The $17.5 billion question: Has the Universal Child Care Benefit given families “choice in child care”?

History and context

For a short period between 2004 and the end of 2005, it seemed that a national early childhood education and child care program would finally materialize in Canada. But this dream ended abruptly when the Conservatives won a federal election in January 2006. During the campaign, the Harper Conservatives—with a very different ideological bent vis-à-vis the roles of the state and individual families than any of their predecessors—had served notice that they would cancel the 2005 agreements between the federal government and each province. And cancel them they did: on February 6, 2006, the day his government was sworn in, Mr. Harper stepped to a microphone and announced annulment of the agreements, and with them, Canada’s first still-embryonic national child care program.

In its place, the Conservative government would deliver a $100/month cheque (taxable) for children under age 6 right to each family’s mailbox. The Universal Child Care Benefit (UCCB) would provide “choice in child care”\(^1\); it was claimed it would allow parents to “choose the child care option that best suits their families’ need”, no receipts or report-back required.

Between July 2006 when the first cheques were mailed out and July 2014, the UCCB will have cost Canadians $17.5 billion ($2.5 billion annually). Canada collects no data on the demand for child care yet lengthy waiting lists and extensive reliance on unregulated care signal that the long-standing issues of limited supply and high fees remain unsolved. That high quality regulated child care is inaccessible to most families is not contested. Practically, this means that scores of parents cannot find a space. If they can, it is likely to be too costly for them in most of Canada, especially for parents with more than one child, an infant, or a child with special needs. And too often, the quality is not as high as it should be.

The purpose of this analysis is to shed light on the question “Has spending $17.5 billion through the Universal Child Care Benefit delivered “choice in child care” for Canadian families? Have families’ child care choices improved? Its second purpose is to argue that Canada needs to collect appropriate data and that measuring the performance of a program is a fundamental requirement to answer questions about whether public money is effectively spent.

What we know and what we don’t know: Research, analysis and evaluation of the UCCB

Research and analysis

Several analyses and studies of the UCCB, with different focuses and methodologies, have been published since 2006. More than a name change: The Universal Child Care Benefit (Battle, Torjman and Mendelson, 2006), published several months after the UCCB was announced, analyzed the UCCB as an income transfer, not a child care program. It was highly critical of the UCCB as an income transfer, observing that as it is taxable in the hands of the lower-earner parent, “different types of family with the same income will pay different amounts of federal and provincial/territorial income taxes

\(^1\) The original name of the Universal Child Care Benefit was the “Choice in Child Care Allowance”.

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BRIEFing NOTES by Martha Friendly, October 15, 2013
on their $1,200 annual payment and so will receive
different after-tax benefits”. Thus, lone-parents stand
to make the smallest after-tax benefit gains from the
UCCB. The analysis compared the UCCB to proposals
to deliver funds through the Canada Child Tax Benefit
(CCTB), finding the latter option superior. The authors
declared the CCTB the superior option, noting that they
found it “hard to comprehend the reason for rejecting
this simpler and fairer option” (2006).

An economic study titled *The effect of universal child
benefits on labour supply* used monthly data from the
Canadian Labour Force Survey (2003-2009), em-
ploying a difference-in-differences estimator “to
investigate whether individuals changed their labour
market behaviour in response to receiving the UCCB”.
Tammy Schirle found significant negative income
effects, particularly upon those mothers with lower
education; she calculated negative effects both on
likelihood to participate in the workforce and on hours
worked, for both lower-educated and higher-educated
mothers (Schirle, 2013).

A law journal article titled *Budget 2010 and the
Universal Child Care Benefit: An inquiry into the gen-
dered nature of childcare in Canada* analyzed changes
affecting single parents proposed in the 2010 federal
budget. The author noted that the motivation for these
was to ensure that the tax on the UCCB not negatively
affect “choices in child care” for single parents. Vera
Manu concluded that “despite their apparent concern
for equal taxation of single parents, this proposal will
actually reinforce the gender gap between men and
women, because single mothers will benefit the least
from the “chump change” they will receive through this
tax reduction”. She noted that the $5 million change
will further divert government funding away from
provision of affordable child care spaces for low income
parents (Manu, 2010).

