

**Preserving Child Care in Toronto:
The Case for New Ontario Government Funding**

Revised May 2003



Introduction

Toronto's child care system is at risk. Funding cuts by the provincial government have resulted in the erosion of the system on which over 16,000 subsidized families with over 22,000 children rely. Although federal funding is available to Ontario to reverse the erosion and return stability to the child care system, the Province has declined to use it. This report will outline the risks facing the child care system in Toronto and the opportunities that exist to revitalize it.

Child Care: An Essential Service

The value of licensed, quality child care is clear. It is an essential social and educational service that enriches early childhood development and learning as well providing care to children. It enables parents to work or to receive education and training secure in the knowledge that their children are safe and well looked after. The system also provides invaluable support to the families of children with a variety of special needs.

The benefits of high quality child care to early childhood development are well known. In their landmark report to the Ontario government in 1999, Margaret Norrie McCain and Dr. Fraser Mustard, documented the value of early learning, endorsed the importance of child care and recommended more investment to maximize opportunities and benefits for families. The endorsement of child care was reiterated in the report of the Commission on Early Learning and Child Care for the City of Toronto, written by Ms McCain and Charles Coffey which also recommended increased government support.

The social benefits of child care have also been established. In a study released in 1998, economists Gordon Cleveland and Michael Krashinsky calculated that every dollar invested in child care returns two dollars in social benefits or savings.

Understanding the Child Care System

The City of Toronto provides fee subsidies so that low-income families can afford child care. The system that delivers this care is both complex and diverse. Care is provided in licensed child care centres and private homes. Toronto Children's Services has purchase of service agreements with non-profit and commercial child care centres and home child care agencies. It also directly operates 57 centres and runs its own home child care agency. In addition, Children's Services administers

wage grants and other operating supports for the licensed child care sector. The viability of the system relies on a mix of full-fee-paying and subsidized users; when the subsidy system is not adequately funded the entire child care system is put at risk.

The City manages the child care system under terms of stringent provincial legislation and regulations. The system is cost shared between the City and the Province with the provincial government paying eighty per cent of the cost of fee subsidies. Fees paid by subsidized child care users also contribute to the operation of the system..

The Funding Crisis

Toronto's child care system is experiencing severe financial stress and is in the midst of rapid service decline. Since 1999 the Government of Ontario has cut its annual base funding for Toronto's child care program by \$11.8 million. In addition, provincial downloading of services and costs has handicapped Toronto's ability to sustain the child care system. As a result of lost provincial funding, Toronto is at its lowest level of subsidized child care spaces since 1992. The city lost over 1,616 subsidized spaces in 2002 as a result of inadequate funding and faces a further reduction of 700 spaces in 2003. Demand for service, however, remains high. (The waiting list for subsidized child care in Toronto historically averages 15,000 children.)

Although expansion of child care services is necessary to support children and families, existing programs urgently require funding to support their current needs, to renew playrooms and equipment and to meet salary costs. Because the Province requires centres to meet pay equity obligations but does not provide funding assistance to do so, resources must be diverted from program areas. Moreover, stricter provincial regulations regarding who can use subsidized child care and for how long, make it more difficult to provide consistent programs for children and families. Not only does this undermine positive outcomes for children, but operating a stable system becomes increasingly difficult.

Elected provincial officials have declared their support for choice in child care for Ontario families. The preferred choice of most families who require child care outside the home is licensed care. The Province's funding policy, however, has resulted in a shrinking supply of affordable, licensed care and forces families to make informal care arrangements that many are not comfortable with. (The

most recent major survey on the child care needs of Toronto families (*Metropolitan Toronto Child Care Needs Survey*, 1994) shows that only ten per cent of families using informal care would continue to do so if they had another choice)

Real choice exists only when a full range of options is available and the Province's actions restrict parental choice at a time when demand for child care outstrips available spaces. The City, on the other hand, has shown a continuing willingness to meet service needs. For example, in addition to making up the provincial funding cutback of \$11.8 million, City Council approved 100 per cent City funding to meet the occupancy costs of child care in schools. It has also made a commitment to fund 2,000 new spaces if the Province agrees to contribute its share. The Province has declined. It is a testimony to municipal support, the hard work of child care staff and home care providers and the commitment of parents and communities—many of whom contribute thousands of volunteer hours—that Toronto has been able to maintain quality of care and levels of service during this provincial funding drought. This ability is now at risk.

