CHILD CARE

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VALUE FOR DOLLARS

AVOIDING FALSE SOLUTIONS TO CHILD CARE FUNDING

Recently, a number of well intentioned but problematic proposals have been put forward as federal solutions to the child care crisis in Canada. While the federal government has not yet determined its course of action, the Canadian Day Care Advocacy Association is deeply concerned that support may develop for these "false solutions", because of lack of analysis regarding their negative implications for Canadian families.

KEY CRITERIA FOR A GOOD CANADIAN CHILD CARE POLICY

Any proposal for child care funding must be measured against four key criteria:

° High Quality Care - Will children across Canada be assured of services which reflect the best current knowledge about early childhood development within our multicultural Canadian society? Important prerequisites for quality care are that parents have an active role in determining the child care environment, and that care-givers are trained, and receive adequate compensation and recognition.

° A Comprehensive Child Care System - Will a wide range of well-planned, coordinated, regulated child care services be developed, offering parents real flexibility and choice in their child care decisions?

° Equitable Access - Will all Canadian families be able to access and afford quality child care regardless of location, family income or parental employment status?

° Public Accountability - Will the taxpayer be guaranteed that public monies spent on child care actually buy quality care and support for children and families?

If a proposal fails to meet these four essential criteria, then we must seriously question its validity as a solution to the Canadian child care situation.

The Canadian Day Care Advocacy Association - 1986

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FALSE SOLUTIONS

The following "false solutions" have been presented:

1. expansion and/or reallocation of current funds;
2. parental choice fallacies - new personal tax measures, payments to at-home parents, child care vouchers;
3. promoting daycare in the marketplace - incentives and funds for "profit" centres;
4. piecemeal service development - employer supported daycare, registration information and referral services.
5. deregulation.

FALSE SOLUTION #1: EXPANSION AND/OR REALLOCATION OF CURRENT FUNDS

Some proposals suggest that more child care funding should be available through the expansion of existing funding mechanisms. Others assume that any new monies for child care must be found within the existing social spending envelope.

The federal government funds, or cost-shares with provinces/territories, a wide range of social programs. This funding, referred to as the **social spending envelope**, includes such financial supports to families with dependent children as the Family Allowance, the Dependent Children's Tax Exemption and the Child Tax Credit, plus other financial supports and services for families and seniors, other tax exemptions and income maintenance (welfare).

The social spending envelope also includes the two major programs which selectively fund child care: The Canada Assistance Plan and the Child Care Expense Tax Deduction.

The Canada Assistance Plan (CAP) is a cost-sharing agreement between the federal and provincial/territorial governments, intended to help the needy by paying for a wide array of social services deemed necessary to prevent and remove the causes of poverty, child neglect, and dependence on public assistance. In 1984-85, the federal government contributed $90 million as its share for the child care expenses of eligible, needy families.

The Child Care Expense Tax Deduction allows the lower income earning parent of a family to claim child care expenses, verified by receipt, of up to $2,000 per child under 14 years of age, with a maximum deduction of $8,000 per family and 2/3 of the parent's earned income, whichever is less. The expenses must have been incurred to enable the parents to work, study, or operate a business. In 1984-85, this deduction cost the federal government approximately $115 million.

Public dollars are used to subsidize eligible families through CAP, which aids low-income families, and the Child Care Expense Deduction, which benefits higher income families. Neither program funds services directly. As a result, a **two-tiered patchwork of services** has evolved:

- ° licensed, regulated child care for those who can afford the high user fee and for those targeted as sufficiently needy to be eligible for government subsidy;
- ° unregulated, informal child care arrangements for the rest of Canadian families.

The situation is fraught with inequity, and underlines the inability of these current funding mechanisms to meet Canadian child care needs.

The **Canada Assistance Plan** was never intended to be a way to fund child care services. It does not include the principles for quality care, nor does it encourage the provinces to provide adequate funds to develop a comprehensive range of child care programs. In fact, it allows each province to restrict the eligibility criteria of those in need, and the number of spaces that can be funded, as well as limit the amount of subsidy per space to a level lower than the actual cost of care - thus creating huge disparities across Canada. Further, the capital expenditures so necessary for the expansion of licensed spaces are excluded from the CAP agreement.

