# Quality Early Learning Network

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***Member Agencies***

Canadian Mothercraft Society

Child Development Institute

Community of Maple Child Care Services

Denison Child Care

Family Day Care Services

London Children's Connection

Macaulay Child Development Centre

Milton Community Resource Centre

Network Child Care Services

PLASP Child Care Services

Schoolhouse Playcare Centres of Durham

The Learning Enrichment Foundation

Today's Family Early Learning and Child Care

Upper Canada Child Care Centres

WoodGreen Community Services

YMCA of Greater Toronto

York Child Development & Family Services Inc.

York Professional Care & Education

February 2012

Dear Fellow Ontarians,

**Re: SOLUTIONS -- How the Ontario government can rescue and ensure the viability and quality of the province's child care system**

Child Care is an essential part of an early learning and care agenda. It is a vital service for thousands of families in Ontario and an important contributing support to our economy. Child Care faces an unprecedented 'crisis' – we do not use this term lightly as indeed we are facing a dramatic reduction of child care services in Ontario. This open paper outlines the crisis, but more importantly, starts a dialogue toward solutions.

**SOLUTIONS** offers a practical way forward. A way that can lead child care away from the coming collapse. A way that can lead to and foster a new healthy construct for this service. We have offered short term proposed actions that we recommend implementing in 2012 and a long term blueprint, based on evidence and best practice, which would modernize child care.

This paper calls for increased public investment. As responsible Ontarians, we are acutely aware of the economic situation facing our Province. While we recognize this reality, we outline the positive contributions child care provides to our economy and remind that it is a key foundation for bringing people into the workforce. We cannot imagine a 'modern' Ontario without a base child care service. Indeed, while the pressures on the public purse are extraordinary, can we afford not to make this investment?

On behalf of the Quality Early Learning Network, we welcome and hope that this paper stimulates discussion and reaction. We welcome your reaction by way of an email response to QELNetwork@gmail.com.

We thank our colleagues for their input into the creation of this paper and now want to hear from others. Thank you for receiving, considering and reacting to this paper.

Yours truly,

Joan Arruda, Co-Chair - QELN

Tony Diniz, Co-Chair – QELN

# SOLUTIONS

How the Ontario government can rescue and ensure
the viability and quality of the province's child care system

**QUALITY EARLY LEARNING NETWORK**

**2012**

## Executive Summary

The Quality Early Learning Network is an association of 18 non-profit organizations delivering early childhood education and care services in southern Ontario. With this well-researched paper, QELN is offering the Ontario government a comprehensive plan to ensure the on-going viability and quality of the province's child care services. The paper outlines the significant financial challenges facing the sector as well the research evidence documenting the significant economic, social and educational benefits derived from an accessible, high quality child care system.

Finally, it sets forth recommendations for short, mid-term and long term actions. These recommendations are based on several critical assumptions including:

a) full day kindergarten is a positive initiative;
b) the transformation and viability of the child care system will require significant additional investments and a new base funding model; and
c) child care should be delivered through non-profit and public agencies.

## Summary of Recommendations

### Immediate priorities and first steps

1. Provide **$287 million**[1] emergency funding this year to shore up existing non-profit and public child care services.
2. Establish annual indexation[2] of provincial transfers to municipalities to stabilize municipal capacity to manage and sustain licensed child care services.
3. Set in motion a process to develop a long-term, modernized, coherent, publicly-managed, publicly-funded early childhood education and care (ECEC) system in Ontario. This includes a shift to base funding and improving wages for ECEC staff.
4. Adopt a moratorium on new for-profit child care licenses until a comprehensive policy approach to public and non-profit ECEC is in place.

### Short term – one to two years

5. In year one: Establish a planning process, in partnership with municipalities and the ECEC community.
6. In year one: Implement a new base funding mechanism to support the current and future planned supply of public and non-profit child care services (including improved wages for staff and affordability for parents as key considerations).

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[1] This figure is based on calculations by the City of Toronto (City of Toronto Children's Services, 2011), expanded using Ontario and Toronto population and child care figures. See Appendix 2.

[2] The City of Toronto notes and province-wide financial figures show that provincial child care funding, exclusive of earmarked federal transfers, has not really increased since 1996. See City of Toronto, 2011; Friendly, 2011.

7. By the end of year two: Produce a multi-year plan for creating a comprehensive system of high quality, accessible early childhood education and child care for all Ontario families and children 0-12 years.

