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COALITION OF child care advocates OF BC

# A Two-Pillar Model: Set Fees for Families and Set Compensation for Staff

**TECHNICAL RECOMMENDATIONS ON CHILD CARE OPERATING FUNDING FOR POLICY MAKERS AND THE SECTOR**

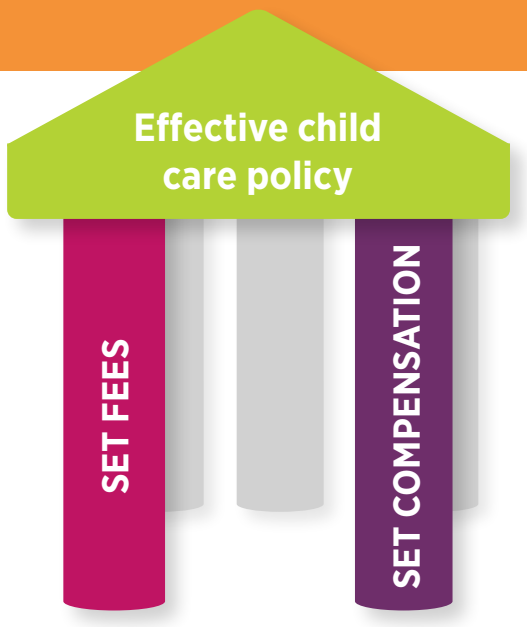
**Prepared by Eric Swanson, Third Space Planning**

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One of the biggest roadblocks to achieving a universal $10aDay child care system in BC is the current system of seven separate operating funding programs.[1] Having so many different programs makes the system complicated and burdensome. The nature of the programs has maintained unfair variability in parent fees and staff compensation, and overall funding levels are frequently unsustainable for operators (putting at risk program quality, continued operation, and expansion).

The solution: rapidly transitioning all licensed programs to a two-pillar $10aDay operating funding model that sets consistent fees for families and consistent compensation for educators and other staff, integrating BC's large proportion of for-profit operators with improved guardrails.[2]

This article introduces how a two-pillar funding model would work for BC.




A two-pillar funding model sets consistent fees for families and consistent compensation for educators in all licensed programs.



# The importance of set fees and set compensation — the two pillars

Significant investment by the federal and provincial governments has reduced median parent fees by approximately 50 per cent since 2019 (with ~10% of licensed programs now set-fee $10aDay sites). However, individual parent fees still vary widely within and between communities. For example, in the city of Richmond, while some families have access to $10aDay care, one in four families still pay more than $50 per day. And overall, Richmond's fees are double those in Kelowna.[3]

**Province-wide set fees of no more than $10aDay would eliminate this unfair variability and guarantee affordability for all families.**[4]

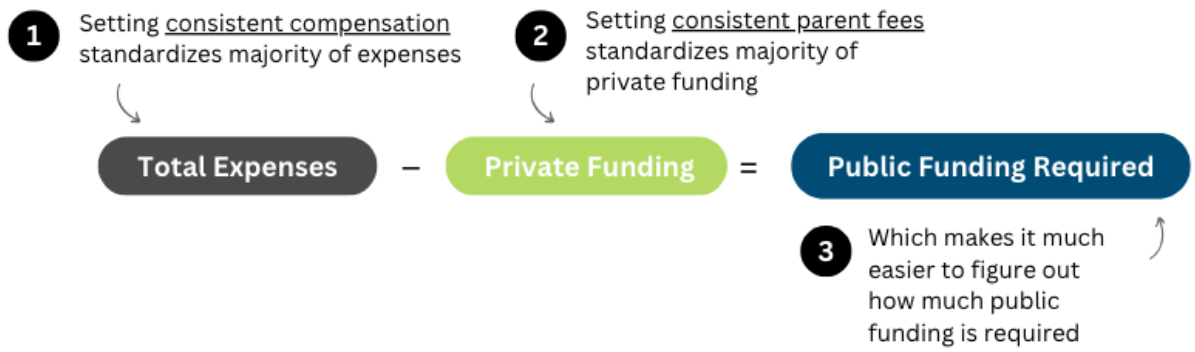
In 2018, the BC government also began topping up Early Childhood Educator ("ECE") wages with a "wage enhancement" program (currently $4-$6 per hour), which has raised median wages to $29 per hour.[5] However, wages for the bulk of BC's educators still vary widely, by up to $15/hour.[6] Access to pensions and other benefits is also highly variable, with more than 70 per cent of educators and other staff lacking a retirement/pension plan, and more than a third lacking extended health coverage.[7]

