Reforming Canada's Child Care Plan

The Chief Economist and Senior Vice President of the TD Bank Group, Craig Alexander, has indicated the importance of early childhood education. In a report in November 2012, he wrote that: "Given the unquestionable number of benefits that early childhood education can provide it follows that more focus should be put on investing in and improving the system."

Business Council of BC president and CEO Greg D'Avignon has said that increasing support for early childhood education in B.C. is "vital to our success."

Canada has become a country in which it is far harder to raise a young family, even though the country's economy has doubled in size since the mid-1970's, producing on average an extra $35,000 per household. Despite this additional prosperity, the average household income for young Canadian couples has flat-lined (after adjusting for inflation) even though the share of young women contributing to household incomes today is up 53 per cent. With their stalled incomes, young families must pay far higher housing prices, which increased 76 per cent across the country since the mid-1970's, according to data cited by Lynell Anderson in the July 2012 issues of *Healthcare Quarterly*.

The generation raising young children today is squeezed for time at home, squeezed for income because of the high cost of housing, and squeezed for services like child care that would help them balance earning a living with raising a family. Yet, international comparisons consistently rank Canada among the worst industrialized countries when it comes to investing in young families. Canada's slow policy response to the decline in the standard of living for the generation raising young kids is not consistent with our proud tradition of building and adapting policy in response to our social and economic environment – a proud tradition that includes public schools and universities, veterans' benefits, workers' compensation, unemployment insurance, the Canada Pension Plan and the Canada Medical Care Act.

Childcare has a Business & Economic Connection

Labour and Skills Shortages, plus Productivity & Innovation, are priorities of the Canadian Chamber of Commerce. To complement and create solutions to address both, the federal government must pay attention to children and how they are supported in their early years as well as in their learning years up to the age of 12.

Workplaces do not automatically become family friendly. Small businesses, which comprise about 98% of the numbers of Canadian businesses, are unable to automatically offer childcare spaces or for that matter regulated childcare spaces.

In *The Globe and Mail* in October 2013, it was noted that Canadian parents are stuck with unlicensed and unmonitored care. We are not advocating for the cost of the Quebec model but rather have the federal government invoke policy that regulates child care facilities to ensure foundational learning that will improve the chances that children, especially in poverty, and families can increase self-sufficiency and school success.

As our population ages, Canada will need both more babies and more working adults than ever before – just as young professionals and new immigrants face an unprecedented squeeze on their time and their pocketbooks.

The federal government needs to invoke policy that would include promoting the development of a high quality, comprehensive system of child care services that would meet the needs of all families who wish to access these services that would include high quality services that include centre-based child care, nursery schools, home child care and family resource centres that are regulated, accountable and accessible. All children under 12 years would have access to services regardless of their parents' participation in the labour force.

In the wake of Canada's largest baby boom in 50 years, public spending on licensed child care has barely budged, parent fees are soaring and growth in new spaces has slowed, according to a new analysis by the Childcare Resource and Research Unit who are working with researchers at the University of Guelph and the University of Manitoba on a series of briefs on the topic.

Mothers are in the workforce to stay and the number of young children needing child care continues to rise, but child-care spaces haven't kept pace because government commitment and funding haven't kept pace.

After shrinking for many years, the number of children under age 5 in Canada is on the rise, according to the report. The 2011 Census noted that the 0-4 age group has been growing at the highest rate in 50 years.

At the same time, the labour force participation of mothers with children under age 2 grew to almost 70 per cent in 2012, while almost 77 per cent of mothers with children between the ages of 3 and 5 were working. And yet there were full- or part-time spaces in licensed daycare centres for just 22.5 per cent of Canadian children from birth to age 5, an anemic 0.7-per-cent increase over 2010. In Ontario, for example, there were licensed spaces for barely 21 per cent in 2012.

Even in the limited growth years after 2006, when Ottawa scrapped a $5 billion national child-care plan, space increases never dropped below 1 per cent.