   The plan consists of a full policy framework including goals, objectives, principles, targets and timetables, research and evaluation. The plan:
   - takes into account the goals of accessibility, viability and quality,
   - maintains and strengthens the public management role of municipalities, and
   - achieves child care service expansion through non-profit and public services only.

   The plan adopts a long-term sustained approach to financing an ECEC system, using the international benchmark/goal of at least 1% of Ontario GDP for a full universal system of services for children 0-5 years. It sets year-by-year Ontario financial targets for both base operating and capital funds for public and non-profit services.

**Medium term – 3 to 9 years**

8. By four years: Meet the first targets for rationalized ECEC system development, including targets for service expansion across the age groups; targets for quality enhancement and improvement across age groups and services; targets for staff and teacher education , salary and work environment; and targets for establishment of data, research and evaluation.
9. By four years: Conduct a full evaluation and review of policy and funding changes across age groups and services; human resource needs at multiple levels from government to service provision; physical facility needs; confirm and adjust targets and timetables and approaches.
10. Ongoing: With benchmarks at 5 and 7 years, continue expansion and ongoing quality improvement at both the service level and the province-wide system level to meet the goals, objectives, principles, targets and timetables.

**Long-term – 10 to 12 years and ongoing**

11. A full, mature, high quality, comprehensive, well-funded public and non-profit early childhood education and care system, accessible to all Ontario families and children 0-12 years, is achieved.
12. Research and evaluation, assessment, enhancement, improvement of all elements of the ECEC system is on-going.

Further details about specific elements of these recommendations are covered in the sections that follow. These recommendations are intended to be taken as a whole as they address different parts of Ontario's ECEC situation.

## The Quality Early Learning Network (QELN)

QELN is a network of 18 non-profit early learning and family support organizations across the City of Toronto, Regions of York, Durham and Peel, Halton, Hamilton and London. Members provide early learning and care for more than 35,000 children and their families and employ more than 3,150 early childhood educators. Member organizations, governed by boards of directors with close ties to their communities, ensure the highest standards of accountability and effectiveness.

QELN believes that:

- ECEC should be accessible[3] to all children and all families.
- High quality is fundamental. Services should not only use best practices known to contribute to children's development and well-being , but should be family-centred, taking into account the needs of parents.
- To effectively meet children's, families' and communities' needs, a comprehensive range of flexible service and policy options is needed.

As long-time service providers, advocates for children and families and ECEC experts, QELN has developed a vision for transforming and solidifying the child care system based on the following key assumptions:

- Good quality ECEC programs benefit both children and families.
- Publicly planned and managed ECEC is much more effective than the current market-based approach to service development and delivery.
- Stabilization and transformation will require substantially increased public funding.
- Supply-side[4] or base funding to programs is demonstrably more effective for ensuring access and quality than demand-side funding models such as parent fee subsidies or cash payments to parents.
- Based on the best evidence, ECEC program operation should be on a not-for-profit basis.
- While urgent action is required in light of the immediate crisis in child care, short-term actions can – and should be – congruent with well-designed, planned, long-term policy solutions.

That is, for the Ontario ECEC system to survive and thrive, a multi-pronged approach is needed that includes:

- Immediate, emergency financial assistance
- long-term policy framework,
- increased stable public funding, and
- a modernized funding model

[3] Accessibility is defined as available, affordable and appropriate to the child's and the family's needs.
[4] The term "supply-side" funding is used by economists to mean public funding that goes directly to base-fund child care services either fully or partly.

## The Purpose of This Paper

QELN agencies consider working to improve ECEC policy to be part of our mandate to support children and families.

QELN has consistently taken the position that FDK is a positive initiative for children and families and should be fully implemented in conjunction with a comparable investment in and modernization of child care.

QELN is concerned that the child care system is facing an impending crisis that will directly impact children, families and the community agencies that serve them. Significant and immediate action is necessary. Local solutions can only take us so far; what is needed now is a province wide approach to ensure the burden is not borne by families and children or service providers.

This purpose of this paper is to open a dialogue with the provincial government and to offer comprehensive solutions for stabilizing and transforming the ECEC (child care) system.

## Why investment in Child Care Makes Sense.

Today strong evidence supports the idea that high quality early ECEC is part of the **backbone of a strong economy**, with multiple benefits for children, their parents, the labour force, local economies and the larger economy. Indeed, many economists argue that government spending on people should not be contracting when the economy needs stimulation, arguing that failing to invest in people through investments like good quality ECEC is bad economics (Yalnizyan, 2011).

