ages and frequently at the end stage of life. As well, the risk is ever present of serious, perhaps permanent, disability due to illness or accident. Supports for caregiving are premised on the assumption that caregiving is first and foremost a family responsibility, with limited recognition that this premise devolves the majority of caregiving work to women. Yet, the evidence is overwhelming that "care work is women's work ... It is often invisible, usually accorded little value and only sometimes recognized as skilled." (Armstrong and Armstrong, 2004). This unequal sharing of the caregiving role has remained despite women's movement into the paid labour force. Many women now perform double duty working for pay and still doing a disproportionate share of the unpaid work at home.

Caregiving involves direct and indirect costs. Financial costs are direct expenditures; the disruption or termination of employment for both the care recipient and the caregiver are indirect costs. It is a policy choice how the cost of caregiving is shared between caregivers, care recipients, employers, community groups and the tax/transfer system on the one hand and other forms of public expenditure on the other.

The caregiving role of women, particularly mothers, significantly affects their earnings over the course of their lives. This is best reflected in the differential payout through the Canada Pension Plan (CPP). CPP contribution and benefits data indicate that while the numbers of CPP contributors and beneficiaries are near gender equity, the value of those CPP benefits remains unequal with women's benefits being only 60% of men's. This reflects the long-term impact of women's low and disrupted earnings over the course of a lifetime: it is an index of the employment impact of women's work in caring for others. The caregiving role of women, particularly mothers, plays a significant role in this earnings disparity.

General Principles and Issues in Public Supports

The paper proposes that three policy paradigms - social support, social insurance and tax expenditures – are useful for analyzing who benefits from the various tax and transfer measures available. These policy paradigms are based on quite different assumptions about beneficiaries and their entitlement to benefits.
Social Support is assistance provided through direct government spending. These programs target those 'most in need' and thus a structure

is necessary to determine eligibility, amount, and reduction of support as income increases. Frequently, the administration of social support programs, such as income assistance, is greatly concerned with minimizing expenditure, preventing fraudulent claims and limiting access to the benefit as much as possible.

Social Insurance encompasses Employment Insurance (EI) and the Canada and Quebec Pension Plans (CPP, QPP). These programs are contributor-funded, with benefit entitlement and quantum determined by participation in the paid work force and earnings.

EI is an insurance program against short-term unemployment, so it includes eligibility criteria which are not appropriate in supports for caregivers. Because benefits are housed within EI, they are only available to those with sufficient hours of paid employment in the most recent 12 months. Those who work part-time or part-year are less likely to be eligible. Indeed, the more vulnerable the individual, the less likely they are to be eligible for EI supports.

Also of importance is the disability benefit within the CPP/QPP. CPP provides benefits for persons who are retired or the dependents of those who have died. CPP is not well suited to people with disabilities who may have employment prospects, in part because of CPP's restrictive definition of disability. CPP's broader time horizon for eligibility and benefits is a positive aspect that would be useful for the special benefits presently administered awkwardly under EI.

Tax expenditures provide support to individuals through tax preferences, recognizing individual circumstances such as disability which affect ability to earn income. Tax policy is based on principles of fairness and entitlement, dominated by economic rather than social concerns, and focused on market transactions. In general, for tax measures to have any value, the individual must be paying income tax or be able to transfer the tax credit/deduction to someone who pays income tax. Many tax expenditures differentially benefit higher income Canadians; RRSPs and the Medical Expense Tax Credit are examples. Tax measures associated with caregiving benefit those with sufficient income. Female claimants are less likely to have enough income to be taxable than male claimants and therefore are less likely to receive any value from the tax measure. For these measures to have value to all claimants, they should be made refundable.

Criteria for assessing possible changes to supports include efficiency, simplicity, enhancing independence directly and cost. It is important to consider the combined effect of a variety of income-tested benefits; an increase in income often results in a loss in benefits that equals or exceeds the value of the increase. In other words, the Effective Marginal Tax Rate can exceed 100%. This situation is exemplified by a senior citizen whose income of $1400 from working on the census led to a reduction in his monthly GIS payments, an increase in his subsidized rent, and loss of tax credits, effectively eradicating the earned income. Another important factor is whether income testing for program eligibility is done on individual or family income.

Existing Government Support Programs

There are a myriad of programs which recognize or support caregiving. They are driven by an assortment of policy perspectives based on public attitudes and motivations, both historical and contemporary. Positive motivations include the desire to provide a decent minimum income to those unable to provide for themselves and the recognition that caregivers are willing and able to provide care at a fraction of what it would cost governments.

Recent changes in the supports for caregiving have included the Child Tax Benefit, the Canada Health and Social Transfer, the movement of

EI eligibility to hours rather than weeks of employment, the extension of EI maternity/parental benefits to 52 weeks, the introduction of Compassionate Leave under EI, the introduction of the Caregiver Tax Credit and the Medical Expense Tax Credit, and the announcement of the Disability Supports Deduction.

Proposals for Income Support Programs

The design of income support programs is guided by policy assumptions about the purpose and limitations of the program.

The current system of supports for persons with a disability leaves far too many in poverty, trapped on social assistance or disability benefits because employment would cost them eligibility for supports such as income, technical aids and prescription drugs. Proposals for enhanced programs include:

- a disability income system that addresses training, rehabilitation and employment
- social assistance benefits in line with OAS/GIS levels and indexed to inflation
- elimination of asset tests when determining eligibility for supports.

The special cases of employability provisions for mothers who are caregivers and supports for persons with disabilities on social assistance are relevant to this discussion. Proposals for more effective and equitable programs include:

- reviewing the social assistance system's work expectations of parents so that their entitlements are equivalent to those of employed parents claiming benefits under the EI program
- introducing mechanisms to monitor supports for lower-income parents, such as indexing social assistance rates to the cost of living
- restoring tax fairness for non-poor parents so that even higher-income parents pay lower taxes than those with the same income who are not parents
- targeting the GIS benefit to the lower income spouse
- introducing a higher GIS for older seniors.

Proposals for Social Insurance

The major limitation of EI as a social insurance program is that its eligibility rules exclude those who are not working for pay, are self-employed or engaged in contract work, or who have not worked a sufficient number of hours. Proposals for enhanced benefits include:

- basing eligibility for benefits on hours worked in the last five years
- increasing the benefit replacement rate to 60% of insured benefits
- removing the two-week waiting period for maternity, parental, sickness and compassionate leave
- creating a Social Security Fund which would not be based on recent labour force attachment.

CPP/QPP do a better job than EI in delivering social insurance benefits to virtually all Canadians. To ensure that the reduction in retirement benefits due to caregiving is minimal, it is proposed to allow for the accumulation of CPP/QPP benefits while doing caregiving. Governments could make the contributions to CPP/QPP for individuals who are engaged in caregiving and the drop-out provisions which currently apply to child care could be expanded to include other kinds of caregiving. Furthermore, the process of application for these benefits could be made simpler, with better information and support for applicants, to ensure that they get the benefits that they are actually entitled to.

Proposals for Tax Measures

The social outcomes of tax measures are often limited by the preference of tax experts to recognize only economic transactions which are arm's length at market prices, directed towards earning an income, and carried out by individuals with a taxable income.

The Disability Tax Credit reduces the taxes which would otherwise be payable by persons with a 'severe or prolonged mental or physical impairment'. Proposals to enhance this tax credit include:

- making it refundable
- expanding the results for its transfer to someone who has a taxable income.

Making the tax credit for supporting an infirm person refundable is also recommended.

The Caregiver Credit does not recognize that caregivers are disproportionately women, housewives or retired, lower- and middle-income and older. These characteristics limit access to the benefit of income tax provisions which depend on taxable income and professional tax advice to take full advantage. Most importantly, the non-refundable character of the Caregiver Tax Credit, combined with the low incomes of female caregivers, has the anomalous result that only 1% of tax filers can use the credit, and 75% of these are male.

A tax credit for dependent children eighteen years and older has been proposed and the Age Credit has been questioned, since with drastic improvements in health and life expectancy, the assumption of increased needs at age 65 is suspect. The Attendant Care Deduction currently favours employment since attendant care expenses are given more generous treatment as a deduction if an attendant makes it possible for the individual to earn an income. The new Disability Supports Deduction broadens the eligible expenses which can be deducted.

The Married Credit is claimed for a spouse with little or no income. The higher income spouse claims the Personal Credit for themselves and the Married Credit for their spouse. Two-earner families claim two Personal Credits, one for each spouse. Proposals to revamp this credit include:

- cancelling the Married Credit and using the funds elsewhere
- converting the Spousal Credit to a Refundable Credit paid to the 'dependent' spouse.

Employer Health Benefits covering services excluded from Medicare include prescription drugs, dental care, eye glasses and home care. These benefits are tax subsidized because employer contributions to the plan are not a taxable benefit.

The Medical Expense Tax Credit only recognizes specific enumerated expenses, monetary exchanges and expenses in excess of 3% of income. Proposals to enhance this credit include:

- making the credit refundable for all claimants;
- recognizing in-kind contributions so that families without ready access to cash can still benefit by, for example, receiving a credit for labour contributed to the construction of a ramp.

Services Proposals

Arguably, subsidized services are not part of the tax/transfer system. Yet they can be critical parts of the supports for caregiving. For child care subsidies, the value of the subsidy is often less than the tax deduction allowed without restriction to more affluent Canadians. Removing the asset test is one way to increase the number of eligible parents. Moreover, following strategic advice to move towards a publicly-funded, high quality system for Early Learning and Child Care would also produce a more rationsal program for both children and their parents.

Nursing homes exist for those with needs that are beyond the scope of the resources available at home. Nursing home care is not covered by the Canada Health Act so the fees vary dramatically by province. A first step in making this subsidy more equitable is for a national agency like Health Canada to publish information on a regular basis about nursing home fees, how subsidies are determined and effective marginal tax rates.

The importance of home care in the health care system is increasing yet the range of eligibility criteria and regulations across the country is wide. Health Canada could perform a valuable function in making information readily available on how fees are determined.

Conclusions

This analysis has emphasized the economic disadvantages faced by women. Given the dominant role of women in caregiving, the inadequacies and inequities in public supports for caregiving exacerbate the economic disparities between men and women. If we are to increase the adequacy, equity and accessibility of supports for caregiving, we must make an effort to understand policy paradigms that constrain innovative approaches to improving these programs and services. The patchwork of benefits currently available should be fundamentally revised to provide Canadians, both women and men, with fair support for the caregiving so central to family life.

Preface

Given that thousands of Canadians, the majority of whom are women, serve as unpaid care providers to children and the elderly, there is an urgent need to understand the interplay among the determinants of health and how these factors affect the well-being of caregivers, both positively and negatively.

The Healthy Balance Research Program is a five year exploration of the relationships between women's health and well-being and their paid and unpaid work. Funded by the Canadian Institutes of Health Research as part of its Community Alliance for Health Research funding stream, the program is co-sponsored by the Nova Scotia Advisory Council on the Status of Women and the Atlantic Centre of Excellence for Women's Health, Dalhousie University. The work is supported by an extensive network of academic, government and community partners.

The program of research examines unpaid caregiving work throughout the life course, including the provision of care to children, teenagers and adults of all ages. Our definition of caregiving expands upon conventional descriptors in the health literature by encompassing empowerment, economic gender equality indicators and the health status of caregivers.

Given that thousands of Canadians, the majority of whom are women, serve as unpaid care providers to children and the elderly, there is an urgent need to understand the interplay among the determinants of health and how these factors affect the well-being of caregivers, both positively and negatively. In addition, it is important that we recognize how the determinants of health, and the over-riding social values and expectations, shape social trends and attendant public policies.

Four research teams are exploring different aspects of these issues, using methodologies designed to highlight varying facets of the caregiving experience.

- Secondary Analysis of existing data on caregiving, such as the General Social Survey, Cycle 12, to deepen our understanding of the stress reported by employed women who also provide unpaid care and of the realities that underpin the reported hours of paid and unpaid work

- Focus Groups of caregivers around the province of Nova Scotia organized to include different communities and different caregiving situations
- A Population Survey of Nova Scotians to gather data on numbers of caregivers and to explore relationships and empowerment
- Caregiver Portraits, micro-ethnographies of fourteen diverse households in which a caregiver is providing substantial care either for someone in the household or for some other relative or friend

Healthy Balance has a strong focus on the process of doing research with such a multiplicity of partners. Process elements include:

- research teams bring together researchers from several universities with diverse and complementary expertise
- Equity Reference Groups provide an opportunity to interact directly with members of the communities they represent
- partnerships with agencies in the community create avenues for productive exchange
- a National Reference Group of academics and policy-makers serves as a sounding board and advises on ways to have an impact on policy
- a scholarship program supports graduate students and welcomes them as beginning researchers
- participants keep in touch in various ways, including joint meetings, to reinforce our shared vision of and commitment to the Healthy Balance work

This report concerns the public support for caregiving activities through the tax/transfer system. Since the vast majority of caregiving is undertaken by women, a recurring theme will be the gendered impact of public supports. This fiscal policy perspective is considered a vital adjunct to the work of the four research teams, exploring more deeply the financial implications of care provision and challenging us to explore ways of alleviating the financial strains and sacrifices that are so often experienced by caregivers. Combined with other findings from the various strands of research, the Healthy Balance material will enrich our understanding of the caregiving experience and will point to steps required to build supportive communities.

We are delighted to share this report with you. We thank Richard Shillington for undertaking the report with such commitment and enthusiasm. His contribution is an important building block in our efforts to understand the health and well-being of women who juggle unpaid family responsibilities with paid employment.

Our hope is that this paper generates discussion and crystallizes creative action directed towards caring communities supportive of caregivers and care receivers alike.

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Glossary

CPP	Canada Pension Plan
QPP	Quebec Pension Plan
CTB	Child Tax Benefit
DTC	Disability Tax Credit
EI	Employment Insurance
EMTR	Effective Marginal Tax Rates
GIS	Guaranteed Income Supplement
LICO	Low-Income Cut-Off
OAS	Old Age Security
SPA	Spouses Allowance

Background

This report is about how the tax/transfer system is used, and can be used, to support caregiving. It is also concerned with how these supports affect caregivers, who are overwhelmingly women.

This report concerns the public support for caregiving activities. Since the vast majority of caregiving is undertaken by women, a recurring theme will be the gendered impact of public supports.

Caregiving here will include that associated with dependent children, regardless of their age. Caregiving includes the support of persons with disability. It will also include caregiving for parents, grandparents or other relatives who are not disabled but, due to aging, may be unable to perform some activities of daily living and personal care.

Much caregiving is of limited duration and conducted by and within a family; for example, caring for a sick child for several days. This kind of care does not attract significant public policy research or debate, yet has employment and income impacts for some portion of the labour force, particularly for those without employer benefits that include family leave. Indeed, lower-income employees who can least afford to lose a day's pay are those least likely to have access to paid family leave. Even unpaid family leave is not an entitlement for most lower-income parents, so caring for a sick child or other relative can cost someone their job.

Intensive or long-term caregiving is a public policy concern and yet existing supports are often tentative, hesitant and are delivered with a great deal of inequality. The burden due to an underdeveloped support system for caregiving falls disproportionately on women.

Public supports for caregiving are available through a variety of programs. The supports are provided either through social support programs (such as the Child Tax Benefit), social insurance programs (like Employment Insurance and the Canada/Quebec Pension Plans), through the income tax systems of the federal and provincial governments, and through provincial health-care systems.

Much of the discussion in this report will concern the policy paradigms for social services, social insurance and the income tax system. The reader will see that the policy assumptions behind social services and the tax system are very different, resulting in dramatic contradictions and inequities in access to public funds to support caregiving activities.

Often eligibility for different types of support for caregiving will depend on a variety of factors including income level, income source and/or employment situation. The economically vulnerable must access social services and social assistance. These supports are typically income-tested and are often asset-tested as well. More economically secure Canadians use the income tax system to access supports. These tax based supports are often more generous and eligibility is usually less restrictive.

For example, "Subsidized Child Care" when delivered through a social service agency is often income-tested and asset-tested. Any suggestion that higher-income Canadians should not be allowed to deduct child care would be treated with some disdain. The income tax deduction is certainly not asset-tested.

The child care subsidy which is available for lower-income Canadians is based on their 'need'. This justifies restricting eligibility and including restrictions which can be seen as limiting the choices of beneficiaries. On the other hand, the income tax deduction is viewed as fair tax treatment and is thus less restrictive.

Another example of inequity in supports arises in the tax assistance for medical expenses that are not covered by Medicare. The economically vulnerable tend not to have employer health plans but can use the Medical Expense Tax Credit (METC). This tax recognition is of limited worth (about 25% of the expenditure in excess of 3% of net income); typically it is worth about

10% of the expenditure and only for those who pay income-tax or have earned income. By comparison, the economically secure are more likely to rely on employer health benefits which tend to be less restrictive. Employer contributions to these non-insured health plans are not a taxable benefit and are therefore a form of tax-free income. Thus, the value of this tax subsidy of employer health plans increases with one's income and marginal tax rate.

