

## Can Niagara Families Afford Child Care?

Good quality licensed child care is expensive for Canadian families and waiting lists can be long. This impedes the employment of (mainly) women, affecting economic output and social assistance rolls, and leaving the early education of our children to ad hoc processes. Canada lags far behind other industrialized nations in terms of spending on early childhood education and care (ECEC). This problem is far from new, yet governments at all levels have not sufficiently addressed the issue, mainly due to the high cost.

This policy paper focuses on the Niagara Region to illustrate the ongoing problems and issues surrounding early childhood education and care.

Two-thirds of Canadian women with children under the age of six are employed (Ferrao 2010). These families need quality child care. Access to this care has become a public policy issue, and not simply a lifestyle choice, as the percentage of mothers in the workforce has continued to grow through the years. As this brief will discuss, there are known social and economic benefits to be gained by placing young children in quality licensed child care – when non-parental care is sought.



Research concludes that early childhood education and care (0-5 years) is critical to the future success of the individual, yet Canada continues to leave ECEC to ad hoc processes – that is, wherever the family can find someone who can affordably care for their children while they are at work. If a family is not able to provide full-time parental care for their child(ren), there are two basic kinds of child care in Ontario: licensed and unlicensed. Licensed child care programs (in a child care centre or home child care provided in a caregiver's home) have to meet and maintain specific provincial standards set out in Ontario's Day Nurseries Act. The standards help to ensure that health, safety and developmental needs of children are being met (Ontario 2011).

Unlicensed child care includes care by babysitters, nannies, non-relatives and relatives, which can be paid or unpaid.

In Niagara, the mid-range cost for a two-year-old accessing full-time licensed child care in a centre is \$36.33 per day – which would equate to approximately \$9,445.80 per year.<sup>1</sup> Assuming that women are willing to spend approximately 25 per cent of their gross salary on child care (as economic research suggests), a Niagara mother would have to make \$37,783.20 annually in order to feel that it was affordable to return to work after having just one child. The salary needs increase with the number of children. If this family also had a pre-schooler, it would add \$33.23 per day to the bill, for an extra \$8,639 per year or a total of \$18,085.60 in annual fees. A Niagara mother would have to make \$72,342.40 in order to feel it was financially worthwhile to return to work.

**Table 1: What is the average cost in Niagara of a non-subsidized regulated space?**

Average Daily Per Diems in the system for 2012

| Age Group          | Low Range | Mid Range | High Range |
|--------------------|-----------|-----------|------------|
| Infant             | \$32.55   | \$45.73   | \$87.74    |
| Toddler            | \$26.40   | \$36.33   | \$60.84    |
| Preschool          | \$25.50   | \$33.23   | \$50.95    |
| JK/SK & School Age | \$25.50   | \$32.76   | \$49.14    |

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This was recently referred to in a headline in *The Globe and Mail* as “the tipping point” (Luciw 2012), that is, the point at which a mother determines it is worthwhile for her to re-enter the workforce. And it is acknowledged that the tipping point is not always entirely dependent on simple math. Some families place more value on early childhood education, seeing it as an investment in their family’s future, and are therefore willing to spend a greater portion of their income. Some parents may feel they need to continue their employment in order to keep their foot in the door and keep their resume relevant, and so are willing to spend a higher percentage as an investment in their own future.

Compare the aforementioned salary requirements to Niagara’s median employment income of *dual-earner* families in 2010 -- \$76,060 before tax (Statistics Canada 2012a). Sending those two children to a licensed child care facility would account for almost 25 per cent of their annual *household* income. Now compare those salary requirements to the median income of a *single-earner-female* in a census couple in 2010 -- just \$20,000.

<sup>1</sup> Niagara Region Children’s Services provided all numbers pertaining to early childhood education and care in the region.

This is not just a problem affecting low-income families. Quality licensed child care is expensive for both low- and middle-income families. While subsidies are available for lower-to-middle-income families to assist with child care costs, government funding has been insufficient to meet the full demand. As a result, many children may be missing out on the proven benefits of quality licensed child care.