The Risks and Challenges

The impacts of reduced Ontario government funding on Toronto's child care services are clear:

- Inflation is squeezing child care operators' budgets and cutting capacity to deliver needed services.
- Expansion of subsidized spaces has been halted since 1997
- 1,616 subsidized spaces have been lost since the beginning of 2002
- The Province has cut funding for 200 child care spaces reserved for social assistance recipients
- Another 500 spaces will likely be lost this year because provincial funding is frozen and does not cover inflation and pay equity pressures
- Repairs including maintenance and retrofits to child care facilities and playgrounds (many of which have been mandated by new provincial standards and regulations) are needed.

Without new provincial government spending on licensed child care, there will be further service erosion. The City is finding it increasingly difficult to continue to provide high-quality child care. The cuts in provincial funding affect all families using child care. Not only do current funding constraints restrict options for low and moderate income families, they threaten the viability of the

entire child care system because subsidized child care spaces often provide stability for programs serving children from a mix of subsidized and full-fee paying families. In addition, provincial capital funding to expand child care and support renovations and equipment renewal have been taken out of the system. Child care is unaffordable for many families as it is. Parents cannot cover capital costs through fees. Without increased provincial funding all families may be faced with the disappearance of licensed programs or unsustainable fees. When a child care program is forced to close, families receiving subsidies and those paying the full fee all suffer.

It is important to understand all the consequences. Children will be deprived of the benefits of early learning and socialization. Employment and economic impacts will also be severe. Over 40 per cent of subsidy users (6,500), are single working parent families whose average net income is \$20,684. For most of these families the loss of child care will result in the loss of ability to sustain employment and a corresponding dependency on social assistance at a much higher cost. The reduction in child care services will also make it more difficult for Ontario Works clients to get off social assistance and find sustainable and self-supporting employment.

The closure of centres results in the loss of staff jobs and lost revenues for businesses such as caterers and equipment suppliers that service child care operators. Other vital services for children such as preschool speech and language and early literacy programs will also suffer should child care centres close.

These challenges can only be addressed if child care is properly funded. A well-funded child care program will support children to learn, to be successful and eventually to make a positive contribution to the community. Most important, it supports good parenting, the building of a strong community and the opportunity for parents, especially mothers, to work and be economically productive. All that has been achieved over many years is at risk because the Ontario government chose to cut child care funding and refused to take advantage of the funding opportunities that exist.

Funding Opportunities

In 2000, the federal and provincial governments agreed to the terms of the Early Childhood Development Initiative (ECDI). The federal government promised to transfer \$2.2 billion to the provinces over five years to fund programs for children, including child care.

To date, the Ontario government has refused to use any of its share of the funds —\$880 million over the five years of the program—to stabilize, improve or expand licensed child care anywhere in Ontario. Instead of shoring up the deteriorating child care system, the government has chosen to create Early Years Centres in each provincial riding. While the centres offer parents advice and information on early childhood development opportunities in their communities, they do not provide care or the direct benefits of early learning. What the Province has done in effect is to create a parallel service system that duplicates family resource services already available in Toronto without adding any capacity to respond to families' non-parental care needs.

With the exception of Ontario, all provinces have recognized the value of child care to families and to enhancing early childhood development and have used ECDI funding to support their child care systems. Quebec has established a provincial child care program that provides licensed child care in communities for \$5.00 per day.

The Government of Canada has announced a new national child care program which will make over \$10 million available to Ontario in 2003 and increased amounts in future years. While the program is intended to expand the supply of child care spaces, the provincial government has refused to commit any of the federal funding to licensed care.

The Solution

The Ontario Government has restrained and reduced its support for licensed child care, precisely those programs preferred by Toronto families because they offer children an enriched, meaningful experience consistent with early childhood development needs. At a time of increased interest in and attention to healthy child development, research shows that that high quality, regulated child care is better than informal situations in which children are likely to spend their days in environments that may be neither stimulating nor safe. (See Hertzman et al, *The Importance of Early Years for Lifelong Health*, 2001).

