

What We Ask of Parents:

Unequal Expectations for Parental contributions to Early Childhood and Post-Secondary Education in Canada

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March 15, 2016



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Higher Education Strategy Associates (HESA) is a Toronto-based firm specializing research, data and strategy. Our mission is to help universities and colleges compete in the educational marketplace based on quality; to that end we offer our clients a broad range of informational, analytical, evaluative, and advisory services.

Please cite as:

Lambert, J., Williams, J., and Usher, A. (2016). *What We Ask of Parents: Unequal Expectations for Parental Contributions to Early Childhood and Post-Secondary Education in Canada*. Toronto: Higher Education Strategy Associates.

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Acknowledgements

The authors wish to express their gratitude to the people who devoted their time, expertise, and expertly-written Stata code to the completion of this project. The analysis of tax benefits presented in this report would have not been possible without Kevin Milligan's Canadian Tax and Credit Simulator; we are very grateful for his assistance. We would also like to thank several anonymous readers who provided their comments, suggestions, and good will.

This work builds upon HESA's prior research on parental contributions to PSE, in particular the analyses featured in *The Many Prices of Knowledge*; the authors extend their appreciation to Charlotte Mirzazadeh, a member of the MPoK project team.

Abbreviations

AB	Alberta
BC	British Columbia
CCED	Child Care Expenses Deduction
CCHRSC	Child Care Human Resources Sector Council
CCPA	Canadian Centre for Policy Alternatives
CSLP	Canada Student Loan Program
CTaCS	Canadian Tax and Credit Simulator
ECE	Early Childhood Education
MB	Manitoba
MSOL	Moderate Standard of Living
NB	New Brunswick
NL	Newfoundland and Labrador
NS	Nova Scotia
ON	Ontario
PEI	Prince Edward Island
PSE	Post-Secondary Education
QC	Quebec
SFA	Student Financial Assistance
SK	Saskatchewan
UCCB	Universal Child Care Benefit

1. Introduction

With respect to primary and secondary levels of education, most countries have a fairly simple policy: it should be compulsory and provided free of charge to all citizens. Families are permitted to opt-out in various types of ways – homeschooling is sometimes permitted, and private education thrives in many countries as parents seek alternatives to public education for reasons of conscience or prestige – but the basic principle remains: education is compulsory, and whoever wishes to take it through the public sector, can do so for free.

In addition to compulsory education, however, there are two non-compulsory forms that are widely used: child care or early childhood education (ECE),¹ and post-secondary education (PSE). In these areas, policies on family contributions are quite different. In Canada at least, there is a very clear user-pay principle for both of these types of education. However, the user-pay principle is alleviated to some degree by an ability-to-pay principle, such that the contributions demanded of parents vary substantially with income. In the case of ECE, this variation is controlled directly through price: lower-income parents pay reduced fees, and provincial governments compensate the education provider directly. In the case of PSE, fees are formally the same for all; however, subsidies delivered through the student financial assistance (SFA) system create implicit differences in net pricing. For those students designated as “dependent” (that is, those four years or less out of secondary school, and not having been in the labour market for more than two years), parental contributions to education are estimated directly as a function of income, and thus net tuition will, *ceteris paribus*, be an inverse function of parental income.

In the field of PSE, the principle of “net tuition” is at least somewhat understood in Canada; our own previous publications such as *The Many Prices of Knowledge* (Usher, Lambert & Mizrazadeh, 2014) have provided some contribution to this field. However, in the field of ECE, the concept of net fees is absent. Though the Canadian Centre for Policy Alternatives (CCPA) has developed a helpful compilation of child-care fees in major Canadian cities (MacDonald & Friendly, 2014), and there have been good comparisons of provincial child-care subsidy policies (Beach & Friendly, 2005), no one to our knowledge has put the two together, and looked at “net fees” in the same manner as that on the PSE side.

This is unfortunate as even the most casual glance at the two sets of policies suggests that the way Canadian governments subsidize these two types of non-compulsory education are totally different, and it is not immediately obvious why this is the case. Our purpose in this paper is therefore to compare the different expectations governments have with respect to parental contributions to their children’s education at the ECE and PSE levels. We do this by first looking at costs, subsidy policies, and the intersection between the two by income level in ECE and then PSE (Section 2). In Section 3, we combine these analyses to show the extent to which – at every level of income – parents of children in ECE are generally required to contribute more than parents of children in PSE. In our conclusion (Section 4), we do not make any call for action, or express a preference for one level of subsidy over another; instead,

¹ For the purposes of this report child care and ECE are interchangeable terms, with the former predominating as it is the principal term in use for the relevant government programs.

we simply offer some observations on the sources and consequences of government policies, and offer some suggestions for future research.

2. Understanding Parental Contributions

Our comparison of expected parental contributions towards fees in non-compulsory education in Canada is based on fees both for universities (undergraduate) and child care, i.e. sticker prices, looking at various types of subsidies that are applied to these to improve affordability.² For those familiar with PSE SFA systems, this type of analysis will seem somewhat odd because it excludes students' living costs from the analysis. This is true but necessary; subsidies for child care do not include living expenses either, and parents must bear the extra costs of child support on their own. Therefore, a like-to-like analysis necessarily excludes these considerations on the PSE side as well.

To make reasonably accurate comparisons between our two sectors, and across provinces, it is necessary to make certain simplifying assumptions. In this case, we have assumed that all family units are two-parent, one-child families. We have assumed that both parents work, their contribution to total family income are split 55:45 (different splits would generate different results), and that the entirety of their income comes from employment, except that our ECE case parents also receive the Universal Child Care Benefit (UCCB). We further assume that neither parent is a student, neither has a disability, and that they pay all taxes related to their income, including contributions to Employment Insurance and Canada Pension Plan. We assume that the parents claim deductions for the cost of child care, and that the child attending PSE is over 18 and that s/he transfers the maximum transferrable portion of her/his tuition, textbook, and education amount tax credits to her/his parents. Our model does not account for any tax credits, deductions, or benefits additional to these.³ Due to technical limitations,⁴ our analysis of tax benefits does not reflect some of the family tax benefits introduced mid-way during the 2014 tax year, including income splitting and the increase of the Child Care Expenses Deduction to \$8,000 per year from \$7,000. Given that our model families earn their base incomes through employment, we do not account for benefits associated with income assistance that may reduce required child-care contributions, notably in Quebec.

² We do not look at community colleges separately because, at the time of writing, there is no useful data that provides average fees at the college level, by province. However, in general, the pattern of sticker and net prices – and hence the pattern of parental contributions – will tend follow the same pattern as universities, only with somewhat lower maximum contributions.

³ Parents of children under 18 years of age can claim the non-taxable Canada Child Tax Benefit (CCTB) and provincial supplements, depending on their income. For low-income families under our model, the maximum value of these benefits can be between \$3,749.88 (CCTB only in Manitoba and PEI) and \$11,861.88 (CCTB plus Saskatchewan low-income tax credit).

⁴ We modelled tax effects for the 2014 tax year using the Canadian Tax and Credit Simulator (CTaCS), which, at the time of writing, did not reflect changes introduced in the October 2014 federal budget.

For child-care fee calculations, we have adjusted from source data by inflation, and our models reflect current 2015 policies. Our PSE models reflect current income thresholds and parental contribution formulae for the 2015-16 loan year.

The rest of this section explains costs and subsidies across Canada in both sectors, with a focus on explaining how subsidies work in different parts of the country. We will move to a comparison across sectors in Section 3.

2.1 Child-care Costs and Subsidies

Child-care fees in Canada vary substantially, including, notably, by province and (outside Quebec) by the age of the child. The costs of providing child care are essentially a function of the child-to-caregiver ratio, which tends to be very low in the early years (usually 3-to-1) and higher in later ones (8-to-1 or higher). In this report, we distinguish between charges for “infants”, “toddlers”, and “pre-schoolers”, which is a three-fold classification used in most provinces at least by child-care providers to determine fees, if not also by subsidy programs. The age thresholds that divide children into these categories is not consistent across the country. The line separating infants and toddlers is somewhere between 18 and 24 months, while the one dividing toddlers from pre-schoolers (where it exists – not all provinces distinguish between these two) is between 30 and 37 months. For illustrative purposes in this report, an infant is a child of 12 months of age, a toddler is 25 months of age, while a pre-schooler is 42 months of age.

Unfortunately, child-care fees in Canada are not tracked systematically in the same way as university tuition fees. For this project, we obtained fee data for each province from three distinct sources. In Manitoba, Prince Edward Island, and Quebec, rates are regulated centrally, and were thus gathered directly from provincial websites. For the other seven provinces, we used a mix of two sources: first, the CCPA’s 2014 report *The Parent Trap – Child Care Fees in Canada’s Big Cities* and second (for New Brunswick), the 2012 survey by the Child Care Human Resources Sector Council, *You Bet We Still Care – A Survey of Centre-Based Early Childhood Education and Care in Canada*⁵.

These data sources obliged us to use different reference points in different provinces. Only the data for Quebec, Prince Edward Island, and New Brunswick are province-wide. In Manitoba, where fees are regulated provincially at different rates north or south of the 53rd parallel, we chose the figure for the much more populous South. In the other six provinces, we use the figure for the province’s largest city. We recognize that this will likely overstate the “true” provincial average, but is the best we can do to

⁵ The research for this paper was conducted prior to CCPA’s release of *They Go Up So Fast: 2015 Child Care Fees in Canadian Cities*, released in December of 2015. Fees from *The Parent Trap* have been inflation-adjusted for use in this report.

represent the greatest number of people.⁶ The actual average prices by age range are shown in Table 1; for the specific fee data sources used for each province please see Appendix 1.

⁶ Where we have data from both CCPA and CCHRSC, the former is higher by an average of 18%, even after accounting for inflation. Considering this, and that Calgary, Toronto and Vancouver had the highest fees among cities in their province for the CCPA sample, our figures should be taken as representing the high range of fees in provinces where we use CCPA city-level figures.

Table 1: Average child-care costs by province and age of child

	Infant (12 mths)	Toddler (25 mths)	Pre-Schooler (42 mths)
Newfoundland	\$16,874	\$10,507	\$10,507
Prince Edward Island	\$8,854	\$7,291	\$7,031
Nova Scotia	\$10,567	\$9,986	\$9,454
New Brunswick	\$9,229	\$8,144	\$7,732
Quebec*	\$1,901	\$1,901	\$1,901
Ontario	\$20,287	\$16,026	\$12,080
Manitoba	\$7,291	\$4,896	\$4,896
Saskatchewan	\$9,684	\$8,473	\$7,807
Alberta	\$12,710	\$11,330	\$11,184
British Columbia	\$14,707	\$14,707	\$10,531

Note: assumes full-time full-day care.

* In Quebec, an escalating income-based surcharge is applied for families with incomes over \$50,000.

A couple of obvious pricing strategies are evident from Table 1. For instance, Ontario, British Columbia, and Newfoundland charge very high fees for younger children, with significantly lower fees for older children. In most other provinces, the average cost is several thousand dollars less and the gap in costs is much less. Quebec obviously has its own unique price structure.

However, while Table 1 portrays the “sticker price” of child care, it is worth emphasizing that not all parents pay these fees. Every province has some kind of program that allows parents with modest family incomes to obtain “subsidized places”.

In general, child-care subsidies are provided to families if the parents are working, seeking work, attending school or a training program, or have some kind of medical or social need that necessitates them using child care. Once this basic eligibility is determined, financial eligibility is calculated based on maximum subsidy amounts and parental income. Region, family size, presence of persons with disabilities, and type of child care are also considered in certain income calculations.⁷ Different programs use different reference incomes calculations, with some based on take-home pay after mandatory deductions at source, and others based on net or total income as defined for tax purposes (see Appendix 2 for details). Financial eligibility calculations reduce the value of child-care subsidies once family income surpasses a certain threshold. Reductions are generally implemented through a regular claw-back of a proportion of income in excess of the threshold (see Appendix 3 for details).⁸ In Manitoba, Prince Edward Island, and Ontario, the maximum subsidy is 100% of fees, meaning that in

⁷ Alberta, Manitoba, and Saskatchewan deliver different subsidies by region; British Columbia and Prince Edward Island determine subsidies partly based on family size, and British Columbia adjusts subsidies based on the presence of seniors or persons with disabilities.

⁸ As of 2015, the Quebec system effectively works in reverse: there are no income-based subsidies; instead, there is an income surcharge for those with family incomes over \$50,000, which is collected through the income tax process. The net effect, however, is the same: parents with higher incomes pay higher net fees.

certain circumstances, parents will receive child care for free. The remaining provinces instead set maximum subsidy amounts that are lower than median child-care fees.⁹

Though child-care subsidies are based on parental income, the subsidy never passes through parents' hands; instead, it is passed directly from the province (or in Ontario, the municipality) to the child-care provider in order to make up the difference between the cost charged to the subsidized parent and the normal cost of attendance. This is different than in the case of SFA, where institutions charge all students the same amount, after which students receive an income-based subsidy from government in order to help with payment. In either case, the result is the same: net price is different from the sticker price.

An important caveat here is that child-care subsidies are not entitlements in the same way as SFA. Families do not automatically receive child-care subsidies in all provinces based purely on their financial subsidies. Many provinces and municipalities across Canada have extended waiting lists not only for child care, but also for subsidized places.¹⁰ The presence of waitlists complicates our analysis, because it means that subsidies do not equate neatly with income; in practice, many families do not receive what child-care subsidy formulas say they deserve, and so average real net prices shown in this document are an underestimate.

That said, even if they are not fully funded, the subsidy tables and the resulting "net prices" for child care are worth studying because they nevertheless represent provincial policy judgements about how much parents of varying financial means *should* contribute towards the cost of child care. And, as we shall see later, these judgements are quite different from the ones provincial governments make about what parents should pay for PSE.

Figures 1, 2, and 3 show the effective net required contributions (that is – the sticker price minus the subsidies for which a family is theoretically eligible) for families with infants, toddlers, and pre-schoolers, respectively. In order to ensure comparability across provinces – and indeed for comparability with PSE contributions – we have had to make a series of simplifying assumptions about family size and composition. These assumptions are outlined in Appendix 4.

⁹ Where the full subsidy does not cover fees, additional supports are available in some cases for low-income families, notably through income assistance programs (e.g., Nova Scotia, Quebec). Families may also seek out lower-cost child-care providers, as compared with median fees, but provinces do not systematically support these kinds of searches.

¹⁰ The City of Toronto, for example, has a waitlist of close to 18,000 children.

