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ABSTRACT

This report examines the status, funding, and accessibility of child care in Canada and presents recommendations for the federal government to improve access to quality child care for all Canadians. The report describes the purposes that can be served by child care and illustrates how it can advance social and economic objectives of national importance. Major concerns with current funding methods and affordability are identified, and the lack of child care spaces for low-income families is documented. The report also discusses the low salaries and inadequate working conditions of child care staff. The paper concludes by advancing 12 specific recommendations to improve child care access and quality, chief of which is that the federal government promote the long-term goal of a publicly-funded, universally-accessible, comprehensive and high quality child care system for all Canadians. Six appendixes include a list of child care grants in Canada, a description of the Canadian Assistance Plan (CAP) child care subsidy, data on child care costs by income level, an evaluation of various funding options, and a description of a comprehensive child-care service system in Grey County, Ontario, Canada. Contains 119 references. (MDM)

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Child Care:
Canada Can't Work Without It

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EXECUTIVE SUMMARY

Child care has been firmly on the national agenda for at least the past decade. In 1984, a Royal Commission headed by Judge Rosalie Abella recommended passage of a national child care act. Three years later, the Task Force on Child Care recommended complementary systems of publicly funded child care services and parental leave that would be accessible to all parents. In 1987, the Mulroney government proposed a National Child Care Act. The 1988 federal election was called before the Act was passed. When re-elected, the Conservative government did not pursue the concept of national child care legislation.

In spite of all the discussion and consultations of the past ten years, there is still no national legislation and no national standards. Child care needs and services continue to be addressed in a piecemeal fashion with each province and territory having its own policies, regulations, and funding approaches. The result is a patch-work of services with inequities in availability and affordability from one part of the country to another.

Child care services are an essential support for children and their families. High quality child care provides a positive experience for all children that encourages the development of their social, language, and cognitive skills. It can also provide effective early intervention for children with developmental delays or disabilities or whose development is at risk because of extreme poverty, neglect, parent illness, or other stress factors. Parents who participate in the paid workforce, or are engaged in educational or job training programs, require care for their children when they are not available. The availability of child care on an occasional basis supports the stay-at-home mother by providing care in an emergency or to enable her to attend to her own needs.

Child care is also a crucial component in addressing broad national policy objectives. These include promoting the optimal development of all children, reducing child poverty by assisting parents to enter the paid workforce, supporting the effectiveness of the current workforce, and promoting women's economic and social equality.

The February, 1995 federal budget announced that federal cost-sharing with the provinces and territories for welfare and social services (including child care) under the Canada Assistance Plan (CAP), and health and post-secondary education expenditures under the Established Programs Financing (EPF), will be amalgamated into a single block fund in fiscal year 1996/97. This will be accompanied by a significant decline in federal cash transfers. If implemented as proposed, the new block fund will make it virtually impossible to create a national child care program, and make it extremely dubious that national criteria for child care quality or accessibility will be implemented.

This paper:

- describes the purposes that can be served by child care and illustrates how it can advance social and economic objectives of national importance;
- identifies the major concerns with the current funding methods, for example, their failure to address the affordability problem, their failure to support the development of additional child care services, and the fact that they are of more benefit to higher income families;

- documents and describes the problems of lack of sufficient child care spaces and the affordability problem faced by many parents;

- discusses the inadequate salaries and working conditions of child care staff and the negative effect this has on the well-being of children; and

- presents a framework for action by the federal government.

The framework for action discusses:

- possible options for the development of a system of child care services;

- funding options for child care; and

- issues related to national criteria for child care and possible legislation.

CHAPTER I - INTRODUCTION

This chapter provides a context for the paper, including an identification of the possible impact of proposals set forward in the February, 1995 federal budget. It also illustrates the various purposes that can be served by child care services, and discusses why it is important that they be of high quality.

CONTEXT

Child care services are an essential support for children and their families. The well-being, development, and future prospects of children receiving non-parental care are intimately connected with the characteristics of the child care they experience. Parents who participate in the paid workforce or are engaged in educational or job training programs require care for their children while they are not available. Children whose parents remain at home to look after their children may benefit from child care that provides the child with a group social experience; their parents may benefit from child care as a support when the family is experiencing stress, illness, or other difficulties. Child care services also provide valuable ongoing support for children with special needs and their parents. In order to serve these various purposes, and to give parents choice, a range of affordable services must be available.

Child care is also a crucial component in strategies to address broad national policy objectives. These objectives include: promoting the optimal development of all children, reducing child poverty, developing a healthy economy, promoting women's economic and social equality and ensuring that families have adequate income.

In February, 1995 the federal budget announced that federal cost-sharing with the provinces and territories for welfare and social services (including child care) under the Canada Assistance Plan (CAP), and health and post-secondary education expenditures under the Established Programs Financing (EPF), will be rolled into a single block fund in fiscal year 1996/97. This will be accompanied by a significant decline in cash transfers, both through direct withdrawal of funds and through the continued partial indexation of the cost-sharing formula.[1] The budget figures indicate that the new block fund will pay the provinces $2.5 billion less than they would have received under the present system (CAP and EPF) in 1996/97 and $4.5 billion less than under the present system in 1997/98 (Battle & Torjman, 1995). The Caledon Institute of Social Policy estimates that as a result of the combination of diminished funds and partial indexing, under the proposed block fund, the federal cash transfers will disappear around the 2017/18 fiscal year, and could disappear earlier than that (Battle & Torjman, 1995). The announcements in the 1995 budget indicate both a withdrawal of federal *presence* and of federal *dollars*. If implemented, the new block fund will be devastating for child care.

Federal funds for child care currently flow to the provinces and territories through the cost-sharing provisions of CAP. This mechanism puts (limited) conditions on how the funds are spent, and compels the provinces and territories to contribute funds to child care in order to receive federal monies for child care. It seems likely that the proposed federal approach to block funding will require neither that the funds be spent in specified areas nor provincial/territorial matching of federal dollars. The absence of conditions stipulating how the funds are to be spent raises the likelihood that jurisdictions setting a low priority on child care may spend 'child care' funds for other programs. Thus, if the proposed block fund is implemented, it seems unlikely that federal funds would be ear-marked for child care, or that national child care criteria would be implemented (Friendly, in press).

The budget will also be devastating for child care through withdrawal of federal dollars. In theory, the federal government could establish principles and conditions for the block grant and enforce them as it currently does under the *Canada Health Act* for funds transferred for health services. However, Ottawa's only means of enforcing health and social legislation is by withholding funds from any province or territory that is in non-compliance with the requirements of the Act (for example, a province that allows users' fees). This leverage disappears as federal funds disappear.

Thus, both the proposed restructuring into a block grant and massive cuts to cash transfers will conspire against improvements to child care.

A DEFINITION OF CHILD CARE

For the purposes of this paper, the term **child care** refers to:

- a continuum of options for the care of preschool-age children, and older children under age 12[2] outside regular school hours, by people who are not members of the child's immediate nuclear family. This will be referred to as **child care**; and
- a range of supports to the family in its child-rearing role.

The range of options for the care of children encompassed by this definition of **child care** includes:

- full- and part-time group services for children age 0 to 6 in a **centre**. This includes half-day, or part-time nursery school and preschool programs;
- care by a non-relative in that person's own home, that is, **family day care**;
- **school-age child care programs** for children age 4 to 12 which operate before and/or after school, and/or during lunch, and/or during school breaks and teacher professional development days. This service may be provided in a centre or through family day care;
- care by a relative other than a member of the child's immediate nuclear family in that person's home or the child's home, for example, care by a grandmother or aunt;
- **family supports** includes: toy and equipment lending libraries, drop-in parent and child play groups, parent education programs, and parent information services. All of these may be used by parents who stay at home to care for their own child, or by parents who are in the paid workforce, attending school, or in a training program; and,
- a range of care by a non-relative in the child's own home, for example, care by a nanny.

Sometimes care by a relative other than the parent, care by someone in the child's own home, or unregulated care[3] in the caregiver's home, is referred to as a child care *arrangement*. In this paper, the term **child care** will be reserved for child care centres, regulated family day care, and school-age child care.

Family policies, such as maternity and parental leave, complement child care services and are essential to assist parents in meeting both family and workplace responsibilities. While these policies are not directly part of the more narrow definition of child care, it is essential to consider them in the development of a strategy for child care. Therefore, a recommendation pertaining to these family policies is provided in the final chapter. Similarly, recognition of the time and financial cost to a parent who stays at home to care for children is part of the larger objective of providing a supportive context for raising children for *all* families. However, discussion of this particular social issue is beyond the scope of this paper.

THE PURPOSES THAT CAN BE SERVED BY CHILD CARE SERVICES

Child care has more than one purpose. *High quality* child care can benefit children, women, families, employers, communities, and the society at large. The perspective of each potential beneficiary provides its own rationale for the provision of child care. However, for the child care system to be maximally effective, the needs of *all* target groups must be met at the same time (Friendly, 1994). For example, women's employment and educational opportunities are maximized in a situation where there are sufficient, affordable child care spaces. However, as demonstrated by research, young children require consistency of relationships and social, linguistic, and cognitive stimulation for their optimal development (Doherty-Derkowski, 1995). Meeting women's or families' need for child care by developing a system that does no more than provide basic safety and physical care would be detrimental to the development of the children served.

Children

Longitudinal research has demonstrated the potential of *high quality* child care to:

- provide a positive experience for *all* children that encourages development of the social, language, and cognitive skills essential for success in later life (Doherty-Derkowski, 1995; Hayes, Palmer & Zaslow, 1990);

- provide effective early intervention for children living in a family where the child's optimal development may be compromised because of extreme poverty, neglect or abuse, parent illness, or other stress factors (Berrueta-Clement, Schweinhart, Barnett, Epstein & Weikart, 1986; Lazar & Darlington, 1982; Wright, 1983); and

- assist children with developmental delays or disabilities to develop social and language skills (Odom & McEvoy, 1988; Notari & Cole, 1993).

Child care can also:

- assist in preparing *all* children to live in Canada's diverse society; and

- be part of a strategy to reduce the incidence of child poverty .

Child poverty is a concern because it has a well-documented association with the increased likelihood of physical illness, behaviour problems, and poor school performance (Doherty, 1992). Children are poor because their families are poor. In 1991, 874,104 children under age 12 were growing up in poverty, that is, in families where the family income was lower than Statistics Canada's low-income cut-off.[4 5]

Opportunities for parental employment with adequate income levels are a critical part of any effective strategy to reduce child poverty. In 1991, the incidence of poverty in families with at least one child under age 12 decreased from 92.9% for families with no earners, to 29.7% for families with one earner, to 6.2% for families with two earners.[6] Access to reliable child care is an essential component of any initiative intended to help low-income parents, or parents receiving social assistance, to develop job skills or complete their basic education and thus increase their employability. The availability of child care services can raise the family income by allowing the single parent, or the second parent, to work, or by allowing a parent to work full-time rather than part-time. In this way, by reducing child poverty, child care ultimately has a positive impact on children.

Canadian society is characterized by a wide range of people from various cultural and racial backgrounds, languages and religions, and of varying levels of ability. Therefore, it is important for *all* children to develop the attitudes and skills to live and work comfortably with people who are different from them, regardless of the type of difference. This is best done during early childhood before prejudices and biases are established. Quality child care services that are inclusive, and both respect and support diversity can assist all children to feel comfortable with themselves and with others.

Women

The availability of affordable child care enables women to participate in the paid workforce or to train for participation, promoting women's social and economic equality. For single or poor mothers, the availability of non-parental child care may make the difference between financial independence and subsistence on minimal social assistance payments. Lack of child care services may mean that a woman has to take several years out of the paid workforce, or participate only on a part-time basis.

A woman who takes an extended leave from the paid workforce to care for young children:

- foregoes direct earnings and suffers a reduction in her lifetime earnings;
- loses opportunities to accumulate work experience, seniority and career advancement. The longer an individual is out of the paid workforce, the greater the likelihood that her skills and knowledge base will become obsolete. This decreases marketability and earning power. The years between age 25 and 40 are the prime years for establishing a successful career; and
- may have a smaller Canada Pension Plan or Québec Pension Plan benefit when she retires than she would have had otherwise.[7]

Part-time workers not only earn less than full-time workers, they also have less adequate access to employer provided benefits. In 1989, 26% of part-time employees in the service sector were covered by supplementary medical insurance plans compared to 70% of full-time employees, 20% had dental plans compared to 59% of full-time employees, and 22% had company pension plans, compared to 58% of full-time employees (Krahn, 1992).

A discussion of the need for changes in labour force policies that discriminate against women who take extended leaves from the paid workforce (other than maternity or parental leave) or engage in part-time employment in order to care for their children is beyond the scope of this paper. However, it is clear that lack of access to affordable child care remains an obstacle to many women's current and future financial security.

Family support and child care services can assist women who stay at home to care for their children by supporting them in their parenting role. For example:

- family support services such as parent education, parent-child drop-in programs, and toy/equipment lending libraries assist parents to better understand child development, and to provide children with a variety of stimulating experiences; and
- the availability of child care on an occasional basis can assist the parent in an emergency, or enable the mother to attend to her own needs, for example, to attend a medical appointment or be involved in a community activity.

Families

Without access to child care, many parents would be unable to secure employment to provide the family with an adequate income. Analyses based on the *National Child Care Study* demonstrated that, in 1988, 12.6% (278,000) of two-parent families with children under age 13 had family incomes below Statistics Canada's 1987 low-income cut-offs. If both parents had not been working, the number of two-parent families with incomes below the poverty line would have been 550,000, that is, almost double.[8] The availability of child care to enable a parent to work is particularly crucial for lone parents since there is only one parent available to earn an income.

Child care can also support the family unit in other ways. These include providing a break from the demands of child rearing, or additional assistance during periods of unique need, such as family illness. In situations where young parents are separated from their extended families, child care can provide the parents with an opportunity to form an informal support network with other families using the same service.

Employers

Employers benefit financially from the availability of affordable, high quality child care services through reduced absenteeism rates and increased productivity. A Canadian survey of 1,600 organizations, and more than 11,000 public and private sector employees, found that workers experiencing difficulties juggling family and work responsibilities missed an average of 4.5 full days from work during the previous six-month period. In comparison, workers reporting no difficulties missed an average of 2.5 days during the same period (MacBride-King, 1990). It cannot be assumed that all the juggling difficulties reported by workers were child-related. However, as in 1992 there were more than a million children under age 6 with mothers in the paid workforce (Human Resources Development Canada [HRDC], 1994b), it is reasonable to assume that a significant number were. The *Canadian National Child Care Study* found that parents who had difficulty finding or maintaining appropriate child care reported not being able to work overtime when requested, worrying about their children while at work, a reduced commitment to work because of child care problems, and reducing their work hours.[9] All these reactions reduce worker effectiveness.

Communities

Child care services can also support communities by providing a welcoming and nurturing environment for all children. Child care services have a particular role to play in supporting communities of interest, that is, where people of common cultural background and/or shared values and practices come together. The Assembly of First Nations has stressed the important role child care services can play in reviving native culture and values and, in so-doing, assist native children to develop positive self-esteem and a sense of belonging (Assembly of First Nations, 1989). For new immigrants and refugee families, culturally-appropriate child care services can be a useful support through the often difficult transition period of adjustment to a new society.

The society at large

Canadian society benefits from the availability of an adequate supply of high quality child care services through:

- heightened economic activity through increased parental employment, resulting in additional federal and provincial income and consumption tax revenues, as well as Unemployment Insurance contributions;

- improved economic security for families through the removal of the barriers to employment and training that result from lack of accessible child care;

- avoidance of costs for social assistance for people who have not completed high school and therefore have difficulty finding work. Children whose development is placed at risk by environmental factors like poverty are significantly less likely to graduate from high school (Berrueta-Clement et al., 1986). High school graduation is important because people without this basic level of schooling are significantly more likely than high school graduates to require social assistance or Unemployment Insurance benefits (Ross & Shillington, 1991); and

- a reduced need for remedial education and special education services and, therefore, lower costs to the taxpayer for these services. Children whose development is at risk because of environmental factors who have attended high quality child care are significantly less likely to require academic remediation or special education than similar children who have not had this experience (Berrueta-Clement et al., 1986).

The availability, or lack of availability, of high quality child care services is directly linked to Canada's ability to participate effectively in the global economy for two reasons:

- the current and future need for women of child-bearing, child-rearing age to participate in the paid workforce; and

- the need to prepare the next generation for skilled work.

In 1993, women in the child-bearing and child-rearing age (age 25 to 44) accounted for 25% of the total Canadian workforce.[10] Lack of reliable, affordable child care services increases the likelihood of absenteeism, and forces some women to leave the paid workforce or work part-time instead of full-time (MacBride-King, 1990; Cleveland, 1993). Society's need for women in the workforce is likely to increase in the future. Canadian demographic trends, unless reversed, will mean a shortage of workers when the baby boomers reach retirement age.[11] [12] As a result, there will be an increased need for women to participate in the paid workforce. If women are to do this, some arrangement must be made to care for their children. The quality of the child care has a direct bearing on the child's development and likelihood of success in school.

THE IMPORTANCE OF QUALITY IN CHILD CARE SERVICES

What is required for high quality child care services?

High quality child care supports the child's physical and emotional well-being and assists the development of the child's emotional, social, linguistic, and intellectual skills. Research has demonstrated that children's well-being and optimal development is associated with child care where the caregiver:

- understands what is reasonable to expect from children of various ages, and does not place unreasonable demands on children;
- is actively involved with the children and their activities, is able to identify needs, and responds quickly and appropriately to children's needs; and
- involves the children in activities that will further their skill development (Doherty-Derkowski, 1995).

These caregiver skills and behaviours, in turn, are much more likely to be found in child care provided by caregivers who have received training in early childhood education and are not responsible for too many children (Doherty-Derkowski, 1995). Poor quality child care is that which at best, provides basic safety and physical care. Research has found that caregivers providing poor quality child care:

- are remote and/or harsh with the children and not actively engaged in their activities;
- have difficulty identifying needs other than purely physical needs, and are slow to respond to children's needs; and
- fail to provide activities that will stimulate children's development (Doherty-Derkowski, 1995).

This type of care is much more likely to occur in child care services where the caregiver is untrained, and/or has responsibility for too many children at a time, and/or is dissatisfied with his or her job (Doherty-Derkowski, 1995).

Research findings supporting the importance of quality in child care services

Research in developmental psychology has demonstrated that the first six years of life are crucial for the development of the child's social, language, and cognitive skills. Furthermore, if basic skills are not achieved during this period, it may be difficult to develop competence later in life (Doherty-Derkowski, 1995; Jérôme-Forget, 1994). Studies conducted while the children were still enrolled in child care services have found a statistically significant relationship between *poor quality* child care and children who, when compared with age-mates in *high quality* child care services, had:

- poorer language skills (Goelman & Pence, 1988; McCartney, 1984; Melhuish, Lloyd & Mooney, 1990; Peterson & Peterson, 1986; Schliecker, White & Jacobs, 1991);
- poorer social skills (Vandell & Powers, 1983; Vandell, Henderson, & Wilson, 1988; Phillips, McCartney & Scarr, 1987; Jacobs, Selig & White, 1992); and
- more behaviour problems (Howes & Olenick, 1986; Peterson & Peterson, 1986).

Longitudinal research has found significant differences in school skill level between children who had been in poor quality and high quality child care when the children were compared in elementary school (Howes, 1988).

It is more important to note that research indicates that *all* children enrolled in child care should be in a high quality program. Studies show that a middle-class, two-parent home does not protect children from the negative impact of poor quality child care (Howes, 1990; Melhuish et al., 1990; Vandell et al., 1988). Not surprisingly, research also indicates that children whose development is at risk due to family environmental factors are in double jeopardy when also placed in poor quality child care (Schliecker et al., 1991). Reports for the federal government's Prosperity Secretariat and the Ontario Premier's Council on Health, Well-being and Social Justice argue strongly that quality child care services are a long-term investment for society as a whole (Doherty, 1992; Premier's Council on Health, Well-Being and Social Justice, 1994).

How can quality in child care services be encouraged?

Research[13] has demonstrated that high quality child care services are more likely:

- when adequate funding enables the hiring of sufficient staff who have been trained in early childhood education, and who receive an appropriate level of salary and benefits (level of salary has been found to be directly connected to level of job satisfaction) (Doherty-Derkowski, 1995);
- when there are government regulations[14] specifying levels of staff education, number of children per caregiver, and group size. These levels should reflect those that research has found to be associated with child well-being and optimal development;
- in centres and family day care homes that are regulated (that is, required by the province or territory to meet specific standards); and
- in regulated services that are operated on a non-profit rather than a for-profit (commercial) basis. Commercial child care services, compared to non-profit services, have been found to obtain

lower scores on a standard overall measure of quality (Friesen, 1995; SPR Associates Inc., 1986), to be more likely to be in violation of regulations regarding the permitted number of children per caregiver (De Gagné & Gagné, 1988; West, 1988), to have a lower proportion of staff with training in early childhood education (Friesen, 1995; Canadian Child Day Care Federation [CCDCF] & Canadian Day Care Advocacy Association [CDCAA], 1992), to pay lower salaries (CCDCF & CDCAA, 1992), and to have higher staff turnover rates (CCDCF & CDCAA, 1992; De Gagné & Gagné, 1988).

The current lack of support for quality in child care in Canada is illustrated by the following:

- inadequate government funding (as discussed in the following chapter);
- the limited availability of post-secondary and in-service education programs for centre staff and family day care providers;
- the very limited development of regulated family day care. Not only has there been a failure to encourage this type of service provision in some jurisdictions, there has also been a failure to ensure that family day care providers have adequate working conditions and access to information and education;
- the lack of adequate resources to enable integration of children with special needs.

Current concerns about the quality of Canadian child care services

In Canada:

- child care services depend heavily on parent fees for their operating budgets. Since there is a limit to the amount the average parent can afford to pay, services must keep their fees as low as possible to attract sufficient users for viability. As a result, they often have insufficient funds to provide adequate salaries and benefits. Poor salaries and benefits contribute to high staff turnover rates with a resulting lack of consistency for the children. In 1991, the national annual staff turnover rate was 26%, while 52% of child care providers were dissatisfied with their salary (CCDCF & CDCAA, 1992).
- each province and territory sets its own legislative standards. Many of these are below levels found by research to be necessary for a high quality program. For example, New Brunswick, the Northwest Territories, and the Yukon do not require staff in regulated child care programs to have any training in early childhood education. Most jurisdictions allow a higher number of children per caregiver than research suggests is desirable; two provinces permit seven or eight two-year-olds to be cared for by one person. Two provinces and one territory have no minimal requirements for group size. In jurisdictions where group size requirements exist, they are all larger than those found to be associated with child well-being (Childcare Resource and Research Unit [CRRU], 1994);
- in 1993, there were regulated spaces for 20% of the children under age 6 with mothers in the paid workforce (HRDC, 1994a). Some of the remaining 80% may have been cared for by their

father or another close relative. However, it is likely that many of them were in unregulated situations that did not have to meet standards and were monitored only by the parents; and

- in some provinces, there is a heavy reliance on the use of commercial child care services. In 1993, 78% of the total number of regulated centre-based spaces in Newfoundland and Labrador, 70% in Alberta, 44% in New Brunswick, 42% in Nova Scotia, and 37% in British Columbia were in commercially-operated programs (HRDC, 1994a). As previously noted, quality is more likely in non-profit than in commercial child care services.

The following chapter examines how child care services are funded and illustrates why many parents cannot afford quality child care services.

CHAPTER II - FUNDING

INTRODUCTION

Currently, regulated child care services or their costs are supported by parent fees, federal government, provincial and territorial governments, and, in some provinces, municipal governments. As discussed at the beginning of the previous chapter, the February, 1995 federal budget announced that the current federal-provincial/territorial cost-sharing method under the Canada Assistance Plan (CAP) will change effective April 1, 1996. There have been no changes announced to other current mechanisms whereby federal funds are used for child care, such as income tax measures and the Dependant Care Allowance (discussed in this chapter).

The patch-work approach to funding:

- fails to recognize disparities in parental ability to pay for regulated child care services, thereby reducing their affordability and accessibility;
- treats families inequitably across regions, and within regions;
- compromises the quality and stability of child care services; and
- acts as a disincentive for some parents who wish to join the paid workforce.

Furthermore, because federal, provincial/territorial, and municipal funding for regulated child care has developed on an ad hoc basis, in some situations, different programs in the funding 'system' work at cross purposes. Taken as a whole, the current funding programs at the various government levels fail to provide an adequate foundation for the development and maintenance of an accessible, affordable, quality child care system that can support families or support Canada's broad social or economic policy objectives.

Parent fees are the primary source of operating funds for regulated child care in Canada. In 1991, a national survey found that parent fees accounted for more than 65% of the revenue in centre-based services in four provinces and one territory, and for more than 55% in a sixth jurisdiction (CCDCF & CDCAA, 1992). Most provinces, and the two territories, do provide recurring, service-based grants to regulated services, but these tend to be small (see Appendix B). Furthermore, since 1991 when the national survey was conducted, provincial grants to child care services have been suspended in Newfoundland and New Brunswick, and decreased in Alberta, Manitoba, and Prince Edward Island (Table IV, on page 26).[15] Therefore, in several provinces at least, regulated child care services are now even more dependent on parent fees to cover their on-going operating costs than they were in 1991.

