

Quebec daycare: Prices up for debate ^[1]

Author: Hadekel, Peter

Source: Montreal Gazette

Format: Article

Publication Date: 18 Jul 2012

EXCERPTS:

MONTREAL - An election campaign is just around the corner in Quebec, and the biggest issue will be tuition fees for post-secondary students.

You can also expect a broader debate around the whole issue of social spending, including subsidized daycare.

If the provincial government can't afford to keep tuition fees at current levels and invest more in the quality of higher education, the same could be said of child care, where costs are rising and demand for service is growing.

Economists have debated Quebec's subsidized daycare plan at length; some have concluded the program is of net benefit to the government because it allows more parents into the workforce and generates more income tax revenue.

Even so, there is pressure to contain costs and raise the contributions paid by parents. The question is how to do so equitably.

Economists Jean-Yves Duclos and Nicholas James Clavet at Université Laval look at the issue in a study published this week by the C.D. Howe Institute.

A Quebec Liberal Party study group has proposed raising the daily contribution from \$7 to \$10 in the first year of a new mandate, while indexing it to inflation thereafter.

Before its merger with Coalition Avenir Québec (CAQ), the Action démocratique du Québec proposed scrapping the subsidized system and replacing it with a \$100 a week family allowance per child up to the age of 4.

The CAQ hasn't formally proposed this plan, but could well do so once the campaign gets rolling.

As for the Parti Québécois and Québec Solidaire, they advocate the status quo on fees, but are pushing for more spaces.

The federal government is also a player since it began making taxable \$100-per-month transfer payments to families with preschool children a few years ago. Ottawa also provides tax deductions for child-care expenses.

Any attempt at reform is complex because it can affect not only family income and government revenue but also levels of support from the two governments and participation in the labour force by parents.

For example, a \$5,200-a-year allowance, instead of subsidized daycare, would confer a bigger benefit on a single working mother earning a low income than a direct subsidy, the authors found. She would have a greater incentive to work more, in order not to lose social assistance payments that are tied to active participation in the labour force.

The mother in a couple where household income is higher would generally not qualify for social assistance and wouldn't have the same incentive to work more.

However, the \$5,200 allowance, although beneficial for working single mothers, would be more costly to taxpayers than the \$7 child-care spaces, the authors found. And it would be difficult to implement in the short term, given Quebec's tight fiscal situation.

Moving from \$7 to \$10 a day for subsidized child-care isn't ideal, either.

While it would provide an extra \$152 million a year to government revenues, it would probably not contain rising costs and would penalize single working mothers, who would be four times less likely to work than those in a two-income household.

The Laval economists argue the best route is to do away with direct subsidies while enlarging the existing provincial tax credit now available for child-care.

People using the subsidized system are not currently able to claim it. The credit covers other expenses such as baby sitting, day camps and after-school programs.

Expanding it would make aid more equitable for families who use all forms of child care, Duclos and Clavet say. It would be more efficient and transparent, promote greater choice and be more favourable to low-income families.

One anomaly in the tax system is that at equal revenue and equal child-care costs, families in Quebec now pay more in federal tax than do families outside the province.

Moving from direct subsidies to an expanded tax credit would correct that discrepancy and provide a greater role for the federal government in supporting child care.

Income earned by single working mothers also would be protected.

Reform might be a good idea, but the C.D. Howe study shows us there are a lot of moving parts to this.

-reprinted from the Montreal Gazette

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