

Child Care and Early Years System: COVID-19 Response and Child Care Growth Strategy

Date: May 11, 2021

To: Economic and Community Development Committee

From: General Manager, Children's Services

Wards: All

SUMMARY

This report provides City Council with an overview of the current landscape of the child care and early years system in Toronto, including the impacts of the COVID-19 pandemic and the actions Children's Services is taking to support the sector. This report also responds to Council direction to provide an update on Phase One results of the Child Care Growth Strategy and advice on Phase Two given the impacts of COVID-19.

The COVID-19 pandemic has demonstrated the continued importance of the vision of the Growth Strategy, which aims to build capacity, make fees affordable for parents, and improve compensation to support a thriving workforce. Accessible, affordable child care delivered by well-compensated staff is the cornerstone of the recovery from the pandemic, and investments from other orders of government continue to be required to ensure spaces are available, fees are affordable so that parents return to child care, and that wages are sufficient to recruit and retain the child care workforce.

Recently, the Government of Canada released the 2021 Federal Budget which included a substantial, multi-year commitment of \$30 billion over 5 years, and \$8.3 billion ongoing thereafter, to build a national early learning and child care system. This announcement aligns closely with the Growth Strategy and will assist in achieving its goals to reduce fees for families, increase system capacity so more families can access licensed care, and increase wages for the early years workforce. This commitment could provide an opportunity to expedite the Growth Strategy in Toronto. Children's Services will report to Council on the City's share of new committed funding and policy and operating terms and conditions once they are known.

The COVID-19 pandemic has had significant and wide ranging impacts on the child care and early years sector and demonstrated that the child care sector's recovery is interdependent with economic recovery. Following a provincially mandated closure during the first wave of the pandemic, 94% of licensed child care centres in Toronto reopened with new health and safety guidelines. However, enrolment remains substantially below pre-pandemic levels. A combination of funding programs and supports from all three levels of government have assisted in ensuring the financial stability of child care centre operations. Ongoing access to funding supports from other

levels of government will be critical to maintaining the viability of the system until full recovery from the pandemic is realized and enrolment returns.

This report also describes the priorities and actions of Children's Services to support families, child care operators, and the workforce during this unprecedented time. These actions are designed to support the stability of the child care and early years' system, and protect the existing capacity of the system throughout the recovery period.

RECOMMENDATIONS

The General Manager, Children's Services recommends that:

1. City Council direct the General Manager, Children's Services to continue to invest funding from all levels of government in the targets identified in the Child Care Growth Strategy to increase capacity, improve affordability, and support the workforce and report to City Council, through the Economic and Community Development Committee, once the new funding commitments and eligibility criteria are confirmed.
2. City Council request the Government of Canada to include the City of Toronto in the discussions on the new Canada-Wide Early Learning and Child Care Plan as an official partner, including a role in the new National Advisory Council, as announced in the Federal Budget on April 19, 2021.
3. City Council request the Federal and Provincial Governments to commit to additional Safe Restart Funding for the City of Toronto in 2021 to support the financial viability of the early years and child care sector through the COVID-19 restart and recovery period.

FINANCIAL IMPACT

Children's Services continues in its requests of the other orders of government for sustainable multi-year operating and capital funding to achieve the vision laid out in the Growth Strategy, supporting access to affordable child care programs, improving workforce recognition, and to inform the development of a national system over the next several years.

In April 2021, the Government of Canada released the 2021 Federal Budget which included a substantial, multi-year commitment of \$30.0 billion over five years, and \$8.3 billion ongoing thereafter, to build a national early learning and child care system; further details on the City of Toronto's allocation are awaited. Children's Services will report to Council on the City's share of new committed funding and stipulations once they are known. In addition, Children's Services will report on any financial impacts specific to the City, current or future, through a standalone report or through the City's future year budget processes.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

EQUITY IMPACT STATEMENT

The COVID-19 pandemic has had inequitable impacts on Black, Indigenous, racialized, and equity-seeking communities. This report describes how these impacts have affected families and the child care and early years system in Toronto. The pandemic's economic repercussions have been disproportionately felt by low-income and racialized workers, in turn impacting their ability to afford and access licensed child care. In addition, the early years workforce is comprised mainly of newcomer, racialized women earning low wages, and has worked tirelessly through the pandemic. They have faced additional stress and greater risks of contracting COVID-19, while not receiving adequate recognition or compensation for their essential role in supporting children, families, and the economy.

Child care and early years programs are critical services that redress the impact of inequities, in terms of affordable access for families and parental employment or training/education, as well as developmental outcomes for their children. Equitable access to high quality, affordable early learning and child care is a factor in poverty reduction and recovery of workforce participation. The benefits of child care on children's learning, health, and social development are greatest for communities experiencing high inequities.

This report also describes how Children's Services has utilized an equity lens in its response to COVID-19 which recognizes that some families have higher needs but fewer choices and therefore, require proportionally more support and services. The Division has exercised flexibility in fee subsidy eligibility in order to maintain service for families impacted by COVID-19 and encourage a return to child care, while providing financial stability for operators to maintain system capacity. The Division has also prioritized supports for the workforce, advocated for their recognition, access to vaccines in Phase Two, and provided mental health and other supports. Additionally, the pandemic has highlighted the importance of the Child Care Growth Strategy which envisions increased system capacity, affordability for families, and wages for the workforce. Achieving the Growth Strategy vision will improve access for families to high-quality care while enhancing the wages of the workforce.