Figure 1: Effective required contributions for Infants (12 months) by province and family income

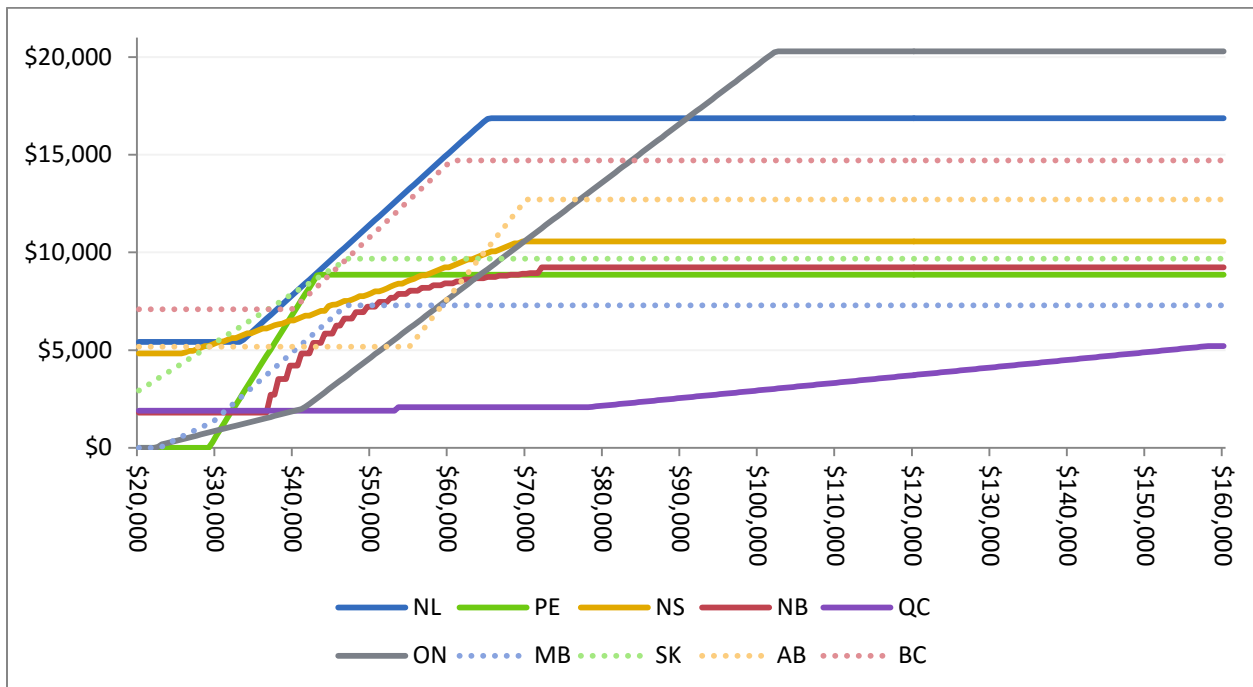


Figure 2: Effective required contributions for Toddlers (25 months) by province and family income

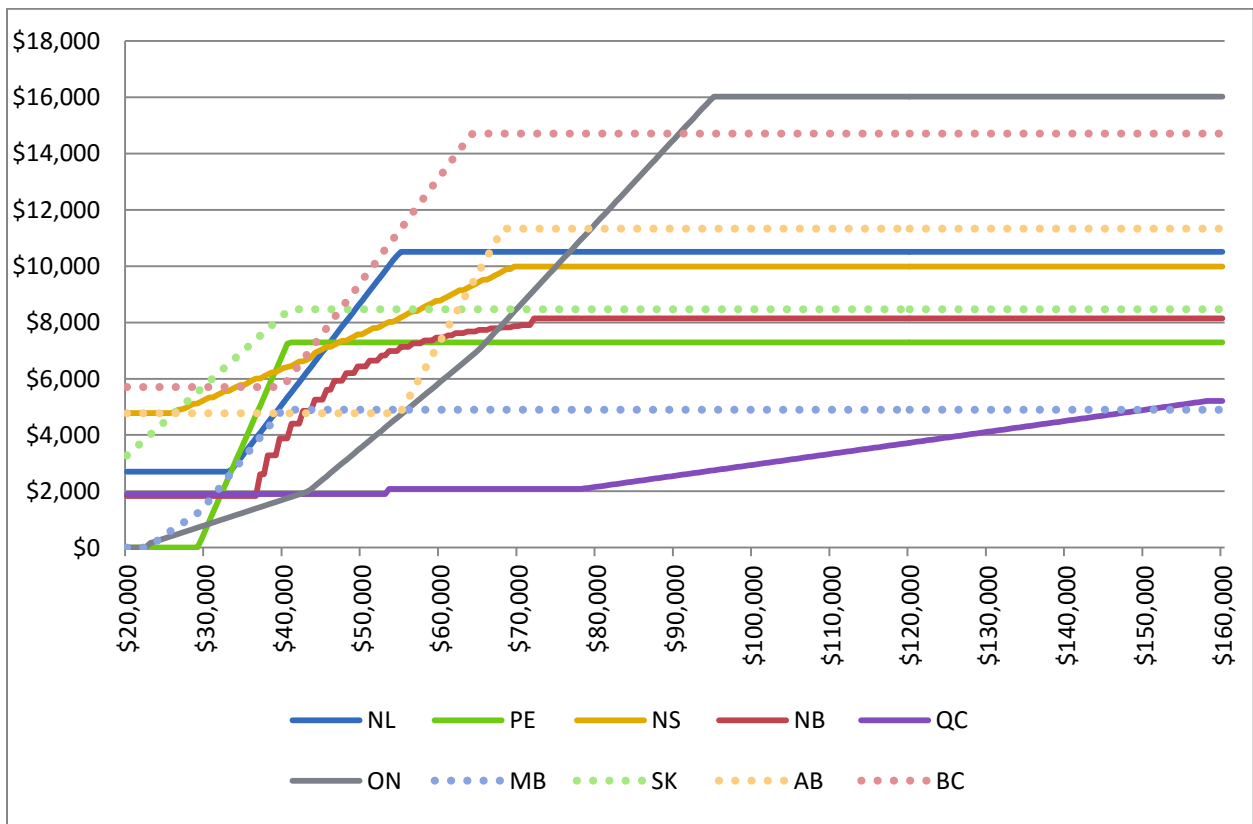
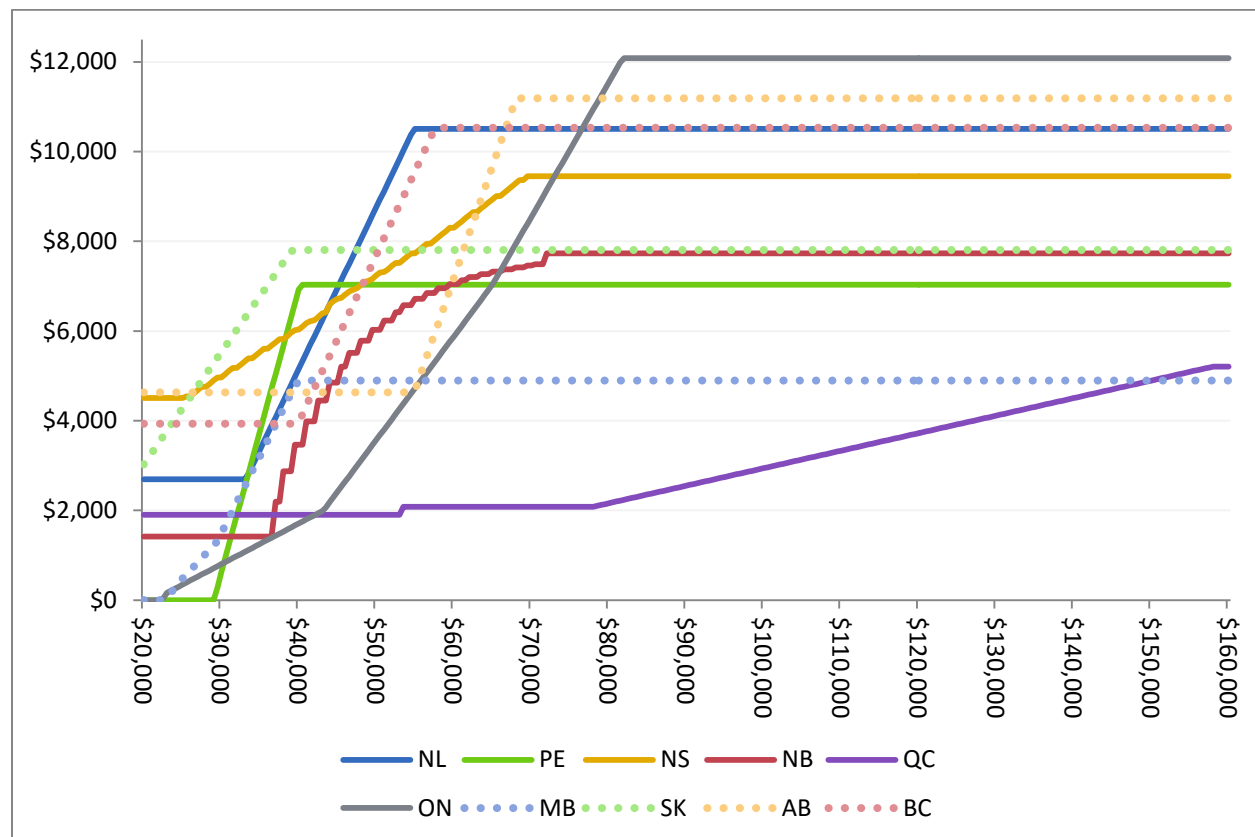


Figure 3: Effective required contributions for Pre-schoolers (42 months) by province and family income



The preceding figures show that regardless of a child's age, parents in Quebec and Manitoba pay less than parents anywhere else in the country at most levels of income. However, it is not true that Quebec parents always pay the least. At very low levels of family income, parents in Prince Edward Island, New Brunswick, Ontario, and Manitoba are required to contribute less for child care than do parents in Quebec, while at the high end Manitobans with family incomes of over \$150,000 are required to contribute the least, thanks to Quebec's 2015 program changes to require extra provincial contributions from parents with higher incomes. Ontario is notable for having the country's most steeply progressive system, with \$0 required contribution for families with income below \$20,000, but required contributions of over \$20,000 for parents of infants earning over \$100,000 per year. Alberta, British Columbia, and Nova Scotia are the least generous to low-income families, with all requiring contributions of \$4,700 or more for infants and toddlers, regardless of family income.

In addition to targeted income-based subsidies, there is another way that governments reduce the cost of child care, and that is through the Child Care Expenses Deduction (CCED). The CCED reduces the lower-earning parent's taxable income by their post-subsidy up to \$7,000. Figures 4, 5, and 6 show effective net required contributions for infants, toddlers, and pre-schoolers.

Figure 4: Effective after-tax required contributions for Infants (12 months) by province and family income

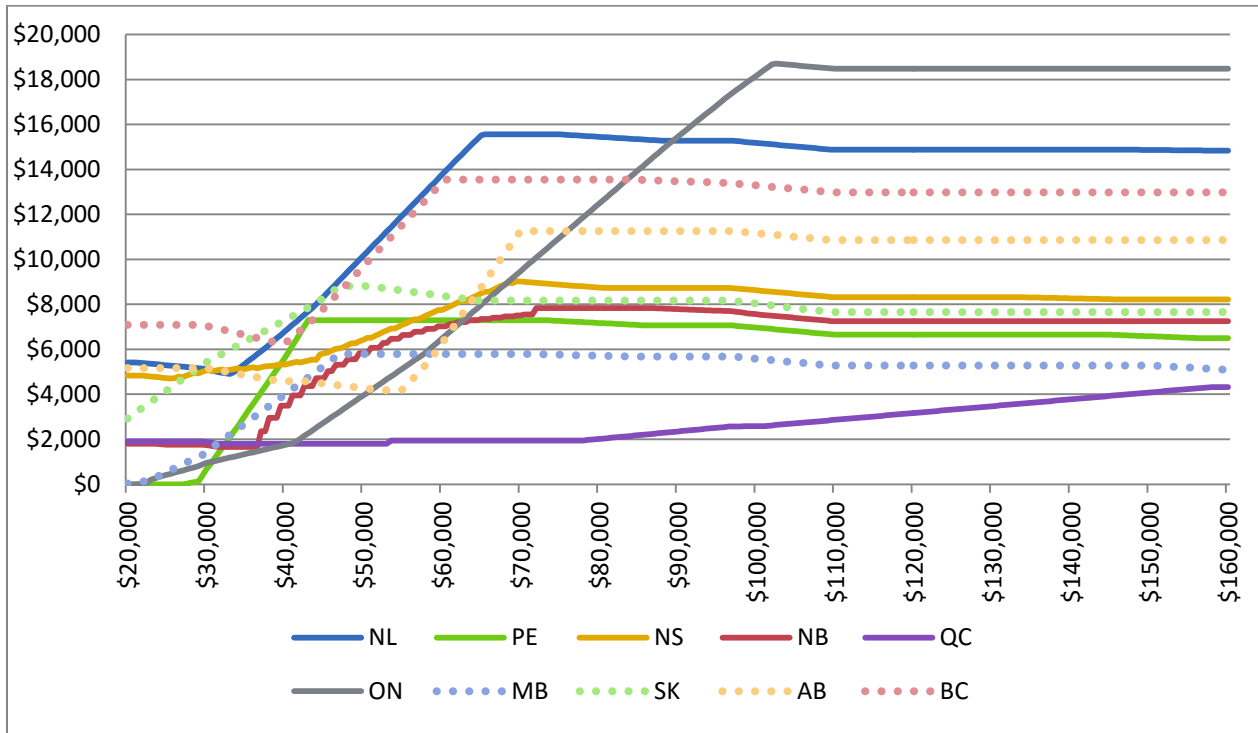


Figure 5: Effective after-tax required contributions for toddlers (25 months) by province and family income

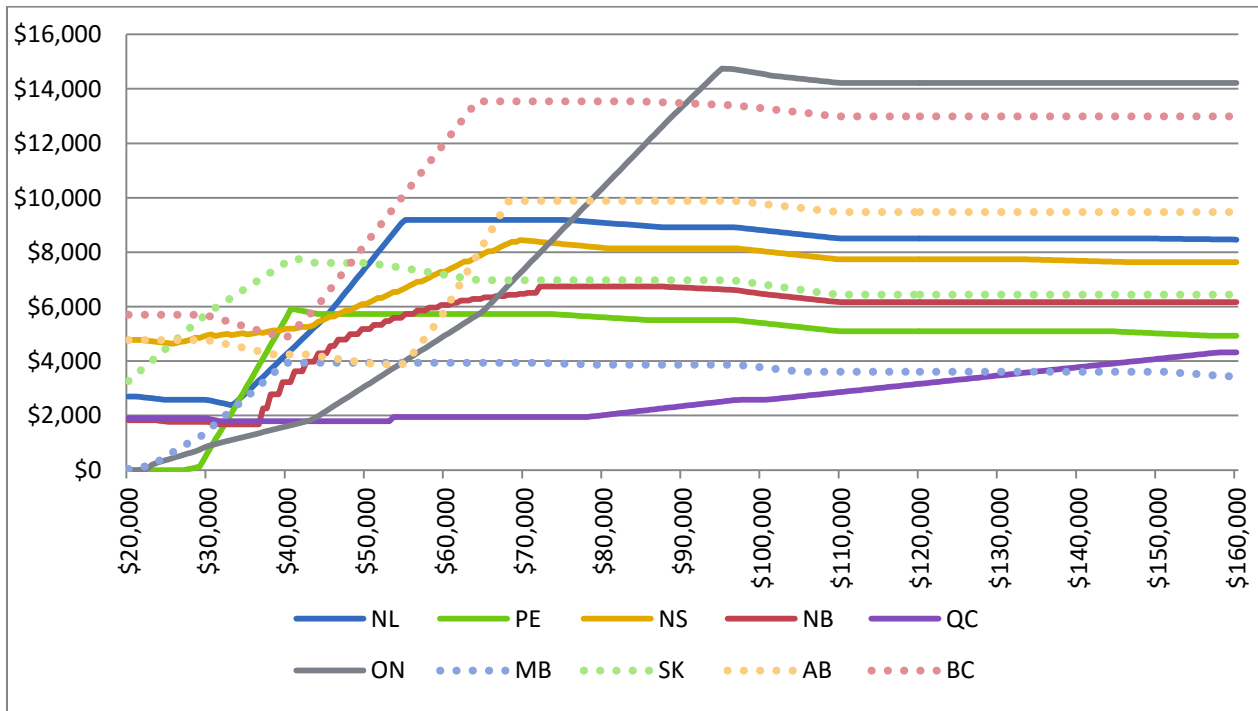
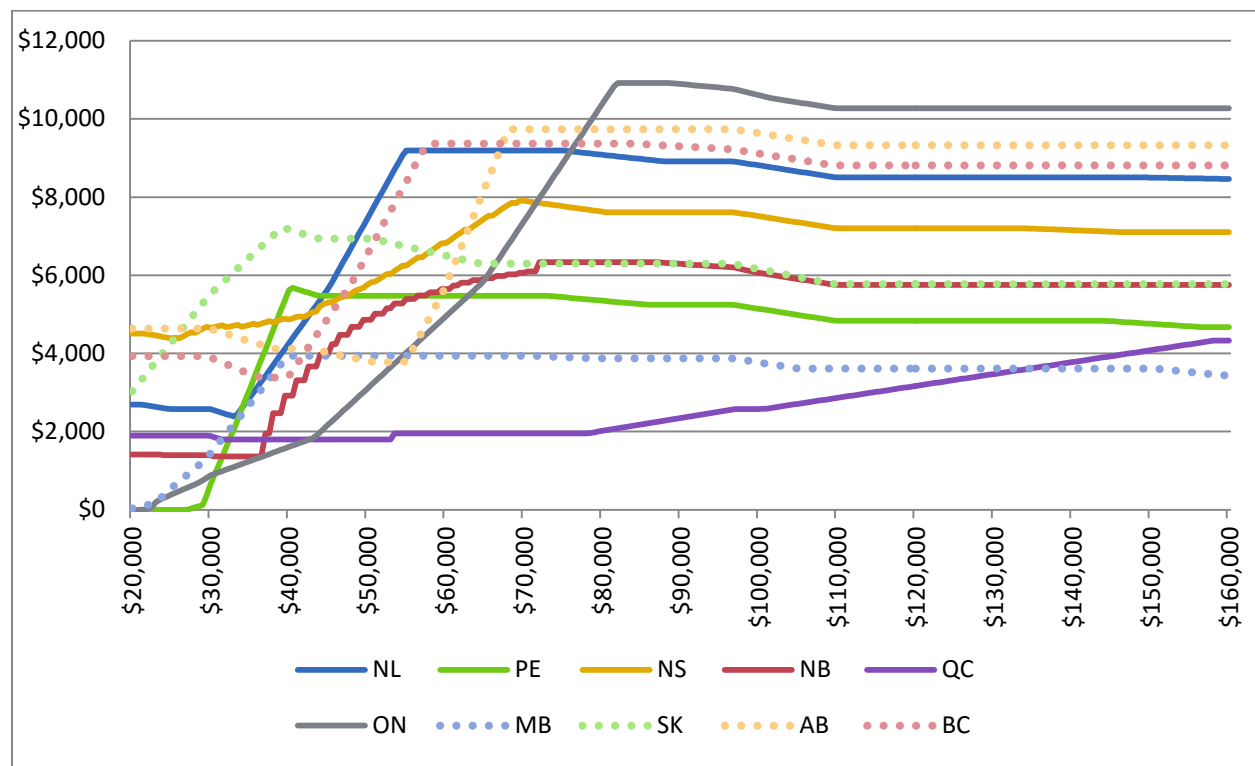


