



Accessible child care → Higher women's employment → Improved productivity An equation that makes sense for Canada

The Child Care Advocacy Association of Canada (CCAAC), founded in 1982, is Canada's umbrella child care advocacy organization made up of a broad range of organizations and individuals from across Canada. CCAAC and its partners advocate for high quality, affordable early learning and child care for all families, and all children. We are pleased to participate in the Standing Committee on Finance's pre-budget consultations in advance of the 2018 federal budget.

The Committee has requested organizations and individuals to address two questions specifically:

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

We respectfully submit that the answer to both questions is a significant increase in the child care federal spending already allocated, accompanied by an expanded and more detailed evidence-based policy framework, with the goal of making high quality child care fully accessible to all families and inclusive of all children in every part of Canada over the next decade.

To support our long-standing position on this, we share new evidence that affirms the strong link between productivity, women's employment and accessible child care.

Context

The 2016 and 2017 federal budgets committed to allocations for early learning and child care totalling \$7.5 billion over eleven fiscal periods beginning in 2017. This means that a decade from now the federal government will be spending less than \$900 million annually on child care, with an average annual allocation in each of the first five years of just under \$540 million.

This money is intended to cover:

- transfers to the provinces/territories for their separate initiatives in early learning and child care including capital expenditures;

- initiatives related to Indigenous early learning and child care
- federally directed data (knowledge) and innovation strategies, which remain to be defined.

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

In June 2017, the federal government announced a “Multilateral Early Learning and Child Care Framework (<https://www.canada.ca/en/employment-social-development/programs/early-learning-child-care/reports/2017-multilateral-framework.html>) that sets very broad parameters governing the budgeted funds for early child learning and child care to be transferred to the provinces and territories. The agreement does not set goals, objectives, targets or timetables, does not identify initial benchmarks on which to calculate metrics and does not shape or require defined provincial/territorial implementation plans. It requires nothing with respect to public accountability or accountability to federal Parliament beyond the public posting of provincial and territorial action plans and progress reports. It states that federal funds should be directed to addressing only “vulnerable” Canadians rather than to building a child care system accessible to all children including ordinary middle class working parents. Such a targeted approach runs contrary to the best available evidence. Further, the agreement does not address women's issues of economic security or equality; it has not been subjected to the scrutiny of gender-based budgeting.

While the CCAAC welcomes the re-entry of the federal government into early learning and child care after an absence of more than a decade, much more is required with respect to federal funding and policy development to build the kind of comprehensive child care system needed to simultaneously grow the economy, increase labour productivity, fulfill commitments to women's equality, provide much-needed support to families—vulnerable or otherwise—and offer all children the full benefit of high quality, inclusive early childhood education and care programs as per the child development evidence.

The Committee's questions about productivity

The International Monetary Fund recently published the results of a unique study, *Women are key for future growth: Evidence from Canada* (www.imf.org/en/Publications/WP/Issues/2017/07/19/Women-Are-Key-for-Future-Growth-Evidence-from-Canada-45047) that uses Canadian data as well as comparative policy analysis. It notes that Canada's shrinking labour force creates pressure to speed up labour productivity growth and—citing Canada's substantial gender employment gap—it identifies women as key to this challenge. The study's authors find that increased women's employment would have a significant impact on labour productivity but cites data suggesting that high child care fees outside Quebec act as a disincentive for women to work. The authors calculate the marginal costs to families and benefits to the economy of maximizing outcomes of public spending,

highlighting provision of affordable publicly funded child care as well as targeting the Canada Child Benefit to employed or studying parents.

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

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

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

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

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

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

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

Early learning and child care is not just about the economy

However, we would argue that it is not merely the economy that should drive commitment to a more generous federal spending plan and a more robust, evidence-based policy framework. Based on its status as a signatory to multiple United Nations rights conventions such as the Convention on the Rights of the Child (CRC) and the Convention on the Elimination of Discrimination Against Women (CEDAW), the federal government has a duty to ensure that the rights of all children to high quality early childhood education and child care are realized and safeguarded notwithstanding where they live or their family’s economic status. The federal government also has a duty to ensure that all women’s rights to the equality and economic security that is shown to be associated with access to high quality child care are realized and safeguarded as well. We note that Canada has consistently and repeatedly been called out for the lack of access to affordable, high quality child care by official UN committees reviewing Canada’s progress on fulfilling our international rights obligations.

We propose...

A month after the federal government released its early learning and child care multilateral framework, the CCAAC convened a meeting of the broader child care community to discuss strategy and next steps. Participants included representatives of child care organizations from across Canada, service providers, national women’s and social justice groups and trade unions with an interest in child care, advocates and experts on inclusion, and researchers. This group unanimously agreed that—although the federal government’s re-entry to the child care arena is very welcome—the specified federal funds and funds allocated as outlined for the next decade

are far from adequate, especially going forward. All present were enthusiastic about collaborating on ongoing activities using the community proposal developed collaboratively in 2016 (*Shared Framework for building an early childhood education and care system for all*, <https://ccaacacpsge.files.wordpress.com/2014/11/visionchildcare2020nov3eng.pdf>) as a basis. This proposal recommended adopting the international benchmark used by the OECD, UNICEF and other international bodies as a goal for the next decade.

Therefore, we urge the federal government to:

1. Reconsider the 11-year allocation plan that culminates in federal spending of only \$890 in the 10th year, and replace it with a plan that will allow governments to build a universal affordable high quality inclusive system for all children and families in Canada, By the tenth year, Canada should be spending at least 1% of GDP. While recognizing that building this system will occur gradually, the best evidence shows that building it well requires much more public funds than are currently envisioned.

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

2. We also urge the federal government to engage in collaborative work with its provincial/territorial/Indigenous partners and with the Early Learning and Child Care community to develop much more robust public policy and implementation plans for the child care system as outlined in *A Shared Framework for Building an Early Childhood and Care System for All* (https://ccaacacpsge.files.wordpress.com/2016/01/sharedframework_jan2016.pdf).

This would include but not be limited to:

- ECEC as a public good and a human right, not a commodity;
- Key principles of universality, high quality and comprehensiveness;
- Recognition that Indigenous peoples will define Indigenous ECEC programs and will require adequate resourcing to address current inequities;
- System-building and policy development shared by federal/provincial/ territorial and local governments, with full participation of key stakeholders;
- Solid knowledge derived from data/research/evaluation to support evidence-based policy and service development;

- A long-term sustained funding plan comprising: base operational funding to support affordable, high quality services directly; capital funding; funding to support the system infrastructure;
- Recognition that access requires both a supply of high quality services and affordable parent fees;
- A well-compensated, well-educated early childhood workforce recognized for the importance of its work;
- A comprehensive approach including a variety of service types to meet families' differing needs and complementary family policies (such as improved maternity/parental leave);
- Recognition of the importance of full inclusion of children and parents with disabilities;
- Recognition and respect for Canada's cultural diversity;
- Public accountability including data, research, democratic participation and public reporting.