



Child Care in Ontario:

A Review of Ontario's New Child Care Tax Credit
and Implications for Ontario's Labour Force

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Financial
Accountability
Office of Ontario

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Report Outline

The 2019 Ontario Budget introduced the Child Care Access and Relief from Expense (CARE) tax credit to reduce child care costs for low- to moderate-income families.

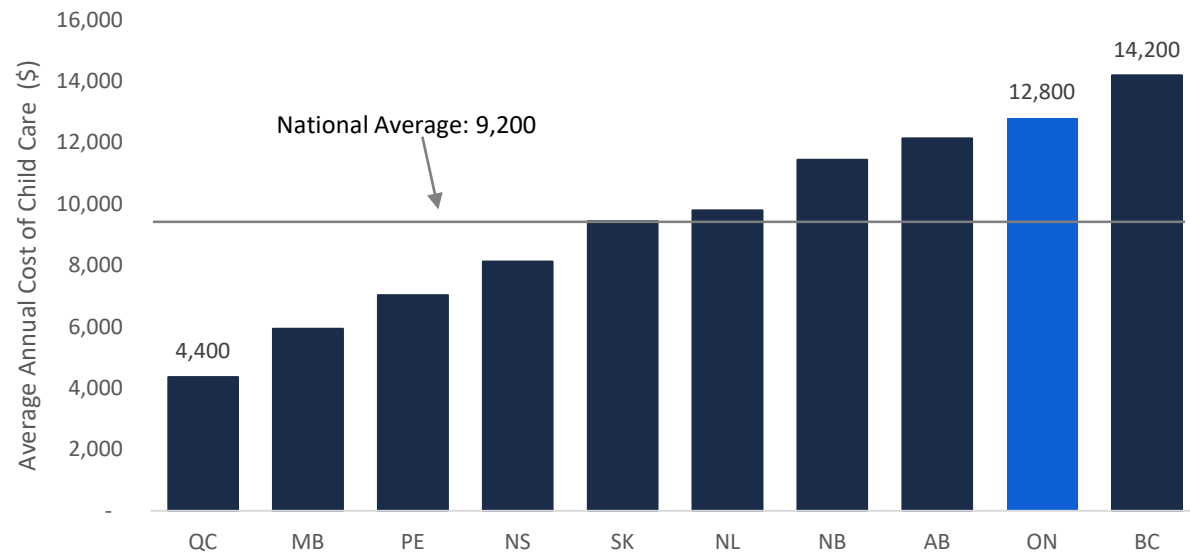
This report:

1. Discusses child care costs and its implications for households and Ontario's labour force;
2. Provides estimates of the impact of the CARE tax credit on the Province's budget;
3. Examines the impact of the CARE tax credit on Ontario households; and
4. Provides high-level estimates of the impact of the CARE tax credit on Ontario's workforce and economy.