There is increasing evidence that ECEC, if it is high quality and accessible, yields **high economic and social returns in both the short- and long-term** by:

- helping keep families out of poverty;
- supporting women's workforce participation, education and training;
- building strong local economies;
- mitigating Canada's shift towards increased income disparity;
- investing in our future knowledge base and competitive capacity by supporting children's physical, social, emotional and intellectual well-being in the early years;
- building our future labour force as working population ages.

A report for the World Economic Forum stresses that making it possible for mothers of young children to go to school, train and enter the workforce is **not only good social policy but good economic policy** (Hausman et al, 2008). If reliable child care were more accessible in Canada, more mothers – especially those who are low-income– could work outside the home. A number of studies show that if women's participation in training and employment is strengthened through access to child care, it has an **effect on women's, child and family poverty.**

A good example of this can be found in Quebec where – since child care was reformed in the 1990s – twice the number of married women have entered the workforce as in the rest of Canada. It is further interesting to note research by Baker et al that calculates that 40% of the cost of Quebec's child care program was offset by new income and payroll taxes generated by increased mothers' labour force participation (2005).

Another economic benefit of accessible child care comes from its potential to affect falling birth rates. Falling birth rates and aging populations are of concern in Canada, as they are in most industrialized nations, because they threaten the economy as the workforce ages and shrinks. **Accessible child care appears to make a difference when it comes to families' decisions about how many children to have**. Economist Kevin Daly's research shows that access to child care is correlated with higher birth rates in countries with good ECEC provision (2007). The relationship among child care, birth rates and labour force participation was associated with the resolution to increase access to child care as an important part of the European Union's strategy for economic growth (European Commission, 2002).

A recent line of economic investigation, using input-output analysis, asserts that **child care contributes to economic gains that are higher than just about any other industry** studied. That is, the majority of child care dollars are spent locally and invested in people, and the sector is labour intensive.

Canadian research by Fairholm – who has used Canada-wide data (2009), as well as Nova Scotia (2011) and Ontario (2010) datasets – **shows that child care's economic benefits outweigh the public investment costs.** His national study found that every dollar invested in child care brought a $2.54 return in short- and long-term benefits to society. Further, he calculates that approximately $.90 of every dollar invested would be returned to provincial and federal governments in increased revenue (2009). Other studies (for example, see the article by U.S. economists Liu, Ribeiro and Warner (2005) and Ben-Gulim, 2011) corroborate and extend the Canadian evidence.

At the same time, early childhood education and care is more than a matter of economics. Accessible high quality ECEC is fundamental to a variety of **social justice, equity and human rights agendas** including children's rights, women's equality and respect for diversity. A number of major United Nations agreements and conventions – the Convention on the Rights of the Child (CRC), the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), and Education for All (EFA), to which Canada and Ontario are signatories – recognize early childhood education and child care as a matter of human rights for both children and women.

## The Critical State of Ontario's Child Care Sector

**Child care in Ontario is based on policy and funding models dating back to the middle of the last century**. As a result, ECEC policy and service provision in Ontario has fallen far behind the needs of a 21st century population, creating a crisis in child care in the immediate term and diminished capacity to meet family, community and societal needs in the longer term.

In 2010, full-day kindergarten was introduced by the Ontario government as a progressive step towards meeting 21st century challenges in education and child development. While the value of full day kindergarten is well accepted, successful implementation requires equal attention to its impact on an already shaky child care sector. To date, it has been layered on top of what Ontario's Special Advisor on Early Learning has called an "unsolved web of problems" (Pascal, 2009).

Child care in Ontario is now entering a period of unparalleled financial pressures (see Appendix 1 for media coverage describing this crisis across Ontario). The following developments confirm that Ontario Child Care is at a critical point, requiring immediate and comprehensive government action:

- To date, licensed quality child care has only been accessible to a minority of children; **child care centres are now closing** and even fewer children will be able to benefit. Increasing number of parents in many communities will have little or no high quality child care options from which to "choose".
- Income-eligible families have typically endured long waits for fee subsidies. These **subsidy waiting lists have now become so lengthy** that low income families have limited prospects for ever securing a subsidy. Some municipalities that did not previously have subsidy waiting lists now report them. This situation will worsen once per diem fees increase (see below).
- Licensed child care fees are already unaffordable for modest and middle income families (as child care is primarily supported by parent fees). Infant, toddler and preschool-age **fees are anticipated to increase by as much as 10 - 30%** as full-day kindergarten is phased in and the "cheaper" four- and five-year olds move out of full-day child care.
- Municipalities face growing shortfalls; **subsidy per-diems are being cut back**. Their current subsidy funding will purchase fewer spaces once the per-space costs increase.
- Early Childhood Educator (ECE) wages and working conditions vary greatly across the sector. Insufficient wage enhancement funding is irregularly available contributing to discrepancies among agencies in the same community. This issue takes on critical importance now that ECEs are also being recruited in large numbers by school boards for FDK. **Child care's capacity to recruit and retain qualified staff will require competitive wages, benefits and working conditions.**

- In 1998, the **for-profit sector** had fallen to 17% of total spaces. Since 2004 it has increased steadily and by 2010 comprised 25% of total spaces. At the same time, a new well-financed, publicly-traded child care corporation has entered the Ontario scene to buy out struggling centres.

