



"Affordable for All" – the case for free preschool child care

Presentation to Early Child Development Funders Working Group Oct 16 2018

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Outline of presentation

- The logic and arguments of ***Affordable for All***
- The radical recommendation of ***Affordable for All***
- Why free preschool?
- Does this apply elsewhere in Canada?



The logic and arguments of
Affordable for All



Affordable for All:

Making Licensed Child Care Affordable in Ontario

- March 2018 - the (former) Ontario Government adopted a plan to make licensed child care free for all preschool children in Ontario (30 months to kindergarten age)
- This was the main recommendation of my report to the Ontario Ministry of Education.
- My mandate was to recommend how to develop Ontario's child care system to dramatically improve affordability.
- I recommended:
 - free child care for preschoolers,
 - more funding for other ages as capacity grows,
 - all new development should be in the not-for-profit and public sectors.



Who

- Gordon Cleveland – Associate Professor Emeritus, Economics, University of Toronto Scarborough.
- 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.



Where can I get the report?

- www.childcarepolicy.net
- English title: **AFFORDABLE FOR ALL: MAKING LICENSED CHILD CARE AFFORDABLE IN ONTARIO**
- French title: **DES SERVICES ABORDABLES POUR TOUS : RENDRE LES SERVICES DE GARDE AGRÉÉS ABORDABLES EN ONTARIO**



Components of study

- Current data, policies, funding
- Municipal role and evidence
- Analyzing experiences in other jurisdictions (including Quebec)
- Measuring /analyzing affordability
- Statistical microsimulation model – effect of policies on affordability, demand, parent employment
- Spreadsheet model – how child care costs affect incentives for parents
- Comprehensive review of studies on children’s development and parental employment
- Workforce issues
- Transitions – issues of capacity, shortages, and maintaining good quality.