**Set compensation would eliminate this unfair variability, recognize the profession for its complex work and — if set high enough — guarantee equitable wages, pensions and benefits for educators and all other child care staff.**[8]

Critically, implementing both pillars (set fees and set compensation) *at the same time* is essential for two key reasons:

1. Set compensation — so long as it's high enough — will support the significant recruitment and retention of ECE professionals required to staff the growing child care system, while set parent fees will simultaneously support equitable access for all families as they enter the new system.
2. In quality child care programs, compensation — especially for ECE professionals — makes up the majority of the operating budget (often 80 per cent or more), so setting compensation supports the development of standardized operating budgets. Setting parent fees standardizes the majority of the private (or external) operating revenue available to programs, making the calculation of the net funding required from the government more straightforward.

**Figure 1: Combining set compensation and set fees simplifies public operating funding**



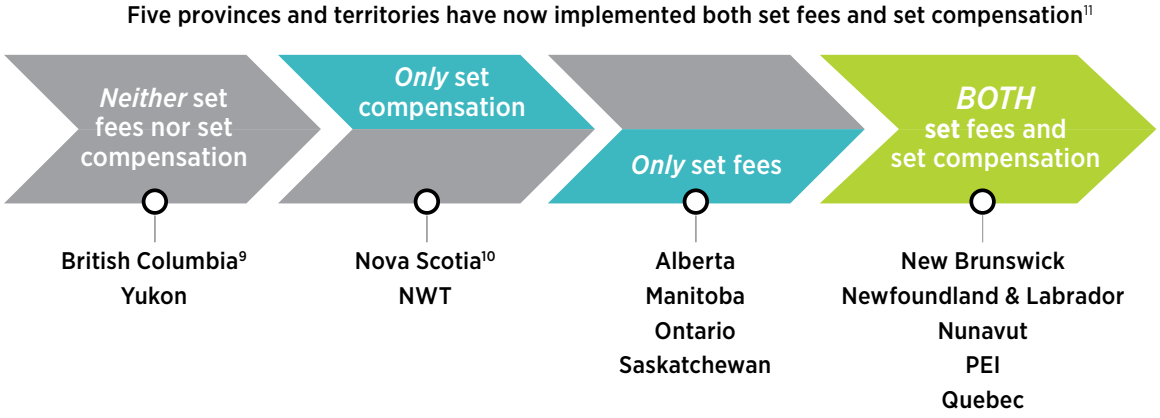



In quality child care programs, compensation — especially for ECE professionals — makes up the majority of the operating budget, so setting compensation supports the development of standardized operating budgets.

# BC has fallen behind provinces and territories already implementing a two-pillar funding model.

BC used to lead the way toward universal $10aDay child care, but we've since fallen behind on key building blocks. For example, five other provinces/territories now have a two-pillar funding model:

**Figure 2: Progress toward a "two-pillar" child care funding model**




Just setting compensation for educators (like Nova Scotia), or just setting fees for families (like Saskatchewan or like BC's small proportion of $10aDay programs) creates inequities and concerns for the long-term sustainability of programs. For example:

- Setting fees *without* setting publicly-funded compensation puts quality programming at risk as operators may not have sufficient revenue to pay staff fairly, with comprehensive benefits.[12]
- Setting publicly-funded compensation *without* setting fees makes it complicated to prevent some operators from overcharging families in order to maximize their profit/surplus.

**Set fees and set compensation work hand-in-hand. That's why five provinces and territories have already implemented both, and why BC needs to follow suit.**

BC used to lead the way toward universal $10aDay child care, but we've since fallen behind on key building blocks. For example, five other provinces/territories now have a two-pillar funding model.

