

Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

Universal early learning and child care is  
essential to the country's competitiveness:  
Canada can't work without it

By: The Canadian Child Care Federation (Don Giesbrecht)

- **Recommendation 1:** In 2019-20, transfer \$1 billion to provinces, territories and Indigenous communities for the purpose of building accessible, affordable, high quality and inclusive early Learning and Child Care (ELCC) systems.
- **Recommendation 2:** Earmark additional funds in the 2019-20 federal budget and subsequent budgets to implement an Indigenous-led framework agreement on ELCC.
- **Recommendation 3:** Funding to provinces and territories will be conditional on sub-national action plans that meet evidence-based standards for accessible, affordable, high quality, inclusive ELCC. For example, to qualify for ELCC transfer funds, sub-national plans must:
  - Recognize that high-quality ELCC is an entitlement for all children and families;
  - Direct public funding to operation of services—not vouchers, tax breaks, fee subsidies or transfers to individuals;
  - Adopt a planned, publicly-managed approach to expansion of regulated ELCC through public and non-profit services;
  - Define affordability as: no parent fees, or fees that are geared-to-income so no household is paying more than 10 per cent of after-tax annual income for early learning and child care;
  - Make the process of improving quality an ongoing integral component of ELCC policy;
  - Recognize that a well-educated, well-paid, well-recognized ELCC workforce is essential to ensuring that services are of high quality and are accessible/available;
  - Commit to public accountability to ensure public funds are used to improve the availability, affordability, quality and inclusiveness of ELCC;
  - Commit to full inclusion of children with disabilities;
  - Recognize that ELCC programs and services must reflect and celebrate Canada’s cultural diversity;
  - Recognize linguistic rights, including the right of Indigenous Peoples to learn, speak and preserve their languages;
  - Commit to providing a comprehensive range of services to meet the needs of families and children at the community level, as one size does not fit all;
  - Recognize that a universal, equitable system of high quality ELCC and a universal, equitable system of parental leave are complementary and a key component of supportive family policy.
- **Recommendation 4:** Increase Canada’s ELCC budget significantly each year until it reaches at least 1% of GDP—an international benchmark for government spending on child care and early learning—by 2029-30.

## Submission

An economic survey of Canada by the Organization for Economic Co-operation and Development (OECD) (June 2018) included the following among its key recommendations: "Further increase federal and provincial funding of childcare with a goal of making access to affordable high-quality childcare available to all children aged three and under. Extend kindergarten so that all four-year-old children have access to affordable pre-school education."<sup>1</sup>

In July 2017, the International Monetary Fund documented that the inclusion of more women in the economy would be an important source of economic growth in Canada.<sup>2</sup> The IMF report noted that female labour force participation lags that of male participation by about 10 percentage points outside Quebec. It provided evidence that a higher female participation rate would result in increased labor productivity and economic growth. The report concluded that family policy changes, particularly public spending on early education and care, is essential to "realize women's full potential in the work force."

This same message was echoed by Bank of Canada Governor Stephen Poloz in a widely-reported speech (March 2018) in which he outlined the economic benefits of helping more women, young people, Indigenous Peoples, recent immigrants and Canadians with disabilities enter the job market. Such help could expand the labour force by half a million people and raise the country's output by \$30 billion per year or 1.5 per cent. He pointed to affordable, accessible, publicly-funded child care as a valuable tool to help achieve those results.

The report of the House of Commons Standing Committee on the Status of Women, *Women's Economic Security: Securing the Future of Canada's Economy*, identified child care as a first measure to "increase women's access to the labour force and increase their economic security."

Countless studies, surveys, research reports, and public policy documents on early learning and child care have been issued from the time the Report of the Royal Commission on the Status of Women was tabled in the House of Commons in 1970 to the present day. Together they demonstrate that significant public spending on early learning and child care is essential for economic growth, women's equality and economic security, the positive development of children and the well-being of families. Although this evidence has been recognized by a broad and diverse cross-section of Canadian society in support of a growing clamour for robust action by the Government of Canada, we have seen only limited progress.

October 2018 will mark the third anniversary election of a federal government that promised to be responsive, to do better than the previous government on ELCC, and to make gender equality a priority area of concern. However:

- The Government of Canada continues to underfund early learning and child care (relative to our capacity as demonstrated by our GDP), leaving responsibility for provision and organization of ELCC to the provinces and territories. These, in turn, rely primarily on a child care "market" to deliver a supply of services that is insufficient in spaces, unaffordable and often of a level of quality too low to support children's healthy development. Ultimately, individual families are responsible for devising child care arrangements, with limited support from their governments.

