



Still More Work to be Done

A Brief Analysis of the 2021 Changes to Alberta's Child Care Subsidies

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While the recent changes to child care subsidies in Alberta will benefit some families, several fundamental issues remain. The Government of Alberta should consider a variety of policy options to make early learning and child care more affordable for families.

What Changes Were Made to Alberta Child Care Subsidies?

The Government of Alberta recently announced several changes to its child care subsidies. According to the Government, these changes, which will take effect on September 1, 2021, will extend subsidies to approximately 12,000 children in the province who had not been eligible in the previous year.¹ Specifically:

- Children attending licensed day care, out of school care, or family day homes will become eligible for partial fee subsidies if they live in households making up to \$89,999 per year (an increase from the previous income maximum of \$74,999).
- Children attending licensed preschool programs will become eligible for a flat-rate subsidy of \$125 per month if they live in households making up to \$89,999 per year (these children did not previously qualify for a subsidy).²

The table below shows how the 2021 changes will affect a child of preschool age (19 months up to grade 1) attending a licensed, full-day, centre-based day care program while living in a household of varying income levels.³

Changes to Monthly Subsidy for a Preschool-age Child in Licensed Day Care in Alberta

Annual Family Income	Old Subsidy	New Subsidy	Change
0 – 49,999	644	644	0
50,000 – 54,999	612	612	0
55,000 – 59,999	547	547	0
60,000 – 64,999	483	483	0
65,000 – 69,999	419	419	0
70,000 – 74,999	354	354	0
75,000 – 79,999	0	290	+290
80,000 – 84,999	0	225	+225
85,000 – 89,999	0	161	+161
90,000+	0	0	0

Source: Government of Alberta (<https://www.alberta.ca/child-care-subsidy.aspx#subsidy-rates>) and author's calculations. All numbers are in dollars.



Still More Work to be Done

What Do the 2021 Changes Mean for Alberta Families?

The 2021 changes will undoubtedly make some families with children in licensed early learning and child care (ELCC) better off than they had been in the previous year.⁴ Increasing the annual income threshold to qualify for a partial subsidy for licensed day care, out of school care, and family day homes to just under \$90,000 will make those programs more affordable for more families in Alberta.⁵ Similarly, providing a subsidy for children attending licensed preschool programs will make preschool more affordable, though implementing a flat preschool subsidy rate for all qualifying income levels is regressive.⁶

That said, the 2021 changes will also leave many children and families in the same position as before. As seen in the table above, for children living in families making less than \$75,000 per year and attending licensed day cares, the 2021 changes have no effect on the amount of their subsidy. This is true also of children attending licensed out-of-school care programs and family day homes.⁷ At the same time, fees for ELCC in much of Alberta—particularly Calgary and Edmonton—remain quite high, and have increased since the last change to Alberta’s subsidies in August 2020.⁸ Also unaffected by the 2021 changes is the extended hours subsidy, which remains a flat \$100 per month for families who need care outside of standard hours. Finally, the changes will not affect families who are not permanent residents or Canadian citizens. Children in those families remain ineligible for child care subsidies in Alberta.

Do the 2021 Changes Address Existing Issues with the Child Care Subsidy?

For the most part, no.

In a previous Edmonton Council for Early Learning and Care (ECELC) discussion paper and summary brief, several issues with Alberta’s child care subsidies were examined.⁹ Each issue is described briefly below, along with how the 2021 changes will address—or not address—that issue.