Ontario Child Care Costs and Female Labour Force Participation

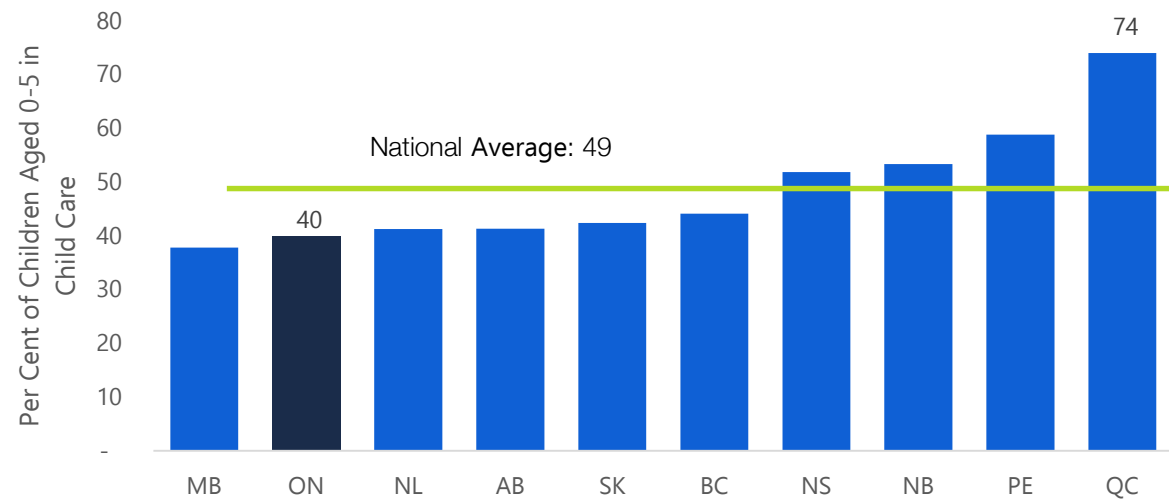
Child care cost in Ontario

Ontario had the second highest average child care costs in Canada in 2018



High child care costs contribute to lower use in Ontario

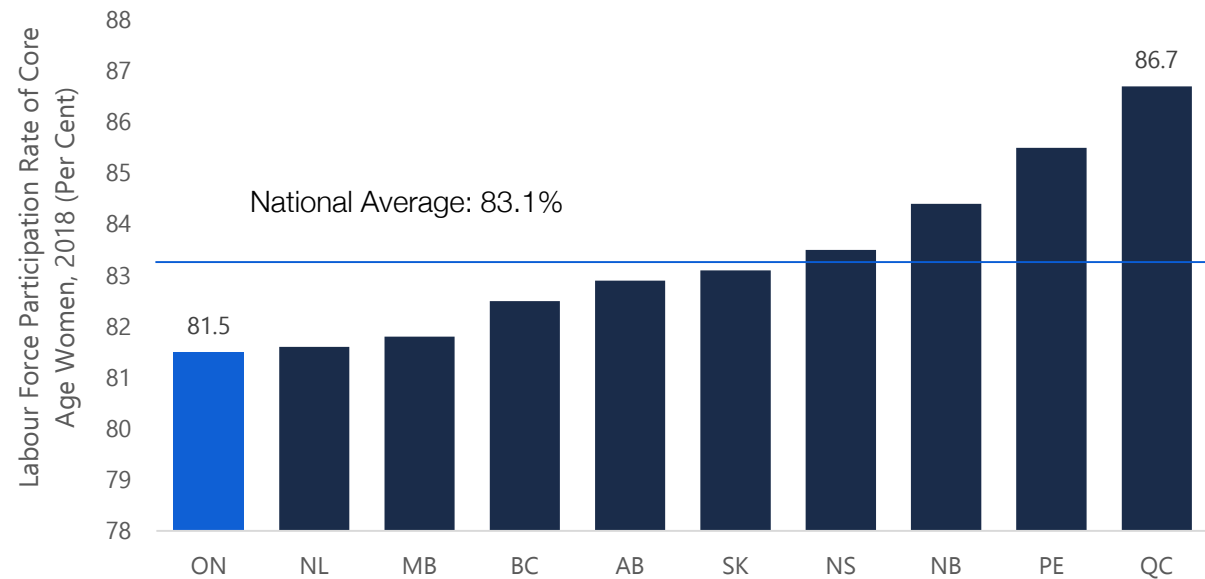
Ontario has the second lowest share of children in child care in Canada in 2019



- 28 per cent of Ontario families that do not use child care indicated that high cost was a barrier

Low child care use associated with lower female labour force participation

- Mothers with young children are less likely to participate in the labour force than women without children
- Ontario's labour force participation rate for working-age women is the lowest in Canada



