

A close-up photograph of a hand moving a purple bead along a wooden abacus. The abacus has several rows of beads in different colors: purple, pink, orange, and green. The background is a soft, out-of-focus light green.

MEASURING THE AFFORDABILITY OF EARLY LEARNING AND CHILD CARE

\$10 A DAY CHILD CARE

Will It Really Reduce Barriers to Employment
in Ontario, Alberta and Manitoba?

Gordon Cleveland and Michael Krashinsky

DECEMBER 2021

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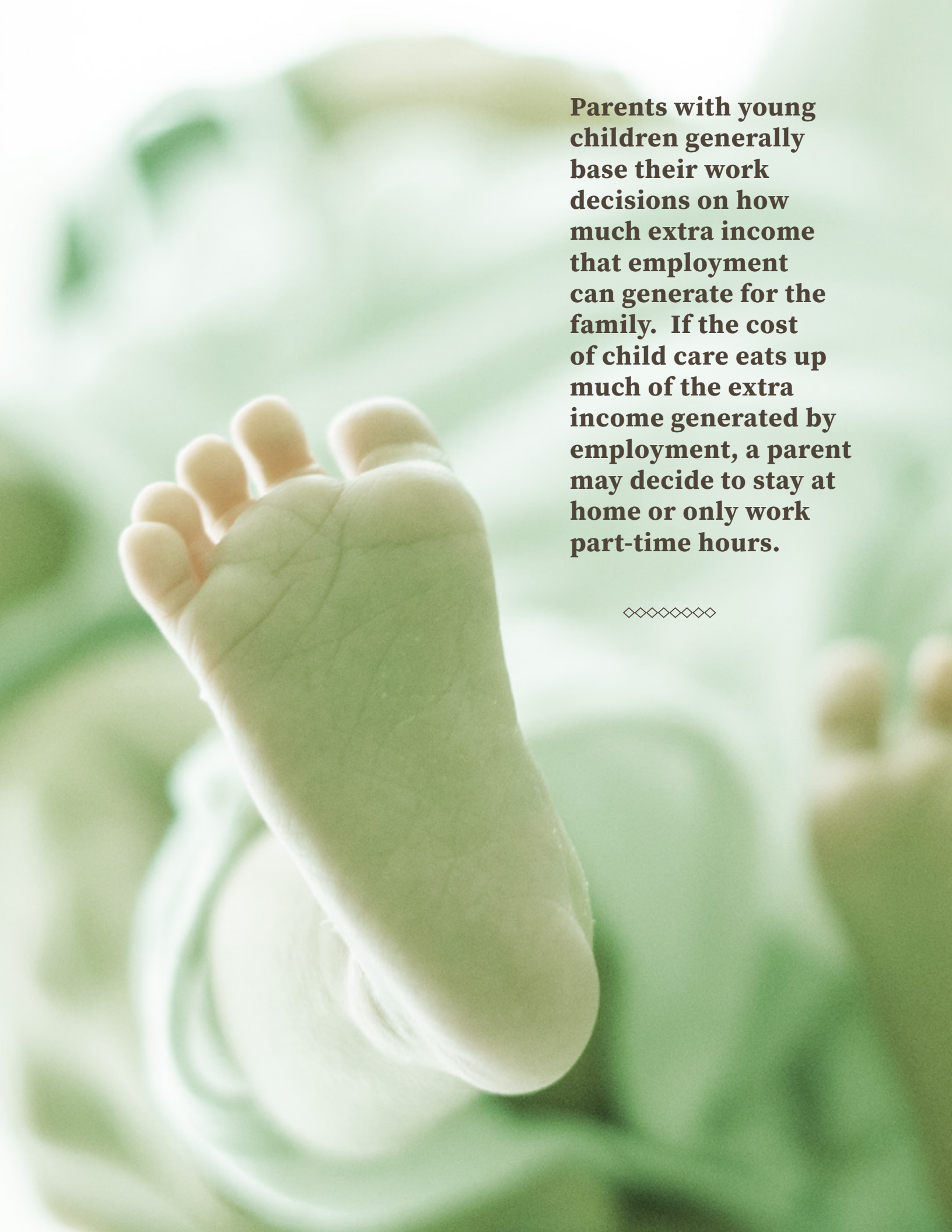


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Parents with young children generally base their work decisions on how much extra income that employment can generate for the family. If the cost of child care eats up much of the extra income generated by employment, a parent may decide to stay at home or only work part-time hours.



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EXECUTIVE SUMMARY

the \$10 a day program can and should dramatically change child care affordability and make employment a worthwhile option for many caregiving parents



The April 2021 federal budget promised \$30 Billion over 5 years to dramatically lower child care fees. As of December 2021, nine provinces and territories have signed on to the \$10 a day early learning and child care program. In this paper, we look in detail at Ontario, Alberta and Manitoba and answer the question of whether this new funding will make child care affordable.

Lowering barriers to mothers' employment is a central objective of the new federal funding. As the 2021 budget said: "A Canada-wide early learning and child care plan is a plan to drive economic growth, a plan to secure women's place in the workforce, and a plan to give every Canadian child the same head start."

Our main conclusion is that the \$10 a day program can and should dramatically change child care affordability and make employment a worthwhile option for many caregiving parents. However, the affordability impact on families depends on the specific policies that provinces and territories adopt to reduce parental payments. And, even if provinces and

territories adopt a flat fee of \$10 a day, they will need to have complementary policies to ensure that low-income families are not disadvantaged.

There are several different ways of measuring early learning and child care affordability for individual families. The one that is most closely related to the employment decisions of caregiving parents is called the Caregiving Parent Affordability Measure. Parents with young children generally base their work decisions on how much extra income that employment can generate for the family. If the cost of child care eats up much of the extra income generated by employment, a parent may decide to stay at home or only work part-time hours. The Caregiving Parent Affordability Measure is the ratio between the cost of child care (after any subsidies or tax credits) and the amount of extra income generated by employment of the Caregiving Parent. When this ratio is high, the returns from employment are small – child care is unaffordable

In this paper, we calculate child care affordability for couple families that have



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two children – one infant and one preschooler. We chart affordability for this family at different possible levels of income in Ontario, Alberta and Manitoba. And, we compare current levels of affordability to what we can expect to see when the \$10 a day plans are fully implemented.

Our conclusions:

- Under current policies, if a couple family with two children cannot access subsidies in Ontario (and most cannot) licensed child care at any income level is remarkably unaffordable. If the caregiving parent earns less than about \$40,000 (\$100,000 for the family), s/he will find that more than 60% of her income contribution will go towards paying for child care; there is little incentive to be employed.
- If Ontario offered licensed child care at a flat fee of \$10 a day per child along with the existing tax credit, a couple family with two children would pay less than 15% of the caregiving parent's income contribution in child care fees, no matter what their income level. The child care cost barrier to employment would be dramatically reduced.
- The current child care subsidy system in Alberta does not make child care affordable for a couple family with two children. The cost of child care for a family eligible for subsidy (less than \$90,000 of income) typically eats up 75% or more of the second earner's income in Calgary and 50% or more in Edmonton. The barriers to employment of the caregiving parent are high.
- Even at high levels of income, under current child care policies child care costs will consume over 50% of the extra income generated by the caregiving parent's employment in Calgary and 40% in Edmonton.
- Alberta's new funding policies agreed to with the federal government will improve affordability, particularly for families at higher levels of income. Alberta plans to offer substantial operating grants to child care centres and homes to allow them to lower parent fees. And Alberta is extending its subsidy



system to cover families with partial subsidies out to \$180,000 of family income.

- The combination of grants and subsidies will still leave Calgary couple families with two children giving up more than 30% of net extra employment income if the caregiving parent earns less than \$44,000 (family income of \$110,000). In other words, child care will be unaffordable for these families even when Alberta's new child care policies are fully implemented.
- Edmonton families will be better off than Calgary families because median fees start off at a lower level before the new funding programs. Only families where the caregiving parent earns less than about \$18,000 (family income of \$45,000) will find child care unaffordable (30% or more of the net income contribution of the second earner).
- Another way of putting the same point: even after 2025-26, this couple family in Calgary will be paying nearly \$20 per day per child at most income levels, where the same family in Edmonton will be paying just less than \$10 a day per child.
- Manitoba pioneered flat fees for child care, and operational funding to lower fees. However, its positive reputation is not supported by measures of current child care affordability. At virtually all income levels up to \$60,000 of income for the caregiving parent (\$150,000 of family income), current child care costs will eat up 30% or more of the income contribution that comes when the caregiving parent is employed. In particular, Manitoba's child care subsidy system covers a very narrow range of families.
- A flat fee of \$10 a day per child (with no subsidy system) would improve affordability for nearly all couple families with two children in Manitoba except when the caregiving parent's income is \$14,000 or below. However a flat fee will mean that affordability is always worse for families the lower their income. Many policy makers believe that affordability should be at least as good at low incomes as it is at higher incomes. Manitoba would need a sliding scale of fees for families with lower incomes to achieve this.

INTRODUCTION



Are child care costs a major barrier to women's employment? How big? Will child care at \$10 a day really make much of a difference? This paper sheds a strong light on the employment barriers facing the caregiving parent in couple families in three of Canada's provinces. Our conclusion is that the \$10 a day program can dramatically change child care affordability and make employment a worthwhile option for many caregiving parents. However, the impact on families depends on the specific policies that provinces and territories adopt to lower parental payments. And, even if provinces and territories adopt a flat fee of \$10 a day, they will need to have complementary policies to ensure that low-income families are not disadvantaged.

Since the 2021 federal budget in April, nine provinces and territories have signed on to the \$10 a day early learning and child care program. Those agreements promise to deliver low-cost licensed child care and early learning experiences to children younger than Grade One by 2025-26. As of early December 2021, Ontario is a notable holdout, with about 38% of Canada's children 0-5 years of age, along with New Brunswick. We hope the evidence presented here will encourage Ontario and New Brunswick to sign similar agreements now.

The federal funding for early learning and child care was announced in Part II of the spring budget, entitled "Creating Jobs and Growth". Lowering barriers to mothers' employment is a central objective: "A Canada-wide early learning and child care plan is a plan to drive economic growth, a plan to secure women's place in the workforce, and a plan to give every Canadian child the same head start." (Canada, 2021, p. 100). This echoes the rationale presented by the Governor of the Bank of Canada in early 2021: "Strengthening the social safety net for families, particularly by increasing access to child care and reducing its cost, will help



more women return to the labour force and remain there.” (Macklem, 2021). The enthusiasm for these child care reforms owes much to the work of Professor Pierre Fortin and his colleagues (Fortin, Godbout & St. Cerny, 2013). Analyzing the impacts of Quebec’s \$5 a day child care reforms that began in the late 1990s, they calculated that the long-run impacts of increased labour force growth would more than pay for the incremental costs of child care.

There are several different ways of measuring early learning and child care affordability for individual families. The one that is most closely related to the employment decisions of caregiving parents is called the Caregiving Parent Affordability Measure. That will be our focus. We will analyze child care affordability in couple families with two young children – 1 and 3 years of age – in Ontario, Alberta and Manitoba. In each of these provinces, we will compare the current situation, based on current fees, subsidies and tax credits, to child care affordability at \$10 a day or the provincial equivalent. We will discuss how current policies affect affordability,

and how new policies should be crafted to ensure future affordability.

Affordability is a relationship between the fee charged to parents for the use of ELCC and the ability of those parents to pay this fee. In other words, child care affordability measures the size of a key barrier to accessing child care – the cost barrier. The higher the fee (summed over all the young children in a family), the higher is the cost barrier. Also, the lower the family’s income, the higher is the cost barrier. So, child care affordability is a family-specific measure. It will vary from one family to another. The “average level of affordability” in a province or territory is a problematic concept; this average would hide important variation.

The affordability of early learning and child care is important because it is believed to affect significant family decisions. There are two primary decisions of interest – the decision to have their child(ren) attend an early childhood education and care service and the decision of parents to be employed or go to school. Of course, these decisions are generally linked.



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High fees can be a major barrier to using early learning and child care and a major barrier to parental employment and education. We've known this for a long time. Kindergarten is provided to children throughout Canada free-of-charge. Why? We believe kindergarten is good for all children and want to encourage all families to send their children to kindergarten in the year(s) before primary school starts¹. That same logic has encouraged many provinces and territories to extend kindergarten to full-days and to also provide free kindergarten to four-year-old children. The same logic is increasingly being applied to licensed child care services.

As fees for licensed child care rise, it has become increasingly obvious that child care affordability is important because it affects parental decisions to be employed or not. There is strong evidence that the cost of child care can be a major barrier to mothers' decisions about employment throughout early childhood (Akgunduz & Plantenga, 2017; Fortin, 2017; Morrissey, 2017; Thévenon, 2013; Lefebvre, Merrigan & Verstraete, 2009).

1 Attending kindergarten is only compulsory for 5-year-olds in Prince Edward Island, Nova Scotia and New Brunswick. For other ages and other jurisdictions, kindergarten is non-compulsory.



Early Childhood Education and Care (ECEC) in Canada comprises two main services:

1. fee-based licensed child care services
2. free-of-charge kindergarten services provided in schools.

The name adopted in Canada for these services has recently been Early Learning and Child Care (ELCC). Kindergarten services are sometimes only acknowledged as an after-thought.