Evidence-based principles for child care policy

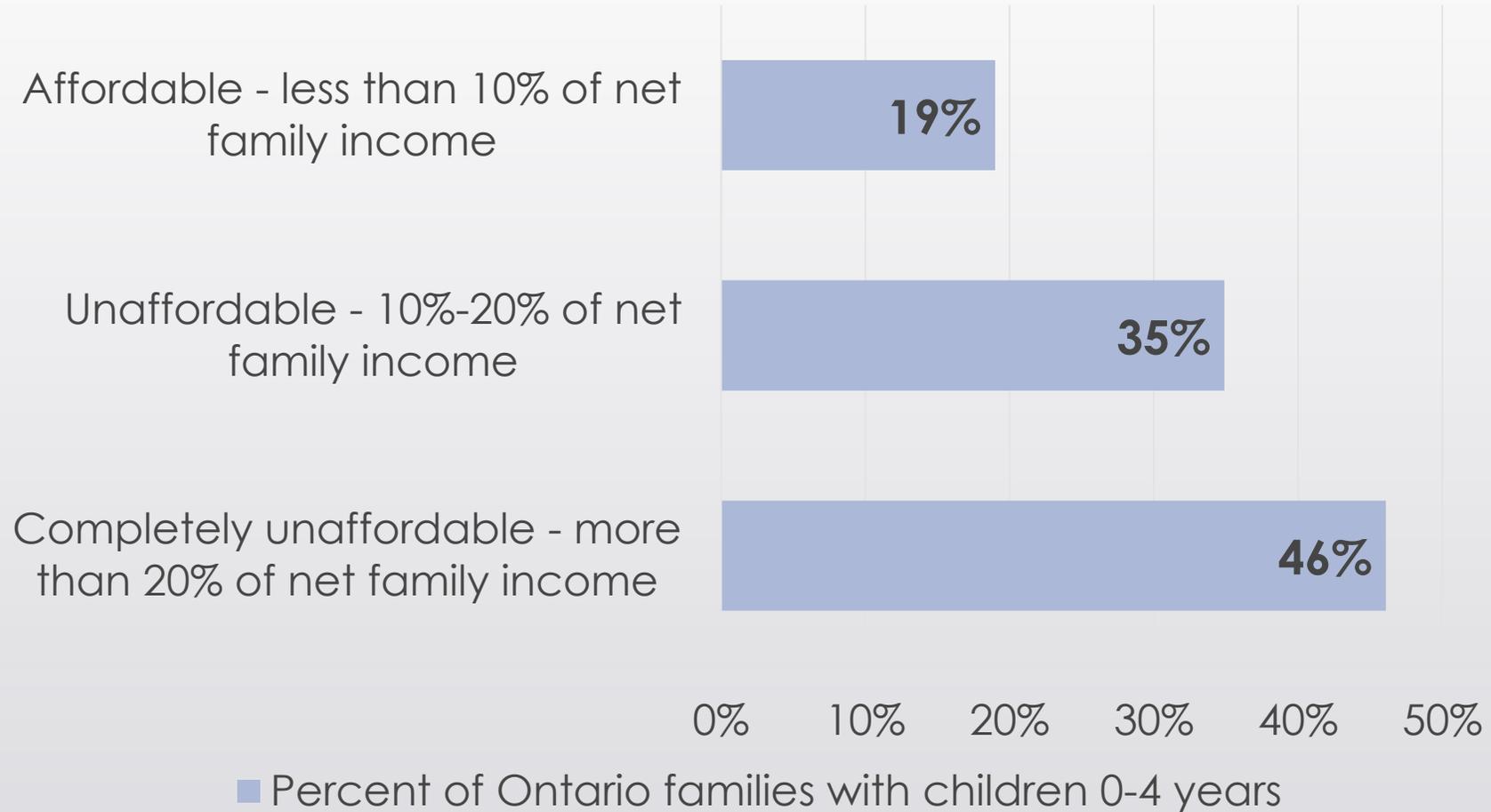
- Early childhood education is good for children and families
- Quality matters (a lot)
- Parent decisions about work and children are very sensitive to the price of child care.
Good quality at low prices in a full-day program will maximize benefits from child care.
- Families facing disadvantages can benefit the most from good quality affordable child care. Child care policy should ensure they get full access.
- Child care and good parenting are complementary.
- **Child care is, in essence, a public service, not a market commodity.** When most funding comes from government, market competition does not produce high quality and low prices. Instead, we get low quality and rising prices.
- Transitions are important. Chaotic transitions result in poor quality and create opportunities for profit-seeking enterprises.



