

**Potential Issues Related to the Expansion of Corporate,
For-profit Child Care**

Date:	April 25, 2008
To:	Community Development and Recreation Committee
From:	General Manager, Children's Services
Wards:	All
Reference Number:	

SUMMARY

The attached discussion paper presents the issues related to the expansion of corporate, for-profit chain child care. It comments on what impact such service would have on the child care system in Toronto and makes recommendations. The report which was requested at Community Development and Recreation Committee on December 3, 2007 has been endorsed in its entirety by the Children's Services Advisory Committee (CSAC).

RECOMMENDATIONS

It is recommended that:

- (1) the recommendations in the attached report, *"If it don't make dollars, does that mean it don't make sense? Commercial, Non-profit and Municipal Child Care in the City of Toronto, A report to the Children's Services Division, City of Toronto"* be approved and that the General Manager report back on strategies for implementation of the recommendations;
- (2) the General Manager of Children's Services Division develop a communications plan to disseminate the report on potential issues related to corporate for-profit child care to the Federal government, the Provincial government and to municipalities; and
- (3) the General Manager of Children's Services Division report back on capital strategies to support development of non-profit child care programs.

FINANCIAL IMPACT

This report has no immediate financial impact.

DECISION HISTORY

City Council at its meeting of November 30, December 1 and 2, 2004 adopted Report 9, Clause 18 of Policy and Finance Committee, a six-point action plan for the City of Toronto for building a national Early Learning and Care program. It included in recommendation (2) (1) (v) "Agreeing that all expansion takes place through public and/or not for profit delivery. Existing for-profit programs may be grand-parented".

At its meeting of December 3, 2007 the Community Development and Recreation Committee considered a letter from the CSAC forwarding recommendations respecting potential issues related to the expansion of corporate, for-profit child care. See <http://www.toronto.ca/legdocs/mmis/2007/cd/decisions/2007-12-03-cd11-dd.pdf> and <http://www.toronto.ca/legdocs/mmis/2007/cd/bgrd/backgroundfile-9234.pdf>

ISSUE BACKGROUND

As a result of articles in the media about corporate for-profit chain child care, and a discussion about this issue at the CSAC meeting on November 8, 2007, the General Manager, Children's Services was requested to:

- (1) commission a report on the issues related to the expansion of corporate for-profit chain child care in light of current Council policies concerning for-profit child care; such report to review quality of child care, salaries, training of staff, and other relevant issues, and determine what impact such services may have on the child care system in the City of Toronto;
- (2) work with other child care organizations, advocates and the Chair of the Children's Services Advisory Committee, to facilitate a public education forum in 2008 dealing with the potential issues related to the expansion of corporate, for-profit chain child care; and
- (3) submit a report to the Community Development and Recreation Committee.

The Community Development and Recreation Committee adopted these recommendations at their meeting on December 3, 2007.

The said report on corporate for-profit chain child care was commissioned by the General Manager, Children's Services and Dr. Gordon Cleveland was selected as the vendor. Dr. Gordon Cleveland is an economist and Associate Chair and Senior Lecturer, Department of Management, University of Toronto at Scarborough. He specializes in researching the economics of child care and child care policy. He has published extensively in professional journals on the factors that are important in affecting the quality of early childhood care services and his studies are quoted extensively. He is well known as an expert on early childhood education in Canada and on quality in child care.

Dr. Cleveland's report, "*If it don't make dollars, does that mean that it don't make sense?*"¹ *Commercial, Non-profit and Municipal Child Care in the City of Toronto, A report to the Children's Services Division, City of Toronto*" presents a thorough analysis of the issues and does the following:

- reviews relevant literature and studies on commercial and non-profit care,
- comments on the public interest in child care and the difficulty in assessing quality,
- reviews empirical evidence about child care auspices and presents contesting views,
- comments on the Toronto Operating Criteria as a measure of quality,
- analyzes the data from 2007 Operating Criteria assessments and budget submissions from child care operators,
- discusses the determinants of quality and whether non-profit status matters while controlling for differences as a result of the amount of financial resources and other inputs to quality,
- examines the extent of commercial sector in Toronto,
- compares quality in Toronto with quality in other jurisdictions,
- looks at the evolution of ABC child care and ABC Learning Centres in Australia, and in this context ,
- looks at child care policies in Canada and the role of NAFTA, and
- makes recommendations as follows:

Dr. Cleveland's Recommendations for Action by the City of Toronto

- (1) *The City of Toronto should continue its policy, adopted in 2004, of encouraging the growth of non-profit child care, by restricting new or expanded purchase-of-service agreements to take place in not-for-profit facilities.*
- (2) *The City of Toronto should continue annually collecting Operating Criteria data (and budget and financial data) from centres with which it has purchase-of-service agreements and municipal centres. These data are key to the City's objective of monitoring a wide range of quality-related performance data in child care. There is evidence that this monitoring function is effective in raising the overall level of quality in Toronto centres, relative to those in other jurisdictions.*
- (3) *Since there is a public interest in ensuring quality services in centres that do not have purchase-of-service agreements in Toronto, the City should consider means of extending the obligation to report on measures of quality to currently uncovered centres. Initially, this reporting requirement could extend to all service providers that receive rent subsidies, wage subsidies or other public funding. The City could encourage the province to share the costs of this extension and to collect similar data from centres across the province as a means of carrying out their regulatory, licensing and monitoring functions.*