Every province and territory has licensed child care services whose hours and days are intended to be supportive of parental employment. Nearly all parents will have to pay fees in order to access child services for their children. These fees are quite high in most jurisdictions, thousands of dollars per child. It is these licensed child care services, including before-and-after school child care) that are the heart of the “affordability” problem.

For children not yet in kindergarten or school, licensed child care services typically are open more than eight hours per day and for the full calendar year. Licensed child care services may be provided in centres or in homes.

WHAT IS EARLY LEARNING AND CHILD CARE?

Kindergarten may be half-day or full-day during the school year, is free-of-charge and is provided in schools. In some provinces and territories (BC, AB, SK, MB, NB, PE, NL and NU), kindergarten is universally available only for five-year-olds (i.e., in the year before a child is eligible for Grade One). In some provinces and territories (ON, NS, YT,

NT), kindergarten is universally available for four-year-olds as well, and this is being phased-in in Quebec. Alberta, Saskatchewan, and Manitoba have targeted kindergarten programs for some four-year olds. Kindergarten is always affordable because there is zero cost to parents. For this reason, and for others, kindergarten is very popular with parents. Of course, the hours of kindergarten each day are short relative to a full working day, and the days per year of kindergarten do not include the summer months or professional development days. As a result, fee-paying child care services before and after school are needed by many parents whose children attend kindergarten.

METHODOLOGY

WHAT IS AFFORDABILITY AND WHAT DOES THAT TELL US ABOUT HOW WE SHOULD MEASURE IT?



Everyone seems to agree that child care affordability is best measured as some kind of ratio between the cost of child care and family income (OECD, 2007, 2019; Australian Productivity Commission, 2021; Fisher and Thomas, 2021; Cleveland, 2018). So far so good. But what measure of the cost of child care should we use and what measure of family income? The details matter more than you might imagine. Some of the key points of our methodology are summarized below:

A

Our affordability measure should use net family income rather than gross. Net family income is family income after income taxes and payroll taxes (like CPP/QPP payments and EI payments) have been deducted, and various benefits (like the Canada Child Benefit and similar provincial/territorial child benefits) have been added. Another term for this is “disposable income” because this is the income over which the family actually has spending discretion. When a family makes a decision to use good quality child care or not, it is the family’s disposable income (not its gross income before taxes) that will influence the decision. Since family decisions are based on disposable income, our measure of affordability should reflect this reality.

B

The cost of child care should be measured across all children in the family, or at least all children in the family younger than Grade One school entry. Families with more children have a bigger child care affordability problem and this should be reflected in our measure.



C

For families who have access to child care subsidies (typically based on low family income), the cost of child care should deduct whatever financial assistance they receive from the child care subsidy program. The same goes tax credits - for families in provinces (such as Ontario) who are eligible for a refundable tax credit for child care expenses. This tax credit is a program that is intended to lower the parental fee for child care services, so the amount of the tax credit payment should be subtracted from the cost of child care used in our affordability measure.

D

The Child Care Expense Deduction allows the lower earner in a family to deduct child care costs before calculating taxes owed. By changing taxes owed, it affects the after-tax income of the family, so it affects the denominator of the affordability ratio. Ever since 1972, the Child Care Expense Deduction has been a way of defining what income should be taxable and what income should not. The Child Care Expense Deduction was a response to the analysis in the 1970 Royal Commission on the Status of Women which wrote: "... expenses for the care of children or other dependants are denied to a working mother as a legitimate deduction from her gross salary or wages. Under the present system, the wife who works outside and has one or more dependants who require care pays a tax on earnings out of which she has to pay for child-care. Since the couple must pay for child-care services out of net income, after payment of income tax, a working mother has to earn a substantial salary if her working outside is to be financially more profitable than the value of her services in the home." (p. 292). The Child Care Expense Deduction affects the after-tax income of the family – it is an element of fair taxation of working parents. Therefore, in our calculations, the Child Care Expense Deduction affects family income (the denominator) rather than affecting the cost of child care (the numerator).



Parents may decide to use a relatively low-quality low-fee unlicensed child care provider because they cannot afford the price of higher quality licensed child care.

E

To use technical language, the cost of child care should be calculated *ex ante*, rather than *ex post*. What does this mean? *Ex ante* refers to the situation before an event happens; *ex post* refers to the situation after an event happens. The *ex ante* cost of child care refers to the fees for full-time licensed child care that parents face before they decide whether they can afford to pay these fees. The *ex post* cost of child care refers to the amount that a family actually ends up spending on child care. The *ex post* cost is often much lower than the *ex ante* cost, precisely because parents may decide they cannot afford the full cost of child care. Parents may decide to off-shift with each other so that there is no fee to pay. Parents may decide that one of them has to work part-time so that only a part-time fee needs to be paid. Parents may decide to use a relatively low-quality low-fee unlicensed child care provider because they cannot afford the price of higher quality licensed child care. If we want to measure how affordable or unaffordable child care is, we have to mimic the situation faced by families when they make their child care decisions. That is *ex ante*. The *ex post* calculation reflects the results of unaffordability, but it does not measure affordability.



F

There are, in essence, two public policy reasons why we care about the affordability of child care. One is that the cost of child care might be a barrier to the decision to use this service that is good for children. Parents constrained by affordability may be forced to choose child care of less than optimal quality for their children. The second is that the cost of child care might be a barrier to parental/mother's employment. In this paper, we focus on child care costs as a barrier to employment. The measure we use is called the Caregiving Parent Affordability Measure (or CPAM for short). This measure compares the cost of child care to the CHANGE in net family income when the caregiving parent enters employment.

This paper presents an affordability measure based on a range of typical families²; it measures the ability of these typical families to afford licensed child care services. For instance, we could calculate affordability in Ontario for two-parent families with one 3-year-old child. We could calculate affordability for this family at a range of different income levels, from low-income to high-income. If the family was eligible for child care subsidies (based on income) or child care expenditure tax credits, we would include this in the net cost of child care payable by the family. We could do a similar, but separate, calculation of child care affordability for lone parent families. And, of course, we could calculate affordability for similar families but with different ages or numbers of children.

2 It is possible to apply child care affordability measures to Census data to get an estimate of how many Canadian families can or cannot afford licensed child care services. We did this for Ontario in the Affordability for All report (Cleveland, 2018). That type of calculation is based on the one presented in this paper but is more complicated with some additional procedures.



TERMINOLOGY

In this paper, we will often say things like “the cost of child care eats up over 30% of the caregiving parent’s net earnings”. In more formal language, what we are saying is that the cost of child care takes up over 30% of the net additions to family disposable income that happen when the caregiving parent becomes employed.

Of course, the main part of the change in family disposable income is generally due to her/his employment income. But when this parent becomes employed, there will also be changes in income and payroll taxes for the caregiving parent, changes in child benefits (many of which vary with family income), and changes in the income and payroll taxes of the other parent if this is a couple family.

We use expressions like “changes in the caregiving parent’s net earnings” or “changes in the second earner’s net income” as somewhat simplified ways of describing this underlying complexity.

The Caregiving Parent Affordability Measure

Affordable child care is desirable for numerous reasons, but partly because it facilitates parental employment, especially the decision of the caregiving parent in the family to be employed. We would like to know how big a barrier child care fees are to the employment of the parent who might otherwise stay home full-time to care for young children. For this, we want to compare net child care fees to the extra disposable income that is generated when the caregiving parent takes paid work.

The Caregiving Parent Affordability Measure (CPAM) is trying to answer this question: “What percent of the contribution to a family’s disposable income that comes from employment of the caregiving parent would be eaten up by child care fees in jurisdiction X?” It is a measure of how much child care fees interfere with incentives to be employed – important if governments hope to encourage labour force participation.

The Caregiving Parent Affordability Measure is:

The sum of child care fees for licensed child care (after accounting for subsidies and refundable tax credits) over all the children in the family (divided by) the change in total disposable family income when the Caregiving Parent is employed, rather than not employed.

In other words, it is the share of the Caregiving Parent’s contribution to family income that is eaten up by the cost of child care in order to support employment.

Child care affordability is influenced by parental incomes, by taxes or benefits that reduce or increase the disposable income of the family, by the numbers and ages of children in the family. And, of course, it is affected by the level of child care fees, the eligibility for and availability of child care subsidies, and various public programs or funding mechanisms that may lower the net price of child care the family has to pay.

There is an alternative measure of child care affordability, which we do not discuss here. Sometimes called the Family Income Affordability Measure, it compares the cost to the family of its child care to overall disposable income (after-tax income) of the family. It is the percent of disposable family income this family would need to spend to access licensed child care for its young children. That measure of child care affordability is less closely related to parents’ employment decisions, but is more closely related to the quality of care that families can afford to purchase when parents go out to work.

In this paper, we measure child care affordability for “typical” families at different levels of income. We focus on two-parent families because their child care problem is relatively neglected. It

Table 1: Typical Daily and Annual Full-Time Fees for Centre Child Care in Ontario, Alberta, and Manitoba

Province	Daily Infant Fee	Annual Infant Fee	Daily Fee for 3 yr old Preschooler	Annual Fee for 3 yr old Preschooler
Ontario – median	\$66	\$17,160	\$47	\$12,220
Alberta – Calgary	\$62	\$16,200	\$50	\$12,900
Alberta – Edmonton	\$51	\$13,200	\$40	\$10,500
Manitoba	\$30	\$7,800	\$20.80	\$5,408

Sources: Ontario median fees from Ministry of Education Ontario, 2020. Calgary and Edmonton fees from Macdonald and Friendly, 2020. Manitoba has a system of set fees for (nearly) all centres.

would be simple to model families with different numbers and ages of children, but for simplicity we concentrate on couple families with two children – one an infant and the other of preschool age (1 and 3 years of age).

In order to do the modelling, we need to make assumptions about the amount of income earned by each parent. Following the assumptions made by the OECD (OECD, 2019) in comparing child care affordability across countries, we will assume that the second earner in the family (who we call the Caregiving Parent) will earn 2/3rds of the amount earned by the first earner, or 40% of household earnings. So, if total family

income (before tax) is \$50,000, we will assume that the first earner earns \$30,000 and the second earner earns \$20,000. The caregiving parent can be either sex; given current income distributions, she is more likely to be female.

Calculations for this paper were programmed in Stata-17 and the Canadian Tax and Credit Simulator (Milligan, 2021) was used to calculate taxes and benefits in different provinces. Table 1 provides information on the median fee levels that were used as typical of each jurisdiction.

CHILD CARE AFFORDABILITY IN ONTARIO



If you are not eligible for a child care subsidy in Ontario, or you can't access a subsidy even though you are eligible, child care is startlingly unaffordable. The charts below show current levels of child care affordability at different levels of before-tax income in Ontario. We focus on one particular family type – couple families with two young children – one an infant, and the other a preschooler. And we focus on measuring child care affordability as it affects the decision of the lower earner in the family to be employed or not. Not only do these charts show current affordability, but they also measure what affordability would look like if child care were available for \$10 a day per child.

Affordability is affected by many things – by the underlying cost of producing child care services, by operating funding that the province provides, by the child care subsidy program that each province has, and by the refundable tax credit for child care expenses that exists in Ontario. All of these factors affect the number of dollars parents must pay for child care. There are also a host of factors that affect the amount of income that families have available. When the lower earner

in the family enters the work force, it changes the amount of income the family has available, but in complicated ways. When the lower earner enters the work force several things happen. S/he earns income, but s/he also has to pay income tax and Employment Insurance premiums and Canada Pension Plan premiums. And the higher earner in the family will no longer be able to claim the lower earner as a dependent, so the higher earner's taxes will rise. And child benefits will change. There is a federal Canada Child Benefit but there are also provincial child benefits. As the income of the family rises when the lower earner enters the work force, the amount of child benefits going to the family will fall. Measured child care affordability has to take into account this complicated set of changes in the cost of child care for parents and changes in disposable family income.

Caregiving Parent Affordability is a measure of the size of the barrier to employment created by the cost of child care. This measure of affordability compares the cost of child care to the extra income the family gets when the caregiving parent enters employment. More formally, it measures the



percent of the change in after-tax after-benefit family income that is used up paying for child care when the caregiving parent moves from being out of employment to being employed and earning an income.

