Investing in Early Learning and Child Care

A Framework for Federal Financing

A memorandum to the Ministry of Finance, the Prime Minister's Office and the Privy Council Office

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For social and economic justice

INTRODUCTION

We are on the brink of a historic understanding that early learning and childcare (ELCC) is key to an economic recovery from the pandemic, our future potential for growth and our collective wellbeing. Just as the federal government supported the expansion of access to high-quality health care in the 20th century, the expansion of high-quality early learning and childcare is foundational to 21st century society. Before the pandemic hit, half of Canada's employed workforce was women. A shrinking cohort of working aged adults, and a growing cohort of those too old and too young to work, will necessitate women´s continued high labour force participation rates.

Today more than 25 per cent of children begin school with learning or social vulnerabilities that will restrict their educational outcomes and life chances. Without doing more, we face long-term economic underperformance, by policy design. The OECD average rate of enrolment for children aged 0-12 is 70 per cent, mostly in publicly-managed care. It is unknown how many of Canada's roughly 5 million children aged 0-12 are in paid and unpaid care, but only 27 per cent are in regulated, licensed facilities. We must do better.

That raises two problems: the provinces and territories (P/Ts), in whose jurisdiction this policy lies, are cash-strapped; and the federal government tends to simply transfer money to provinces, with few conditions. Funding to merely add more child care spaces, as half empty centres attest, won´t induce parents to enrol their children in the face of rising COVID cases. More child care spaces won´t entice educators into under resourced classrooms for low pay.

Money without a strategy will simply expand a market that already fails many families. Building a high-quality, regulated system of early learning and childcare requires a plan and targets for outcomes. At the centre must be a robust plan for a well-supported and qualified workforce. Fifty years ago the report on the Royal Commission on the Status of Women noted workers who provide childcare get paid less than zookeepers. Sadly, this is still the case. We neither have sufficient numbers of qualified early childhood educators (ECEs), nor do we pay and support the ones we have enough to retain them. An Ontario study found that 30 per cent of the positions that by legislation should be filled by qualified ECEs are not and one in five centre directors have no ECE training. This is appalling, when you think what parents pay.

A system that addresses the needs of parents and children requires building more physical infrastructure, and more affordable access, but critically it requires more educators. This involves not just better wages and benefits, but an infrastructure that sustains quality work including access to excellence in pre- and in-service training; pedagogical leadership, and the availability of special needs specialists and family support workers to help address child/family needs, as in most schools.

The federal government can and should help the provinces and territories attain these achievable goals. To reach the OECD average spending on ELCC, Canada would have to increase expenditures from the pre-pandemic level of $12.1 billion (of which only $1.8 billion was provided by the federal government) to $20 billion. That $8 billion gap should be filled by the federal government, bringing it into a true partnership with the P/Ts in this legacy policy initiative. New funding should first stabilize regulated ELCC capacity, then help advance negotiated targets and timetables over a five-year horizon to expand enrolment and ECE capacity in high-quality care. Acknowledging that all P/Tsare starting from a different place, but all need to improve, the federal government should provide 100 per cent federal dollars, not cost-shared funding, tied to advances in access to high quality care, not per capita allocations. We can and must do this, and fast. This memo shows how to proceed.

MAXIMIZING THE IMPACT OF FEDERAL FINANCING FOR EARLY LEARNING AND CHILD CARE

1. *Leadership* on this file has been MIA at both federal and provincial levels in the COVID-19 era. Signal a new moment by assigning high profile political responsibility and accountability federally for advancing a system of high quality, affordableELCC for all children and parents in Canada. The Deputy Prime Minister could play this role. This acknowledges:

- the inter-ministerial realities of ELCC, currently including Employment and Social Development Canada (ESDC), Women and Gender Equality Canada (WaGE) and Finance, the success or failure of which drives economic, fiscal and social outcomes;
- ELCC as the primary strategy for reducing the depth and length of recession, and consequently the size of the federal deficit, by supporting parents' ability to work;
- ELCC's role as a stimulus, creating critically needed jobs – good jobs, if done right – in the wake of the world's first-ever "she-cession";
- ELCC's ability to generate long-term growth, providing high yield returns to individuals and the public purse for years to come as we enter the era of population aging and slow growth; and
- ELCC is as critical for the 21st century economy as health care was for the 20th century. The federal government needs to be a fiscal partner in advancing this legacy policy achievement.

