



STAFF REPORT INFORMATION ONLY

Number of Child Care Subsidies and Costs Required to Reduce Toronto's Unemployment Rate by 1%

Date:	March 4, 2013
To:	Economic Development Committee
From:	Elaine Baxter-Trahair, General Manager, Toronto Children's Services Irwin Stanley, Acting General Manager, Employment & Social Services
Wards:	All
Reference Number:	

SUMMARY

This report responds to City Council's request for information on the number and cost of child care subsidies required to reduce the unemployment rate in Toronto by one (1) percent.

RECOMMENDATIONS

The General Manager, Children's Services, and Acting General Manager, Toronto Employment & Social Services, recommend that:

- 1) the Committee receive this report for information.

Financial Impact

There are no financial implications arising from this report.

DECISION HISTORY

At its February 20 and 21 meeting City Council approved Collaborating for Competitiveness: A Strategic Plan to Accelerate Growth and Job Creation in Toronto. City Council further requested that "the General Manager, Children's Services, in conjunction with the General Manager, Toronto Employment and Social Services, include in the next Workforce Development Strategy Progress Report, information on the number and cost of childcare subsidies required to reduce the unemployment rate in Toronto by one (1) percent."

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.ED19.4>

At its meeting on March 5, 6 and 7, 2012 City Council endorsed the vision, principles, objectives and recommendations contained in *Working as One: A Workforce Development Strategy for Toronto*. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.ED11.5>

ISSUE BACKGROUND

High quality child care offers many benefits to children and families. Quality early learning opportunities help children to perform better in school, to develop socially and cognitively, and to reach healthy outcomes later in life.

Accessible, affordable child care is also essential to ensuring that many families with children can prepare for, obtain and sustain employment. In order to begin working, parents need to be secure in their child care arrangements. "Working As One: A Workforce Development Strategy for Toronto" includes child care among the many services deemed essential to a well-functioning workforce development system. It also says that the lack of access to affordable child care is "a significant barrier to preparing for and searching for work" (page 49), and prolongs the length of time that families receive social assistance.

Currently, on the Ontario Works program alone, there are 33,400 families with children (nearly 70 per cent of which are led by single parents). In these families, there are nearly 16,000 children under the age of six who are not in child care. Many of these families indicate that a lack of child care is a key barrier to preparing for or finding employment. Of course, this group represents only a minority of the total number of families with children across Toronto who are unemployed.

When parents are able to work, benefits include increased purchasing power for those families, and increased tax revenue for governments. A 2012 analysis of the Quebec low-fee child cares system by Pierre Fortin, Luc Godbout and Suzie St-Cerny found that universal access induced an increase of 3.8 per cent in women employment and calculated that Quebec's Gross Domestic Product was higher by about 1.7 per cent as a result¹. New earnings of previously unemployed people also tend to be spent locally, with benefits to local economies. With the cost of child care unaffordable for even many middle-income families, child care fee subsidies are required to reduce the cost of care for families and make the choice to work a viable one.

COMMENTS

To decrease Toronto's unemployment rate by one percentage point from 9.4 per cent (this rate is the three month average, seasonally adjusted, from Economic Development and Culture Division's "Economic Indicators" from January 2013) to 8.4 per cent would require 14,500 currently unemployed individuals to move into employment (rounded to nearest 500). At an average of 1.2 children per family in Toronto (based on 2011 Census data), this requires 17,400

¹ Fortin, Godbout, St-Cerny – Impact of Quebec's Universal Low-Fee Childcare Program on Female Labour Force Participation, Domestic Income, and Government Budgets.

new child care fee subsidies. The number of subsidies required would be higher if the average number of children per family on Social Assistance (1.6) is used.

Assuming an average of 1.2 children per family, the cost of adding 17,400 subsidies is calculated as follows:

\$15,660 is the average annual public fee for infant, toddler and preschool children in the system \$12,878 is the annual average subsidy cost per child given that subsidized parents currently in the child care system annually contribute an average of \$2,782 to the cost of care (parental contributions are determined by a provincially-mandated, sliding-scale income test).

At \$12,878 per subsidy, 17,400 subsidies would cost \$224,077,200 (net of parental contributions).

This cost assumes that:

- 14,500 individuals are offered employment and need a child care subsidy to accept the offer.
- The 14,500 individuals pay the average parental contribution of \$2,782 per year

The average subsidy cost for infants, toddlers and preschoolers is used since a Middle Childhood Strategy is being implemented to respond to the out-of-school care needs of school-aged children. Capital investment in new child care spaces would also be required so as not to displace full-fee paying families, who also require access to child care to maintain employment.

The unemployed as a group have differing and sometimes complex needs. The annual cost of \$12,878 per subsidy would be of benefit to a subset of the unemployed population who are relying solely on child care fee subsidy to move into employment opportunities. As a result the number of people who could actually become employed due to a child care fee subsidy may be a smaller number than the 17,400 subsidies needed to achieve a one percentage point reduction in the unemployment rate. Other differences among unemployed people could also make a difference in the total cost; for example, a person with one child requires less child care fee subsidy to become employed than a person with more than one child. The cost of a subsidy to the City could also be reduced as parents move through the workforce and increase their earnings, thereby increasing parental contributions to child care fees (as per the provincial income test).

Ultimately, reducing the unemployment rate depends on a number of strategies, including affordable, accessible child care, which are outlined in the Workforce Development Strategy and in Collaborating for Competitiveness, the City's Strategic Plan for Accelerating Economic Growth and Job Creation.

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SIGNATURE

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