



Brief to the House of Commons Standing Committee on Finance Pre-Budget Consultations for 2018

Accessible, Affordable Child Care: The Key to Helping Canadians and Canadian Businesses Be More Productive and Competitive

Submitted by the Canadian Child Care Federation

August 3, 2017

Celebrating its 30 year anniversary, the Canadian Child Care Federation (CCCF), comprised of 13 provincial/territorial affiliate child care organizations and their 9000 members is pleased to submit this brief to the House of Commons Standing Committee of Finance as part of its pre-budget consultation process.

Answering the two questions posed by the committee, or more specifically:

- (a) What federal measures would help Canadians be more productive,
- (b) What federal measures would help Canadian businesses be more productive and competitive?

It is our belief that the answer to both questions, is that the federal government must significantly increase its already allocated spending on child care, accompanied by an expanded and more detailed evidence-based policy framework, with the goal of making high quality child care fully accessible to all families and inclusive of all children in every part of Canada over the next decade. This will significantly support Canadians, but even more specifically, women in their employment, productivity, economic security and equality.

We respectfully recommend, as outlined in the *Shared Framework for building an early childhood education and care system for all* (http://www.cccf-fcsge.ca/wp-content/uploads/shared_framework_for_an_ecec-system_for_all.pdf:)

1. That the 11-year federal funding allocation plan that culminates in federal spending of only \$890M in the 10th year be enhanced with additional funding that will allow governments to build a universal affordable high quality inclusive system for all children

and families in Canada. By the tenth year, Canada should be spending at least 1% of GDP (OECD, UNICEF and International Monetary Fund recommendations) . While recognizing that building this system will occur gradually, the best evidence shows that building it well requires much more public funds than currently allocated.

We further recommend that the federal government **allocate \$1B** in the next federal budget for the 2018-2019 fiscal year, most of which would be transferred to provinces/territories/Indigenous communities to begin building an early learning and child care system. (Such a commitment would be less than that made by the past Liberal government in 2005, which amounted to \$5B in 2005 dollars.)

2. That the federal government engage in collaborative work with its provincial/territorial/Indigenous partners and with the Early Learning and Child Care community to develop much more robust public policy and implementation plans for the child care system as outlined in “*Shared Framework for Building an Early Childhood and Care System for All*”, which includes, but is not limited to:
 - ECEC as a public good and a human right, not a commodity;
 - Key principles of universality, high quality and comprehensiveness;
 - Recognition that Indigenous peoples will define Indigenous ECEC programs and will require adequate resourcing to address current inequities;
 - System-building and policy development shared by federal/provincial/ territorial and local governments, with full participation of key stakeholders;
 - Solid knowledge derived from data/research/evaluation to support evidence-based policy and service development;
 - A long-term sustained funding plan comprising: base operational funding to support affordable, high quality services directly; capital funding; funding to support the system infrastructure;
 - Recognition that access requires both a supply of high quality services and affordable parent fees;
 - A well-compensated, well-educated early childhood workforce recognized for the importance of its work;
 - A comprehensive approach including a variety of service types to meet families’ differing needs and complementary family policies (such as improved maternity/ parental leave);
 - Recognition of the importance of full inclusion of children and parents with disabilities;
 - Recognition and respect for Canada’s cultural diversity;

- Public accountability including data, research, democratic participation and public reporting.

The Evidence:

The CCCF welcomes and recognizes that the federal government has invested in early learning and child care after an absence of more than a decade. With a 10-year funding commitment of \$7B announced in budget 2017 and with the signing of the multi-lateral framework agreement, the federal government is taking on a national leadership role. However, much more is required with respect to federal funding and policy development to build the kind of comprehensive child care system needed to simultaneously grow the economy, increase labour productivity, fulfill commitments to women's equality, provide much-needed support to families—vulnerable or otherwise—and offer all children the full benefit of high quality, inclusive early childhood education and care programs as per the child development evidence.

The accepted international benchmark for a country's annual spending on early learning and child care is a minimum of 1% of GDP (which a number of OECD countries exceed). Canada spends less than 0.3% of GDP and has been ranked as the lowest spender among 25 peer wealthy countries (UNICEF, 2008).