Kate Bezanson, a sociologist, studied parents’ views
on the UCCB using data from a longitudinal study
that tracked people with significant work/caregiv-
ing responsibilities. *Childcare delivered through the
mailbox* provided responses about the UCCB from the
33 respondents in the study with children up to age six.
The parents generally found the $100 “handy” (“every
little bit helps”) but said that it didn’t begin to address
the cost of child care. The UCCB was termed “a waste
of time” and it was observed that “having universal
daycare would be more beneficial”. Bezanson noted
that “No one in the study suggested that the funds were
sufficient to change their labour market attachment or
to make their child care costs significantly more man-
ageable” (Bezanson, 2010).

Michael Prince and Kathy Teightsoonian’s policy anal-
ysis, *The Harper government and the Universal Child
Care Plan. Paradoxical or purposeful social policy?*
noted that the UCCB is consistent with the Harper
government’s market-oriented anti-government social
conservative/ neoliberal ideology featuring “choice”.
Further, it re-frames “universality” and redirects public
resources to private actors. They cited Ipsos-Reid focus
group research suggesting that Canadians were not
persuaded by the Conservative’s approach to child care;
participants said that the money was a “nice gesture”
but that it had no actual impact on child care choice.
They noted also that Ipsos-Reid reported concerns
about the UCCB’s taxability and its limitation to under-
sixes (Prince and Teightsoonian, 2007).

**Evaluation**

Data has not been collected by the federal govern-
ment that can answer the question: How is the UCCB
used? Nor has there been an assessment of whether
the spending program meets its goals and objectives.
How the cheque is used is discretionary: it can be used
for child care while parents are working/studying,
for casual babysitting, for food, rent, shoes or family
recreation, or anything else. Thus, first questions to
ask in a summative evaluation would be: What is the
UCCB used for, and by whom? A second key question
would be: Does the UCCB do what it’s intended to do?
As noted, the objective of the UCCB that has been stated
from the beginning is “to provide choice in child care”.
Thus, an outcome-based evaluation could shed some
light on whether or not the UCCB does, in practice,
provide choice in child care, or at least contribute to
providing choice in child care.

Federal government policy requires that all programs
undergo an evaluation every five years. A formative
evaluation of the UCCB was conducted, published in
2011. As the report noted, it is “focused on program
governance and administration, including the effective-
ness of communication and promotional activities,
awareness of the UCCB, UCCB coverage, delivery systems and performance measurement”.

It, however, contained no information about whether the program and funds are used effectively—or even what they’re used for. The report noted that “the UCCB uses one indicator to report on its performance in the Departmental level annual Report on Plans and Priori-

What’s happened with child care during the UCCB expenditure period 2006 – 2013?

There are no data that can determine how the UCCB is used (and by whom) or evaluation of the program’s performance in terms of meeting its goals and objectives. Despite this, we can draw on the available data to provide a way to begin assessing the program. The remainder of this brief uses some of the most recent available data about ECEC programs together with demographic data from 2006—2012 to try to answer questions about what current trends mean for families and children.

That is, in light of the $17.5 billion expenditure, does it appear that “choice in child care” has improved, deteriorated or remained static?

Demographic trends

Between 2006 and 2013, the number of children in younger age groups increased dramatically. Figures from special runs of Labour Force Survey data show that the 0-5 cohort numbered 2,004 million in 2005, growing to 2,230 million 0-5 year olds in 2012, an increase of 226,000 preschool-age children between 2006 and 2012 (Friendly, Halfon, Beach and Forer, 2013). As Stats Canada observed in a data release from the 2011 National Household Survey, the preschool-age group (0-4, in Census reporting) is growing at the highest rate in 50 years (11% since the 2006 Census). The school-aged group, by contrast, has not grown; there were 142,000 fewer 6-12 year olds in 2012 than in 2006 (as a result of lower birth rates for some years).

The increased birth rate accounts in part for the increase in the number of children with employed mothers between 2005 and 2012: there were 140,000 more 0-5 year olds with employed mothers in 2012 compared to 2006 (up to 1,376 million in 2012 from 1,236 million in 2006) (Friendly et al, 2013).