# Bringing existing for-profit operators into a two-pillar system

Unlike K-12 education and health care — which have long been provided in BC as universal, core public services — child care was historically left to the market. This market-anchored approach failed to achieve high-quality, affordable, flexible and equitable child care for families, educators, and operators.[13]

Reflecting this historic approach, more than half of existing child care spaces in BC are operated by for-profit businesses (67 per cent of full-day spaces).[14]

Compared to the most successful universal child care systems in the world (e.g. in Norway, Finland, Sweden and Denmark), BC now has a far greater proportion of for-profit providers, which bring with them a range of particular risks and accountability issues.[15]

Switching all/most of BC's for-profit child care programs to a two-pillar public funding model means carefully addressing these issues; this topic is discussed in detail elsewhere, but one of the biggest challenges relates to mortgages.[16]

If public operating funding pays the mortgage costs of privately-owned child care facilities it means that — every year — a portion of taxpayer funds are being lost to private real estate profits, with no guarantee these facilities will actually stay open over the long-term.

However, to bring existing for-profit operators into a two-pillar model, mortgages must be paid. The question is by whom and how.

The following table — taken from BC's 2023 $10aDay operating funding manual — helps highlight the required changes.

**Figure 3: 2023 $10aDay operating funding policy related to mortgages and leases[17]**

Column A – Not-for-profit, public, or Indigenous-led Centres
Column B – Home-based Centres
Column C – Corporations, partnerships, or sole proprietors (not home-based)

| Expense Type | A | B | C |
|---|---|---|---|
| Mortgage (principal plus interest) | Eligible | Partial | Ineligible |
| Rent/Lease (with arm's length third party) | Eligible | Partial | Eligible |
| Rent/Lease (with non-arm's length party) | Ineligible | Ineligible | Ineligible |

*"Partial" for home-based providers based on Proportional Use Calculation*

**These costs must be made *eligible* to provide all families with set fees and all educators and staff with set compensation, but with recouping of principal payments as discussed in this document.**

**Making this bottom row of costs eligible is more complicated and can be addressed at a later date.**

One option would be for the BC government to pay mortgage costs for all non home-based centres while the space is used for licensed child care (columns A and C in Figure 3) — but then recouping all publicly-funded principal payments at time of sale (+/- assessed real estate gains/losses).[18]



# Conclusion

## BC needs to quickly switch to a two-pillar model

BC is currently stuck using a messy combination of seven different operating funding programs, with very slow expansion of set fee $10aDay spaces, and a very small-scale test of a new $10aDay funding model that continues to lack a genuine wage grid/set compensation.[19]

To efficiently fund the day-to-day delivery of child care as a core service, with affordable fees for all families and fair compensation for all educators, and with increasingly flexible hours and scheduling for those who need it, BC needs to follow the lead of other provinces and territories by quickly unifying all — or the vast majority — of child care spaces into a two-pillar model.

Doing so will reduce administrative complexity and increase accountability, will require a commitment to adequate provincial and federal funding, and will require strategic decisions about how to best integrate for-profit operators without draining public funds into privately-held real estate.

**Child care for Indigenous children, families and communities**

The Coalition of Child Care Advocates of BC and Early Childhood Educators of BC prioritize meaningful and reciprocal connections to, collaborations with, and learnings from Indigenous organizations. To date, these relationships have often confirmed shared early learning and child care policy goals for the well-being of children, families and educators.

We also acknowledge that the technical discussion and recommendations contained in this document may not apply to Indigenous-led child care. Our recommendations are directed toward the BC government, which is responsible and accountable for ensuring they are implemented in alignment with overarching commitments to Indigenous rights and jurisdiction.[20]

## Notes

1 Including the Child Care Operating Fund (CCOF), Child Care Fee Reduction Initiative (CCFRI), Early Childhood Educator Wage Enhancement (ECE-WE), two distinct $10aDay models ("eligible expenses model," and the new "OFM"), Affordable Child Care Benefit (ACCB), and the Maintenance Fund (one could classify the latter as capital funding).

2 Here, "guardrails" refers to policies aimed at addressing a suite of accountability issues particular to for-profit child care. For more information see: Eric Swanson, "Bringing BC's for-profit child care operators into a $10aDay model: Technical recommendations for child care policy makers and the sector," CCCABC and ECEBC, 2024. 10aday.ca/for_profit_integration

3 David Macdonald and Martha Friendly, "Measuring Matters: Assessing Canada's progress toward $10-a-day child care for all," Canadian Centre for Policy Alternatives, 2023 (Figure 2). Reference to "double" in this case pertains to a comparison of median fees for toddler programs between the two cities.

