

The impact of Canada's \$10/day childcare plan on women, families, and the economy - An interview with Dr. Gordon Cleveland ^[1]

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In 2021, the federal government announced a new childcare plan that aspires to reduce licensed childcare fees to just \$10/day by 2026. All provinces and territories (except Quebec which already has a similar program) have now reached agreements with the federal government on how the plan will be carried out in their jurisdiction. To learn more about the anticipated impact of the plan on Canadian women, and the Canadian economy more generally, we spoke with Dr. Gordon Cleveland, Associate Professor Emeritus, in the Department of Management, at the University of Toronto Scarborough. Cleveland's research focuses on the economics of early childhood education, and he has researched and written on topics related to early childhood education for over 30 years.

Can you provide a brief explanation of the \$10/day childcare plan?

Gordon: The way I describe it is there's the template that everybody has heard about, that was in the federal budget in 2021, and then there's the reality which is more complicated. The template is that as of the end of December 2022, licensed childcare fees across the country, for children ages 0-5 years old, will be lowered by 50%, and there will be a further lowering in March 2026 down to \$10/day, with licensed childcare capacity expanding between 2022 and 2026 to meet the additional demand. There are other details in terms of inclusion and services for lower-income families, but that is the basic template.

However, in different provinces and territories the childcare plan looks quite different. The plan is implemented by bilateral agreements between the provinces and territories, and the federal government. There's an action plan for each province and territory, which lays out exactly how they're going to achieve broad objectives, and those action plans vary across the country. In some of the Atlantic provinces, part of the childcare covered by the plan will be care for 3-year-old or 4-year-old children during the school day, since generally 4-year-old kindergarten is not provided by the school system. In other provinces, such as Ontario, where there is already full-day kindergarten for 4-year-old children through the school system, childcare fees at every childcare center will be reduced by 50%. In other provinces, the way that they're implementing the plan is saying we've calculated how much money we need to get an average cut in fees of 50%, and we're going to lower your fees by that many dollars/month. However, if you're currently at a high-fee center, that's a lot less than a 50% reduction, and if you're at a low-fee center that's more than a 50% reduction.

How important is the \$10/day childcare plan for women and families?

Gordon: The plan could be very important for all families. Many people have done analyses of the ways in which childcare costs act as a barrier to labour force participation, particularly for women. We know that cutting fees to approximately \$10/day will have a big impact on labour force participation, the number of people employed, and the number of hours worked, in addition to having knock-on effects. There will be an impact on women who are of labour market age currently, as well as girls in high school, or even earlier stages of schooling, as it could impact their decision making, and the talents they try to accumulate, as they see that childcare is widely available and low-cost. Therefore, I expect the plan to have an impact on employment and labour force participation right now, but I also expect the plan to have long-run impacts that grow over time, because this is actually a change in the basic institutions of our society.

How do you think the \$10/day childcare plan will help women recover from the COVID-19 pandemic? Do you think that implementing the plan will help with the current labour shortage in Canada?

Gordon: In terms of the Covid-19 pandemic, most of the effects on the labour force participation of women and the employment of women, are now over. The labour market is back at, or above, where it was before the pandemic. There was a huge dip in participation and employment, which did impact women very strongly, but the pandemic is no longer impacting the aggregate amount of labour in the same way. In terms of the impact of the \$10/day childcare plan on labour supply generally, I think the plan will have very substantial impacts going forward. However, there's a big asterisk here, and that asterisk is assuming that the amount of licensed childcare capacity expands to meet demand. As economists we know that when you lower the price of something, which is what you're doing in lowering the cost of childcare to \$10/day, you can expect a big impact on the quantity demanded, for any good, but childcare in particular. So, we know that

there will be a big expansion in demand, and almost all of the positive impacts of the plan that we've talked about for women and girls, depend on the rapid expansion of capacity. The weakest part of the bilateral agreements between the provincial and territorial governments, and the federal government, is their failure to effectively deal with the rapid expansion of capacity.

Those problems were central to Quebec, back in the late 1990s and early 2000s when they began to roll out their \$5/day childcare program. They didn't have enough capacity and they've been scrambling ever since to expand capacity. So, we should know that this is a big problem, and the difficulty is that you don't really get the strong labour force impacts and changes in women's role in the labor force, unless that expansion of capacity does occur.

Do you think that the impact of the \$10/day childcare plan will differ by province/territory?

