

# Child Care in Canada:

Examining the Status Quo in 2015

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## Executive summary

Governments in Canada have decided that it is good public policy to help subsidize the cost of raising children, especially for children in low-income households. This paper presents the existing array of programs in Canada (as of the fall of 2015) and examines their nature (targeted or universal), function, and costs. The federal government is, by far, the major actor in this regard.

The Canada Child Tax Benefit (CCTB) directs tax-free funds (about \$122 per month per child in 2015) to low and middle income families with children under 18. The National Child Benefit Supplement (NTBS) adds additional funds (about \$190 per month per child in 2015) to qualifying low income families. Combined, these two federal programs cost taxpayers about \$14 billion in 2015. In addition, there are 3 other federal programs of significance.

The Universal Child Care Benefit is a taxable cash grant to families with children and is designed to “help families cover the cost of child care.” The basic grant at the beginning of 2015 was \$100 per month for any child under 6. However, during 2015, the program was expanded and now provides \$160 per month per child under 6 and \$60 for children between ages 6 and 17. This program cost approximately \$2.7 billion in 2014 but about \$.4 billion of that was recovered through the tax system. With the enhancements, the estimated cost of the UCCB program will be about \$7 billion in 2016 with at least \$1 billion recovered in taxes.

The Canada Education Savings Grant (CESG) tops up any parental contribution to their child’s RESP of up to \$2,500 per year with a cash grant of 20 percent of the parental contribution. This plan is designed to provide an incentive for parents to save for their child’s post-secondary education. In 2014, the CESG program cost taxpayers about \$800 million.

The Child Care Expense Deduction allows one parent (usually the lower income parent if both parents are employed) to deduct expenses for children under 16 so that a parent could earn income, go to school, or conduct research. The cost of this program in 2015 is estimated to be about \$900 million.

There are a number of much smaller programs that provide modest assistance for children’s fitness and for families with disabled children. All together, the federal programs that direct cash benefits to families with children will cost about \$24 billion this year.

Each province in Canada has programs designed to help families with children as well. Most of the provincial programs are income tested

so that the benefits flow mainly to lower-income families. The Quebec day care program stands out both for its uniqueness and scope. While there is no accessible information about program costs, waiting lists, and usage by class, it is a much discussed and much studied program. For lower-income families with pre-school children, the program subsidizes daycare in eligible facilities so that families only pay \$7.30 per child per day. Even that low fee is waived in cases where the family is in very straightened circumstances. For families with incomes above \$155,000 per annum, the fee is modulated up to a maximum of \$20 per child per day.

The paper examines the case of a single parent with a pre-school child on social assistance and the federal and provincial benefits that would flow to that family. In nine of the 10 provinces, the child-specific cash benefits provided by various levels of government amount to between 30 and 38 percent of total family income. For Quebec, however, government benefits are about 50 percent of the family's income. And this excludes the Quebec daycare program, which not all single-parent families use. Again, the Quebec government stands out in terms of their decision to direct significantly more public funds to families with children.

The paper examines a second case, one that focuses on a middle income family, but it compares only Ontario and Quebec. In this case, once the higher taxes that Quebecers pay are considered, Ontario families with two children (ages 4 and 8) are somewhat better off. While Quebec provides more benefits, including heavily subsidized daycare, it also has much higher taxes.

The paper's final section provides an overview of the research on the effects of daycare programs on children's cognitive and noncognitive outcomes. Four conclusions can be drawn from that research. They are:

- First, that the quality of parenting and home life is the most important determinant of a child's intellectual and emotional development;
- Second, good quality daycare (similar to good quality primary education) may be able to help offset some of the deleterious effects of a bad home environment;
- Third, for children who have a positive home environment, there is no consistent evidence that daycare has a positive, lasting impact on cognitive development; and
- Fourth, the results of smaller scale, high quality programs cannot be used to support the case for universal, publicly funded programs.

Finally, the most recent evaluation of the Quebec subsidized daycare program, that by Haeck et. al (2015), suggests that while the plan has led to increased labour force participation by mothers, it was "mainly driven by highly educated mothers." As well, the policy "did not improve school readiness and may even have had negative impacts on children from low-income families."

## Introduction

In recent decades, federal and provincial governments have become increasingly involved in developing and implementing programs to assist Canadian families with child care expenses. During the 2015 federal election campaign, each of the four national parties rolled out proposals relating to child care, or, in the case of the Conservatives, a defense of the existing array of programs.

Whether the state should be involved in directing public resources towards families who have chosen to have children is an interesting and important question. The purpose of this paper is more modest, however. It is simply to outline the status quo (as of the fall of 2015) about the existing programs in Canada that are specifically designed to help families with the costs of child care. The paper will not only examine and analyze (using some illustrations) the current formal child care assistance plans, but will also examine the existing research on early education, daycare, and related programs.

It is important to explain the distinction between child care and daycare as those terms are used in public policy discussions in Canada. Child care is the broader term and encompasses a range of services and benefits that flow to children. It includes daycare programs, but also covers cash benefits flowing to families to assist them with raising their children. It includes, as well, specific tax deductions that are targeted to help with the costs of raising children. Daycare is a formal paid arrangement whereby (usually preschool) children are cared for and participate in age-appropriate educational activities while parents work or study. Daycare can be “home care” or in a daycare facility but normally excludes babysitting. It is one very important part of the child care complex of policies and programs.

This paper first examines the formal federal programs and their characteristics in terms of eligibility, benefits, and coverage. Then it reviews each of the provincial programs, to the extent that a province has a separate program. It gives special attention to Quebec’s day care program as it is considered to be a model among some advocates. Then it presents two cases to illustrate the nature and amount of benefits flowing to fam-

ilies in particular situations. Finally, it critically reviews prevailing research on child care and child care programs.



# PART 1

## Child Care Programs in Canada

### 1. Federal government programs

The centerpiece of the federal government’s child care assistance is the CCTB (Canada Child Tax Benefit). The CCTB is a “tax-free monthly payment made to eligible families to help them with the cost of raising children under 18” (Canada Revenue Agency, 2016a). Part of this program includes a national child benefit supplement (NCBS) for low-income families and a child disability benefit to help assist with the cost of raising a disabled child. It was the earliest program, essentially a replacement for the original “baby bonus” system; it is targeted to lower income families; and is by far the most expensive plan helping parents with the costs of raising children. Federal spending on the CCTB and NCBS was \$14.3 billion in 2014–15 (Treasury Board of Canada Secretariat, 2015).

There is also a more recent child care benefit program called the Universal Child Care Benefit (UCCB) designed to help Canadian families “by supporting their child care choices through direct financial support” (Canada Revenue Agency, 2016b). Originally it was exclusively for families with children under age 6 and the payment is fully taxable. In 2015, the program was expanded to include a new benefit for children aged 6 to 17 and payments for children under 6 were increased.

The Canadian Education Savings Grant (CESG) is a federal program that provides grants of up to 20% to top up Registered Education Saving Plan (RESP) contributions. The program is designed to provide an incentive for parents and other caregivers to start and maintain a savings plan for their child’s post-secondary education.

The Child Care Expense Deduction allows a parent (normally the parent with the lower net income) to deduct daycare expenses required to enable that parent to work or attend school.

Other federal government programs related to children are aimed at very specific situations. They include the Child Disability Benefit, the Children’s Fitness tax credit, and a variety of children’s benefits under the existing Canada Pension Plan and Employment Insurance Plan.