## Recommendations for Action

This section provides additional details and rationales for QELN recommendations. The recommendations fall into three overarching recommendations:

- Develop a comprehensive ECEC policy for Ontario according to the best available evidence and best practices in ECEC policy and service planning.
- Transform current child care funding into a coherent base funding model.
- Increase ECEC funding incrementally over the next decade to meet the long-term goal of a quality, stable and accessible child care sector that meets the needs of children and families in the 21st century.

**1. Develop a comprehensive ECEC policy for Ontario according to the best available evidence and best practices in ECEC policy and service planning**

Ontario needs to develop a comprehensive, planned, systemic approach to ECEC policy development and service provision.

Since child care and kindergarten are now both under the aegis of the Early Learning Branch of the Ministry of Education (a recommended best practice [5]), there is a new opportunity to create a "strong and equal partnership", another recommended best practice.[6]

Kindergarten is publicly funded and publicly delivered, part of the school system, fully funded through a province-wide funding formula. Child care, on the other hand, is mostly funded through parent fees. Even the development of a new child care service occurs on free market lines, not as part of a community planning process. That is, generally, a child care program appears if a private individual or group – a voluntary agency, a parent group, or an entrepreneur – decides to create it. Public funds for child care are in the form of a "patchwork" of funding schemes – subsidies, a variety of wage grants, special needs transferred by the Ontario government to municipalities – under a mishmash of rules and guidelines. There is no provincial planning mechanism, little review of initiatives, or even adequate data.

[5] See the OECD's 2001 summary report *Starting Strong*, which identified administering all ECEC programs under one government ministry as a desirable policy practice.

[6] *Starting Strong* indentified eight key policy "learnings" from the OECD's Thematic Review of ECEC, one of which was the importance of "a strong and equal partnership" between child care and education" (OECD, 2001).

In the last twenty five years, many initiatives affecting child care have been launched including: direct operating grants, pay equity, wage enhancement, regulation changes, Best Start, changes vis-à-vis children with special needs and integration of care and education. These are most often unconnected and are layered on top of one another. Some initiatives have not been sustained, some have been abandoned and most have not been evaluated, especially as governments have changed.

A key recommendation made in the Organization for Economic Co-operation and Development's (OECD) review of Canada in 2004 was:

> all provincial governments [should]develop a *Provincial Plan for Early Childhood Services Development…*on a three-year basis, with clearly spelt out goals, targets, time-lines, responsibilities and accountability measures from co-operating ministries and federal bodies. …… the plan should include annual targets and specific funding… Criteria for centre performance, such as minimum benchmarks, outcome measures and training levels should also be included… We encourage… decentralization of management to the local level, e.g. toward publicly mandated, community or municipal agencies which would have combined responsibility for both kindergarten and child care development. …In parallel, reinforcement of management at administration levels will be needed to take on basic system responsibilities such as consensus building, regular data collection and analysis, long-term planning, financial steering, standard setting and supportive evaluation (2004).

A paper by Friendly, Beach and Doherty, analyzing what makes effective ECEC policy and programs, described robust planning and policy development as an integral element in successful high quality ECEC systems:

> A strategic plan should: articulate goals; establish targets and timelines for achieving each target; identify strategies for reaching targets; provide benchmarks and reference points for determining progress toward meeting goals; define roles and responsibilities; and identify budget allocations and how they will be obtained….Regular monitoring and review of progress is critical, (2006).

In 2000, the Ontario government began to require municipalities to develop and submit regular service plans. Now, a corresponding modernized, 21st century provincial policy framework and plan should be developed. It should:

- encompasses early childhood education, child care and family support;
- contain clear goals and objectives, targets and timetables;
- be based on accurate data, with an evaluation plan to support transparency and accountability; and
- incorporate a sustained financial plan reflecting the true costs of child care.