Figure 6: Effective after-tax required contributions for Pre-schoolers (42 months) by province and family income



Because the CCED works the same way across the country, it does not have a material effect on inter-provincial comparisons of required contributions: the provinces with the lowest and highest effective rates remain the same. What does change when the CCED is included is the shape of each provincial curve. All become somewhat flatter, and at higher income levels, the CCED causes net contributions to fall slightly as income rises. The cause of these changes is that the CCED's value increases both with higher fee costs (up to an annual maximum of \$7,000), and with parental income, since deductions are worth more as one's marginal income moves into a higher tax bracket. Ultimately, the CCED has regressive effects on an otherwise generally progressive picture.

Because the CCED can only be claimed by the lower-earning spouse, it increases the difference between spouses' taxable incomes. This has knock-on effects under the new system of income-splitting: for a model family in Ontario with a total income of \$100,000, federal income splitting increases the tax savings triggered by the deduction by nearly \$1,900.¹¹

¹¹ Calculation completed using the [Knowledge Bureau Income Tax Estimator](#), corresponding to the change in the Family Tax Cut with and without the CCED included.

2.2 Post-secondary Education Costs and Subsidies

The costs of PSE consist of tuition and other mandatory fees, the latter being a sundry group of charges, which can include fees for student services, student union dues, special fees for technology, etc. These are easy to calculate since Statistics Canada collects data on this subject through its annual Tuition and Living Accommodation Cost survey. Annual costs are shown below in Table 2.

Table 2: Average tuition and mandatory fees by province, 2015-16

Province	Tuition and mandatory fees (2015-16, preliminary)
NL	\$2,889
PE	\$6,745
NS	\$7,597
NB	\$6,896
QC	\$3,586
ON	\$8,775
MB	\$4,613
SK	\$7,292
AB	\$6,810
BC	\$5,978

Sources: Statistics Canada. Table 477-0077: Canadian and international tuition fees by level of study, annual (dollars), CANSIM (database), Statistics Canada. Table 477-0078: Canadian students' additional compulsory fees by level of study, annual (dollars), CANSIM (database), authors' calculations

Measuring how much of these costs parents are expected to cover is not straightforward because, in practice, they are part of a highly variable mix of parental and student contributions both from current income and savings, as well as SFA. However, buried within the rules of the country's ten provincial and one federal SFA programs are a set of calculations that spell out precisely how much parents are "expected" to contribute towards their child's education. These expectations are not communicated directly to parents, although they are the basis upon which dependent children¹² are assessed for SFA. In precisely the same way that child subsidy tables indicate how much governments think parents "ought" to contribute towards the cost of daycare, parental contributions represent what governments think parents "ought" to contribute towards the cost of PSE.

(It is perhaps worth noting at this point that the concept of expected contributions is fairly different in PSE from what it is in ECE. While there exists a "notional" expected parental contribution for PSE, the actual contribution is nowhere near as rigidly defined as it is in ECE. Parents, in practice, will contribute somewhat more or somewhat less than the "expected" amount, whereas in ECE the expected

¹² Outside of Quebec, SFA programs define dependent children as persons who have been out of secondary school for four years or fewer, and have not spent 12 consecutive months working full-time while not enrolled in secondary or post-secondary education. Effectively, this means that most PSE students under the age of 22 are treated as dependent students. In Quebec, dependent students are most students studying towards their first degree or CEGEP credential who are under the age of 25.

contribution is the actual contribution. This is because with respect to PSE financing, there is a third-party also involved; namely, the student her/himself who may contribute varying amounts based on her/his ability to contribute from earnings & savings. There is also a perceptual difference in that money to support living expenses is usually more visible as a cost for PSE parents than it is for ECE, as it often involves signing a cheque to one's offspring rather than simply having it subsumed in an overall household budget. That said, what we are examining here is the difference in governments' assumptions about what parents can and should pay, so the exercise remains relevant.)

In most parts of Canada, a family's ability to pay for its children's PSE is based on a federally defined concept of *discretionary income*.¹³ Survey data from Statistics Canada's large-scale Survey of Household Spending is used to calculate the average amount that families – of a given size, in a particular province or territory – with educational expenditures spend on necessities, such as shelter, personal care, food, and personal taxes. These amounts are known as Moderate Standard of Living (MSOL) thresholds; any after-tax income above these thresholds is treated as discretionary income. Effectively, MSOL captures provincial differences in costs of living; for a family of three, this threshold is lowest in New Brunswick and highest in British Columbia, as shown below in Table 3.

Table 3: Discretionary income (MSOL) thresholds for families of 3, by province (2015-16 academic year)

Province	NL	PE	NS	NB	ON	MB	SK	BC
After-tax income threshold	\$ 45,569	\$47,246	\$51,284	\$45,362	\$47,711	\$50,614	\$51,224	\$57,010

Note: In effect, Alberta does not require a parental contribution for access to provincial or federal student aid. Sources: Employment and Skills Development Canada, Nova Scotia Department of Advanced Education, Ontario Ministry of Training, Colleges and Universities

Below these thresholds, parents are not expected to make a contribution towards their child's PSE costs. In most of Canada (Alberta is the exception), families with income above this level are expected to make a contribution, the exact size of which rises with income. In most provinces, the formula is as follows: for the first \$7,000 of discretionary income, the expected contribution rate is 15%; for the next \$7,000 it is 20%, and above that it is plus 40% of their discretionary income above 14,000 (see Table 4 below).

Three provinces use different rules, however. In Ontario, parents' contributions are higher than elsewhere because the government uses a lower MSOL value relative to its cost of living,¹⁴ meaning that modest-income parents start making contributions at lower levels of income than in other provinces; additionally, the contribution formula requires parents to contribute higher percentages of family discretionary income at all income levels above the threshold. The same is also true in Quebec, although

¹³ Quebec has an independent but equivalent system that achieves the same goal, albeit using different calculations.

¹⁴ If Ontario's student aid program followed federal guidelines for parental contributions, after-tax income above \$57,709 would be treated as discretionary income.

here the expected contributions are even greater. Alberta's situation is the opposite: parents are not required to contribute at all.

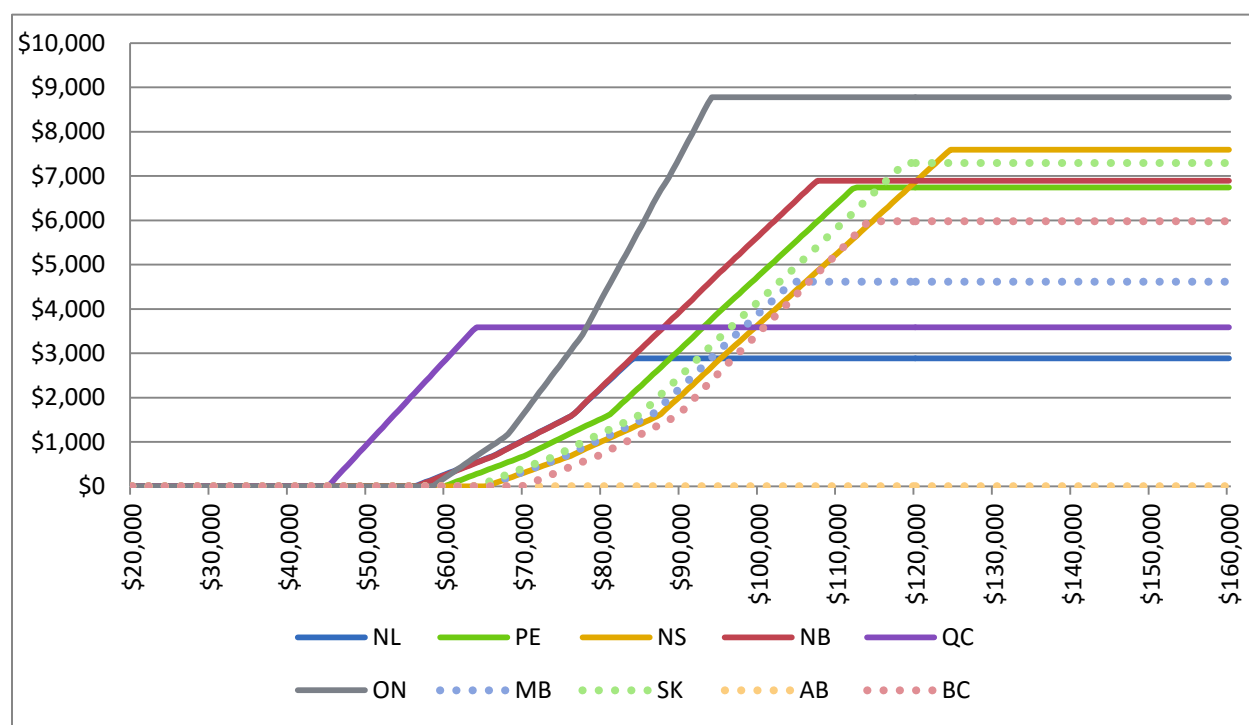
Table 4: Formulas for parental PSE contributions across Canada

Province	Parental contribution formula
NL, PE, NB, NS, MB, SK, BC	<p>If discretionary income is below \$7,001, 15% of discretionary income,</p> <p>If discretionary income is between \$7,000 and \$14,000, \$1,050 + 20% of discretionary income greater than \$7,000</p> <p>If discretionary income is greater than \$14,001, \$2,450 + 40% of discretionary income greater than \$14,000</p>
QC	<p>If gross income is below \$37,000, no contribution</p> <p>If gross income is between \$37,001 to \$72,000, \$0 on the first \$37,000 and 19% on the remainder</p> <p>If gross income is between \$72,001 to \$82,000, \$6,650 on the first \$72,000 and 29% on the remainder</p> <p>If gross income is between \$82,001 to \$92,000, \$9,550 on the first \$82,000 and 39% on the remainder</p> <p>If gross income is between \$92,001 or greater, \$13,450 on the first \$92,000 and 49% on the remainder</p>
ON	<p>If discretionary income is below \$7,001, 25% of discretionary income,</p> <p>If discretionary income is between \$7,000 and \$14,000, \$1,750 + 50% of discretionary income greater than \$7,000</p> <p>If discretionary income is greater than \$14,001, \$5,250 + 75% of discretionary income greater than \$14,000</p>
AB	No parental contribution at any income level

Sources: Employment and Skills Development Canada, Nova Scotia Department of Advanced Education, Ontario Ministry of Training, Colleges and Universities, Aide financière aux études (QC)

In order to calculate expected parental contributions to PSE fee costs, one simply must apply the above calculations in Table 4 until one reaches the average fee levels shown in Table 3. This is shown in Figure 7, below.

Figure 7: Effective gross required contributions to average undergraduate tuition and mandatory fees for parents of dependent PSE Students by province and family income



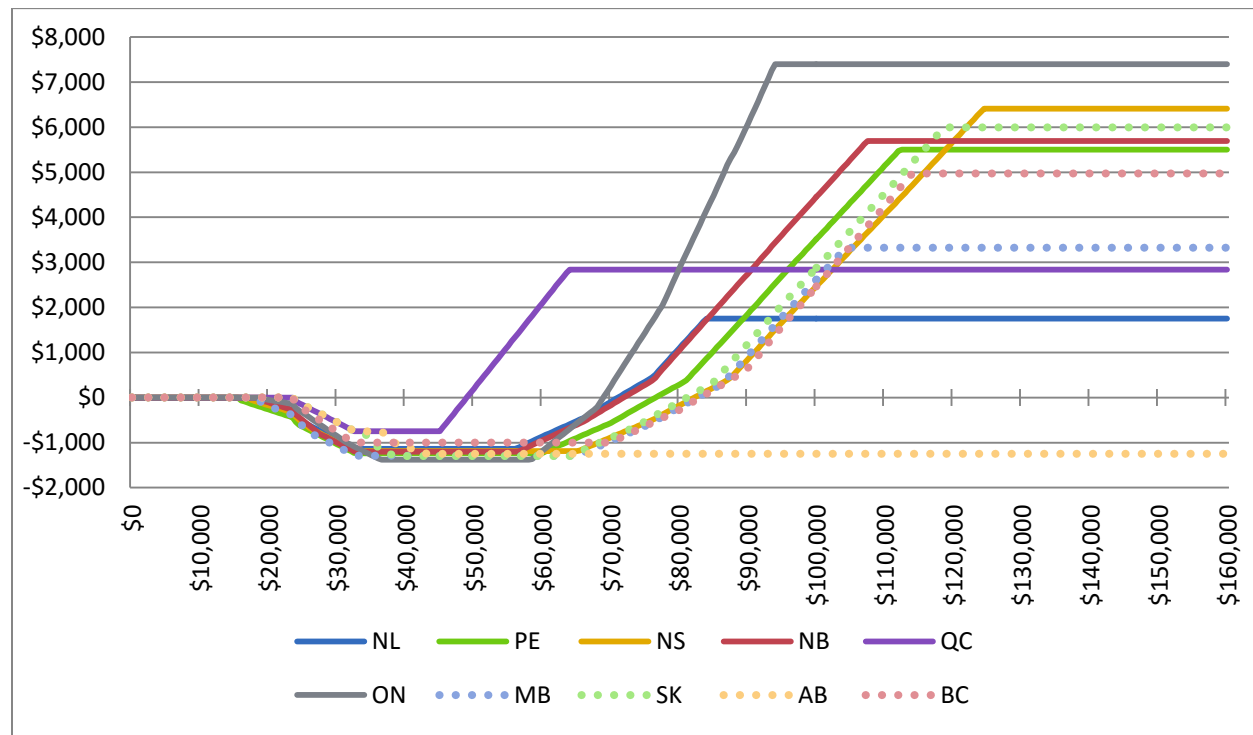
Sources: Employment and Skills Development Canada, Nova Scotia Department of Advanced Education, Ontario Ministry of Training, Colleges and Universities, Aide financière aux études (QC), author's calculations.