Yet, even if the provinces and territories were encouraged to expand their limited interpretations of "in need", and to increase the amount and type of their child care expenditures under CAP, the notion that organized child care services are meant only for the needy would still be perpetuated. Child care services are, however, essential community support services for families across the socio-economic spectrum. They should be viewed as a reasonable, legitimate, cost-effective public investment in the future, and funded accordingly.

Some groups and individuals have called for an increase in the **Child Care Expense Deduction** to reflect the actual cost of care. While at first glance this may seem like an appealing alternative, it actually fails to meet the needs of most families. The deduction does not reimburse the child care fee, it simply reduces the amount of taxable income. Families with low income get little, if any benefit; high incomes families benefit most. In 1984, the deduction was worth approximately $1,000 per child to two-earner families with a combined income in excess of $131,900, only $500 to $600 to those earning the average family income of $43,000, and nothing at all to a single parent earning less than $10,350.

Many families are ineligible for the deduction. Those relying on informal care often cannot get the necessary receipts, because many private care-givers do not wish to declare the income. Self-employed parents lose the entire tax deduction if their business shows a loss. U.I.C. recipients are unable to claim any child care expenses incurred while actively job searching, though they may be cut off U.I.C. benefits if they do not have child care arrangements made.

Despite the high cost of the Child Care Expense Deduction to the federal government, there is no accountability that those public funds support quality care for children because the majority of those receipted expenses come from unregulated, unsupervised informal care settings. Relief at tax time has not created a formal system of child care or an adequate supply of quality services.

Our experience with Medicare and public education has taught us that high quality, comprehensive, equally accessible, accountable services cannot be created by subsidizing individuals. A new financial agreement providing for direct funding of services is required if child care is to develop so that it meets these key criteria.

Reallocation of the current social spending envelope has been advocated by a few groups as the only viable way to put additional funds into child care. Suggestions have been made to cut family supports such as the Family Allowance or programs for Senior Citizens, and redirect the dollars to child care. This is a blatant attempt to pit groups against each other. Canada's young and old have different but equally important needs.

New dollars for child care is a question of government priorities, not social spending cuts or increased taxation. The Nielsen Report of 1985 found the current social spending envelope necessary and cost-effective, but it did identify a number of other areas of federal funding which could be better deployed. It is worth noting too that the 1985 report of the U.S. House of Representatives Select Committee on Children stated, "for every dollar invested in one year of high quality preschool education, the return on the investment to society is $4.75. This reflects reduced public school costs, crime costs, and the costs of welfare administration". Surely a similar ratio exists here in Canada. Together the conclusions of these two Reports warrant the necessary reallocation of monies from other federally funded areas (non-social spending).

FALSE SOLUTION #2: PARENTAL CHOICE FALLACIES

In the name of increasing parental choice, a number of suggestions have been made for new personal child care tax measures, payments to at-home parents, and a system of child care vouchers.

A Registered Child Care Savings Plan (RCCSP), similar in principle to the RRSPs and RHOSPs, would allow taxpayers to tax shelter a certain percentage of their income each year for future child care purposes. These monies could then be used later by the at-home parent or for receipted child care expenses. Although this sounds like an attractive option, only taxpayers earning incomes in excess of basic living expenses could afford to make use of the scheme. Further, as with the Child Care Expense Deduction, affluent families would receive a greater benefit because an RCCSP would simply decrease the amount of taxable income, and thus the taxes paid at the highest marginal rate. Receipts would be a problem. Parental choice would still be restricted by the lack of government investment in comprehensive child care services, and hence again, there would be limited accountability for the quality of care provided in informal settings.

A Child Care Tax Credit has been suggested as an improvement over the current deduction. This refundable credit could take a number of forms: it could equal a percentage of the actual expenditure; it could vary with family income; it could decline or increase with the level of expenditure and age of the child; it could respond to concerns regarding the quality of care by providing higher benefits for licensed care than unregulated care. Certainly this is a more progressive tax measure. However, it still fails to meet the key criteria. It would be inequitable because it would deny assistance to families who cannot produce receipts. It would do nothing to develop a comprehensive licensed system, so that inevitably parents would be forced to rely on informal child care arrangements. Quality of care and public accountability would not be ensured.

