

Federal spending on child care to almost double: budget watchdog^[1]

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EXCERPTS

Federal spending on child care will almost double, to approximately \$8 billion by the 2017-18 fiscal year from more than \$4 billion this fiscal year, according to the parliamentary budget watchdog.

In a report released Tuesday, the PBO estimated that even with an increase in the monthly universal child care benefit to \$160 a month from \$100, families with children under age 13 will receive proportionally less in federal funds to cover child care costs than other families, some of whom have no child care costs whatsoever.

Before the change, the PBO estimated that two federal child care initiatives - the universal child care benefit and the child care tax deduction - helped families with young children cover on average 66 per cent of their child care costs. That will drop to about 49 per cent this fiscal year, the PBO calculated, once Parliament approves a broadening of the universal child care benefit and raising the limit on the tax deduction.

"When you take into account the enrichment, almost 50 per cent of the overall packages goes to families who have children older than 13, which means that it's very unlikely that they have any child care expenses," said assistant budget officer Mostafa Askari. "That's the reality of the policy."

The numbers are political fodder for the government and the Opposition NDP as the two stake out positions on child care, an issue that the New Democrats have made a key plank in their election platform. The NDP want to create a \$5-billion universal child care system that would subsidize one million spaces across the country.

In the House of Commons Tuesday, NDP Leader Tom Mulcair charged that the PBO report exposed the Conservatives' "bogus child care policy."

"Under the prime minister's scheme, families with older kids, or kids who aren't even in child care, actually get more benefits than families with kids who are in child care," Mulcair charged.

Prime Minister Stephen Harper touted the PBO's finding that the coming increases to the universal child care benefit would have all families see an increase in their after-tax income.

"Also - this is even the parliamentary budget office - total federal spending has nearly quadrupled under this government," Harper said.

Some child care advocates said Tuesday that the government's increased spending has done little to address the issue of access to quality child care.

"This (PBO) report tells us a number of useful things, but it is less about child care and more about tax and financial policy," said Martha Friendly of the Childcare Resource and Research Unit in Toronto. "Designing good child care that works for families and children needs to include much more than this."

Last week, the government introduced a bill to raise the value of the universal child care benefit to \$160 a month from \$100 for each child under age six. Once approved, parents with children over six will receive \$60 a month. The first batch of increased payments are to arrive July 20, almost three months to the day before the scheduled federal election in the fall.

However, without tying the child care benefit to rising costs in child care, federal spending over time would gradually fall, the PBO said.

Whether the increased benefit pushes more parents into the workforce is unclear. Studies of the Quebec day care system have concluded that it prodded more women into the labour force, knowing that they had affordable child care at \$7 a day.

The PBO said parents in Quebec with children in the provincial day care system may benefit the most from the government's increase in the child care benefit because it would cover the estimated \$1,824 a year it costs for a subsidized space.

Economists have argued that the child care benefit provides a disincentive to work because it is a taxable benefit that is taxed on the lower-income member of a household. The PBO was unable to say whether an increase in the child care benefit would increase workforce participation, saying its research review found a "negligible" behavioural change from parents, a similar impact on federal finances.

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