

Child Care and Early Learning

This recession's missed opportunity: The stimulus effect of building a publicly-funded Child Care System¹

A recent Canadian study² confirms that public investment in child care programs is not just the *right* thing to do for parents and children, but the *smart* thing to do for Canada's economy. To date, however, the federal government has failed to take advantage of one of the largest — if not *the* largest — economic boosters available: a publicly-funded child care system. The extensive analysis conducted for the Child Care Human Resources Sector Council (CCHRSC) by leading economist Robert Fairholm of the Centre for Spatial Economics highlights this recession's missed opportunity, finding that:

- *Child care grows the economy:* Every dollar invested in child care programs increases GDP by \$2.30 — one of the strongest levels of short-term economic stimulus of all sectors and far ahead of construction and manufacturing.
- *Child care creates jobs:* Investing \$1 million in the child care sector generates almost 40 jobs — at least 40% higher than the

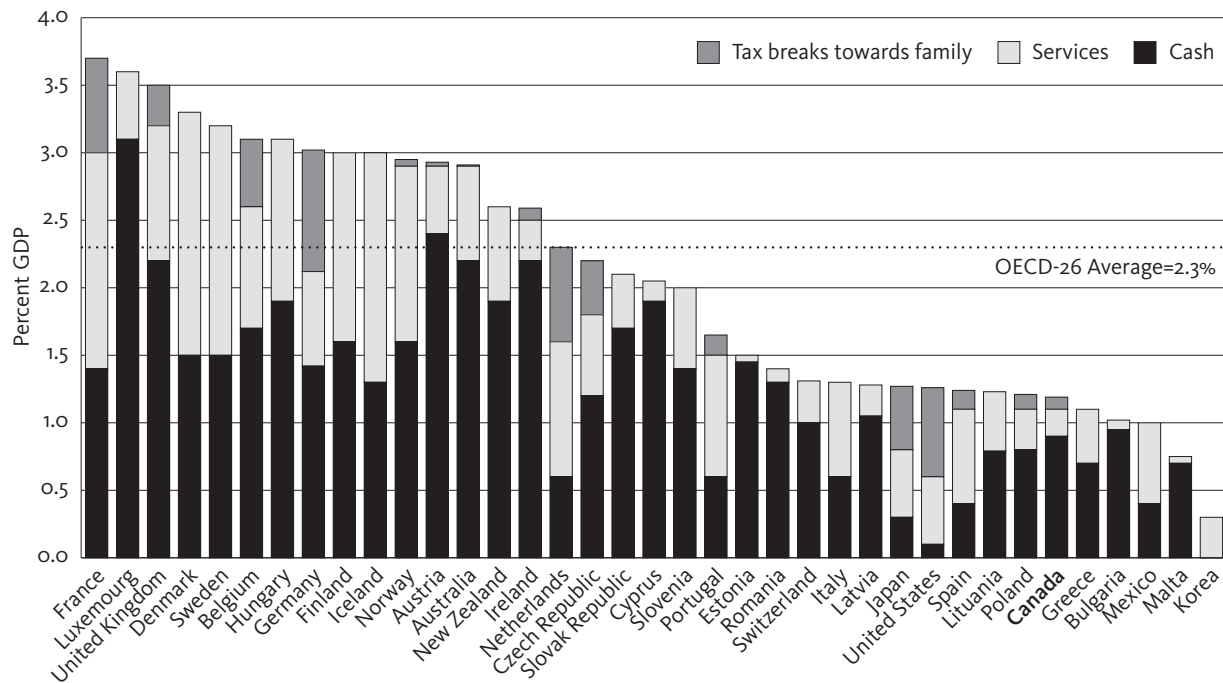
next closest industry, and four times the jobs generated by investing \$1 million in construction activity.

- *Child care more than pays for itself:* Even in the short term, more than 90% of the cost of hiring child care workers goes back to governments as increased revenue, and the federal government gains the most. Over the long term, every dollar invested in quality child care programs returns \$2.54 in benefits to society.