4 $7/day for part-time care, and with additional fee subsidies for lower-income families (e.g., BC's current "Affordable Child Care Benefit").

5 A median of $29/hour is reported by the province at: www2.gov.bc.ca/assets/gov/family-and-social-supports/child-care/our-plan/9107_childcarebc_factsheet.pdf.

6 Correspondence with staff from the B.C. Ministry of Education and Child Care, Sept. 2023. In the reported distribution 93% of ECE wages were between $20/hr and $34.99/hr ($15/hr variability). 5% of ECE wages were above $35/hr (2% above $40/hr). Provided data did not dissagregate those with management responsibilities, or between different ECE credentials.

7 Table 37 of "Evaluation of Early Care and Learning Recruitment and Retention Strategy: Evaluation Technical Report 2022" (the most recent publicly-available evaluation). The cited statistics are for "early care and learning professionals" which refers to a broad range of individuals involved in the care and education of young children (including ECEs, ECEAs, RAs, home care providers and others).

8 Including an ECE wage grid of at least $30–$40/hour, as described by: Eric Swanson, "Early Childhood Educator Compensation in BC: Spring 2024 Update," CCCABC and ECEBC, 2024.

9 BC's ~15,300 set fee child care spaces are only ~10% of its licensed system, and while there is a small-scale test of a new funding model with a wage floor and set wage *funding*, the model continues to lack a genuine wage grid/set wages (see infra note 19). As such, BC currently has neither set fees or set wages/compensation. The Yukon is an example of a jurisdiction that has achieved an average parent fee of $10 per day or less for full-day programs, but this is not a set fee.

10 Nova Scotia's set compensation includes both set wages and set pension and benefits plans.

11 In all of these jurisdictions (a) set fees range from under $10 per day to ~$20/day; and (b) set compensation includes jurisdiction-wide wage grids (set wages). In some jurisdictions (Quebec, Nova Scotia, Manitoba and PEI), set compensation also includes system-wide benefits and/or pension plans. In this analysis, set wages are treated as the core of set compensation and therefore sufficient to classify these jurisdictions as having a two-pillar funding model. "Jurisdiction-wide" means across the entire — or the vast majority — of each jurisdiction's publicly-funded system. There is significant variation in how the various provincial/territorial "wage grids" are structured and implemented, and one can argue what does/doesn't constitute a "wage grid/set wages." In our analysis we choose to align with the interpretation here: buildingchildcare.ca/tracking-elcc-system-progress/.

12 Including both $10aDay operators in BC (whose fees are set) and BC operators participating in fee reduction programs (whose fee increases are capped).

13 For a discussion of the risks, complications and failings of market-anchored approaches to child care see: Helen Penn, "Childcare markets: Do they work?", Childcare Resource and Research Unit, 2012.

14 Martha Friendly et al., "Early childhood education and care in Canada 2023", Childcare Resource and Research Unit, 2024.

15 For further discussion see Swanson, supra note 2.

16 Ibid.

17 "$10 A Day ChildcareBC Centres: Policies and Procedures Manual 2023 Expansion", Province of British Columbia, 2023 (Appendix A).

18 For further discussion see Swanson, supra note 2.

19 Eric Swanson, "BC's Latest Child Care Funding Model Lacks a Genuine Wage Grid," CCCABC, 2024, 10aday.ca/bc_2023_ofm_lacks_wage_grid

20 For example as set out in/guided by the Indigenous Early Learning and Child Care Framework and associated implementation and action plans; Item 4.19 in BC's Declaration Act Action Plan, which commits the government to, "as part of a commitment to an inclusive, universal childcare system, work in collaboration with B.C. First Nations, Métis, and Inuit Peoples to implement a distinctions-based approach to support and move forward jurisdiction over child care for First Nations, Métis and Inuit Peoples who want and need it in B.C."; and the "First tripartite memorandum of understanding signed on early learning and child care for First Nations," which acknowledges "First Nations' inherent rights to self-determination, including the right to control the design, delivery and administration of an early learning and child care system for First Nations that reflects their unique needs, priorities and aspirations."




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