- **Subsidy Amounts Are Not Indexed, So They Lose Real Value.** The existing subsidy formula in Alberta does not increase subsidy amounts to reflect yearly increases in inflation, cost of living, or the cost of ELCC itself, meaning that the subsidy amounts lose real value every year.¹⁰ The 2021 changes do not include an indexing mechanism, nor do they increase the actual subsidy amounts for families making less than \$75,000 per year, leaving this issue unaddressed.
- **Income Thresholds Are Not Indexed, Leaving Families in Need Out.** Yearly increases in inflation and cost of living mean that families making the same nominal amount of money—for example, \$50,000 per year—actually become poorer, in real terms, every year.¹¹ The existing subsidy formula does not increase subsidy thresholds to reflect yearly increases in inflation or cost of living, meaning that each year, families that qualify for subsidy are poorer, in real terms, than they were the year before. While the 2021 changes added additional threshold categories for partial subsidy, they did not raise the income threshold to qualify for *maximum* subsidy, and there is no indexing mechanism for thresholds for the future to reflect increases in inflation or the cost of living, leaving this issue unaddressed.
- **The Maximum Subsidy Cap Disadvantages the Lowest-Income Families.** Alberta’s maximum child care subsidy, which is the same for all families making up to \$49,999 per year, does not come close to covering the full cost of ELCC in the province. These two facts mean that, for example, a family making \$25,000 per year pays a greater proportion of their income on ELCC than a family making \$45,000 per year. The 2021 changes do not change the maximum subsidy cap, leaving this issue unaddressed.
- **Subsidy Caps May Encourage Some Families to Refuse Work.** Before the 2021 changes, families lost all subsidy for all children at an income of \$75,000 per year. This “subsidy cliff” created a situation where some families, especially those families with multiple children in ELCC, faced the loss of a considerable monthly subsidy if they earned a small amount of additional income. Given this



Still More Work to be Done

situation, it was entirely conceivable that families could—quite rationally—choose to refuse additional income from work so they could keep their subsidy. This issue is somewhat addressed by the 2021 changes, as the changes add three partial subsidy threshold steps, allowing families to face a less dramatic loss of subsidy as they increase their yearly income.

What Are Other Options for Improving Child Care Affordability in Alberta?

In summary, while the 2021 changes will assist some families, they do not address some fundamental issues with Alberta's child care subsidies. In previous ECELC work, it was suggested that the combination of an indexing mechanism and converting to a sliding scale for calculating child care subsidies in Alberta could, if designed correctly, address all four of the issues raised above.¹² The 2021 changes address only one.

It should also be noted that solely reshaping the child care subsidy system is not the only option for making ELCC more affordable in Alberta. At least two other options exist:

- **Fee Caps:** Subsidies can be used in combination with other options, such as fee caps, to achieve a measure of affordability for all families while simultaneously targeting lower-income families.
- **A Universal Public System:** Another option is to construct a universal ELCC system, akin to the K-12 educational system in Alberta, that requires no fees from parents at all.

The Government of Alberta should consider all options—not just changes to the child care subsidy—for improving the affordability of ELCC in Alberta. Considering a broad range of policy options is particularly important right now, given the federal government's substantial commitment to partnering with provinces "to build a Canada-wide, community-based system of quality child care."¹³

This brief is part of a series of documents created by the Edmonton Council for Early Learning and Care to address current topics in early learning and care that impact Edmonton and Alberta. Rob Buschmann, PhD, is a Research Associate at the Community-University Partnership for the Study of Children, Youth, and Families (CUP) in the School of Public Health at the University of Alberta. Correspondence can be sent to info@ecelc.ca.