As demonstrated with the examples of child care subsidies and non-insured health expenses, the disparity between the various policy paradigms is reflected in the design of the support programs and contributes to inequitable access to social supports and undermines program effectiveness.

The discussion will also explore how the policy paradigm of 'social supports', which tend to be targeted and restricted because they are reserved for 'the needy', differs from the policy paradigm of 'tax expenditures' which are usually founded on tax fairness principles and are of greatest value to higher income Canadians.

The paradigm of 'social insurance' programs, like CPP/QPP and EI, will also be discussed. These tend to be less targeted and more helpful than 'social supports'. They are not based on need, but are seen as entitlements earned based on contributions. Thus, for example, disability income support under CPP/QPP is more generous, indexed to inflation, and less restrictive in administration than welfare programs for those with a disability.

The structure of Canadian government as a federation is also often an impediment to effective policy. Often, the federal government is reluctant to increase its support to vulnerable Canadians because the provinces could simply reduce their support leaving the intended beneficiary no better off.[1] Provinces have constitutional jurisdiction for social policy and the federal government's ability to set and enforce program standards is limited.

Historical prejudices against lower-income Canadians have also restricted policy makers. The public has always made a distinction between the 'deserving' and 'undeserving' poor. The need for care and ability to work play a central role in this distinction; the 'deserving poor' are those unable to work due to age, disability, or sickness; the 'undeserving poor' are able-bodied individuals without employment.

The distinct attitudes toward the 'deserving' and 'undeserving' poor contribute to conflicting objectives for many social support programs. Programs endeavor to provide for a decent standard for those 'truly in need' while minimizing the opportunities for abuse by those who the public feels should be more self-reliant. Society has been much quicker to support the 'deserving poor'. Support for the able bodied is much more circumspect and often conditional on participation in work-fare or training.

Public policy is also shaped by a political culture that values independence, particularly economic independence. Public attitudes, and the associated policy environment, are themselves confused, conflicted, tentative and unresolved concerning women, women's employment, caregiving, the conflict between caregiving, parenting and employment. "Public policy wavers between one and the other of women's roles, supporting neither adequately." (Freiler, Stairs and Kitchen, 2001).

As primary caregivers, women often feel the conflicting pressures to provide needed care for children (or others) while not making themselves economically dependent, either on a spouse or social assistance.

The ambivalence in the public attitude toward caregiving is best illustrated by how society supports mothers of young children. Income supports such as maternity benefits have

1. Indeed, for the Child Tax Benefit, increased federal spending was offset for many poor parents when most provinces reduced their social assistance by the same amount as the federal increase.

recently been expanded under EI but are only available to new mothers with a sufficient work history. Eligibility is easiest for women who worked full-time before the birth.

For those without access to EI, remaining at home with a newborn implies economic dependence on a spouse or social assistance. The ambivalence between the desire to support those in need and wanting to reward employment is seen in the attitude toward employment for new mothers. Maternity benefits encourage a year at home caring for newborns; whereas, some provinces (for example Alberta) require them to seek employment where the alternative is social assistance.

This discussion has highlighted some of the impediments, political and cultural, to effective supports for caregiving.

Overview

This report must encompass the numerous public supports for caregiving. The interacting and conflicting policy objectives and administrative rules are complex. There are a wide variety of programs with sometimes exceedingly complicated eligibility criteria. Many of the supports for those with a disability have been the subject of full reports.

There is not the space here to repeat many of the more detailed policy debates nor would it be useful. This report gives a high-level overview of a wide range of policy initiatives, each of which have generated or could generate entire reports in themselves.

This report is about how the tax/transfer system is used, and can be used, to support caregiving. It is also concerned with how these supports affect caregivers, who are overwhelmingly women.

In order to focus this report, one must limit the analysis. Thus the report will look into the supports that are related to caregiving or the need for care. For example, the report will comment on the disability support system, including disability supports for those on welfare, but not welfare in general. The report will consider the tax credit for spouses, the Married Credit, because of the association with parenting, but not the Personal Credit.

The report will first consider caregiving and the impact on the economic resources of women. One way of assessing this over a lifetime is to compare male and female CPP data. These data help one assess how caregiving impedes and interrupts the earnings of women.

The approach of this report is to explore the paradigms of the various policy arenas for a variety of programs and supports which assist caregivers; we'll use:

- Social Supports
- Social Insurance
- Tax Expenditures

The policy arenas are discussed in terms of their policy assumptions or paradigms including beliefs and mind-sets.

As illustrated already for child-care, different populations often access public funds from different portals. Because different programs serve different populations, society's pre-judgments about the populations served can influence policy and hamper the effectiveness of programs.

After describing the policy paradigms, the wide range of existing programs are documented based on delivery mechanism.

Proposals for change in the various policy arenas are presented. Very few of these proposals are new; many, in fact, have been perennial favorites recommended by every policy review. They have not however, been brought together for a perspective of caregiving throughout the life course. Where possible, the proposals include estimates of the cost.

Caregiving

The unequal sharing of the caregiving role has remained despite women's movement into the paid labour force. Many women now perform double duty working for pay and still performing a disproportionate share of the unpaid work at home.

As humans age, we move in and out of stages of dependence. Infants are absolutely dependent on their parents, particularly mothers, for survival and development into functional human beings. Adulthood is marked by a semblance of autonomy although the lengthening of our complex educational process is delaying the age of independence. There are now more young adults dependent on and/or living with their parents.

Advances in medicine have extended our life expectancy. However, many seniors, although not most, will be dependent for some period of time near the end of their lives.

As the next table illustrates there are many factors which are increasing the need/demand for caregiving and reducing the supply of caregivers.

In addition, periods of temporary dependence due to illness or accident are common. Permanent or long-term disability often requires significant care for extended periods of time. A significant share of the population now live satisfying and productive lives despite the presence of disability, and some need for care.

Dependence, and interdependence, is part of the normal life course; certainly for the young, occasionally for adults due to illness or accident, more often as one ages and frequently at the end stage of life. As well, the risk is ever present of serious, perhaps permanent, disability due to illness or accident.

Up to now, the family has been the most common forum for caregiving. Now this is also changing. While the extended family was once the norm, now it is the smaller nuclear family with increasing populations in other family forms. The structure of families is changing

The Family Environment

Changes in the family environment:

- Smaller families
- Less stability in families
- More diversity in family structure
- More complex family relationships
- Changing and more diverse family roles
- More diversity in felt obligation to care for family members, and
- Declining caregiving capacity with families

Trends affecting the family environment:

- Slight declines in marriage rate
- Delayed marriage and childbearing
- Sharp increase in divorce and remarriage rate
- More common-law marriage
- Declining fertility rate
- Later launching and frequent returns of children to the parental home
- Population aging
- Women's increased labour force participation, and
- Increasing cultural diversity of the population and greater sensitivity to cultural differences.

Family Caregiving And Consequences For Carers: Toward A Policy Research Agenda; Fast And Keating; CPRN Discussion Paper No. F10 January 2000 dramatically. Families are smaller, more spread out geographically, less able to provide the intensive care for vulnerable members. As Janz (2000:29) documents, a range of family forms is emerging from same-sex couples, to friends in surrogate family roles to relatives living together.

The design of public caregiving supports is influenced by a public attitude that caregiving is first a family responsibility. "Because children are largely viewed as the private responsibility of parents, public policy supports, such as child care, which are key to women's equality, are underdeveloped. At the same time, responsibility for caring for dependent family members is being 're-privatized' as a result of cuts to social programs. Women, of course, bear most of the burden of such changes to public policy." (Freiler, Stairs and Kitchen, 2001)
Caregiving takes place between persons who are related in a wide variety of ways; blood, marriage, commitment, friendship, community.

The evidence is overwhelming that "care work is women's work. Paid and unpaid, located at home, in voluntary organizations or in the labour force, the overwhelming majority of care is provided by women. It is often invisible, usually accorded little value and only sometimes recognized as skilled." (Armstrong and Armstrong, 2004) One of the most obvious examples is that child-care workers are among Canada's lowest paid occupations with average incomes well below those of other care providers with similar levels of education.

This unequal sharing of the caregiving role has remained despite women's movement into the paid labour force. Many women now perform double duty working for pay and still performing a disproportionate share of the unpaid work at home. Moreover, the following profile indicates that caregiving has also fallen disproportionately onto women who are older, less likely to be employed and in lower income families.

Profile of Family Caregivers

- *Family caregivers are predominantly female (77%), and typically older than the population-at large. Seven in ten (70%) are 45 years of age or older, and one-quarter (25%) are at least 65.Women aged 45 and older comprise 51 percent of the country's caregiver population.*
- *Consistent with these characteristics, caregivers are most likely to be either retired (31%) or homemakers (16%), particularly among older women. Just over one in five (22%) are employed full time, while a similar proportion work either part time or are self-employed (19%).*
- *Caregivers can be found in all income strata, but given their employment profile tend to have household incomes below the national average. Only one in three (35%) report household incomes of $45,000 or more.*

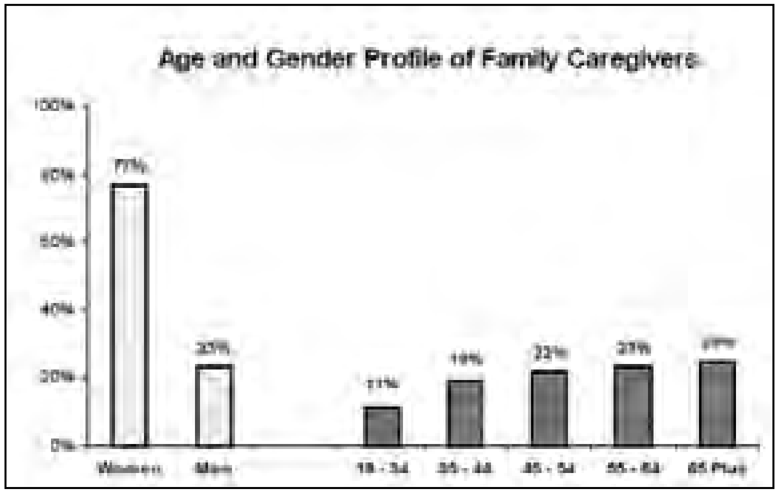
*Source: **National Profile Of Family Caregivers In Canada** – 2002; Health Canada; September 2002 Emerging Challenges for Caregiving*

As noted above, demographic and economic trends are posing new challenges to caregiving. In particular there is growth in isolation with extended families being replaced by nuclear families, individuals moving far from home, couples with a commuter marriage and more individuals living alone. At the same time, non-conjugal relationships would appear to be taking up some of the slack.

The circumstances of some Canadians pose special challenges for giving and receiving of care. These include:

- Living alone: who are increasing in number and do not have immediate access to co-residents available for caregiving.
- Gay and Lesbian: whose relationship may not be recognized in terms of eligibility for programs.
- With a Disability: which may require specialized supports that can be expensive and/or difficult to arrange.
- Of Colour: who also may be subject to discrimination or may be isolated from their community.
- Rural: geographic isolation can be a barrier to access to supports for caregiving.
- Immigrant / Refugee: who also may be subject to discrimination or may be isolated from their community. In addition, they may not have lived in Canada long enough to be eligible for CPP/QPP or other supports available to those who are Canadian born.
- Lower-Income: who may not be able to afford user-fees or co-payments. As well, benefits through EI are more likely to be unavailable to those who work part-time or work temporarily. EI and CPP benefits depend on past earnings. Benefits through the income tax system often increase with income. Often they are only available to those with the resources to purchase services.

Figure 1



*Source: **National Profile Of Family Caregivers In Canada – 2002**; Health Canada; September 2002*

Sharing the Cost of Caregiving

Caregiving involves costs. Those costs include economic items such as foregone job opportunities, restricted hours of work and reduced income. There are out-of-pocket costs paid by care receivers and caregivers. These costs are for medical services, medical devices and drugs not covered by Medicare as well as services and renovations for vehicles and home. There are also non-monetary costs most notably leisure time and stress.
It is a policy choice how the cost of caregiving is shared between caregivers, care recipients, employers and the public purse. Individual circumstances have a dramatic impact on who bears the cost of caregiving.

The financial cost of caregiving includes direct spending. It includes the disruption or termination of employment for both the care recipient and the caregiver. There are mechanisms in place so that these costs can be shared.

Private insurance, including employer health benefits, allows these costs to be pooled and shared within participating families. The CPP, through provisions like the caregiver drop-out provisions and CPP disability benefits, shares the costs amongst the large pool of Canadians with earnings. EI provides supports as well for those who meet eligibility criteria.

The income tax system also provides for some tax reductions for caregiving activities and costs, including the credit for Infirm Dependents, Caregiver Credit, the Disability Tax Credit and the Medical Expense Tax Credit. Each of these provisions provide for some sharing of the costs while restricting eligibility in various ways (more on the restrictions below).

Some income supports do exist. The Child Tax Benefit has a supplement for children with disabilities. There are social assistance programs for persons with disabilities.

Despite these various supports the literature[2] documents the economic price that women pay for shouldering a disproportionate share of caregiving.

The Employment Impact of Caregiving

The observation that caregiving will often interfere with employment will not be surprising. "Of those not currently in the workforce (e.g. homemaker, retired), one in five (20%) say they have quit their job or retired early in order to provide care to a family member in the home (this translates into 9% of all caregivers). … Women (22%) are twice as likely as men (11%) to have quit or retired in order to care for a family member." (Health Canada, 2002).

The following data from the Canada Pension Plan[3] sheds some light on the extent of this economic price of caregiving both in their labour force participation and in their earnings while employed.
These data document a trend that the labour force participation rate of women has increased significantly and more women can expect to receive a CPP retirement benefit. However, the data also indicate that average CPP benefits for women have been modest and that one should not expect real increases in CPP benefits. Women's CPP benefits are and will continue to be far less than men's.

The following sections use administrative data from the CPP to document the relative CPP benefits of males and females. The charts are used first to look at trends in the number of male and female CPP contributors and beneficiaries. Then similar data are explored on the value of the CPP contributions and average benefits for males and females. Finally, data are presented on the average earnings of males and females by education and marital status.

NUMBERS OF CPP CONTRIBUTORS AND BENEFICIARIES

The following chart (Figure 2) covers a long time period from the creation of the CPP and documents that women were at one time far less likely to contribute to CPP than men. The ratio of female to male contributors increased significantly and is now close to 90%.

The increasing rate of female labour force participation and contribution to CPP is eventually reflected in the number applying for new CPP retirement benefits. The numbers of female and male new retirees for CPP is now almost equal (see Figures 3 and 4).

These data demonstrate that women may move into and out of the labour force in response to parenting, other family obligations and caregiving. Yet as many women as men do work the number of years required for CPP retirement benefits. In numbers of CPP beneficiaries at least, women are virtually identical to men.

2. There is an extensive list of source documents in the Bibliography.
3. The data presented in this section are based on the Canada Pension Plan which covers the majority of Canadians. These data do not include the Quebec Pension Plan because getting comparable data would be difficult from a second data source. There is no reason to think that the national data would be appreciably different if the Quebec data were included.

VALUE OF CPP CONTRIBUTIONS AND BENEFITS

CPP contribution and benefits data indicate that while the numbers of CPP contributors and beneficiaries are near gender equity, the value of those CPP benefits remain unequal. There has been little improvement and there is no evidence that future CPP benefits will be more equitable.

CPP benefits at retirement are calculated based on annual contributions over a working life. This calculation is subject to a caregiving drop-out provision which is important for many women. Figure 5 illustrates that historically women on average contribute between 75% and 80% to CPP of the amount contributed by men.

More disturbing is the trend that contributions to CPP for both males and females compared to the maximum CPP contribution is falling; slightly for women and significantly for men.

This trend presumably reflects the growth in precarious employment, part-time or part-year, temporary or contract which reduces contributions to CPP.

This falling of CPP contributions does not imply by itself that future CPP retirement benefits will fall since retirement benefits are influenced by amount and frequency of contributions. The trend is disturbing since CPP is the only effective pension plan for the majority of Canadians, particularly those who are not economically secure.