Charts 1 shows us child care affordability in Ontario in three possible situations:

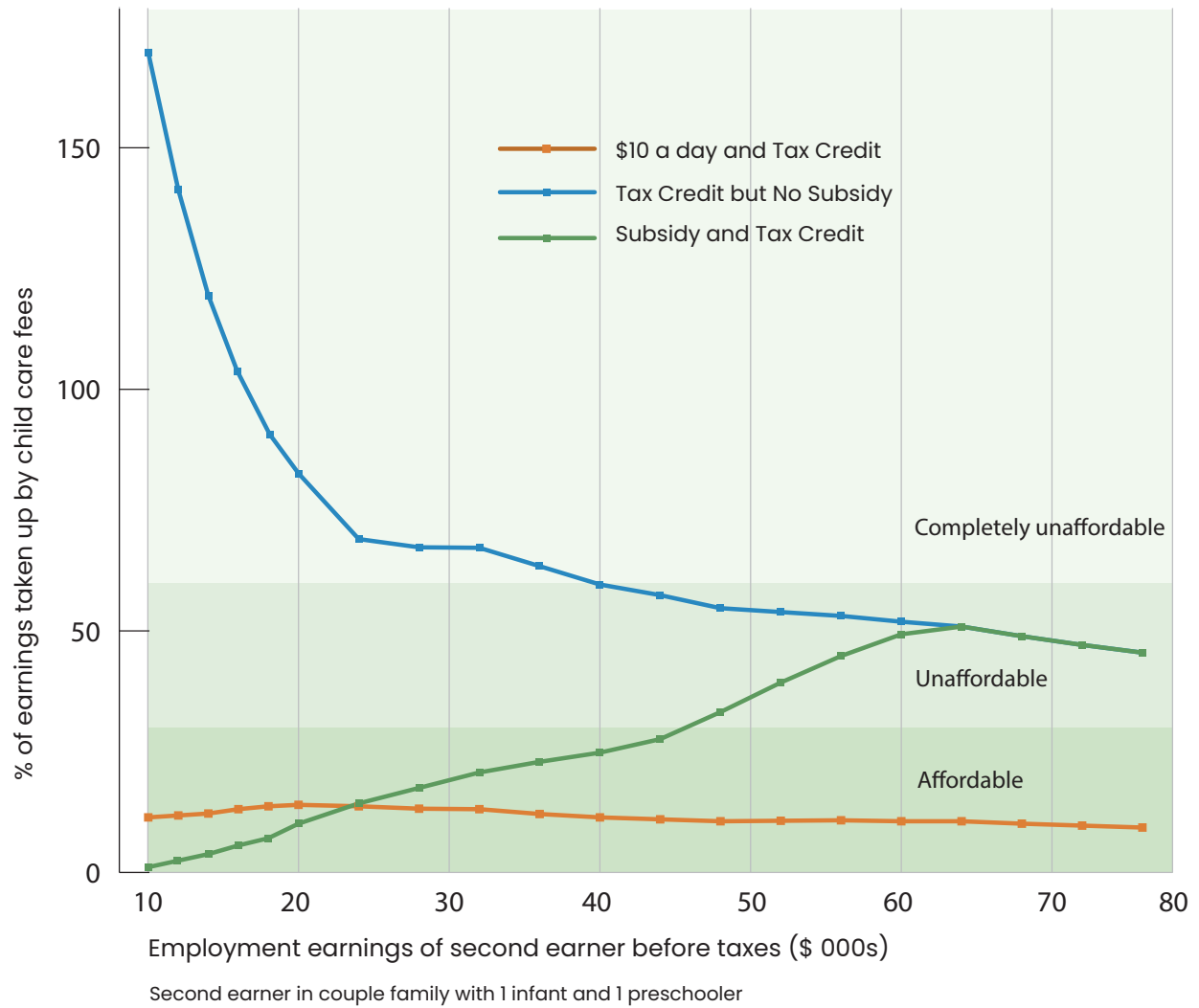
1. Current child care fees with parents receiving the full amount of child care subsidy they would be eligible for, and also claiming the Ontario Child Care Tax Credit;
2. Current child care fees with parents unable to access child care subsidy but receiving the Ontario Child Care Tax Credit;
3. Child care available at \$10 a day per child, and parents also claim the Ontario Child Care Tax Credit.

This range of situations allows us to develop several key insights:

- child care subsidies can be crucial to improving child care affordability (and their absence can make child care unaffordable);
 - the \$10 a day program could have a dramatic impact in improving child care affordability, and
 - if the average fee of \$10 a day is achieved by means of a flat fee, child care may still be unaffordable for low income families
- the child care cost barrier to employment of the caregiving parent in Ontario can be very large;

Chart 1: Ontario Couple Families – Caregiving Parent Affordability Measure

If a parent returns to work, how much of the change in after-tax income is taken by child care fees?



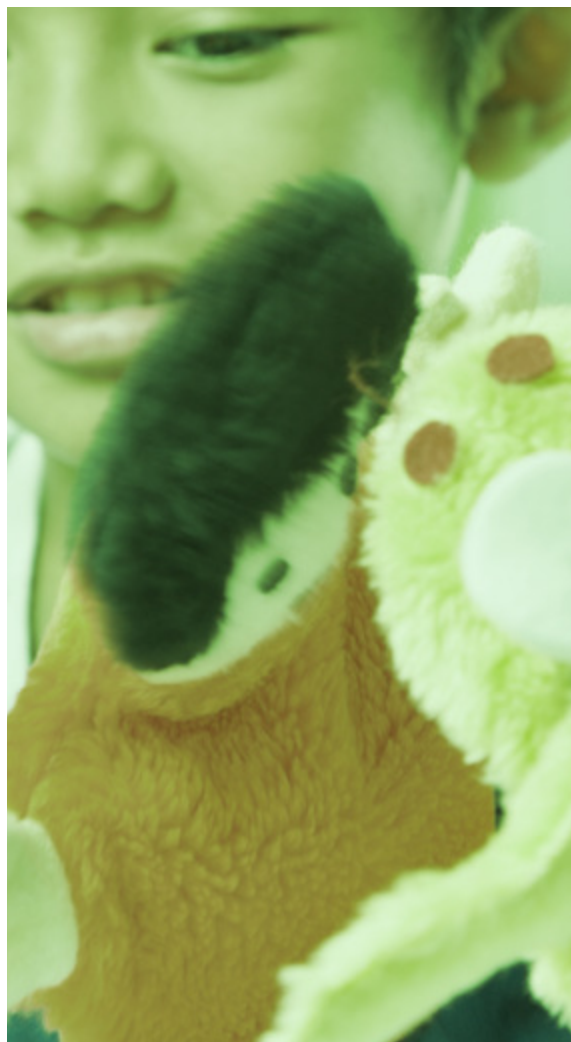
Affordability in Ontario – The General Picture

Each year, Ontario publishes median fee levels in child care centres for Ontario as a whole. In 2019, these median daily fee levels for full-day care were \$66 for infants, \$54 for toddlers, \$47 for preschoolers, and \$42 for kindergarten children (Ministry of Education Ontario, 2020). Before and after school care for kindergarten children had a median fee level of \$25 per day. We use these median fee levels to reflect the typical cost experience faced by Ontario parents.

Of course, there is considerable variation in fee levels across different parts of Ontario. In 2018 (Cleveland, 2018), we found that median daily fees were very different in the six different regions of Ontario. Median daily infant fees varied from \$51 in the North to \$85 in Toronto. Median toddler fees varied from \$42 in the North to \$66 in Toronto. Median daily fees for preschool children varied from \$38 in the North to \$52 in Toronto. Thus, using Ontario-wide median fees will understate the affordability problem for some Ontario families and overstate it for others. Nonetheless, we use median Ontario-wide fees as the best option for our affordability calculations.

Chart 1 is very useful in summarizing a large amount of information relatively simply. For those who wish to see the details behind this chart, the underlying data is provided in Tables A-1, A-2, and A-3 in Appendix A.

There are three lines on Chart 1. The green line measures child care affordability if couple





families with two young children receive a child care subsidy along with claiming the Ontario expenses tax credit. The blue line measures child care affordability if they are unable to get a child care subsidy, but can claim the tax credit. The orange line shows affordability if child care is available at \$10 a day, and the tax credit system stays in place.

What is important to notice with this chart is the “height” of these lines. In our study *Affordability for All: Making Licensed Child Care Affordable in Ontario* (2018), we proposed that a Caregiving Parent Affordability ratio of 30% or less could be considered as affordable. In other words, if the net cost of child care is a small percentage - 30% or less - of the increase in family income generated when the caregiving parent enters employment, we will consider this child care cost to be affordable. According to that study, a Caregiving Parent Affordability ratio between 30% and 60% would be unaffordable and over 60% would be completely unaffordable.

We know that child care and employment decisions are highly sensitive to both child care costs and the after-tax after-benefit gains that caregiving parents earn. Our analysis of the behaviour of Canadian families using Statistics Canada’s *Survey of Young Canadians* confirms this. Changes in both the numerator and denominator of the Caregiving Parent Affordability Measure are closely related to parental employment. We found that the mothers’ employment was quite sensitive to the net cost of child care – when the cost of child care falls by 10%, mothers’ employment would typically rise by about 2.3%, with particularly large impacts on full-time employment. And we found that a rise in mother’s after-tax income of 10% would generate increased employment of 5.0%.

However, these percentage thresholds (30% and 60%) are not scientifically established as specific cut-points. With this caveat, we can use this terminology – affordable, unaffordable, completely unaffordable – as a convenient way of describing what we see on these charts.

Affordability in Ontario – The Details

You can't fully understand the child care affordability picture in Chart 1 without understanding some details of Ontario's current child care funding system. There are three parts of relevance to our story – operating funding (operating grants and wage enhancement grants), child care subsidies and Ontario's refundable tax credit for child care expenses.

OPERATING FUNDING

Operating grants and wage enhancement grants are the hidden secret of child care affordability in Canada. Most parents are unaware of the role that these grants play in lowering the fee levels that parents have to pay, but these are substantial. In Ontario, for instance, in 2018-19, the provincial allocation for operating and wage enhancement grants was \$725 million and another \$125 million went in grants for provision of child care to children with special needs. The total of these grants was about 45% of the entire provincial spending amount on child care. All of these grants act to lower the proportion of child care costs that has to be covered by parent fees, so they play a big role in child care affordability.

CHILD CARE SUBSIDY

The modern origins of child care subsidy systems across Canada lies back in the 1960s when U.S. President Lyndon Johnson announced a “War on Poverty” and Canada followed suit with major federal funding for welfare and social services designed to reduce poverty and the impacts of poverty. The major federal program in Canada was known as the Canada Assistance Plan (CAP). Under CAP, child care subsidies for families in poverty or likely to be in poverty without these subsidies were cost-shared on a 50/50 basis between federal and provincial governments, with Ontario requiring that municipalities kick in part of the provincial share. The federal government established criteria for this funding; broadly, the recipients of child care subsidies had to prove that they had very low incomes and that they were going to use the child care subsidies to permit the parents to engage in activities (employment or training) that were likely to lift the family out of poverty.



The Canada Assistance Plan ended in the late 1990s and federal funding for social and welfare services was rolled into a block grant called the Canada Health and Social Transfer. However, child care subsidy systems in Canadian provinces and territories are still marked by their “welfare” origins. There are both income criteria and employment/training criteria for eligibility for child care subsidies in Ontario as in most other provinces. Children and families with special needs may also be eligible. The subsidy application process is bureaucratic and opaque rather than simple and transparent. In Ontario, subsidy applications are administered by municipal authorities; there are 47 municipal social service managers across the province. Child care subsidies are based on net family income (line 23600 on last year’s income tax forms for the family). The Canada Child Benefit is not included as income for subsidy eligibility.

Until 2006, Ontario had a “needs” test for child care subsidy – eligible families had to prove that their regular expenditures were so high that they were incapable of purchasing licensed child care. Since, 2006, Ontario – similar to other provinces and territories with child care subsidy – has had an “income” test for child care subsidy.

There is no minimum parental co-payment fee in Ontario. If the family annual net income is less than or equal to \$20,000, the family will pay nothing for its child care fees for all children. If the family annual net income is above \$20,000 but less than or equal to \$40,000, the family will pay 10% of this “extra” income for child care for all of its children. If the family annual net income is above \$40,000, the family will pay \$2,000 plus 30% of the income above \$40,000 for child care up to the full parent fee.

Table 2 shows some key dimensions of the child care subsidy system and the refundable tax credit for child care expenses in Ontario.

Table 2: Details Relevant to Ontario's Child Care Subsidy and Refundable Tax Credit Programs

	Child care subsidy	Ontario Child Care Tax Credit
Administered by	Municipalities	Province
Income definition used to define eligibility	Net Income – i.e., Line 23600 on last year's income tax records, summed over all earners.	Adjusted family income – take line 23600 of income tax form summed over all parents, but add eligible child care expenses back in
More details on income definition	Using line 23600 means that deductions for EI, CPP, CCED, employee pension and RRSP contributions are permitted.	In other words, deductions for EI, CPP, employee pension and RRSP contributions are permitted, but not the deduction for child care expenses
More details on income definition	Note that the Canada Child Benefit, Social Assistance Income and GST/HST rebates are not included as income on the tax form	Note that the Canada Child Benefit, Social Assistance Income and GST/HST rebates are not included as income on the tax form
Maximum benefit	Families with net income less than or equal to \$20,000 will receive child care services for free if they are able to obtain a subsidy (not guaranteed; depends on available funding in the municipality).	Families with adjusted family income less than or equal to \$20,000 will receive compensation for 75% of their child care expenses up to a maximum of \$8,000 annually for children < 7 years and \$5,000 7-14 years. However, the maximum amount claimable over all children must not be more than 2/3rds of the income of the lower earner in the family. This latter restriction will reduce benefits for many low-income families. Tables A-1 and A-2 in Appendix A show cases where the maximum benefit of the tax credit is received at a family income of \$90,000 in one case and \$60,000 in the other.
Benefits for other families	For families with family net income above \$20,000, they will pay 10% of their income above \$20,000 up to an income of \$40,000. If family net income is above \$40,000, they will pay \$2,000 plus 30% of income above \$40,000 until the full unsubsidized child care cost is reached.	The percentage compensation offered by the tax credit falls as family adjusted net income rises. Details are available at https://www.ontario.ca/page/ontario-child-care-tax-credit . Families with adjusted net income greater than \$150,000 are not eligible for the tax credit.
Quality Issues	Subsidies are administered by municipalities. Municipalities will sign purchase-of-service agreements with licensed child care providers that meet certain criteria established by municipalities, including reporting, quality inspections, and being monitored by municipal authorities in many cases.	The Ontario Child Care Tax Credit is available for any child care arrangements that support parental employment (and in some cases education). These arrangements may be licensed or unlicensed and there are no monitoring or reporting requirements for service providers.