¹ From graffiti art in my back laneway, City of Toronto

- (4) *The Operating Criteria apparently serve their monitoring function reasonably well. However, their status as accurate measures of child-development-related quality has not been validated. The City should have these Criteria validated, adapting them as necessary for this purpose (e.g., the “pass mark” may change, or they may be measured on a 5-point instead of a 4-point scale). This has become more important with the decision to publish Operating Criteria on the web site and have them posted in centres. The City could use this occasion to confirm that parents also care about the same measures of quality when considering items that promote child development.*
- (5) *The City of Toronto should encourage the Province of Ontario to follow municipal leadership in evolving the current hodgepodge child care system in the province into a more coherent and integrated system of non-profit and public providers. Amongst other policy changes, this would require the province to declare, as Toronto has, that future developments will occur in the non-profit and public sectors, and that the for-profit child care sector in the province will be grand parented into a gradually declining role. The objectives of this policy would be to enhance child care quality, and, in the context of NAFTA, to preserve the ability of the province to establish full-day junior and senior kindergarten, or other innovative early childhood education policies. In other words, the child care system would serve public purposes, as the schools, hospitals and universities do now, through a network of non-profit or public organizations. The funding would come, as with schools, hospitals and universities, from taxpayers and consumers.*
- (6) *In the next few years, as this policy becomes established, the Province of Ontario should, and the City of Toronto should encourage the Province to, pay special attention to monitoring and controlling the issue of new child care licenses and the transfers of existing licences, so that large for-profit child care chains are not able to get established in this province, and so its policy flexibility under NAFTA is maintained.*
- (7) *The City of Toronto should encourage the Province of Ontario to favour conditional supply-side funding over unconditional demand-side funding in its efforts to develop the child care system in Ontario. Supply-side funding (directly to programs) confers greater ability to compel regular reporting, monitor performance and encourage the provision of higher quality programs.*
- (8) *Because of the difficulties non-profit programs have in gaining access to capital for expansion and new development, the City of Toronto should regularize the capital and development assistance to new non-profit centres that they currently provide on an irregular basis. Further, the City should encourage the Province of Ontario to mandate (and financially support) Service System Managers to develop capital assistance programs to encourage the development of non-profit child care services across the province. Non-profit centres need assistance with access to capital on favourable terms; assistance with forecasting and planning*

activities necessary at the early stages of setting up child care. These types of supportive programs for non-profit agencies are particularly important when governments are under pressure to increase child care supply rapidly. It is precisely at these times that for-profit child care can develop rapidly, making use of generous public funding, while nonprofits are slower off the mark

- (9) *Further, the Province of Ontario should mandate (and financially support) Service System Managers to make provision for ongoing management and operating advice and assistance, especially to independent non-profit centres. This recommendation responds to the weaknesses that independent non-profit operators have in setting up, managing, and operating efficient, high quality, parent- and child-friendly services; assistance with human resource, benefit and compensation planning and negotiation; assistance with developing and mounting professional development programs; assistance with joint purchasing, program and curriculum planning, record-keeping and other activities that lower costs of operation and improve efficient management of high quality non-profit child care services. It may be efficient to have this ongoing management and operating assistance provided through a sector-based arm's length agency.*
- (10) *Classrooms in municipal centres are virtually always of higher quality than in other centres. More analysis of the determinants and costs of higher quality care in municipal centres are warranted. In the meantime, the City of Toronto should remain strongly committed to maintaining these centres and preserving their important role of providing high quality education and care services, particularly for subsidized children.*

Dr. Cleveland made a presentation on his paper to the CSAC at their meeting on April 23, 2008 where there was a lively question and answer period and general discussion. The following issues raised were of particular interest:

- why the commercial sector in the City tends to specialize in the provision of service to subsidized families and are there the research implications of this
- whether the grandfathering of expansion of child care in the non-profit sector by Council in 2004 has indeed met its objective
- the role of the Federal and Provincial governments in developing more child care
- the desirability to have quality ratings on the 264 centres that do not have a funding relationship with the City, and the desire to have more information on these centres
- the desirability of having the Toronto Operating Criteria formally validated as child care quality measures
- how the City can assist non-profits with capital development
- expanding municipal child care
- the need to restate that quality child care is an important social policy objective

COMMENTS

Dr. Cleveland's review of the City's Operating Criteria assessments on child care programs with service agreement demonstrates that although the vast majority of child care programs meet the City's Operating Criteria, there are lower scores for commercial child care programs than non-profit and that municipal program scores exceed both groups. In a comparison of the results to other jurisdictions, the author suggests that average quality in Toronto may be higher and the difference between commercial and non-profit scores appears smaller. These observations are consistent with other studies and that the monitoring function is effective in raising overall quality and reducing differences between auspices. The author concludes that the Operating Criteria are an effective monitoring tool but recommends that the City pursue the validation of the tool. The Division is currently undertaking the development of a business case for the validation of the Operating Criteria.

The paper was commissioned to review the impact of large multi-national child care establishing services in Canada or the province. The author's review of these issues will be of interest to other stakeholders including other municipalities, the provincial and federal government. The Division will develop a communication plan for distribution of the report.

A number of questions are posed for future research and analysis which the Division will review for future research opportunities. Finally, the General Manager will report back on strategies for implementation of the recommendations including the development of a plan to support capital development for non-profit child care.

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SIGNATURE

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ATTACHMENTS

- 1) *"If it don't make dollars, does that mean that it don't make sense? Commercial, Non-Profit and Municipal Child Care in the City of Toronto"*. A report to the Children's Services Division, City of Toronto by Dr. G. Cleveland.