Figure 7 shows a few key points that need to be understood with respect to expected parental contributions. First, the threshold at which parents in Quebec are expected to contribute to their child's PSE is between \$15,000 and \$20,000 lower than in other provinces, although Quebec parents are not required to contribute as much at higher income levels because tuition fees are lower. Second, Ontario parents are expected to pay more at higher income levels than in other provinces, both because the contribution formula is more stringent and because tuition fees are higher. Third, although this is difficult to see because the Alberta line is not visible as it is equal to zero, the implicit benefit of Alberta's elimination of parental contributions is entirely at the upper end of the income scale: for parents earning \$60,000 or less, the abandonment of the parental contributions seen in other provinces makes no difference at all.

As with child care, there is a set of tax benefits associated with having a child in PSE that is meant to offset the cost of education; these are the tuition tax credit, the education amount tax credit, and the text-book tax credit. All of these are issued to the student, but he or she may transfer up to \$5,000 of this credit to a parent each year. While they are federal credits, they also have provincial counterparts, but their value varies from one province to another. Because they are tax credits rather than tax deductions, their value does not increase with taxable income; however, at low levels of income, they

are worth \$0 because there is no taxable income against which to apply the credit.¹⁵ In figure 8, we show how net contributions look assuming that these credits are transferred by students and are used by their parents.

Figure 8: Effective after-tax required contributions to average undergraduate tuition and mandatory fees for parents of dependent PSE students by province and family income



One obvious point of note in Figure 8 is that once tax credits are taken into account, there are some places on the income curve where expected contributions turn negative. This is because there is a range of income between where taxable income starts and the MSOL threshold where no contribution is required by student aid programs, but some income is taxable and hence can be offset through the use of credits.

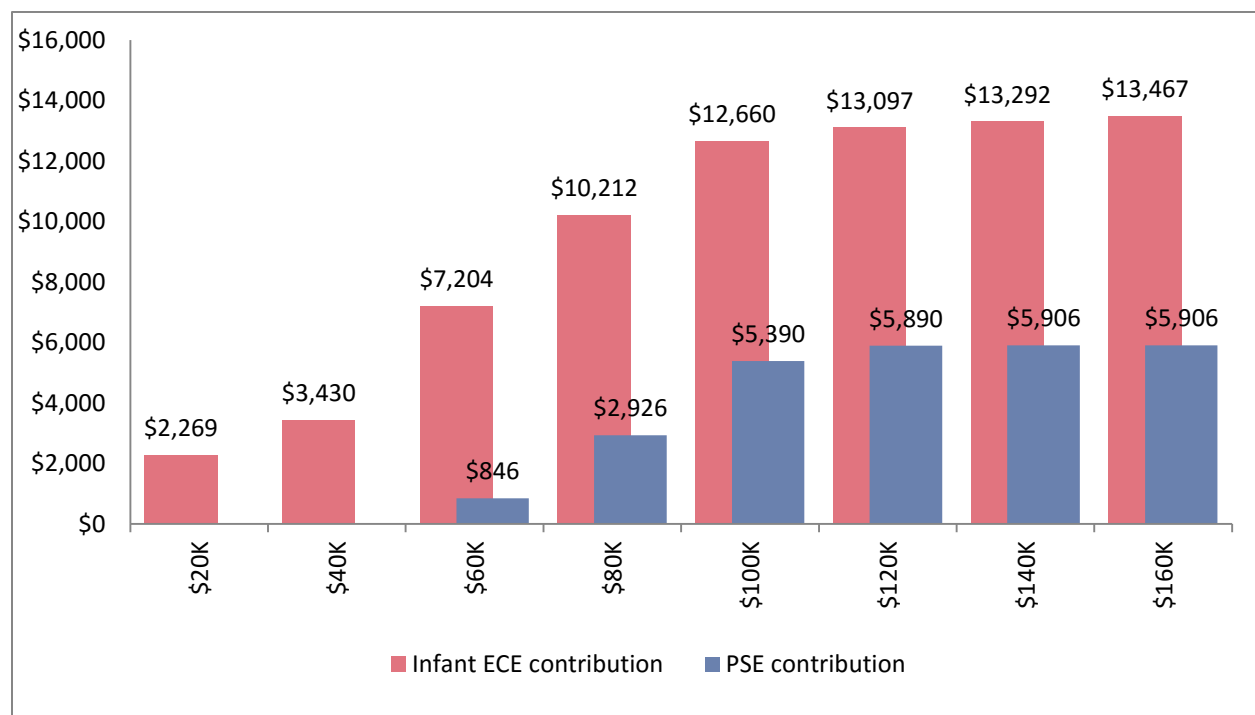
With our discussion of parental contributions complete, the next section will focus on comparing ECE and PSE contributions.

¹⁵ This does not mean that the value of the credit is lost: in case the parent cannot use them, the student may use them him/herself in the current tax year, or the student may carry them forward until they earn enough income to make use of them.

3. Comparing Parental Contributions for Non-Compulsory Education

With explanations of expected parental contributions to both child care and PSE now complete, it is possible to move to the issue of comparing what governments expect from parents across these two sectors. In Appendix 4, we provide comparisons of expected contributions for each individual province. To simplify the national discussion, we provide the weighted average below in Figure 9.¹⁶

Figure 9: Average effective required contributions for parents of dependent PSE students and children in ECE, by family income, Canada



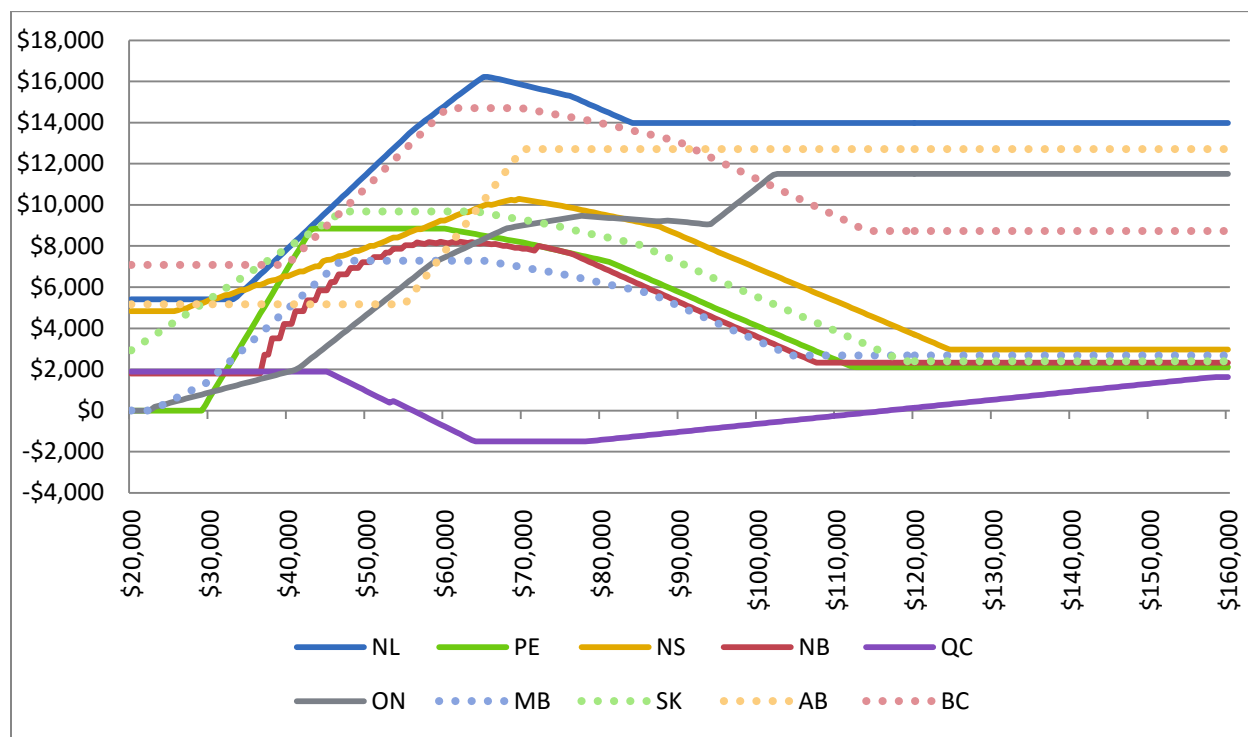
From Figure 9, we can make three important observations. First, on average, parents of children in child care are required to begin contributions from the first dollar of income, while payments for parents of children in PSE do not start until income exceeds \$45,000. Second, at family incomes under \$20,000, expected contributions from parents with children in child care average \$2,000; at \$41,000 – that is, the point at which parents of children in PSE pay their first dollar – the expected contribution is between \$3,000 and \$3,650. Third, because the expected contribution from marginal income increases more quickly for child care than for PSE, at every income level above that, the gap increases. At \$75,000 and

¹⁶ Calculating the amounts Canadian parents are required to contribute, on average, towards child care at various ages and PSE requires making some judgement calls with respect to how to weight data for individual provinces. For the purpose of this study, a national average for expected PSE contributions was derived by weighting individual provincial results by each province's portion of the 18-24 population; the national average for the child-care contributions was derived by weighting provincial results by each province's share of the 0-5 population.

above in family income, the gap between expected contributions for a toddler and contributions for a PSE student is \$7,000 or more.

Of course, national averages hide significant differences at the provincial level. Figure 10 summarizes provincial level differences by looking at the size of the gap between expected parental contributions for infants in child care (the most expensive category) and those with children in PSE.

Figure 10: Difference between expected parental contributions for Infants and PSE students, by province and selected family income levels



This data shows that there are effectively three types of patterns when looking at the gap between expected contributions for parents of infants and PSE students. The first is Quebec, where there is little difference in contribution at any income level, and which represents the only province parents with children in PSE are asked to pay more than parents of infants, at least in certain income ranges. The second is that seen in the three Maritime provinces, plus Saskatchewan and Manitoba, where the gap rises as one transitions into middle-income levels, and then falls again as family income passes through the \$50-60,000 level. The final, more disparate group, consists of Ontario, British Columbia, Alberta, and Newfoundland where the gap rises with income and then plateaus, meaning that the biggest gaps are reserved for those with higher incomes.

Another way to demonstrate provincial differences is to compare the precise income level at which the gap in expected contributions is largest, and how large that gap is. This is done below in Table 5

Table 5: Maximum difference between pre-tax parental contributions to infant ECE and PSE, by province

	Maximum difference	Family income where difference is at maximum
NL	\$16,228	\$65,000
PE	\$8,854	\$43,500-\$56,000
NS	\$10,294	\$69,500
NB	\$8,215	\$62,000
QC	\$1,901	\$0-\$45,000
ON	\$11,512	\$102,500 and above
MB	\$7,291	\$47,000-\$60,500
SK	\$9,684	\$47,500-\$59,000
AB	\$12,710	\$70,000-\$72,000
BC	\$14,707	\$111,000

Figure 9 shows the effective net contributions required after direct subsidies are taken into account. However, this does not take into account the offsetting subsidies that parents receive through the tax system. These are, however, taken into account below in Figure 11 (individual provincial results may be found in Appendix 4).

Figure 11: Average effective after-tax required contributions for parents of dependent PSE students and children in ECE, by family income, Canada:

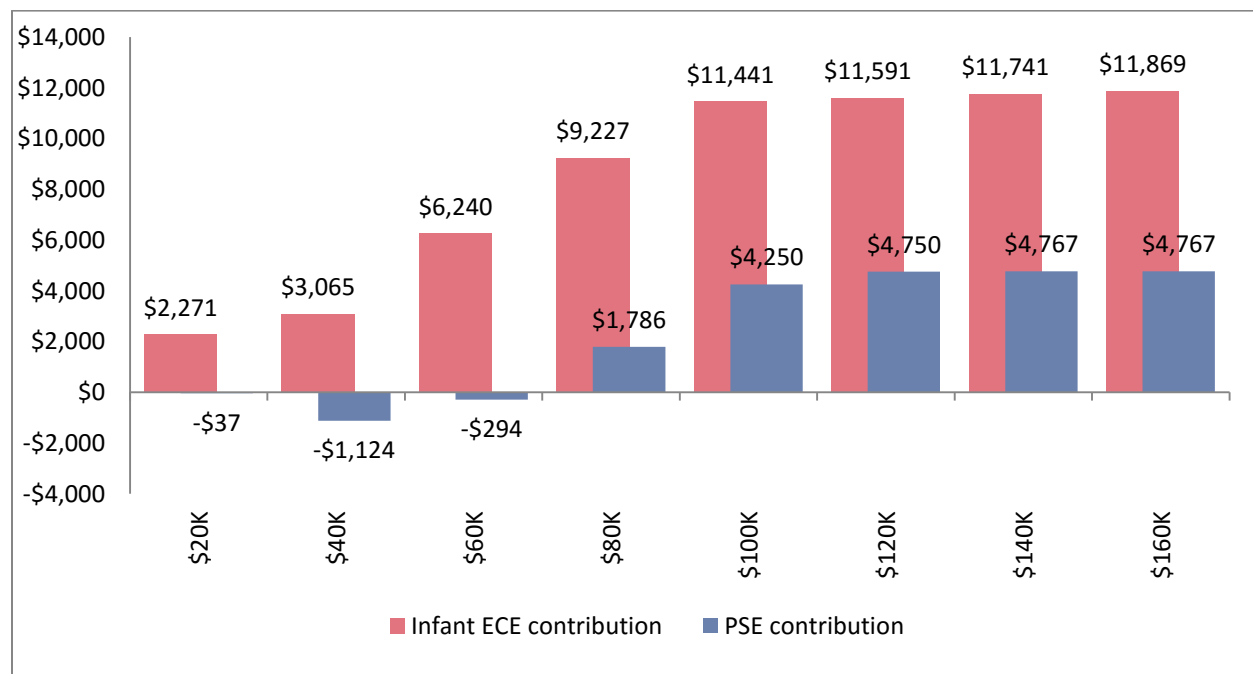


Figure 11 looks somewhat different than Figure 9 because of the way expected PSE contributions are negative for family incomes below \$60,000. But in a larger sense, the two graphs are identical, with the curves simply shifted downwards somewhat. The reason for this is that for our model family in the

bottom two income brackets, tax credits for education are worth about as much as the tax deduction for child-care. This would not be true for all families. For instance, if this were a single-income family rather than one in which income was split 55-45 between two partners, the picture would be rather different, as the three ECE curves would all bend downwards more sharply at higher income levels, meaning the gap would be smaller.

Upcoming Changes

While this report is accurate for the 2015-16 year, there are several changes on the horizon in student aid policy that are worth noting.

Beginning in time for the 2016-17 academic year, the income thresholds used in student assistance programs to determine whether families are expected to contribute to their dependent children's post-secondary education costs will be raised by approximately 15% in most provinces, which will in turn reduce or eliminate the expected parental contribution for many middle-income families.