Child care is labour intensive. A relatively large number of caregivers is required to ensure that the number of children per caregiver (the staff-to-child ratio) is reasonable and encourages frequent communication between adults and children. Regulated services must maintain the required staff-to-child ratios in order to remain licensed, even if provincial funding is decreased or eliminated. Since they cannot reduce the number of caregivers, their only alternative is to raise fees or reduce staff wages. However, raising fees decreases the number of parents who can afford the service. This has two potentially negative effects. First, there is the increased likelihood that the parent will have to use less expensive, unregulated services. This raises a concern about the quality of care the child will receive. The second concern is the possibility that the service will have to close, reducing the overall availability of child care services. Because of the high dependency on parents' fees to cover the budget, operating costs (for example, rent and wages) cannot be covered if there are insufficient users.

FEDERAL FUNDING

Federal government expenditures related to child care

Table 1, on the following page, provides information on the expenditures related to child care by the federal government through the Canada Assistance Plan (CAP), various income tax, and other measures. It should be noted that the amounts indicated in Table 1 are estimates. For example, as of October, 1994 when the data were collected, not all provincial/territorial claims for reimbursement by the federal government under CAP had been settled. Therefore, the final actual amount for 1992 may actually be greater. Expenditures for the Young Child Supplement are 'buried' in the Child Tax Benefit as a whole. While the federal government does know how many children received the Supplement, it has not calculated the percentage of families where the full amount was less than the maximum because of the level of the family income (Tax Policy Branch, Department of Finance, personal communication, October, 1994).

Table I

Estimated expenditures related to child care by the federal government, 1992

Item	Amount
Young Child Supplement to the Child Tax Benefit	$340 million
Child Care Expense Deduction	$320 million (foregone revenue)
Canada Assistance Plan (CAP) (expenditures specific to child care)	$310 million (estimate)
Dependent Care Allowance	$93 million
Child Care Initiatives Fund (CCIF)	$15 million
Indian and Northern affairs (expenditures specific to child care)	$8.5 million
TOTAL	**$1,086.5 million**

Sources: Lynne Westlake and Francine Knoops, Human Resources Development Canada, personal communication, 1994; and the Tax Policy Branch, Department of Finance, personal communication, 1994.

Notes: The three provinces where a cap was placed on CAP in 1990 (see Appendix C) are not being fully reimbursed for their claims. Information on the extent to which the federal money received under CAP by each of these provinces is being used for child care services rather than social assistance is not available.

The basic Child Tax Benefit and the supplement for the third and additional children are not included in the above table. They are not deemed to be sufficiently related to expenditures for child care services. In contrast, the Young Child Supplement to the Child Tax Benefit was introduced by the previous government in 1988 as part of its National Child Care Strategy (Government of Canada, 1987).

Federal income tax measures related to child care[16]

The Child Care Expense Deduction is specifically intended to assist parents to purchase child care services. The Young Child Supplement may be used for this purpose.

a) The Child Care Expense Deduction

Since 1971, the Child Care Expense Deduction provision of the *Income Tax Act* has allowed families to deduct some of their work-related expenses for child care services. In 1994, the deduction was up to $5,000 for each child under age 7, and up to $3,000 for each child between age 7 and 14. Older children were also eligible if they were dependent due to mental or physical infirmity or impairment. As illustrated by Table 1 on the previous page, in 1992 , the Child Care Expense Deduction cost the federal government an estimated $320 million in foregone tax revenue.

The limits associated with the Child Care Expense Deduction by the federal government are that:

- in a two-parent family, both parents must be in the labour force, in full-time higher education, or in a job training program in order to make a claim; the deduction can only be claimed by the lower income-earning parent (with the exception of Québec), where either parent may make the claim);
- the cost for child care services must have been incurred because the claimant was working, in a full-time higher education program, or in job training. Costs incurred to meet other needs for child care are not eligible;
- the total deduction may not exceed two-thirds of the earned income of the lower-income earning parent; and
- the claimant must be able to produce receipts for child care services.

From 1986 to 1993, in regard to the provincial income tax return, Québec allowed the parent with the higher income to claim the deduction and the deduction to be 100% of the income of the lower-earning parent instead of the federal limit of two-thirds. As a result, the deduction has been more beneficial to families living in Québec than to families elsewhere.

In 1994, the Liberal government in Québec announced that it would convert the Child Care Expense Deduction into a refundable tax credit[17] with the percentage decreasing as family incomes rose. For single parents with net[18] incomes below $9,800, and two-parent families with net incomes below $14,400, the Québec government will reimburse 75% of receipted child care costs up to a maximum of $5,000 per child under age 7, and $3,000 per child between age 7 and 14. The percentage declines to 26.4% (Québec's maximum tax rate) for a family of four with a gross[19] income of about $69,000 (Québec, Ministère des Finances, 1994). The stated objective of this change to the Child Care Expense Deduction, plus an $18 million increase for parent subsidies, is to lower the cost of child care services for low- and middle-income families even if centres raise their fees, as anticipated, in order to provide higher staff salaries. The Parti Québécois government, elected in the Fall of 1994, is currently reviewing child care funding, and may increase direct grants in the interest of promoting pay equity (Thibaudeau, 1995).

b) The Young Child Tax Benefit to the Child Tax Benefit [20]

In 1978, the federal government created an income-tested (that is, geared-to-income) refundable tax credit for families with children as a partial replacement for the Family Allowance. The government's stated objective was to target family benefits to low-income parents. In 1993, the Family Allowance, the refundable child tax credit and the non-refundable tax credit were integrated into a new income-tested Child Tax Benefit. This government action is significant for two reasons. First, the result of this integration is that Canada no longer has tax or other measures to support upper-middle-income families with children (Rose, 1994). Secondly, after the failure to pass the proposed *Canada Child Care Act* in 1988, the only measures taken by the Conservative government to improve child care affordability were to increase the Child Care Expense Deduction and to add a Young Child Supplement to the Child Tax Credit. These measures were introduced as an *alternative* to a national child care strategy or providing direct government funding to child care services. The only part of the Child Tax Benefit that is sometimes considered to be a child care measure is the Young Child Supplement.

The basic **Child Tax Benefit** is available to families with a dependent child under age 18 regardless of how the family income is derived. In 1994, the benefit was $1,020 per child per year.[21] The Child Tax Benefit is income-tested and the benefit starts to be taxed back once the family income exceeds $25,921. The Child Tax Benefit discussed in the context of funding child care services applies to dependent children up to age 18 and is available, depending on income, whether or not expenses for child care services are incurred.

The Child Tax Benefit has a **supplement for the third or additional child**. In 1994, this supplement was $75 a year for the third and each additional child per family. The supplement applies to all families with three of more children under age 18 regardless of how the family income is derived. If a family happens to have three children, one of whom is under age 6, in 1994, it could have received the $1,020 basic Child Tax Benefit, the Young Child Supplement, and the supplement for the third or additional child. The supplement for the third or additional child is also income-tested and taxed back above the income level of $25,921.

The **Earned Income Supplement** specifically targets low-income parents in the paid workforce; it is not tied to the age or number of children. The full amount of $500 per family (not per child) per year is paid to families with earned incomes between $10,000 and $20,921. Partial amounts are paid for incomes between $3,750 and $10,000, and between $20,921 and $25,921. Families with an earned income above $25,921 receive no Earned Income Supplement. The Earned Income Supplement is on top of the basic Child Tax Benefit.

The **Young Child Supplement** is a supplement to the basic Child Tax Benefit. Its purpose is to recognize the work done by parents taking care of their own children on a full-time basis, or to provide a minimum reimbursement to families with expenditures for child care who do not claim the Child Care Expense Deduction (either because they have no receipts or because the income of the lower earner is too low to pay taxes). In 1994, the Young Child Supplement provided $213 per year per child for children under age 7 regardless of how the family income was derived. This $213 was on top of the basic Child Tax Benefit of up to $1,020 per child per year. Like the basic benefit, it is income-tested and begins to be taxed back when the family income exceeds $25,921. In 1993, the federal government had an estimated expenditure of $340 million for the Young Child Supplement (see Table 1).

The uneven benefit received from the Child Care Expense Deduction and the Young Child Supplement across the income spectrum

Table II provides 1991 information on the number of children for whom the Child Care Expense Deduction was claimed, the average deduction, the estimated value of federal tax savings, and the estimated cost of the deduction to the federal government. Table III shows, for the same year, the number of children for whom the Young Child Supplement was received *instead of* the Child Care Expense Deduction, the average value of the Supplement, the estimated cost to the federal government, and the percentage of families receiving the Supplement. For income levels under $10,000, 84.3% of families received the Young Child Supplement while only 15.7% claimed the Deduction. For incomes between $10-20,000, 63.9% of families received the Supplement and only 36.1% claimed the Deduction.

Table II shows that the Child Care Expense Deduction is most often claimed for children with a parent who is a middle-income taxpayer. In most cases, this means that the family is a high-income taxpayer because, in two-parent families, the Deduction can only be claimed if both parents work, and only by the parent with the lowest income (except on the Québec income tax return).

Table III shows that, in contrast to the situation with the Child Care Expense Deduction, the largest proportion of taxpayers who claim the Young Child Supplement are those with low incomes. For these people, the Deduction has little or no value, even if they incur child care expenses, because their taxable income is too low. The majority of funds for the Young Child Supplement go to low-income families.

For taxpayer incomes under $10,000, the Young Child Supplement was received for 84.3% of children, while the Deduction was claimed for only 15.7%. For incomes between $10,000 and $20,000, the Supplement was received for 63.9% of the children and the Deduction was claimed for only 36.1%. The introduction of the Young Child Supplement, and the doubling of the amount of the Child Care Expense Deduction were instituted as an alternative to a national child care program. In 1991, as illustrated by Table II, the total estimated cost to the federal government of these two tax measures was about $672.5 million. This is more than double the 1991 expenditure of $290.7 million on the Canada Assistance Plan (Health and Welfare Canada, 1993a).

A critique of the use of income tax measures to fund child care

Table I illustrates that $660 million (62.1%) of the estimated 1992 federal child care-related expenditures, *excluding* both the Child Care Initiatives Fund, described later, and funding through Indian and Northern Affairs for Aboriginal services, went to income tax deductions and credits.

Income tax measures are inappropriate for the development of an equitable, accessible quality child care system because:

- in the case of tax deductions, the benefit is inequitable from a taxation point of view. Deductions are of greater value to high-income families than to low- or middle-income families; their value varies greatly from one family to the next depending on whether it is a one-parent or a two-parent family, and on how earnings are distributed within a two-parent family. Because of

Table II

The Child Care Expense Deduction:
Proportion of Children for Whom It was Claimed, Average Deduction,
Estimated Federal Government Expenditure by Income Level Canada-wide, 1991

Income level	<$10,000	$10-20,000	$20-30,000	$30-40,000	$40-50,000	$50-100,000	$100,000+	TOTAL
Number of children for whom deduction was claimed	103,770	287,260	302,810	204,090	102,000	86,100	7,230	**1,093,230**
Average deduction ($) per family	752	1,210	1,509	1,684	1,869	1,786	1,952	**1,450**
Estimated tax saving ($) per family	30	215	268	458	508	500	621	**310**
Federal government expenditure ($) (estimate)	3,823,440	61,761,799	81,170,417	93,373,509	51,804,767	42,823,442	4,491,746	**399,244,025**
Children in the income category for whom deduction was claimed (%)	15.7	36.1	52.8	68.5	84.0	97.8†		**32.5**

† Figure based on income levels $50-100,000 and $100,000+ due to the small number of children in these categories.

Source: Calculated by Ruth Rose, Department of Economics, l'Université du Québec à Montréal from Revenue Canada, 1993, *Taxation Statistics, Analyzing the Returns of Individuals for the 1991 Taxation Year and Miscellaneous Statistics*, Table 11.

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Table III

The Young Child Supplement:
Number of Children for Whom It Was Claimed, Average Amount,
Estimated Federal Government Expenditure by Income Level Canada-wide, 1991

Income Level	<$10,000	$10-20,000	$20-30,000	$30-40,000	$40-50,000	$50,000+	TOTAL
Number of children for whom deduction was claimed	1,250,920	291,340	105,360	31,000	7,430	1,160	**1,687,230**
Average amount ($) per family	201	190	187	182	190	201	**198**
Federal government expenditure ($) (estimate)	251,056,000	55,282,000	19,656,000	5,649,000	1,408,000	233,000	**333,283,000**
Children in the income category for whom supplement claimed (%)	84.3	63.9	47.2	31.5	16.0	2.2	**67.5**

Source: Calculated by Ruth Rose from Revenue Canada, 1993, *Taxation Statistics. Analyzing the Returns of Individuals for the 1991 Taxation Year and Miscellaneous Statistics*. Table 13.

different tax rates and approaches in different jurisdictions, the value also varies across the provinces and territories;

- the value of the deductions and credits is considerably below the actual cost of child care services for the vast majority of families, making both measures inequitable from the perspective of modest and lower income families who don't have additional funds to spend for child care;

- neither deductions or credits do anything to build or support the supply of regulated child care services in a way that would broaden parents' choices, enable affordable fee scales for child care services or provide a stable funding base for what is an essential service for many families. Instead, income tax measures divert funds that otherwise might have been used to develop services;

- neither deductions nor credits do anything to improve quality in child care services. For example, they do not address issues such as staff training requirements or the permitted number of children per caregiver. Similarly, they do not cover the costs of the necessary infrastructure for quality child care services, for example, family support programs, caregiver education programs, and training for government licensing officials;

- because their availability is not tied to the use of regulated child care services, they support the use of unregulated care. As discussed in Chapter I, research has shown that child well-being and optimal development are more likely to occur in regulated services than in unregulated care. In addition, when unregulated care is used, there is no public accountability for the use of public funds;

- because their availability is not tied to the use of non-profit care, they support commercial operations. As Kamerman has pointed out, increases in tax measures in the United States lead to proliferation of commercial child care services (Kahn & Kamerman, 1987). As discussed in Chapter I, research has shown that quality is more likely to occur in non-profit than in commercial child care services; and

- because provincial and territorial taxes are expressed as a percentage of federal taxes, with the exception of Québec, a federal tax deduction automatically reduces provincial and territorial tax revenues. This, in turn, reduces provincial and territorial potential to fund child care services.

It should be noted that some of these criticisms apply to vouchers and child care allowances as well as tax measures.

The Canada Assistance Plan

a) General description

The Canada Assistance Plan (CAP) has been a primary mechanism used to direct federal funds to regulated child care services for the past 20 years. In the February, 1995 budget, the federal government announced its intention to combine CAP with existing federal block funding of health and post-secondary school education to form a single block grant, the Canada Health and Social Transfer.

CAP has allowed the federal government to reimburse up to 50% of eligible provincial or territorial expenditures in providing income and services to lessen, remove, or prevent the causes and effects of poverty including provision of child care for the target groups (that is, people deemed to be in financial need or vulnerable to becoming in need). It is important to recognize that the primary purpose of CAP has been to finance social assistance and welfare services. The provisions for cost-sharing child care expenditures as welfare services were added five years after CAP was implemented in 1966.

The provisions of CAP relative to child care services have been:

- subsidization of fees for low-income parents who meet the eligibility criteria established by the jurisdiction in which they reside. Cost showed subsidies have been limited to non-profit services unless a needs test is employed to determine eligibility;

- provision of operating grants for regulated non-profit services. However, cost-sharing of operating expenditures is limited to expenditures that can be directly related to the subsidy-eligible children receiving the service; and

- refunding the value of depreciation of land, premises, and equipment. However, cost-sharing is limited to depreciation that can be directly attributed to the subsidized children. Since capital expenditures are generally amortized over a 25 to 30 year period, the provincial and territorial governments only recover about 4% a year of the funds they have spent on capital items. As a result, the value of the depreciation cost-sharing provision is actually very limited and provides little incentive to the provinces and territories to develop new child care spaces. New non-profit spaces are dependent on government start-up capital because it is extremely hard for parent groups and other non-profit organizations to raise the necessary funds.

b) A critique of the use of CAP to fund child care services

As noted in Table I, the Canada Assistance Plan accounted for the third largest federal expenditure on child care in 1992, an estimated $310 million.

Major problems with CAP as a means of funding child care services stem from:

- its fixed percentage cost-sharing approach, which has mitigated against expansion in the poorer provinces;

- the fact that CAP was developed as a method to fund welfare services. No fundamental change was made to the welfare approach as the need for child care services grew;

- the fact that CAP targets low-income families, leaving out modest income families who cannot afford the full cost of child care either;

- the fact that its structure encourages provincial disparities in access to child care; and,

- the fact that CAP's structure does not encourage development of a sufficient supply of child care.

i) the impact of fixed percentage cost-sharing

The fixed percentage cost-sharing approach requires the provinces and territories to spend a certain proportion of their own funds in order to access federal monies. In the case of CAP, the federal government can reimburse the provinces and territories for up to 50% of their CAP-eligible expenditures. However, the provinces and territories are not equal in their ability to generate their own revenue through individual and corporate income tax or other taxes. Jurisdictions with a poorer tax-base, the so-called 'have-not' provinces and the territories, cannot afford to spend as much on themselves, even on a per-capita basis, as can other jurisdictions. As a result, they get a smaller per capita amount of money through a cost-sharing arrangement that uses a fixed percentage approach (Duperré, 1987). In the case of cost-sharing under CAP, the fixed percentage requirement means that the 'have-not' jurisdictions are unable to provide the same volume of child care fee subsidization relative to their population of eligible low-income parents as other provinces;

ii) the impact of the welfare framework

The welfare framework of CAP particularly affects the fee subsidy provision. Because this provision is administered through a welfare framework:

- the maximum fee subsidy that the government is prepared to cost-share per child *decreases* with each additional child, even though the family's total costs for child care would increase with each additional child; and

- the government's contribution to fees decreases as the family's income increases. Furthermore, the recovery (tax-back) rate in some provinces is sufficiently high so as to be a real disincentive to lower-income parents trying to improve their living standards through entering the paid workforce.

Thus, while the apparent original purpose of the fee subsidy in CAP was to encourage low-income parents with young children to participate in the paid workforce or job training programs, its placement in a welfare program results in disincentives to do so. As figures I, II and III point out, this is particularly true for a single mother with more than one preschooler.

iii) the impact of targeting low-income families

The fee subsidy program excludes families with an income above a certain level. This means that middle-income families receive no subsidy. As a result, the fee subsidy program does little to assist middle-income families' ability to afford regulated child care services. At the same time, as illustrated in Tables II and III, families with incomes between $20,000 and $40,000 get less benefit from the Child Care Expense Deduction than do higher-income families and less from the Young Child Supplement than lower-income families. The *National Child Care Study* found that children from families with incomes either less than $10,000 or more than $50,000 used regulated child care services in greater proportions than did children from intermediate-income families. *Subsidized care is the main reason for this unusual distribution. Children in low-income families may qualify for fully-subsidized care, and families with high incomes can afford full-fee care* (Centre for International Statistics [CIS], 1993, p.6). The result is, then, a two-tiered child care service system which essentially excludes the middle-class from regulated services.

iv) provincial disparities

CAP allows the provinces and territories to determine their own upper income level for subsidy eligibility, the approach used to determine eligibility, the maximum amount of subsidy provided, and the number of child care spaces subsidized or the total subsidy budget. This has permitted inequities in access to fee subsidy and subsidy availability across the country.

v) insufficient regulated spaces

The CAP mechanism assumes that if the government assists low-income families to purchase child care services, there will be sufficient regulated spaces for them to purchase. In fact, in most communities, there are not sufficient regulated spaces (this is demonstrated in the following chapter). Where jurisdictional regulations permit, as in British Columbia and the Northwest Territories, parents use fee subsidies to purchase unregulated care. The concern about this practice is that children are placed in situations which do not have to meet health, safety, or quality standards.

Additional information about the funding approach used under CAP, the implications of this approach, and the impact of the "cap" on CAP imposed on Alberta, British Columbia and Ontario in 1990, is provided in Appendix C.

The Dependent Care Allowance[22]

Human Resources Development Canada provides an allowance for the purchase of child care as part of the Canadian Jobs Strategy Program. In 1994, trainees received a per diem of $20 for each of their first two children under age 14, an additional $15 a day for the third eligible child, and an additional $10 a day for the fourth child. The maximum per diem was $65. However, the allowance ceases once the training is over, leaving the individual in the same situation regarding the problem of affordability as any other parent.

As noted in Table I, in 1992, an estimated $93 million was spent on the Dependent Care Allowance. There is no requirement that Allowance recipients use regulated services, or even that the funds be used to purchase child care. Lack of such requirements raises concerns about:

- the quality of care children may be receiving in unregulated situations which do not have to meet standards and are not monitored; and
- the lack of accountability for public funds, that is, lack of a mechanism to ensure that the Allowance was actually used to purchase child care services.

In addition, see the section on the Child Care Expense Deduction (page 13) for further concerns about child care allowances.

Contributions through Indian and Northern Affairs[23]

Formal federal/provincial or tripartite (federal/provincial/native) agreements provide authorization for the federal government to contribute to the cost of providing child care services on-reserve or in Aboriginal communities in Alberta, New Brunswick, Ontario, and Québec. There are no similar agreements with any other province or with either of the territories. However, Indian and Northern Affairs also provides funding for four of seven licensed on-reserve child care services in British Columbia.

The result of formal funding arrangements with some, but not all provinces, and with neither territory, is that:

- federal support for child care services on-reserve or in Aboriginal communities is not equitable across regions; and
- some provinces have no regulated child care services on-reserve (CRRU, 1994).

Inequity of treatment also exists among the four provinces with agreements because of the agreements' different provisions. In Alberta, a 1992 protocol attached to the tripartite Social Services Agreement permits the province to claim back federal funding equivalent to the provincial monies paid out for child care services. However, this pertains only to ten specific centres. Under New Brunswick's tripartite Child and Family Services Agreement, federal funding is available for compensatory preschool programs for at-risk, on-reserve children. The number of spaces is negotiated each year and a block grant is provided by the federal government on this basis. In Ontario, under the terms of the 1965 federal/provincial Indian Welfare Agreement, the federal government reimburses the Province for 91% of its expenditures up to 80% of the cost for on-reserve child care services. The band is responsible for the remaining costs. The James Bay Agreement in Québec pertains to specific Inuit and Cree treaty peoples in the northern part of the province. The agreement permits the federal government to reimburse Québec for 75% of the cost of child care services provided to the Aboriginal people covered by the Agreement (CRRU, 1994).

The Child Care Initiatives Fund

In 1988, as part of the National Strategy on Child Care, the federal government introduced the Child Care Initiatives Fund (CCIF) to fund research, needs assessments, conferences, curriculum development, and innovative demonstration child care services. Twenty per cent of its budget was allocated for Aboriginal projects. The program ended on March 31, 1995.

The Child Care Initiatives Fund made a substantial contribution to child care by:

- providing money for much-needed Canadian research, including research related to Aboriginal child care services, an area of study that previously had received little attention;
- enabling the sharing of research findings, service-delivery experience, and other related information among the child care community across Canada;
- funding the development of Canadian child care staff training and resource materials;

- permitting new models of child care services, for example, family support services and flexible child care services, to be demonstrated and evaluated; and
- enabling child care organizations, child care researchers, and other groups to provide input and feedback to the federal and provincial/territorial policy development process.

Child Care Visions

On April 7, 1995, the federal government announced the creation of the Child Care Visions research and development program with $6 million to be available in 1995/96 (Government of Canada, 1995). The intent of this program is to fund research and evaluation projects to study outcomes and cost-effectiveness in child care practices and innovative approaches to meeting child care service needs. A technical advisory group appointed by the government will determine research priorities.

A summary critique of current federal funding approaches

Current federal funding approaches related to child care services:

- combine an income-tested program, which targets low-income families, with the Child Care Expense Deduction, which provides the most benefit to high-income families. This discriminates against middle-income families;
- encourage provincial and territorial governments to twist their child care policies in order to maximize federal funding. For example, Québec sets a low maximum amount for fee subsidies and has a low tax-back rate. This approach increases the proportion of direct grants cost-shared by the federal government, but does not increase affordability for parents;
- have contributed to inequities in accessibility to child care services across the country;
- have supported the use of unregulated child care services at the expense of regulated services. Research has found that quality is more likely in regulated than in unregulated child care;
- have allowed a considerable amount of public money to go to commercial child care services. Research has found that quality is more likely in non-profit than in commercial programs;
- have allowed a considerable amount of public money to be spent in situations where there is limited accountability for how the funds are spent, for example, the Child Care Expense Deduction and Dependent Care Allowance; and
- fail to encourage the provinces and territories to expand child care services.

Overall, federal funding for child care has been characterized by the absence of a coherent, planned, approach. As pointed out earlier, the federal budget of 1995 announced changes to current arrangements which are expected to make development of a coherent child care system even more difficult.

PROVINCIAL AND TERRITORIAL FUNDING

Levels of provincial and territorial funding

According to Human Resources Development Canada, in 1993 and 1994, the provinces and territories spent an estimated $1.2 billion on child care services annually, *excluding* their share of lost income tax revenue as a result of the Child Care Expense Deduction and provincial funds spent on preprimary programs in the school system (preprimary funds are estimated at about $1.5 billion annually) (CCAAC, 1994a).