Adoption of the recommendations in this report will further the City's equity goals by advancing Children's Services' identified priority actions and progressing on targets in the Child Care Growth Strategy.

DECISION HISTORY

On February 18, 2021, City Council requested the General Manager, Children's Services to report to the Economic and Community Development Committee in the second quarter of 2021, on Phase One of the 10-year Child Care Growth Strategy and provide recommendations for Phase Two which considers the impacts of COVID-19, advances affordability, accessibility, equity and quality in the early years and child care sector for all Toronto families, and that provides a framework for future Federal Provincial Municipal discussions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

On November 7, 8, and 9, 2017, City Council adopted a report titled "Child Care Growth Strategy – Phase One Implementation (2017 – 2019)" which provided specific objectives for implementation of the first phase of the 10-year Child Care Growth Strategy in areas of capital, affordability, and wages.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD23.5>

On April 26, 2017, City Council adopted the 10-year Child Care Growth Strategy.

<https://www.toronto.ca/legdocs/mmis/2017/cd/bgrd/backgroundfile-107586.pdf>

COMMENTS

The COVID-19 pandemic has demonstrated the continued importance of the vision of the Child Care Growth Strategy, which aims to build capacity, make fees affordable for parents, and improve compensation to support a thriving workforce. Accessible, affordable child care delivered by well-compensated staff is the cornerstone of the recovery from the pandemic, and investments from other orders of government continue to be required to ensure spaces are available, fees are affordable so that parents return to child care, and that wages are sufficient to recruit and retain the child care workforce.

Children's Services continues in its requests of the other orders of government for increasing and sustainable multi-year operating and capital funding to achieve the vision laid out in the Growth Strategy. On April 19, 2021, the Government of Canada released the 2021 Federal Budget which included a substantial, multi-year commitment of \$30 billion over 5 years, and \$8.3 billion ongoing thereafter, to build a national early learning and child care system. This includes commitments to:

- reduce fees to an average of \$10 per day by 2026, starting with a 50% reduction in average fees by end of 2022;
- expand access to regulated child care programs with a focus on the non-profit sector;
- improve workforce recognition, training and development, including wages;
- support a system of Indigenous early learning and child care programs; and
- provide additional funds to strengthen the Federal Secretariat on Early Learning and Child Care to inform the development of a national system over the next several years.

The federal government also made commitments to enshrine the national early learning and child care system in legislation this fall. Toronto Children's Services has communicated to other orders of government a request to contribute to these national discussions as soon as possible and bring the expertise of managing the second largest child care system in Canada to the table.

This announcement aligns closely with the Growth Strategy and will assist in achieving its goals to reduce fees for families, increase system capacity so more families can access licensed care, and increase wages for the early years workforce. This commitment could provide an opportunity to expedite the Growth Strategy in Toronto. Children's Services has mechanisms in place to administer funding to operators, as new

growth investments are committed, targeted to achieve specific outcomes in alignment with contractual obligations and provincially and Council-approved service targets. Operator and sector-wide financial performance is monitored through an annual budget process which includes indicators on parent fees and workforce compensation. As with past investments in affordability and compensation, the Division works collaboratively with the sector and its governmental partners using a well-planned, data driven approach to achieve improved outcomes.

Children's Services will report to Council on the City's share of new committed funding and policy and operating terms and conditions once they are known. The City of Toronto has been a leader in envisioning an accessible, affordable childcare system supported by a thriving workforce. Successes in Phase One of implementing the Growth Strategy are described below.

1. Child Care Growth Strategy Phase One Progress

On April 26 2017, City Council adopted Toronto's Child Care Growth Strategy which sets a 10-year vision for child care with enough capacity to meet demand, improved affordability for families, and a thriving workforce. The research that informed the Growth Strategy highlighted how improved levels of affordability would increase demand and create a need for more spaces. The research showed that 50% of families would use licensed child care if it was affordable. Further expansions in system capacity need to be coupled with improvements in affordability, to ensure vacancies are kept to a minimum.

Implementation of Phase One began in 2017 following investments from other levels of government and in accordance with the Phase One Implementation Plan adopted by Council on November 7, 2017.

The table below summarizes the new investments made to support the overall goals of the Growth Strategy by all levels of government.

Table 1: Summary of Incremental Investments in Growth – 2017 to 2019

Funding Source	Capital Funding	Operating Funding (2019 levels)	Total
Provincial/Federal	\$15,057,934	\$103,637,249	\$118,695,183
City Contribution	\$10,574,774	\$5,738,000	\$16,312,774
Total	\$25,632,709	\$109,375,249	\$135,007,957

While capital funding was used to support increases in capacity, operating investments were leveraged to support affordability for all families by decreasing fees, improving wages, and increasing the number of available fee subsidies in support of new childcare spaces. As discussed below, significant positive progress was seen through Phase One in all targets of the Growth Strategy.

A. Capacity

Phase One Goal: Grow the system to a total of 40,000 spaces for 0-4 years old by the end of 2019.

Results: Created 2,740 new spaces, for a total of 39,177 spaces in the system by the end of 2019.

