

Child Care Services: A Major Missing Piece of the Family Benefit Package

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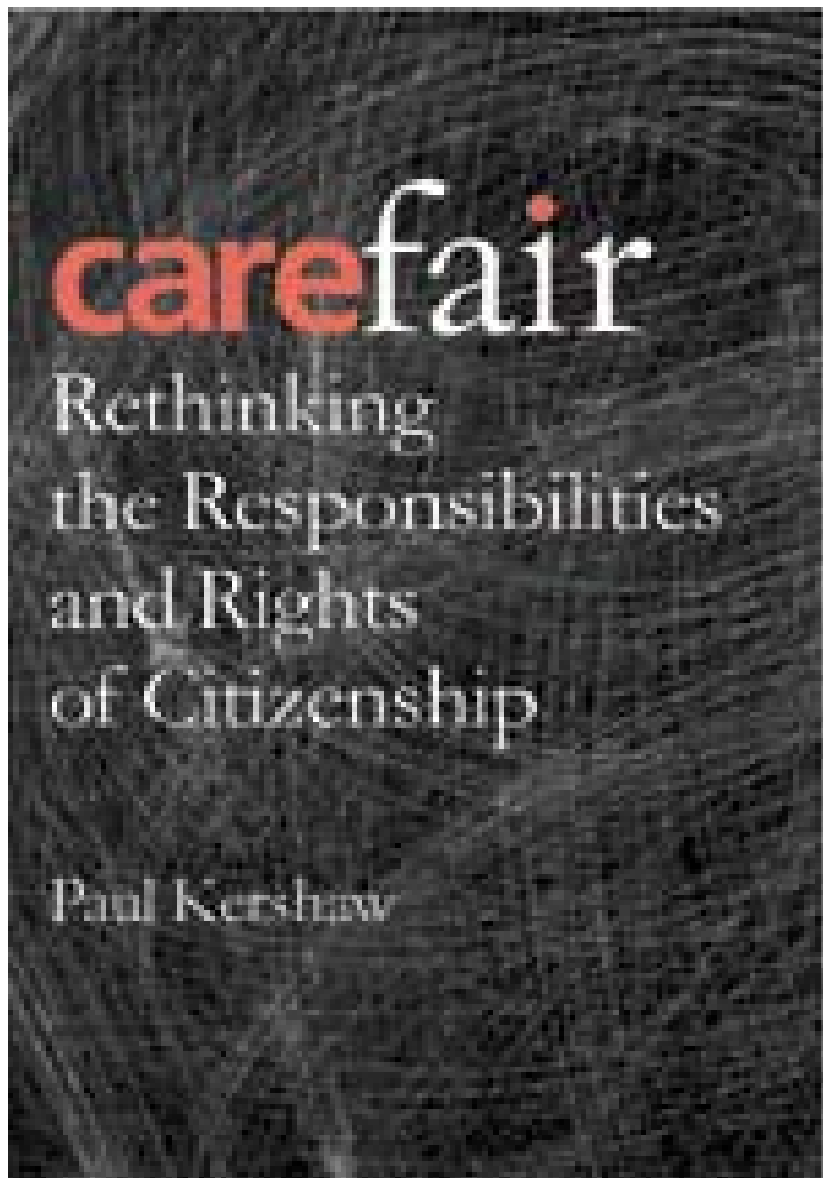


The Family Benefit Package

Every industrial country has a 'package' of tax allowances, cash benefits, exemptions from charges, subsidies and services in kind, which assist (some) parents with the costs of raising children.

The package concept treats child and family policy holistically to estimate the value of a broad range of public policies.

→ engage those who don't believe child care should be singular focus.



Private Time for Social Inclusion

Caregiving often = civic
work

Parental leave
improvements

Re-think full-time
employment norms

Life-work balance!

The Package in BC includes...

Targeted Income Transfers: Canada Child Tax Benefit; National Child Benefit Supplement; GST and PST Credits; **BC Family Bonus; BC Earned Income Benefit.**

Tax expenditures: i.e. Child Care Expense Deduction; Spousal Credit; Equivalent to Spouse Tax Credit; **these federal tax provisions also result in tax savings at provincial level.**

Child care funding: **provincial subsidies to families; provincial operating funding for care providers (reflected in average fees).**

Parental/Maternity Leave.

Subsidized Medical Care; Dental Care; Pharmacare; and Income assistance.

These policies assist parents with the costs of raising children.



How do we calculate the benefit value?

