

For-profit child care:  
Past, present and future

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October 2005

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Occasional Paper # 21  
October 2005 26 pp.  
ISBN 1-896051-30-8

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Cover design: Opus House  
Canadian Cataloguing in Publication Data

Prentice, Susan, 1961-

For profit child care : past, present and future / Susan Prentice.

(Occasional paper ; no. 21)

Includes bibliographical references.

ISBN 1-896051-30-8

1. Day care centers--Canada. I. University of Toronto. Childcare Resource and Research Unit. II. Title. III. Series: Occasional paper (University of Toronto. Childcare Resource and Research Unit) ; no. 21

HQ778.7.C3P73 2005

362.7'12'0971

C2005-906222-3

## **Author's Acknowledgements**

Thanks to Martha Friendly and Jane Beach for valuable comments on earlier drafts of this paper, which considerably strengthened both its evidence and arguments. I am grateful to CRRU staff Jennifer Cho, Carolyn Ferns, Cindy Murray, and Michelle Turiano, who provided library and bibliographic support, as well as proof-reading, design and production. Finally, warm thanks to the media-watch service of the Child Care Advocacy Association of Canada (produced as the "child care news" email digest), which monitors Canada's media from coast-to-coast-to-coast and makes coverage of child care available to readers across the country.

## **Biography**

Susan Prentice is Associate Professor of Sociology at the University of Manitoba, and former Margaret Laurence Chair in Women's Studies. She is editor of *Changing Child Care: Five Decades of Child Care Advocacy and Policy in Canada* (2001, Halifax: Fernwood), and author of numerous articles on historical and contemporary child care policy. She can be reached at [Susan\\_Prentice@umanitoba.ca](mailto:Susan_Prentice@umanitoba.ca).

## For-profit child care: Past, present and future

### INTRODUCTION

After many years of relative political inattention, child care has risen in political importance. In 2004, the federal government committed to a national early learning and child care program and in 2005, the first beginnings of the national program were laid down through a \$5 billion/five year initiative consisting of bilateral agreements with provinces and territories. Two years earlier, federal, provincial and territorial governments had inked the Multilateral Framework Agreement on Early Learning and Care, following on the heels of an Early Childhood Development Agreement in 2000.

All this increased government activity signals that child care is poised for growth, and so important policy decisions will need to be made. Chief among them are questions of funding and supply: What role will government play in the expansion and development of services? Will new public funds and policy support for-profit child care, non-profit and publicly-operated child care, or continue a mix that includes all of these? What are the best ways to ensure that child care programs are high quality and widely available?

Federal funding policies and provincial choices have produced wide differences across the country in the distribution of non-profit, for-profit and government-operated spaces. Canada has approximately 750,000 licensed child care spaces to serve its 4.8 million children aged 0-12 years (Friendly and Beach, 2005, Tables 4, 9 and 10).<sup>1</sup> About 80 percent of centre spaces<sup>2</sup> are non-profit, delivered through the voluntary sector mainly in the form of community-based, parent-run boards. Only a small portion of Canada's non-profit centre spaces are publicly operated, generally by municipalities (primarily in Ontario) or school boards (such as Quebec's school-age programs) (Doherty, Friendly and Beach, 2003). Canada relies on non-profit organizations and privately owned businesses to provide most of its child care services. Reliance on these non-state providers is not the norm among the

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<sup>1</sup> Where not otherwise stated, current and historical data on child care provision in Canada are drawn from Friendly, M. and J. Beach (2005). *Early Childhood Education and Care in Canada, 2004*. Toronto, Childcare Resource and Research Unit, University of Toronto.

<sup>2</sup> While most of Canada's regulated child care is centre-based, about 18 percent of total spaces are in regulated family child care homes. This paper does not address the question of auspice in family child care where ownership is a somewhat different question.

countries that have developed child care systems that deliver high quality universal programs.

In 2004, experts from the Organisation for Economic Co-operation and Development (OECD) undertook a comprehensive review of Canada's child care arrangements as part of a 20 nation comparative study. They concluded that national and provincial policy for the care and education of young children was still in the "initial stages" and that system level redesign was needed. They urged Canada to consider funding a publicly managed service for Canadian children. The international review drew attention to the fragmented and patchwork nature of child care provisions, and underscored the need for federal leadership and substantially increased funding.

The OECD team also commented on the issue of auspice. They reminded Canadians of the experience of other countries:

A protective mechanism used in other countries is to provide public money only to public and non-profit services, and then to ensure financial transparency in these services through forming strong parent management boards. At the same time, the provision of services across a city or territory – not least in terms of mapping where services should be placed – should be overseen by a public agency (OECD, 2004, pp. 76-7).