Table A-1 in Appendix A shows the amount of fee that a fully- or partially-subsidized family will need to pay in order to access licensed child care that is priced at the median fee level. The full (unsubsidized) fee level in Ontario is higher than in other provinces. However, Ontario's subsidy system (with some assistance from the tax credit) does a better job reducing these fees for subsidized families than other provinces. For instance, in Ontario, subsidized couples with two children will pay less than \$5,000 annually for child care at \$70,000 of income. A similar subsidized family in Alberta (Calgary) will pay nearly \$20,000 annually for child care. A similar family in Manitoba will already have an income level that is too high for any subsidy assistance, so the family will pay the full set fee of \$13,208 annually.

Ontario's child care subsidy system is potentially generous. As you can see on Table A-1 in Appendix A, full subsidy is only available up to \$20,000 of family income, but partial subsidy continues well beyond this income level. As a result, if a couple family can access all of the child care subsidy to which they are potentially eligible, child care can be affordable. In fact, the Caregiving Parent Affordability Measure is below 30% - affordable - up to \$110,000 of family income (\$44,000 of employment earnings for the second earner).

In fact, partly due to inadequate funding of the subsidy system, few couple families in Ontario receive child care subsidies; the majority go to lone parent families³. If a couple family with two children in Ontario is not receiving subsidy, child care will always be unaffordable and if the

3 Ontario's Early Years and Child Care Annual Report for 2020 tells us that fully 75% of the children receiving subsidies in Ontario are in families with annual income of \$40,000 or less. Most couple families with children 0-12 years of age in which mothers are employed (92%) earn more than \$40,000. Modelling for the Affordability for All report in 2018 suggested that about 2/3rds of child care subsidies in Ontario go to children from lone parent families.



second earner earns less than about \$40,000, it will be completely unaffordable. In other words, a large proportion of the extra income generated by the employment of the second earner in the family will be consumed by the costs of child care. There will be only modest income gains from employment.

According to recent Ontario figures, about 30% of children using licensed child care in Ontario receive child care subsidies and about \$880 million of the total annual budget of \$1.89 Billion goes to paying for subsidies (about 46% of the total in 2018-19). Over 90% of Ontario's subsidies go to families with incomes of \$60,000 or below.

The amount of money available for child care subsidies in each municipality is limited by provincial allocations and municipal decisions. Families can be eligible for child care subsidies but not able to receive them because of a lack of available funding. Municipalities sign “purchase-of-service” agreements with local licensed child care centres and licensed home child care agencies who are willing to accept subsidized children and are willing to fulfill reporting and quality requirements enforced by the municipality. Subsidies can only be used in these local facilities with purchase-of-service agreements. In Toronto, for instance, about 2/3rds of all child care centres have purchase-of-service agreements and can therefore enrol subsidized children.

REFUNDABLE TAX CREDIT FOR CHILD CARE EXPENSES

At the time of the 2018 provincial election, the Wynne Government had promised enhanced direct funding in order to provide universal free licensed child care for all children 2 ½ - 4 years of age. To counter this, Doug Ford's Conservatives promised a refundable tax credit for child care expenses, similar to one offered in Quebec for children enrolled in child care outside the "low-fee" system (currently \$8.50 per day). As a result, Ontario now has a tax credit known as the Ontario Child Care Tax Credit. It pays back to families a portion of the amounts spent on eligible child care in the previous year up to a limit; this payment comes when families pay their income taxes, but the credit does not affect the amount of taxes paid. Any type of work-related or training-related child care expenditure that is eligible for the Child Care Expense Deduction (CCED) is eligible for this refundable tax credit. As implemented, this Ontario tax credit is considerably less generous than the Quebec tax credit.

In Quebec, this tax credit has been highly favourable to the growth of for-profit child care (Fortin, 2017).

These types of expenditures are eligible for Ontario's tax credit (the eligibility rules are similar to those for the Child Care Expense Deduction):

- regulated or unregulated caregivers providing child care services
- nursery schools and licensed child care centres
- boarding schools, overnight sports schools or camps where lodging is involved
- educational institutions (for the part of fees that relate to child care only)
- day camps and sports schools where the primary goal of the camp is to care for children

In Quebec, this tax credit has been highly favourable to the growth of for-profit child care

Ontario's tax credit for child care expenses has a peculiar structure, because it is piggy-backed on the calculation made of eligible child care expenses on the federal tax form (i.e., the Child Care Expense Deduction). Ontario's tax credit will compensate families for some of their child care expenses, with the percentage being based on the amount of pre-tax family income. So, for instance, a family earning \$20,000 or less will have 75% of its allowable expenses compensated.

However, the devil is in the details. The "allowable expenses" are based on (i.e., identical to) the amounts allowable under the Child Care Expense Deduction. But the amount allowable under this deduction is based on the income of the lower-earning spouse in the family (with some exceptions). The amount claimed under the Child Care Expense Deduction cannot exceed 2/3rds of

Table 3: Ontario Child Care Tax Credit rate calculation

Family income	Rate calculation
Up to \$20,000	75%
Greater than \$20,000 and up to \$40,000	75% minus 2 percentage points for each \$2,500 (or part of) above \$20,000
Greater than \$40,000 and up to \$60,000	59% minus 2 percentage points for each \$5,000 (or part of) above \$40,000
Greater than \$60,000 and up to \$150,000	51% minus 2 percentage points for each \$3,600 (or part of) above \$60,000
Greater than \$150,000	0%

the income of this lower-earning spouse. This means that Ontario's tax credit is not based solely on family income but is also affected by the share of that income earned by the lower earner.

The maximum amount of eligible expenditures is \$8,000 for children 0-6 years of age inclusive, and \$5,000 for children 7-16 years of age. For children with a severe disability, an annual child care expenditure of \$11,000 is eligible. As a point of reference the median annual child care fee for an infant in Ontario is over \$17,000 and the median annual child care fee for a child of preschool age (2.5 – 4 years) is over \$12,000.

The amount you could receive multiplies the Ontario Child Care Tax Credit rate (based on your family income) by the eligible amount of your child care expenses. The percent of child care expenses covered declines continuously with family income. The tax credit can cover as much as 75% of child care expenses for employment/education purposes, but only for families with total annual income up to \$20,000. At \$40,000 of income, a family could have up to

59% of its child care costs covered. At \$50,000, a family could have up to 55% of its child care costs covered. At \$60,000, a family could have up to 51% of its child care costs covered. Of course, child care costs per child are often more than the maximum amounts covered by this tax credit, so the percent of costs actually covered is frequently less than the amounts stated here. Families with income over \$150,000 are not eligible for any financial assistance with child care costs. On a one-time basis, there is an automatic top up of 20 per cent of the credit entitlement for the 2021 taxation year.

Tax Credit Example: In 2020, you earned income for the year was \$12,000 and your spouse earned \$18,000. Your family income is \$30,000 and to simplify the example, we will assume that this is your family's adjusted net income. At this income level, you can, according to the government's website, claim 67% of eligible child care expenses. Let us assume that your child care costs would be \$29,000 for your two children ages 1 and 3.



Ontario's tax credit is not based solely on family income but is also affected by the share of that income earned by the lower earner.

You might think that the amount of tax credit assistance you will receive would be $\$29,000 \times 67\% = \$19,430$. But this is not true.

The maximum you will be able to claim for the tax credit would be the lesser of:

- $\frac{2}{3}$ of the earned income of the lower-earning spouse, i.e., $\$12,000 \times (\frac{2}{3}) = \$8,000$
- Maximum claimable amount i.e. $(\$8,000 \times 2) = \$16,000$
- Actual amount paid i.e., $\$29,000$

In this case, you'll be able to claim a total of \$8,000 in child care expenses. Your tax credit would amount to \$5,360 (which is 67% of \$8,000). Because of these rules, the percent you are able to receive from the tax credit is 18.5%, rather than the stated rate of 67%.

CHILD CARE AFFORDABILITY IN ALBERTA



Alberta has now signed a funding agreement with the federal government to reduce parental child care costs and move towards an average fee of \$10 a day. We analyze the current Alberta system below and compare it to the proposed reforms.

Alberta plans to achieve an average fee of \$10 a day with a combination of operating funding to lower all fees and an extended subsidy system covering families earning up to \$180,000 with a sliding scale of financial assistance. The main details of their plan are now public (<https://www.alberta.ca/federal-provincial-child-care-agreement.aspx>). Our chart models the effect of these proposed reforms for a two-child two-parent family living in Calgary and in Edmonton.

According to Macdonald and Friendly (2020), the current median monthly fee for centre care in Calgary is \$1,350 and in Edmonton is \$1,100. The corresponding monthly fee for children of preschool age is \$1,075 and \$875. As a result, the median full-time annual child care fee for a family with one infant and one preschooler in Calgary would be \$29,100. In Edmonton, this same full-time annual fee would be \$23,700.



Affordability in Alberta - The General Picture

Chart 2 is very useful in summarizing a large amount of information relatively simply. For those who wish to see the details behind this chart, the underlying data is provided in Tables B-1, B-2, B-3 and B4 in Appendix B.

There are four lines on Chart 2. The green line measures child care affordability for a couple family with two young children in Calgary. In Alberta, the current child care system is not generous financially, but subsidies are available to all eligible families (unlike in Ontario). Therefore, the green line presumes that families with income low enough to be eligible for subsidy do actually receive one. The blue line measures child care affordability for a couple family with two young children in Edmonton.

The orange line shows affordability in Calgary for this two-child family when the announced changes to operating funding and the subsidy system take place. The purple line makes the same calculations but for Edmonton.

As Chart 2 shows us, the current situation is that, in both Edmonton and Calgary child care is always unaffordable for a couple family with two young children, even for families that receive subsidy. With variation according to income, child care costs in Edmonton consume from about 40% to 90% of the new income from employment of the second earner. With variation according to income, child care costs in Calgary will consume from about 50% to over 100% of this extra income. We can conclude that the barriers to parental employment are very

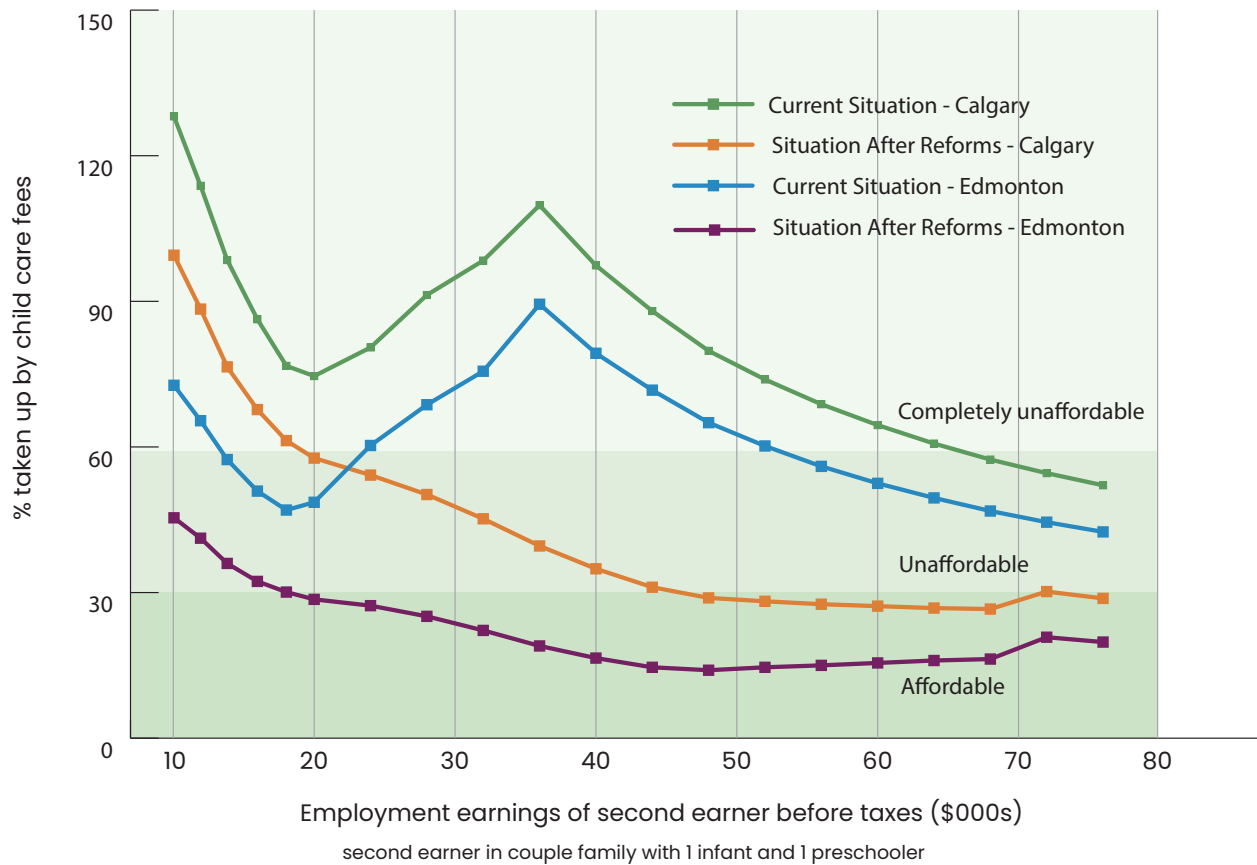
substantial for this type of family in Alberta. To use our adopted terminology, child care is always unaffordable for couple families with two children in Alberta, and at many income levels, child care is completely unaffordable, especially in Calgary.