As well, the labour force participation rate of mothers of young children, which has generally increased at a slow steady rate since the early 1980s (when working mothers represented only about 50% of all mothers of preschoolers), continued to increase across children’s age categories, as Table 1 shows (Friendly et al, 2013).

<table>
<thead>
<tr>
<th>With youngest child...</th>
<th>2005 (%)</th>
<th>2012 (%)</th>
</tr>
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<tbody>
<tr>
<td>0-2 years</td>
<td>69</td>
<td>69.7</td>
</tr>
<tr>
<td>3-5 years</td>
<td>76</td>
<td>76.6</td>
</tr>
<tr>
<td>6-15yrs</td>
<td>83</td>
<td>84</td>
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Trends with regard to access to child care

Between 2006 and 2012, growth in coverage rate3 (the proportion of the child population for whom a regulated child care space is available) was painfully slow. Practically, this means that while there were 115,562 more full and part-day centre spaces for 0-5 year olds in 2012 than in 2006, there were also 226,000 more 0-5 year olds competing for them. Thus, in 2012, a regulated space was available for only 22.5% of 0-5 year olds, up from 19.1% in 2006—an improvement of only 3.4% over the six year UCCB expenditure period (Friendly et al, 2013)

Looking at accessibility from the perspective of child care space expansion shows a clear indication that expansion of regulated child care slowed dramatically

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2 The overview of the federal government’s framework for Performance Measurement Strategies states that “its purpose is to support program managers in continuously monitoring and assessing the results of programs as well as the efficiency of their management” (Online at http://www.tbs-sct.gc.ca/cece/dpms-esmr/dpms-esmr06-eng.asp).

3 Coverage rate does not take affordability into account, so is not a measure of full access.
in the UCCB period. The six years 2006-2012 showed a total increase of 175,580, or an average of 29,263 additional spaces per year. But the previous period, 2001-2006 shows an increase of 217,832 over five years, or an average of 43,566 spaces/year. This means that (after adjusting the two times periods so they are comparable in length), there were 85,816 fewer additional spaces during the UCCB expenditure period than in the previous six year period (Friendly et al, 2013).

Trends with regard to child care quality
As the quality of early childhood programs is the key determinant of whether they are beneficial for children’s development and well being, trends that impact child care quality are extremely important. Indeed, poor quality child care, experts agree, can even be detrimental for child development.

There is no current research providing direct information on Canadian child care quality. In 1998, the Canada-wide You Bet I Care! study and two major Quebec-wide studies in 2004 and 2005 provided useful information about what is called “process quality” (observational data collected using standard measurement tools) (Goelman, Doherty, Lero, LaGrange & Tougas, 2000; Fournier, C. & Drouin, C., 2004; Japel, Tremblay and Coté, 2005). There has been nothing similar since, however.

In the absence of process quality data, this analysis uses data on indicators that research has solidly linked to quality (staff characteristics, funding, auspice (ownership)).

Staffing, or human resources
One of the main elements upon which quality depends in a child care program are the staff. Research shows that a number of characteristics of child care programs such as staff: child ratios, staff training, working environment/conditions, turnover and wages have clear impacts on quality.

A 2012 national survey (You Bet We Still Care!) found that child care staff wages—notoriously low in Canada—had risen by only $1.14 from the previous national survey of wages and working conditions conducted 14 years earlier – from $15.36 in 1998 to $16.50 in 2012 (adjusted to inflation). Wages for centre directors increased less than program staff wages, even decreasing in several provinces (Flanagan, Beach and Varmuza, 2013).

Data from the 2012 survey show that staff training in ECE appears to be increasing; 89.6% of program staff who responded (and 90% of centre directors) reported that they held a post-secondary ECE-related credential of some kind (Flanagan et al, 2013). The requirements, however, are still quite low compared to international benchmarks or recommendations from research. None of the provinces/territories require all staff to have post-secondary ECE training; in some, training is only one year. Some require training only of a director or a minority of staff while several specify no training for a director and a few require no training at all (Friendly and Beach, 2013). As well, there are only a few four year ECE degree programs across Canada.