## Additional Details on the Major Federal Programs for Children

### *a. Canada Child Tax Benefit (CCTB) and National Child Benefit Supplement (NCBS)*

Essentially, any adult who gives primary care to a child under 18 is eligible. There is a special split provision for parents with a “shared custody” arrangement. Eligible caregivers have to apply to get the benefit. It is not automatic.

The “basic” benefit, as of July 2015, is \$122.58 per month per child under 18. The National Child Supplement, designed for children living in low income families, is income tested and provides eligible families with \$189.91 per month for the first child and slightly lower amounts for the second and third child. The income cut-off for full payment eligibility is \$26,021, based on the previous year’s net income. These supplemental benefits are reduced sharply for family net incomes between \$26,021 and \$44,701 (for three or fewer children) and are zero above that cut-off—although families with more than 3 children still receive some of the supplemental amounts as long as their family net income is below \$50,000.

As mentioned, federal government spending on the combined CCTB and NCBS was about \$14.3 billion in 2015.

### *b. Universal Child Care Benefit (UCCB)*

In contrast to the CCTB, the UCCB is a taxable benefit. Other than that, eligibility requirements are essentially the same as the CCTB. The benefit is paid to the child’s primary caregiver, normally the female parent.

In 2015, the benefit amounts were changed

- i) for each child under 6, the benefit increased to \$160 per month (from \$100) and
- ii) for each child between 6 and 17, the benefit is up to \$60 per month.

Note: Since these amounts are taxable, higher income families effectively have these benefits clawed back at the family’s marginal tax rate.

With the 2015 enhancements, it is estimated that the UCCB program will have cost the federal government about \$7 billion in 2015. The UCCB is taxable and the Parliamentary Budget Office expects that between 1.0 and 1.5 billion will be recovered by the government (PBO, 2015).

### *c. Canada Education Savings Grant (CESG)/ Registered Education Savings Plan (RESP)*

An RESP (Registered Education Savings Plan) is designed as a savings fund for children's post-secondary education. Under the plan, the federal government will provide a Canada Education Savings Grant (CESG) of 20% of annual parental contributions to a maximum of \$500 per year up to age 17. The fund can be invested in a range of eligible assets and grows at the rate of those investments. The proceeds of the RESP are taxed in the hands of the child/student. If parents make the maximum contribution of \$2,500, the nominal value of the grants is \$9,000 (18 x \$500).

For lower income families, there is an additional Canada Education Savings Grant of up to \$100 per year for families making the maximum contribution for their child. This additional grant is income tested.

In 2014 (the latest year for which information is available), the federal government spent \$811 million on the CESG/RESP grants (Canada, 2015).

### *d. Child Care Expense Deduction*

In two-parent families, child care expenses are deductible by the lower income parent if both parents are employed. However, child care expenses are deductible by the higher income parent if the other parent attends school (full-time or part-time). The dollar amount of the tax saving will depend on the situation that both parents are in and their respective income levels.

The Child Care Expense Deduction costs the federal government about \$900 million in 2015 (PBO, 2015: 10)

## 2. Provincial government programs

Many of Canada's provinces have their own child and daycare provisions designed to assist parents with the costs of caring for and raising their children. The programs vary from simple "top-ups" to the existing federal programs, especially the Canada Child Tax Benefit, to various stand-alone child benefit and daycare plans. Travelling from east to west, table 1 provides a summary of the provincial programs and is current as of late fall, 2015.

It is noteworthy that the majority of provinces, including the two most populous, now have both a child benefit plan and a daycare subsidy plan. They vary in generosity and scope but all except one are strictly income tested and so almost all of the benefits flow to low-income families with children. The one exception is Quebec and its subsidized daycare program.

**Table 1: Provincial Child Benefit Provisions, 2015**

Prov.	Child benefit payment	Day care subsidy	Other
NL	NLCB of \$377 for 1 child and \$777 for 2 children; income tested; not taxable		Nutrition Supplement of \$720 per year for infants; income tested, not taxable
PE		Child Care Subsidy Program— Covers all or part of the cost of child care in licensed centres; income tested	
NS	NS Child Benefit Program— \$625 per year for first child; \$825 for the second child; \$900 for third and succeeding children. Income tested (same as for CCTB)	Child Care Subsidy Program income tested; purpose is to allow parents to work or attend school	
NB	NB Child Tax Benefit (NBCTB)—\$250 per dependent child; income tested	Day Care Assistance Program— Income tested designed for low-income applicants who work, attend school/training, and who access an approved daycare facility	

**Table 1: Provincial Child Benefit Provisions, 2015**

Prov.	Child benefit payment	Day care subsidy	Other
QC	Child Assistance Program—provides cash benefits for eligible families: \$2,366 for first child; \$1,182 for the second and third child; and \$1,774 for the fourth and subsequent children. Income tested; decline in benefits start at about \$35,000.	Subsidized Day Care Program—reduced contribution from eligible families: \$7.30 per child per day at licensed day care facilities if family income is below \$50K; “progressive modulation” above that level. Maximum is \$20 per child per day for family incomes above \$155,000.	
ON	The Ontario Child Benefit—provides a maximum benefit of \$1,336 per child per year for eligible families. Income tested with benefit disappearing above income in the range of \$35,000 to \$45,000 depending on the number of children.	The Ontario Child Care Subsidy—Income tested; designed to help low-income families cover the costs of day care.	
MB	The Manitoba Child Benefit. Income tested; provides low-income families with children with a cash benefit of \$420 per child per year.	ELCC—Day Care Subsidies: Income tested; provides zero-cost day care for the very lowest income families.	
SK			Provide funding for day care centres and intervention programs
AB	Child Care Subsidy Program—Income tested; no set schedule of subsidy e.g., low-income family with a total income of \$15K would receive a child care subsidy of \$1,092 per month to be used in a licensed day care facility.		Alberta Child Health Benefit—Helps low-income families with health care bills for glasses, dentists, prescriptions, etc.
BC	BC Early Childhood Tax Benefit—Income tested with a higher income threshold of \$80K; provides a maximum payment of \$660 per child per year.	Child care subsidy program—designed to help eligible BC families with the cost of child care. Payments vary with circumstances.	

### *The Quebec Model*

Quebec provides subsidized or “reduced contribution” daycare to all Quebec families with only a modest nod to an income test. The fees paid (per child per day) range from \$7.30 for low and modest income families to about \$20 for the highest incomes—a fee that is still well below market rates for daycare.<sup>1</sup>

As mentioned, the Quebec program for child care and daycare stands out in Canada and is, by far, the most generous to families with children. Prior to 1997, the Quebec government made a policy decision to direct more of its resources to programs specifically targeted to children. Care must be taken, however, in judging the generosity of the child care benefits. In some cases, as we will see in the illustrations below, the generosity was more in terms of naming the benefit and less in terms of the end result. Nevertheless, many observers have spoken with admiration for the Quebec approach and especially its universal, low-fee daycare program. The majority of Quebec families with children who can access licensed daycare will pay a maximum of only \$7.30 per child per day.

Given the low price (to parents), questions arise regarding shortages, access, and wait times. The Quebec government does not appear to provide such information online. In the absence of reliable and accessible administrative tracking data, there is no way to know for sure how many families are unable to access a daycare space and how that has changed over time. To the extent that shortages are significant and increasing, there would be serious questions about the universality of the program. The only information we appear to have on the matter is journalistic.<sup>2</sup> It is regrettable that there is no easily available official information about matters like waiting lists (amounts, duration, trend) and the income and employment profiles of users. As well, comparative quality indicators relative to other provinces would be useful.

