

Mothers at work: The fiscal implications of the proposed Ontario Childcare Rebate ^[1]

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INTRODUCTION

The newly elected government in Ontario pledged in its electoral platform to implement a childcare rebate program, which would reimburse up to 75 percent of the childcare expenses of low-income families, with the childcare subsidy rate gradually declining as family income grows. In this E-Brief, we examine the fiscal implications of the proposed rebate.

At first, the fiscal cost of the proposed rebate would be, at most, \$945 million per year. Then, we expect the proposed rebate to induce some mothers of young children – whose decisions to take on paid work are sensitive to childcare costs – to enter the workforce. Over the long run, as many as 112,787 additionally employed mothers would generate extra fiscal revenues for the Ontario government, reducing the net fiscal cost by about 38 percent, to \$588 million annually.

Furthermore, the employment gain would create a large fiscal windfall for the federal government – perhaps as much as \$1.1 billion per year over the long run – exceeding by far the net provincial cost of the program. Unless the federal government is prepared to use this fiscal dividend to increase its transfers to Ontario in support of childcare, the federal government appears better fiscally positioned to implement such a childcare rebate scheme.

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Region: Ontario ^[4]

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