

Priority for Prosperity: Replace Patchwork and Wishful Thinking with Focused Public Investment in Child Care
August, 2007

As the federal government prepares its 2008 budget, and seeks input on how to design the tax and investment system the country needs for a prosperous future, **the Child Care Advocacy Association of Canada urges strong federal leadership in developing and funding a comprehensive child care system that will support families in balancing their parenting and work responsibilities.**

Though the Department of Finance promotes further debt reduction as an economic development strategy, there is compelling evidence that investing in child care services offers among the broadest benefits of any policy strategy a national government can adopt. Economic studies have repeatedly shown that the multi-generational benefits of focused, accountable investments in child care services outweigh the costs by at least 2 to 1. Further, access to quality child care services promotes health, advances women's equality, helps reduce child poverty, and deepens community social inclusion.

Yet, Canada continues to invest less in child care services than all of our peer nations – even though our economic conditions are stronger than most. In fact, federal transfers to provinces and territories specifically for child care services have dropped from \$950 million in 2006 to \$600 million in 2007 – even though substantial federal surpluses have been realized or forecast for both years. Moving forward, Canada remains at a crossroads when it comes to child care services. Essentially there are two choices:

1. **Status Quo: The Wishful Thinking Approach** – maintain minimal federal investment in and little accountability for child care services in Canada through ongoing provincial and territorial transfers (for example, as outlined in Budget 2007). Occasionally introduce a policy, such as tax credits for new spaces, that sounds hopeful yet lacks evidence of success and is a continuation of the current patchwork approach to child care services. Despite all of the evidence and thirty years of Canadian experience to the contrary, keep saying that this approach to child care services should meet the needs of children, women, families and businesses.
2. **Focused Public Investment Strategy: The 'Value for Canadians' Approach** – develop a funding schedule, key system indicators and benchmarks, and accountability mechanisms for provincial and territorial transfers that will achieve quality, universal child care services, which will in turn provide proven, significant social and economic returns for Canadians. Specifically, over the next four years, incrementally invest \$1.25 billion annually in this focused public investment strategy, providing all children aged 3-5 with access to quality part-time or full-time spaces in regulated homes or centres by 2011.

Clearly, wishful thinking doesn't work. Lack of access to quality, affordable child care services has created a predictable, growing and widely recognized crisis. Accepting the 'status quo' approach to child care services means accepting an under-performing economy, accepting that women should pay an economic penalty for parenting and working, and accepting little progress on critical social issues. **Therefore, the CCAAC recommends a focused public investment strategy.**

Given the country's current fiscal situation, we can afford a focused public investment strategy in child care services. Yet this is not the point. **Canada cannot afford to go without a child care system.** Collectively, Canadian citizens and businesses must commit to generating sufficient revenue to make quality, universal child care services a reality, by prioritizing surpluses accordingly and/or by implementing effective tax policy. Our economic and social well-being depends on it.

From Patchwork to Framework: A Child Care Strategy for Canada

The way forward has already been clearly laid out. In 2004 the CCAAC produced a policy document, entitled *From Patchwork to Framework: A Child Care Strategy for Canada* that outlined the funding and policy components – the framework – essential to developing an accessible, effective and accountable child care system. Unfortunately, Canada has failed to implement this framework and has since lagged further behind peer countries and from the clearly articulated goals in the strategy. That’s why **Canadians are increasingly voicing their displeasure with the lack of action in developing a child care system.**

As its submission to the House of Commons Standing Committee on Finance, the CCAAC offers this summary and update of the *Patchwork to Framework* strategy which:

- Summarizes the current patchwork approach which has led to a child care crisis in most of Canada, outside of Quebec;
- Outlines a 10 year strategy to build a high quality, universally accessible, accountable child care system, with full access for children aged 3 to 5 as the first benchmark along the way;
- Calculates the current net costs of this vision, to be more than repaid in the long run; and,
- Includes policies to help parents balance work and family responsibilities.

The recommendations contained within are directed to the Government of Canada. While the provinces and territories have jurisdiction over child care service design, the federal government has a responsibility to be proactive on pan-Canadian issues such as child care services.

The Child Care Crisis

In 2004 the CCAAC identified Canadian child care policy, outside of Quebec, as a ‘patchwork’ approach. Public funding has been primarily focused on limited subsidies for mothers in low-income families trying to enter and remain in the workforce (and patch together care arrangements for their children). We also identified how this approach does not respond to the needs of modern families or to the science documenting the importance of quality early childhood experiences to later health and well-being.