The Quebec model was used as the basis for the NDP’s centrepiece proposal during the 2015 national election. The NDP plan was to subsidize daycare for all Canadian families with children, especially preschool children, so that it would cost families only \$15 per child per day. In making the case for the plan, NDP leader Mulcair argued that it would substantial-

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<sup>1</sup> There is a special provision for the program to waive even this low fee for very low-income families.

<sup>2</sup> In September 2015, the *Huffington Post* wrote an article about the Quebec plan entitled “Why Quebec’s \$7/Day Daycare Isn’t All It’s Cracked Up to Be.” The article made several points: that there are not enough spaces; that the waiting lists are long and confusing, with some waits in excess of two years; and that higher income families were twice as likely to access a space as lower-income families.

ly increase the employment of mothers and increase GDP in the process. He used data from a Quebec study of that province’s daycare program to make these claims.

Fortin, Godbout, and St. Cerny (2012) conducted a fiscal examination of the Quebec subsidized daycare model. This study tracked the changes in labour force participation of women with preschool children and compared those changes (since the 1997 start of the Quebec daycare plan) to Ontario rates. The Quebec labour force participation rate, and especially that for single parents, increased much more sharply than it did in Ontario. The Fortin study maintains that the low-fee daycare program was responsible for “about 70,000 more mothers being in work” in 2008 (Fortin, Godbout, and St. Cerny, 2012: 26).<sup>3</sup>

The Fortin, Godbout, and St. Cerny study pointed out that there were economic benefits not only to the families concerned, but also to the economy as a whole. The study team estimated that these benefits included a \$5 billion increase in Quebec’s GDP. In addition, they weighed the cost of the program against its estimated benefits and found that the program more than paid for itself and generated net fiscal benefits to both Quebec and Canada. A study by Clavet and Duclos (2011) confirmed that there are both fiscal and maternal employment benefits from the Quebec subsidized daycare policy.

### 3. Spending on child care in Canada

Statistics on child care expenditures by governments is not always easy to find. The federal government data is the most accessible either directly from the identifiable programs spending in the budget or indirectly via reports from relevant agencies—especially the Parliamentary Budget Office (PBO).

A handy child care spending resource is the recently published report *How Much Does the Federal Government Spend on Child Care and Who Benefits?* (PBO, 2015). Curiously, spending on the Canada Child Tax Benefit is excluded as a category of “child care” spending, presumably because this benefit is not explicitly for helping families with the costs of child care. I include this program in this paper because its mandate is to help eligible families with the costs of raising children.

In terms of the federal spending on the CCTB/NCB, it currently stands at \$14 billion, an increase of almost 20% over the past six years. The UCCB cost taxpayers \$2.7 billion in 2014 but a net cost of \$2.3 billion

<sup>3</sup> The study does not specify but, from the wording, this is assumed to include both full-time and part-time work.

because the UCCB is a taxable benefit. This represents a 53% increase in the net cost since 2006. Finally, the Child Care Expense Deduction cost \$.9 billion in 2015, an increase of about 30% since 2008-09 (Treasury Board of Canada Secretariat, 2015; Employment and Social Development Canada, 2015; PBO, 2015).

Provincial data is much more difficult to obtain. In some cases, the programs are relatively new or have recently replaced other programs so there is little or no historical data. In other cases, it is difficult to determine what constitutes child care spending. There are expenditures such as investments in day care spaces; “early years” programs; direct cash benefit programs run through the tax system; daycare subsidies; and shared cost programs with municipalities and First Nations communities. Often these programs are under different ministries so there does not appear to be any central data source.

For example, in Ontario, the education ministry has a budget line for “Child Care and Early Years Programs” (Ontario, Ministry of Finance, 2016). This line increased from \$1.06 billion in 2013 to about \$1.32 billion in 2015, an increase of almost 25 percent over the two years. From the budget breakdown provided, this appears to be for “policy development and program delivery.” It is not clear what this covers. It is unlikely to cover the UCB.

Ideally, child care advocates and researchers would push for a more transparent form of data collection and reporting including detailed breakdowns about the distributional impacts of the spending. Such data would help answer some vitally important questions: How much of the funds of a targeted program actually get to recipients below a given income threshold? How much are administrative costs? How have program costs changed over time? How many recipients are there and how has that changed over time? What are the waiting lists like for subsidized programs and how has that changed over time?



## PART 2

### Illustrations

Using tax software programs, it is possible to provide examples of the amounts of child benefits, grants, and subsidies that flow to Canadian families in particular circumstances. This section presents a couple of scenarios reflecting specific family situations and the program benefits to which they would be entitled.

While it is not possible within the scope of this paper to examine all scenarios in each of the provinces, it is possible to look at some cases that might be reflective of the wider experience. The case of lower income single parents is an important one. Often, more resources are directed to families in this situation because of the perceived need. So, this paper takes as its main illustration the case of a single parent with one child and the federal and provincial child care assistance that flows to these families. The second case is that of a two-earner middle income family with two children (one pre-school and one in school). The child care (tax and non-tax) benefits that flow to this family are examined only for the two most populous provinces.

#### **Scenario 1: Single-parent family with one child age 2, living on social assistance:**

A single parent on social assistance is, arguably, representative of the lowest income families in Canada. Social assistance benefits for a single parent with one child average about \$12,000 tax-free per year, depending on the province, whereas even a minimum wage full-time job will generate about \$21,000 (no taxes would be paid with a dependent child).

The following table presents, in summary form, the range of child care (cash) benefits flowing to single-parent families, with one child, living on welfare in Canada, by province.

It is important to note that the benefits listed in table 2 exclude any subsidized daycare program, which is not included because it does not affect all families. Some single-parent families will not necessarily require or

**Table 2: Child Care Benefits, 2014**  
**Single Parent on Social Assistance (with one pre-school child)**

Province	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC
SA Income_2013	12,996	12,616	9,798	9,864	8,796	11,262	9,636	13,026	11,196	11,347
SA Income_2014*	13,256	12,868	9,994	10,061	8,972	11,487	9,829	13,287	11,420	11,574
UCCB	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
CCTB	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750
GST	687	687	687	687	687	687	687	687	687	687
Provincial Child Benefit	377		625	250	3,196	1,336	420			660
Nutrition Supplement (NL only)	720									
Total Income:	19,990	18,505	16,256	15,948	17,805	18,460	15,886	18,924	17,057	17,871
Total Child Benefits	6,734	5,637	6,262	5,887	8,833	6,973	6,057	5,637	5,637	6,297
Percent: Child Benefits/Total Income	33.7	30.5	38.5	36.9	49.6	37.8	38.1	29.8	33.0	35.2

Note: \* 2014 values are an estimate based on 2% increase over actual 2013 benefits.

Sources: Tweddle, Battle, and Torjman, 2014; Tax Software Ufile, 2014; Relevant provincial government ministries responsible for child benefits, and calculations by author.

choose daycare for their children. In addition, the scope and the amount financial assistance of daycare varies substantially from province to province.

For example, in Quebec, the province with the most extensive child care subsidy (reduced contribution) program, low-income families would pay a maximum of \$7.30 per child per day for daycare (in approved facilities). As well, the province has a special entitlement to daycare for welfare recipients that sets aside specific allotments for low-income single parents.<sup>4</sup>

Daycare subsidies are available in other provinces. The amount of the subsidy depends mainly on income level. In some cases, the amount is only available upon application by an eligible recipient.

<sup>4</sup> The program states that “Children whose parents are recipients under the Social Assistance Program or the Social Solidarity Program are entitled each week to two and one half days of childcare or five half-days, for a maximum of 130 days or 261 half-days per reference year. That period may be longer during the reference year, on the written recommendation of a health and social services centre” (Services Québec, 2015).

