

From: Alexandre Laurin  
To: Concerned Ontarians  
Date: April 5, 2018  
Re: **MISSED OPPORTUNITY: ONTARIO'S FREE CHILD CARE UNLIKELY TO PRODUCE QUEBEC'S ECONOMIC BOOST**

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Last week, two days before it tabled its 2018 budget, the Ontario government announced that full-day, licensed child care would become free for preschool children from the age of two-and-a-half until they are eligible to start kindergarten.

Properly designed, child care subsidization can be a cost-effective means to encourage greater labour force participation by mothers and hence boost the economy. But due to the limited number of licensed – potentially free – spaces in the province, this policy will not be truly universal, limiting potential economic gains. Superior, and less pricey, child care subsidization models exist.

In our [analysis](#) of Quebec's reduced-fee universal childcare program, Kevin Milligan and I found clear and consistent evidence on the effect of subsidized prices on maternal work decisions. In response to the government-subsidized low price, more women are working than would otherwise be the case. This extra employment has generated higher household incomes and, in turn, more tax revenue.

Quebec's plan is truly universal: mothers unable to access licensed subsidized daycare (which includes not only daycare centres but also a large number of home-based providers) are eligible for a generous refundable tax credit for child care expenses, which reimburses up to 75 percent of the cost.

Subsidized child care is a windfall for parents who would have been working and occupying those spaces anyway. What usually makes these schemes more cost efficient than many other spending programs is the potential to generate extra tax revenues by permitting non-working parents to seek employment.

There are currently 106,000 preschool (30 months up to 6 years) spaces in licensed child care in Ontario. In 2020, there will be about 450,000 children aged 2 to 4. Even with the potential addition of 50,000 new spaces, it is still only one licensed free child care space for every three potentially eligible children.

Therefore, most preschool age children will still not have access to subsidized child care. This also means it is unlikely we will see the same positive maternal employment response as in Quebec.

Instead of offering completely free child care for a limited number of children – and we know how free services are often abused and wasted by users – the province could subsidize a large portion of the licensed care fee, leaving parents on the hook to cover a smaller share, and invest the cost savings into a generous refundable tax credit for child care expenses offered for care in other private settings, as proposed [here](#).

This policy would be universal, and would lead to maternal employment gains offsetting some of the fiscal cost. By subsidizing the child care in all settings, it would also be fairer for parents requiring flexible hours. Only 2 percent of licensed centres offer evening care and 1 percent on weekends; a stark contrast from home providers, of whom 29 percent offer evening care, and 24 percent weekend care.

Ontario must not miss the opportunity to create a child care subsidization system that is fair for everyone, and lead to more working moms. As currently planned, it will be costly, unfair, and unlikely to generate the economic gains we have seen elsewhere.

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