



# AFFORDABLE FOR ALL: MAKING LICENSED CHILD CARE AFFORDABLE IN ONTARIO

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# WHO

- Gordon Cleveland – Associate Professor Emeritus, Economics, University of Toronto Scarborough. Author of many articles, book chapters and papers on child care policy over the last 30 years
- Sue Colley – long-time Social Policy Consultant; former Executive Director, Ontario Coalition for Better Child Care
- Michael Krashinsky – Professor of Economics, University of Toronto Scarborough. Author of many articles on child care policy.

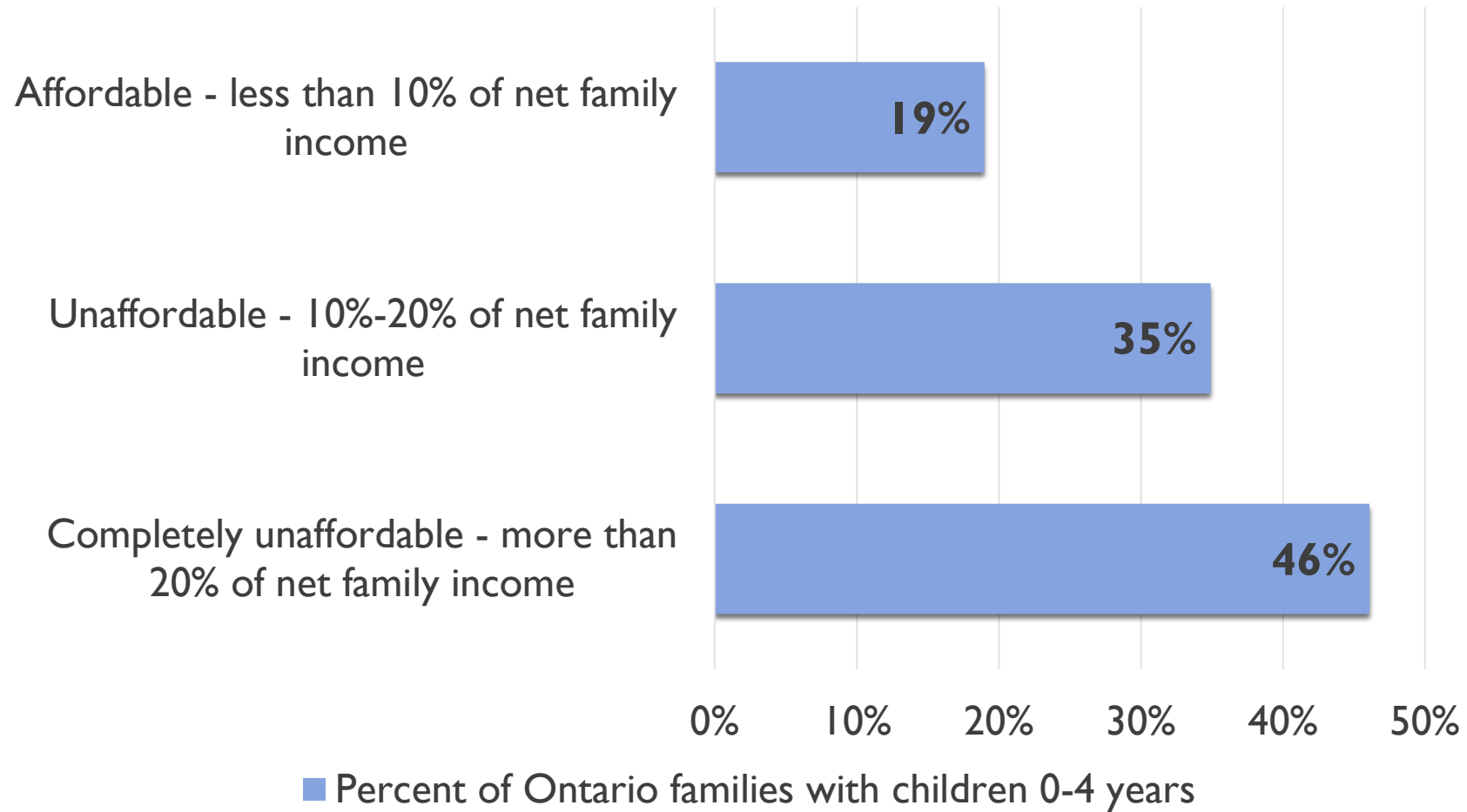
# WHAT

- In July 2017, I signed a contract with the Ontario Ministry of Education to study the issue of the affordability of licensed child care and make recommendations to dramatically improve affordability
- We designed a very comprehensive study plan:
  - Gathering and analyzing the most recent data on Ontario child care
  - Interviewing the municipalities who deliver funding and plan strategies for development of child care
  - Summarizing and analyzing experiences in other jurisdictions, including Quebec.
  - We measured the burden that lack of child care affordability creates for families.
  - We built a statistical microsimulation model to predict the effects of different possible policy reforms on the demand for licensed child care and parental employment and incomes.
  - We analyzed the impact of different policies on the net returns to employment for main caregiving parents (usually mothers) with young children.
  - We summarized literature on the impact of child care on children's development and on parental employment.
  - We analyzed workforce issues related to recruiting large numbers of new educators for child care centres.
  - And, we analyzed the very important problems of transition towards a state of dramatically improved affordability – issues of capacity, shortages, and maintaining good quality.

