

# Want to boost Canada's flagging economy? Provide cheap daycare <sup>[1]</sup>

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## EXCERPTS

Canada tends to leave its machismo on the ice. Our country generally ranks highly on measures of gender balance. The gap between the percentage of men and the percentage of women who work or are looking for work is the narrowest in the G20, according to a 2014 report by four international institutions, including the World Bank. The divide in Canada was in the high single digits; by comparison, the spread in Italy and Japan was more than 20 percentage points. In Mexico, 35; India and Saudi Arabia, more than 50.

But in this competition, even the winners are losers: Only 60% of women over 25 are members of Canada's labour pool. That's a lot of untapped economic output. And for some reason, the country's leaders have been OK with that. Like the rest of the world, the percentage of Canadian women in the workforce is stuck roughly where it was a decade ago. Traditional attitudes surely explain some of that: Some women will simply prefer to raise their children without the added burden of a formal job.

But a more important barrier is policy. Canada's tax code favours families over individuals, dulling the allure of a second paycheck. If one member of the household makes a good enough living, a cost-benefit analysis will often conclude that it makes economic sense for the second earner to stay at home or work part-time. Most of the time, that second earner is a woman.

This is not the time to have such a large number of women standing on the economic sidelines. Canada's economy is in clear and present danger of stagnation. The Bank of Canada's July estimate that GDP contracted in the first half of 2015 received all the attention, but more important was its forecast for the "potential growth rate"—the speed at which the central bank thinks the economy can expand without putting upward pressure on inflation. That rate is now 1.8% a year. That's not strong. Politicians were accustomed to boasting about annual growth of around 3% before the Great Recession. The Canadian economy is suffering from atrophy.

Closing the gender gap in the labour force would add muscle. All those women currently out of the workforce represent untapped earning potential and entrepreneurial energy. New Democratic Party Leader Tom Mulcair sees it. Subsidized daycare in his native Quebec resulted in higher female participation rates and stronger economic growth. Mulcair wants to replicate that experience nationally by creating one million daycare slots, at a fee of \$15 per day. The proposal would free thousands of women to work more hours or start companies. A 2013 OECD study found that providing support for the care of children under three had a "more robust" impact on women's workforce participation rates than paid leave or family benefits. The report also concluded that affordable child care was "essential" to raising the percentage of women with full-time jobs.

The other leaders, including Elizabeth May of the Green Party, offer nothing that would change the status quo. Prime Minister Stephen Harper's income-splitting scheme—which allows the primary earner in about two million families to shift a portion of his or her tax burden to his or her spouse—will likely give some mothers another financial reason to stay home. Liberal Leader Justin Trudeau says he would scrap income-splitting, but says he would outdo Harper's pre-election boost to the Universal Child Care Benefit by sending even bigger cheques to parents.

In theory, either windfall could be used to pay for daycare. But Canada's highly indebted households are just as likely to use the cash to reduce their credit card bills. A practical and self-sacrificing mother might also be inclined to put any additional government payment into one of several tax-sheltered savings accounts to get a head start on future tuition. Both are justifiable choices that nonetheless do nothing for Canada's economy in the short term. A national daycare program would have a far greater effect on the economy than income-splitting or another baby bonus ever could.

-reprinted from Canadian Business

**Region:** Canada <sup>[3]</sup>

**Tags:** mother's labour force participation <sup>[4]</sup>  
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