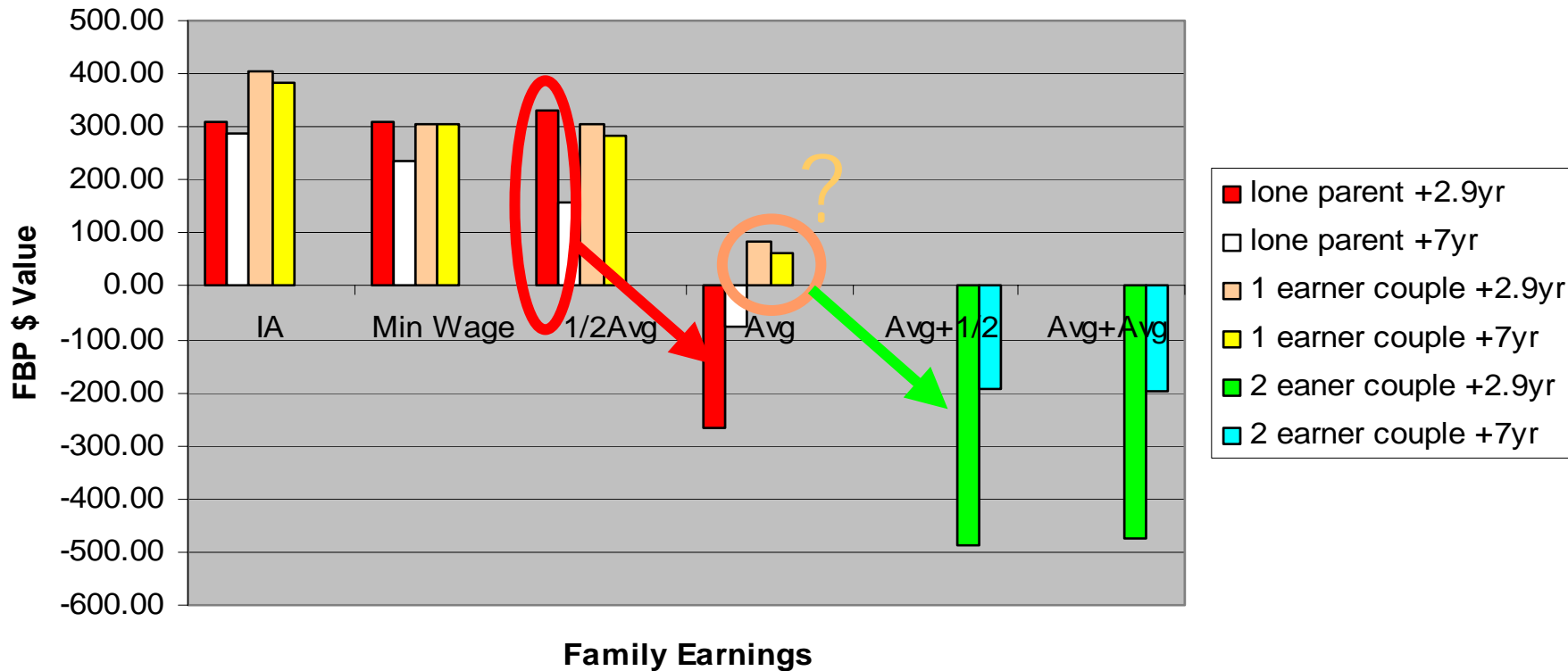
Model Families Method: Compare interaction of policies in

- 10 model families: 1 and 2 adults; 0-3 kids; kids in CC and no CC.
- 6 earnings levels: 1A; min. wage; ½ avg.; avg.; avg. + ½ avg.; avg. + avg.
- 3 periods in time: July 2001, January 2004, December 2005.
- Income vs. expenses: earnings; income tax; EI/CPP contributions; housing costs; health etc. costs; child care costs; plus benefits above.

For each income level: Difference between disposable income for families with kids and disposable income for childless couple = **the value of the Benefit package.**



BC Family Benefit Package, 2005



- Package value ranges from +\$405 to -\$486.
- **One earner couples** who don't use regulated child care services often have the most valuable benefit package for a given income range.
- Child care → **negative 'benefit'** between ½ Avg. and Average Income.
- Penalty = greatest for **two earners with preschool child in CC.**

2004 Rankings: 'Average' FBP Values

	Can \$ (PPP)	% Avg Earn
Austria	\$657.95	20.16%
UK	\$380.23	8.63%
Norway	\$339.86	9.84%
Australia	\$337.45	8.94%
Denmark	\$311.15	8.28%
Belgium	\$300.52	6.92%
Germany	\$286.12	7.59%
Sweden	\$273.29	8.66%
Finland	\$265.86	8.22%
Ireland	\$264.88	8.77%
Netherlands	\$204.11	4.45%
Iceland	\$199.97	5.56%
US	\$183.69	5.44%
BC/Canada, 2004	\$164.93	4.43%
Japan	\$103.27	2.35%
New Zealand	\$22.99	0.78%

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Finland	\$265.86	8.22%
Ireland	\$264.88	8.77%
BC/Canada, 2005, (little CC, no health)	\$210.69	5.66%
Netherlands	\$204.11	4.45%
Alberta/Canada, 2005 (little CC, no health)	\$201.43	5.41%
Iceland	\$199.97	5.56%
US	\$183.69	5.44%
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As we consider how to catch up internationally...

Must not only consider the overall value of the FBP.

