

Investing in Children is an Investment in Our Future:

Calling Upon the Government of Canada to Uphold the
Federal-Provincial Early Learning & Child Care Agreement 2005-10

A Joint Position Paper by:

Ontario Coalition for Better Child Care
Ontario Municipal Social Services Association

March 2006



...investing in children is an investment in our future

...a business perspective

To be competitive, we need to invest in people – and the most cost-effective way to do that is to invest in people when they are young.

Daniel Trefler, Rotman School of Business, 2004

This paper is a joint effort of the Ontario Coalition for Better Child Care (OCBCC)¹ and the Ontario Municipal Social Service Association (OMSSA)². Building on strong Canadian and international research and recent survey information collected from our members, this report:

- calls upon the Government of Canada to do the right thing for today's children and the future of our country, and reconsider its intent to terminate the five-year 2005 Canada-Ontario agreement *Moving Forward on Early Learning and Child Care* (The Agreement) and honour the full length of the initial agreement; and
- calls upon the other three federal parties to firmly state their intent to use all means to ensure that the federal government honours the full length of the initial agreement.

The report shows that there are many gains to be made if the federal investment in our children moves forward - and much to be lost if it does not. Today's children are charged with the future responsibility of keeping Canada's economy globally competitive, and for supporting an increasingly aging population tomorrow. As baby boomers age, seniors will outnumber children in 2014 for the first time in Canada's history.³

... from the Governor of the Bank of Canada

In an increasingly complex and competitive world, furthering our national economic welfare will depend importantly on the quality of our labour force...**the first step to improving skills is to build an excellent infrastructure for early childhood development** (emphasis added), feeding into a school system that effectively teaches basic skills.

David Dodge, Bank of Canada, Humber College, March 30, 2005

How we choose to support our children now will determine the quality of their life and the future wealth base of this country. Building a national system of quality early learning and child care is integral to Canada's continued prosperity.

...from a Bank Vice-President and Union President

Business and unions can do our part, but it is not our job to ensure that the next generation is equipped to participate in the new work force. Child care, like health care and education, is an essential public service that only senior government can deliver. The federal budget is the place to start.

Coffey and Hargrove, Globe & Mail, Feb. 17, 2003

...the case for investing in children

...an OCBCC perspective

For years governments have known the advantages of early childhood education and how such programs enable a female workforce to meet government's economic and political objectives. There was little question or debate, for instance, when Canada needed women to work in 1943 and emergency legislation was passed to establish child care for women working in war related industries.

Bargaining for Work and Life, 2004.

The proportion of employed mothers with young children has steadily increased since the 1940s. In Ontario, over 70% of mothers with children younger than 5 years participate in the workforce.⁴ High quality child care encourages a child's optimal development, and enables parents to work while supporting their role as parents. Working parents support the economy as a whole by producing goods and services, buying products / services and paying taxes. Quality early learning and child care is therefore good 'for children, good for families, and good for society as a whole'.⁵

Working parents want high quality child care⁶ for their children, but many can't afford it⁷; at \$40 per day in many areas of Ontario, licensed centre-based child care for a two year old could cost some families upwards of \$10,000 annually⁸. Families with stay-at home parents also want quality early learning opportunities for their children, but can't access them because they either don't exist (e.g. in rural communities)⁹ or do not provide needed supports (e.g. support for children with special needs¹⁰, culturally specific or multilingual services etc.).

...from a Rural Licensed Child Care Operator

In our rural area, if we do not have funds for transportation, we have a hard time getting kids to our centre. Many of our kids come for socialization and early learning, even though their parents may not be working. Here they can access speech therapy and get extra assistance with their special needs. All children deserve the “best start” to early learning programming.

