

Read and vote: Should all Canadians receive subsidized daycare?

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EXCERPTS

The federal New Democratic Party recently unveiled a national, universal daycare plan as a key plank in its platform ahead of next year's federal election. Two policy experts debate whether a universal program applied to all Canadians regardless of income is the proper approach, or whether a means-tested program targeted to lower-income families would be of greater benefit to lower-income Canadians. Read both opinions, and use the box on the right to vote on the one you find most persuasive.

Angella MacEwan : It's not surprising that universal childcare is such a popular policy idea. Parents across the ideological and income spectrum struggle with the questions "can I afford to go back to work?" and "will my child be safe and well-cared for while I am at work?."

Parenting choices are intensely personal, and debating public policy around these choices can quickly become loaded. Let's be clear about three goals for a universal childcare program:

1. Ensure that sufficient high-quality spaces exist, and that a variety of options are available to meet the variety of needs in 21st century working life. History shows that increasing government transfers to parents does little to ensure quality or create spaces, and the market is unlikely to provide acceptable solutions for high-need children or for parents whose work hours fall outside 9-5. Public solutions can be tailored to meet a greater variety of needs. Parents that don't use regular full-time care can benefit from affordable part-time or drop-in services.
2. Recognize and address barriers. Quebec's experience has taught us that parents with more resources had an easier time accessing spots when the program first started. Planning needs to take this into consideration. For example, municipal, provincial and territorial governments can implement childcare spaces in low-income areas first, and extra resources can be directed to where they are most needed.
3. Level the playing field for women in the workforce. Women earn less money than their male counterparts, are more likely to work part-time, and still struggle to enter and stay in high-paid male-dominated fields such as technology. Universal childcare helps address this labour market imbalance.

Why Universality?

Universal programs are more resilient and of higher quality than targeted programs. Means-tested programs are often under resourced in the first place, and easier to starve when budgets get tight. When the Charest government in Quebec wanted to implement cuts to childcare, the universal nature of the service meant universal opposition to cuts. This has not been the case in other provinces when governments have cut funding to targeted supports for low-income families.

Targeted programs inevitably end up with some kids falling through the cracks. For example, a parent who gets a small raise can bump themselves out of a subsidized daycare spot – but the raise wasn't enough to pay for the higher fee they're now required to pay. The simplest and most effective solution to this is a universal program funded by progressive income taxes. As a parent's income rises, they pay more through their higher income taxes.

Means-tested programs are also hideously complex and inefficient, given the resources that must be devoted to determining eligibility and policing access. Universal programs, on the other hand, benefit from the simplicity of uniform requirements.

Finally, women at all education and income levels face a wage gap. Women tend to earn less money because of their disproportionate role in unpaid work. Both actual and expected time away from the labour force results in lower wages. This becomes a factor that tips the scales when heterosexual partners are deciding which parent should stay home with the kids. Decisions that make sense at the micro level – of course the lower income earner should stay home if the family can't afford childcare – have systemic consequences at the macro level. Universal childcare options help to stem that vicious cycle. And when childcare is widely available, employers are less hesitant to invest in workers of child-bearing age, reducing the prevalence of the "Mommy-track".

In its first decade, universal childcare in Quebec resulted in an additional 70,000 mothers entering the labour force. The pay gap between men and women in the labour force shrank. The number of single parents using social assistance was cut in half. Quebec's statistical agency, ISQ, tells us that by 2009 two-thirds of low income families with young children (total family income below \$30,000) were taking advantage of subsidized spaces.

Even with such successes, there have been growing pains in Quebec. Waiting lists can be long, and the quality of some large private

providers has been questioned. Some of these problems can be avoided by paying attention to the lessons learned, such as the importance of a gradual phase-in of quality public spaces. And it should be noted that although Quebec invests 0.7 per cent of GDP in universal childcare, they are still well behind the international standard of 1 per cent for public investment in early learning and childcare.

When a program is universal, all children have access to the same opportunities, and the economic benefits are broader and longer lasting. Universal programs are an important part of building social cohesion, and can be a key tool in reducing inequality. We can't afford not to support universal childcare solutions.

