

A Year-By-Year Approach to Investing in Early Learning and Child Care

Articulating a Five Year Plan for Federal Funding

A memorandum to the Ministry of Finance, the Privy Council Office,
and the Prime Minister's Office

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This is a follow-up to our [memo](#) dated September 16, 2020, focused on identifying principles and total amounts of new federal financing for Early Learning and Child Care in Canada. This memo highlights how to operationalize the process of reaching \$8 billion in new annual allocations over the course of five years, and the phasing of expenditures for both capital and labour needs in order to expand access to affordable high-quality care.

A. Purpose of New Federal Financing:

1. Ensure an average 70%¹ of children aged 0-5 are enrolled in early learning and childcare (ELCC), in a publicly managed system where every educator in the system is trained. (The first five years of new federal supports should focus on the 0-5 age group,² as provinces/territories (P/Ts) advance support for school age children, aged 6-12 years.)
2. Increased federal funding is not cost-shared, and brings the federal level of government into equal fiscal partnership with the provinces/territories for ELCC in five years. Additional federal funding is tied to improving the quality, quantity and affordability of ELCC programming, with the goal of expanding high-quality, publicly-managed provincial/territorial systems, not the market-based status quo.
3. There should be no barriers to P/Ts using federal funds to expand access to ELCC by “educating down”, i.e. expanding high-quality access through public-school systems to kindergarten-aged children, and progressively younger.
4. The foundation of a robust public system depends on the people who are delivering it. ELCC is a high-labour-intensity sector, with an average 80% of operating costs going to human resources. Quality is key, and turns on both the training and compensation of early childhood educators (ECEs). Federal funding should raise qualification levels, and provide compensation that attracts and retains trained staff.
5. The focus must be on children and outcomes, not spaces. Continuous improvement in the number of children who are ready for school, and learning-supported as they progress through school so they complete their education, is a decisive metric of success, though other metrics could include maternal labour force participation, poverty reduction, etc.
6. While transfers to P/Ts are not based on per-capita funding, the formula increasing the federal share by an additional \$8 billion was calculated based on a per-child operating costs that average \$12,400 per child in the provinces and \$18,000 per child in the territories. This level of support lowers costs to parents to an average of \$10-\$20 a day, and permits centres to pay ECEs about 2/3rds the salaries of teachers (roughly commensurate with the differences in training requirements) in order to attract and retain qualified staff. In other words this level of support delivers both affordability and quality for more families, which is the ultimate goal.

¹ An average 70% of children aged 0-5 are enrolled in pre-school and childcare programs across OECD nations. <http://www.oecd.org/education/school/SS%20V%20Enrolment%20rates%20by%20age.png>.

² It is assumed that the majority of the children enrolled will be in the 1-5 year old age group, as most new parents take advantage of government paid leave programs for the care of newborns and new adoptees.

Rationale for Total New Federal Spending of \$8 billion after 5 years

Pre-pandemic, Canada's provinces/territories spent \$12.4 billion in 2019-20 on licensed childcare and pre-school programs, of which \$1.8 billion was provided by the federal government. In July 2020, the federal government added \$625 million for COVID-19 mitigation, raising its contribution to \$2.425 billion.

Increasing the federal share of funding to an additional \$8 billion a year over the course of the next five years would bring federal spending in line with that of the provinces and territories. This would make the federal government an equal fiscal partner and add high-quality affordable ELCC services for another 460,000 children – a key policy to ensure the effective functioning of the labour market during the coming decades of population aging.

The \$2.425 billion in federal financing as of fall 2020 is generally directed to spending areas such as space expansion for marginalized populations, pandemic relief, quality enhancements, etc. The P/Ts have agreed to spend in these areas, but without specific dollars or targets. The \$8 billion in new federal funding will be conditional on meeting targets and timetables negotiated and established with each province and territory, and to report on/track improvements in a standardized manner that permits evaluation of progress and effectiveness of different policies.

Over the course of the five years, new federal funds will flow to improve two main areas in every jurisdiction: expanding the quality, capacity and compensation of the existing and future early childhood workforce and expanding access to more space in high-quality, publicly-managed care. Allocations within annual budget totals, listed below, may vary over the time period. At the end of the five year funding cycle, federal financing will have grown to provide half the cost of high-quality publicly-managed care for 70% of Canadian children 5 years old and younger (or 1.647 million children as of July 2020). Funding allows for an average of \$12,400 per child in the provinces and \$18,000 in the territories³. While this does not cover the full cost per child, it would reduce parent fees to between \$10 and \$20 a day, offset overhead costs and provide compensation levels able to attract and retain a skilled workforce.

