

# Federal budget expected to bet on child care, green economy to drive the recovery <sup>[1]</sup>

Premiers and proponents of a national pharmacare program could end up disappointed

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## AVAILABILITY

Access online <sup>[2]</sup>

## EXCERPTS

The stakes are sky-high for the Trudeau government's April 19 budget — its first budget in two years. Large portions of the country are suffering through a deadly third wave of COVID-19, resulting in renewed lockdowns, stay-at-home orders and more damage to the economy.

Senior government sources tell CBC News the budget will include items that balance pandemic measures with efforts to set the stage for the post-pandemic economic recovery — and clues to the budget's contents can be found in last fall's speech from the throne and the Fall Economic Statement (FES).

"We've never been so transparent about our spending priorities and our fiscal track," said one senior government official familiar with this year's budget process. "It's all there in the throne speech and FES."

Sources say the budget will present a full accounting of pandemic program spending to date, including the cost of promised extensions of several benefits — the wage subsidy, the rents subsidy and the recovery, sickness and caregiving benefits. Some business groups have pressed for further extensions and they will be looking to see if their demands are being met.

But many of those pandemic-fighting measures are already in play. Much of the throne speech's "roadmap" is about what comes next. The FES committed \$70 to \$100 billion over three years to economic stimulus.

### Child care and the 'she-cession'

Sources say one safe assumption about this year's budget is that it will include money to create a national early learning and child care system — because the government promised it in the throne speech and because it believes there's a strong economic argument to justify the spending.

More quality child care spaces means more parents — especially women, who typically shoulder the largest share of child care responsibilities — can enter or re-enter the workforce. Sources say the government sees it as a measure that eventually will pay for itself through increased productivity resulting from having more women in the workforce.

"This is the first budget of Canada's first-ever female finance minister in the first self-declared feminist government amidst the first ever global she-cession. There's an opportunity here for a new narrative to be set out and a new way of doing things to be set out," said economist Armine Yalnizyan, who sits on the government's task force on women in the economy.

Child care is a provincial responsibility — which means there's a risk that any new federal initiative could get hung up on squabbling between Ottawa and the provinces. One senior government official said it comes down to who has the money.

"The feds have the spending power. If we set out the terms and the money, the provinces who want to be early movers on this will come on board. Those that don't will have to reckon with their electorate."

### Tackling inequality

The pandemic has exposed and aggravated points of inequality in Canadian society and the economy. The budget is expected to offer new money for skills training for young people, Indigenous people, women and racialized Canadians.

The budget is also likely to earmark funds for the pandemic-afflicted long term care sector beyond the \$1 billion in the FES, for increased access to mental health supports and for further investments in affordable housing.

The federal government has made a number of funding announcements already under its National Housing Strategy — but with affordable housing in short supply and many renters being pushed to the brink of eviction by the pandemic, the budget could put more on the table.

And with housing bubbles swelling rapidly in some cities, the budget also offers an opportunity for Ottawa to follow through on the foreign home buyer tax it mentioned in the FES.

The government has acknowledged that the employment insurance system needs to be modernized to include the self-employed and those who work in the gig economy. Some observers say they hope that means an overhaul is coming.

"We know that the EI program ... is just too weak," said former parliamentary budget officer Kevin Page, now the president and CEO of the Institute of Fiscal Studies and Democracy at the University of Ottawa. "I do expect that there's going to be at least options on the table for Parliament to debate about expanding the program."

Small businesses hit hard by serial shutdowns should see a plan in the budget for their post-pandemic survival. Sources also hint the budget might offer help to the suffering arts, entertainment and tourism industries.

For large industries that have suffered deep losses and have called on Ottawa to help — such as the airline sector — the budget might at least set aside a cash figure, even if a deal has not yet been announced.

Some stakeholders argue the government needs to direct spending toward measures to drive long term growth — to ensure the rebound is not solely dependent on consumption spending, especially given the pent-up consumer demand that will burst forth once the pandemic is over.

"That's the challenge for Canada, that for a long time we have not been able to sustain over two per cent growth," said Robert Asselin, a senior vice president of the Business Council of Canada and a budget director under former finance minister Bill Morneau.

"I'm just worried ... if we focus too much on the short term and social spending, that we'll just have a bigger deficit and the economy won't be positioned as it could be for the future."

Asselin said Canada has to follow the lead of other developed countries, such as the U.S. and some European nations, by investing billions of dollars in science, R&D and broadband infrastructure.

Sources say that when Prime Minister Justin Trudeau, Finance Minister Chrystia Freeland and others in government talk about "building back better," they mean that stimulus money will be aimed at building a greener, more sustainable economy. So look for investments in building charging stations for electric vehicles, retrofitting old-stock commercial buildings and homes and helping natural resource industries transition to cleaner energy.

Through investments in greening homes and buildings, the government hopes to create a domestic retrofit industry and supply chain for products such as energy-efficient windows and doors.

### What might be left out

In the throne speech, the Liberals said they remained committed to a national, universal pharmacare system. It's not clear that commitment means money in the budget to move the project forward.

National pharmacare is a key NDP demand but some budget watchers believe the pandemic might further delay the initiative because it would require long term structural spending and negotiations with the provinces — some of which are opposed to the very idea of a national pharmacare program.

What the provinces do agree on is their demand for a large, ongoing and predictable increase to the Canada Health Transfer. Sources say they'll likely be disappointed. Trudeau has said that while he believes the federal government should pay a greater portion of health care costs, it's a discussion to have after the pandemic is over.

"I definitely am concerned about them using the pandemic as the excuse not to address the shortfall in the Canada Health Transfer," said Saskatchewan Finance Minister Donna Harpauer. "But honestly, I will be surprised if it's in the budget."

Some provincial leaders say they fear they'll be stonewalled on health care funding while being saddled with federal policy priorities they don't share, or money for things they don't think they need.

"I think we need to raise the standards of long-term care throughout the country, but I don't want to build a whole bunch more nursing homes," said New Brunswick Premier Blaine Higgs. "Our goal is to keep seniors in their home as long as we possibly can and to provide better care for people when and where they need it."

Critics who want a plan to get back to a balanced budget are likely to come away disappointed as well. The budget is expected to project a downward trajectory for the deficit — which as of last November was on track to surpass \$381 billion — but is not expected to propose a timeline for eliminating the deficit.

Freeland has promised to use "guardrails," such as labour force numbers, to help the government decide when to turn off the stimulus taps, but has not said where that cutoff point would be.

**Region:** Canada <sup>[3]</sup>

**Tags:** federal budget <sup>[4]</sup>

economic recovery <sup>[5]</sup>

economy-drive-recovery

#### Links

[1] <https://childcarecanada.org/documents/child-care-news/21/04/federal-budget-expected-bet-child-care-green-economy-drive-recovery> [2] <https://www.cbc.ca/news/politics/budget-2021-freeland-trudeau-pandemic-1.5980033> [3] <https://childcarecanada.org/taxonomy/term/7864> [4] <https://childcarecanada.org/category/tags/federal-budget> [5] <https://childcarecanada.org/taxonomy/term/9038>