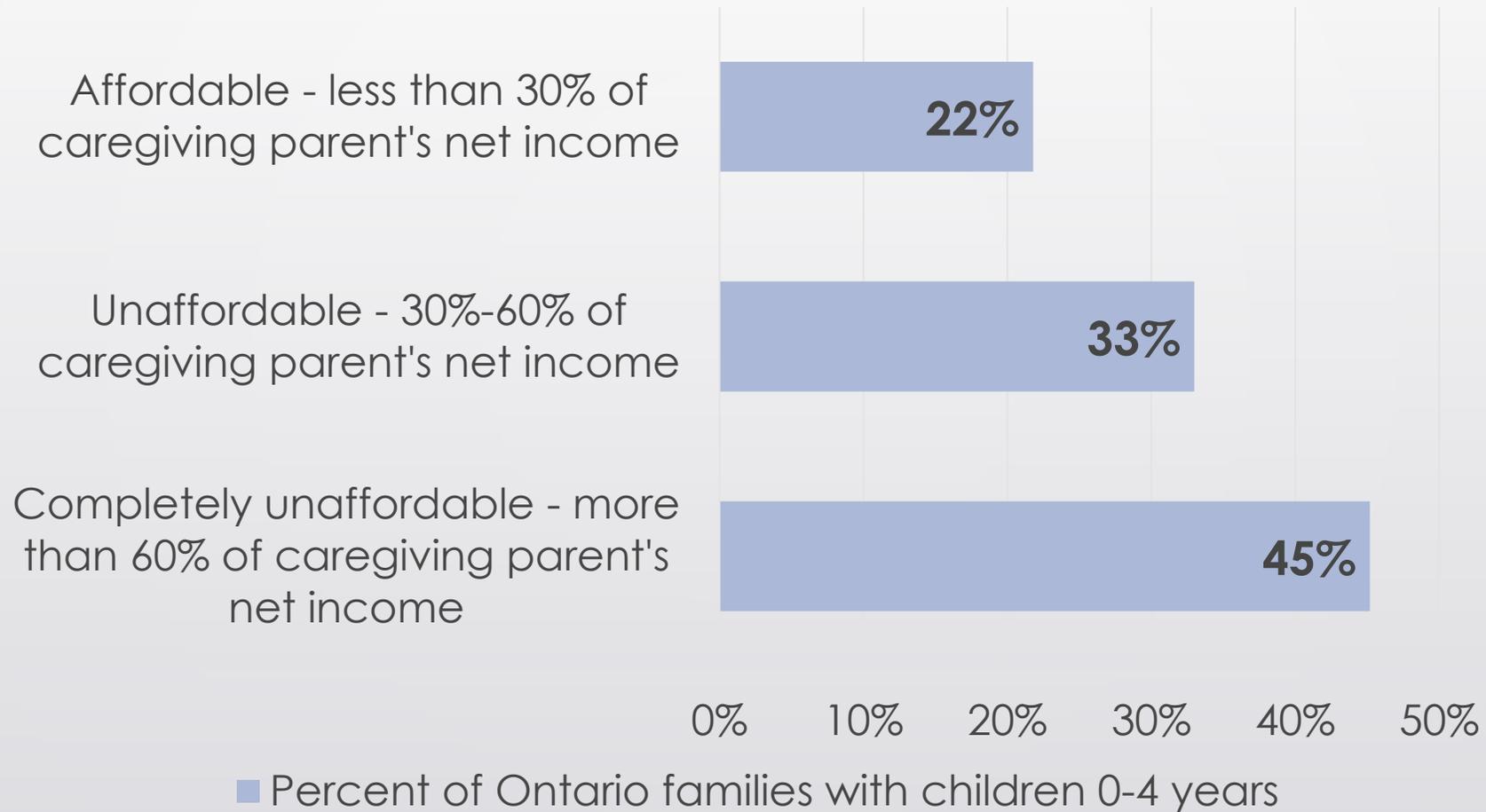
Child care is not affordable in Ontario

- Across Ontario, the median fee of licensed child care for children 0-4 years ranges from \$9,000 to \$21,000 depending on age of child and location (from \$35/day to over \$80/day)
- In Toronto, the typical fee in child care centres in 2017 was:
 - \$87.50 per day for infants (0-17 months)
 - \$68.00 per day for toddlers (18-29 months)
 - \$56.00 per day for preschoolers (30 months – junior kindergarten)
- Fees have been rising faster than inflation