While this change should work in a straightforward fashion in most provinces and territories, this policy change will not affect Alberta, Ontario, and Quebec, three provinces that diverge from ESDC's parental contribution rules. All other things held equal, this change simply shifts the PSE contribution distribution rightward, and will *increase* the gap between expected ECE and PSE contributions for families with incomes in the \$50,000-\$100,000 range. Recently announced changes to the PSE parental contribution thresholds in Ontario will trigger a similar effect in Ontario, beginning a year later in 2018-19. However, given that Ontario uses a different parental contribution formula from much of the country, the magnitude of the gap in Ontario will be larger than that expected in other provinces.

During the 2015 election, the Liberal Party promised to discontinue the monthly "education amount" tax credit, and to re-invest this money in increased up-front grant aid to students. Discontinuing the tax credit and its attendant benefit to parents will increase the net cost of education, and will thus *shrink* the gap between ECE and PSE contributions. Another consequence of discontinuing the education and textbook tax credits is that it will now be impossible for a lower-income family to have an effective negative contribution to PSE.

4. Conclusion

This study has shown that parents with children in PSE are – in most provinces, at most levels of income – asked to contribute significantly less than parents with children in ECE. On average, for families earning \$60,000, the gap between required ECE and PSE contributions is between \$4,900 and \$6,250, depending on the age of the child; for families earning \$100,000, the gap is between \$3,800 and \$7,600.

This existence of this gap is deeply puzzling. Parents of children in PSE are older, and hence on average better remunerated than the parents of children in ECE. They also have a much longer period of time in which to plan and save for their offspring's non-compulsory education. If these expected contributions were based on ability to plan and pay, one would likely assume that the gap would be reversed and that PSE parents would be asked to contribute more than ECE parents.

But the larger question is why there is a gap at all? Why is one form of non-compulsory education considered more worthy of subsidy than another? Most likely there is no good reason: most provincial governments have probably never examined the two side-by-side because the two programs are located in different ministries, and each ministry develops contribution rates in its own silo.

But this reason is better suited as an explanation than a rationale. There is, in truth, no obvious justification for this state of affairs. Why do Canadian governments – outside of Quebec that is - ask more of younger, less affluent parents than we do of older, more affluent ones? As issues of intergenerational equity become more prominent in Canadian political discourse, this is a question worth reflecting upon. Granted, public budgets are limited, but that need not be a major stumbling block. Many parents nowadays will use both sets of services; even if no additional money were added to reduce expected contributions, it seems likely that many would prefer more subsidy (and hence have lower expected contributions) when younger and less affluent than when older and more affluent. More equal contribution formulas – which would require transfers from the PSE budget to the Early Childhood Education budget – would achieve that. It is at least a question worth posing and a debate worth having.

Appendix 1: Child-care Fee Data Sources and Reference Regions

Table 6: Table of child-care fee data sources and reference regions:

Province	Fee source	Reference Region	Sample
NL	CCPA 2014	St. John's	Phone survey contacted 67% of centres
PE	Regulated	Provincial	Regulated Fee
NS	CCPA 2014	Halifax	100% of licensed spaces
NB	CCHRSC 2012	Provincial	Non-representative
QC	Regulated	Provincial	Regulated Fee
ON	CCPA 2014	Toronto	73% of licensed spaces
MB	Regulated	South	Regulated Fee
SK	CCPA 2014	Saskatoon	Phone survey contacted 79% of centres
AB	CCPA 2014	Calgary	100% of licensed spaces
BC	CCPA 2014	Vancouver	100% of licensed spaces

Note: Additional deductions may be applicable, however these are the only deductions accounted for in our model. Many income calculations are based on monthly total or net income, as opposed to how this type of income is finally calculated in the year's taxes.

Sources: Macdonald, David, and Martha Friendly. 2014. The Parent Trap: Child Care Fees in Canada's Big Cities. Ottawa: CCPA

Child Care Human Resources Sector Council. 2013. You Bet We Still Care: A Survey of Centre-Based Early Childhood Education and Care in Canada. Highlights report.

Appendix 2: Reference Incomes for and Deductions Applied in the Model

Table 7: Summary of reference Incomes and deductions applied in the model

Province	Income	UCCB income included?
NL	Net from pay stub excluding mandatory deductions at source	Excluded
PE	Net from pay stub excluding mandatory deductions at source	Excluded
NS	Net income as defined by line 236 of T1 Tax Return	Included
NB	Net from pay stub excluding mandatory deductions at source	Excluded
QC	Net income as defined by Line 275 of Quebec Tax Return	Excluded
ON	Net income as defined by line 236 of T1 Tax Return	Excluded
MB	Net from pay stub excluding mandatory deductions at source	Excluded
SK	Total income as defined by Line 150 of T1 Tax Return	Excluded
AB	Total income as defined by Line 150 of T1 Tax Return	Excluded
BC	Net from pay stub excluding mandatory deductions at source	Excluded

Note: Additional deductions may be applicable, however these are the only deductions accounted for in our model. Many income calculations are based on monthly total or net income, as opposed to how this type of income is finally calculated in the year's taxes.

Appendix 3: Model Thresholds, Claw-backs and Maximum Eligible Incomes

Table 8: Summary of claw-backs

	Threshold	Claw-back of each marginal dollar*	Maximum Eligible Income			
			Infant	Toddler	Preschooler	
NL	\$27,960	50%	\$50,875	\$43,584		
PE	≈\$24,300	90%	≈\$25,380	≈\$32,450		
NS	\$20,880	Subsidy reduced in steps by 0.83% at every \$600 increase in net income		\$60,480		
NB	\$30,000	Subsidy reduced in steps by 12.25% at every \$1,000 increase in net income		\$55,000		
QC	\$50,000	\$8/day flat rate**		\$155,000		
	\$75,000	Regular increment to \$20/day at \$155,000 income				
ON	\$20,000	10%	\$109,156	\$94,954	\$81,800	
	\$40,000	30% + \$2,200				
MB	\$19,462	25%	≈\$36,700	≈\$31,900		
	\$24,818	50% + \$1674				
SK	\$19,680	25%	\$47,040	\$40,800	\$39,120	
AB	\$53,000	50%	\$68,072	\$66,104		
BC	\$33,300	50%	\$51,300	\$48,540	\$46,500	

Notes: Thresholds correspond to the maximum income at which the maximum subsidy is available, or, where two thresholds are noted for a single province, the income level at which the rate of claw-back changes. Thresholds and maxima are measured in the reference incomes, which means they should only be compared through review of the charts. The claw-back corresponds to the proportion of reference income above the threshold that is reduced from the child-care subsidy, unless otherwise indicated.

Figures are rounded to the nearest dollar, where applicable.

Threshold and clawback formulae are derived from available information and authors' calculations.

*Unless otherwise stated

**As of 2015

Appendix 4: Comparisons by Province

Figure 12: Effective required contributions for parents of dependent PSE students and children In daycare, by family Income, Newfoundland

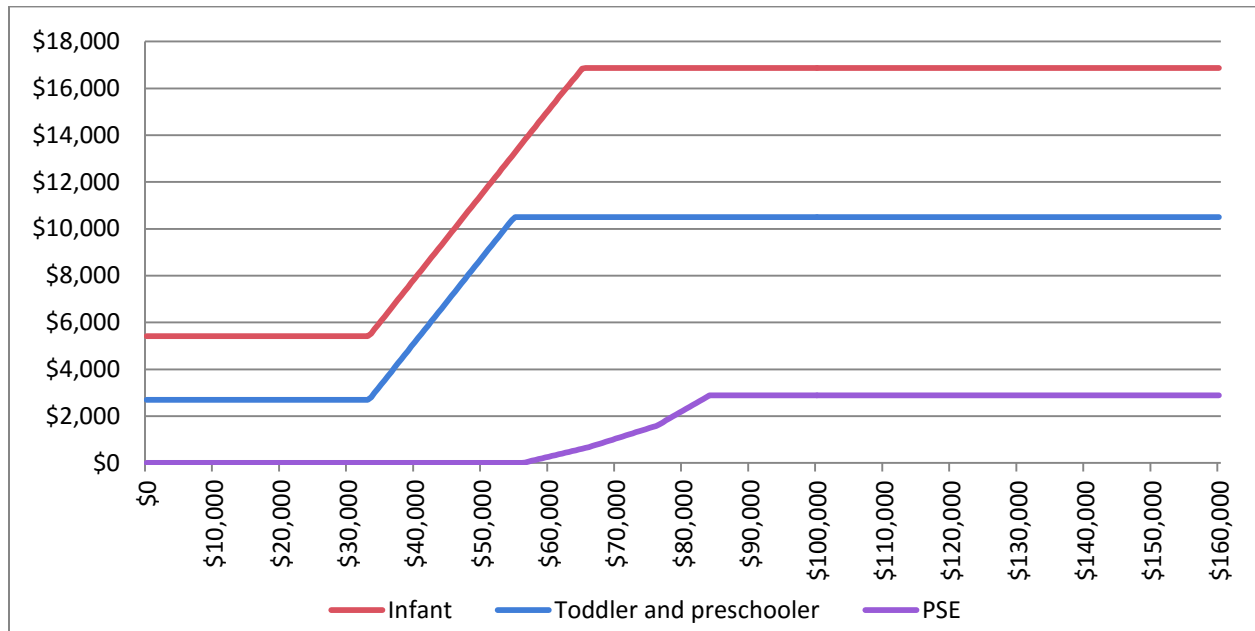


Figure 13: Effective after-tax required contributions for parents of dependent PSE students and children In daycare, by family income, Newfoundland

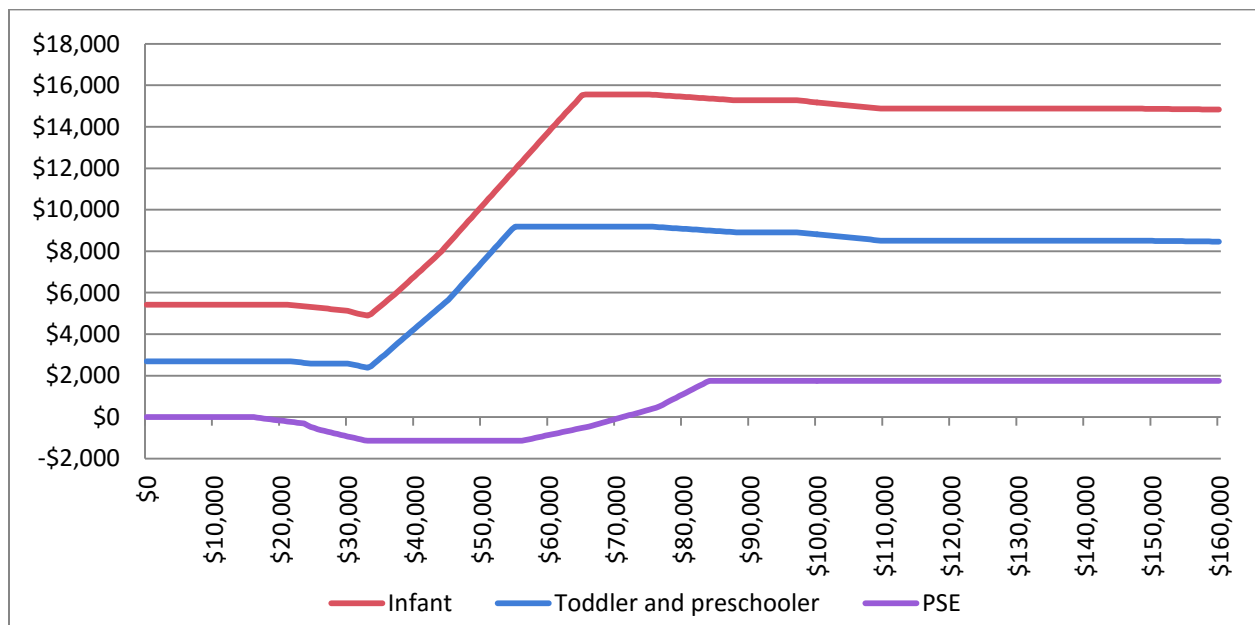


Figure 14: Effective net required contributions for parents of dependent PSE students and children In daycare, by family income, Prince Edward Island

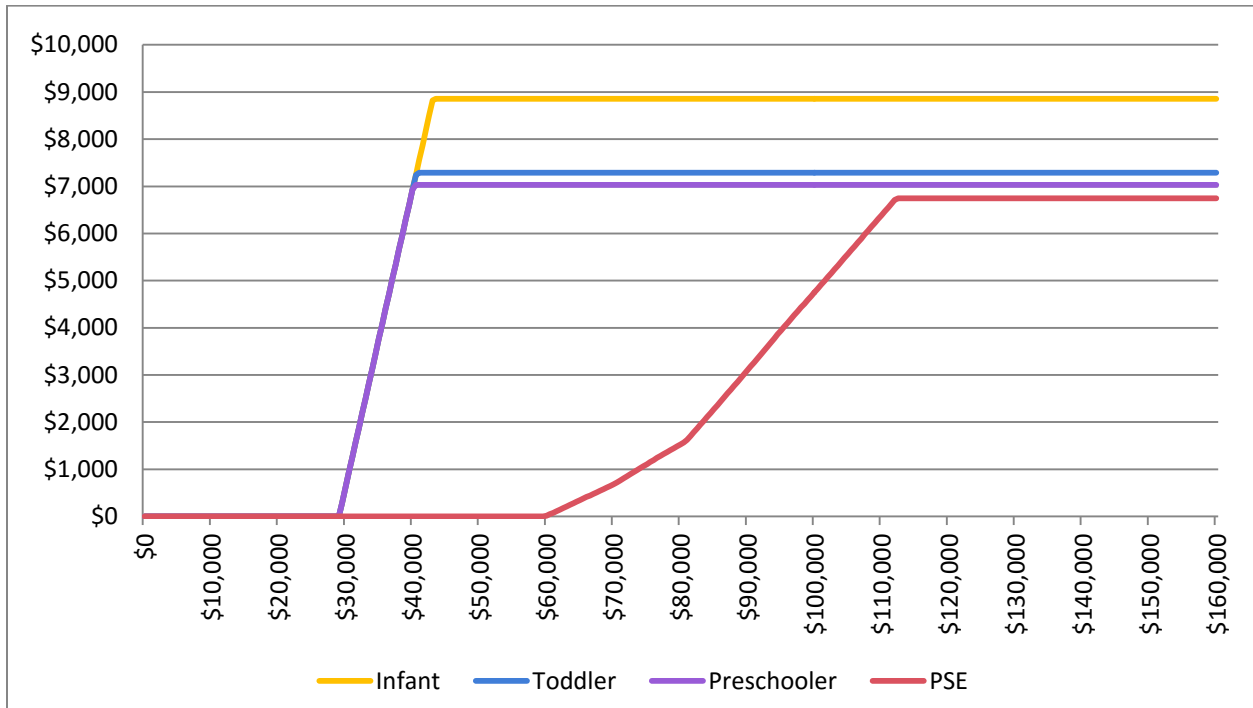


Figure 15: Effective after-tax required contributions for parents of dependent PSE students and children In daycare, by family income, Prince Edward Island

