



Solving BC's Affordability Crisis in Child Care

FINANCING THE \$10 A DAY PLAN

By Iglia Ivanova | JULY 2015

SUMMARY



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

The full version of this report is available
at: policyalternatives.ca/BC-child-care

THE CRISIS

CANADA HAS NO NATIONAL EARLY CHILDHOOD education and care program. The federal government provides cash transfers to families with young children and offers a tax credit for child care expenses, but these measures do not increase the availability of quality child care or make these services more affordable. Provincially, BC invests less in early education and care than the Canadian average, which is already one of the lowest among developed nations and far short of the minimum public investment levels recommended by UNICEF and the OECD.

The lack of affordable child care spaces is a significant barrier for mothers who want to return to work or pursue education; this contributes to gender inequality and weakens the BC economy.

The result is a fragmented patchwork of child care programs that fails to meet the needs of many families. The problems with this patchwork approach include:

- **High costs:** BC has the second highest fees in Canada, with median fees in 2012 ranging from \$760 to \$1,047 per month depending on the child's age. Subsidies for low-income parents have been frozen for ten years, while fees have risen faster than inflation.
- **Long wait lists:** BC has enough regulated child care spaces for only 27 per cent of children under six, and the provincial government's Early Years Strategy will only create room for another 5 per cent of children (at most) by 2021.
- **Women forced to abandon paid work and career goals:** The lack of affordable child care spaces is a significant barrier for mothers who want to return to work or pursue education; this contributes to gender inequality and weakens the BC economy. It is estimated that work-life conflict among employees costs BC businesses more than \$600 million per year.
- **Reliance on unregulated child care:** Because of high costs and lack of spaces, some working parents turn to unregulated child care, with no training requirements, health and safety standards, monitoring or oversight.
- **Low wages for early childhood educators:** Their median wage is 19 per cent lower than that of BC workers overall, which leads to high turnover and chronic staff shortages, and contributes to financial insecurity among the families of educators, many of whom are women with children of their own.

It doesn't have to be this way. A universal \$10 a day child care program would solve the affordability crisis and ensure all families could access quality early childhood education and care.

QUALITY CHILD CARE = EARLY CHILDHOOD EDUCATION

The international evidence shows there is no hard-and-fast distinction between quality child care and early childhood education. The best programs seamlessly integrate learning and care. They go beyond basic child-minding and provide experiences that support children's healthy development and learning. This report uses the term child care to refer to integrated early education and care programs, which includes the \$10 a day child care plan.

THE \$10 A DAY CHILD CARE PLAN

The \$10 a Day Child Care Plan is a framework for transforming the existing patchwork of programs into a universal, high quality, affordable child care system that integrates early learning and care. The plan was developed by the Early Childhood Educators of BC and the Coalition of Child Care Advocates of BC, based on extensive international research and a cross-province community consultation process, and has been widely endorsed.

To implement the \$10 a day plan, public investments are required in three main areas:

- **Increased capacity**, ensuring access to care for all families who need it (participation would be optional and open to all).
- **Improved affordability**, with fees set at \$10 a day for full-time and \$7 a day for part-time programs (waived for families with income under \$40,000).
- **Higher quality**, through low child-to-staff ratios, higher education levels and fair compensation for staff, and better monitoring and accountability mechanisms.

FINANCING THE \$10 A DAY PLAN

UBC researchers estimate that a fully phased-in \$10 a day child care plan would require \$1.5 billion in additional public funding to cover operating costs, after accounting for parent fees. These upfront costs have been a significant barrier to governments' willingness to implement a child care plan in BC and across Canada, despite the well-documented social and economic benefits.

However, phasing in the \$10 a day plan over a period of 10 years would allow governments to provide immediate relief to families while scaling up the full plan (and its associated costs) in stages.

