

Getting it Right: 4 Key Principles for Building an Early Learning and Child Care System that Would Boost Canada's Living Standards

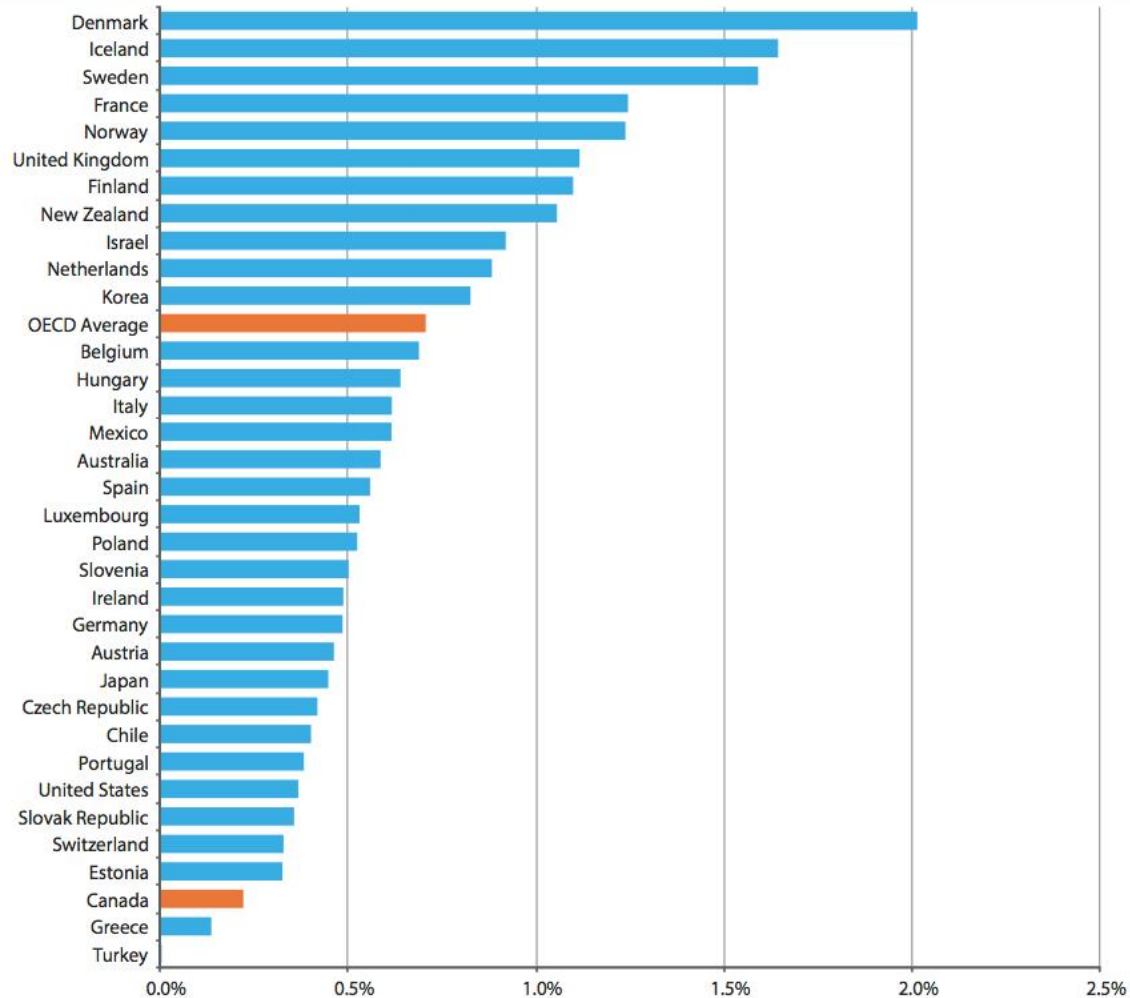
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Why focus on early learning and child care?