<u>Payments to at-home parents</u>: Some have argued that the provision of any sort of funding towards child care outside the home actively encourages parents to abdicate their child-rearing responsibilities. Several groups have recommended incentive payments to families to encourage and recognize the child care contribution of the at-home parent. Such things as a Homemaker's Tax Credit or a Homemaker's Allowance have been touted as a preferred use of public dollars, because they would appear to allow more parents the choice to remain at home with their children. In reality, the payments per family would have to be substantial to make full-time homemaking during the preschool years a real and financially feasible option for many parents now in the paid workforce, particularly single parents. For others, full-time homemaking is not an option because leaving a job for their children's preschool years may result in long-term unemployment or under-employment.

A more realistic and cost-effective direction seems to be extending and increasing the flexibility of parental leave benefits, and the establishment of guaranteed annual family income maintenance levels to assist low income families regardless of employment status.

Payments to at-home parents also ignore the very real needs of this group for supplementary child care support services such as emergency and short-term care, parent/child drop-in programs, parent education groups, part-time nursery school programs. To ensure their availability to all communities, and to keep user fees at an affordable, equitable level, direct dollars must be invested in these services.

<u>Child care vouchers</u>, another parental choice promotion, would provide parents with the resources up-front to buy the child care services they require. This user-fee model fails to recognize the reality that the present user-fee structure has been unable to provide the necessary range, supply, and quality of services needed. It simply reinforces the two-tier framework whereby low-income families will be forced to make do with a base service while more affluent families can afford to top up payments to access an enriched level of service. To give sufficient resources to each family to generate an adequate supply of services without "topping up" would be as expensive as funding these services directly, and the system would still lack quality control and accountability.

<u>FALSE SOLUTION #3: PROMOTING DAYCARE IN THE MARKETPLACE</u>

<u>Incentives and direct funding to the profit sector</u> have been advocated as an effective way to encourage the marketplace to meet parental needs. However, the track record of profit-making daycare has been questionable in terms of the quality of care offered, and the degree to which parents can influence programs to make them more sensitive to individual needs. Increased funding to the profit sector would enable it to predominate and "drive" daycare services, taking away from parents and local communities the rightful power to determine the services and the child care environments most appropriate for their children. Experiences in a province like Alberta, where profit-making daycare has gained a strong foothold, have shown that this sector can successfully suppress provincial quality standards, and refuses to be accountable for public monies directed its way. In Ontario, the profit sector has actively lobbied against improved licensing regulations and enforcement procedures.

The labour intensive nature of child care, the individualized relationship between parents and care-givers, and the extreme importance of quality are just not compatible with a marketplace model. There are no savings to be made through increased efficiency. Also, the marketplace approach does not guarantee Canadian families equitable access or an adequate range and supply of child care services, especially in situations where it is deemed unprofitable, such as in less populated areas or for families with specialized needs. To ensure service development in all areas in Canada, the federal government would have to heavily subsidize the "profit" services, yet the taxpayer would not be guaranteed public accountability. Clearly, to ensure the best use of tax dollars, direct public investment in a comprehensive, high quality system serving all Canadian families must be under non-profit auspices.

FALSE SOLUTION #4: PIECEMEAL SERVICE DEVELOPMENT

Registration, as recommended by a few individuals, is a very dangerous concept. Simply compiling a list of names of informal care-givers at a central location, without providing ongoing monitoring of the quality of the care-giving experience, in no way ensures quality care, although parents may assume that it does. It merely allows the government to keep more accurate records of who is caring for children, primarily for income tax collecting purposes. Like all proposals that support informal care, registration provides no assurance of adequate payment or recognition of home care providers, thus reinforcing the problem of the unreliability of this type of arrangement. A positive step would be to encourage the informal care-givers to become part of a supervised family home program that has all the necessary support and resources services built-in. Family day care is one option that would be available within a comprehensive range of services.

