

Budget 2015: Here's a cheque, now go create some jobs ^[1]

Author: McIntrurff, Kate

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Oil prices are down. Economic growth is down. Employment rates are stagnant. Household debt is climbing to record highs. Canadians could use a break. The 2015 federal budget has one for you.

But there's a catch.

First you have to qualify: you need to be part of a couple; you need to have a child under 18; it would help if one of you in that couple made a whole lot more than the other cheque; it would help if your household income was more than \$200,000 a year.

Now that you've qualified, here's the deal: You get a cheque for between \$60/month and \$160/month if you have a kid (that's the Universal Child Care Benefit). 11% of you will save a few hundred dollars at tax time from income splitting. And if you feel like running that household debt up a little higher, you will "save" an extra 2% from the reduction in GST when you buy goods and services (actually you will spend money but, you know, 2% less.)

All this help will cost the federal government \$7.8 billion this year. For which, they would like you to do a little something for them. Create jobs. Please. Lots of jobs. How? Spend money. Don't pay down your debt. Don't take advantage of the higher limits on tax-free savings accounts. Go out there and stimulate the economy people!

This is the plan for jobs and growth presented in the 2015 federal budget. A family tax package repurposed as economic stimulus. And here is why it isn't going to work. Not for families, not for individuals, not for job creation and not for economic growth.

Let's start with income splitting.

Why won't income splitting work for you? 89% of Canadian households will receive no benefit from income splitting. Of the households that qualify, most will receive only a few hundred dollars back on their taxes. The maximum benefit of \$2000 will go to only 3% of Canadian households, most of whom make over \$200,000 a year. This provides choice to households that already have plenty of choices available to them.

Why won't income splitting work for the economy?

In every country where income splitting has been introduced the impact has been the same. Women leave the labour force. Men's levels of employment are largely unchanged.

So, isn't that good? Isn't that a choice? Well, not really. The majority of the growth in women's employment over the past thirty years has been in full-time work. A third of all the women who are currently working part-time would rather be working full-time. Where childcare is available and affordable, women's labour force participation increases (and fertility rates increase). That's what happened in Quebec when they provided \$7/day childcare and expanded parental leave. This suggests that most women are choosing to be in the workforce and that most families don't see working and having children as mutually exclusive.

Staying out of the workforce is also not a choice that most families can afford. Men's wages have been largely stagnant for the past thirty years. The reason family incomes are going up is because more and more women are going into the workforce. Women's participation in paid work is also an essential shock absorber for families when male-dominated industries (like oil and gas, like construction) suddenly take a downward turn.

Pushing women out of the workforce also makes little economic sense. One of the industries that has seen the healthiest level of job growth in the past five years is health and social services-this is a female dominated job sector, with women holding 79% of jobs. Take women out of the labour force, and watch the pool of qualified candidates for those jobs shrink. That's a job loss strategy, not a job growth strategy.

What about that UCCB cheque? Isn't that going to create jobs and make everyone's life easier?

Households struggling with record high debt could use a cheque. \$60-\$160 a month is still something. Here's what that \$160 is not going to

do for you. It is not going to make childcare spaces appear where they weren't before. A million children under the age of five live in households with two working parents. There are currently only half a million regulated childcare spaces available in Canada. Those parents need childcare spaces.

If you can find a child care space, that \$160 is also not going to pay the bill, unless you live in Quebec-where the province provides childcare that costs just about \$160 month. In the rest of the country your \$160 will buy you three days of childcare. Good luck with the rest of the month.

What about jobs? With no new child care space, there are no new child care jobs. Without affordable and available child care, parents who want and need to go back to work (at any point in their young child's life) find themselves unable to get back into the job market. Without two incomes, most families will see their household debt continue to climb. Their revenues and the government's revenues will both decline or stagnate. No jobs. No growth.

Rather than sending everyone a cheque and hoping for the winds of change, the federal government should take responsibility for stimulating job growth. For the cost of its family tax package, Canada could have nation-wide affordable childcare system-a demonstrated boost to employment and the economy. Evening the playing field for parents from province to province.

Rather than investing in declining resource sectors, which evidently are heavily reliant on the fluctuations of a global marketplace, the government could stimulate growth in the sectors that are already producing decent, permanent jobs-like health and social services.

Rather than providing choices for the most affluent, the federal government could reduce discrimination and inequality. Few workers saw their wages increase by more than 2-3% last year. But 32% of working women actually saw the gap between their wages and those of their male peers widen. Closing the wage gap could boost GDP growth by as much as 10%.

Rather than minor investments in courthouse infrastructure, the government could make a significant investment in ending violence against women-a public safety issue that directly impacts millions of Canadians, accounts for an estimated 25% of all police-reported violent crime and costs the economy \$12.2 billion annually, according the government's own estimates.

The federal government has choices. It also has responsibilities. Canadians need a budget that targets the problems that they are facing (like the lack of childcare, like low wages), and takes responsibility for providing stimulus to a clearly flagging economy (rather than outsourcing that problem to indebted families).

Keep the cheque, Mr. Actionplan.

- reprinted from Canadian Centre for Policy Alternatives

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