- Untapped opportunity to significantly improve the future living standards of Canadians by increased provision of early learning programs (evidence from neuroscience, psychology, economics)
- Public pressure to improve today's living standards of Canadian families whose needs are not met by the current patchwork of services (lack of spaces, unaffordable fees, inconsistent quality)
- The two are connected: living in a family with more resources and less stress affects future living standards for both parents and children

Canada lags far behind our peer countries in ELCC

Figure 1: Early childhood education and care expenditures as a share of GDP, 2011

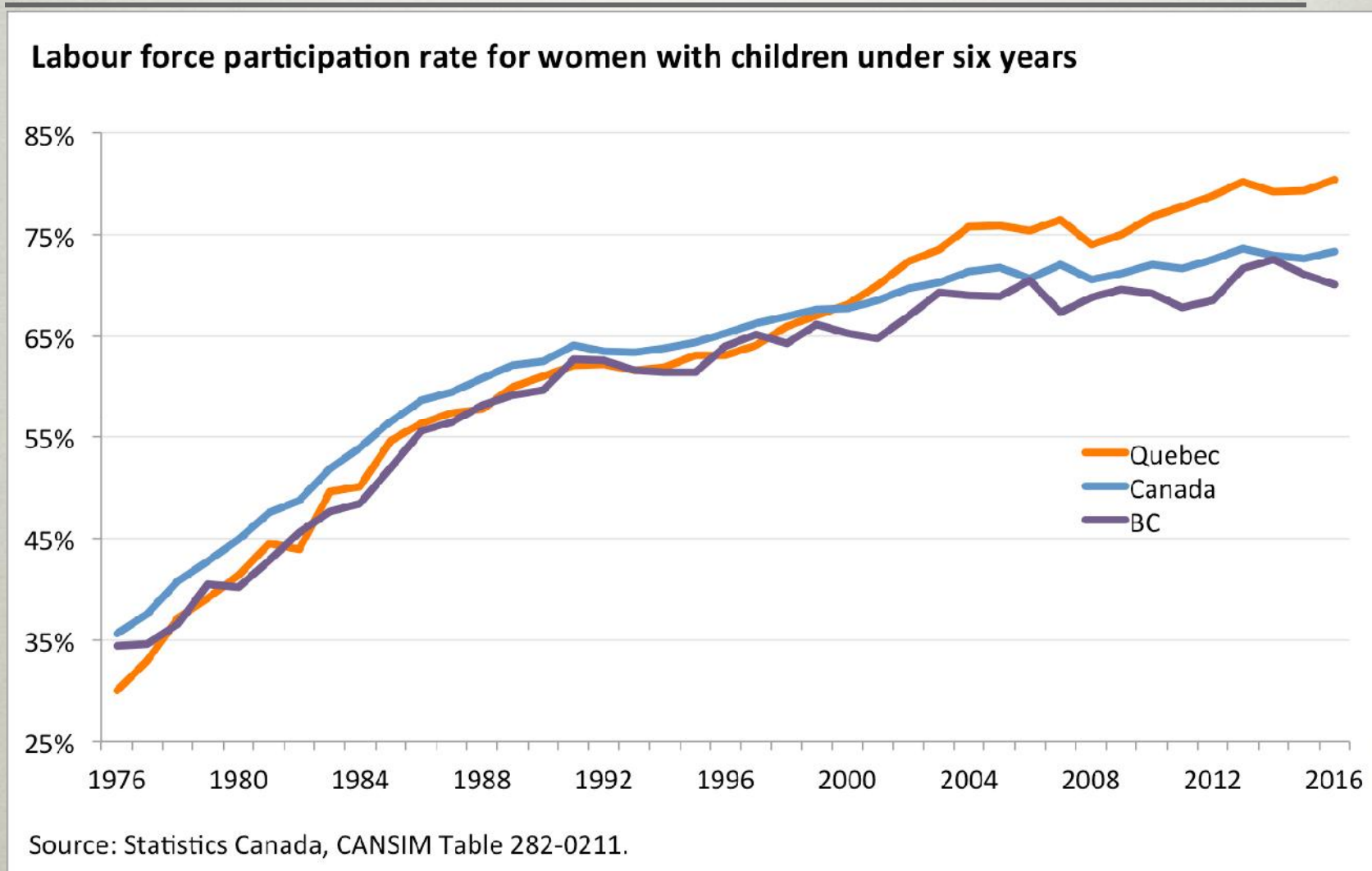


Source: OECD Social Expenditure Database, 2014 edition.