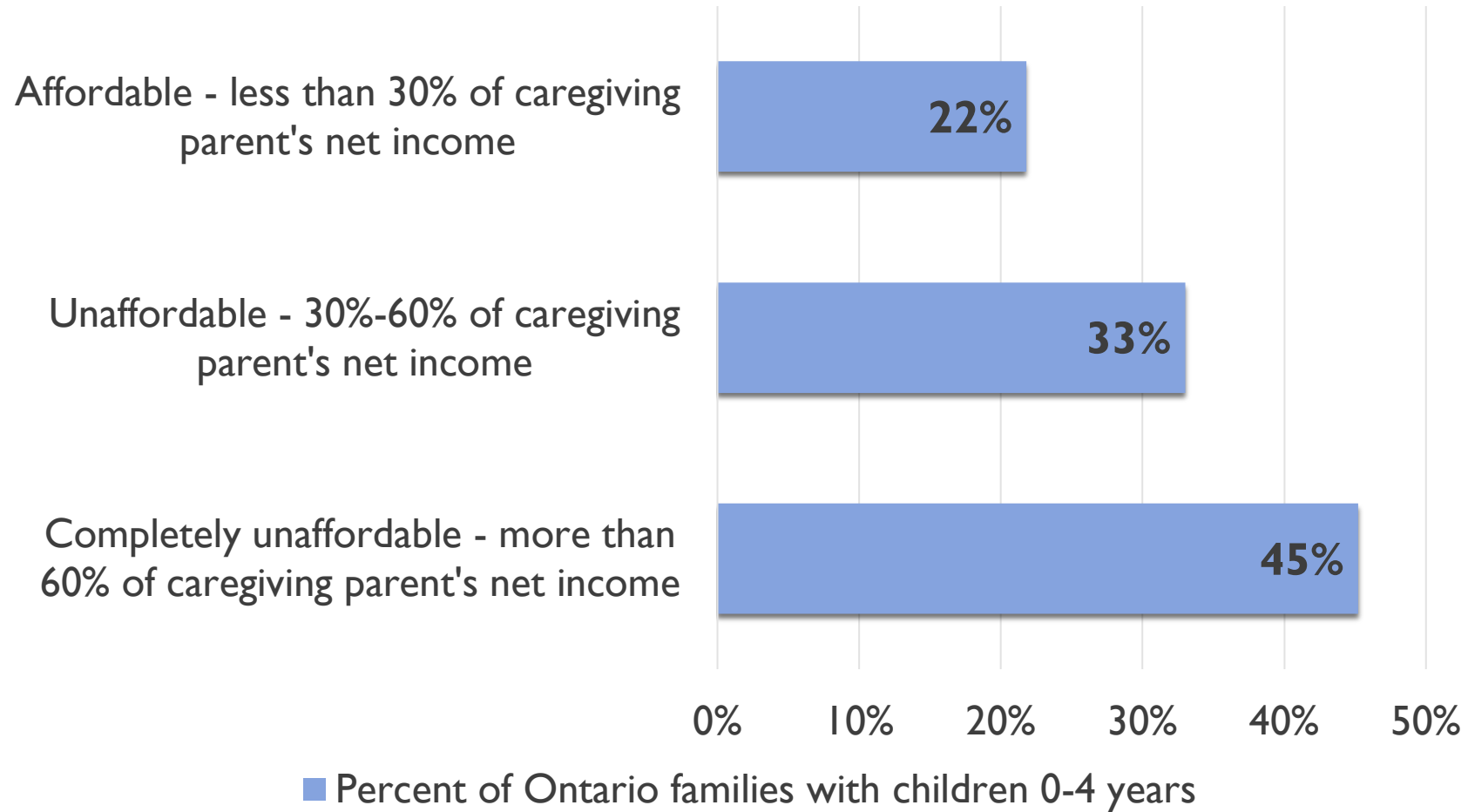
# AFFORDABILITY

- Median fee of 0-4 licensed child care ranges from \$9,000 to \$21,000 depending on age of child and location
- Fees have been rising faster than inflation
- On average, licensed child care costs 23.5% of after-tax family income