The Growth Strategy set an ambitious goal to provide enough licensed centre-based child care spaces for 50% of children aged 0-4 by 2026. Capital growth is achieved through a combination of City investments in its 10-year Capital Budget and Plan, contributions from developers, and investments from the federal and provincial governments, in partnership with school boards. The Growth Strategy set a target of having 40,000 spaces for 0-4 years old by the end of 2019. As new capital development can take three or more years to plan and deliver, a substantial portion of growth in Phase One came from expansion of existing centres, rather than new capital development. By the end of Phase One, the City of Toronto had a total of 39,177 spaces for 0-4 in the entire centre-based licensed child care system, an increase of 7.5% over 2016, as shown below.

Table 1: Growth in spaces for children aged 0-4 over Phase One

	Spaces
Dec, 2016 – Total Spaces	36,437
Phase One – Capital Growth (spaces)	860
Phase One – Other Expansions (spaces)	2,133
Total Phase One Growth (spaces)	2,740
End of Phase One – Total Spaces	39,177
Target for end of Phase One	40,000

Capital growth of 860 spaces in Phase One was achieved through a total investment of \$25,632,709 from all levels of government. School boards play a major role in the delivery of new child care spaces, in alignment with the provincial Schools First policy which directs new child care development to schools where possible.

The Growth Strategy's vision to serve half of children aged 0-4 years old by 2026 requires a total of 70,000 spaces. At this point any opportunities for low-cost expansion of centres through existing available space have primarily been exhausted, meaning future growth will need to come through capital investments in new builds and retrofits. Achieving the ambitious annual growth rates envisioned by the Growth Strategy of 3,000 to 5,000 per year in Phases Two and Three, requires significantly more capital investment and more rapid construction than current or past experience has delivered. While the City welcomes the ongoing commitment from the Province to build 30,000 new spaces across Ontario by 2024, Toronto alone would require this many spaces to reach the Growth Strategy goals. Capital investments also require funding for operating expenses to ensue new spaces are affordable for parents, and that service providers

are able to hire staff to operate them, by increasing wages to support recruitment and retention.

B. Affordability

Phase One Goal: Reduce average fees by 10%, targeting the most expensive centres

Results: Reduced fees in most expensive centres by 7.7%

The Demand Study that informed the Growth Strategy highlighted that demand for licensed child care is elastic and levels of affordability play a significant role in determining the level of parent demand. Over the ten years of the strategy, a goal was set to reduce fees by 25-40% from their 2017 levels.

City Council adopted Phase One Implementation Plan set a target of reducing average fees by up to 10% with a focus on centres charging the highest fees. Increases in general operating funding are the primary mechanism used to enable operators to lower parent fees. It is important to note that these base operating investments are only flowed to licensed child care centres with a service agreement with Children's Services.

In Phase One the sector achieved an average reduction of 7.7% in fees among centres with the highest fees (i.e. fees in the highest third), as shown in Table 2.

Table 2: Fee reductions for children aged 0-4 years old over Phase One

	2017 average daily fees	2019 Projected average daily fees	2019 Actual average daily fees	Average Indexed Fee Change (i.e. inclusive of avoided inflationary impacts)
Infant	\$100.32	\$103.97	\$94.71	-8.9%
Toddler	\$86.21	\$89.34	\$82.85	-7.3%
Preschool	\$64.40	\$66.74	\$62.07	-7.0%
Average of infant, toddler, and preschool				-7.7%

Considering all centres, not just those with the highest fees, Growth Strategy investments were successful in reducing average fees for 0-4 care by 4.1%. These fee reductions benefitted the families of 16,616 children. These achievements were made possible because of substantial increases in funding from federal and provincial governments. The Growth Strategy envisions substantial fee reductions of 25-40% which require ongoing investments from other orders of government above and beyond what is currently committed. It is important to note that wages account for over 80% of operating costs for child care providers, and so high fees often correspond to higher wages. The Growth Strategy aims to reduce the portion of operating costs paid for by families by providing base funding to providers, ensuring fee decreases are not realized by reducing the wages of staff. The 2021 Federal Budget is aligned with the Growth Strategy and envisions substantial reductions in fees over five years.

C. Wages

Phase One Goal: Increase Registered Early Childhood Educator (RECE) wages by 6% with a focus on lowest paying centres

Results: RECE wages increased by 8% in lowest paid centres

A well-compensated and highly trained workforce is essential to delivering high quality child care that leads to positive outcomes for children. A thriving workforce is also crucial to expanding programs to serve more families. The ongoing recruitment and retention crisis in the child care and early years' system is driven by poor compensation and insufficient recognition of this work. This has been exacerbated by the pandemic. The Growth Strategy envisions increases to the average wages of child care workers in Toronto to reach the threshold set by the Provincial Wage Enhancement (PWE) Program. The PWE wage threshold is meant to assist in closing the gap between Registered Early Childhood Educator (RECE) wages in school board full-day kindergarten programs and RECE wages in licensed child care settings. In 2019 the PWE threshold was set at \$27.74 per hour.