The total per capita expenditure on child care services by provinces and territories varies considerably. In 1991/92, the amount varied from a low of $15.40 per year per child age 0 to 12 in Newfoundland, through $28.17 in New Brunswick, $231.76 in Ontario, to a high of $399.70 in the Yukon (CRRU, 1994). In part, unequal funding levels reflect different degrees of commitment to the support of child care services. However, they also reflect the fact that provinces and territories have unequal capabilities to raise revenue. The result of the disparities in per capita funding levels has been inequity in access to child care services across jurisdictions.

Additional information on funding provided to child care services by the provinces and territories is provided in Appendix B.

Recent reductions in provincial and territorial support for child care services

By the late 1980s, almost all the provinces and both territories:

- had enacted child care legislation and had systems for monitoring for compliance with the legislated requirements; and
- were providing some form of direct funding to regulated child care services.

Government recognition of its responsibility for safety and quality in child care services, as shown by the implementation and enforcing of regulations, plus the provision of direct funding, suggests that provincial and territorial governments were beginning to realize that child care services were essential for many families.

However, as demonstrated by Table IV on the following page, since 1990, the provision of direct funding to child care services has been suspended in two provinces, and decreased in three provinces. During the same period, several jurisdictions have reduced the number of provincial licensing officers, and, thereby, their ability to monitor services for compliance with the legislated regulations. Newfoundland and Nova Scotia also stopped having a provincial director solely responsible for child care. In both provinces, responsibility for child care has been combined with other program responsibilities.[24] Thus, in the past five years, there has been a retreat from provincial/territorial government assumption of responsibility for child care services.

In 1994, Alberta and New Brunswick announced increases in the maximum income level under which a family is eligible for fee subsidy. Unfortunately, the elimination of direct funding to child care services in New Brunswick, and the reduction in direct funding in Alberta, means that fees have to increase. As a result, families will have to pay more for regulated child care than they would have previously. For some families, this negates the value of the increase in maximum income level for fee subsidy eligibility. New limits to access to subsidies were introduced in other provinces as well in 1993, 1994 and 1995.

Table IV.

Reductions and eliminations of provincial and territorial provision of direct funding to child care programs since 1990

Jurisdiction	Reductions and limitations	
Alberta	**1990**	announcement that operating grants are to decrease to a flat $50 per child by 1994 from the previous $257 per child for children age 0-18 months, $131 per month for children age 13-35 months, $78 per month for children age 3 to 4.5 years, and $65 per month for children over 4.5 years of age
	1994	an additional $5 million cut from the provincial child care budget
	1995	an additional $2 million cut, with a projected additional $4 million to be cut in 1996/97
Manitoba	**1993**	the operating grant to child care services reduced by 4%, and the grant to nursery schools by 50%
New Brunswick	**1994**	operating grants to centres reduced by 50%
	1995	operating grants eliminated
Newfoundland	**1993**	start-up grants and operating grants suspended
Prince Edward Island	**1993**	operating grants to both centres and family day care cut by 9%

Source: Telephone survey conducted April, 1995 for this report. See Appendix A for a list of respondents.

Provincial, territorial, and federal funds used in unregulated child care

Both British Columbia and the Northwest Territories permit fee subsidies to be used to purchase unregulated care (CRRU, 1994). In March, 1994, 57% of fee subsidies in British Columbia were spent on unregulated child care services (British Columbia Ministry of Social Services, 1994). This figure includes care provided in the child's own home, and family day care homes that do not require a license because the caregiver looks after no more than two children other than her own. Some of these homes are supported and monitored through provincially-funded Child Care Support Programs although there are no regulations defining how the support programs do this.

A critique of current provincial/territorial funding approaches

The disparities in approach and funding levels among provinces and territories have also contributed to inequities in access to, and the cost of, child care services across the country. Other major concerns are:

- the use of public money to support commercial child care;
- the lack of accountability for the use of public funds when they are used by fee subsidy recipients to purchase unregulated child care;
- the failure of fee subsidies to cover the actual cost of care, and the low income levels used to determine families' eligibility for subsidies; and
- inadequate availability of subsidies for eligible families.

MUNICIPAL FUNDING

Municipalities are involved in providing some funds for child care in Alberta and Ontario. In both provinces, municipal involvement is voluntary.

Alberta

In Alberta, the provincial government is only responsible for child care services for children up to age six (CRRU, 1994). Municipalities get a provincial grant, previously known as the 'human services grant' but now called the 'municipal works grant', which can be used at the municipality's discretion. A number of municipalities have used part of this grant to purchase or operate school-aged child care services. In the past, many of the municipalities found it necessary to supplement provincial funding with their own funds in order to operate these services. This has become more difficult due to recent significant reductions in provincial grants to municipalities (K. Charlton, personal communication, June, 1994). There are two concerns with the current arrangement in Alberta:

- the provincial funding under the municipal works grant can be used at the municipality's discretion. Therefore, a municipality can choose not to fund school-age child care services, or to stop funding them, when the municipality is having financial difficulties; and
- the school-age child care services purchased or operated by the municipality do not have to meet any specific province-wide standards (although some municipalities impose their own standards).

Ontario

The role of Ontario municipalities in child care is much broader than it is in other provinces. Not only can they directly operate or purchase child care services, municipalities also administer the funds for the fee subsidy program. In the fee subsidy administration role, the municipalities have considerable latitude regarding eligibility criteria and how the fee subsidy program operates. Municipalities that administer the fee subsidy program must contribute 20% of the total cost of subsidized child care in the municipality. A municipality can choose not to participate in child care subsidization, and, in this case, does not have to contribute the 20% (CRRU, 1994).

Some Ontario municipal governments have supplemented provincial spending for child care subsidies in order to meet the needs of the municipality's residents, exceeding their responsibility. However, more often the discretionary role of Ontario municipalities has been an impediment to access to child care services for low-income parents. Problems associated with municipal administration of the fee subsidy program include (Ontario Coalition for Better Child Care [OCBCC], 1991):

- considerable variation from municipality to municipality in: a) the maximum income and other items used to calculate subsidy eligibility, b) the maximum amount of subsidy granted, c) the presence or absence of a surcharge, and d) the amount of the surcharge where it is applied;

- lack of a mechanism in some communities whereby parents can access fee subsidization. This can occur if a municipality declines to administer a fee subsidy program, or the community is an 'unorganized territory' which lacks a municipal government. In these situations, the legislation permits a non-profit child care organization in the community to assume responsibility for the fee subsidy program. However, that organization then has to contribute 20% of the total costs of the subsidization provided. This means the organization has to use funds from its operating budget, engage in fund-raising for this purpose, or charge the parents 20% of the cost. As a result, there are some areas in Ontario where there is no mechanism for the administration of a fee subsidy program; and

- different criteria for priority when waiting lists exist. In one place, the parent receiving social assistance who wishes to enter the paid workforce might be given priority. In another place, priority might be given to the single teen mother who wants to return to school.

The inequitable process in Ontario means that a family with a given set of circumstances may be able to obtain a subsidized child care space in one municipality, but would not be able to do so if it lived in the neighbouring municipality.

The Ontario Coalition for Better Child Care has proposed that the municipal role in cost-sharing and funding administration be abolished, but not the municipal role in operating child care services (OCBCC, 1992). The Coalition's rationale is that it is inappropriate to rely on the local property tax to fund part of the subsidy program. In contrast to the federal and provincial/territorial governments, municipal governments have only one way to raise taxes, that is, through property taxes. This form of taxation is considered to be regressive because the proportion of housing costs in the family budget, and, therefore, the amount of property tax paid relative to income, is much higher for low-income families than for families with higher incomes. The fact that municipalities have only one way to raise revenue, and the regressive nature of property taxes, means that the municipal level of government is the least appropriate level for funding a service that is essential for many families.

THE IMPACT OF THE CURRENT FUNDING MECHANISMS ON THE USERS OF CHILD CARE SERVICES

The cost of child care to parents at the same income level varies across provinces

Figures I and II on the following two pages illustrate the net cost of child care services for single-parent families and two-parent families, respectively, in four different provinces, after fee subsidies, the value of the Child Care Expense Deduction and the value of other federal, provincial or territorial programs that affect the cost of child care have been taken into account. The total fees used in the calculations (which assumed each family had one infant and one preschooler receiving child care) were an average of $8,724 for Alberta, $8,874 for Nova Scotia, $8,952 for Saskatchewan, and $9,320 for Québec.[25] The dollar amount of the estimated net cost at the different income levels, and the percentage of income that this represents, is presented in table form for both family types in Appendix D.

Figures I and II illustrate that although nominal fees for the hypothetical two children do not vary much between the four provinces (they range between $8,724 and $9,320) the net cost to parents across the provinces does vary, sometimes by a substantial amount:

- parents with incomes under $35,000 have higher costs in Saskatchewan, whether they are single- or two-parent families, than in any of the other three provinces;
- parents with incomes over $30,000 have lower costs in Québec than in any of the other three provinces; and
- costs in Saskatchewan for single-parent families are routinely at least $1,000 more per year than for comparable families in Québec. For two-parent families, the difference may be up to $2,000 between Saskatchewan and Québec at the same income level.

Québec costs to parents are lower, in part because the Québec Child Care Expense Tax Deduction is more generous, especially to two-parent families, and in part because of the APPORT program (a form of earned income supplement) and a special family tax deduction.

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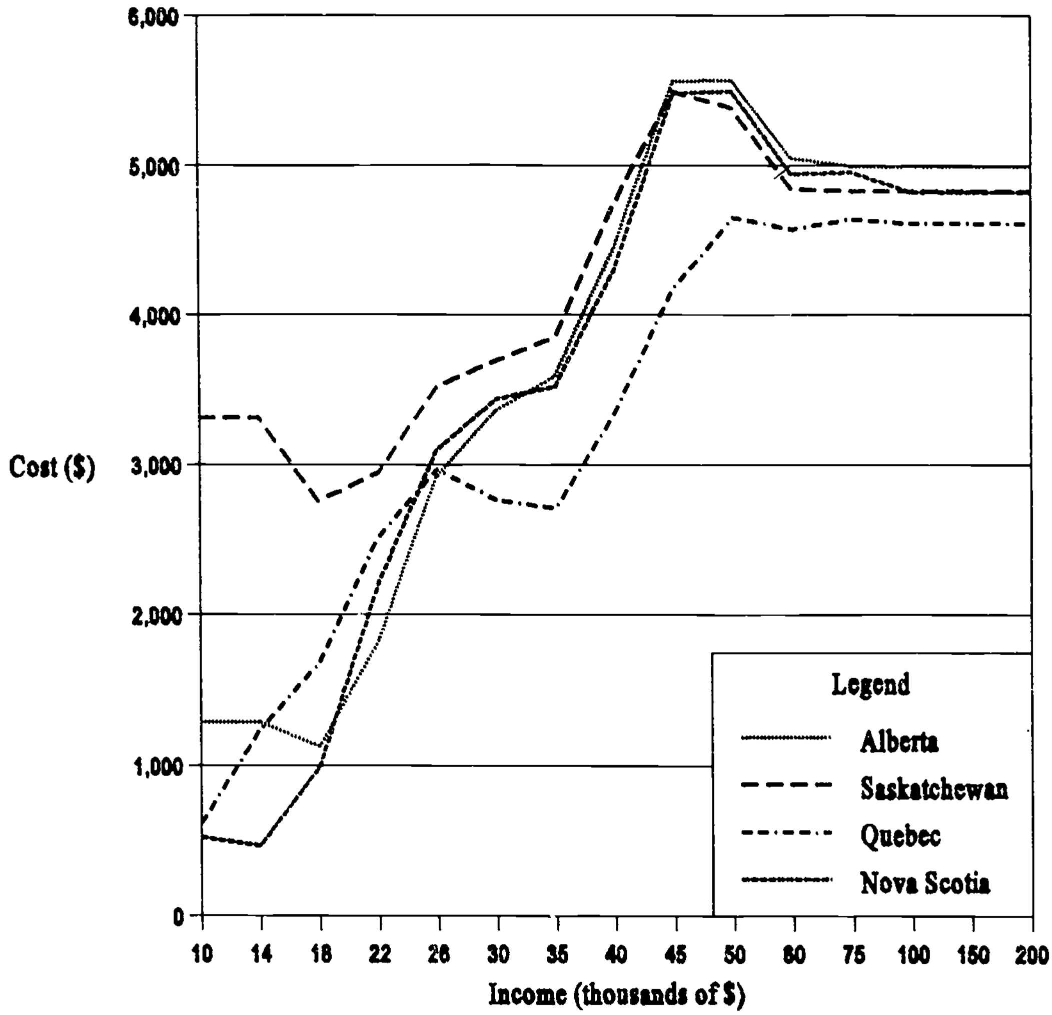
Figure I.

Net Annual Cost of Child Care Services by Income, 1992
(Single-Parent Families, One Infant and One Preschooler)



Source: Ruth Rose, research in progress. The research has benefited from a Strategic Grant from the Social Sciences and Humanities Research Council of Canada.

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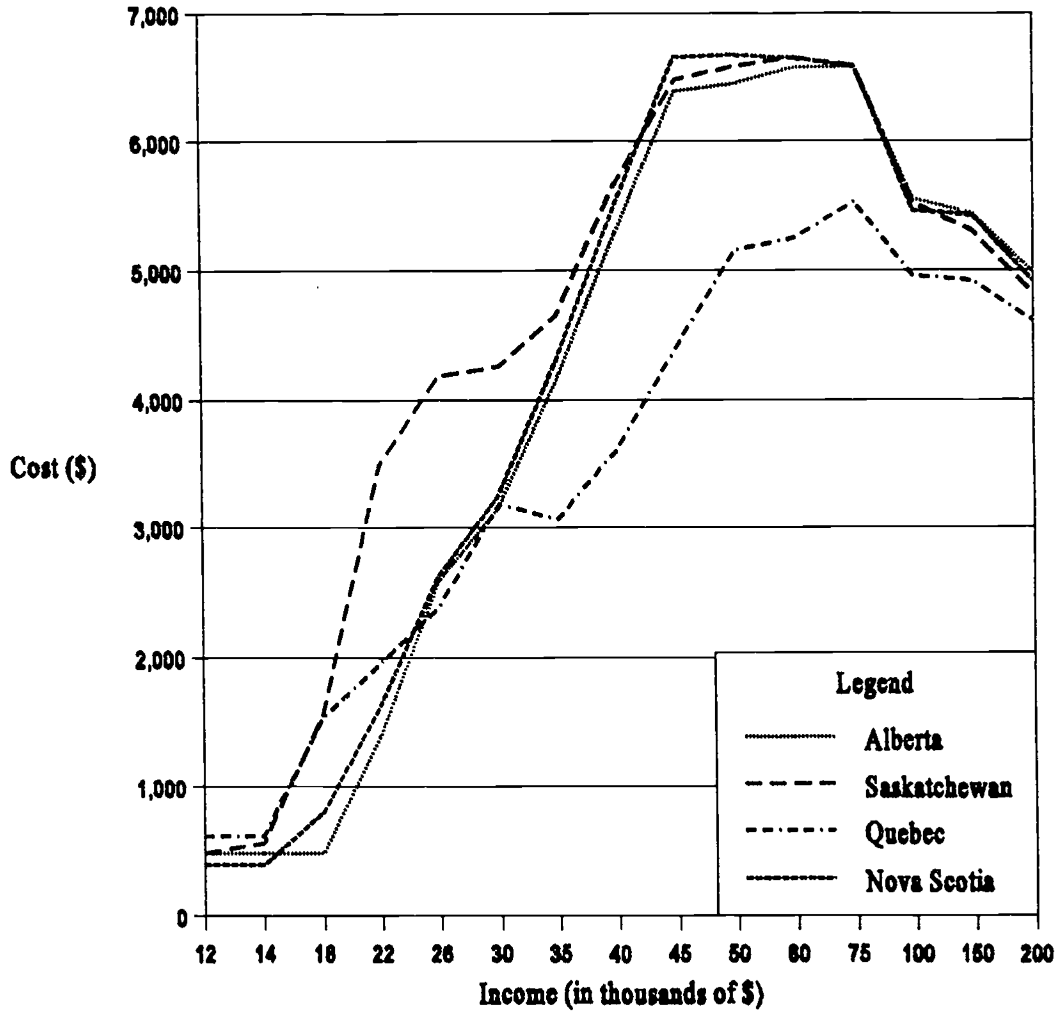
Figure II.

Net Annual Cost of Child Care Services by Income, 1992
(Two-Parent Families, One Infant and One Preschooler)



Source: Ruth Rose, research in progress. The research has benefited from a Strategic Grant from the Social Sciences and Humanities Research Council of Canada.

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The cost of child care services is a higher percentage of income for low-income single-parent families than for comparable two-parent families

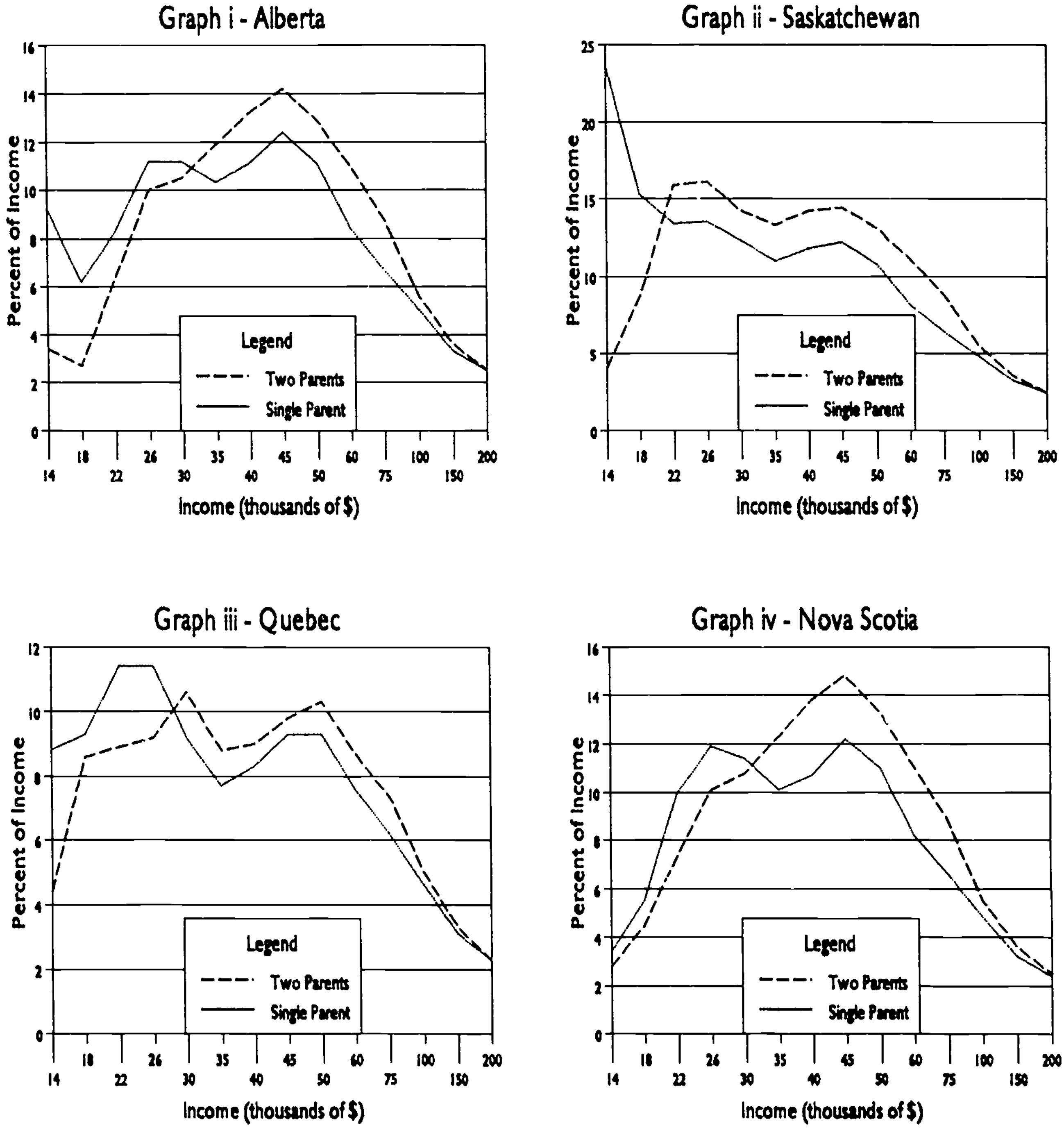
Graphs i, ii, iii and iv on the following page (Figure III), compare the percentage of family income represented by the costs for child care for single-parent and two-parent families in each of the four provinces. The fee and other assumptions used in the calculations were the same as used for Figures I and II.

The four graphs show that the cost of child care for low-income single parents is a higher percentage of the family income than it is for two-parent families with the same income level. This result comes from the assumption made in the calculations that, in the case of two-parent families, the cost for child care services would never be greater than the earnings of the lowest earner (generally the wife). The finding highlights the fact that the cost for child care services is a major obstacle for single mothers who wish to move from social assistance into the paid workforce.

A Saskatchewan single parent with an infant and a preschooler receiving child care, and an income below $50,000 faces costs equal to 11% or more of her income (see Appendix D). For very low-income parents, costs may represent up to a third of her income, because maximum subsidies in 1992 were only $235 per month, even though average fees were $418 for an infant and $328 for a preschooler. This means that a single parent with two children in child care would pay up to $276 a month, or $3,312 a year. With an income below $15,000, the parent would pay no taxes and therefore get no benefit from the Child Care Expense Deduction. As the parent's income rises above this level, the tax deduction begins to have some value. This is why Figure I, and graph iv of Figure III, and Figure IV show that the net cost of child care in Saskatchewan declines initially as income rises for single-parents. In the case of two-parent families, this problem has been eliminated because of the assumption used in preparing the figures that in families where the lower earner doesn't earn enough to take advantage of the tax deduction, the family uses only part-time child care and, therefore, the fee subsidy covers a greater part of the cost.

Figure III

Percentage of Annual Family Income Represented by Costs of Child Care Services
Single-Parent Families In Comparison to Two-Parent Families, 1992



Source: Ruth Rose, research in progress. This research has benefited from a Strategic Grant from the Social Sciences and Humanities Research Council of Canada.

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In Québec and Alberta, single parents with an infant and a preschooler receiving child care services and a family income of $14,000-30,000, face costs close to or above 10% of their income. In Québec, recent changes to the fee subsidy schedule and the provincial tax deduction may address this problem.

The cost for middle-income families is a higher percentage of their income than for low- and upper-income families

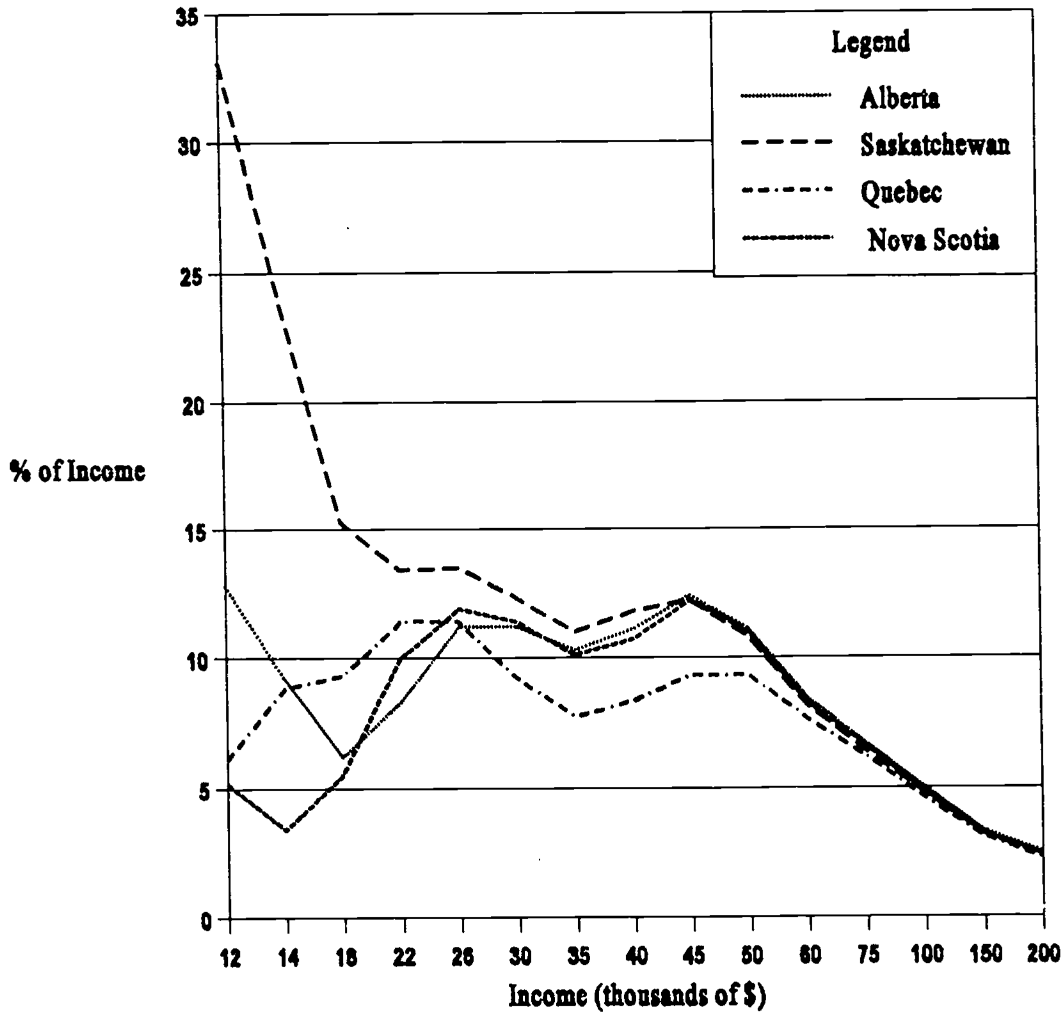
Existing policies do not acknowledge the fact that the net costs[26] of child care services are not necessarily lower for families with lower income. In fact, as illustrated by Figures IV and V, the cost of child care is the highest percentage of family income for middle-income families, especially if they are two-parent families. These figures were based on the same data and the same assumptions as the other figures.