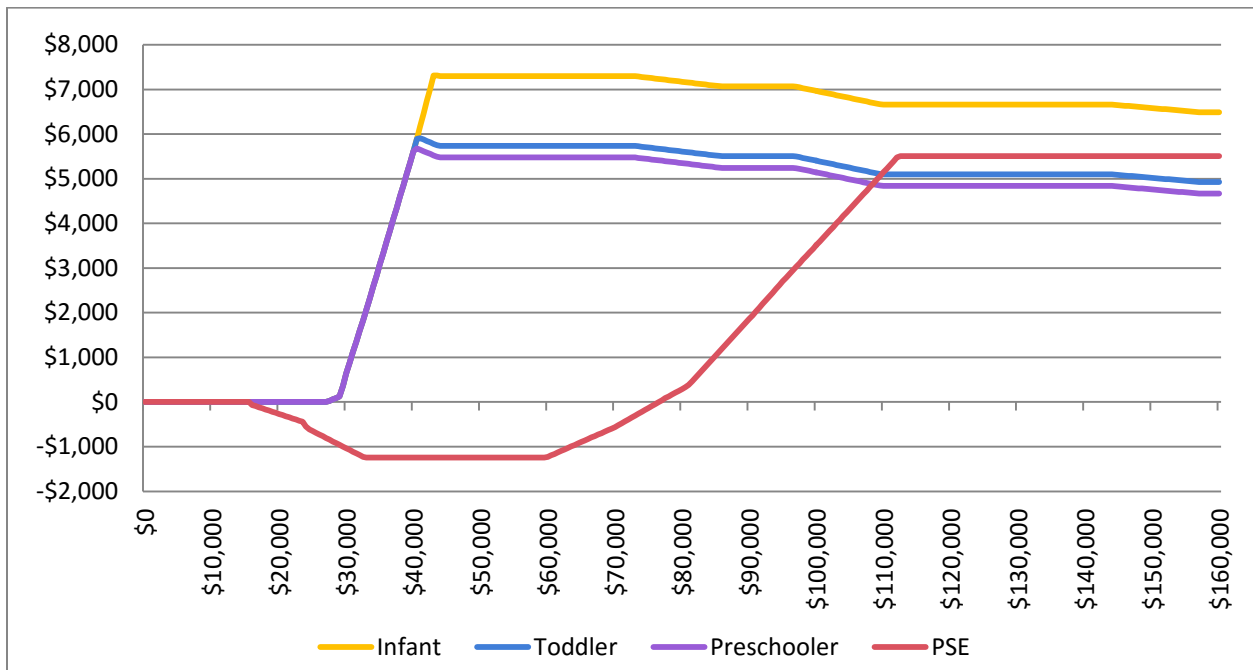


Figure 16: Effective required contributions for parents of dependent PSE students and children in daycare, by family income, Nova Scotia

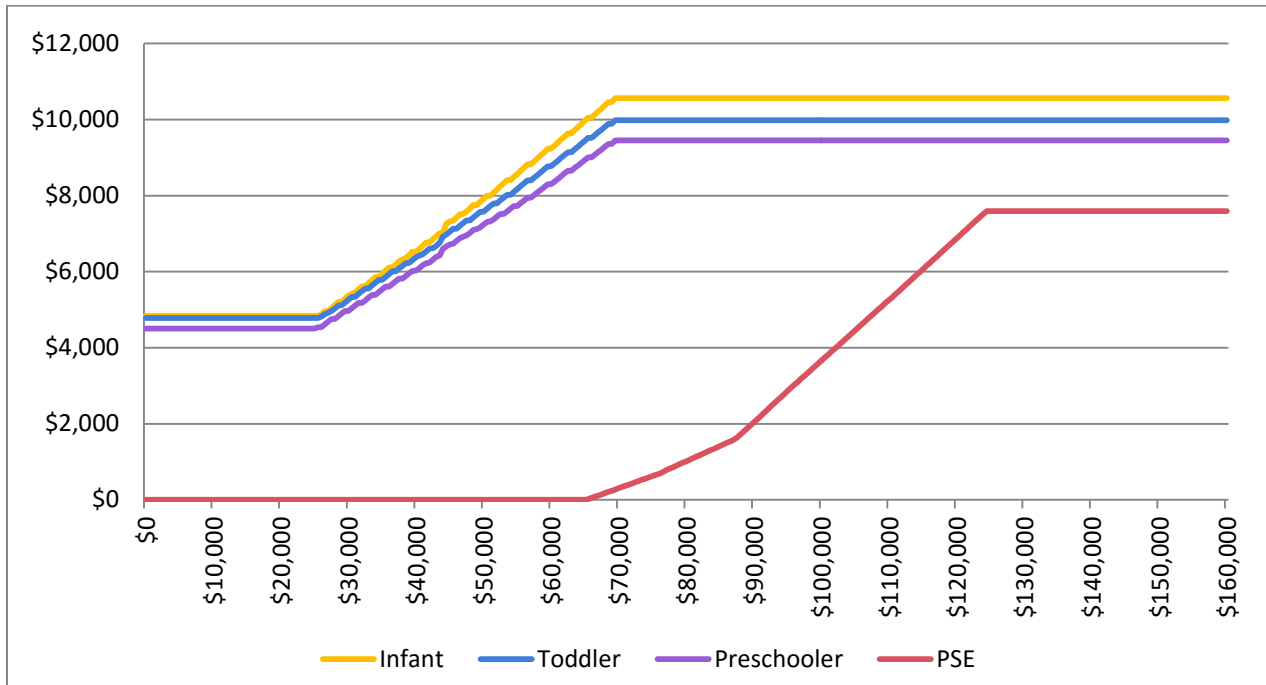


Figure 17: Effective after-tax required contributions for parents of dependent PSE students and children in daycare, by family income, Nova Scotia

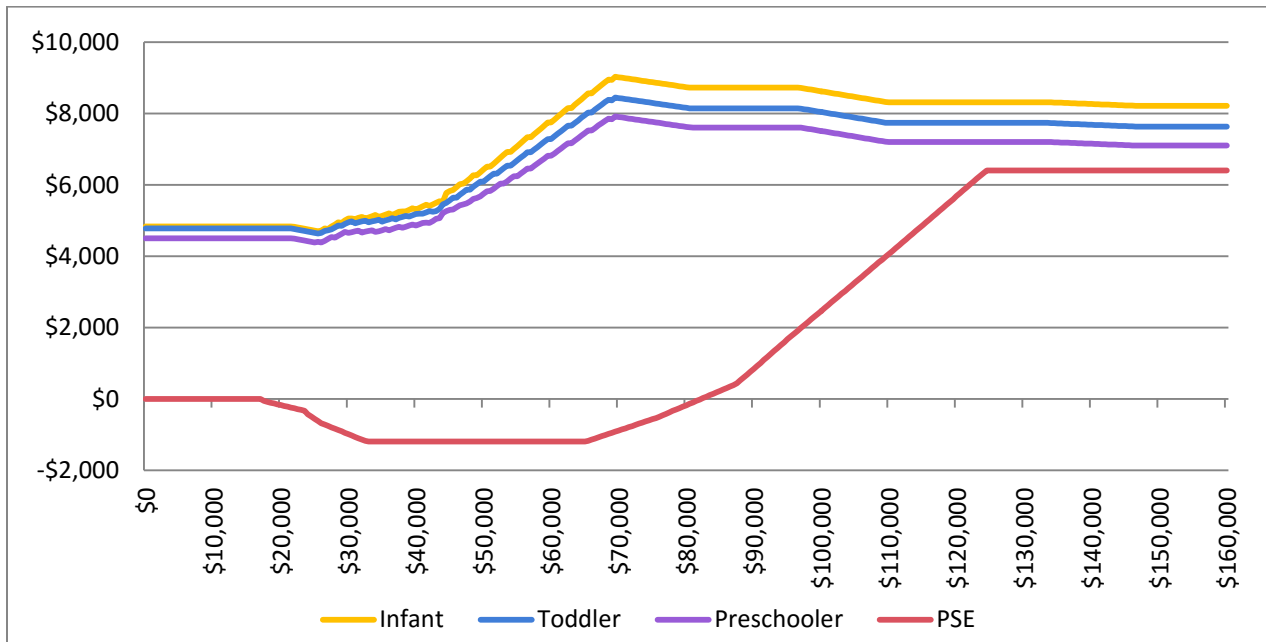


Figure 18: Effective required contributions for parents of dependent PSE students and children in daycare, by family income, New Brunswick

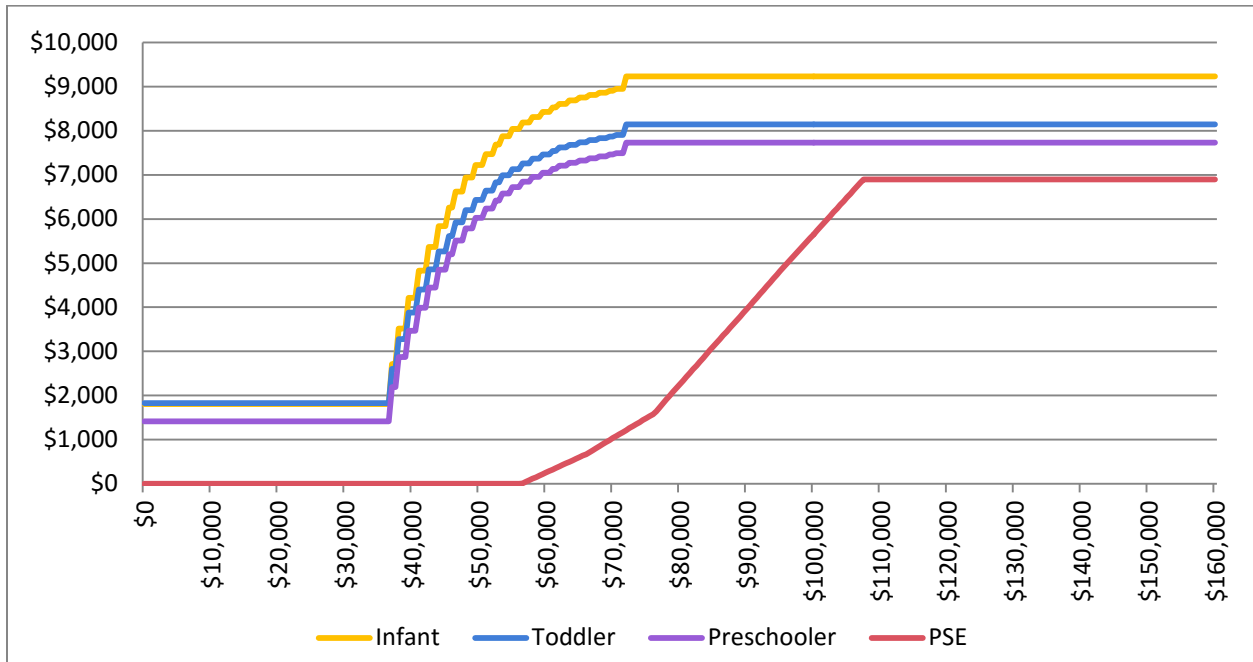


Figure 19: Effective after-tax required contributions for parents of dependent PSE students and children in daycare, by family income, New Brunswick

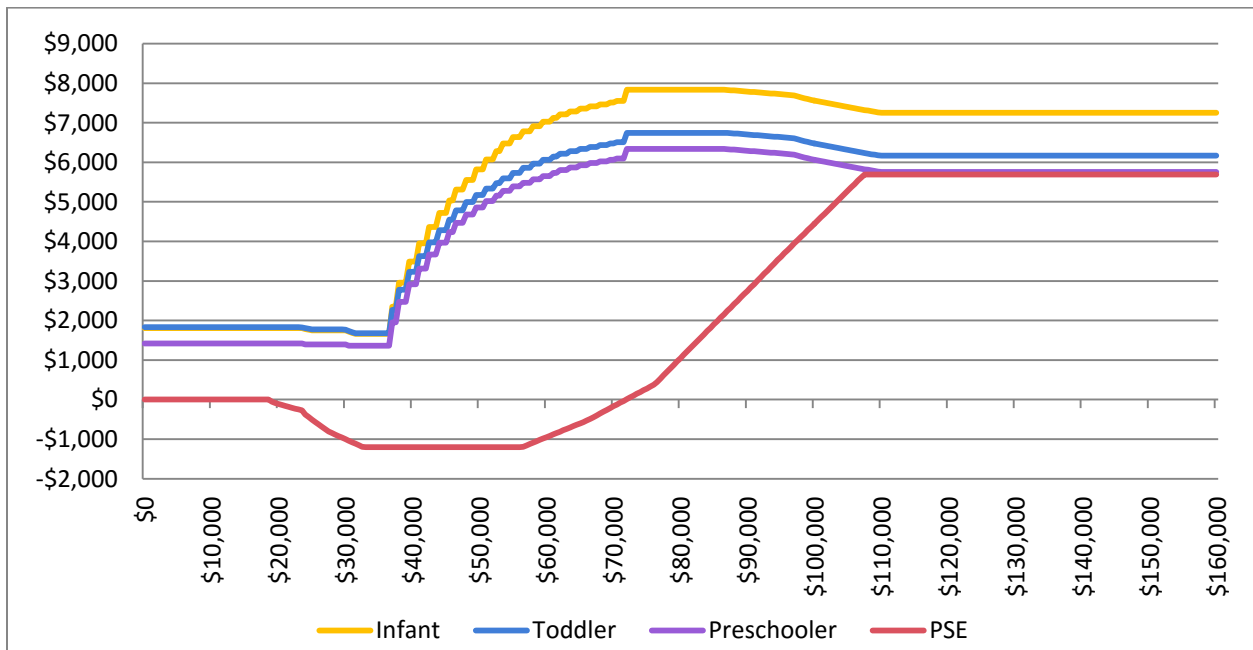


Figure 20: Effective required contributions for parents of dependent PSE students and children In daycare, by family income, Quebec

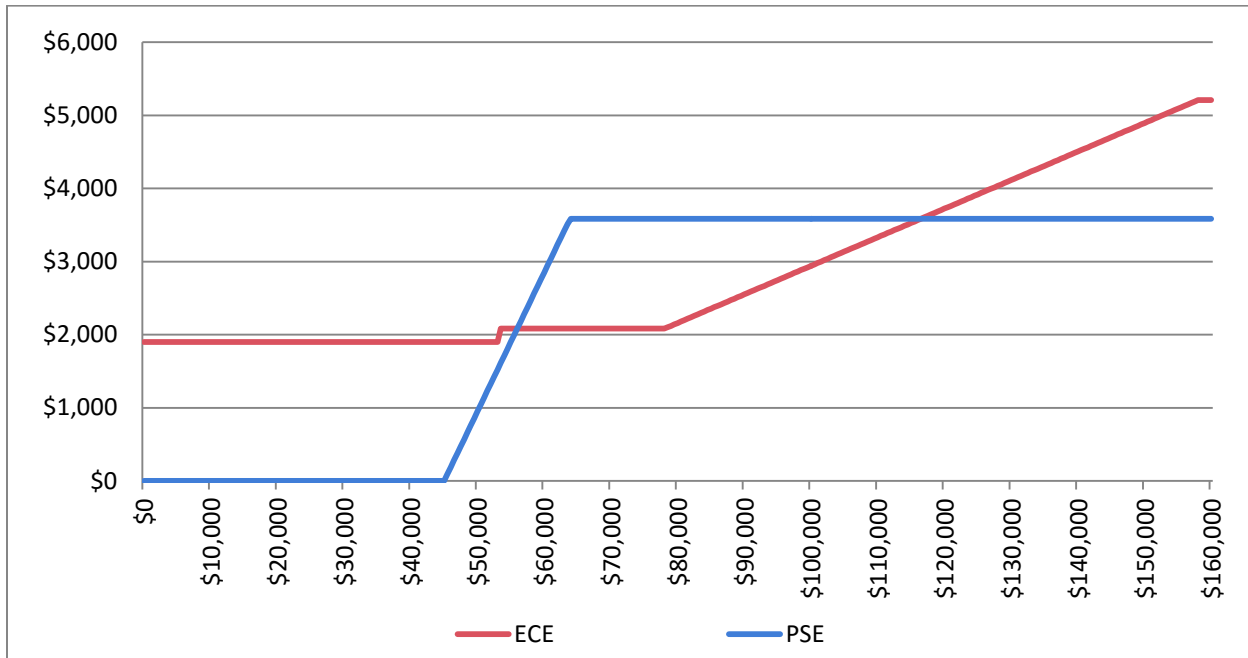


Figure 21: Effective after-tax required contributions for parents of dependent PSE students and children In daycare, by family income, Quebec