Fairholm's study adds to a longstanding body of evidence that should not be ignored: the public benefits of quality child care programs outweigh the required public investment. However, the federal government and most provincial governments continue to resist making the fundamental shift away from the long-standing and ineffective targeted, market-based approach to child care to a universal, publicly-funded system.

In fact, child care in Canada demonstrates triple market failure. We have the lowest child care access rates in the industrialized world, with regulated spaces for fewer than 20% of young children.³ Fees for child care are among the highest

CHART 7 Public Spending on Family Benefits in Cash, Service and Tax Measures in per cent of GDP, 2005



NOTES Data on tax support for families is not available for Greece, Hungary, Luxembourg, Mexico, Switzerland, Turkey, and the non-OECD countries. Data for Portugal concerns 2003.

anywhere, often exceeding annual tuition fees for university. And quality is constantly undermined by low wages and poor retention rates for early childhood educators.

Outside of Quebec, Canadian governments at all levels have twisted themselves into pretzels trying to explain how they could continue to sign numerous international human rights treaties and federal/provincial/territorial (FPT) agreements committing to child care improvements, yet fail to deliver them. “We would but we can’t afford it” was the simplistic excuse prior to 2000. Then, as federal and provincial surpluses began to mount annually — reaching a dizzying \$30 billion combined in 2007⁴ — a small but increasing federal commitment to child care funding finally emerged. However, at the height of Canada’s economic success, the current federal government terminated the most significant child

care agreement and reduced dedicated child care transfers to the provinces and territories. Specifically, as illustrated in Table 8, federal transfers in 2007–08 were reduced by 37% from 2006 (\$950 million) and by 61% from the previous government’s commitment for 2009 (\$1.55 billion).

And, since the economic downturn, the federal government’s silence on child care and other issues of particular interest to women causes even greater concern. Having squandered the opportunity to share the economic good times with children, women and families, Canada entered the current recession with deep poverty and inequality, exacerbating the problem by ignoring the opportunity to reap the social and economic benefits of stimulus spending on child care.

In the meantime, other developed countries continue to sprint down the child care track, leaving Canada far behind. The legacy of Canada’s

TABLE 8 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)	0	200	500	650	1,200	1,200
Total Committed, Dedicated Child Care Transfers/Funding, 2005	25	350	725	950	1,550	1,550
Less: 2005 ELCC Agreement Terminated Effective April 2007					-1,200	-1,200
Add: 2007 Federal Child Care Space Transfer					250	250
Total Actual, Dedicated Child Care Transfers/Funding, 2007	25	350	725	950	600	600

For details by province and territory, see Federal Support for Children at <http://www.fin.gc.ca/fedprov/fsc-eng.asp>

continued reliance on a market-based approach is reflected in international comparisons of family support in general, and early learning and care in particular, which consistently give Canada a shameful review. Most recently, UNICEF ranked Canada in a tie for last out of 25 developed countries in terms of meeting suggested standards of early learning and care, along with other family policy benchmarks related to parental leave, child poverty, and universal access to essential health services.⁵

These findings parallel those reported in the OECD Family Database, which shows that, overall, support for families is relatively weak in Canada as measured by a combination of cash supports, tax benefits, and services such as child care (see chart 7).⁶

While the OECD and governments around the world differentiate between the provision of income supports for families (cash, tax transfers) and the provision of services, the current federal government combines all of these expenditures and claims that it is spending more than ever before to support early learning and child care. Yet, of the \$5.6 billion⁷ that the federal government counts in this funding envelope for 2007–08, 70% (\$3.9 billion) goes directly to parents as income supports, with no strings attached. Income supports are important and necessary, particularly for lower-income families, and even more funding for income supports such as the Canada Child Tax Benefit is required. *But income supports are not child care.*

Another 20% (\$1.1 billion) of these expenditures goes to provinces and territories to nominally support early child development (\$500 million) and early learning and child care (\$600 million, as shown in Table 8), although there is no legal requirement for recipients to allocate these resources accordingly. Thus, *90% of the federal government's claimed spending on child care in fact goes to parents and provinces to spend as they please.*

Only 10% (about \$600 million) of this \$5.6 billion is actually accountable for some form of child care spending. Yet, even this expenditure — the child care expense deduction (CCED), which is available to parents who incur a broadly-defined range of child care costs — does not require or even promote access to quality early learning and child care services.

