

Who's to blame for child care shortages in Ontario? ^[1]

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Excerpts

Todd Smith is Ontario's new Minister of Education and he has already decided who he wants to blame for Ontario's child care shortages – it's the federal government. So, Todd Smith wants federal minister Jenna Sudds to release Ontario from the agreement it signed back in 2022 that limits expansion by for-profit enterprises to a maximum of 30% of the total expansion. Ontario never wanted to limit for-profit expansion; apparently they only signed the agreement under duress.

The problem of child care shortages is a real one. We need a lot more child care expansion in Ontario and we need it now. We will need even more child care when Ontario drops the parent fee down to \$10 a day.

But Todd Smith doesn't seem to understand why Ontario is facing such a shortage of child care spaces, so he's coming up with solutions that are antithetical to the high quality universal child care we have been promised.

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Ontario knew there would be a substantial shortage of spaces

In November 2022, the Financial Accountability Office of Ontario (FAO) reported to the Legislative Assembly that at \$10 a day, Ontario parents would need 300,000 additional child care spaces. Demand would increase by that much. They compared that to the 71,000 additional spaces that Ontario was planning to add between 2022 and 2026. The FAO's conclusion was that when parent fees reach \$10 a day "...the families of 227,146 children under age six (25 per cent of the projected under age six population of 919,866 children in 2026) would be left wanting but unable to access \$10-a-day child care."

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Ontario knew what to do to expand child care

The FAO, in its understated way, had already identified one key barrier to expansion that Ontario should deal with. Its November 2022 report stated that "...uncertainties over some aspects of the \$10-a-day child care program, such as the extent of ministry reimbursement of future cost increases to child care providers, could reduce incentives for child care providers to create spaces." In other words, if child care providers do not know whether revenues will be enough to cover their legitimate costs, they won't decide to expand.

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Ontario has done very little to facilitate expansion

Ontario thought that child care expansion would be a natural process, not requiring much government support. Based on what Ministry of Education officials told the FAO "The ministry plans to create 71,000 net new spaces through what it terms natural growth (48,459 spaces) and induced demand (22,406 spaces)" (FAO Report, 2022). Except the "natural growth" has not happened. Here's why.

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Ontario wants to blame the federal government

This was a sweet deal for Ontario, because the federal government committed to turning over a huge whack of money to Ontario to make this happen. In the first year (which was virtually over by the time Ontario had signed the agreement), the federal government provided \$1.1 billion for Ontario child care. In every year after that the federal contribution to child care in Ontario has risen and will reach just less than \$3 billion in 2025-26. By this time, the federal government will be paying about \$3 for every \$2 spent by Ontario to support providing child care for Ontario's children and families.

There are elements of blame that the federal government should wear. The reforms should have been phased in more slowly, so that demand did not ramp up so fast. And, the federal government will need to provide more money – there is not enough to support child care for an additional 300,000 children that the FAO predicts will want child care.

But the federal government has now put over \$1 billion on the table in reduced-interest loans and another \$625 million distributed to

provinces for capital grants to support child care expansion. Ontario will get the largest share of those amounts.

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For-profit expansion is easier but more dangerous

When it comes to growth, for-profit child care providers have structural advantages over not-for-profits. Not-for-profits are frequently unwilling to go into debt, so there needs to be a program of capital grants and encouragement to access low-interest loans to pay for the costs of building new facilities or repurposing existing buildings.

The mission of for-profit businesses is to make a profit, so expansion is a natural fit, particularly when the government is paying 80%-90% of the operating costs and providing a guaranteed demand for services. Shareholders or banks are always willing to ante up when the government is willing to provide guaranteed funding for profit-making businesses. They are not used to providing similar supports for non-profits in the child care sector.

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