



WHY ARE SUBSIDIES UNDERUTILIZED (IN TORONTO)?

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A significant decrease in child care availability for subsidy-eligible families is a well-documented outcome of reduced parent fees and the resulting increase in demand for spaces. Toronto's [2026 Children's Services Operating Budget Note](#) projected 2025 subsidy enrolment at 23,000 spaces, 25.1% below the budgeted level of 30,700 spaces.

Uncovering the reasons for the underutilization of subsidies requires more information than is publicly available. In the absence of data, two explanations are proposed. The first is that because of the Canada-Wide Early Learning and Child Care (CWELCC)-funded reduction in fees, parents who previously accessed subsidies have transitioned to the CWELCC flat fee. The second speculates that low-income children are being “crowded out” of child

care by the increased demand generated by lower fees, combined with an inadequate supply of licensed spaces. The analysis presented in this note supports the argument that lower CWELCC fees negatively affect access to subsidized child care by low-income families.

THE STUDY DATA

Before proceeding, two caveats are necessary. First, access to subsidy data at the individual child level is extremely limited for non-governmental researchers. Second, because of differences in service profiles, demand, and policies across Ontario's 47 children's service managers, the findings are primarily applicable to child care management in the City of Toronto; applicability to Ontario as a whole or to a specific jurisdiction should be confirmed.

Due to limited data availability, I used a de-identified March 2020 subsidy dataset, the last time subsidy utilization was near the budgeted level of 30,700 spaces. Individual information for each subsidized child and family was used to model whether CWELCC-based fee reductions would result in situations where the assessed subsidy fee would exceed the fee charged to families accessing a CWELCC space.

Often overlooked in discussions of the CWELCC-based fee-per-child^[1] approach is that, on average, most families have more than one child of child care age. In the subsidy dataset used in this study, 55.4% of subsidies were allocated to families with more than one child.

Unlike the CWELCC-based fees that apply to each child, the user fees for subsidized families are calculated at the family level, regardless of the number of enrolled children. For families with more than one child under age 6, not having access to a subsidy would mean at least doubling the CWELCC fee. For families with children attending school-age programs which remain outside the CWELCC plan, the financial impact could be even higher.

In the dataset, 21,210 families with 30,646 children had subsidized fees; of these, 16,240 families (with 24,191 children) had at least one child within the age range eligible for CWELCC fee reductions. In other words, 76.6% of subsidized families could potentially benefit from the CWELCC plan if their subsidy fees exceeded the CWELCC maximum fees.

Table 1 shows the distribution of families by number of children under 6 years of age and over 6 years of age; the percentage distribution appears at the bottom of the table. It shows that 61.7% of families had only one child under age 6 and could potentially benefit from CWELCC-based fees.

However, as shown in **Table 2**, 45.8% of families receiving a subsidy had a net taxable income under \$20,000 and were not assessed any subsidy copayment. Therefore, they could not benefit from CWELCC fees, regardless of the amount. Unsurprisingly, there was a significant difference in copayment by family status: 41.3% of single-parent families (SOLE) were assessed a fee, while 69.3% of two-parent families were charged a fee.

[1] The CWELCC plan has an average fee target of \$10 per child per day. In Ontario in 2026, providers participating in the CWELCC plan may charge a maximum fee of \$22 per day for a child younger than 6 years of age. The average is \$19.

Table 1 – Distribution of Families With at Least One Child Under the Age of 6

Children 0 to 5 years old	Number of children 6 years and older						Total
	0	1	2	3	4	5	
1	10,014	2,365	548	68	9	1	13,005
2	2,414	442	99	10	0	0	2,965
3	211	41	7	2	0	0	261
4	9	0	0	0	0	0	9
Total	12,648	2,848	654	80	9	1	16,240

Children 0 to 5 years old	Number of children 6 years and older						Total
	0	1	2	3	4	5	
1	61.7%	14.6%	3.4%	0.4%	0.1%	0.0%	80.1%
2	14.9%	2.7%	0.6%	0.1%	0.0%	0.0%	18.3%
3	1.3%	0.3%	0.0%	0.0%	0.0%	0.0%	1.6%
4	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total	77.9%	17.5%	4.0%	0.5%	0.1%	0.0%	100.0%

Table 2 – Status of CWELCC-eligible Families by Subsidy Copayment Requirement

Fees above \$0	Family Status		Total
	SOLE	TWO	
No	5,129	2,304	7,433
row %	69.0	31.0	100.0
column %	58.7	30.7	45.8
Yes	3,605	5,202	8,807
row %	40.9	59.1	100.0
column %	41.3	69.3	54.2
Total	8,734	7,506	16,240
row %	53.8	46.2	100.0
column %	100	100	100

For this analysis, I assumed the subsidy profile before the CWELCC plan matched the pre-COVID 2020 profile. To simplify the model, fees for children in CWELCC programs were reduced, while fees for school-age children remained unchanged. (Note that if rates in the model were increased, the likelihood of subsidized clients would be further reduced.) I applied a similar assumption to the family incomes used to calculate subsidy fees. To

assess the effect of fee reductions, I did not age the children in the dataset, keeping the profile static over the years included in the analysis.