With clarity on who is ultimately responsible, the Minister(s) should be served by an expert-led federal secretariat located in the Prime Minister's Office and Privy Council Office that provides inter-ministerial expertise, solicits and navigates inter-governmental input, advises on policy design and inter-jurisdictional collaboration, and advances methodologies to measure and evaluate the benefits, not just costs, of public spending on ELCC.

2. *New Federal Funding* should be added through 100 cent federal dollars, tied to improving outcomes. Not cost shared. Not per capita. Not unconditional. Budgetary allocations over a five year plan would be established by setting measurable targets and timetables to close service and outcome gaps, by jurisdiction. Transfers to P/Ts would be conditional on meeting goals and timetables (negotiated, based on each jurisdiction's starting point with respect to the objectives below).
The purpose of federal funding is to create a childcare system, not expand the existing market of patchwork childcare, to achieve one goal: improved availability of excellent early learning and child care that maximizes the learning readiness of all children entering school, and supports their learning and developmental capacity during the school years, at no or low cost to parents. This requires simultaneous progress on: a) expansion of access (increasing enrolment in high-quality spaces and programs); b) focus on workforce development and remuneration (the keystone to quality); and c) affordability for all.

3. *An accountability framework that ties funding* to negotiated targets and timetables that would measurably improve access, affordability, inclusion, quality (physical and programming aspects of ELCC), workforce excellence, and wages/working conditions. This would build on the existing criteria of the

Multilateral Early Learning and Child Care Framework Agreement (2017) which all the P/Ts have signed onto, and should inform parallel negotiations with First Nations, Inuit and Métis. In the 2017 bilateral agreements, P/Ts were required to develop the plans as a condition of receiving future federal funding. Similarly, additional federal funding should require annual reporting over a five year period documenting progress towards targets within timetables on the objectives below. If reporting on use of federal funds is inadequate or no advancement towards negotiated targets is being achieved within timetables, future funds would be withheld. The purpose of additional federal funds is to buy change through improved access and quality, and avoid the prospect of uneven recovery and future economic prospects in Canada. Ultimately, the purpose of and criteria for receiving federal funding would be embedded in legislation (for example, as is the case with the Canada Health Act), for funds transferred to P/Ts through the Federal-Provincial Fiscal Arrangements Act.

ALLOCATING FEDERAL ELCC FUNDING BY OBJECTIVE

The purpose of additional federal funding is to support P/Ts to develop strong public planning, management, and oversight systems to stabilize the ELCC sector and support the ongoing development and delivery of quality ELCC, creating a continuum of lifelong learning starting in early childhood. Currently, many ELCC programs in the nation's largest labour market s have not reopened (Ontario); and in Quebec, many that are open are operating under capacity, primarily because parents are nervous about taking health risks with their families due to concerns about staffing and safety protocols. Child care not only needs to reopen fully, it needs to improve.

First, federal funding needs to prevent the collapse of this critical social infrastructure that enables people to get to work; then new federal funding needs to assist the development of a system that Canadian parents and children can count on (see Appendix for scale of demand and supply mismatch). An achievable and relatively modest target is providing 70 per cent of 1-12 year olds with high quality early childhood education, with priority focus on the pre-school years. This is the OECD average for countries with similar economies to Canada. It is assumed that, with improved and adequately funded parental leave, many of the youngest children will be able to spend the first 12 months of life with their parents, supported by a range of early-years services. To reach OECD average spending on ELCC, Canada would have to increase expenditures from the pre-pandemic level of $12.1 billion (of which only $1.8 billion is provided by the federal government, through the Canada Social Transfer and the bilateral agreements with P/Ts for ELCC) to $20 billion. Additional funding for emergency ELCC services in year one should ramp up over the five year period to fill that $8 billion breach by addressing four longer term objectives.

Job 1 and Emergency First Objective: Avoid further loss in capacity to provide high quality, regulated early learning and child care at low or no cost to parents. Non-profits account for 70 per cent of service provision in this sector, and many are unable to withstand the financial pressures unleashed by the pandemic, increasing the likelihood of a bigger market share by for-profit providers. In the immediate: introduce a federal relief program for licensed and regulated child care providers to continue operating despite lost revenue and higher costs. Recipients would be required to keep staff on payroll (pre-COVID levels) as a condition of receiving relief funding, so we do not experience attrition of human resources, and ECEs are not be forced to turn to EI or CRB; and would be precluded from passing on fee increases to parents.