Data for the most recent retirees indicate that the average female CPP Retirement Benefit is about 60% of the male figure at a very modest $300 per month .[4]

Average New CPP Retirement Benefits by Year

	Male	Female	Ratio
2002	$ 522	$ 314	60%
2003	$ 519	$ 312	60%

Figure 2

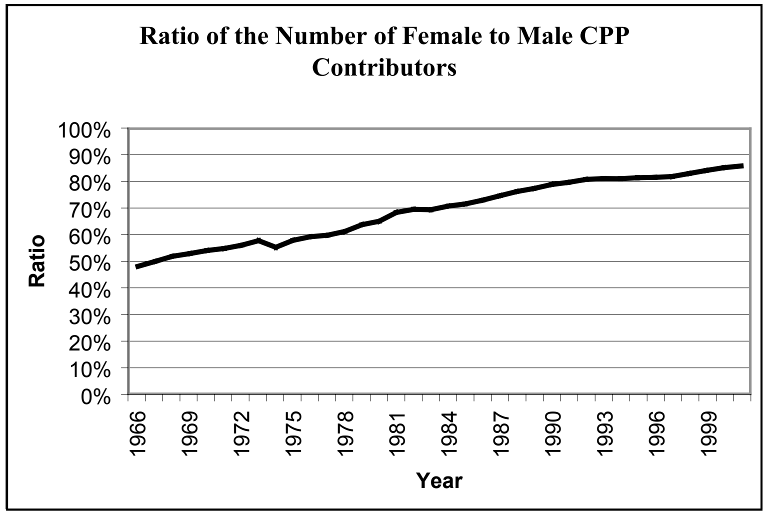


Figure 3

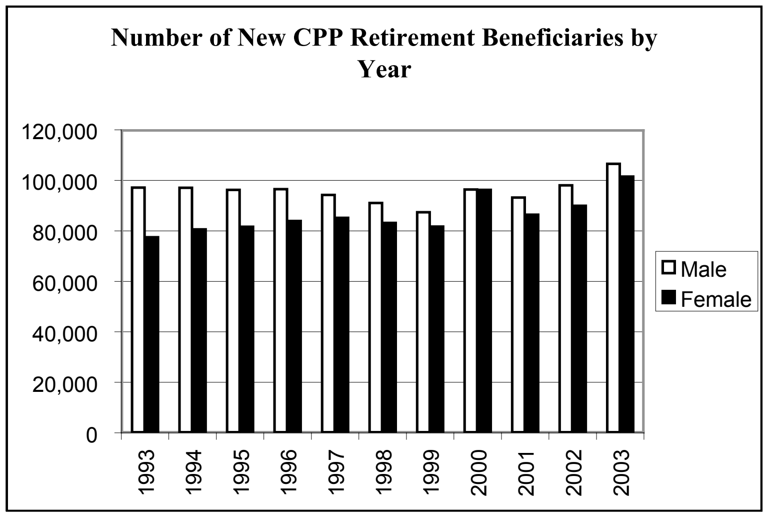
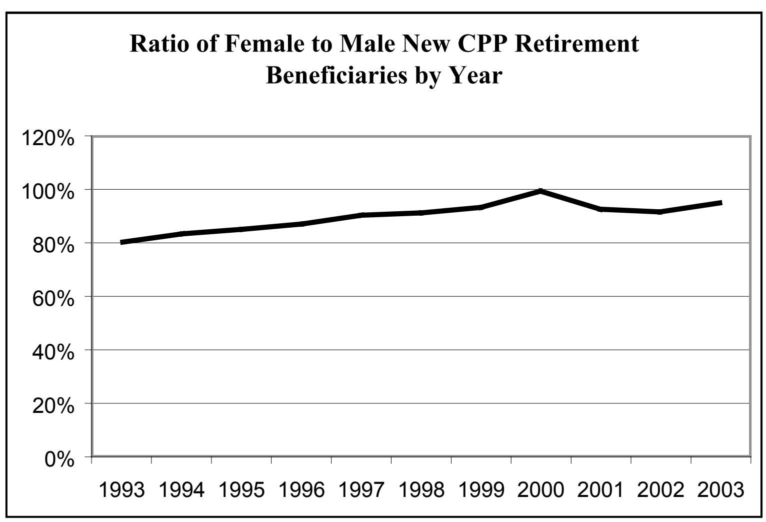


Figure 4



4. A request was made to CPP for past data on the ratio of new CPP retirement benefits for males and females but that data was not available.

Figure 5

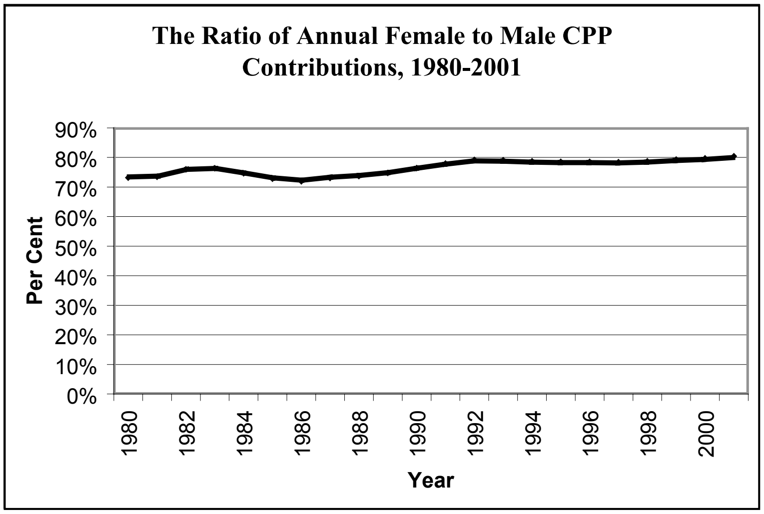
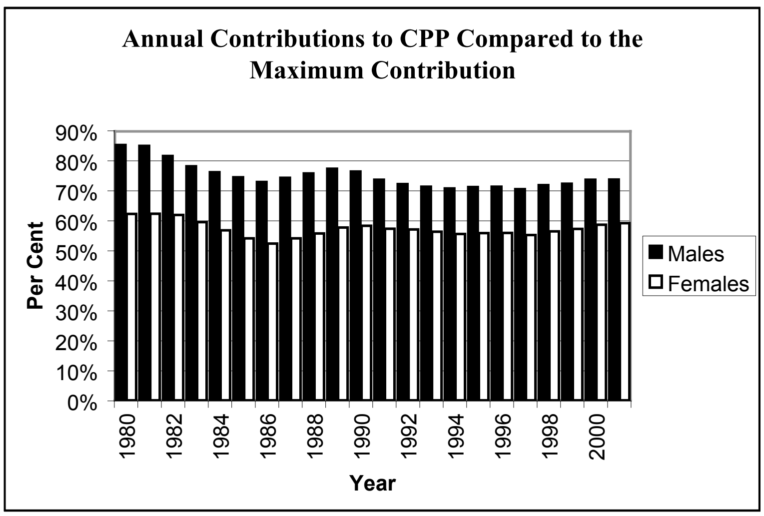


Figure 6



The lower average earnings of women compared to men have been documented consistently and frequently. There are a number of factors contributing to these differences, including hours of work and the undervaluing of occupations dominated by women.

The earnings differential persists even when the comparison is limited to those working full-time/full-year. The ratio of earnings for those working full-time/full-year has been widely reported at around 73%. The table below is based on the Survey of Labour Income Dynamics (SLID). It shows that the earnings ratio varies dramatically by marital status, even after controlling for education, from 68% for married women, 75% for divorced/widowed/separated women and 96% for single women. These data suggest that the caregiving role of women, particularly mothers, plays a significant role in this earnings disparity. One reason for the lower earnings of women may be the accommodations that women make to balance work with caregiving; or conversely the unwillingness of the labour market to make such accommodations without an earnings penalty.

This analysis is of those working full-time and full-year so it does not include the economic penalty that women shoulder by working part-time, temporary or on contract. These choices mean reduced earnings but increased flexibility. They also mean that one is less likely to be eligible for EI, will receive smaller benefits from EI and/or CPP/QPP and is less likely to be eligible for employer health benefits.
The analysis above has demonstrated that much of the cost of caregiving is borne by women. The CPP benefits illustrate the impact of a life-course of lower and interrupted earnings showing no trend towards improvement. An analysis of the earnings of men and women in the full-time/full-year labour force documents again the lower earnings of women but demonstrates that

much of this is associated with marital status suggesting a relationship with caregiving.

Ratio of Female to Male Average Earnings for those Employed Full-Time Full-Year by Education and Marital Status, 1998

	Married	Divorced/ Widowed/ Separated	Single (never married)	Total
Less than H.S.	60%	67%	-	63%
H.S. Graduate	71%	79%	87%	75%
Some PSE	66%	76%	91%	70%
Degree	67%	76%	97%	72%
Total	68%	75%	96%	73%

Source: Calculations by the author using the Statistics Canada, Survey of Labour Income Dynamics

General Principles and Issues in Public Supports

In general, for tax measures to have any value the individual needs to be paying income tax or must be able to transfer the tax credit/deduction to someone who is paying income tax.

This section of the report concerns the principles which determine the design of supports and the criteria which should be used to evaluate existing and proposed supports for caregiving.

Arenas for Public Support

The programs which support caregiving vary. Even for a single purpose, like child care, there are different programs of support depending on the circumstance. They differ in eligibility restrictions, effectiveness, value and ease of utilization.

The policy mechanisms available differ depending on the situation. This report will consider three delivery arenas for programs that assist with caregiving, including each arena's associated beneficiary populations and policy paradigms: Social Support, Social Insurance and Tax Expenditures. These policy paradigms often limit the effectiveness of programs. Differences between the policy arenas is at the root of the existing inequity in access to caregiving supports.

SOCIAL SUPPORT

Assistance provided through direct government spending is considered social support; this includes social assistance for those with a disability, the Child Tax Benefit and the Guaranteed Income Supplement (GIS). These programs tend to target those 'most in need' and thus a structure is necessary to determine who is eligible, for how much and how support is reduced as their income increases.

The public expects these funds to be spent wisely, targeted only to those who are truly 'needy'. The objectives of adequate support, at minimal cost, limited to those most in need imply eligibility restrictions. These often restrict a beneficiary's autonomy and limit their ability to improve their situation.

This problem has been highlighted by others, "Welfare programs often served to reinforce dependency without alleviating poverty and offered support as charity." (Armstrong and Kits, 2001).

The desire to target benefits leads to various 'reduction rates' that relate benefits to income. For example, the federal GIS is generally reduced by 50 cents for each $1 of income. Similarly, in Ontario, subsidies for the cost of nursing homes are reduced by $1 for each $1 of income.[5] Welfare recipients often face reduction rates at or near 100%. These reduction rates work like effective tax rates and contribute to the general problem of marginal tax rate stacking (more on this later). This desire for high reduction rates – near 100% - is due to a sense that benefits should only go to those who are truly 'needy'. High reduction rates also reduce program costs.

SOCIAL INSURANCE

Two important mechanisms for the support for caregiving are the large social insurance programs, Employment Insurance and the Canada and Quebec Pension Plans.

Under Employment Insurance those who meet eligibility criteria may be eligible for Sickness Benefits, Maternity and Parental Benefits and the new Compassionate Leave Benefit.

EI is basically an insurance program against short-term unemployment so it includes eligibility criteria which may not be appropriate in supports for caregivers.

Because these benefits are housed within EI they are only available to those with sufficient hours of paid employment in the most recent 12 months. Some would argue that a longer 'look-back' period is needed for maternity, parental

5. Actually, because of some nuances in the income tax system the effective tax rate for dividends is 125%. That is, for every $100 increase in dividend income the subsidy is reduced by $125 – the person is actually worse off for having some additional income.

and compassionate leave benefits.

Those who work contract, are self-employed, or do not work, are not eligible. Those who work part-time or part-year are much less likely to be eligible. Indeed, the more vulnerable the individual, the less likely they are to be eligible for EI supports.

There is a two-week waiting period for benefits, a kind of deductible, which may be appropriate for an insurance program, but makes no sense for maternity, compassionate leave or sickness benefits. One notes that there is often no waiting period in the employer maternity benefits (EI top-ups), negotiated under collective agreements including those covering the civil service. .

As well, the duration of these 'special' EI benefits can be severely limited if one accessed regular unemployment benefits in the past year.

Also of importance is the disability benefit within the CPP/QPP. Again, placing the disability benefit within CPP is economically and administratively convenient but it imposes awkward limits. CPP provides benefits for persons who are permanently retired or the dependents of those who have died. CPP is not well suited to dealing with those disabled who may have some employment prospects (for a longer discussion see: Torjman, 1996). Note that the eligibility for CPP Disability benefits is based on a restrictive definition: "incapable of regularly pursuing any substantially gainful occupation". This can be a difficult impediment for many persons with a disability who may wish retraining and may be employable with some assistance.

One should also note the difference in the eligibility time horizon for EI and CPP. EI determines eligibility for benefits and the level of benefits based on the past 12 months. So someone who worked for 20 years but not in the last 12 months would not be eligible for any EI benefits. CPP determines eligibility using a much broader time horizon. Eligibility for disability benefits is based on years worked; you need 4 of the last 6 years. Also, the level of CPP Disability Benefits has a number of attractive features. There is a minimum benefit level, plus an additional amount which is based on your employment history over many years. This broader time horizon for eligibility and benefit levels are positive characteristics that would be useful for the special benefits presently administered awkwardly under EI.

TAX EXPENDITURES

Tax expenditures[6] provide support to individuals through tax preferences. Where the premise for 'Social Supports' is to provide assistance to those 'in need', the premise for tax preferences is to recognize individual circumstances which affect 'ability to pay'. Generally these tax measures can be thought of in two groups:

- Recognizing expenses incurred to earned income (e.g. attendant care deduction).
- Recognizing factors that affect 'ability to pay' (e.g. disability tax credit).

History of Tax Policy

It is worth noting that tax policy has a tradition dominated by economic, rather than social concerns. The "…four major functions of fiscal policy and taxation in the modern economy: the financing of government expenditures, the attempted redistribution of income, the encouragement or discouragement of certain activities and the stabilization of the overall economy." (Hale, 2002)

The development of tax policy and research is again restricted to a limited community of experts. "In Canada, tax policy is made in one place, the tax community…" "The 'attentive actors' of the broader tax policy community also include taxation interest groups heavily weighted toward the business community,

6. Tax expenditures refer to the loss of tax revenue due to tax preferences (e.g. Disability Tax Credit).

selected academic specialists, and tax professionals.” (Hale, 2002)

This domination of tax policy by economic interests and economic experts has loosened recently as social policy experts have successfully advocated for some progressive tax changes. These changes include the replacement of deductions with credits (part of the 1986 “Tax Reform”) and the introduction of refundable tax credits, most notably the Child Tax Benefit.

It is important to note that tax preferences are not targeted to lower-income or ‘needy’ Canadians. Indeed, many tax expenditures differentially benefit higher income Canadians; most obviously RRSP’s but it also applies to the Medical Expense Tax Credit.

In general, for tax measures to have any value the individual needs to be paying income tax or must be able to transfer the tax credit/ deduction to someone who is paying income tax. This means the individual eligible for the tax recognition is living with, or dependent upon someone who is paying income tax.

The Disability Tax Credit is a perfect example. This tax credit reduces income taxes and can be transferred to a relative upon whom the disabled person is dependent.

The income tax system also provides some supports based on established tax principles; horizontal equity and vertical equity. This acknowledges that the cost of disability or caring for others affects ‘ability to pay”. However, these tax measures are hampered because they are traditionally designed by ‘tax experts’ who use economic reasoning and economic measures. Thus, only market transactions, where money changes hands and subject to audit, at ‘arms-length’, are seen as ‘real’.

For example, paying someone for attendant care ‘at arms length’ is a legitimate expenditure for the ‘Attendant Care Deduction’. If the same attendant care were provided by a family member, particularly someone who is co-resident then tax recognition may not be available.

This is a general problem or concern with tax measures. The vast majority are only of value if the beneficiary pays income tax (which usually means has earned income) or can transfer the credit to someone who is taxable. The data presented below under tax measures will demonstrate that for the tax measures related to caregiving and disability, female claimants are less likely to be taxable than male claimants and therefore are less likely to receive any value from the tax measure. For these tax measures to have value to all claimants, they should be made refundable.

It should also be noted that the income tax system, like society in general, values employment. A number of tax measures associated with caregiving are only effectively available to those with earned income; the Attendant Care Deduction, the refundable share of the Medical Expense Tax Credit and the new Disability Supports Deduction. This is, in part, because the income tax system has long accepted that one should be allowed to deduct expenses incurred to earned income.

Employer Non-Insured Health Benefits are a particularly significant tax expenditure when discussing inequality in access supports for caregiving. This tax expenditure arises because the employer contribution to the health plan of employees is not a taxable benefit. This is a useful mechanism to encourage health insurance but only half of the employed population is covered and the population covered is the economically secure, leaving the economically vulnerable to make-do with a less generous, more restrictive, set of public programs and tax measures which have gaping holes.

In summary, the public understands that

supports for the poor are to be targeted based on 'need'. This does not apply to tax expenditures because this assistance is not based on 'need'. Consequently, the effectiveness of some supports for 'needy' caregivers are encumbered by restrictive eligibility criteria which are not present in tax measures that serve a similar purpose for caregivers who are not 'needy'.

Much of the current policy climate is dominated by advocates of small government through lower taxes and reduced spending. Note that these direct spending programs increase government spending. Furthermore, increasing tax expenditures, like the Disability Tax Credit, would reduce tax revenue and could be seen as part of smaller government.

The following table compares the characteristics of various programs arenas:

Summary of the Paradigms for Social Supports

Social Support	• targeted to those who are 'needy' • as income increases supports decline; contributing to marginal tax rates near or exceeding 100% • support is often limited by budget, the available funds, which leads to rationing.
Social Insurance	EI: • covers only those with paid work; excludes self-employed, contract workers, unemployed and those who did not work in the last year. • eligibility is based on hours worked in the last year. • benefit levels are based on wages in the last year. CPP/QPP • covers all those with earned income at some time in their work history; including self-employed. • eligibility is based on the number of years with contributions. • benefit levels are based on average earnings over many years
Tax Measures	• access is an entitlement based on tax principles. • the utilization of the benefit often increases with income and often requires professional tax advice. • often the value of the benefit increases with income (for deductions). • value is often limited to those with taxable income since credits are often not refundable. • access to some tax credits often exists only for those in the labour force.