In Alberta, Saskatchewan and Nova Scotia, it costs a two-parent family with an infant and a preschooler and an annual income as low as $45,000 as much as $1,700 more per year than a comparable family with an income of $100,000. In Québec, the difference is less pronounced because the tax schedule is flatter and the Child Care Expense Deduction can be claimed by the parent with the higher income.

The fact that middle-income families face the highest costs as a percentage of family income is a result of the effects of the fee subsidy program and the Child Care Expense Deduction. Middle-income families get little or no fee subsidy. At the same time, they get little benefit from the Child Care Expense Deduction (see Table II on page 17).

Figure IV

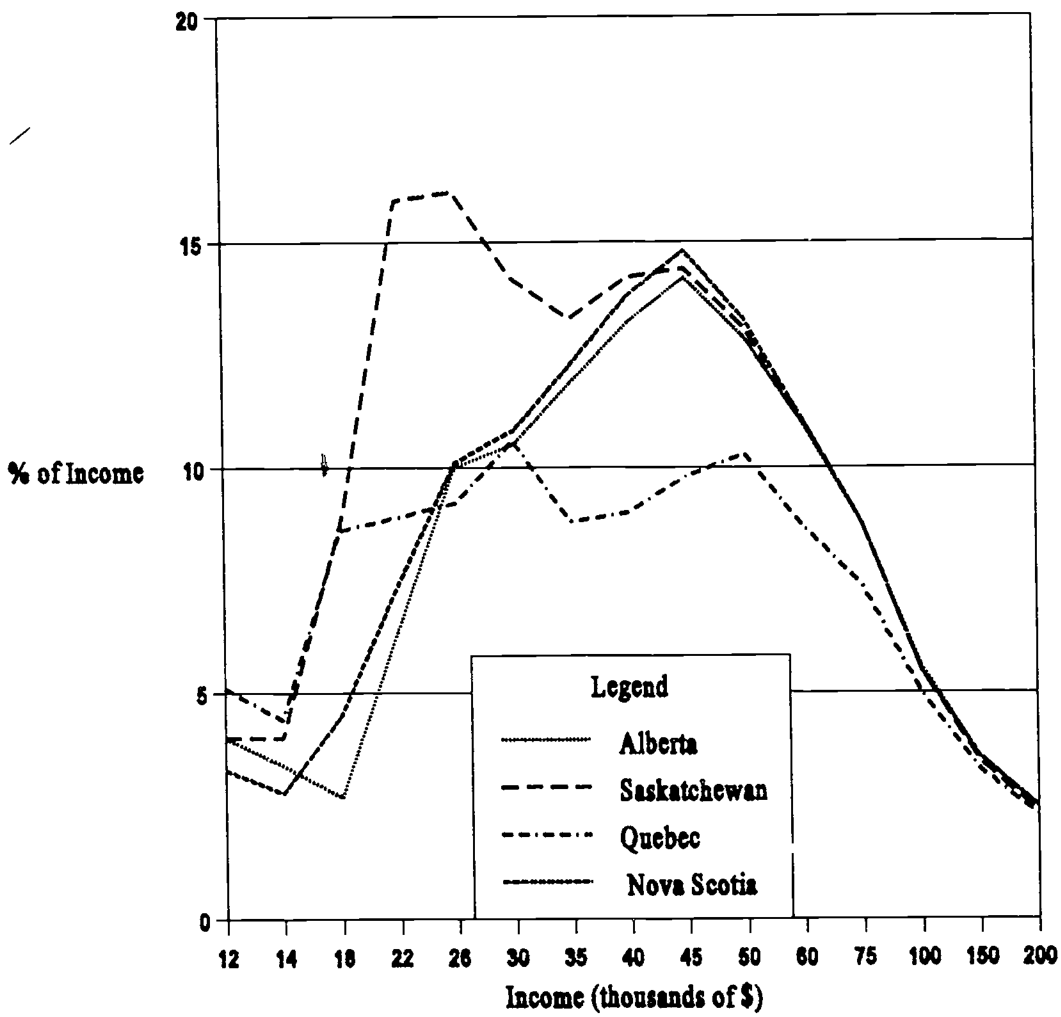
Percent of Annual Income Spent on Child Care Services, Single-Parent Families, 1992



Source: Ruth Rose, research in progress. The research has benefited from a Strategic Grant from the Social Services and Humanities Research Council of Canada.

Figure V

Percent of Annual Income Spent on Child Care Services
Two-Parent Families, 1992



Source: Ruth Rose, research in progress. The research has benefited from a Strategic Grant from the Social Services and Humanities Research Council of Canada.

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High marginal tax-back rates act as a disincentive for parents to enter the paid workforce

At a minimum, funding policy should be structured in such a way as to eliminate the costs of child care services as an obstacle to people on social assistance wanting to enter the paid workforce. Instead, fee subsidy programs in most provinces impose additional tax-backs, generally on the order of 50%, precisely in the income range which marks the beginning of financial independence. For example, in Québec, where fee subsidies are taxed back at a rate of only 20%, overall marginal tax-backs for a single parent with two children using a child care centre are never below 67% for incomes between $12,000 and $24,000 (Rose & Richard, 1994). For two-parent families, the picture is not much different.

High marginal tax-back rates are also a problem for lower-middle-income families, that is, precisely those families that pay the highest percentage of their income for child care services. For example, in Alberta, a two-parent, two-child family with an income between $20,000 and $40,000 faces marginal tax-back rates of around 60%, even though Alberta's top tax rate is supposed to be only 46.7% (Rose, in progress). This means that for every $10,000 additional the family earns, the government keeps 60%. Therefore, the family only retains $4,000. How is this possible? Nominally federal and provincial taxes, plus U.I. and CPP payroll taxes, take only about 30%. However, as income rises, the fee subsidy for child care services falls, eating up another 30% or so. In addition, the federal government takes back another 10% in the form of a reduction to the Child Tax Credit and a reduced GST credit. In practice, in most cases, this levy is exacted against the wife's income. For example, suppose the husband earns $25,000 and the wife, if she returned to join the paid workforce, could earn $15,000. If the wife returning to work means that two children are enrolled in a regulated child care centre, the family's disposable income will increase by only about $6,000 (40% of $15,000). This scenario illustrates how the cost of child care services is an important obstacle to economic equality for women.

CHAPTER III - ACCESSIBILITY

The previous chapter indicated the need for additional funds for child care services and different funding arrangements. However, even if regulated child care is affordable, it may not be accessible to the individual parent if there is not an available space open, at the hours required by the parent, and/or that is able to meet the child's needs. This chapter examines the issue of accessibility in general, as well as from the perspective of children with special needs, Aboriginal peoples, and immigrants. As will be discussed in this chapter, currently in Canada:

- there are not sufficient regulated child care services to meet the need;
- the availability of services varies with the child's age;
- the availability of services varies depending on where the child lives in Canada;
- Aboriginal children, and children with special needs, have fewer child care services available to them than do other children;
- most child care services operate Monday to Friday, day-time only, in spite of the fact that 45% of parents with children under age 13 do not work this so-called "standard work week";
- rural areas are underserved; and
- the fees in regulated child care services are not affordable for many parents.

THE AVAILABILITY OF SPACES

The methodology used in Canada to establish the need for child care services

In Canada, the number of children age 0 to 12 whose mother participates in the paid workforce is often used as the measure of the volume of need for child care services. This approach to determining the need for child care services is based primarily on the underlying assumption that they serve only *one* purpose, that is, to permit parents to participate in the paid workforce or to prepare for such participation. However, as noted in Chapter I, child care services can serve many purposes. European countries, such as France and Denmark, view child care services as a means to assist the child's development, and as child entitlement, whether or not the parent is in the paid workforce. Therefore, in these countries, the need for child care services is calculated on the basis of the total number of young children in the population rather than on the basis of the number of children with mothers in the paid workforce.

Even from the perspective of parental employment, estimating need on the basis of the number of children whose mother participates in the paid workforce has problems. For example:

- it assumes that all mothers who participate in the paid workforce require child care services. However, some families may have other satisfactory arrangements; and

- it fails to include families where the parent(s) would like to participate in the paid workforce, a job training program or in education, but cannot because child care services are unavailable or too expensive.

The shortfall between need and supply

Using the minimalist approach, and equating the need for child care services *solely* with the number of mothers in the paid workforce, there is still a clear short-fall between the supply of regulated child care services (whether centre or family day care) and the need. In 1993, there were:

- 1,373,779 children between age 0 and 6 with mothers in the paid workforce;

- 1,761,257 children age 6 to 12 with mothers in the paid workforce,

- 225,141 full-time regulated centre spaces and 44,116 full-time regulated family day care spaces (for a total of 269,257 spaces) for children between age 0 and 6; and

- 83,283 full-time regulated centre spaces and 10,278 full-time regulated family day care spaces (for a total of 93,561 spaces) for children age 6 to 12 (HRDC, 1994a).

This indicates a short-fall of 1,104,522 full-time regulated spaces for children under age 6, and a short-fall of 1,667,696 full-time regulated spaces for children age 6 to 12 defined solely on the basis of mother being in the paid workforce. The short-falls are estimates. The estimates also fail to take into account the fact that in the Fall, 1988, approximately 151,667 children under age 6 with a stay-at-home mother were enrolled in regulated child care services (this excludes publicly funded kindergarten).[27]

The short-fall estimates are deliberately based on *regulated* child care services. As was discussed in Chapter I, research in both Canada and the United States has found that child well-being and optimal development is more likely to occur in regulated than in unregulated child care services. This holds true for both centres and family day care homes.

Table V shows the primary child care arrangement used, other than school or kindergarten, while the parent primarily responsible for arranging child care, usually the mother, was engaged in the paid workforce. The table illustrates that the majority of children in child care services were in unregulated care at the time the statistics were collected in 1988 by the *Canadian National Child Care Study*.

The gap is widening

The gap between the supply of regulated child care services and the need determined *solely* on the basis of mothers in the paid workforce has *increased* over the past ten years, as follows:

- in 1983, there were 2,135,705 children under age 13 with mothers in the paid workforce who were not receiving regulated child care services. Of these, 834,391 were under age 6 (Health and Welfare Canada, 1984); and

- in 1993, there were 2,772,218 children under age 13 with mothers in the paid workforce who were not receiving regulated child care services. Of these, 1,104,522 were under age 6 (HRDC, 1994a).

Thus, in 1993, in comparison to the situation ten years previously:

- there were approximately 636,513 *more* children under age 13 with mothers in the paid workforce who were not receiving regulated child care services; and

- approximately 270,131 of these were under age 6.

The increased gap between supply and demand reflects the fact that the increase in the number of spaces has not kept pace with the increase in the number of mothers in the paid workforce who have children under age 13. Furthermore, even the rate of growth of supply has been decreasing, as illustrated by Table VI.

Table V
Primary child care arrangement used while parents work at a job or business, other than school or kindergarten, Canada, 1988

Type of care	Children under age 3 years	Children between age 3 and 5 years	Children between age 6 and 9 years
regulated child care	12%	21%	8%
unregulated child care	35%	29%	21%
parent	30%	32%	37%
relative	22%	16%	14%
other	1%	2%	5%
self-care or care by sibling	0%	0%	15%
TOTALS	**100%**	**100%**	**100%**

Source: D. S. Lero. (1993). In transition: Changing patterns of work, family life, and child care. *Transition*, *23*(2), 4-7, Figures 1, 2, and 3.

Notes: The table shows the primary arrangement used while the parent responsible for arranging child care was engaged in paid work. However, parents used a combination of non-parental arrangements (other than school) for roughly 17% of the children under age 6, and for 13% of the school-aged children.

Most commonly, care by parent refers to care by the spouse or partner while the parent with primary child care responsibilities was engaged in the paid workforce. Sixteen percent of dual-earner couples (197,700) reported that they deliberately arranged their work schedules so that one could be at home to look after the children.

Type of care "other" refers to situations not considered child care services, for example, sports and recreation programs and music lessons.

Table VI

Decrease in annual growth of child care spaces in Canada, 1974 to 1993.

Year	**Percentage of annual growth in regulated spaces, Canada-wide**
1974 to late 1980s	10 to 16%
1990	7.6%
1991	3.9%
1992	5.3%
1993	3.5%

Sources: Human Resources Development Canada. (1994b). *Status of day care in Canada, 1992.* Ottawa, Ontario: Minister of Supply and Services Canada, p. 1.

Human Resources Development Canada. (1994a). *Status of day care in Canada, 1993.* Ottawa, Ontario: Minister of Suppy and Services Canada, p. 1.

Economic market theory would predict that the supply of services would increase to meet the need. This has clearly not occurred in relation to regulated child care spaces. In order to be regulated, a service must meet certain standards, which, in turn, have a cost impact. For example, a regulation specifying the number of children per caregiver requires a certain number of caregivers for a certain number of children. Child care services in Canada are highly dependent on parent fees to cover their operating costs. However, many parents cannot afford the fees that regulated services must charge in order to survive. This fact has two results. First, many parents are forced to use unregulated child care services even though, as found by the *Canadian National Child Care Study*, many would prefer to use regulated child care (Lero, Goelman, Pence, Brockman & Nuttall, 1992). Secondly, even though a need exists, the demand is not effective because so many parents cannot afford to pay the fees for regulated care.

The variation in supply by the age of the child

Supply relative to need also varies by the age of the child, as illustrated by Table VII.

Table VII

Availability of full-time regulated spaces by child's age, Canada-wide, 1993

Child age range	Total number of regulated spaces (centres and family day care)†	Number of children with mothers in the paid workforce	Difference between number of spaces and probable need	Percent of children with full-time working parents who can be served
0 - 17 months	31,893	348,145	316,252	9%
18-35 months	31,694	342,287	310,593	9%
3 - 5 years	205,670	683,347	477,677	30%
6 - 12 years	93,561	1,761,257	1,667,696	5%
Total	**362,818**	**3,135,036**	**2,772,218**	**12%**

† These figures may contain some part-time spaces.

Sources: Human Resources Development Canada. (1994a). *Status of day care in Canada, 1993* Ottawa, Ontario: Minister of Supply and Services Canada, Tables 2, 7 to 9, and 11.

a) Infants and toddlers

The availability of regulated child care services for infants and toddlers is of particular concern. Mothers in the paid workforce are eligible for 17 or 18 weeks of maternity leave (depending on the province or territory) and either parent may be eligible for an additional 12 to 34 weeks of parental leave, again depending on the jurisdiction. Alberta, Saskatchewan, and the Yukon have not legislated parental leave beyond 17 or 18 maternity leave provisions (Labour Canada,1993). In 1993, if the mother had completed 20 weeks of insured employment in the previous year, she was entitled to 15 weeks of income maintenance for maternity leave, and 10 weeks of income maintenance for parental leave (available to her or her spouse), through the Unemployment Insurance program. This covered 57% of insurable benefits, up to a maximum of $425.00 a week (Labour Canada, 1993). In April, 1994, the coverage was decreased to 55% of insurable earnings.[28] There is a distinction between maternity and parental *leave* and *benefits*. Leave provisions fall under provincial labour legislation, while benefits are provided under the federal Unemployment Insurance Act. As a result of the availability of paid maternity and parental leave, parents usually do not require child care for infants under age 6 months but may return to work when the child is that age. Therefore, it is of concern that the short-fall between the availability of regulated spaces and the number of children in need is so great in the infant/toddler age range. This is the age when children are most vulnerable and most dependent on adults for their safety, well-being, and development.

b) School-aged children

Child care services for school-aged children are also lacking. Québec appears to be the only jurisdiction that has a requirement that child care services for school-aged children be provided. In that province, a school board must provide school-aged child care services if the school council requests it. Most services operate as independent non-profit corporations. The school boards provide rent-free space. The provincial government provides modest start-up grants and an annual operating grant (R. Rose, personal communication, February, 1995).

Provincial disparities

As Table VIII points out, children aged 6-12 with mothers in the labour force are the most poorly served of any of the age groups, and the gap between available services and probable need is the greatest. It is estimated that in 1993 there were more than a million and a half school-aged children for whom a space was not available. This is a situation which is contrary to the Canadian principle of equitable access to basic services regardless of the person's geographic location.

Table VIII

A comparison of the availability of full-time regulated child care spaces and the probable need by province

Province	1993 number of full-time regulated child care spaces (centres and family day care)	1993 estimated number of children age 0 - 12 with mothers in the paid workforce	Percent of children with a mother in the paid workforce who could be served
Newfoundland	2,554	52,247	4.9
Prince Edward Island	2,504	26,737	9.4
Nova Scotia	7,125	98,737	7.2
New Brunswick	7,434	70,569	10.5
Québec	93,608	675,107	13.9
Ontario	134,731	1,085,215	12.4
Manitoba	14,939	117,904	12.7
Saskatchewan	6,688	124,123	5.4
Alberta	51,731	311,886	16.6
British Columbia	39,896	332,503	12.0

Sources: Human Resources Development Canada. (1994). *Status of day care in Canada, 1993.* Ottawa, Ontario: Minister of Supply and Services, Table 5 for number of full-time regulated spaces in 1993.

Statistics Canada estimates of number of children with mothers in the paid workforce in 1993, Howard Clifford, Human Resources Development Canada, personal communication, January, 1995.

Note: Subsequent to 1993, there has been some creation of additional spaces in some provinces, for example, British Columbia and Québec.

The results of the gap between supply and need

Today, the dual-earner family is the dominant form, even among families with infants and toddlers. In 1988, 46% (446,500) of families with a child younger than age 3 were dual-earner families, as were 49% (296,600) of families where the youngest child was between age 3 and 5 (Lero, 1993). In the absence of sufficient regulated child care spaces, working parents:

- use unregulated care, as indicated by Table 5;
- may decide that one parent will only work part-time; or
- may arrange to each work different hours or a shift.

The majority of children who are in child care outside the immediate family are in unregulated care. The *Canadian National Child Care Study* found that the parents of 21% of children under age 6 in unregulated care had some reservations about their child's well-being in that setting (Lero, 1993). While regulation cannot guarantee safety and quality, research has consistently found that the indicators of quality are more likely to be found in regulated than in unregulated settings (Fosburg, 1981; Galinsky, Howes, Kontos & Shinn, 1994; Goelman & Pence, 1988; Pence & Goleman, undated). The negative impact of poor quality child care on children's development was discussed in Chapter I.

If the family decides that one parent will work part-time, the decision is usually that it will be the woman. Nearly one quarter (24%) of women age 25 to 44 years who were employed on a part-time basis in 1991 cited personal or family responsibilities as the reason for working part-time (Ghalam, 1993). Since this is the age of primary child-bearing and child-rearing years, it is reasonable to assume that often the family responsibilities referred to were child-related. Working part-time:

- results in a loss of earnings and fewer benefits, such as a dental plan or a pension plan, than are available to full-time employees (Krahn, 1992); and
- usually restricts the type of work that can be undertaken and limits opportunities for job advancement.

The third way dual-career families deal with the lack of availability of regulated child care services is to arrange to work opposite shifts ("off-shifting"). This ensures that there is always one parent at home. In 1988, one in six (197,700) dual-earner couples with children under age 13 reported that they arranged their work schedules so that one parent was available for child care while the other was working (Lero, 1993). This may solve the need for child care; however, it means there is little time for the family to do things together as a unit.

For single parents, lack of child care may prevent participation in the paid workforce. As noted in Chapter I, supporting parental employment is critical in any strategy to combat child poverty. This is particularly true for single-parent families with only one potential earner.

HOURS OF OPERATION

Accessibility not only requires sufficient spaces, it also requires services that are available when needed. This section examines the match between the usual hours that child care is available, and the hours when it is required or desired.

Parental employment patterns

In 1988, only 56% of parents in the paid workforce who had a child under age 13 had a standard work week, that is, Monday to Friday only, with fixed daytime hours, roughly 9 to 5. About 40% of parents had a work schedule that varied from week to week (Lero, Goelman, Pence, Brockman & Nutall, 1992). Based on the work schedule of the parent primarily responsible for child care, the *Canadian National Child Care Study* concluded that 47% of children younger than age 6, and 45% of school-aged children, had child care needs that extend beyond the 9 to 5 day-time period (Lero, 1993).

An analysis of all local planning studies related to child care needs conducted in Ontario between January, 1987 and May, 1991 found that rural studies repeatedly reported that a significant percentage of the population worked long, unpredictable hours in some seasons, and did not work, or worked considerably shorter hours, at other times of the year (Draper, 1991). Examples of such situations include farmers who have peak sowing and harvesting periods and family-operated tourist businesses. These parents may require child care services for extended hours in certain months only (seasonal child care services).

The availability of child care services outside the Monday to Friday day-time schedule

Only a very small percentage of available regulated spaces accommodate parents who work extended hours, evenings, over-night, or on week-ends. The special nature of the pattern of demand for services outside the usual Monday to Friday daytime schedule makes them more expensive for centres to provide (Friendly, Cleveland & Willis, 1989). For example, on a given evening or night only a small number of children may need care. Since any centre's operating expenses are primarily covered by parent fees, if there are too many instances of low usage, the service may not generate sufficient income to cover its costs. Unpredictable and varying demand also makes it difficult to determine staffing needs. In a situation of a shortage of spaces in general, there is little incentive for centres to provide service in the evenings, at nights, or on weekends.

Family day care homes, by their nature, have less difficulty providing service during the evening or on weekends. However, the limited development of regulated family day care services in Canada, along with the lack of employment standards or legislation that would enable parents to refuse shift work without penalty, leaves parents needing child care outside the so-called 'standard' work-week with little option but to use unregulated care.

Lack of sufficient seasonal child care services is a particular problem for farmers and other seasonal workers, for example, operators of tourist businesses. A national survey conducted in 1990 estimated that 40% of farm children under the age of ten are left unattended while the parent works on the farm or are taken along with the parent as farm tasks are done (Federated Women's Institutes of Canada, 1990). Either 'solution' is of concern (National Coalition for Rural Child Care, 1994). Due to the nature of farming, for example, the use of heavy machinery and pesticides, the farm environment is a dangerous place for children in self-care. A hundred and twelve children under age 15 were killed in farm accidents in Ontario between 1977 and 1992; 55 of these were children under age 5 (Farm Safety Association Inc., 1993). Parents simultaneously looking after children and doing farm chores or attending to a tourist business have difficulty doing either well.

Emergency care

Emergency child care provisions, especially for mildly ill children, are also in very short supply. Provincial and territorial legislation sometimes specifically excludes children with any symptom of illness from participation in centre-based child care. However, emergency care for mildly ill children is provided through some regulated family day care agencies. American research indicates that parents can expect an infant to be sick nine to ten times a year with upper respiratory illnesses and a preschool child to have such an illness six or seven times a year (Jordan, 1986). A survey by the Conference Board of Canada in 1989 found that 23% of mothers reported that they stayed home from work with sick children, compared to 6% of fathers (MacBride-King, 1990). Parents employed as federal public-sector workers were able to use the paid emergency or family-responsibility leave available to them. However, according to the survey, 60% of employees in the private sector, where family-responsibility leave is less available, used their own sick days or vacation days (MacBride-King, 1990). Using vacation or sick days to attend to a sick child means that the woman ends up with less vacation time than her co-workers who do not have children. It should be noted that in some other countries, leave provisions for parents to care for their own ill child are available through paid parental leaves (Monica Townson Associates Inc., 1988).

Are employer-sponsored child care services the answer?

It is sometimes argued that employer-sponsored child care services make good business sense because they assist corporations to recruit and maintain employees. Workplace child care services would seem to be particularly appropriate in situations where employers need people to work shifts and/or weekends. However, a 1991 nation-wide survey found that employer-sponsored child care services accounted for only 2.6% of the regulated spaces in Canada at that time. Seventy-five percent of the sponsors were public sector employers, for example, the federal or provincial or municipal governments, hospitals, and school boards. Only 17% of the centres operated after 6 pm, and only two provided weekend care. However, more than half of the surveyed workplaces that sponsored child care centres reported that at least some employees worked other than a regular day-time shift. Respondents indicated that the fees in 71% of the centres were comparable to, or higher than, those at other child care centres in their community. The researchers noted that employer contributions, whether monetary or in kind, were generally quite limited. Furthermore, most of the centres were not legally part of the workplace but, instead, were operated by separately incorporated non-profit organizations, very much like many other child care programs (Beach, Friendly & Schmidt, 1993).

