

The Choice in Child Care Allowance: What you see is not what you get ^[1]

Caledon Commentary

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AVAILABILITY

Report in pdf ^[2]

Excerpts from the report:

The face value of the Child Care Allowance is \$1,200 for each child under age 6. But the scheme's true value would be less than \$1,200 because it would increase families' taxable income and thus trigger both reductions in federal and provincial/territorial income-tested benefits and increases in taxes.

The overwhelming majority of Canadian families would end up with a Child Care Allowance worth considerably less than \$1,200 per child. The biggest losers would be modest-income families earning in the \$30,000-\$40,000 range.

Take the example of a two-earner couple in Ontario raising two children (one under 6) and earning \$36,000 (only a few thousand dollars above Statistics Canada's estimated after-tax low income cutoff of \$33,152 for cities of 500,000 or larger in 2006). That family would end up with a net Child Care Allowance worth just \$388 - only 32.3 percent of the \$1,200 face value payment. The Child Care Allowance is unfair because it would pay working poor and modest-income families smaller benefits than middle- and upper-income families. It is doubly unfair because it would favour one-earner families over single-parent families and two-earner families.

Most Canadian families need and use child care outside the home so that parents can work in the paid labour force or study. The proposed Choice in Child Care Allowance would do little if anything to increase the supply of affordable, quality child care. Nor would the scheme do much to help families pay for child care, since it would offset only a fraction of the cost of child care.

The proposed Choice in Child Care Allowance is really a child benefit, not a child care program.

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