On Chart 2, up to \$36,000 of income for the caregiving parent (\$90,000 of family income), families are assumed to access child care subsidies to reduce the cost of child care that parents pay. As described in more detail below, child care subsidies in Alberta do not cover the true costs of licensed child care, leaving a considerable residual that parents have to pay, no matter whether their income is low or not. In Calgary for a family with two young children, employment will do very little to boost after-tax income; 75% and more will be consumed by child care costs for families receiving subsidy. In Edmonton, lower child care fees means that subsidy covers a larger percentage of child care costs, but still about 50% or more of the income gains from employment will disappear into paying for child care.

The orange line shows the impact of proposed reforms in Calgary. It's a sobering picture. Given the current high level of child care fees in Calgary, the new operating funding and child care subsidy will still leave a substantial fee for parents to pay, especially for families earning less than \$100,000 (i.e., with the lower-earner in the family earning less than \$40,000. All of these couple families with two young children in Calgary will still have to pay more than 30%

Chart 2: Alberta Couple Families – Caregiving Parent Affordability Measure

If a parent returns to work, how much of the change in after-tax income is taken by child care fees?



of the net earnings of the second earner to pay for child care. Child care for these families remains unaffordable. And, for families earning less than about \$50,000 (where the lower earner earns less than \$20,000), the cost of child care would eat up 60% and more of his/her net income. For these families, even after the proposed Alberta reforms, there is little incentive to be employed.

Affordability in Alberta – The Details

OPERATING/WAGE ENHANCEMENT GRANTS

Alberta provides wage top-up funding of between about \$2.00/hr and \$7.00/hr to child care programs for certified early childhood educator employees. Amounts vary according to qualification level (from 45 hours of training up to a two-year college ECE program. There is an operating grant program that provides financial support for the additional cost of caring for infants and one that supports staff wage levels in northern Alberta communities. In Alberta in 2018-19, the provincial allocation for operating and wage enhancement grants was \$150 million. The total of these grants was nearly 50% of the entire provincial spending amount on child care. These grants act to lower the proportion of child care costs that has to be covered by parent fees.

CHILD CARE SUBSIDY

Alberta's current child care subsidy program shares some features with Ontario's child care subsidy plan, but there are many differences. In common with Ontario, eligibility is based on family income and there are "social" criteria as well as financial ones. Broadly, these social criteria require a family to show that parents are employed or engaged in education or training that prepares them for work. The subsidy system also covers children with special needs or those referred based on particular family situations or child needs.



Distinct from Ontario, the Alberta child care subsidy system is administered provincially, not municipally and subsidy assistance is not limited by the amount of annual provincial budget allocation. In other words, Alberta's child care subsidies are available as a right to all those eligible who apply. Further, Alberta subsidies are based on total family income rather than net income after deductions.

There are numerous features that make Alberta's child care subsidy system less generous than Ontario's. First of all, subsidy amounts in Alberta are child-based rather than family-based. Second, Alberta sets a maximum amount that the government will pay for care per child, whereas Ontario sets a maximum that the family will have to pay.

For instance, a family earning \$40,000 in Ontario (assume for simplicity that there are no deductions) would have to pay \$2,000 for their licensed child care, independent of the number

of children using child care in the family. If the family had two children each facing annual child care fees of \$12,000, Ontario would pay \$22,000 of the fee and the family would pay \$2,000. A family earning \$40,000 in Alberta would receive a maximum of just less than \$8,900 for each child (the amount would depend on children's ages), and the family would be responsible for over \$6,200 of the total child care costs. If the market-based fees were higher than the \$12,000 annual amount, the extra cost would fall on the family in Alberta. In Ontario, extra costs would be paid by the subsidy system⁴.

Alberta's child care subsidy rules were revised in 2021 with new income thresholds for eligibility and new subsidy amounts. The rules state the maximum amount of subsidy per child a family may receive based on the sum of gross (i.e., pre-tax and with only education and medical-related deductions) incomes (line 15000 of the income tax form) of the parents. Families with income above \$90,000 are not eligible for child care subsidy.

4 Individual municipalities in Ontario may set limits on the fee levels that child care subsidies will cover.

Table 4: Monthly Child Care Subsidy Rates in Alberta 2021
(If attending 100 hours or more per month)

Pre-tax family income	Infant (18 mo and under) in centre care	Preschool (19 mo – Grade 1) in centre care	Infant (18 mo and under) in family child care	Preschool (19 mo – Grade 1) in family child care
\$0-\$49,999	\$741	\$644	\$614	\$516
\$50,000-\$54,999	\$704	\$612	\$583	\$490
\$55,000-\$59,999	\$630	\$547	\$522	\$439
\$60,000-\$64,999	\$556	\$483	\$461	\$387
\$65,000-\$69,999	\$482	\$419	\$399	\$335
\$70,000-\$74,999	\$408	\$354	\$338	\$284
\$75,000-\$79,999	\$333	\$290	\$276	\$232
\$80,000-\$84,999	\$259	\$225	\$215	\$181
\$85,000-\$89,999	\$185	\$161	\$154	\$129
\$90,000 and above	\$0	\$0	\$0	\$0

Note: Attendance at part-time programs generate a subsidy of \$125 per month at all income levels

The maximum monthly amounts of subsidy for centre-based care by child's age group and by family income are shown in Table 4. Rates for home child care are lower, as shown in the table. Preschool programming (part-time or part-week) is not eligible for child care subsidy. Subsidy amounts are well below the level that would cover child care fees, even for the lowest-

income families. As we can see on Chart 2 and in Appendix B, a couple family having an infant and preschooler and earning less than \$50,000 in Calgary should expect to pay \$12,480 annually for their child care even if that family receives a “full” child care subsidy. With income above \$50,000, they would pay more.

Table 5: Details Relevant to Alberta's Child Care Subsidy Program

	Child care subsidy
Administered by	Province
Income definition used to define eligibility	Total Income – i.e., Line 15000 on last year's income tax records, summed over all earners.
More details on income definition	Using line 15000 means that deductions for EI, CPP, CCED, employee pension and RRSP contributions are NOT permitted. Deductions for education expenses and medical payments are permitted, but will not affect most families. Note that the Canada Child Benefit, Social Assistance Income and GST/HST rebates are not included as income on the tax form
Maximum benefit	Families with total family income less than \$50,000 will receive a full child care subsidy, but the subsidy system covers much less than the full typical cost of licensed child care in Edmonton or Calgary. As a result, even at maximum benefit, subsidies do not make child care affordable for a couple family with two children.
Benefits for other families	The amount of subsidy paid diminishes beyond a family income of \$50,000 in steps until subsidy disappears beyond \$90,000 of family income.
Quality Issues	Subsidies can be used in any licensed child care centre or licensed family home. There is no special monitoring of facilities that provide subsidized child care services.

To be eligible for subsidy, parents must be:

- citizens of Canada or permanent residents
 - residents of Alberta
- and, either:
- working, or looking for work
 - attending school

- have special needs, or have a child with a special need needing child care

Spending on child care subsidies in Alberta in 2018-19 was about \$150 million – approximately half of total provincial spending on child care.



FUNDING CHANGES IN THE NEW CANADA-ALBERTA EARLY LEARNING AND CHILD CARE AGREEMENT

Alberta will soon have a set of operating grants designed to lower child care fees across the province - \$635 a month for infants, \$510 a month for toddlers, and \$450 a month for children of preschool age. On top of that, the subsidy system will change substantially. Rather than providing financial assistance per child that ramps up in steps to \$90,000 of family income, there will be a flat subsidy of \$266 a month for all families with income less than \$120,000 annually. Above that income level, the amount of monthly subsidy will decrease as income rises up to \$180,000 where subsidy assistance will end. Just below \$180,000 of income, the monthly subsidy will be \$106 per month.

There are two obvious problems with this funding design. The first is that the financial assistance can be low relative to current fees. In

Calgary, infant fees are already \$1,350 per month and preschool fees are \$1,075 per month. The sum of the new operating grants and maximum subsidy will be \$901 per month for infants and \$776 for preschoolers. That leaves about \$450 per month to pay for every Calgarian with an infant child, and about \$300 per month for every Calgarian with a preschooler.

In Edmonton, infant fees are currently \$1,100 per month and preschool fees are \$875 per month. The sum of the new operating grants and maximum subsidy will be \$901 per month for infants and \$776 for preschoolers. That leaves about \$300 per month to pay for every Edmonton family with an infant child, and about \$100 per month for every Edmonton family with a preschooler.



Another way of putting this same point: even after 2025-26, this couple family in Calgary will be paying nearly \$20 per day per child at most income levels, where the same family in Edmonton will be paying just less than \$10 a day per child.

The second problem is that the financial assistance in Alberta is on a “per-child” basis rather than a “per-family” basis. So, for families with more than one child, the child care fees can be substantial even after the new funding programs kick in.

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CHILD CARE AFFORDABILITY IN MANITOBA



Affordability In Manitoba – The General Picture

Chart 3 is very useful in summarizing a large amount of information relatively simply. For those who wish to see the details behind this chart, the underlying data is provided in Tables C-1, and C-2 in Appendix C.

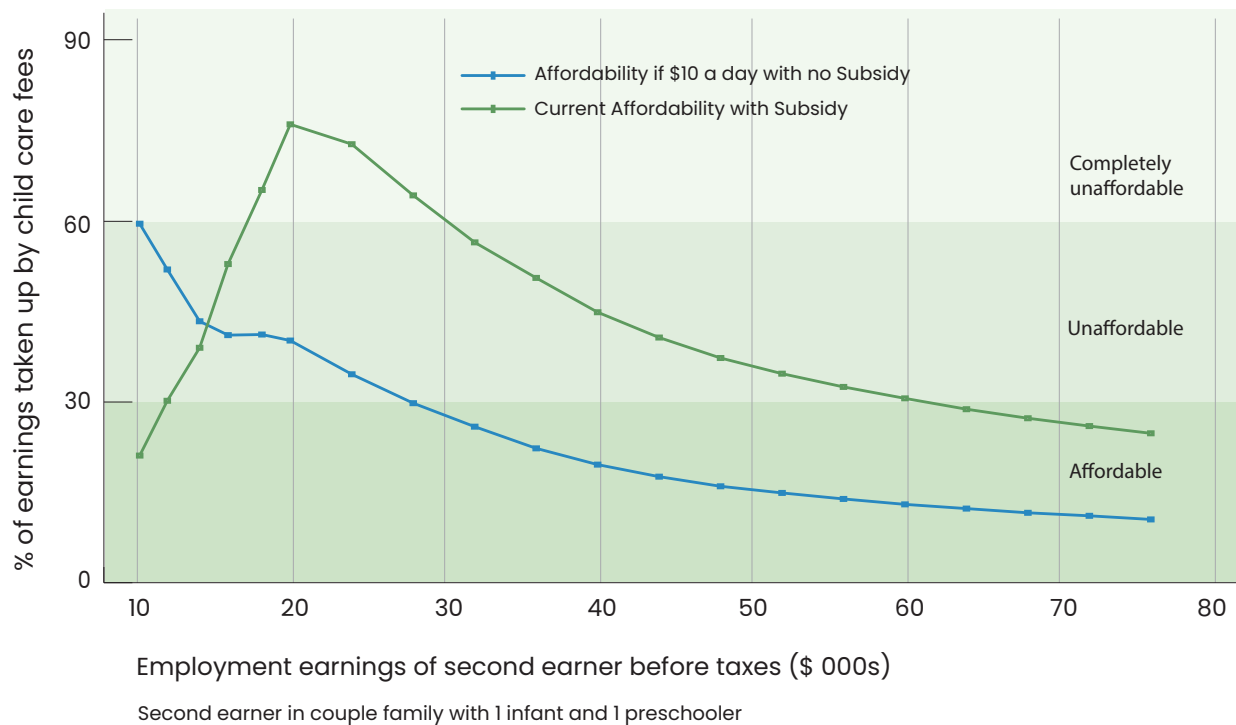
Manitoba has a long-standing reputation for providing lower-cost licensed child care than in many other Canadian jurisdictions. The reputation is based on Manitoba's set-fee system, where, in most circumstances, child care centres and regulated family homes are not permitted to charge daily fees as they like. Instead, the maximum fee level is set (currently) at \$30.00 a day for care of infants in a centre and \$20.80 a day for care of children from 2-5 years of age inclusive in a centre (there are also set fees for family homes and for school age care). At these set fees, parents can purchase a full year of centre-based child care services for \$7,800 for an infant and \$5,408 for a preschooler. These set fees are made possible by the provision of substantial operating grants to centres and family homes. Nearly all

child care providers in Manitoba are not-for-profit centres or self-employed family child care providers.