A resurvey of the 1991 work-related centres found that 11 centres had closed or were no longer work-related and a different sponsor was involved at five more. An additional 16 (9.8%) had their employer contributions reduced (Schmidt, Friendly, & Beach, in press). The survey suggests that most employer-sponsored child care services in Canada are not very different from other non-profit child care centres in regard to hours of operation, fees, or sources of income. Therefore, they do not address either the issue of the need for non-standard hours of care or the issue of affordability. It appears that few employers are prepared to assume either organizational or financial responsibility for child care services for their employees. It is inappropriate to expect employer-sponsored services to be *the* answer to the need for child care services.

AFFORDABILITY

Fee levels for child care services and their implications

In 1992, the average monthly fee for full-day care in regulated child care centres ranged between $382 and $857 for infants, between $328 and $636 for preschoolers, and between $150 and $320 for school-aged children, depending on the province or territory. The average monthly fee for regulated family day care ranged between $290 and $550 for infants, again depending on the jurisdiction. Fees are often less for preschoolers (CRRU, 1994).

An example may help to put these fee figures into perspective. In 1990/91, the average after-tax income of Ontario families with at least one child under age 7 living in an urban area with a population between 30,000 and 99,900 was $37,840.[29] In 1993, fees in Ontario for a preschooler (age 3 to 5) in full-time regulated centre-based child care in central Ontario (excluding Metropolitan Toronto) ranged between $5,773 and $7,630 a year. Fees were an average of $5,520 a year for full-time regulated family day care for preschoolers (CRRU, 1994). Therefore, a family with an after-tax income of $37,840 would have had to spend a *minimum* of $5,773 a year, 15% of its after-tax income, on full-time regulated centre care for one preschooler. As pointed out earlier, the percentage of family income required for regulated child care would be higher if the child was an infant or toddler. Parents who were eligible would get some relief through the Child Care Expense Deduction. However, as discussed in the previous chapter, this deduction provides only limited relief.

All the provinces and territories have provisions for fee subsidization for low-income families. However, the above hypothetical family would not be eligible for even a *partial* fee subsidy. In Ontario, in 1993, the average income level of a two-parent family receiving subsidy was $26,006, with a range of maximum income for eligibility between $17,820 and $34,460, depending on the municipality in which the family lived (CRRU, 1994). This example illustrates how modest-income families are shut out of regulated child care services because of their cost.

The failure of the fee subsidy program to address the issue of affordability

The previous chapter discussed the general problems associated with using CAP as a mechanism to provide child care funding. In addition, there are several particular problems with the way the provinces and territories administer the fee subsidy program from the perspective of affordability:

- in most jurisdictions, the maximum family income level for eligibility for full subsidy is extremely low. In 1993, for a two-parent family with two children, it was less than $21,000 in seven provinces and one territory (CRRU, 1994). In all cases but Saskatchewan, this maximum income level refers to after-tax net income. In 1993, the Statistics Canada after-tax low income cut-off level (the level below which a family is considered to be living in poverty) for a four-person family was $25,694 in large cities with a population of 500,000 or more. In urban communities with a population below 30,000 it was $19,828 and in rural areas it was $17,154 (Statistics Canada, 1994). In other words, in most jurisdictions, parents have to be at, or close to, the poverty level to be eligible for a full subsidy;

- in Manitoba, Newfoundland, Ontario, Prince Edward Island, Nova Scotia, and Saskatchewan, the number of subsidized spaces is limited by either a limit on the total amount of funding available for fee subsidization, or by a limit on the number of spaces that can receive subsidy.[30] As a result, many families who are eligible for a fee subsidy cannot obtain one. In Manitoba, Nova Scotia and Ontario, the limit on the number of subsidized spaces available has resulted in situations where there are simultaneously empty regulated spaces and children on waiting lists for a subsidized space in the same community (D. Dudek, Manitoba Child Care Association, personal communication, June, 1994; S. Irwin, SpeciaLink, personal communication, June, 1994; Social Planning Council of Metropolitan Toronto, 1993). In mid-1995, there were 2,000 regulated child care spaces vacant in Metropolitan Toronto because parents could not afford to pay the full fee. At the same time, there were 19,000 children waiting for subsidized care, and the average wait for this was 18 months;

- in some jurisdictions, even families who are eligible for *full* subsidization must also pay a user fee, regardless of their income level. In 1993, where the amount was stipulated, it ranged between $1.00 per day per child and $40 a month. In Saskatchewan, the user fee was a minimum of 10% of the actual cost; and

- some jurisdictions impose a maximum amount on the fee subsidy determined by the age of the child regardless of the actual fee for the service. Parents receiving full subsidy have to make up the difference. For example, as of November, 1994, the maximum subsidy in British Columbia for full-time centre-based care for a child between age 18 months and 3 years was $528 a month. In the same month, the average monthly fee for children this age in centre-based care in the City of Vancouver was $692 (Westcoast Child Care Resource Centre, 1994). The resulting difference between full subsidy and these average fees is $164. Parents have to make up the difference between their subsidy and the cost of the care they are using. In seven jurisdictions, the child care program can levy a surcharge on subsidized parents over and above the subsidy amount the program receives and the user fee the parent has to pay (CRRU, 1994).

In summary, parents who receive a fee subsidy do so on a sliding scale (full to partial subsidy) depending on their income and family composition. However, as noted above, they often have to pay a user fee, a surcharge, or a significant amount of money to cover the difference between the subsidy and the actual service cost. Therefore, there is no true continuum of assistance based on eligibility. In addition, many parents cannot access subsidy, even if they fall within the jurisdiction eligibility criteria.

CHILD CARE SERVICES FOR CHILDREN WITH SPECIAL NEEDS

Children are considered to have special needs if they require extra support in order to successfully participate in a child care service. The additional assistance may be required because the child has a physical disability which limits motor activity, a developmental delay, visual and/or hearing impairments, communication problems, behaviour problems, or a chronic medical condition. Canadian advocates for children with special needs are adamant that *all* children, regardless of level or type of disability, have the right to be included in regular child care settings (Irwin, 1992). This is consistent with the Canadian government's *National Strategy for the Integration of Persons with Disabilities* which advocates the inclusion of persons with disabilities into the mainstream of Canadian life (Irwin, 1992). However, the reality is that few regular (that is, non-specialized) child care centres actually do include children with special needs. Barriers to their integration include lack of wheelchair access to the building, lack of sufficient staff to give the children the extra attention they need, and lack of on-site provisions for therapy, for example, physical therapy (Irwin, 1992).

The availability of spaces to accommodate children with special needs

Table IX presents data on the estimated number of children in Canada living at home in 1991 who had specific indicators of a need for extra support. The table focuses on situations where there is a clear implication of a requirement for extra support, rather than on situations such as asthma or behaviour problems, where the degree of special need varies considerably.

The estimates in Table IX must be treated with caution. First, they are based on a 20% sample of the population. Secondly, the presence of developmental delay is sometimes not recognized in very young children. Therefore, the estimate for this indicator of a need for extra support in the age 0 to 4 group is probably an under-estimate. Thirdly, Table IX does not include children with behavioral problems. Fourthly, there is some probable overlap, for example, a child with a developmental delay and a speech problem would appear in the totals for both developmental delay and speech difficulty.

Table IX

The estimated number of children residing at home who have certain specific indicators of a need for extra support, Canada-wide, 1991

Indicator of need for extra support	Estimated number of children age 0 to 4	Estimated number of children age 5 to 9
Use of a technical aid, e.g., hearing aid, wheelchair	19,238	20,187
Speech difficulty	23,023	35,014
Developmental delay	7,055	17,350
Totals	49,316	72,551

Source: Statistics Canada. (1992). *Health and activity limitation survey: Back-up tables provinces and territories, 1991.* Census of Canada. Ottawa, Ontario: Minister of Supplies and Services Canada, Table 3.

Notes: The data on which the estimates are based excluded native reserves.

The statistics for the Yukon and the Northwest Territories were only available for the total age group 0 to 9. The territorial statistics are included in the age group 0 to 4, except for speech difficulty where they are included under age group 5 to 9.

There is very limited information about the availability of child care spaces in settings that are capable of, and willing to, include children with special needs. According to 1991 or 1992 statistics from all provinces, except Ontario, and from the Yukon, 'special needs funding' was provided for a nation-wide total of 3,810 children at one point in time (CRRU, 1994). Special needs funding refers to the provision of funds to a child care service by the province or territory to assist the service to integrate a child with special needs.

The difference between the estimated number of children requiring extra support identified in Table IX, and the number of children for whom 'special need funding' was supplied, suggests that a very significant number of children with special needs are not receiving child care services.

Affordability

All provinces and territories encourage the inclusion of children with special needs in ordinary child care services for typical children. However, funds to assist services to provide appropriate programs for children with special needs are often not available. Services enrolling children who require extra support may need to have additional staff (Special Needs Day Care Review Reference Committee [SNDCRRC], 1993) Additional costs may also be incurred for transportation, for special equipment, and for building renovations to ensure accessibility. A 1991 survey in British Columbia found that, among a statistically valid sample of nearly 400 children for whom special needs funding was being provided by the province, one-third required intensive, constant adult intervention, and about one-fifth required health supports beyond the usual personal care provided in a child care setting (SNDCRRC, 1993).

Who should pay for the additional costs resulting from serving children with special needs is a major issue. In the 1970s and early 1980s, children with disabilities were served in segregated preschool programs operated by organizations such as Associations for Community Living or by a provincial government. There was no user fee and supports such as transportation were provided free of charge by the program (S. Irwin, SpeciaLink, personal communication, June, 1994). As the move to integration of children with special needs occurred, these programs closed. The associated funds for salaries, staff training, special equipment, transportation and so on did not always move over into the regular child care system (S. Irwin, SpeciaLink, personal communication, June, 1994). It is unrealistic to expect that the expenses associated with including children with special needs in regular services can be passed along to the parents in the form of an additional fee. As already noted, affordability is an issue for many parents. Those with children who have special needs may already be facing additional costs, for example, for assistive devices or special diets. In recognition of this reality, all the provinces provide some special needs funding (CRRU, 1994). However, in all jurisdictions, this financial assistance *may* be provided, but it is not mandated. In Manitoba and British Columbia, for example, there is a ceiling on provincial funding to assist programs with the costs of integrating a child with special needs and many such children are on waiting lists (D. Dudek, Manitoba Child Care Association, personal communication, June, 1994; R. Chudnovsky, personal communication, June, 1994). In June, 1994, the government of British Columbia made some additional funds available to reduce the current waiting list (R. Chudnovsky, personal communication, June, 1994). Newfoundland has frozen its subsidy for children with developmental needs and these children are now being placed on a waiting list.[31]

CHILD CARE FOR ABORIGINAL PEOPLES

The Assembly of First Nations, which represents on-reserve First Nations, the Native Council of Canada, which represents off-reserve native people and the Métis population, and Pauktuutit, the Inuit women's association, all view culturally-appropriate, accessible, and affordable child care services as:

- crucial in their struggle to instill cultural pride, self-respect, and self-confidence in Aboriginal children in order to assist them to become psychologically healthy adults; and

- an essential support for parents trying to become financially independent through undertaking job training or joining the paid workforce (Lightford, 1993).

The effects of the continual debate over jurisdictional responsibility

There are two issues related to the jurisdictional responsibility for Aboriginal child care services:

- the extent of federal responsibility for services to Aboriginal people; and
- the extent of provincial and territorial responsibility for the provision of social services in general.

Under section 91(24) of the *Constitution Act (the British North America Act), 1987*, the federal government is responsible for "Indians" and "lands reserved for Indians". This mandate extends to the Inuit (MacKenzie, 1991). The federal government has interpreted its responsibility as limited to status Indians living on a reserve. It has taken the position that the provinces and territories are responsible for off-reserve natives and the Métis population. However, the provinces and territories maintain that section 9(24) of the *Act* means that the federal government is responsible for all status Indians, whether they live on- or off-reserve.

The jurisdictional debate is further complicated by the fact that section 92 of the *Constitution Act* stipulates that provinces and territories are accountable for the development and delivery of 'welfare' services. This term is taken to include child care. The federal government has argued that, in the absence of federal legislation to the contrary, provincial/territorial law should apply to Aboriginal peoples as residents of the jurisdiction in question. In other words, the provision of social welfare for *all* Aboriginal people is a provincial/territorial responsibility (Lightford, 1995).

As noted by the National Inquiry into First Nations Child Care, and also by a 1993 brief to the Royal Commission on Aboriginal Peoples, the difference in opinion regarding responsibility for the provision of social services to Aboriginal people has been a major impediment in the development of child care services for Aboriginal children (Lightford, 1993; Assembly of First Nations, 1989).

The availability of spaces for aboriginal children

In 1991, there were:

- 58,345 children age 0 to 4, and 97,035 children age 5 to 14 living in Canada who were identified as American Indian;
- 20,365 children age 0 to 4, and 32,865 children age 5 to 14 who were identified as Métis; and
- 2,960 children age 0 to 4, and 4,280 children age 5 to 14 who were identified as Inuit (Statistics Canada, 1993).

The 1991 census estimates that more than half the people of Aboriginal ancestry living in Canada reside off-reserve, primarily in urban areas. The move to urban areas is perceived to be an increasing trend. According to census data, between 1986 and 1991, 27,070 Aboriginal people moved to major urban areas in Québec, 47,525 moved to major urban areas in Ontario, and 63,525 moved to major urban areas in the Western provinces. Maintaining their native identity and cultivating a positive self-image is a major struggle for Aboriginal people living in an urban environment that consistently reinforces the standards of non-native society (Jetté & Dumont-Smith, 1994).

Table X provides information about the number of regulated Aboriginal child care services operated in each province and the two territories. In addition, some provinces, such as Nova Scotia and Prince Edward Island, have unregulated on-reserve child care services. The table indicates not only a general shortage of regulated spaces, but that urban families have much less access to Aboriginal services than do those living on-reserve or in Aboriginal communities.

Affordability and funding

a) on reserve and in Aboriginal communities

Formal agreements provide authorization for the federal government to contribute to the cost of child care services on-reserve or in Aboriginal communities in Alberta, New Brunswick, Ontario and Québec. There are no similar agreements for any other province or the two territories (F. Knoops, Strategic Policy Group, HRDC, personal communication, June, 1994). Therefore, on-reserve communities in other provinces and the territories have no formal mechanism through which they can receive federal financial assistance to provide child care services.[32]

The Yukon and the Northwest Territories assist regulated child care services located on-reserve or in Inuit or Dene communities by providing some operating funds which are not cost-shared by the federal government. In October, 1994, the government of British Columbia extended eligibility for all child care grant programs administered by the Ministry of Womens' Equality to on-reserve applicants (R. Chudnovsky, personal communication, April, 1995). Newfoundland/Labrador has one regulated child care service in an Inuit community which is funded on the same basis as non-Aboriginal child care services are funded. In the other provinces, on-reserve child care services are not regulated, and are not eligible for provincial funding.

Families living on a reserve are not eligible for provincial fee subsidies. Since status Indians do not pay income taxes unless they work off-reserve, they cannot benefit from income tax provisions such as the Child Care Expense Deduction. Therefore, unless on-reserve families can afford the full fee, they cannot use off-reserve child care services which may be close to their communities.

The result of the inequitable funding situation described is that access to regulated child care for families living on a reserve or in an Aboriginal community is dependent on the province or territory in which the family resides.

Table X

The availability of regu.ated Aboriginal child care services, 1993

Province/territory	Located on-reserve or in an Aboriginal community	Located off-reserve in an urban area
Alberta	9	0
British Columbia	11	1
Manitoba	0	3
Newfoundland/Labrador	1	0
New Brunswick	1	0
Nova Scotia	0	1
Ontario	41	2
Prince Edward Island	0	0
Québec	4	1
Saskatchewan	0	11
Northwest Territories	18	0
Yukon	4	0

Sources: Jetté, D. & Dumont-Smith, C. (1994). *Our children - our responsibility.* Report of the National Commission on Aboriginal Child Care. Ottawa, Ontario: Native Council of Canada, p. 71.

Childcare Resource and Research Unit. (1994). *Child care in Canada: Provinces and territories, 1993.* Toronto, Ontario: Centre for Urban and Community Studies, University of Toronto, Table 7, p. 90.

Penny Coates, Childcare Coordinator, City of Vancouver, personal communication, January, 1995.

b) Aboriginal people living in urban areas

Up to 35% of aboriginal families in urban areas are headed by a sole parent, usually a woman. The 1994 report of the National Commission on Aboriginal Child Care notes that *most Aboriginal families are living below the poverty level and find the cost of child care prohibitive* (Jetté & Dumont-Smith, 1994, p. 20). As a result:

> *In many cases older children are responsible for their younger siblings while parents are away at work or at school. In some instances children as young as 8 or 9 are charged with the care and feeding of infants* (Jetté & Dumont-Smith, 1994, p. 20).

The Commission also noted that the problem of poor affordability is exacerbated by the fact that many Aboriginal people are not aware of benefits or entitlements such as child care fee subsidization (Jetté & Dumont-Smith, 1994).

CHILD CARE AND CULTURAL DIVERSITY

In 1990, 212,166 immigrants entered Canada. Of these, 53% came from Asia, 24% from Europe, and the remainder came from other parts of the world, for example, the West Indies, the United States, Africa, and South America (Ram, 1992). In 1993, it was estimated that there were 475,000 children age 0-4 living in Canada who were immigrants, refugees, or members of a visible minority group (CCAAC, 1993).

To a greater or lesser extent, depending on their country of origin, immigrants to Canada go through stressful adjustments as they work to understand and bridge different cultural values, customs, beliefs and, in many cases, a new language. During this process of adjustment or transition, families are often isolated and uncertain about existing child care options. Parents who do not speak either of Canada's two official languages, and/or come from a very different culture, face a particularly difficult challenge in identifying and accessing resources to meet their needs. Such parents may not have prior experience with formal child care services, or may be unaware of the existence of fee subsidies.

The child care accessibility issues for immigrants, refugees, and families who do not speak either of Canada's official languages include a lack of knowledge that would enable the parent to identify and access available resources, and training or employment patterns that often require part-time child care or services outside the standard work-week. Multilingual information about child care services and fee subsidization must be made available to all parents who require it.

Quality child care services that are inclusive, and respectful of and sensitive to cultural differences, can:

- assist immigrant and refugee children to develop and maintain a positive self-concept and pride in their heritage while learning to understand and to feel confident and comfortable in their new environment;
- assist immigrant and refugee parents in their adjustment to Canada; and
- provide an opportunity for all children and their parents to learn about and appreciate the richness of diversity.

It is essential that all child care programs operate in a fashion that supports cultural diversity and assists *all* children to develop comfortable and empathetic interactions with people from diverse backgrounds. The challenge of providing child care services that meet the needs of culturally diverse communities requires significant attention by government and the child care field alike.

CHAPTER SUMMARY

From the perspective of the individual child and family, child care is only accessible if all the following conditions are met:

- there is an age appropriate space available for the child for whom care is required;
- the space is in a location that is reasonably convenient for transportation;
- the care is provided at the hours required by the parent;
- the fee is affordable for the family;
- the care is sensitive to, and able to meet the child's developmental, physical, cultural, social, and other needs.

For many families in Canada, one or more of the above conditions is not met. There is an overall shortage of regulated care across the country. The shortage, however, is more acute for some age groups and in some jurisdictions.

Most child care services operate Monday to Friday only, between the hours of 7 or 8 a.m. and 6 or 7 p.m. This does not meet the needs of many families, as the *Canadian National Day Care Study* found, including those in which parents work nights or weekends, or in rural areas, fishing or other seasonal occupations.

Child care services in Canada rely heavily on parent fees for their operating budgets. Because child care is labour-intensive, fees for one child can be 15% or more of a modest-income family's total income. Provincial/territorial fee subsidy programs fail to address the affordability barrier adequately for many parents.

Finally, accessibility requires that the child care service be able to meet the needs of all children. This means child care that supports, respects, and reflects children's diverse cultures, language, and levels of ability.

CHAPTER IV - SALARIES, BENEFITS, AND WORKING CONDITIONS

Funding policy impacts on both the users of child care services - children and parents - and on the service providers. The impact on the users of child care services was discussed in the previous two chapters. This chapter explores the impact of funding policy on providers of child care, the majority of whom are women. Work-related benefits, working conditions, and adequate wages are important factors contributing to the long-term value of the job. Decent wages, benefits and pension plans are necessary for women to achieve a more equitable position in society. As illustrated in this chapter, providers of child care services do not earn adequate salaries and benefits. They are, in fact, subsidizing the services. A second important reason that the issue of low salaries is of concern is related to the demonstrated link between low salaries and job dissatisfaction, and between job dissatisfaction and caregiver behaviour that does not facilitate child well-being and development.

SALARIES

The current situation

In 1991 a survey of salaries and working conditions in 969 regulated child centres across Canada, the centres were selected to provide a representative sample from each province and territory. The survey found that:

- the average national wage across all positions in child care centres (from frontline worker to centre director) was $9.60 per hour. In comparison, the average wage for a warehouse worker, a job requiring less education, less skill, and associated with less responsibility, was 58% higher (CCDCF & CDCAA, 1992);

- nearly seven out of ten of the staff surveyed had a post-secondary school certificate, diploma, or degree compared to four out of ten people in the total national labour force. Therefore, even though better educated than the general workforce, workers in child care centres had lower average salaries;

- child care staff salaries have been losing ground. When salary levels were adjusted for inflation, the average wage was found to have fallen by 4.5% in real dollars between a previous national survey conducted in 1984 and the 1991 survey; and

- the wages of most workers in child care centres hover close to, or fall below, the poverty line. Using 1991 poverty lines developed by Statistics Canada and the Canadian Council for Social Development, a child care teacher supporting another person (partner or child) earned $3,200 below the poverty line for a two-person family. Three out of four child care staff who were sole-support parents were earning salaries below the poverty line (CCDCF & CDCAA, 1992).

There was considerable variation in child care staff wages by province/territory as well as by whether the service was operated on a non-profit or a commercial basis. Staff in commercial centres were found to earn 25% less than those working in non-profit centres (CCDCF & CDCAA, 1992).

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Regardless, however, of the effect of geographical location or auspices, child care staff are extremely poorly paid in relation to their education level and their responsibilities. This state of affairs results from the fact that the on-going operating costs of child care services are primarily supported through parent fees. The nation-wide survey noted above found that, among non-profit regulated child care centres, an average of 75.6% of the total available operating money goes to staff salaries. The main ways to reduce costs are by increasing the number of children for whom each staff member is responsible or by paying low salaries and providing few benefits. However, all the provinces and both the territories regulate the number of children per staff member. Therefore, in the absence of adequate government funding paid directly to services, child care centres have no choice but to 'save' on salaries and benefits if they are to keep fees affordable for a sufficient number of parents to fill the program.

An American study examined child care centres to determine the full cost per child of providing the existing level of care versus the actual cost as a result of various forms of subsidization. Included as a 'subsidy' were child care staff wages lower than those earned in the same community by elementary school teachers who, according to the United States Department of Labour's 1986 Dictionary of Occupational Titles, have jobs with similar levels of responsibility and requiring similar skills. The study concluded that the low staff wages in child care reduced the costs by $76 to $535 per month per child, depending on the community and the child care program (Culkin, Morris & Helburn, 1991). In other words, the true cost of child care was being heavily subsidized by the staff. The findings of this American study are consistent with the findings of a study conducted in Québec in 1985. The Québec study found that child care staff were subsidizing up to one-third of the total cost of child care services by accepting wages and benefits that were lower than they would get if they had similar occupations in the Québec civil service (Rose, 1986).

Provincial attempts to address the problem of low salaries

In 1993, British Columbia, Nova Scotia and Ontario were the three jurisdictions providing funds to regulated child care services specifically for wage subsidy or enhancement (British Columbia Ministry of Women's Equality, 1994; CRRU, 1994). The wage supplement program in British Columbia was first implemented in fiscal year 1993/94 and now provides funds to supplement the salaries of employees who work directly with children in eligible non-profit and private child care centres (R. Chudnovsky, personal communication, April, 1995). Nova Scotia provides salary enhancement grants to non-profit centres and agencies approved by the province to supervise family day care homes. The grant is based on the number of families being served whose net income falls within the maximum provincial subsidy eligibility guidelines. The Ontario Wage Subsidy grant is actually a combination of a direct operating grant and a wage enhancement grant. Ontario is the only province with pay equity legislation that includes child care staff. A proportion of the Wage Subsidy Grant was originally intended to be a "down payment on pay equity" to the non-profit sector. The full impact of the pay equity legislation has not yet taken effect in most child care services in the province. However, in those municipally-operated programs that have implemented full pay equity for child care staff, some annual increases have been as high as $7,500 (K. McCuaig, personal communication, May, 1995). The pay equity adjustments have been paid by the Ontario government.

In the Spring of 1994, child care staff in Québec went on strike asking the provincial government to provide services with a grant that would enable them to raise salaries by $3 an hour. The Québec Liberal government responded by declaring it did not want to interfere in the management of child care centres by taking direct responsibility for wages. Instead, in the May budget, the provincial government provided an increase in fee subsidy for low-income families and converted the Child Care

Expense Deduction to a reimbursable tax credit. This credit will pay up to 75% of the child care costs for families with incomes slightly above welfare levels. The percentage reimbursed will decline to 26.4%.

