



## The Community Child Care Investment Program: Does the evidence support the claims?

### Summary

The evidence shows that workplace child care is not “the answer” for early learning and child care; it is – at best – a small part of the solution.

1. Workplace child care does not provide a range of early learning and child care options;
2. Although it has been touted as “the answer”, workplace child care has – over the years – remained an extremely minor part of the supply of regulated child care;
3. As operating funds are rarely subsidized by employers, workplace child care usually has the same accessibility and quality issues that community-based child care does;
4. Employers can withdraw or change support for child care or make decisions about its operation that are unrelated to families’ needs;
5. Relying on volunteer employers to develop child care perpetuates the inaccessible and inequitable patchwork, especially in rural communities or for parents working atypical schedules. These harder-to-serve child care needs need well-focused funding and policy;
6. As workplace child care is supported by public funds, favouring some families who work at selected workplaces while families in other circumstances have no access is unfair.

In addition, based on the evidence it appears unlikely that the proposed \$10,000 per space employer tax credit has the capacity to stimulate the announced 125,000 new child care spaces.

1. Most of the workplace child care in Canada has been associated with public sector employers who pay no taxes;
2. The general child care policy climate affects the willingness of employers to become involved - where operating funding is generous, there is more employer take-up;
3. Much of the capital development of workplace child care has been substantially publicly funded; small grants or tax incentives have been unsuccessful;
4. The capital costs for a child care space – while variable locally – are estimated to be much higher than a \$10,000 per space tax credit;
5. Small-scale employers and rural communities are particularly unlikely to respond.

## What did the Conservatives' platform say?

*“The Conservative government will [also] help to create new child care spaces by establishing a Community Child Care Investment Program. The program will provide assistance to employers – both businesses and non-profit institutions – when they create new child care spaces for their employees and the surrounding community. A tax credit of up to \$10,000 will be granted for each child care space created. The cost is estimated at \$250 million a year.*

*It is anticipated that the program will create about 25,000 new child care spaces each year or 125,000 spaces over five years.*

*...The program will be designed to ensure that small business and rural communities will be able to access it as well as larger employers and cities.”*

(Conservative Party platform, online at <http://www.conservative.ca/2023/38155/>, retrieved March 27, 2006).

During the 2006 federal election campaign, the Conservative Party vowed to cancel the federal/provincial agreements negotiated by the previous (Liberal) Government of Canada and instead to introduce a taxable allowance of \$1,200 to be paid directly to all families with children under age 6. In addition, Mr. Harper announced the “complementary” *Community Child Care Investment Program*. This would “provide direct assistance to employers, including both business and non profit institutions”.

This paper presents what is known about the effectiveness and possible consequences for high quality accessible early learning and child care of such an approach using the available evidence from Canadian research. It aims to answer two key questions:

1. Is workplace child care the answer to Canada’s early learning and child care needs?
2. Does the proposed tax incentive seem likely to stimulate a substantial increase in the supply of child care spaces?

### What are the details of the proposed tax incentive program?<sup>1</sup>

- Available to employers – both businesses and non-profit institutions
- A tax credit of \$10,000 per space
- Will create 25,000 spaces a year for 5 years for a total new spaces of 125,000
- Estimated total expenditure - \$250 million (125,000 spaces X \$10,000 a spaces = \$250 million)
- Design will ensure that small businesses and rural communities will participate.

<sup>1</sup> As stated in the Conservative Party platform online at [http://www.conservative.ca/?section\\_id=2326&section\\_copy\\_id=31908&language\\_id=0](http://www.conservative.ca/?section_id=2326&section_copy_id=31908&language_id=0).

## Points for discussion

1. What is known about workplace child care in Canada?
2. Do capital incentives encourage development of child care (workplace or other)? Under what circumstances?
3. What does “creating a space” mean? What is the cost of “creating a space”?
4. What is known about how small businesses and rural communities respond to tax (or other capital) incentives for “creating” child care?
5. Broadly speaking, how does this proposal fit with the idea of universal, equitable early learning and child care?
6. What are the possible consequences of such an approach?