The Phase One implementation plan set a target of improving wages by up to 6% with a focus on child care centres paying the lowest wages, although improvements were seen across the sector. As with affordability, these improvements were seen in centres with a service agreement with the City of Toronto. In addition to RECE wages, funding also supported salary increases for child care assistants. Assistants are an important component of quality child care and often are staffed by newcomers with international training but without an RECE designation. They can be an important source of future RECE staffing as they pursue further training and provincial credentialing through the College of Early Childhood Educators.

In the centres with the lowest wages, investments through the Growth Strategy achieved an average increase to RECE wages of 8.1%, from \$19.55 per hour to \$21.14 per hour. Assistant wages in the lowest paying centres increased by 13%, to \$16.80 per hour over the same period. These investments benefitted all staff working in centres that received general operating funding, not just those working with children 0-4 years old, as child care staff tend to work across age groups in a centre. Further, this data does not include the impact of the minimum wage increase to \$14.00 per hour in 2018 and speaks to impacts of Growth Strategy investments specifically. Results are summarized in Table 3 below.

Table 3: Increases in wages among the lowest paying centres over Phase One

	2017	2018	2019	% change
RECE hourly wage	\$19.55	\$20.35	\$21.14	8.1%
ASST hourly wage	\$14.85	\$15.95	\$16.80	13.1%

Over Phase One, Toronto saw improvements in the wages of all child care staff, not just those in the lowest paying centres. The sector saw an increase of the average wage for RECEs of 9.7% to \$25.23 per hour, and for assistants of 13.9% to \$19.76 per hour. Relative to 2016 the gap between Toronto's average RECE wages and the PWE

threshold has shrunk dramatically, as shown in Table 4 below. (It is important to note that these calculations of sector wide wage increases include the impacts of the provincial increase in the minimum wage in 2018).

Table 4: Progress on increasing wages against PWE threshold

	2016	2019
Average RECE wage in Toronto	\$22.48	\$25.23
Target – PWE Threshold	\$26.27	\$27.74
Difference	\$3.79	\$2.51

Despite these gains, wages for RECEs and child care assistants remain low. As recently reported to Council, even in Toronto's Early Learning and Child Care Services (TELCCS), where wages are highest, the annual salary of an RECE is similar to other City positions with lower education and training requirements such as ferry dock cashiers and payroll program assistants, among others. Child care staff wages need to continue to increase substantially to ensure the sector attracts and retains a strong workforce. As with fee reductions, ongoing improvements to wages require increased funding from other levels of government.

2. Impacts of COVID-19 on the Child Care Growth Strategy

Toronto's Child Care Growth Strategy was built on a demand study which has generated valuable insights. It has been an important quantifier of need for the system in Toronto. However, the COVID-19 pandemic has created substantial upheaval in labour markets and in parental employment and schooling for their children, the long-term impacts of COVID-19 on demand for child care are unknown, as longer-term or permanent changes to employment rates and labour market dynamics, remote work arrangements, and commuting patterns may shift demand for child care.

Progress on the Growth Strategy requires sustained and increasing levels of investment from other orders of government. In 2020 and 2021, all additional funding supports were directed to pandemic response and stability. Continued base funding was provided to operators at the same rates as in 2019, in order to protect Phase One progress on wages and fees. Capital projects were not impacted by the COVID-19 pandemic and construction has continued on existing developments underway. New capital programs, in partnership with school boards and funded by the Province, have also been progressing through the planning stages.

While protecting progress on fees and wages from Phase One is important, it is clear that more is needed. As the Growth Strategy articulated, affordability impacts the level of demand, a point echoed in the recent Canadian Centre for Policy Alternatives (CCPA) report which describes a correlation between drops in enrolment during the COVID-19 pandemic, and cities with the highest fees¹. In other words, cities where child

¹ Macdonald, D. & Friendly, M. (2021). Sounding the Alarm: COVID-19's impact on Canada's precarious child care sector. Canadian Centre for Policy Alternatives. Available from: <https://www.policyalternatives.ca/TheAlarm>

care is most expensive also saw the greatest drops in child care enrolment, putting operators at greater financial risk due to significant revenue loss. While emergency government funding programs have supported operators in managing this gap to date, ongoing unaffordability of child care in Toronto may continue to constrain demand in recovery from COVID-19 and, subsequently, progress in advancing the Growth Strategy. The funding announcements in the 2021 Federal Budget would substantially support the implementation of the Growth Strategy.

3. Impacts of COVID-19 on the Child Care and Early Years System

The declaration of the COVID-19 pandemic in March 2020 ordered the closures of licensed child care centres, before-and-after-school programs, EarlyON Child & Family Centres, and suspension of Every Child Belongs services in Toronto. Licensed home child care was not impacted by this direction and remained open. Soon after this declaration, the Province announced the authorization of emergency child care for children of essential and critical service workers, which the City of Toronto operated through eight of its directly operated centres. Licensed child care centres remained closed for at least three months until gradual reopening under new health and safety measures took place in June 2020. By September 2020, centres were permitted to return to their full operating capacities, with over 90% having reopened in time for the school year. However, full enrolment was not realized, leaving high vacancies in the system.

Since that initial closure and reopening, the child care and early years system has faced rolling lockdowns and closures, both outbreak related and mandated during multiple waves of the pandemic. These unpredictable changes in operating restrictions have had significant impacts on operators' ability to plan for the future, and on parents' decisions with respect to returning to child care, with a destabilizing impact on the sector. At the time of this report, all before-and-after school child care programs have been mandated to close as part of the third lockdown in Ontario, and the City of Toronto and licensed community child care partners are offering emergency child care services for school aged children of essential workers.