However, the province allocated $6.5 million as a temporary wage-enhancement grant to provide increases of about $1 an hour from April 1 through September, 1994. The Parti Québécois government, elected in summer 1994, extended this grant through March, 1995, and undertook to review the entire funding program. Child care organizations have criticized the approach taken by the previous Liberal government because money provided to parents will not necessarily translate into money for child care centres. They also believe that the government has seriously underestimated the cost of raising salaries and they object to an approach that is likely to generate conflict between parents and child care staff in each centre (Pitre-Robin & Thurber, Concertaction inter-régionale des garderies du Québec, personal communication, 1994).

The effects of low child care staff salaries

Low staff salaries have a negative impact on child care because:

- they make it difficult to attract people to work in child care services:
- they contribute to job dissatisfaction and this, in turn, contributes to high staff turnover rates and caregiver behaviours which are detrimental to the children; and
- they increase the cost of operating through their contribution to high staff turnover.

An American study involving 1,309 child care staff found that the best predictor of job satisfaction was salary level. Staff earning salaries at the lower end of the salary range left their jobs at twice the rate of those whose salaries were higher (Whitebook, Howes & Phillips, 1989). The 1991 Canadian national survey found that 52% of the respondents expressed dissatisfaction with their salary levels and 20% indicated that they were thinking of leaving the child care field because of poor salary levels (CCDCF & CDCAA, 1992).

Research has found a statistically significant relationship between job dissatisfaction and caregiver behaviours with children that are detrimental to the child's development (Berk, 1985; Phillips, Howes & Whitebook, 1991). High turnover rates cause instability for the child and make it difficult for children to develop a trusting relationship with their caregiver. Children in centres with high staff turnover rates have been found to have lower levels of social and language skills than children in centres with lower staff turnover levels (Whitebook, et al., 1989).

Staff turnover also has an effect on the cost of operating a child care centre. An American survey of 205 child care centres concluded that the departure of 10% of a centre's caregivers in a year increased the operating costs by 6.8% because of the costs incurred in searching for, hiring, and orienting new people (Powell & Cosgrove, 1992). In Canada, in 1991, the national average annual caregiver turnover rate in centres was 26%. It ranged from 84% in the Yukon, 65% in the Northwest Territories and 42% in Alberta to a low of 16% in Prince Edward Island (CCDCF & CDCAA, 1992).

BENEFITS

An adequate benefits package provides the employee with long-term security. However, many people working in child care do not have this protection. In 1989, 70% of full-time employees in the service sector in general were covered by company supplementary medical plans and 58% had company pension plans (Krahn, 1992). However, among child care staff in 1991, only 61% were covered by a supplementary medical plan and only 36% had a centre pension plan (CCDCF & CDCAA, 1992). Also in 1991, only 53% of child care staff had short-term disability insurance through their employer and only 56% had long-term disability insurance. The poor benefits available to people working in child care reflects the fact that regulated child care is labour intensive, and hence expensive to provide, and child care services have to manage with very limited financial resources. As a result, it is difficult for them to find the money to purchase insurance for employees or to contribute funds to an employee pension plan.

Poor benefit packages can also have negative effects on the quality of the child care program. In 1991, only 72% of the respondents to a Canada-wide survey of centre staff had paid sick leave (CCDCF & CDCAA, 1992). Lack of sick leave may mean that the person goes to work when ill. This both poses a risk for the children and is bad for the individual's health. The same survey found that only 38% of child care staff had paid release time for professional training. Limited opportunities for professional development mean that staff have difficulty keeping their skills up-to-date. Lack of time for preparation during the work day means that staff have to do this on their own time, effectively increasing their work day without increasing their salary.

WORKING CONDITIONS

Child care staff are not compensated for their low salaries and poor benefit packages by above average working conditions. In fact, their working conditions would not be acceptable in most business situations. In 1991, only 50% were compensated for working overtime, and only 37% had paid time for program preparation (CCDCF & CDCAA, 1992). As a result, many staff work extra hours on a regular basis without compensation. This is another way that child care staff currently subsidize the true cost of operating a child care service.

THE UNIQUE ISSUES OF FAMILY DAY CARE PROVIDERS

The above information all pertains to child care centre staff. Much less research has been conducted into the earnings and working conditions of regulated family day care providers. However, the information that is available suggests that, on average, they work longer hours, ten or more a day, for less money, than do centre-based child care staff. Most have no benefits, not even basic unemployment or worker's health insurance, no sick leave, and many are only paid for days when they actually provide care. They have no guarantee that they will be able to work full-time, and at full capacity. As a result, family day care providers are subject to fluctuations in earnings over which they have no control. (LaGrange & Read, 1993; Rose & Richard, 1994). Finally, it has been estimated that a family day care provider may spend as much as 40% of her earned income on direct work-related costs such as food, supplies, and laundry (Rose & Richard, 1994).

DOMESTIC WORKERS

Domestic workers are often providers of child care for their employers. In Ontario, live-in domestic workers are covered by the Ontario *Employment Standards Act*. In some other provinces, they are not protected by labour legislation. A survey of foreign domestic workers in Ontario found that only 203 out of 576 of those who lived-in with their employer (35%) worked the standard 44 hours stipulated by the legislation; the others worked longer hours. Of those who worked overtime, only 34% received the legal compensation of $7.50 an hour or extra time off. Many complained that employers exploited their presence in the house, for example, asking them to care for children during what was supposed to be their time off (Arat-Koc & Villasin, 1990).

CHAPTER V - A FRAMEWORK FOR FEDERAL GOVERNMENT ACTION

This paper has already discussed the need for quality in child care services, and the affordability and/or accessibility problems faced by parents. Quality, affordability, and availablity are three crucial elements, all of which must be addressed. This chapter sets the stage for the recommendations that appear in the following chapter. It discusses:

- the differences between a market model and a public good model;
- the implications of the current market model of child care in Canada;
- options for the development of a system of child care services;
- funding options for child care services, and
- issues related to national criteria and possible national legislation.

THE MARKET MODEL AND THE PUBLIC GOOD MODEL

In the absence of a framework of national policies or legislation for child care services, government initiatives that impact on child care have been implemented in an ad hoc fashion. This has resulted in the **market model** as the dominant model for child care services in Canada in 1995. This model assumes that:

- providing child care is the responsibility of the individual family. Therefore, child care services are a private matter between the parent and the provider; and
- the market model of supply and demand, that is, child care services as a private commodity to be purchased at the going rate, is appropriate.

In the market model, the role of government is limited to basic regulation and correcting 'market errors' by subsidizing the purchasing power of consumers who cannot afford the full cost of the service. In child care, this means that government funding primarily takes the form of tax deductions, child care allowances, and fee subsidization for low-income parents.

In contrast, the **public good** model assumes that, for the good of society as a whole, certain services must be equally affordable and available to all people. Therefore, these services should be developed on the basis of national goals and objectives and should receive direct public funding. The public education system is an example of a public good model. It assumes that society as a whole has a vested interest in ensuring that all young children develop certain skills. Therefore, it is deemed appropriate for government (in this case, the provincial government) to set standards, for example, for staff training, and to provide direct funding to cover basic operating and capital costs (Cameron, 1992).

THE IMPLICATIONS OF THE MARKET MODEL

There are many who support the philosophy of enabling parents to choose whatever type of alternative care they wish for their children - regulated, unregulated, non-profit and commercial -(the market model approach). However, there are major problems with applying the market model to child care services. First, this approach ignores the fact that child care, whether provided by the parent or by someone else, is intimately linked to other social issues that impact on the welfare of the society as a whole. Some of these issues are discussed in a later section of this chapter. By failing to fully appreciate the link between child care and a range of family-related and social/economic issues, Canadian governments have failed to capitalize on the potential for child care services to assist in addressing broader social and economic objectives.

Secondly, the market model fails to protect society's interest in promoting optimal child development. The research evidence that poor quality child care services harm children, for example, by hindering language skill development, was discussed in Chapter I. Economists have pointed out that quality child care services provide public benefits, for example, preparing children for school, beyond the private benefits received by the family (Powell, 1994; Barnett, 1993). The benefit for the family is often less than for society because the fee for quality full-time child care services for one child can be 25% or more of the median gross income of women, depending on the child's age and the woman's occupation (Barnett, 1993). When child care of high enough quality to best serve the public interest costs nearly as much as the net income obtained from working, parents have only two choices. They can either remain outside the paid workforce, or they can place their children in less expensive child care arrangements.

As discussed earlier, high quality child care services require a relatively high number of caregivers for the number of children served, caregivers with post-secondary school training in early childhood education, and caregivers who are paid adequate wages (Doherty-Derkowski, 1995). The market model assumes that a service can be provided at prices that can be afforded by a sufficient number of people to enable the service to meet its own basic costs (for example, for rent and wages). Quality child care services cannot be provided under these market model assumptions. If fees are to be kept affordable, the cost of providing child care that is of high quality must be heavily subsidized, by the child care provider through low salaries and poor benefits, or through significant public funding.

Whether child care services should continue to be treated as a marketable commodity is fundamental to deciding appropriate child care policies (Cameron, 1992). The government's role and the appropriate policy tools would be very different if child care services were viewed and treated as part of a strategy to address national objectives, that is, as a public good.

IS CHILD CARE AN ESSENTIAL COMPONENT OF ECONOMIC AND SOCIAL POLICIES THAT AFFECT THE COUNTRY AS A WHOLE?

If child care is an essential component of issues that are of national importance and affect the country as a whole, there is a need for a national policy framework. An argument can be made that child care services are linked with at least three such social and/or economic issues, namely society's need:

- to promote the well-being of *all* children;
- for a skilled and efficient workforce; and

- to address all forms of inequity.

The need to promote the well-being of all children

Two related issues are critical in relation to the well-being of children:

- the problem of child poverty; and
- the need to promote optimal development in *all* children whether or not they are receiving care by someone other than a member of their immediate family.

If society does not address child poverty, it eventually has to pay for that failure. Poor children are more likely than other children to require health services, to require academic remediation, and to drop out of school with the increased likelihood of not being able to find a job, and therefore becoming dependent on public funds (Doherty, 1992; Ross & Shillington, 1991). Reducing the incidence of child poverty is primarily a matter of income redistribution. This can be accomplished through a multi-faceted approach that includes job creation initiatives, traning and education, the provision of adequate social assistance and other family support programs when needed, and through ensuring that parents have the supports required to access paid employment, for example, affordable child care.

Enabling parents to enter and remain in the workforce increases their family income. In addition, the availability of high quality child care services can ameliorate the negative effects of poverty on children. In 1993, 1,197,598 children under age 6 were living in families where the single-parent was employed full-time or was a full-time student, or both parents were engaged in either full-time studies or full-time employment (HRDC, 1994a). It is reasonable to assume that most of these children were receiving non-parental care. Research has shown that what happens to the child in the first 6 years of life determines, to a significant extent, the degree to which the child learns the skills necessary for his or her future competence (Doherty-Derkowski, 1995). Therefore, as a society, we cannot afford to ignore the quality of children's experience in child care, regardless of the child's socioeconomic status.

The need for a skilled and efficient workforce

Three issues are critical in relation to the need for a skilled and efficient workforce:

- the maximization of the effectiveness of the existing labour force;
- enabling equitable participation in the labour force by parents; and
- the development of a skilled and effective labour force for the next century.

In the short-term, it is reported that the availability of reliable child care is likely to reduce employee absenteeism (MacBride-King, 1990). It also enables more parents to work which, in turn, increases government revenue and reduces costs for social assistance or Unemployment Insurance benefits. In the longer-term, *high quality* child care increases the likelihood that children will develop the skills necessary for effective future participation in the paid labour market.

The need to address all forms of inequity

As already demonstrated, currently in Canada the accessibility of child care is heavily dependent on the family's income, family type, and/or place of residence. This is clearly inequitable. The general availability of affordable child care could address other areas of inequity as well. For example, it could assist women to have equal opportunity to participate in the paid workforce.

Conclusion

Child care services must be an integral part of any strategy to deal with the issues of the well-being of all children, the need for a healthy economy and a skilled workforce, and the need to address inequity. These three issues are of national importance and affect the country as a whole. Therefore:

- child care services should be viewed as a public good. From this it follows that they should receive substantial direct public funding to ensure that the operation of such services is guaranteed independently of parent fees. This does not *necessarily* mean that parent fees would be eliminated; and

- federal government leadership regarding the issue of child care is essential to enable long-term planning with the provinces, territories and Aboriginal communities, and to redirect funds in ways that are most effective in addressing national policy objectives.

MODELS FOR PROVIDING CHILD CARE SERVICES

Child care services as a public good would be mainly publicly-funded, that is, the majority of their funding would come directly from governments. This does not *necessarily* require that the services be publicly-operated.

There are three possible approaches for the provision of child care services:

- a publicly-operated system, for example, child care services operated by local governments or the public education system;

- a government-regulated private system; or

- public funding to support unregulated child care arrangements.

It would be possible to operate a child care system that used only one approach, or one that used a mixture of approaches.

A publicly-operated system

This type of system could be operated solely by provincial/territorial or municipal government, or solely by public authorities (for example, local school boards), or through a mixture of government and public authorities.

In France, the provision of regulated child care services for children under age 3 is the responsibility of the local municipality. The services include both centres and networks of family day care homes, the former staffed, and the latter supervised, by municipal employees. Parents pay a sliding scale fee which is between 14% and 38% of the cost of the service, depending upon the type of service (Organisation de Coopération et de Développement Economique, 1990). The remainder of the cost of child care services for children under age 3 is divided between the local municipal government and the Caisses des Allocations Familiales (regional funds financed by employer tax contributions). There is a separate system, *écoles maternelles*, for children between age 3 and 5. These services are operated as an extension of the primary school system and attended by about 95% of the children in this age range. Parents do not pay a fee for the basic program at an école maternelle, but do pay supplementary fees for before- and after-school care. The écoles maternelles are staffed by teachers with training in early childhood education, and assistants (Doherty, 1992).

Almost all Swedish child care services are operated by municipal governments. Both centre staff and family day care providers are municipal employees. Planning and supervision of child care services are the joint responsibilities of the National Board of Health and Welfare and the municipal administration. The cost of child care services is divided between the central government, the municipal government, and the parent. Parents' fees are geared to income and to the number of children in the family. The parental contribution to the total child care budget in Sweden is about 12%. There are a few parent cooperatives and church-sponsored child care services, but these accounted for only 5.2% of the country's spaces in 1992 (Friendly, 1994).

A government-regulated private system

This is the primary model currently in place in Canada. Child care services are operated by a mixture of non-profit organizations and commercial operators. In addition, in some jurisdictions, municipalities or school boards also operate child care services. Regardless of auspice, the same provincial/territorial regulations apply to all regulated services within a given jurisdiction.

In Canada, the government-regulated private system is primarily funded through parent fees, some of which are subsidized by the federal government through CAP. Other sources of funding are provincial or territorial recurring grants and fund-raising by the program itself. A government-regulated private system could also operate solely on government funding, through a mechanism such as an annual grant, or through substantial government funding supplemented by a sliding scale approach to parent fees.

Public funding used for unregulated child care arrangements

As was discussed in Chapter II, public funds are currently used to support unregulated child care services through mechanisms such as the Child Care Expense Deduction, the Dependent Care Allowance, and parent fee subsidies in British Columbia and the Northwest Territories. Supporters of this approach see it as a method to maximize parents' choice (since the parents can also use the funds to purchase regulated care). Three major concerns with this approach are:

- the lack of a mechanism to ensure even basic safety, let alone quality, as unregulated child care providers are not required to meet any standards;

- the exploitation of unregulated caregivers who provide child care services at below market wages and without benefits like unemployment insurance; and
- the question of the future availability of unregulated child care services. In Canada, the participation of women in the paid labour force has increased dramatically in recent years. It has been estimated that by the year 2000, women's participation rates will approach that of men (Kyle, 1992). Based on this increase in participation in the paid labour force, it is possible that few people will be available to provide unregulated child care services in ten years' time.

The lack of mechanisms to monitor quality in unregulated child care is detrimental to the objective of promoting the well-being of children. Exploitation of unregulated caregivers, most of whom are women, is a basic equity issue. The potential lack of supply of providers of unregulated child care services raises the question of the wisdom of basing a child care 'system' on the model of directing public funds to unregulated child care.

Conclusions

A government-regulated private system model, with, in some provinces, municipalities and school boards also operating services, is already in place. It has the advantages of providing for local flexibility in response to different local needs within the framework of basic standards within a given jurisdiction. This approach, along with public funding of family support measures such as maternity and family-responsibility leave, would appear to be appropriate as the base for a comprehensive child care system. As indicated earlier in this chapter, the provision of quality child care through a government-regulated private system would require substantial public funding.

One issue that needs to be addressed is that of auspice. As discussed in Chapter I, commercial child care accounts for a significant percentage of child care spaces in some provinces. Commercial child care services, compared to services operated under a non-profit auspice, have been found by Canadian (as well as American) research to obtain lower scores on a standard overall measure of quality (Friesen, 1995; SPR Associates Inc., 1986), to be more likely to be in violation of regulations regarding the permitted number of children per caregiver (De Gagné & Gagné, 1988; West, 1988), and to have a lower proportion of staff with training in early childhood education (Friesen, 1995; CCDCF & CDCAA, 1992). To fulfill the objective of promoting the well-being of all children, the child care system in Canada should be primarily under non-profit auspice.

FUNDING OPTIONS

Direct public funding of child care services, financial assistance to parents, or both?

A previous section of this chapter concluded that child care services should be viewed as a public good. It also suggested that this means that it is appropriate that they should receive substantial direct public funding. Appendix E examines the option of providing direct public funding to child care services, and seven options for the provision of financial assistance to parents, to determine the extent to which each option:

- supports each of the three suggested national objectives; and

- is supportive of one objective, but detrimental to the achievement of another.

The conclusions of this examination are that:

- the provision of public funds directly to child care services supports all three objectives;
- five of the six methods of providing financial assistance to parents so that they can afford to purchase child care services are either detrimental to the objective of promoting the well-being of children, or foster, rather than address inequity; and
- the final method of providing financial assistance to parents so that they can afford to purchase child care services does nothing to address the need for expansion of regulated services. Additional spaces are required in order to maximize the participation and effectiveness of the existing workforce and to address the current inequitable availability of regulated child care relative to need.

These conclusions support the suggestion that public funds should be directed to developing and operating child care services, not to subsidizing the purchasing power of individual parents.

Which levels of government should be involved?

The federal and the provincial/territorial governments both stand to benefit from the availability of accessible, high quality child care services, for example, through job creation possibilities and increased tax revenues. Both these levels of government have a variety of ways in which they can raise revenues. Therefore, it would seem appropriate that both the federal and the provincial/territorial governments share in the provision of public funds for child care services.

In contrast, municipal governments in Canada have only one method by which they can collect revenue, through property taxes (although they also stand to benefit). This form of taxation is regressive since the proportion of income spent for housing, and, therefore, the property tax paid, is much higher for low-income taxpayers than for those with higher incomes. Given their limited tax base, and the regressive nature of property tax, municipal governments are in a much poorer position to undertake additional cost-sharing than senior governments. Municipalities can, however, play an important role in promoting quality child care services. They can do this by integrating child care planning into municipal land use/development practices, by making municipal land and buildings available for child care services, and by including child care in municipal social planning programs.

In conclusion, it would appear to be most appropriate for the provision of public funds for child care services to come from the federal and the provincial/territorial governments rather than from municipal governments.

Methods of cost-sharing

As a result of court interpretations of the *Constitution Act, 1867*, social services, such as child care, have been assigned to the provinces as part of their exclusive jurisdiction (Cameron, 1992). However, this does not prevent the federal government from providing funds for social services. Currently, there are three basic methods by which the federal government shares the costs of services administered by a province or territory. These are:

- **equalization payments,** these involve unconditional transfers of money from the federal government to the 'have-not' provinces. The stated purpose of this program is *to reduce the financial disparities between provinces by augmenting the revenues of the governments of the less wealthy provinces* [and] *...enable those provincial governments to provide public services without imposing unreasonably high levels of taxation* (Kyle, 1991, p. 292);

- **fixed percent cost-sharing** tied to specific conditions set by the federal government, for example, the 50% cost-sharing formula under CAP; and

- **established programs financing**, for example, health insurance and post-secondary school education. This approach provides a uniform per capita grant, partly in the form of a block grant, and partly in the form of a transfer of tax points.

If the federal government wished to pursue all three objectives suggested above, that is, to promote the well-being of all children, to promote the development of a skilled workforce, and to address inequity, it would want to use a cost-sharing mechanism that:

- promotes equity across the provinces and territories. This means ensuring that jurisdictions with a weaker financial base (the 'poorer' jurisdictions) have sufficient money to provide child care services of an amount and quality reasonably comparable to that provided elsewhere in Canada;

- makes child care truly affordable for the poorest families in order to enable low-income parents to join the paid workforce; and

- provides basic funding to child care services for all children in recognition of the right of all children and families to have access to high quality services. This would also avoid the current inequity of funding that focuses on a specific target group.

Currently, as used by the federal government, **equalization payments** are not conditional on the funds being spent for any particular purpose. Therefore, while equalization payments promote equity among provinces, they do nothing to encourage the provinces and territories to develop or expand specific services.

The use of **cost-sharing** tied to specific conditions encourages provinces to spend money in a certain way. Therefore, this approach could be used to encourage the expansion of child care services. Cost-sharing can be either based on a fixed percentage for all jurisdictions, as is the current 50% formula under CAP, or it can be based on a formula that varies across jurisdictions. For example, in 1984, the Manitoba government proposed that the provincial percentage for cost-sharing for child care services should be inverse to the per capita income in each province. In other words, provinces where the average income was above the national average would get 50% cost-sharing, those provinces where the average income was below the national average would get a higher proportion of federal funds (Stotsky, 1985). The fixed percentage approach fails to address the problem of the different ability of different provinces and territories to raise revenue Therefore, it ends up being inequitable. A formula that varies across jurisdictions is more equitable. However, the particular suggestion made by

Manitoba in 1984 fails to take into account the fact that in the territories both nominal incomes and the cost of living are higher than the national average.

The February, 1995 federal budget indicates that CAP will be converted into a **block grant** along with the existing Established Programs Financing. As discussed on the first page of this paper, it appears that the government plans to include child care funds now provided through CAP in this block grant.

From the perspective of child care services, **block grants,** as currently used by the federal government for health and post-secondary education, have the following disadvantages:

- the monies do not have to be spent in the area for which they are nominally transferred. As a result, there is no guarantee that any funds for child care provided through a block grant would be used by the provinces and territories for that purpose;
- the provinces and territories are not required to match the federal funds. As a result, even if the federal government increased funding for child care there would be no particular incentive for the provinces and territories to do so; and
- the amount of money transferred by the federal government has to be determined through some fairly simple formula, for example, the number of children of child care age. This could be inequitable. For example, some provinces currently have fewer child care services, on a per capita basis, than other provinces.

It should be noted that although current block grants do not require the monies to be spent in the area for which they are transferred, the federal government has successfully established principles and imposed conditions while using the block grant approach. For example, by using the criteria for funding established through the *Canada Health Act*, the federal government has successfully enforced its requirement that access to insured services be without financial barriers. It did this by withholding payments to provinces allowing extra billing. However, this leverage will only be present as long as the federal government is providing the provinces and territories with considerable funds. The February, 1995 budget indicates not only a substantial decrease in transfer of federal funds to the provinces and territories, but also the continuation of partial indexing which will further erode the purchasing power of federal dollars. The Caledon Institute of Social Policy estimates that as a result of the combination of a reduction in federal cash transfers and partial indexing, the federal cash transfers to the provinces and territories will disappear around the 2017/18 fiscal year (Battle & Torjman, 1995).

In conclusion, the objectives of promoting equity, and making child care affordable for all families would more likely be addressed if child care monies were put into a separate package defined by principles and conditions rather than included in the proposed new block grant. Child care funds would be most appropriately transferred through a cost-sharing formula that was not based on a fixed 50% formula.

Aboriginal services

As noted in Chapter III, the on-going debate between the federal and provincial/territorial governments regarding responsibility for the funding of Aboriginal child care services has greatly impeded service development. This issue must be settled. In recognition of the move towards Aboriginal self-government, the federal government should consider individual agreements between itself and First Nations.

CRITERIA AND STANDARDS

Under the existing Constitution, both the federal and provincial/territorial governments have the capacity to establish criteria in the social service area. However, only the provinces and the territories have the capacity to actually enforce standards, for example, by enacting legislation that requires a license to operate, and by having the legislated authority to refuse or cancel a license if certain conditions are not met. The federal government can only attempt to enforce its criteria through withdrawing any funding it might have been providing to a province or territory conditional on it meeting certain criteria. The Supreme Court of Canada does not consider this to be an infringement on provincial or territorial jurisdiction since a province or territory could refuse the money and, therefore, reject the conditions (Cameron, 1992). This reality means that any financial assistance offered by the federal government must be sufficient to induce the provinces and territories to accept the conditions tied to the money.