Seven of the ten provinces have a provincial child benefit program that provides non-taxable cash payments to low-income parents with dependent children.

New Brunswick, Newfoundland & Labrador, and Manitoba have provincial plans that pay the eligible recipient less than \$500 per year for a child under 18 years. Quebec, the province with the highest cash payment provincial plan, pays about \$3,200 for a child in a low-income family. So, while the federal programs pay a uniform amount regardless of location, the provincial program cash benefits vary widely.

To some extent, the provincial programs reflect the province's ability (or willingness) to pay and, perhaps, its relative costs of living. But the cash payments also reflect policy decisions about how to allocate and target funds to low-income families with children. For example, the Newfoundland & Labrador child benefit program makes modest payments but, on the other hand, it pays social assistance recipients in this situation among the highest rates in the country. In contrast, Quebec pays much lower social assistance rates for that category, but earmarks much higher payments that are identifiable as "child benefits." The end result may be similar (indeed, the total income for NL recipients is about 12% higher than for those in Quebec) but the breakdown or the method of allocation is different. (Table 2 compares the total income and total child benefits in NL and QC.) What this means is that a single parent on welfare in Quebec receives about 50 percent of their income in the form of directed "child benefits," whereas in all of the other provinces, the percentage is in the 30 to 40 percent range. Clearly, the way Quebec chooses to provide assistance to low-income households with children is unique, though the final result for those families is not unique.

## **Scenario 2: Dual earner family (total income = \$80,000) with two children, aged 4 and 8**

Table 3 presents the comparison between the child benefits that flow to this middle-income family in Quebec and in Ontario in 2014.

The table's values are based on the following assumptions. Each spouse earns \$40,000 so the earnings and incomes of both spouses in both provinces is exactly the same. Each couple has a 4-year-old and an 8-year-old as dependent children. Each couple spends \$1,000 for each child for a summer camp experience and spends \$600 on babysitting for each child per year. The only difference in spending on the children in each province is that, in Ontario, the couple spends \$8,800 for daycare for the youngest

### Table 3: Middle Income Families in Two Provinces

#### 1. Middle-Income Family in Ontario

<b>A. Couple, no Children</b>	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Combined</b>
Taxable Income:	40,000	40,000	80,000
Income Taxes Paid	5,703	5,703	11,406
<b>B. Couple, 2 Kids (8 &amp; 4) but No UCCB</b>			
Income Taxes Paid	4,082	3,437	7,519
CCTB		1,952	1,952
Tax Savings*	1,621	2,266	3,887
Provincial Child Benefits	0	0	0
Total Benefits Due to Children			5,839
<b>C. Couple, 2 Kids (8 &amp; 4) with UCCB</b>			
Taxable Income:	40,000	42,400	80,000
Income Taxes Paid	5,150	3,437	8,587
UCCB		2,400	2,400
CCTB		1,952	1,952
Tax Savings	553	2,266	2,819
Total Benefits Due to Children**			7,171

#### 2. Middle-Income Family in Quebec

<b>A. Couple, no Children</b>	<b>Spouse 1</b>	<b>Spouse 2</b>	<b>Combined</b>
Taxable Income:	40,000	40,000	80,000
Income Taxes Paid	7,729	7,925	15,654
<b>B. Couple, 2 Kids (8 &amp; 4) but No UCCB</b>			
Income Taxes Paid	7,443	7,352	14,795
CCTB	1,952		1,952
Tax Savings*	286	573	859
Provincial Child Benefits		2,232	2,232
Total Benefits Due to Children			5,043
<b>C. Couple, 2 Kids (8 &amp; 4) with UCCB</b>			
Taxable Income:	42,400	40,000	82,400
Income Taxes Paid	7,653	7,827	15,480
UCCB		2,400	2,400
CCTB		1,952	1,952
Tax Savings*	76	98	174
Provincial Child Benefits		2,136	2,136
Total Benefits Due to Children**			6,662

\* The daycare tax credit, the child fitness tax credit and the children's art tax credit are all included in the tax savings

\*\* Excluding day care subsidies

child<sup>5</sup> and in Quebec, based on the family income and using the provincial government calculator to determine the “reduced contribution” amount for daycare, the family pays \$2,100 for youngest child. It is also assumed that there are no additional expenses for fitness, recreation, or art for the children.

In table 3, the analysis for each province is divided into 3 sections, A, B, and C. Part A simply lists the taxes that are paid if the couple has no children. This is done for comparison purposes so that it is clear what effect children would have on the couple’s tax savings. Part B determines the benefits flowing to the couple from the children but does not include the UCCB. This benefit is excluded here because it is taxable and will clearly offset some of the tax savings that result from having the children. Finally, Part C includes the UCCB and tallies the tax savings as a result and, as well, lists the total benefits that result from having the children.

The differences between the provinces are important. For example, not only are taxes higher in Quebec, but the tax savings that result from having dependent children are substantially less in Quebec. However, Quebec also pays out more to families with dependent children. At the end of the discussion of table 3, we will see how the different approaches net out in Ontario versus Quebec. A comparison of the values in part B shows that the pure tax saving (i.e., excluding the UCCB) that result from the dependent children is \$3,887 in Ontario and \$859 in Quebec. A substantial part of that difference is due to the fact that by paying lower daycare fees, the child care expense tax credit is correspondingly lower in Quebec.

Part C adds in the UCCB and re-calculates the tax savings. Once the UCCB is factored in, the total benefits that are attributable specifically to children have a value of \$7,171 in Ontario and \$6,662 in Quebec. However, the comparison of the family’s overall financial is incomplete because it does not account for the differential in taxes paid in each province, nor does it include the value of subsidized daycare.<sup>6</sup>

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<sup>5</sup> This is based on an average rate between licensed and unlicensed daycare in Ontario in 2014 for 10 months (Godaycare, 2016).

<sup>6</sup> It is assumed that the parents are able to acquire appropriate and eligible subsidized daycare in the province. There has been much talk about the severe shortages of licensed daycare spaces in Canada, but little hard data. The *Toronto Star* reported in 2014 that, nationally, there were licensed spaces for only about 22 percent of pre-school children. The *Star* spoke to several experts in the field about the shortages. Given that the “price” of daycare is well below that in most other provinces, it is reasonable to assume that, in the absence of hard data, the shortage in Quebec is even worse (Monsebraaten, 2014, June 20).

If we include both considerations, the following calculation provides a reasonable “net” determination of the financial benefits that come from having children in the family (in this specific case) in both provinces.

	Ontario	Quebec
Benefits resulting from children (from table 3)	\$7,171	\$6,662
Daycare cost differential (\$8,800 vs. \$2,100)		\$6,700
Income tax differential (\$8,587 vs. \$15,480)	\$6,893	
Totals:	\$14,064	\$13,362

The total here indicates that this middle-income couple with two children would be somewhat financially better off (thanks to the combination of child care benefits and tax treatment) in Ontario than in Quebec. It is important to include the tax differential in this determination. Quebec has significantly higher income taxes, in large part to pay for these program benefits. A fair comparison, then, has to include the difference in tax burden.

An interesting question arises from these calculations. Fortin’s analysis shows that, during the period when the Quebec daycare plan was in force, the labour participation of women (25–44) went from well below the national average to well above it. While the female participation rate in the other provinces has been essentially flat for the past dozen years, the Quebec rate has increased by about 6 percent. However, as we have just determined, the total benefits that are due to having children in Ontario is about the same as it is in Quebec, once the tax differential is accounted for. So, do families, and mothers in particular, respond much more to the availability of low cost daycare than their overall level of disposable income (i.e., net of taxes *and* childcare)? It is an interesting behavioural question and one that policy makers and advocates of working mothers should find particularly important. It is beyond the scope of this paper to attempt to answer this question. However, it seems reasonable that highly visible benefits like a \$7-a-day daycare plan would prompt action to a much greater extent than after-tax income, which is less visible. This is especially true if the plan is well advertised and promoted, and if it is starkly different in terms of direct family costs than plans in other comparable jurisdictions.

