Child Care Advocacy Association of Canada

CCAAC ACPSGE

L'Association canadienne pour la promotion des services de garde à l'enfance

Child Care Services in Canada: One Recommendation with Multiple Benefits

Child Care Advocacy Association of Canada Federal Pre-budget Consultation Submission 2008

As the federal government seeks input into the preparation of its 2009 budget, **the Child Care Advocacy Association of Canada (CCAAC)**[1] **continues to recommend strong federal leadership in working with the provinces and territories to develop child care services that contribute to children's healthy development and support families to balance parenting and work responsibilities.**

Yet, since 2006, the current federal government has cut federal transfers to the provinces and territories that specifically supported child care services, as shown in the following table:

Dedicated Federal Child Care Transfers to Provinces and Territories

$ millions	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
2003 Agreement on Early Learning and Child Care (ELCC)	25	150	225	300	350	350
2005 Agreement on Early Learning and Child Care (ELCC)[2]	0	200	500	650	0	0
Add: 2007 Federal Child Care Space Transfer	-	-	-	-	250	250
Total Actual, Dedicated Child Care Transfers/Funding, 2007	**25**	**350**	**725**	**950**	**600**	**600**

Had the 2005 federal/provincial/territorial (FPT) agreement on Early Learning and Child Care not been cancelled, dedicated federal child care transfers would now be worth $1.55 billion. Nonetheless, the federal government claims that it is spending more than ever before to support early learning and child care. Yet a simple analysis shows that very little of this funding is actually dedicated to or publicly accountable for improving access to quality, affordable child care services. No wonder parent fees are increasing, waitlists are growing and staff wages are stagnant.

Of the $5.6 billion that the government is currently spending, 80% or $4.5 billion goes to taxable allowances (UCCB) and tax credits. While families need adequate incomes, they also need publicly-funded affordable programs that are available in their community. Relying on

[1] 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.

[2] Technically, the first year of funding under this Agreement was recorded by the federal government in 2004/05 ($200 million, with $500 million in 2005/06), but it was so late in the fiscal year that provinces and territories could not reasonably be expected to incorporate it into their child care budgets. Also, $50 million of the funding shown in 2007 and 2008 under this Agreement was specifically for First Nations on-reserve child care and for accountability measures. For details on federal child care transfers by province and territory, see the Government of Canada's web site at http://www.fin.gc.ca/FEDPROV/fsce.html.

tax rebates ignores that the market has repeatedly failed to provide adequate child care services in Canada and elsewhere. Other OECD countries have learned this lesson and provide more direct funding to early learning and child care services than Canada.[3] Further, income transfers provide no accountability when they do not generate quality affordable child care programs.

Just under 10% of the federal government's current spending – or $500 million – is transferred to provinces and territories for a broad range of family supports as outlined in the first FPT Early Childhood Development Agreement in 2000. There is no requirement for these funds to be invested in child care services.[4]

In fact, only about 10% of the $5.6 billion – or $600 million (as shown in the table above) – is currently transferred to the provinces and territories specifically for child care spaces and services. This represents a reduction of 37% from 2006 ($950 million) and 61% from the previous government's commitment for 2008 ($1.55 billion). And, without legislation or national standards (or, in the case of the 2007 Child Care Space Transfer, without even an FPT agreement in place) Canada lacks benchmarks against which progress can be measured.[5] The Canadian Labour Congress recently provided child care report cards to the federal government and all provinces and territories based on progress towards achieving quality, affordable and accessible child care spaces. While the provincial grades ranged between B+ and D-, the federal government was given a grade of incomplete.[6]

Abdicating its leadership role, the current federal government continues to promote the child care fairy tale, trying to convince us that a small federal investment, minimal public accountability and a little 'pixie dust' of tax credits, will magically transform into child care services across the country that meet families' needs. Of course, all of the evidence and thirty years of Canadian experience demonstrates that this 'wishful thinking' approach to child care services has failed. Rather than improving the situation for Canadian families, the current federal government's child care strategy – or lack thereof - is reducing affordability, compromising quality and limiting access. As a result of the current approach, today we are witnessing:

- **Higher parent fees -** in fact, the reduction in federal transfers led the province of BC to cut operating funds to child care programs, suggesting that parent fees could increase to make up the difference[7]. But, according to the Canadian Council on Social Development child care is already the largest component of the cost of raising a child.

[3] OECD. (2006). *Starting Strong II: Early Childhood Education and Care.* Annex C, pg. 246.

[4] The Agreement is available at http://www.ecd-elcc.ca/en/ecd/ecd_home.shtml

[5] Federal Opposition parties support proposed national legislation (Bill C303) that requires provinces and territories to develop child care plans, with timelines and targets for service improvements.

[6] See http://canadianlabour.ca/./sites/clc/files/u2/womens/federalEn.pdf

[7] See Minister Reid's March 16 2007 letter to parents regarding the terminated Agreement, downloaded at http://www.mcf.gov.bc.ca/childcare/pdfs/letter_child_care_providers_mar16_07.pdf

Today, many young families are paying more for child care than other families are paying for their children to attend university.[8]

- **Minimal progress on staff wages** – although compensation for trained staff is a key indicator of quality, child care services – predominantly provided by women – remain one of the lowest paid occupations in Canada. The resulting recruitment and retention crisis across the country compromises the quality of our children's care.
- **Slower growth in spaces and an open door to corporatized child care services** - in 2007 the number of regulated child care spaces in Canada grew by only 3%, the smallest annual increase to date in this decade.[9] This is particularly worrisome given that in 2006, outside of Quebec[10], only 12% of children under 12 in Canada had access to a regulated child care space. A 2006 study by the OECD confirmed that Canada has the lowest child care access rates in the industrialized world.[11] Yet, it appears that the federal government is happy to allow demand to build while provinces introduce capital grants for commercial child care providers. This approach leaves existing community-based services vulnerable to takeover by multinational corporate child care chains, and it removes community control over where programs are located, who they serve and how much they cost.