As a result of the current federal, provincial and territorial approaches to child care, outside of Quebec and to some extent Manitoba,⁸ today we are witnessing:

- **Higher parent fees:** The reduction in federal transfers led the province of British Columbia to cut operating funds to child care services, suggesting that parent fees could increase to make up the difference. But a recent study in the same province shows that child care is the second highest cost to families, next to housing.⁹ Today, many young families are paying more in child care fees than other families

are paying for their children's university tuition.

- **Minimal progress on staff wages:** Although compensation for trained staff is a key indicator of quality, the predominantly-female child care service sector remains one of the lowest paid 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 for-profit, corporatized child care services:** In 2007 and 2008, the number of regulated child care spaces in Canada grew by only 3% annually, about one-third of the growth rate earlier in the decade.¹⁰ Equally worrying is that the percentage of for-profit child care appears to be growing in Canada, increasing from about 20% of total spaces in 2004 to 25% in 2008.¹¹

High fees, low wages and unmet demand — these conditions should be a wake-up call to governments about the fundamental inequality of the market approach to child care services. The evidence-based response should be a publicly-funded system that prioritizes equality in both access and service provision.

Most Canadians agree. A series of recent polls shows that at least three-quarters of Canadians support a national child care program, considering the lack of affordable child care to be a serious problem.¹²

Barriers

In spite of public support, barriers to a publicly-funded child care system remain.

The most significant challenge is the formidable opposition to the introduction of a new public service in Canada. Some people believe that acceptable levels of quality, affordability,

and accessibility can be achieved within a market-based approach, but the Canadian child care experience with a market-based approach over the last 30 years clearly demonstrates that this belief is not grounded in the evidence. Rather, it's based on values, ideology, and business interests. In fact, the principles of the recommended system — collective responsibility through universal entitlement, significant public investment and democratic decision-making about regulations and standards, staff training and compensation, affordability and service location — are polar opposites of the values espoused by the global pressure for less government and more market-oriented solutions to public concerns.

Interestingly, there is now a growing awareness of problems created by over-reliance on a market-based approach that is not balanced by government intervention to achieve equitable access to quality services. Even before the current recession, the public discourse acknowledged the need for government involvement in addressing issues like climate change. This awareness may enhance opportunities to develop a publicly-funded child care system; or it may encourage market advocates to seek new ways to reap private profits on public goods like child care.

The evolving state of FPT relations is another challenge. The AFB's policies and funding decisions on child care are necessarily related to the role of the federal government, and reflect the view that system building is best achieved with strong federal leadership on policy (national legislation), funding (dedicated federal transfers) and accountability (annual reporting to legislatures on results). In recent years, however, some provincial governments have resisted this federalist approach. They argue that, since they have primary responsibility for service delivery, federal transfers should be unconditional because provincial and territorial governments are responsible and accountable to the distinctive needs of their own populations.

(It is interesting to observe that, despite provincial claims of uniqueness, most governments continue to apply remarkably similar, market-based policy and funding approaches to child care services — with consistently weak results).

The 1999 Social Union Framework Agreement and the subsequent FPT child-care-related Agreements between 2000 and 2005 highlight the previous federal government's attempt to overcome this tension. Provinces and territories received dedicated federal transfers in exchange for their agreement to improve regulated child care services. But the funding levels were initially low and accountability measures very weak. With this “small carrot, tiny stick” approach to FPT relations, progress has been limited and uneven.

