

Update on Canada-Wide Early Learning and Child Care Agreement Implementation in Toronto

Date: May 16, 2023

To: Economic and Community Development Committee

From: General Manager, Children's Services

Wards: All

SUMMARY

This report provides an update on the implementation of the Canada-Wide Early Learning and Child Care (CWELCC) agreement signed by the Province of Ontario and Government of Canada on March 27, 2022. This report covers the period from April 1, 2022 to May 1, 2023, including an overview of anticipated impacts of the CWELCC system and the Province's Draft Access and Inclusion Framework on Toronto's families and child care operators.

RECOMMENDATIONS

The General Manager, Children's Services recommends that:

1. City Council advocate to the Province of Ontario to increase the allocation of CWELCC-funded spaces for Toronto to align with the Child Care Growth Strategy targets to better address demand and ensure greater access to affordable and high quality child care spaces for families in Toronto.
2. City Council recommend to the Province of Ontario that any unused funds for school-based projects be reallocated to support planned and committed community-based capital projects between 2022-2026.
3. City Council recommend that the Province of Ontario review the fee subsidy guidelines and update the income threshold and revise eligibility criteria in order to reduce additional barriers for low-income families to access child care spaces funded by the Canada-wide Early Learning and Child Care agreement.
4. City Council recommend that the Province of Ontario develop a set of guidelines for sustained increases to wages and benefits that are inclusive of all staff in the early

years and child care sector and provide additional investment to implement these guidelines.

FINANCIAL IMPACT

This report provides an update on the implementation of the CWELCC agreement and covers the period from April 1, 2022 to May 1, 2023.

Funding of \$502.6 million to support child care fee reductions, workforce compensation, and to mitigate inflationary pressures for CWELCC-enrolled child care agencies is included in Children's Services' 2023 Approved Operating Budget, fully funded through the Canada-Ontario Canada-Wide Early Learning and Child Care agreement. Incremental funding to support child care expansion in school and community-based spaces under the Province's Access and Inclusion Framework will be allocated once targets are approved in 2023, with no required financial contribution from the City.

Should the current space targets not be increased, approved funding to support expansion of the CWELCC system will be prioritized for child care expansion projects included in Children's Services' 2023-2032 Approved Capital Budget and Plan.

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

EQUITY IMPACT STATEMENT

Child care is a critical piece of social infrastructure that not only supports the healthy development and social wellbeing of children, but also contributes to poverty reduction and supports increased workforce participation, particularly for women. The benefits of child care on children's learning, health, and social development are greatest for communities experiencing high inequities.

The Canada-Wide Early Learning and Child Care (CWELCC) agreement and the Province's Draft Access and Inclusion Framework aim to improve affordability and access to quality, licensed child care for Toronto families, and make investments in the early years workforce, in alignment with the goals outlined in Toronto's Child Care Growth Strategy, Poverty Reduction Strategy, and the Action Plan to Confront Anti-Black Racism.

DECISION HISTORY

On July 19, 20, 21 and 22, 2022, City Council requested the Province of Ontario to engage with the City of Toronto in the development and implementation of the Canada-

Wide Learning and Child Care System and revised Funding Formula.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EC31.8>

On December 15, 2021, City Council urged the Province of Ontario and the Government of Canada to sign an agreement regarding the Canada-Wide Early Learning and Child Care Plan before the end of 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EC26.16>

On June 8 and 9, 2021, City Council requested the Government of Canada to include the City of Toronto as an official partner in the discussions on the new Canada-Wide Early Learning and Child Care Plan, including a role on the new National Advisory Council, as announced in the Federal Budget on April 19, 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EC22.2>

On May 5 and 6, 2021, City Council adopted Member Motion MM32.12, "Building the Early Learning and Child Care System Toronto Needs", which expressed the City of Toronto's support for the Government of Canada's April 19, 2021 budget announcement to invest in building a Canada-Wide system of Early Learning and Child Care that is high-quality, public and not-for profit, affordable, inclusive and accessible to families.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.MM32.12>

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 25 and 26, 2020, City Council adopted a report on the proposed regulatory amendments to the Child Care and Early Years Act, 2014, that recommended that Toronto's Licensed Child Care Growth Strategy for Children Under 4, 2017-2026, be forwarded to the Province of Ontario to inform a Provincial Child Care Plan and the planning for a National Child Care System.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EC17.12%27>

On November 30, December 1 and 2, 2004, City Council adopted a Clause agreeing that all City-funded child care expansion take place through public and/or not-for-profit delivery.

