

# Early Childhood Education and Care

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## Background

### Canada's Market-Based Child Care

We're used to hearing that Canada has no national child care program and that early childhood education and care (ECEC) is severely under-provided and under-funded. While these criticisms are true, two important points are less often noted: first, how much Canada relies on the market for child care; and, second, the substantial negative effects of this approach.

The market approach shapes every aspect of ECEC in Canada: market-based development of services means that the private sector — both for-profit entrepreneurs and non-profit or charitable organizations — determine when and where services are located, often with little public planning. Private non-profit and for-profit operators finance much of the capital cost, and deliver most of the regulated child care services across Canada. Parents' private funds pay the bulk of the cost in both regulated and unregulated child care, while public funding is spent primarily through more market-oriented demand-side measures such as vouchers, cheques, or fee subsidies. There is little public management of services or public planning for expansion to meet needs. The role of governments is largely limited to developing and minimally monitoring health and safety regulations,

not standards for high-quality programming that benefits children.

The results of this failed market approach are visible, tangible and regularly documented. Not only is there significant variation, inequity, and gaps across Canada in affordability, supply of services, and quality, but many (if not most) families across Canada cannot find or afford high-quality child care.

### The Right Thing and the Smart Thing To Do

Child care has long been considered a key requirement for women's equality, social justice, and equity and a key part of good family policy aimed at work/family balance. More recently, a consistent body of evidence<sup>1</sup> shows that building a public ECEC system is not just the right thing to do for parents and children but the smart thing to do for Canada socially and economically. In 2012, TD Economics, in a special report titled *Early childhood education has widespread and long lasting benefits*, also urged increased public spending when "finances move back in balance." The report observed Canada lags far behind other countries but that "Overall, having an efficient, high-quality early childhood program in place, which is accessible for all children and affordable for parents, would be beneficial for children, parents as well as the broader economy."<sup>2</sup>

In its most recent review of Canada's compliance with the Convention on the Rights of the Child, the UN confronted Canada over its lack of a national child rights strategy and its lack of progress on child care in particular. The Geneva committee's report noted concerns regarding the "lack of funding directed towards the improvement of early childhood development and affordable and accessible early childhood care and services" and the "high cost of child care and lack of available places."<sup>3</sup>

### **Too Little Money, Too Little Policy**

"We would but we can't afford it" was the excuse for inaction on child care prior to 2000. Then, as federal and provincial surpluses began to mount annually — reaching a dizzying \$30 billion combined in 2007<sup>4</sup> — a small but increasing federal commitment to child care funding finally emerged. However, at the height of Canada's economic success, the current federal government terminated Canada's sole significant national child care initiative. As a result, federal transfers in 2007–08 were reduced by 37% from 2006, and by 61% from the previous government's commitment for 2009.<sup>5</sup> Canada's public spending on ECEC programs is only 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 ECEC for 0–5 year olds.<sup>6</sup>

In short, child care in Canada can be summed up by the comment "too little public money, too little public policy." Child care today is plagued by stagnant provincial and territorial budgets, expansion and contraction of services unconnected to planning or community need, and shockingly unaffordable parent fees. Fee subsidies are even more inadequate than in the past; subsidy avail-

ability for eligible low-income families has been relatively stagnant or even shrunk relative to 2001, although the supply of regulated spaces has grown by about 400,000 spaces since that time.

Comparing best policy practices with the current state of Canadian early childhood education and child care reveals a vast gap between what we know and what we do. The research suggests that delivering high-quality, equitable, accessible ECEC programs for children and families requires a systematic, coherent, integrated approach, with well-defined public management,<sup>7</sup> while pointing out the pitfalls of relying on services that are unplanned, fragmented, rely on private methods of financing and operate on a for-profit basis.<sup>8</sup> Overall, much good evidence is readily available on which to build a solid ECEC system but ECEC policy-making in 21<sup>st</sup> century Canada continues not to be based on the best available knowledge, leaving an extensive evidence gap.

