

How intense pressure from for-profit daycares has transformed Ontario's rollout of \$10-a-day child care — and sparked a political standoff ^[1]

Ontario has stripped some checks and balances from its funding rules, which observers say threatens to compromise the ambitious child-care program.

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EXCERPTS

In early August, a group of for-profit daycare owners met with Education Minister Stephen Lecce at Queen's Park.

The sit-down was the culmination of months of work: the group had hired a public relations firm, launched a website and encouraged parents to inundate Lecce and other politicians with emails.

"We need your help to get us at the table with the Ontario government," reads a message on the campaign's website.

The group had garnered favourable media coverage throughout the summer, arguing that the terms of the \$10-a-day child-care plan would put them out of business and they would not join the program unless changes were made.

By the time they were meeting face to face with Lecce, it was clear they had his attention.

While Ontario parents wondered when they might receive the daycare rebates and fee reductions promised months earlier, the daycare owners made their case to Lecce behind closed doors.

Lecce, who is responsible for the province's rollout of the national child-care program, was sympathetic to their concerns, remembers Sharon Siriboe, co-director of the Ontario Association of Independent Childcare Centres, which represents 300 for-profit daycare owners across the province.

"When we left the meeting, we genuinely felt that we would see changes coming."

Changes were coming — changes that would please for-profit daycare owners and alarm the federal government bankrolling the ambitious national project.

Ontario was the last jurisdiction to reach an agreement with Ottawa on its \$30-billion plan to build a national child-care program, after months of negotiations.

The province pledged to partner with the federal government to create a public system.

Within months of committing to that vision, the Ford government made concessions to for-profit daycares. The province stripped a series of checks and balances from Ontario's funding rules for daycares that join the national program.

A restriction on "undue profits" was dropped. Gone, too, was a list of "ineligible expenditures," which would have prevented operators from using public money to finance their mortgages or pay executive bonuses.

The changes, observers say, threaten to compromise a program that is supposed to transform the current market-based system — plagued by spotty quality, long wait lists and sky-high parent fees — into one that is universally accessible and affordable.

In Ontario, where parents pay some of the highest daycare fees in the country, policy experts and non-profit child-care advocates warn that the federal funding is already tight. They say that removing cost controls at the program's inception signals to for-profits that, instead of transforming the system, the government is intending to subsidize the old business model.

"It's going to make it harder to get to \$10-a-day child care," said Carolyn Ferns of the Ontario Coalition for Better Child Care, which advocates for public and non-profit child care. "The limited public funds we have could be going to profit-making," she said, rather than creating new spaces and improving wages in the sector.

The changes worried the federal government. Last week, Karina Gould, the federal minister who oversees child care, demanded an

explanation for the revisions. Her letter, obtained by the Star, expressed concern that the changes may not fulfil Ontario's promise in the deal to implement stringent cost controls.

Lecce declined an interview request for this story and did not directly respond to specific questions.

In written statements, Lecce's office defended Ontario's rollout of the program and said the province continues to meet "all obligations" under the deal; as the province sees it, with parent fees frozen since March 27, "the core element of the cost control framework remains in place."

"We delivered a deal that reduces costs, protects parental choice ... and provides Ontario parents with the largest array of supports to raise a child," Lecce said.

The province, a spokesperson added, is focused on getting "all partners on board," while "also supporting small-business women entrepreneurs who are the majority of for-profit owners."

Siriboe and the for-profit owners she represents are not backing down. Reducing red tape and removing the constraints on profit-making are essential, she said, to remain viable while participating in the program, which needs all child-care operators — including for-profits — to meet its expansion goals.

"(Our) position is that if you are not willing to bend, we're willing to walk with our spaces, and you need the spaces," Siriboe told the Star.

By trying to appease for-profit daycare owners, Ontario has found itself in the crosshairs of the federal government. Ottawa thought the province was on the same page about how to implement the first national social program in a half-century, the Liberals' legacy project. But Ontario went its own way. Now, while other provinces are moving ahead, with parents in many parts of the country paying lower fees, a standoff between Ontario and Ottawa is complicating an already turbulent rollout.

Across Canada, for-profit daycares serve a critical role. In Ontario, they make up 30 per cent of licensed spaces for children under six years old, though in other provinces, for-profits account for the majority.

Federal officials, who designed the program to fund primarily non-profit expansion, faced the challenge of accommodating existing for-profits if they had any hope of achieving their ambitious expansion targets.

The federal government signed individual agreements with each province and territory. The five-year contracts trace a broad path to achieving Ottawa's objectives of reducing parent fees to an average of \$10 a day, increasing wages in the sector and expanding the number of licensed spaces. The finer details — including funding guidelines for daycare operators — are then hammered out by provincial, territorial and municipal governments, based on the terms of the overarching deal.

Compared to other provinces and territories, Ontario negotiated a deal that is more favourable to for-profit operators, say public policy experts.