- On average, licensed child care costs 67% of the main caregiving parent's after-tax income
- Price matters for parent decisions. Employment and child care affordability are closely related. Lack of affordable care is a major barrier to women's workforce activity.

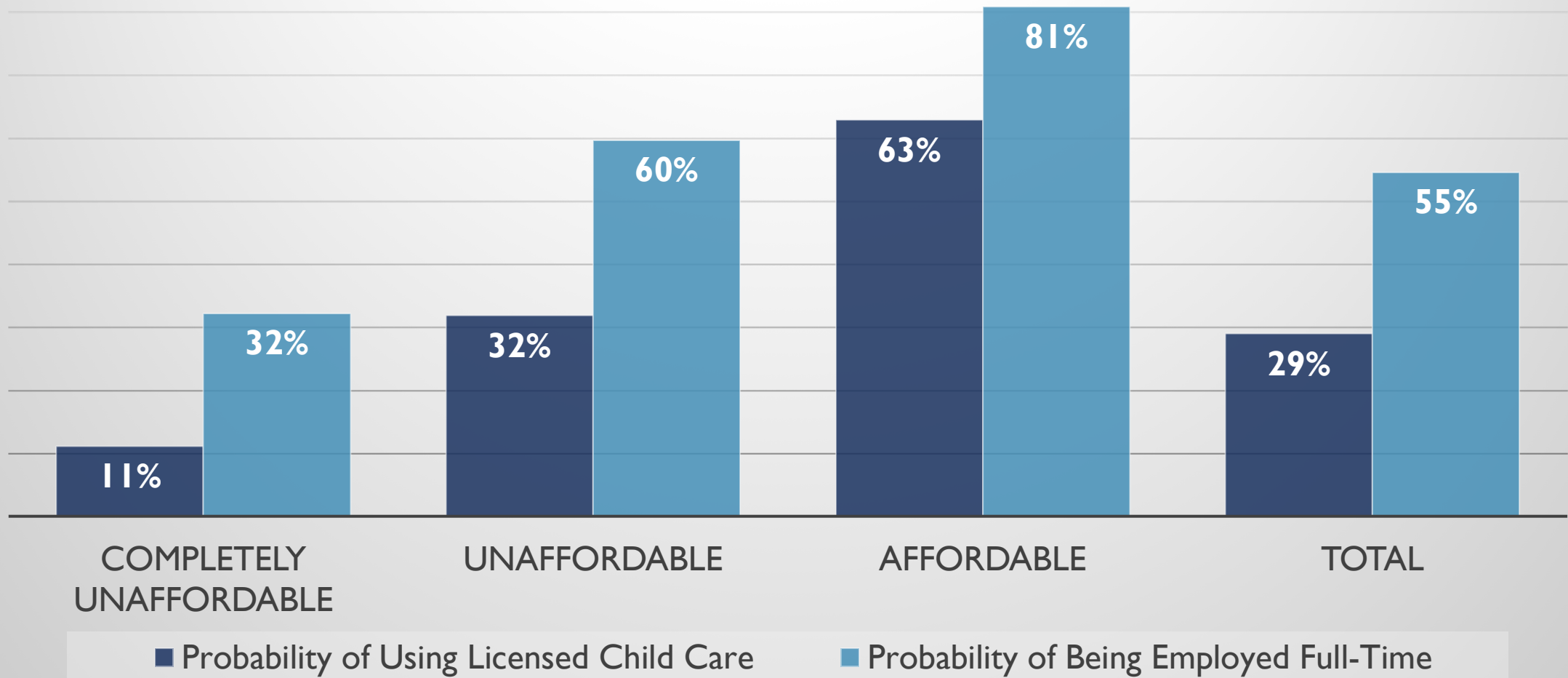
## Child Care Affordability Measured by Family Income



