

An open letter to Jim Flaherty [CA] ^[1]

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Source: Toronto Star

Format: Article

Publication Date: 1 May 2006

AVAILABILITY

See text below.

EXCERPTS

Dear Jim,

Your first budget is coming up tomorrow and we thought you might appreciate some friendly advice about child-care funding from a couple of economists. Of course, the boss is expecting you to announce funding of the \$1,200 Conservative Child Care Allowance, but that would be an economic and social disaster, so you should avoid following the party line on this one.

...

The problem is that the \$1,200 Child Care Allowance represents the triumph of politics over common sense. For a politician that was suckled on the "Common Sense Revolution," that should give you pause.

There are a few problems. At some point, Canadian families with a pre-school child will realize that, on average, they only get to keep about \$800 per pre-school child after taking into account income-tax increases and reductions in income-tested benefits triggered by the allowance.

In fact, there isn't one family in the country that will actually end up with \$1,200 to spend on their child. Not only that, your boss has been talking a lot recently about ordinary hard-working Canadians who pay their taxes and go to Tim Hortons. The trouble is, those are the families that get the least out of this Child Care Allowance.

...

You should spend your money providing funding for the provinces and territories to allow them to increase accessibility to quality regulated child-care of different types, including pre-schools, nursery schools, full-day child-care centres and family home care.

The expansion of regulated child-care services would be welcomed by many Canadian parents. Quebec parents have been overwhelmingly positive about the new child-care services provided under the \$7 per day plan in that province.

The most attractive feature for you as finance minister is that there are substantial benefits to such a plan for Canadian governments, and for society as a whole.

Leave aside the benefits for Canadian children, who would thrive if the quality were good in these early learning and child-care programs. And leave aside the improved incomes and flexibility for parents of these programs.

On top of these benefits, economists Michael Baker, Jonathan Gruber and Kevin Milligan have recently calculated, in a C.D. Howe publication, that increased tax revenues from the Quebec child-care reforms brought in enough money to cover 40 per cent of the annual cost of the program. This increased tax revenue is due to increased employment and incomes for mothers of young children in Quebec. Since these will continue, this will eventually cover at least 50 per cent of the total cost.

The implication is that money spent on regulated child-care services is a very efficient form of child-care spending for governments.

...

And if you want to still give a child benefit to nearly all families, why not just make the Canada Child Tax Benefit a little more generous?

It fights poverty, is fair to all different types of families, and gives more to the poor than to the rich.

Together with expanding regulated child care, it's a very attractive package. And we bet the opposition parties will support you too.

- reprinted from the Toronto Star

Region: Canada ^[2]

Tags: budget ^[3]

economics ^[4]

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