Moreover, recent research from Quebec shows that a publicly funded child care system would be self-financing to a large extent. This is because accessible and affordable child care allows more women with young children to return to work and to work closer to full-time hours. More women working means a stronger economy, with direct benefits to government coffers from higher tax revenues, reduced social assistance for families with children, and lower reliance on other income-tested benefits.

Quebec introduced a publicly funded, universal, low-cost child care program in 1997. It has many similarities to the \$10 a day plan, and by many measures is a resounding success. It has allowed

CHILD CARE BENEFITS ALL OF US

The benefits of quality child care programs documented in international and Canadian research include:

- Promotes healthy child development and increases educational achievement for all children, with particular benefits for the most vulnerable.
- Allows parents, and in particular mothers, to return to the workforce after having a child, to work closer to full-time hours and to hold better jobs. This also boosts the economy.
- As women are able to earn more income, they gain financial independence and their families are less likely to live in poverty.
- Benefits businesses by reducing stress and absenteeism among employees who are parents and enabling female employees to return to work after parental leave.
- Sets us up on a path for a stronger economy in the future, as more children are supported to reach their full potential.

These benefits are large, long-lasting and broadly shared by everyone in society.

A universal \$10 a day child care program would solve the affordability crisis and ensure all families could access quality early childhood education and care.

parents to balance the demands of work and family with less stress, helped an estimated 70,000 women return to the workforce, and reduced poverty rates among single-parent families.

Economist Pierre Fortin and his colleagues at the University of Sherbrook estimate that Quebec’s child care program has added billions to the provincial economy and returns \$1.47 to government coffers for every \$1 invested.

Recent research from Quebec shows that a publicly funded child care system would be self-financing to a large extent.

If the economic benefits of the \$10 a day child care program in BC are similar to those in Quebec, BC could expect an almost immediate boost in economic activity. We estimate that the increased workforce participation of mothers of young children would grow BC’s economy by \$3.9 billion per year, and would generate approximately \$1.3 billion in revenues to the provincial and federal governments (once fully phased in).

In other words, the women who benefit the most from the program by being able to return to the workforce or transition from part-time to full-time work would cover a large share of the costs through the taxes they pay directly and the economic activity they generate in the local economy (their now higher family incomes become revenues for local businesses that are able to sell more, expand, employ more staff, etc.).

Federal-provincial partnership—the ideal solution

Given that the boost in tax revenues generated by a public child care program would flow to both the federal and provincial governments, it makes sense to share the costs.

A joint federal-provincial investment in child care in BC would almost pay for itself, generating 86 cents in government revenues for every dollar invested in the program, lowering the remaining public cost to only \$200 million per year. This is a very small cost relative to the size of the provincial and federal budgets.

Estimated costs and benefits of a \$10 a day child care program in BC to the provincial and federal governments

Total new public funding needed (after \$10 a day parent fees)	\$1.5 billion
Estimated increase in revenues to the BC government due to more women working (results in economic growth, more tax revenues, and less use of income-tested benefits)	\$630 million
Estimated increase in revenues to the federal government due to more women working	\$668 million
Net new public investment needed after accounting for higher federal and provincial revenues (assumes federal-provincial co-operation on creation of \$10 a day child care)	\$202 million
Net new public investment required by the BC government in the absence of federal support	\$870 million

Let's solve BC's affordability crisis in child care

CURRENTLY, WITH NO PLAN

High fees + Ineffective tax credits

- = Not enough spaces
- = Stressful & unaffordable (\$9,700+ per year per child)
- = Many women who want to work can't
- = Low wages for early childhood educators
- = Gender inequality
- = Lost economic opportunities

\$10 A DAY CHILD CARE PLAN

Affordable fees + More women work and pay taxes + Small tax increases

- = Spaces for all who need them
- = Less stress and families save thousands per year
- = Women who want to work can
- = Fair wages for early childhood educators
- = More gender equality
- = Stronger economy



A \$10 a day child care plan benefits families, communities and the economy. tinyurl.com/10solution

BASED ON MEDIAN BC CHILD CARE FEES, CANADIAN CENTRE FOR POLICY ALTERNATIVES – BC OFFICE.