Canada’s failure to deliver adequate and effective support becomes even more apparent in comparisons with peer nations. For example, having recognized the importance of early learning and child care, the OECD has been conducting an ongoing thematic review of different approaches in member countries. The patchwork system in place in Canada is clearly not lost on the researchers. In a diplomatic tone they note that:

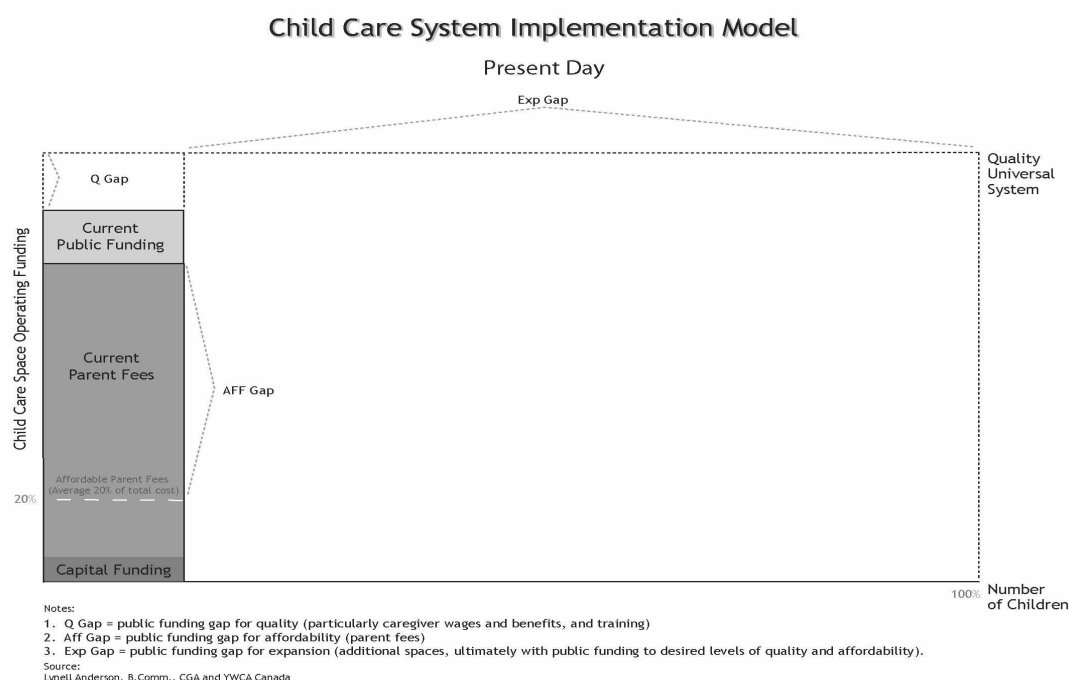
It is clear that national and provincial policy for the early education and care of young children in Canada is still in its initial stages. Care and education are still treated separately and coverage is low compared to other OECD countries. Over the coming years, significant energies and funding will need to be invested in the field to create a universal system in tune with the needs of a full employment economy, with gender equity and with new understandings of how young children develop and learn.

Data comparisons are much starker. The OECD discovered that of the twenty countries for which data was available, **Canada ranks last in terms of access for 3-6 year olds to early learning and child care programs meeting the OECD’s definition of quality.** This is a direct result of the fact that Canada also places **last in terms of public spending on child care services as a percent of GDP.** Though the Department of Finance has elsewhere used OECD comparisons to call for more debt reduction, nowhere has it mentioned Canada’s abysmal ranking in terms of investment in, and access to, child care services. Neither has it acknowledged the OECD’s warnings about the consequences of such disregard.

As table 1 helps to illustrate, to this day less than 20% of children in Canada, outside of Quebec, have access to a regulated child care space. We have a significant **Expansion Gap** to fill by creating enough new community-owned part-time and full-time spaces, in regulated family homes and centres, to provide broad access to quality, affordable, inclusive services. Furthermore, child care expansion plans in provinces and territories should reflect the needs of children with disabilities, Aboriginal communities, rural and remote communities, families of various linguistic and cultural heritage, and families with atypical work schedules.

The CCAAC recognizes that current child care providers – whether centre or family-based, commercial or not-for-profit – are already doing their best to provide effective services. However, without the necessary public funding support, families using regulated child care today are generally paying high fees – far more than the average 20% of costs found in other countries – leading to the **Affordability Gap** shown in table 1. Finally, staff wages and benefits are generally low and the resulting recruitment and retention issues have created the current **Quality Gap**, also shown below.