The issues of recruitment and retention (of ECE-trained staff) has long been identified as challenges to quality and access in Canadian child care. The 2012 survey data on staff turnover show that 65.5% of employers (usually the centre director or an administrator) reported that at least one permanent staff left their centre in the past 12 months, while 63.3% reported challenges in filling vacant positions with ECE-qualified staff. Nine percent of directors and 23% of program staff responded that they were currently looking for another job (Flanagan et al, 2013). There are no directly comparable data available to track changes in staff turnover over time.

Auspice
Another indicator of quality is auspice – who owns the child care program. This has historically been a contentious policy issue in Canada, especially as research continues to accumulate that shows auspice to be closely linked to both quality and access (see Childcare Resource and Research Unit, 2011). The research generally shows for-profit centres paying poorer wages, having weaker ECE training, poorer working conditions and benefits, higher staff turnover, higher non-compliance with province regulations. When quality is measured directly, for-profit centres tend to show lower

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4 Note that unlike the earlier You Bet I Care!, 2012's You Bet We Still Care! did not collect process quality data.
5 In 2012, child care centre program staff earned 69% of the average wage for all jobs.
quality ratings. The presence of a substantial for-profit sector has been linked to poorer, less equitable access in some jurisdictions.

As Figure 1 shows, the for-profit sector’s share of child care spaces—after dropping steadily through 2004—began to rise again in 2006, increasing from 21% in 2006 to almost 30% in 2012 (Friendly et al, 2013). This is of concern from both quality and access perspectives, especially as the first corporate and corporate-type child care businesses, with substantial ability to expand rapidly, are now up and running in Canada; some operations now operate more than 50 centres, as well as multiple subsidiary operations.

**Public funding**

Public child care funding also impacts both quality and access. The amount of public money available per space (based on total annual spending and the number of licensed spaces) went up very slightly between the UCBB expenditure period 2006 and 2012. Canada-wide. The average public spending per space of $3,615 (for 0-12 year olds, in adjusted dollars) went up only slightly $104 to $3,719 over the six year UCBB period (Friendly et al, 2013). By comparison to child care, Canada-wide average spending per primary school student was $8,715 (2009 - most recent available figure).

In comparison, in Sweden, the OECD’s highest spender on child care, the full cost of an early childhood program for a 1-6 year old was $18,022 (C$, 2010), of which parents paid 8% ($1,442). A school-age space cost $5,321 of which parents paid 16% ($851). Thus, annual public funding per space for preschool-age children in Sweden was $16,580 and $4,470 for school-age children (CAD). Parents pay according to a sliding scale (Skolverket, 2010).

Comparison with international benchmarks and with countries with well-developed ECEC systems show that Canada’s public funding for child care as a proportion of GDP is very low; it was the lowest among 14 OECD countries in 2006, according to the Organization for Economic Co-operation and Development (2006). The low level of public spending means that Canada’s access and quality benchmarks are low too. Thus, Canada ranked last in a UNICEF report card published in 2008, only meeting one benchmark in 10 (UNICEF, 2008). As the OECD notes, “Sustained public funding is critical for supporting the growth and quality of early childhood education programs” (OECD, 2001).

When the national child care program’s initial (annual) $1 billion was first committed in the 2004 federal election (Liberal Party of Canada, 2004), there was a recognition that child care was severely underfunded and an expectation that public spending would increase over time to become substantial enough to provide higher quality, more affordable, more available coverage for more children. However, since the child care program was cancelled and the UCCB announced in 2006, the data show that growth in public spending has slowed down substantially.

In 2012, total Canada-wide public spending (through the provinces/territories) was $3.6 billion, up from $2.9 billion in 2006 or an average increase of $121.8 million/year for each of the six years. By comparison, in the period 1998 – 2006, average annual spending was $236.4 million/year (unadjusted dollars), or about double the increase in public funding for child care during the UCCB expenditure period (Friendly et al., 2013).