Ontario is one of four provinces allowed to use the federal money to create new for-profit spaces, although the for-profit share of the total number of spaces — 30 per cent — cannot increase.

With the province pledging to add 86,000 spaces by the end of 2026, more than 25,000 of those spaces can be for-profit.

Where other jurisdictions will see their proportion of for-profit spaces shrink over the course of the deal, Ontario's may stay the same.

Ontario is one of only two provinces that did not commit to implementing a wage grid, which would standardize and increase wages for child-care workers, based on their qualifications and experience. Ontario is instead implementing a wage floor, which has been criticized as inadequate to attract and retain the staff needed to meet the program's expansion goals.

This year, in Ontario, when parent fees are cut in half by the end of December, federal funding will subsidize half of whatever parents were paying on March 27, when the deal was signed. Unlike in other jurisdictions, there's no cap on this amount, so the higher a daycare's fees were when they were frozen, the more funding they will receive.

"The sky's the limit," said David Macdonald, a senior economist at the Canadian Centre for Policy Alternatives who publishes an annual study on child-care fees across the country.

Since for-profit centres charge fees that are, on average, higher than non-profits, they will receive more money in Ontario than they would in another province, Macdonald said.

The treatment of Ontario's for-profits in the province's deal with Ottawa made Gordon Cleveland, one of Canada's leading child-care researchers, uneasy from the start. An emeritus economics professor at the University of Toronto, Cleveland was concerned the program would fuel the expansion of corporate "big-box" daycares, which have a relatively small, but growing slice of the child-care market in Canada.

But at the same time, he and other skeptics had been comforted by the mutual commitment in the deal to create and implement a stringent cost-control system. Ontario's original funding guidelines, which the province released in April, seemed to uphold that promise.

"People felt, OK, well, maybe this is a somewhat undesirable deal. It doesn't really reflect fully the federal intentions ... but maybe we can live with it," he said. Now, after Ontario's revised guidelines removed limits on profit-making and other accountability measures, he added, "that's all out the window."

From the moment Ontario reached agreement with Ottawa at the eleventh hour, shortly before the provincial election, the rollout of universal daycare has been rocky. Throughout the spring and summer, those inside the child-care system say confusion reigned.

Some providers on the non-profit side, who had been anxiously awaiting the deal, said they were surprised the province wasn't ready to roll sooner after signing.

For some for-profit daycare owners, confusion about the role they would play in the public system and vague language in Ontario's original funding rules stoked fears that were already simmering.

In an interview, the three directors of the Ontario Association of Independent Childcare Centres (OAICC) said they view the federal government's overarching vision for child care — which explicitly prioritizes non-profits — as “predatory” toward small businesses. They said joining the program under the original funding guidelines the province released in April would bankrupt them, which they believe is actually the federal government's intention.

As Maggie Moser, the association's president, sees it, the federal government is ideologically opposed to for-profit child care.

“They're entitled to their beliefs, but they also have to recognize there would be no child care, practically, in Canada if we didn't have for-profit child care. It existed because the government did not build those centres, did not provide that child care to families for years and years and years.”

In 2019, for-profits accounted for 28 per cent of all child-care spaces in Canada, including before-and-after school care, up from 20 per cent in 2004.

Moser, who runs Blossoming Minds Learning Centre, a for-profit daycare in Toronto's Danforth neighbourhood, said profits allow owner-operators to reimburse themselves for the money they invested to establish their businesses. She hoped the Star's story would not paint the association's members — most of whom are owner-operators — as “greedy.”

“The goal of business is to make money — everybody knows that — and it is a business, but at the same time, the people who work in child care are very dedicated,” she said. “They usually open them because they couldn't find child care for their own family.”

Moser said if the government hasn't allocated enough money to treat business owners fairly, then they “made the wrong plan,” and it shouldn't be the responsibility of daycare owners “to change our complete business model for parents to get money that the government has promised them since April.”

Child-care policy researchers and non-profit advocates say there have to be strict regulations for a program like this to ensure public money is spent wisely.

“If you were managing your business well before, you should be able to manage your business just fine under the (national daycare plan),” said Michele Lupa, executive director of Mothercraft, a Toronto-based non-profit daycare with several locations. “It does require more accountability, there's no question, and I think, perhaps, that might be the crux of the concern.”

Moser said this “blatantly misstates” the position of the association's members, who support public initiatives to lower daycare fees and are willing to join the program if they feel confident they can remain viable. As licensed child-care centres, Moser added, these for-profits “are already highly accountable to the government.”

As spring turned into summer, with no sign for many parents of the daycare fee reductions the province had pledged to deliver, the OAICC grabbed hold of the narrative.

The association hired Crestview Strategy, a public affairs firm with the slogan “We make, change and mobilize public opinion,” to help them shine a spotlight on their concerns.