Recipients would be required to provide info on how they used the money, their pre-COVID-19 and current capacity – number of children by age range, location, etc. to help establish a baseline of data. Reporting would standardize metrics to be tracked across all P/Ts. This period could also be used to top up the existing $625 million to P/Ts upon submission of a plan to immediately restore and stabilize services as a platform for expansion in 2021-2022. Service planning by P/Ts would require a willingness to shut down or take over centres that do not meet licensing criteria, have excessive violations or can´t recruit qualified staff. We must learn from the experiences of long-term care facilities providing inadequate care during the pandemic: shut them down or take them over; don't use public funds to bail them out. This approach helps build strong public management and oversight for new public dollars.

Objective 2: Expand high-quality, low-cost capacity. There are two aspects of this expansion: physical infrastructure, and lowering costs to users. For physical infrastructure funding would be transferred to P/Ts for new, retrofitted and repurposed spaces, with an emphasis on using public infrastructure that already exists in schools and other appropriate public assets. Federal funding would not be available for vouchers or tax credits to offset costs to users. Instead, keep user fees in the $10-$20/day range by operationally funding spaces at an average of $12,400/space (Quebec´s rate), with $18,000 for the territories (see Appendix for the current shortfalls from this benchmark by P/Ts) . Another example of adding low-cost high-quality care: federal funding could support expansion of full-day kindergarten for 4 year olds, costing an estimated $1.8 billion in construction costs and $2 billion in annual operating costs. This would provide a guarantee of care for six hours a day, Monday to Friday, at no cost to parents, for 4 and 5 year olds. The more P/Ts integrate care with the public education system or cap user fees at low rates and offer free care for low-income families within the licensed and regulated system that is integrated with schools, the more federal support they get. Given the leadership role of Quebec in expanding access at low cost, the focus is more on improving quality of care, the next objective.

Objective 3: Improve quantity and quality of early learning educators. All staff working directly with children should have post-secondary training in early childhood development. The federal government should work with P/Ts to develop and fund pre- and in-service training standards that provide graduates with excellent credentials for work in any ECEC setting across Canada, including school based programs such as kindergarten. Federal funding should also be available for P/Ts that develop recruitment and retention strategies for the ECE workforce such as tuition stipends, and incentives for ECEs working with underserved communities and in remote areas. A reminder that the goal is excellent care for an enrolment rate of 70 per cent among 1-12 year olds (the OECD average), with emphasis on pre-schoolers to ensure every child is learning ready as they enter school. Negotiated targets and timetables to reach that objective is the goal, not per capita spending. In keeping with current bilateral agreements, P/Ts should provide plans indicating how they will roll out access prioritizing underserved regions, communities, and neighbourhoods, with the goal of reducing service deserts for low-income neighbourhoods. This does not imply creating a targeted system, but the path to creating a "universal" system, investing where the returns are highest most quickly.

Objective 4: Good jobs and more of them. New, additional federal funding should pay to expand the ECE workforce. COVID-19 requires increased adult/child ratios and more space per group. These additional requirements for human resources and physical capacity can continue post-pandemic to expand access to early learning/care. Federal funding would also flow to P/Ts that put into place mechanisms to improve compensation levels (wages and benefits) for early childhood educators, to reduce the growing gap between teachers/the school system and ECEs/childcare. Qualifying plans would target ECE compensation to be at least 2/3rds of salary levels and benefit packages of certified educators in publicly funded schools.

Objective 5: Know what you are doing, and why. Build on the Multilateral Agreement on ELCC. Create a federal secretariat whose goal is to establish deep policy expertise federally; to guide, advise and collaborate across jurisdictions in the building of a publicly managed childcare system. It must be supported by relevant agencies in departments to establish a baseline database regarding access to different types of childcare (by age, by adult/child ratios, by number of ECEs, by cost, by for-profit not-for-profit) in order to identify what and where the gaps are to be closed. This can be done by: a) going through the Business Register (Canada Revenue Agency), identifying businesses who make a living by providing childcare (identifying registered businesses vs regulated businesses); b) updating mapping of access to services through the Proximity Measures Data Viewer using Statistics Canada survey questions to identify what kind of care people use (regulated vs unregulated, paid versus unpaid) and whether people are unable to access care (identifying what income, education and racial characteristics define who pays for what); and c) and through work with the P/Ts to create a standardized reporting mechanism to provide accountability for public funding.

