

Neiman: The high cost of child care may be holding our economy back ^[1]

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EXCERPTS

A confluence of headlines outlining dangers to the Canadian economy have a common thread. We read about high levels of household debt, families under stress due to unemployment, stresses on schools dealing with children living with stress at home, and declining birth rates leading to worries about who is going to power the economic engine when seniors retire.

The common thread is that more than ever, it takes two full-time incomes just to keep the roof over our collective heads. Signing trade deals, building pipelines or pushing debt-funded infrastructure projects will not be able to fix this.

Not when taxes eat up half of a two-income family's pay, and certainly not when paying for child care eats up another 22 per cent, as a recent OECD study has shown.

Why does the government need to tighten regulations on mortgages? Because young families can get in over their heads on their mortgages, should interest rates rise someday — which, eventually, they will.

I've lived through this. During a period of rapid, inflationary growth, a generational surge occurred in the 1970s, with thousands of new families being formed and having kids.

We were giving birth to Generation X, and we wanted to raise our kids in a house. A starter home cost a bit more than double the median salary of a single worker, and was rising quickly. Today, that cost can reach — or in some cities, surpass — 10 times the Canadian median income.

In the late '70s, mortgage rates spiked to 20 per cent and more, and even though most mortgages totalled less than \$75,000, young families found themselves in over their heads.

The numbers have changed, but that same potential appears likely today.

When our family started having children, we made it possible to survive on one income. That was because after paying taxes on a second income, plus child care costs, the second bread winner got very little bread for her labour. (Then as now, most stay-at-home parents were females.)

Today, I can't see how everyday working families could possibly keep home and family on one regular income. The cost of a (new, more restricted) mortgage isn't the only reason for this. It's the cost of child care.

According to the Organization for Economic Co-operation and Development, Canadian families pay more for child care than just about anyone in the developed world — up to 22 per cent of family income. The Trudeau government's much-vaunted family support program barely touches those costs.

If a second working spouse essentially works for no take-home pay, what's the incentive to work? If the desperate need for cash flow forces the need for a second income anyway, what value is that labour to the economy?

Not only is there a disincentive to work (and pay taxes), there is also a disincentive for educated families to have children. If populations cannot be sustained by natural growth, and if we cannot pass our culture on to a sufficiently large next generation, what changes can we expect in our national makeup?

Almost all other nations in the OECD solve this dilemma with generously subsidized child care — costing 10 per cent or less of family income in many countries.

If two incomes are required for a Canadian family today, and if a nation wants to collect the benefits of educating women into well-trained career paths, it makes sense to subsidize quality child care for them.

Would we rather tell women not to bother getting a good education because their labour will only be eaten up by student debt, taxes and child care costs? Would we rather see families default on mortgages in large numbers, or see the costs of our own homes plummet as fewer and fewer young families can afford to buy a home? Would we rather signal to young people that having children is too much of a burden? Would we rather rely on immigration alone for a stable population?

It seems the cheapest alternative is the one chosen by almost all other developed economies: nationally-subsidized child care.

We're always told that our people are our greatest resource. But in Canada, half of our family-producing population seems only to be a resource for governments, banks and daycare operators.

In my retirement, I've become a grandparent day home operator. It's a lot of work for the money (yes, I'm being paid). But the pay is substantially less than what regular daycare for three children would cost.

Not every young working family has that alternative available. And I can't see how our federal government believes its new national support plan for young families fills any gap at all.

That unfilled gap — as much as the lack of a new pipeline, or a trade deal with Europe or infrastructure projects that never seem to materialize (though we pay for the debt with our taxes) — is what is holding back growth in our economy.

We're not making best use of our best resource: our young people.

-reprinted from Red Deer Advocate

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