Child Care Affordability Measured by Family Income



Child Care Affordability Measured by Main Caregiving Parent's Income

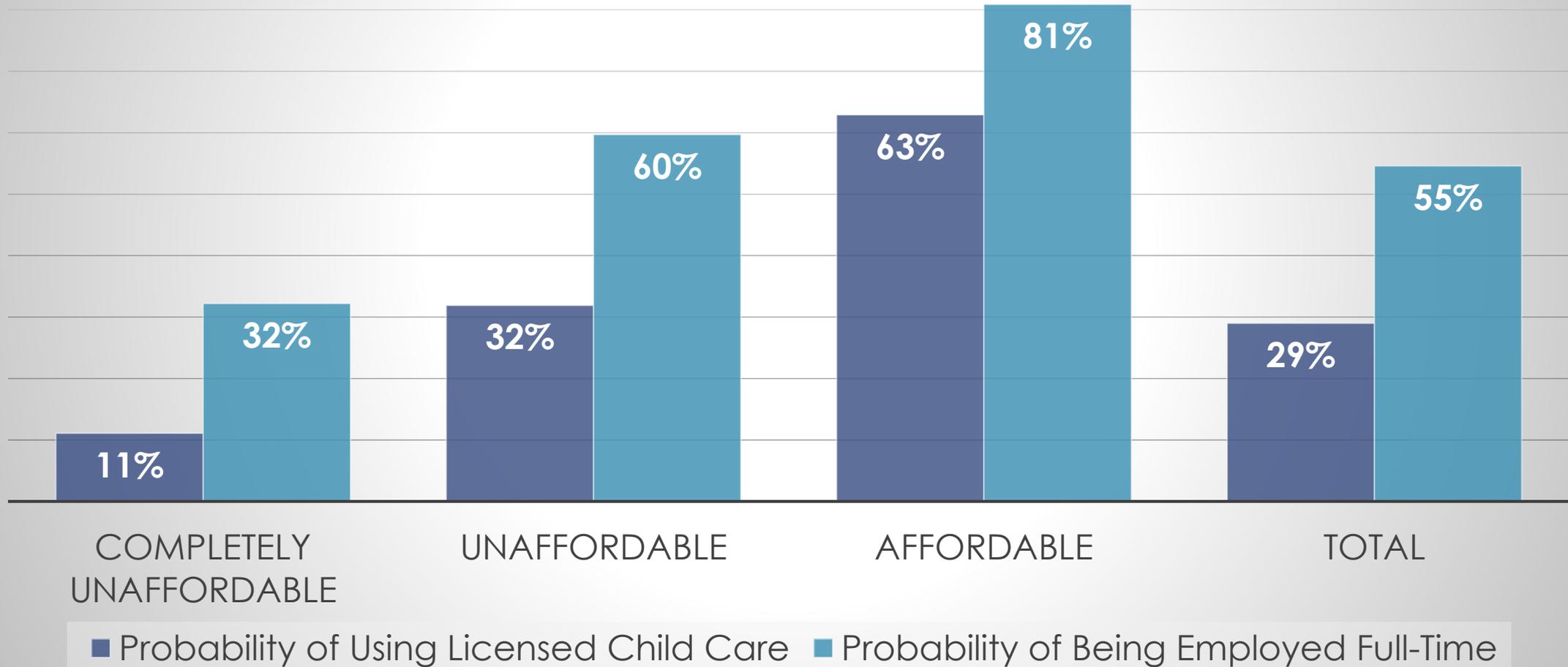




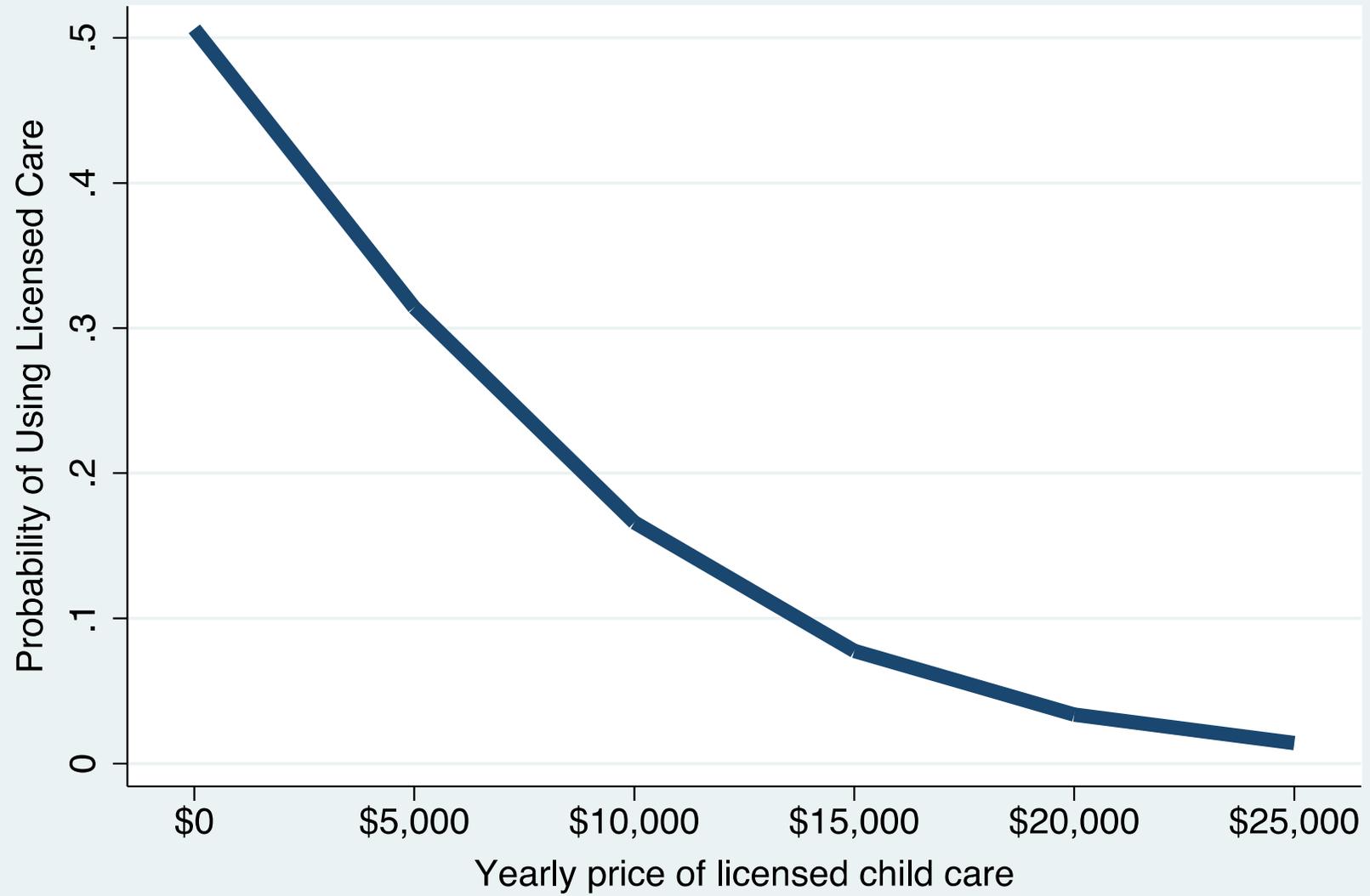
Licensed child care takes huge chunk out of earnings