Funding will also be made available to expand physical space so P/Ts can 1) repurpose existing physical infrastructure and build new space, and 2) supply equipment. To improve human resources, funding will be made available to 1) train new educators and raise the qualifications of existing staff, and 2) provide compensation and supports commensurate with training. Federal funding will also support F/P/T governance and accountability structures.

³ Only Quebec funds childcare at an average of \$12,400 per child. Other jurisdictions, excluding Quebec, provide an average of \$3,100 per space. (From a forthcoming publication currently in press, by Emis Akbari and Kerry McCuaig, *Early Childhood Education Report 2020*, published by the Atkinson Centre for Society and Child Development, Ontario Institute for Studies in Education/University of Toronto.)

B. Rolling out New Federal Financing for ELCC

	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative	Year 6
Existing Federal Financing	\$1.8B + \$0.625B	\$1.8B + \$0.625B	\$1.8B + \$0.625B	\$1.8B + \$0.625B	\$1.8B + \$0.625B	\$12.125B	\$1.8B + \$0.625B
New Federal Funding	\$1B	\$2B	\$2B	\$1.5B	\$1.5B		
Cumulative New Federal Funding	\$1B	\$3B	\$5B	\$6.5B	\$8B	\$23.5B	\$8B
<i>For Physical Space</i>							
New builds and repurposed space	\$0.200B	\$1.250B	\$2.2B	\$2.5B	\$2B	\$7.95B	\$0
Equipment and Overhead	\$50M	\$150M	\$200M	\$400M	\$900M	\$1.6B	\$2B
<i>For Quality Care</i>							
Training	\$150M	\$500M	\$500M	\$500M	\$500M	\$2.45B	\$250M
Compensation	\$500M	\$1B	\$2B	\$3B	\$4.5B	\$11B	\$8.1B
<i>Creating a Publicly-Managed System</i>							
	\$100M	\$100M	\$100M	\$100M	\$100M	\$500M	\$100M
Cumulative Total	\$3.425B	\$5.425B	\$7.425B	\$8.925B	\$10.425B	\$35.625B	\$10.425

Amounts allocated to each P/T in each year of the five year term depends on how each province and territory prioritizes targets and negotiates timetables with measurable progress indicators. These deals would build on the goals in existing bilateral arrangements, signed in 2017.

New federal funding is not cost-shared; rather it is used to buy change and build a high-quality, publicly-managed system. Absence of required reporting that tracks progress towards negotiated targets will void the arrangement for future funding.

As the five years end, the system's capacity will have expanded to accommodate 460,000 additional Canadians 5 years old and younger, raising the total of children who can access high-quality ELCC to 1.65 million children. (Roughly 706,000 children aged 0-5 will not receive or require ELCC, a significant share of which will be infants in their first year, the majority of whose parents will be able to care for them due to paid parental leaves.)

By year 6, capital funding will end and the training of new recruits and upskilling of existing staff will be reduced as the target of a fully qualified workforce is reached. This money will be repurposed to support the day-to-day operations of ELCC services. The remainder will be targeted to the continued professional development of the workforce (\$250M) and \$100M to fund the Multijurisdictional Secretariat which will provide guidance in policy negotiations, decision-making and evaluation, secretariat functions for multi-jurisdictional exchanges, and governance support for 14 jurisdictions (the federal government and 13 P/Ts). It is described further below.

C. Allocations for Physical Infrastructure and Human Resource Improvements

Physical space needs - Building and Equipment:

The five-year objective is to expand capacity to accommodate the enrolment of an additional 460,000 children 5 years old and younger into publicly-managed ELCC programs. The average size of a centre serving children in this age group is 50. In Ontario, accommodating the needs of 250,000 children from half-to full-day kindergarten cost \$3.5 billion in capital costs over 5 years that went to a combination of low-cost walk-ins, retrofits and high expense new builds.

The first year of funding for capital expansion is not intensive, relative to later years. For example, in Nova Scotia, the set-up costs for 4-year-olds within public schools was \$25,000 a classroom. In the first year, jurisdictions will retrofit or repurpose readily available public spaces within schools and adjacent to schools. They will identify and make plans for easy rebuilds/renovations, and identify locations that require more engineering and/or new builds to expand capacity. The most likely expansion in year one will focus on the extension of junior and senior kindergarten in the public school system.