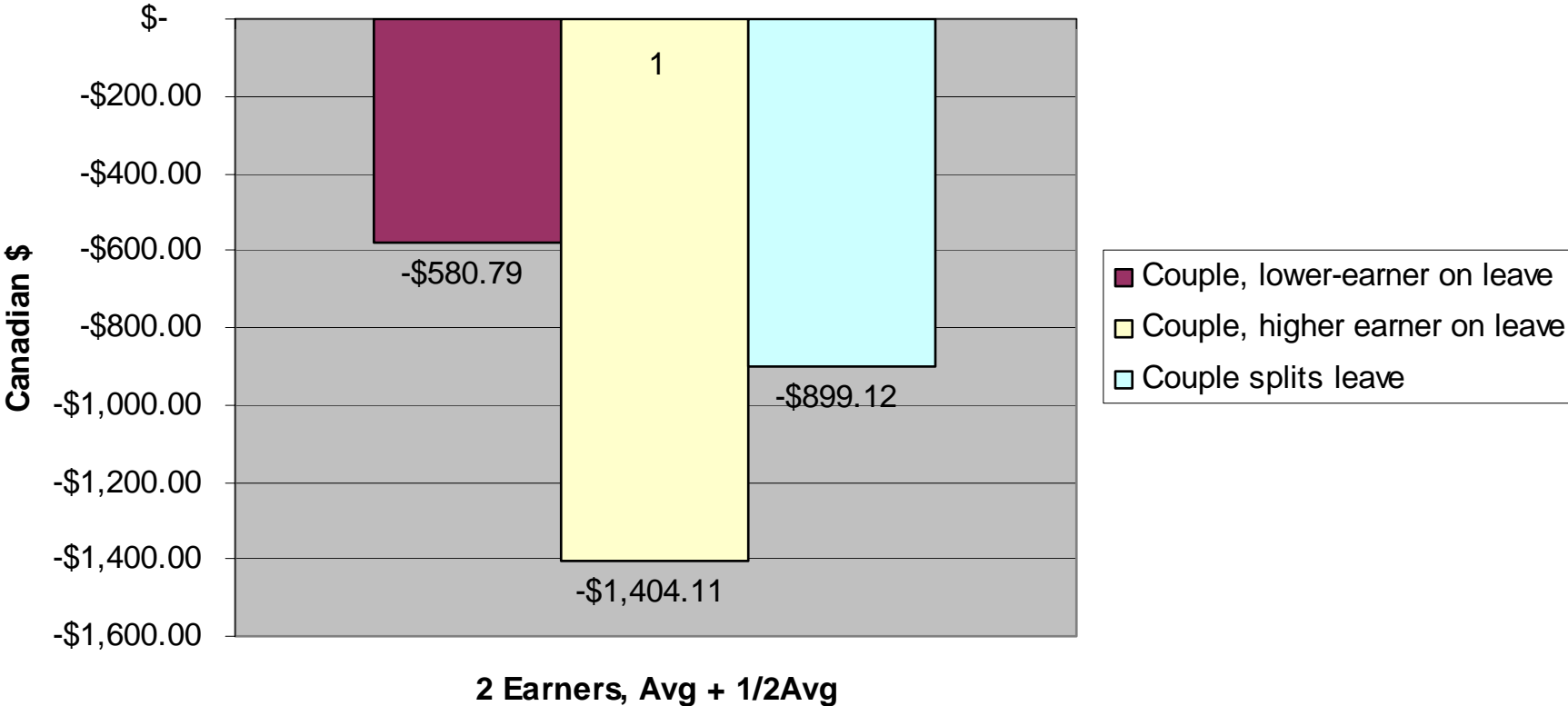
Also consider what the FBP does in respect of redistributing responsibility and opportunities for caregiving between women and men.

Valuing caregiving means expecting men to share in its opportunity costs and rewards equally.



Consider Parental Leave

Loss of Disposable Income on Leave relative to 2 Earner Childless Couple



Consider Child Care Services

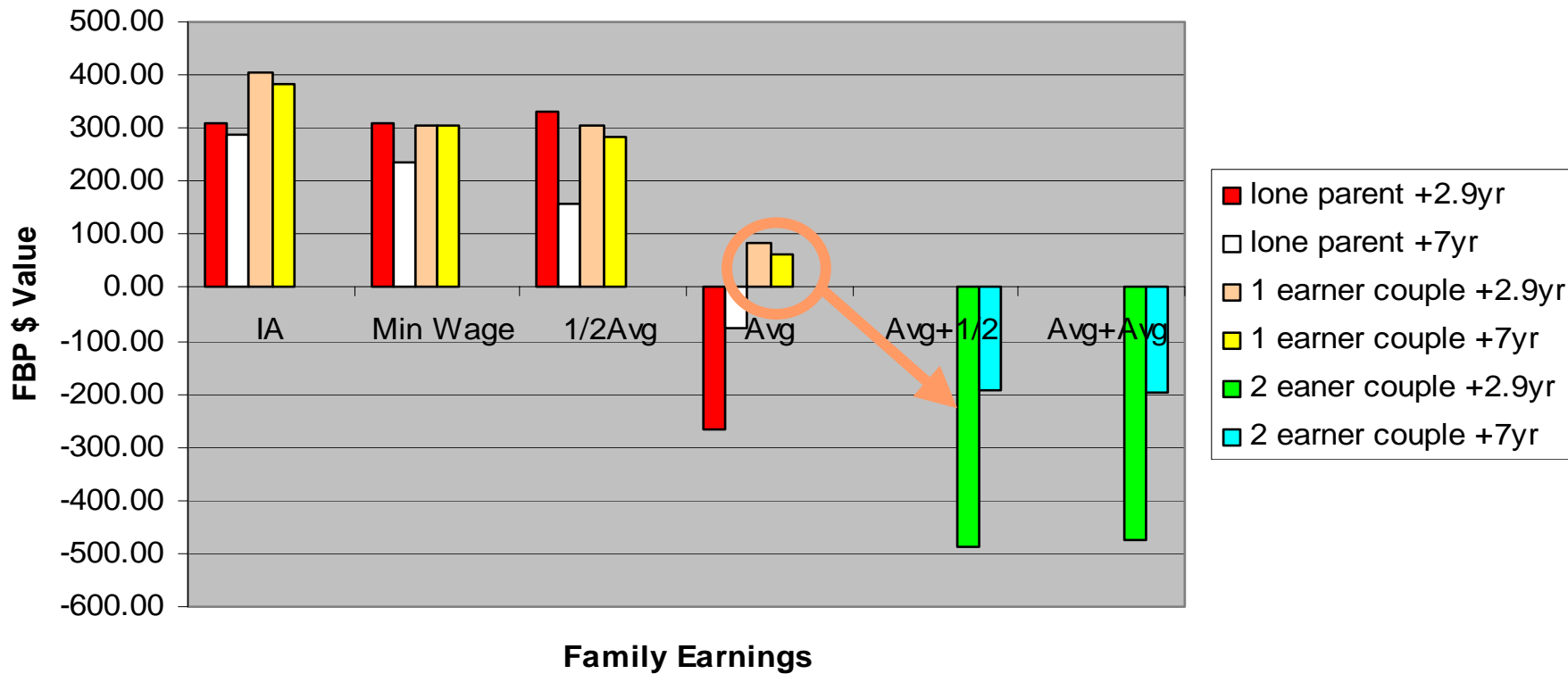
Research identifies a strong connection between women's labour force attachment and the share of care and domestic work that male spouses shoulder (Coltrane 1996; Sanderson and Thompson 2002).

