



Child Care Services – a Call for Transparency in Public Reporting, Performance-based Public Policy and Accountable Public Investment by the Government of Canada
Pre-2010 Budget Consultation Brief of the Child Care Advocacy Association of Canada
August 2009

Executive Summary, including Recommendations

In its current call for budget suggestions, the federal government questions whether certain fiscal stimulus measures are having the desired results. The government also stresses the need to look beyond immediate concerns towards a prosperous and sustainable future. Yet, despite the federal government's misleading claims, previous budgets have failed to prioritize direct investments in child care services which would provide both immediate economic stimulus and the basis for future prosperity and sustainability. Therefore, the Child Care Advocacy Association of Canada calls on the federal government to:

1. Cease and desist from misleading the Canadian public and the international community by claiming spending of \$5.9¹ billion annually on early learning and child care. The majority of these funds are provided to parents and provinces to spend as they choose. At best, the federal government currently invests \$0.7 billion with some federal accountability for child care – about 12% of the amount claimed.

2. Prioritize, in the 2010 Budget and beyond, significant and increasing new federal transfer payments to provinces and territories conditional upon their provision of a plan, with measurable targets and timelines and approval of provincial legislatures, to build a system of quality, affordable, inclusive child care services. Specifically, as a condition of transfer, provinces and territories must agree to provide direct operating funding to regulated child care² services that are, in turn, accountable for raising the wages of professional early childhood educators, lowering parent fees, and building community-owned spaces that meet the diverse needs of Canada's families, the majority of whom participate in the paid labour force.

There is no cost associated with the first recommendation outlined above. Regarding the second recommendation, the Government of Canada should commit federal funding to accountable child care investments which will leverage much more than their immediate spending power. Whether or not these investments form part of an economic stimulus package, each dollar invested in quality child care leverages a multiplier effect in the local economy, supports parents with attachment to the labour force, and most importantly, promotes the health and development of future generations. A reasonable investment target will move Canada from its current bottom-dwelling position of investing less than 0.3% of GDP in early learning and child care. Within four years Canada should achieve the current OECD average annual investment of 0.7% of GDP³, on the way to fully achieving the international benchmark of 1% of GDP shortly thereafter³. The first target could be achieved by increasing conditional federal transfers in increments of \$1.5 billion annually, reaching approximately \$6 billion annually in new investments by 2014.

¹ Retrieved August 5 2009 from UCCB web site <http://www.universalchildcare.ca/eng/home.shtml>. News release (7/15/09) indicates \$5.9 billion invested; 'since you asked' provides breakdown totaling \$5.6 billion annual investment in early learning and child care.

² Services that children under school age attend without their parents are regulated through provincial child care legislation and child care regulations. The term child care is therefore used to cover all early learning and care services whether part-time (preschool, nursery school) or full time and used by parents both in and out of the paid labour force. Internationally, child care programs may also be referred to as early childhood education (and care).

³ Bennett, J. *Benchmark for Early Childhood Services in OECD Countries*. UNICEF Innocenti Research Centre IWP-2008-02, pp. 38, 61. OECD stands for Organisation for Economic Co-operation and Development.

Significant, conditional transfers to provinces and territories are required because the government's current approach to child care is both insufficient and ineffective. The vast majority of federal funding actually carries no requirement that it be spent on early learning and child care. In other words, there are no performance criteria for the early learning and child care to which the federal government attributes \$5.9 billion in annual funding. Instead, the federal government's child care strategy continues to rely on relatively small, unconditional transfers to provinces and parents, relinquishing child care services to the market forces that have repeatedly failed to deliver the access, affordability and quality that families require.

Given the inadequacy and lack of accountability for current funding, it is not surprising that internationally respected bodies give Canada extremely poor rankings on child care relative to all other developed countries. In response, Canada's children and families deserve far more than misleading statements about our country's current spending. They deserve transparent public reporting, performance-based public policy and accountable public investment in early learning and child care services.

