

# Progressive pricing: Making child care more affordable in Manitoba <sup>[1]</sup>

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## AVAILABILITY

Access online <sup>[2]</sup>

### Excerpts from introduction

Childcare fees hurt. The CD Howe Institute argues that childcare expenses present “a challenging issue” in the budgets of many Canadian families with young children (Laurin & Milligan, 2017, p. 2). All across Canada, costs are “too expensive for many, if not most families—low and middle-income alike” (Macdonald & Friendly, 2017, p. 23). Among Ontario families with at least one child 0 to 4 years old, the average household spends approximately 25 percent of their after-tax family income to use childcare (Cleveland, 2018, p. 5). In recent years, researchers have tracked the national rate of change in childcare fees. Parent fees are rising faster than inflation across most the country (Macdonald & Friendly, 2014, 2016, 2017, 2019; Macdonald & Klinger, 2015).

Manitoba is a partial exception, for two reasons. First, Manitoba’s fees are the lowest in Canada outside Québec, thanks to longstanding provincial policy. More than forty years ago, Manitoba crafted a childcare financing architecture that promoted affordability through a flat maximum daily fee charged by almost all childcare facilities (centres and regulated family homes). Second, while Manitoba’s flat maximum parent fee has risen considerably over the years, increases have been below the rise in the cost of living, and haven’t risen every year. This means childcare fees are lower today in ‘real’ dollars than in years past. This is good news for Manitoba parents and children.

But even a relatively low and steady childcare fee can be unaffordable if it eats up a major share of a family’s income. The 2016 Manitoba Early Learning and Child Care Commission found that a middle-income Manitoba family with two children attending a licensed childcare centre pays about 22 percent of their net family income in childcare fees—an alarmingly high cost (Flanagan & Beach, 2016, p. 47).

What is the right amount that childcare should cost a family, if any cost at all? In this report, we discuss the background and context of parent fees, and then review three progressive pricing models. Readers interested in a conceptual discussion of parent fee affordability may wish to consult *What Manitoba Parents Pay: A Childcare Affordability Discussion Paper*. The data used in this report are indebted to the technical expertise of Harvey Stevens.

This report focuses on childcare fees. But it is worth noting that that the costs paid by parents are only one barrier to parents who need a well-working childcare system. It is also important to address the availability of childcare spaces and facilities. In Manitoba, childcare is relatively inaccessible: many children live in ‘childcare deserts’: areas where there are either absolutely no, or too few, facilities (Macdonald, 2018).<sup>1</sup> Six in ten Winnipeg children live in a childcare desert and eight in ten rural Manitoban children live in a childcare desert (Macdonald, 2018, p. 28). Across the whole province, there is a childcare space for just 18.8 percent of Manitoba’s children from 12 weeks to 12 years—much lower than the Canada-wide average of a space for 27.2 percent of children (Friendly et al., 2018, p. 146; Government of Manitoba, 2019a, p. 72). In sum, Manitoba has few licensed childcare spaces, irrespective of their cost.

Almost all of Manitoba’s childcare centres are not-for-profit volunteerled organizations, owned and operated by the parents who use them. This means that centres start up when and where parents organize, fundraise, and establish their own services. There is no coordinated planning to develop programs, nor to ensure growth happens in ‘childcare deserts,’ because the province of Manitoba is not responsible for establishing childcare. This has been called the ‘popcorn’ approach: a new childcare centre will pop up if, when, and where parents and community groups start it, and not because of any public planning. Not surprisingly, this means that childcare programs tend to start up in neighbourhoods with higher social capital than in poorer neighbourhoods (Prentice, 2007).

International studies have shown that lower availability of childcare is associated with higher social inequality in access to those scarce spaces. What this means is that where there are few services available, higher-income families tend to use them disproportionately: in other words, constrained childcare provision hurts lower social classes to a greater degree than it impacts more affluent classes. This phenomenon, which is dubbed the “Matthew effect” and which is generally explained by accumulated advantage, is found in childcare use in Europe, as well as in Quebec—for reasons that are complex (Pavolini & Van Lancker, 2018; Turgeon, 2014).<sup>2</sup> But there is one simple factor contributing to the socio-economic gradient in childcare use: parents have differing abilities to pay. Parent fees are a greater barrier to lower income families than to higher income families, even when both families face the exact same bill for service. This means that there is inequitable access to, and use of, the small supply of childcare services that exist in Manitoba: as we will explain below, lower income families are more shut out of childcare than are higher income families.

But first: why do parents pay childcare fees at all? Unlike primary and secondary education, childcare is based on a market model. There is always a “pay to play” requirement. In order to attend a childcare facility, a Manitoba parent must either pay the fee or qualify for a provincial fee subsidy. Childcare is organized very differently from public education. Ever since the Manitoba Schools Act of 1890, children have been able to attend school without directly paying tuition to step into a classroom. Education is a public service, and children (and their families) are entitled to service.

What makes early childhood education and care seem so different from public education? History, mainly. While education became a government and public priority early in the 20th century, childcare did not. First called ‘day nursery care’, then ‘daycare’, and now early learning and childcare —it has always been seen as some combination of a private family responsibility, a mother’s job, a matter of charity, a stigmatized social service, or a market commodity. The net result is that childcare in the 21st century remains stuck in a 19th century model: a private service purchased by parents. The market failures of this approach are well-known, and have been thrown into even sharper relief during the COVID crisis.

A system of publicly-funded and universally available childcare should be built for the same reasons that all affluent countries have created public education. Until this happens, however, childcare is firmly embedded in a market model of user fees. Long term, we anticipate childcare will become a public service, as both parent fees and the market model are rejected. Yet in today’s reality, high user fees are a barrier for families and discriminate most painfully against those with the lowest incomes. As soon as possible, early learning and childcare should become a publicly funded service with no user fees at all. Until then, we need a realistic and effective way to ensure that the cost charged to parents is actually affordable. For these reasons, we believe that progressive pricing is an important step forward for Manitoba.

**Related link:** U of M prof recommends sliding scale for child-care costs ahead of throne speech [3]

Eliminating child-care deserts would boost province’s economy, report says [4]

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