Criteria for Judging the Government Supports

The options for changes to supports can be compared using the following criteria:

- efficiency - benefiting those most in need; based on requiring support or income.
- simplicity - easy to understand; complexity will always favour those with the funds to access expert opinion.
- enhancing independence directly - preference should be given to options which place the funds with the care-recipient enhancing their autonomy and decision making.
- cost - providing the benefit at the least cost possible.

The next two sections will discuss over-riding program design issues which impact on a number of programs. These are: first, the 'Stacking of Income-Tested Benefits'; and second, the issue of income-testing based on individual or family income.

Effective Marginal Tax Rates[7] and the Stacking of Income-Tested Benefits

One difficult and persistent problem with the existing tax and transfer system relates to the combined effect of a variety of income-tested benefits. Many of the supports for caregiving are part of the income tax system or are income-tested benefits. Thus they contribute to this problem with the tax-transfer system.

Income-tested programs often have a combined effect which is unintended. For example, the combined effective marginal tax rate can be 100% or higher. Furthermore, some GIS recipients pay income tax, which gives them a tax rate of about 75%, 50% due to the GIS reduction rate and 25% because of income taxes. If they live in housing with rent geared to income then their total tax rate can approach 100%. On top of these income-tested benefits an increase in income could affect their cost of meals on wheels, home care and prescription drugs. This increase in income will result in loss of benefits that equals or exceeds the value of the increase.

The following example presents the actual calculations done by Frank, an Ontario senior. He points out that virtually all of his small income earned by working on the census was lost due to increased taxes and rent, and reduced benefits. In summary, he earned about $1,400 and as a consequence his GIS was reduced by roughly $700. The impact on income taxes and tax credits was about $500 and his rent was increased by $200. The combined impact wiped out the value of his earnings.

Income summary 2001-2002

Income from statistics canada – census 2001			$ 1,384.45
Canada/ontario income tax			
Bottom line 2000, refund	$ 520.62		
Bottom line 2001, tax paid	$ 22.58		
Cost to me in 2002	$ 542.20		
Oas and gis decrease in 2002			
Reduced			
From	$ 636.74		
To	$ 586.65		
	$ 50.09 X 12	$ 601.08	
Increase in subsidized rent			
From	$ 407.00		
To	$ 425.00		
Increase	$ 18.00 X 12	$ 216.00	
Total taxation costs as a result of census employment			$ 1,359.28

7. Effective Marginal Tax Rates (EMTR's) refer to the impact of incremental income on increased income taxes and charges for public goods and services but also reduced benefits.

This situation is very common. The worst situations, where effective tax rates near or exceed 100%, exist for those reliant on social assistance or GIS.

No organization has analyzed the combined impact of various programs. Since many of these programs are directed at lower-income Canadians the number benefiting from these programs may be relatively small and the number accessing a variety of programs simultaneously will be even smaller. The focus of these programs on lower-income Canadians means that any inequities will not receive the attention of professional financial analysts or the financial press. There are very few organizations with interest in lower-income Canadians that also have the resources and technical skill to study the combined impact of the various programs.

The interaction of various benefit programs is exceedingly complex. It is virtually impossible for a family to make decisions knowing the impact on their eligibility for a wide range of benefits.

The coordination of other benefits for welfare recipients (e.g. social housing, subsidized child care and student loans) appears to be done more carefully. That is, the rules for welfare programs often acknowledge the interaction between other highly targeted benefits like social housing, child care subsidies and legal aid. Despite this effective marginal tax rates are near or above 100%.

The major focus of this report is on the effectiveness and fairness of various supports for caregiving. Stacked effective marginal tax rates that approach 100% is a pervasive problem. Programs that contribute to this problem will be identified.

Individual versus Family Income Testing

Whether family or individual income should be used to determine eligibility for income-tested benefits is a recurring question. It arises for any income-tested benefit. The current practice is that family income is used for eligibility for programs such as social assistance, the GIS, Spouses Allowance (SPA), the Child Tax Benefit (CTB) and the GST credit. There are also supports that are determined based on individual income. These include the Medical Expense Tax Credit, CPP/QPP benefits and EI benefits.

The argument for family income testing is that the support is intended for those who have exhausted their own resources. Thus, just as one might deny benefits to someone with a significant investment portfolio, one might deny benefits to someone in a household with significant income or assets.

There are a number of arguments against family income testing. First, one can object to the presumption that a low-income spouse has access to family resources. While it may often be the case, it will not always be the case. Also, the use of family income testing encourages the traditional perspective that women are dependents of their spouse.

Since many people, particularly women, will be individually low-income but living in a high-income family the cost of a program which is individually income tested will be many times greater than that program on a family income basis.

Family income testing may be sensible where a program is one which provides basic support for those who have exhausted all other resources. It would be politically difficult to recommend spending public money on programs like the GIS, SPA and social assistance for low-income spouses of affluent men.

Individual income testing is certainly defensible where a benefit is more of a redistributive measure or a support which is income replacement such as EI or CPP/QPP.

This section has reviewed the policy presumptions around income supports, social insurance and tax measures. It has also highlighted recurring issues which affect many programs, the stacking of marginal tax rates and the use of family or individual income for income-testing.

Existing Government Support Programs

Caregivers, usually women, are willing to provide care even at significant personal cost.

Public Supports for Caregiving

There are a myriad of programs which recognize or support caregiving. They are driven by an assortment of policy perspectives based on public attitudes and motivations, both historical and contemporary. Positive motivations include the desire to provide a decent minimum income to those unable to provide for themselves; indeed persons with disabilities and the elderly have, for centuries, been included in the 'deserving poor'. Children are usually seen as 'deserving' but society sees the parents as primarily responsible for their care and maintenance. This desire for support is constrained by, often trumped by, a concern that support not be "too comfortable".

Another motivation for the support of caregiving is a reasonable recognition that caregivers are willing and able to provide care at a fraction of what it would cost governments. Caregivers, usually women, are also willing to provide care even at significant personal cost. The cost may include time stress, particularly if they are employed, strain in relation to other family members, negative impacts on their own health and also significant economic cost - reduction or elimination of earned income.

Existing Supports

The following table summarizes the range of supports which are available. It excludes supports which depend on disability.

Existing Supports for Growing and Aging

	Income Support / Social Insurance	**Tax Recognition**	**Service Support**
Children – preschool	Social Assistance, CTB, Employers' Maternity / Parental leave, Maternity / Parental benefits under EI	Child Care Deduction	Child care subsidies
Children: school aged 5-11	Social Assistance, CTB	Child Care Deduction	Child care subsidies
Children: aged 12-17	Social Assistance, CTB		
Children: aged 18 +		Transfer of tuition / education deduction	
Working Age – Illness	EI sickness benefits		
Working Age – Hurt in Accident	EI sickness benefits		
Seniors	OAS/GIS/SPA and Widows Allowance, CPP retirement benefits	Age Credit	
Seniors – Frail			Home Care, Care in a Nursing Home
Broad-based supports	Refundable share of the Medical Expense Tax Credit, Compassionate leave under EI	Medical Expense Tax Credit, Employer Health Benefits	

The following table concerns the supports which are related to disability.

Recent Innovations

Changes in public supports over the last few years have been both positive and negative. The positive moves have been minimal, hesitant and tentative. Arguably the retreats have outnumbered and overwhelmed the advances. The retreats are measured in the billions of dollars; the advances in millions.

Recent changes in the supports for caregiving have included:

- The Child Tax Benefit – an advance for the working poor, a retreat for those on welfare (83% of poor lone-parents have their benefits clawed-back). The CTB supplement for those children with a disability is an advance.
- The exclusion of Canada Assistance Plan conditions (including to meet basic needs) from the Canadian Health and Social Transfer has had dramatic impacts leading, in some provinces, to time limits for eligibility and life-time bans from social assistance. Obviously, families will feel an obligation to assist, care for, relatives and friends who are no longer eligible for social assistance benefits that meet basic needs.
- The movement of employment insurance eligibility rules from weeks of insured employment to hours, disadvantaging women who work part-time to facilitate parenting.
- The extension of maternity/parental benefits under EI to 52 weeks is a significant advance but applicants must meet EI eligibility. Also, the removal of the additional 2 week waiting period for parental benefits is a welcome change.
- The introduction of Compassionate Leave under EI is welcome but claimants must meet EI eligibility which discriminates against part-time or temporary paid employees and self-employed or contract employees.
- The introduction of the Caregiving Tax Credit is an improvement for some claimants, for those care providers with taxable income.
- The introduction of the Refundable Medical Expense Tax Credit is a significant step in expanding refundable credits.
- The announcement in the 2004 budget of the Disability Supports Deduction is welcome.

Existing Supports Related to Disability

	Income Support	Tax Recognition	Service Support
Children - preschool	CTB supplement for Children with a Disability, Compassionate leave under EI	Infirm Dependent, Caregiver Tax Credit	Home Care, Care in a Nursing Home
Children: school aged 5-11,	CTB supplement for Children with a Disability, Compassionate leave under EI	Infirm Dependent, Caregiver Tax Credit	Home Care, Care in a Nursing Home
Children: aged 12-17	CTB supplement for Children with a Disability, Compassionate leave under EI	Infirm Dependent, Caregiver Tax Credit	Home Care, Care in a Nursing Home
Children: aged 18 +	Compassionate leave under EI	Infirm Dependent, Caregiver Tax Credit, Disability Supports Deduction	Home Care, Care in a Nursing Home
Working Age – Disabled	Social Assistance for those with disabilities, CPP disability benefits	Infirm Dependent, Caregiver Tax Credit, Disability Supports Deduction	Home Care, Care in a Nursing Home
Seniors – Disabled		Age Credit, Caregiver Tax Credit	Home Care, Care in a Nursing Home
Seniors – Frail		Age Credit, Caregiver Tax Credit	Home Care, Care in a Nursing Home
Broad-based Supports		Disability Tax Credit, Medical Expense Tax Credit, Attendant Care	

Proposals for Income Support Programs

Programs are influenced by the public's sense of those 'worthy' and 'unworthy' of support.

The design of the income support programs is guided by policy assumptions and objections about the purpose and limitations of the program. These include views about the obligations of society and/or family members to provide needed support balanced against programs costs and the risk of program abuse. Programs are also influenced by the public's sense of those 'worthy' and 'unworthy' of support.

The policy environment is also based on the following assumptions, values and beliefs:

- Support should facilitate the employment of parents. Welfare should be reduced to encourage employment (reducing the so called 'welfare wall'). Thus, employable welfare recipients face lower benefits than other welfare recipients.
- Persons with disabilities are seen in more compassionate terms than other welfare recipients and thus receive higher supports.
- Those who design and administer these programs fear that more generous supports will encourage abuse and uncontrollable costs.
- These supports are based on need and therefore are income-tested.

Existing poverty reflects an income support system that fails against its first objective; that of adequacy. The poverty rate for persons with disabilities is almost double that for those without disabilities.

Poverty Rates, 1995

	Poverty Rate
Persons without disabilities	18.4 %
Persons with disabilities	30.8 %
Males with disabilities	28.2 %
Females with disabilities	33.1 %

Source: The Canadian Fact Book on Poverty; CCSD

Amongst those with a disability, women have a higher poverty rate. One can speculate that this is likely due to the fact that women with disabilities expend a larger portion of their time and energy on unpaid work in the household leaving less options for paid work. With a greater reliance on social assistance, they are more likely to be poor.

Disability Income Supports

The design of supports for persons with disabilities is of critical importance. The program design balances issues of access, adequacy, cost and incentives. If our goal is to enhance the dignity and autonomy of persons with disabilities, then we should direct income to the care recipients rather than to the caregivers.
The current system leaves far too many persons with a disability in poverty, trapped on social assistance or disability benefits because employment would cost them eligibility for supports such as income, aids or prescription drugs.

The current system is rife with inequities. The circumstances surrounding the disability, rather than the type or severity of the disability, affects the type of income support provided; worker's compensation, private long-term disability insurance, employer sponsored disability insurance, CPP disability benefits or social assistance. Some of these benefits are taxable, (e.g. CPP benefits and employer sponsored long-term disability benefits) some not (e.g. social assistance and private disability benefits). Some are needs tested or asset tested (e.g. social assistance), some are not (CPP benefits).

A thorough discussion of Disability Income Supports would be a substantial report on its own (see Torjman, 1996). So this report will simply highlight the important characteristics of such a system enhancing the economic circumstances of persons with disabilities while supporting and enhancing caregiving.

PROPOSAL – DISABILITY INCOME SYSTEM

Federal and provincial governments must address the adequacy and equity pitfalls of the present system, in addition to problems that both welfare systems and CPP disability have with training, rehabilitation and employment.

The following are based on the long-term recommendation of the Torjman report (1996):

- Mandatory private insurance, universal accident insurance and comprehensive public insurance.
- Publicly administered income-tested support program.

In the shorter term, governments should

- review federal income benefits including the CPP and income tax provisions to address problems in both access and adequacy.
- income supports for those with disabilities need to be reviewed to ensure that they accommodate employment, including part-time employment. In particular, one should ensure that one can work and retain benefits.

Social Assistance for those with disabilities

The concern that adequate social assistance discourages employment should not be a major factor for persons with disability. Persons with a disability already face enormous impediments to employment. Indeed, persons with a disability need supports that facilitate employment.

Given the existing barriers to employment, one might expect that social assistance support levels for those with a disability would provide the income necessary to 'make ends meet' and to participate in society. Yet social assistance benefits for those with a disability range from 40% to 60% of Statistics Canada's Low-Income Cut-Off (LICO). The comparable values for the single employable is from 20% to 35% of the LICO.[8]

Compare amounts in the following table to the OAS/GIS support level which in 2002 was roughly $11,800 for a single person. The OAS/GIS comparison is important because there are no work expectations for seniors and they are not generally perceived as abusing the system.

Total Income for Persons on Social Assistance – 2002

	Single Employable	**Single with a Disability**
Nfld.	$ 3,298	$ 8,925
P.E.I.	$ 5,967	$ 8,956
N.S.	$ 5,190	$ 8,820
N.B.	$ 3,378	$ 6,906
Que.	$ 6,654	$ 9,565
Ont.	$ 6,833	$ 11,763
Man.	$ 5,562	$ 8,353
Sask.	$ 6,018	$ 8,677
Alta.	$ 5,034	$ 7,601
B.C.	$ 6,461	$ 9,784
Yukon	$12,449	$ 13,966
N.W.T.	$ 11,736	$ 15,121

Separate data for Nunavut are not available in this report.
Source: Welfare Incomes 2002, National Council on Welfare

One might wish to recommend that Social Assistance rates for those with a disability be closer to the OAS/GIS support levels. Certainly, as a general principle there is no reason for social assistance supports to be so much lower in most provinces than OAS/GIS. Yet, the OAS/GIS model is not perfectly suited for a social assistance benefit. OAS/GIS provides the same benefit level regardless of place of

8. Source: Welfare Incomes 2002; National Council on Welfare, HRDC, Ottawa.

residence. Thus the standard of living for those seniors relying on OAS/GIS is very different in Vancouver or Toronto as compared to small towns where the cost of housing is so much less, or conversely, in the territories, where costs are much higher.

For this reason, social assistance support level can not be tied directly to OAS/GIS. But one can certainly question the policy motivation for having basic support levels for those with a disability so far below not only OAS/GIS levels but also poverty lines.

PROPOSAL – ADDRESS SOCIAL ASSISTANCE ADEQUACY AND INDEXATION

Social assistance supports for those with a disability should be reviewed to bring them more in line with OAS/GIS levels. Benefit levels should be indexed to inflation so that there is an automatic increase with the cost of living.

Using the estimate that about 25% of social assistance case loads are due to disability and that the annual cost is about $3B,[9] the cost to increase the benefit by about $2,000 to $3,000 per case would cost roughly $1B to $2B dollars.

PROPOSAL – REVIEW SOCIAL ASSISTANCE ASSET LIMITS

One may note that Alberta has removed the asset test for their program Assured Assistance for the Severely Handicapped (AASH). This has a number of attractive features since it provides some income assistance to those with very low incomes and does not require that the beneficiary exhaust all other assets to make themselves eligible.

The cost of removing the asset limit is likely small; the number of low-income persons with disabilities who have substantial assets is likely miniscule. In the long run the cost could also be low if beneficiaries can use their assets to support retraining or education.

Social Assistance and employment expectations

How does social assistance fit into a discussion about caregiving? Some social assistance recipients have a disability which makes employment very difficult – sometimes, virtually impossible.
The special cases of employability provisions for mothers who are caregivers and supports for persons with disabilities on social assistance are within the purview of this report and so are discussed below.

PROPOSAL – REVIEW WORK EXPECTATIONS OF PARENTS ON WELFARE

Most provinces operate social assistance such that the benefit level is lower for beneficiaries who are 'employable'. This reflects the long-standing fear that adequate social assistance would reduce people's willingness to be employed.