Susan Leslie, Frontenac County

There is a powerful body of research that indicates

- the first six years of a child’s life is the most critical in laying the foundation for future success ¹¹
- high quality early learning and licensed child care support parents in achieving optimal child outcomes ¹²
- a skilled and competent workforce is dependant upon optimal child development and early learning experiences ¹³
- for every senior over age 65, the number of working adults generating wealth was 8 in the 1960s, 5 in 2004, and is expected to be 3 by 2030 ¹⁴

The research data shows that there are direct monetary gains to be achieved by investing in children:

- \$2 - \$17 return for every \$1 spent on children depending on the group of children and type of programs and services ¹⁵
- highest savings for programs targeting economically disadvantaged/higher risk children ¹⁶
- the largest number of children at risk is more thinly spread across middle class neighbourhoods ³¹
- universal programs offered to all children yield at least \$2 savings for every \$1 invested and more children benefit than through targeted programs ¹⁸

Other economic and social benefits ¹⁹ of investing in quality early learning and child care include:

- short-term: improved school performance, increased high school completion rates, increased school readiness and decreased rates of special education, obesity, smoking and delinquency
- long-term: increased employment retention, earnings, life long learning potential and decreased poverty and reliance on social assistance, etc.

Benefits for parents involved in quality early learning and child care programs include:

- increased parenting skills / parental engagement, family relationships, attachment to labour force, earning capacity
- decreased stress & rates of abuse or neglect, use of social assistance, poverty rates, absences from work

...a social & economic perspective

We cannot afford to postpone investing in children until they become adults.
We can't wait until they reach school – a time when it may be too late to intervene.

James Heckman, 2001 Nobel Prize, Economics

...what Ontario gains if the agreement remains intact

...an OMSSA perspective

Every Child in Ontario has a right to high quality childcare and early learning experiences which provide opportunities for healthy development.

OMSSA's Vision, 2005

The research clearly shows that the earlier we invest in children, the greater the future dividends. Building a publicly funded, national integrated system of early learning and child care is the most effective way of ensuring that all children have opportunities to reach their full potential and grow into productive citizens.

Ontario's Best Start Plan is an excellent example of how \$2.1 billion in federal funding was being used over five years to help create such a system in Ontario. Consider that in 2004, despite a labour force participation rate of 67%²⁰, there were licensed spaces available for only 15% of children 0-5 years in Ontario.²¹ Best Start would have created 25,000 more licensed spaces, representing a 20% increase.

In communities across Ontario, Best Start Networks (parents, local school boards, licensed child care providers, public health units, and other community stakeholders) worked closely with municipalities to create 3-year Phase 1 plans that would

- exceed the target of 25,000 licensed child care spaces in Ontario
- smooth the transition between kindergarten and grade 1 with new spaces being created at or near schools
- gradually expand services for 0-3 year olds
- increase access to fee subsidies for low income parents
- enhance quality of care by improving staff retention achieved by increasing wages of child care staff who are currently chronically underpaid

- provide additional supports for families with children with special needs
- enhance early identification and intervention services
- increase parenting supports (e.g. parent education programs, 18 month well-baby check-ups)
- be sustainable through continued federal funding in years 3 & 4 of The Agreement and beyond

Best Start is a ten-year vision, that in Phase 2, was intended to also create

- universal and free early learning programs for all parents with children age 3-5 years (e.g. drop-in or nursery school type of program)
- neighbourhood based hubs where families can access coordinated community services

Ontario was well on its way to doing its part towards building a quality national early learning and child care program. The first year allocation of funds was released to communities in December 2005. The federal election occurred in January 2006, and in early March, the new government announced its intention to terminate the bilateral agreements effective March 31, 2007.

....what Ontario loses if the agreement is terminated

...from a licensed child care operator

The working relationship between child care and education in our Best Start expansion program has been exceptional. The children participating in the program are thriving, and I anticipate each and every one of them succeeding in Grade 1. If the Federal government does not change its mind about funding the child care agreement, children 0-6 years stand to lose a great learning opportunity and their parents, an excellent child care program in our community.

Wendy Anderson, Picton

Ontario's Best Start Initiative will be jeopardized if the federal funding is not provided for the full five years as set out in The Agreement. As we write this report, local Best Start Networks are revising their plans to see how far they can stretch the one-year of funds they have in hand.