For these and other reasons, Canada now risks repeating the Australian experience, where corporate child care dominates and where increased public funding to parents has not translated into more quality, affordable child care programs. Instead, high fees, service gaps, and public concerns about quality characterize the Australian experience.

We can develop a made-in-our-own-communities solution to our current child care crisis. Canada has the evidence, the rationale and the tools it needs to build the child care system that Canadian families want and need, as outlined in our 2008 budget submission "Priority for Prosperity".[12] We have plans with timelines, targets and key system indicators for achieving our goals. We have all three opposition parties agreeing on the need for increased federal investment and leadership in regulated child care programs. 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

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[8] Moreover, inequity in parent fees across the country is growing. While BC supports fee increases on top of the average child care centre fees of $6,600 per year that families paid for children aged 3-5 in 2006, Quebec and Manitoba both set limits on parent fees. Today, parents in Manitoba pay a maximum of $4,512 per year for preschool-aged children – including two year olds. See *Early childhood education and care in Canada 2006*, Martha Friendly et al. June 2007

[9] *Child Care Space Statistics 2007* (Summary), Childcare Resource and Research Unit, March 2007.

[10] With less than one-quarter (22%) of the child population, Quebec has almost one-half (45%) of the regulated child care spaces for children under 12 in Canada. By 2005/2006:

- In total in Canada, provincial and territorial public funding for child care grew to over $2.6 billion – but only $965 million was invested outside of Quebec.
- On average in Canada, public funding per regulated space was $3,259 per year – but it was only $2,146 per year outside of Quebec.
- Overall in Canada, 17% of children under 12 had access to a regulated child care space – but outside of Quebec only 12% did.

[11] OECD. (2006). *Starting Strong II: Early Childhood Education and Care.* Country Profiles.

[12] See http://www.ccaac.ca/pdf/resources/briefs/CCAAC_PBC_Sept_11_07.pdf

creating more affordable child care spaces for working Canadians is an effective way to reduce the growing gap between rich and poor.[13]

What we do not yet have is a significant corresponding commitment from the federal government to put the pieces of the puzzle together. Under the Social Union Framework Agreement (SUFA), **the federal government is responsible for ensuring equitable access to quality, affordable child care services across Canada. We therefore recommend that the federal government adopt a focused public investment strategy that includes:**

- **Public Funding**, providing adequate, dedicated and sustained child care transfers directly to provinces and territories;
- **Public Planning**, requiring provincial and territorial child care plans, with timelines and targets to reduce parent fees, raise staff wages and add public or community-owned spaces;
- **Public Reporting**, that makes funding and planning accountable. Federal, provincial and territorial governments agreed to provide clear annual reports that allow the public to track progress on child care service improvements.[14] However, many governments have incomplete or missing public reports, some dating back to 2001.[15] Clear, relevant, timely and consistent public reporting is key to public accountability.

As recently described by the Code Blue for Child Care Campaign, the place to start is with three to five year-old children.[16] Over the next four years, federal funding should be prioritized to enable provinces and territories to develop part-day or full-day early learning and child care opportunities for all children aged three to five, and should ensure that they do so. Provinces and territories may choose to integrate these child care services within the school system, and/or they may be delivered in public or community-owned licensed spaces.[17] **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.**

[13] http://www.policyalternatives.ca/documents/National_Office_Pubs/2007/What_Can_Governments_Do.pdf

[14] First Ministers' Meeting Communiqué on Early Childhood Development, September 11, 2000. http://www.ecd-elcc.ca/en/ecd/ecd_communique.shtml.

[15] *Making the Connections: Using Public Reporting to Track the Progress on Child Care Services in Canada*. Child Care Advocacy Association of Canada, 2007

[16] See http://www.buildchildcare.ca/updir/buildchildcare/EarlyLearningandChildCareWhatsNeeded_June2007.pdf

[17] Existing commercial providers that meet accountability requirements may be grandparented into the new system.

Provinces and territories must not continue to rely on parent fees and subsidies. Instead, a focused public investment strategy will provide **direct public funding** to:

- existing services that will be accountable for advancing the key system indicators of quality (higher wages and benefits, increased training) and affordability (lower fees); and,
- 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 gross annual investment required to achieve the first benchmark at $5 billion and calls for incremental federal transfers starting with $1.25 billion in 2009. Accompanying legislation must also ensure public accountability as in Bill C303. 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. Additional resources would also 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 <u>net</u> annual incremental cost of a child care system for 3-5 year olds $3.5 billion, well within Canada's existing fiscal framework.**[18]

As we continue to do with each budget, the CCAAC strongly recommends that the federal government make these necessary investments in a pan-Canadian child care system and that it provide leadership and ensure accountability as the system is built at the provincial and community levels.

[18] Budget 2008 – Annex 1: Canada's Fiscal Performance in an International Context, Government of Canada, February 2008, confirms that "Canada's fiscal position is stronger than that of the other G7 countries (United States, United Kingdom, France, Germany, Japan and Italy)." Canada is expected "to record the largest budgetary surplus as a share of GDP in the G7 in 2007, 2008 and 2009." Finally, Canada's debt, already low relative to other G7 countries, "will continue to decline in future years".