Lone-parents on social assistance are expected to seek employment when their youngest child reaches a certain age. They are treated as employable, despite the presence of preschoolers. The age limit varies by province, and is as low as 6 months in Alberta. In contrast, working mothers are often eligible for maternity benefits for a full year.

The restrictions, based on the child's age, when mothers on social assistance should be considered employable should be consistent with the policy objectives of maternity benefits.

This is not easy to cost; one would need data on the number of mothers on social assistance with children who are in certain narrow age ranges who might gain benefits because they

9. source: http://www.parl.gc.ca/disability/issues/disability_issues_8_e.asp

are no longer treated as employable.

Regardless, one could expect that this would be a small share of the total welfare budget.

Child Tax Benefit (CTB)

Parenting is perhaps the most universal form of caregiving. The support for parents has evolved from a Child Tax Deduction, later supplemented by the Family Allowance and then further supplemented with a Child Tax Credit. These were all simplified in 1992 with all these benefits combined into a single Child Tax Benefit.

From 1985 to 2001 each federal budget increase in the Child Tax Benefit was designed to exclude parents on welfare. In some jurisdictions, those on welfare, including the disabled, have been excluded from increases in the Child Tax Benefit; “it makes a mockery of the goal of fighting child poverty because the child benefit supplement is ‘clawed back’ dollar for dollar from families on social assistance.” (Freiler, Stairs and Kitchen, 2001)

As part of the 1997 changes, increases in the Child Tax Credit Supplement were matched dollar for dollar with reductions in social assistance. It should be noted that some provinces did not take part in this ‘claw-back’, originally Newfoundland and New Brunswick. Now other provinces, (including Manitoba and Nova Scotia) have capped their ‘claw-back’; they are only clawing-back a portion of the supplement.

As part of the CTB package envisioned by the Caledon Institute, provinces would not ‘claw-back’ increments after the support reached $2,500. That point is currently being reached in most provinces. If, subsequent CTB increases are not ‘clawed-back’ then perhaps those interested in an anti-poverty measure which includes welfare families should accept past claw-backs and work to ensure that welfare families benefit from future increases (for a description see various Caledon publications including Battle, 2002).

For many families with higher-incomes there is no tax recognition for parenting because they do not receive the CTB and there is no longer a tax deduction for children. Children obviously affect a family’s standard of living and thus, Canada’s tax code is clearly inconsistent with the principle that taxes should reflect ‘ability to pay’.

Child Disability Benefit

This Child Disability Benefit is a new supplement to the Child Tax Benefit for families where a child has a disability. The child must meet the criteria for the Disability Tax Credit. It is certainly a welcome supplement to the income supports for these families.

PROPOSAL - MECHANISMS TO MONITOR SUPPORTS FOR LOWER-INCOME PARENTS

Data published by the National Council on Welfare have regularly demonstrated that social assistance falls far below accepted poverty lines (see the National Council on Welfare, 2003).

Governments assured Canadians that, under the CTB, welfare families would be no worse off. Yet, the CTB was not indexed to inflation between 1987 and 2001 and so its purchasing power declined. Further, the CTB has not prevented provinces from reducing welfare benefits which are also not generally indexed to inflation.

At a minimum, provinces must be monitored by organizations like the National Council on Welfare to ensure that the supports for parents, particularly those on welfare, are not eroded by inflation or cuts to social assistance rates.
Indexing welfare benefits to the cost of living would be a useful step assuring that the value

of benefits are not reduced by inflation.

PROPOSAL - RESTORE TAX FAIRNESS FOR NON-POOR PARENTS

Canada is one of only a handful of developed countries where some families receive no tax recognition for parenting. The principle that taxes should reflect 'ability to pay' implies that parents should pay lower taxes than those without dependent children. Even higher-income parents should pay lower taxes than other tax-payers with the same income.

The problem of inadequate tax recognition for parenting is not limited to those 10-20% of parents who do not receive the Child Tax Benefit but it also includes those families who receive very small amounts from the Child Tax Benefit. In fact, those with family incomes above $65,000, roughly half of families, receive less than $500 per child. The CTB fails to fully recognize the real cost of parenting for middle-income families. For most families with children, those with incomes over $45,000, the annual support is below $1,000 per child; modest compar

If one wished to restore tax fairness one could set a floor that ensured that the CTB did not fall below a minimum level, say $500 per child. While this proposal is consistent with tax principles, this issue has absolutely no policy profile.

Restoring tax fairness should be a reasonable policy objective but restoring some tax recognition for modest-income and higher-income families is not likely to attract a lot of support.

Adding a floor of $500 to the child tax benefit would cost roughly $400 million; about $100 million to enhance the benefits for those who currently get less than $500. An additional $300 million would be needed to extend the benefit to those who currently do not receive any CTB.

GIS/SPA/Widows Allowance

Perhaps the income supports through the Guaranteed Income Supplement, Spouses Allowance and Widows Allowance are not supports for care-giving. Yet, they will be included here because the supports are targeted at seniors, who often need and provide care. They are included because they could be used to provide some additional support to very elderly seniors based on their care needs.
Objections to determining the GIS based on family income arise occasionally. But the cost of determining GIS based on individual income would be extraordinary. The issue of economic autonomy for women can be enhanced by the following measures for a modest cost.

PROPOSAL - TARGET THE GIS BENEFIT TO LOWER-INCOME SPOUSE

Currently the GIS entitlement to a couple is split equally between the two spouses. One could target the support to the member of the couple with less income by giving that individual, usually the woman, a greater share of the GIS cheque. Those who believe that many families share resources unequally would support increasing the economic autonomy of the lower-income spouse. Changing how the GIS cheque is split between spouses would have no impact on families that share finances fully.

One could pay the GIS benefit to spouses in reverse proportion to their income – if the husband has 75% of the family income then he gets 25% of the GIS cheque.[10]

Since there is no infusion of new funds, there is no appreciable cost to this proposal other than rewriting the computer programs which generate the GIS cheques.

That said there should be no objection to directing the families' income support toward

10. as proposed by the National Advisory Council on Aging in "The NACA Brief on the Five Principles for Pension Reform" January 1996.

the low-income spouse.

PROPOSAL – A HIGHER GIS FOR OLDER SENIORS

Since assistance with many daily household activities (yard work and housework) will be required by many seniors as they age, it may be sensible to increase the GIS at some point by a modest amount (say $50 per month starting at age 80).

Proposals for Social Insurance

Should maternity benefits be limited to new mothers who were employed in the previous year?

Employment Insurance (EI)

Employment Insurance (EI) was originally intended as income replacement for those who have lost a job for a short period of time. In coverage it is limited to those with paid employment excluding the self-employed and some contract workers. For eligibility, benefits are limited to those who worked sufficient hours in the past year, who are available and seeking employment.

There are a number of other social supports which are available through EI:

- Maternity and Parental Benefits for eligible parents with a new child.
- Sickness Benefits for an eligible person unable to work due to sickness.
- Compassionate Leave for an eligible person who is caring for a gravely ill relative.

While one might welcome some of these supports for those eligible, their placement within EI creates problems. Since EI benefits have been reduced so drastically in recent decades the fund has a significant surplus (on the order of $40 billion). In fact, it is obvious that the surplus in the EI account has made income tax cuts possible. Using EI funds for these special benefits allows the government to use these surplus funds; Maternity and Parental Benefits could be expanded without changing the EI contribution rate. Introducing these benefits outside EI would require tax increases. Unfortunately, this means that these social benefits are being funded by a regressive tax source (payroll taxes) and only by those individuals who are in the paid labour force.

Also, because these benefits are provided under EI they are only available to those eligible for EI benefits. "EI maternity benefits tend to be received by women in higher income families, who do not already have children, who work full-time, in unionized positions, for governments and working at a higher wage."[11] This means that many caregivers in need of income support are ineligible.

The following persons are excluded:

- Women who work on contract or self-employed.
- Many women who work part-time or part-year.

Even those eligible for these benefits may have them curtailed because they were receiving EI benefits for another reason in the previous year.

Inequity in Protection from New/Re-Entrant Rules of New Mothers who Return to the Labour Force

Birth in the past 5 years	Received Maternity Benefits for that birth	Do New/Re-Entrant Rules for EI apply*?	Hours Needed in the Previous Year to be Eligible for Regular EI Benefits
Yes	No	Yes	910 hours
Yes	Yes	No	420 – 700 hours depending on the local unemployment rate

** Re-entrant rules set a higher standard for those new to the labour force or returning to the labour force. New EI regulations exempt new mothers from these new rules for 5 years but only if they receive maternity benefits.*

11. Source: "Access to Maternity Benefits" at www.shillington.ca

The problems created by EI's labour market focus was illustrated recently in a new measure designed to protect some new mothers returning to or entering the labour force. These mothers normally face higher EI eligibility criteria, re-entrant rules, making EI eligibility difficult particularly for those returning to the workforce part-time. Instead of protecting all new moms from re-entrant rules, HRDC chose to protect only those who had previously received maternity benefits. They neglected to protect the 50% of new mothers returning to the labour force who did not qualify for maternity benefits. As is illustrated in the next table, new mothers who return to the work force will find it harder to get EI benefits if they did not receive maternity benefits when their child was born.

Should maternity benefits be limited to new mothers who were employed in the previous year? What is the purpose of maternity leave? If it is to ease the financial sacrifice of parents when they remain at home with children, then who should pay for this support? What of those who leave a job or those who are unemployed (and collecting EI) at the time of the birth?

Beginning with the birth of a child, a parent, almost always the mother, is usually home to provide care for at least a short period of time. However, the public attitude toward supports for these parents fades as a child ages and is influenced by other factors:

- If the children are new-born to 2 years old then one is more likely to support the parent's decision to remain 'at home'. Hence, the maternity and parental benefits are potentially available to new fathers and new mothers.
- If the child is profoundly ill or disabled then one is more likely to see the care 'at home' as a necessity and thus many people would be more willing to see public support. Hence the new EI compassionate leave despite its limited eligibility and duration.
- If the children are 5-11 years, school age, then it is less likely that society sees the 'need' for the mother to be 'at home' and thus sees remaining at home as a 'personal choice' not worthy of public financial support.

Before suggesting reforms for Maternity/Parental benefits under EI, it is worth recalling the maternity benefits which are available to some new mothers with employer benefits. These benefits are common place for the economically secure. As an example, federal civil servants are eligible for a maternity benefit of 93% of their earnings; unlike EI benefits, there is no upper limit, and there is no two week waiting period.

There is no suggestion here that the employer top-ups to EI maternity, parental and compassionate leave benefits are too generous. Rather, these employer provided benefits are presented as an example of how supports for all parents could ideally be structured.

PROPOSAL – EI ELIGIBILITY CRITERIA

Currently eligibility for EI is based on hours worked in the last year which disadvantages those who work part-time or part-year. It ignores labour force attachment before the last year which will often include many years of contributions. If these programs are to remain under EI (see proposal below) then eligibility for these benefits could be eased. It should be based on hours worked in the last five years instead of the last year. It could replace 55% of the average annual earnings over the last few years instead of the last year.

PROPOSAL - INCREASE THE REPLACEMENT RATE TO 60%.

The current replacement rate for EI benefits is 55% of insured benefits. The International Labour Organization sets a standard of 60%. This higher replacement rate would simply increase the cost of these benefits by about 9%. Thus for maternity benefits the cost of this proposal based on the total cost of maternity and parental benefits of $2 billion is roughly $200 million.

PROPOSAL - REMOVE TWO WEEK WAITING PERIOD

The two week waiting period for EI benefits is intended to operate like an insurance plan's deductible; so that a share of the cost is borne by the beneficiary. Yet such a provision makes no sense for maternity, parental, sickness benefits or compassionate leave. The existence of the two week waiting period is an unfortunate consequence of these benefits residing in EI.

The cost of waiving the 2 week waiting period would be roughly $120 million.

PROPOSAL - CREATE A SOCIAL SECURITY FUND

If one wishes to expand maternity/parental and compassionate benefits to include the self-employed and to those not employed, then it would be easier to simply remove the program from EI.

One could consider a new fund which would operate much like the Canada Pension Plan. It would not have the narrow focus on recent labour force attachment which limits the usefulness of EI for benefits like maternity, parental and compassionate leave. Contributions to the Social Security Fund could be modeled on CPP in that the contributions are as a percent of all earned income, including earnings from self-employment.

One might envision some helpful changes to eligibility for these programs if they were freed from the EI focus on the paid labour force attachment.

- eligibility would automatically include those who are self-employed.
- eligibility for these special benefits could be based on a broader employment time frame than one year. For example, under CPP, disability eligibility is based on contributions in 4 of the last 6 years.
- the level of benefits could also be based on a broader time frame as is done for CPP Disability. This could ensure that virtually all eligible mothers receive some income support to remain at home for the first year.[12]
- like CPP Disability there could be a minimum benefit level which again might be useful for new mothers with limited labour market attachment.
- the duration of benefits under a separate Social Security Fund would not be limited by past unemployment or illness. Also, the duration of benefits could be extended where appropriate. The compassionate leave under EI is a minimal start but obviously inadequate for those caring for profoundly ill or disabled children.

One perhaps idiosyncratic impact of removing these special benefits from EI is the broadening in the income definition. For example, tips are an important income source for the food service industry. EI benefits take no account of tips even if reported on one's income tax form. Tips however are earned income eligible for CPP benefits and so could also be for a Social Security Fund.

The cost estimates are complicated by the current unsustainable situation of EI funding. Therefore, a substantial increase in benefits could be funded with no increase in EI premiums.

Indeed, if this Social Security Program was funded properly, perhaps maternity benefits for all new mothers could be funded from such a plan.[13] The cost of maternity benefits funded by a different program need not be any greater

12. This support might replace part of social assistance for some mothers.

13. A universal maternity benefit for the first year or two of a child's life would be no different than having a top-up to the child tax benefit for these children.

than those funded under EI. Indeed, federal and provincial government revenues are increased by maternity benefits so long as the payroll tax revenue, which funds the benefits, equals the benefits paid. This is because the income tax collected on EI benefits is usually greater than the value of the tax credit on contributions.

Canada/Quebec Pension Plans

It is worth reiterating the data presented earlier on the average CPP benefits of women compared to men. The number of women receiving benefits is the same as men yet women's benefits are about 60% of men's. Despite this limitation, CPP/QPP does a better job than EI in delivering social insurance benefits to virtually all of Canadians.

We need to ensure that the reduction in retirement benefits due to caregiving is minimal.

ACCUMULATION OF CPP/QPP BENEFITS WHILE DOING CAREGIVING…

One could provide for CPP entitlement for those years when one is conducting significant caregiving. This would ensure CPP benefits at retirement are not reduced by years spent in caregiving.

This could be done in a couple ways. First, governments could make the contribution to CPP/QPP for individuals who are engaged in caregiving. Second, the caregiving drop-out provisions of CPP could be extended to include caregiving that meets certain criteria.

The cost of this provision could be roughly estimated based on the current income tax provision for the Caregiving Credit. One might limit access to this provision to those who are claiming the Caregiving Credit for income taxes (about 100,000 persons) or receiving the Compassionate Leave Provision under EI (as this began in January 2004, the numbers are not known). One notes that contributions to CPP for females average about $1,800 per year.[14] If this full cost of CPP were picked up by the taxpayer it would cost close to $200 million per year.

Less costly perhaps, and perhaps less attractive for caregivers would be to expand the 'drop-out' provisions of CPP/QPP. The CPP/QPP currently allows one to ignore a number of years in calculating their 'average' income when they were caring for young children at home. This caregiving 'drop-out' provision could be extended for years providing significant caregiving.

What would the cost of extending this drop-out provision be? The office of the Superintendent of Financial Institutions that prepares the Actuarial Report on the Canada Pension Plan has no separate cost of the caregiver drop-out provision. Thus one cannot give a cost estimate of extending this feature.

14. Source: HRDC; CPP Contributors.

Proposals for Tax Measures

The assertion is often made that one-earner families are ones 'that can afford to have one spouse stay home'. This creates the impression that families with a stay-at-home spouse are better off. The data do not support this assertion.

The income tax system has evolved as a device to raise revenue but, as already stated, the mechanism is shaped by a policy paradigm. The tax principles and practice are left to those with expertise in law and accounting. A significant lobbying industry has evolved to ensure that tax policy supports corporate interests and the related interests of high-income Canadians.

Using the income tax system for progressive and socially responsible ends is awkward, unnatural. There are exceptions: administering the Child Tax Benefit using the income tax system has advantages.

The social outcomes of tax measures are often hobbled by the preference of tax experts to recognize only economic transactions which are:

- arm's length at market prices.
- in order to earn an income.
- by individuals with taxable income.

Disability Tax Credit

The Disability Tax Credit reduces the taxes which would otherwise be payable by persons with a 'severe or prolonged mental or physical impairment'. Its value in reducing federal taxes is about $1,000[15] (plus an additional 50% roughly of provincial taxes) but only of value to those with taxable income or dependent on someone with taxable income. This credit is transferable to spouses or those upon whom the person with a disability is dependent. Of course many persons with a disability are not dependent on others and do not receive value for the DTC because they are not taxable.