The first of the five-year allocation in 2005/06 will only create slightly more than half of the planned spaces. The Federal Government's cancellation of the bilateral funding agreement after two years means that Ontario will lose

- over \$1.35 billion in federal funding (\$449 million for 2007-08, \$450 million for 2008-09, and \$451 million 2009-10)
- 11,000 new licensed child care spaces in or near schools

- additional fee subsidies for low-income families
- much needed supports of families with children with special needs
- the opportunity to improve quality associated with better retention of staff which can be accomplished by wage improvements for child care staff
- the ability to deliver services in the areas where they are most needed (since the first year funding was allocated to take advantage of early expansion opportunities with plans to use allocations in subsequent years to build in areas with greater needs)

and all the other benefits of an integrated early learning and child care system noted in the previous section of this report.

...from a licensed child care operator

With the uncertainty of what is happening after 2007, school boards may be reluctant to take the risk of starting something that can't be finished because most of the projects can't be completed in the next year. As an operator, even if I could open programs, I too would be hesitant to start something that may be funded for a year then cancelled.

Denise Gilbert, Durham Region

Since child care employees are among the lowest paid workers in society (average starting salary of \$11.50 per hr), our members report a great deal of concern about the loss of Best Start wage enhancement funding and the impact this will have on the ability to retain qualified staff. Without increased wages, child care staff are increasingly seeking school board positions where the pay is more reflective of their responsibilities and benefits are provided, or leaving for other types of employment.

There are also reports that between 50-70% of Early Childhood Educator graduates do not join the child care sector because of poor wages. The cancellation of Best Start wage improvement funding will make the situation worse.

...from a licensed child care operator

Losing Best Start will have a huge impact on the morale of my staff. They finally believed the government believes in the value of their work, only to have the rug pulled out from beneath them once again. It is hard enough to keep quality staff in our field and this will not make it any better.

Alexandra D. Thompson, Red Lake

Also lost is the ability to respond to the unique and local needs of each community.

For many rural communities, there is no funding to help isolated families access quality early learning programs and licensed child care. Under the original funding allocation,

communities in rural and Northern Ontario stood to gain the highest percentage growth in access to early learning opportunities and licensed spaces, which would have helped address historical inequities.

Supports for families with children with special needs are also in great need in many communities.

...a parent's perspective

Parents of children with special needs will have fewer licensed child care options and will not be able to access valuable support services from integration support programs whose services are tied to licensed child care.

Parent, Ottawa

In Ontario, although children, as a proportion of the population, are steadily declining as the baby boomers age, the rate of growth will remain fairly stable at around 5% over the next ten years. The majority of Ontario municipalities are expected to experience a small steady increase in the actual numbers of children 0-4 years over the next decade, with some municipalities experiencing higher growth than others. A slight decrease in this population is projected in some northern and rural communities.²²

With only 15% of licensed spaces currently available to Ontario's youngest children, any increase in population in this age group will lead to a higher demand for service, and bigger waiting lists for service. In many communities, waiting lists currently range from a low of 50 in rural areas to over 5000 in the largest urban centres.²³ Clearly reduced federal funding will impact differently on each community depending on local needs and population growth.

The data presented below provides some examples of how reduced funding will affect communities at a more regional level.

Northern Ontario

Based on the responses of 8 of the 12 municipal social service organizations in northern Ontario:

- population projections over the next 10 years indicate a slight increase in the actual number of children 0-9 years in about half the municipalities, and a slight decrease in the other half
- current waiting lists for licensed child care were as high as 825 in one larger urban centre
- a fully funded Best Start Plan would have increased the number of licensed spaces by 37% on average – highest in Ontario
- an estimate of the loss is *1,288 new child care spaces and \$34,034,900.00.*

Central Ontario

Based on the responses of 10 of the 12 municipal social service organizations in central Ontario:

- population projections over the next 10 years indicate a small steady increase in the number of children age 0-4 years across all municipalities, and a static/slight decrease in ages 5-9 years in municipalities primarily outside the GTA
- current waiting lists for licensed child care ranged from 1,500 to 8,000 around the GTA to a low of 450 in smaller urban and rural areas
- a fully funded Best Start Plan would have increased the number of licensed spaces by 16% on average
- an estimate of the loss is *8,773 child care spaces and \$267,627,500.00.*

