
2004 BUDGET BRIEFING NOTE: Proposed Reduction to Wage Subsidy - Updated

Issue/Background:

- The 2004 Children's Services Budget as approved by EMT proposes to reduce the wage subsidy paid to child care programs.
- The 80% Provincial share of the wage subsidy funds would be reinvested in fee subsidy to offset some of the potential subsidized space loss in 2004. The City net would be reduced by \$356.3 thousand.
- The Wage Subsidy program first introduced by the Provincial government in 1988 to address salary levels of staff in child care is made up of a variety of grants including the Direct Operating Grant, Wage Enhancement Grant and Pay Equity funding.
- Wage subsidy was downloaded to the City in 1999 with the responsibility for service system management and is cost shared with the Province on an 80:20 basis.
- Currently, 645 child care programs receive some level of wage subsidy funding but wage subsidy levels are not uniform across child care programs.
- \$19.2 million of the \$41.0 million program supports full fee families using child care.

Key Point(s):

- The 2004 Children's Services budget as initially submitted required \$10 million in additional provincial funding to maintain the current service levels.
- It is anticipated that this provincial shortfall will be reduced by \$4.4 million in additional funding from the Multilateral Framework on Early Learning and Child Care in 2004 and prevent the loss of 560 subsidized child care spaces.
- The remaining estimated provincial shortfall of \$5.6 million would have resulted in a loss of 730 subsidized child care spaces.
- Strategies to address the provincial shortfall are restricted to a reduction of child care subsidy spaces, increased user fees to families in receipt of fee subsidy, or redirecting wage subsidy into fee subsidy to offset space loss.
- In order to preserve subsidized child care spaces EMT recommended that \$1.4 million in provincial subsidy for the wage subsidy program be redirected into fee subsidy.
- This strategy reduces the City net by \$ 356.3 thousand, the provincial shortfall to \$ 4.2 million and the subsidized child care space loss from 730 to 550 spaces in 2004
- The Wage Subsidy Strategy as proposed is to be phased in 2004.
- Assuming that the City net savings is annualized at \$ 356.3 thousand the wage subsidy strategy will prevent an annual service loss of 855 subsidized child care spaces and redirects approximately 1/3 of the wage subsidy paid on behalf of full fee parents to preserve subsidized child care spaces.

- Payments to child care operators currently in receipt of wage subsidy would be reduced by an average of \$ 1.75 per day for every full fee child.
- In order to offset the loss of wage subsidy, it is expected that child care operators would increase the fees for full fee paying parents. The average annual impact on a full fee parent would be \$1.75 per day or \$457.00 per year. The impact in 2004 would be \$110.00.
- Provincial approval of the proposed strategy is required but preliminary discussions suggest a favourable response.
- If the reduction strategy is approved, the Department would consult with the child care community and report back on implementation strategies and in addition, will report back on final provincial funding commitments.

Questions & Answers:

Q - How would child care programs offset the loss of wage subsidy?

A - It is expected that child care programs would increase fees to full fee parents to offset the loss in wage subsidy.

Q - Full fee parents are already subsidizing the subsidy system since per diem rates paid by the City don't match full fees. Isn't this an unfair additional burden?

A - The City provides a number of programs which support full fee families including wage subsidy and the occupancy agreements with the school boards. The value of these additional subsidies needs to be considered when comparing the difference in the per diem rate paid by the City and child care centres full fee.

With respect to the additional burden on full fee parents, the impact of the lack of adequate provincial funding has historically been borne by families eligible for subsidy as the system has reduced service levels by over 1,776 fee subsidy spaces. In addition, child care operators have not received adequate recognition of the costs of providing service. The lack of adequate funding has led to financial instability for many operators.

Q - Is the City actually cutting the salaries of staff in child care?

A - The City is redirecting funding to support fee subsidy spaces. The City has no control over the actual salaries of staff working in child care programs under contract. It is up to the operator to determine how to maintain wage levels when revenue is reduced.

Q - What does it mean that the average impact on a full fee parent is \$1.75 per day?

A - The wage subsidy received by a child care program is formula driven and dependent on the ages of children served and the numbers of staff. In addition, not all child care programs are receiving the wage subsidy for which they might be entitled. The value of wage subsidy varies by auspice as well. On average, in a non-profit centre, wage subsidy on an infant space is worth \$10.00/day while the wage subsidy in a commercial centre is only worth \$1.40/day.

Before implementation of this strategy, the Department would consult with the community and report back through Community Services Committee on the proposed implementation strategies.

Date: February 27th, 2004