Gordon: Yes, and for a number of reasons. In some cases, there will be structural or taste factors that make it different. We would anticipate that in Nunavut, the impact may very well be different than it would be in Ontario. Maybe parents in Alberta are more cautious about licensed childcare programs, maybe in Ontario licensed childcare programs have become very popular over the years and there are no barriers to using them, on the part of most parents, and they're regarded as good quality.

Further, there certainly will be differences, based on differences in the roll out of the program. Some of the provinces and territories, particularly those in the Atlantic region, have promised that their coverage rate (licensed childcare spaces divided by total population of children ages 0-5) at the end of 2026 will be 59% of children. That means that if 59% of children ages 0-5 in the Atlantic region wanted to use childcare they could. We know that children zero years of age often aren't using childcare, since their parents are on maternity and parental leave. So, enough capacity for 59% of children 0-5 years of age will be a lot of capacity in the Atlantic region. However, other provinces have targeted a total coverage rate of only 30-40% by 2026, so childcare spaces will be scarce.

Another reason that the impact will differ by province and territory is that different provinces and territories bargained for different age ranges. In Manitoba if you're 6 years of age you're covered by this agreement, in other provinces, if you're 6 years of age you're not. Maybe, in the future all of these differences will work themselves out, but at least in the initial period, there will be differences based on different amounts of capacity, age ranges, and institutional arrangements.

What are some of the complementary policies that provinces/territories must implement for the \$10/day plan to be effective?

Gordon: There are two complementary policies that provinces and territories need to implement for the plan to be effective: (i) expansion of capacity and (ii) parental leave and benefits. I calculated how many childcare spaces Ontario would need with a 50% reduction in fees, as well as when childcare fees are reduced to \$10/day. My calculations, based on estimates of demand that I've made for Ontario, are that Ontario would need an additional 200,000 spaces to cover all of the extra demand that would occur if childcare fees were reduced by 50%, and Ontario would need an additional 300,000 spaces by the time childcare reaches \$10/day. We have about 300,000 licensed childcare spaces for 0-5-year-old children right now in Ontario, so that means that by 2026 we will have to double our capacity to serve all of the additional demand.

How many licensed childcare spaces are we planning to add in Ontario by March 31st, 2026? The answer is 76,700 spaces. That's a lot less than 200,000, and a lot less than 300,000. If there isn't a complementary policy that dramatically expands capacity, there are going to be huge waiting lists, and we won't get all of the benefits from the plan that are expected. Another issue that goes along with that is that most of the expansion is supposed to happen in the not-for-profit sector and getting expansion to occur in that sector is more difficult. Governments need to be more active in facilitating the expansion of not-for-profit care, and make federal, provincial, and municipal lands available for the construction of childcare facilities.

The second complementary policy is parental leave and benefits. We're now at essentially 1-year of leave and benefits for most families, with an option to go up to 18 months of leave if you spread the same amount of money over a longer period of time. As a society, we may decide that it makes sense for nearly everyone to take 18-months of leave, because the cost of infant licensed childcare is very high. So, I think provinces and territories, and the federal government, will have to discuss whether or not it's important to have an expansion of parental leave, and benefits, so most people can afford to take 18 months of leave. The other discussion that has to go on simultaneously is how to make dads take more parental leave. We all know (and good research has been done on this) that if women take most of the parental leave, then women are more discriminated against in the labour market. So basically, you have to have longer leaves and benefits, and much more equal sharing of those leaves between men and women.

If the \$10/day childcare plan had been in place at the start of the COVID-19 pandemic, do you think that women wouldn't have been hit so hard by the pandemic?

Gordon: Yes, that's certainly true. A lot of this is history, but it is sexism too. Women have been regarded and treated as sort of the reserve army of labour, the extra labourers that we can bring in when we need them, and that we can send back to the household when we don't need them. That was a long tradition in terms of women's position in Canadian labour markets, and in labour markets elsewhere. We saw that happening again during the pandemic. Women were pushed out of the labour market first, and they were the ones that were sent home to do the caring, so they were impacted more strongly than men during the pandemic. Women's position would have been much better if there was a well-established, less expensive childcare system, and a more equal distribution of parental leave, so that men were regarded by employers as equally likely to play family caregiving roles as women are. Both of those things would have meant that women were expelled from the labour market much less than they were, proportionally. Of course, there was also the issue of the transmission of Covid-19 within childcare centers, so childcare centers would have had to do a better job dealing with health and safety issues simultaneously. However, even though that was a problem, the answer is yes, women's position would have been much better with a \$10/day childcare plan.

Region: Ontario ^[3]

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