

# Federal budget delivers big promises on childcare, tamer housing measures <sup>[1]</sup>

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## EXCERPTS

Canada's 2021 budget delivers big promises to slash childcare fees but more timid measures to tackle the other major source of financial strain for young families: housing.

As widely anticipated, the creation of a Canada-wide early learning and childcare plan is the centerpiece of the first federal budget presented by Finance Minister Chrystia Freeland.

Ottawa is proposing up to \$30 billion in fresh spending over the next five years to create a nationwide childcare system that it promises will bring childcare fees down to an average of \$10 per day in regulated childcare centres by fiscal 2025-26.

That pledge may sound like music to the ears of parents who currently spend far more than that anywhere outside Quebec, where families pay as little as \$8.35 for a subsidized childcare spot.

In much of the rest of Canada, childcare costs are often as large as mortgage payments. A 2021 study by the Canadian Centre for Policy Alternatives, for example, found that in 2020 families were paying median fees of more than \$1,000 per month for a toddler childcare space in many of the country's larger cities, such as Vancouver, Calgary and Ottawa, and more than \$1,500 a month in Toronto.

When it comes to housing affordability, the 2021 budget shied away from big spending and sweeping promises. The Trudeau government moved ahead with a previously-telegraphed proposal to roll out a national tax on foreign-owned properties that are left vacant or under-occupied, a measure Ottawa says is intended to curb real estate speculation.

But in a housing market beset by crippling supply shortages, the budget announced funding for a mere 35,000 affordable units, with some of that money allocated to repairs of existing units rather than new construction.

### Success of childcare plan hinges on implementation

Even the budget's major commitment on childcare hinges largely on what will likely be a tricky implementation process, says Sahir Khan executive vice president of the Institute of Fiscal Studies and Democracy at the University of Ottawa.

"Childcare is going to take federal-provincial negotiations that are not going to be quick," he says.

Ottawa says it's ready to provide up to \$27.2 billion over the next five years to bring federal spending on a national childcare system to a 50-50 split with provincial and territorial governments as part of an initial five-year agreement.

The goal is to reduce childcare fees by 50 per cent on average in regulated early learning centres everywhere other than Quebec by the end of 2022. By fiscal 2025-26, Ottawa envisions parents paying an average of just \$10 per day across Canada.

But the plan is contingent on half of the funding coming from the coffers of provincial and territorial governments, many of which were facing fiscal challenges, shortfalls and mounting healthcare bills even before the COVID-19 emergency.

The budget does not set a target for increasing the number of affordable childcare spaces, simply mentioning that the government is aiming for "ongoing annual growth."

As well, Ottawa provided few details on before- and after-school care, saying it wants to see "meaningful progress" in improving and expanding those programs.

### Budget measures do little to increase housing supply

Budget 2021 proposes a new, national tax on foreign-owned empty homes similar to measures already implemented in British Columbia and Ontario.

Homeowners who are not Canadian citizens or permanent residents would have to pay an annual tax of one per cent of the value of

residential real estate that is considered to be vacant or underused. The measure includes a requirement for foreign owners to file a declaration on the current use of their property with “significant penalties for failure to file,” the budget reads.

The tax is expected to yield \$700 million in additional revenues over four years starting in 2022-23, money Ottawa says will be used to improve housing affordability for Canadians.

Data on the role of foreign buyers in the housing market is typically scarce and usually available with a considerable time lag. However, housing experts previously interviewed by Global News said foreign real estate investors do not seem to have played a major role in the pandemic housing boom, which appears to have been largely driven by domestic end-users and speculators so far.

But some experts reckon even an empty-homes tax targeted narrowly at foreign buyers may send a chill through the housing market, curbing the “fear of missing out” mentality that has anecdotally gripped buyers in many parts of the country.

Still, Canada’s experience over the last several years suggests measures aimed at homebuyers tend to have only a temporary cooling effect on housing, with prices eventually resuming their upward climb.

To meaningfully improve housing affordability over the long term, many real estate experts have been advocating a significant and sustained increase in government support for new housing supply.

“Using natural market mechanisms to reduce the price of housing is probably the best way to do this, and the most sustainable way to do this,” Khan says.

“We need to figure out with all three orders of government, is there a way to increase the stock of quality housing, affordable housing for Canadians? That’s, I think, a bigger discussion.”

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

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

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