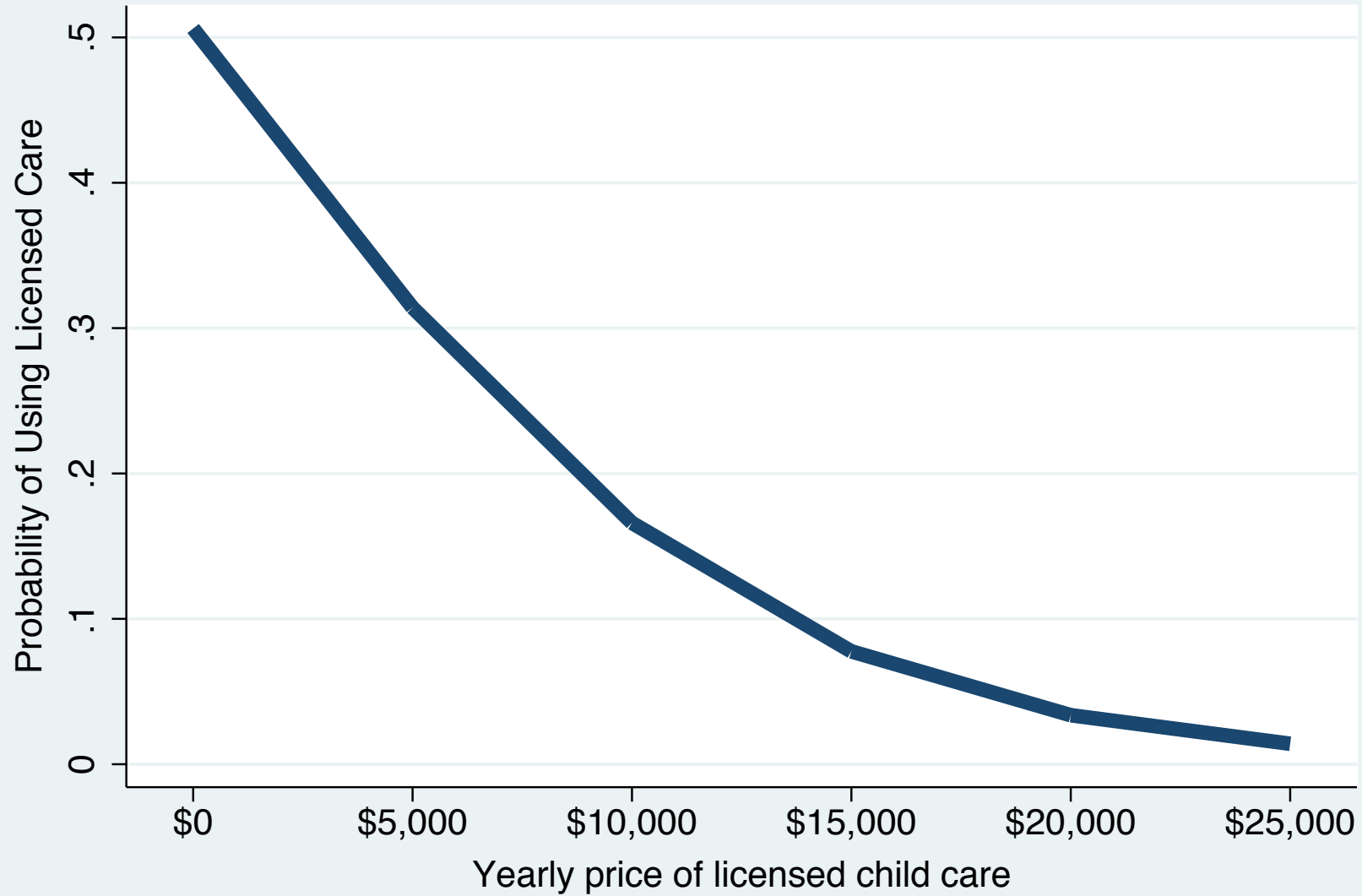
## Child Care Affordability Measured by Main Caregiving Parent's Income



