

Searching for daycare is an ordeal — but economists say don't blame the market ^[1]

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AVAILABILITY

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EXCERPTS

[Video available online, "Which cities pay the most for daycare? A new study, co-authored by Martha Friendly, highlights what parents are paying for child care across the country."]

Free market forces have given Canadians the ability to summon meals or cars at the touch of a button and demand a million dollars for an urban bungalow; but, as frustrated parents know all too well, the same forces haven't solved the problem of finding childcare.

The Canadian daycare market has a well-established surplus of demand, resulting in anxiety-inducing waitlists — joined as early as the day a couple learns they're expecting — and monthly fees that can amount to more than a mortgage payment.

"It's worse than finding a house or looking for an apartment, it's just insanity," said Anjali Lowe, a civil servant in Ottawa.

Lowe started to worry after nine months of silence from the dozen daycares where she applied through the city's centralized waitlist system.

With her maternity leave ticking down, Lowe widened her search and found a promising home-based daycare, only to lose the position after asking for a police check. She also considered a private daycare that was just adding spots, even though it would add 45 minutes to her commute and cost \$2,500 a month.

She finally managed to find a space — across the provincial border in Gatineau, Que., that worked as long as she made a temporary office change.

Lowe is among thousands of parents searching for childcare spaces every year when there aren't enough to go around.

In 2016, there was room for 28.7 per cent of all Canadian newborns to five year olds in regulated centres, according to a report by the Childcare Resource and Research Unit, a group promoting a universal, publicly funded childcare system.

In Toronto, one of the country's most expensive daycare markets, a 2016 city-commissioned study found demand for licensed spaces outstripped supply by 4,069 spots, or about eight per cent of total demand.

This, in a city where the median cost for childcare is \$1,758 a month for children under 18 months, according to the Canadian Centre for Policy Alternatives.

[Video available online, "'Our pockets are being squeezed': An Ontario family's daycare increased its cost several hundred dollars a month after minimum wage went up earlier this year."]

Economic theory supposes that in a competitive market, such a surge of demand inflates prices to a point where there is incentive for innovation and more providers to come on board. That, in turn, is supposed to increase supply until the quantity demanded equals the quantity supplied, resulting in market equilibrium.

But daycare is no ordinary market. Childcare providers say a host of barriers — including strict regulations and tight profit margins — combine to pressure supply and make meeting that demand an expensive challenge.

One of the biggest hurdles is finding rental space for a daycare, said Abi Paul, who opened Chapter1 Daycare in Calgary in 2015.

Some building owners don't want to rent to daycares because of the renovations required, while operators who do find space have to pay rents charged to big conglomerates who might otherwise occupy the space, he said.

The time and effort to renovate a space and get all of the inspections and approvals completed also adds to the challenge and costs. It takes

well over a year to open a space, he said.

Once the space is opened, because the business involves the delicate task of taking care of people's children, there are also numerous regulations, including strict child-to-supervisor ratios that make it difficult to have flexibility in the business when other costs go up, said Paul.

Daycare does generally follow market principles, suggests Michael Krashinsky, an economist at the University of Toronto, but the cost of running a daycare means operators do their best to make sure spots are always filled — one of the reasons for the ubiquitous waitlist.

"It's not that supply and demand aren't operating, in fact they are operating, but it means that you don't tend to get your spot exactly when you want it."

Use of childcare in Canada shows the variety of ways the market is filling demand. About 31 per cent of parents use a home daycare, 33 per cent opt for daycare centres, and 28 per cent use private care like family or a nanny, according to a 2011 Statistics Canada report.

The real problem with daycare isn't the market, but with the ability to afford the actual cost of care, said David Blau, an economist at Ohio State University who's studied the issue.

The question becomes a problem of public policy rather than market principle, said Blau.

"The issue isn't competition, the issue is just that high quality care is costly to provide...that is definitely a social problem, it's not a problem caused within daycare market," he said.

Region: Canada ^[3]

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