

# Another poorly conceived child care proposal from C.D Howe <sup>[1]</sup>

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## AVAILABILITY

Access online <sup>[2]</sup>

## EXCERPTS

I believe we need a child care system across Canada that is as dependable, beneficial for children and accessible as the public school system and nearly as affordable. I think that is what the Finance Minister promised in the Fall Economic Statement when she said that “Quebec can show us the way on child care.”

Ken Boessenkool and Jennifer Robson offer a different perspective on how to build a child care system in a C.D. Howe Commentary entitled “**Aggressive Incrementalism: Strengthening the Foundations of Canada’s Approach to Childcare**”. <sup>[3]</sup> They argue for an incremental approach – “building on what exists”. This contrasts with what they call the “big bang approach” of universal childcare services at low or no cost to parents, fuelled by substantial federal financial contributions and leadership.

What they offer is a strange mixture of refundable tax credits, increased operating and capital grants to licensed providers, and a permanent federal transfer of funds to the provinces and territories. They don’t like principles-based child care funding agreements with provinces, but they, perplexingly, want this new permanent federal funding to be conditional on provincial efforts to expand licensed child care.

Unfortunately, in my opinion, this is a poorly thought-out, poorly informed set of recommendations for addressing the current child care crisis that families face.

First of all, their proposals do not really build on what exists. They want to dramatically transform the Child Care Expense Deduction into a refundable tax credit, which breaks with what has existed since the early 1970s. And they want to break with bilateral agreements, which was the federal funding approach under Paul Martin and now under the Trudeau government.

A “big bang” approach would, instead, keep the bilateral approach for funneling child care assistance to provinces and territories. Those agreements would probably direct increased funds towards operating and wage enhancement grants that already exist (perhaps with new conditions). And quite possibly, the existing Child Care Expense Deduction would be maintained. So, Boessenkool and Robson’s proposals break from existing funding arrangements more than building on what exists, and possibly more than the “big bang” approach would do.

The biggest problem with the Boessenkool and Robson piece is that they scarcely seem to recognize the centrality of the affordability problem. As they write, “Our focus here is ... on incremental and structural reforms to increase the quantity and quality of childcare in Canada.” (p. 3). They emphasize over and over the need for more spaces, but affordability gets a very light touch. The problem is that without very dramatic moves to improve child care affordability, the majority of new spaces will stay empty. Affordability and availability of child care are not separate problems; they have to be solved together.

Boessenkool and Robson’s main instrument to improve affordability is a refundable tax credit for child care expenses. This would replace the existing Child Care Expense Deduction. They believe the Child Care Expense Deduction is regressive and patriarchal and should be replaced with this tax credit. The truth is that they do not understand the Child Care Expense Deduction (CCED) at all. It is not a child care funding mechanism; never was, never will be. The CCED is part of the definition of income in the tax system. For our tax system to be fair (horizontally equitable), we allow the lower earner in the family to deduct his or her (but mostly her) necessary costs of employment from the income she earns, before we apply tax rates to determine how much tax she should pay. If we don’t do this, this lower earner in the family will face punitive tax treatment when she seeks employment. Getting rid of the Child Care Expense Deduction would do more to reinforce the patriarchy than to smash it.

Boessenkool and Robson think that the tax credit will solve the affordability problem. How much money will the refundable tax credit give you? Well, to judge from Doug Ford’s child care tax credit in Ontario, it won’t give you much.

Conservative politicians selling tax credits in the 2018 Ontario election announced that tax credits would cover up to 75% of a family’s child care costs. In the cold light of day after the election, the Financial Accountability Office of Ontario (FAO) studied what the likely impact of the tax credit would be in Ontario. The FAO estimated that only 300 families across Ontario, or one-tenth of one percent of all families claiming the tax credit, would be eligible for the maximum benefit – the 75% assistance promised. And, although there was much talk during the election of \$6,000 or \$7,000 of financial assistance to Ontario families, the FAO estimated that the average family

receiving a tax credit would get \$1,300 worth of help. So much for the wonder of tax credits to deal with the child care affordability problem, let alone issues of accessibility, quality, special needs, etc. Of course, Quebec has experienced the other negative effects of using tax credits: dramatic expansion of for-profit child care of considerably lower average quality.

If you do the math, you will find that most Canadian families would be only a few hundred dollars per year better off with this tax credit, and many mothers would face higher tax rates. What Boessenkool and Robson don't get is that it will take a "big bang" to dramatically improve child care affordability. And improving child care affordability is the key to solving the child care crisis that families face.

I am pleased that Boessenkool and Robson recognize the importance of providing direct operating grants and capital grants to child care providers. However, they don't seem to realize that operating grants are already a major funding mechanism in provinces and territories. And, they seem to believe that, having solved the affordability problem with their tax credit, the purpose of these more generous grants to providers is to expand the number of child care spaces. In fact, operating grants have two primary effects: first, to lower parent fees, and second, to increase staff compensation. And therefore, these grants primarily impact affordability and quality of services. The grants do not directly fund the expansion of spaces, although increased affordability means that the economics of space expansion will work out better.

Having misunderstood the purpose of these operating grants, Boessenkool and Robson then develop odd suggestions for the distribution of these grants – they should be based on the birthrate in a neighbourhood, or based on the existence of child care deserts, or they should be allocated by parents to their favoured child care provider. Some of Boessenkool and Robson's suggestions could be interpreted as a belief that there should be more planning in the child care system – that facilities should be grown most in the neighbourhoods that need them most. Others, like the suggestion that these grants should take the form of a child care voucher, head in the opposite direction. It is a confusing mish-mash.

Boessenkool and Robson suggest that the federal government should transfer child care funding to the provinces and territories in the form of a permanent block grant rather than through bilateral agreements with conditions for the expenditure of funds. This seems unrealistic and undesirable at this stage. It is unrealistic because solving affordability, accessibility and quality issues in child care will take Billions of dollars of annual funding. The federal government will need reasonable assurance that this money is being spent to deliver affordability, accessibility and quality, rather than, for instance, to enrich private corporate interests in different jurisdictions. Once a good and effective child care system is established across different jurisdictions, block grants could be a viable funding mechanism.

To state it succinctly, I think the primary federal government objective is that there comes to be, in each jurisdiction, a planned, coherent and diverse system of community-based high-quality early learning and child care services that are affordable and accessible to families. The federal government needs to be respectful of provincial/territorial jurisdiction (which has important benefits). But the federal government also needs to ensure that funding goes towards achieving this multi-faceted objective.

Gordon Cleveland

**Region:** Canada <sup>[4]</sup>

**Tags:** child care policy <sup>[5]</sup>

investment <sup>[6]</sup>

funding <sup>[7]</sup>

universal system <sup>[8]</sup>

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[3] <https://www.cdhowe.org/public-policy-research/aggressive-incrementalism-strengthening-foundations-canada%E2%80%99s-approach-childcare>

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