<https://www.toronto.ca/legdocs/2004/agendas/council/cc041130/pof9rpt/cl018.pdf>

COMMENTS

Canada-Wide Early Learning and Child Care System

On March 27, 2022, the Government of Canada and the Province of Ontario signed the agreement for the Canada Wide Early Learning and Child Care (CWELCC) system in Ontario. The CWELCC agreement is a five-year plan being implemented in stages, to make child care more accessible and affordable for families. Under CWELCC, fees will be reduced on a yearly basis, reaching an average fee of \$10 per day by 2025-2026 for children under the age of six (or children turning six by June 30 of a given school year). The CWELCC agreement also aims to create more affordable, high quality, licensed child care spaces for children under the age of six; support the early learning and child care workforce through enhanced compensation, training and professional learning opportunities; and improve accessibility by addressing barriers to providing equitable, inclusive and flexible child care. The CWELCC agreement is the largest investment in the child care sector in Ontario since the Canada-Ontario Early Learning and Child Care agreement announced in 2017.

As the Consolidated Municipal Service System Manager (CMSM) for Toronto, Children's Services developed an application and approval process for child care operators to participate in the CWELCC program in 2022. As directed by the Province, Children's Services initiated an open enrollment process wherein all licensed child care programs serving eligible-aged children could apply to participate in the CWELCC system.

As part of the provincial announcement for CWELCC, all child care fees were frozen as of March 27, 2022, unless a planned fee increase was communicated to families prior to March 27, 2022. As well, fee caps were introduced for any new licensed child care programs entering CWELCC; the March 27, 2022 fee or the fee cap became the "frozen fee." All fee reductions are based on the frozen fee.

In 2022, licensed child care operators participating in CWELCC received funding to refund payments retroactive to April 1, 2022 and reduce fees by 25% relative to the frozen fee. As of December 31, 2022, participating operators received further funding to reduce their fees by an additional 37%, resulting in a total fee reduction of 52.75% relative to March 27, 2022 levels. Provincial funding for CWELCC continues to be administered to the City in accordance with provincial guidance. By December 31, 2022, the decrease in median daily fees among operators participating in CWELCC in Toronto ranged from \$16.50 to \$47.30 per day depending on the age group.

For 2023, the Province announced an additional 2.75% for enrolled providers as cost escalation funding to help cover operators' rise in costs for the year. In addition, the Province is currently consulting on a new funding formula for CWELCC which is expected to be implemented in 2024.

In December 2022, the Province introduced a Draft Access and Inclusion Framework to outline a targeted approach to the future expansion of CWELCC. The principles of the Framework target funding to the creation of new spaces with a focus on increasing access to child care in areas with historically low rates of space availability and based on socio-economic indicators to support child care for vulnerable populations.

To support the creation of new spaces in targeted areas and for underserved populations, the Province will be providing start-up grants to offset the initial costs of

expanding or creating spaces (e.g., retrofits, renovations). While the process for operators to access grants has not been finalized, it is expected that grants will provide \$90 per square foot of a new or expanded space with a cap of \$350,000 for every 50 child care spaces created. Operators enrolled in the CWELCC system will be eligible to apply for capital start-up grant funding, which will need to be approved by the City in accordance with local service plans and provincial guidance.

Implementation of CWELCC in Toronto

In 2022, following provincial direction, Children's Services developed an online application for all licensed child care operators in Toronto to opt-in or opt-out of CWELCC. Operators were required to provide information on their financial viability, hours of operation, and fees charged to parents. Table 1 illustrates the number of operators in Toronto who opted-in to CWELCC in 2022.

Table 1: Number of operators who opted in to CWELCC in Toronto (2022)

	Type of Operator		Total
	Commercial	Not-for-profit or Public	
Group Child Care	228	673	901
Home Child Care	7	15	22

The CWELCC agreement introduces a wage floor for eligible staff and annual increases each year from 2022 to 2026. For 2022, the wage floor was \$18.00 per hour for Registered Early Child Educators (RECEs) and \$20.00 per hour for RECE Child Care Supervisors and RECE Home Child Care Visitors. In 2023, the annual wage increases of up to \$1 began for any RECE wages under \$25.00.

Implications of CWELCC for Families and Operators in Toronto

The CWELCC agreement sets a vision that all families will have access to high quality and affordable child care, regardless of where they live.¹ There are several constraints that may prevent the achievement of this. Firstly, the number of affordable spaces made available through CWELCC is restricted by the current funding allocated from the Province. Furthermore, the ability to meet the demand for child care will be impacted by ongoing staffing challenges facing the sector. Participation in the CWELCC system is voluntary for operators, which limits the number of spaces eligible for fee reductions through CWELCC. In turn, some families seeking affordable licensed child care may not have access.