Detailed standards, for example, related to the number of children per caregiver, attached by the federal government as conditions to its provision of funds would probably be considered as interference with provincial jurisdiction. However, even within these constraints, the federal government could encourage the provinces and territories to develop and enforce basic standards to increase the likelihood of accessibility and quality. For example, a background paper for the 1985 Task Force on Child Care proposed that the federal government make its funding conditional on (Cooke, London, Edwards & Rose-Lizée, 1986):

- services being licensed (that is, regulated) by the province or territory; and
- services being administered on a non-profit basis.

LEGISLATION

Governments, whether provincial or federal, are granted their authority to make expenditures through a specific piece of legislation. The legislation in question may attach minimal conditions for cash flow, for example, only requiring the Minister's decision to do so, or may incorporate conditions that are significantly specific. The *Canada Health Act* and the existing legislation for the Canada Assistance Plan involve specific principles or conditions (Cameron, 1992). Therefore, national criteria of the type suggested above could be written into national child care legislation.

CHAPTER VI - RECOMMENDATIONS

This chapter addresses the issue of who should have access to child care, provides suggested guiding principles for the federal government, delineates the requirements for a national child care system, and makes specific recommendations.

WHO SHOULD HAVE ACCESS TO CHILD CARE SERVICES?

There may be a temptation to target child care services to parents who are in the paid workforce, in a job training program, or studying, and/or to children whose development is at risk because of environmental factors and/or a disability. It could be argued that child care would provide maximum benefit for these two groups. However, targeting parents in the paid workforce or studying ignores:

- the potential for child care to assist people to become financially independent. The number of parents in the paid workforce does not permit an estimate of the additional parents who would like to work but who cannot afford or cannot find child care services;
- the value to children with stay-at-home parents of having regular contact with peers and the benefits of an early childhood program during the preschool years. As the number of siblings and opportunities for peer interaction in the neighbourhood declines, there is an increasing need for peer experience outside the home to assist the child in the development of peer relationship skills; and
- the legitimate needs of stay-at-home parents for a variety of child care services.

Targeting only those children whose development is at risk ignores research that has demonstrated that children from all socioeconomic levels who have been in high quality child care services have higher developmental levels, and do better in elementary school, than peers who have not had this experience (Doherty-Derkowski, 1995).

Therefore, *all* children can benefit from quality child care services. Access to such service should be available to all families wishing to use them.

GUIDING PRINCIPLES

A set of principles, along with clearly articulated objectives, provides a reference point against which to measure both the design and the implementation of policies and services. The following list of principles is drawn from a variety of sources, including the report of the proceedings at a 1994 National Child Care Workshop in Montréal hosted by the federal government. This workshop involved federal and provincial/territorial government officials, two representatives from the Aboriginal community, a representative from the Canadian Union of Public Employees (CUPE), a representative from the Canadian Council on Social Development, representatives from various child care groups, and representatives from child care services. The principles also reflect articles 18, 19, 24, 27, and 29 of the United Nations' *Convention on the Rights of the Child*, to which Canada is a signatory.

Children

1. Society has a collective responsibility to ensure that *all* children receive the care and services necessary for their well-being and optimal development in the physical, social, emotional, language, and intellectual areas (United Nations, 1991).

2. Every child has the right to equal access to the type of child care service that will ensure his or her well-being and enhance his or her development regardless of the child's place of residence, degree of ability or disability, race, culture or language, or the parents' employment status.

3. Disabled children, regardless of the type or level of their disability, have the right to enrolment in the same child care services as non-disabled children, and the right to the necessary supports to enable them to do so.

Parents

4. Parents have the primary responsibility for their children. They have the right to choose how their children will be cared for, including the right to stay at home, to use child care services, or to use a combination of staying at home and child care services.

5. Society has a collective responsibility to ensure a supportive context for raising children for *all* families. This includes policies, such as maternity and family-responsibility leave, and funding that makes child care services affordable for all families wishing to use this service, regardless of family income.

Women

6. Every woman has the right to participate in the paid workforce and to participate in the social, cultural, and political life of her community. The availability of child care services assists women to exercise this right.

Child care providers

7. Early childhood educators and other workers in child care services have the right to good working conditions and to salaries and benefits commensurate with their educational level, responsibility, and professional training.

Society

8. Society has the right to expect that child care services receiving public funds be held accountable to the people they serve, the community in which they are located, and the taxpayer for the provision of high quality, responsive services that make the best use of their human and financial resources.

9. Society has the right to expect that child care services receiving public funds operate on the basis of anti-bias programming, are respectful of each individual family's values, culture and language, and encourage parent participation.

THE REQUIREMENTS OF A NATIONAL CHILD CARE SYSTEM

A national child care system should be:

- **comprehensive** - that is, provide a range of child care/early childhood education options including: full- and part-time group child care services, family day care, emergency child care, seasonal child care services, periodic child care for stay-at-home parents, support services for stay-at-home parents and other caregivers (for example, drop-in programs and educational opportunities), care in the child's own home for specific situations where this is the most appropriate approach, and complementary family supports such as paid maternity, parental, and family responsibility leave;

- **universally available** - that is, a sufficient supply of affordable child care services so that all children age 0 - 12 and their families that want to use such services can access them regardless of he region they live in, the family income, the child's level or type of disability, or the parent's employment status. Universally available does NOT mean compulsory. Nor is an assumption being made that all families with children between age 0 and 12 would want to use child care services. To implement the requirement of universally available, there must be adequate funding, and local planning mechanisms to identify the appropriate mix and volume of services to meet the community's needs;

- **affordable** - that is, child care services within the financial reach of all families that wish them. To implement this requirement, government would need to contribute a substantial portion of the funds required to operate child care services;

- **high quality** - that is, child care services that reflect the best available research knowledge about adult behaviours and program characteristics that are consistent with child well-being and optimal development. To implement this requirement, there must be regulatory standards related to staff training, the number of children per caregiver, and group size that are consistent with research findings about what is desirable. To maintain quality, there must be monitoring for compliance with regulations and sanctions for non-compliance, on-going staff training, support for family day care providers and on-going research into factors that affect children, families, and child care providers. Since non-profit child care services are more likely to be high quality, child care services should be operated on a not-for-profit basis;

- **responsive** - that is, a system that has sufficient spaces, allows a range of enrolment options within and between programs so that care is available at the times, and on the days, that it is required, addresses the requirements of children with special needs, and supports cultural and linguistic diversity. To implement this requirement there must be adequate funding and mechanisms for parent and community input into service planning;

- **accountable** - that is, services that are responsible and held responsible to the children, parents and community served, and to the taxpayers. To implement this requirement, there must be mechanisms for on-going and substantive parent and community input into policy and program decisions, governance by a community board or by elected municipal politicians, and monitoring to ensure quality and that services are meeting user and community needs; and

- **coordinated** - that is, supportive of continuity for the child through the maintenance of linkages among child care services and between child care services and recreational and school services. To implement this requirement, there would have to be formal planning mechanisms at the community level.

Appendix E provides information on an existing comprehensive child care service.

SPECIFIC RECOMMENDATIONS

Recommendation One:[33]

That the federal government promote the long-term goal of a publicly-funded, universally accessible, comprehensive, high quality child care system for all Canadians.

Recommendation Two:[34]

That the federal government develop and advance a national child care plan that has the following characteristics:

- a national policy framework recognizing provincial/territorial/Aboriginal jurisdiction for child care services as well as the role of communities and parents in developing priorities and strategies for child care service delivery at the local level;
- incorporation and definition of the principles of universal accessibility, comprehensiveness, high quality, and non-profit administration,
- significant federal funding for provincial/territorial/Aboriginal programs that is contingent upon compliance with the national framework and recognizes the respective cost-sharing abilities of each partner; and
- a timetable that sets goals and targets for provincial/territorial/Aboriginal plans and establishes the details of funding arrangements.

Recommendation Three:

That federal child care monies be kept separate from other social security funds and be transferred to the provinces and territories as a separate package.

Recommendation Four:

That, in collaboration with the provinces and territories, the federal government develop a mechanism for cost-sharing both operating and capital funds that recognizes variations in provincial and territorial ability to raise their own revenue.

Recommendation Five:[35]

That the negotiating parties in the negotiations pertaining to Aboriginal self-government ensure that there are sufficient resources made available to enable aboriginal peoples to develop and operate a quality system of child care services both on- and off-reserve. In the short-term, that the federal government establish individual federal/First Nations agreements to provide direct support to both on- and off-reserve Aboriginal child care services to those desiring them.

Recommendation Six:

That the use of federal funds be restricted to non-profit child care services that are regulated by the province or territory or approved by the relevant First Nation.

Recommendation Seven:

That the federal government take a leadership role by extending its policy on the integration of people with disabilities to include integration in child care services, and that the federal government include a non-discrimination clause as a condition of its provision of funding for child care services to the provinces, territories, and First Nations.

Recommendation Eight:[36]

That there be federal/provincial/territorial/Aboriginal recognition that child care teachers and providers have the right to equitable wages and good working conditions.

Recommendation Nine:

That the federal government take a leadership role in the dissemination of information about caregiver behaviours and child care service characteristics associated with quality, and that it support provincial/territorial/Aboriginal adoption of standards that reflect this information.

Recommendation Ten:[37]

That the federal funds currently spent on providing allowances for child care to people in federally-funded training and language programs be directed for use in the non-profit regulated child care system.

Recommendation Eleven:

That the Child Care Expense Deduction be phased out after a five-year transition period during which, in recognition of the current shortage of regulated child care services, the Deduction continue to provide assistance to parents who have to use unregulated child care.

Recommendation Twelve:

That the federal government take the initiative in promoting a more comprehensive family support package by modifying labour standards in the *Canada Labour Code* and increasing benefits under the *Unemployment Insurance Act*. These modifications should provide benefits for longer parental leave at the time of birth or adoption, with a higher rate of benefits than the current 55% of insured earnings, as well as ten days per year of paid family responsibility leave per family per child.

Recommendation Thirteen:

That an on-going funding mechanism be developed to fund a child care system infrastructure, for example, the development and dissemination of child care information, and that this be kept separate from the Child Care Visions research and development program.

Endnotes

1. Partial indexing means that the amount will not be adjusted upward on an annual basis to compensate fully for increases in the cost of living due to inflation. Instead, it is to be adjusted only by the amount that inflation exceeds 3%. As a result, there will be a gradual erosion of the purchasing power of the block grant over time.

2. Some jurisdictions, such as Manitoba and Ontario, permit children beyond the age of 12 to be served in a child care program if the child has a disability.

3. Regulation refers to the establishment and enforcement of standards and regulations for child care services by the provinces and territories. This is done by requiring child care providers to have a license or permit to operate. However, all the provinces and both the territories permit a person caring for less than a certain number of children not related to them to do so without being regulated.

4. Centre for International Statistics, Ottawa. Special tabulation for this report using Statistics Canada's low-income cut-off to define poverty (1986 base) and Statistics Canada's Survey of Consumer Finances micro-data files, 1992 (1991 income).

5. It should be noted that this statistic refers only to children living in the ten provinces. The number would be greater if statistics from the two territories and from reserves were available and added.

6. Centre for International Statistics, Ottawa. Special tabulation for this report using Statistics Canada's low-income cut-off to define poverty (1986 base) and Statistics Canada's Survey of Consumer Finances micro-data files, 1992 (1991 income).

7. The provisions of both the Québec and the Canada Pension Plans are such that the years where earnings are nil or below career average while the mother (or single father) has a child under age seven are not counted when calculating the average earnings upon which pension benefits are based. Therefore, the impact of being out of the paid workforce depends on the age of the individual's youngest child during that period.

8. Donna S. Lero, Department of Family Studies, University of Guelph, special tabulation using data from the *Canadian National Child Care Study*.

9. Donna S. Lero, Department of Family Studies, University of Guelph, special tabulation using data from the *Canadian National Child Care Study*.

10. Based on a special tabulation for this report by the Centre for International Statistics.

11. Over the past twenty years there has been a steady decline in the number of children a Canadian woman will have in her lifetime (Vanier Institute of the Family, 1994).

12. There has been a steadily growing increase in the proportion of the population over age 65 and this trend is expected to continue (Ontario Women's Directorate, 1991).

13. For a review of the research, see Doherty-Derkowski, G. (1995). *Quality matters: Excellence in early childhood programs*. Don Mills, ON: Addison-Wesley, pages. 95, 98-101.

14. Government regulations establish and enforce standards for service delivery by stating requirements for a licence (permit) to operate. Generally, the regulations pertaining to child care services address issues such as safety, hygiene, the number of children permitted per caregiver, and the permitted group size. In some provinces, both centres and family day care homes receive individual licences. In other jurisdictions, such as Ontario, an agency is licensed to supervise a number of family day care homes, each of which is then considered to be 'regulated'.

15. See Appendix A for a list of key informants.

16. Factual information on various tax measures for this section from Catherine McDade, Strategic Policy Group, Human Resources Development Canada, personal communication, June, 1994.

17. With a **refundable** tax credit, the family receives a cheque from the government when the family income is so low that it does not pay tax. Therefore, a refundable tax credit has value to all families, not simply those that pay income tax. In contrast, a non-refundable tax credit reduces the amount of tax payable, but provides nc benefit to a family which does not pay income tax.

18. In this case, "net" income refers to income after unemployment insurance premiums, CPP/QPP contributions and certain other items have been deducted. In the case of a single parent who is not sharing lodging with another adult, the net income threshold is increased by $1,050, and for all families, the threshold is increased by $2,400 for each child after the first one. For a single-parent family with one child, and not sharing lodging, the threshold is therefore $10,850. With two children, the threshold would be $13,250 for this family.

19. Gross income refers to the income before deductions.

20. Factual information for this section obtained from Catherine McDade, Strategic Policy Group, Human Resources Development Canada, personal communication, June, 1994.

21. In some cases, there are provincial variations. In Alberta, these benefits vary according to the age of the child. In Québec, they vary according to the age of the child and the birth order of the child, with more money going to third and fourth children and less to first and second children.

22. Information was obtained from the Centre for International Statistics, Canadian Council on Social Development (1993). *Focus on child care*, Newsletter No. 2, July, p.6. Ottawa, Ontario: Author.

23. Factual information for this section obtained from Francine Knoops, Strategic Policy Group, Human Resources Development Canada, personal communication, June, 1994.

24. See Appendix A for a list of the provincial and territorial key informants.

25. For all the graphs presented in this chapter the fees for Alberta and Saskatchewan were taken from the Childcare Resource and Research Unit, *Child Care in Canada: Provinces and Territories, 1993*, p. 97, and for Québec from l'Office des services de garde à l'enfance, *Rapport annuel, 1992-1993*. Québec: Les publications du Québec, 1993, Table 8, p. 51, indexed by the same percentage increase as the previous year. For Nova Scotia, fees were set at $17 per day (261 days per year) or $1 more per day than the maximum subsidized fee. In Québec and Nova Scotia, it was assumed that the costs to the parent were the same for infants and preschoolers because these two provinces provide additional direct grants for infants.

    Information on the fee subsidy program in each province was provided by the relevant government office in each province.

    Net costs were calculated by subtracting the amount of the subsidies, plus the value of provincial/territorial and federal child care deductions, from the fee. The value of the deductions was calculated as the difference in taxes paid by a family with no costs for child care and the taxes paid by an identical family that did deduct costs for child care. The tax deduction may have indirect effects on the Child Tax Credit, the GST Tax Credit, and the amount of family allowance a single parent may have to reimburse, as well as on various provincial tax reductions or surtaxes, because it affects net income. Some of the irregularities in the net fees are due to these indirect costs.

    In Québec, the subsidy provided specifically to assist in the purchase of child care by the APPORT program is also deducted from the fee. Saskatchewan has a Family Income Plan that provides income supplements to low-income families. This may affect net costs for child care directly or indirectly. However, this effect was not calculated.

    For two-parent families, it was assumed that the man earns 60% of the family income. Therefore, the woman claims the Child Care Expense Deduction (except for provincial income tax in Québec, where the higher earner can claim the deduction). It was further assumed that, for two-parent families, nominal child care costs never exceed the earnings of the lowest earner (generally the woman). In other words, if she is earning less that $9,000 per year, the family is using only part-time child care services. Thus, for very low-income families, net child care costs are equal to the minimum fee in the province.

26. Net cost, in this context, refers to the actual cost to the parent after fee subsidies and income tax child care deductions have been subtracted.

27. Donna S. Lero, Department of Family Studies, University of Guelph, special tabulation using data from the *Canadian National Child Care Study*

28. Canada, Department of Finance, the Honourable Paul Martin, Minister of Finance, *The Budget Speech*, February 22, 1994, p. 11. However, for U.I. beneficiaries supporting a dependent, and with earnings below $390 a week, the benefit rate is 60%.

29. Centre for International Statistics. Special tabulation for this report using the Survey of Consumer Finances microdata, 1990 and 1991.

30. See Appendix A for a list of provincial key informants.

31. Memorandum to all child care providers from Vivian Randall, Director of Child Care, dated September 17, 1992. As of April, 1995, the freeze was still in effect.

32. However, the Department of Indian and Northern Affairs also provides funds for four of seven regulated on-reserve child care programs in British Columbia (Francine Knoops, personal communication, June, 1994).

33. Based on a recommendation by the Child Care Advocacy Association of Canada in their 1994 document: *What We Want From the Federal Government*, page 1.

34. Based on a recommendation by the Child Care Advocacy Association of Canada in their 1994 document: *What We Want From the Federal Government*, page 1.

35. Based on a recommendation by Mab Oloman (1992) in: *Child Care Funding*, page 9. A Paper Prepared for the National Child Care Conference and Lobby, Ottawa, October 15-19, 1992. Ottawa, Ontario: Canadian Day Care Advocacy Association.

36. Based on a recommendation by the Child Care Advocacy Association of Canada in their 1994 document: *What We Want From the Federal Government*, page 2.

37. Based on a recommendation by the Child Care Advocacy Association of Canada in their 1994 document: *What We Want From the Federal Government*, page 1.

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APPENDIX A

KEY INFORMANTS

Alberta

Karen Charleton
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Dennis Maier[1]
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Alberta Family and Social Services

Marlene Jubenvill
Day Care Programs
Alberta Family and Social Services

British Columbia

Rita Chudnovsky
Douglas College
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Penny Coates
Childcare Coordinator
City of Vancouver

Mab Oloman[2]
Child Care Branch
British Columbia Ministry of Women's Equality

Manitoba

Dorothy Dudek
Manitoba Child Care Association

New Brunswick

Gayle Keith-Mitton
Early Childhood Coalition/Petite Enfance

Newfoundland

Glenys Taylor
Westviking College

Nova Scotia

Valerie Blaauw
Child Care Advocacy Association of Nova Scotia

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Francine Knoops
Catherine McDade
Lynne Westlake
Government of Canada

NOTE:

1. Retired, effective April, 1995.
2. Now with the Westcoast Child Care Resource Centre, Vancouver

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APPENDIX B

RECURRING GRANTS, CANADA, 1993

Province/Territory	Name of Grant	Amount (FTE)	Eligibility Criteria
Newfoundland and Labrador	None	———	———
Prince Edward Island	Operating Grant: Centre Family Day Care	$0.91/day/space $450./year/home	Non-profit or commercial services
	Infant Incentive Grant	$250./infant/year	Must enrol at least 1 child younger than age 2 on a regular basis for at least 6 months
Nova Scotia	Salary Enhancement Grant	$3.25/day/space	Non-profit centres and family day care agencies
	Family Day Care Administration Grant	10% of approved per diem fee or $1.65/day/space	Family day care agencies
	Infant Incentive Grant	Maximum $21./day/infant	Non-profit, full-day centres
New Brunswick	Operating Grant	$13.55/space/year	Non-profit and commercial centres
Québec	Operating Grant: Centre	$34,202./year plus 30% of the centre's revenue	Non-profit centres with parent majority boards of directors and centres whose license is held by a municipality or school board (for programs other than school-age child care)
	Family Day Care	$22,800. for 50 or more spaces, $11,400. for less than 50 spaces, plus $312./child/year plus $1,253. per provider (maximum 25% total number of spaces)	Non-profit agencies
	Infant Incentive	$6.59/child/day	Non-profit and commercial centres
Ontario	Wage Subsidy Program	Approximately $5,000./staff members	Centres and family day care agencies that are non-profit or municipal Commercial centres that were licensed before 1987 get a partial grant

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Province/ Territory	Name of Grant	Amount (FTE)	Eligibility Criteria
Manitoba	Operating Grant	Fully funded programs, $1,196./preschool space/year	Non-profit centres and family day care homes (grants for family day care homes are smaller than what is quoted for centres)
Saskatchewan	Operating Grant Infant Teen Centre Grant	$360./preschool space/year $425./month/child	Non-profit, parent-controlled centres
Alberta	Operating Allowance	$936./preschool space/year	Non-profit and commercial centres
British Columbia	Infant/Toddler Incentive Grant	$5./infant/toddler space/day	Non-profit centres
Northwest Territories	Operating Grant	$5./space/day to $9.50/space/day (depending on community location)	Non-profit centres and licensed family day care homes
Yukon Territory	Operating Grant	Based on a formula including child's age, staff training and occupancy costs. A 20 child centre with average costs and training would get $34,200./year	Non-profit centres, commercial centres licensed before 1989, and family day care homes

Source: Childcare Resource and Research Unit, *Child Care in Canada: Provinces and Territories, 1993*. Toronto, Ontario: Centre for Urban and Community Studies, University of Toronto. 1994, Table 11, p. 94.

Notes: Since 1993, direct funding to child care programs has been reduced in Alberta, Manitoba, New Brunswick, and Prince Edward Island. Operating grants have been suspended in Newfoundland and New Brunswick. However, direct funding to services has been increased in British Columbia.

In Québec, all grants are regularly indexed to the cost-of-living index.

APPENDIX C

THE CANADA ASSISTANCE PLAN

Funding mechanism

Under the current CAP arrangement, the provinces and territories are reimbursed for their eligible (as defined by CAP) child care expenditures through one of two mechanisms:

- **the social assistance route** - this uses CAP's provisions to cost-share social assistance (welfare). It permits the province or territory to provide direct financial payments to persons in financial need, or to purchase a service required by such a person, including child care. This route requires the family to undergo a needs test to determine eligibility. A needs test takes into account not only income and assets, but also fixed monthly expenditures, such as rent, and family debts; and

- **the social services route** - this uses CAP's provisions to cost-share preventive services for persons who are in financial need or likely to become financially needy. This route only requires an income test, which does not take into account assets, expenditures, or debts (Townson, 1985).

In 1993, most provinces, and the Yukon, were using income tests to determine eligibility for CAP cost-shared services. New Brunswick, Ontario, and the Northwest Territories were using needs tests. Newfoundland and Prince Edward Island were using either an income or a needs test, depending on the situation (Childcare Resource and Research Unit, 1994).

Under CAP, the federal government cost-shares eligible child care expenditures with the provinces and territories as follows (Townson, 1985):

- fee subsidies for low-income parents who have been found eligible on the basis of either a needs or an income test that is consistent with guidelines set by the federal government. In the case of an income test, only fees used in a regulated non-profit service can be cost-shared. If a needs test is used, fees paid in a commercially operated service or unregulated child care can be cost-shared;

- operating grants for regulated non-profit or government-operated child care services. However, cost-sharing is limited to operating grants related to families receiving a fee subsidy; and

- the depreciation of land, premises, and equipment through the "social services" route, but not through the "social assistance" (welfare) route.

When a needs test is used, the federal government specifies that food, housing, clothing, heating costs, utilities, household supplies, personal care costs, and so on, must be covered. However, it does not fix any money level. The logic is, however, that the assistance will provide income or services to the extent that there is a gap between needs and resources. This means that as the family's resources increase, the government contribution declines, dollar for dollar. In other words, a one dollar reduction in assistance for each dollar of income earned by the recipient above a certain income level. The recovery, or **tax-back** rate, therefore, is implicitly 100%. If net, rather than gross income is considered, the tax-back rate may be as low as 85%.

Where provinces use an income test, the federal government sets a **maximum subsidy** level (including parental fees and operating and capital expenditures attributable to a particular child) that it is willing to cost-share. It also sets a maximum income level, this is known as the **turning point**, up to which the full subsidy can be paid, and guideline tax-back rates. These three parameters, namely: the maximum subsidy level, the turning point, and the tax-back rate, define the income level at which the subsidy disappears (the break-even point). Both the maximum subsidy and the turning points, and therefore the break-even points, vary with family size and whether the family has one parent or two.

The impact of the welfare approach in CAP

The purpose of a welfare program is to provide income or services to the extent to which there is a gap between the individual's or family's needs and resources. This means that, as a family's resources increase, the government contribution through a welfare program declines. For example, assume that in a certain province, only families with incomes below $18,000 are eligible for the maximum subsidy of $5,000 (which has been set equal to the cost of regulated child care services in that province). A family with an income of $22,000 would lose a part of the subsidy. If the tax-back rate is set at 50%, this means that the family is required to use 50% of the $4,000 of its income above $18,000 to pay for child care services. It would, therefore, get a subsidy of only $3,000. If the tax-back rate was set at 100%, the family would be required to use the entire $4,000 of its income above $18,000 for child care and would get a subsidy of only $1,000.