Finally, the CESG/RESP program does provide a benefit to a child’s education saving but does not positively affect a family’s cash or tax savings situation. Indeed, it will reduce a family’s disposable income because in order to claim the 20% “top-up,” a family must invest money in their child’s RESP. It is much more likely that the two-earner family with combined earnings of \$80,000 will be in a position to make such an investment

than the low-income single parent. If a family invests \$2,000 per child per year, they will receive a grant from the government of \$500 per child per year. If the family does this consistently and is able to obtain a 5% average annual rate of return on the fund, each child will have an education fund worth almost \$75,000 at age 18. Twenty percent of that (or \$14,800) is attributable to the federal government grant (including interest on the CESG).

Parts 1 and 2 above have examined the governmental child care programs that currently exist in Canada. However, there is considerable debate and much conflicting empirical evidence about the net impact of these policies and programs. Some view procreation and child rearing as a personal/family responsibility and therefore argue, on principle, that the state has no role to play. Others see a potential role for the state (along the lines of its role in primary and secondary education) but maintain that it ought to be targeted just to the needy. Still others argue that the goals of equal access by women to the labour force and uniform early education for all children require universal programs for daycare and early childhood education.

It is beyond the scope of this paper to attempt to settle these competing perspectives on state involvement in child care. Part 3 below, however, reviews the relevant literature on the impacts of various kinds of daycare/early education arrangements. This review will be helpful in, at least, understanding the questions and empirical challenges involved.

## PART 3

# Are Child Care Programs Beneficial? What Does the Research Say?

Research and evidence can help answer several questions about child care and daycare. Consider the following:

- Is daycare as good for children as home care by parents?
- Do daycare outcomes depend on socioeconomic status?
- Does the quality of daycare matter?
- To what extent does subsidized daycare increase maternal labour force participation?
- Are there concerns with daycare related to children's behaviour?
- What are the distributional impacts of publicly funded daycare, i.e., who pays for it and who benefits from it, and does it reduce inequality?
- Are universal programs better than targeted programs?
- Is expanding early childhood education programs a good public investment?

Before reviewing the research, it is useful to provide some clarity about terms and definitions. For the purpose of this paper, the term “day-care” means formal, non-parental care during the day while a parent works or attends a school or training program. It can be distinguished from babysitting which is a more informal arrangement regarding childcare. Daycare can be provided in a daycare centre or in a private home. As well, all daycare services involve some element of education. The educational component can be as little as physical activity, games, and reading, all the way to a more structured program of age-appropriate learning. It is different than having a nanny for children and is also different than babysitting although, potentially, these two could do something similar. Daycare provides early childhood education services formally and does so in a setting of groups of similar aged pre-school children.

In North America, an early example of formalized daycare was the “Head Start” program in the United States. Started in 1965 as part of the War on Poverty, Head Start was a national program of half-day daycare for children 3 and 4 years of age living in low-income families. In a study



of the Head Start program, Currie and Thomas (1995) compared siblings who had not been in the program with those who had and found that while for white children there were measureable longer term benefits in language skills and success in school, but for African American children, the benefits “faded” out by Grade 5. In their review of the Currie and Thomas (2000) follow-up study, Cleveland and Krashinsky conjectured that the decline in lasting benefits was likely “because many African-American children attended poorer quality neighbourhood schools” (Cleveland and Krashinsky, 2003: 10).

In a 2010 Brookings Institute publication, *Investing in Young Children*, editors Haskins and Barnett devoted several chapters to a review of the Head Start program. These papers acknowledge that the Head Start program has not performed as it was intended and suggest a number of improvements to improve the longer term impacts.

Gibbs et al. (2012) point out that current research is unable to accurately assess the benefits of Head Start and leaves us with questions about such programs (such as the mechanisms through which early childhood programs generate lasting benefits and the factors causing Head Start’s test scores to attenuate more rapidly over time).

In a strong defense of Head Start, Meredith Sight (2013) argues that the program gives disadvantaged children an academic preparation for kindergarten that they never would have received because of their economic class. While acknowledging that academic test outcomes are not encouraging, she argues that “test statistics alone are not the only criterion. Many studies show that students and their families coming from low economic backgrounds benefit from measurable cognitive, social, and emotional advantages that Head Start gives them.” In her conclusion, Sight states that preschool intervention programs cannot fully offset the consequences of poverty and inadequate housing, but there is reason to believe that Head Start does make a measurable improvement in children’s lives, especially in their social and emotional well-being.

In her critique of Head Start, Rebecca Bendheim (2013) points to a study by Hart and Risley (1995) that examined the results of an early childhood intervention education experiment with a mixed group of children, some living in low-income families and some who were children of professors. The program focused on language development. All the children were taught in the same way. A year after the program ended, the researchers found that while “the professor’s children’s vocabularies were quickly expanding, the low-income children’s vocabulary growth had slowed down considerably, reaching the level of other low-income children who did not attend the preschool” (Bendheim, 2013). Further, the Hart and Risley study found that “children of professionals receive six encourage-

ments to every discouragement from their parents while children with parents on welfare receive one encouragement for every two discouragements.” Her interpretation of the Hart-Risley study is that no matter how much the government spends, programs such as Head Start cannot compensate for poor parenting. What happens in the home is the most important consideration. Finally, Bendheim sites another, more recent study by the US Department of Health and Human Services which, she says, shows that any Head Start benefits completely diminish by the time children reach first grade.

There have been a large number of studies and reviews of Head Start up to the present. There have also been many commentaries about the program published in periodicals such as *Time* magazine and the *New York Times*. The best that can be said about the program and its effectiveness is that the results are inconclusive. Some research shows modest impacts and some show none. Based on the US experience with Head Start, it would be hard to argue convincingly that preschool programs improve the academic and social well-being of disadvantaged children in any lasting way.

In a major study of pre-kindergarten programs in the US, Magnuson, Ruhm, and Waldfogel (2004) find that 1) pre-kindergarten has “few lasting positive effects on advantaged children’s skills”; 2) it yields larger benefits for disadvantaged children; and 3) it has a persisting adverse effect on their behaviour (aggressive conduct, lack of self-control). They point out that more research is needed to determine if the benefits result in longer term improvements in human capital.

Nevertheless, two small-scale early childhood experimental American programs stand out as examples of the long-lasting benefits of high quality formal daycare and are oft-used in defense of daycare programs. The High/Scope Perry Pre-school Study, from 1962-67, was a high quality program for 123 at-risk African-American children, ages 2 to 4. The study tracked these students over time and found that there were substantial differences in IQ at age 5, in homework completion, high school graduation, job earnings, and arrests compared to a control group that did not participate in the program. The “Abecedarian Project,” conducted in the early 1970s in Carolina, similarly compared a group of pre-school, poor children (from infancy to age 5) given a high quality educational intervention in a childcare setting with a control group. This program also showed significant, long-lasting benefits.

The important question, then, is whether these results, which are based on smaller scale experiments, can be replicated on a larger scale where “high quality” might be more difficult to achieve. As well, are there likely to be distributional impacts of larger scale projects—that is, are the effects evenly distributed or do they differentially benefit more disadvantaged children? In a recent review article, Elizabeth Cascio (2015) address-

es these questions in the process of examining universal child care/early education programs in various countries.