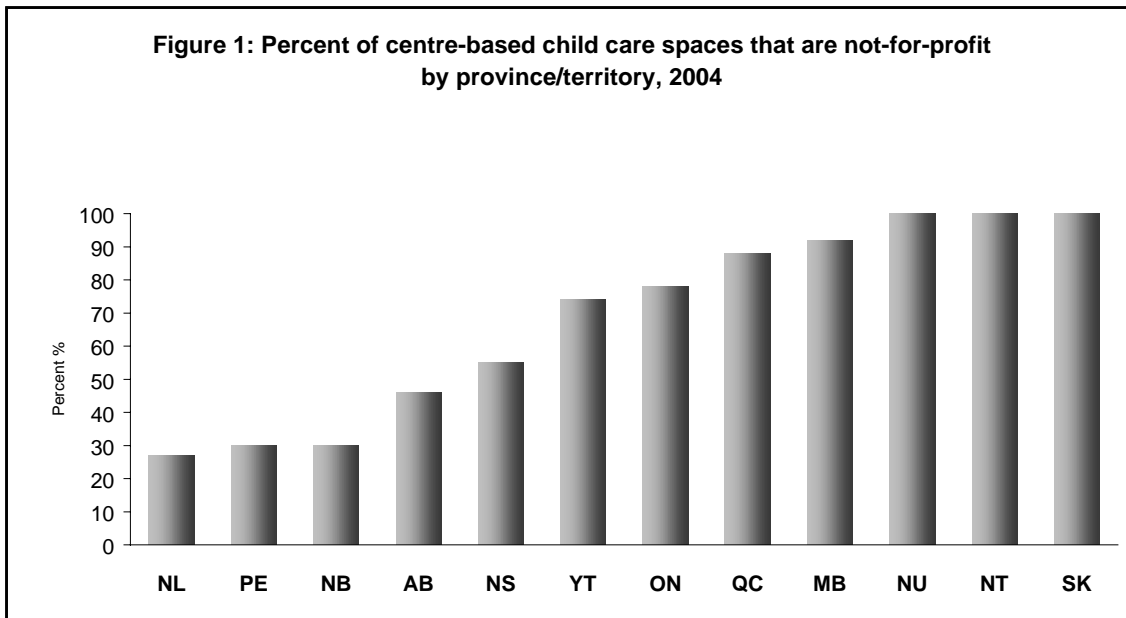
Some media commentators have argued it is "irrelevant whether a centre is turning a profit or not" (Brodbeck, 2005). Most researchers disagree. Scholarly research documents numerous problems with for-profit child care, as well as significant advantages that accrue from higher quality community-based non-profit and publicly-operated child care.

This paper presents new evidence and arguments as well as reviewing existing evidence, that supports reasons to look to the non-profit and public sectors as the optimum sites for the expected growth of Canadian child care services.

## **WHY REVISIT THE ISSUE OF AUSPICE?**

Should there be for-profit child care in Canada? In practice, the issue is largely moot since all provinces permit for-profit child care facilities to be licensed, and most have

made them eligible to varying degrees for public funds. The net result is that while most of Canada’s centres are non-profit, in some jurisdictions there is also a sizeable for-profit sector. The proportion of for-profit care ranges from a high of 73 percent in Newfoundland and Labrador to a low of 0 percent in Saskatchewan, the Northwest Territories and Nunavut.



Note: Data on auspice are no longer available for BC. NB data are estimates provided by provincial officials. (Source: Childcare Resource and Research Unit, 2005)

It is not only provincial funding and policy decisions that have shaped the distribution of auspice. Federal policy has also been crucial. Between 1966 and 1995, when Canada Assistance Plan (CAP) cost-sharing was in place, only non-profit programs were eligible for a share of the federal dollars for families determined by an income test to be “likely to become in need.”<sup>3</sup> With the 1996 replacement of CAP by the block-funded Canada Health and Social Transfer (CHST), the federal government’s capacity to influence auspice was eliminated.

In 2004, the federal government developed the ‘QUAD’ principles of quality, universality, accessibility and developmentally appropriate services to guide the new national child care program. There are no federal conditions with regard to auspice. While Manitoba and Saskatchewan have committed themselves to restricting funds to the non-profit sector, other provinces’ agreements with the federal government contain no such intention.

<sup>3</sup> The child care provisions of the Canada Assistance Plan allowed child care to be cost-shared in two ways. The less restrictive and simpler ‘welfare services’ route did not allow for-profit services to be cost-shared.

While the overall proportion of for-profit child care in Canada as a whole has been slowly dropping over recent years, this trend could easily be reversed. Under the push and pull of market pressures and entrepreneurial opportunities, we can predict the for-profit market will grow, and that its representatives will become more active in voicing their interests. This is certainly the lesson to be drawn from international experience in the U.S., the U.K. and perhaps most dramatically, in Australia.

Australia's 1991 decision to expand services led to a swift spike in for-profit child care, which now delivers more than seven of every ten spaces. Recent Australian mergers, in fact, have created a monopoly, whereby over 20 percent of the country's child care centres are owned by a single corporation (Brennan, 1998; Monsebraaten, 2005; "Child care centres big business", 2005; "Editorial: Care more", 2005). If Canada is to avoid 'big-box' child care (and more for-profit child care generally – both international and home-grown), then we need to pay careful attention to the research and policy evidence about what happens when public funds and public policy support for-profit child care.

## **NEW EVIDENCE**

### **The proportion of child care that is non-profit is both rising and falling across Canada**

Canadian child care services have historically included non-profit, for-profit and publicly-operated spaces, although the proportions of each sector have varied over time and place. In 2004, more than 79 percent of Canada's spaces were not-for-profit (including the small government-operated sector), up from 70 percent in 1992. This figure masks significant provincial/territorial differences, however. It is more accurate to talk about *two* national trends.