### 1. What is known about workplace child care in Canada?

The idea of “workplace” or “employer supported” child care has been around since the time of World War II when a massive American child care centre was set up at the Kaiser Shipyards in Oregon. In Canada, however, none of the wartime child care established as a result of the Dominion War-time Day Care Agreement was in workplaces.

As mothers’ labour force participation grew - especially as it accelerated in the 1980s - the idea that employers would provide centres to fill the gap continued to surface although there was little to support the idea’s viability. While there are media stories, case studies, studies of flexible child care arrangements and articles about the role of unions and how employers help with work-family balance<sup>2</sup>, there have been only a few relatively comprehensive Canadian studies of workplace (or work related or employer supported) child care in the past two decades<sup>3</sup>. These studies show that although there has been considerable interest in workplace child care and expectations that it could fill the gap between the need for high quality child care and the child care that is available (and accessible), it has not done so.

Why is this? The 1993 study conducted by Beach, Friendly and Schmidt surveyed the work-related child care centres at that time – 176 – with the objective of testing four assumptions:

- a) Work-related child care is a growing trend.
- b) Financial support from employers can reduce the need for public dollars.
- c) Work-related centres provide affordable child care.
- d) Work-related child care centres are flexible and responsive to the child care needs of the sponsoring workplace.

The study concludes that “None of the four were supported by the information gathered.” First, workplace child care was not a growing trend. Comparing a list of

<sup>2</sup> For a full list of available studies and articles see the CIRC database on the Childcare Resource and Research Unit website at [www.childcarecanada.org](http://www.childcarecanada.org).

<sup>3</sup> See references

centres compiled for the 1984 study for the Task Force on Child care to the inventory in the 1993 study, the supply of workplace child care remained the same as a proportion of regulated child care – just over 2% of the total. These two studies were the only ones that attempted to do a count and detailed inventory of centres but anecdotally, there seems not to have been substantial development of workplace child care since the 1990s.

Regarding the other three assumptions, what emerge[d from the 1993 study] is a picture of services that are not very different from other Canadian child care programs - most of the work-related centres received public funding - start-up grants, direct or operating grants and other funds as well as fee subsidies on behalf of parents - paid out of public tax revenues. Many of them reported the same kinds of difficulties (44% - general financial problems, 36% - low enrolment, 21% - lack of fee subsidies) as experienced by community-based centres (Beach, Friendly and Schmidt, 1993). A Government of Canada study identified similar issues (Barbeau, 2001).

Parent fees were not lower than community-based centres and while there was some flexibility regarding patterns of enrollment, the data did not show that the centres met the need for extended hours care. The other studies supported these findings where the data were collected.

All the studies found that most employer-supported child care programs are sponsored by public sector employers. The 1993 inventory identified 176 centres of which 34 are private sector, 4 are public/private partnerships and the rest are associated with public sector employers. The centres are located primarily in the provinces that had significant capital funding available for child care – Ontario and Quebec<sup>4</sup>.

The 2001 study lists only 51 participating centres of which several are university-based centres or community college lab schools (neither of which were included in other studies) although a table says that there were 338 centres listed by provincial officials and community organizations<sup>5</sup> (no further information provided).

## **2. Do capital incentives encourage development of child care (workplace or other)? Under what circumstances?**

The studies described above show that capital incentives do facilitate the development of child care centres; the 1993 study (and its 1996 follow up) found that almost all the centres were located in Quebec and Ontario, both of which had at that time significant capital funding for workplace child care<sup>6</sup>. The Quebec

<sup>4</sup> These were capital grants, not tax credits and were – in some cases – quite substantial.

<sup>5</sup> It's important to note that it is not suggested that there were actually 338 workplace centres as the preliminary list collected from a variety of informants was not verified to ascertain their status. The questionnaire return rate in this study was quite low.