APPENDIX – CHILD CARE AND EARLY LEARNING CAPACITY IN CANADA, BY PROVINCE AND TERRITORY

As of July 2019, according to Statistics Canada, there were almost 320,000 infants (less than one year old), and almost 2 million 1-5 year olds. There were also close to 3 million school aged children, 6-12 year olds, most of whom also need before- and after-school care. In total, there are about 5 million children aged 1 – 12 who need high quality care and learning supports. Almost all 5 years olds receive “free” care in kindergarten for at least part of the day, but this is not the case for other pre-school age groups. Full-day care through in-school hours amounts to 6 hours, meaning that care that is integrated with the school system and free to the parent will be insufficient for many working parents.

Ensuring all children aged 4 to 5 have universal access to at least six hours of guaranteed care and early learning, would require full-day kindergarten spots for 316,500 additional children (some currently in half-day programming, others without access through the public school system). This expansion would cost an estimated additional $2 billion in annual operating costs and $1.8 billion in construction costs.

If Canada were to expand ECE enrolment rate to the OECD average of 70 per cent for 3 year olds, an additional 87,600 children would need to be enrolled in programming at an additional cost of $715 million in operating costs, and $510,000 in construction costs (based on Ontario’s costs in 2010-2014).

Children aged 1 to 2 have other requirements for space and early learning that are not included in these figures. For example, the average cost for an infant space is $22,500, in City of Toronto programs, where all staff are trained ECEs and receive unionized wages.

For school-aged children (and some pre-schoolers) the average annual cost of before- and after-school programming is $6500 in school board operated programs. (Higher costs are associated with a unionized workforce that is made up of 100% trained ECEs, which is what should be required everywhere. It has been 50 years since the Royal Commission on the Status of Women noted that childcare providers make less than zookeepers. Nothing has changed in the past half century, in that respect.)

The focus on integrating high quality, regulated early learning and child care with publicly managed systems (usually school boards) is key to improving quality. The OECD average includes jurisdictions that offer ELCC exclusively or largely through their school systems. Where this occurs (including in Canada where full-day kindergarten is available), women’s labour force participation rates jump. But high quality care isn’t just about getting mommy back to work. It pays for itself in numerous ways in the short and long term, by helping children optimize their potential. The OECD advised Canada to “build bridges between child care and kindergarten education, with the aim of integrating ECE both at ground level and at policy and management levels” in 2004. Progress on this objective has been limited. Indeed, Quebec´s highly regulated, community based model of *Les centres de la petite enfance* has evolved to include more direct payments to parents to offset child care costs and a sharp expansion of for-profit programs. These trends have coincided with a decline in quality which is undermining the benefits of early education for children.

As a result, there is huge variability in access to quality licensed and regulated care across Canada. But every jurisdiction, including the leader in Canada, Quebec, is underfunded when it comes to providing both low-or-no-user-cost and high quality care. While we have much to learn from Quebec, and while Quebec has literally written the book on how child care pays for itself by improving employment rates for women, they too are challenged by the costs of providing consistently high-quality care for their children. This best occurs in a regulated, licensed system, with well-trained, well-compensated staff.

The following charts come from a forthcoming publication by Emis Akbari and Kerry McCuaig, *Early Childhood Education Report 2020*, by the Atkinson Centre for Society and Child Development, Ontario Institute for Studies in Education/University of Toronto. They show the degree to which the gaps exist, and vary between jurisdictions.