Ben Eisen : Childcare activists often point to Quebec's universal childcare system as a model for the rest of Canada. Quebec provides heavily subsidized childcare to parents across the income distribution at a nominal fee of \$7 per day, with taxpayers covering the rest of the bill. While politically popular, this system is inefficient and subsidizes economically comfortable households to the detriment of families in greater need. Instead of subsidizing formal childcare for all families regardless of income, governments should dedicate scarce public funds to providing assistance to lower-income families.

The most important reason governments should prioritize access to early learning opportunities for low-income families is that we know these interventions can have lasting effects on cognitive and behavioural development for children in this income bracket.

Several convincing studies have demonstrated that participation in high-quality childcare programs targeted at economically vulnerable families can result in improved academic performance, increased productivity and other social benefits. This kind of targeted approach to public spending is a worthwhile investment in human capital.

Proponents of universal programs frequently err by generalizing these findings across the entire population. This is a mistake because the evidence surrounding lasting impacts from childcare participation for children from economically secure families is far less conclusive.

In fact, the best evidence compiled to date suggests that while high-quality childcare programs can improve school readiness and academic performance at the moment of school entry for children from middle- and upper-income families, these benefits fade out quickly. Multiple longitudinal studies in the United States have found that positive developmental effects from childcare participation for children from non-poor families are short-lived, fading out almost entirely by the end of grade three.

The evidence from Quebec points in the same direction. There is some evidence the province's childcare program has produced improvements in early learning for children from economically disadvantaged families, but there is little evidence of significant benefits for other children. A key argument for the creation of Quebec's childcare program was that it would produce cognitive development gains. Sixteen years later, there is little evidence of broad, enduring effects on developmental outcomes.

The problem with universal programs like Quebec's is that they spread out public spending across the entire income distribution, diluting the potential public benefits that could be produced by focusing on the families in greatest need.

In fact, Quebec's system disproportionately provides subsidies to upper-income families. Recently reported statistics show that families in the top 25 per cent of the income distribution are almost twice as likely as families in the bottom 25 per cent to have a child enrolled in one of the province's \$7 per day childcare programs.

The reason for this outcome is that at a flat, nominal fee, demand for childcare spaces significantly outstrips what the government can provide, despite spending an eye-popping \$2.7-billion a year. This results in wait lists, and affluent families tend to have more social capital and ability to spend time navigating the system, and so have more success getting their children to the top and capturing the subsidy.

These numbers show that instead of going to the families who need it most, and where it can have the greatest impact on child development, more money is flowing to the province's most economically secure families, who would generally have access to a wide range of childcare options even if the program did not exist at all.

Eliminating the subsidies for wealthier citizens and using the savings for targeted efforts to provide early learning opportunities for lower-income families can reverse this indefensible outcome of the Quebec model.

These same principles indicate that a re-think of the design of the federal government's signature childcare policy, the Universal Child Care Benefit (UCCB) is overdue. The UCCB program sends a \$100 cheque to parents of all children under age six each month to help defray childcare expenses.

Providing cash allowances to parents instead of directly subsidizing childcare spaces is a defensible policy approach, and it has the advantage of providing assistance and access to enriching developmental resources to parents regardless of the childcare arrangements they prefer. However, this type of program should also be targeted rather than universal. There are much better uses for scarce public dollars than sending \$1,200 per year to affluent parents. Eliminating payments to high-income families while using the savings to provide more resources to families near the bottom of the income distribution would improve program design.

Neither providing subsidized childcare spaces for upper-income families nor giving them unneeded cash allowances qualifies as a wise use of taxpayer money. Instead, governments should pursue a focused, targeted strategy that provides assistance to lower-income families. This approach directs scarce resources where they are most needed, while making a sound long-term investment in Canada's future store of human capital.

Region: Canada [2]

subsidized-daycare

Links

[1] <https://childcarecanada.org/documents/child-care-news/14/10/read-and-vote-should-all-canadians-receive-subsidized-daycare> [2]

<https://childcarecanada.org/taxonomy/term/7864>