2. **Transform current child care funding into a coherent base funding model using the best available evidence**

***Why base funding?***

There is **solid international evidence that base funding – not vouchers or fee subsidies for individual parents – is best ECEC funding practice**. UNICEF's 2008 ratings of twenty-five countries on ten indicators of quality and access show that no country that uses individual payments or fee subsidies for parents, rather than a base funding model, achieved a high rating (UNICEF, 2008).

Based on an extensive review of ECEC in 20 countries, the OECD concluded that using public funds to base fund ECEC services directly is associated with better national quality, better training for educators and higher levels of equity, access and participation than consumer or parent subsidy models. The OECD observed that

> …a public supply-side investment model, managed by public authorities, brings more uniform quality and superior coverage of childhood populations than parent subsidy models…The strategy of directly funding parents, while politically attractive, may weaken government steering of the early childhood field (2006).

Following its 2004 review of Canada's early childhood provision, the OECD's expert report recommended:

> a move away from personal subsidy mechanisms toward operational funding and an entitlement for children, as in the traditional education model. Earmarked operational grant funding seems to be a surer means of ensuring more highly qualified personnel and enriched learning environments in the centres – both of which are strong indicators of quality and learning (2004).

Economists use the term "supply-side" funding to mean public funding that goes directly to base fund child care programs fully or partly. In contrast, "demand-side" funding means the "strategy of directly funding parents" referred to above by the OECD, that is, using public funds to enable individual parent-consumers to purchase services (or have services purchased on their behalf).

While partial base funding is not new in Canada, with the exception of Quebec's funding model (and to a lesser extent Manitoba and Prince Edward Island), extensive base funding has not been used. Canada's various ways of arranging base funding for ECEC illustrate that a) it can be arranged in several different ways and b) it can be (and often is) combined with parent fees.

Since the early 1990s, Quebec's child care has been primarily publicly funded using a formula determining base funding at the program level. In addition, parents pay a $7/day flat fee per child. Alternatively, Manitoba and P.E.I.[7] combine base funding, parent fees and subsidies. Several other provinces use a variety of kinds of partial base funding aimed mostly at raising wages or improving quality[8].

In Ontario, base funding has been partially implemented by several provincial governments. In 1987, David Peterson's government introduced Ontario's first partial base funding, the Direct Operating Grant (DOG) (Government of Ontario, 1987). This was followed by a series of wage enhancement grants, some associated with the extension of pay equity to include child care services. The NDP government elected in 1990 considered a shift to fully base fund child care but this was ultimately not executed (Ministry of Community and Social Services, 1992).

***Base funding for Ontario child care***

There two questions to be considered when designing a base funding mechanism:

1) How does funding get to ECEC programs (fee subsidies on behalf of a parent, formula for base funding, etc.)?
2) How do parents pay (no fees, full user fee, sliding scale, low flat fee, etc.)?

After consideration of a variety of approaches, QELN proposes full base funding to fund programs (a. below) in combination with parent fees based on a sliding scale (b. on following page):

a. **Funding the programs**

   We propose that full base funding, calculated based on an annual budget process, be provided to all regulated non-profit and public programs. An Ontario-wide basic formula[9] for public and non-profit programs should be designed taking into account type of service, age groups, total (licensed) number of children and actual enrolment. Thus, **the full operating budget for a child care program would be paid by the local municipal service manager.**

   Special needs, special circumstances, minor capital and unusual costs would be considered separately[10].

   Payments would be made to programs on a monthly basis.

   All non-profit and public ECEC programs including those for children 0-3 years, all outside-regular-school-hours programs completing the full ECEC day for four

[7] See Friendly, 2011 for fuller descriptions of these approaches to base funding in Quebec, Manitoba and PEI
[8] Beach et al (2009) provides province-by-province information about these.
[9] See the description of Quebec's funding formula in Friendly, 2011.
[10] The provincial government should consider the possibility of keeping major capital developments (new buildings) as public (municipal) assets rather than making major capital funds available to child care providers.

and five year olds, and programs for school-aged children 6-12 years would be base funded.

Existing for-profit programs[11] would continue to be funded under a different formula[12], with tight budget processes that do not permit a profit line or purchase or improvement of property for the operator.

**b. Determining and paying parent fees**

How parents pay fees is the second component of base funding that needs to be considered. QELN recommends that parent fees be set according to a sliding fee scale based on a version of Ontario's existing income test, modified based on the principle of affordability for all.

Fees would be paid directly to the municipal service manager.

The sliding scale would be applicable across-the-board to all families in all types of regulated child care, though there could consideration of length of day and year the child attends (part-day, kindergarten and school-age families could pay less).