Generally, the more women contribute to overall household income, the greater share of domestic work their husbands perform.

Child care services → increased female labour force participation.

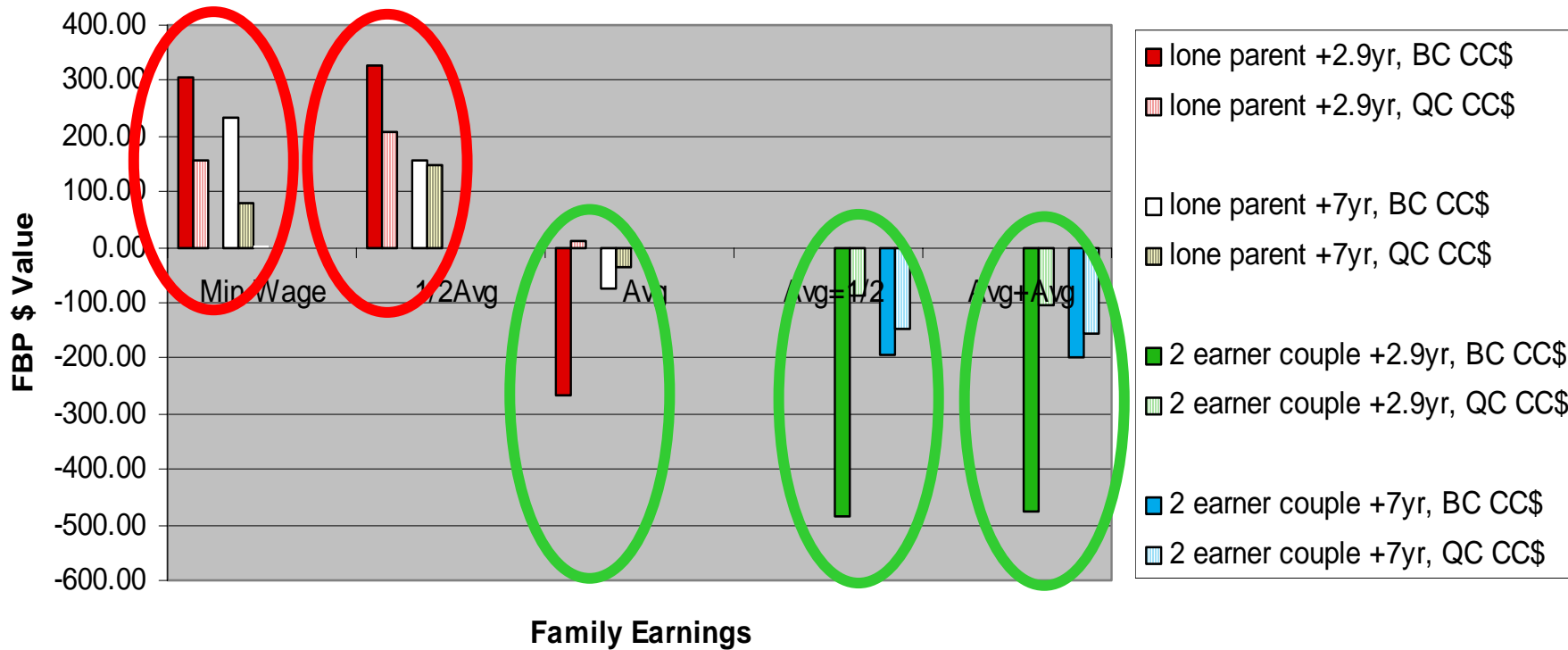
Milligan et al: Quebec → 7 percentage point increase.

