

# Child Care: Early Childhood Education and Care

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## Background

We're used to hearing that Canada has no national childcare program<sup>1</sup> and that existing services are inadequate and underfunded. But two other important points are less often noted: how much Canadian child care relies on the market, and the undesirable effects of this approach.

Every aspect of Canadian child care is shaped by the market.<sup>2</sup> The private sector — including entrepreneurs, non-profits, and charitable organizations — determines when and where services are located. Private non-profit and for-profit operators finance much of the capital costs and deliver most regulated child care across Canada. Outside Quebec, parents pay the bulk of costs for regulated and unregulated child care, and public funding is primarily distributed through market-oriented “demand-side” measures such as vouchers, cheques, or fee subsidies. There is little public management of services or public planning for expansion. The government's role is largely limited to monitoring regulations, which are inadequate to deliver the high-quality programming that benefits children.<sup>3</sup>

The results of this market approach are tangible and well documented.<sup>4</sup> There are significant variations, inequity, and gaps across Canada in affordability, supply of

services, and quality, and many (or most) families can neither find nor afford high-quality child care. Yet, as the OECD recently suggested,<sup>5</sup> Canada's adherence to a market-based approach reflects an “economic orthodoxy” rather than a lack of knowledge about the benefits of moving to a public system.

This situation continues despite Canada being a signatory to the United Nations Convention on the Rights of the Child, which commits our federal and provincial/territorial governments to collaborate to ensure that families have access to quality early childhood education and care (ECEC) programs.<sup>6</sup>

## The right thing to do

Child care has long been considered a key requirement for healthy child development, women's equality, social justice and equity, and part of good family policy. A body of evidence<sup>7</sup> shows that building a public ECEC system is the right thing to do for parents and children, and for Canada socially and economically. In 2012, TD Economics urged increased public spending when “finances move back in balance.” The report observed that Canada lags far behind other countries and that putting “an efficient, high quality early childhood program in place...accessible for all children and affordable for par-

ents...would be beneficial for children and parents as well as the broader economy.”<sup>8</sup>

In its most recent review of the Convention on the Rights of the Child, the UN referred to Canada’s “lack of funding directed towards the improvement of...affordable and accessible early childhood care and services,” “high cost of child care,” and “lack of available places.”<sup>9</sup>

### **More public money and policy needed**

As federal and provincial surpluses began to mount annually in the early 2000s, a substantial commitment to childcare system-building emerged. However, at the height of Canada’s economic success, the federal government terminated this initiative, replacing it with the Universal Child Care Benefit (UCCB), a monthly payment made directly to parents and a tax incentive for employers to build new childcare spaces.

These policy changes set child care in Canada back even further. Without the promised federal transfers, provincial and territorial plans to increase access to quality child care slowed dramatically. There has been no material uptake of the tax incentive for employers to date,<sup>10</sup> and parent fees continued to increase in provinces without fee caps.

It is therefore not surprising that Canada’s public investment in ECEC programs has remained static for some years at 0.25% of GDP — about one-third the OECD average (0.7%) and far short of the international minimum benchmark of at least 1% of GDP for children aged 0–5.<sup>11</sup>

Child care today is plagued by stagnant provincial/territorial budgets and expansion and by shrinking services that are unconnected to planning or community needs. Fee subsidies are less adequate than they were in the past, the proportion of families served has remained steady since 2001, and parent fees are unaffordable for many. As a result, today most parents must rely on unmonitored, sometimes dangerous, unregulated care.

Comparing best policy practices with the state of Canadian child care reveals a gap between what we know and what we do. Research suggests that delivering high-quality, equitable, accessible ECEC programs requires a systematic, integrated approach with well-defined public management.<sup>12</sup> Research also shows the pitfalls of relying on unplanned, fragmented, privatized approaches to financing and depending on for-profit services.<sup>13</sup> Yet, current ECEC policies continue to ignore the best available knowledge.