## How Use of Licensed Care and Full-Time Employment are Affected by Affordability

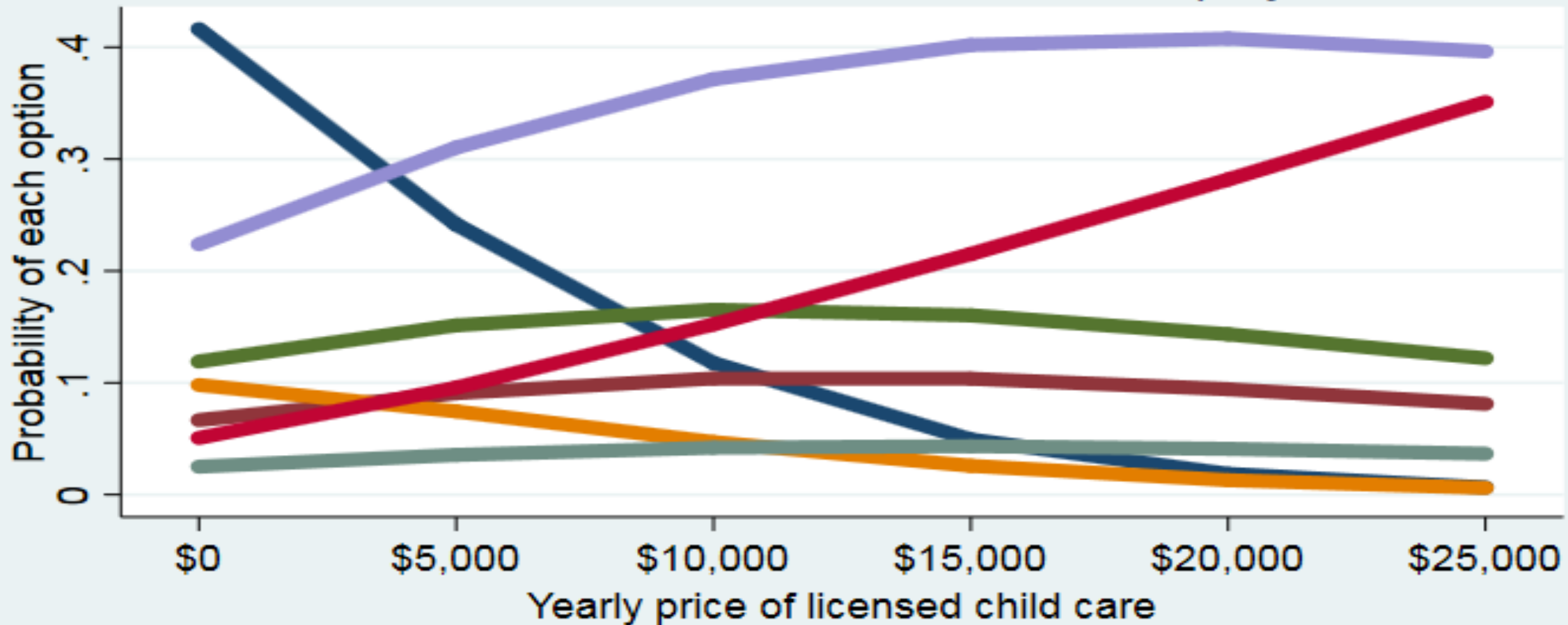


## Effect of Child Care Price on Child Care and Employment





## Effect of Full Fee Price on Child Care and Employment



### Child Care and Employment Status



## WHAT ARE THE POLICY OPTIONS?

- Licensed child care services available as a right, either free or at a low fee
- A sliding scale of fees based on family income, for instance with child care free for families up to \$40,000/ fees rising by 4% for every \$10,000 of income/ reaching 80% of the total fee at and above \$240,000
- A flat fee such as \$20 per day for all age groups
- A tax credit for child care expenses. Lower-income families get a 75% tax credit/ most families up to nearly \$140,000 get about 60% rebate. Families over \$150,000 get 26% rebate. Eligible expenses are capped.
- Some combination of the above plans – for instance free preschool child care and a sliding scale for other ages

# A SLIDING SCALE

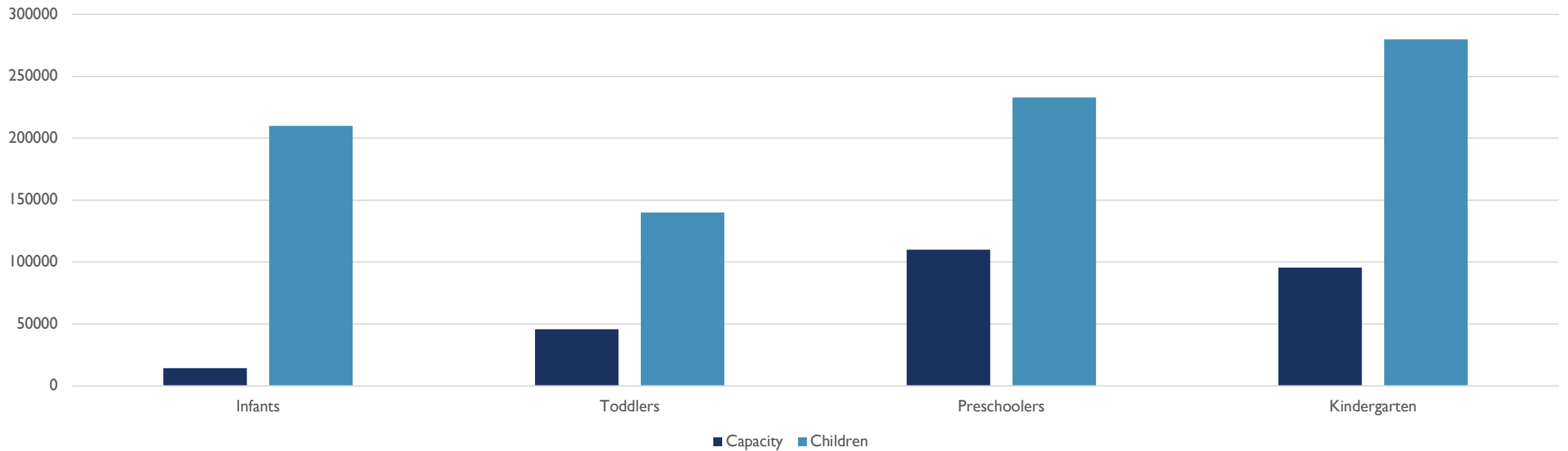
- We looked at the impacts on affordability, the increase in child care demand and employment, the cost of each plan and the tax revenues raised and other factors
- If you had asked me in September what we would recommend, I would have guessed that a sliding scale (like the \$40K - \$240K) one would be best for improving affordability.
- If this kind of sliding scale were available for all children in Ontario 0-6, it would have dramatic impacts on affordability, on employment, and it would be highly beneficial for low-income earners who deserve this assistance and can benefit very substantially from this assistance

# THE POTENTIAL EFFECTS OF A \$40K-\$240K SLIDING SCALE

- We modelled this in our study. Nearly all families could now afford licensed child care, on average families with a child 0-4 would only have to pay 2.7% of their family income to access child care. Less than 10% of main caregiving parent's income. Annual cost to parents about \$2,500.
- 288,000 additional children 0-6 years of age would want to use licensed child care, so total demand for children 0-6 would be 526,000.
- Rise in infant demand of 55,000, rise in toddler demand of 48,000, rise in preschool demand of 85,000, rise of 88,000 in B/A kindergarten demand. Probably substantial rise in schoolage demand.
- Full-time employment of main caregiving parents would rise by over 125,000.
- The overall cost of the sliding scale is predicted to be \$3.7 Billion annually for children 0-6, with tax revenues offsetting some of this. The total bill would be substantially more if you include new wage enhancement funding, children 7-12, and capital costs.