BC Family Benefit Package, 2005

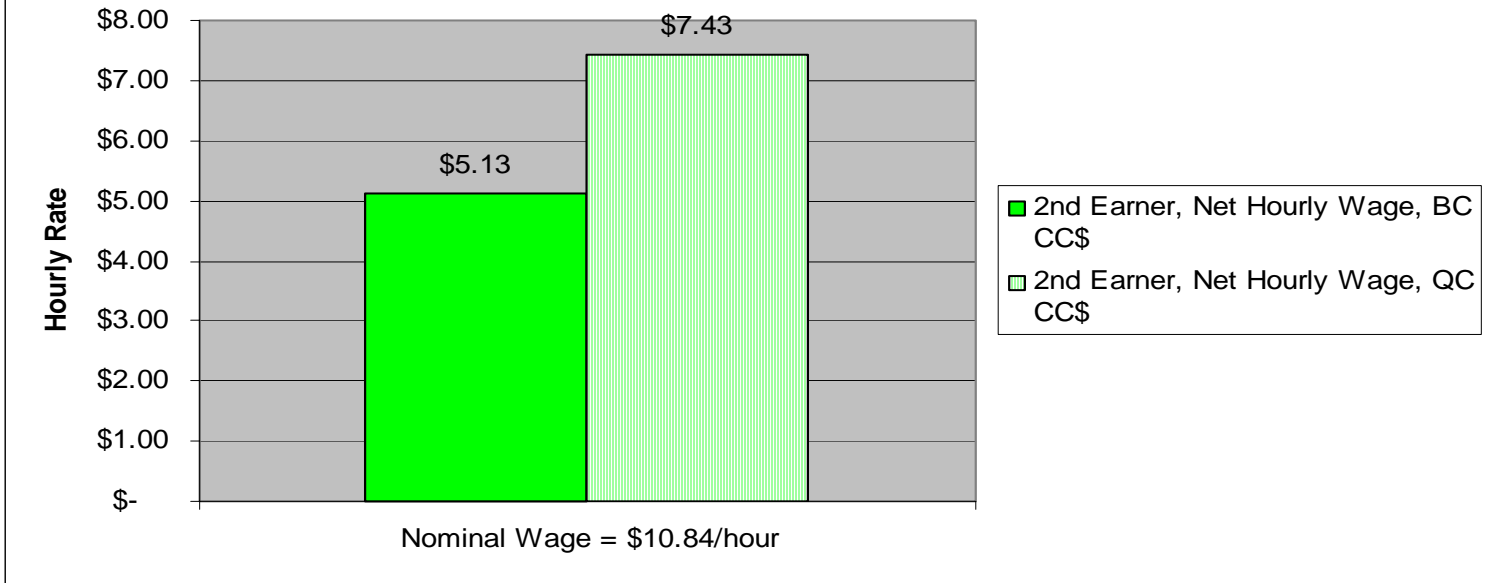


➤ **2nd earner working FT for 1/2 Avg** gets \$5.13/hr in net disposable income (up 20 cents from 2004).

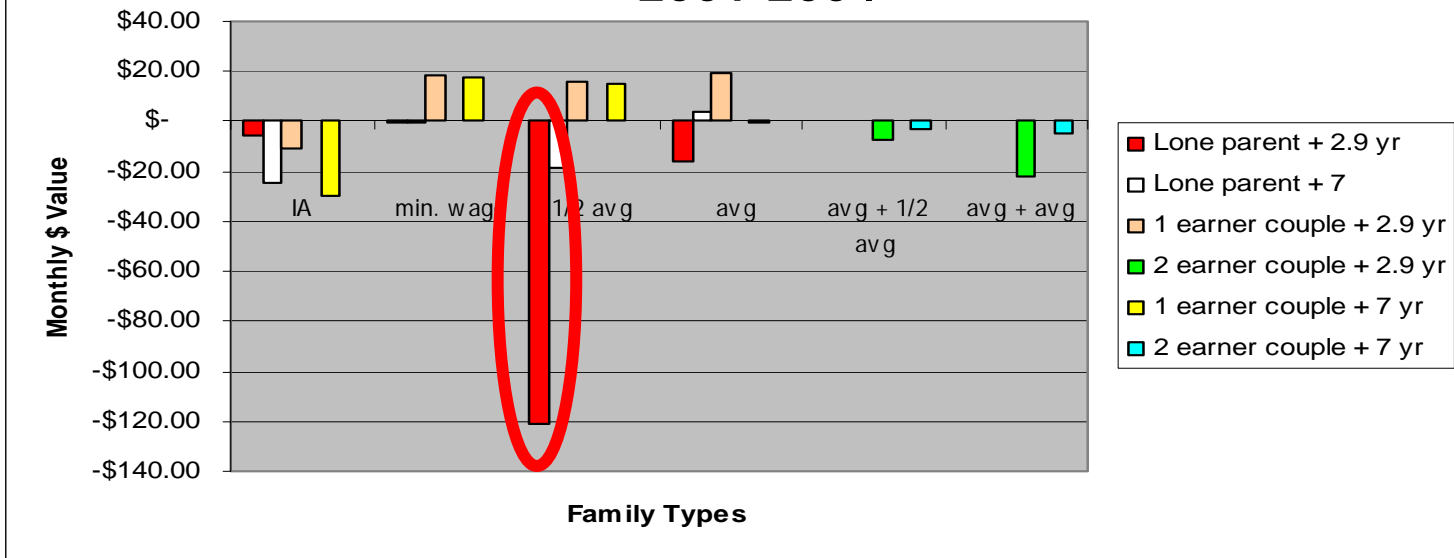
BC Family Benefit Pacakage 2005 Values: Comparing BC vs Quebec Child Care Systems