There would be no concept of a "subsidized parent" or an "unsubsidized parent"; in this approach, all families would be supported – some more, some much more, some less, some much less – because the child care program is funded. The process of determining and paying fees would be non-stigmatized, as all parents would be assessed (most would pay something) and simplified[13]. All but the wealthiest families would pay less than the full cost – although higher income families would pay much more than families with modest income. Some families, below a certain (to be determined) income, would pay no fees.

The two-part process of base funding child care would be congruent with both current municipal service planning processes and the new provincial planning process; it would be predictable, sustained, planned, rational and regularly assessed. Provincial level and municipal level data would be regularly collected and analyzed to support the planning processes and to guide needed adjustments.

**3. Increase ECEC funding incrementally over the next decade to meet the long-term goal of a quality, stable and accessible child care sector that meets the needs of children and families in the 21st century.**

***Setting financial and policy targets for ECEC over the next decade: Getting from "immediate" to a mature ECEC system***

[11] Note that we recommend that no additional for-profit ECEC programs be licensed but recommend grand parenting existing for-profits, with enhanced monitoring and assessment of performance.
[12] Manitoba does not base fund for-profit programs while Quebec provides less funding to them under a different formula than non-profits. In Ontario, there would need to be consideration of an appropriate way of continuing to contribute to the operation of existing for-profits. See Friendly, 2011.
[13] It should be noted that Manitoba's fee subsidy process has been an on-line process for some years.

The package of recommendations we have put forward begin with an immediate request to provide emergency funding of $287 million this year to stabilize—"shore up"—child care services that are at risk due to introduction of FDK in their local communities.

We also propose that the provincial government immediately needs to begin redressing the un-indexed annual funding that is transferred to municipalities to cover core expenditures such as fee subsidies, wage grants and special needs resourcing.

At the same time, while these immediate emergency actions are critical, we believe that it is necessary to begin to spend funds for ECEC programs based on a coherent, fully-developed ECEC policy. While we recognize that developing the modernized, high quality, accessible, publicly-funded ECEC system we envision for Ontario will take some time, we are urging the province to commit to, and set in motion, a process to ensure that development of this policy occurs within the short-term—by the end of two years. Following the publication of the full policy framework, which will include targets, timetables and benchmarks, the plans for the decade-long roll-out could be adjusted.

**A long –term commitment to substantially increase provincial investment in the child care sector is critical to the ultimate transformation and modernization of the child care sector**. Calculating the size of this investment is complex. QELN recommends the province give serious consideration to adopting the international benchmark[14] of *at least 1% of provincial GDP for ECEC programs for 0-5 year olds* in public funds for Ontario. Note this figure includes funding for kindergarten and regulated child care.

**Auspice: Meeting the goals of high quality and access for all**

Now that child care has moved under the aegis of the Ministry of Education and in light of the copious research showing quality differences,[15] we believe that it is inappropriate and counterproductive to continue the trend towards more, and more corporate, profit-making child care. From the research and policy analysis, it has become very clear that for-profit child care is a bad bargain for governments and the public; in some instances, such as Australia's experience, it has proven to be a very costly public experiment. And, as a recent European Commission report, setting a new direction for EU child care, notes "It is becoming increasingly clear that access without quality is of little merit" (Pokorny, 2011).

Thus, we urge the province to immediately end the rapid expansion of all for-profit child care by establishing a moratorium on new for-profit licenses until two years down the road, when the policy framework based on public and non-profit child care has been developed.

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[14] The" *at least* 1% of GDP" benchmark was originally developed by the European Commission (1996) and has since become the accepted standard. In the UNICEF Innocenti Research Centre's child care report card (2008) in which Canada was rated as the lowest spender among the 25 countries, spending .25% of GDP.

[15] See the Child care Resource and Research Unit's bibliography of research on this topic (2011).

## CONCLUSION

The QELN provides this report to the province with the specific focus on proposed funding solutions for the current crisis in child care. It is our intent to engage in a discussion with government to further the ideas outlined in this paper and offer positive, proactive solutions in this time of transformation within our sector. In addition to the recommendations outlined in this document, our membership will be developing other solutions that will continue to build on the modernization of the sector.

# APPENDIX 1:   BACKGROUND

## THE STATE OF EARLY CHILDHOOD EDUCATION AND CHILD CARE  IN ONTARIO - 2012

### Ontario's child care crisis

Although Ontario initially led Canada in early childhood education and care, by the 2000s, ECEC in the province had far fallen behind ECEC in other countries[16] as well as behind several other provinces. During the 1995 - 2005 era of Conservative cutbacks, education and child care were reduced and undermined in Ontario, emerging much weakened from the decade. Thus, Premier Dalton McGuinty's 2007 commitment to full-day kindergarten (FDK) for all four and five year olds was most welcome. When this commitment evolved into a full-blown proposal for an integrated, comprehensive policy framework for children aged 0 – 12 years and their families, there was an enthusiastic public response about the possibility of revamping ECEC to serve infants to school-agers and their families better.

