

Child care at \$10 a day would be a 'game-changer' for a young family's finances ^[1]

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EXCERPTS

With a four-year-old son and 10-month-old daughter, Elesha Singh and Jason Lindo are acutely aware of the high cost of daycare in Toronto and call the federal government's national \$10-a-day childcare proposal a "game-changer."

When Ms. Singh returns to work in July, they'll be facing childcare costs of about \$2,800 a month or nearly \$34,000 a year. While they're grateful they are able to afford it, the thought of the cost dropping down to about \$250 a child or \$500 a month for two children would be "significant no matter who you are," says Ms. Singh, who works at a major consulting firm.

"This is a game-changer for people who have to make the decision [whether] does somebody stay home, does somebody quit their job, do we have to take on a part-time job – just totally rebalancing your entire life to now accommodate being able to afford childcare," she says.

That financial pain of that balancing act could soon get much easier. In this week's budget, the federal government outlined a plan to spend \$30-billion over the next five years to introduce a national low-cost childcare plan, with the goal of getting fees down to \$10 a day per child by 2026. By the end of 2022, the cost of care could be cut by about 50 per cent.

The median cost of daycare in Canada in 2020 ranged from about \$1,600 a month in Toronto to about \$450 a month in Winnipeg, according to data from the federal budget. In Quebec, where there's already affordable daycare, the cost is \$181 a month.

Annually, that means parents in Toronto shell out \$19,000 a year for childcare. Daycare at \$10 a day would be less than \$250 a month or \$3,000 a year. That's a savings of \$16,000 a year for parents in Toronto – and that's just for one child.

For many parents that's "roughly the equivalent of mortgage payments," says Armine Yalnizyan, an economist and the Atkinson Fellow on the Future of Workers. "Heading to \$10 a day would literally mean more money in your pocket – like a tax cut."

Ottawa's announcement is timely. The COVID-19 pandemic showed what happens when childcare isn't available, as many daycares and schools were forced to close. The federal government estimates that at least 16,000 women left the job market because of the pandemic, many to care for their children.

The federal government expects this program would add 240,000 workers to the labour force over the next two decades and boost per capita GDP by as much as 1.2 per cent.

"That was jaw-dropping to me," Ms. Yalnizyan says. "We would be creating the new middle class of the early 21st century just like manufacturing [did] in the '50s and '60s."

The proposal hits close to home for Janine Rogan, a chartered professional accountant and founder of the Wealth Building Academy in Calgary. She has a five-month-old boy, and was quoted anywhere from \$1,300 to \$1,800 a month for childcare.

If the average cost of daycare was \$1,500 a month and it dropped to \$250 a month or less, "that's \$1,300 per month that couples are able to put toward education for their child in an RESP, or their retirement savings and their financial security," she says.

"Having \$1,300 a month extra – that's huge," she says, and means about \$15,000 a year extra, enough to max out your tax-free savings account contributions each year, save for a home down payment, or pay down your mortgage "so that you do get to debt-free and financial security a lot faster."

Financially, today's parents are also dealing with other expenses with skyrocketing housing prices, less robust pensions and less secure jobs.

Many parents put off saving or cut debt payments to afford daycare. "It shouldn't bankrupt a family to be able to have care for their children so they can go to work to earn a living," she says.

For families with a lower income, low-cost daycare will make a massive difference, she adds. "For many people it's more than their mortgage payment and that fundamentally isn't right."

High daycare costs hit women the most as they're the likely one to stay home and care for children, says Ms. Rogan, who has studied this issue. For women who end up temporarily leaving the work force to raise children, it means "for an average salary you're giving up \$200,000 a year in benefits" – including wages, potential wage growth and promotions, retirement benefits, and contributions to the Canada Pension Plan.

Getting more women into the work force has a domino effect that helps the economy overall, Ms. Yalnizyan says.

"The more hours people work, the more income they make, the more taxes they pay," she says. "There is debate as to whether [this program] pays for itself but there's no question you get back a huge return on your dollar, more so than almost any other program."

The past year of the pandemic gave Ms. Singh and Mr. Lindo the chance to see what it felt like to have an extra \$2,000 in their pocket as Ms. Singh was home on maternity leave and their son started full-day kindergarten.

"We saw a lot of [financial] flexibility simply because it's a significant part of our monthly budget," says Mr. Lindo, a data and analytics consultant.

That extra cash made it easier for Ms. Singh to take a full-year leave and made their maternity-leave finances "more comfortable."

Ms. Singh says lower daycare costs would allow them to save more for their children's education, put money aside to help their children afford housing in the future, and let the couple set aside more money for retirement. "It would give us a better lifestyle for the future but peace of mind for today," she says.

Lower daycare costs "would alleviate a lot of stress for parents," Ms. Singh adds, suggesting it might encourage couples to have children earlier because they could afford it.

"No matter who you are you're going to be paying the same amount," she says, and that will make childcare "more affordable and more attainable and that just means more opportunity down the road."

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