

# Postmortem: Voters reject the laissez-faire approach to child care <sup>[1]</sup>

Four charts that reveal much about the Canadian economy

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**Source:** Financial Post

**Format:** Article

**Publication Date:** 27 Sep 2021

## AVAILABILITY

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

## EXCERPTS

The results of the Sept. 20 election settled the debate about how to lower the cost of child care. Sixty per cent of voters endorsed candidates who backed the Liberal government's plan to spend \$30 billion on a program that promises to drop the cost of child care in every province to \$10 a day. That should be enough to convince opponents to concede.

For the second time in 15 years, the Conservatives promised to scrap federal subsidies for daycare in favour of tax credits. Stephen Harper won in 2006 and promptly killed former prime minister Paul Martin's national daycare program before it had a chance to get going. Erin O'Toole said he would do the same to the network that Justin Trudeau was putting together when he opted to trigger an election. Voters stopped the Conservatives this time, saving a policy that has the potential to change the trajectory of the economy. How? By clearing a path for tens of thousands of women to fully participate in the economy while still in the prime of their working lives. The chart below tracks the employment rates of women aged 25 to 54 from the late 1990s, when Quebec introduced a subsidized child-care program, to present. No other jurisdiction followed Quebec's lead. Imagine if more of them had.

### Labour squeeze

The anecdotal evidence about severe labour shortages was reinforced by empirical data last week. Statistics Canada reported on Sept. 21 that there were almost 732,000 job vacancies in the second quarter, a record. Most of the openings were in health care, restaurants, and retail (chart below). All of those industries are notorious for demanding a lot of people in return for relatively little pay. It's possible the pandemic has caused nurses, line cooks, and store managers to decide that they don't want to return to those sectors. Some are settling for generous emergency benefits, while others have learned new skills and gone to work in other industries. Immigration is also a factor.

But labour shortages are a problem at the high end of the pay scale, too. "We're really struggling to hire," Adam Froman, founder and CEO of Toronto-based Delvinia Holdings Inc., a digital research firm, told FP Economy. Talent was tight in the technology industry before the pandemic. It's worse now because the crisis accelerated the shift to the digital economy, intensifying the demand for labour, and because the new work-from-anywhere culture has made poaching by companies that pay in U.S. dollars or euros commonplace. "Salaries are going up and up and up," Froman said.

### Retail reversion

Retail sales fell 0.6 per cent in July from June, Statistics Canada reported on Sept. 23, the third decrease in four months. Household consumption remains an engine of growth, however. Retail sales have exceeded pre-pandemic levels every month since June 2020, and Statistics Canada's preliminary data indicate a rebound in August.

Economists reckon consumers are spending more of their disposable incomes on services now that social-distancing restrictions have been eased. For example, spending at restaurants and bars increased 11 per cent in July, Statistics Canada said in a separate report. Our behaviour also appears to be reverting to pre-pandemic patterns, as the most recent data show that we're back to spending more on automobiles than on food, while sales at hardware stores have dropped to match spending on clothes and footwear for the first time since before the crisis.

### Debt relief

The Canadian Chamber of Commerce published results of a survey of almost 17,000 businesses on Sept. 23 that suggested the country's employers were waiting for the next shoe to drop in July and August, when the poll was conducted. Companies said they felt good about demand over the next three months, and they liked their prospects over the longer term. But the number of respondents who reported that they were unsure about how much longer they could keep their businesses open increased in the third quarter from the previous three months. Uncertainty is back.

One solace: companies said they were finding it easier to borrow, probably because their lenders were seeing evidence of renewed

cashflows. That jibes with aggregate credit data. Non-mortgage liabilities of non-financial corporations increased 3.4 per cent in July from a year earlier, the second consecutive monthly gain, according to Statistics Canada's most recent data. Business lending is still well off its pre-pandemic pace, but the recent increase is a positive sign.

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

**Tags:** federal election 2021 <sup>[4]</sup>

universal system <sup>[5]</sup>

affordability <sup>[6]</sup>

mother's labour force participation <sup>[7]</sup>

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