

# Child Care in Ontario:

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

**fao**

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.

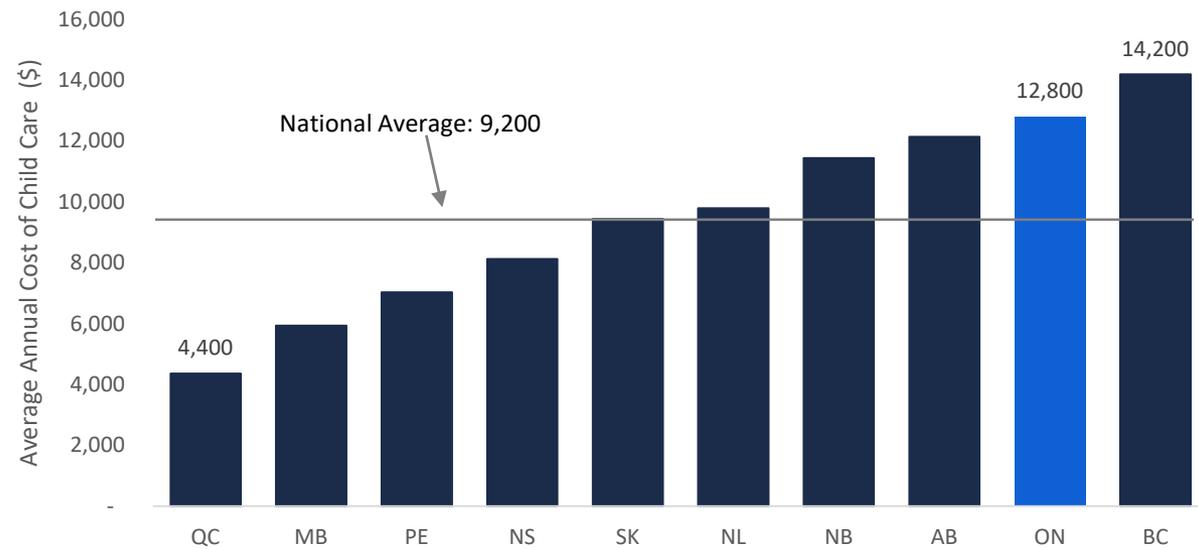
This report:

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

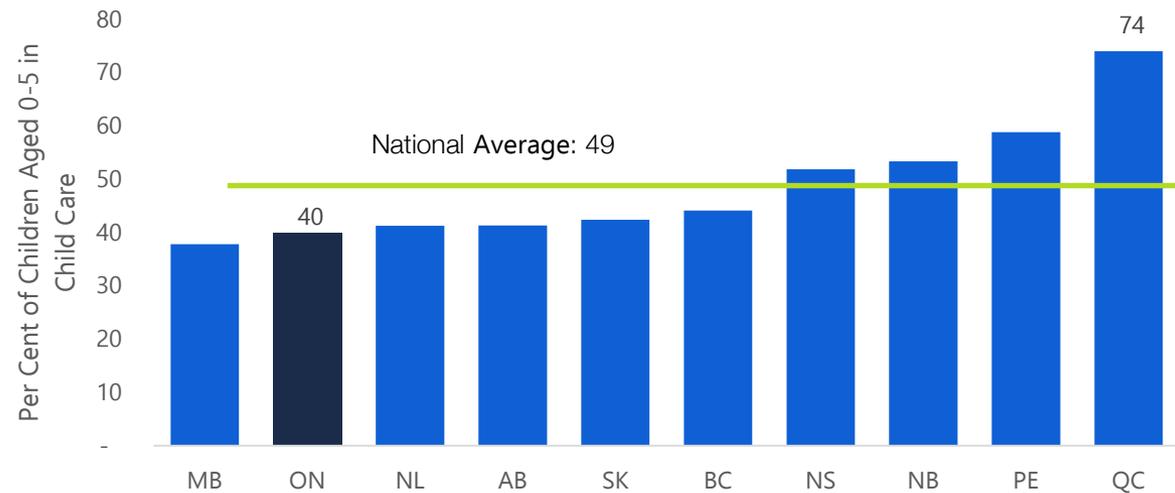
# Child care cost in Ontario

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



# High child care costs contribute to lower use in Ontario

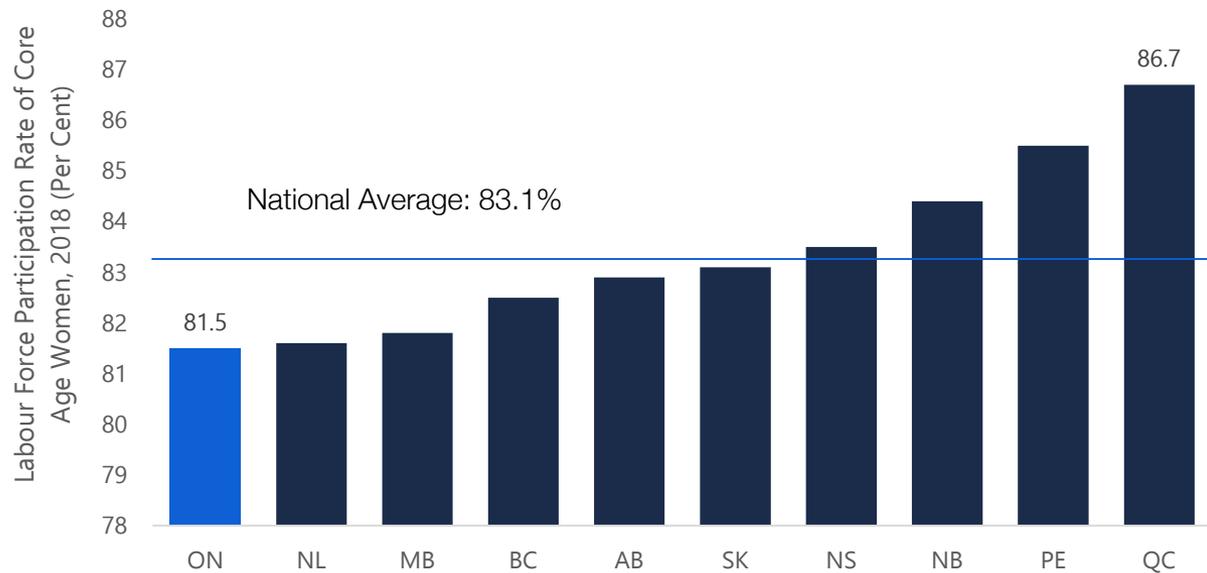
Ontario has the second lowest share of children in child care in Canada in 2019



- 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

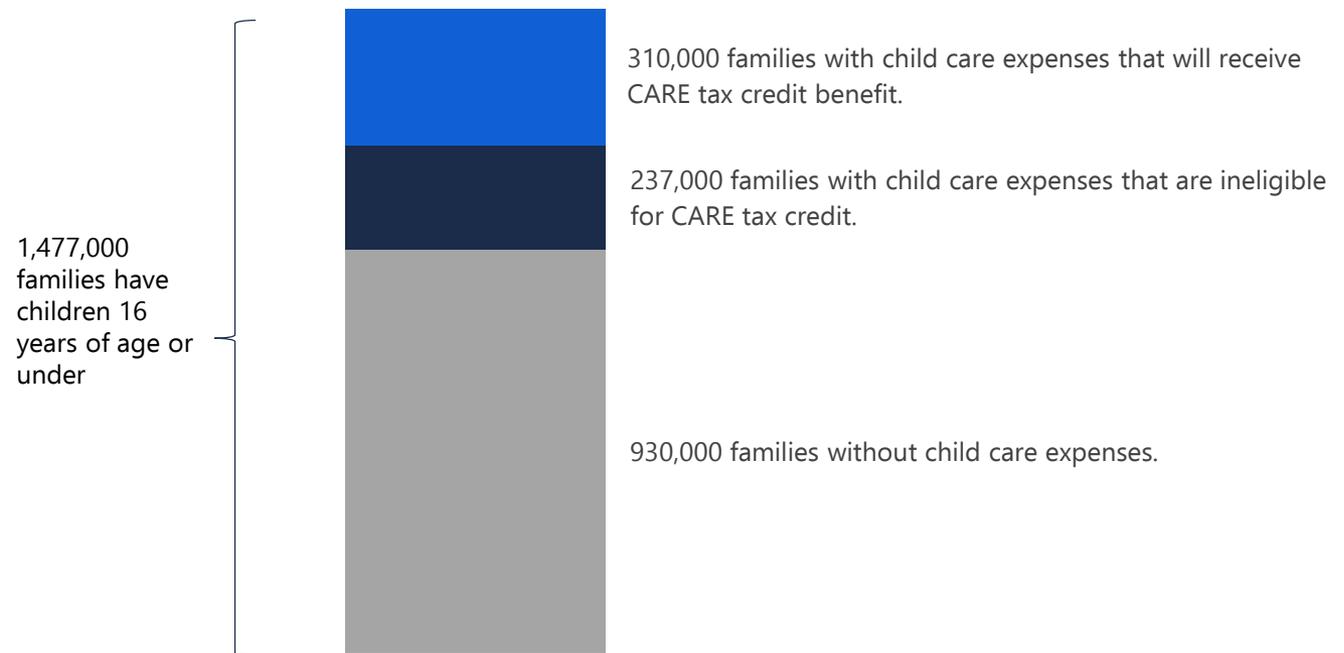
(\$ millions)	2019-20	2020-21	2021-22	2022-23	2023-24	Total
FAO Estimate	435	465	475	470	460	2,305
Government Estimate	390	390	390	390	390	1,950
<i>Difference</i>	<i>45</i>	<i>75</i>	<i>85</i>	<i>80</i>	<i>70</i>	<i>355</i>

