

Child care in the Ontario election ^[1]

A breakdown of the parties' platforms on child care in Ontario concludes that free preschool is the best option to improve affordability

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EXCERPTS

For the first time ever, child care is a **central policy plank in the programs** ^[3] of all three major parties in the Ontario election on June 7. But which approach is best for Ontario families?

The Liberals are offering free preschool child care (2½ years to around age 4), with extra subsidy and capital funding for care of infants and toddlers. Preschool child care services would be a right for all children, like school or kindergarten. The NDP would reduce licensed child care fees based on a family's income, so that the average cost would be \$12 per day. The Conservatives would introduce a tax credit for child care expenses; as they say, the plan would put "**money in your pockets** ^[4]" if you purchase any type of child care. However, there are significant limitations on the amount of expenses covered.

I will argue that making preschool child care free of charge is the best option for dramatically improving the affordability of child care for parents in Ontario. I was the main author on a **recent study** ^[5], *Affordable for All*, for the Ontario Ministry of Education that examined ways of improving the affordability of licensed child care. For this work, we built a statistical microsimulation model of child care demand and parental employment for families with children aged 0-6 and tested the effects of various funding mechanisms. We carefully considered the experience of other jurisdictions, especially Quebec, in reforming child care funding. Based on this research, I will compare and contrast the major options here.

Free preschool child care

The Liberals' promise, to make preschool child care free, would dramatically improve child care affordability for families with young children. In the recent budget, Queen's Park estimated that it would be worth **\$17,000 on average** ^[6] to each family; we project that nearly all eligible families in Ontario will take up the offer of free preschool. Based on our modelling, we find that for this age group, the use of some form of licensed child care — centre-based or home-based — would become the norm for children, whether or not parents are employed. As in Quebec, this would have very positive effects on maternal employment. There would likely be considerable government effort to ensure that this service is of good quality for children and serves parental needs.

However, this would still leave care for infants and toddlers unaffordable; full-time care for infants can cost from \$15,000 to \$25,000 annually in Ontario, and the cost of care for toddlers can range between \$11,000 and \$19,000. The current government does **plan to expand subsidies** ^[7] for this age group, but child care subsidies in Ontario are targeted mainly at families earning less than \$100,000 per year. So why are the Liberals focusing on preschool children?

The response to this is that, as Robbie Burns warned us, "the best laid plans of mice and men" can go horribly wrong, and difficulties in a plan's implementation or transition can completely derail an otherwise brilliant policy proposal. In this case, by focusing first on one age group, this plan is attempting to avoid the transitional problem of ending up with excess demand for good-quality licensed child care

services.

The best example of this particular problem comes from Quebec. Quebec started its child care reforms in the 1990s with a great plan to build a high-quality system where most children would use community-based, high-quality child care centres called centres de la petite enfance (CPEs) at \$5 per day. But its crucial mistake was to make child care services affordable before there was enough capacity to serve all the demand that this created.

The CPEs couldn't handle the explosion in the demand. Most families ended up having to send their children to home child care businesses, or to for-profit spaces rented by the government to provide reduced-fee child care spaces. Both of these options were of **considerably lower quality** ^[8] than the CPEs, and still there were shortages. In 2009, the Quebec government dramatically expanded funding for a tax credit on child care expenses (almost identical to the current Conservative plan in Ontario) that allowed families to use any type of purchased child care, whether licensed or not, and receive compensation. In Quebec, this resulted in a dramatic expansion of **poorer-quality for-profit** ^[9] spaces outside the reduced-fee system.

So now child care is very affordable in Quebec but of not great quality, and the services that are of good quality are not very fairly distributed among income groups.

Our study recommended, and the Liberal government ^[10] accepted, an initial focus on making child care as affordable as possible for one age group, preschool children, an age group for which it is very well accepted that licensed group care is beneficial. This policy initiative would be used to build a system of good-quality services for all ages. There is already substantial licensed capacity for that age group. Making preschool child care free would dramatically improve affordability for Ontario families. We predicted it would lead to an increase ^[11] of 40,000 parents in full-time employment. There would be substantial increases in net tax revenues, and in economic well-being.

Income-related fees

The NDP promises to “do better” than free preschool child care. That means reducing the market price of child care according to the amount of family income. Families with incomes less than \$40,000 would receive child care for free, and there would be a sliding scale of increasing fees for higher levels of income. The NDP has not provided explicit details of its sliding scale, but it has said that the average cost of care to families would be about \$12.

This is very similar to one of the policy alternatives simulated in the **Affordable for All** ^[11] report in modelling by Michael Krashinsky and myself. In this simulation, the sliding scale starts at \$40,000, and for each additional \$10,000 of income, a family would pay an additional 4 percent of the full fee, up to a maximum of 80 percent of the full fee. This reflects the spirit of the NDP proposal: a family earning \$100,000 would pay 24 percent of the full fee, a family at \$160,000 would pay 48 percent of the full fee, and a family at \$240,000 or above would pay 80 percent of the full fee. These fees would apply to all ages of children ages 0 to 12 years.

The NDP plan would be very good if implemented, but the challenges of implementation are daunting, probably overwhelming. Using our statistical model, we estimate that there would be a demand for licensed care for 288,000 additional children ages 0 to 6 years; the total would be more than twice as much as the current demand of 238,000 for this age group. The annual cost of this funding, on top of current spending, would be \$3.7 billion annually. Our model does not estimate the additional cost for children ages 7 to 12 years, or the cost of wage enhancements. We predict full-time employment for parents to rise by over 125,000, and this additional employment would produce over \$1 billion in additional tax revenue. Nearly all families would have access to licensed, affordable child care.

However, that is the problem. The NDP promises to make the sliding scale of affordable fees available for all infants and toddlers in the second year of its mandate, if elected. In the third year of its mandate, it would make highly subsidized, income-related fees available to children of preschool age. If the NDP's plan is adopted, it is highly likely that Ontario would end up with Quebec's problem. In other words, an NDP government would be overwhelmed with demand for licensed spaces that do not exist. It would face the choice of either backing down on its resolve to insist upon high-quality and not-for-profit spaces, or managing very long waiting lists for scarce spaces, with parents insisting that affordable spaces be delivered, now.

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