New data<sup>4</sup> show that in some provinces, the ratio of for-profit care is increasing, while it is falling in other parts of Canada. In six jurisdictions (NL, PE, NS, NB, ON and YT) the proportion of for-profit spaces increased over the past decade (1995–2004) as the ratio of non-profit child care decreased. British Columbia's

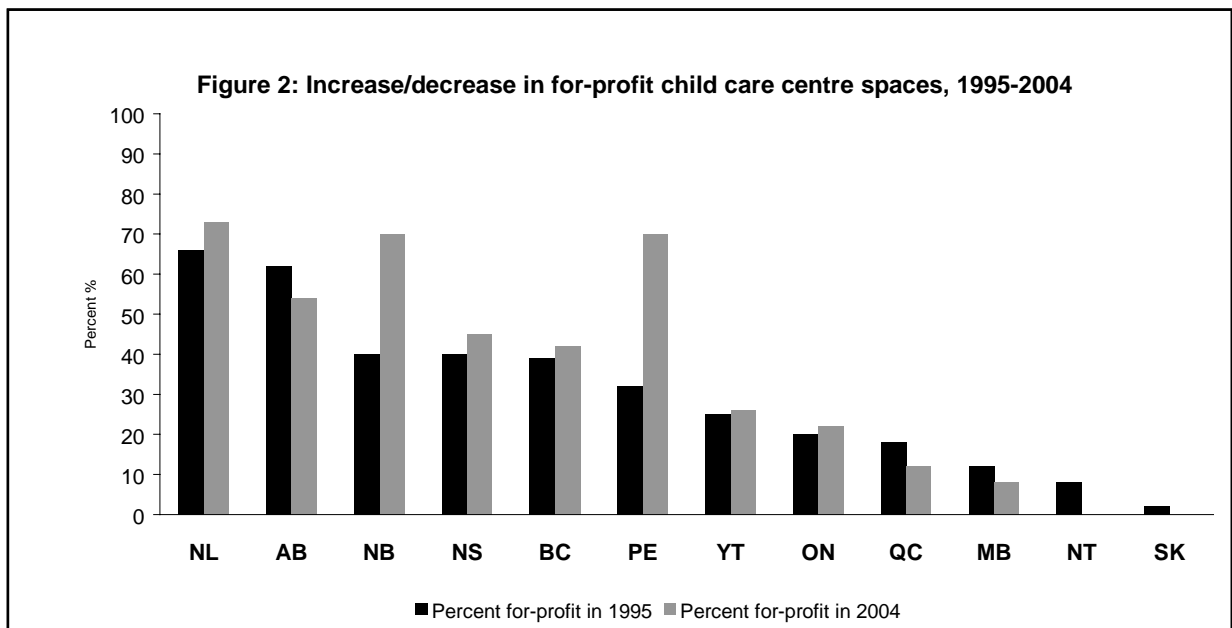
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<sup>4</sup> The data in this section are from Friendly and Beach (2005) and Childcare Resource and Research Unit (2005).

proportion of for-profit child care was higher in 2001 than in previous years.<sup>5</sup> In three provinces (NL, NB, PE), the increase over the decade was substantial. The proportion of for-profit spaces was higher in 2004 than it was in 1992 in PE, NS, NB and YT, indicating that this trend is not short-term.

Both active and passive factors underlie these rates: in some jurisdictions, lack of government involvement in child care planning and development is as much a reason for the establishment of for-profit programs as is the funding. In most of Atlantic Canada, for example, during the long period when governments took a hands-off approach and start-up and capital funding was non-existent, many owners developed child care programs. In other jurisdictions, financial and other support to the for-profit sector was explicit public policy.

Over the past decade, the proportion of for-profit child care fell in five jurisdictions (QC, MB, SK, AB, NT). In all of these but Alberta, the decreases were very small. Four of these five began the decade with high proportions of non-profit programs. In Alberta, however, the situation is somewhat different. Alberta has fewer regulated child care spaces in 2004 than it did in 1995 (47,959 compared to 51,088). This may explain how this traditionally pro-business province saw its share of commercial child care diminish.



Note: 2004 data are not available for British Columbia or New Brunswick. NB figures for 2004 are estimates by provincial officials. 2001 data are used for BC. Data for NU are not applicable

<sup>5</sup> British Columbia has not reported data on child care auspice since 2001.



When we examine the distribution of new spaces across Canada in the past three years, we find some substantial increases in for-profit child care in some of the larger provinces. In Ontario, the increase in for-profit spaces between 2001 and 2004 was more than three times that of non-profit spaces (an increase of 10,732 for-profit spaces compared to 3,264 non-profit spaces between 2001 and 2004). In Quebec, although there were still considerably fewer new for-profit spaces than there were new non-profit centre-based spaces, the number of new for-profit spaces in the same period was double that of 1998-2001.