South West Ontario

Based on the responses of 12 of the 14 municipal social service organizations in south and southwestern Ontario:

- population projections over the next 10 years indicate a small steady increase in the number of children age 0-4 years across all municipalities and a slight decrease in ages 5-9 years in several areas
- current waiting lists for licensed child care were as high as 425 in some areas
- a fully funded Best Start Plan would have increased the number of licensed spaces by 24% on average
- an estimate of the loss is *3,990 child care spaces and \$163,139,900.00.*

Eastern Ontario

Based on the responses of 6 of the 9 municipal social service organizations in eastern Ontario:

- population projections over the next 10 years indicate a small steady increase in the number of children age 0-4 years across all municipalities and a slight decrease in ages 5-9 years in several areas
- current waiting lists for licensed child care were as high as 7000 in the largest urban centre
- an estimate of the loss is *1,485 child care spaces and \$59,070,000.00.*

...what Canada loses under the Conservative Child Care Plan

Canada has not kept pace with the many OECD (Organization for Economic Development and Cooperation) countries that recognize the important role of early learning and child development in public policy because of the direct link to increased productivity. The bilateral agreements offered hope of addressing this. Terminating the bilateral child care funding agreement would be regressive is not consistent with a prosperity-focused agenda and would set us back many years in terms of the progress that has been made.

One simply cannot build a national early learning and child care system on the child care plan that the federal government plans to introduce. This plan is not good fiscal policy and discriminates against lower and middle income families with young children.

While there is no doubt that additional income supports for young families is beneficial, there are serious problems with key components of the proposed plan as outlined below:

- child care tax allowance of \$1,200 per year for a child under six years
 - is an income supplement and not child care
 - ends up being much less depending on how many adults in household work and their income levels e.g. \$460 per year for a two earner couple earning \$30,000 annually²⁴ (See Attachment #1)
 - favours one-income couples over two-income and single parent families and families²⁵
 - hardly makes a dent when licensed child care could cost upwards of \$12,000 per year for a full time infant space²⁶
 - not much use if there isn't enough licensed child care spaces available to meet the demand (only 20% of children in Canada in need of care have access to licensed child care)²⁷
 - falls far short of the \$7,500 in tax relief that it would take to attract some parents to leave paid employment and take care of their children at home²⁸
 - with 70% of women with a child under six currently in the workforce, any significant exit from the workforce would result in billions of dollars lost to the economy²⁹
 - is twice as expensive to deliver as the program under The Agreement and won't create any new early learning opportunities or licensed child care spaces, nor address quality
- tax incentives of \$10,000 per space for employers and community groups to create 125,000 child care spaces across Canada over the next 5 years
 - \$10,000 per space is insufficient to actually build new spaces
 - a similar plan in Ontario did not create new spaces³⁰
 - a comprehensive child care system will not be built through employer based programs. There were only 338 employer based child care centres across Canada in 2000 (up from 176 in 1991), and less than half were created in the private sector³¹

- would cost \$1.25 billion if there was full uptake but does not provide operating or subsidy dollars which would create spaces that would be unaffordable to many

....from an OCBCC partner

A better solution to help Canada's families: invest in high quality child care and – at the same time - increase the existing Canada Child Tax Benefit.

Child Care Advocacy Association of Canada, 2005

...in summary

There are currently over 832,000 children from birth to age five in Ontario³². The early years are a crucial time for their growth and development, and a time when we help children prepare to succeed in school and in life. Canada's aging population and declining birth rate will mean there will be fewer people in the work force to support an increasing number of seniors.

Investing in children results in huge pay offs for the social and economic well being of children, their families and the community. Parents know it... the research proves it...and the economy demands it.

The Federal-Provincial Early Learning and Child Care Agreement-2005 was an agreement made with the Government of Canada, not with a political party. For the sake of our children and our own future, that agreement needs to be honoured.

...a parting thought

Recently, at a news conference in Islamabad after meeting with the Pakistani Prime Minister, Prime Minister Harper said "We're not going to have votes on commitments already made". Let's hope he believes the same when it comes to child care.