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### **Current Issues<sup>14</sup>**

- Parent fees are very high — often higher than university tuition — while subsidies fail to make child care financially accessible to eligible parents. Infant fees range from Quebec’s \$152/month to Manitoba’s province-wide maximum parent fees (\$631/month); the average fee in Ontario is \$1,152/month. In large cities, child care is even more costly. In Vancouver, for example, commercial chain Kids and Company topped the chart

with an annual fee of almost \$23,000 in 2013, while non-profit University of British Columbia Childcare Services' infant fee for non-UBC-affiliated parents was more than \$18,000 annually.<sup>15</sup>

- The supply of childcare services is far below the demand, yet expansion of spaces has been slow over the last few years. More than 70% of mothers of young children were in the paid labour force but, in 2012, there were regulated spaces for only 22.5% of children aged 0–5 years.
- Staff wages are too low to ameliorate staffing issues such as recruitment and retention. A 2012 survey found that the median gross annual wage of program staff across Canada was \$16.50/hr, up only slightly from \$15.36 in 1998 (amounts are adjusted for inflation).<sup>16</sup>
- Quality issues persist regarding the unregulated arrangements many parents must use and the regulated services that are in short supply.

### **Beware unregulated child care**

Issues about the safety of unregulated arrangements have been prominent in the media as child deaths in unregulated child care continue to occur.<sup>17</sup> Yet throughout the country there is widespread reliance on these arrangements, in which government has only a bare minimum role and no oversight. It is noteworthy that while there is no substantial direct public funding to unregulated child care except in B.C.,<sup>18</sup> the

demand-side funding available through the UCCB and the Child Care Expense Deduction supports both legal and illegal unregulated child care.

### **For-profit child care growing**

Although the benefits of a publicly managed ECEC system are clear, for-profit child care is growing in most of Canada. In 2012, for-profits delivered 29.4% of centre-based spaces, up from 20% in 2004. The limited growth in the sector has been dominated by for-profit services for some years.

Commercial childcare chains — until recently mostly small-scale operations — are growing across the country, with many now operating more than 20 centres. Corporations such as BrightPath (formerly called Edleun), Canada's first publicly listed big-box childcare chain, and privately held Kids and Company each operate more than 50 centres in multiple provinces. Both appear to be positioned for growth, with investors providing significant capital infusions.

Countries in which big-box chains now dominate child care (Australia, the U.K., and the U.S.) provide useful lessons for Canada: public funds will support private profits rather than public goals such as quality, affordability, and equity of access. The threat of higher fees, lower wages, unmet demand, and poor quality found in countries dominated by corporate providers should be a wake-up call to Canada about the ineffectiveness and inequity of a market-based approach to child care.

The evidence-based response to Canada's childcare needs is a national policy

framework establishing a publicly managed, publicly funded system blending ECEC, and prioritizing equity in access and service provision in every province and territory.

### **More federal involvement needed**

A key barrier to an ECEC system in Canada has been the federal government's absence from the table. Even funding for federal Aboriginal ECEC programs — for which the federal government has direct and full responsibility — has been largely static since 2006, actually dropping in 2009.<sup>19</sup>

Meanwhile, the provinces, which have jurisdictional responsibility, continue to experience community pressure to provide accessible, quality child care. Several provinces have introduced changes to various elements of child care and kindergarten. However, without national collaboration and federal funding and leadership, most of these programs remain underfunded and inadequate to meet the need. They do not provide substantial enough reforms to significantly impact the status quo.

While child care languishes, since 2006 the federal government has spent an estimated \$17.5 billion on the UCCB, which provides \$100 per month to families for each child under age six. There is no evidence that this considerable public expenditure — which replaced the cancelled national childcare program — has increased access and quality, enhanced “parental choice,” or offered an effective income support to help lift families out of poverty.<sup>20</sup> The AFB will make better use of these public funds by using them to improve the National Child Benefit Supple-

ment (see the chapter on Income Inequality, Poverty, and Wealth).

In 2011, the government pledged to introduce income splitting for couple families with children, which would likely encourage mothers to stay out of the workforce. This income-splitting proposal would disproportionately benefit wealthier families, especially those with stay-at-home mothers, and spend an additional estimated \$3 billion<sup>21</sup> on a program that — like the UCCB — will be of little benefit to those children and families who need the most help.

In this way, the federal government has directed substantial federal funds away from a national childcare program through the UCCB and is contemplating doubling this sizable expenditure through income splitting. Overall, the federal government's approach to child care limits the progress that can be achieved in provinces, territories, and Indigenous communities today, and restricts their ability to act in the future by reducing available public funds.

