

Solving BC's affordability crisis in child care ^[1]

Financing the \$10 a Day Plan

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Summary

The crisis

Canada has no national early childhood education and care program. The federal government provides cash transfers to families with young children and offers a tax credit for child care expenses, but these measures do not increase the availability of quality child care or make these services more affordable. Provincially, BC invests less in early education and care than the Canadian average, which is already one of the lowest among developed nations and far short of the minimum public investment levels recommended by UNICEF and the OECD.

The result is a fragmented patchwork of child care programs that fails to meet the needs of many families. The problems with this patchwork approach include:

- **High costs:** BC has the second highest fees in Canada, with median fees in 2012 ranging from \$760 to \$1,047 per month depending on the child's age. Subsidies for low-income parents have been frozen for ten years, while fees have risen faster than inflation.
- **Long wait lists:** BC has enough regulated child care spaces for only 27 per cent of children under six, and the provincial government's Early Years Strategy will only create room for another 5 per cent of children (at most) by 2021.
- **Women forced to abandon paid work and career goals:** The lack of affordable child care spaces is a significant barrier for mothers who want to return to work or pursue education; this contributes to gender inequality and weakens the BC economy. It is estimated that worklife conflict among employees costs BC businesses more than \$600 million per year.
- **Reliance on unregulated child care:** Because of high costs and lack of spaces, some working parents turn to unregulated child care, with no training requirements, health and safety standards, monitoring or oversight.
- **Low wages for early childhood educators:** Their median wage is 19 per cent lower than that of BC workers overall, which leads to high turnover and chronic staff shortages, and contributes to financial insecurity among the families of educators, many of whom are women with children of their own.

It doesn't have to be this way. A universal \$10 a day child care program would solve the affordability crisis and ensure all families could access quality early childhood education and care.

The \$10 a Day child care plan

The \$10 a Day child care plan is a framework for transforming the existing patchwork of programs into a universal, high quality, affordable child care system that integrates early learning and care. The plan was developed by the Early Childhood Educators of BC and the Coalition of Child Care Advocates of BC, based on extensive international research and a cross-province community consultation process, and has been widely endorsed.

To implement the \$10 a day plan, public investments are required in three main areas:

- **Increased capacity,** ensuring access to care for all families who need it (participation would be optional and open to all).
- **Improved affordability,** with fees set at \$10 a day for full-time and \$7 a day for part-time programs (waived for families with income under \$40,000).
- **Higher quality,** through low child-to-staff ratios, higher education levels and fair compensation for staff, and better monitoring and accountability mechanisms.

Financing the \$10 a Day plan

UBC researchers estimate that a fully phased-in \$10 a day child care plan would require \$1.5 billion in additional public funding to cover operating costs, after accounting for parent fees. These upfront costs have been a significant barrier to governments' willingness to implement a child care plan in BC and across Canada, despite the well-documented social and economic benefits.

However, phasing in the \$10 a day plan over a period of 10 years would allow governments to provide immediate relief to families while scaling up the full plan (and its associated costs) in stages.

Moreover, recent research from Quebec shows that a publicly funded child care system would be self-financing to a large extent. This is because accessible and affordable child care allows more women with young children to return to work and to work closer to full-time hours. More women working means a stronger economy, with direct benefits to government coffers from higher tax revenues, reduced social assistance for families with children, and lower reliance on other income-tested benefits.

Quebec introduced a publicly funded, universal, low-cost child care program in 1997. It has many similarities to the \$10 a day plan, and by many measures is a resounding success. It has allowed parents to balance the demands of work and family with less stress, helped an estimated 70,000 women return to the workforce, and reduced poverty rates among single-parent families.

Economist Pierre Fortin and his colleagues at the University of Sherbrooke estimate that Quebec's child care program has added billions to the provincial economy and returns \$1.49 to government coffers for every \$1 invested.

If the economic benefits of the \$10 a day child care program in BC are similar to those in Quebec, BC could expect an almost immediate boost in economic activity. We estimate that the increased workforce participation of mothers of young children would grow BC's economy by \$3.9 billion per year, and would generate approximately \$1.3 billion in revenues to the provincial and federal governments (once fully phased in).

In other words, the women who benefit the most from the program by being able to return to the workforce or transition from part-time to full-time work would cover a large share of the costs through the taxes they pay directly and the economic activity they generate in the local economy (their now higher family incomes become revenues for local businesses that are able to sell more, expand, employ more staff, etc.).

Federal-provincial partnership—the ideal solution

Given that the boost in tax revenues generated by a public child care program would flow to both the federal and provincial governments, it makes sense to share the costs.

A joint federal-provincial investment in child care in BC would almost pay for itself, generating 86 cents in government revenues for every dollar invested in the program, lowering the remaining public cost to only \$200 million per year. This is a very small cost relative to the size of the provincial and federal budgets.

A provincial child care plan without federal support

While a federal-provincial partnership would be ideal, Quebec's experience demonstrates that it is also possible for a province to implement and run a child care program on its own.

Without federal participation, BC would need to raise \$870 million per year to fund the ongoing operations of an entirely provincial \$10 a day program. The amount is higher because the federal tax benefits could not be counted in the financing plan.

The good news is that BC can afford to make this investment in children and families: we are in a solid fiscal position with a manageable debt-to-GDP ratio and we have some of the lowest provincial tax rates in Canada. Small increases that bring BC's tax rates closer to the average for other provinces could easily raise the needed funds.

Our proposal is structured to raise the needed funds in stages (given the \$10 a day program would be phased in over 10 years) and in a way that reduces inequality, makes BC's tax system more fair, and reflects the broadly shared economic and social benefits of having a public child care system.

Families that directly benefit from \$10 a day child care will pay a share of the program costs via affordable \$10 a day fees (waived for families with incomes under \$40,000 a year). The remaining \$1.5 billion cost of a fully phased-in program could be financed by the direct returns generated to the provincial government, and a staged series of tax reforms (introduced gradually over a 10-year period).

BC's current approach to early childhood education and care—with its unaffordable fees, insufficient spaces and low wages for early childhood educators—is unfair and costly. High child care costs put pressure on families with young children at a time in their life when they are most stretched for resources instead of spreading out the costs over their working careers through slightly higher income taxes. High upfront fees are a de facto tax on mothers' wages, creating barriers to work, compromising women's economic independence, and undermining the financial security of families.

The bottom line: There is no reason BC cannot move forward immediately with a universal \$10 a day child care plan. It would save families with young children thousands of dollars per year, boost our economy, provide access to quality early learning experiences for all children whose parents want it, and share the costs broadly across all sectors of society.

Related link: [Advocates tout economic reasons for government to fund child care](#) ^[3]

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