- For families with a child 0-4 years, 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, on average
- 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.

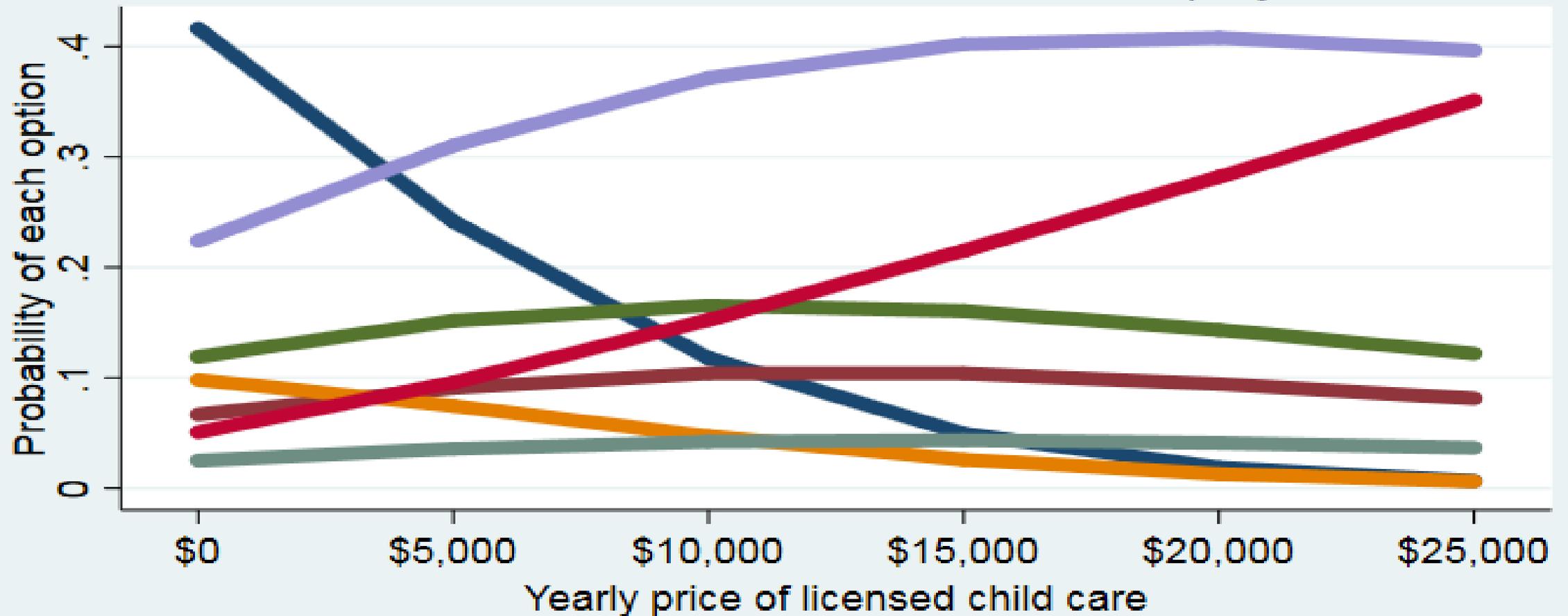
How Use of Licensed Care and Full-Time Employment are Affected by Affordability