Data for the tax year 2000 indicate that about 45% of the claimants were female but only 39% of taxable claimants were female. Yet to receive the full value, the credit needs to be claimed by someone who is taxable. The data also indicate that only about 53% of the female claimants were not taxable.[16] By comparison about 38% of male claimants were not taxable.

Information in the Data Annex indicate that the DTC costs the federal government about $400 million in revenue. Yet one needs to note that roughly 100,000 male claimants and 100,000 female claimants were not taxable, did not receive the full value and missed out in an amount of up to $300 million in tax credits.

PROPOSAL - MAKE THE DTC REFUNDABLE

Recommendations to make the DTC refundable have been made by every policy review over recent decades. This change would ensure that all those who meet the disability criteria would receive some benefit with the additional advantage of enhancing the income and autonomy of the person with the disability rather than reducing the income taxes of the supporting person.

There will be some requirement that this change is coordinated with provincial welfare agencies if one wishes to ensure that the benefit flows to the person with a disability. If the federal or provincial governments claw-back the refundable DTC amount from the GIS or welfare benefits the benefits could flow to those treasuries.

The immediate cost could be as high as $200 million.[17]

PROPOSAL - EXPAND RESULTS FOR TRANSFER OF DISABILITY

So long as the DTC is not refundable, it is of little use to those who due to the disability are low-income and therefore not taxable. This

15. 16% of $6,279 in 2003
16. One needs to note that some of the individuals who were not taxable would have been taxable without this tax credit and thus received some of its potential value.
17. The cost may increase since there are likely many of those who meet the health criteria who do not apply now because they know they would get no benefit.

Figure 7

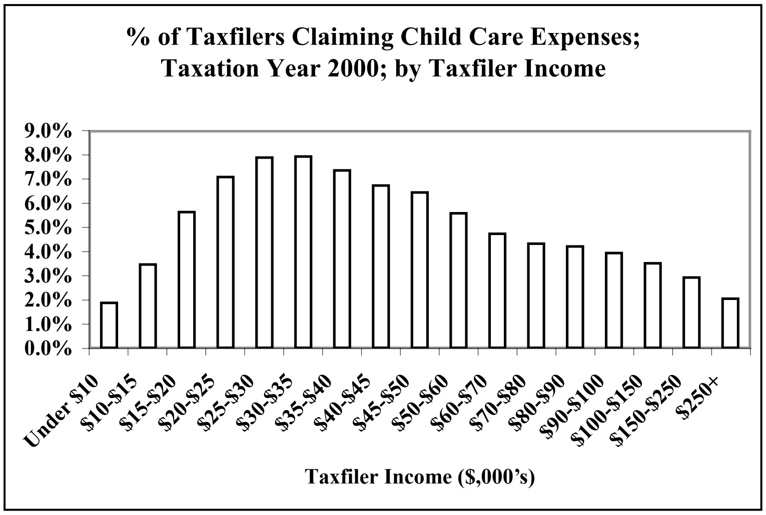


Figure 8

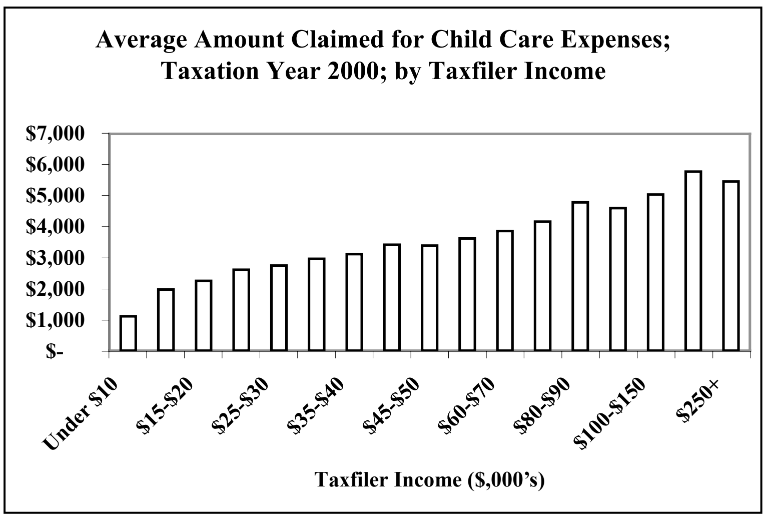
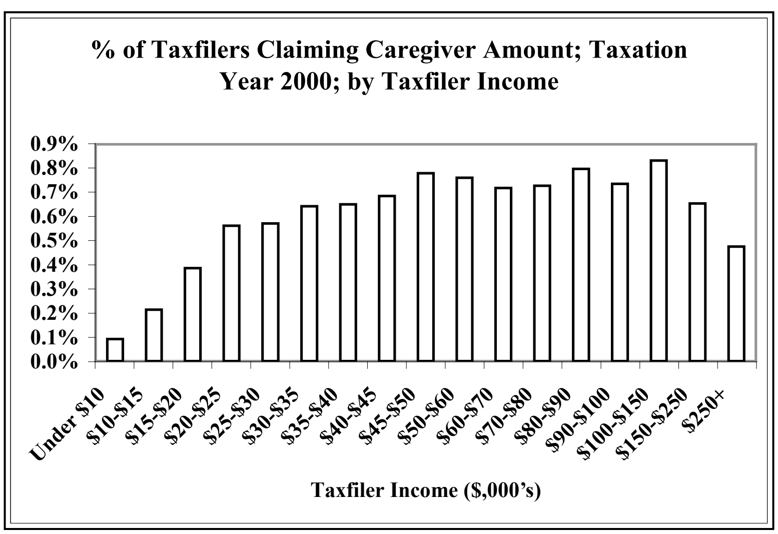


Figure 9



problem can be ameliorated by expanding the transferability of the credit, but refundability would be a preferred option.

The cost of this option would not be as great as full refundability since some persons with disabilities will have no one taxable to whom they could transfer the credit.

Infirm Dependents

A taxpayer is entitled to a credit for supporting an infirm person who is dependent upon them. As is the norm for tax credits, the claimant must have taxable income for the credit to be of value. One notes, based on information in the Annex, that this tax credit only costs the federal government $10 million per year.

Again, this tax credit is expected to reflect the impact of caring for an infirm dependent on the discretionary income on a supporting individual.

One can consider making these refundable, since supporting an infirm dependent affects one's standard of living even if one is not taxable.

Child Care Deductions

For most Canadians, the deduction for child-care is reasonably straight forward once a receipt has been obtained. The tax treatment of child care has been called into question by social conservatives arguing that two-earner families can claim child-care costs while a one-earner family, in which there are two parents, one of whom does not work for pay, can not. This apparent unfairness is in part due to the absence of any general tax recognition for parenting.

Others have argued that the tax treatment of child care expenses should be a credit, rather than a deduction. This would make the tax preference more progressive than would otherwise be the case. As the following two charts indicate, those making a tax claim are usually lower-middle income. The peak is at about $25,000-$30,000 of individual income. The average amount increases with income right across the income span. Others have written convincingly that the current treatment as a tax deduction is reasonable (see Cleveland 1999).

It is worth noting that again, this tax recognition is not refundable. One could note that about $250 million of child care expenses were claimed by individuals who were not taxable and would not have received the full value for this tax credit; about $50 million claimed by males and $200 million by females.

Caregiver Credit

The Caregiver Credit is a relatively new tax measure which allows a modest tax credit, worth about $600 off combined federal and provincial income taxes, for people who are caring for a relative. The cost of this provision to the federal government is only $50 million.

Once again, claimant data for the tax year 2000 raise questions. Only 39% of claimants were female. Yet available data suggest that the vast majority of caregiving is provided by females. One possible interpretation is that the vast majority of female caregivers do not have the taxable income which makes the credit of value.
Even in this sample of predominantly male caregivers, 10% of the male claimants were not taxable, while 16% of the female claimants were not taxable. Ultimately, about 50,000 males receive full value for this credit compared to 32,000 females; a biased sample of those caring for relatives.

The following chart indicates a prevalence of caregiving at less than 1% of taxpayers regardless of income. This very low utilization of this tax measure is likely due to a number of impediments. The caregiver and recipient must live together. For the tax measure to be of value, the caregiver must have taxable income. The caregiver needs to be aware of this tax measure.

Caregivers are disproportionately women, housewives or retired, lower and middle-income and older (Decima Research, 2002). These characteristics limit access to the benefit of income tax provisions which depends on taxable income and is enhanced by professional, and expensive, tax advice.

In addition, the budget for 2004 indicates that caregivers will be able to claim medical expenses incurred on behalf of others for whom they are caregivers.
Again, this tax measure is limited by the disinclination of tax policy towards refundable credits and thus will be of little value to most women struggling to provide care with little or no taxable income.

Dependent child credit (aged 18+)

Prior to 1986, a tax deduction was allowed for dependent children over 17 who were in post-secondary education or infirm. It was double in value to the deduction for younger children. A deduction for infirm dependents remains; however, there is no tax recognition for supporting young adults beyond the tuition and education credit.

Currently, many families are supporting the children as they complete post-secondary education or search for employment. The 'ability to pay' provisions of the income tax system suggest that there should be some tax recognition of such support.

While tax recognition for dependents aged 18 and above, is consistent with stated tax principles, the existing tax system fails in even recognizing the costs of parenting for those with children who are under 18. Thus, it would be an uphill battle to get the tax system to recognize that children, 18 and older who are no longer recognized as dependents, affect 'ability to pay'. This does not reduce the validity of the argument.

There are about 2 million young adults aged 18-22 in Canada. Full-time university enrollment is about 600,000[18] and community college about 400,000 (not all of whom will be in the age group 18-22).

A credit worth $500 per young adult might cost from $300 million to $400 million. This assumes that roughly 600,000 to 800,000 would be eligible.

Age Credit

The age credit may not belong in a discussion of caregiving, yet it is included here since the justification for an Age Credit may rest on increased 'needs' of seniors due to their age. With drastic improvements in health and life expectancy, the assumption of increased needs at age 65 is suspect. This credit has rested on dubious tax principles for some time. The weak policy justification for this tax measure explains perhaps why the age credit became income-tested recently.[19]

Perhaps this tax provision which costs federal and provincial governments about $2.2 billion would be better spent enhancing the GIS for lower-income seniors including those who do not pay any income tax. Obviously, such a proposal which increased the taxes of seniors would face difficulties even if the funds were redirected to lower-income seniors.

Attendant Care Expenses / Disability Supports Deduction

The Attendant Care Deduction is available for someone who is eligible for the Disability Tax Credit which is generally viewed as having fairly restrictive eligibility criteria.

Those that satisfy the criteria for the Disability Tax Credit can claim the Attendant Care Deduction so long as the care was provided by someone 18 years of age or over and is not a spouse. One assumes that this restriction is in place to ensure that families take primary responsibility for caregiving, without tax assistance. To make this claim the attendant care must be necessary for the individual to attend school, work for pay or be self-employed.

Once again the income tax system is making specific provisions for expenses incurred in order to earn income, directly through employment or indirectly through education (that leads to employment). It comes naturally to income tax experts to see that such expenses should be tax deductible; it is like allowing a business to deduct rent.

A replacement for this provision has just been announced in the federal budget for 2004. The Disability Supports Deduction will broaden the eligible expenses which can be deducted. However, they will still be limited to those expenses necessary for employment or education.

This provision is based on the tax principle that income generating expenses should usually be deductible. Attendant Care costs, which do not facilitate income, are not deductible under this provision but would usually be eligible for inclusion under the Medical Expense Tax Credit (METC). So Attendant Care expenses are given more generous treatment as a deduction if they are needed to earn an income.

This inequity would be reduced somewhat if the METC were refundable.

18. http://www.statcan.ca/english/Pgdb/educ03a.htm and http://www.statcan.ca/english/Pgdb/educ02a.htm.
19. The age credit it not available to those with incomes over about $53,000; the full value is only available to those with incomes under $28,000

Married Credit

Few tax measures are more contentious than the Married Credit. This is the tax credit for a spouse with little or no income. This is different from the related tax measures, the Equivalent to Married Credit claimable by single parents for their first child and the deduction for a dependent with a disability.

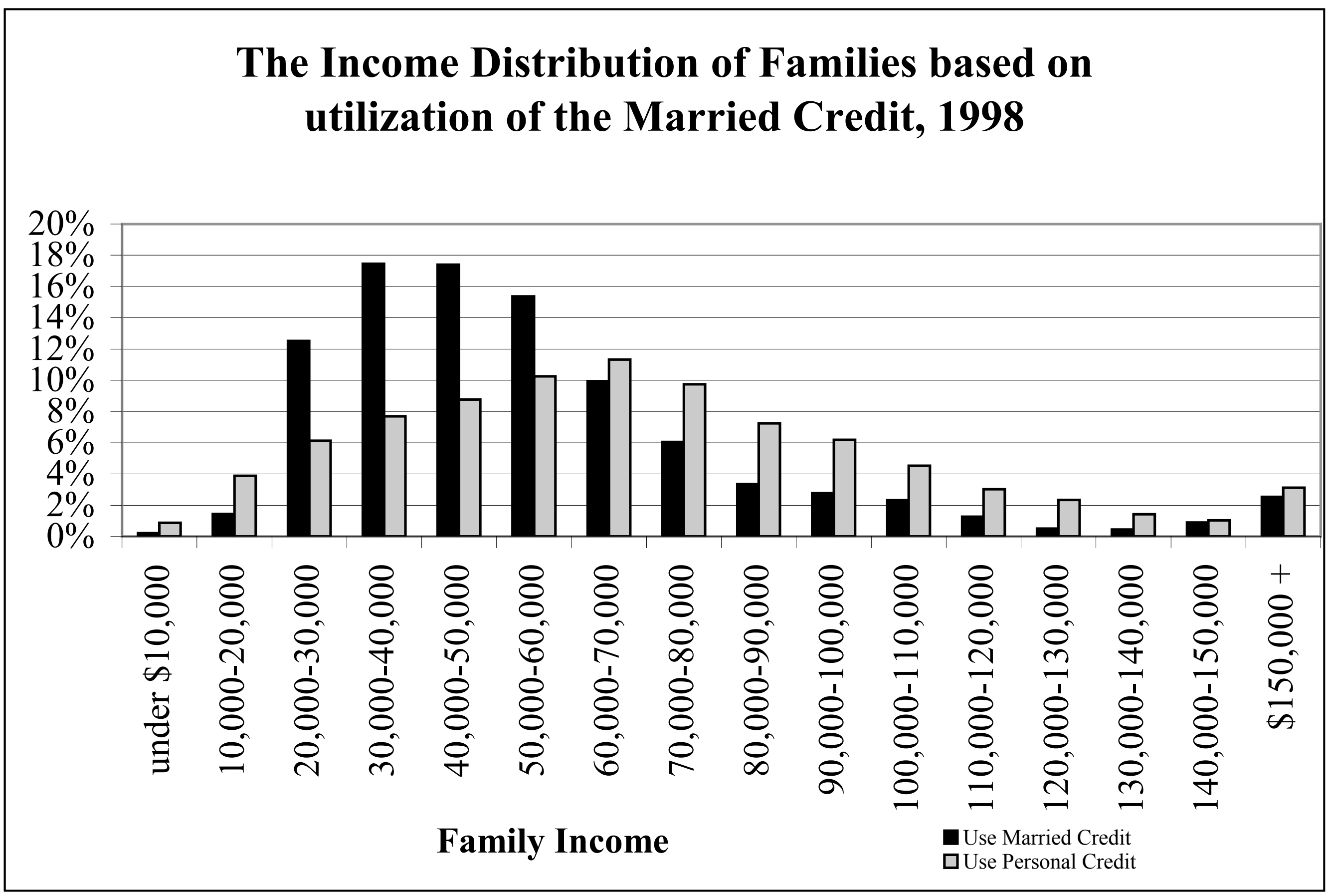
The Married Credit is claimed only by one-earner families. The higher-income spouse claims the Personal Credit for themselves and the Married Credit for the lower-income spouse. By comparison two-earner families claim two Personal Credits, one for each spouse.

The contentiousness of this issue arose at the Fair Tax Commission in Ontario. “The Women and Tax Working Group was split in the approach to be taken. Some members recommended that the spousal tax credit and the rules respecting the transfer of unused credits be repealed… Those members of the Women and Tax Working Group who did not favour repeal of these provisions argued for the conversion of the spousal credit to a refundable tax credit that should be delivered to the spouse with the lower income.” (Young, 2000)

The assertion is often made that one-earner families are ones ‘that can afford to have one spouse stay home’. This creates the impression that families with a stay-at-home spouse are better off. The data do not support this assertion.

The following chart relies on Statistics Canada data for 1998.[20] The income distribution of families is compared based on whether they use the married and personal credit, one-earner; or use two personal credits, two-earner. Those families with two incomes tend to have somewhat higher family incomes. In fact, the

Figure 10



20. The calculations are by the author using the 1998 Survey of Labour and Income Dynamics (SLID).

average income for families that benefit from the married credit is $59,000; for families using two personal credits is $71,000.