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## **Current Issues**

Child care in Canada today demonstrates multiple market failures<sup>9</sup>:

Parent fees are often higher than university tuition, while subsidy programs in some provinces/territories fail to make child care financially accessible to the low-income parents eligible for them. Parent fees range from those in Quebec (at \$154/month the lowest in Canada), to Manitoba, which sets maximum parent fees province-wide (\$414/month for a two-year-old), to other jurisdictions where parents pay, on average, up to \$700 or \$800/month for regulated child care. In large cities, child care costs are even higher. In Vancouver, for example, commercial child care

chain Kids and Company tops the chart with parent fees of \$1,915/month — almost \$23,000 annually — for toddler care, while the non-profit University of British Columbia Child-care Services' fee for a toddler of non-UBC-affiliated parents is \$1,570.<sup>10</sup>

The supply of services is far below either the demand or the need for child care yet expansion of child care spaces has been extremely slow, slowing to a crawl in the last few years. More than 70% of mothers of young children are in the paid labour force but in 2010 (the most recent available data) there were regulated spaces in child care centres for only about 21% of children 0–5 years old.

While low staff wages have shown some signs of improvement in some provinces/territories, wage levels, benefits and working conditions are still far too low to ameliorate ongoing staffing issues such as recruitment and retention across Canada.

Quality issues, which concern both regulated services and the unregulated arrangements that many parents are obliged to use, persist.

### **For-Profit Child Care: Growing Almost Everywhere in Canada**

Although the benefits of a more publicly-managed system are clear, and the failures of market-based ECEC are in plain sight across the country, from the perspective of quality and access, it is disturbing to observe that the for-profit child care sector is growing in almost all provinces/territories. In 2010, for-profits delivered 28% of all centre-based spaces, up from 20% in 2004. The most recent data show for-profit services dominating the limited overall expansion, accounting for more than two-thirds of growth in six provinces/territories between 2008 and 2010.

Child care chains are growing in Canada, but until recently most have been small-scale, local endeavours. The last few years have witnessed not only small chains become medium (5–10 centres) and even large (15 or more centres) chains but the addition of mega-sized, for-profit corporations such as Edleun, Canada's first publicly listed big-box child care chain, and the privately-held Kids and Company. Each of these now operates approximately 50 centres in multiple provinces, and purports to be positioned for expansion, as venture capital and mainstream investors provide significant capital. Business analysts such as the *Globe and Mail's* David Milstead have questioned their profitability potential, while a report authored by B.C. Certified Management Accountant Gerald Dragomir challenged the idea that the child care chain business model can provide and sustain the high-quality, affordable services that families need.<sup>11</sup>

Countries such as Australia, the United Kingdom and the United States, where for-profit big-box chains now dominate child care, provide useful lessons for Canada about our prospects if this threat isn't addressed.<sup>12</sup> In other words, public funds will support private profits rather than the public goals of quality, affordability, and access. The threat of even higher fees, lower wages, unmet demand, and quality concerns should be a wake-up call to governments about the fundamental ineffectiveness and inequity of their longstanding market-based approach to child care services. The evidence-based response to Canada's high rate of labour force participation among mothers and contemporary knowledge of the benefits of early childhood education should be a national policy framework laying out a publicly managed, publicly fund-

ed system that blends early childhood education and child care, and prioritizes equity in both access and service provision.

A key barrier to advancing a system of early childhood education and care in Canada has been the federal government's absence from the table. The current federal government has gone one step further than even previous governments by abandoning virtually all responsibility for the file. Indeed, funding for federal Aboriginal ECEC programs — for which the federal government has considerable responsibility — has been largely static since 2006, and even dropped in 2009.<sup>13</sup>

Doing nothing is poor policy. The federal government's lack of leadership on child care limits provincial, territorial and First Nations progress today and restricts our ability to act in the future.

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## AFB Actions

There is compelling evidence that public investment in early childhood education and care — with its multiple benefits to multiple groups — offers among the highest benefits that nations can adopt. Studies have repeatedly shown that well-designed public spending on ECEC promotes health, advances women's equality, addresses child and family poverty, deepens social inclusion, and grows the economy.

But wishful thinking and a market-based approach won't make it happen. The federal government must move to accountability for results by beginning to build, with the provinces/territories, a system of high-quality, affordable, inclusive, and publicly owned early childhood education and care services across Canada, with equitable access for all children and families.

To protect and promote the public interest, the AFB provides leadership and significant funding support to provinces and territories that commit to building public systems of early childhood education and care. The goal of the AFB's early childhood education program is to reach at least 1% of GDP, starting this year with a \$2.3 billion investment that increases over the next 10 years.

