



GETTING THERE

AFB 2018

Alternative Federal Budget 2018

Child Care



ALTERNATIVE
FEDERAL BUDGET
2018

CHILD
CARE

SITUATION

- Recent federal child care initiatives, although positive, will not reduce fees for most parents.
- Most comparable countries spend at least 1% of GDP on child care; Canada spends 0.3%.
- Child care fees for parents are prohibitively high and increasing, sometimes faster than inflation.

DESTINATION

- Over 10 years, through conditional federal transfers to the provinces, ensure affordable child care for all parents.
- Increase federal child care funding by \$1 billion annually until the 1% benchmark is met.
- Ensure that funding goes directly to public and not-for-profit providers to reduce fees, not to fee/tax subsidies.

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Background

Canada's largely market-based approach to child care is failing children, women, families, employers and the economy. Parent fees in most of Canada are very high relative to other advanced economies and they are increasing, in some cases faster than inflation.

The 2016 and 2017 federal budgets committed a cumulative \$7.5 billion for early learning and child care (ELCC) over 11 fiscal periods beginning in 2017. The multi-year funding schedule provides for an average annual allocation in each of the first five years of just under \$540 million. It is structured so that a decade from now the feder-

al government will be spending only \$870 million on child care annually.¹

The bulk of these funds will be transferred to provinces/territories for their separate initiatives in ELCC, including capital expenditures. A much smaller amount, still not announced, will fund Indigenous child care initiatives. Additionally, \$95 million from these funds is earmarked for developing a child care data strategy and \$100 million will be spent directly by the federal government on ELCC "innovation."²

To put this federal commitment to child care in perspective, the accepted international benchmark for a country's annual public spending on ELCC is a minimum of 1% of GDP for children aged 0–5, which a num-

ber of OECD countries have exceeded.³ It has been estimated that Canada's public spending on ELCC is less than 0.3% of GDP. Thus, Canada has been deemed the lowest spender among peer wealthy countries a number of times.⁴

In June 2017, the federal government announced a Multilateral Early Learning and Child Care Framework that sets very broad spending parameters.⁵ The framework claims to adhere to the principles of accessibility, affordability, quality, flexibility and inclusivity, but these principles are not operationalized. It does not set goals, objectives, targets or timetables, nor does it identify initial benchmarks on which to calculate metrics. The framework does not set requirements with respect to public or parliamentary accountability beyond the public posting of action plans and progress reports.

The child care framework states that federal funds will go toward "local, regional and system priorities that have an impact on families more in need, such as lower-income families, Indigenous families, lone-parent families, families in under-served communities, those working non-standard hours, and or families with children with varying abilities."⁶ Evidence suggests a much better system would aim to make child care accessible to all children, including those of middle class working parents.⁷ Furthermore, the government's targeted approach does not address women's issues of economic security or equality, and was not subjected to the scrutiny of gender-based budgeting.

While the federal government's re-entry into ELCC after an absence of more than a decade is important, funding and policy

developments to date are inadequate for building the kind of child care system that would simultaneously grow the economy, increase labour productivity, fulfil commitments to women's equality, provide much-needed support to all families, and offer all children the full benefit of high-quality, inclusive early childhood education and care.

A better framework

The federal government's child care framework and bilateral funding agreements with provinces/territories fail to live up to the Canadian child care community's blueprint for better child care.⁸ The collaboratively developed Shared Framework for Building an Early Childhood Education and Child Care System for All calls for a break with the current market-based, parent-funded approach, in which governments take minimal responsibility for funding, planning and provision. Without a fundamental change in government policy and funding, the current crisis in child care will only worsen.

Parent fees, already prohibitively expensive, are growing and there is a serious shortage of high-quality licensed child care services in Canada. In all regions, some groups — such as infants, children with disabilities, newcomers, rural communities, and parents working or studying part-time or nonstandard hours — are routinely left out completely.

Real reform and progress require the federal government to assert a leadership role and rely on the best available evidence in building a comprehensive system of child care that is accessible, affordable, of high

quality and inclusive. While recognizing provincial and territorial jurisdiction over ELCC, the federal government must increase its funding commitment substantially over time. Federal transfers for child care should come with conditions, similar to what is now in place for health care.

A key condition on federal funding should be that provincial/territorial action plans are aimed at moving to more publicly managed child care systems, and that expansion is limited to not-for-profit and public operations. Increased funding would give the federal government more leverage to require that provinces and territories dispense with their parent-fee/subsidy systems, which are rooted in obsolete policies that do little to increase child care supply or affordability, or to meet the needs of low-income families.

Increased public funding for the operation of regulated services (as in Quebec) combined with geared-to-income fees will improve affordability for all parents and make it possible to begin to address inequities, improve the quality of care, and tackle the serious child care workforce challenges that now exist.

Economic arguments for policy change

A 2017 International Monetary Fund (IMF) study makes yet another economic argument for increasing federal spending on early childhood education and child care, and notes that Canada's current policies are a barrier to women's employment.⁹ Significantly, the IMF researchers explained:

one of the considerations that a couple with children makes is whether additional family income that the mother earns would pay off the costs of child care. While she stays at home, the couple need not send their children to a child care center. However, once the mother starts working, unless they have somebody (such as other relatives) to take care of their child or children free of charge, the couple must leave the children at a child care center and pay fees. The mother also needs to pay income taxes, and the family might lose some benefits as a result of its higher income.