Child care availability primarily affects women in the workforce as, in the majority of cases, the ability to afford licensed child care relies on the mother's salary. Economic research over the years has determined that the mother's salary is key due to several factors: parents generally use child care to support their employment or studies, mothers still tend to make less money than the fathers, traditional family roles continue to dictate that the need for non-parental care is tied to the mother's situation regarding going back to school or working (Cleveland, Forer, Hyatt, Japel and Krashinsky 2008, 27-28). Thus, the more a mother can earn in the workforce, the more the family is willing to spend on child care. Economists have also determined that, on average, Canadian families spend between 20 and 30 per cent of the mother's annual gross income on child care, or eight per cent of total household income (Cleveland et al 2008, 21) .

The divide between salaries and child care costs in Niagara only exacerbates the problem of unemployment, social assistance, and the overall economic and social health of communities -- making accessibility and affordability of child care a key public policy problem.

*Sending two children full time to a licensed child care facility in Niagara would account for almost 25 per cent of the annual median household income*

### *Jurisdiction*

This problem is not exclusive to Niagara. Rather, the problems are a local manifestation of a larger problem – the underfunding of child care at the provincial and federal levels and its implications in the labour force and in the future success of youth who will be depended upon to support an aging society.

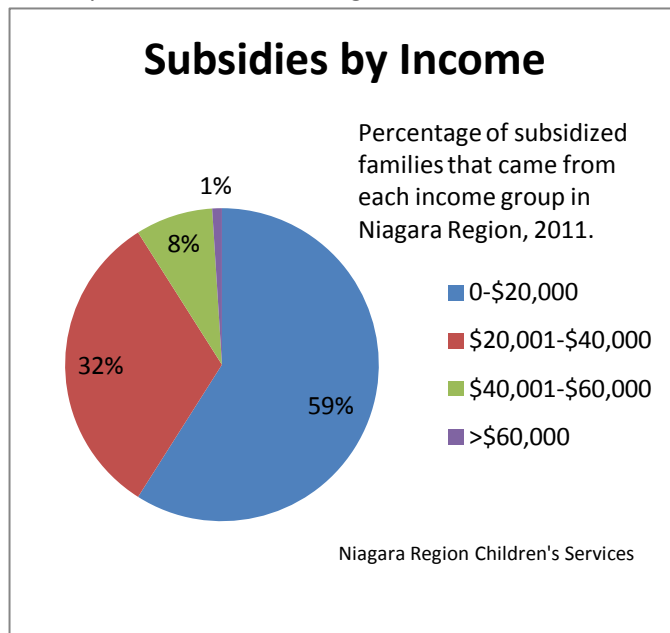
Under the Constitution, the provinces have legislative jurisdiction over social services, including child care. However, the federal government transfers funds to the provinces via the Canada Social Transfer, some of which can be used by the provinces for child care.

Canada lags far behind other industrialized nations in its funding of early childhood education and care. A recent TD Economics report stated that it would take more than \$3 billion to bring Canada up to the average spent by other industrialized nations (TD Economics 2012). Canada spends 0.25 per cent of GDP on early childhood education, which is last among 11 comparable

nations, including the United States. Public spending in this sector is 17 per cent below the OECD average.

In 2006, the Conservative federal government instituted the Universal Child Care Benefit which pays \$100 per child up to the age of six to families every month. It is a taxable benefit, meant to subsidize a family's choice of child care. However, this amount is insufficient to meet average costs of licensed child care, as outlined earlier. In the fiscal year 2011-12, the federal government invested \$1.2 billion in child care plus \$2.5 billion through the Universal Child Care Benefit. New parents can also take leave from their workplace for up to a year after their child is born and collect federal employment insurance.

The provinces, meanwhile, are responsible for the funding, licensing and policy development supporting ECEC. The provinces, as a whole, spend a total of \$7.5 billion on child care, or an average of 1.53 per cent of provincial budgets in the 2011/12 fiscal year, according to TD Economics. The Province of Ontario provides funding to the



municipalities, which, in turn, are responsible for the planning and managing of child care services at the local level within provincial guidelines. In 2011, the province spent approximately \$869 million on child care, or approximately .13 per cent of provincial GDP – considerably less than the all-Canada figure of .25 per cent (Ontario 2011, Statistics Canada 2012b).

Provincial funding helps pay the child care subsidies for eligible families, helps provide wage subsidies to enhance the salaries and benefits of staff (reducing costs to families while increasing the number of spaces available and the quality of care), and provides special needs resource funding.

