

Why is child care so expensive in Ontario? ^[1]

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EXCERPTS

In Canada, the overall cost of living, increased 12 percent between 2009 and 2016, while the cost of child care services alone increased two times that amount - by 24 percent.^[1] This sparked the interest of the Institute and our readers – why exactly are the costs so high? Inspired by a recent Bloomberg article that explores some of the reasons for the rising cost of child care in the United States, the Institute examines 5 reasons why Ontario has one of the highest child care costs compared to its peers.

Q: Is demand for child care driving up the cost? A: Likely.

In a market-based child care system like Ontario, restricted supply, and heavy demand drive up rates. There are currently licensed spaces for just 20 percent of Ontario children under the age of 4 and space for less than 5 percent of infants under 18 months. Furthermore, the demand for child care services will keep rising. The number of children aged 0-14 in Ontario is projected to increase by 23 percent over the next 24 years - from 2.2 million in 2015 to almost 2.7 million by 2041.

Since 2004, the provincial government has increased funding to create new spaces for around 351,000 children. The Ministry of Education has committed to creating 100,000 additional licensed spaces. These new spaces are projected to increase the supply of spaces for about 40 percent of children between 0 and 4 years old. Additionally, the 2017 federal Budget hinted that an investment of \$7 billion over 10 years “could” increase the number of affordable child care spaces for low-income families by supporting “up to 40,000 new subsidized child care spaces.” It remains to be seen whether these investments will make a significant dent in the cost of child care.

Q: Are daycare workers getting paid more? A: Yes, but not a lot.

About 75 percent of staff working in child care have a post-secondary certificate, diploma, or degree, in contrast to an average of 57 percent of workers in all other occupations. Historically, child care workers have earned less than the average provincial wage with no benefits. In an effort to address this, the Ministry of Education boosted wages for Early Childhood Educators (ECEs) and other child care professionals in licensed child care settings. According to Statistics Canada, child daycare service workers earned an average of \$47,300 in 2016, which is above the provincial average. Still, this figure is likely overstated as it includes the wages of managers, supervisors, and ECEs working in full-day kindergarten classrooms, who tend to earn higher salaries than those who work in daycare centres.

Q: Are daycare centres turning a large profit? A: Probably not.

Running a daycare centre is expensive. High rents and maintenance costs, purchasing necessities, and paying staff drive up the cost. Child care is a labour-intensive industry and according to Ontario's Child Care and Early Years Act, 2014, licensed child care centres are required to meet the minimum standards set out in the following ratios [see article].

When the staff ratio is higher, the age group has a higher delivery cost for providers, increasing costs and discouraging providers from providing infant spaces. Parents will only pay so much for child care before it makes financial sense for one parent to stay home.

Q: Are regulations increasing the cost? A: Maybe.

Regulations are crucial for quality child care. However, research from the US suggests that certain requirements may have unintended consequences and a significant effect on the cost of care. For example, there is some evidence to suggest that regulations set out in the Child Care and Early Years Act, 2014, such as room size requirements, designated spaces, and building codes may increase costs, lower wages, deter more qualified teachers and increase staff turnover. A higher cost for child care would be justified if the regulations in place also improve the quality of the care; access to child care needs to be improved, but should not be done by compromising quality.

Q: Has there been a decrease in government funding? A: Yes.

The provincial government has doubled child care funding since 2003/04, to more than \$1 billion annually, and increased the number of child care spaces. However, when considering the funding spent on the introduction of full-day kindergarten and when looking at the funding allocation spent for each regulated day care space, the issue of affordability has not been addressed. In 1995, \$5,208 was spent per space, compared with \$2,874 in 2013/14.^[2]

It's time for action on child care

The introduction of an affordable child care program in Ontario would increase labour market participation and the provincial GDP by \$12.5 billion. This goes beyond the creation of new spaces or the introduction of a lump sum of funding for subsidized spaces. High-quality child care programming needs regular, long-term operating funding to create spaces for children, pay staff decent wages, and ensure the centres meet the necessary regulations and requirements. Child care needs to be understood as a long-term investment that will create gains for the economy. From this point, policy makers need to work with practitioners, parents, and researchers in this field to implement a sustainable solution. Alberta has recently introduced a \$25-a-day pilot program to 22 Early Learning and Child Care programs across the province, and it's time that Ontario follows suit.

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