

Growing pains: Childcare in Canada ^[1]

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Problem Statement

There is strong evidence that effective childcare policies boost employment, reduce gender inequality and promote child development, particularly for struggling families. Despite this value proposition, and with some exceptions, governments in Canada have not invested significantly nor paid serious policy attention to childcare.

A 2008 UNICEF study ranked Canada last among 25 industrialized countries in early childhood services. Fewer than one in four children in Canada have access to regulated childcare spaces. The spaces that do exist are often unaffordable. The quality of care children received in private, public and informal care settings is inconsistent.

Canada's political parties are currently staking out their positions on childcare in advance of the 2015 federal election, ranging from enhancements to the Universal Child Care Benefit to a universal childcare plan. This paper provides an overview of the policy opportunities and challenges in the childcare realm, and proposes options to improve upon current approaches that are flexible enough to meet the diverse needs of Canadian families.

Policy Objective

Governments should ensure that Canadians have childcare options that are affordable, accessible, promote early childhood development and provide parents with the flexibility to work.

Current Status

In response to the growth in demand for childcare, provinces, territories and municipalities have taken varying approaches to addressing this need. As a result, the availability, quality and price of childcare differ depending on where someone lives. While the federal government notionally invests in families and children through transfers and tax refunds, there has been limited national coordination of services, nor a concerted effort to tie transfers and benefits directly to childcare. While this flexibility has its benefits for parents who can use the extra money to meet their weekly food budget or pay utility bills (or provinces seeking to fund other priority areas), it does next to nothing to address the issue of creating new childcare spaces.

As a result, childcare affordability, for those who can't rely on informal, inexpensive care from relatives or friends, remains a challenge — too many people are seeking not enough spots, creating a significant pressure on the supply of available, affordable spaces. This is a particular issue for many low and middle income parents who must face the choice of working to cover childcare costs or staying at home and foregoing valuable incremental income. Though low-income families may qualify for subsidized childcare spaces, where they are available, high demand for these spaces often results in long wait-lists and unmet needs.

Options

Canadians' access to childcare services depends on where they live. While the number of regulated childcare spaces has increased and most provinces have taken steps towards improving quality through the integration of education and childcare, the majority of new spaces have been created in Quebec, leaving residents of other provinces and territories facing severe access and affordability challenges.

Ultimately, it does not appear that the policies pursued outside of Quebec have led to any appreciable growth in the availability of public childcare spaces, despite significant demand from parents. For-profit childcare centres continue to enter the Canadian market, but they face a challenging path to profitability and there are questions around the quality of care and accessibility that these centres can offer when compared to publicly-funded childcare.

Childcare is a market where quality matters — and, given the high costs of care imposed by caregiver to children ratios and other licensing and regulatory requirements, rent and supplies, it is not a space where it appears that the private sector will step in to fill the gap at an affordable price, as demonstrated by Canadian experience over the past decade.

So, what choices do Canadian governments have?

Addressing the issue of childcare affordability and the number of spaces available can be approached in two ways:

i. Through supply-side policies aimed at creating affordable childcare options;

and/or

ii. Through demand-side policies, which provide families with resources to pay for childcare services.

Conclusion

Canadian families live in a dramatically different world than they did a generation ago. The post-war model of a stay-at-home mother who took care of the children while the family relied on the father's stable, steady income does not match today's reality. Our new reality, of families requiring two paycheques to take them as far as one used to and more single-parent households, has farranging implications across a range of policy areas, childcare foremost among them.

Childcare is a challenge for governments, as it is not a one-size fits all policy realm. Families have their own specific needs and desires, shaped by their income, the hours they work and the division of responsibilities amongst family members. Some families can lean on relatives to help out with childcare or hire a caregiver to come to their home, while others need to turn to out-of-home regulated or non-regulated options. As children enter the school system, the need for before and after-school care remains a challenge for many families for several more years. Designing policies and programs that are flexible enough to respond to varying levels and types of need, as well as to family preferences for childcare, is a daunting task.

Improving the affordability and availability of childcare services in Canada is an enormous opportunity to close a significant gap in service. Childcare is an essential support for many families, which allows them to balance work and family responsibilities. Without access to affordable and high-quality care, Canadians are less likely to have children or more likely to incur high levels of debt caring for their children.

Better access to childcare allows more parents, particularly women, to move into the workforce, reduces family and child poverty for at-risk families, increases economic productivity and tax revenues and lowers costs for other social programs (such as social assistance). And when childcare is paired with high-quality early-learning initiatives, it can improve developmental outcomes for children, particularly those from disadvantaged backgrounds.

For women, access to childcare offers a choice to have both a career and a family. Canadian governments invest heavily in educating and training women but fail to fully capitalize on their human capital. Many women wish to pursue careers or work to ensure the financial stability of their families but the lack of availability of affordable and high-quality childcare in Canada is a barrier to labour market entry and a risk to longer-term earnings and career advancement.

The federal government invests significantly in children through the Canada Social Transfer, the Universal Child Care Benefit, Canada Child Benefit/National Child Benefit, as well as other targeted programs. But our outcomes are poor when compared to our peers in terms of accessibility and affordability of childcare. Recent federal investments in children and families have focused on enhancing cash transfers to families. These benefits are poorly targeted and for most families are unlikely to significantly improve their ability to afford childcare.

These types of demand-side investments also do little to ensure that any new childcare spaces that are created are of high quality. Similar approaches have not been successful internationally. Countries such as Denmark and France that invest in the supply-side (i.e., directly creating spaces) tend to produce better outcomes than countries that spend similar amounts on cash benefits, such as the United Kingdom. More flexible and generous parental leave policies would also help close the gap between childcare need and availability.

Though all governments can leverage a range of options to improve access to high-quality and affordable childcare, greater national coordination to ensure improved access would be a smart starting point. Approaches to improving childcare services and affordability require cooperation between all levels of government — federal, provincial/territorial and municipal. These approaches could range from a coordinated set of quality standards, to increasing benefits to families, or to federal-provincial funding agreements for the creation of regulated spaces across the country.

The federal government — which controls a number of the critical levers that shape a family's ability to access childcare services, such as transfers to the provinces and territories and cash benefits directed to families — is a crucial partner at the table for these discussions and decisions.

Despite regional differences, Canadian parents share similar needs. The inconsistent and inadequate provision of childcare services in Canada requires action. The federal government should work with provincial and municipal governments on developing the best system of care possible in order to position Canada as a global leader in childcare, rather than a laggard. Any policies that are pursued should also include metrics that help drive towards childcare that is more accessible, affordable and of higher quality.

A strategic, coordinated plan that focuses on closing the childcare gap through investment in, and implementation of, evidence-based approaches will deliver better results for children and their families across the country.

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