A reallocation of current expenditures provides a starting place for realizing this funding commitment. We propose to incorporate the \$2.8 billion annual funds currently spent through the Universal Child Care Benefit (UCCB) into federal expenditures both on the early childhood education and care program, as described, and on improvements to the Canada Child Tax Benefit (CCTB), including the National Child Benefit Supplement. There is neither evidence that the considerable public expenditures on the UCCB furthers ECEC goals of improved access and quality nor is the UCCB an effective income support program that can help lift families with children out of poverty. Thus, these considerable public funds would be more effectively spent on ECEC and on the CCTB and should be moved into these columns.

The AFB will establish a policy framework to guide collaboration with provinces and territories, providing federal funds to those that are accountable for developing and maintaining:

- Public plans (including legislated universal entitlement, targets, and timetables) for developing comprehensive and integrated systems of ECEC services that meet the care and early education needs of both children and parents.

- Public expansion through publicly delivered and publicly managed ECEC services (including integration of existing community-based services into publicly managed systems).
- Public funding delivered to ECEC systems, not to individual parents, designed to create and maintain high-quality, accessible services.
- Public monitoring and reporting in the legislatures (federal, provincial/ territorial) on the quality of, and access to, the early childhood education and care system.

Within these broad recommendations, the AFB acknowledges the right of Canada's First Nations and Aboriginal peoples to design, deliver, and govern their own ECEC services while pointing out that Aboriginal ECEC programs have been especially neglected by the federal government. The AFB also respects Quebec's right to develop social programs. However, it is clear that additional federal funding and more focused public policy are required to further advance both quality in and equitable access to Quebec's system, so the AFB encourages the federal government to work with Quebec to achieve the province's goals for child care.

Finally, the AFB recognizes that, in addition to high-quality accessible child care, families with young children also require, and have a right to, well-paid maternity/parental leave. But many parents — mothers and fathers — cannot afford to take or are ineligible for the maternity/parental leave benefit as it currently exists. An improved, better-paid,

more inclusive, more flexible maternity/parental leave benefit program, including earmarked paternity leave, should be developed in the near future.

## Notes

1 Centre for Spatial Economics, (2009). *Literature Review of Socioeconomic Effects and Net Benefits: Understanding and Addressing Workforce Shortages in ECEC Project*. Child Care Human Resources Sector Council. Retrieved from [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)

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

3 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. Retrieved from [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)

4 Calculated from Canada. Department of Finance. (2008) Fiscal Reference Tables. Ottawa. [http://www.fin.gc.ca/toc/2008/firto8\\_-eng.asp](http://www.fin.gc.ca/toc/2008/firto8_-eng.asp)

5 <http://www.fin.gc.ca/taxexp-depfisc/2009/taxexp0901-eng.asp#taxexpend>

6 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. Retrieved from [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 0.25% of GDP is *Starting Strong II*. (2006). Organisation for Economic Cooperation and Development. Directorate for Education. Paris: Author.

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

8 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.

9 The sources for the data in this section is HRSDC, 2012 and Friendly, 2013.

10 Coalition of Child Care Advocates of BC (2012). Letter to MCFD requesting moratorium on new approvals of Child Care Operating Funds (CCOF) for commercial child care chains. Retrieved from [http://www.cccabc.bc.ca/cccabdocs/pdf/CCCABC\\_Moratorium\\_CCOF\\_May12.pdf](http://www.cccabc.bc.ca/cccabdocs/pdf/CCCABC_Moratorium_CCOF_May12.pdf)

11 Milstead, D. (2012, February 8). The real daycare challenge: making money. *The Globe and Mail*. Retrieved from <http://www.theglobeandmail.com/globe-investor/investment-ideas/the-real-daycare-challenge-making-money/article544691/>; Pace Accounting Inc. and Coalition of Child Care Advocates of BC (2012). *Commercial child care in Canada: Can child care thrive in a speculative investment environment?* Pace Accounting Inc. and Coalition of Child Care Advocates of BC. Retrieved from [http://www.cccabc.bc.ca/act/actions/NFS/files/Commercial\\_Child\\_Care\\_in\\_Canada.pdf](http://www.cccabc.bc.ca/act/actions/NFS/files/Commercial_Child_Care_in_Canada.pdf)

12 Canadian Union of Public Employees (CUPE), (2012). *The pursuit of profit in Ontario child care: Risky business for parents and government*. Retrieved from <http://cupe.on.ca/a4488/Ontario%20Childcare%20At%20Risk.pdf>

13 Friendly, M. (2013). *The state of early childhood education and care in Canada 2010: Trends and analysis*. Toronto, ON: Childcare Resource and Research Unit.