Early learning & child care achieves multiple goals

- Promotes child development (human capital accumulation) and child well-being
- Facilitates social inclusion
- Increases labour market participation of parents (mothers)
- Reduces family poverty, particularly for single parents (mothers)
- Reduces gender inequality and the “motherhood wage penalty”

The labour market effects of accessible child care



Benefits of increased LF participation of mothers

- Increases women's say and power in household decisions, results in more spending in goods and services related to children's wellbeing (Haeck et al., 2014)
- Serves as insurance against child poverty in the case of family dissolution (and allows women to leave abusive relationships)
- Reduces gender wage inequality and the wage gap between women with children and women without (Misra et al., 2011)
- Yields economic benefits from fully utilizing the skills and human capital of Canadians
- Reduces the negative impact of population aging on the size and composition of the labour force

Key principles for designing Canada's ELCC system

- Quality
- Universality
- Access
- Affordability



Quality

- Research overwhelmingly finds that high quality programs benefit all children (with higher benefits for disadvantaged children) and poor quality may be negative for all (VanBelle, 2016)
- International research suggests there is no hard-and-fast distinction between quality child care and early education programs (OECD, 2012)
- Informational asymmetries mean that parents cannot assess quality, which is why poor quality care will not be eliminated by competition (Fortin, 2016)
- Key policy levers identified in OECD research include setting high ratios of ECEs to children, minimum qualification levels and fair compensation for ECEs (OECD, 2012)

Universality

- Research shows that while high quality child care programs benefit disadvantaged children more, they benefit all children and poor quality may be negative for all (VanBelle, 2016)
- Income-testing will miss many vulnerable children
- Evidence from a number of countries shows that socio-economically “mixed” programs benefit disadvantaged children more than “segregated” programs (Sylva et al. 2004)
- Promotes social inclusion, avoids “reinforcing concentrations of disadvantage” (UNICEF Innocenti Research Centre, 2008)
- Ensures broader support: universal services “usually command broader and more sustainable public support and engender greater public concern for quality”.
- Promote gender equality and labour market participation

Accessibility

- Requires an ambitious expansion of spaces
 - In 2014, there were regulated centre-based spaces for 24% of children 0-5 in Canada, with provincial coverage varying between 32% in PEI and 13% in SK (CRRU, 2015)
- Universal does not mean uniform
- Extra resource must be applied to identify and reduce barriers to participation (geographic, ability-based, cultural, etc). In public health research, this is known as “proportionate universality” (Marmot, 2010)
- Policy levers include public accountability mechanisms in planning and delivery of service expansion

Affordability (remove financial barrier to access)

- Median fees for toddlers range between \$1,375/mo in Toronto and \$179/mo in Quebec (Macdonald and Friendly, 2016)
- In many provinces the maximum subsidy for low-income parents leaves parents with large out-of-pocket expenses
- Cleveland et al. (2016) found that 75% of families earning low- & mid-range incomes cannot afford regulated child care in Toronto
- What's the optimal mix of public funding and user fees?

How best to structure parental fees?

- Advantages of charging a flat low fee (Quebec started at \$5/day, BC campaign for \$10/day, others for \$15/day)
 - Easier and cheaper to design and administer
 - Promotes social inclusion (reduces stigma, avoids differential treatment of children based on how much their parents are paying)
 - Does not compound the high marginal tax rate facing lower-income families
 - Consistent with how we fund schools and health care (no fee)
- Advantages of making fees contingent on income
 - Requires a lower public subsidy for the same level of service
 - Could be more equitable, depending on the design
- A combination (e.g., Quebec)

The case for federal-provincial partnership

- The benefits are shared between the federal and provincial levels of government
- Fortin et al. (2012) estimated that in Quebec 30% of the fiscal returns of child care accrued to the federal government and 70% to the province. I estimate the split would be closer to 50/50 in BC (Ivanova, 2015)
- Federal leadership is needed to set common guiding principles, quality standards and adequate funding levels

Related CCPA research