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



Chart 3

Returns from Employment After Child Care: With and Without Child Care Costs, With and Without Subsidy - Lone Parents





What did we consider?

- Services provided with progressive pricing (sliding scale)
 - every family with income below \$40,000 pays nothing, those above \$240,000 pay 80% of full price, increasing percent between these two.
- Services provided at a flat fee (\$20 per day)
- Services provided free-of-charge (free preschool child care)
- Demand-side funding: a Quebec-style 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.



The radical recommendation of
Affordable for All



Where we started was not where we ended up

- We assumed we would recommend progressive pricing (sliding scale) for all child care from birth to compulsory school age (0-5 years). Partly because infant care is most expensive.
- Instead, we recommended that the next big step in helping children and helping families should concentrate on preschool child care (30 months – JK)
- Preschool child care in Ontario should be universally available free of charge, as a right



Why focus on preschool children

- Because the literature on positive effects of good quality ECEC on children at this age range is particularly strong
- Because group care experiences at this age are very widely acceptable and welcomed by parents (FWG has been a champion for years)
- As a result, more children and families will be helped – more equitable
- Because public money goes farther at this age
- Because shortages of capacity and staff are less acute at this age, so quality is less vulnerable
- Because it's the next logical step after full-day kindergarten



The “Aha!” moment

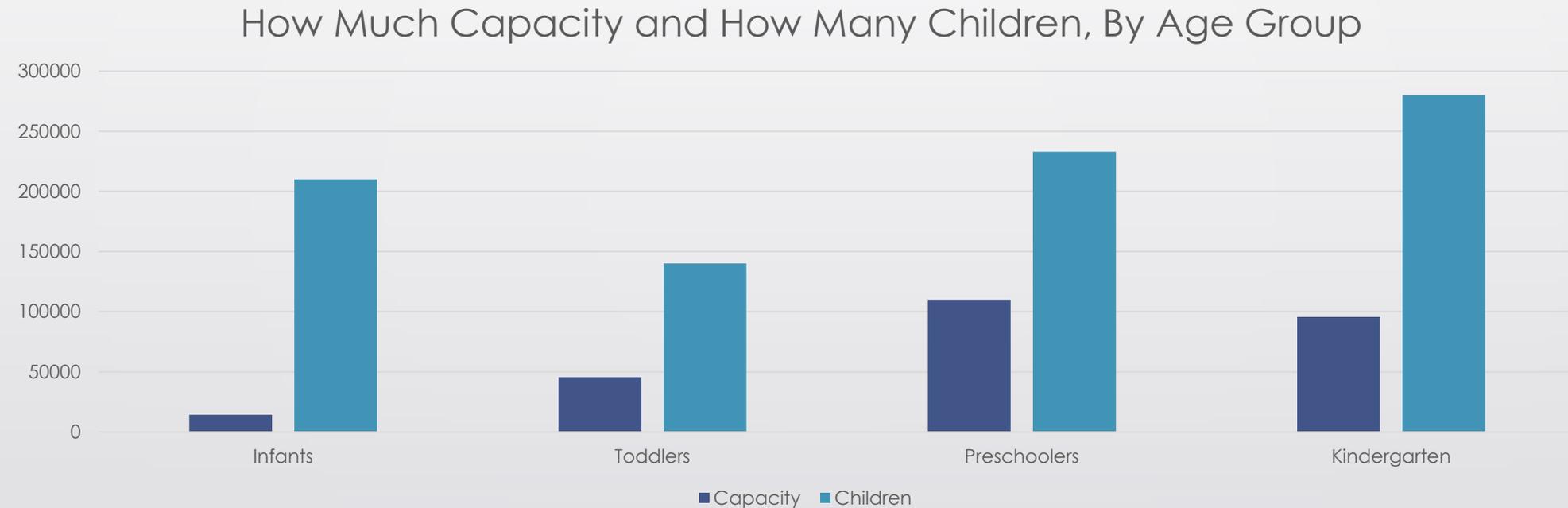
- We modelled the increase in demand of immediate increase in affordability for all
- We looked at current workforce shortage and quality issues
- We listened to what municipal administrators told us
- We looked at what had happened in Quebec and why
- We looked at the data on current capacity, costs and use patterns in Ontario
- We thought carefully about transition issues – capacity, development of new facilities, new staffing and potential effects on quality
- Concluded: free preschool licensed child care is best next step
 - dramatically improve affordability
 - more equitable
 - expansion of good quality and predominantly not-for-profit



Lessons from Quebec

- 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.
- Capacity and staff shortages led to a whole series of policy compromises and bad decisions
- What do we have now in Quebec? Only 1/3rd in CPE, with another 1/3rd in home child care, and 1/3rd 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