As child care became part of the Ministry of Education's new Early Learning Branch, media stories and reports from around Ontario began reporting what many called a "child care crisis". Further—as a 2011 report from the Ontario Municipal Social Services Association (OMSSA) suggests—it is likely to be "irreversible" unless significant action is taken (2011).

To be sure, the transition to FDK is not the sole cause of the current crisis. However, the introduction of FDK kindergarten for all four and five year olds as a singular initiative in the absence of a comprehensive Ontario ECEC policy framework and adequate resources have brought the child care system to a crisis.

The unsolved financial issues that are creating historic instability in child care in Ontario include:

- Provincial transfer funds for municipal child care budgets that are not indexed to inflation, so municipalities are falling farther and farther behind year after year just to maintain the status quo, let along address needed improvements and expansion;
- "Reserve funds" held by municipalities that originate with the 2005/06 federal ELCC transfer (the Paul Martin/Liberals' bilateral agreement cancelled by the Harper government) that are running out, or are expected to run out shortly;
- Generalized fiscal pressures that are affecting various 100% municipal contributions to child care;
- Introduction of FDK without addressing the financial impact on child care including the loss of four and five year old children and the need to compete with school boards for trained staff.

[16] See, for example, the reports of the OECD's Thematic Review of Early Childhood Education and Care (2001, 2004 and 2006) and UNICEF (2008).

- Prior to the implementation of FDK there were pre-exiting  funding challenges related to the shortfall of wage subsidy entitlements and unaffordable parent fees

**The Child Care Crisis in Ontario - An Overview**

Even before the phase-in of full-day kindergarten had begun in 2010, media stories had begun to report a deteriorating environment for child care. A 2009 story in the London Free Press highlighted an interview with the Social Services Minister Deb Matthews, noting that “municipal officials are projecting a $4-million shortfall this year”; in 2011, the Free Press stated that “[the] Local [subsidy] waiting list hits record high with 650 families”. In rural Leeds-Grenville, The Reporter headlined that the “Counties can’t give subsidized day care to more families, as they’d run out of money”.

A 2011 Toronto Star’s editorial’s view was that “McGuinty must fix signature program”, while the Sault Star wrote that “Daycares face full-day kindergarten squeeze”. Local neighbourhood newspapers in Toronto wrote about child care shortages repeatedly in 2011, for example, “Child care crisis holding back dreams of many immigrant women” and “City's poor hurt by daycare crisis”. The Kingston Whig-Standard observed that “Generous gift won't solve child care crisis” and “Full-day K [is] a blow to child-care centres”, wrote the Standard Freeholder in Cornwall.

Even former provincial Conservative cabinet minister John Snobelen, now a board director of the new publicly-traded corporate child care firm now operating in Ontario, observed in a piece in the Kingston Whig-Standard that the Premier had “ignored Pascal's report. He announced full-day kindergarten without addressing any of the underlying fiscal, structural or policy challenges”.

The City of Toronto, whose data and planning capacity are widely acknowledged to be the best in Canada, has been tracking the child care situation closely. A recent City Children’s Services staff report recommended that “City Council communicate to the Premier of Ontario and the Minister of Education the urgent need for development of a child care stabilization and transition plan”.

The City’s report noted that

> The report of the Special Advisor on Early Learning “provided a comprehensive action plan for developing a seamless and integrated system to support children from birth to 12 years and their families. The plan included FDK with a corresponding comprehensive child and family service system with child care as the foundation.
>
> [however] …implementation of FDK is proceeding in the absence of a corresponding plan to simultaneously mitigate the program's impact on the existing child care service system. Necessary legislative changes and significant

> funding of both capital and operating requirements have been put in place by the Province to ensure the success FDK.
>
> In contrast, minimal policy direction and funding has been provided to address the needs of the child care sector…. funding for child care remains capped, while funding for FDK is indexed to meet inflation and other obligations (City of Toronto Children's Services, 2011).

The Toronto report goes on to document significant parent fee increases, loss of fee subsidies, and centre closures, with an expected loss of 23% of Toronto's licensed spaces. The report addresses the need for conversion of kindergarten-age child care spaces to toddler and preschool spaces, stressing the need for financial stabilization as well as capital resources, if this is to occur.