Table 1



Canadians recognize these regrettable gaps and are increasingly convinced of the need for action. Their dissatisfaction has had several visible effects. For example, all opposition parties have endorsed Bill C303 which would establish quality, accessibility, universality and accountability criteria for publicly funded child care services. Further, the government's own Ministerial Advisory Committee has acknowledged the problems faced by Canadian families seeking child care services including the human resources crisis and its effect on quality, the lack of affordability, the lack of access and the need for expanded parental leave. In fact, there is very little stated opposition to comprehensive child care system-building not based on harmful myths, mistruths and innuendo, or wishful thinking that continuing the status quo approach to child care services will somehow address the crisis – despite the overwhelming evidence and thirty years of experience to the contrary.

It is very unfortunate then that despite having a mandate to build a real child care system, to date the current federal government has relied on the status quo approach, with even less public investment in child care services. For example, it has proposed a child care capital fund without any

ongoing operating support. At a more fundamental level, the government's economic development strategy is based almost exclusively on debt reduction and tax cuts, neither of which involves acceptance of responsibility and neither of which will do anything to solve the crisis in Canada's child care services.

It is therefore necessary to revisit the recommendations offered in the *Patchwork to Framework* document to show Canadians that a focused public investment strategy provides an affordable and accountable approach to achieving quality, universal child care services in Canada.

The Framework for a Pan-Canadian Child Care Strategy

It is incomprehensible that Canada stands as one of the few economically advanced countries yet to produce a child care strategy. The following recommendations summarize the focused public investment strategy that will address this deficit. They apply the policy lessons of comparative studies, including those by the OECD, and of successful child care systems in several jurisdictions. But first and foremost, they are grounded in the voices and views of the parents, caregivers and community members across Canada who have told us about the importance of quality, universal child care services.

Recommendation 1:

Develop and Enact Legislation (Bill C303) and Supporting Agreements with the provinces and territories that will:

- **Define child care services** as universally accessible and non-compulsory, promoting the optimal development of young children, providing parenting resources and enabling parents to work, study, care for other family members and participate in their community.
- **Contain corresponding service entitlement and standards.**
- **Clearly establish goals, timelines, benchmarks and key system indicators for quality, affordability and accessibility** as the child care system is built. A timeline for the significant investment required is outlined in recommendation 2 below.
- **Delegate leadership and establish accountability mechanisms.** Federal funding should be directed to provincially/territorially regulated child care services, with expansion in not-for-profit and public community-based services. Governments shall be accountable for their investments and shall report annually to Parliament, their respective Legislatures and the public on their progress.

Recommendation 2:

Establish a funding schedule and implementation plan to achieve quality, universal child care services for children aged 3-5 by 2011 and for all children by 2018

The place to start is with three to five year old children. Over the next four years, federal funding should be prioritized to both support and require provinces and territories to develop part-day or full-day early learning and child care opportunities for all children aged three to five. Provinces and territories may choose to integrate these child care services within the school system, and/or they may be delivered in community-based licensed centres, preschools and family homes. **Regardless of service location, public funding must support equitable access to quality programming for children, and family support for parents. In order to realize the full social and economic returns of this federal investment in child care services, provinces and territories will be accountable for ensuring that their plans specifically address the needs of working families and their children.**

In years 5-10 of the strategy, federal funding will further increase to support regulated services for younger children. In the meantime federal, provincial and territorial governments should also

develop and implement plans to address the child care needs of school age children. (Although public policy and funding attention to the early years has still not produced the comprehensive, quality system that families need, the child care needs of school age children have been largely ignored in recent years).

