

Lies, damned lies, and conservative politicians ^[1]

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Source: Childcarepolicy.net

Format: Article

Publication Date: 17 Aug 2021

AVAILABILITY

Access online ^[2]

Excerpted from analysis

What a lot of whoppers! If Erin O'Toole were Pinocchio, his nose would be 10 feet long by now. Erin O'Toole, leader of the Conservative Party of Canada, has now come out with a full platform of policies, including policies on early learning and child care. In it, he promises (1) "to provide increased support for working families by providing increased funding for child care" (2) that "nobody should be prevented from getting back to work because they can't afford child care" (3) that the Conservative policy will be "covering up to 75% of the cost of child care for lower income families" and (4) that "this will massively increase the support that lower income families receive and provide more assistance to almost all families". All of these promises are on page 47 of "Canada's Recovery Plan" published by the Conservative Party of Canada.

I live in Ontario, so I am going to look at this from an Ontario perspective. Ontario ALREADY HAS a refundable tax credit for child care. It already pays some money back to you in compensation for child care expenditures that are related to parental work or study. The O'Toole policy is a bit more generous, especially for higher-income families, but has the same eligibility rules. Since you can't get paid twice for the same expenditures, the best the federal program can do is to REPLACE THE ALREADY EXISTING PROVINCIAL TAX CREDIT. At the same time, O'Toole is going to get rid of the federal Child Care Expense Deduction.

What does this mean for families in Ontario? If you currently earn \$30,000, your new tax credit will give you \$640 more than the old one, but you will lose up to \$1,200 of Child Care Expense Deduction. You will be worse off.

If you currently earn \$120,000, your new tax credit will give you \$3,360 more than the old one, but you will lose up to \$2,080 of Child Care Expense Deduction. You will be better off to the tune of \$1,280 per child per year. Many other families' situations will lie between these two examples.

Conclusions?

In Ontario, low income families will be worse off with the O'Toole plan. Higher income families will be better off, but only by a couple of thousand dollars. The chief beneficiary will be the Doug Ford government that will save about \$400 million per year when it's current child care tax credit program is superseded.

Should we be surprised? The median cost of licensed child care in Ontario in 2020 was just over \$17,000 for infants, just over \$14,000 for toddlers, and just over \$12,000 for preschoolers (2½ – 5 years). For most families that can't afford these fees now, a tax credit that gives you a couple of thousand dollars at best and limits the maximum subsidizable fee to \$8,000 probably won't change things much.

Should we be surprised? Since we already have a refundable child care tax credit in Ontario and we have had it since 2019, we know whether this program will solve the child care affordability problem. It doesn't.

Should we be surprised? The Financial Accountability Office of Ontario analyzed what the effects of the Doug Ford tax credit would be back in 2019. They concluded that: "Families that receive the CARE tax credit will receive an average benefit of approximately \$1,300." Not \$6,000 or \$4,000, but \$1,300. They knew this program would not do much. And the Financial Accountability Office also knew that low-income families were NOT going to benefit much. As they concluded: "fewer than 300 families, or 0.1 per cent of all CARE tax credit recipients, will receive the maximum benefit entitlement per child" (p.3). In other words, fewer than 300 families across Ontario would receive back 75% of their child care expenses.

Should we be surprised? We know the approximate cost of the Erin O'Toole tax credit. A very similar proposal was analyzed in 2017 by the C.D. Howe Institute. The net cost was \$1.2 Billion per year. The ongoing amount of federal spending announced in the recent federal budget was \$9.2 Billion per year. Does Erin O'Toole really think that a program that is less than 1/7th the size of the proposed federal program will have a bigger impact on child care affordability? I don't think so.

Should we be surprised? Reducing the child care affordability barrier to women's full participation in employment is a big problem, not a small problem. In a 2018 report to the Government of Ontario, I calculated that in 45% of Ontario families, the cost of licensed child care

would eat up over 60% of the mother's earnings contribution to household income. For another 33% of families, the costs would eat up between 30% and 60% of the mother's earnings contribution. The Ford tax credit for child care expenses has not changed this situation by much, and neither would the O'Toole tax credit. It will cost a lot of money to change this major employment barrier and O'Toole is not willing to spend it.

Region: Canada ^[3]

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