It is interesting to note that growth in total spaces and an overall rise in the proportion of non-profit care can mask what some observers have called “hidden fragility.” Kershaw, Forer and Goelman (2005) examined data on British Columbia’s child care centres. They determined that about one-third of the centres (and one-half of regulated family child care homes) that operated in 1997 were closed by 2001. For-profit child care centres were disproportionately more likely to close than were non-profits; the researchers found the probability of a non-profit centre that operated in 1997 continuing to operate in 2001 was 97 percent greater than for a for-profit facility. Thus, centre auspice is a key predictor of stability, and there is considerably less stability in the for-profit than in the non-profit sector.

According to recent data collected by Friendly and Beach (2005), although auspice was not recorded, there is significant instability in child care centre tenure in some provinces. For example, in Ontario in 2003-04, 349 new centres opened but 256 existing centres closed. This is a concern with regard to quality from the perspective of stability for children and families, community stability, and accountability for public funds.

### **National quality differences: For-profit child care is poorer quality than non-profit**

A growing research literature in several countries documents the clear trend of higher quality in non-profit child care, in large part because of the tendency of for-profit programs to “skimp” on a wide range of quality indicators, including those associated with staff (Karyo Communications Inc, 1984; Kagan, 1991; Phillips, Howe and Whitebook, 1992; Canadian Day Care Advocacy Association and Canadian Child Day Care Federation, 1993; Doherty, 1995; Childcare Resource and Research Unit, 1997; Whitebook, Howe and Phillips, 1998; Morris and Helburn, 2000; Mitchell, 2002;

Cleveland and Krashinsky, 2005).<sup>6</sup> Recent Canadian studies underscore these findings, and are presented here, followed by some earlier Canadian studies with related results.

A 2004 study by Cleveland and Krashinsky used a dataset from the national 1998 *You Bet I Care!* (YBIC) study to examine quality differences between for-profit and non-profit programs. YBIC found that most centres and regulated family child care homes received generally mediocre scores on quality (Doherty, Lero, Goelman, Tougas, and LaGrange, 2000a; Goelman, Doherty, Lero, LaGrange, and Tougas, 2001). Economists Cleveland and Krashinsky re-analyzed the YBIC dataset by auspice, determining that non-profit centres score about 10 percent higher in quality than for-profit centres. They discovered, moreover, that for-profit centres are disproportionately represented among the lower-quality centres.

They found as well that quality varies between for-profit and non-profit programs in other ways. Some of the differences are small individually, but the cumulative effect compounds the gap. Thus, even though there are some high quality for-profit centres and some low-quality non-profit centres, a clear pattern emerges. Non-profit centres tend to have better ratios of children to staff than for-profit centres; non-profit centres are more likely than for-profit centres to exceed minimum ratios. Lead teachers in non-profit classrooms tend to have more training and experience. Staff wages are lower overall in commercial centres (about 25 percent lower among lead teachers). Non-profit programs serve a wider age of children (in particular, more infants) and more children from diverse economic backgrounds (including more children receiving a fee subsidy and more children with special needs). Cleveland and Krashinsky conclude that “the positive impact of non-profit status on quality is persistent, even when a wide range of variables is held constant” (Cleveland and Krashinsky, 2004, p. 13).

Another analysis of the *You Bet I Care!* dataset also found differences in quality between for-profit and non-profit programs. Doherty, Friendly and Forer (2002) identified a pattern of lower quality among for-profit programs. By controlling for the effect of differential access to resources, they concluded that the lower level of quality found in the for-profit sector as a whole was not simply a reflection of the non-profit sector's greater access to resources, but instead was related to organizational structures, behaviours, characteristics and choices that affect quality.

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<sup>6</sup> For further references, see the Childcare Resource and Research Unit Issue file, at <http://www.childcarecanada.org/res/issues/auspice.htm>

Two recent large-scale Quebec studies have found substantial quality differences between for-profit and non-profit child care. In 2003, the Quebec government examined the quality of child care for children aged 0–5 years. The findings revealed that the growth of for-profit child care in Quebec should be a concern, since services provided by for-profit programs are of considerably lower quality (Fournier and Drouin, 2004a, 2004b). The Quebec project, *Grandir en qualité*, used a four point scale developed for the project to measure observed quality in infant and pre-school classrooms. The results showed that for-profit child care fared worse overall, scoring lower on all indexes than did non-profit facilities. This finding held on the global evaluation as well as on each of four measures. Tables 1 and 2 below, present the results for infant and preschool programs.

**TABLE 1: QUEBEC INFANT CARE QUALITY RATINGS, 2003 (GRANDIR EN QUALITÉ)**

	<b>Non-profit child care centres (CPEs)</b>	<b>For-profit child care centres (garderies)</b>
Overall quality score	3.05 - good	2.62 - fair
Physical characteristics	2.91 - fair	2.33 - low
Structure and variation of activities	3.02 - good	2.66 - fair
Interaction between children and educators	3.12 - good	2.76 - fair
Interactions between educators and parents	3.38 - good	2.96 - fair

**TABLE 2: QUEBEC PRESCHOOL CARE QUALITY RATINGS, 2003 (GRANDIR EN QUALITÉ)**

	<b>Non-profit child care centres (CPEs)</b>	<b>For-profit child care centres (garderies)</b>
Overall quality score	2.93 - fair	2.58 – fair
Physical characteristics	2.89 - fair	2.47 – low
Structure and variation of activities	3.02 - good	2.69 – fair
Interaction between children and educators	2.85 - fair	2.54 – fair
Interactions between educators and parents	3.18 - good	2.83 – fair

