

# The Fraser Institute's evaluation of the \$10 a day child care reforms <sup>[1]</sup>

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This is not his best work. Phillip Cross has had a notable career at Statistics Canada. He's an expert in macroeconomic trends. But, one thing that he knows very little about is child care. Unfortunately, he has written a short paper for the Fraser Institute evaluating the success or failure of the Canada-Wide Early Learning and Child Care reforms so far.

It's bad. Almost everything in the paper is either wrong or misleading.

So what does Phillip Cross say?

- He says that the Canada-Wide early learning and child care program had 3 goals:
  1. providing more jobs in the child care industry,
  2. enabling mothers to join the labour force, and
  3. providing better care for young children.

His paper will look at the first two.

- He looks at some evidence and concludes that there has been no change in the employment trends in child care staff.
- Then, he looks at evidence about women's labour force participation and concludes that it has hardly changed since 2015.
- Having concluded that the Canada-Wide child care reforms are a failure, he goes on to take pot shots at Quebec's child care system concluding that its universal child care system doesn't really help low-income families, wasn't really responsible for the boost in its labour force participation, has long waiting lists due to inadequate supply, and isn't really universal.

Phillip Cross is wrong on all counts, contributing yet more false information to child care discussions in Canada. There are many problems with the rollout of the Canada-Wide program across the provinces and territories – particularly slow rates of growth in child care capacity. However, the Fraser Institute paper does not grapple with real issues and propose real solutions.

Phillip Cross, believe it or not, ignores improving the affordability of licensed child care in his list of goals of the Canada-Wide program. This, of course, is the greatest success of the program so far. Hundreds of thousands of children and families have benefited from less expensive child care. Their very high child care costs have been cut by half or more. These parents are very happy with the marvellous success of the program.

## Employment in the Child Care Industry

There has been substantial growth in employment in the day care industry (NAICS Code 6244) since April 2021 when the Canada-Wide program was announced. By my reckoning, the number of persons employed in Canada outside Quebec has risen by 36.9%, a total of 32,885 additional persons employed. Phillip Cross hides this growth in two ways. First, he looks at Canada including Quebec, which is inappropriate. Quebec has a mature child care system and its employment of child care staff is not growing quickly. The focus of growth in the Canada-Wide program is on the provinces and territories outside Quebec.

Second, Phillip Cross ignores the collapse of child care employment during the pandemic and assumes that child care employment should have grown as if the pandemic did not happen. In fact, child care employment in Canada outside Quebec collapsed from over 100,000 at the beginning of 2020 to less than half of that a few months later. Employment did not climb above 100,000 until March of 2022. So, the Canada-Wide program has helped the revival of employment in the child care industry and gone well beyond. We should celebrate this, rather than hiding it. This evidence can be found in Statistics Canada CANSIM Table 14100201.

## Mothers in the Labour Force

Phillip Cross concludes that the Canada-Wide program has also shown no progress in supporting mothers to enter the labour market. According to him, labour force participation hit its peak in 2015 and even after all this money spent on child care, it has only just about reached the same level. As he notes, the participation rate was 61.7% in 2015 and now it is just 61.5%.

But, Cross is not looking at the right statistics. He is looking at the labour force participation of all women 25-54 years of age. However, most women do not currently have a child 0-5 years of age. Women without young children would not have their labour force participation affected by the Canada-Wide child care program.

The Fraser Institute report should instead be looking at labour force participation of mothers with children 0-5 who are the target of the program. Here, participation rates are up by several percentage points from April 2021 to now (from 76.9% to 79.9%) even though

expansion of child care has been slower than it should be. And compared to 2015, which the Fraser Institute cites as the high water mark, the labour force participation of mothers with children 0-5 is over 6 percentage points higher now than it was then. So this evidence of “failure” is false news and should not be left to become conventional wisdom. This data can be found in Statistics Canada CANSIM Table 14100397.

### Quebec's Universal Child Care System

Phillip Cross would presumably be very surprised to hear that Quebec's child care system is very popular with parents and with the Quebec government. He believes that low-income families have been squeezed out of access to child care. In fact, there is good evidence that a much higher percentage of low-income families in Quebec have been able to access child care than was true for low-income families in the rest of Canada in the period before the Canada-wide system[1]. The universal system of child care in Quebec encouraged many more low income mothers into the labour force and into using child care. It is true, and a problem, that on average low-income families are more likely to have their children in the lower-quality for-profit child care services. The Quebec government is expanding not-for-profit centres as a partial remedy.