Workforce Challenges

A thriving child care and early years workforce is essential for implementing CWELCC. Currently, the sector faces significant challenges recruiting and retaining qualified staff.

1 Canada – Ontario Canada-wide Early Learning and Child Care Agreement – 2021-2026. <https://www.canada.ca/en/early-learning-child-care-agreement/agreements-provinces-territories/ontario-canada-wide-2021.html>

A recent survey conducted by the City of Toronto found that 49% early learning and child care staff surveyed were contemplating a career change within one year. In addition, the Ontario College of Early Childhood Educators has indicated that 44% of 58,867 registrants across Ontario do not work in licensed centre- or home-based child care settings. These recruitment and retention challenges are attributed to low wages and benefits and demanding working conditions.² Due to staffing shortages, licensed child care operators are unlikely to provide care at the level of their licensed capacity. Supporting a thriving workforce is a critical consideration for the future success and expansion of the child care system under CWELCC.

Reduced Fees and Affordability Challenges for Low Income Families

CWELCC funding reduces the cost of child care for all families with children under 6 years of age enrolled in participating CWELCC programs. The Child Care Fee Subsidy program continues to be available to low-income families who experience affordability challenges under CWELCC-reduced fees. Unlike families with children in CWELCC spaces, families in receipt of Fee Subsidy are subject to legislative oversight and restrictions governing enrollment and participation in child care programs. Families in receipt of Fee Subsidy must meet eligibility requirements including an income threshold and are required to demonstrate participation in a work or school activity. In contrast, families with children in CWELCC spaces face no such restrictions on their attendance despite their fees now being reduced by public dollars through CWELCC.

At a daily rate of \$10, some families in Toronto will not be able to access child care without financial support. The Fee Subsidy program remains the most effective way of addressing access to child care for low-income families. In Toronto, 40% (2023) of families in receipt of Fee Subsidy pay \$1-a-day or less and 72% pay less than \$10-a-day for child care. For these families, \$10-a-day child care is out of reach without additional financial assistance. With an expected increase in demand for child care,³ limited spaces available, and a fixed amount of fee subsidies, there is concern vulnerable families will experience reduced access to child care in Toronto.

Access and Inclusion Framework

The Province released a Draft Access and Inclusion Framework in December 2022. There are two components to the Framework. The first component focuses on targeted growth to create affordable child care spaces in communities with priority groups (e.g., low-income families, children with extra support needs, Indigenous families, Black families, families needing more flexible models of care, etc.).

The second component of the Draft Framework calls for service system managers to incorporate inclusive practices to ensure children from equity-denied groups have an

2 Toronto Children's Services. 2023. Early Years and Child Care Workforce Project: Workforce Perspectives, Deepening Challenges, and Pressing Opportunities.

<https://www.toronto.ca/wp-content/uploads/2023/03/8ebc-tcs-ssppd-workforce-report-2023.pdf>

3 Financial Accountability Office of Ontario, 2022, Ministry of Education Spending Plan Review. Retrieved from: [https://www.fao-on.org/web/default/files/publications/FA2210%20Education%3A%20Spending%20Plan%20Review/Ministry%20of%20Education%20-%20EN.pdf](https://www.fao.on.org/web/default/files/publications/FA2210%20Education%3A%20Spending%20Plan%20Review/Ministry%20of%20Education%20-%20EN.pdf)

opportunity to participate in child care programs. It encourages service system managers to consider the principles of accessibility, participation and belonging, and equity.

At this time, the future expansion of CWELCC participation is contingent upon Provincial funding allocations for growth. Through the CWELCC agreement, Ontario will be adding 86,000 new licensed child care spaces across the Province by the end of 2026, including 33,000 new CWELCC eligible spaces since 2019. The remaining 53,000 new spaces will be allocated across the province.

According to the Province's Draft Access and Inclusion Framework, the process for operators to enroll in CWELCC will be limited based on available provincial funding and targeted to meet Access and Inclusion plans, including prescribed expansion targets for the City of Toronto. Final confirmation of targets is expected to be shared in late May 2023.

In January 2023, Children's Services was required to submit plans to the Province for expansion incorporating the objectives of the Draft Access and Inclusion Framework and aligned with local service planning and equity strategies. The Draft Access and Inclusion Framework aligns with Children's Services existing Council-approved plans including the Licensed Child Care Growth Strategy, Service Plan, and equity-based allocations for distributing fee subsidies across the City. Toronto Children's Services submitted a response to the Draft Access and Inclusion framework to the Province on January 30, 2023 outlining the City's plan for future expansion of child care. See Attachment A, Toronto Children's Services Proposed Priority Expansion Areas & Capital Plan under CWELCC.