A. Socio-economic impacts of COVID-19

The recovery of Toronto's child care system is heavily dependent upon broader socio-economic factors beyond Children's Services' control. At the same time, affordable, accessible, high quality child care is critical to supporting gender-inclusive economic recovery. Factors impacting the child care system include labour market participation, work and education arrangements of parents and caregivers, children's schooling, health and safety requirements, and of course the status of the pandemic. Together these have substantially reduced immediate demand and resulted in high vacancy rates and financial pressures for child care operators. Child care centres are heavily reliant on government financial supports that have been time limited and unpredictable.

Employment, Remote Work, and Commuting Patterns

COVID-19 has had major impacts on the economy and labour markets, affecting equity-seeking groups disproportionately. As of March 2021, the city's unemployment rate

totaled 8.6%, down from a peak of 15.4% in May 2020 but above pre-COVID-19 levels of approximately 6%. Women are over-represented in the economic sectors most impacted by the pandemic and tend to be in more precarious employment positions. Women with young children were the first to lose work with pandemic-related closures and have been the slowest to recover lost work hours. Many women have exited the workforce with women's labour force participation dropping to 60.6% in March 2021, slightly above than the historic low of 55.8% in April 2020². On average 75% of single parent families in Canada are led by women. Balancing employment and child care during a pandemic has significantly impacted lone parents with 25% fewer lone parents of children under six employed as of November 2020 compared to the year prior³. These experiences are significant to the families Children's Services serves: of families receiving a child care fee subsidy prior to the pandemic, 64% were lone-parent families.

These inequitable economic impacts are exacerbated for equity-seeking groups. Low-wage workers are over-represented by youth, individuals with less formal education, women, Indigenous peoples, Black and racialized residents, and recent immigrants. These groups have been negatively affected to a far greater extent in terms of employment and loss of hours⁴. Provincial eligibility rules for fee subsidy require parent(s) to be working or attending school for minimum amounts of time; with various lockdowns and limited employment opportunities creating precarity for workers, more families struggle with eligibility for fee subsidy.

According to Statistics Canada, the proportion of Canadians working from home is five times higher than pre-pandemic levels with an increase from 4% to 22%. Many parents who have the option of working from home have found new ways of caring for their children, and in turn some have less of a need for full time child care. Resulting changes in commute patterns and volume may also have effects on demand for child care, with fewer families in the downtown core needing child care near their place of work or study⁵.

Virtual Schooling

There has been a substantial shift to children attending school virtually. As of October 2020, virtual school represented 37% of all elementary students in the Toronto District School Board. Fewer children in in-person schooling during the core day has led to a decrease in demand for before-and-after school care for children 4-12 years old. This change is not equitably distributed, with proportionally more students impacted from

² Statistics Canada Table 14-10-0287-01: Labour force characteristics, monthly, seasonally adjusted and trend-cycle. Available from <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028701>

³ Scott, K. (2020). Left behind: Two decades of economic progress for single mothers at risk of being wiped out. Canadian Centre for Policy Alternatives. Available from: <https://monitormag.ca/articles/left-behind-two-decades-of-economic-progress-for-single-mothers-at-risk-of-being-wiped-out/>

⁴ Statistics Canada (2020). The Social and Economic Impacts of COVID-19: A Six-month Update. Available from: <https://www150.statcan.gc.ca/n1/en/pub/11-631-x/11-631-x2020004-eng.pdf?st=FKdA6gn1>

⁵ Statistics Canada. (2020). Commuting to work during COVID-19. Available from: <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2020001/article/00069-eng.htm>

families with lower socio-economic status attending school virtually.⁶

Health and Safety

The child care sector has implemented enhanced health and safety measures. Despite these measures, multiple waves of the pandemic have led to a significant number of outbreaks and room and centre closures. In some cases, child care operators have faced staffing challenges with staff needing to self-isolate, feeling unsafe returning to work or needing to care for their own children who are not attending in person school or child care. Concerns among families about the health of their children and the safety of child care during COVID-19 have also impacted the return to child care. These health and safety concerns persist despite significant efforts to support the sector including investments in training, flexible policies and supports to operators, communities of practice that provide a forum to discuss and learn, and communication with families.

B. Specific impacts on child care in Toronto

Demand and Closures

Prior to the pandemic, the child care system was characterized by high demand and insufficient access to spaces. The pandemic has caused a temporary reversal of this dynamic; with a total capacity of over 78,500 spaces and 30,700 subsidies, there is insufficient demand to access available child care spaces at this time. These changes to demand are expected to be temporary and shift as the economy recovers, vaccine roll-out is implemented, in-person work and schooling resumes, and case counts decline. As of April 2021, and prior to the third lockdown, 94% of licensed child care centres had reopened, however, system-wide there was a vacancy rate of approximately 54%, and only 18,000 fee subsidies being accessed out of a usual 30,700. Families who were previously enrolled have opted out of child care or deferred their return. In addition, the reduction in employment opportunities and the need to stay home to support virtual learning have contributed to the high vacancy rate. This trend is being seen across GTA communities.