Theoretically, Cascio expected that the quality of a child's in-home learning environment would be closely correlated to the family's socio-economic status. So, a universal early childhood education program (in a daycare setting) that replaced in-home parental care would be expected to have the greatest positive impact on disadvantaged children and could adversely impact more advantaged children. The higher the quality of the program, the smaller is likely to be the adverse impact. Her review of studies from Europe, North America, and South America support her theoretical priors. She argues that there appears to be a potential trade-off with early childhood programs, with cognitive and non-cognitive benefits more likely for disadvantaged children, but that "the most advantaged children could even be made worse off by participation" (Cascio, 2015: 9). She concludes by suggesting that "policymakers should consider the possibility that the same benefits could be delivered at lower costs through an income-targeted program."

In recent years in the US, a number of states have implemented various forms of early childhood education programs. Illinois, Georgia, Oklahoma, Florida, and New York all now provide universal half-day pre-school programs for children under 6 years old. These programs await rigorous assessments of the short and longer term impacts relating to both cognitive and non-cognitive outcomes.

The child care research literature pertinent to Canada is, by 2016, quite substantial. Studies by Lefevre and Merrigan (2002), Cleveland and Krashinsky (2003), Baker, Gruber and Milligan (2008, 2015), Geofroy et al (2010), Baker (2011), Kottelenberg and Lehrer (2013, 2014, 2014), and Haeck, Lefebvre and Merrigan (2015), as well as studies of the Quebec daycare program by Duclos and Clavet (2012), Beaujot (2013), and Fortin et al. (2012) examine various aspects of Canada's experience with early childhood education in a formal daycare setting.

Leading Canadian child care researchers Gordon Cleveland and Michael Krasinsky (2003) reviewed the studies on daycare and early childhood education and come to two significant conclusions. First, poor quality daycare can be harmful. When coupled with poor parenting, it can be detrimental to the child's emotional and cognitive development. However, poor quality daycare is likely to have a reduced (or no) adverse impact on children with a good quality home life and who have secure attachments to parents. Second, good quality daycare can offset the effects of poorer quality home environments and of poverty. They quote another study's conclusion: "Quality day care from infancy clearly has positive effects on children's intellectual, verbal, and cognitive development, especially when

children would otherwise experience impoverished and relatively unstimulating home environments” (Cleveland and Krashinsky, 2003, ch. 2: 11). The authors state, “The conclusion from this literature would appear to be that for children from disadvantaged families, exclusively parental care is often insufficient for their developmental needs. These children can be made better off by involvement in well-designed supplementary child care programs, and the effects are long lasting” (Cleveland and Krashinsky, 2003: 11).

They also address the question: Why shouldn’t parents pay for their own daycare? They argue that while markets generally work well for private goods, they don’t for goods that have public impacts or “externalities.” Essentially, if we can make the case for government-funded public education (K–12), then the same case essentially holds for publicly funded daycare. It allows single parents on welfare to seek employment (which has a number of private and public benefits) and the bulk of the research, in their view, suggests that it has positive net benefits to disadvantaged children and hence to society.

Several more recent Canadian studies have similar findings. Geofroy et al. (2010) found that formal, non-parental daycare significantly improved the academic performance of children from disadvantaged homes but had little impact on kids whose parents were well-educated.

Baker, Gruber and Milligan (2008), in their examination of universal child care and its implications, found that while the employment gains as a result of the universal daycare program were impressive, they also found that children in daycare were worse off in a “variety of behavioural and health dimensions.” Specifically, they point to issues with illnesses, aggressive behavior, and motor and social skills. They also found that the daycare program led to a decline in parental health<sup>7</sup> and the quality of child-parental relationships. Needless to say, the results of this study were highly controversial and strongly disputed by advocates (Press, 2015, Sept. 22; Geddes, 2011, July 11). In a recent update of the study, Baker et al. (2015) supported the previous research and found that while children tend to do somewhat better academically if they’ve attended daycare, they have worse

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<sup>7</sup> According to Baker, Gruber, and Milligan, “Measures of parenting and family function are also negatively affected, and there is some evidence of deterioration in parental health and a reduction in parental relationship quality. To our knowledge, effects on parenting and family outcomes have not been previously investigated. Therefore, the results suggest that in this instance more access to childcare was bad for children and parents in the dimensions captured in our data. There are, however, interpretations of these findings which are more benign. While some of these explanations appear inconsistent with the data, we cannot rule out the possibility that our findings represent a short-term adjustment to childcare, and not a long-run negative impact” (2008: 4).

outcomes in terms of health, life satisfaction, and crime rates. Again, there was a strong reaction from the media and advocates for government subsidized daycare.

Baker (2011) makes the point that the positive and long lasting results of early childhood education for disadvantaged children (like the High/Scope Perry Preschool experiment) cannot be used as evidence to establish universal programs. We clearly need direct evidence drawn from universal programs that are already in place. What exactly are the longer term impacts of these (universal) programs and how do those impacts depend of the quality of the programs? And, are there differential impacts for disadvantaged and advantaged children? These are critical questions that can only be answered by assessing existing universal early childhood education/daycare programs, according to Baker.

Kottelenberg and Lehrer (2013) examined the socio-economic consequences of Quebec's daycare program after 10 years of data were available. They confirmed the Baker et al (2008) findings regarding the negative impacts on development, behaviour and health measures. However, they noted that these results were the "average" outcome and that certain groups did benefit. Therefore, based on their evidence, they had to "reject the proposition that a universal child care program will unambiguously weaken individual and family outcomes" (Kottelenberg and Lehrer, 2013: 280).

In Kottelenberg and Lehrer (2014a), the impact of the Quebec daycare program was extended to examine different effects by family type. Specifically, the study found that for children in single-parent families, "subsidized child care appears to substitute for lower levels of parental care or informal care arrangements, in effect leveling the playing field. These children witness large gains in developmental scores after the policy" (p. 25). However, the finding for children in two parent families was negative. The authors argue that the availability of subsidized care may actually change the nature and quantity of time that mothers spend with children. In addition, with two working parents, children are often dealing with more stressed parents and this may also help drive the negative impact. "Our empirical analysis is suggestive that much of the heterogeneity in policy effects emerges from differences in home learning environments that were present prior to the policy and were altered in response to the policy" (Kottelenberg and Lehrer, 2014a: 24). These results, again, appear to support a more targeted as opposed to a universal policy approach.

In Kottelenberg and Lehrer (2014b), heterogeneous results by child's age are noted. Specifically, the negative impacts of the policy on such outcomes as motor-social developmental scores, self-reported health status and behavioural outcomes including physical aggression and emotional anxiety, are driven by children 0-2 years. "Among children aged 3 and 4 years, we do not find any evidence that access to childcare leads to lower developmental scores" (Kottelenberg and Lehrer, 2014b: 356).

Haeck, Lefebvre and Merrigan (2015) found that while the Quebec universal child care program increased the number of children in daycare and the amount of time they spent in daycare, the policy “did not improve school readiness and may even have had negative impacts on children from low-income families.” They also found that the increased labour force participation and weeks worked by mothers was “mainly driven by highly educated mothers” (Haeck, Lefebvre, and Merrigan, 2015: 152).

Psychologists appear to be cautious about the purported benefits of daycare. The Study of Early Child Care and Youth Development supported by the National Institute of Child Health and Human Development (NICHD) found that children who spend time in daycare may be more aggressive than children who do not. They also argued that quality matters in terms of behavioural and social awareness outcomes (NIH, 2012).