Overview

The Child Care Advocacy Association of Canada (CCAAC) promotes quality, inclusive, publicly funded, non-profit child care services accessible to all. The association's membership has a direct connection to more than four million Canadians, including parents, caregivers, researchers and students as well as women's, anti-poverty, labour, social justice, disability and rural organizations.

The CCAAC's budget submission to the House of Commons Standing Committee on Finance addresses each of the Committee's two specific questions. The committee asks first "what federal tax and program spending measures are needed to ensure prosperity and a sustainable future for Canadians from an economic, social and/or environmental perspective?" The background to this question is that the world, and Canada's place within it, is changing rapidly. What is generally required of a national government in this context is to:

- Reclaim responsibility for outcomes that market forces alone have failed to deliver
- Reduce inequality, helping *all* communities adapt to change
- Identify economic shifts and provide appropriate labour force supports.

The first section of this submission, *Building a Child Care System*, explains why effective child care policies and accountable public investments will help achieve each of these imperatives.

The second section addresses the Committee's second question, "what federal stimulus measures have been effective and how might relatively ineffective measures be changed to ensure that they have the intended effects?" With respect to stimulus spending, it is a missed opportunity that child care investments were neither considered nor implemented. More importantly however, child care policies and programs in Canada, in their current form, do not effectively leverage either the short-term or long-term benefits the government seeks. Despite claims about unprecedented funding for early learning and child care, federal spending is primarily delivered through tax measures and transfers that provide no accountability for establishing or achieving any performance targets. The results of this approach are reflected in: Canada's shameful rankings in international comparisons of early learning and child care standards; ongoing community concerns about lack of access to quality, affordable child care spaces, and; increasing concerns about the health and safety of our youngest citizens, the majority of whom experience some form of non-parental care.⁴ As a result, the CCAAC provides two recommendations to the Government of Canada in order to advance transparency in public reporting, performance-based public policy, and accountable public investments in child care services.

⁴ Cleveland, G. et al. *New Evidence about Child Care in Canada: Use Patterns, Affordability, and Quality*. IRPP, October 2008.

Building a Child Care System

The CCAAC has for many years delivered a consistent message and presented evidence that shows how public investment in a national child care framework, to be delivered by provinces and territories, is an exceptionally effective investment in both equity and prosperity. Further, the multiple benefits of these investments are realized both immediately and on an ongoing basis, which is consistent with the priorities established by the Committee. And while this should always have been reason to make child care services a budget priority, recent developments, including demographic and industrial shifts, make decisive action more critical.

To date, provinces and territories outside of Quebec have been either unwilling or unable to significantly improve quality of and access to early learning and child care services on their own⁵. Even Quebec's progress has slowed in recent years. Therefore, **the CCAAC recommends that Budget 2010 commits significant new federal transfer payments to provinces and territories conditional upon their provision of a plan, with measurable targets and timelines for improving access to quality, affordable child care services. To strengthen accountability, child care plans must:**

- **be approved and periodically reviewed by provincial/territorial legislatures, and**
- **provide direct operating funding to regulated child care services that are, in turn, accountable for raising the wages of professional early childhood educators, lowering parent fees and building inclusive, community-owned spaces that meet the diverse needs of Canada's families, the majority of whom participate in the paid labour force.**

More than ever, a child care system offers a public investment option that fits precisely with the needs of Canadian families and the stated intention of the federal government to:

- **Take a leadership role in economic recovery and actively participate in shaping the economy of the future**

Related to the many impacts it has had on households, the recent downturn in the global economy has caused a shift in attitudes regarding fiscal policy. Specifically, the viewpoint that an economy will deliver the best outcomes without any public involvement has been discredited. While hardly a move towards 'centrally planned economies', national and sub-national governments across the world again see the need to have a plan and have delivered a variety of stimulus packages. In the short term, stimulus packages have been deemed necessary to stem feedback loops of economic contraction. More generally, they respond to the evident failure of private decisions alone to deliver ideal public outcomes.