Overall, the vast majority of child care centre and room closures have been temporary and driven by provincial orders and local Public Health direction related to outbreaks. As of the end of March, 2021 (prior to the third mandated closure of school age child care), 12 child care centres had decided to remain closed temporarily despite being permitted to reopen in June 2020, with 10 citing low enrolment as the leading factor. Permanent closures directly related to COVID-19 have been minimal: since March 2020 a total of 10 licensed child care centres with a service agreement have permanently closed, however, these decisions were made for a variety of reasons not directly related to COVID-19. A further 21 licensed child care centres have closed during the COVID-19 period, however, as the City has no service agreement or existing relationship with these operators, the reasons for closure are not known. It is important to note that in a system of over 1,000 child care centres, fluctuations, closures, and relocations are common and happen every year.

⁶ Toronto District School Board. (2020). Committee of the Whole Meeting Minutes. Available from: <https://pub-tdsb.escribemeetings.com/FileStream.ashx?DocumentId=6816>

Financial Instability

The impacts of COVID-19 have significantly disrupted child care through a decrease in parent fee revenue and an increase in expenditures due to new operational requirements (e.g. related to health and safety, PPE, cleaning). Due to the pandemic, priority has been given to supporting the immediate financial viability of the sector, with all levels of government aligned with this approach. New funding supports were designed to be combined with available federal support programs, which operators were required to maximize where eligible – the Canada Emergency Rent Subsidy (CERS) and Canada Emergency Wage Subsidy (CEWS), the latter of which has been a critical support for the child care sector.

One-time federal Safe Restart Funding of \$47.5 million was delivered to the sector in Q3 2020, and was provided for early years and child care programs to enable enhanced staffing, cleaning, PPE, and administrative costs, while also supporting revenue losses as a result of short-term vacancies. Safe Restart funding has been delivered using a targeted approach to provide additional resources to child care and EarlyON programs in neighbourhoods disproportionately impacted by COVID-19. Children's Services' 2021 provincial allocation has remained stable with the expectation that demand will gradually return to regular service levels. In addition, the Province of Ontario flowed investment funding of \$17.8 million in Q1 2021 to continue to support the viability of the sector.

This combination of federal and provincial supports, coupled with the flexibility to re-purpose already committed funding have been largely successful in financially stabilizing the child care sector to date. These investments have allowed centres to remain open with high levels of vacancies. Without these investments centres would have to reduce their operations which would result in a loss of capacity and perhaps more closures. Despite this relative success, Children's Services recognizes the precarious position operators continue to face given uncertainty about recovery from the pandemic.

On April 19, 2021, the federal government announced in its 2021 Budget an extension to the CEWS and CERS programs until September 25, 2021, with a gradual decrease in the funding rate to begin in July 5, 2021. The extension of these programs (beyond their planned end in March 2021) will provide critical ongoing financial stability for child care programs through the third wave. At the time of this report, neither the provincial nor federal governments have committed to additional funding amounts to respond to COVID-19 expenditures beyond approved 2021 funding allocations.

In January 2021, Children's Services estimated the sector could require an additional \$142.5 million through 2021 to support the ongoing viability of operators⁷. The actual need throughout the year will depend greatly on the progression of the pandemic and recovery as described above. Children's Services continues to work with service providers through system-wide and targeted funding approaches and supports to ensure the sector is financially stable (see page 17).

⁷ See [Briefing Note 11 – 2021 Operating Budget Briefing Note – Options to Support Financial Sustainability of Early Years' and Child Care Operators and Update on Growth Strategy](#)

Family Experiences

In November 2020, Children's Services conducted a survey of families either receiving a fee subsidy or on the fee subsidy waitlist, to better understand the impacts of the pandemic, garnering 4,100 responses. Results indicated that families were experiencing significant uncertainty, with 42% of families previously in receipt of subsidy uncertain about when they would return to care. Many families are facing serious financial hardship and precarious employment, with 50% of respondents either not working anymore, or working fewer hours (either because of reduced hours at work or to care for their children). Some families also expressed a need for part-time or flexible care in a location that meets their needs. 66% of respondents indicated concerns around health and safety of child care amidst the pandemic. The results confirmed that families' return to child care is conditional on a number of factors outside their control including economic recovery, vaccine roll-out, COVID-19 case counts, return to in-person work and studies, and in-person schooling for their children.

Some of these findings are echoed in national statistics. Based on results from the Survey on Early Learning and Child Care Arrangements, 28% of parents not using child care feel that it is not safe during the pandemic. Other reasons for not using child care during the pandemic were that a parent or caregiver was staying at home (37%), a parent was on maternity or parental leave (25%), a parent was unemployed (14%) or the cost was too high (23%)⁸. Similarly, a survey by the Canadian Centres for Policy Alternatives (CCPA) found that as unemployment increased in a city, child care enrolment also declined.

Families attending virtual EarlyON Child & Family programs have felt the impacts of the pandemic in terms of financial pressures, food insecurity, and housing instability. Some families have needed additional supports such as food hampers, activity resource kits, and digital resources such as laptops and tablets during the pandemic. Some communities are more likely to experience food insecurity such as lone-parent households, renters, and individuals living on social assistance⁹.