A provincial child care plan without federal support

While a federal-provincial partnership would be ideal, Quebec's experience demonstrates that it is also possible for a province to implement and run a child care program on its own.

Without federal participation, BC would need to raise \$870 million per year to fund the ongoing operations of an entirely provincial \$10 a day program. The amount is higher because the federal tax benefits could not be counted in the financing plan.

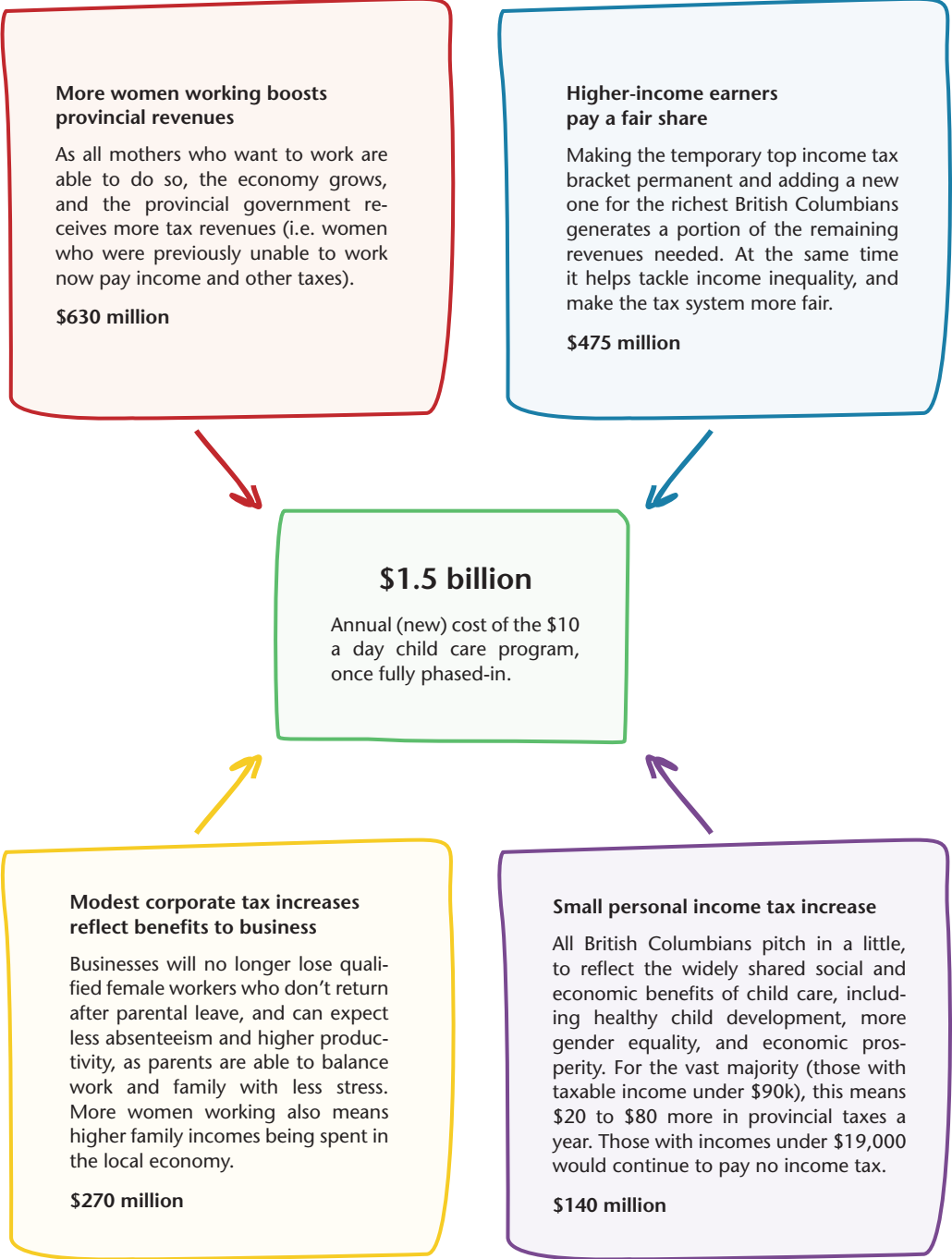
The good news is that BC can afford to make this investment in children and families: we are in a solid fiscal position with a manageable debt-to-GDP ratio and we have some of the lowest provincial tax rates in Canada. Small increases that bring BC's tax rates closer to the average for other provinces could easily raise the needed funds.