However, Manitoba's child care subsidy system is very ungenerous – it provides assistance to only very low-income families. The green line on Chart 3 provides estimates of child care affordability for a couple family with two young children – 1 and 3 years of age – in southern Manitoba (the subsidy system is slightly more generous in northern Manitoba). Chart 3 tells us in spite of Manitoba's low-cost reputation, child care costs are likely to be over 30% (i.e., unaffordable) for two-parent two-child families in which the second earner earns less than about \$60,000. It is true that child care subsidies will reduce the bite of child care costs below 30% for a second earner with annual income of \$12,000 or less. However, if the second earner earns \$20,000, she will give up 75% of her earnings contribution in child care costs. And the cost of child care eats up more than 30% of the new employment-generated income out

Chart 3: Manitoba Couple Families – Caregiving Parent Affordability Measure

If a parent returns to work, how much of the change in after-tax income is taken by child care fees?



If a parent returns to work, how much of the change in after-tax income is taken by child care fees?

to \$60,000 of earnings for the second earner (\$150,000 for the whole family). In other words, there is little incentive for the second earner in most couple families with two children in (southern) Manitoba to be employed.

The blue line on Chart 3 shows the situation in Manitoba for a couple family with two young children if there was a new flat fee of \$10 a day (without a subsidy system). Although child care would now be affordable if the caregiving parent's employment earnings are above \$24,000 (\$60,000 of family income), that's not true for families with lower incomes. Without a subsidy system or sliding scale of fees, lower income families would not find child care affordable even if the set fee were \$10 a day. More to the point, the caregiving parent in these low-income families would have little incentive to enter the work force.

Affordability in Manitoba – The Details

OPERATING FUNDING AND FEE CAPS

The Province of Manitoba regulates maximum chargeable fees in facilities that receive operating funding (however, about 1/3 of family homes opt out of funding to charge higher fees; a growing share of new non-profit centres do not get funding and so have started charging higher fees; and no commercial programs can currently be funded, so there is no fee regulation in this sector). The maximum daily centre-based fee for infants is \$30.00, for pre-schoolers is \$20.80 and for school age children is \$10.30. The maximum daily home-based fee for infants is \$22.20, for pre-schoolers is \$18.20 and for school age children is \$10.30 – in homes where the provider is an ECE II or III, centre-based rates can be charged. On a full-time annual basis with 260 days of care, the centre-based parent fee for infants is \$7,800, for pre-schoolers is \$5,408, and for school-aged children is \$2,678.

The annual operating grant received by a centre for infant children is \$11,375 or \$43.75 per day for a 260-day year. The annual operating grant for preschool age children in centres is \$4,180 or \$16.08 per day for a 260-day year. The annual operating grant for

school age children in centres is \$1,664 or \$8.32 per day for a 200-day year (or \$6.40 per day for a 260-day year). The annual operating grant for nursery schools offering one to five sessions per week for 12 months of the year is \$1,045, with \$209 per session for additional sessions per week.

If I sum the maximum parent fee and the operating grant per space on a daily basis (for centre care), the totals are:

- For infants \$73.75 or \$19,175 per year
- For pre-schoolers \$36.88 or \$9,589 per year.

This suggests that operating grants in Manitoba pay nearly 60% of the total cost of providing care for infants in centres, and about 44% of the total cost of providing centre care for children 2-5 years of age. This calculation allows us to see how important operating grants are in reducing fees. It should be noted that the level of operating grants has not kept pace with increasing costs faced by child care providers. As a result, child care providers have been squeezed for resources.

Table 6: Details Relevant to Manitoba's Child Care Subsidy Program

	Child care subsidy
Administered by	Province
Income definition used to define eligibility	Total Income – i.e., Line 15000 on last year's income tax records, summed over all earners in family
More details on income definition	Using line 15000 means that deductions for EI, CPP, CCED, employee pension and RRSP contributions are NOT permitted. Note that the Canada Child Benefit, Social Assistance Income and GST/HST rebates are not included as income on the tax form
Design of subsidy system	There is a parental co-payment of, typically, \$2 a day per child. The "base" income level of the subsidy system (the income level for full subsidy beyond the co-payment) varies according to the number of parents and children in the family. Beyond this full subsidy income level, 25% of additional family income goes to pay for child care up to the base income level + \$5,356 x number of children in child care. Above that income level, 50% of additional income pays for child care until subsidy runs out.
Maximum benefit	A couple family with two children in child care will receive a full subsidy if total family income is below about \$22,500. This family will still pay just over \$1,000 in parental co-payment.
Benefits for other families	The amount of subsidy paid diminishes beyond a family income of about \$22,500 until subsidy disappears beyond about \$50,000 of family income.
Quality Issues	Subsidies can be used in any licensed child care centre or licensed family home. There is no special monitoring of facilities that provide subsidized child care services.



CHILD CARE SUBSIDY



income eligibility levels in Manitoba's child care subsidy system have changed slowly, and not kept up with changes to the cost of living or changes in family incomes. Therefore, the subsidy system now makes many fewer families potentially eligible for child care subsidy than was the case before

In order to access child care subsidies in Manitoba, a family has to qualify on both income and social grounds (i.e., parent employment, parent training, or particular child or family needs). In addition, the family must be able to find a child care spot for their child(ren) and be willing to pay a minimum charge of \$2 per day (\$520 per year) for each child in care. Finding a space, particularly for infant children, is not always easy. However the provincially-administered Online Child Care Registry has recently been abandoned.

Further, over the years, income eligibility levels in Manitoba's child care subsidy system have changed slowly, and not kept up with changes to the cost of living or changes in family incomes. Therefore, the subsidy system now makes many fewer families potentially eligible for child care subsidy than was the case before. The number of children receiving subsidy (the average number in a four-week period) has dropped from 9,600 in



2007 to 6,442 in 2018-19. Subsidies used to cover 41% of the available spaces and now cover only 19% of available spaces.

According to ECEC in Canada 2019, Manitoba spends about \$27 million annually on child care subsidies, which is about 15% of its total spending of \$174 million. These figures are from 2018-19.

To be eligible for subsidy, parents must be:

- Citizens or permanent residents of Canada, living in Manitoba
- working, or looking for work, or
- attending school, or
- have special needs, or have a child with a special need needing child care

Eligibility for child care subsidy depends on pre-tax family income. Legislation permits the Provincial Director of Child Care to base child care subsidies on net income by allowing various deductions from income but apparently none have been implemented. In contrast to

Ontario and Alberta where the income eligibility for child care subsidy is the same across single-parent and two-parent families, Manitoba sets different income limits for subsidy according to the number of parents, the number of children and the cost of care. For a single parent family with one child of preschool age, eligibility for maximum subsidy ceases at \$16,420 and eligibility for partial subsidy gradually diminishes until all subsidy disappears at 28,874. For a one-parent family with two children, eligibility for maximum subsidy ends at \$19,462 and eligibility for partial subsidy disappears at \$44,370. For a two-parent family with one child of preschool age, maximum subsidy ends at \$19,462 and partial subsidy disappears at \$31,916. For a two-parent family with two preschool children, eligibility for maximum subsidy ends at \$22,504 and for partial subsidy ends at \$47,412. This can be contrasted with Alberta where full subsidy is available up to \$50,000 of income and partial subsidy ends at \$90,000 of annual income. However, Manitoba's "full" subsidy covers all but \$520 per year per child, whereas Alberta's "full" subsidy can leave the subsidized parent having to cover many thousands of dollars of child care costs annually.

OTHER AFFORDABILITY MEASURES



Given that the term “affordability” is so prevalent in the discussion of early learning and child care, it is hardly surprising that various measures have been developed for this concept. Most of these measures begin with a common design: affordability is typically seen as a ratio of the cost of child care to some measure of family income or the income of one parent⁵. The differences emerge in the approaches used to define both the numerator and the denominator, as well as in the data chosen to compute the ratio. Our approach is to choose variables for the numerator and denominator that are causally linked to parental decision-making; this ensures that affordability ratios provide meaningful insights about the effectiveness of child care policies.

The OECD, particularly the Directorate for Employment, Labour and Social Affairs, has been active in publishing cross-country comparisons of child care affordability (OECD, 2020; Browne and Neumann, 2017; see also Immervoll and Barber, 2005, and OECD, 2007). The most recent policy brief (2020) uses two metrics, both of which focus on child care costs in relation to mothers’ incomes⁶.

The first metric (Figure 1, OECD, 2020) takes the “net cost of child care” as the numerator and the level of pre-tax earnings of the mother as the denominator. Because the focus for the OECD is on inter-country comparisons, they do not look at the entire range of possible income levels. Instead they look at (1) a mother in a couple family whose full-time employment earnings are

5 In some sense the ratio measures “unaffordability” instead of “affordability”, because increases in that ratio make it increasingly difficult for the parents to purchase child care. We adopt the convention of describing our ratios as affordability measures.

6 The OECD has published and updated other metrics as well. <https://stats.oecd.org/Index.aspx?DataSetCode=NCC> gives the user some alternatives.



at the 50th percentile (median) of the full-time earnings of fully employed women (whether mothers or not) in that country; (2) a mother in a couple family whose full-time employment earnings are at the 20th percentile of the full-time earnings of fully employed women in that country; (3) a lone mother whose full-time employment earnings are at the 20th percentile of the full-time earnings of fully employed women in that country.

Unfortunately, the median income of full-time employed women is not the typical income of full-time employed mothers of young children. Mothers of young children are younger and have less education and job experience than they will later have. So, the median income of all fully-employed women is not representative for this group.

The net cost of child care in this first OECD affordability measure takes the typical cost of centre-based care for a two-year old and a three-year old child together and subtracts the value of child care benefits. The OECD definition of the net cost of child care indicates that “Childcare benefits can be received in the form of childcare allowances, tax concessions, fee rebates and increases in other benefit entitlements.” It is unclear how the OECD calculates the value of some of these benefits (such as provincial child care subsidies in Canada) that depend not just on the mother’s income but on total family income, because the value of income other than the mother’s income is not specified.

This affordability measure answers the question: “What percent of a mother’s pre-tax earnings would be taken up by the net cost of child care (after accounting for all the financial supports linked to child care use)?”

Figure 1 in this OECD publication tells us that, on average across the countries included, the net cost of child care for a middle-income couple family with two young children is 17% of the mother’s pre-tax earnings (although in Canada [Ontario] that number is about 34%). In the large majority of countries, the percent of the mother’s earnings taken up by the net cost of child care is less than this for both the mother in a couple family at the 20th percentile of earnings and the lone mother at the 20th percentile of earnings (described as low earnings). Apparently, in most countries there are forms of child care subsidies, tax credits etc. that are geared to income and reduce the net cost of child care especially for low earning families.



The second OECD metric for child care affordability is based on the change in income⁷ when a mother becomes employed full-time. The denominator of this ratio is (again) the amount of pre-tax income that a mother earns. Two cases are considered across numerous countries (1) a lone mother whose full-time employment earnings are at the 20th percentile of the full-time pre-tax earnings of fully employed women in that country; (2) a mother in a couple family whose full-time pre-tax employment earnings are at the 20th percentile of the full-time earnings of fully employed women in that country.

The numerator of this affordability ratio is the change in taxes, child benefits and child care costs when a mother goes from being outside the labour force without employment to being fully employed. This metric therefore calculates the percent of her pre-tax earnings that will be taken up by an increase in taxation plus the child care costs that are necessary to support employment. If

there is a home care allowance in a particular country, giving families money to care for their own children at home, the loss of this home care allowance is added to the net cost of child care. The child care costs are based on a family with two children – 2 and 3 years of age. This affordability measure answers the question – “What percent of a mother’s pre-tax earnings will be eaten up by taxes and child care costs when she takes up full-time employment (at the 20th percentile of women’s earnings)?”

This metric does not specify what the other spouse earns in a couple family, but that is important to a number of the calculated amounts. In Canada, when a mother moves from outside the labour force to full-time employment, the amount of change in child care subsidy, Canada Child Benefit, provincial child benefits and spousal taxation would all depend not just on the value of her income, but on total family income. It is not clear how this factors into this second OECD measure of child care affordability.

7 In this way, it is similar to our CPAM affordability measure.



when a mother moves from outside the labour force to full-time employment, the amount of change in child care subsidy, Canada Child Benefit, provincial child benefits and spousal taxation would all depend not just on the value of her income, but on total family income.

A useful way to compare the OECD's child care affordability measures to ours is to review the questions each answers. Our Family Income Affordability Measure (Cleveland, 2018) can be compared to the first OECD affordability measure.

Our Family Income Affordability Measure (FIAM) answers the question: "What percent of a family's after-tax and after-benefit income is taken up by child care costs (after accounting for child care subsidies, child care tax credits, etc.)?"

The first OECD affordability measure answers the question: "What percent of a mother's pre-tax earnings would be taken up by child care costs (after accounting for child care subsidies, child care tax credits, etc.)?"

In our way of thinking about child care affordability, there are two ways of looking at the decision to use early learning and child care services – first as a family decision to purchase a valuable experience for its children and second as a decision about parental employment that is necessarily linked to the decision to purchase early learning and child care services. If we are looking at the static question of whether families can afford to purchase early learning and child care services that are good for their children, we would argue that the relevant income to look at is family income, rather than only mother's income. And this income should be looked at after taxes and after various child-related benefits rather than before because this decision will be affected by the amount of disposable income available to the family.

