

Subsidized daycare can pay for itself, study finds ^[1]

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EXCERPTS

When Heather Allen gave birth to her daughter two and a half years ago, she took maternity leave with the intention of going back to work as an operations and sales manager after one year.

But she and her husband, who live in Vancouver, couldn't find a daycare space for their daughter, Brodie.

"There was none in our area," Allen said. "If you wanted to put your child in daycare, there was a wait-list of two or three years. And if we could get into a daycare outside of our neighbourhood, it was \$1,400. It would have been a paycheck."

So rather than go back to work full time, Allen stayed home to take care of her daughter and only recently began working part time for a clean-technology startup, which offers her the flexibility of working part time from home.

Alex McCumber and Joanna Buczkowska-McCumber faced a similar dilemma. Unable to get their seven-month-old son into the same daycare as the boy's three-year-old brother, McCumber decided to take parental leave and stay home, while his wife continues to work.

These scenarios can be multiplied thousands of times in B.C., especially in Vancouver, where the high cost of daycare and lack of spaces are keeping women and men who want to work out of the labour market while their children are young, according to a recent socio-economic analysis.

Kevin Campbell, managing director of investment banking at Haywood Securities Inc., funded the recent study through his Lochmaddy Foundation charity. He says there is a sound economic case to be made for universal subsidized daycare.

"I've always thought that child care, the moral case, was quite obvious, but the economic case is often overlooked," said Campbell, who does not have children himself. "I think that economic case is very strong, and these results prove that."

The recent study was prepared for the Early Childhood Educators of BC and conducted by the Centre for Spatial Economics (C4SE), a research firm specializing in demographics and economic and labour force data.

If implemented correctly, the study concludes, the economic benefits of a \$10 per day child-care program would cover the costs of its implementation.

Child care in B.C. outside Vancouver typically costs between \$50 and \$100 per day – about \$1,000 per month. It is higher in Vancouver – about \$1,200 to \$1,300 per month, said Emily Mliczko, executive director of the Early Childhood Educators of BC.

A typical annual rate for a toddler in B.C. is \$11,100. Subsidized at \$10 per day, the average annual rate for daycare for a toddler would be just \$2,600.

According to the economic modelling used by C4SE, it would cost the B.C. government \$1.8 billion annually to implement a \$10 per day daycare program. But the organization calculates that expenditure would be offset by the increased tax revenue that would result from more two-income families.

There would also be economic stimulation from the creation of new daycare spaces and new employment from additional daycare staff.

Robert Fairholm, who prepared the report, said the child-care sector has a higher multiplier effect than other sectors, partly because it allows for more parents to work, earn more, spend more and pay more in taxes.

"There are also some benefits to business through reduced labour turnover, increased productivity, reduced absenteeism, which the literature suggests tends to have a fairly big impact on the economy as well," Fairholm said.

Ten-dollar daycare could become a provincial election issue. The BC NDP is promoting a \$10 per day daycare program – a program it calculates would cost the government \$1.5 billion annually. To help pay for it, the NDP proposes to raise tax rates for British Columbians making \$150,000 a year or more.

In an emailed statement to Business in Vancouver, the Ministry of Children and Family Development said the tax increases the NDP is recommending would generate only \$200 million per year in additional revenue, leaving a shortfall of \$1.3 billion.

Campbell calls the provincial government's position on universal subsidized daycare "facile."

"They talk about child-care investment as if it's this wholly unrecoverable sunk cost, and that's kind of a ludicrous position," he said.

Jock Finlayson, executive vice-president and chief policy officer for the Business Council of British Columbia, said there is support among his organization's members for increased access to daycare, especially for lower-income families.

"Adopting a universal, low-cost model, paid for entirely by government, is another matter," he said. "The latter would require a big tax increase, which would be expected to have negative impact on economic and job growth – thus partially offsetting the economic benefits of universal daycare emphasized in the Fairholm report."

Finlayson and the Canadian Taxpayers Federation point to Quebec, which has offered \$7 per day daycare since the late 1990s but has some of the highest tax rates in Canada.

And despite having subsidized child care, some parents in Quebec still find it hard to find available placements for their children and end up paying market rates for private daycare.

According the B.C. government's interprovincial tax rate comparison, taxes are higher in Quebec than in B.C. in every category – business, income, sales and others – except tobacco. But Fairholm said Quebec's high tax rates can't be blamed on its subsidized child-care program.

"They had higher taxes prior to the plan," he said.

Campbell said he hopes his peers in the business community will give the C4SE plan serious consideration, taking into account how unaffordable Vancouver has become for young people starting families.

"It's really just unsound policy, to me, to burden young families with these housing costs, the increasing hydro rates, the ICBC rates, etc., etc., and then to ask families to spend \$9,000 to \$12,000 a year just to be able to reproduce," he said.

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