<sup>6</sup> The 1996 study points out that the Cities of Toronto and Vancouver both had workplace child care initiatives that used the land-use planning process to put child care facilities in non-residential space and that these were usually categorized as “workplace” child care although there is usually no employer involved.

example cited by the Barbeau (Government of Canada) study shows, “the child-care policy of the Quebec government facilitates the creation of work-related child-care centres. The creation of childcare centres and the construction of facilities are publicly funded...so...it is much easier for an employer or a labour organization to sponsor a child-care service without having to invest huge sums of money” (72).

As part of the 1996 study, provincial officials were surveyed regarding government capital incentives for workplace child care. In addition to the Ontario and Quebec funding, New Brunswick, Manitoba and Saskatchewan had at one time small capital grants (ranging from a \$5,000 start-up grant in NB to a \$75,000 per centre grant in MN). None of these however had any take-up and they were discontinued.

In Ontario, during the Harris era (after all other capital funding was cut) a Workplace Tax Incentive was introduced to “encourage businesses in building and renovating onsite and community-based child care facilities”. A tax deduction of 30% of costs was available for corporations. According to provincial officials, there was no take-up of this tax incentive – no spaces were “created”.

### **3. What does “creating a space” mean? What is the cost of “creating a space”?**

The phrase “creating a space” is an ambiguous one. Generally, it refers to “how did the centre get there”. In Canada, “creating” child care spaces has been left almost entirely to the marketplace – volunteer efforts by community groups or for-profit operators. This is quite different from the planned public policy approach – where local governments plan, develop and usually operate funded ELCC programs - common in the countries in Western Europe. With the possible exception of Quebec which under its new family policy after 1997 set space targets for regions and set out to ensure that child care developed where it was needed, there has been little planning in child care in Canada<sup>7</sup>. It has been more a matter of “if we build it, they will come”.

In the case of the Conservative employer tax credit, “creating a space” means putting the space in place physically – the facility. It does not imply nor require funding for the ongoing operation of the centre so full user fees still pertain. As the studies cited in this document show, it is unusual for an employer to contribute to the cost of providing the child care beyond occupancy costs, a minor part of a centre budget. As the high cost of child care is one of the main barriers to accessibility, one of the points discussed in the first section should be noted here: usually, workplace child care has the same financial issues as community-based child care so the overall funding policy is a determining factor and parent fees are generally comparable to those in community-based centres in the region.

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<sup>7</sup> For a further discussion of the role of planning in a child care system see the OECD’s Canada Country Note. <http://www.childcareadvocacy.ca/archives/2004/1025.html>

The cost of “creating” a space – the capital costs – is however, also an important factor in child care availability. These costs of course vary widely with the locale as the local costs of land and construction - as well as the availability and suitability of existing buildings - determine the cost. In almost any region of Canada however, the costs will be considerably higher than a \$10,000 per space tax credit. For example, the City of Vancouver which has considerable expertise with developing and creating new child care facilities (and high land costs) calculates an “average” per space cost of at least \$40,000. If there is an existing building to be renovated or land, of course, the costs can be lower.

#### **4. What is known about how small businesses and rural communities respond to tax incentives for “creating” child care?**

There is little specific information about the involvement of small businesses and employers in rural communities in workplace child care, probably because there has been little. In the 2001 study “more than 80% of the work-related child-care centres that participated were sponsored by a large employer (i.e., with more than 500 employees). The remaining were sponsored by medium-size employers (100-499 employees) and, in one case, by an employer with fewer than 100 employees” (Barbeau: 8). In the inventory of centres provided in the 1991 survey, almost all the 176 centres seem to be associated with a large employer (there are several in Quebec associated with CLSC, one with a seniors’ facility and one with a racetrack).

Few workplace child care centres are located outside cities or mid-size towns. According to a spokesperson for Rural Voices, a coalition representing rural organizations, workplace child care is not a solution for rural communities where there are few big employers; the tax credit for employers to offset capital costs will not create the child care facilities rural communities need.