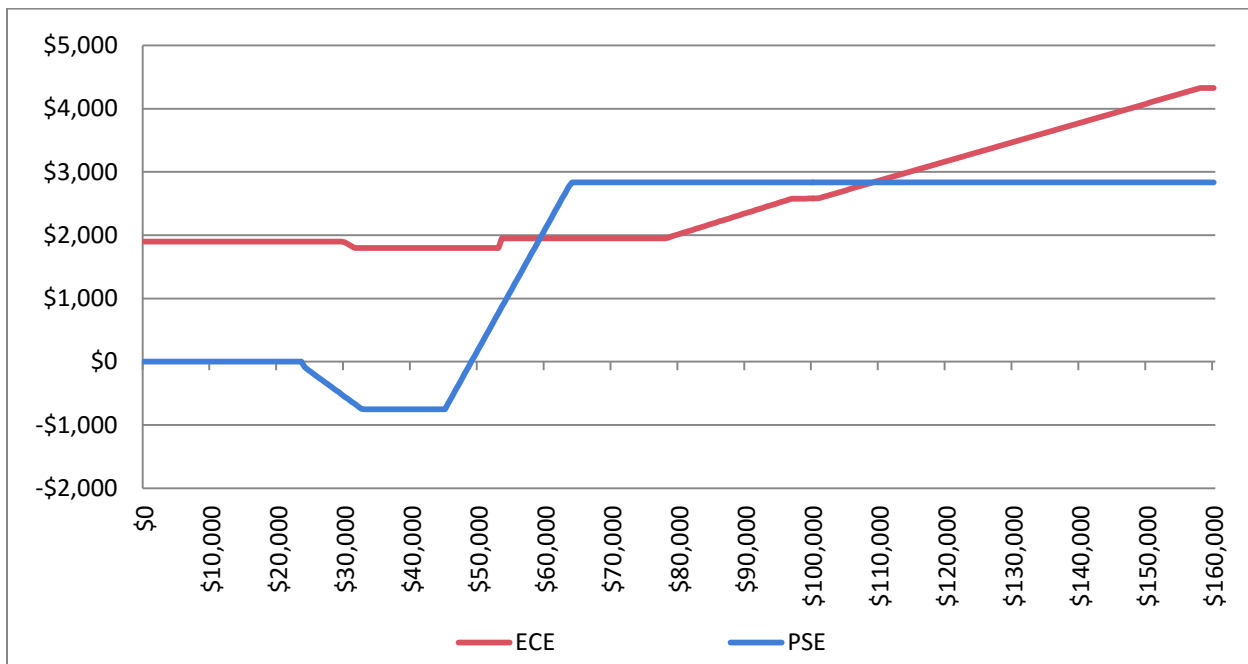


Figure 22: Effective required contributions for parents of dependent PSE students and children in daycare, by family income, Ontario

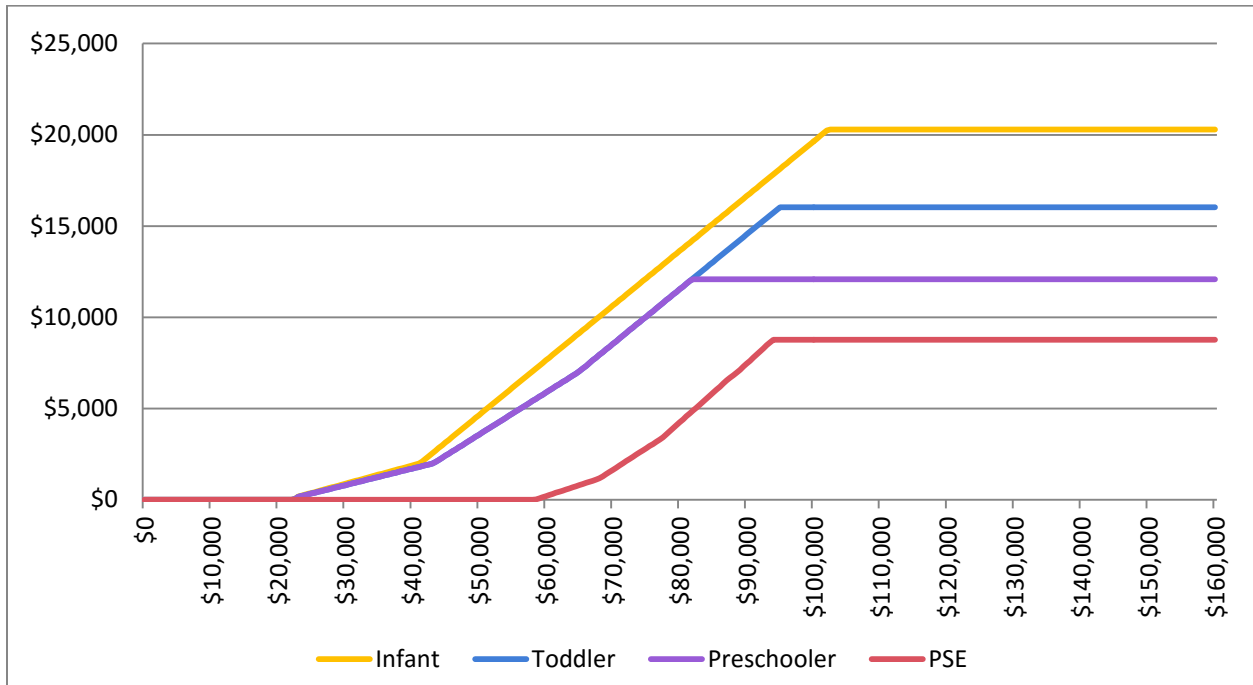


Figure 23: Effective after-tax required contributions for parents of dependent PSE students and children in daycare, by family income, Ontario

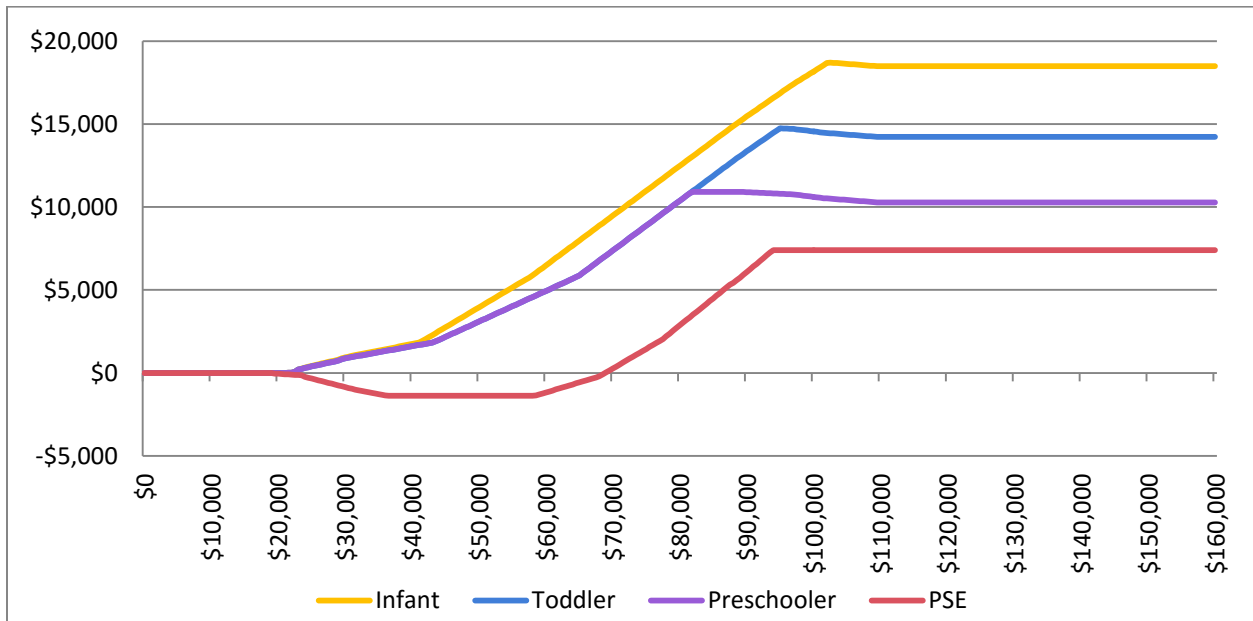


Figure 24: Effective required contributions for parents of dependent PSE students and children in daycare, by family Income, Manitoba

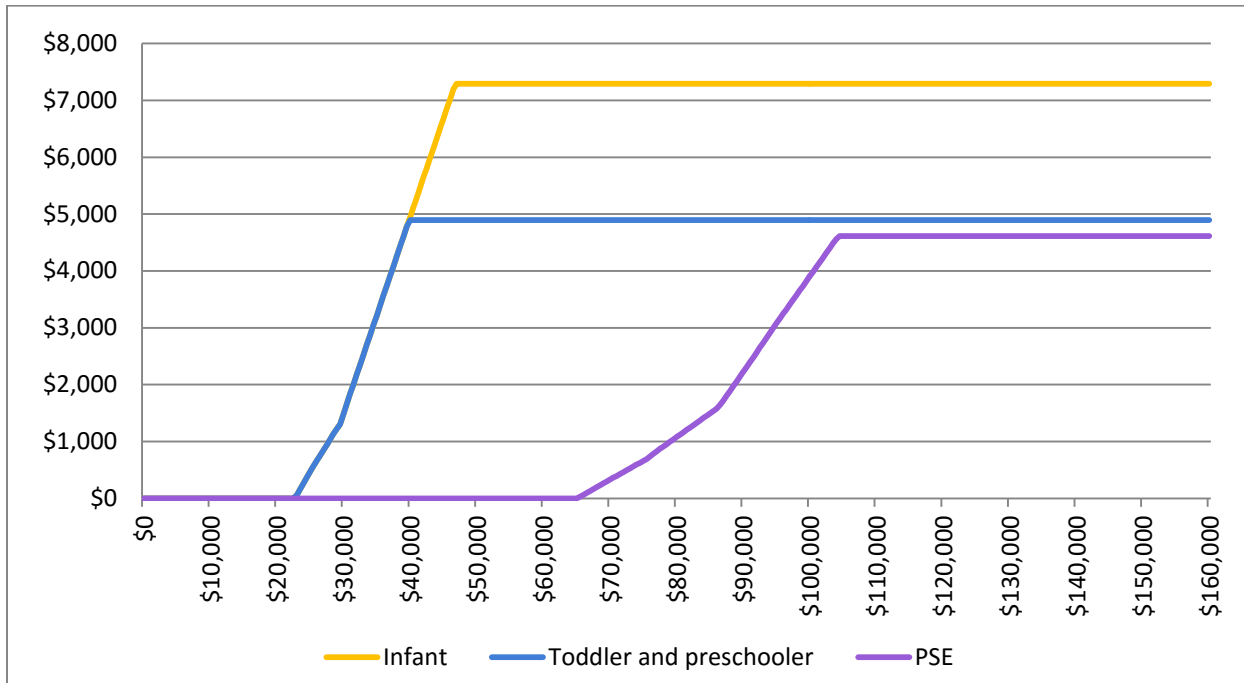


Figure 25: Effective after-tax required contributions for parents of dependent PSE students and children in daycare, by family income, Manitoba

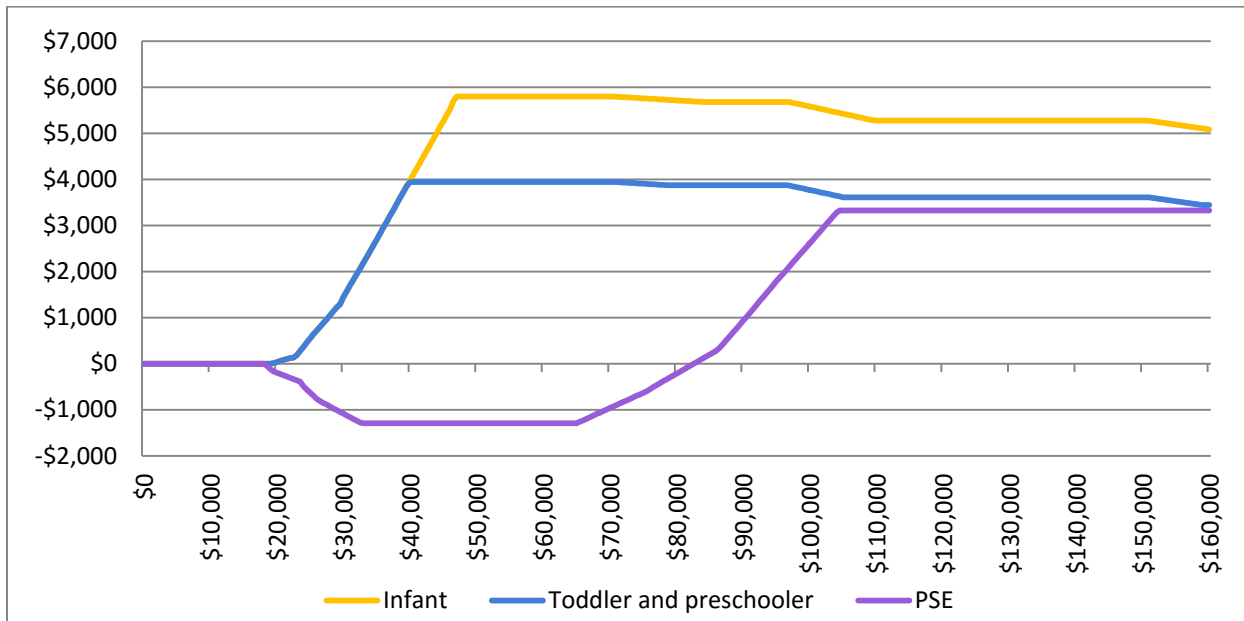


Figure 26: Effective required contributions for parents of dependent PSE students and children in daycare, by family income, Saskatchewan

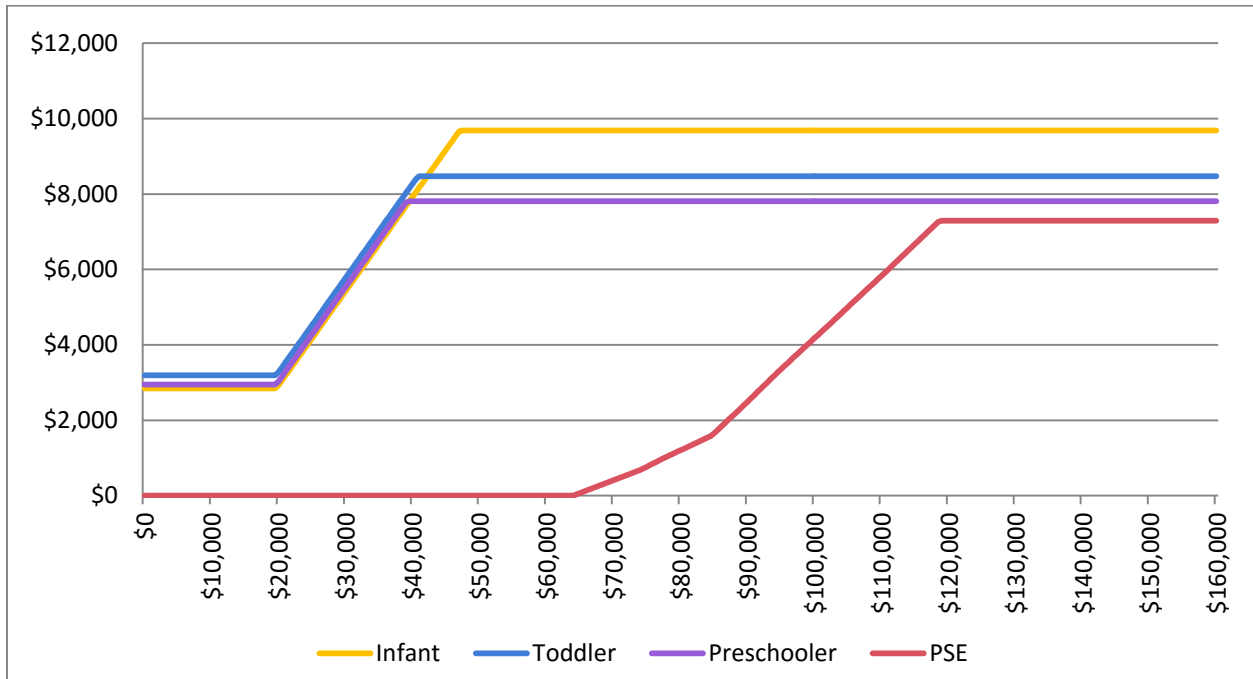


Figure 27: Effective after-tax required contributions for parents of dependent PSE students and children in daycare, by family income, Saskatchewan