Yet while the adoption of stimulus has been widespread, chosen targets and methods have been less unanimous. Most funding has gone to revive once-leading firms or has been committed to repair and expand physical infrastructure. And while there is merit in these efforts, stimulus packages must do more than simply reset an untenable situation. They must also have an eye to the future.

In this context, access to quality child care services must be a budget priority, whether or not it is labeled as a stimulus measure. If it is conflicted about picking winners, the federal government should make a ground level investment in all Canadians. As described in a previous CCAAC brief, investing in the early years is first and foremost about investing in our children's well-being, ensuring that Canada is competitive with other modern economies now and in the future. Child care is also key to a long-term strategy that will address future labour shortages and the resulting threat to social programs reliant on a large tax base, such as universal health care.⁶

⁵ While Ontario has recently introduced an early learning and child care plan, the province has not committed funding for full implementation. Quebec's leadership on child care should be reflected in new transfer provisions.

⁶ Child Care Advocacy Association of Canada. *Child Care Services: Economic Stimulus with Long-term Benefits for Canada*. Pre-2009 Federal Budget Consultation Brief, December 2008. <http://www.ccaac.ca/pdf/resources/briefs/Pre09FedBudgetConsultationBrief.pdf>

- **Reduce inequality**

Another of the observable features of the Canadian economy that must be considered in the upcoming budget is growing inequality. As manufacturing jobs paying mid-level wages have been lost, they have been replaced primarily by low- and high-paying jobs in service industries. This is one of the dynamics behind the polarization of individual, household and community income levels. Tellingly, the 2006 Canadian Census reported that despite very significant GDP growth, the median Canadian annual income had, indexed for inflation, climbed only \$53 from \$41,348 in 1980 to \$41,401 in 2006.⁷ More upsetting, little reduction of child poverty has been achieved since Canada committed to eliminate it in 1989.⁸

In addition to its other benefits, improving the accessibility and affordability of quality child care programs helps keep families out of poverty. Specifically, for those children currently in low-income households, “early childhood education and care has been shown to diminish the need for remediation in the school years, resulting in later adult productivity and reduction of anti-social behaviour among high-risk populations.”⁹ Programs also help to reduce these risk factors by enabling the workforce participation of parents. “With access to good child care, female lone parents -- most of whom are unable to pay child care user fees – are better able to seek further education, train for work, get decent jobs and accept promotions. Two parent families also have a chance to improve economic stability and income particularly in times of insecure employment and stagnating wages.”¹⁰

However, the unfortunate reality today is that full-time employed mothers, outside of Quebec, pay on average \$6,900 annually in child care fees, more than 20% of earnings¹¹. Even when we include Quebec, average child care fees in Canada are significantly higher than the OECD average.¹²

- **Support the labour force to adapt to change**

Supporting families through a time of economic instability is particularly important given the changing structure of the economy. To the degree that we can predict the future needs of the labour force, adaptability will be critical. Although some have written that we are now in the “knowledge economy”, Swedish innovation scholar Bengt-Ake Lundvall speaks instead of a “learning economy” in which the important feature is “not the more intensive use of knowledge, but rather that knowledge becomes obsolete more rapidly than before.”¹³ It is necessary then to continually support parents to learn and upgrade their skills. It is also extremely critical to provide all children with the basis to engage in lifelong learning. Quality, affordable child care accomplishes both of these goals.

Ineffective Measures

The growing number of voices pointing out the importance of quality child care services to promoting healthy early childhood development and reducing child poverty has had tremendous influence. The federal government now wants to be seen as active on this front and proudly claims that its “current investments in early learning and childcare ... are at the highest level in Canadian history.”¹⁴ But these claims are misleading because this funding is not linked to the internationally agreed-upon child care service outcomes of quality, affordability and access.

