

Paying for affordable child care:

Equity and Affordability Implications
for a Universally Accessible System

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At Issue...

- ▶ The rhetoric associated with the vision of high quality, accessible and affordable universal child care often neglects or glosses over technical aspects that are important to the design and implementation of any such system.
- ▶ Because of the long implementation time-frame, some “details”, if not properly thought out, can result in a long term, undesirable outcomes.

Origins of the Issue

- ▶ Affordable child care is the public face and the organizing principle of movements for change
 - Quebec’s \$7 child care fee
 - BC-based \$10/day plan⁽¹⁾
 - NDP’s policy proposal for “up to \$15” child care⁽²⁾
 - Etc. etc.
- ▶ But affordability, while essential, can not be the only building block of a new, preferably national, system of early learning and care

User fees and program funding

- ▶ Should child care be free?
 - Public and private benefit
 - For some age groups parts of day are free already
 - No jurisdiction provides full-time, year round child care free
 - Higher income families benefit more from the Child Care Expense Deduction
- ▶ How funding is delivered to programs, and how user fees are determined, calculated and collected, are two distinct policy issues.

How much does child care cost?

- ▶ Difference between “costs” and “prices”
 - Cost = production value
 - Price = user pays
 - Can be more or less than cost
 - Net User Cost = after tax deductions and refunds
- ▶ Example – infants (0–18 months old, City of Toronto, 2013)
 - Average **actual cost** per space=\$26,933/year
 - Average **price** per space=\$19,078/year
 - Difference accounted by:
 - “cross-subsidy” – prices for older children higher than cost
 - program funding (e.g. wage subsidies and occupancy costs)
 - market

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Addressing the price issue

- ▶ Program funding
 - Governments provide operating funding to programs, ranging from as little as 22% in Ontario to 100% for Quebec’s CPEs
- ▶ User fees
 - Fee subsidies
- ▶ Child Care Expense Deduction (and other tax measures)
- ▶ UCCB
- ▶ Subsidy by child care workers
 - Actual cost → \$34,000/year at avg. unionized ECE wage of 26.44/hr
 - Actual cost → \$37,000 /year at pay equity wages

Brief (simplified) history of Fee Subsidies

- ▶ Today the fee subsidy regimes vary across the provinces, but all can trace their origin to the Canada Assistance Plan
- ▶ 2 approaches to child care subsidies under CAP
 - Being in Need → Needs test
 - Likelihood of Need → Income test
- ▶ Provinces set the financial eligibility parameters up to a CAP limit
 - None of the provinces has provided the maximum assistance levels allowed under CAP
- ▶ Elimination of CAP in 1995 signals the beginning of diversification in provincial approaches to user fees and fee subsidies⁽³⁾

P/T	Family size	Full subsidy up to (\$)	Partial subsidy up to (\$)	Subsidy entitlement
NL	1 parent, 1 child	27,500	43,320	yes
	2 parents, 1 child	27,840	43,680	yes
PE	1 parent, 1 child	15,400	27,400	yes
	2 parents, 2 children	21,200	53,040	yes
NS	1 child or 2 children	20,883	62,731	no
NB	1 child, 2 years or older	22,000	41,000	yes
	1 child, under 2 years old	22,000	41,000	yes
QC	not applicable	not applicable	not applicable	NA
ON	All families	20,000	not applicable	no
MB	1 parent, 1 child	15,593	27,796	yes
	2 parents, 2 children	21,371	45,777	yes
SK	1 or 2 parents, 1 infant	19,800 (gross income)	36,720 (gross income)	yes
	1 or 2 parents, 2 children (1 infant, 1 preschool)	21,000 (gross income)	72,720 (gross income)	yes
	1 parent, 1 infant	35,100 (gross income)	56,808 (gross income)	yes
AB	2 parents, 1 infant, 1 preschool child	39,600 (gross income)	80,964 (gross income)	yes
	1 parent, 1 child	30,984	48,984	yes
BC	2 parents, 2 children	35,016	53,016	yes
	1 parent, 1 child	22,262	35,211	yes
YT	1 parent, 1 child	32,765	56,270	yes
	2 parents, 2 children	32,765	56,270	yes