Licensed capacity and number of children by age group





The potential effects of a \$40K-\$240K sliding scale

- If a sliding scale was implemented immediately, 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.
- 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.
- Full-time employment of main caregiving parents would rise by over 125,000.
- The overall cost \$3.7 Billion annually for children 0-6, with tax revenues offsetting some of this. Does not include wage enhancement and capital costs.



Why should preschool be free?



Free preschool improves affordability for all families

- “Free” makes it clear that this is a public service not a commercial transaction
- “Free” means it’s for everyone, not just the poor
- Just like \$5 per day, “free” really encourages a rethink of parental plans, especially low-income families (v. Quebec election)
- It’s not much more expensive than alternative plans, but it’s clear (and unlikely to be taken away by the next government)
- Every child can benefit: every child is of preschool age at some point
- Group child care is VERY well accepted; nearly all families will benefit. Affordability improves for all



Free preschool child care? We modelled the effects

- Would dramatically improve affordability. Child care for preschool children is already very popular and many more families would use it if they could. Demand for child care for children 0-6 would increase by 100,000.
- Would cost \$1.6 Billion per year, but with offsetting revenues
- Full-time employment of main caregiving parents would rise by over 40,000.
- Use supply-side funding to encourage and enforce quality requirements. All expansion in not-for-profit sector.
- Over time, expand funding to make child care for other ages more affordable
- Better for low-income families than other funding alternatives



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



Could free preschool make sense as
the next big step elsewhere in
Canada?



A good question....

- Focus on children of preschool age makes a lot of sense everywhere
 - Group care and peer play well accepted
 - Costs are lower than young ages
 - Fewer new staff needed for good quality
 - Research on positive effects is strong
 - Extension of arguments around full-day kindergarten
- Issues in some provinces (Quebec, B.C.)
- Need to ensure that families facing disadvantage get first access
- Capacity expansion and staffing capacity issues need solutions



conclusions

- Free preschool child care is not a complete solution on its own, but it is a very good next step in building a system of affordable, good quality early childhood education and care services.



The End
(Thank you)