Actual Hourly Wage of 2nd Earner: BC vs Quebec Child Care Costs

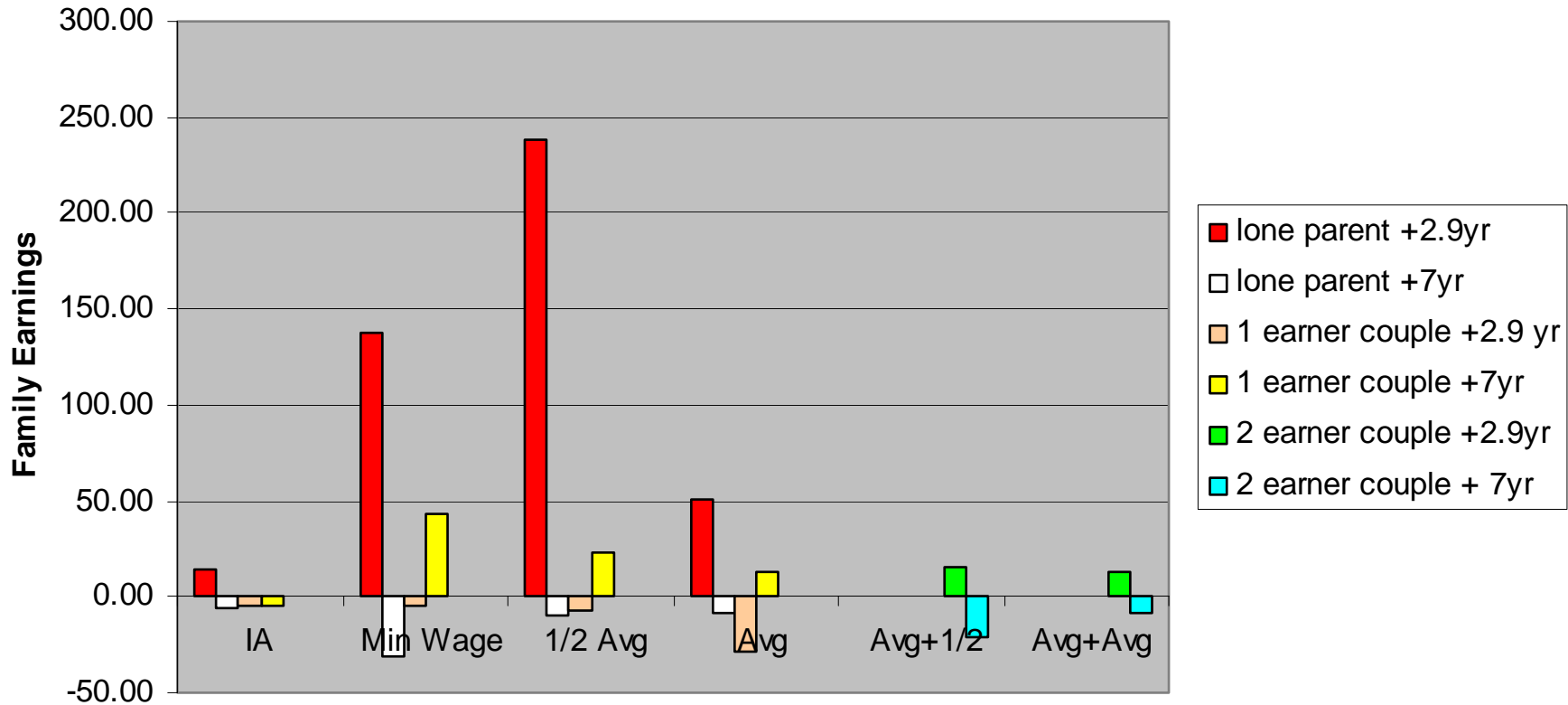


Change in FBP Value: 2001-2004



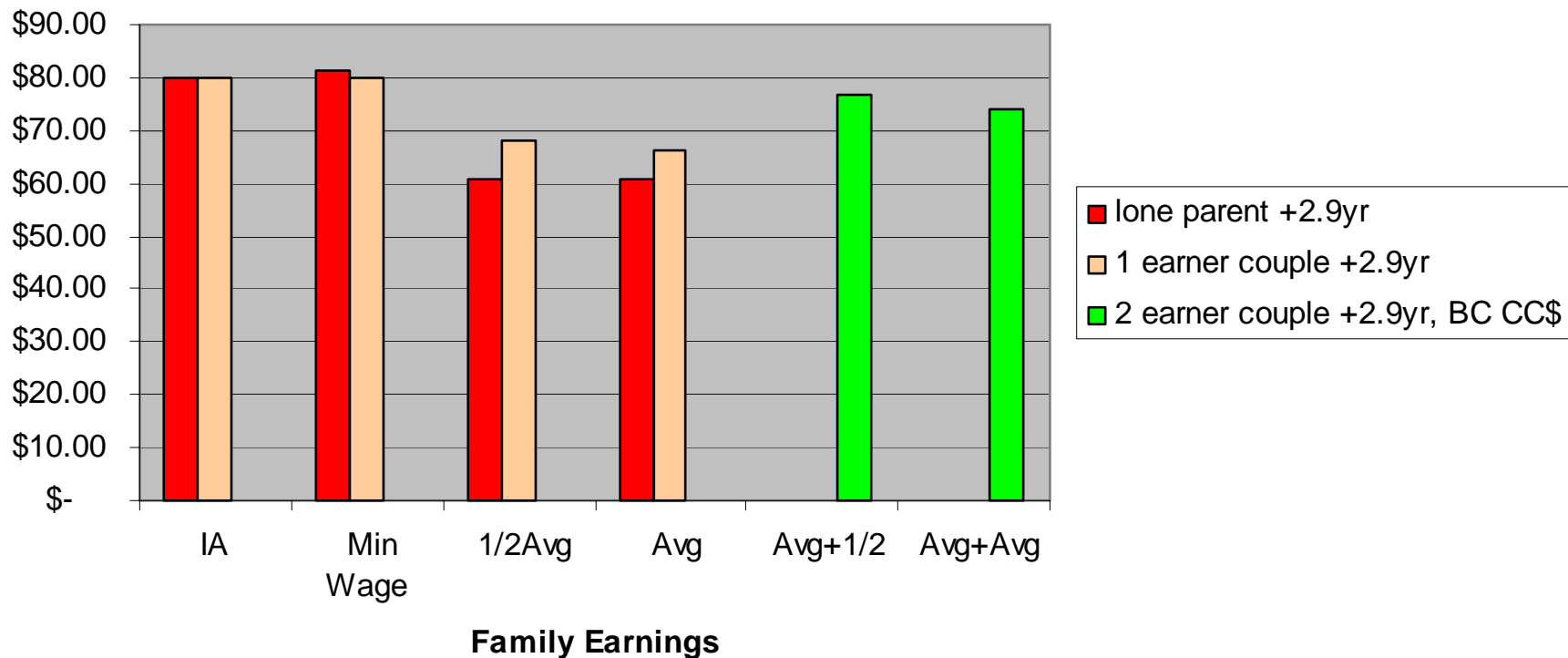
- Relatively little change: up or down about \$20/month for most families.
- **1/2 avg earning lone-parent with 2.9 yr old = exception:**
 - \$13 increase in *fed.* CCTB/NCBS; and
 - \$7 savings in *prov.* MSP / pharmacare, vs.
 - \$139 reduction to *prov.* CC subsidy.

BC Family Benefit Package: Change 2001 - 2005



BC share of year 1 Federal \$5 billion over five years!