This decision does not only depend on mother's earnings, but on total income available. Further, the amount of some child care benefits



depends on family income. Arguably, the static affordability comparison between couple families and lone parents is more accurately reflected by the amount of family income available rather than the amount of the mother's income alone.

Our Caregiving Parent Affordability Measure can usefully be compared to the second OECD affordability measure. As we see it, both of these metrics seek to address child care affordability as it affects decisions about parental employment.

Our Caregiving Parent Affordability Measure answers the question: "What percent of the change in a family's after-tax and after-benefit income when the caregiving parent moves from not being employed to being employed is taken up by child care costs (after accounting for child care subsidies, child care tax credits, etc.)?"

The second OECD affordability measure answers the question: "What percent of a mother's pre-tax earnings will be eaten up by taxes and child care costs (after accounting for child care subsidies, child care tax credits, etc.) when she moves from not being employed to being employed full-time?"

Both of these metrics get at the same issue: when a caregiving parent moves into employment, how much of her earnings get eaten up by taxes, reduction of child benefits, and child care costs? One problem with the OECD metric is that many child benefits, child care subsidies, child care expense tax credits, and the taxation of the spouse of the caregiving parent will depend not just on the change in the caregiving parent's income (when entering employment), but simultaneously on the level of the spouse's income. As an example, the level of the Canada Child Benefit diminishes rapidly as family income rises from about



\$32,000 to about \$70,000 (by 7% for each dollar of additional income with one child) but diminishes less rapidly after \$70,000 of family income (by 3.2% of additional income with one child). So, the effect of an additional dollar of mother's employment income on child care affordability depends on the income of both parents in a couple family. This same logic applies to child care subsidies, child care expense tax credits, etc.

As a result, we prefer to be explicit about this. When a mother moves from out of the labour force to employment, it is (or logically should be) the change in total after-tax after-benefit family income that is most relevant for her decision to make this move. The caregiving parent will compare this change in disposable income due to employment to the cost of child care (after child care subsidies, child care expense tax credits, etc. that lower the effective child care fee).

A different attempt at measuring affordability comes out of the work of the Australian Productivity Commission (Australian Productivity Commission, 2021). Their metric, very similar to our Family Income Affordability Measure, measures the out-of-pocket cost of 30 hours of long day care and home child care per week as a percentage of weekly after-tax after-benefit income. It does this for a range of different incomes (\$35K, 55K, 75K, 95K, 115K, 135K, 155K, 175K, 195K, and 215K) within each of Australia's eight states and territories, and the average for Australia as a whole. After child care subsidies, between 4% and 7% of family income goes to purchase child care. There is no calculation of affordability for more hours per week, different ages of children or more children in the family.

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APPENDIX A – ONTARIO



Data for Ontario Couple Families with two children on Fees, Subsidies, Tax Credits, After-Tax Incomes and Child Care Affordability

Table A-1 Ontario: Child Care Affordability When Caregiving Parent Enters Labour Force If Parents Receive Child Care Subsidy and Tax Credit When Eligible, Estimated at Various Income Levels

Table A-2 Ontario: Child Care Affordability When Caregiving Parent Enters Labour Force If Parents Do Not Receive Child Care Subsidy but Do Receive Tax Credit When Eligible, Estimated at Various Income Levels

Table A-3 Ontario: Child Care Affordability When Caregiving Parent Enters Labour Force If Child Care Fee Is \$10 A Day Per Child, With Tax Credit but No Subsidy, Estimated at Various Income Levels

Table A-1: Ontario: Child Care Affordability When Caregiving Parent Enters Labour Force If Parents Receive Child Care Subsidy And Tax Credit When Eligible, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Tax Credit amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$29,380	\$29,046	\$237	\$334	\$8,938	1.1
\$18,000	\$12,000	\$30,000	\$29,380	\$28,621	\$508	\$759	\$10,279	2.4
\$21,000	\$14,000	\$35,000	\$29,380	\$28,197	\$745	\$1,183	\$11,408	3.8
\$24,000	\$16,000	\$40,000	\$29,380	\$27,773	\$948	\$1,607	\$11,705	5.6
\$27,000	\$18,000	\$45,000	\$29,380	\$27,256	\$1,211	\$2,124	\$12,855	7.1
\$30,000	\$20,000	\$50,000	\$29,380	\$26,070	\$1,821	\$3,310	\$14,680	10.1
\$36,000	\$24,000	\$60,000	\$29,380	\$23,843	\$2,824	\$5,537	\$18,930	14.3
\$42,000	\$28,000	\$70,000	\$29,380	\$21,617	\$3,649	\$7,763	\$23,553	17.5
\$48,000	\$32,000	\$80,000	\$29,380	\$19,390	\$4,096	\$9,990	\$28,472	20.7
\$54,000	\$36,000	\$90,000	\$29,380	\$17,254	\$4,487	\$12,126	\$33,363	22.9
\$60,000	\$40,000	\$100,000	\$29,380	\$15,264	\$4,376	\$14,116	\$39,232	24.8
\$66,000	\$44,000	\$110,000	\$29,380	\$13,153	\$4,000	\$16,227	\$44,243	27.6
\$72,000	\$48,000	\$120,000	\$29,380	\$10,235	\$3,360	\$19,145	\$47,542	33.2
\$78,000	\$52,000	\$130,000	\$29,380	\$7,317	\$2,400	\$22,063	\$50,090	39.3
\$84,000	\$56,000	\$140,000	\$29,380	\$4,390	\$1,440	\$24,990	\$52,617	44.8
\$90,000	\$60,000	\$150,000	\$29,380	\$1,433	\$800	\$27,947	\$55,108	49.3
\$96,000	\$64,000	\$160,000	\$29,380	\$0	\$0	\$29,380	\$57,754	50.9
\$102,000	\$68,000	\$170,000	\$29,380	\$0	\$0	\$29,380	\$60,129	48.9
\$108,000	\$72,000	\$180,000	\$29,380	\$0	\$0	\$29,380	\$62,376	47.1
\$114,000	\$76,000	\$190,000	\$29,380	\$0	\$0	\$29,380	\$64,642	45.5

Table A-2: Ontario: Child Care Affordability When Caregiving Parent Enters Labour Force If Parents Do Not Receive Child Care Subsidy But Do Receive Tax Credit When Eligible, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Tax Credit amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$29,380	\$0	\$4,733	\$24,647	\$14,520	169.7
\$18,000	\$12,000	\$30,000	\$29,380	\$0	\$5,360	\$24,020	\$16,994	141.3
\$21,000	\$14,000	\$35,000	\$29,380	\$0	\$5,880	\$23,500	\$19,690	119.4
\$24,000	\$16,000	\$40,000	\$29,380	\$0	\$6,293	\$23,087	\$22,244	103.8
\$27,000	\$18,000	\$45,000	\$29,380	\$0	\$6,840	\$22,540	\$24,853	90.7
\$30,000	\$20,000	\$50,000	\$29,380	\$0	\$7,333	\$22,047	\$26,690	82.6
\$36,000	\$24,000	\$60,000	\$29,380	\$0	\$8,160	\$21,220	\$30,765	69.0
\$42,000	\$28,000	\$70,000	\$29,380	\$0	\$7,520	\$21,860	\$32,485	67.3
\$48,000	\$32,000	\$80,000	\$29,380	\$0	\$6,560	\$22,820	\$33,964	67.2
\$54,000	\$36,000	\$90,000	\$29,380	\$0	\$5,920	\$23,460	\$37,018	63.4
\$60,000	\$40,000	\$100,000	\$29,380	\$0	\$4,960	\$24,420	\$40,949	59.6
\$66,000	\$44,000	\$110,000	\$29,380	\$0	\$4,000	\$25,380	\$44,243	57.4
\$72,000	\$48,000	\$120,000	\$29,380	\$0	\$3,360	\$26,020	\$47,542	54.7
\$78,000	\$52,000	\$130,000	\$29,380	\$0	\$2,400	\$26,980	\$50,090	53.9
\$84,000	\$56,000	\$140,000	\$29,380	\$0	\$1,440	\$27,940	\$52,617	53.1
\$90,000	\$60,000	\$150,000	\$29,380	\$0	\$800	\$28,580	\$55,108	51.9
\$96,000	\$64,000	\$160,000	\$29,380	\$0	\$0	\$29,380	\$57,754	50.9
\$102,000	\$68,000	\$170,000	\$29,380	\$0	\$0	\$29,380	\$60,129	48.9
\$108,000	\$72,000	\$180,000	\$29,380	\$0	\$0	\$29,380	\$62,376	47.1
\$114,000	\$76,000	\$190,000	\$29,380	\$0	\$0	\$29,380	\$64,642	45.5

Table A-3: Ontario: Child Care Affordability When Caregiving Parent Enters Labour Force If Child Care Fee Is \$10 A Day Per Child, With Tax Credit But No Subsidy, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Tax Credit amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$5,200	\$0	\$3,692	\$1,508	\$13,248	11.4
\$18,000	\$12,000	\$30,000	\$5,200	\$0	\$3,484	\$1,716	\$14,498	11.8
\$21,000	\$14,000	\$35,000	\$5,200	\$0	\$3,276	\$1,924	\$15,763	12.2
\$24,000	\$16,000	\$40,000	\$5,200	\$0	\$3,068	\$2,132	\$16,319	13.1
\$27,000	\$18,000	\$45,000	\$5,200	\$0	\$2,964	\$2,236	\$16,312	13.7
\$30,000	\$20,000	\$50,000	\$5,200	\$0	\$2,860	\$2,340	\$16,686	14.0
\$36,000	\$24,000	\$60,000	\$5,200	\$0	\$2,652	\$2,548	\$18,538	13.7
\$42,000	\$28,000	\$70,000	\$5,200	\$0	\$2,444	\$2,756	\$20,865	13.2
\$48,000	\$32,000	\$80,000	\$5,200	\$0	\$2,132	\$3,068	\$23,365	13.1
\$54,000	\$36,000	\$90,000	\$5,200	\$0	\$1,924	\$3,276	\$27,154	12.1
\$60,000	\$40,000	\$100,000	\$5,200	\$0	\$1,612	\$3,588	\$31,497	11.4
\$66,000	\$44,000	\$110,000	\$5,200	\$0	\$1,300	\$3,900	\$35,306	11.0
\$72,000	\$48,000	\$120,000	\$5,200	\$0	\$1,092	\$4,108	\$38,605	10.6
\$78,000	\$52,000	\$130,000	\$5,200	\$0	\$780	\$4,420	\$41,369	10.7
\$84,000	\$56,000	\$140,000	\$5,200	\$0	\$468	\$4,732	\$44,011	10.8
\$90,000	\$60,000	\$150,000	\$5,200	\$0	\$260	\$4,940	\$46,422	10.6
\$96,000	\$64,000	\$160,000	\$5,200	\$0	\$0	\$5,200	\$48,900	10.6
\$102,000	\$68,000	\$170,000	\$5,200	\$0	\$0	\$5,200	\$51,251	10.1
\$108,000	\$72,000	\$180,000	\$5,200	\$0	\$0	\$5,200	\$53,698	9.7
\$114,000	\$76,000	\$190,000	\$5,200	\$0	\$0	\$5,200	\$56,180	9.3

APPENDIX B – ALBERTA



Data for Calgary and Edmonton Couple Families with Two Children - Fees, Subsidies, After-Tax Incomes and Child Care Affordability

TABLE B-1: Current situation in Calgary, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force and Parents Receive Child Care Subsidy When Eligible, Estimated at Various Income Levels

TABLE B-2: Current situation in Edmonton, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force and Parents Receive Child Care Subsidy When Eligible, Estimated at Various Income Levels

TABLE B-3: Situation After Newly Announced Funding Reforms in Calgary, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force, Estimated at Various Income Levels

TABLE B-4: Situation After Newly Announced Funding Reforms in Edmonton, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force, Estimated at Various Income Levels

Table B-1: Current Situation In Calgary, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force And Parents Receive Child Care Subsidy When Eligible, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$29,100	\$16,620	\$12,480	\$9,741	128.1
\$18,000	\$12,000	\$30,000	\$29,100	\$16,620	\$12,480	\$10,971	113.8
\$21,000	\$14,000	\$35,000	\$29,100	\$16,620	\$12,480	\$12,675	98.5
\$24,000	\$16,000	\$40,000	\$29,100	\$16,620	\$12,480	\$14,465	86.3
\$27,000	\$18,000	\$45,000	\$29,100	\$16,620	\$12,480	\$16,276	76.7
\$30,000	\$20,000	\$50,000	\$29,100	\$15,792	\$13,308	\$17,830	74.6
\$36,000	\$24,000	\$60,000	\$29,100	\$12,468	\$16,632	\$20,653	80.5
\$42,000	\$28,000	\$70,000	\$29,100	\$9,144	\$19,956	\$21,866	91.3
\$48,000	\$32,000	\$80,000	\$29,100	\$5,808	\$23,292	\$23,668	98.4
\$54,000	\$36,000	\$90,000	\$29,100	\$0	\$29,100	\$26,500	109.8
\$60,000	\$40,000	\$100,000	\$29,100	\$0	\$29,100	\$29,891	97.4
\$66,000	\$44,000	\$110,000	\$29,100	\$0	\$29,100	\$33,076	88.0
\$72,000	\$48,000	\$120,000	\$29,100	\$0	\$29,100	\$36,444	79.8
\$78,000	\$52,000	\$130,000	\$29,100	\$0	\$29,100	\$39,380	73.9
\$84,000	\$56,000	\$140,000	\$29,100	\$0	\$29,100	\$42,293	68.8
\$90,000	\$60,000	\$150,000	\$29,100	\$0	\$29,100	\$45,140	64.5
\$96,000	\$64,000	\$160,000	\$29,100	\$0	\$29,100	\$47,912	60.7
\$102,000	\$68,000	\$170,000	\$29,100	\$0	\$29,100	\$50,684	57.4
\$108,000	\$72,000	\$180,000	\$29,100	\$0	\$29,100	\$53,252	54.6
\$114,000	\$76,000	\$190,000	\$29,100	\$0	\$29,100	\$55,804	52.1