Workforce Experiences

Due to the impacts of COVID-19, the child care and early years workforce has faced added duties and work related stress without commensurate recognition or compensation. Child care staff were not included in the Temporary Pandemic Pay program and faced significant uncertainty as to their inclusion with education workers in Phase Two of vaccination roll-out. They were also required to stay open while other sectors and schools were ordered closed. These policy decisions have compounded long-standing underinvestment in wages and undervaluation of the workforce that drive chronic recruitment and retention issues in child care. This is especially problematic given the essential nature of child care work to gender-inclusive economic recovery.

⁸ Statistics Canada. (2021). Survey on Early Learning and Child Care Arrangements, 2020. Available from: <https://www150.statcan.gc.ca/n1/daily-quotidien/210407/dq210407b-eng.htm?CMP=mstatcan>

⁹ Statistics Canada. (2021). School closures and COVID-19 Interactive Tool: Socio-economic outcomes and food insecurity. Available from: <https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2021009-eng.htm#a5>

According to a survey by the Association of Early Childhood Educators Ontario (AECEO) and the Ontario Coalition for Better Child Care (OCBCC), the majority (89%) of early years staff respondents in Toronto stated that their job related stress had increased since the COVID-19 pandemic. Over half (52%) said their job satisfaction decreased and many (42%) said they would consider leaving the early years sector. With the knowledge of recruitment challenges and the need to staff centres to support capacity and implement health and safety guidelines, child care operators are prioritizing efforts to retain their qualified staff. Recruitment and retention are ongoing challenges that existed pre-pandemic but have been exacerbated by COVID-19.

4. Children's Services Response and Recovery Plan for the Child Care and Early Years Sector

Given the significant destabilizing impacts of COVID-19, Children's Services has responded with a variety of actions and has developed a strategy to support the sector and ensure the progress made to date in Phase One of the Growth Strategy is not lost. The Division's response has been guided by several [Reopening and Recovery Guiding Principles](#) that prioritize communication, evidence and evaluation, and equity in decision making. Throughout the pandemic, Children's Services has collaborated with school boards, child care programs and staff, families, and other partners to action new directions from the Province and to support the sector in response to COVID-19. Children's Services participated on the Mayor's Task Force on Economic Recovery: Children and Youth Working Group in summer of 2020. This group consulted with community agencies, networks, and service providers to learn about the pressing challenges facing children and families and develop recommendations for the City¹⁰. Children's Services has advanced many recommendations from this group including delivering workforce health and safety training, providing accessible communications for families considering returning to child care, and supporting EarlyON agencies to deliver virtual programming.

Children's Services' actions are also consistent with recommendations made in the TO Supports: COVID-19 Equity Action Plan to deliver safe high quality child care during the pandemic, with additional supports for child care operators in communities most impacted by COVID-19, and making child care policies flexible for families affected by COVID-19¹¹. Finally, these actions also align with recommendations from the City's Economic and Culture Recovery Advisory Group to recognize child care as a cornerstone of a gender-inclusive economic recovery¹². As part of strategic planning for COVID-19 response, recovery and rebuild, the Division identified three priority areas to align resources and activities to meet the needs of families and the sector: Access,

¹⁰ City of Toronto. (2020). Mayor's Economic Support and Recovery Task Force. Available from: <https://www.toronto.ca/wp-content/uploads/2020/11/913e-mayors-economic-support-recovery-task-force-recommendations.pdf>

¹¹ City of Toronto. (2020). TO Supports: COVID-19 Equity Action Plan. Available from: <https://www.toronto.ca/legdocs/mmis/2020/hl/bgrd/backgroundfile-159097.pdf>

¹² City of Toronto. (2020). Building Back Stronger: Report of the Economic and Culture Recovery Advisory Group. Available from: <https://www.toronto.ca/legdocs/mmis/2020/ec/bgrd/backgroundfile-159197.pdf>

Workforce, and Financial Stability. Actions to date and planned activities are organized around these categories below.

Access

Throughout 2020 and 2021, Children's Services has maximized fee subsidy flexibility for families, as per our authority within provincial guidelines, to ensure access to care as families circumstances continue to shift due to the pandemic. Children's Services modified employment requirements for families in receipt of fee subsidy by expanding job search time (from 3 months to 6 months) if they lost their job, removing the requirement for full-time activity such as work or school to access full-time care, and created accommodations for the circumstance caused by the pandemic. Children's Services has increased virtual outreach and supports for families including online access to fee subsidy services through My Child Care Account, virtual programming and wrap-around supports for families through EarlyON centres, and virtual Every Child Belongs service delivery for child care staff and families of children with extra support needs.

To support parents and caregivers performing essential work during heightened COVID-19 restrictions, the City is currently managing and delivering the third round of Emergency Child Care (ECC): once in March to April 2020 for all age groups, for a second time in January to February 2021 for kindergarten and school-age children, and again in April 2021, for kindergarten and school-aged children. Over these three periods, 78 child care centres and three licensed home child care agencies have delivered ECC, supporting over 900 children of essential workers.