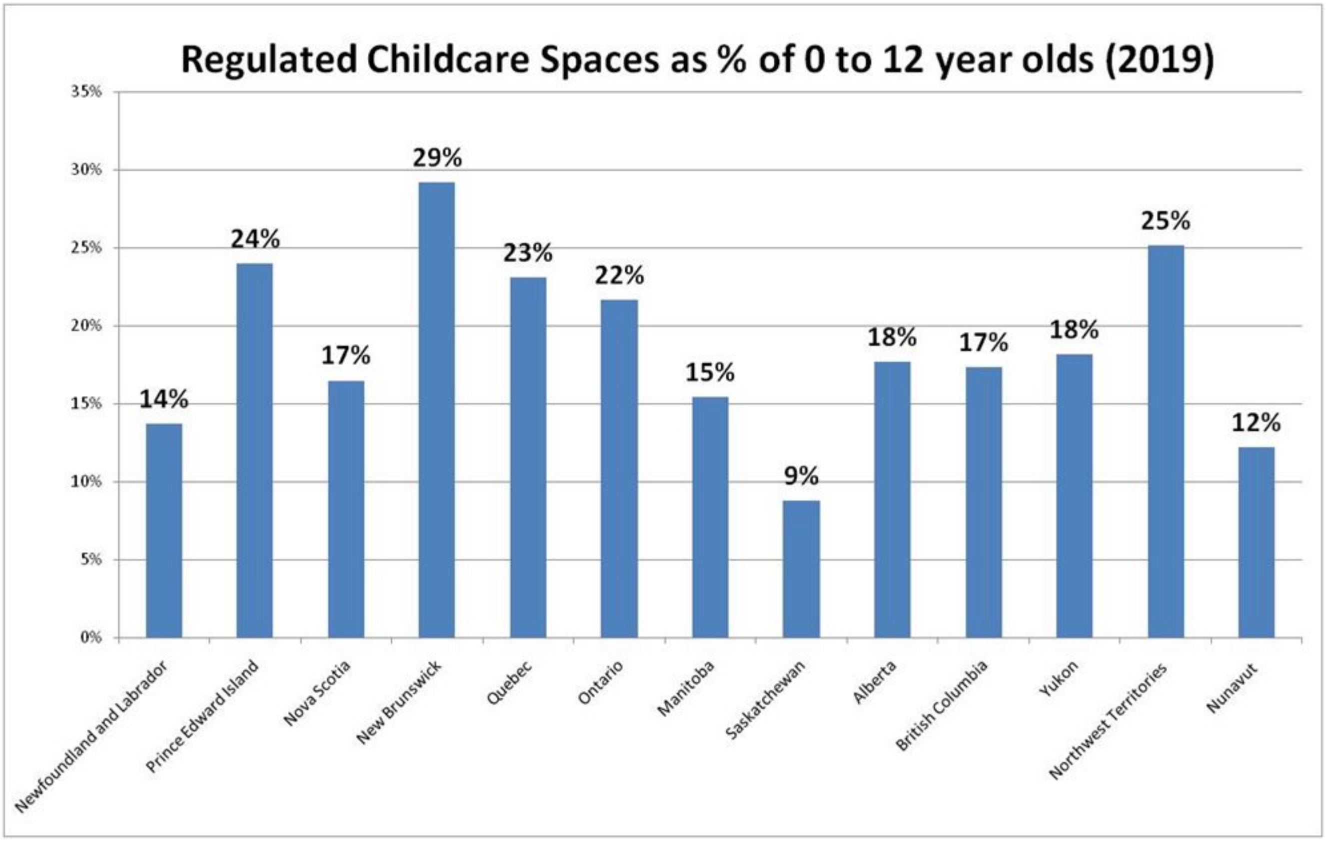
Table 1, below, tracks growth or loss of access to regulated child care, by province and territory, for 0 to12 year olds between 2014 and 2019. It includes licensed home care.

CHANGE IN NUMBER OF REGULATED CHILD CARE SPACES BY PROVINCE / TERRITORY

Province / Territory	2014	2017	2019	Percentage Change from 2014 to 2019
Newfoundland	7,815	8,142	8,378	6.7%
Prince Edward Island	4,262	4,860	5,060	15.8%
Nova Scotia	17,509	18,855	19,490	10.2%
New Brunswick	24,556	27,690	28,200	12.9%
Quebec	251,193	264,425	270,225	7.0%
Ontario	311,297	406,395	427,032	27.1%
Manitoba	32,555	34,285	35,024	7.0%
Saskatchewan	14,025	15,269	17,784	21.2%
Alberta	97,930	126,165	126,915	22.8%
British Columbia	100,001	105,900	107,270	6.8%
Nunavut	1,140	1,089	1,109	-2.8%
Northwest Territories	2,361	1,865	1,981	-19.2%
Yukon	1,243	1,232	1,334	6.8%
Canada	865,887	1,016,172	1,049,802	17.5%

Akbari & McCuaig, in press

Chart 1, below, is based on the number of licensed spaces in 2019 for 0 to 12 year olds from the previous table, and populations of 0 to 12 year olds as of July 1, 2019, from Statistics Canada. It shows the degree to which parents have little choice but to freelance access to care, most of which takes place in the unregulated setting. These data do not distinguish between the access to licensed care of 2 year olds and 10 year olds, but are the best available to understand existing regulated capacity.