Psychologist Noam Shpancer (2010) is a skeptic when it comes to daycare. He argues, based on his reading of the studies, that research has failed to find any consistent results regarding the benefits of daycare programs, even on disadvantaged kids and about the possible behavioural problems. He argues that results depend critically on how the questions and the data are “framed.” As well, he maintains, it is very difficult to establish causal connections when all we have are correlations. He points that, while daycare research has “not managed to answer its own fundamental question,” this has not stopped daycare researchers from making policy proposals and from active advocacy.

As well, he finds that the media appear, in general, to be much more receptive to studies that show positive effects of daycare and tend to downplay (or ignore) negative results, which has an impact on policy. He concludes by stating, “In sum, despite its ambition, the daycare literature cannot settle the issue of whether daycare is good or bad for children. Thus the decision equation, even for the most informed consumers of the research, remains perpetually personal.”<sup>8</sup>

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<sup>8</sup> Many of the comments in this paragraph are drawn from Shpancer’s 2010 article, “Is Non-Parental Daycare Bad for Children?”

## Commentary

The studies reviewed here are not in agreement on all points. There may, however, be a consensus on some important conclusions: They are:

- First, that the quality of parenting and home life is the most important determinant of a child’s intellectual and emotional development.
- Second, good quality daycare (similar to good quality primary education) may be able to help offset some of the deleterious effects of a bad home environment.
- Third, for children who have a positive home environment, there is no consistent evidence that daycare has a positive, lasting impact on cognitive development; a
- Fourth, that the results of smaller scale, high quality programs cannot be used to support the case for universal, publicly funded programs.

Perhaps the most disturbing result in the studies reviewed is that the availability of low-cost, subsidized daycare might actually change the behaviour of otherwise attentive parents and cause them to reduce time spent with their children. This “treatment” effect might partially explain the result that children in higher socio-economic families might actually have negative (cognitive and non-cognitive) outcomes from daycare.

The bulk of the evidence from the studies appears to support more targeted forms of help that would direct the benefits of high quality daycare/early education towards disadvantaged children. To the extent that “disadvantage” has a significant intergenerational component, targeting help could be an effective way to systematically reduce the problem of poverty and disadvantaged children.

The case for universal subsidized daycare programs, like that in Quebec, is weakened by the evidence. While the purported fiscal case in terms of women’s employment opportunities, family incomes and tax revenues appears to find support, the cognitive and non-cognitive concerns must surely give pause. As well, the apparently differential distributional impacts—by socioeconomic status and by age—suggest that a targeted approach might be more effective.

## Conclusions

This paper is an attempt to portray the status quo in Canada in terms of both government child care programs and formal, government-funded daycare programs. What it appears to show is that a substantial array of programs is currently available. The two main federal programs alone (CCTB/NCBS and UCCB) cost about \$18 billion.<sup>9</sup> The majority of the funds will go to those classified as “low income” according to eligibility requirements. Of the \$14.4 billion allocated to the CCTB/NCBS program, about \$10.5 billion goes to CCTB recipients who are described as low and middle income Canadian families. The full amount of this non-taxable benefit goes to low-income recipients and then a reduced amount goes to those in the middle, gradually petering out at family incomes of about \$100,000. The \$3.9 billion NCBS (supplement) goes only to lower-income families. An annual report that is no longer being produced used to show graphically the amounts that would flow to families by income level (but not what it costs the government to fund) (Government Services Canada, 2013: 4). While the UCCB is universal and goes to all families (with eligible children) who apply, it is taxable and so there would be a substantial recovery from families with above average incomes. But, again, with no accessible statistical report, we cannot be precise about the distribution of any of these child benefits. The child care expense tax credit costs another \$1 billion. The overwhelming bulk of the benefits are income tested and flow to lower income families with children.

Each of the provinces has programs relating to child benefits and/or daycare subsidies. Quebec stands out as a province that specifically directs more resources to assisting lower income families with raising their children. They have the most generous provincial child benefits plan (which provides direct cash benefits to low-income recipients) and a universal

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<sup>9</sup> While there is no accessible report on the distribution of these funds by income level, [footnote: PBO (2015) does have a figure (3-6) which shows the distribution of after-tax child benefits by family income group (expressed as percentiles) but does not show the percentage of spent funds flowing to low-income families



subsidized daycare program that costs low and middle income families accessing licensed daycare a maximum of \$7.30 per child per day. Indeed, for very low-income families, even that fee is waived. Economist Pierre Fortin (2013) has recently determined that the program provides a net fiscal benefit to Quebec and to Canada.

While we do not have accessible information about the costs of every one of these programs or the precise distribution of the benefits, what we do know is that the combined federal and provincial spending on child care easily exceeds \$25 billion annually and has been growing substantially over the past decade. We also know that the current federal Liberal government has committed (within 100 days after being sworn-in) to sit down with the provinces and territories to design and deliver a universal child care program for all Canadian families with children.

The literature examining the effects of non-parental, out-of-home daycare is mixed in terms of conclusions about the benefits to children's cognitive and emotional development. The very recent (2015) Baker-Gruber-Milligan paper stands out to some extent because it confirmed earlier findings that showed a negative shock in terms of non-cognitive development. If this is supported by further research, then this result is particularly important because of the widely held view that it is the non-cognitive skills that are critical for long term success.

## Appendix: Provincial Child Care Programs—Details

### Newfoundland

The Newfoundland and Labrador Child Benefit (NLCB) plan provides low-income families with a “top-up” benefit for parents already receiving the CCTB. Specifically, the program provides an additional (maximum benefit of) \$377 per year for one child and \$777 for two children. This tax benefit is not taxable; does not affect income support entitlement and is accessed through the filing of a tax return.

In addition, low-income parents on income support are eligible for a \$60 per month Nutrition Supplement grant for infants.

### Prince Edward Island

PEI has a child care subsidy program designed to assist parents with the cost of child care “so they can work or attend training programs.” The Child Care Subsidy Program covers all or part of the cost of child care in licensed child care centres, nursery programs, early years centres, family daycare homes, and before-and-after-school programs. The subsidy rate varies, depending on the size of the family, age of children and the household’s income. (See Prince Edward Island, Department of Family and Human Services, 2015).

To be eligible for the full daycare subsidy, a PEI family of four would have a total annual income of less than \$23,000. That subsidy would be worth about \$7,000 for a 2-year-old child according to the province’s *Child Care Subsidy Policy Manual* (Prince Edward Island, 2011.)

In addition, PEI provides funding for regulated child care/daycare spaces; grants for children with special needs; participates in a national program called “Kidsport” which provides grants for low-income families enrolling their children in sports activities; and other programs relating to funding of early childhood education.

## Nova Scotia

The Nova Scotia Child Benefit is provided to all low-income families to help them with the cost of raising children under the age of 18. The family (net) income cut-off for the full benefit is \$18,000. Families with incomes up to \$26,000 qualify for a partial benefit. The amount of the benefit is \$625 per year for the first child; \$825 for the second child and \$900 for the third and succeeding child (Nova Scotia, 2013).

This benefit, like many others at the provincial level, is automatic if someone is already receiving the CCTB. There is no requirement to apply separately. It is noteworthy that this benefit, like that in Newfoundland & Labrador actually increases for additional children after the first. Economists often argue that additional members of a family “cost” less due to economies of scale in living as member share a number of facilities and appliances and, often, space.

There is also a child care subsidy program in Nova Scotia. The purpose of this program is to help low-income families pay for child care costs while they work, attend school or have special child care needs.