OMSSA Member, Eastern Region

ATTACHMENT 1



The Harper child care plan: Buyer beware

Stephen Harper's proposed child care allowance will provide the least benefit to working poor and modest-income families who need help most. The \$1,200 yearly allowance for each child under 6 is not what the large majority of Canadian families will end up with. Because it will be counted as taxable income in the hands of the lower income parent in the family, its *true value* will be less than its *face value*.

Because the child care allowance will increase their income, families will pay more federal and provincial/territorial income taxes, while at the same time receiving less from geared-to-income benefits such as the federal Canada Child Tax Benefit and GST credit as well as provincial/territorial child benefits and tax credits. Thus the *true value* of the child care scheme will be considerably less than its \$1,200 a year *face value* – significantly less in the case of many working poor and modest-income families, who will get a smaller after-tax benefit than middle- and upper-income families.

One-earner families with a parent who stays home will do better than lone-parent and two-earner families. But even for one-earner couples with children, those who earn the most would get to keep more of the proposed benefit.

Compare the current Canada Child Tax Benefit, which is increasing again this year, with the Harper child care allowance (Table 1). The Canada Child Tax Benefit is much larger and pays its benefit in a progressive manner, decreasing as incomes rise. But the proposed child care allowance will result in an erratic, irrational distribution.

Table 1: Benefits from Canada Child Tax Credit and proposed Child Care Allowance, two-earner family with two children (one under 6), by net income, Ontario, 2006		
net family income	Canada Child Tax Benefit	Harper Child Care Allowance (true value)
\$10,000	\$6,382	\$1,176
\$20,000	\$6,382	\$1,022
\$30,000	\$4,547	\$460
\$40,000	\$2,594	\$671
\$50,000	\$2,194	\$827
\$100,000	\$194	\$778
\$150,000	\$0	\$826
\$250,000	\$0	\$679

Table 2: True value of Harper Child Care Allowance, families with two children (one under 6), Ontario, 2006			
net family income	one-earner couples	two-earner couples	one-parent families
\$0	\$1,200	\$1,200	\$1,200
\$10,000	\$1,176	\$1,176	\$1,176
\$30,000	\$673	\$460	\$607
\$50,000	\$1,049	\$827	\$802
\$100,000	\$1,032	\$778	\$655

Table 2 shows how the Conservative plan would pay more to most one-earner families than to two-earner and one-parent families, and more to higher-income families than to modest-income families earning \$30,000

The Harper plan in effect tries to fool families into believing they will get \$1,200 for each child under age 6, when in reality its true value – after factoring in tax increases and benefit losses – will be less.

It is unfair because it treats one-income couples better than two-income and single-parent families. It is also unfair because it will give the least assistance to working poor and modest-income families, while favouring the better-off who least need help. And for parents in all income categories, the amount they will end up with is so meagre it won't help parents find and afford good child care. A better solution to help Canada's families: invest in high quality child care and—at the same time—increase the existing Canada Child Tax Benefit.

Note: This discussion is based on Ken Battle, *The Choice in Child Care Allowance: What You See Is Not What You Get*. Ottawa: Caledon Institute of Social Policy, January 2006.

The Child Care Advocacy Association of Canada was founded in 1983 to promote quality, inclusive, publicly funded, non-profit child care accessible to all. The association's more than 140,000 members include parents, caregivers, researchers and students; and women's, anti-poverty, labour, social justice, disability and rural organizations.