Endnotes

- ¹ See Government of Alberta (26 July 2021). *Supporting parents by increasing access to child care* (news release). Available at <https://www.alberta.ca/release.cfm?xID=79617E3BBAF2A-C47A-A901-D93530F061308307>. These changes were supported by the extension of a bilateral funding agreement with the federal government. Of the estimated 12,000 children gaining subsidy, it was unclear as of this writing how many were attending preschool, and how many were attending daycare, out of school care, or family day homes and were living in families making \$75,000 to \$89,999 per year.
- ² As part of the 2021 changes, early childhood educators working at licensed preschools are being made eligible for wage subsidies (these educators did not previously qualify for those subsidies). This change is an important step in supporting the ELCC workforce, but it is not addressed in this brief, as it does not directly impact the cost of early learning and child care for families.
- ³ The 2021 changes build upon a set of more substantial revisions made to child care subsidies by the Government of Alberta in August 2020. The August 2020 changes simplified the subsidy formula, changed the income thresholds for qualifying for subsidies, and increased the subsidy rate for virtually all families making less than \$75,000 per year in Alberta. For more information, see Buschmann, R. & Fischer-Summers, J. (October 2020a). *More Work to Be Done: An Analysis of Child Care Subsidies in Alberta* (discussion paper). Edmonton: Edmonton Council for Early Learning and Care, available at <https://www.ecelc.ca/publications-archive/analysis-of-child-care-subsidies-alberta>.
- ⁴ There are two reasons that the wording “in the past year” is used rather than simply “in the past.” First, under the subsidy system that existed before August 2020, some children living in families with annual incomes greater than \$75,000 could qualify for subsidy under the right circumstances. This means that a family making \$85,000 a year could theoretically have qualified for a subsidy before August 2020, become ineligible for a subsidy as of August 2020, and will now become eligible again under the September 2021 subsidy rules. Second, on January 1, 2020, the Government of Alberta eliminated the stay-at-home parent subsidy, which could be used to support children attending preschool. It is possible that some children attending preschool were eligible for subsidy before January 1, 2020, became ineligible when the stay-at-home parent subsidy was eliminated, and will now again become eligible with the latest changes. In both these cases, though the family is now better off than they were in the past year, it is unclear whether they are better off than they would have been *at any point* in the past.
- ⁵ It should be noted that \$90,000 is well below the median total income for economic families in Alberta (\$114,900 in 2019, the latest data available). Total income is used for comparison here because child care subsidies in Alberta are based on gross income, less some minor deductions. See Statistics Canada (2021). Table 11-10-0190-01: Market income, government transfers, total income, income tax and after-tax income by economic family type, available at <https://doi.org/10.25318/1110019001-eng>.
- ⁶ A single flat subsidy rate for all families benefits higher-income families more because higher-income families have more money to spend overall, and because the flat subsidy rate does not cover the full cost of preschool. For example, the Government of Alberta, in its July press release above, notes that the average preschool fee is \$190 per month; the flat subsidy rate is \$125 per month, leaving a family to pay \$65 per month (or \$780 per year per child). The family owes this amount to the preschool regardless of whether they make \$75,000 per year or \$25,000, though the family making \$25,000 has only a third of the money to spend compared to the family making \$75,000. This issue is similar to what happens to children living in families making between \$0 and \$49,999 per year and attending licensed day care, out of school care, and family day homes.
- ⁷ The 2021 changes will increase subsidy for school-age children attending out-of-school care programs during July and August, as children are often attending those programs full-time during those months.
- ⁸ For a preschooler in daycare in Calgary, the median monthly fee in 2020 was \$1,198; for Edmonton, it was \$940. The cost of licensed ELCC in Edmonton and Calgary has been outpacing both inflation and wage growth in Alberta by a considerable margin in recent years. For more information, see Buschmann, R. & Fischer-Summers, J. (April 2021a). *Continuing an Unwelcome Trend: Rising Early Learning and Care Fees in Edmonton*. Edmonton: Edmonton Council for Early Learning and Care, available at <https://www.ecelc.ca/publications-archive/rising-early-learning-and-care-fees-in-edmonton>, and Buschmann, R. & Fischer-Summers, J. (April 2021b). *Continuing an Unwelcome Trend: Rising Early Learning and Care Fees in Calgary*. Edmonton: Edmonton Council for Early Learning and Care, available at <https://www.ecelc.ca/publications-archive/rising-early-learning-and-care-in-calgary>.
- ⁹ Buschmann, R. & Fischer-Summers, J. (October 2020b). *More Work to Be Done: An Analysis of Child Care Subsidies in Alberta Summary*. Edmonton: Edmonton Council for Early Learning and Care, available at <https://www.ecelc.ca/publications-archive/summary-of-more-work-to-be-done>.
- ¹⁰ See Buschmann & Fischer-Summers, April 2021a and April 2021b.
- ¹¹ Or, put more colloquially, \$50,000 in 2021 just doesn't buy what it used to in 2011, or 2001, or any previous year.
- ¹² See Buschmann & Fischer-Summers, October 2020a and October 2020b. Yet another option is to provide subsidies to *families* rather than individual *children*, which would allow families to keep their total spending on ELCC to a specific percentage (say, 10% of family income) regardless of the number of children the family had in care.
- ¹³ Government of Canada (May 2021). *Budget 2021: A Canada-wide Early Learning and Child Care Plan*, available at <https://www.canada.ca/en/departement-finance/news/2021/04/budget-2021-a-canada-wide-early-learning-and-child-care-plan.html>.