High tax-back rates are one of the reasons why single mothers find it so difficult to move from social assistance into the paid workforce. Low-income mothers who re-enter the paid workforce are often employed in low-paying service or entry-level positions. However, not only does the woman have the fee subsidy taxed back beyond a certain income level but her earnings are also subject to various income and payroll taxes and faces work-related costs, for example, transportation. In addition, when no longer on social assistance, the woman loses other associated benefits, such as, coverage for the cost of prescription medications. Until a single mother is earning over $20,000 a year, her material standard of living is likely to be no higher if she has a job than if she is on social assistance (National Council of Welfare, 1993).

The impact of the 'cap' on CAP

CAP was established as an open-ended cost-sharing agreement under which the federal government would reimburse the provinces for up to 50% of their CAP-eligible expenditures, regardless of the amount of those expenditures. In 1990, the federal government unilaterally repudiated its cost-sharing agreement under CAP by announcing that its contributions to Alberta, British Columbia, and Ontario would be limited to a 5% annual growth for two years. In the following year's budget, the federal government extended the limit on growth until the end of the 1994/95 fiscal year. The

February, 1995 budget extended the cap on reimbursement in these three provinces until the end of fiscal year 1995/96 when CAP is intended to be almagamated into the Canada Health and Social Transfer.

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In imposing its cap, the federal government made no specifications as to how the provincial governments were to allocate funds, or how they were to make cutbacks. The cap occurred just as the recession put large numbers of Canadians out of work and onto social assistance. CAP requires that the provinces (or the municipalities in provinces where they administer social assistance) provide minimum income to all residents in need, but does not require them to provide child care fee subsidies. As a result, when money became tight, the child care fee subsidy program was often expendable.

The impact of the cap on CAP has been different in each of the three provinces. This difference reflects different economic situations, different municipal roles, and the high proportion of commercially operated child care services in Alberta. Because the impact has been different in each province, each is discussed separately.

a) Alberta[1]

Alberta experienced high unemployment rates as a result of the recession, and decreased provincial revenues from income and consumption taxes. The province has made substantial cuts in its grants to municipalities. In Alberta, municipalities administer the social assistance program and may (on a voluntary basis) provide school-age child care services using grants from the provincial government. When provincial grants were cut, many municipalities that had been providing school-age child care cut back on their number of spaces; some stopped operating this service. The result could mean no regulated school-age child care in the communities concerned.

The cap on CAP had less impact on child care programs for children under age six. In 1991, when the cap went into effect, 64.1% of regulated centres in Alberta were operated on a commercial basis (Health and Welfare Canada, 1993), and many of these had vacancies. These programs were not eligible for CAP cost-sharing for either fee subsidy or operating grants under the route used by Alberta to access CAP (income testing). Federal statistics estimate that in 1987/88, before the cap on CAP, the federal government only reimbursed Alberta under CAP for 11% of its child care expenditures (Phillips, 1989). Furthermore, prior to the CAP announcement, the province had already announced its intention to substantially reduce its operating grants to child care services. Unlike British Columbia and Ontario, Alberta had no plans to increase the number of child care spaces in that province.

b) British Columbia[2]

British Columbia's economy was the least affected by the recession. In 1992, British Columbia established the Child Care Branch in the Ministry of Women's Equality, and announced a child care services expansion program to create 15,000 new regulated child care spaces by 1996 using solely provincial funds. In 1992/93, 7,000 new regulated spaces were created. Funds for 500 more spaces were allocated in June, 1994, along with an additional $22 million for fee subsidization. Since 1992, the provincial government has also initiated a new wage enhancement program for caregivers in regulated centres, an infant/toddler grant which recognizes the additional costs associated with providing care for this age group, a capital works program to create new spaces, and expanded the network of child care support programs (which provide child care information and referral, and educational opportunities for both parents and caregivers). All of these new intiatives have been implemented without federal government cost-sharing. The question in British Columbia is how much more might have been accomplished if there had not been a cap on CAP.

c) Ontario[3]

In the five-year period between March, 1988, and March, 1993, the Ontario social assistance caseload more than doubled from 293,000 to 613,000 (Informetrica Ltd., 1993). Most of the increase was linked to the recession, which resulted in the Ontario unemployment rate rising from 5.5% to 11.3%. CAP-eligible expenditures in Ontario rose from just over $3 billion in 1988/89 to $8 billion in 1992/93 (Informetrica Ltd., 1993). Because of the federal cap on CAP, the province had to cover a far larger proportion of this expenditure than would have if federal cost-sharing had remained open-ended. Ontario estimates its cumulative losses between 1990/91 and 1994/95 from the cap on CAP to be $7.7 billion (Battle & Torjman, 1995). During the same period, the province was experiencing declining revenues due to decreased income and consumption taxes. Faced with a rising deficit, the province froze its transfer payments to municipalities and school boards.

Municipalities have a broader role in child care in Ontario than they do in any other province. They are responsible for the administration of social assistance, may administer the child care fee subsidy program (in which case they must contribute 20% of the cost from their own funds), and may directly operate child care services. In reacting to the provincial government's funding freeze, municipalities were reluctant to raise property taxes in a period of high unemployment. However, they had no other way of raising funds. Most municipalities therefore responded to the financial squeeze by one or more of the following:

- severely curtailing the eligibility criteria for child care fee subsidies;
- limiting the number of subsidized spaces, or the total budget for fee subsidy; and/or
- closing directly-operated municipal child care spaces.

Because a large proportion of public funding to child care services comes through the municipally-controlled subsidy program, municipal actions have a profound effect on child care in Ontario. The municipalities' reaction to their financial squeeze has resulted in:

- a reduction in spaces;
- higher fees. A 1993 survey of 300 child care services in different parts of the province found that 40% reported recent fee increases (Ontario Coalition for Better Child Care, 1993);
- an increasing number of families that previously would have been considered eligible for fee subsidy, but no longer are; and
- an increasing number of families that are eligible for a fee subsidy but cannot obtain one.

In spite of the cap on CAP, in 1992 Ontario announced both its intention to reform the child care system to make more spaces available, and a four-year JobsOntario program to be funded solely by the province. JobsOntario included 20,000 fully-funded child care spaces and an accompanying $34 million capital fund to develop some of them. However, in April, 1994, the province put reform of child care on hold, cut back the promised JobsOntario spaces to 14,000 and reduced the accompanying capital fund. This retrenchment was partly due to the continuing poor economy in Ontario. However, the cap on CAP was a contributing factor as well. JobsOntario is scheduled to terminate in 1996. At that time, its currently 100% provincially-funded child care spaces are to become cost-shared by the municipalities. However, since the municipalities are already withdrawing from subsidization of child care fees, it is likely that many of the spaces already created through JobsOntario will be lost.

The Impact of the Canada Health and Social Transfer

The three provinces that have been subject to a cap on CAP since 1990 will not get any redress for their past losses. The proposed new block fund, the Canada Health and Social Transfer, will allocate its transfers among the provinces in 1996/97 in the same proportion as they receive their combined CAP and Established Programs Financing (a block grant for health and post-secondary school education) transfers in 1995/96 (Battle & Torjman, 1995).

ENDNOTES

1. Information for this section was collected in telephone interviews conducted in June, 1994, with Karen Charleton, Children's Services, City of Medicine Hat, and Dennis Maier, Director, Day Care Programs, Alberta Family and Social Services.

2 Information for this section was collected from the following sources: Phillips, S.D. (1989). Rock-a-bye, Brian: The national strategy on child care. In K.A. Graham (Eds), *How Ottawa spends: The buck stops where?* (p 182, Table 7.2). Don Mills, Ontario: Oxford University Press; British Columbia Ministry of Women's Equality. (1994). *Child care fact sheet.* Victoria, British Columbia: Author; British Columbia Ministry of Women's Equality. (1994). *Child care: Choices at work.* Victoria, British Columbia: Author; and, British Columbia Ministry of Women's Equality. (1994). News Release, June 21, 1994.

3. Unless specifically indicated otherwise, information on the impact in Ontario was collected during telephone interviews conducted in June, 1994, with: Kerry McCuaig, Ontario Coalition for Better Child Care, and with Marnie Campbell and Bryan Stanish, both from the Child Care Branch, Ministry of Community and Social Services.

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APPENDIX D

NET ANNUAL COST OF CHILD CARE BY INCOME LEVEL FOR FOUR PROVINCES, 1992
Single-parent family with one infant and one preschooler

	Alberta (Average fees = $8,724)		Saskatchewan (Average fees = $8,952)		Québec (Average fees = $9,320)		Nova Scotia (Average fees = $8,874)	
Family Income	$ Amount	% of Income	$ Amount	% of Income	$ Amount	% of Income	$ Amount	% of Income
$10,000	$1,284	12.8%	$3,312	33.1%	$613	6.1%	$522	5.2%
$14,000	$1,284	9.2%	$3,312	23.7%	$1,237	8.8%	$469	3.4%
$18,000	$1,124	6.2%	$2,755	15.3%	$1,676	9.3%	$990	5.5%
$22,000	$1,827	8.3%	$2,945	13.4%	$2,512	11.4%	$2,204	10.0%
$26,000	$2,924	11.2%	$3,515	13.5%	$2,970	11.4%	$3,097	11.9%
$30,000	$3,359	11.2%	$3,694	12.3%	$2,764	9.2%	$3,431	11.4%
$35,000	$3,592	10.3%	$3,851	11.0%	$2,706	7.7%	$3,520	10.1%
$40,000	$4,447	11.1%	$4,739	11.8%	$3,328	8.3%	$4,294	10.7%
$45,000	$5,559	12.4%	$5,492	12.2%	$4,187	9.3%	$5,477	12.2%
$50,000	$5,561	11.1%	$5,380	10.8%	$4,653	9.3%	$5,489	11.0%
$60,000	$5,045	8.4%	$4,838	8.1%	$4,571	7.6%	$4,941	8.2%
$75,000	$4,991	6.7%	$4,828	6.4%	$4,640	6.2%	$4,953	6.6%
$100,000	$4,991	5.0%	$4,828	4.8%	$4,610	4.6%	$4,815	4.8%
$150,000	$4,991	3.3%	$4,828	3.2%	$4,610	3.1%	$4,815	3.2%
$200,000	$4,991	2.5%	$4,828	2.4%	$4,610	2.3%	$4,815	2.4%

Source: Ruth Rose, research in progress. This research has benefited from a Strategic Grant from the Social Sciences and Humanities Research Council of Canada.

Note: Net costs were calculated by subtracting the amount of the fee subsidies, plus the value of provincial/territorial and federal child care deductions, from the fee.

NET ANNUAL COST OF CHILD CARE BY INCOME LEVEL FOR FOUR PROVINCES, 1992
Two-parent family with one infant and one preschooler

	Alberta (Average fee = $8,724)		Saskatchewan (Average fee = $8,952)		Québec (Average fee = $9,320)		Nova Scotia (Average fee = $8,874)	
Family Income	$ Amount	% of Income	$ Amount	% of Income	$ Amount	% of Income	$ Amount	% of Income
$12,000	$480	4.0%	$480	4.0%	$613	5.1%	$392	3.3%
$14,000	$480	3.4%	$560	4.0%	$613	4.4%	$392	2.8%
$18,000	$480	2.7%	$1,560	8.7%	$1,540	8.6%	$804	4.5%
$22,000	$1,402	6.4%	$3,494	15.9%	$1,959	8.9%	$1,636	7.4%
$26,000	$2,591	10.0%	$4,177	16.1%	$2,394	9.2%	$2,631	10.1%
$30,000	$3,159	10.5%	$4,259	14.2%	$3,182	10.6%	$3,252	10.8%
$35,000	$4,156	11.9%	$4,649	13.3%	$3,067	8.8%	$4,311	12.3%
$40,000	$5,282	13.2%	$5,670	14.2%	$3,602	9.0%	$5,509	13.8%
$45,000	$6,385	14.2%	$6,475	14.4%	$4,401	9.8%	$6,657	14.8%
$50,000	$6,441	12.9%	$6,575	13.1%	$5,154	10.3%	$6,670	13.3%
$60,000	$6,573	11.0%	$6,649	11.1%	$5,249	8.7%	$6,644	11.1%
$75,000	$6,582	8.8%	$6,591	8.8%	$5,531	7.4%	$6,584	8.8%
$100,000	$5,554	5.6%	$5,518	5.5%	$4,954	5.0%	$5,463	5.5%
$150,000	$5,438	3.6%	$5,297	3.5%	$4,914	3.3%	$5,421	3.6%
$200,000	$4,991	2.5%	$4,828	2.4%	$4,610	2.3%	$4,920	2.5%

Source: Ruth Rose, research in progress. This research has benefited from a Strategic Grant from the Social Sciences and Humanities Research Council of Canada.

Note: Net costs were calculated by subtracting the amount of the fee subsidies, plus the value of provincial/territorial and federal child care deductions, from the fee.

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APPENDIX E

AN EVALUATION OF THE IMPACT OF VARIOUS FUNDING OPTIONS ON THREE NATIONAL OBJECTIVES

As discussed in this paper, child care services are an essential component in national objectives such as:

- the promotion of the well-being of all children;
- the development and maintenance of a skilled, efficient workforce; and
- the elimination of inequity.

Options for child care funding fall into two main categories. These are:

- financial assistance to individual families; and
- direct funding to child care services.

Each of these broad categories involves several possible approaches which are defined below.

This appendix will evaluate each funding option from the perspective of the extent to which it:

- supports each of the three national objectives suggested above; and
- is supportive of one objective but detrimental to the achievement of another.

Therefore, under the heading for each of the three objectives, observations will be made as to how the funding approach in question may support the particular objective being discussed and other objectives, or may support the particular objective but be detrimental to other objectives.

Funding options

The provision of financial assistance to individual parents may be accomplished by using one or more of the following approaches:

- **financial aid on behalf of low income families** specifically to support the costs of child care, for example, the current system of fee subsidization through the Canada Assistance Plan. This could be tied to certain conditions, such as having paid employment, being in a job training program, or the child being in regulated child care, or there could be no conditions;

- the provision of **a voucher to be used in a child care service of the parent's choice.** The service would then claim the specific amount from the government. The voucher could be restricted to use in regulated care, or regulated and non-profit care, or there could be no conditions;

- the provision of **a flat rate per day allowance** to allow parents to purchase child care, for example, the current allowances granted to trainees in federal job training programs. This could be unconditional, or could require that the funds be used only for regulated or only for regulated and non-profit child care;

- **tax deductions**, for example, the current Child Care Expense Deduction. This approach could have conditions, such as the possession of receipts for child care, or parents could be allowed to deduct a set amount for each child below a certain age without any other conditions;

- **reimbursable (refundable) tax credits.** The term 'reimbursable' or 'refundable' refers to the fact that the credit is paid to families through a cheque from the government when the family income is so low that the family does not pay income tax. Other eligible families subtract their credit from their income tax payment; and

- **non-reimbursable (non-refundable) tax credits.** The term 'non-reimbursable' or 'non-refundable' refers to the fact that the credit reduces the amount of tax payable, but provides no benefits to families with incomes below the tax-paying threshold. In other words, families paying no income tax do not get a cheque from the government.

The provision of direct funding to child care services can involve one or more of the following:

- **capital funding**, that is, funding to purchase or support the material aspects of the child care service, for example, building construction or renovation or the purchase of equipment;

- **recurring grants**, that is, funding that is provided on an on-going basis to support the operating cost of the child care services. Depending on the jurisdiction, currently these take the form of direct grants, salary enhancement grants, or maintenance grants. The amount of the grant may be based on a flat-rate per service, per staff person, or per child, or may be based on a formula that takes several factors into account. Currently, in Canada, parent fees and fee subsidization, supplemented in some cases by a recurring grant, make up the service's operating budget; and

- **full service funding**, sometimes known as base funding, means public funding for child care services based on the service's full operating budget. Although parents may pay fees, the service does not need to rely on parent fees, fee subsidies, or recurring grants to balance its budget. Generally Canadian child care services do not receive full service funding, although education services like kindergarten do. In most European countries, child care services receive full service funding.

To what extent does each funding option support each national objective?

a) Promoting of the well-being of all children

This objective involves two goals:

- addressing the causes and effects of child poverty; and
- promoting the optimal well-being and development of all children in child care.

The first of these, child poverty, is a more complex issue for which the availability of affordable child care services is only a partial solution. Children are poor because their families are poor. Reducing the *incidence* of child poverty is primarily a matter of income redistribution. Assisting low-income parents to participate in the paid workforce, which is part of the objective of developing and maintaining a competent workforce, also has the potential to reduce child poverty. However, participation in the paid workforce is only likely to occur, and, therefore, will only reduce the incidence of poverty, if the parent realizes financial gain through employment. This requires ensuring that the cost of child care services does not reduce the parent's earned income to the extent that the parent is as well off financially by remaining out of the workforce. It also requires a method of funding child care services that does not involve a disincentive, such as high tax-back rates, for joining the workforce. The impact of the various funding options on encouraging parental workforce participation is discussed below.

Child care services are also proposed as a solution to the *negative effects* on children's development associated with living in poverty. As Chapter I discussed, the effects of *high quality* child care on children who are living in poverty are similar to the positive effects found for all children. Therefore, it is appropriate to consider child care services from the perspective of how they can best promote the optimal well-being and development of *all* children. Quality child care services require sufficient operating funds to enable the hiring of an appropriate number of caregivers who have early childhood education training, and who receive a reasonable level of salary and benefits. Stability of the service itself, that is, the centre or family day care agency, is important from both the perspective of the individual child and from the perspective of community infrastructure.

As discussed in Chapters II and III, the current heavy reliance on parent fees for operating funds has kept caregiver salaries low and works against service stability. In theory, assisting parents with the cost of child care could address this problem by increasing the fee that parents can afford. However, the provision of financial assistance to parents does not support the creation of new regulated child care spaces. Furthermore, such assistance used to purchase unregulated care does nothing to encourage quality in existing child care services.

Fee subsidies for low-income families, tax deductions, and non-refundable tax credits are inequitable for several reasons. As discussed in Chapter II, the first penalizes middle-income families and the other two penalize low-income families. In addition, the assistance to parents provided by the existing fee subsidy approach is extremely inequitable across family types and across the different provinces. Vouchers and allowances would, presumably, be tied to the parent being employed or in a training program. This limits access to certain parents while other parents with children of the same age cannot qualify. Therefore, these measures are also inequitable. A refundable tax credit to all parents with children below a certain age is the only form of assistance to parents that could increase child care affordability and is not detrimental to the objective of addressing inequity. However, in this approach, parents would have to wait for the refund after they had incurred the expense. This problem might be addressed by permitting parents to apply for an advance, or by basing eligibility on the previous year's income and expenditure. The former solution is cumbersome, while the latter has the disadvantage that expenditures and income may vary greatly from one year to the next.

The remaining approach is the provision of operating funds directly to the service by the government with, perhaps, a method of partial cost recovery through parent fees. This would stabilize, and should increase, the operating funds available to services and thereby promote the well-being of children in child care services. At the same time, it is not detrimental to either the objective of supporting a productive workforce or the objective of addressing inequity. As discussed in Chapter I, quality is more likely to be found in regulated programs and in programs operated by non-profit organizations. Therefore, public funds should be restricted to regulated, non-profit child care.

b) Supporting a skilled, effective workforce

This objective involves three goals:

- the maximization of the effectiveness of the existing workforce;
- the encouragement of increased labour force participation by parents; and
- the development of a base for a skilled, effective workforce for the next century.

Supporting the existing workforce requires the availability of a sufficient amount of *reliable* child care to reduce absenteeism rates and parents' concern about the well-being of their children while they are at work.

Child care provided by unregulated individuals in their own home, or in the child's home, lacks back-up to cover situations where the child care provider is unable to provide care. In such situations, one of the parents (usually the mother) must remain off work to provide child care. Unregulated child care also tends to be characterized by rapid caregiver turnover (Powell, 1994; Goelman & Pence, 1987). As a result, the parent may have to locate new caregivers on a frequent basis. In contrast, centres and agencies that sponsor family day care can provide care even if the regular caregiver is unavailable. They are also likely to remain in operation over a long period of time. The current heavy reliance on unregulated child care by parents in the paid workforce does not meet their need for a reliable service. In order to support the workforce's need for reliable child care, additional regulated spaces are required. These could be either in centres or family day care programs. The encouragement of participation by parents in the paid workforce must address the fact that the cost of child care reduces the individual's financial gain from working. Measures such as direct government funding of child care services, and the provision of financial assistance to parents to cover the cost of fees, have the potential to increase the parent's financial gain form employment.

Any form of direct assistance to parents would be detrimental to the objective of promoting child well-being in child care unless it was restricted to use in regulated, non-profit programs. Even if this restriction were to be imposed on this form of funding, the following problems would still exist:

- assistance to individual parents does not support the development of new regulated non-profit spaces;
- vouchers and allowances tied to employment or training, fee subsidies for low-income families, tax deductions, and non-refundable tax credits are all inequitable; and
- a refundable tax credit requires parents to wait for a refund until after expenditure and might, in some situations, work against seeking employment because of the need to immediately incur child care expenses.

The only option that supports the participation of parents in the paid workforce without being detrimental to the objective of addressing inequity is provision of direct funds to services through government.

The third goal, that of developing the base for a competent future workforce ,requires child care services that promote optimal child development. This is an issue of quality. The same considerations apply as those discussed in regard to funding quality in the previous section.

In conclusion, the best funding option to support the workforce, without being detrimental to the objective of child well being or addressing inequity, is the option of providing services with direct government capital and operating funds.

c) Addressing inequity

This objective has several goals, including ensuring:

- that Aboriginal and immigrant children and children with disabilities have access, equal to that of other children, to high quality child care services which address their unique needs
- that women have opportunity equal to men to participate in the paid workforce; and
- that there is equity of access to child care services across income groups, family types, and different parts of the country.

As already noted, the various options for providing parents with financial assistance to purchase child care are either potentially inequitable, or require parents to make significant expenditures before receiving reimbursement. Therefore, the provision of direct government funding to child care appears to be the best option to support the objective of addressing inequity.

Conclusion

The suggested objectives for child care would be best achieved by direct government funding of child care services.

Government funding could take the form of one or more of: capital grants, recurring grants, and full service funding. Capital grants are essential to develop new services and to ensure that existing buildings being used for child care are safe. As noted in Chapter I, quality child care is more likely to occur in non-profit than in commercial services. However, parents and non-profit organizations have great difficulty raising the funds required to start a child care service. The current system of provincial/territorial funding through a variety of recurring grants is inequitable across jurisdictions. It is also cumbersome to administer since different types of grants have different criteria. Full service funding (sometimes known as base funding) provides greater stability for the service and is administratively easier for both the government and the recipient.

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APPENDIX F

AN EXAMPLE OF AN EXISTING COMPREHENSIVE CHILD CARE SERVICE SYSTEM

Kids 'N Us, South-East Grey Community Outreach, is a non-profit organization that serves nine villages and seven townships in rural Grey County, Ontario. At any given time, approximately 600 families and more than 1,000 children are participating in at least one of the agency's programs. It operates the following services:

- a resource centre that provides a variety of family supports, including: parent-child drop-in programs, play groups, Saturday morning school-age programs, a toy lending library, and parent information and education;
- a periodic parent relief program operated through the resource centre (parents can book to have child care for a few hours on an as-needed basis);
- an emergency care program. This provides short-term emergency child care through a centre or family day care home. In special situations, such as parental illness, child care on a 24 hour basis is provided in the child's own home;
- year-round child care centres that can be used on a regular, seasonal, or drop-in basis, either full- or part-day. Some centres also provide evening care;
- school-aged child care (both centre and family day care);
- summer (seasonal centre-based) child care services; and
- regulated family day care (which can provide evening and/or weekend care).

The centres and family and family day care homes are located in various places throughout the area served. The supervisor of each centre acts as the focal point of all the agency's services in that community. In addition to administrative responsibilities at the centre, the supervisor recruits, trains and supervises the regulated family child care providers and organizes both parent and caregiver educational opportunities. The resource centre is located in one of the area's larger villages and provides its services to residents of the whole area.

Source: Carol Gott, Executive Director, Kids N' Us, personal communication, April, 1994).

THE CHILDCARE RESOURCE AND RESEARCH UNIT

The Childcare Resource and Research Unit at the Centre for Urban and Community Studies, University of Toronto, is a policy and research-oriented facility which focuses on child care. The Resource Unit receives annual base funding from the Ontario government (Child Care Branch, Ontario Ministry of Community and Social Services) as well as project funding to carry out specific work.

The Resource Unit has a commitment to the development of a universally accessible, comprehensive, high quality, non-profit child care system. It contributes to advancement of this system by:

- providing public education, resources and consultation to groups and individuals;
- fostering, developing and carrying out research relevant to child care;
- facilitating communication on child care;
- providing interpretation of research and policy;
- organizing and disseminating information and resources

The Resource Unit maintains a comprehensive library and computerized catalogue (which are available to the public), provides consultation on policy, research and other projects, and produces an occasional paper series. Students, advocates, service providers, policy makers and others with an interest in child care may use its facilities and resources.

Other papers in our Occasional Paper Series include:

- No. 1 Child Care for Canadian Children and Families: A Discussion Paper
- No. 2. Proceedings from the Child Care Policy & Research Symposium
- No. 3. Work-Related Child Care in Context: A Study of Work-Related Child Care in Canada
- No. 4. Rural Child Care in Ontario

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