



Re: CD15.2


Growing Toronto's Licensed Child Care System

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Community Development and Recreation Committee

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Toronto Children's Services




Strategy for growing Toronto's child care system

Context:

- Council directed
- Federal and provincial funding commitments

Two considerations:

- Demand for licensed child care
- Forecasted population growth



Demand for licensed child care

Limitations of traditional measures of demand:


- Fee subsidy waitlist
- Waitlists for child care centres
- Labour force participation rate of women



Licensed Child Care Demand and Affordability Study

Toronto Children's Services commissioned a research team based at the University of Toronto.

- Dr. Gordon Cleveland
- Dr. Michael Krashinsky
- Sue Colley
- Christine Avery-Nunez



The City of Toronto Licensed Child Care Demand and Affordability Study

Presentation to Community Development and
Recreation Committee by Dr. Gordon Cleveland,
Department of Management, University of Toronto
Scarborough

The Models

- The City of Toronto now has a model, held in Statistics Canada's Research Data Centre, that can forecast licensed child care demand and parental employment for children 0-5 years of age.
- The model also measures and can forecast the affordability of licensed child care.
- The model contains detailed data on 24,000 families that are representative of all Toronto families with children 0-5. Therefore, simulations and forecasts provide detailed estimates of effects on different types of families in different situations across the City.
- There is a similar, but simpler, model for forecasting licensed child care demand for families with children 6-9 years of age.

Current Child Care Demand

- Demand for licensed child care is constrained by affordability. Its price and the incomes of parents are the two biggest factors affecting demand.
- Other factors are important: the number of children in the family, the age of the youngest child, whether the main caregiving parent is an immigrant and how many years she has been in Canada, the family's ethno-cultural background, whether it is a sole-parent or two-parent family
- Using "less than 10% of net family income" as a threshold for affordability, 75% of Toronto families will currently find licensed child care is unaffordable.
- Currently, demand exceeds available supply by about 7,000 spaces across age groups. Potential demand is much greater if subsidies were available for all eligible families, or if fees for licensed care were lower.

Current Supply and Estimated Demand for Licensed Child Care Spaces, by Age Category and Total

2015	Current Supply	Demand	Difference
Licensed spaces (0-5)	47,136	51,205	4,069
(Percent of population)*	(28)	(31)	(3)
Infant	3,311	3,710	399
Toddler	9,087	10,510	1,423
Preschool	22,769	23,415	646
Kindergarten	11,969	13,570	1,601
Licensed spaces (6-9)	18,728	21,975	3,247
(Percent of population)*	(17)	(20)	(3)
Total licensed spaces	65,864	73,180	7,316
(Percent of population)*	(24)	(27)	(3)

Potential Demand – funding all subsidy-eligible families

- About 70% of Toronto's families would be eligible for some amount of child care subsidy if funding were available to provide these subsidies.
- Only a small portion of families would receive a full subsidy; in a typical two-parent family, the subsidies would be sufficient to reduce the cost of licensed care by between 30%-40%.
- We have simulated the effect of making subsidies available to all eligible families with children 0-5. Child care affordability would be dramatically improved. This would increase child care demand by about 29,000 spaces and provide services to a much larger portion of Toronto children.
- Full-time employment of parents is predicted to increase by about 13,000. Many more parents would switch their children from less-than-adequate, stressful arrangements.
- The vast majority of benefits would go to low- and middle-income families

Other simulations

- Funding all subsidy-eligible families is only one possible policy simulation. The model will estimate demand, employment, and affordability for a wide range of other possible policy changes.
- Two others simulated in the project report are:
 - Placing a cap of “less than 10% of family income” on the cost any family has to pay for licensed child care
 - Placing a cap of \$20 per day per child on the fee charged for licensed child care for any child 0-5 years of age.

Current Supply and Potential Demand for Licensed Child Under Three Alternative Policy Simulations

	Supply	Simulation 1: Subsidies for all eligible families	Simulation 2: Cap of 10% of family income	Simulation 3: Cap of \$20/day per child
Children 0-5 years	47,136	76,135	79,775	86,625
Increased demand	--	+ 28,999	+ 32,639	+ 39,489
(Percent of population)	(28)	(45)	(48)	(52)
	Numbers of main caregiving parents			
Employment	87,270	93,915	94,180	96,115
FT employment	60,705	73,600	75,790	79,260
PT employment	26,565	20,315	18,390	16,885

The middle-income squeeze

- Currently many middle-income families are squeezed out by affordability. Too much income to receive subsidy; not enough for many to afford licensed child care.
- The next slide shows how alternative policy changes would affect access of different income groups to licensed child care.

Projected Use of Licensed Child Care by Household Income Under Three Alternative Policy Simulations

Expected Household Annual Income (Before Tax)	Probability of using licensed child care			
	Base Case %	Simulation 1: Subsidies for all eligible families %	Simulation 2: Cap of 10 of family income %	Simulation 3: Cap of \$20/day per child %
Less than \$50,000	38	62	56	54
\$50,000 - \$99,999	29	41	45	50
\$100,000 or more	33	34	44	59

Implications for growth in Toronto

Current demand for licensed care is constrained by high costs, and cannot grow significantly without addressing affordability

	2015 Supply	2015 Demand	Difference
Licensed Child Care Spaces (birth to age 9)	65,864	73,180	7,316

Population Growth

Ontario Ministry of Finance estimates a growth of 23% in Toronto's birth to 9 population over the next 15 years (2031)

	Demand (# of spaces required)	Difference from 2015 Supply	Difference from 2016 Capital Expansion	Estimated Capital costs
Ages 0 to 3	45,835	10,668	6,007	\$342 million
Ages 4 to 5	17,239	5,270	N/A	\$0
Ages 6 to 9	26,517	7,789	N/A	\$0
Total	89,591	23,727	6,007	\$342 million

Made-in-Toronto growth plan

City of Toronto will report back on a 5-Year Growth Strategy and updated Capital Plan once we have more information on:

- Provincial funding commitments
- National Early Learning and Child Care Framework
- Updated 2016 Census

Made-in-Toronto growth plan

Flexibility to find balance between capital funding, fee subsidies and other affordability measures to meet Toronto's needs

- Some families will always require fee subsidy (20% of eligible families would receive full subsidy)
- Costs and implications of increasing the proportion of children in care that are subsidized (currently 40%)
- Model the impact of base funding on affordability and demand