Cross claims that Quebec's child care system is not universal. His evidence for this seems to be that there are 51,000 families on a waiting list for child care services. Here his lack of child care knowledge is really showing. This is a waiting list to get into one part of their child care system – the preferred part with a fixed fee and many better quality services.

There is no overall shortage of child care spaces in Quebec; in fact there are many empty spaces in the for-profit child care services funded by a tax credit. But parents don't prefer these for-profit spaces where there is no guaranteed parent fee. These services have been shown to be much poorer quality than the not-for-profit spaces in CPEs (early childhood centres). So, yes, there are 51,000 children on a waiting list to get out of these tax-credit-funded spaces and into the fixed-fee services that they prefer.

Finally, Phillip Cross tries to deny that the universal child care system in Quebec has been responsible for dramatic increases in labour force participation of mothers. He writes that “proponents attribute the increase in female participation in Quebec to its childcare program” and “Clearly, some determinants of female labour force participation are not understood by researchers, who nevertheless loudly endorse Quebec's initiative.” This is a bit strange, because if there is one thing that all economic studies of the Quebec child care program are agreed upon, it is that there was a substantial boost to mothers' labour force participation and hours of work as a result of universal child care.

A summary of the results of one of the many studies goes like this: “Lefebvre and Merrigan[2] (2008) use Statistics Canada's Survey of Labour and Income Dynamics (SLID) annual data from 1993 to 2002. Using the sample of all Canadian mothers with at least one child aged 1 to 5, they find that the policy had substantial effects on a diversity of labour supply indicators (participation, labour earnings, annual weeks and hours worked). In 2002, the effects on participation, earnings, annual hours and weeks worked of the childcare policy are respectively between 8.1 and 12 percentage points, \$5,000 to \$6,000 (2001 dollars), 231 to 270 annual hours at work, and 5 to 6 annual weeks of work.”

The Fraser Institute is not noted for the complete accuracy of its studies, but this is a bit ridiculous. As an evaluation of the success or failure of the Canada-Wide Early Learning and Child Care program, the Fraser Institute study is worse than useless. It is, perhaps deliberately, misleading.

Instead, we should conclude that:

- Hundreds of thousands of children and families have benefited from more affordable licensed child care
- There are now nearly 33,000 more persons working in the day care industry than there were when the program was announced in April 2021 – an increase of nearly 37%. Many more qualified educators are needed, but this is a good start.
- Even though the growth in the number of child care spaces has been too slow, there has still been a rise of 3 percentage points in the labour force participation rate of mothers with children 0-5 since April 2021. Again, only a start, but definitely a start.
- Quebec does have a universal child care program and many families access child care for less than \$10 a day. It is a very popular program with families. There is no overall shortage of child care spaces in Quebec, but many families want to get into the fixed-fee part of the child care system, especially the better-quality not-for-profit CPEs. Many of these families are on a waiting list. A large number of low-income families have benefited from the universal child care program in Quebec, a much larger percentage than benefited from Canada's targeted child care assistance. There is still important work to do to ensure that low-income families also benefit equally from better quality in child care services.

[1] Cleveland, G. (2017) “What is the Role of Early Childhood Education and Care in an Equality Agenda?” pp. 75-98 in Robert J. Brym ed. *Income Inequality and the Future of Canadian Society* ISBN-13:978-1-77244-044-7 Oakville, ON: Rock's Mills Press. Proceedings of the inaugural S.D.Clark memorial symposium. That study found that: “In Quebec, 61.8 percent of children 1-5 years with an employed or studying mother with a high school education or less use licensed child care. Including children with a mother who is not employed, 43.1 percent of Quebec children whose mother has a high school education or less are using licensed child care — about 30 percentage points higher than the comparable figure in the rest of Canada.”

[2] Lefebvre, P., Merrigan, P. (2008). Childcare policy and the labor supply of mothers with young children: a natural experiment from Canada. *Journal of Labor Economics* 23, 519–548.

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