The campaign's website and the letters sent by parents express general concerns about the viability of daycares that join the program. The directors of the association told the Star that the limits on “undue profits” and list of ineligible expenses were “the most offensive” parts of the original funding guidelines.

Before the OAICC directors met with Lecce at Queen's Park, media outlets covered the threat from for-profit owners that they would opt out of the program, and the association floated the idea with its members of doing so en masse.

However, Kerry McCuaig, a fellow in early child policy at the University of Toronto's Atkinson Centre for Society and Child Development, said there were similar threats by for-profits in other provinces right up to the deadline, and then the vast majority signed on.

She believes Ontario “cried uncle” too soon — a tactical error that would embolden the for-profit daycares.

Ontario's Education Ministry signalled possible revisions to its funding guidelines in a virtual meeting with a small group of stakeholders on Aug. 3, the day after the for-profit association, the OAICC, met with Lecce at Queen's Park.

It was the first meeting of a new advisory group. Hand-picked by the ministry, the group is made up of an equal number of non-profit and for-profit stakeholders, including the OAICC and Lupa, and representatives from several municipalities.

After ministry staff explained the various possible changes to the guidelines — that some checks and balances would be scrapped — the floor was open to comments and questions.

Some of the for-profit operators still expressed concerns about how the loosened guidelines would affect their businesses.

A ministry official assured them. “We don’t want to limit your profit,” the official said, according to notes from the meeting taken by Sheila Olan-MacLean, CEO of Peterborough’s Compass Early Learning and Care, a non-profit child-care provider with multiple locations.

Lecce’s spokesperson did not dispute the accuracy of this exchange.

“I think my mouth went, ‘WHAT?!’” Olan-MacLean said in an interview. “I was on silent, but I couldn’t help it.”

Olan-MacLean had seen the traction the for-profit association’s campaign was getting in the media, but it was only when she learned of the new guidelines, which were released publicly on Aug. 17, that she realized how successful their efforts had been.

“It’s a good example of how ... having the ear of the present government can make significant change in policy in a very short period of time,” she said.

When the Star first asked Lecce to respond to criticisms of the revised funding rules, one of his spokespersons asked if the reporters were “aware that these changes were also called for and welcomed by countless groups,” adding that the perspective of those groups “was a massive part of these changes.”

The province also extended the deadline for daycares to opt in, from Sept. 1 to Nov. 1.

Many non-profit child-care advocates worry Ontario’s efforts to appease private interests will leave an indelible mark on a once-in-a-generation social program.

Olan-MacLean says she got “goosebumps” when Ontario signed its agreement in the spring. The 50-year fight for universal child care seemed to have finally been won.

Since then, as more detail of the deal has rolled out, her hope has waned while her concern has grown. When the ministry changed the funding guidelines, she said it felt like “a punch to the gut.”

The revisions caught the federal government off guard.

Ottawa’s agreement with Ontario requires the province to implement a “cost control framework ... to ensure the sound and reasonable use of public funds.” A portion of Ontario’s annual funding allocation for new spaces — \$15.9 million in 2022 — is contingent on the province fulfilling this promise. The federal government released this portion in the spring, based on the original guidelines.

“It is unfortunate,” Gould, the federal minister, wrote in her letter to Lecce, “that Ontario did not seek the views of the federal government on the changes prior to their release.”

Lecce’s office refused to say whether the province has responded to Gould’s letter.

Ontario’s child-care deal gives the federal government the power to impose financial penalties if the province doesn’t implement adequate cost controls, and Ottawa “has to show that it is prepared to do so,” said McCuaig.

“Getting Ontario to stop flouting a key provision in the deal it so recently signed will need more than a letter,” she said. “If Ottawa backs down this early, we will see public funding flow to the profits of private operators instead of creating good child care for kids.”

The real test, observers say, will come in the months ahead, as Ontario moves beyond the initial stage of signing up daycares and delivering fee rebates for 2022, to the transformation of the system. That work starts with establishing next year’s funding rules, which will determine what operational expenses will be covered and set guidelines for profit-making.

For now, that work is happening behind closed doors. On Sept. 15, the minister’s advisory group held its second meeting. Unlike in the first meeting, government officials instructed those in attendance to keep the details of the discussion confidential. Lecce’s office would not comment on the 2023 funding rules and did not say when they would be released.

In an email to Gould on Tuesday, the directors of the Ontario Association of Independent Childcare Centres defended Ontario’s revisions to the funding rules and said the province “is acting responsibly to work together with all sectors and provide a longer transition time for the program.” With the looming Nov. 1 deadline for daycares to join the program, they said, the federal minister’s letter “has destabilized the situation.”

“We cannot now count on guarantees from the province when discussing future funding,” the directors said. They asked Gould to meet with them “so we can move forward with Ontario in the very short time we have left to do so.”

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