Impact of the CARE Tax Credit on the Budget

Impact of CARE Tax Credit on Budget Balance

Comparison of FAO and Government estimates of CARE tax credit cost

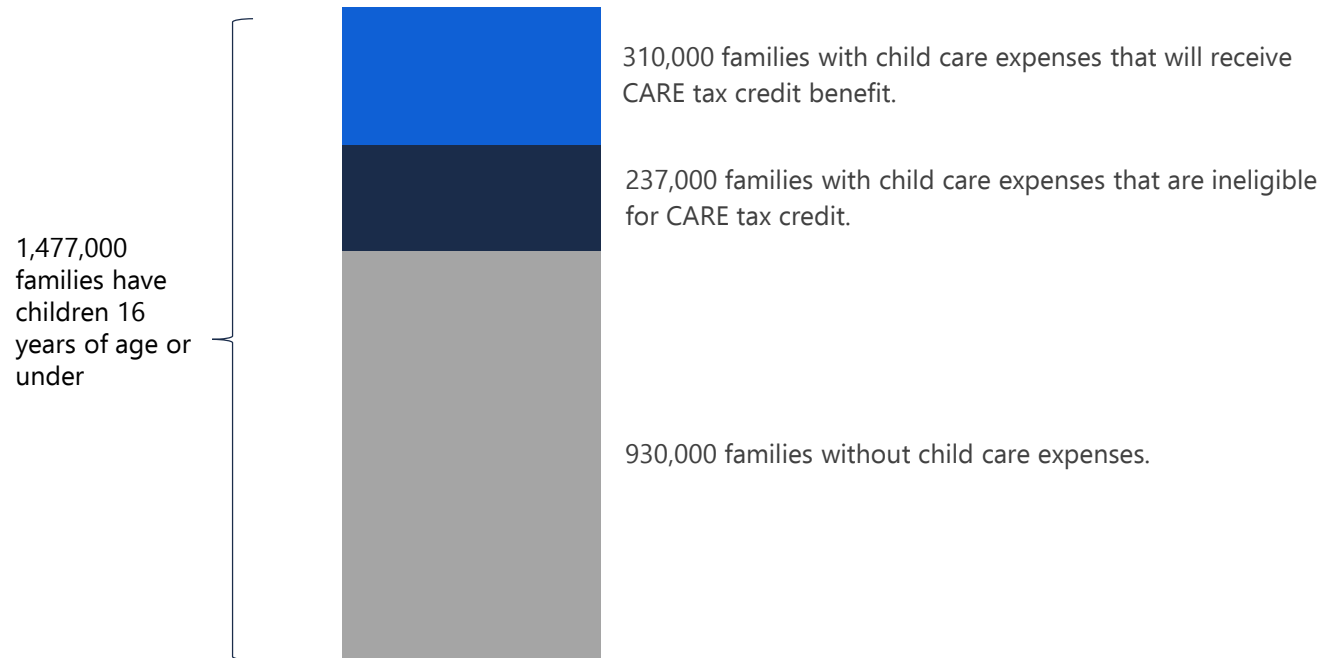
(\$ millions)	2019-20	2020-21	2021-22	2022-23	2023-24	Total
FAO Estimate	435	465	475	470	460	2,305
Government Estimate	390	390	390	390	390	1,950
<i>Difference</i>	<i>45</i>	<i>75</i>	<i>85</i>	<i>80</i>	<i>70</i>	<i>355</i>

- FAO estimates CARE tax credit will cost on average \$460 million over the next five years, totaling \$2.3 billion
- In 2019 budget, Province estimates CARE tax credit will cost \$390 million annually over the next five years, totaling \$2.0 billion
- Overall, the FAO projects that CARE tax credit will cost \$0.4 billion more over five years compared to the Province's forecast