The IMF analysis found that for almost all income groups in almost all provinces the additional income mothers earn from being in the paid labour force is either insufficient or just sufficient enough to offset the costs of child care and the loss of family-related tax benefits. The report notes that the structure of the Canada Child Benefit does not provide incentives for women to enter the workforce. As the quotation above describes, couple-families with one parent not working are likely to have less income than the same couple would have if both were employed.

The IMF researchers proposed a new federal government funding program to help provinces/territories reduce parent fees by an average of 40%. According to their analysis, the cost of such a program would be approximately \$8 billion a year. If Canada's 150,000 stay-at-home mothers with high educational attainment, and who live with a spouse or partner, were to take ad-

vantage of the lower fees, enter the paid work force and start paying taxes, it would raise Canadian GDP by 2%, “which would in turn raise federal income tax revenues by about \$8 billion, fully compensating the cost of the program. In other words, the program would be fully financed in a federal government perspective.”

Canada’s international commitments to care

As strong as the economic case is for generously funded child care, there are other compelling arguments for a more robust federal framework in Canada.

As signatory to both the United Nations Convention on the Rights of the Child (CRC) and the Convention on the Elimination of Discrimination Against Women (CEDAW), Canada has a duty to ensure that the rights of all children to high-quality early childhood education and child care are realized and safeguarded — regardless of where they live or their family’s economic status.

The federal government also has a duty to ensure that women’s rights to equality and economic security, which are known to be associated with access to high-quality child care, are also realized and safeguarded. Official UN committees on women’s and children’s rights have repeatedly called out Canada for the lack of access to affordable, high-quality child care.

In a similar vein, the shared framework developed by Canada’s child care community acknowledges the importance of Indigenous self-determination with respect to the design, delivery and governance of ELCC

systems and services that meet their needs and aspirations. The framework notes that the Truth and Reconciliation Commission “has called on federal, provincial, territorial and Indigenous governments to develop culturally appropriate early childhood education programs for Indigenous families as a part of healing and reconciliation.”

AFB Actions

Action: Commit \$1 billion in the 2018-19 fiscal year to be transferred to provinces/territories/Indigenous communities to begin building a comprehensive ELCC system. This amount will grow by \$1 billion per year until total spending on ELCC reaches the minimum established international benchmark of 1% of GDP.

Action: Earmark a portion of the 2018-19 federal ELCC budget for implementing the Indigenous-led framework agreement on early learning and child care, which is currently under negotiation.

Action: Make federal ELCC transfer payments (outside of those set aside for Indigenous services) conditional on provinces/territories agreeing to develop systems based on the principles of universality, high quality and comprehensiveness, and which include the following elements:

- **Public plans** for developing integrated systems of ELCC that meet the care and early education needs of children and parents;

- **Public management** of the expansion of public and not-for-profit ELCC services under public authorities through public planning processes, including integration of existing community services into publicly managed systems;
- **Public funding** delivered directly to ELCC services and systems rather than through individual parent-payment measures, such as fee subsidies and tax rebates/credits, to ensure that high-quality services employing a decently remunerated workforce are accessible to all families through predictable, sustained, dedicated funding; and
- **Public reporting** in federal, provincial and territorial legislatures on quality, access, affordability and other elements in the ELCC system.

Action: Develop a plan within the next 12 months to strengthen the federal-provincial-territorial approach to maternity/parental leave with respect to eligibility, flexibility, adequacy of benefits, special considerations (including children with disabilities, adoption and multiple births), and earmarked leave for a parent who is not the birth parent in a couple (see the Employment Insurance chapter).

Notes

1 As child care operating budgets are recurring, not one-time-only, public child care funding needs to be considered on an annual, not cumulative, basis.

2 Employment and Social Development Canada, *Better for Our Families and Our Children: Early Learning and Child Care in Budget 2017*, Speech by the Minister. https://www.canada.ca/en/employment-social-development/news/2017/03/better_for_our_familiesandourchildrenearlylearningandchildcarein.html.

3 UNICEF. (2008). *The child care transition: A league table of early childhood education and care in economically advanced countries*. Innocenti Report Card 8. Florence, Italy: UNICEF Innocenti Research Centre.

4 *Early learning and child care: How does Canada measure up? International comparisons using data from Starting Strong II*. (2006) BRIEFING NOTE. Toronto: Childcare Resource and Research Unit.

5 Employment and Social Development Canada. *Multilateral Early Learning and Child Care Framework*. Ottawa: Government of Canada. <https://www.canada.ca/en/employment-social-development/programs/early-learning-child-care/reports/2017-multilateral-framework.html>.

6 Ibid.

7 Canadian Centre for Policy Alternatives, *Child care for all of us: Universal child care for Canadians by 2020*. Alternative Federal Budget Technical Paper. (2016). https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2016/12/Child_Care_AFB2017_technical_paper.pdf.

8 Child Care Advocacy Association of Canada, Canadian Child Care Federation, Childcare Resource and Research Unit and Campaign 2000. (2015). *Shared Framework for building an early childhood education and care system for all*. https://timeforchildcare.ca/wp-content/uploads/2017/11/sharedframework_jan2016.pdf.

9 B. Petersson, R. Mariscal and K. Ishi. (2017). *Women Are Key for Future Growth: Evidence from Canada*. International Monetary Fund <http://www.imf.org/en/Publications/WP/Issues/2017/07/19/Women-Are-Key-for-Future-Growth-Evidence-from-Canada-45047>.