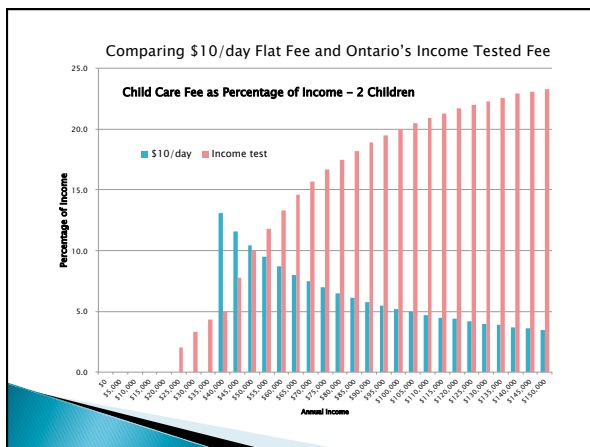
Sources- adapted from Public Investments in Early Education and Care in Canada 2010⁽⁴⁾
 -The Parent Trap, Child Care Fees in Canada's Big Cities⁽⁵⁾

Income tested fee (Ontario, 2014)

- ▶ Sliding scale
 - \$0 for taxable income under \$20,000
 - 10% of income between \$20,000 & \$40,000
 - 30% if income above \$40,000
- ▶ No upper cut-off (unlike other provinces using income test)
 - Subsidy stops when price of care is less than the assessed fee
 - No pressure to select the cheapest form of care
- ▶ Family fee formula is independent of number of children
- ▶ Administratively simple
- ▶ Issues
 - Tax-back rates are too high
 - Eligibility restrictions remain - must be removed
 - No automatic entitlement - lengthy waiting list in some areas

\$10/day flat fee proposal

- ▶ Begins at \$40,000 annual family income
 - \$7/day for part-time care,
 - \$0/day with incomes under \$40,000
 - Per child
 - Administratively simple
 - Does not force families into cheapest or lowest quality care
- ▶ Issues
 - Equity - lower income families pay proportionately more
 - \$1 additional income can result in increase of \$2,610 in annual cost
 - Families with more children will pay more
 - History may repeat itself - the lessons from Quebec

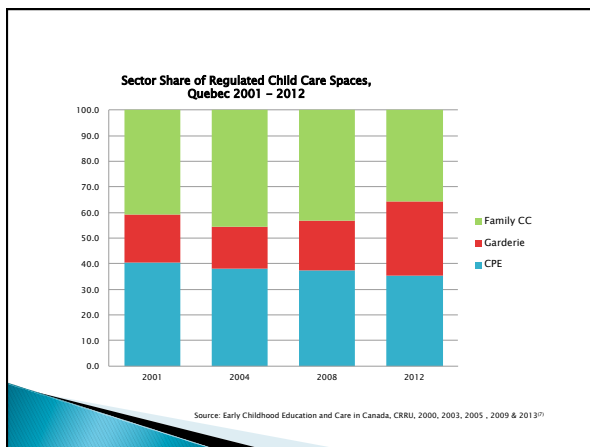
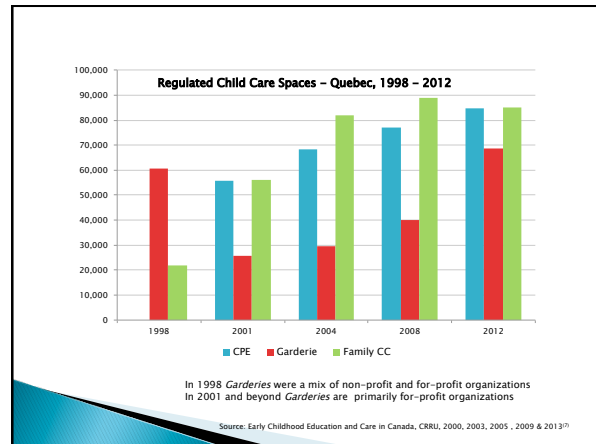