Capital costs will be allocated according to provincial plans. Years three and four are likely to be the most capital intensive. As time progresses, capital costs will shift from building/expansion to maintaining operations including staffing and overhead costs (rents, lights, heat, food, toys, equipment, cleaning supplies and sundries). The latter typically costs 20% of centre operations.

By Year 6, there would be no new allocations for capital expenditures.

Human Resource Development Needs – Training and Staff Retention:

While space is being readied, the workforce needs to be readied too. This will be through a mix of retaining current qualified staff; training new entrants into the profession (taking an average of two years post-secondary training); attracting certified educators back to the sector; and upskilling existing workers in the field to meet or enhance quality standards that ensure all adults working directly with children are appropriately trained.

Federal funding for compensation would provide salaries and benefits for current and new ECEs set at approximately two-thirds of that of an elementary school teacher. This reflects the different educational qualifications. Depending on the jurisdiction, pre-service training requirements vary from a 4-5 year university degree for teachers and a 1-3 year college diploma for ECEs.

With respect to training new entrants, post-secondary institutions will need additional funds in year one to prepare for the accelerated intake of new students. An additional \$150 million would support the hiring of instructors and additional classroom space. By year two, when the colleges are ready to expand their intake, the funding would double to \$300 million. A further \$200 million could help reduce the costs for students, for example lowering tuition costs and incenting students from under-represented communities and those living in northern and remote areas. For low-income students, training stipends, or access to income support like the CRB (Canada Recovery Benefit) could be made available while people are training.

Currently the cost of preparing an ECE graduate is about \$22,000 per year to an Ontario college. If such costs are similar across Canada, this new funding would finance 13,600 new graduates a year. Over four years 55,400 new graduates could be added to the workforce. Approximately 92,000 additional educators will be needed to complement the target expansion of enrolment of 460,000 more children five years old and younger. The balance of trained educators will come from upskilling untrained staff in the existing workforce and bringing qualified educators back into the sector's workforce.

Fair compensation and supported working conditions are a proven formula for incenting ECE graduates to return to the sector. For example, almost half of the 53,000 registered educators in Ontario's College of ECEs do not work in licensed child care, largely because of low wages and poor working conditions. Nova Scotia has demonstrated it is possible to bring back and retain these skilled workers. When the province rolled out its universal pre-primary school program, 70% of the educator positions were filled by certified ECEs who returned to the profession. Many moved back to N.S. to work in the program. It is a striking example of how recruitment prospects really change when workers are paid commensurate to their training and skills.

Multi-jurisdictional Secretariat:

An annual budget of \$100 million will initially help get systems of public management in place. This includes building governance capacity at the P/T level for the service planning, policymaking, fiscal management, quality improvements and oversight and accountability needed for a publicly-managed ELCC service system. It also supports the responsibilities of a multilateral secretariat for negotiating agreements and enforcing conditions as required, as well as the federal contributions of establishing a standardized data baseline across jurisdictions, uniform data collecting methods, and evaluation research to provide relevant cross-jurisdictional comparisons in baselines and progress, in order to improve decision-making.

E: Potential Problems and Learning From Our Past:

1. Quebec's 1997 family policy, centred around low cost child care, changed the social, economic and fiscal dynamic of the province. The acknowledged leader in Canada for increasing access, it traded off quality for quantity as parent demand for low cost care quickly outstripped demand. Short cuts were taken, ultimately compromising the quality of Quebec's child care, providing an important lesson. Expansion and quality, with attention to the workforce, must proceed in tandem. Care must be taken to avoid spending billions on expanding the status quo in childcare which would create a sector that mirrors the long term care sector, dominated by low costs but also low quality of care, the only purpose of which is to warehouse people too old and too young to work in order to permit working-aged adults earn an income. This is both an inhumane and inefficient use of public resources.
2. In recent months Manitoba, Alberta and Ontario have responded to the shortage of ECE trained staff in licensed child care by proposing to write a number of positions out of their legislation and deregulating standards of care (increasing class size, reducing requirements for qualifications, and setting up registries of unlicensed care which may be used in future to account for expanded access to service). The federal government can play a critical role in preserving and enhancing quality along with expansion of access by tying funding to the need for ECE trained staff in all programs serving children to age five years, and providing 100% of such funding.