

Conservatives planning to enhance child care benefit in fall fiscal update^[1]

Author: Ivison, John

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EXCERPTS:

The Conservatives are planning to enhance the universal child care benefit in the upcoming fall fiscal update, so that parents with children older than six will also receive \$100 cheques, multiple sources suggest.

The plan, if implemented, will provide a stark point of differentiation to the Liberals and the NDP. Tom Mulcair, the New Democratic Party leader, is set to reveal details of his plan to create a national, universal affordable daycare program in Ottawa next Tuesday, modeled on Quebec's \$7-a-day scheme. The Liberals have long advocated a national childcare program.

The advantages for the Conservatives of introducing legislation with tax cuts and enriched benefits this fall is that cheques could start arriving on the doorsteps of voters early in the new year.

One source suggested the child care plan would not preclude a limited income-splitting initiative in the spring budget.

The Conservatives have been mulling an alternative to spending \$2.5-billion on income splitting for a year. When he was finance minister, the late Jim Flaherty poured cold water on the 2011 election promise to allow spouses to share up to \$50,000 of income for tax purposes, suggesting that it might not benefit as many people as other measures. One study suggested only 9% of households would benefit more than \$500 a year, with most of them being high earners.

Statistics Canada says there are 5.6 million households with children. The government currently spends \$2.7-billion a year giving \$100 a month to families with children under six - a popular policy that helps families of all income levels. It is understood the government has been looking at including the 6-12 age group in its enhanced program.

However, when the prospect of dropping income splitting was suggested in caucus, a number of MPs pointed out the need to live up to an election pledge. Insiders suggest it remains a live issue.

"Don't rule out a targeted amount of income splitting in the budget, as well. The Prime Minister wants to do his best to satisfy everyone with respect to support for families. It's a big part of delivering promises made in the last election," said one MP.

Speculation about imminent tax cuts, coupled with promises made by Stephen Harper this week to double the child fitness tax credit, suggests the federal fiscal position is stronger than the government has been letting on.

The other parties are also rushing to explain how they would spend the surplus. Mr. Mulcair said this week that he plans to negotiate a deal with the provinces to create more child care spaces at an affordable rate - along the lines of the Quebec plan. "In the next couple of weeks we are going to be rolling out very detailed policy on how we're actually going to get this done," he told The Canadian Press.

He said an NDP government would continue paying the existing universal child care benefit but it would be up to individual provinces whether or not to take the benefit into account when deciding what rates to charge.

The NDP move comes just as the new Liberal government in Quebec is thinking of axing, or dramatically tailoring, the universal program as part of massive budget cuts. One possibility is a new pricing structure that could be adjusted to reflect parental income.

The program, which costs \$2.7-billion a year, provides 223,000 spaces for children aged 0-4.

It has been credited with drawing more women into the workforce, but criticized for subsidizing top income earners. Research suggests families in the top 25% of earners are nearly twice as likely to have a child in the program than families in the bottom quarter.

Mr. Mulcair has acknowledged his plan will cost "quite a bit" but said "it's an investment that pays for itself."

Region: Canada^[3]

Tags: federal programs^[4]

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