Implications of \$10 fee in Ontario

- ▶ High cost of implementation
 - Toronto - \$241 million annually without creating any additional spaces, improving quality or addressing ECE wages
 - Potentially \$1 billion across Ontario just to maintain status quo
- ▶ Demand will increase beyond the system's ability to cope as was experienced in Quebec
 - Low income families will have lower levels of access
 - Short term quality impacts
 - Rapid expansion of for-profit and family child care
- ▶ Lower user fees without a comprehensive system reform will only lead to longer waiting lines

The Lessons from Quebec⁽⁶⁾

- ▶ The positives are significant
 - Major reform in how (some) programs are funded
 - Removing eligibility restrictions
 - Significant increase in labour force participation benefits individual families and government revenues
- ▶ Guard against
 - Low income families will have lower levels of access
 - Short term quality impacts
 - Child care labour force issues
 - Unmet demand
 - Rapid expansion of for-profit and family child care
 - Expansion of the non-subsidized sector and alternate ways of funding



Before implementation

- ▶ Design decisions: demand vs. supply systems
- ▶ Implementation plan that pays attention to:
 - Phase-in strategies
 - Details
- ▶ Prerequisites
 - Substantial parallel investments must include:
 - Capital investment in licensed capacity
 - Staff training and compensation
 - Embedded quality improvement processes
 - System of sliding scale user fees independent of individual program costs
 - Improved parental leave with salary continuance
 - Ongoing research, monitoring and accountability

In Conclusion

- ▶ Obviously, the larger the share of funding from government, the less dependence on user fees
- ▶ As long as there is need for user fees, we should strive for the fairest and most equitable method of determining individual family contribution; the evidence suggests the preference for the sliding fee scale approach
- ▶ At the same time we need to engage in deeper systemic thinking than just figuring out the most catchy slogan for the next round of municipal, provincial and federal campaigns

Quebec's \$7/day child care and Refundable Tax Credit

Latest update : Fall 2013 English

Cost for daycare services in 2013

Your family situation :

Your family income is :

Daily contribution of parents :

Private regular rate daycare services :

Number of children of 5-year-old and less using daycare services :

	Daycare services (\$7/day)	Private regular rate daycare services	Difference
GROSS RATE FOR THE PARENT	7,00	30,00	-23,00
Québec assistance			
Refundable tax credit for childcare expenses	d.n.a.	-18,90	18,90
Federal assistance			
Canada child tax benefit	-0,14	-0,76	0,62
Universal child care benefit	-3,30	-3,30	0,00
Child care expenses deduction	-0,88	-3,37	2,50
Working income tax benefit	0,00	0,00	0,00
GST credit	0,00	-0,95	0,95
Subtotal	-4,32	-8,38	4,07
NET RATE	2,68	2,72	-0,03

Calculator for a couple with a 3-year-old child
http://www.budget.finances.gouv.qc.ca/Budget/outils/garde_anglais.html

Notes:

1. <http://www.cccabc.bc.ca/plan/community-plan/10day-child-care/>
2. <http://www.ndp.ca/childcare>
3. for an accessible description of the fee subsidy systems see Beach J. & Friendly M., *Child care fee subsidies*, CCRU, 2005, http://www.childcarecanada.org/sites/default/files/0605_FeeSubsidies_Canada.pdf
4. Canada, *Public Investments in Early Childhood Education and Care in Canada, 2010*, http://www.pccp.ca/sites/default/files/2010-07-01/0605_FeeSubsidies_Canada.pdf
5. Macdonald D. & Friendly M., *The Parent Trap: Child Care Fees in Canada's Big Cities*, Canadian Centre for Policy Alternatives, November 2014, http://www.policyalternatives.ca/sites/default/files/uploads/publications/2014/11/Parent_Trap.pdf
6. for an excellent, proactive discussion see: Japel C. & Welp C., "Lessons To Be Learned from Québec's Child Care System", in *Beyond Child's Play*, Spring 2009 issue of *Our Schools/ Our Selves*, Canadian Centre for Policy Alternatives
7. For further information, please refer to [previous editions](#) (1992, 1995, 1998, 2001, 2004, 2006 and 2008) online and in print, to HRSDC's 2010 publication *Public investments in early childhood education and care in Canada 2010* (online only) and to CRRU's *The state of early childhood education and care in Canada 2010*.

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