714- 151 SLATER ST. Ottawa, Canada K1P 5H3
(613) 594-3196 (613) 594-9375 Fax
www.childcareadvocacy.ca info@ccaac.ca

REFERENCES

- ¹ Founded in 1981, OCBCCC membership includes broad based representation from over 500 organizations and individuals from education, health, human service sectors, student and women's organizations, social policy as well as rural, First Nations and the Francophone Communities.
- ² Established in 1950, OMSSA is the collective voice of social and community services staff at the municipal level in Ontario.
- ³ *Ontario Demographic Quarterly*. Ministry of Finance. December 21, 2005
- ⁴ Friendly, M. & J. Beach. *Early Childhood Education and Care in Canada 2004*, 2005.
- ⁵ *Briefing Notes*, Childcare Resource & Research Unit, 2003 on Cleveland, G., & M, Krashinsky, *Fact & Fantasy: Eight Myths About Early Childhood Education and Care*", Childcare Resource and Research Unit, 2003.
- ⁶ High quality early learning and child care services are based on evidence-based research and a philosophy which values (a) child-focused, inclusive environments (b) recognized, well trained, appropriately supported staff (c) engaged parents (d) and involved community. *OMSSA's Vision For Children*, 2005.
- ⁷ Cleveland & Krashinsky, 2003; *Briefing Notes*, 2003.
- ⁸ Daily Market Rates for full days at a licensed child care centre (without transportation) can vary between \$29-\$63 for Infants (0-18 mos.), \$21- \$63 for Toddler (18 mos-30 mos.), and \$21-\$51 per day for Pre-School (30 mos. -5 yrs) depending on the community. *Sample Daily Rate Survey of OMSSA Members*, 2006.
- ⁹ OCBCCC, *To Boldly Go*, November 2004.
- ¹⁰ Children with Special Needs refers to children with developmental delays or behavioural challenges – OMSSA's proposed definition is: *Children ranging in age from birth to twelve years who, due to emotional, familial, physical, behavioural, developmental, cognitive, communicative or environmental factors are at risk of not maximizing their transition to the school system and their ability to succeed in that system. Special Needs encompasses children who require support and assistance with daily living, whether formally diagnosed or not and whether a diagnosis is short or long term in nature.*
- ¹¹ McCain, Hon. M. & F. Mustard. *Reversing the Real Brain Drain: Early Years Study Final Report*, 1999, *The Early Years Study – Three Years Later*, 2002.
- ¹² IBID; Cleveland & Krashinsky, 2003.
- ¹³ Beach, J. et.al. *Working for Change: Canada's Child Care Workforce Labour Market Update*, 2004
- ¹⁴ *A Compelling Case for Investing in Child Care*, OMSSA, 2005.
- ¹⁵ *Campaign 47 Demonstrating the Value of Social Investment*, OMSSA, May 2005.

¹⁶ Cleveland & Krashinsky, 2003; Lynch, R. *Exceptional Return: Economic, Fiscal and Social Benefits of Investment in Early Childhood Development* 2004.

¹⁷Hertzman, Clyde, *Making Early Childhood Development A Priority*, 2004.

¹⁸ Cleveland & Krashinsky, 2003.

¹⁹ *Campaign 47 Demonstrating the Value of Social Investment*, OMSSA, May 2005.

²⁰ Statistics Canada, 2001 Census.

²¹ Fifteen percent calculated as follows: 124,442 licensed child care spaces for children up to age 5 years in March 2004 (Ministry of Child and Youth Services. *News Release*. December 1, 2005) as a percentage 832,000 for 0-5 years (Friendly & Beach,2005)

²² *Ontario Demographic Quarterly*. Ministry of Finance. December 21, 2005

²³ *Survey of OMSSA Municipal Members re: Impact of the Agreement*, 2006.

²⁴ See Attachment 1 "*The Harper child care plan: Buyer Beware*", Child Care Advocacy Association of Canada, 2006, based on Caledon Institute of Social Policy Analysis.

²⁵ IBID.

²⁶ *Sample Daily Rate Survey of OMSSA Municipal Members*, 2006

²⁷ "*Child care and extra cash too*" Toronto Star, March 21, 2006 referencing YWCA Study.

²⁸ Cleveland & Krashinsky, 2003.

²⁹ Cleveland & Krashinsky, 2003; *Briefing Notes on: Fact and fantasy*, 2003.

³⁰ "*Child care and extra cash too*" Toronto Star, March 21, 2006 referencing comments from Minister Chambers.

³¹ *Bargaining for Work and Life*, OCBCC et.al., 2004.

³² Beach and Friendly, 2005.