Information/referral/coordinating services are useful for effective utilization of child care services already in place. Given the current inadequate supply of quality, regulated care-giving programs, it would be foolish to give too high a funding priority to a secondary service at this time. The real problem, the lack of quality, licensed, child care spaces, must be dealt with first. Information and referral services combined with a registration of informal care arrangements would create the dangerous illusion that Canada is meeting child care needs!

Employer supported child care has often been cited as an underdeveloped service in the current child care patchwork. Tax Credits to employers for child care facility capital costs and tax deductions for licensed program operating costs have been proposed to encourage employers to assume more of the cost of care on behalf of their own employees. Workplace daycare, underwritten in part or full by the employer, but controlled by the parent users and the local community, has validity as one option within a range of delivery models, and as such deserves further consideration. However access to child care must not become the privilege of a few fortunate employees. Rather than depend on individual companies to avail themselves of incentives, funds should be taken from a corporate tax "pool" to form part of the general revenue for a direct funding plan. Then child care services could be located at the workplace or in the community as appropriate.

Piecemeal service development is a "Band-Aid" approach to the child care crisis. Because it falls short of meeting the four key criteria, in the long-term this haphazard approach to child care will be very costly to the Canadian taxpayer.

FALSE SOLUTION #5: DEREGULATION

Deregulation has been promoted by a few as a cost saving measure. Because unregulated care tends to be less expensive, the theory goes that a less formal service will be affordable for more families and less expensive for government. Proponents of deregulation insist that legislated standards and monitoring are unnecessary and that the power of the marketplace is sufficient to ensure quality. Yet market forces did not give us safe cribs and car seats; regulation did.

Reputable research has shown that child care licensing and enforcement is essential to ensure that basic standards of health and safety are maintained at all times. While it is impossible to legislate quality entirely, certain key factors such as staff training, limited group and centre size, reasonable child/staff ratios and opportunities for parental involvement can be controlled, thus creating positive conditions for nurturing, quality, child caring services. It is well known that a child's early care-giving experiences affect the individual for life. Regulation and monitoring are wise, cost-effective investments in today's children, tomorrow's leaders.

CONCLUSION

Many Canadians now recognize that child care is a priority issue, and that federal leadership is essential to provide parents with support and real choice in their child care decisions, and the children with the quality of care they need and deserve. However, as shown in the preceding review of "false solutions", not all federal initiatives or new spending will solve the current child care crisis.

Any Canadian child care proposal must measure up against the four key criteria: the provision of high quality care, the building of a comprehensive system, equitable access for all Canadian families, and public accountability. If the proposed solution falls short of any of these, then it is no bargain in the long run. Canadians must insist upon true value for child care dollars both in the short and long-term. Our children are worth the investment.

C.D.C.A.A.'S REAL SOLUTION: THE CHILD CARE FINANCING ACT

The Canadian Day Care Advocacy Association has developed a proposal which not only meets the four essential criteria, but provides a realistic framework and time-line, and reflects the growing consensus of families across Canada.

In brief, the CDCCA proposes that:

- a Canada-wide system of child care services, regulated by the provinces/territories and operated on a non-profit basis, should be developed over the next ten years, in consultation with local communities, to meet the needs of those families wishing to use the services;

- the range of child care options should include licensed full and part-time group programs for preschoolers, licensed out-of-school care, supervised family home care, and resource and support services to parents and other people taking care of children at home, utilizing trained staff and based on the best current knowledge of early childhood development and principles of nuturing care-giving;

- the child care services would be governed by elected committees, made up of at least 51% parent users and would involve child care staff in the decision-making process;

- the child care system would be funded from general tax revenues through a <u>Child Care Financing Act</u>;

- the Child Care Financing Act, based on federal initiatives, would lead to federal-provincial/territorial cost-sharing of 85% of the actual cost of services by the end of the ten year period, with parents assuming no more than 15% of the total cost;

- the costs would reflect salaries and benefits commensurate with the value of the work and educational qualifications of child care staff;

- the Act would also establish two funds to help create the child care facilities needed across Canada, and to continue research into child care issues.

The hallmarks of this proposed comprehensive system would be high quality, real parental choice, accountability and value for the taxpayer's dollar.

For Further Information on the Child Care Financing Act,
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