Table 2

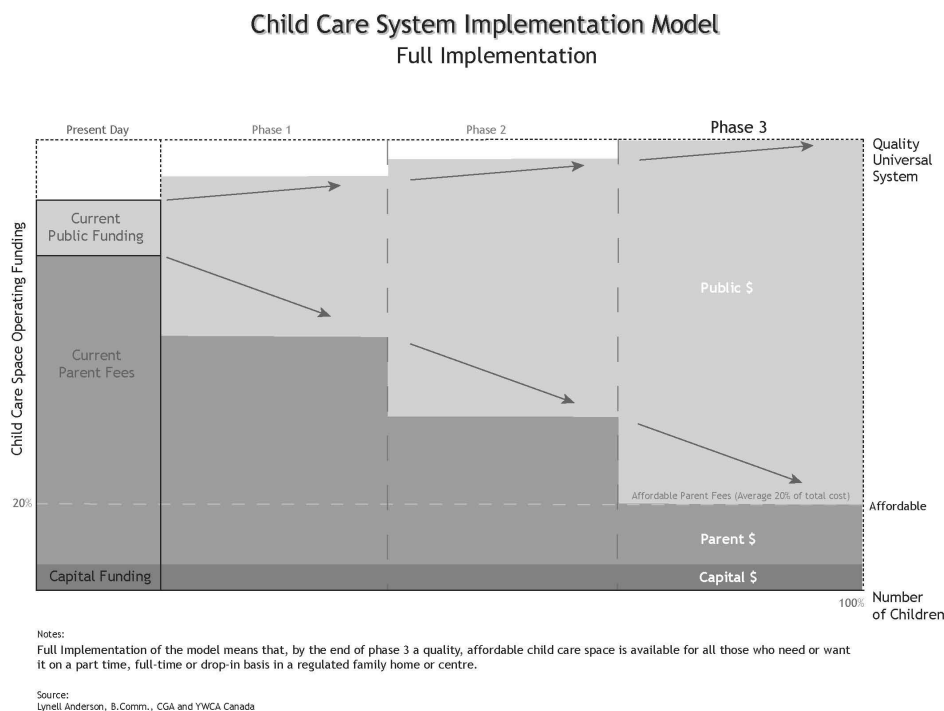


Table 2 shows how Canada can move from the present day situation presented in table 1 to the first benchmark – services for children aged 3 to 5 – and subsequently through additional phases of investment in years 5-10 to finally achieve a universal, quality system for all children under 6. As public investment expands, the **quality gap is closed** through enhanced workforce training and working conditions - including greater compensation - for early childhood development professionals. This will ensure that students are attracted to the field, graduate with appropriate qualifications, and are motivated to remain in jobs. Additional funding through the phases of the model **also closes the affordability gap** as average parent fees are reduced to the 20% level seen in other countries. Finally, **the expansion gap is closed** as a quality, affordable space is created and sustained for all who need or want it on a part-time, full-time or drop-in basis in a regulated family home or centre.

In order to achieve the first benchmark – quality early learning and child care services for children aged 3 to 5 – provinces and territories must reduce their reliance on parent fees and subsidies. Instead, a focused public investment strategy will provide **direct public funding** to:

1. existing services that will be accountable for advancing the key system indicators of quality (higher wages and benefits, increased training) and affordability (lower fees)
2. the creation of new, not-for-profit, inclusive, community-owned services that will meet progressive targets for quality and affordability as the system unfolds.

The CCAAC estimates the incremental, gross annual investment required to achieve the first benchmark at \$5 billion. If a focused investment strategy is adopted, federal transfers can provide quality full-time or part-time spaces in regulated family homes and centres for all who need or want it. Parent fees would average 20% of costs, and staff would be trained and reasonably

compensated. Approximately 10% of spaces are costed at twice the average space cost to support full inclusion of children with disabilities.

The Quebec experience shows that 40% returns are realized immediately through increased income taxes from increased labour force participation, while repeated studies have shown that the benefits of such an investment outweigh the costs by a factor of at least 2:1. **The immediate returns make the net annual incremental cost of a child care system for 3-5 year olds \$3.5 billion.** This cost fits within Canada's existing fiscal framework, and could be funded through surpluses.

However, this is not the justification for necessary investments. Child care services are not something to be funded with "left-over" money. **Access to quality child care is a principle that the federal government must choose to adopt; equivalent social and economic returns will not be achieved through debt reduction and tax breaks. To realize the projected returns the federal government must design the tax system to ensure that child care services are a priority public investment, assigning collective responsibility to Canadian citizens and businesses to fund them.**

Recommendation 3:

Support parents to balance work and family responsibilities.

Finally, supporting families requires interconnected and complementary initiatives. The Government of Canada shall take steps to **expand and enhance maternity/parental benefits and provide annual paid family responsibility leave**, to be used at the discretion of the parent to care for sick family members or to attend medical, school and other appointments.

Conclusion

Canada has all the evidence and tools it needs to build the child care system that Canadian families want and need. We have the everyday experience of a crisis as families struggle to patch together child care arrangements. Conversely, we have the overwhelming research that proves the multiple benefits of quality child care services - currently not realized - to children, women, families and communities. This research has prompted Bank of Canada governor David Dodge and Nobel-prize winning economist James Heckman to declare that the returns to human capital investments are greatest for the young. We have plans with timelines, targets and key system indicators for achieving our goals. We have all three opposition parties agreeing on the importance of child care services. And not surprisingly, given the above, we have polls that repeatedly show Canadians calling for greater child care investments, including a recent poll conducted by Environics in which 80% of voters say that creating more affordable child care spaces for working Canadians is an effective way to reduce the growing gap between rich and poor.

What we do not yet have is a significant corresponding commitment from the federal government to put the pieces of the puzzle together. Canada must take decisive steps and as the government prepares the 2008 budget, must make a long term investment in our prosperity by building a national child care system.

Based on the CCAAC's submission to the federal government's 2008 budget consultation.

Approaching its 25th anniversary, the 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.