As Table 3 below shows, at the outstanding and unsatisfactory ends of the quality continuum, the distribution between for-profit and non-profit programs is especially striking. In Quebec, as elsewhere, although there are good and poor quality programs in both auspice categories, the pattern of distribution is remarkable. Non-profit infant programs were six times more likely than for-profit programs to offer high quality care (providing good or very good care, with a rating of 3.0 or higher). Non-profit preschool programs were four times more likely than for-profit centres to be among the best programs. For-profit centres were vastly over-represented among programs which provided unsatisfactory care. For-profit infant centres were more than eight times more likely than non-profit centres to provide unsatisfactory quality. For-profit preschool programs were six times more likely than non-profits to provide unsatisfactory care. This distribution of for-profit and non-profit programs where for-profits are rarely exemplary and are much more likely to be clustered at the lower end of quality measures was described almost two decades ago (Friendly, 1986).

**TABLE 3: HIGH AND LOW QUALITY SCORES IN INFANT AND PRESCHOOL CHILD CARE CENTRES, 2003 (GRANDIR EN QUALITÉ)**

	Percent scoring good or very good quality (3.0 or higher) %	Percent scoring unsatisfactory quality (2.49 or lower) %
<b>INFANT CENTRES</b>		
For-profit centres (garderies)	9.5	28.5
Non-profit centres (CPEs)	60.6	3.4
<b>PRESCHOOL CENTRES</b>		
For-profit centres (garderies)	10.7	37.4
Non-profit centres (CPEs)	41.8	5.5

Another recent major Quebec study, begun as a longitudinal study of child development, *Étude longitudinale sur le développement des enfants du Québec*, (ÉLDEQ) has made very similar findings.<sup>7</sup> Focusing on the relationship of quality of care to child outcomes, the study distinguished between ‘public’ (non-profit) and ‘private’ (for-profit) facilities. ÉLDEQ researchers concluded that “public child care services (both centre-based and family-based) are generally of higher quality than private services” (Japel and Tremblay, 2004, p. 39). The Quebec researchers also found that

<sup>7</sup> Like YBIC and many other studies of child care quality, ÉLDEQ used the American ECERS (Early Childhood Environment Rating Scale) and the ITERS (Infant Toddler Environmental Rating Scale). These seven-point scales are widely used in child care research.

socio-economically disadvantaged children are less likely than more advantaged children to attend child care; when disadvantaged children do participate in child care, they are much more likely to attend services of poor quality.

### **Reviewing past Canadian quality studies**

The initial analyses of the national 1998 *You Bet I Care!* study found that along with lower staff wages and training, turnover rates tend to be higher in for-profit programs and that for-profit centres spend a smaller proportion of their total budget on wages and a larger ratio on property costs (Doherty, Lero, Goelman and Tougas, 2000b).

In 1997, quality of child care in four Atlantic provinces was the focus of a study by Lyon and Canning. They determined that there were “significant differences” by auspice, which was the “clearest factor” associated with ECERS ratings (Lyon and Canning, 1997, p. 139). Non-profit centres received higher ratings than for-profit programs, regardless of province or rural/urban location.

In a study of infant-toddler programs in Calgary, Friesen (1992) used the ITERS to show that over half of the studied for-profit centres but only 15.4 percent of non-profits were rated as providing “poor” quality. Sixty percent of non-profits were rated as “good” versus only 15.6 percent of for-profit centres (Friesen, 1992). Also in Alberta, a survey by Edmonton city health inspectors “showed almost half the for-profit centres were not giving the children adequate care” (cited in Ross, 1978, p. 93).

A Montreal study by Mill, Bartlett and White (1995) was the first peer-reviewed Canadian comparison of quality in for-profit and non-profit centres. Their research concluded that for-profit centres were “inferior to non-profit centres, both as workplaces for the educators and as optimal environments for child development”(p. 49).

## Differences in compliance with regulations between for-profit and non-profit child care

Canada's child care regulations, attached to each province's/territory's child care legislation, are generally not assumed to be adequate to ensure high quality. Nevertheless, basic compliance with these is often used as a proxy for quality and indeed is a good place to start.

Research in several provinces shows that for-profit child care facilities are more likely than non-profit centres to fail to meet the minimum standards in regulations. Manitoba provides a good example of this pattern. Fewer than 10 percent of Manitoba's centre spaces are for-profit, a ratio that has been relatively constant for some time.

Unlike Quebec<sup>8</sup>, Manitoba applies a uniform licensing standard to all centres. Yet between 1988-89 and 2003-04, for-profit centres were vastly over-represented among centres which were disciplined for failing to meet quality standards.<sup>9</sup> The Manitoba government will issue a licensing order when "serious violations of licensing regulations occur." Suspension or refusal of a license is even more rarely invoked. Between 1988 and 2004, there were a total of 17 licensing orders made against non-profit centres, and 26 against for-profit centres. In the same time period, Manitoba issued just five licensing suspensions or refusals. Non-profit centres received no refusals or suspensions; 100 percent of severely disciplined facilities were for-profit.