- 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

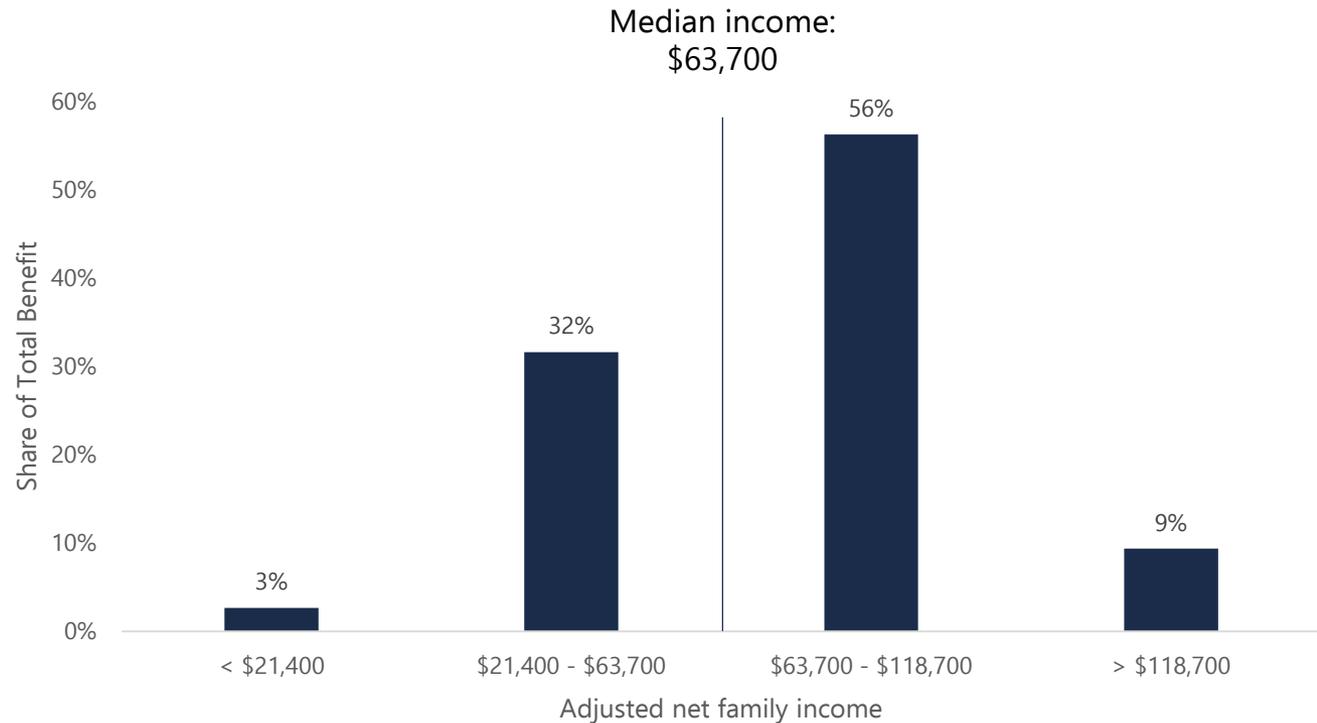
- CARE tax credit will provide an average benefit of \$1,300 to 310,000 families



# 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

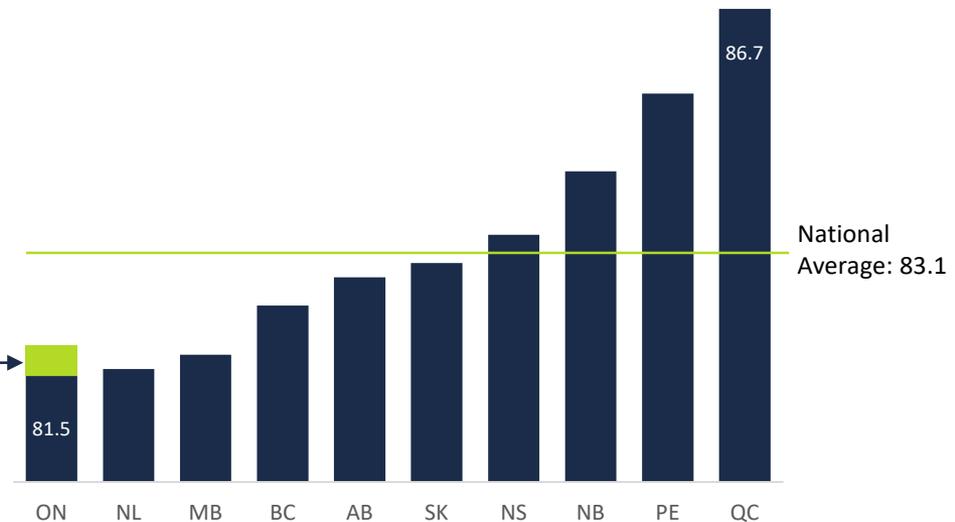


Only three per cent of the total CARE tax credit benefit will be distributed to families with incomes below the 25<sup>th</sup> income percentile (\$21,400 or less).

# **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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