As far as extended hours for parents working shifts or irregular work schedules are concerned, the 1993 study found some flexibility in enrolment options but few centres operated for the extended hours that parents may need: 11% operated after 6:00 PM and a few were open weekends and none overnight. The 2001 study found that “a few centres offer casual, occasional and after-school care, but this is relatively uncommon, at least among the centres in the study” (9).

#### **5. What are the possible consequences of the present approach?**

From all the available information, it seems unlikely that the present approach will yield the target of 125,000 new workplace child care spaces (keeping in mind that according to the available data, the trend seemed to be that 2% of total spaces were associated with workplaces. There were approximately 750,000 spaces in Canada in 2004). As discussed earlier, while capital funding from public sources has clearly been a stimulus for developing child care, this has only been true when the funding has been substantial – when limited public funding was offered by several provinces even in cases where it was money, not a tax credit, it had few

takers, if any. From this point of view, a tax credit that represents only a portion of the cost of a facility is unlikely to be much of a stimulus.

At the same time, most of the workplace child care that has been developed in Canada over two decades has been associated with public sector employers. As these do not pay taxes, a tax credit is of little use to them.

Secondly, as the 2001 Government of Canada study shows, the public policy context is an important determining stimulus for employers; employers have been more willing to go ahead with support for child care when supportive public policy has been in place. The Government of Canada study said that

“This study has shown that government policies on child-care services in general also affect work-related child-care centres. As is the case for community-based child-care centres, some government policies slow efforts to set up centres in the workplace and make them more complicated to manage. On the other hand, some policies can be beneficial. For example, the child-care policy of the Quebec government facilitates the creation of work-related child-care centres. The creation of childcare centres and the construction of facilities are publicly funded. Moreover, the government’s financial involvement in the operation of centres helps make child-care services more stable. As a result, it is much easier for an employer or a labour organization to sponsor a child-care service without having to invest huge sums of money.” (Barbeau, 2001).

These studies show that the context of work-related child care very much affects and shapes its success – as it does community based child care.

Third, while there has been over the years some interest from employers in setting up workplace child care, it seems much less likely in rural areas or among employers with small work forces.

## **6. How does this proposal fit with the idea of universal, equitable early learning and child care?**

The 1996 study assessed workplace child care from two perspectives: [Is work-related child care] a viable solution, or part of a solution, for child care policy? And is promotion of work-related child care an appropriate response as a public policy solution for child care?

The study’s conclusions to these questions were based on several pieces of data collected: first, the reliance of virtually all the workplace centres on public funding, second the ongoing difficulties similar to those of community-based child care, third, the targeting of workplace child care to specific populations and, fourth, the number of centres surveyed in 1991 (for the 1993 study) that had closed or where employer support had been withdrawn when they were re-contacted five years later (for the 1996 study) (9%). The study concluded that while it may make a modest contribution to increasing supply, it is not a solution or even a major part of a solution.

In response to the second perspective, though, the study takes the position that workplace child care – supported by public funds but targeted to a priority population of employees of a particular workplace – is a “private solution to public policy” (Beach, Friendly and Schmidt: 56). Whether it emerges is determined by the volunteer response of an employer, not by the needs of a community or families and children. Indeed, working parents (who are taxpayers) at other workplaces – without workplace child care – are left out. In addition, as there is no reason for employers to include services for parents not in the work force such as part-day nursery schools or family resource programs in their plans, they – as the studies show – are unlikely to be part of the service. And – for parents who prefer family day care - there has been little use of the option of regulated family day care in ELCC programs associated with workplaces, perhaps because many workplaces are not in residential communities where family day care could be organized. In this way, it is certainly a “one size fits all”, not the comprehensive early learning and child care system envisioned by public policy and child care experts in Canada.

The 1993 study raised this question of the appropriateness of relying on the efforts of individual volunteer employers to ensure that the child care needs of children and families will be met – a question of equity - concluding that “work-related child care is not an answer to Canada's child care situation. It is not a solution from a practical point of view; it is a discretionary, individual response to a societal issue, not a public policy solution” (Beach, Friendly and Schmidt, 1993).

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