The AFB acknowledges the right of Canada's First Nations and Aboriginal peoples to design, deliver, and govern their own early care and learning services. We also respect Quebec's right to develop social programs and applaud the leadership Quebec has shown in initiating the only North American child care system. That is why it is particularly discouraging to see that the current federal government is not taking up its leadership role on child care services and failing to find ways to bridge FPT differences in order to advance equitable access to services across the country. In fact, the federal government has consistently reduced the federal spending power.

As a result, while provinces and parents are both receiving more direct transfers from the federal government than ever before, there have been no substantial improvements in access to quality, affordable child care services since the Conservative government was elected early in 2006. Today, Canada's human rights commitments on child care to both children and women remain largely unfulfilled.

More recently, the growing interest in using the public education system as a vehicle for the delivery of early learning and care across Canada is an important policy development. Most countries that have implemented effective sys-

tems have done so through education ministries, rather than social services, and many are moving to integrate the traditional separation between early learning programs in public schools and child care in community settings. Furthermore, the principles of education across Canada — universal entitlement to programs provided by reasonably paid and trained staff, with democratic governance — are consistent with the principles the AFB recommends for child care.

At the request of the Ontario government, child expert Charles Pascal released a report in June 2009, recommending a comprehensive family policy with integrated early care and learning through a publicly-funded and governed system.¹³ These recommendations have enormous potential, but provincial funding is in short supply; federal funding support would allow for timely implementation.

The Ontario report moves the education system to recognize the realities of parenting today, ensuring that the full working-day needs of families are met in a way that also supports healthy child development. This is critical because provincial education systems, outside of Quebec, have not adjusted their programming to accommodate the fact that most parents are in the paid labour force — including three-quarters of mothers with young children¹⁴ — so before and after school care is already a significant concern across the country.

The implications for existing child care services and professional early childhood educators of a move towards public education need to be assessed and discussed. In building a new, publicly-funded system of education and care for young children, one would hope for a process and a solution that respects and includes early childhood professionals who are keen to participate in advancing a quality, universal, democratically-controlled system.

Finally, beneath the surface of all of these barriers lies society's ongoing ambivalence about the role of women and caregiving. Although

women are well-established in the labour force, child care services continue to challenge traditional notions about public support for working mothers and the professionalization of caring.

Conclusion

There is compelling evidence that investing in child care services offers among the highest benefits of any policy strategy a nation can adopt. Economic studies have repeatedly shown that the multi-generational benefits of focused, accountable investments in child care outweigh the costs by at least 2 to 1. Further, access to quality child care services promotes health, advances women's equality, reduces crime, addresses child and family poverty, and deepens community social inclusion.

But wishful thinking and a market-based approach won't make it happen. Accepting the current approach to child care services in most of Canada means accepting that our children will not get the best start possible, 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 in communities.

The federal government must move from wishful thinking to accountability for results by ensuring that children and families have equitable access to quality, affordable, inclusive, non-profit child care services across Canada. The AFB therefore implements a focused public investment strategy which 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; and

- ♦ **public reporting**, to ensure accountability for the provision of child care services that support children, families and women in all of their roles.

In countries that have adopted this strategy as a key component of family policy, child care services are an expected and planned part of communities. Like schools, libraries, and recreation centres, child care services are available, accessible, and affordable to all who choose to use them. Children's healthy development and parent's work/life balance are well-supported, the current and future labour force is enhanced, and the economic returns on public investment are promptly realized.

Canada has all the resources and motivation it needs to build the child care system that families want and need. On the one hand, we have the everyday crisis that families face as they struggle to patch together child care arrangements from extremely limited, frequently high-cost options of varying quality. Conversely, we have overwhelming research proving the multiple benefits of child care services — benefits that can only be realized if we ensure that services are high quality and accessible.