Impact of the CARE Tax Credit on Households

CARE provides benefits to 21 per cent of Ontario families with children

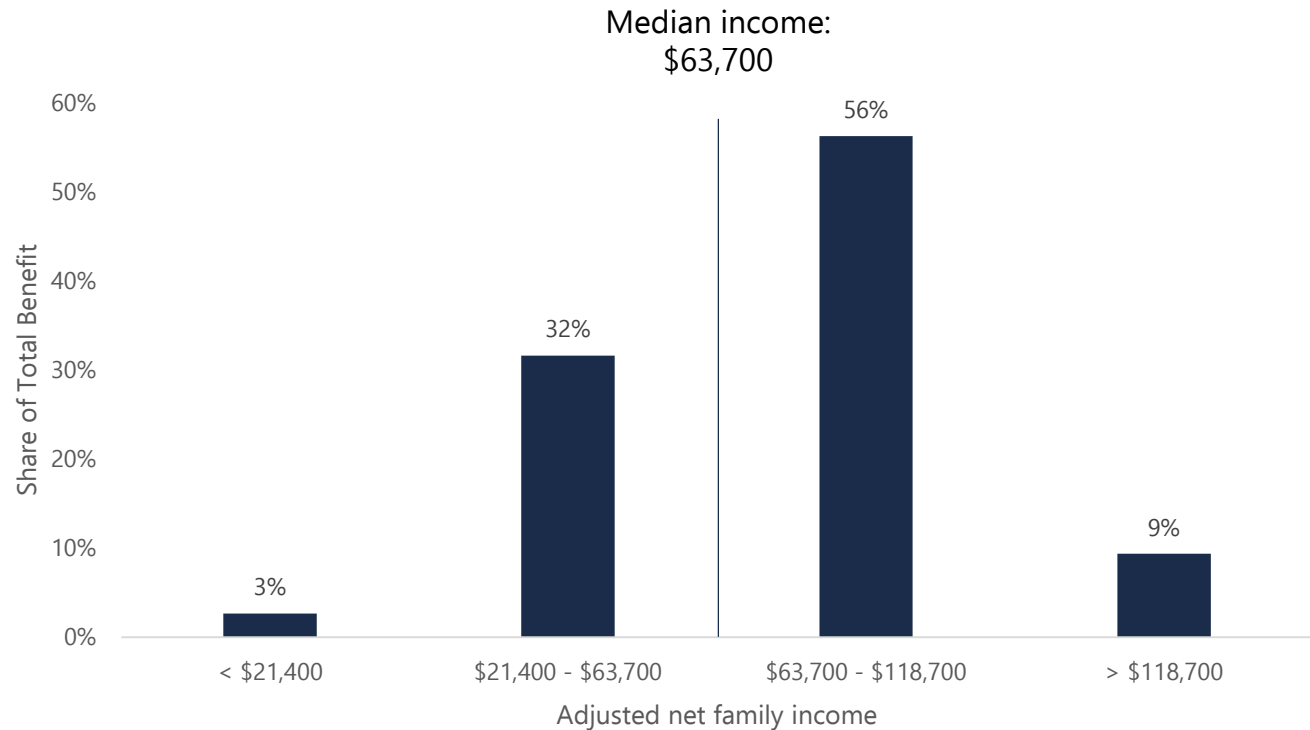
- CARE tax credit will provide an average benefit of \$1,300 to 310,000 families



Few families will receive the maximum CARE benefit

- The 2019 Ontario Budget states that the CARE tax credit will provide up to:
 - \$6,000 per child under seven,
 - \$3,750 per child between seven and 16, and
 - \$8,250 per child with a disability
- Based on the FAO's analysis, fewer than 300 families (0.1 per cent of all recipients) will receive the maximum CARE tax credit benefit

Two-thirds of CARE benefit is distributed to families with above-median income

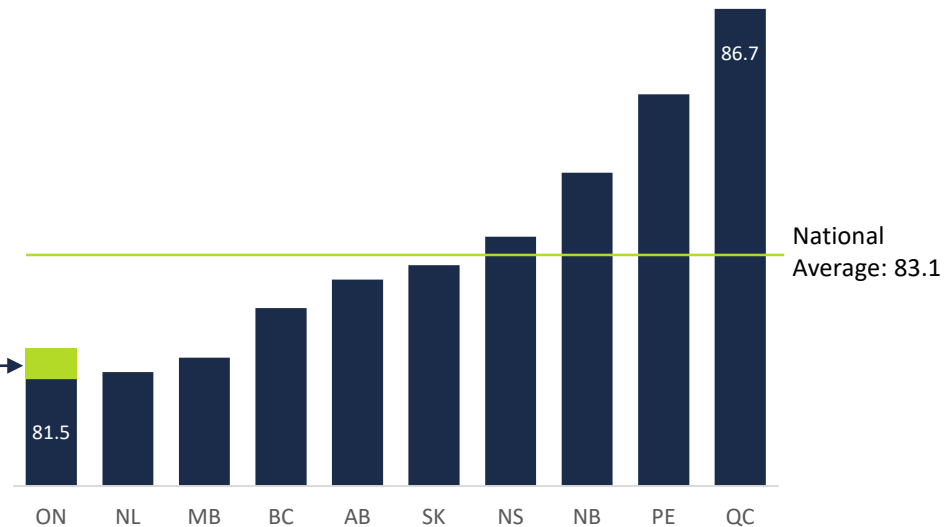


Only three per cent of the total CARE tax credit benefit will be distributed to families with incomes below the 25th income percentile (\$21,400 or less).

Economic Impact of the CARE Tax Credit

CARE tax credit to modestly boost female labour force participation

CARE expected to boost Ontario's participation rate by a modest 0.4 pts.



- CARE tax credit to expand workforce by 6,000 to 15,000 people
- Labour force participation by Ontario women will be modestly boosted by CARE credit, but will remain well below the national average rate

Thank you

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