Table 3 shows the distribution of children across age groups and the per diem payments to centre-based child care providers; note that the minimum fees (Min column) reflect per diem payments for part-day programs.

Table 3 – Actual 2020 Subsidy Per Diems

Age Group	Children	Mean	SD	Min	p25	Median	p75	Max
Infant	1,671	78.01	14.82	36.54	67.39	81.09	90.23	104.00
Toddler	3,711	67.36	13.14	30.40	57.99	65.62	75.64	96.21
Preschool	9,028	50.41	9.43	3.49	44.99	48.87	55.29	76.09
Kindergarten	5,344	29.87	4.84	10.88	27.43	29.53	32.13	60.65
School-age	10,892	26.43	5.91	10.25	22.06	26.74	28.54	47.83
Total	30,646	41.86	18.89	3.49	27.85	35.72	53.17	104.00

The fees charged to parents in CWELCC-eligible programs were reduced by 25% in 2022 and by an additional 37% in 2023. They remained unchanged in 2024 and were finally capped at \$22 in 2025. The planned 2026 reduction to a maximum of \$12 per space per day was postponed in October 2025 in the extension of the current Canada-Ontario CWELCC agreement.

Copayments for subsidized families are calculated based on the family's net taxable income, regardless of the number

of enrolled children. For CWELCC-eligible children, copayments were reduced by 25% in 2022 and by 50% in 2023; no further fee reductions have been implemented since 2023.

Table 4 shows that only a very small number of subsidized families would be able to abandon their subsidies in favour of CWELCC-based fees. With the \$22 per child per day cap, only 370 of the 16,240 (2.3%) CWELCC-eligible families (or 1.95% of children) were assessed a subsidy copayment that exceeded the CWELCC fee.^[2]

[2] The incomes in this table are net taxable incomes calculated from the formula used to determine family fees.

Table 4 – Profile of Families Leaving Subsidy

Children 0 to 5 years old	Number of children 6 years and older				Total
	0	1	2	3	
1	292	29	5	1	327
%	89	8.9	1.5	0.3	100
median income	79,481	97,314	114,359	163,383	80,638
2	38	2	0	0	40
%	95	5	0	0	100
median income	116,112	136,944			116,242
3	2	1	0	0	3
%	66.7	33.3	0	0	100
median income	163,379	175,720			163,940
Total	332	32	5	1	370
%	89.7	8.7	1.4	0.3	100
median income	80,707	95,036	114,359	163,383	82,486

The average assessed subsidy copayment was \$56.50 per day, regardless of the number of children in child care. Almost 90 percent (89.7%) of families who would leave the subsidy system, at least in this model, have only one child under the age of 6 years. Any presence of school-aged children would require the family to pay

the full school-age fee in addition to the \$22 per day for the younger child, making leaving the subsidy system less feasible. The median net taxable income for families benefiting from the CWELCC fee was \$82,486. For families with more than one child, the median income increased substantially.

IN CONCLUSION

In an ideal world, the issues of equitable access and, above all, equitable outcomes would have been addressed at the planning stage of the CWELCC agreements. Yet all three levels of government have been unwilling to ensure access for low-income children, creating a combination of systemic and structural failures that have widened existing equity gaps. The failure to address the problem now will only make it harder to do so in the future.

The underutilization of child care subsidies, at least in Toronto, cannot be primarily attributed to families leaving the subsidy system for CWELCC fees. Several jurisdictions, including Quebec and several [European countries](#), have identified and documented the displacement of low-income children by children from more affluent families taking advantage of significantly reduced fees as a systemic issue. In fact, this issue was reliably predictable.

The subsidy system is cumbersome for families needing child care, as well as for service providers and managers. There are numerous arguments for abolishing it and replacing the existing CWELCC flat fee with an income-tested approach. However, until such a change can be

implemented, it is important that access for low-income families be protected through priority access policies and a requirement that all publicly funded child care providers accommodate children receiving subsidies.

Given the unlikelihood of any significant infusion of federal or provincial funding to address the shortage of child care spaces anytime soon, it would be appropriate to pause and redesign the affordability and access framework.

It must be noted that public subsidies have long been available to all families using licensed care. The difference is that some families, historically mischaracterized as paying “full fees”—and now paying the reduced “CWELCC fee”—participate without conditions. In contrast, lower-income families who rely on fee subsidies continue to face intrusive and restrictive eligibility requirements to access the same services. It is mind-boggling that access to early learning and child care for higher-income families is treated as a universal public good, while lower-income families must continually prove their worthiness.

While supporting the principle of universal inclusion for all children, more than 50 years of evidence demonstrate the importance of dedicating resources to

the children and families most at risk.

Excluding children whose families cannot afford the CWELCC fees, while simultaneously being deemed ineligible for subsidies because their parents do not meet the criteria, is deeply inequitable.

If for no other reason, the activity requirements linked to ongoing subsidy eligibility must be eliminated. An inclusive system cannot continue to impose restrictive conditions on the very families who face the greatest barriers to access.