Table B-2: Current Situation In Edmonton, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force And Parents Receive Child Care Subsidy When Eligible, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$23,700	\$16,620	\$7,080	\$9,741	72.7
\$18,000	\$12,000	\$30,000	\$23,700	\$16,620	\$7,080	\$10,833	65.4
\$21,000	\$14,000	\$35,000	\$23,700	\$16,620	\$7,080	\$12,337	57.4
\$24,000	\$16,000	\$40,000	\$23,700	\$16,620	\$7,080	\$13,918	50.9
\$27,000	\$18,000	\$45,000	\$23,700	\$16,620	\$7,080	\$15,065	47.0
\$30,000	\$20,000	\$50,000	\$23,700	\$15,792	\$7,908	\$16,264	48.6
\$36,000	\$24,000	\$60,000	\$23,700	\$12,468	\$11,232	\$18,615	60.3
\$42,000	\$28,000	\$70,000	\$23,700	\$9,144	\$14,556	\$21,180	68.7
\$48,000	\$32,000	\$80,000	\$23,700	\$5,808	\$17,892	\$23,668	75.6
\$54,000	\$36,000	\$90,000	\$23,700	\$0	\$23,700	\$26,500	89.4
\$60,000	\$40,000	\$100,000	\$23,700	\$0	\$23,700	\$29,891	79.3
\$66,000	\$44,000	\$110,000	\$23,700	\$0	\$23,700	\$33,076	71.7
\$72,000	\$48,000	\$120,000	\$23,700	\$0	\$23,700	\$36,444	65.0
\$78,000	\$52,000	\$130,000	\$23,700	\$0	\$23,700	\$39,380	60.2
\$84,000	\$56,000	\$140,000	\$23,700	\$0	\$23,700	\$42,293	56.0
\$90,000	\$60,000	\$150,000	\$23,700	\$0	\$23,700	\$45,140	52.5
\$96,000	\$64,000	\$160,000	\$23,700	\$0	\$23,700	\$47,912	49.5
\$102,000	\$68,000	\$170,000	\$23,700	\$0	\$23,700	\$50,684	46.8
\$108,000	\$72,000	\$180,000	\$23,700	\$0	\$23,700	\$53,252	44.5
\$114,000	\$76,000	\$190,000	\$23,700	\$0	\$23,700	\$55,804	42.5

Table B-3: Situation After Newly Announced Funding Reforms Are Implemented In Calgary, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$16,080	\$6,384	\$9,696	\$9,741	99.5
\$18,000	\$12,000	\$30,000	\$16,080	\$6,384	\$9,696	\$10,971	88.4
\$21,000	\$14,000	\$35,000	\$16,080	\$6,384	\$9,696	\$12,675	76.5
\$24,000	\$16,000	\$40,000	\$16,080	\$6,384	\$9,696	\$14,319	67.7
\$27,000	\$18,000	\$45,000	\$16,080	\$6,384	\$9,696	\$15,810	61.3
\$30,000	\$20,000	\$50,000	\$16,080	\$6,384	\$9,696	\$16,801	57.7
\$36,000	\$24,000	\$60,000	\$16,080	\$6,384	\$9,696	\$17,886	54.2
\$42,000	\$28,000	\$70,000	\$16,080	\$6,384	\$9,696	\$19,307	50.2
\$48,000	\$32,000	\$80,000	\$16,080	\$6,384	\$9,696	\$21,441	45.2
\$54,000	\$36,000	\$90,000	\$16,080	\$6,384	\$9,696	\$24,492	39.6
\$60,000	\$40,000	\$100,000	\$16,080	\$6,384	\$9,696	\$27,758	34.9
\$66,000	\$44,000	\$110,000	\$16,080	\$6,384	\$9,696	\$31,141	31.1
\$72,000	\$48,000	\$120,000	\$16,080	\$6,072	\$10,008	\$34,605	28.9
\$78,000	\$52,000	\$130,000	\$16,080	\$5,424	\$10,656	\$37,740	28.2
\$84,000	\$56,000	\$140,000	\$16,080	\$4,800	\$11,280	\$40,844	27.6
\$90,000	\$60,000	\$150,000	\$16,080	\$4,152	\$11,928	\$43,890	27.2
\$96,000	\$64,000	\$160,000	\$16,080	\$3,504	\$12,576	\$46,861	26.8
\$102,000	\$68,000	\$170,000	\$16,080	\$2,880	\$13,200	\$49,686	26.6
\$108,000	\$72,000	\$180,000	\$16,080	\$0	\$16,080	\$53,252	30.2
\$114,000	\$76,000	\$190,000	\$16,080	\$0	\$16,080	\$55,804	28.8

Table B-4: Situation After Newly Announced Funding Reforms Are Implemented In Edmonton, Alberta: Child Care Affordability When Caregiving Parent Enters Labour Force, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$10,680	\$6,384	\$4,296	\$9,466	45.4
\$18,000	\$12,000	\$30,000	\$10,680	\$6,384	\$4,296	\$10,415	41.2
\$21,000	\$14,000	\$35,000	\$10,680	\$6,384	\$4,296	\$11,919	36.0
\$24,000	\$16,000	\$40,000	\$10,680	\$6,384	\$4,296	\$13,281	32.3
\$27,000	\$18,000	\$45,000	\$10,680	\$6,384	\$4,296	\$14,271	30.1
\$30,000	\$20,000	\$50,000	\$10,680	\$6,384	\$4,296	\$15,035	28.6
\$36,000	\$24,000	\$60,000	\$10,680	\$6,384	\$4,296	\$15,717	27.3
\$42,000	\$28,000	\$70,000	\$10,680	\$6,384	\$4,296	\$17,145	25.1
\$48,000	\$32,000	\$80,000	\$10,680	\$6,384	\$4,296	\$19,392	22.2
\$54,000	\$36,000	\$90,000	\$10,680	\$6,384	\$4,296	\$22,619	19.0
\$60,000	\$40,000	\$100,000	\$10,680	\$6,384	\$4,296	\$26,100	16.5
\$66,000	\$44,000	\$110,000	\$10,680	\$6,384	\$4,296	\$29,483	14.6
\$72,000	\$48,000	\$120,000	\$10,680	\$6,072	\$4,608	\$32,947	14.0
\$78,000	\$52,000	\$130,000	\$10,680	\$5,424	\$5,256	\$36,082	14.6
\$84,000	\$56,000	\$140,000	\$10,680	\$4,800	\$5,880	\$39,186	15.0
\$90,000	\$60,000	\$150,000	\$10,680	\$4,152	\$6,528	\$42,167	15.5
\$96,000	\$64,000	\$160,000	\$10,680	\$3,504	\$7,176	\$44,953	16.0
\$102,000	\$68,000	\$170,000	\$10,680	\$2,880	\$7,800	\$47,731	16.3
\$108,000	\$72,000	\$180,000	\$10,680	\$0	\$10,680	\$51,326	20.8
\$114,000	\$76,000	\$190,000	\$10,680	\$0	\$10,680	\$53,878	19.8

APPENDIX C – MANITOBA



Data for (Southern) Manitoba Couple Families with two children on Fees, Subsidies, Tax Credits, After-Tax Incomes and Child Care Affordability

TABLE C-1: Manitoba: Child Care Affordability When Caregiving Parent Enters Labour Force If Parents Receive Child Care Subsidy When Eligible, Estimated at Various Income Levels

TABLE C-2: Manitoba: Child Care Affordability When Caregiving Parent Enters Labour Force If Child Care Fee Is \$10 A Day Per Child, With No Subsidy, Estimated at Various Income Levels

Table C-1: Manitoba: Child Care Affordability When Caregiving Parent Enters Labour Force If Parents Receive Child Care Subsidy When Eligible, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$13,208	\$11,544	\$1,664	\$8,770	20.8
\$18,000	\$12,000	\$30,000	\$13,208	\$10,294	\$2,914	\$10,059	29.9
\$21,000	\$14,000	\$35,000	\$13,208	\$8,598	\$4,610	\$12,059	38.7
\$24,000	\$16,000	\$40,000	\$13,208	\$6,098	\$7,110	\$12,747	52.6
\$27,000	\$18,000	\$45,000	\$13,208	\$3,598	\$9,610	\$12,725	64.9
\$30,000	\$20,000	\$50,000	\$13,208	\$1,098	\$12,110	\$13,025	75.8
\$36,000	\$24,000	\$60,000	\$13,208	\$0	\$13,208	\$15,180	72.5
\$42,000	\$28,000	\$70,000	\$13,208	\$0	\$13,208	\$17,638	64.0
\$48,000	\$32,000	\$80,000	\$13,208	\$0	\$13,208	\$20,350	56.2
\$54,000	\$36,000	\$90,000	\$13,208	\$0	\$13,208	\$23,661	50.3
\$60,000	\$40,000	\$100,000	\$13,208	\$0	\$13,208	\$26,993	44.6
\$66,000	\$44,000	\$110,000	\$13,208	\$0	\$13,208	\$30,022	40.4
\$72,000	\$48,000	\$120,000	\$13,208	\$0	\$13,208	\$33,022	37.0
\$78,000	\$52,000	\$130,000	\$13,208	\$0	\$13,208	\$35,676	34.4
\$84,000	\$56,000	\$140,000	\$13,208	\$0	\$13,208	\$38,306	32.2
\$90,000	\$60,000	\$150,000	\$13,208	\$0	\$13,208	\$40,836	30.3
\$96,000	\$64,000	\$160,000	\$13,208	\$0	\$13,208	\$43,336	28.5
\$102,000	\$68,000	\$170,000	\$13,208	\$0	\$13,208	\$45,837	27.0
\$108,000	\$72,000	\$180,000	\$13,208	\$0	\$13,208	\$48,337	25.7
\$114,000	\$76,000	\$190,000	\$13,208	\$0	\$13,208	\$50,806	24.5

Table C-2: Manitoba: Child Care Affordability When Caregiving Parent Enters Labour Force If Child Care Fee Is \$10 A Day Per Child, With No Subsidy, Estimated At Various Income Levels

Income of Higher Earner	Income of Caregiving Parent	Total Family Income Before Tax	Full child care fees for 2 children	Subsidy Amount	Parent amount of child care fees	Increased After-Tax Income Due to Employment of Caregiving Parent	Caregiving Parent Affordability Measure (%)
\$15,000	\$10,000	\$25,000	\$5,200	\$0	\$1,508	\$8,770	59.3
\$18,000	\$12,000	\$30,000	\$5,200	\$0	\$1,716	\$10,059	51.7
\$21,000	\$14,000	\$35,000	\$5,200	\$0	\$1,924	\$12,059	43.1
\$24,000	\$16,000	\$40,000	\$5,200	\$0	\$2,132	\$12,747	40.8
\$27,000	\$18,000	\$45,000	\$5,200	\$0	\$2,236	\$12,725	40.9
\$30,000	\$20,000	\$50,000	\$5,200	\$0	\$2,340	\$13,025	39.9
\$36,000	\$24,000	\$60,000	\$5,200	\$0	\$2,548	\$15,180	34.3
\$42,000	\$28,000	\$70,000	\$5,200	\$0	\$2,964	\$17,638	29.5
\$48,000	\$32,000	\$80,000	\$5,200	\$0	\$3,276	\$20,350	25.6
\$54,000	\$36,000	\$90,000	\$5,200	\$0	\$3,588	\$23,661	22.0
\$60,000	\$40,000	\$100,000	\$5,200	\$0	\$3,900	\$26,993	19.3
\$66,000	\$44,000	\$110,000	\$5,200	\$0	\$4,108	\$30,022	17.3
\$72,000	\$48,000	\$120,000	\$5,200	\$0	\$4,420	\$33,022	15.7
\$78,000	\$52,000	\$130,000	\$5,200	\$0	\$4,732	\$35,676	14.6
\$84,000	\$56,000	\$140,000	\$5,200	\$0	\$5,044	\$38,306	13.6
\$90,000	\$60,000	\$150,000	\$5,200	\$0	\$5,148	\$40,836	12.7
\$96,000	\$64,000	\$160,000	\$5,200	\$0	\$5,200	\$43,336	12.0
\$102,000	\$68,000	\$170,000	\$5,200	\$0	\$5,200	\$45,837	11.3
\$108,000	\$72,000	\$180,000	\$5,200	\$0	\$5,200	\$48,337	10.8
\$114,000	\$76,000	\$190,000	\$5,200	\$0	\$5,200	\$50,806	10.2