To be eligible for the child care subsidy program, you must meet certain income and employment standards. Here are some examples of who is eligible:

- Single parents, so they can work or attend school
- Two parent families, so they can work or attend school
- Legal and non-legal guardians who need help to provide care—often grandparents who find caring for a child challenging
- Referrals from community resources on behalf of families who need financial help (Nova Scotia, 2016)

## New Brunswick

“The New Brunswick Child Tax Benefit (NBCTB) is a non-taxable amount paid monthly to qualifying families with children under the age of 18. The New Brunswick Working Income Supplement (NBWIS) is an additional benefit paid to qualifying families with earned income who have children under the age of 18. Benefits are combined with the Canadian Child Tax Benefit (CCTB) into a single monthly payment” (New Brunswick, 2016).

The NBCTB provides an annual payment of \$250 per dependent child for families with a net income below \$20,000. Similarly, the NBWIS provides an annual payment of \$250 per eligible family whose net income is below \$20,921. These benefits are phased out at about \$30,000.

The province of New Brunswick also has a Day Care Assistance Program. This program provides some financial assistance to parents whose income is below a threshold (currently \$55,000) and who work, attend school or are undergoing medical treatment and who access an approved day care facility. There are a large number of components to the program with separate subsidies for different circumstances. There is no standard schedule of subsidies that apply to all cases.

## Quebec

The province of Quebec has two major programs directed specifically at helping families with the costs of raising children.

### *a. The Child Assistance Program*

This plan provides financial assistance to all eligible families with one or more dependent children. The amounts received will depend on the family income and the number of children. The maximum annual amounts are \$2,366 for the first child, 1,182 for each of the second and third child, and \$1774 for the fourth and subsequent children. There is an additional amount of \$2244 for a handicapped child and an additional annual amount of \$830 for single-parent families. The low-income threshold after which payments start to decline is about \$35,000 (Retraite Quebec, n.d.).

### *b. Subsidized Day Care (the Reduced Contribution Program)*

This program “enables parents to have access to childcare services (for children under five years of age) in return for a daily reduced contribution.” The basic reduced daily contribution is, currently, \$7.30 per child for families with a total family annual income up to \$50,000. Above that threshold, there is an additional contribution payable, which is determined as an amount “established according to a progressive modulation to reach a maximum amount of \$20 for a family income of \$155,000 or higher.”

“The basic contribution and the additional contribution will be indexed annually, effective January 1, 2016. Parents who are beneficiaries of the Social Assistance Program or the Social Solidarity Program are eligible for the exemption from payment of the reduced contribution” Services Québec (2015).

In addition to these two major programs directed specifically for children, there is the tax credit for child care expenses. This mirrors the

federal program but is run separately through Revenue Quebec. The Quebec government also assists with funding of various daycare facilities in the province—as do most other provincial governments.

The Quebec program of heavily subsidized daycare has been much publicized in the media and is often held up as a model for other provinces. Indeed, during the fall 2015 federal election campaign, the NDP promised a national child care program that was similar in structure to the Quebec “model.”

## Ontario

Ontario appears to have three programs specifically targeting children.

### *a. The Ontario Child Benefit*

This program is promoted as helping low-to-moderate income families (whether they are working or not) to provide for their children. This program is similar to the CCTB in that it is income tested and is run through the existing tax system. The maximum amount of the benefit is \$1336 per child per year for parents with income in the range of about \$20,000 per annum. The value of the benefit decreases fairly rapidly and disappears entirely above incomes of \$35,000 to \$45,000 depending on the number of children involved.

### *b. The Ontario Child Care Subsidy*

This program provides low-income families with children with subsidies to help cover the costs of day care. The program is jointly funded by the Ontario government, municipal governments and First Nations communities and is administered by municipal boards.

### *c. Ontario Child Care Supplement*

According to the Ontario Ministry of Finance website, the Supplement formally ended in mid-2014 and the benefits have been folded into the OCB. “The Ontario Child Benefit (OCB) consolidates several provincial child benefits into one benefit that is provided to low- and moderate-income families with children under 18 years old.”

The Ontario government is currently in the process of coordinating the various programs that provide assistance to families with children

with special needs. The part of the Ontario government website devoted to children's issues states:

Proposals for coordinated services planning and the local delivery of rehabilitation services have been received. We are now working with identified agencies, children's service providers, Community Care Access Centres and school boards, to implement coordinated service planning across Ontario in 2016.

Coordinated service planning will provide a single service plan that considers each child or youth's goals, strengths and needs. Service planning coordinators will lead the development of service plans and will work with families and service providers across the sectors. (Ontario, Ministry of Children and Youth Services, 2016)

At this time, services and programs relating to children's special needs are run through a variety of ministries and agencies—principally by Children and Youth Services Ontario.

## Manitoba

Manitoba offers two major programs that provide financial assistance to help with the costs of raising children to parents in the province.

### *a. The Manitoba Child Benefit*

This program is designed for low-income families and provides a benefit of \$420 annually per child for parents with incomes below \$20,000 (\$15,000 for single parents).

### *b. Manitoba Early Learning/Child Care Program (Day Care Subsidies)*

This program is also directed to low-income families with children. Unlike the Quebec system, there does not appear to be a set schedule for reduced contributions, however, using the subsidy calculator on the program website, the reduced contribution by a low-income (\$15,000) unmarried, single parent of two nursery age children would be \$0 per day per child. That same family, with an income of \$20,000, would have a reduced contribution of \$11 per child per day.

Manitoba also has on “Opti-Care” program to help low-income families with the cost of their child’s glasses.

## Saskatchewan

While Saskatchewan does not appear to have specific financial benefit or subsidy programs aimed at helping families with the costs of child rearing, they do have two programs of relevance here:

### *a. Early Childhood Intervention Program*

This program is described as “a province-wide network of community-based supports for families of children who experience developmental delays” Saskatchewan (2012).

### *b. Early Learning and Child Care Program*

This program claims to support “families and communities by promoting high quality care for children in healthy, safe & nurturing environments.” The government of Saskatchewan provides some funding for non-profit day care facilities and also helps with the provision of information to parents.

## Alberta

The province of Alberta lists a range of programs and services relating to families and children. Most of them, however, are health related and are funded through the health Ministry in Alberta. For example, there is the Alberta Child Health Benefit which helps pay for health care bills (like eyeglasses, prescriptions, dentists) for children in families with “limited incomes.” As well, there are a variety of youth support programs, initiatives examining early learning and child care programs, as well as a program to support families with disabled children.

Alberta does have a Child Care Subsidy program. Through its Ministry of Human Services, it provides financial assistance to eligible lower-income families who access approved day care facilities and programs for their children. As with several other provinces, there is no set schedule of subsidy or a given reduced contribution (like Quebec), however, there is a subsidy estimator that can be used. According to the estimator, a single parent of two children (2 and 3 years old) with a total income of \$15,000 would qualify for a child care subsidy of \$1,092 per month to be used in a licensed day care facility Alberta (2013).

## British Columbia

BC has a new program (as of 2015) to “help improve the affordability of child care and to assist families with the cost of raising young children” (British Columbia (2016a)). The program is called the BC Early Childhood Tax Benefit and it provides a tax-free monthly payment up to a maximum of \$660 per child per annum for each child under age six. The benefit is income tested and begins to be reduced at incomes over \$80,000. The benefit is zero at income over \$150,000.

BC also has a child care subsidy program designed to “assist eligible BC families with the cost of child care. Monthly subsidy payments vary depending on the family’s circumstances” (British Columbia (2016b)).

While the government website does not provide specific information about the amount of the subsidy, it does suggest that low-income parents may be eligible for a full subsidy for their child’s daycare expenses



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