The following chart demonstrates that there is only a weak relationship between the income of husbands and their wives' use of the Married Credit. Over a broad range of incomes between $20,000 and $80,000, only 20% and 25% use the Married Credit. Over $80,000 the use rises but only to about 30%. The number getting any value when the husband's income is below $20,000 is small because they are not in a taxable position. In fact, the average husband's income in two-earner families is $46,000. For one-earner families, it is $55,000.

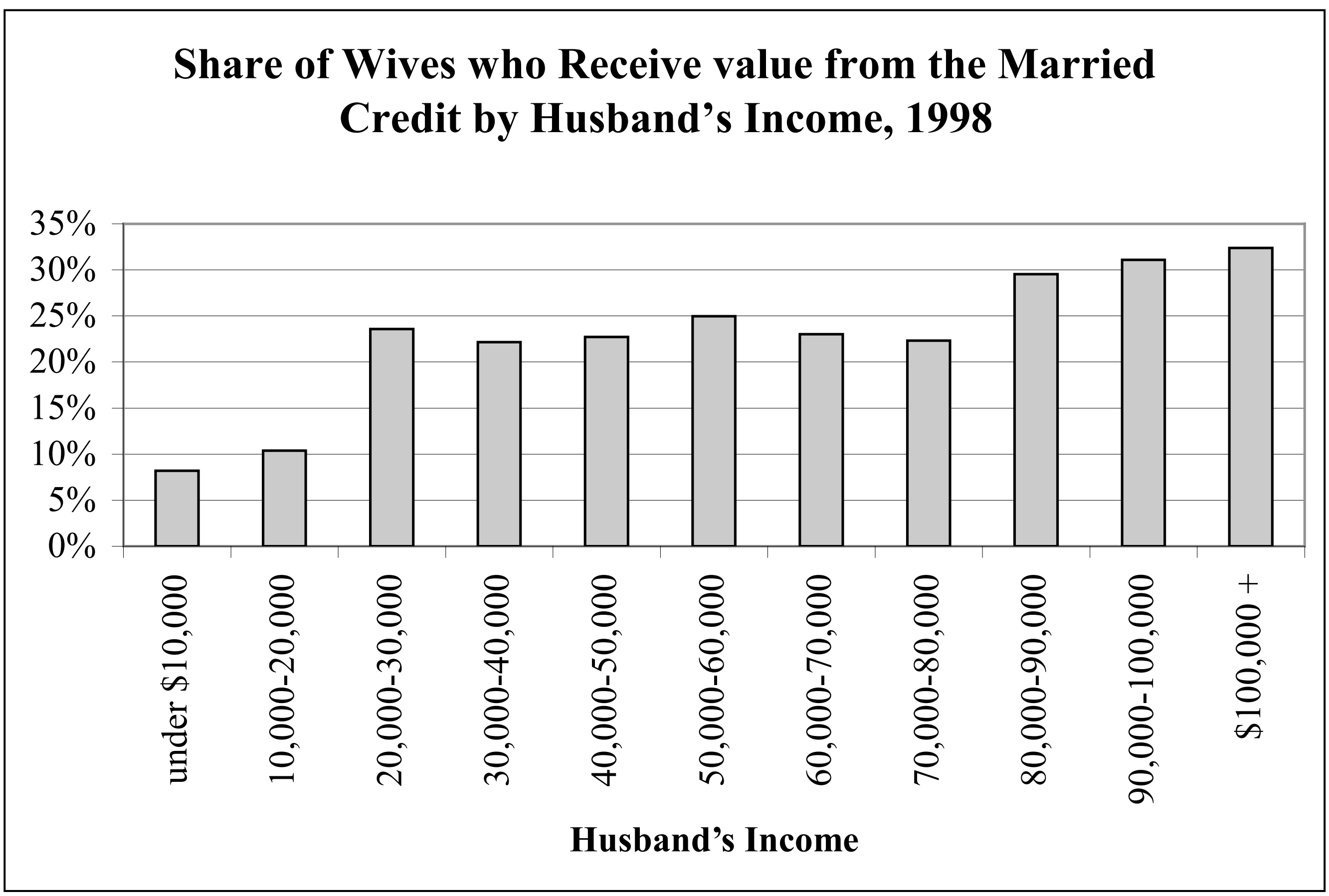
Some organizations have advocated that Married Credit be eliminated because:

- It discourages women's employment.[21]
- It presumes intra-family economic sharing.
- It encourages a perception of women as dependent on their husband.

There have been recommendations that the funds generated by eliminating the Married Credit should be used to enhance child-care. Perhaps most famously, then Minister for the Status of Women Judy Erola made this suggestion in the early 1980's. It was quickly withdrawn after a good deal of controversy.

Others argue for keeping the Married Credit because it reflects the tax principle of 'ability to pay'. It respects the reality that a couple has less disposable income, a lower standard of living, than a single person with the same income.

Figure 11



21. This may have been true before 'tax reform' in 1987. Then the first few thousand dollars of a women's income would effectively be taxed at her husbands tax rate. Since 1987, this has not been the case. The Married Credit does not introduce any financial penalty to employment for lower-income spouses.

PROPOSAL - CANCEL MARRIED CREDIT AND USE FUNDS ELSEWHERE

The elimination of the Spousal or Married Credit has been advocated a number of times chiefly by those who believe that it harms women by discouraging employment and encourages a view of women as dependent. This was seen by some as a direct transfer of resources from one-earner to two-earner families.

The Ontario government's Fair Tax Commission in 1993 (Ontario Fair Tax Commission, 1993) also recommended the abolition of the Married Credit.

This proposal would eliminate a tax provision that encourages a view of women as dependents. Yet, it would move significant resources from one-earner families who are generally less well off to two-earner families. It would also weaken the tax principle that taxes should reflect 'ability to pay'. Without a Married Credit, a taxpayer with a spouse would then pay the same income taxes as a single tax payer. However, they do not have the same discretionary income or the same 'ability to pay'.

PROPOSAL - CONVERT THE SPOUSAL CREDIT TO A REFUNDABLE CREDIT PAID TO THE 'DEPENDENT' SPOUSE

The value of the Married Credit could be paid to the lower-income spouse with no additional cost to governments. Those who believe that many families do not share finances and that there are problems with the economic autonomy of women would welcome this modest step. Those who believe that families pool resources and share should be indifferent as to who receives the value of this credit and so should not oppose this change.

This measure will increase the economic autonomy of lower-income spouses, usually women, many of whom are parents while still respecting the tax principle of 'ability to pay'.

Since many lower-income spouses receive cheques like the Child Tax Benefit the administrative cost of this measure need not be great.

Employer Health Benefits

Where health benefits are provided under Medicare, there is no need for the income tax system to struggle with the appropriate tax recognition for out-of-pocket expenditures. Most prominent of these services excluded from Medicare are:

- prescription drugs
- dental care
- eye glasses
- home care.

Currently, many employees have these benefits covered by employer sponsored benefit packages. For example, about 58% of paid employees have extended health benefits; as well, family members are typically covered by employer health benefits.

It should be mentioned that employer health benefits are tax subsidized because employer contributions to the plan are not a taxable benefit.

This tax preference costs the federal government about $2 billion; this tax preference will also reduce provincial taxes by roughly $1 billion (see the table of tax expenditures in the Data Annex). This tax preference encourages helpful employer health benefits. The tax preference increases with income as the value of the tax-free status increases with one's tax bracket. Obviously, this tax preference is concentrated in the public-sector, professional or unionized jobs which tend to come with employer benefits.

Medical Expense Tax Credit

The METC only recognizes specific enumerated expenses and only recognizes monetary exchanges[22] and expenses in excess of 3% of net income. The total cost of the METC to the federal treasury is about $700 million.

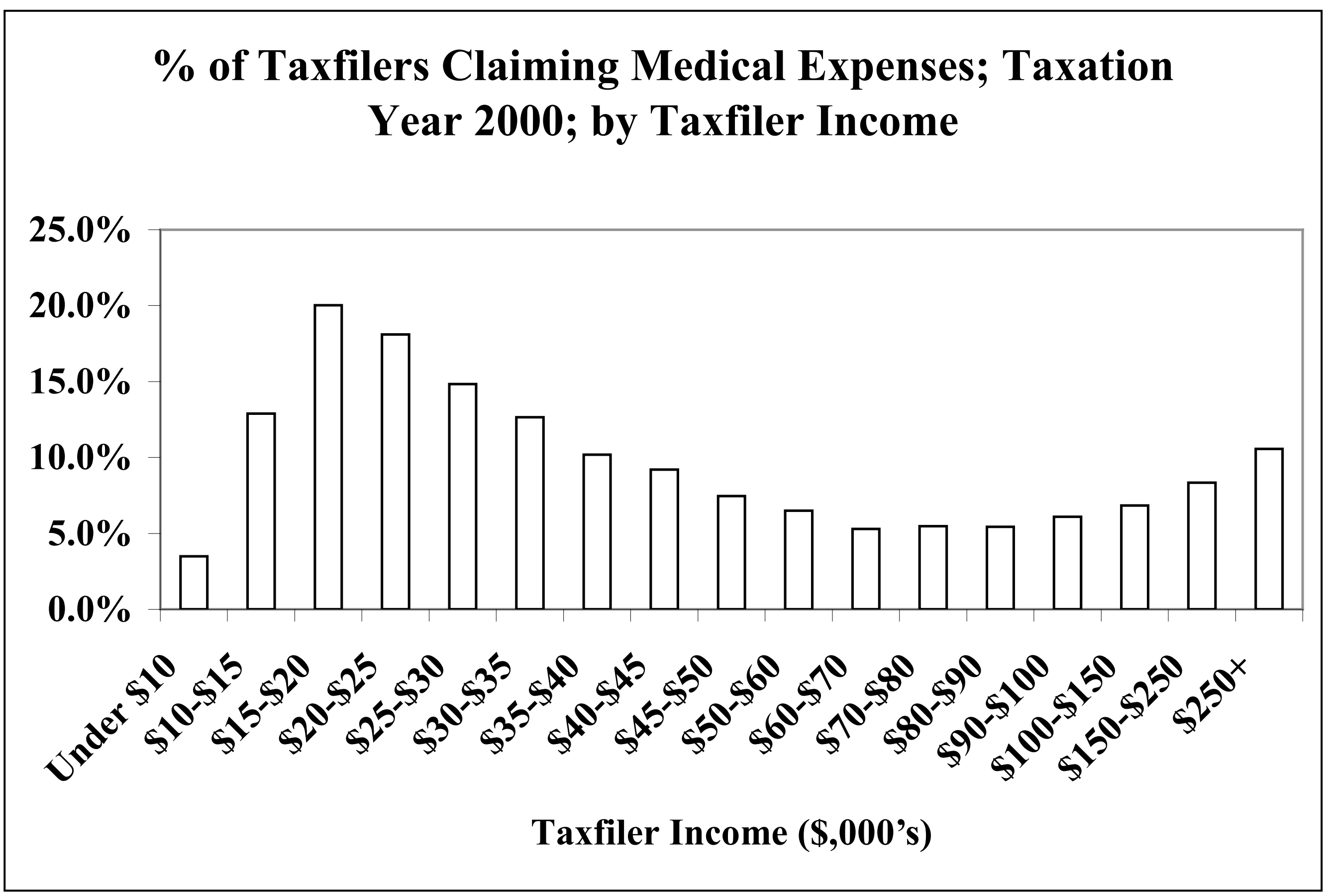
By comparison the health provisions under Employer Health Benefits are very broad and the tax assistance increases with income. Access is not subject to an income limit (like 3% of net income).

The METC should be reviewed to ensure that the tax assistance provided here to uninsured Canadians is consistent to that which is available to Canadians with employer health benefits. This means that the limit of 3% of individual net income would be removed and this provision would be converted to a deduction.

Taxation data concerning the METC are presented below. One notes that the proportion of income taxfilers making a claim falls with incomes, reflecting likely the lower-income status of persons without employer coverage. The proportion bottoms about $80,000 of income and then starts to increase. The increase likely reflects better tax advice and more resources to purchase necessary medical supports.

One will also note that the average amount claimed for this credit increases with income. This reflects the fact that the METC only recognizes 'out-of-pocket' costs. Therefore, lower-income persons with disabilities will not get tax assistance unless they have the resources to purchase the needed drugs, aids or care.

Figure 12



22. If your house requires a ramp and your sons build it onto your house it is not eligible unless you pay them.

PROPOSAL - MAKE CREDIT REFUNDABLE FOR ALL CLAIMANTS.

Currently, METC is refundable, but only for those with earned income. This connection to earned income, one assumes, is to encourage employment. It might also relate to the tax policy of allowing one to deduct expenses which were incurred to earn income.

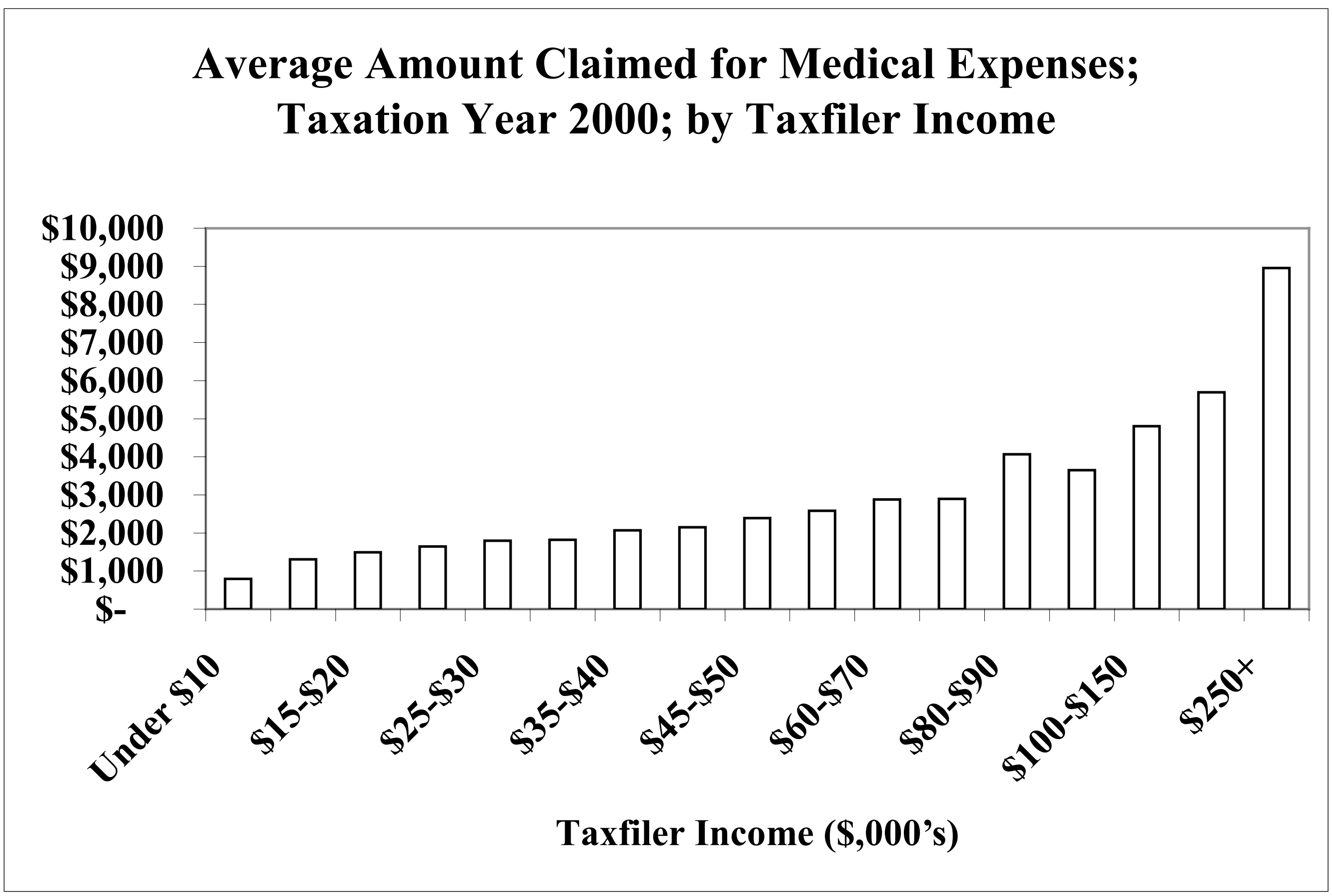
Yet about $ 1 billion of medical expenses are reported for income taxes by persons with no taxable income; about 66% of these futile claims were made by women. So the full tax recognition is denied because the claimant is not taxable.

The value of the METC is already miniscule compared to the out-of-pocket cost. The credit is worth about 22% of expenses in excess of 3% of net income; values near 10% of the actual cost are typical. The METC is certainly less valuable than tax-free employer health benefits. It is clear from taxation data that as income increases the amounts claimed under the METC increase. Thus, higher income eligible persons are able to get tax recognition because they have the funds to purchase needed aid, services or devices. This trend is due to the fact that higher income tax payers are more likely to access professional tax advice and will be more aware of the METC. The METC is far less generous and more restrictive than employer health benefits.