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### **AFB Actions**

There is compelling evidence that public investment in ECEC offers exceptional benefits per dollar invested. Studies have shown that well-designed public spending on ECEC promotes child and family health, advances women's equality, addresses poverty, deepens social inclusion, and grows the economy. But a market-based approach won't make it happen.

- The AFB will begin to build, with provinces, territories, and Indigenous com-

munities, a system of high-quality, affordable, inclusive, publicly managed ECEC across Canada with equitable access for all children and families.

- To protect and promote the public interest, the AFB will provide leadership and significant funding support to provinces, territories, and Indigenous communities that commit to building public systems of ECEC. The goal of this approach is to ensure access — over time — to high-quality ECEC for all. Public funding for ECEC will reach at least 1% of GDP, with contributions from both federal and provincial/territorial governments.
- In 2014–15 the AFB will invest \$1.0 billion of federal funds and increase this investment by \$1 billion more each year over five years. At the five-year mark, a major evaluation will be done to determine how to fine-tune the program going forward. Overall, it is expected that regular funding increases will be made until a mature universal program has been achieved.
- The AFB will establish an overarching federal policy framework to guide collaboration between the federal government and provinces/territories. The AFB will provide federal funds to those that are accountable for developing and maintaining the following:
  - *Public plans* for developing, over time, comprehensive, integrated systems of ECEC services to meet the care and early education needs of children and parents.
  - The overarching federal policy framework and each detailed provincial/territorial framework will include a vision statement that treats ECEC as a public good and a children’s and women’s right; principles including universal access and affordability, high quality, full inclusion, and respect for diversity; clear targets and timetables; legislation at both federal and provincial/territorial levels; integration of “care” and “education”; a well-trained, well-paid ECEC workforce; democratic participation of parents and community; data, research, and evaluation to ensure robust public policy development.
  - *Public management* of the expansion of public and not-for-profit regulated services under public authorities through public planning processes (including integration of existing community-based services into publicly managed systems).
  - *Public funding* delivered to ECEC systems (rather than through taxes or other individual parent-payment measures), designed to create and maintain high-quality, accessible services through predictable, sustained, dedicated funding.
  - *Public monitoring and reporting* in federal and provincial/territorial legislatures on quality, access, and affordability of the ECEC care system.

Within this broad approach the AFB acknowledges the right of Canada's Indigenous peoples to design, deliver, and govern their own ECEC services. The AFB also respects Quebec's right to develop social programs, while recognizing that additional federal funding and more focused public policy are required to further advance quality and equitable access in Quebec's system. The AFB encourages the federal government and other provinces/territories to work with Quebec to achieve the province's goals for child care.

## Notes

- 1 Throughout this chapter "child care" refers to the market-based approach to children's early care and learning primarily used in Canada today, which differs substantially from the public systems approach used in education services such as kindergarten. Even when the same provincial ministry is responsible for both child care and kindergarten, these public policy and funding differences persist. "Early Childhood Education and Care" refers to the AFB's goal of a public system that blends kindergarten and childcare services into a system of high-quality, universally accessible programs in school or community-based settings.
- 2 The degree of marketization varies across jurisdictions. Quebec's child-care system incorporates several elements of a public system.
- 3 This holds with some exceptions in Quebec, as discussed above, and to a lesser extent in Manitoba and Prince Edward Island, where provincial governments have begun introducing elements of public management such as caps on parent fees.
- 4 See, for example, UNICEF Innocenti Research Centre. (2008). *Report Card 8: The Child Care Transition: A League Table of Early Childhood Education and Care in Economically Advanced Countries*.
- 5 OECD Directorate for Education. (2004). *Early Childhood Education and Care Policy. Canada: Country Note*. Organisation for Economic Co-operation and Development, p. 57.
- 6 United Nations Committee on the Rights of the Child. (2005). "General Comment No. 7." In United Nations Convention on the Rights of the Child.
- 7 Centre for Spatial Economics. (2009). *Literature Review of Socioeconomic Effects and Net Benefits: Understanding and Addressing Workforce Short-*