We have, at this time, no understanding of the full ecosystem of care, particularly arrangements in unregulated care (how much is paid, how much unpaid, what kind of care, in what kind of physical setting, is offered). We also do not know much about regulated care by age, by scale of facility, by profit and non-profit provider, by availability of early learning programs or learning support programs while in care. This is a major shortfall in necessary information with which to guide the evolution of policy-making and funding, through the period of pandemic “recovery” and for years after.

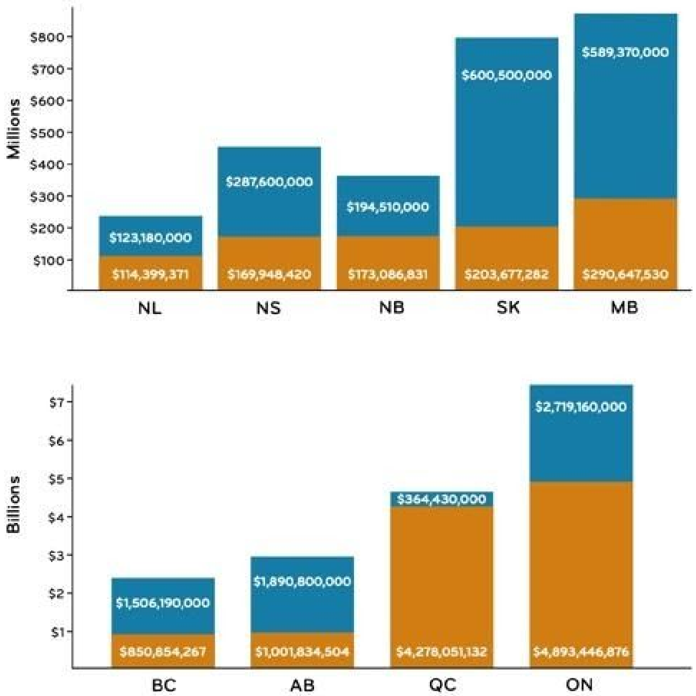
Table 2, below, shows the variability in access to full-day kindergarten for 4 to5 year olds, and the variability in what age groups can be enrolled for pre-K. Full day kindergarten is 6 hours.

ENROLMENT IN SCHOOL-OPERATED ECE PROGRAMS (2019)

Province/ Territory	Total 4 year old population	% attending Pre-Kindergarten		Total 5 year old population	% attending Kindergarten	
		Full day	Part day		Full day	Part day
NL	4,641			5,107	96%	
PE	1,554			1,592	95%	
NS	8,911	34%		8,844	97%	
NB	7,322			7,361	96%	
QC	90,507	12%		91,352	98%	
ON	145,569	86%		145,353	93%	
MB	16,593		17%	16,298		90%
SK	14,924		34%	15,130		91%
AB	53,772		26%	53,974	8%	90%
BC	45,400			45,684	99.9%	
NU	802			769		100%
NT	660	84%		684	94%	
YK	490	9%		455	98%	
Total	391,145	41%		392,603	96%	

Not all provinces include students attending private schools or First Nations schools in their kindergarten calculations.
AB Pre-K enrolment includes 2–4 year olds. SK Pre-K enrolment includes 3 & 4 year olds.
Akbari & McCuaig, in press

The figures below show the funding shortfall required to reduce user costs to roughly the level that exists in Quebec ($12,400 in operating costs for the provinces, $18,000 for the territories). This is a national allocation, as the cost of providing care varies between regions; but serves to show how much less most provinces and territories spend than Quebec, the leader in Canada thus far on supporting families with early learning and childcare services at low cost. Low cost plus high quality will not come cheaply, but that is exactly what is needed, heading into the era of population aging, and a shrinking cohort of working age people who will have to support the highest number of those too old, too young and too sick to work that we have ever seen in Canada's history, and do so for decades.



*Calculations based on $12,400 per child in the provinces
and $18,000 per child in the territories
OECD, 2017 Akbari & McCuaig, in press

FIGURE 6.2

SPENDING REQUIRED BY PROVINCE / TERRITORY FOR CANADA TO REACH OECD AVERAGE ECE ENROLMENT OF 70% FOR 0-5 YEAR OLDS*