Additional funding supports, which bring Canada closer to the 1% of GDP benchmark are further supported by the recent report by the International Monetary Fund, *Women are key for future growth: Evidence from Canada*, <http://www.imf.org/en/Publications/WP/Issues/2017/07/19/Women-Are-Key-for-Future-Growth-Evidence-from-Canada-45047>. This report uses Canadian data as well as comparative policy analysis. It notes that Canada's shrinking labour force creates pressure to speed up labour productivity growth and—citing Canada's substantial gender employment gap—identifies women as key to this challenge. The study's authors find that increased women's employment would have a significant impact on labour productivity, but cites data suggesting that high child care fees outside Quebec act as a *disincentive* for women to work. The authors calculate the marginal costs to families and benefits to the economy of maximizing outcomes of public spending, highlighting provision of affordable publicly funded child care as well as targeting the Canada Child Benefit to employed or studying parents.

Noting that “an increase in female labor force participation is positively associated with labor productivity growth” (IMF: p2), the IMF researchers calculate that if just “the current gap of 7 percentage points between male and female labor force participation with high educational attainment¹ were eliminated, the level of real GDP could be about 4 percent higher today” (IMF: p31).

The IMF researchers confirm what numerous studies have shown: child care services play a critical role in allowing the full potential of the female labour force to be tapped. Yet, as the IMF researchers note, Canada's early childhood education and child care policies are weak, with Canada spending very little relative to other advanced economies (IMF: p18).

¹ The researchers use women with “high educational attainment” because their calculations show that employment of this group has a bigger impact on productivity. The researchers do not suggest that affordable child care should be restricted to this group and nor does the CCCF.

Significantly, the IMF researchers explain that “one of the considerations that a couple with children makes is whether additional family income that the mother earns would pay off the costs of child care. While she stays at home, the couple need not send their children to a child care center. However, once the mother starts working, unless they have somebody (such as other relatives) to take care of their child or children free of charge, the couple must leave the children at a child care center and pay fees. The mother also needs to pay income taxes, and the family might lose some benefits as a result of its higher income” (IMF: p22).

The data analysis found that for almost all income groups in almost all provinces, the additional income mothers earn from being in the paid labour force is either insufficient or just sufficient to offset the costs of child care and the loss of family-related tax benefits. The report notes that (as the quote in the previous paragraph explains) the structure of the Canada Child Benefit does not provide incentives for women to enter the workforce because couple families with one parent not working are likely to have less income than the same couple would have if both were employed.

The IMF researchers propose a new federal government funding program to help provinces and territories fund the provision of child care to reduce the child care parent fees by an average of 40 per cent. The cost of such a program to the federal government would be approximately \$8 billion a year. If the 150,000 stay-at-home mothers with high educational attainment who live with a spouse or partner were to take advantage of the lower fees, enter the paid work force, and start paying taxes, it “would raise GDP by 2 percentage points, which would in turn raise federal income tax revenues by about Can\$8 billion, fully compensating the cost of the program. In other words, the program would be fully financed in a federal government perspective” (IMF: p27).

-	<u>IMF proposal</u>	<u>Current federal commitment (15% of IMF proposal)</u>
Annual spending	\$8 billion, or 0.4% of GDP.	\$540 million (average over first five years), or 0.007% of GDP.
Program parameters	Funding for provision of services (known as supply-side funding) resulting in a reduction of average parent fees Funding tied to labour force participation	Funding to provinces and territories to spend as they see fit; parent fee reduction (affordability) not required; funds may or may not be spent on regulated child care Funding to be targeted to vulnerable families
Projected increase of women in labour force	150,000 stay-at-home mothers with high educational attainment and partners or spouses would join paid labour force	No projections
Projected GDP growth	2%	Federal government has no projections
Anticipated Increase in federal tax revenues	\$8 billion	Federal government has no projections

Early learning and child care is not just about the economy

However, we would argue that it is not merely the economy that should drive commitment to a more generous federal spending plan and a more robust, evidence-based policy framework. Based on its status as a signatory to multiple United Nations rights conventions such as the

Convention on the Rights of the Child (CRC) and the **Convention on the Elimination of Discrimination Against Women (CEDAW)**, the federal government has a duty to ensure that the rights of all children to high quality early childhood education and child care are realized and safeguarded notwithstanding where they live or their family's economic status. The federal government also has a duty to ensure that all women's rights to the equality and economic security that is shown to be associated with access to high quality child care are realized and safeguarded as well. We note that Canada has consistently and repeatedly been called out for the lack of access to affordable, high quality child care by official UN committees reviewing Canada's progress on fulfilling our international rights obligations.

CCCF is committed to working together with the federal government to make quality early learning and child care a priority in Canada. The CCCF along with its 13 provincial/territorial affiliates and national partners bring invaluable expertise, commitment and connections to the grassroots of child care services, children, families and the child care sector. The preceding brief puts forward ideas for consideration on a number of ways that the federal government can support and expand on its existing commitments to quality child care – a key component to a productive and prosperous future for our country