# LICENSED CAPACITY AND NUMBER OF CHILDREN BY AGE GROUP

How Much Capacity and How Many Children, By Age Group



# WHY NOT A SLIDING SCALE RIGHT NOW?

- A CAUTIONARY TALE – what happened in Quebec?
- If a sliding scale was implemented immediately in Ontario, the main result would be much more demand than the number of spaces available and long waiting lists. There are currently 238,000 spaces for children 0-6. Predicted demand is 526,000 children 0-6.
- In the 1990s, Quebec offered \$5 per day child care for all children 0-5 years of age. The plan was to have most children served by not-for-profit good child care centres called CPEs, with a modest amount of home child care where needed.
- What do we have now in Quebec? Only 1/3<sup>rd</sup> in CPE, with another 1/3<sup>rd</sup> in home child care, and 1/3<sup>rd</sup> in for-profit child care (close to half at reduced-fee and growing amount in tax-credit-financed for-profit). Typically poorer quality care.
- Two systems of funding:
  - reduced-fee child care with supply-side operational funding;
  - tax credit giving similar funding for any type of purchased child care – licensed or unlicensed

# FREE PRESCHOOL CHILD CARE?

- Child care for preschool children is already very popular and many more families would use it if they could. There is enough capacity to serve 67% of preschoolers in September each year. Demand for children 0-6 would increase by 100,000.
- Free preschool would be available to all families as a right once sufficient capacity is built. Because it's good for children and for parents.
- As in Quebec and PEI, services providing this child care would be held to a higher standard – of quality and transparency
- Increasing capacity and developing systems of managing quality services will not happen in a day. But, as preschool capacity is increased, infant and toddler spaces will be built, and the subsidy system will be better funded and less restrictive to fill these spaces

# IMPACT OF FREE PRESCHOOL

- About 100,000 additional children 0-6 years of age would want to use licensed child care, so total demand for children 0-6 would be 339,000.
- Full-time employment of main caregiving parents would rise by over 40,000.
- The overall cost of free preschool child care is predicted to be \$1.6 Billion annually for children 0-6, with tax revenues offsetting some of this. This does not include new wage enhancement funding, children 7-12, and capital costs.
- As new centres are built for preschool child care, build up infant and toddler capacity
- Expand subsidy funding to fill new infant and toddler spaces
- When capacity is expanded, move to a \$50K-\$150K sliding scale for ages other than preschool. Keep preschool child care free.



# WHAT ABOUT THE CONSERVATIVE VERSION OF A TAX CREDIT

- Tax Credit for Child Care Expenses: Rebate of 75% if income less than \$35,000. About or above 60% out to about \$140,000. Dropping quickly to 26% rebate at about \$150,000. Nothing above \$200,000.
- Covers any type of purchased child care that is employment or education related for children 0-14 years of age
- Sounds good, right? What could be wrong?
- How many children are there in Ontario 0-14 years of age? 2.2 million. How much money is there for this program? \$389 million. How much is that per child? On average, about \$175 per year!
- Even if they put billions more into the program, it would still disadvantage low income families because of the cap on expenses of \$9,000.
- And, demand side funding gives up any social responsibility over the quality of care that children receive. It is an invitation to those who will increase capacity fastest, which are lower quality providers.

# CONCLUSIONS

- Free preschool child care is not enough on its own, but it is a very good start to building a system of affordable, good quality child care services.
- Fees based on family income make sense but there is a huge Quebec-style problem of inadequate licensed capacity when affordability is rapidly increased
- The tax credit approach is radically underfunded, and would have significant quality problems even if fully funded.