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<sup>1</sup>OECD, Economic Survey of Canada 2018, <http://www.oecd.org/eco/growth/economic-survey-canada.htm>

<sup>2</sup>IMF Working Paper, "Women are Key for Future Growth: Evidence from Canada," July 2017, <https://www.imf.org/en/Publications/WP/Issues/2017/07/19/Women-Are-Key-for-Future-Growth-Evidence-from-Canada-45047>

- Parents are forced to spend a disproportionate percent of income on user fees, forcing them (usually mothers) out of the labour force temporarily, reducing work hours, dropping out altogether, or having fewer children.<sup>3</sup>
- Public planning of ELCC services (apart from kindergarten) is still mostly non-existent. This contributes to numerous "child care deserts" in which demand for licensed child care far outstrips supply in large swaths of the country.<sup>4</sup>
- The almost-all female child care workforce is poorly compensated and neglected by public policy, making it very difficult to develop, improve and/or maintain high quality services.
- Canada has few public policy restrictions on expansion of for-profit ELCC operations. This means that public funds allocated by governments can be used to generate private profits, sometimes taken off-shore—a fatal policy flaw that large big box global operators are poised to exploit.
- There is an absence of federal leadership with respect to ELCC policy development, as well as inadequate long-term funding commitments, resulting in significant gaps with respect to access, particularly for vulnerable families, affordability, inclusion of children with disabilities, quality and the range of services offered to families.

The federal government's 2016 and 2017 federal budget allocations for ELCC, while a start, do not adequately address the magnitude of these deficiencies. In 2017, child care advocates pointed out that the government's commitment of \$7.5 billion over eleven fiscal periods amounts to a minimal average annual allocation. At the end of this period, it will remain well below the accepted international benchmark for a country's minimum annual spending of 1% of GDP (for services for 0-5 year olds)—exceeded by a number of OECD countries—and well below half what a previous Liberal government proposed to spend more than a decade ago (in current dollars).

In 2017, the House of Commons Finance Committee agreed<sup>5</sup> that the 2018 federal budget should provide sufficient funding to beginning to build a universal system. Further, the child care sector urged that the federal government make its funding transfers to the provinces and territories conditional on specific and meaningful action plans to actualize the principles in the Multilateral Framework on Early Learning and Child Care to make licensed child care more accessible, more affordable for parents of all income levels, of significantly better quality and more inclusive of children with disabilities.

However, the 2018 federal budget did not allocate additional funds for ELCC—which we believe is not in keeping with a budget purported to have gender equality as a focus.

The problem is not only that the level of federal funding falls below what it needs to be, Canada also requires more robust federal ELCC policy direction. The Multilateral Framework agreements with provinces and territories, negotiated by the federal government, and the subsequent bilateral agreements

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<sup>3</sup>A J study by Statistics Canada (Fertility rates and labour force participation among women in Quebec and Ontario, <https://www150.statcan.gc.ca/n1/en/catalogue/75-006-X201800154976>) released July 2018 examines the relationship between fertility rates and women's labour force participation and the positive role of low-cost child care in raising both labour force participation rates and fertility.

<sup>4</sup>Child Care Deserts in Canada, a 2018 study by the Canadian Centre for Policy Alternatives, maps Canada's child care deserts, defined as postal code regions where there are at least three children in potential competition for each licensed space in either a child care centre or home-based child care service.

<sup>5</sup>The House of Commons Finance Committee, Driving Inclusive Growth: Spurring Productivity and Competitiveness in Canada. Specifically, Recommendation 26: Allocate the funding needed to develop and implement an early learning and care system. This system should ensure that all Canadian children and families are able to access high-quality, inclusive child care services.

with each province and territory, while a start, need to be enhanced in order to bring about transformative changes in ELCC needed country-wide.

The agreements are based on the premise that government interventions in ELCC should be targeted to the most vulnerable children and parent populations. This is contrary to all the research and evidence—reflected in the best international practices—that a universal approach yields better outcomes for children, families, economic equality, female labour force participation and economic growth than a targeted approach.

Additionally, the agreements need to set out clear, measurable objectives with respect to expansion of ELCC services, improvements in quality, inclusion of children with disabilities, working conditions or training for staff, Indigenous child care, or any other critical aspect of ELCC policy. Indeed, the provinces and territories are using the limited federal funds to do more of what they have always done-- supporting approaches that the research evidence shows do not represent best practices, for example, parent fee subsidies and/or tax breaks rather than funding services operationally to raise quality while also making ELCC more affordable for all parents.

Our recommendations for the 2019 federal budget set out at the start of this submission address both ELCC funding and policy. The provinces and territories have constitutional responsibility for the development and delivery of ELCC services. However, the Government of Canada also has obligations including with respect to the rights and wellbeing of children, Indigenous Peoples, women's equality, family supports, equitable access to services, and economic growth and prosperity including labour force participation. We recommend that the federal government increase spending on ELCC significantly in 2019, and continue to increase it each year thereafter, until the international benchmark of 1% of GDP for children aged 0-5 years is achieved. We urge that the budget include a distinct (ear-marked) allocation to support the Indigenous framework agreement on ELCC currently under negotiation. Also, we recommend that the federal government use its spending power to negotiate new bilateral agreements with the provinces and territories (replacing the current ones set to expire in 2020), this time with funding conditions, as well as clear timetables for achieving defined evidence-based policy objectives.

In closing, we note the 1984 statement from the Commission on Equality in Employment, chaired by Rosalie Abella, argued that child care is a necessity and not a luxury-- an observation reiterated many times over the years, including by the current Government of Canada in its first budget. The CCCF agrees with this statement and continues to search for the opportunity to work with policy makers to put ELCC solutions into practice.