Because Manitoba's non-profit child care sector is many times larger than its for-profit sector, the raw numbers of licensing orders mask the different meanings of these numbers. The overall pattern is an annual licensing order rate (representing quality and compliance concerns) of 0.23 percent among non-profit centres and 3.9 percent among for-profit centres over a sixteen-year period. Put differently, licensing orders are 16 times more common among Manitoba's for-profit centres than non-profit centres (Prentice, 2000b).

Research in Toronto has made similar findings about rates of non-compliance

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<sup>8</sup> In Quebec since 2000, 2/3 of staff in non-profit Centres de la petite enfance (CPE) are required to have a college diploma or university degree in early childhood education, and these trained staff must be on the floor 70 percent of the time. By contrast in the mainly for-profit sector of 'garderies' only 1/3 of staff are required to have ECE training, and they must be present only 50 percent of the time.

<sup>9</sup> Calculated from Manitoba Family Services and Housing Annual Reports. (See also Prentice, 2000b)

with regulations. West's 1988 study of child care centres in Toronto found that for-profit centres were less likely to meet legislative requirements, and were consequently more likely to receive a restrictive license than were non-profit centres. Only 13 percent of for-profit centres had a clear license, compared to 37 percent of non-profit centres. Five percent of for-profit centres had a provisional license; the rate was zero among non-profit centres. For-profit centres, moreover, had significantly more average total visits and average monitoring visits by Program Advisors than other types of operators, and were more likely to have a complaint lodged against them than any other type of operator. Finally, staff-child ratio violations were much more common among for-profit centres. "Roughly 54% (over half) of for-profit centres had a violation, while only 15% of non-profit parent/community board operated centres had a violation," the report observed (West, 1988, p. 38).

More than a decade ago in Quebec, investigators were upholding 9.7 percent of complaints laid against for-profit centres, compared to just 1.9 percent of complaints lodged against non-profits (cited in Doherty, 1991).

Public reporting shows the difficulties of compelling the for-profit sector to meet minimum requirements. In July 2005 in Alberta, licensing officials refused to renew the license of a for-profit centre in Red Deer, on the heels of 12 noncompliance incidents ("Officials close", 2005). Several other for-profit facilities were denied licenses in Alberta in 2005; early in 2005, in a well-publicized incident, staff closed up the centre for the evening and went home, having locked up an infant inside. Three weeks later, after a second infant was left alone at the same centre, provincial officials revoked the owner's license ("Daycare shut", 2005; "Probe started", 2005). In February 2005, a for-profit centre in Calgary was also closed for quality and safety violations (Dohy, 2005).

Alberta's recent pattern of non-compliance has historical roots. A 1994 review by the Office of the Ombudsman determined that 737 complaints were laid the previous year against child care facilities (Alberta Office of the Ombudsman, 1994). During this period, about two-thirds of Alberta's child care spaces were for-profit. The Ombudsman reported that a number of child care centres had accumulated "substantial numbers" of noncompliance reports, sometimes in excess of 200, and yet continued to operate. It provided the example of one centre, which in the space of four years and ten months had to be visited 87 times by inspection and enforcement officials, and accumulated 276 incidents of non-compliance, all the while continuing to operate.

## **POLICY CONSIDERATIONS**

Arguments that centre on efficiency, effectiveness and accountability have long been the core of analyses of for-profit child care. Together, these themes have formed the backbone of most social policy reviews of the auspice issue. A strong argument against public funding to for-profit programs is that it is inefficient to use taxpayer dollars to underwrite private profits. Equally compelling has been the evidence about lesser quality in the for-profit sector, which raises questions about the effectiveness and accountability of using public funds to support for-profit child care. New developments and research add to these arguments.

### **Trade rules and child care**

A 2004 legal opinion on Canada's trade obligations under the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) has lent new economic arguments to the debate about for-profit child care. An opinion by the Ottawa law firm Sack, Goldblatt and Mitchell raises serious cautions about allowing new public investments in for-profit child care (Shrybman, 2004). It points out that trade rules superimpose new obligations on the authority and capacity of the federal and provincial governments. Trade rulings are bindable and enforceable, and they accord foreign investors a "virtually unqualified and unilateral right to claim damages." Under NAFTA, governments are limited in their ability to impose consumer-dominated boards of directors, to circumscribe the for-profit sector, and to specify any other measure or regulations that is "more burdensome than necessary".

Social services are bound by international trade rules. The only exemption under NAFTA are services established or maintained for a "public purpose" – and child care is specifically mentioned under this list. Under U.S. interpretations, child care provided by private companies would not be considered a social service established for a "public purpose". Shrybman's legal opinion warns that if new for-profit investment is allowed in the child care sector, it will be virtually impossible to later reduce or eliminate it. As well, the General Agreement on Trade in Services (GATS) agreement of the World Trade Organization "would seriously limit if not prevent Canada from establishing an ECEC program as a public service" (Shrybman, 2004, p. 9).



