

Opinion: If the Liberals really wanted a successful federal daycare program, this one isn't it ^[1]

Janice MacKinnon and Jack Mintz: The program will take too long to implement and fail to meet the needs of Canada's diverse workforce

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EXCERPTS

The federal government's 2021 budget introduces a daycare program, fashioned after Quebec's, as a \$10-a-day, 50/50 shared-cost conditional grant program with the provinces. By adopting a conditional grant program that requires a one-size-fits-all approach without recognizing provincial differences in fiscal capacity, the program will take too long to implement and fail to meet the needs of Canada's diverse workforce.

Daycare regulation is a provincial responsibility and the needed policies to achieve the goal of making daycare more affordable and accessible vary across Canada. What works in Quebec might not work in Nova Scotia or Saskatchewan. The success of the federal daycare initiative will depend significantly on how much flexibility the provinces have to design daycare programs that suit their unique needs.

The federal budget goes over the top, claiming the program "is one of the most significant actions taken since the North American free trade agreements to create economic opportunities for Canadians." While it is true that daycare spending brings economic benefits by encouraging both parents in a family to work, it will not pay for itself. And the price tag is high: its annual cost is expected to be \$18 billion in five years, including the provincial share and indigenous support and excluding any cost related to Quebec's to-be-negotiated package.

The program's benefits are being exaggerated in three ways. First, the federal government is relying on the Quebec experience, but there is no reason to believe that the increase in employment seen in that province will hold true for the others. The Quebec daycare plan did produce economic benefits, but a number of studies — such as one conducted by Pierre Fortin, which estimated that for every dollar spent on daycare the economy grows by \$5 — have significantly overestimated the benefit.

Second, as pointed out by economists Michael Baker and Kevin Milligan, there are some social and health advantages with competing at-home care that should be quantified in any economic assessment. Third, daycare could provide some important learning benefits, although the best response might be an expansion of full-time junior kindergarten, as some provinces have done.

The federal budget states that, "TD Economics has pointed to a range of studies that have shown that for every dollar spent on early childhood education, the broader economy receives between \$1.50 and \$2.80 in return." Omitted was the qualifier that followed in the same 2012 report: "One needs to acknowledge, however, that quantifying these benefits is not an exact science and a large margin of error likely exists. So, the benefit/cost ratio must be interpreted with caution."

Significant new federal money to help parents with daycare costs is good news, but at issue is the model chosen to spend federal money in an area of provincial jurisdiction. The federal government could have used a model like the Canada child benefit: a federal program that provides support to low-income families to encourage parents to move from welfare to work. This has reduced welfare costs for the provinces, which used the savings on other social programs.

The federal government could subsidize the cost of daycare by providing tax credits or transfers directly to parents. Spaces could be increased by federal subsidies to operators and provinces could focus on enhancing their own daycare offerings.

Instead, the federal government chose a model reminiscent of the 1960s approach to medicare: a universal program, with federal cost sharing available only to provinces that accept the national standards. The model is outdated and rigid.

In terms of costs, why should provinces move from daycare costs of more than \$1,000 a month to \$10 a day? What if some provinces want to charge more than \$10 a day so that they can afford to fund more spaces?

Why is it good public policy to provide cheap daycare to wealthy Canadians? What if some provinces want to base fee levels on income, so that upper-income people pay more, and the money is used to expand the supply of daycare? Gearing costs to income and providing more supply to others is arguably fairer than the proposed Quebec-based model. Provinces need the flexibility to decide the parental payment structure and level that works best for their jurisdictions.

Flexibility also means subsidizing many kinds of daycares to meet the needs of today's diverse workforce. The budget commits "support primarily for the not-for-profit sector," which would leave out private operators, often small female-owned businesses, that provide daycare to today's workforce, which includes many shift workers, more part-time and temporary workers, and people whose daycare needs vary from week to week.

As two female private daycare operators wrote in the Globe and Mail: "Failing to enable diverse care models means only middle-class, full-time, permanently employed parents will benefit from a \$10/day model." Surely, we do not want to create a two-tiered system where an "elite" group of parents are fortunate enough to access not-for-profit, \$10-a-day daycare, while leaving many others to pay much more for less traditional but equally essential daycare services.

What is required is compromise and accommodation, especially since provinces are understandably skeptical about the prospect of another federal-provincial cost-sharing program. When medicare was created, the federal government used 50/50 cost sharing to pressure provinces to support the program. Today, even if federal personal tax point transfers are included, provinces pick up two-thirds of medicare costs (without tax points, the federal share is only 21 per cent).

The same budget that introduced the new federal-provincial daycare plan ignored provincial appeals to make a long-term increase in federal transfers for provincial health-care systems that are overburdened with COVID-19 patients and long-term care facilities, which have been devastated during the pandemic.

It would have been simpler and more expedient for the federal government to directly fund daycare costs through grants or tax credits. Probably, to keep the program targeted, a focus on affordability for parents needing to work would have enabled the federal government to save some money for other health-related provincial transfers.

Region: Canada ^[3]

Tags: federal budget ^[4]

national child care system ^[5]

child care workforce ^[6]

mother's labour force participation ^[7]

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<https://childcarecanada.org/category/tags/federal-budget> [5] <https://childcarecanada.org/category/tags/national-child-care-system> [6]

<https://childcarecanada.org/category/tags/child-care-workforce> [7] <https://childcarecanada.org/taxonomy/term/8142>