We have plans with timelines, targets, and key system indicators for achieving accountability for results. We have all of Canada's opposition parties agreeing on the importance of child care services. And, not surprisingly, given all of the above, we have polls that repeatedly show Canadians want greater public investment in child care services.

Publicly-funded child care has been a missed opportunity in this recession to date. The AFB proposes to correct this omission, and increase annual federal transfers for early learning and child care to \$5.5 billion by 2013–14, by which time all children aged three to five should have access to a quality child care space in their community. Starting in 2010–11, building this system requires the following dedicated federal trans-

fers to the provinces and territories for child care services:

- to confirm the funds already committed under the 2003 Multilateral Framework Agreement on ELCC (\$350 million) and the Child Care Spaces Initiative (\$250 million) — total: \$0.6 billion; and
- to provide an additional transfer of \$1.1 billion.

Total spending for 2010: \$1.7 billion.

Federal transfers of \$1.7 billion in 2010–11 will be increased to \$2.7 billion in 2011–12, and \$3.9 billion in 2012–13, and finally to \$5.5 billion in 2013–14.

Notes

1 This chapter incorporates excerpts from various publications of the Child Care Advocacy Association of Canada and draws extensively from the article “The Fight for a Publicly-Funded Child Care System in Canada” by J. Dallaire and L. Anderson, in the CCPA’s Spring 2009 issue of *Our Schools Our Selves* “Beyond Child’s Play: Caring for and Educating young children in Canada”. V. 18 N.3 (#95).

2 Child Care Human Resources Sector Council (CCHRSC). (2009) Literature review of socioeconomic effects and net benefits: Understanding and addressing workforce shortages in early childhood education and care (ECEC) project. Ottawa. CCHRSC. See <http://www.ccsc-cssge.ca/english/aboutus/completed.cfm#p5> for full report.

3 Quebec introduced a comprehensive family policy, including child care, in 1997. As a result, Quebec’s progress towards a publicly funded child care system far exceeds any other province or territory. While more work is required in Que-

bec, the most significant policy and funding gaps discussed in this chapter are primarily applicable outside of Quebec.

4 Calculated from Canada. Department of Finance. (2008) Fiscal Reference Tables. Ottawa. http://www.fin.gc.ca/toc/2008/frto8_-eng.asp

5 Adamson, Peter (2008). The child care transition: A league table of early childhood education and care in economically advanced countries. UNICEF Innocenti Research Centre, Report Card 8. Florence. P.2. http://www.unicef-irc.org/publications/pdf/rc8_eng.pdf

6 Organization of Economic Co-operation and Development. (2008). OECD Family Database: PF1: Public spending on family benefits. OECD. P.2. <http://www.oecd.org/dataoecd/45/46/37864391.pdf>

7 http://www.universalchildcare.ca/eng/faq/index.shtml#support_families

8 Parent fees in Manitoba are the second lowest in the country, after Quebec. The government of Manitoba sets the maximum allowable fee that may be charged for child care.

9 Richards, Tim et al. (2008). Working for a Living Wage: Making Paid Work Meet Basic Family Needs in Vancouver and Victoria. Vancouver, CCPA p.3. http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC_Office_Pubs/bc_2008/ccpa_bc_living_wage_2008_summary.pdf

10 Beach, Jane et al. (2009) Early childhood education and care in Canada 2008. Toronto. CRRU. Calculated from http://www.childcarecanada.org/ECEC2008/tables_long/TABLE22_ECEC08_LONG_VIEW.pdf

11 *ibid.*

12 http://www.ccaac.ca/pdf/resources/Reports/Poll_Fact_Sheet.pdf

13 Pascal, Charles, E. (2009) “With Our Best Future in Mind: Implementing Early Learning in Ontario”. Toronto. see http://www.ontario.ca/en/initiatives/early_learning/ONTO6_018865

14 http://www.childcarecanada.org/ECEC2008/tables_big/TABLE6_ECEC08.pdf