The Canadian Union of Public Employees (CUPE) points out that because there is currently little foreign investment in Canada's child care sector, any new program may be sheltered only so far as it provides little or no room for for-profit providers. If the emerging national system of child care allows for-profit child care, corporations will be able to claim access to a share of the child care "market" (Canadian Union of Public Employees, 2004). CUPE concludes that the best protection for Canada is to make child care a not-for-profit public program. The stakes are too high to 'wait and see,' since once a public service or program is opened to corporations, NAFTA and GATS make it virtually impossible to reverse.

### **Political shifts: Creating a favourable fiscal and regulatory climate for for-profit child care**

Recent changes in the regulatory and funding frameworks of a number of provinces have reduced or eliminated differential treatment of for-profit and non-profit child care. At the provincial level, some of these shifts have been made by choices of pro-business governments; in other cases an active for-profit lobby has worked to influence policy. Sometimes these have converged to explain why local policy has changed. The elimination in 1995 of the Canada Assistance Plan terminated the power of the federal government to use its spending power to influence auspice, removing another obstacle to support to for-profit child care.

A quick overview of provincial changes reveals recent instances of provinces 'rolling back' policies that distinguish between auspice or initiating policies favourable to for-profit child care operators. In Newfoundland and Labrador, the Owners and Operators Association was successful in 1996 in changing provincial policy. In response to their lobby, the provincial government issued a directive to employer-supported centres to cease enrolling children whose parents did not work at that location. The province accepted the for-profit lobby's argument that in-kind funding for occupancy costs interfered with competition in the for-profit sector's marketplace (Friendly and Beach, 2005).

In 2003, Quebec eliminated its policy of favouring non-profit child care programs, and financing for for-profit centres was improved. In 2000, Quebec had initiated two licensing streams regarding requirements for trained staff; for-profit programs are allowed to operate with half the trained staff ratio of non-profit programs.

For-profit child care centres continue to lobby for further changes to support their industry.<sup>10</sup>

Beginning in 2000, for the first time, Nova Scotia began to permit for-profit as well as non-profit centres to receive fee subsidies on behalf of low-income families (Friendly and Beach, 2005).

In central Canada, the 1995 election in Ontario led to the reversal of several policies favouring non-profit care. Between 1998–2004, Ontario's for-profit sector grew by one third (from 17 percent to 22 percent of total provincial centre spaces). While the 2003 change in government reintroduced some policies supporting non-profit care, the current government must deal with the provincial reality of a larger and politically active for-profit sector.<sup>11</sup>

In a move which had effects in the opposite direction, Alberta had tightened scrutiny of its subsidy system and eliminated some ongoing grants by 1998, and Alberta's commercial sector saw a 13 percent reduction in spaces (Friendly and Beach, 2005).

On the west coast, British Columbia extended provincial wage supplements to for-profit facilities in 1994. Between 1995 and 2001, the ratio of for-profit facilities in BC increased (Friendly and Beach, 2005).

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<sup>10</sup> See the website of the Association des garderies privées du Québec, at [http://www.agpq.ca/Index\\_english.htm](http://www.agpq.ca/Index_english.htm)

<sup>11</sup> See the website of the Association of Day Care Operators of Ontario, at <http://www.adco-o.on.ca/>

**TABLE 4: PROVINCIAL POLICY AND FUNDING TO FOR-PROFIT CHILD CARE**

	<b>Regulations permit for-profit child care</b>	<b>Ongoing funds to for-profit child care*</b>	<b>For-profits can receive fee subsidies</b>	<b>Percent of centre spaces that are for-profit %</b>
Newfoundland and Labrador	yes	yes**	yes	73
PEI	yes	yes (centres established pre-1993 not funded)	yes	70
Nova Scotia	yes	no	yes (for-profits eligible for portable, not regular, subsidies)	45
New Brunswick	yes	yes	yes	70 est.
Quebec	yes	yes	na***	12
Ontario	yes	yes (not fully available to for-profits)	yes	22
Manitoba	yes	yes (only to for-profits established pre-1993)	yes	8
Saskatchewan	yes	no	no	0
Alberta	yes	yes	yes	54
British Columbia	yes	yes	yes	42 (2001)****
NWT	yes	yes	yes	0
Nunavut	yes	no	yes	0
Yukon	yes	yes	yes	26

\* Ongoing funding is indexed as 'yes' if any funds, other than subsidies, are provided to for-profit facilities, even if eligibility is not identical by sector, including year of establishment.

\*\* Directly to staff in for-profit and non-profit centres to encourage training.

\*\*\* Since its reform of child care, Quebec has not used a regular subsidy system.

\*\*\*\* 2001 is the last year for which BC data are available.

Table 4 shows support to for-profit child care through provincial policy and funding. All provinces license for-profit facilities and in most they are eligible for some on-going operational support. Only Saskatchewan makes for-profit facilities ineligible for fee subsidies.

Through provincial/territorial funding, detailed above, for-profit childcare owners have the potential to accumulate substantial private assets in the form of capital, including land, buildings and goods. This compounds the financial return that can be gained through profits made on operational savings on labour costs, such as when for-profit operators hire fewer and less trained staff than non-profit programs. Both operating profits and capital gains are enhanced courtesy of tax payers' funds when on-going operating, staffing or other grants are available, or when parent fees are defrayed through fee subsidies than be "cashed in" at for-profit facilities. Owners thus privately acquire profits and assets that have been at least partially paid for through public funds. As privately-held assets, capital goods can be disposed of privately. In the context of rapidly rising building and land prices, there is a real opportunity for private owners to reap significant gains, courtesy of unreturned public investments.