Conservative Allowance: Actual Monthly Values in BC

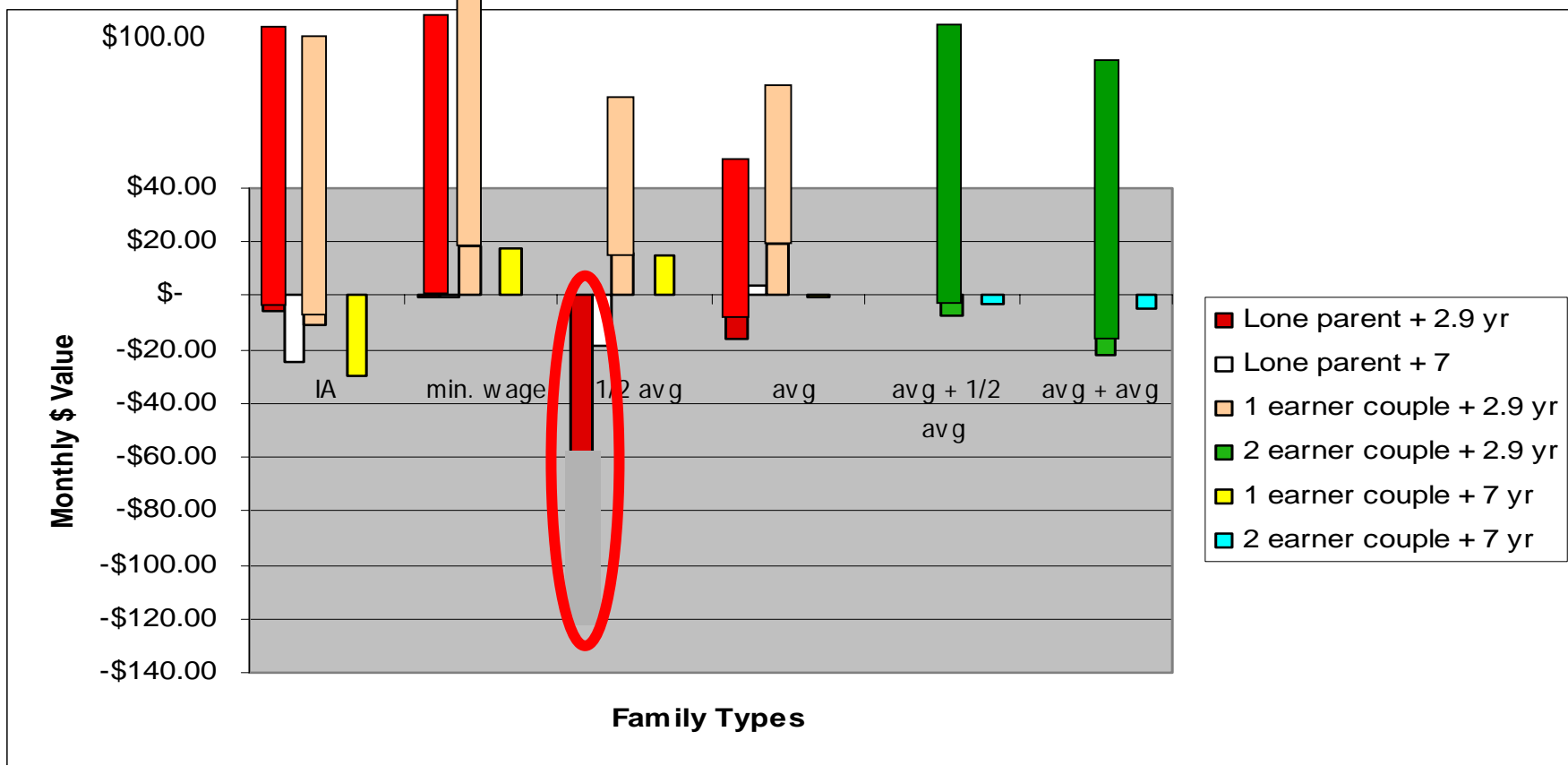


**True value of proposed Child Care Allowance,
families in Ontario, 2006**

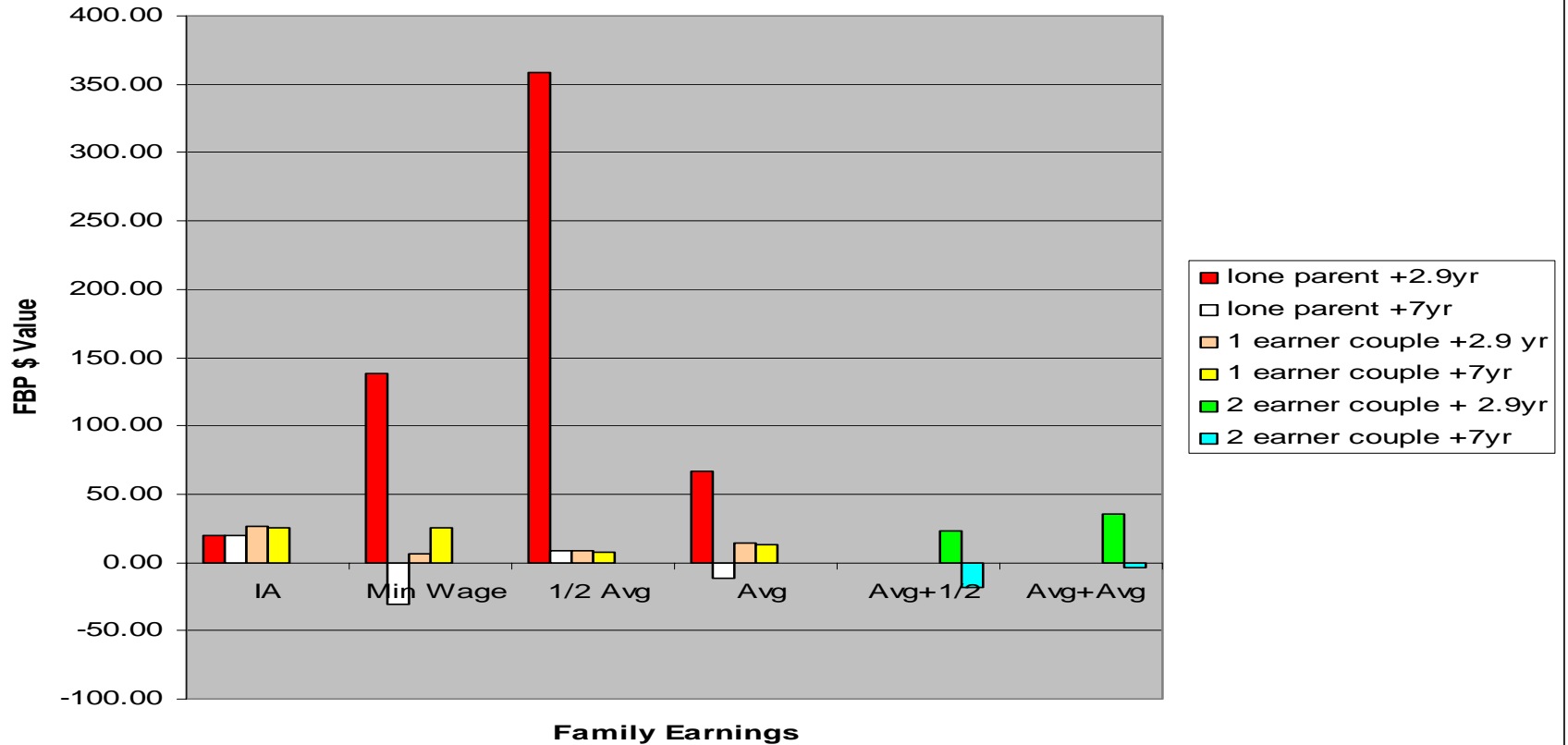
Caledon Institute, 2006

income	one-earner couples	two-earner couples	one-parent families
\$0	\$1,200	\$1,200	\$1,200
\$10,000	\$1,176	\$1,176	\$1,176
\$30,000	\$673	\$460	\$607
\$50,000	\$1,049	\$827	\$802
\$100,000	\$1,032	\$778	\$655

2007 Shift From System Building To Family Allowance: Return to 2001-2004 change and then add...



BC Family Benefit Package Value: Change 2004 - 2005



Child Care Services = A Major Missing Piece of the FBP.

- Child care costs turn the 'benefit' package negative at moderate income levels when families must incur non-parental child care costs in regulated settings.