Our proposal is structured to raise the needed funds in stages (given the \$10 a day program would be phased in over 10 years) and in a way that reduces inequality, makes BC's tax system more fair, and reflects the broadly shared economic and social benefits of having a public child care system.

The good news is that BC can afford to make this investment in children and families.

FINANCING \$10 A DAY CHILD CARE IN BC WITHOUT FEDERAL SUPPORT



Families that directly benefit from \$10 a day child care will pay a share of the program costs via affordable \$10 a day fees (waived for families with incomes under \$40,000 a year). The remaining \$1.5 billion cost of a fully phased-in program could be financed by the direct returns generated to the provincial government, and a staged series of tax reforms (introduced gradually over a 10-year period). Here's how it works:



BC's current approach to early childhood education and care—with its unaffordable fees, insufficient spaces and low wages for early childhood educators—is unfair and costly. High child care costs put pressure on families with young children at a time in their life when they are most stretched for resources instead of spreading out the costs over their working careers through slightly higher income taxes. High upfront fees are a de facto tax on mothers' wages, creating barriers to work, compromising women's economic independence, and undermining the financial security of families.


The bottom line: There is no reason BC cannot move forward immediately with a universal \$10 a day child care plan. It would save families with young children thousands of dollars per year, boost our economy, provide access to quality early learning experiences for all children whose parents want it, and share the costs broadly across all sectors of society.

How much will BC families save with a \$10 a day child care plan?
Currently, families pay extremely high child care fees, and many can't even find spaces. Provincial and federal governments offer tax credits, but costs are still high, and tax credits don't create new spaces.

WHAT FAMILIES PAY NOW	WITH A \$10 A DAY PLAN
 <p>HIGH FEES - TAX CREDIT = \$17,900 / yr</p>	 <p>AFFORDABLE FEES + SMALL INCOME TAX INCREASE = \$4,400 / yr</p>

A \$10 a day child care plan benefits families, communities and the economy. tinyurl.com/10solution
BASED ON A TWO-PARENT FAMILY WITH MEDIAN ANNUAL INCOME OF \$90,000, PAYING THE MEDIAN BC CHILD CARE FEES FOR TWO CHILDREN AGED TWO AND FOUR. CANADIAN CENTRE FOR POLICY ALTERNATIVES – BC OFFICE.

The full version of this report is available at: policyalternatives.ca/BC-child-care

Thanks to the Early Childhood Educators of BC for their financial support of this research project through a grant from the Vancouver Foundation. 

The opinions and recommendations in this report, and any errors, are those of the author, and do not necessarily reflect the views of the publishers and the funders of this report.

This report is available under limited copyright protection. You may download, distribute, photocopy, cite or excerpt this document provided it is properly and fully credited and not used for commercial purposes. Photographs may not be reproduced separately without permission of the photographer.

Cover image: Lightspring/Shutterstock

Graphic design and illustrations: Paula Grasdal

ISBN: 978-1-77125-212-6



1400 – 207 West Hastings Street

Vancouver BC V6B 1H7

604.801.5121 | ccpabc@policyalternatives.ca

policyalternatives.ca