We can summarize the fiscal and political advantages enjoyed by the for-profit sector through the metaphor of "begetting": the for-profit sector works to advance its interests, promoting political changes that beget further growth in the for-profit sector. Through influence on provincial regulations (particularly around expensive quality measures like staff training, adult:child ratios, and group size), regulatory climates can become more, rather than less, friendly to for-profit care. Quebec's recent history provides perhaps the strongest example. Although only a small and temporary role was envisioned for the for-profit sector at the outset of the bold 1997 initiative to create a province-wide child care system, by 2004 the for-profit sector had won major staffing and funding concessions and increased its share of total spaces.

Thus, for-profit child care not only provides lower quality of care on every index, but it also prompts the growth of the politically powerful free enterprise child care lobby (Prentice, 1988, 2000a). This has been true not only in Canada but has been documented in the United States (Nelson, 1982) and Australia (Fraser, 2005). In light of the capacity of international trade rulings to multiply this influence, political arguments against for-profit care grow even more salient.

## **Social capital and social inclusion: Child care as a public good**

Some observers use the concept of child care as a “public good” to argue against its privatization as well as for public support. When child care is conceived of as a public good, rather than a market commodity, its close relationship to social capital and social inclusion become obvious. The idea of social capital, broadly speaking, concerns the values that people hold and the resources they can access; these simultaneously produce and are the result of, collective and socially negotiated ties or relationships (Edwards, 2004; Putnam, 2000). Social capital has been enormously influential among policy makers, who are looking for ways to invigorate communities and activate local networks. Social capital has a strong relationship to social inclusion, which is another key value in social policy and social services (Freiler, 2003; Friendly and Lero, 2002).

Mary Tuominen has argued that community-based, publicly supported child care “challenges the values and practices inherent in child care as a for-profit industry.” (1991, p. 451). As she and others have explained, only non-profit and government-operated child care provides the social acknowledgment and reward for child care as socially valuable work that contributes to the longer term social and economic health of a society (Moss and Penn, 1996).

If Canada conceived of child care as a public good and a public investment, child care would be seen as a right, much like healthcare and education. Where child care is a market commodity, parents and children are simply consumers and caregiving by staff is merely a labour cost. If, by contrast, child care were conceived of as a public good and a public investment, the relationships would be ones of community-building, citizenship and entitlement. Child care as a universal public good would be a fundamental reordering of claims in our society.

As Gosta Esping-Anderson (2004) has explained, if nations wish to equalize the life chances of their citizens, they must transform how they support families and children through major investing in child care. Sweeping social and economic change means that children can no longer be only the private responsibility of their parents. Writing from an international perspective, he points out that, failing public subsidies of child care, the alternative is either market purchase or familialism, and both are “demonstrably inadequate.” Market options merely reproduce parents’ purchasing power, and familialism rests on the oppression of women. Thus Esping-Anderson concludes that “if we are committed to equal opportunities, we must accept the need for publicly guaranteed quality care for all children” (2004, p. 105). Universal, high-

quality child care, he reminds us is a “win-win” policy – a productive investment in children’s life chances and in social equality and well-being.

## CONCLUSION

New policy evidence and policy arguments demonstrate that where public policy and financing discourages for-profit child care, the proportion of for-profit care is lower and the quality of care is higher; conversely, where legislation and funding supports for-profit child care, the proportion of for-profit care is higher and the quality is lower. In environments sympathetic to for-profit care, the for-profit sector both finds and makes opportunities to further entrench its interests. Regulations play only a small role in tempering these associations: licensing and regulatory regimes set generally minimal floors, and even these are regularly breached. Policing and compelling minimum standards is costly to jurisdictions, and diverts funds from more proactive quality improvements. As the international trade climate changes, even this modicum of public involvement may become more difficult – corporations are likely to find themselves succeeding with legal arguments that public regulations and funding regimes impair their private profits.

This is the context in which the federal government will begin building the national child care program committed to in the last federal election, concluding negotiations of bilateral agreements, and disbursing the remainder of the \$5 billion committed between 2005 and 2010. For-profit child care provides one in every five child care centre spaces in Canada – a national total that has been diminishing for some years but one that shows real potential to grow as federal funding becomes available. Historical evidence and arguments against for-profit child care therefore continue to be compelling – and grow more persuasive as Canadian data accumulate.

If Canada is to meet its stated obligations to children and families, and to act on the expert OECD findings, we must redesign child care. Systemic redesign means a paradigmatic reorientation from a focus on individual spaces and services, to a focus on a *system*. When our collective focus shifts to building a pan-Canadian system of child care, non-profit and publicly-operated care should be the main objective and end goal. Progress to this end will rise or fall on political choices – and the degree to which Canadian citizens are able to institutionalize their beliefs. Public opinion polling confirms that the majority of Canadians want a high quality, government-supported child care system (Canadian Child Care Federation and Child Care Advocacy

Association of Canada, 2003). The challenge will be to translate popular opinion into policy and services – an enormous task, given the social and democratic deficits that characterize Canada today.

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