⁷ The Globe and Mail. *The Canadian Dream? 25 Years: 53 Bucks.* May 2, 2008.

⁸ Campaign 2000. *2008 Report Card on Child and Family Poverty in Canada.* <http://www.campaign2000.ca/rc/C2000%20Report%20Card%20FINAL%20Nov%2010th08.pdf>

⁹ Childcare Resource and Research Unit (2008). *Why Canada can't work without good child care: How early childhood education and care supports the economy.* http://www.childcarecanada.org/pubs/pdf/BN_ecec_and_economy.pdf

¹⁰ Ibid.

¹¹ Cleveland, G. et al. *New Evidence about Child Care in Canada: Use Patterns, Affordability, and Quality.* IRPP, October 2008.

¹² OECD Family Database. *PF12: Childcare Support.* Retrieved from <http://www.oecd.org/dataoecd/52/11/42004407.pdf> August 5 2009

¹³ Lundvall, Bengt-Ake (2006). *Knowledge Management in the Learning Economy.* http://www.druid.dk/wp/pdf_files/06-06.pdf

¹⁴ Retrieved August 5 2009 from <http://www.universalchildcare.ca/eng/home.shtml>

- **No requirements or goals set therefore no goals achieved**

The CCAAC calls on the federal government to cease its misleading claims regarding current child care spending. It is fundamentally incorrect to describe \$5.9 billion, primarily in the form of tax measures and unaccountable transfers, as annual federal funding for early learning and child care. More than \$1.5 billion of this amount is in tax deductions for families with children, with no link to child care spending. More than \$1.1 billion is in transfers to provinces and territories, which again have no child care spending conditions, as confirmed by Canada's Auditor General.¹⁵ The largest chunk of the early learning and child care spending the government takes credit for, approximately \$2.5 billion, comes in the form of the so-called Universal Child Care Benefit (UCCB), a monthly taxable allowance of up to \$100 given to parents of each child under 6. Again, this program has nothing specifically to do with child care. In fact, the federal government's own web site boasts that vacations, RESP's, clothing, diapers and recreational activities are all examples of 'success stories' for the use of these funds.

The federal government takes no responsibility for ensuring that child care services actually exist, leaving it to individual families to negotiate markets that have repeatedly failed to deliver the access, affordability and quality that they require. As we now demand some public responsibility for the economy, we must also abandon this failed market-based approach to Canadian child care policy. We do not give people transportation allowances to build transportation systems, and neither will a taxable transfer build a child care system. The promised 'choice' that these transfers are said to offer is illusory given they haven't helped make affordable quality child care one of parents' options.

Performance-based, accountable public policy and investments are essential because the evidence suggests that the inadequacy of Canada's current approach is undermining the capacity of regulated child care services to support children's healthy development. And, quality care is even less likely to be found in unregulated settings. Given that the majority of young children in Canada today experience non-parental care and education, and given the evidence that clearly shows poor quality experiences can be harmful, the federal government should be concerned about its responsibility to establish criteria for and adequately fund child care services that protect and promote the healthy development our young children.

In total, more than \$5 billion of the federal government's \$5.9 billion early learning and child care spending claim is in fact unconditional transfers to be spent by provinces and parents as desired, with no accountability for child care service quality, affordability or access. While there are valid arguments for providing both provinces and parents with more money (along with varying perspectives on the effectiveness of the federal government's current approach), it is misleading to the Canadian public to claim that these are investments in early learning and child care. Only \$0.7 billion of this spending claim – about 12% - actually has spending conditions associated with it. Even then, this Child Care Expense Deduction lacks accountability for the quality and affordability of the services claimed, highlighting only that this tax deduction is available to those who pay for the care of their child while they study, earn employment income or carry out a business¹⁶.