The City further identifies financial and non-financial changes that need to be made to stabilize and improve child care in Toronto including a shift to base funding, regulatory changes and revised administrative practices, and emphasizes the importance of taking a planned approach.

Most municipalities in Ontario do not collect and analyze detailed child care data at the same level that Toronto does. Waterloo Region's data on subsidies reports that "the number of children eligible for fee subsidy has increased from an annual average of 2,300 to over 3,000" and that the demand for a subsidy is about 3,000 (eligible) families (Region of Waterloo Children's Services, 2011). In response, the Region has recently established a system prioritizing eligible families; they report that no families earning above $20,000 a year or with a special needs child has gotten a subsidy. Subsidy waiting lists are new in Waterloo; until the middle of 2010 there had been no subsidy waiting list for many years. In 2010, Waterloo Region had requested an increase of $3.5 million for child care but had not received any of this. The Region was requesting $2 million in 2012. Finally, the Region notes that there is very little reserve funding remaining. A local non-profit child care group in Waterloo calculates that fees will increase by 20% as FDK is phased in (Rutledge, 2011).

Another report, published in May 2011, based on data gathered from 35 of Ontario's 47 CMSMs and DDSABs by the Ontario Municipal Social Services Association (OMSSA), stated that

> For several years, there have been concerns about the state of early learning and child care in rural, northern, and remote parts of Ontario. The combination of a declining population, insufficient funding, and the more recent introduction of the Full-Day Early Learning Kindergarten Program (FDK) has put stress on the licensed child care systems in these areas. Furthermore, as FDK reaches wider implementation in 2012-13, the impact to rural, northern, and remote child care will be irreversible without intervention or something new happening (2011).

The OMSSA report goes on to observe that

> …the introduction of FDK is not the primary cause of the challenges in rural, northern, and remote child care. In fact, FDK offers many development and academic benefits for children, and OMSSA continues to support the program…
>
> What FDK has done, however, is to take the structural problems of the rural, northern, and remote child care system and magnify them (2011).

OMSSA concludes that without significant policy and funding changes:

- More than 8,100 children are at risk of losing their child care, including more than 500 children with special needs;
- At least 52 rural child care centres have already closed over the past 2 years.
- More than 200 licensed centres are at immediate risk of closing, with more than 600 staff at risk of losing their jobs;
- More than 150 home child care providers are at immediate risk of closing;
- More than 90 towns and villages across rural and northern Ontario will be left with no local licensed child care options.

In a 2011 report written for the City of Toronto, Friendly identified multiple issues that emerge from the policy and funding chaos to combine to create crisis conditions for Ontario families:

- Unpredictable and unsustainable provincial funding;
- An overly complicated patchwork of provincial funding approaches;
- Service viability issues based on a variety of arbitrary factors such as neighbourhood, wages (and whether wage enhancement is available), ability to attract fee-paying parents, perception of quality);
- Service expansion and contraction determined by market forces rather than by need or planning;
- A wide range of parent fees, making it impossible to define or maintain "affordability";
- A wide range of salaries which – together with other factors such as absence or presence of wage enhancement, facility costs, the clientele—drive parent fees and quality (2011).

These kinds of system issues, together with the fact that the amount of public funds spent on child care is demonstrably much too limited to address access and quality issues, are driving Ontario's child care crisis.

In summary, "too little policy" and "too little money" mean that child care in Ontario gets a diagnosis of "failure to thrive".

## APPENDIX 2: Estimating emergency funds needed for child care transition – Ontario-wide

City of Toronto calculations of immediate funds needed (see City of Toronto, 2011)

$27.4 (capital)
20.0 (transitional/operational)
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$57.4 million City of Toronto

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Population figures

| City of Toronto (2006 Census) | | Ontario (2006 Census) | |
|---|---|---|---|
| Total | 2.5 million | Total | 12.16 million |
| Children 0-14 | 437,000 | Children 0-14 | 2,210,800 |
| (Children as % of population – 17.5%) | | (Children as % of population – 18.2%) | |

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Regulated child care spaces

| City of Toronto (2010) | | Ontario (2010) | |
|---|---|---|---|
| Total | 56,000 (rounded) | Total | 276, 000 (rounded) |

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Estimation: Using Toronto's $57.4 million, as well as that Toronto's total and child populations represent about 20% of those of Ontario as a whole and that regulated child care spaces in Toronto represent about 20% of total spaces in Ontario produces an estimated needed immediate fund of **$287 million**.

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