The province funds 80 per cent and Niagara Region funds 20 per cent of the region's child care costs, but splits its administrative budget 50-50. Niagara Region received \$24.8 million from the province in 2012 specifically for child care and added \$6 million from its 2012 budget. At the end of 2011, Niagara was able to provide 4,861 children with a fee subsidy for child care.

Historically, fee subsidies were available primarily for low-income earners – families with a total income of approximately \$25,000 or less. However, in 2007 the provincial government introduced income testing with the intention to broaden the eligibility criteria to include a range of family income levels. Family taxable income became the basis for determining eligibility for a

fee subsidy on a sliding scale, with parental contributions toward the cost of child care based on the outcome of the income test.

Child care advocates have long declared a need for a universal national program. This has proven problematic at the federal level over the years (Canada 2007, Cameron 2009), primarily due to the structural problem of the Constitution's division of powers between the federal and provincial levels of government, but also due to significant cost.

However, where there has been political will, some provinces have found ways to move significantly closer to a universal program.

The classic example is Quebec, where parents pay \$7 a day for regulated child care. This policy serves more than 70 per cent of children at a cost of \$2.1 billion (Ontario Coalition for Better Child Care 2011). Research on its impact shows that in Quebec more than 74 per cent of women with children under the age of six work outside the home and that the taxes generated from those women cover approximately 40 per cent of the program's cost (OCBCC 2011). Child care advocates in British Columbia are now pushing for a similar \$10-per-day program.

In Ontario, children now benefit from full-day junior and senior kindergarten which means that parents no longer need to find or pay for full-day child care for children starting at age 4. This program is to be fully implemented by September 2014.

### *Policy Problem*

The full cost of licensed child care can be beyond reach for those families who do not qualify for financial assistance, thus making it difficult for both parents to take paid employment. For reasons discussed above, this can prevent women from getting back to the workplace. The cost burden per household also prevents those dollars being spent elsewhere in the economy, or going against rising household debt.

When the province broadened the income categories of families eligible to apply for a fee subsidy, it did not increase the allocation available to support fee subsidies to meet the increased demand. Historically in Niagara, there has not been a wait list for fee subsidies. However, in 2012 a wait list developed that fluctuated between zero and 300 spaces. Niagara is fortunate that it doesn't have an ongoing issue with long wait lists, unlike many communities in Ontario.

Another policy problem involves the middle-income families who are not eligible for child care subsidies and have decided one parent must leave the labour force to stay at home or work part-time hours because they cannot afford, or find, a quality licensed child care spot. They may have also decided to go with unlicensed care or care from another family member, such as grandparents.

As of September 30, 2012, there were 9,742 child care spaces in Niagara operated by 168 licensed child care centres. This includes junior and senior kindergarten spaces, plus before- and after-school care for children aged six to 12 years. There are also three licensed home child care agencies in Niagara who contract with approximately 156 home child care providers. These providers can care for up to five children within certain regulations (such as the age of the children) giving the Region approximately an added 780 spots.

The 2011 Census population for this age group (0-12 years) showed 56,715 children<sup>2</sup> in Niagara (Statistics Canada 2011), meaning the current child care system has the capacity for 17 per cent of the Region’s children. While this number can be misleading, as not every child requires a spot due to parental situations and one full-time space could service two or more part-time children, it should demonstrate that potential demand greatly outstrips supply. While there is not considered to be a shortage of licensed child care spots in Niagara overall, access to infant care is extremely limited. And families may have difficulty getting into their preferred centre (proximity, variable hours, quality, cost) based on the age of the child and the centre in question. Access to quality licensed child care is not an issue unique to Niagara. Across Ontario and Canada there is a shortage of licensed quality child care available, and where available it is expensive.

**Table 2: How many licensed child care spaces are available in Niagara?**

Total Regulated Spaces Break Down for Niagara

| Care Category | Age Definition                                       | # of Spaces |
|---------------|--|-------------|
| Infant        | 0-18 months  | 154         |
| Toddler       | 18 months to 30 months                               | 864         |
| Preschool     | >30 months to 5 years                                | 2,807       |
| JK/SK         | 44 months to 67 months (as at August 31 of the year) | 1,978       |
| School Age    | 6 to 12 years (as at August 31 of the year)          | 3,939       |

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*Note: 40 per cent (1,123) of preschool spaces are estimated to service four- and five-year-old children, resulting in 3,101 spaces servicing children age four and five.*

***Economic and Social Benefits***

There are two themes that emerge in the research regarding child care – the importance of quality early childhood education and care to the success of children down the road and their ability to contribute to society, and the positive economic impact of allowing parents to return to the workforce.

