

Here's what Erin O'Toole doesn't understand about daycare ^[1]

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EXCERPTS

Erin O'Toole thinks he can pull Canada out of its economic rut, and his election platform depends completely on him doing so.

But he's betting he can do it without the full force of women.

The Conservative leader took the unconventional step of issuing a full-fledged book of policy proposals on Monday, something that usually comes later in a campaign (unless you're the NDP).

There are very few numbers attached to his proposals so far, mainly because the Parliamentary Budget Officer, whose job it is to fact-check the parties' cost analyses, needs some time to work through the 160 pages.

But the key number is already there on page 159. The Conservatives are basing their election platform on doing something very few Western democracies have been able to accomplish in the past decade: boosting economic growth to more than three per cent a year.

And they're going to do that while also cancelling the Liberal child-care plan, along with its ambitions to draw women back into the workplace, create new daycare spots and provide better pay to child-care workers.

The Conservative replacement for the \$30-billion Liberal plan is a tax credit — something that could certainly help on the affordability front and also flow a lot faster into parents' pockets than the Liberal funds.

But if you're a government-in-waiting whose entire election platform depends on turbo-boosting economic growth, a tax credit is akin to shooting yourself in the foot.

The Conservative proposal would convert an existing Child Care Expense Deduction into a refundable tax credit that would go to lower-income families and cover up to 75 per cent of the child-care bill. It would also be paid out over the course of the year, so families wouldn't have to shoulder the full cost of child care until tax time. The party calculates that the biggest benefits — more than four times what they're receiving now — would go to families making less than \$50,000 a year. And it says most families would be much further ahead compared to the current system.

There's no doubt more money flowing to parents would help with affordability. And there's no doubt that affordability is a huge issue when it comes to daycare, especially in Toronto and the surrounding 905 area — a key electoral battleground for the Liberals and Conservatives. Research by Scotiabank shows that child care is likely the largest household expenditure for the average Canadian family.

But affordability is only part of the equation. There are already not enough daycare spots to go around, and the quality of some of those spots is not assured. If Ottawa helps more families demand more spaces, where will they come from? Will those spots be accessible to the families that need them? And will they be of high enough quality to give parents the assurances they need to go back into the workforce?

Spurring demand without building supply is not a balanced equation. That's partly why the Liberal budget dedicated billions of dollars to agreements with the provinces to expand early learning and child-care capacity and to boost the wages of child-care workers — simultaneously lowering fees and creating more spots.

The \$30-billion price tag is enormous, but the Liberals — and many a public-policy researcher — argue that society will benefit handsomely over time and the net cost to Canadians will eventually be negligible.

That's because assuring affordable, accessible high-quality child care should pull women back into the workforce, especially after being sidelined during the pandemic. And Quebec's experience demonstrates that those women will boost growth and productivity — essential ingredients for a recovery.

A study by the Centre for Future Work, for example, shows that a universal, high-quality child-care system would pull up to 725,000 people into the workforce, especially women. Provincial and federal revenues would eventually rise by between \$17 billion and \$29 billion a year, create tens of thousands of jobs in the child-care sector and expand the economy by between \$63 billion and \$107 billion a year.

Growth and productivity are essential ingredients for the Conservative platform, too.

O'Toole insists that he will balance the budget within 10 years, despite proposing a large increase in health-care transfers to the provinces and billions more in stimulus and income support plans. It's clear that sustained growth of more than three per cent a year over the long term is the key to a Conservative government increasing spending and balancing the budget at the same time, especially given that the starting point would be a deficit of about \$155 billion.

But let's look at the past. The most recent budget shows that on average since 1970, the most growth Canada could produce in any given year was 2.7 per cent. In the past decade, potential growth was just above two per cent.

In the immediate aftermath of the pandemic, of course, growth will spring back from recessionary depths and be much higher than that. But after the initial sugar high, it is expected to settle back down to about two per cent.

Boosting that growth to three per cent would make all sorts of things much easier in Canada, not just balancing the budget. But successive governments of both the red and blue variety have tried no end of schemes to move the dial — to no avail.

Now O'Toole aims to cancel the one program that we know would boost productivity and growth — subsidized daycare and the creation of new spots. He proposes it at a time when employers are clamouring for more labour, and complaining bitterly about a skills mismatch despite lingering unemployment.

The best way to resolve those labour market deficiencies, bolster growth, raise healthy families and encourage an inclusive workforce is to draw from that huge, diverse and well-integrated labour pool of women on the sidelines.

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