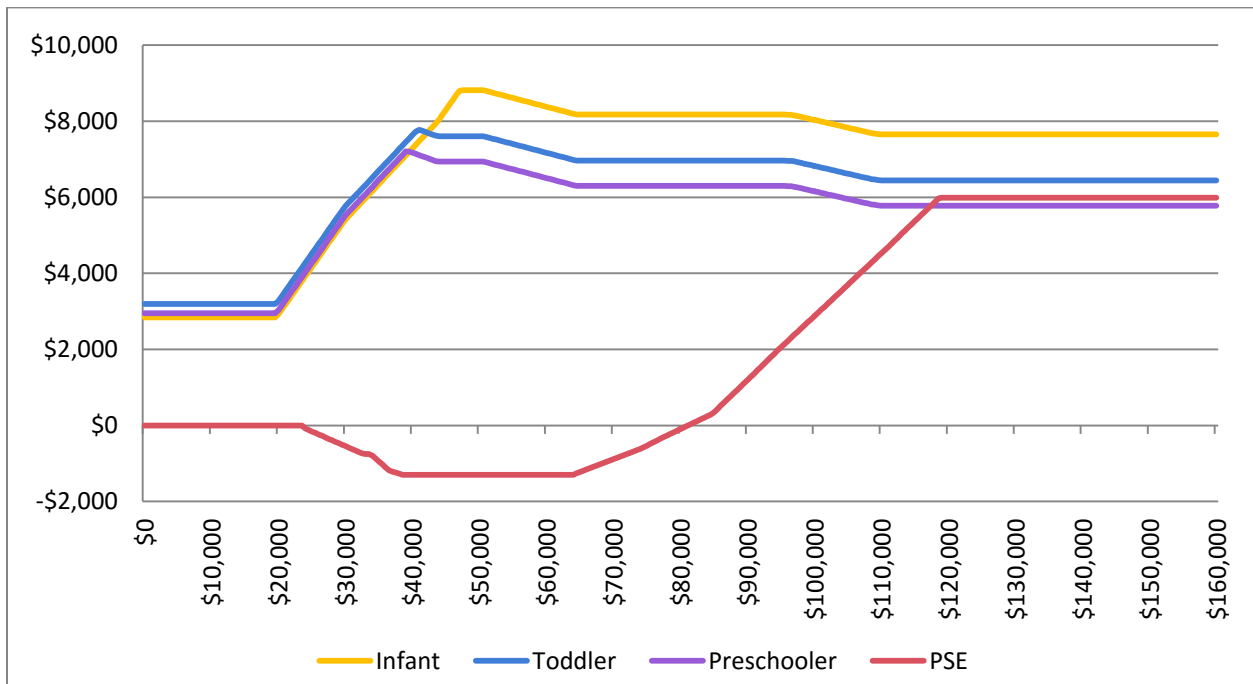


Figure 28: Effective required contributions for parents of dependent PSE students and children in daycare, by family income, Alberta

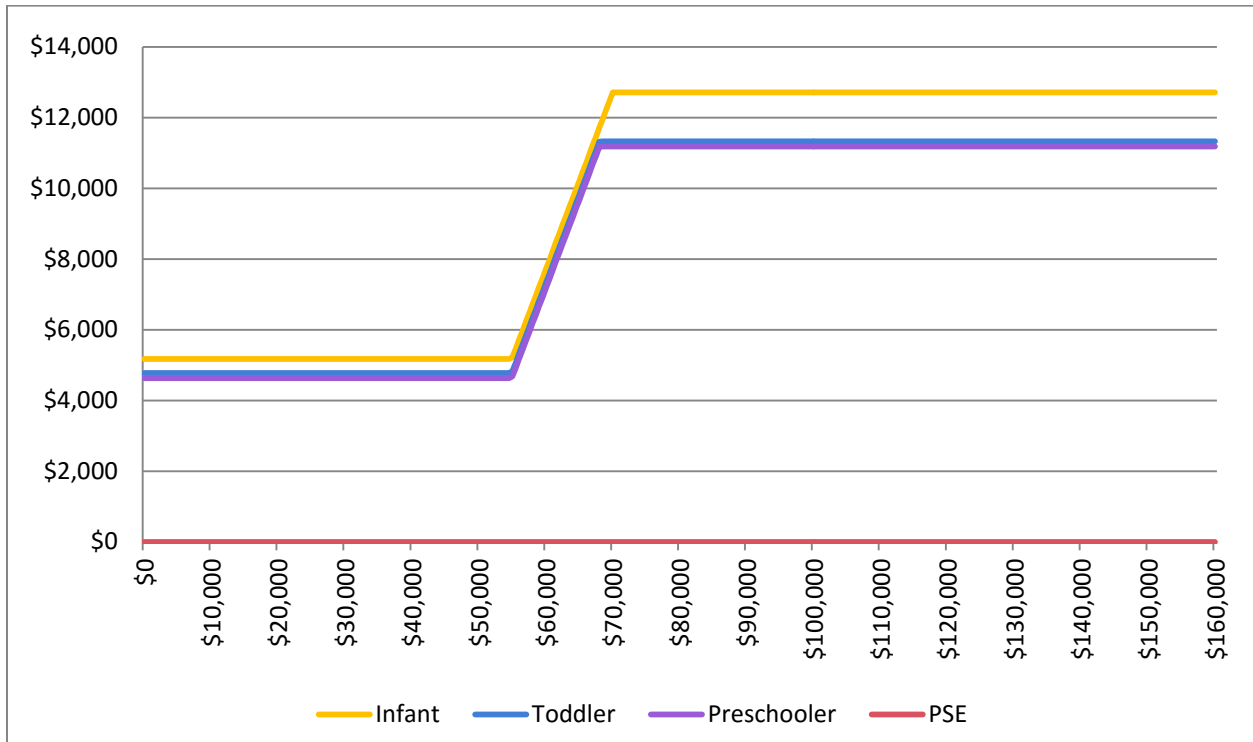


Figure 29: Effective after-tax required contributions for parents of dependent PSE students and children in daycare, by family income, Alberta

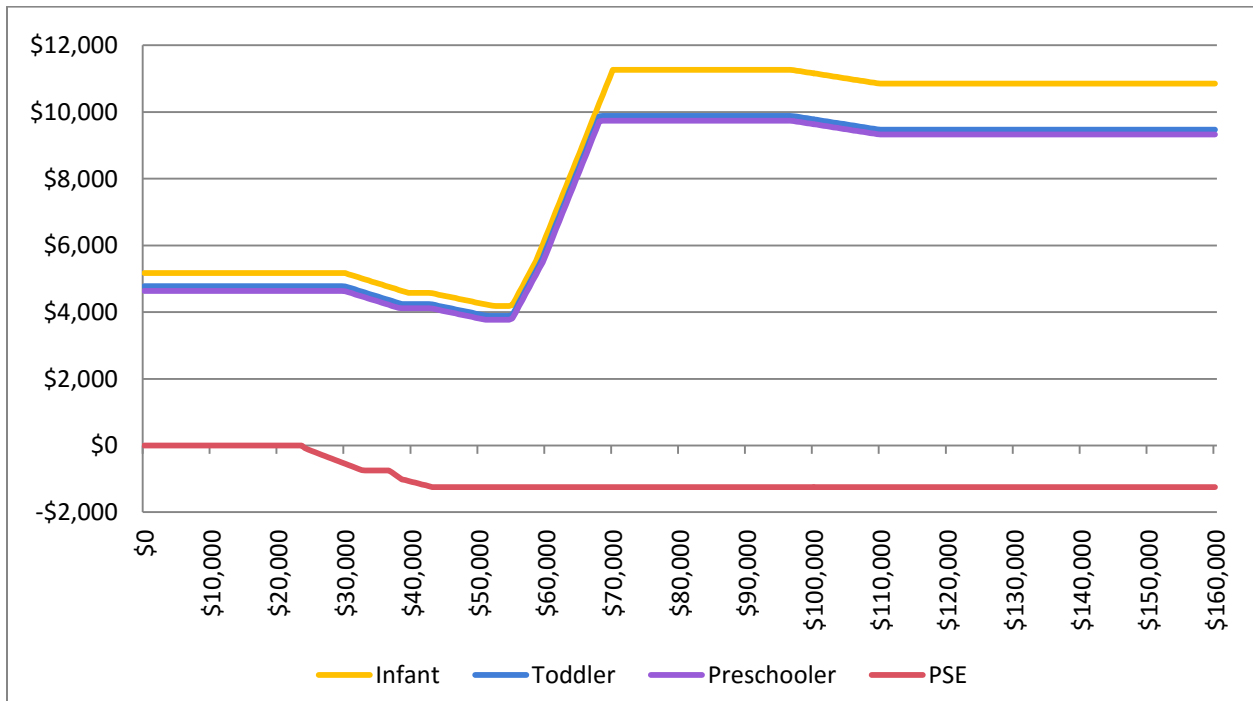


Figure 30: Effective required contributions for parents of dependent PSE students and children In daycare, by family income, British Columbia

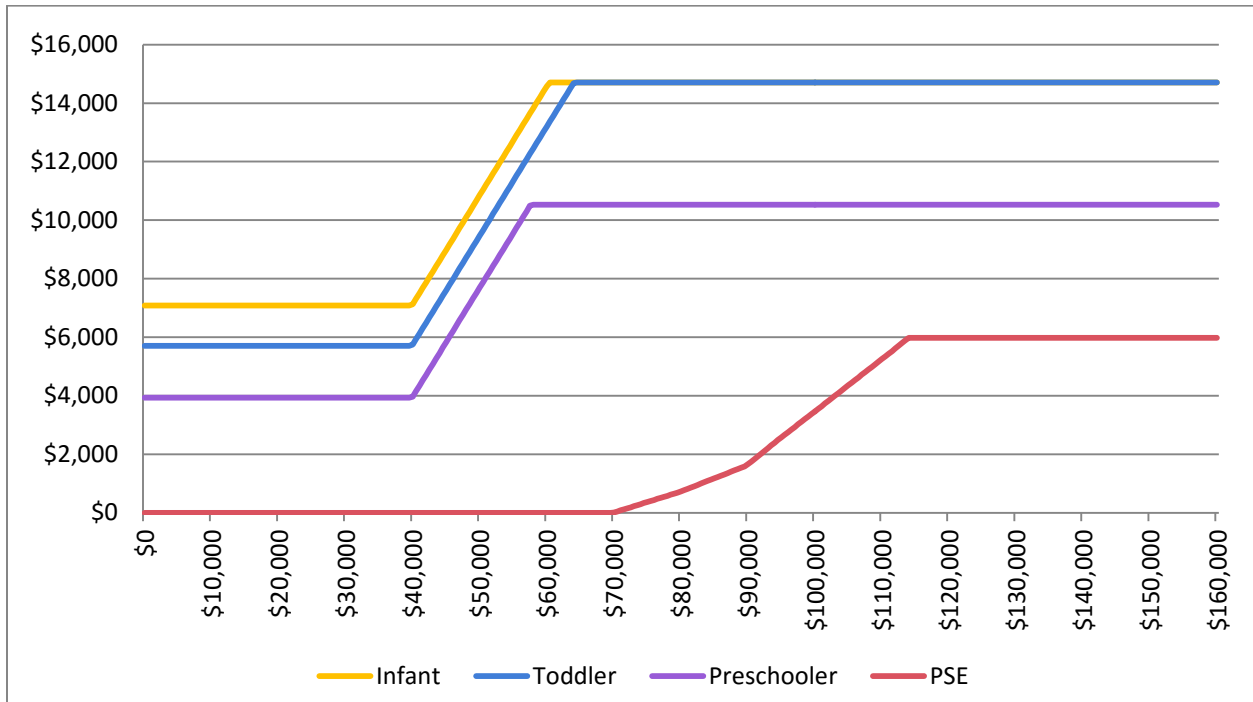
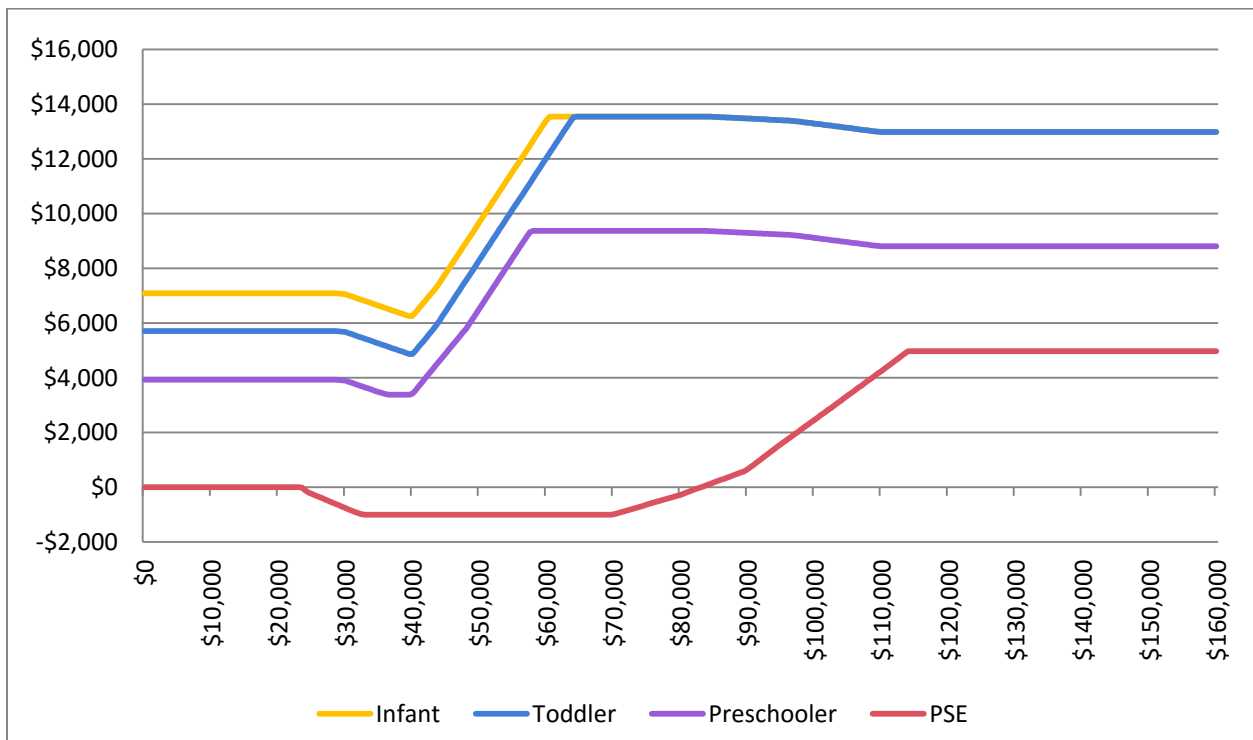


Figure 31: Effective after-tax required contributions for parents of dependent PSE students and children In daycare, by family income, British Columbia





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