- There remains a benefit, albeit modest, for a one earner couple earning average income.
- In the absence of CC, shift from one-earner to two-earner family often → real hourly wage that is under BC training wage.

Not good for women's employment equality.

Not good for shifting division of care between women and men.

Not good for labour supply.

- BC/Alberta/Canada rank badly internationally in terms of our benefit package for families with young children.



Thank you.

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The University of British Columbia

Faculty of Graduate Studies

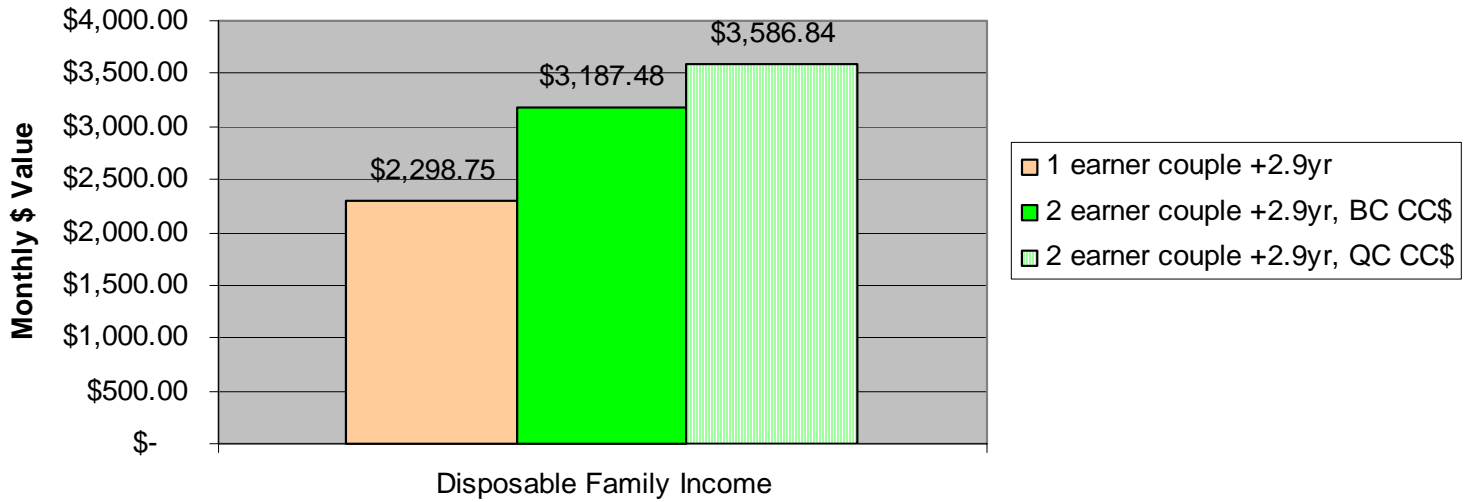
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Transition from One Earner to Two Earner Family: BC vs Quebec Child Care Costs



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