*ages in ECEC Project*. Childcare Human Resources Sector Council. [http://www.ccscc-cssge.ca/sites/default/files/uploads/Projects-Pubs-Docs/2.8-WFS\\_LitSocioMain\\_Eng.pdf](http://www.ccscc-cssge.ca/sites/default/files/uploads/Projects-Pubs-Docs/2.8-WFS_LitSocioMain_Eng.pdf)

8 Alexander, C., & Ignjatovic, D. (2012). *Special Report: Early Childhood Education has widespread and lasting benefits*. TD Economics. [http://www.td.com/document/PDF/economics/special/di1112\\_EarlyChildhoodEducation.pdf](http://www.td.com/document/PDF/economics/special/di1112_EarlyChildhoodEducation.pdf)

9 UN Committee on the Rights of the Child. (2012). *Consideration of reports submitted by States parties under article 44 of the Convention. Concluding observations: Canada*. [http://www2.ohchr.org/english/bodies/crc/docs/co/CRC-C-CAN-CO-3-4\\_en.pdf](http://www2.ohchr.org/english/bodies/crc/docs/co/CRC-C-CAN-CO-3-4_en.pdf)

10 Government of Canada. Department of Finance. (2013). *Tax Expenditures and Evaluations 2012*, p. 22. <http://www.fin.gc.ca/taxexp-depfsoc/2012/taxexp-depfsoc12-eng.pdf>

11 The .07% and 1% come from Bennett, J. (2008). *Benchmarks for Early Childhood Services in OECD Countries*. Innocenti Working Paper 2008-02. Florence: UNICEF Innocenti Research Centre. [http://www.unicef-irc.org/publications/pdf/iwp\\_2008\\_02\\_final.pdf](http://www.unicef-irc.org/publications/pdf/iwp_2008_02_final.pdf), p. 38. The source of the 0.25% of GDP is Organisation for Economic Co-operation and Development. Directorate for Education. (2006). *Starting Strong II*. Paris: OECD Publishing.

12 "Public management" is used here to mean a planned, coherent approach by a level of government, usually local, using public administration tools, on behalf of a "common good" rather than on behalf of individual or private interests.

13 Lloyd, E., and Penn, H. (Eds.). (2012). *Childcare markets: Can they deliver an equitable service?* Bristol, UK: The Policy Press; Friendly, M., and Prentice, S. (2009). *About Canada: Childcare*. Winnipeg: Fernwood Publishing.

14 The source for most of the data in this section is Friendly, M., Halfon, S., Beach, J., and Forer, B. (2013). *Early childhood education and care in Canada 2012*. Toronto, Ontario: Childcare Resource and Research Unit. <http://childcarecanada.org/publications/ecec-canada/13/08/early-childhood-education-and-care-canada-2012>

15 Coalition of Childcare Advocates of BC. (2012). *Letter to MCFD requesting moratorium on new approvals of Childcare Operating Funds (CCOF) for commercial childcare chains*. [http://www.cccabc.bc.ca/cccabdocs/pdf/CCCABC\\_Moratorium\\_CCOF\\_May12.pdf](http://www.cccabc.bc.ca/cccabdocs/pdf/CCCABC_Moratorium_CCOF_May12.pdf)

16 Flanagan, K., Beach, J., and Varmuza, P. (2013). *You bet we still care! A survey of centre-based early childhood education and care in Canada: Highlights report*. Ottawa, Ontario: Child Care Human Resources Sector Council. [http://www.ccscc-cssge.ca/sites/default/files/uploads/Projects-Pubs-Docs/EN%20Pub%20Chart/YouBetSurveyReport\\_Final.pdf](http://www.ccscc-cssge.ca/sites/default/files/uploads/Projects-Pubs-Docs/EN%20Pub%20Chart/YouBetSurveyReport_Final.pdf)

17 Monsebraaten, L. (2013). "Ontario child care review needed in wake of tot's death." *Toronto Star*, July 12.

18 Provincial childcare subsidies for lower-income families in B.C. can be used to purchase unregulated childcare services.

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20 Friendly, M. (2013). *The \$17.5 billion question: Has the Universal Child Care Benefit given families "choice in child care"?* Toronto: Childcare Resource and Research Unit.

21 Macdonald, D. (2014). *Income Splitting in Canada: Inequality By Design*. Ottawa: Canadian Centre for Policy Alternatives.