

National daycare plan is a gift to Canada's economy that will keep giving^[1]

The program's broader economic benefits will take a while to materialize, but they are worth waiting for, Heather Scoffield writes.

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Source: The Star

Format: Article

Publication Date: 29 Apr 2022

AVAILABILITY

Access online^[2]

EXCERPTS

The \$10-a-day child care promise is not just about children and their parents.

For a year now, the promise has been about a whole bunch of other things — growth, productivity, equality, feminism, affordability, boosting the labour supply and stifling inflation.

In time, and if everything goes as planned, it will be about some of those excellent things — but not all of them.

Right now, it's about politics — and that's not meant to be a cynical comment.

Ontario's first round of cheques will be in hand well before the June 2 provincial election, standing Premier Doug Ford in good stead. For the federal Liberals, the national plan will be solidly entrenched before their next campaign and in time to convince their NDP dance partners that they're serious — as required by their written agreement for co-operation.

Families with children in daycare in most provinces are getting some immediate gratification, and politicians who defied the skeptics and got the deal done after so many previous false starts can claim a victory.

But the broader economic spoils that we heard so much about will take a lot longer to materialize. When they do, they'll be worth waiting for.

"The benefits are not just in 12 months or 24 months. They're over decades," says Craig Alexander, chief economist at Deloitte Canada, who led a major study into the economic pros and cons of a national child care system.

Much of the economic case stems from the conviction that once accessible, affordable, quality daycare is available, parents — especially women — will join the workforce in much greater numbers. The labour force participation rate is the linchpin.

It happened in Quebec, where women's participation rates in the workforce were below the national average before \$5-a-day child care was put in place, but eventually surged well past the national average.

It's that kind of development that allows Families Minister Karina Gould to say the federal plan means 240,000 people will join the country's workforce at a time when labour is in short supply.

Parents will lean in to great daycare, feeling free to go back to work after their parental leaves are over, making sure their skills don't atrophy. Since so many of those people are well educated and hold valuable skills and experience relevant to the Canadian economy, the argument goes, they will boost economic growth and help Canadian companies surge ahead, improving productivity while they're at it.

Canada's ability to show decent growth year in and year out will be bolstered. And as a bonus, those companies and employees will pay more tax, making up for the \$30 billion federal cost of daycare and reducing the net fiscal impact to nothing — free!

"This is a program that pays for itself," Gould said last month. "The revenue generated by increased tax revenues, by higher household incomes and by greater workforce participation actually outstrips the costs of the program."

But the speed at which those parents will jump into the workforce depends very much on having daycare spaces available at the promised low price, high quality and with enough flexibility to allow for diverse work arrangements.

It's why the requirements for provinces to show plans for new facilities, training and recruiting are just as important as the billions in funding involved. The funding creates demand, but for now, there's not enough supply.

The federal government estimates Canada will need between 34,000 and 43,000 early childhood education workers to complete the equation. But there's already a retention problem, given relatively low pay in the industry, Alexander points out.

Which brings us to all the other economic goodies that are supposed to spring from the national child care plan. Great daycare can certainly contribute to confronting inequality and improving the educational outcomes of children from low-income families. But that's contingent on having high quality educators and facilities that set those children on a solid path.

That's not to say the daycare dream of economic benefits can't come at least partially true. It does mean there is a lot of heavy lifting to be done first.

One part of the promise that is spurious, however, is the connection to inflation. For a few weeks this winter, every time Conservatives pressured the Liberals to do something about it, child care was the Liberals' answer.

There's no doubt that inflation is the most worrisome problem right now for the Canadian economy. But child care is not the answer.

Indeed, the Liberals seem to have moved away from that argument lately, for a good reason. Yes, giving families a cheque to help pay for high daycare fees helps those households better able to afford it all. But affordable child care is not the same as low inflation, which is the change in cost of a wide array of goods.

Lowering the cost of child care will certainly help some families make ends meet, but simply sending out cheques won't help — and could even hurt — the rate of inflation.

The other thing \$10-a-day child care won't do is resolve the pandemic conundrum of so many children staying home and requiring care, keeping their parents out of the workplace. While the pandemic made it crystal clear how essential daycare is to the smooth functioning of the workforce, this week's plan won't be in full swing until well after the pandemic has (hopefully) moved on.

The case for a well-funded and aggressive national child care plan is strong, but the economic benefits will mount over time — despite the political imperative to stress the here and now.

Region: Canada ^[3]

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