In 1966 the average monthly family allowance in Canada was $16.59. This amounted to approximately 3 percent of the average gross monthly income for the typical Canadian family. The allowance was paid to 2,785,636 families with 6,865,057 children. The total cost of the family allowance was $551,734,824. This amounted to 12.7 percent of all social security expenditures in Canada—federal, provincial, and municipal—and 19.1 percent of federal expenditures on social security. When compared to Canadian national income, the family allowance amounted to 1.4 percent.

The value of the family allowance varies inversely with the level of income. Although payments are low for such a high income country (the average gross family income is around $6,500 a year), they can amount to a significant proportion of total income to low income families. For example, a family with three children under 10 and with an income of $1,500 a year would receive $216 a year—14 percent of earned income. If the three children are between the ages of 10 and 16, the family allowance would amount to $288 a year. In terms of closing a poverty gap, the Canadian family allowance would only make a partial contribution. For example, if the Council of Economic Advisers poverty line income of $3,000 a year for a family is applied to Canada, the above mentioned family with the income of $1,500 a year would receive from $216 to $288 in family allowances depending on the ages of the children. This would work out to a maximum of $1,788 a year, a figure which is far short of the poverty line income of $3,000.

The average monthly family allowance has remained virtually unchanged over the last five years as the following table indicates.

TABLE I.—*Average monthly family allowance payments in Canada*

	Average monthly payments
1963	$16.63
1964	16.67
1965	16.68
1966	16.59
1967	16.42

Source: Department of National Health and Welfare, "Social Security in Canada," Ottawa: 1967.

The family allowance, when expressed as a percentage of total transfer payments via social security expenditures for federal, provincial, and municipal levels of government, is declining in relative importance. For example, the family allowance in 1959 amounted to 16.3 percent of total transfer payments; however, in 1967 the allowance amounted to 12.5 percent of total transfers. There appears to be a tendency in Canada, as well as in many other countries, to raise the allowance only periodically.

The income redistribution effects of the family allowance form an interesting pattern in Canada.

1. There is income redistribution between provinces with lower income provinces, such as Newfoundland gaining in terms of the benefits of the allowance as opposed to the cost, and upper income provinces, such as Ontario, losing in terms of benefits as opposed to costs. The family allowance, when expressed as a percentage of average family income, varies from around 5 percent in the poorest Canadian province (Newfoundland) to about 2 percent in the richest province (Ontario).

2. There is horizontal income redistribution between individuals and families within the same income group, meaning simply that individuals and families with no children lose while families with children gain. A family with no children receives no allowance but pays income taxes which finance the family allowance. A family with children pays income taxes but may get back more than what it paid in the form of the allowance.