Meantime, parent fees "continue to be higher than university costs" across Canada and most provinces, the report says. Everywhere except Quebec and Manitoba, where fees are regulated, parents were paying more for care in 2012 than in 1998, in inflation-adjusted dollars. (PEI is the only other province that regulates daycare fees.) The range of parent fees by province "was enormous," ranging from $1,824 a year for an infant in Quebec, which charges just $7 a day, to more than $12,000 a year for a baby in Ontario. (In Toronto, infant fees can run as high as $19,000 a year.)

While public funding for child care edged up in all provinces except Newfoundland, Yukon and British Columbia, where it dipped, "increases are generally too small and too unpredictable to allow for more than modest growth of services.

Report co-author Martha Friendly, head of the Childcare Resource and Research Unit, said the report points to the need for a national child-care plan and more data collection to better understand the needs. The baby boom is a national trend. But young families are not being helped at all by the government of Canada. It is not good for the economy and not good for the future of the country."

Investing in early childhood development through an integrated child-care plan will have positive effects on the Canadian economy.

The Facts

UNICEF ranks Canada last when it comes to investing in families with kids under age six. The Organization for Economics, Cooperation and Development (OECD) ranks Canada last for investing in child-care services for children under six.

According to Statistics Canada, the Canadian economy has grown 108% since 1976, controlling for inflation. On average, the economy now produces an extra $35,000 per household compared to 1976. Controlling for inflation, average household income for young Canadian couples has flat-lined since the mid-1970s. It used to be $65,160. Today, it is $68,300. Household incomes are stagnant for young couples even though far more young women earn employment income today. In the mid-1970s, 54% of Canadian women age 25-44 contributed to household income. Today, the figure is 82%. Average housing prices in Canada have skyrocketed since the mid-1970s. Adjusting for inflation, the average cost of housing in 1976 was $192,390. Today it is $339,045. That's an increase of 76%.

Canadians age 25-44 perform more employment hours and more unpaid care-giving than any other age group.

Canadians under 45 inherit a National Debt/GDP ratio that has increased 114% since the mid-1970s.

A typical Canadian couple will go without $13,000-$15,000 in after-tax income when parents share a year of parental leave to care for a newborn. People in Sweden and Germany make different policy choices, which mean the same couple does not lose any after-tax income in those countries.

Workplace standards in Canada mean the typical employee works 300 hours per year (that's over 8 weeks) more than the typical Dutch, Norwegian and German employee.

For children under age six, childcare services cost most parents the equivalent of a second mortgage, even though researchers raise concerns about the quality of many services. The cost of regulated child-care services erodes take-home pay for employed parents more than taxes do.

Although labour force participation rates for men and women have converged, women spend 70% more time doing unpaid housework than men, and 100% more time providing child care.

The decline in the standard of living for the generation raising young kids means it doesn't get its share of economic growth.

The Implications for Business: Higher Costs, Lower Productivity

According to a University of British Columbia study by Dr. Paul Kershaw, since parents are an integral part of the labour market, the business community pays a price when employees with young kids bring their time and service squeeze to their jobs. What this means is that Younger working-age are facing lower incomes and are struggling to keep pace with the increased costs of living, and of starting and maintaining a family. The work-life conflict experienced by parents raising young children today is costly for employers. The result is higher absenteeism rates for this group of employees, greater turnover, and increased use of extended health benefits – all of which employers pay for. In collaboration with Warren Beach (CFO) and his CA colleagues at Sierra Systems, UBC's Dr. Paul Kershaw and his team estimated that work-life conflict among employees with preschool-aged children costs the B.C. business community in excess of $600 million annually, and the Canadian business community more than $4 billion. The stress from work-life conflict among adults with young kids costs the Canadian health care system $2.5 billion annually, and the child welfare system another $1.2 billion per year.

Recommendations

That the federal government:

1. Work with the provinces and territories to fully examine the potential impact on productivity and the Canadian GDP of a countrywide system of child care with possible implications for child care rates and spaces.
2. The findings and policy recommendations associated with the aforementioned study should be delimited by, and respect, provincial jurisdictional limitations, as well as fiscal considerations, associated with the implementation of child care policy