

Giving Parents Money Doesn't Solve Child Care Problems

Executive Summary

Should we make affordable child care services available to all families who want to use them? Or should we give families money instead and let them find whatever child care arrangements they can? The evidence seems clear. Parents and children want and need child care services. As a substitute, money is a poor second-best. The analysis presented in this report strongly supports the prioritization of affordable child care services, rather than the family allowance model.

The new Canada-Wide Early Learning and Child Care program (known as CWELCC or the \$10 a day program) is working to make licensed child care services available at \$10 a day. This federally-funded program is already providing affordable child care to a large number of families, but it is so popular that there are shortages – shortages of trained early childhood educators and shortages of child care facilities and spaces. Many families, especially those with infants, are on waiting lists.

Some critics and commentators have suggested that this whole program should be scrapped and money should be distributed to parents instead in some type of family allowance.

The evidence shows that this type of “family allowance” fails as public policy because it:

- (a) isn't what most families want
- (b) doesn't address families' needs for child care
- (c) would be much more expensive than the \$10 a day program
- (d) would have negative effects on women's employment and the economy, and would increase the gender-based child penalty that mothers pay with reduced earnings
- (e) has been tried before and hasn't solved child care issues, and
- (f) ignores the very large child benefit programs that already provide money to parents.

Many families across Canada are already benefiting from more affordable child care reducing cost-of-living pressures for young families. According to the latest Statistics Canada data, about 938,000 children 0-5 years of age across Canada are using licensed and accredited child care services, with fees reduced by at least 50%. As of 2023, three-quarters of all the children who are currently using any form of non-parental child care in Canada are using licensed/regulated child care.

Those who oppose universal affordable child care for Canada's children like to say that there are fewer children using child care in 2023 than there were in 2019. In fact, there are about 65,000 more children enrolled in centre-based child care as their main child care arrangement. The reduction in the use of non-parental child care is due to a drop in the use of informal child care in a neighbour's home and a drop in the use of care provided by relatives, not a fall in the use in licensed centre-based child care.

By 2025-26, the federal government will be contributing ongoing annual funding of about \$9.2 billion to provincial and territorial expenditure. The intent is to provide licensed and regulated child care services to most of Canada's children 0-5 years of age at an average parent fee of \$10 a day and to build a system of early learning and child care services and benefits that parents and children can rely on. Expansion of child care services must now be a top priority.

This report provides evidence to support a number of key conclusions about child care services vs. a family allowance:

- Funding a family allowance program would require cancellation of most direct federal funding of licensed child care services – over \$9 billion per year from 2025-26. Child care would again become a market service with high fees, child care deserts, low staff wages and dramatic inequalities of access.
- A significant majority of Canadians, and overwhelming numbers of families with young children favour the establishment of a national child care system with a substantial federal investment of dollars. And, particularly among Canadian families with young children, there is strong support for operational funding of child care services to make them affordable and accessible at \$10 a day.
- In Canada outside Quebec, most families (58%) currently not using any child care would like to use some type of non-parental child care. And, of these, the lion's share – 62% - would like to use centre-based care (i.e., licensed child care) as a means to join or rejoin the workforce.
- Some people argue that it is mostly affluent parents that benefit from universal child care programs and that marginalized families and those from diverse backgrounds are left behind. That is certainly true of market-based child care systems when fees are not controlled; high parent fees are only affordable by affluent families and many vulnerable families do not qualify for income-based subsidies. However in fixed-fee systems like the \$10 a day program, families from all backgrounds gain access. This is evident in recent data from Quebec.
- A family allowance program would have to give parents an amount of money that was equivalent, on average, to what they gain by having \$10 a day child care. This family allowance program would cost the federal government just over \$28.5 billion annually and its net cost would be three times as much as the cost of providing child care services.

- Women who have children suffer substantial losses in earnings after the birth of a child. Economists have found that mothers' earnings decrease by 49% in the year of a child's birth. Even ten years later, women suffer an earnings loss of 34% on average relative to their earnings before childbirth. Universal child care has been found to substantially reduce these "child penalties". In other words, accessible child care services make an important contribution to increasing gender equity.
- The proposal to give parents money ignores the fact that we already do this, in a big way, but not for the purpose of funding child care arrangements. The largest of these programs is the Canada Child Benefit. This program is designed to do two things. The first is to keep families with children out of poverty – to reduce child poverty. At this, the Canada Child Benefit has been extraordinarily successful; child poverty in Canada has dropped from 16.3 per cent in 2015 to 9.9 per cent in 2022. The second purpose is to recognize that children are expensive and that virtually all families with children need some financial support. The Canada Child Benefit gives financial support to nearly all families with extra support for those with the lowest incomes.
- Studies by Dr. Fraser Mustard and the Honourable Margaret McCain have shown that early learning is at least as important to lifelong development as elementary, secondary, and post-secondary education—it improves graduation rates, promotes lifelong well-being, boosts lifetime earnings, and increases social equity. Parents want governments to make participation in early learning experiences a true option for all children – affordable, accessible, inclusive and flexible. That is the aim of the \$10 a day early learning and child care program.

What we need now is a transformation of government priorities with respect to the Canada-Wide program. At the beginning, the priority was affordability. Now, the priority for all governments should be to expand child care capacity – to make child care universally accessible to all who want and need it. Many parents need child care and employment if they are going to keep their financial heads above water. Too many are not getting it.

Some commentators, think tanks, and politicians yearn for days of the Universal Child Care Benefit – a family-allowance program that paid money directly to families to solve their own child care problems as best they could. We are now past that; many families have seen the benefits of \$10 a day child care and they want access now.

Family allowances and child care are different policies with different objectives. Benefits provided directly to families have been quite successful in reducing child poverty over time. But these programs have not made child care affordable and accessible.

A universal child care program is designed to provide accessible and affordable services for families – child care conveniently available in their neighbourhoods. Such a program needs to control and lower child care fees and guarantee the provision of an accessible supply of good quality services. This is the provision of a public service that families can rely on, albeit delivered largely by private providers, mainly not-for-profit and public.

Our conclusion is that Canada and the provinces and territories need to prioritize rapid expansion of good quality child care using all the means at their disposal. Parents need and want services rather than money. There are solutions to current child care shortages within and outside the framework of the Canada-Wide Early Learning and Child Care program. Parents need governments to implement them quickly.