Child care is an important industry in Niagara. As of 2010, the child care industry in Niagara employed more than 1,000 people directly and generated approximately \$115 million in

<sup>2</sup> This number is altered slightly from the original published brief as Statistics Canada updated its website information after the brief went to print.

economic activity annually, of which \$87 million came directly from parent fees (76 per cent). The other \$28.4 million in funding (24 per cent) came from government support (Niagara Region 2010). The size of the child care workforce in Niagara, including Registered Early Childhood Educators plus support workers, is comparable to some of the region's largest employers.

The economy benefits from accessible child care because it enables parents to work outside the home or attend education and training programs to acquire new or upgraded skills. Society benefits in general from the taxes these parents pay, and from the future taxes of parents attending school with the assumption that furthering their education will give them better-paying jobs. Industry benefits by having access to a larger and better-educated labour force – and that is just taking the parents into consideration. There are also long-term economic benefits derived from the children being better educated down the road due to their early learning opportunities (Cleveland and Krashinsky 2003, TD Economics 2012). Child care provides a foundation for future success by preparing the next generation for success at school and in the workplace.

The lack of affordable child care can keep people from leaving social assistance and joining the workforce. This is a drain, not only on government resources, but on the economy (Centre for Spatial Economics 2010).

A study commissioned by the Atkinson Charitable Foundation in 2010 to measure the economic impact of “full-day learning” for four- and five-year-olds in Ontario found short-term economic benefits: \$1 invested in operations delivered a return of \$2.02, and \$1 invested in capital infrastructure delivered a return of \$1.47. Every \$1 million invested in operations created 29.3 jobs and every \$1 million spent on classroom renovations produced 20.1 jobs (Centre for Spatial Economics 2010).

There were also medium- and long-term economic benefits: every \$1 invested in early learning generated \$2.42 for the province “through increased earnings (taxes), improved health outcomes and reduced social costs” (Centre for Spatial Economics 2010).

Economic research shows long-term impacts also include “improved educational achievement” in terms of a lower drop-out rate, less draw on special education and fewer grade repetitions, and greater post-secondary attainment which can lead to a higher earning potential. With this come improved health outcomes through the years and a greater attachment to the workforce by parents. This, in turn, leads to greater economic well-being (Centre for Spatial Economics 2010).

Long-term social benefits include reduced crime rates and a healthier population (thus a reduced drain on the economy) and a population that is more involved in the community. Research has shown there are greater social returns when child-care money is funnelled to poorer families: “Enabling single parents to look for jobs – while providing high quality care to their children – may be an important way to break the cycle of poverty” (Cleveland and Krashinsky 2003, 21).

## *Conclusion*

In 2009, 66.5 per cent of women in Canada with children less than six years of age were employed (Ferrao 2010). However, not all of their children would have been cared for in a licensed facility. Other types of child care would include unlicensed by a non-relative (such as a neighbour or home-based child care), care by a relative (grandparents), or care by a parent where one parent works part time or takes shift work, thereby allowing for one parent to always be at home with the kids (Cleveland et al 2008). Also, it is important to realize that stay-at-home parents are often looking for affordable early education and social opportunities for their children such as part-time nursery schools, YMCA programs or free drop-in programs like Ontario's Early Years Centres, Parent and Family Literacy Centres, or Family Resource Programs.

Canadian and Niagara families struggle to find affordable and available quality child care. Despite the current economic times in which governments at all levels are struggling to balance budgets, universally affordable child care should be a policy option under close consideration for policy makers as a healthy, educated young populace is required for an economically prosperous Canada.

Women should not have to choose between work and having children. There are both economic and social benefits for Canadian taxpayers in providing affordable spaces for these families. And while some will argue that full-time parental care remains the best child care, when parents do stay at home, they also require social and educational opportunities for their young children. The reality, however, is that many Canadian parents cannot afford to stay at home to care for their children. The reality of the 21<sup>st</sup> century is that mothers now work outside the home for pay and their families require a quality of care that not only allows families some piece of mind and nurtures the individual, but provides lasting benefits to Canadian society as a whole.

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