Thus, public spending for child care—never generous in Canada—became even more miserly during the period that $17.5 billion was being spent through the UCCB.
Discussion and conclusions

In the absence of focused evaluation by the federal government, this analysis uses available information to shed light on the question: Has spending $17.5 billion through the Universal Child Care Benefit delivered “choice in child care” for Canadian families? Have families’ child care choices improved?

The available data describe:

- **Demographics**: there are more 0-5 year olds, more young children with employed mothers and mothers’ labour force participation has continued to rise.

- **Access indicators**: growth in coverage (%) is painfully slow and expansion in the number of spaces slowed down substantially during the UCCB expenditure period.

- **Quality indicators**: staff wages and training requirements crept up only slightly in the period of the UCCB expenditure while recruitment and retention remained issues; for-profit services grew considerably; and growth in public funding was half of what it had been in the previous period, while public funding per child care space remained very low.

Thus, the data show that this public expenditure does not appear to have delivered “choice in child care” or even improved families’ child care choices. Considering child care to be a high quality, accessible, affordable program option for families, the indicators show access to be only marginally better than before the child care program funding was cut and the massive UCCB expenditure was made, while indicators of quality suggest that the finding from Quebec (2004, 2005) and Canada-wide (1998) research that child care programs are more likely to be mediocre than high quality can be assumed to hold. Alternatively, if “child care” is interpreted as any care provided to children including that of a mother at-home full-time (as the Harper government does), the labour force participation rates of mothers with young children continued to rise post-introduction of the UCCB expenditure—as they did before.

Based on this information, the answer to the $17.5 billion question is “No, the UCCB has not delivered choice in child care nor has it improved families’ choice in child care”.

Opportunity costs

It is also important to take note of the opportunity costs represented by the Harper government’s choice to replace the national child care program with the UCCB. Had the national child care program (totalling $1 billion in the first year and intended to increase to $1.2 billion/year during the five year period) not been cancelled, the funds transferred from the federal government to each jurisdiction would have resulted in improvements—more spaces and affordable fees and enhanced quality in regulated child care services as specified in the agreed-to bilateral Action Plans.

These opportunities, however, were lost to Canadians as was the public revenue generation potential from mother’s labour force participation (Fortin, Godbout and St-Cerny, 2012), local economic stimulus (Pretice, 2008) and job creation (Fairholm, 2009), as well as possible long-term benefits for children and families. Thus, the opportunity costs of cancelling the 2005 agreements, the research shows, represent quite substantial losses.

In conclusion

This analysis, together with available research, points to a compelling argument in favour of spending the substantial UCCB funds differently. Social policy groups such as the Caledon Institute of Public Policy, Campaign 2000, the Canadian Centre for Policy Alternatives and the Child Care Advocacy Association of Canada have called for re-profiling the UCCB to spend it more effectively on behalf of families—either to improve the Canada-wide national child benefit or to begin to build a national child care program.

Practically, if the UCCB expenditure were used for a national child care program, at the current (albeit under-funded) average figure of $3,615 public funding per regulated space, the $2.5 billion a year would fund an additional 700,000 spaces. Thus, the UCCB funding—if used more effectively—could represent a solid beginning to a national child care program.

At the same time, this analysis points to the importance of focused data to measure the performance of publicly funded programs more directly. It is tempting to consider citing the Canadian Taxpayers’ Federation admonitions in favour of “less waste” and “more government
accountability” but the argument that good data and evaluation are fundamental requirements for determining whether public money is effectively spent should suffice. Undoubtedly, data and evaluation should be basic elements of good governance and are essential for effective financial management by governments.

In 2006, the UCCB began with a claim that it would deliver “choice in child care” for Canadian families. Despite the evidence to the contrary and none in support of this contention, the claim is still being made today. For example, the Conservative candidate in Vancouver Centre (2011 election) claimed that “As a result of Conservative action, Canadian families continue to enjoy having choice in childcare, through the $1,200 per year Universal Child Care Benefit....” while the Canada Revenue Agency website asserts that “the Universal Child Care Benefit gives families with young children more choice in child care by providing $100 per month for each child under age six”.

Evidence shows, however, that the reality is otherwise.

References