These regressive features could be balanced by at least one feature which would favor lower-income claimants; namely, to make the METC refundable for all tax-payers.

Costing this provision is rather speculative. One notes that the cost of the METC to the federal

Figure 13



government is about $700 million dollars and the refundable supplement for earners is $70 million. Perhaps this refundable feature would be no more expensive than existing supplement for earners; a speculative cost estimate might be less than $150 million to the federal treasury.

PROPOSAL - RECOGNIZE IN-KIND CONTRIBUTION

One problem with the METC is that it only recognizes ‘out-of-pocket’ expenditures. This disadvantages families without ready access to cash. They lose out on tax assistance because they cannot pay the required amount.

Where a home modification, like an access ramp is required, the METC could be modified to allow for an ‘in-kind contribution’. To implement this one could allow a certain amount for a modification where no receipt is necessary. So for example if one builds a ramp for one’s house, no receipt will be required for the first $1,000 of cost. This would allow some tax assistance without having to hire a contractor for the renovation.

Services Proposals

Nursing homes exist for those with needs that are beyond the scope of the resources available at home. Nursing home care is not covered by the Canada Health Act so the fees vary dramatically by province.

Arguably subsidized services are not part of the tax/transfer system. Yet they can be critical parts of the supports for caregiving. For this reason, child care subsidies, nursing home fees and home care fees are mentioned here but without significant detail.

Child care subsidies

Subsidized child care here refers to access to subsidized child care places, not the income tax deduction of child care expenses. Access to these subsidized spaces is restricted by income and often by assets as well. This means the income-testing of child care subsidies can be part of the problem of stacked marginal tax rates.

In some provinces, subsidized child care is restricted to specific 'subsidized' child care spaces; as well, eligibility precludes savings such as an RESP.[23] The value of the subsidy is often less than the tax deduction allowed, without restriction, to more affluent Canadians. The income tax deduction of child care includes care by nannies or at summer camp.[24] As a deduction, the value of the tax recognition, appropriately, increases with income (see Cleveland 1999).

The point here is not that the income tax regulations are too loose or excessive. The point is the contrast with the restrictive regulations associated with the subsidized child care.

One may deduct child care for income tax purposes and contribute to an RRSP or RESP. Those less-well-off who need subsidized child care must eliminate any savings for education or retirement before being eligible for the nearest subsidized child care space.
Indeed, the Learner Bonds which were announced in the 2004 federal budget will concentrate more attention on how RESP affect the eligibility of lower-income families to programs such as social assistance, child care subsidies and social housing. For Learner Bonds to be effective, RESPs must be exempt from the asset tests which often control eligibility for programs like subsidized child care. The proposed $100 annual contribution to the RESP for low-income children compares with the $400 credit available to parents who have $2,000 to contribute to their child's RESP.

PROPOSAL – REDESIGN CHILD CARE SUBSIDIES

One could design a system which would assist lower-income parents with fewer restrictions. Such a system could subsidize child-care for lower-income parents in as generous and unrestricted a fashion as it is for higher-income families.

Despite some efforts, obtaining data on the cost of child-care subsidies is very difficult since they are operated by municipal governments in some jurisdictions.

Removing the asset tests for subsidized child care will increase the number of parents eligible and hence the cost of the program. Even with the increased numbers, the economic benefits of employment are obvious. It is also unlikely that the public cost of the subsidized child care will ever be as generous as the value of the tax deduction of child care to higher-income parents.

Nursing Homes

Nursing homes exist for those with needs that are beyond the scope of the resources available at home. Nursing home care is not covered by the Canada Health Act so the fees vary dramatically by province. The fees for nursing home care can be substantial for basic care but can be subsidized. It is in the design of this nursing fee subsidy that a great deal of unequal

23. In Ontario the definition of liquid assets disadvantages vulnerable populations. RRSPs and RESPs are liquid assets but the equity in a home or an employer pension are not.
24. The deduction for camp is limited to $150 per week.

and perverse treatment can arise.

Current costs for care would appear to range from a low of about $40 per day in Alberta to about $140 in Nova Scotia.

March 2003 Update

Province	Maximum Daily Accommodation Rate	Income Test*	Asset Test**
British Columbia	$50.00	Yes	No
Alberta (August 1, 2003)	Standard: $39.62 Semi-private: $42.00 Private: $48.30	No	No
Saskatchewan	$52.76	Yes	No
Manitoba	$61.40	Yes	No
Ontario	Standard: $47.53 Semi-private: $55.53 Private: $65.53	Yes	No
Quebec	Standard: $29.47 Semi-private: $39.64 Private: $47.43	Yes	No
New Brunswick	Level 3: $105.00 Level 4: $134.00	Yes	Yes
Nova Scotia	$204.00***	Yes	Yes***
Prince Edward Island (October 2002)	Government-owned Facilities: $117.00 Private Facilities: $146.69	Yes	Yes
Newfoundland (October 2002)	$93.33	Yes	Yes

* *Income Test - Residents pay according to income. Alberta does not use income testing to determine rate, but provides subsidies to residents through income support programs.*

** *Asset Test - Value of assets is also used to determine rate.*
Source: http://www.gov.ab.ca/acn/200306/14612.html#charts

*** *As announced in the 2004 budget the fee is being reduced and the asset test removed (http://www.gov.ns.ca/finance/budget04/BudgetBulletin2004.pdf).*

The nursing home subsidy is usually integrated with existing OAS and GIS benefits. In most provinces some provision is made so that subsidized nursing home residents have some monies available for their personal use (in Ontario this is called a Personal Care Allowance).

These nursing home subsidies, though, are rife with inequities and problems:

- In Ontario the personal care allowance is $112 per month and has not increased in 18 years.
- In some provinces the reduction rate for the subsidy is 100%; for every dollar in increased income the subsidy is reduced by one dollar. Yet, because of design flaws the actual reduction rate can exceed 100%; that is, one can be worse-off because of increased income. This can arise because the nursing home subsidy uses income as reported on the income tax form.[25]
- Most Atlantic provinces asset test as well as income test nursing home subsidies.[26] The subsidized fees are only available after the person admitted to the nursing home has exhausted their personal resources. This normally includes half the family assets excepting the principal residence and certain other assets (e.g. a vehicle). Thus admission to long-term care can bankrupt a family exhausting a life time of savings in a very short period of time.[27]

Problems with income and asset testing of subsidies for health fees were reported recently. "A brief overview of the major programs and the fragmented, independent financial assessments reveals several major issues: administrative inefficiency; high total cost and high marginal tax rates for some people; a disincentive to save in some provinces; lack of incentives to foster personal and family responsibility; and incentives to overutilize more costly health care services. The magnitude of these issues varies across the country; for example, financial assessments for nursing home care in Atlantic Canada is a particular concern." (Betty Newson, 2002)

Access to subsidies for nursing home care varies markedly by province and is sometimes subject to income tests (with marginal tax rates which sometimes exceed 100%) and sometimes asset tests (forcing seniors to exhaust their savings). The result is that the spouse left in the community has insufficient income and assets left to maintain a reasonable standard of living, and indeed may be plunged into poverty. Rationalization and coordination with other income supports for seniors is absolutely required.

PROPOSAL – PUBLISH INFORMATION ABOUT THE VARIOUS SUBSIDY REGULATIONS

Provinces should review the subsidy regulations for the provinces to ensure:

- That marginal tax rates for families are reasonable, under say 50%, (one notes that income tax rates are all under 50%) and in no case over 100%.
- That the treatment of assets is reasonable. Preferably, there should be no asset testing for necessary health services just as there are none for Medicare. In any case, patients should not have to impoverish themselves in order to access health services at a reasonable cost.

As a first step, a national agency like Health Canada should be asked to regularly publish information about nursing home fees, how subsidies are determined and effective marginal tax rates.

25. For example, $100 of dividend income increases net income on the tax return by $125 and thus in some provinces would reduce one's nursing home subsidy by $125. As well, nursing subsidies are sometimes income tested using individual income, while other seniors programs like home care are income tested using family income. So it would be easy to identify families where their 'effective tax rate' exceeds 100%; that is, additional income, or RRSP withdrawals actually makes them worse off.
26. Nova Scotia removed its asset test in a recent budget.
27. This is exactly the type of scenario which Medicare originally was created to avoid.

The cost of rationalizing the nursing home subsidy program to remove inequities should not be enormous. The largest impediment to rationalizing the various provincial systems is jurisdictional; nursing homes are a provincial responsibility.

There may be a great deal of sympathy for nursing home residents but they are not a strong political force. Many are not in a position to speak forcefully about the regulations they face.

Unfortunately, in most provinces nursing home subsidies are clearly seen as a form of social assistance. As such, subsidies are available onto to those with the least resources of their own.

Home Care

The importance of Home Care in the health care system is increasing. Eligibility criteria for services vary dramatically by province. “Seven provinces have some arrangement for income assessment of client’s ability to pay for home support, homemaking and other non-professional services, particularly for long-term care clients. At least two of these provinces (i.e. New Brunswick’s long-term care program and Newfoundland) consider assets (excluding the client’s home) as well as income in some way as part of their financial assessment arrangements. In Newfoundland, this consideration applies to home support and access to facility-based services, but does not apply to professional services in the community. Alberta charges $5 per hour for home support services and considers client income as well. British Columbia, New Brunswick and Nova Scotia apply any third-party insurance the client may have to cover a portion or all of the costs of needed home care services. Manitoba, Ontario, Quebec, Yukon and Northwest Territories do not have an official income/means assessment process for home support services.” (Health Canada, 1999)

An entire report could also have been written on problems with access to required home care. The range of eligibility criteria and regulations is again wide. To the extent that these programs are income or asset tested they contribute to the broader problem of high marginal tax rates. As with Nursing Home fees, Health Canada could perform a valuable function in making information readily available on how fees are determined.

Conclusions

Given the dominant role of women in caregiving, the inadequacies and inequities in public supports for caregiving, highlighted in this report, exacerbate the economic disparities between the sexes.

This analysis has emphasized the economic disadvantages faced by women. Given the dominant role of women in caregiving, the inadequacies and inequities in public supports for caregiving, highlighted in this report, exacerbate the economic disparities between the sexes.

This report has reviewed and demonstrated how specific supports for caregivers and recipients could be enhanced. Most of the recommendations are not new. They have often been recommended in previous policy reviews. These proposals detailed above would improve the operation of caregiver supports. They involve changes in program parameters related to eligibility and generosity but have generally stayed away from broad system changes.

The primary purpose of this report was to highlight how the effectiveness of supports both in generosity and accessibility depends on its policy paradigm. The various supports for those giving or receiving care may be categorized into three broad policy areas:

- Social supports
- Social insurance
- Tax measures

Social supports are supports directed at and for low-income or poor Canadians. They are driven by policy objectives of ensuring an adequate standard of living while encouraging and rewarding employment, education and training. This is set within budget constraints. The policy context includes prejudice against the poor as agents of their own misfortune, concern that support which is too generous will encourage sloth, and concern about fraud.

Too often programs target benefits so tightly to the poor and remove supports so quickly as a beneficiary's circumstances improve, that welfare and other supports tend to ensnarl and trap beneficiaries in poverty. This is in part due to marginal tax rates near or above 100% but also because of restrictions like not allowing beneficiaries to save for their retirement or their children's education. Even with these extraordinary limitations for eligibility, the supports still fail to even come close to any accepted measure of adequacy.

Social Insurance in Canada includes the two broad social insurance schemes EI and CPP/QPP. Each come with their policy limitations. EI is restricted to those with paid employment. Since it evolved from unemployment insurance, it is concerned with income replacement for short time periods.

Compared to EI, CPP/QPP uses a somewhat broader time-frame for determining eligibility and benefit levels. CPP/QPP though generally deals with individuals who have permanently left the labour force due to disability or retirement.

Both existing social insurance programs have their limitations but because they serve virtually all Canadians they are not seen as programs based on need targeted using income and perhaps asset-testing.

The Maternity, Parental and Compassionate Leave benefits now under EI do not work well. They leave out many of those in need of assistance and they are restricted because of the insurance paradigm under which EI operates.

They would probably work more effectively if administered under a separate social insurance program funded like CPP/QPP. Such a new Social Security fund might also make a comfortable home for the Disability-Benefits currently provided within CPP/QPP.

Income Tax is not designed primarily for the provision of social benefits but rather it is concerned with collecting revenue in a defensible fashion. Indeed, the use of refundable tax credits to assist lower-income

Canadians is relatively new.

The custodians of income tax policy are not the natural allies of vulnerable and low-income Canadians. They tend to adhere to a reasoning that things which can't be measured are without value - for tax policy. The natural concern of tax experts is with recognizing expenses incurred to earn income and recognizing taxpayer characteristics which affect 'ability to pay'.

As well, the perspective of tax policy affects benefits. One need only compare the gender and income characteristics of caregivers, overwhelmingly female, to the characteristics of those who claim the Caregiver Credit, predominately male, to see how the tax system distorts access to tax recognition for caregiving.
Tax supports for caregiving tend to assist economically secure Canadians, while support programs for vulnerable Canadians remain seriously under-funded. Furthermore, the tax supports usually do not involve the restrictions that income and asset-testing impose on those needing social supports.

Systemic changes could involve moving caregiving supports between policy areas, generally from social supports to tax measures. These changes are premised on the evidence that supports delivered through the tax system can be structured to be effective based on entitlement rather than supports for the 'needy'. Just as the Child Tax Benefit moved a share of income supports for children from welfare to the income tax system a similar initiative could begin for those with a disability.

Tax measures could be made more effective. Making them refundable, in effect, creates social supports within the tax system. Such systemic changes could include:

- making more tax measures like the Disability Tax Credit refundable (precedents include the GST credit, the Child Tax Benefit) thereby creating new income supports within the tax system.
- A second major system change would be to move the Maternity, Parental, Sickness Benefits and Compassionate Leave out of EI, so they are accessible to more Canadians with income support needs.

In summary, this report has highlighted problems with the adequacy, equity and accessibility for supports for caregiving and presented a variety of recommendations for changes to existing programs improving their effectiveness.

Tax Expenditures and Evaluations 2003

The following table includes the estimated cost to the federal treasury of various preferences in the income tax system. In addition, provinces will lose income tax revenue at roughly 50% of the federal value. Therefore, for example, the Married Credit costs an estimated $1.4 billion of federal income tax revenue and an additional $700 million in provincial income tax revenue.

Federal Tax Expenditures and Evaluations 2003		**($ millions)**	
	2003	**2004**	**2005**
Family			
Age Credit	1,470	1,525	1,585
Spouse or common-law partner credit	1,310	1,375	1,430
Eligible dependant credit	645	665	680
Infirm dependant credit	10	10	10
Caregiver credit	50	50	50
Canada Child Tax Benefit (CCTB)	8,255	8,755	9,315
Partial inclusion of capital gains	2,020	2,085	2,175
Non-taxation of business-paid health and dental benefits	1,875	1,975	2,110
Disability tax credit (DTC)	380	400	400
Child Disability Benefit	25	50	50
Medical expense tax credit	645	670	695
Medical expense supplement for earners	59	63	67
Registered retirement savings plans (RRSPs)			
Deduction for contributions	7,585	8,010	8,600
Non-taxation of investment income	6,020	7,005	7,615
Taxation of withdrawals	-4,010	-4,260	-4,605
Net tax expenditure	9,595	10,755	11,610
Registered pension plans (RPPs)			
Deduction for contributions	4,550	4,515	4,570
Non-taxation of investment income	10,325	11,415	11,795
Taxation of withdrawals	-7,415	-7,790	-8,335
Net tax expenditure	7,460	8,140	8,030
Small business			
$500,000 lifetime capital gains exemption for small business shares	485	485	495
Other items			
Non-taxation of capital gains on principal residences			
Partial inclusion rate	1,060	1,060	1,065
Full inclusion rate	2,120	2,120	2,130
Charitable donations credit	1,515	1,540	1,575
Child care expense deduction	560	560	570
Attendant care expense deduction	S	S	S
Employment insurance			
Employment insurance contribution credit	1,065	1,025	1,050
Non-taxation of employer-paid premiums	2,130	2,015	2,060
Canada and Quebec Pension Plans			
Employee-paid premium credit	2,485	2,555	2,640
Non-taxation of employer-paid premiums	3,790	3,840	3,970
Dividend gross-up and credit	1,160	1,255	1,415

Source: Tax Expenditures and Evaluations 2003; Finance Canada; 2003

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This report examines measures available through Canada's tax and transfer system to support caregiving work. Since the vast majority of caregiving is undertaken by women, a recurring theme is the differential impact of public supports on women and men. The policy context is characterized by a complex array of interacting and conflicting objectives and complicated eligibility criteria.

In general, for tax measures to have any value the individual needs to be paying income tax or must be able to transfer the tax credit/deduction to someone who is paying income tax.

This report highlights problems with the adequacy, equity and accessibility for supports for caregiving and presents a variety of recommendations for changes to existing programs to improve their effectiveness.

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