

Time to grow up ^[1]

Family policies for the way we live now

Author: Macdonald, David & McInturff, Kate

Source: Canadian Centre for Policy Alternatives

Format: Report

Publication Date: 27 Jan 2015

AVAILABILITY

Full report available online ^[2]

Executive Summary:

Family life isn't the same today as it was thirty years ago. With nearly 2.5 million more women in the workforce, Mom is far more likely to work than she was a generation ago. Women's incomes are filling an important gap, given that men working full time have seen their median inflation-adjusted incomes increase by less than 5% in thirty years. It is perhaps no surprise then that in households where there is a working male parent, the mothers of young children are more likely to work and the majority of those mothers work full time.

Family incomes are further handicapped by the persistence of the wage gap. Even working full time, in the same industry, with the same education, women are consistently paid less than men. The so-called 'motherhood penalty' means that when those women have children they will see a further 8% decrease in their earnings.

More than half of the 1.9 million children under the age of five in Canada live in families with two working parents. There are currently only enough regulated childcare spaces for half of that group of children. Pre-kindergarten enrolment fills in only a fraction of the shortfall, leaving 361,000 children out in the cold.

Families are working hard to meet the challenges of a changing socioeconomic landscape. Governments have an important role to play in supporting them. Childcare, parental leave, and economic policies that level the playing field (rather than tilting heavily in favour of more choice for the 6 Canadian Centre for Policy Alternatives highest income earners) can all make a substantial difference to the quality of family life in Canada.

The experience of the Quebec government demonstrates that where there is affordable and accessible childcare, parents and children benefit. Since the introduction of the Quebec childcare program women's employment levels have increased by 18% and fertility rates have increased by 5%. Increased employment has been a net gain to the economy. The Quebec childcare program is now producing more in tax and other government revenues than the program costs-bringing in an estimated annual net gain of over \$200 million to the provincial government.

Quebec has also been a policy leader in responding to the desire of fathers to spend more time with their children. Quebec offers leave specifically for fathers, in addition to leave available to both parents and maternity leave. Five years after Quebec introduced paternity leave, 76% of fathers in Quebec were taking leave, compared to 26% of fathers in the rest of the country.

The current federal government's approach to family policy is falling short of the needs of parents. It does nothing to address the shortfall in the number and affordability of safe childcare for the children of working parents. Nor has it made any effort to address the wage gap, which is hampering the economic security of families. Perhaps most worryingly, the recently introduced program of income-splitting for parents with children under 18 is set to widen inequalities between families and increase inequality within families, all at a high cost to the treasury and the Canadian economy.

The federal government's income splitting policy is designed to benefit families where there is one middle- or high-income earning parent and one parent with little or no income. In application, for 83% of families that qualify, both parents work, but with a large pay gap. In only 17% of families is there a single (usually male) earner. The benefits of income splitting are highly concentrated among high-income families-whose incomes already make it possible for one parent to forgo paid work to spend more time with their children. Only 52% of families with children under 18 will receive \$1 or more from income splitting-and that is only if they can navigate the 85 additional steps on their tax forms. Of that 52% who gain, 20% will receive roughly a dollar a day.

The small or non-existent benefit to low- and middle-income families and zero benefit to single parents mean that the families whose choices are most constrained by economic conditions will not see a benefit sufficient to allow them to forgo further hours of earned income in order to spend more time with young children.

Income splitting will also have a significant negative effect on Canada's labour force and on the economic security of women. In every industrialized country where income splitting has been introduced, the result is a decrease in female labour force participation, with little

or no impact on male labour force participation. A reduction in female labour participation without a parallel rise in male labour force participation will leave Canada with a smaller and less flexible labour supply. It will also tilt the playing field heavily in favour of women staying out of paid work for longer periods of time-with negative consequences for their long-term economic security and that of their children.

Further, income inequality within families has been repeatedly demonstrated to have a negative impact on marital satisfaction and stability. Financial decisions have long been a source of conflict among married couples. However, when conflicts over financial decisions are resolved as a result of one spouse exercising a disproportionate level of control over the decision (because they are the sole or major contributor to family finances), both spouses are less satisfied with the outcome. The result: both spouses report lower levels of marital satisfaction in the long term.

Federal and provincial governments have an opportunity to make the struggle to balance work and family life easier. Neither work nor family life looks the same today as it did a generation ago. It is time for our policies to catch up with the way families live now, by providing solutions to the problems families are facing today.

Region: Canada ^[3]

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