Ontario's decision to fund the Early Learning Centres as its sole early childhood development initiative while refusing to increase funding for child care is contradictory. Combining the centres with a stable, properly funded child care system would make them more valuable to families. By not integrating the Early Years Centres with licensed child care, the Province has made its own initiative less

effective and has ignored the advice of its own experts, Fraser Mustard and Margaret McCain who in a follow-up report released in 2002, criticized the provincial government for its lack of attention to their original recommendations.

Good child care benefits everyone—children, parents, business and the community’s advancement. Success in education begins with high quality early learning and child care. Child care contributes to an educated population by removing barriers to students entering the workplace and providing parental employment supports. These outcomes support business, provide employment and fuel a strong economy and a dynamic, confident and growing community. The Commission for Early Learning and Child Care identified Toronto’s children’s services, of which child care is the core service, as one of the city’s competitive advantages.

The Ontario government has an important responsibility to fully support child care in order to achieve early childhood development goals which will sustain the type of healthy and well-educated population and generate the long-term prosperity which benefits all of us. The federal government has recently fulfilled a long-delayed promise to implement a national child care program which will provide future sources of funding in Ontario and across the country. Support for such a plan is strong. A poll conducted late in 2002 by Millward Brown Goldfarb, for the Canadian Child Care Federation and the Child Care Advocacy Association of Canada shows that 90 per cent of Canadian support a nationally co-ordinated child care plan.

The City of Toronto is ready to work in partnership with the Ontario and federal governments to restore and strengthen Toronto’s current child care services. There are four critical steps to revitalizing child care system in Toronto:

1. As a first step, Toronto urges the Province to immediately allocate \$18.6 million from combined ECDI and national child care funding to stabilize the child care system, to prevent further service loss, to recover service that has been lost and to begin to meet the need for more services. This would be used in the following manner:
 - a) \$7.9 million to stabilize current service levels and protect against future erosion;
 - b) \$10.7 million to restore lost spaces.

2. Provide an additional annual increase of \$12.3 million to fund long-term expansion and development.
3. Integrate the Early Years Centres in Toronto into the City's child care system to provide comprehensive early learning and care services for children and families.
4. The federal, provincial and territorial governments must collaborate to develop a national child care plan based on the expansion of high-quality, affordable and accessible programs for Canadian children.

The increased funding will be used to immediately stabilize child care and prevent future service loss. It will enable:

- Protection of the existing child care system by preventing further service cuts
- Restoration of the 1,616 spaces lost in 2002
- Investment in minor capital funding, new equipment purchases and covering inflationary costs since 1999 and rebuilding base funding to prevent the further erosion of services.
- Meeting service demand by adding new spaces.

Conclusion

Investments in child care will pay dividends in early learning and healthy child development, support of parental work and study, lessen poverty and contribute to a strong, vibrant community. The funding needs of Toronto's child care system are urgent and its future is uncertain but revitalization is within reach if all the parties involved choose to act on the opportunities that are available.

Key Facts

- Toronto's Child Care program provides services to over 45,000 children.
- There are 22,600 subsidized child care spaces.
- In 2002, Toronto budgeted \$296 million for child care services; of this amount, \$202 is a provincial allocation. The difference of approximately \$94 million was divided between City of Toronto (\$76 million) and fees paid by subsidized clients (\$18 million).
- Toronto's child care waiting list has historically averaged 15, 000 children.
- The Government of Canada's Early Childhood Development Initiative gives Ontario over \$880 million to support children's initiatives and services up to 2005-06.
- The Province will receive over \$10 million from the national child care plan in 2003 and increased amounts in future years.
- Ontario has cut its total base contribution to Toronto's child care program by \$11.8 million annually since 1999.. The accumulated impact of this cut has been over \$35 million over the last three years.
- Toronto is seeking \$18.6 million annually from Ontario as a first step to stabilize child care and to begin to meet the need for more services.