¹⁵ Relevant excerpts from Chapter 1 – *A Study of Federal Transfers to Provinces and Territories*, 2008 December report of the Auditor General of Canada include:

1.44 ... if no conditions have been established, the provinces and territories have the flexibility to spend the funds according to their own priorities.... In these circumstances, the federal government remains accountable to Parliament for choosing an unconditional transfer as the best available policy option. Accountability for results rests with provincial and territorial governments, and to their citizens, not to the federal government.

1.16 The Canada Social Transfer. This is a federal transfer to provinces and territories to support post-secondary education, social assistance and social services, and programs for children. ... The sole condition of this transfer is that provinces and territories meet a national standard: no one is required to live in a province or territory for a minimum period of time before becoming eligible to receive social assistance. The *Federal-Provincial Fiscal Arrangements Act* also states that the social transfer must finance social programs in a manner that provides provincial flexibility. The Act also states that all provincial and territorial governments are invited to work together to develop a set of shared principles and objectives that could form a foundation for promoting the well-being of Canadians.

¹⁶ See Line 214 explanation, Canada Revenue Agency

- **Disregard for international benchmarks**

The federal government's current approach to child care policy, reliant as it is on ineffective market-based measures, also neglects our commitments to international agreements and is reflected in our shameful rankings in international comparisons.

In 1990, Canada signed the United Nations Declaration on the Rights of the Child, and has since reiterated support for the treaty which clarifies the obligations of signatory nations towards young children. The rights to be upheld, as specified in further work by the UN Committee on the Rights of the Child,¹⁷ include the right to "education in the broadest sense, which acknowledges a key role for parents, wider family and community, as well as the contribution of organized programs of early childhood education provided by the State, the community or civil society institutions." Further, the Committee "interprets the right to education during early childhood as beginning at birth and closely linked to young children's right to maximum development."

In order to fulfill these rights, signatory states "are urged to adopt comprehensive, strategic and time-bound plans for early childhood within a rights-based framework." In most cases, "this requires an increase in human and financial resource allocations for early childhood services and programmes."

Canada's hands-off, market-based approach clearly does not conform with these guidelines and requirements, and it is therefore not surprising that internationally respected bodies, including UNICEF, Save the Children and the OECD, give Canada extremely poor rankings in terms of meeting suggested standards for child care services. Each of these organizations has published reports which place Canada last among developed countries.¹⁸

Furthermore, the federal government's \$5.9 billion spending claim is also inconsistent with international practice for classifying and reporting on publicly provided benefits for families. The OECD guidelines distinguish between "child-related cash transfers to families with children", "financial support for families provided through the tax system", and "public spending on services for families with children". Appropriately, the latter category includes public investment in early learning and child care services. Taken together, these public spending categories are actually called "family benefits". Unfortunately, even on this combined measure Canada falls far short, investing only about one-half of the OECD average of 2.3% of GDP in public spending on family benefits.¹⁹

Canada isn't doing enough for children and families. From an economic, social and environmental perspective, future generations of Canadians will all require problem-solving and co-operation skills, creativity, and the ability to learn continually. We will also need to make a meaningful reduction in child poverty, and support families dealing with precarious employment. Whether or not they are included in stimulus spending, real child care investments work on all of these fronts, and as demonstrated in a multitude of cost benefit studies, return significantly more than each dollar invested. The next federal budget should therefore increase accountable public investments in child care services, leveraging a multiplier effect in the local economy, supporting parents with attachment to the labour force and most importantly, providing a basis for the health and development of future generations.

¹⁷ United Nations Committee on the Rights of the Child. *General Comment #7 – Implementing child rights in early childhood*. 2005.

¹⁸ See Adamson, Peter. *The child care transition: A league table of early childhood education and care in economically advanced countries*. UNICEF Innocenti Research Centre, Report Card 8, 2005 and Friendly, Martha. *Early learning and child care: How does Canada measure up?* Childcare Resource & Research Unit Briefing Note, 2006. _

¹⁹ OECD Family Database, PF1: Public spending on family benefits