Going forward, Children's Services will manage, support, and maintain access to inclusive child care and early learning services for families, and support ongoing centre viability by maintaining enrolment of subsidized children. Children's Services will focus on increasing support for eligible families to gain and maintain access to fee subsidy and enter or remain in child care and early learning services during COVID-19. In addition to actions taken thus far, the division is:

- Implementing a new, targeted approach to engage and communicate with families on the child care fee subsidy waitlist, and outreach to new families. This approach will include City and community partnerships to achieve more intensive outreach efforts, service navigation, and placement supports.
- Continuing to expand access to fee subsidy by assessing the need to continue to modify eligibility policies as the response and recovery process proceeds to meet families' needs.
- Maintaining flexible funding and program guidelines so that EarlyON providers can deliver virtual and land-based programming and wrap-around supports to families in need.
- Communicating with families about new health & safety protocols in child care to support their decision-making in returning to licensed child care or early years programs.
- In partnership with Toronto Public Health, creating educational videos for families so they are aware of what child care and home child care looks like while operating in COVID-19 (available on the [City webpage](#) for child care providers).

Financial Stability

Children's Services has made it a priority to provide timely and flexible short-term relief funding to child care and early learning programs to ensure a stable and financially viable sector. The City provided financial supports to childcare centres, home child care agencies, and EarlyON programs with funds from all levels of government. Child care centres and home child care agencies without a service agreement for fee subsidy applied directly to the provincial and federal governments for funding supports.

To further this objective in 2021, the Division is continuing to stabilize the sector by taking a funding approach that focus on maintaining the child care system's pre-pandemic capacity. This funding supports the operators' financial stability and staff retention. The Division will deliver both system wide and targeted funding approaches that meet the unique needs of operators. This approach will be dependent on the availability and flexibility of funding from the various levels of government.

Priority actions include:

- **Communication:** On-going communication is timely in order to keep the sector informed of funding decisions so they can plan accordingly.
- **System-Wide Funding:** Distribution of financial stability funding, for all child care operators with a Service Agreement for Fee Subsidy.
- **Data:** Monitoring centre and system vulnerability through new data tools that track enrolment and vacancies on a centre-based and system level.
- **Targeted Approach:** Consider a process for centres facing additional financial instability on an individual basis.
- **Monitoring:** Continuous evaluation of funding support to child care centres with additional needs including mandated closures (such as kindergarten and school-age programs).

The above actions will also consider child care centres that are most impacted by COVID-19 and may include factors such as location/neighbourhood, seasonal programming (e.g. camp/summer rates), delivery of kindergarten and school-aged programs, among others.

Workforce Supports

Children's Services has mobilized a variety of resources to support the early years and child care workforce. The Division temporarily paused the delivery of the Assessment for Quality Improvement (AQI) program, and shifted resources to focus on supporting staff and operators. This included partnering with Toronto Public Health to deliver mandated health and safety training to all licensed child care centres before reopening, providing virtual community of practice live group sessions, and delivering quality and pedagogy virtual visits.

The Every Child Belongs Unit, which supports children with extra support needs, has also collaborated to provide Community of Practice sessions for the child care community to strengthen professional learning regarding services for children with extra support needs at home. Children's Services has organized mental health education

series and virtual service communities of practice to support EarlyON staff and operators as they respond to family need and shift from in person programming to virtual services.

Looking ahead, Children's Services will provide and advocate for needed supports to child care and early years staff, so that the workforce is supported and valued. Priority actions include:

- Creating a communication strategy that recognizes the value of the early years and child care workforce, promotes health and safety requirements, provides information about mental health supports, and supports vaccination mobilization through education and timely communication on vaccination plans and resources.
- In April 2021, Children's Services directed resources towards vaccine education specifically tailored to the early years and child care workforce.
- Providing responsive supports and resources including delivery of mental health education series and communities of practice, continued quality and pedagogy supports, professional development opportunities related to child and family needs, and continued collaboration with Toronto Public Health.
- Enhancing collaboration with sector partners and post-secondary institutions to support the development of workforce strategies for the Toronto child care sector, including improving recruitment and retention strategies and promoting the profession of Early Childhood Education.
- Encouraging the provincial government to address the wages in the child care system in order to retain and recruit registered early childhood educators.

As the sector moves to a period of recovery in 2021 and 2022, Children's Services will continue to be responsive to the changing needs of families and explore options to better meet needs that have changed due to COVID-19. This may require shifts in the kinds of care that are available as demand patterns change following COVID-19 (e.g. more flexible options). The pandemic has illuminated the importance of Ontario's essential workers (including child care workers), as well as the disproportionate impacts of COVID-19 on low-wage, precarious, young, and Black and racialized workers. These impacts point to the critical importance of ensuring the child care system is flexible enough to meet the care needs of a workforce increasingly characterized by precarious, unpredictable shift work. Community partners and school boards are key contributors to the work of exploring flexible models, and engagement with these stakeholders and the Province is essential to inform viable solutions. The Division has begun research on flexible child care models as part of its planning for recovery. However, during the pandemic with enhanced health and safety requirements, limited cohorts, and staffing pressures, it is not feasible to implement or pilot new models at this time.

The COVID-19 pandemic has tested Toronto's child care and early learning system, however, sustained recovery and rebuilding opportunities are on the horizon, from positive movement in vaccinating child care workers, to the recent announcements of a National child care and early learning system. The Division looks forward to the opportunity to contribute to building such a system, and stresses that affordability and a thriving workforce supports be at its centre.

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Capital Growth for Early Years Child Care Spaces by Ward, 2017 and 2019