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Tax Credits are *NOT* Early Learning and Child Care

Early Years Study 4 (McCain, 2020) envisions early childhood education as the first tier of education, as crucial to our social and economic success as primary, secondary and post-secondary education. The benefits for children, for families, for communities and for the current and future economy are well documented by economists, scientists and education experts.

The Federal Government's September 23, 2020 Speech from the Throne set out a bold vision: *The government will make a significant, long-term, sustained investment to create a Canada-wide early learning and child care system.* Early learning and child care is early childhood education organized to support parents' work. The growing chorus of voices from corporate Canada underscore the current urgency to expand quality early learning and child care as the economic recovery from the pandemic requires mothers' return to work.

How best can the federal government move forward to invest in early learning and child care?

Some commentators propose a tax credit for parents to contribute to the costs of early learning and child care. The child care market does not need to be primed. High parental demand for child care exists; the barriers lie in the absence of quality programs and the educators to staff them. Post pandemic recovery is dependent on parent confidence in the safety and quality of early learning and child care. For example, while most Toronto child care centres (93%) are opened for full enrolment, they are operating at 87% capacity.[1] This compares to emergency early learning and child care offered from April until late June 2020 and featuring enhanced staff to child ratios and safety precautions. These programs had four children vying for every available space. More problematic is the low centre opening rate, and low capacity in low income neighbourhoods. Only half (53%) of the 30,700 children receiving a fee subsidy pre-COVID have returned to care.

A tax credit does not address the parent who is concerned about the safety of her child. It does not address the parent who lost her child care subsidy along with her job. It does not address the many communities across Canada that have no child care. It will not deliver or expand the quality early learning and child care programs that are known to benefit children's learning and well-being. A child care tax credit increases inequitable access to early learning and child care as more affluent families can 'top up' the tax credit to purchase quality while lower income families cannot.

Experiences in Quebec demonstrate what happens when governments rely on tax credit, or voucher-type, funding mechanisms. Economist Pierre Fortin reports evidence from Quebec's statistical bureau that quality in publicly-managed Centres de la Petits Enfants in Quebec is generally good or excellent, but is overwhelmingly inadequate in for-profit centres.[2] Since the child care tax credit program in Quebec was expanded in 2009, the number of for-profit providers have multiplied to more than 12 times their original number. Tax credits encourage the growth of unregulated and less regulated forms of child care – they encourage the growth of arrangements that are inadequate to support children's development.

Once commercial child care is established and delivers a considerable proportion of child care services, governments are less able to monitor, enforce or increase quality requirements that might have a negative impact on the bottom line. Demand-side funding limits the development of a system of quality early learning and child care opportunities for all children.

The Ontario's tax credit experience is similar. The Financial Accountability Office of Ontario reported that the tax credit only offsets about 10 % of the costs of child care, and only 2% of the families benefiting from the tax credit come from the bottom 25% of the income scale.[3] Refundable tax credits are not well-designed to help low-income families, and often only cover a small portion of child care costs.

Funding arrangements for the growth of Canada's early learning and child care system need to be consistent with its status as an emerging component of children's educational experiences. Funding needs to be provided on the supply side, as direct funding to services, tied to achieving quality goals as well as serving parent needs. Unregulated markets will not deliver high quality early learning opportunities for Canada's children. Direct funding can produce regularly monitored early learning and child care programs that deliver the public benefits we need.

Early learning opportunities are an essential component of the social infrastructure we need to rebuild the economy and ensure Canada is a favoured place for investment. Economic studies repeatedly find that early learning programs that are organized to support parental workforce participation pay for themselves through increased taxation, reduced social assistance costs and economic growth. We don't need child care that disadvantages children´s healthy development. We need to ensure that mothers get back to work and that parents' ability to work is not hampered by a lack of quality early learning and child care.

Regards,

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[1] https://www.toronto.ca/community-people/community-partners/early-learning-child-care-partners/training/reopening-of-early-learning-child-care/

[2] Pierre Fortin (2017) Twelve Flawed Statements of the Fraser Institute on Quebec's Childcare Program. Universite du Quebec a Montreal (page 14)

[3] Financial Accountability Office of Ontario (2019) *Child Care in Ontario: A Review of Ontario's New Child Care Tax Credit and Implications for Ontario's Labour Force* found at: https://www.fao-on.org/en/Blog/media/MR-CCTC-Sept-2019