As of December 2022, the Province has proposed an allocation of 5,764 CWELCC-funded spaces (covering operating costs) for Toronto from 2022 to 2026. Of this allocation, 4,795 have been assigned by the Province for the approved and planned child care spaces in school-based capital projects. School boards receive capital funding directly from the Ministry of Education to construct child care in their schools. This target of 4,795 ensures that there is CWELCC operating funding for these spaces. The remaining 969 have been allocated to Children's Services to address growth in community-based spaces over the 5-year period.

Planned and completed growth in Toronto from 2022 to 2026 is greater than the Province's allocation of community-based spaces (Table 2). Within the 10-Year Capital Plan, Children's Services currently has a total of 1,607 spaces planned or completed for 2022-2026. These spaces have received significant capital investments. Operators for these sites will be sought through an expression of interest process except for locations with existing operators. If the allocation of community-based spaces is left unchanged, 638 planned and completed spaces will not be funded under the CWELCC system. The result will be that families with children in these spaces will be charged the full (pre-CWELCC) rates. Furthermore, these planned and completed centres have received significant public capital investment and the inability to enroll these centres in the CWELCC system will put their long-term viability at risk.

Table 2: City of Toronto Planned and Completed Community-based Spaces compared to Province's Access and Inclusion Framework Community-Based Allocation

	2022	2023	2024	2025	2026	Total	Difference between Total and Required Community-based Spaces
City of Toronto Planned and Completed Community-based Child Care Spaces	133	466	382	378	248	1,607	0
Provincial Community-Based Space Allocation	605	364	0	0	0	969	-638

The City of Toronto's Council-approved Licensed Child Care Growth Strategy sets a target of 30,000 new spaces to be built in Toronto between 2017 and 2026 to meet the demand for affordable child care in Toronto. To date, 4,554 of these spaces have been built since 2017. In order to achieve the Growth Strategy target, the City requires an additional 19,682 spaces to be added to the Access and Inclusion Framework's space allocation (for a total of 25,446 spaces) (Table 3).

Table 3: Child Care Allocation Needed to Meet Growth Strategy Target

Toronto's Licensed Child Care Growth Strategy Targets	
2017-2026 Growth Strategy Target	30,000
Less new spaces created, 2017-present	4,554
Equals additional Spaces required to meet 30,000 space target	25,446
Proposed Provincial Allocations 2022-2026	
Community Based	969
School Based	4,795
Total Provincial Allocation	5,764
Additional Allocation Required to support Growth Strategy target of 25,446 spaces	19,682

Toronto Children's Services has requested that the Province increase the space allocation to add an additional 19,682 spaces to ensure the anticipated growth in child care spaces in Toronto will be able to participate in the CWELCC system and support the expansion of affordable and high-quality child care for the community. While an update from the Province about space allocations is expected, at the time of this report, the Province has not responded to the request for additional spaces.

Additionally, Toronto Children's Services has requested the Province include all 25 City of Toronto wards as priorities for expansion under CWELCC. Given that families have the choice to access child care anywhere in the city (e.g. close to home, work or school) as well as the need to increase child care supply to meet population growth, expansion of affordable child care is required across the City. For a more targeted approach, wards have been grouped into high, medium and lower priority areas for CWELCC expansion based on the degree to which the ward showed a shortfall in child care spaces compared to the population of children 0 to 4 years, combined with higher proportions of children 0 to 5 years living in low income and one or more of the other demographic characteristics identified in the Province's Draft Access and Inclusion Framework (i.e., Francophone, Indigenous, Black, other racialized, and newcomer communities). These priority areas are shown in the map in Attachment A, Toronto Children's Services Proposed Priority Expansion Areas & Capital Plan under CWELCC.

If the current space targets are not increased, the priority for expansion and funding of the CWELCC system will be directed towards supporting and sustaining the spaces under Children's Services 10-Year Capital Plan. Should the Province approve additional targets, allocation of expansion funds will be consistent with Children's Services priority expansion plans that align with Toronto's equity-based planning objectives of geographic and age equity. In turn, areas of the city with the least access will be prioritized in addition to addressing gaps in age groups served.

Role of Service System Manager

To process and contain targeted growth under CWELCC, the Province made it mandatory for Children's Services, as the service system manager to signoff on all new licensing requests and revisions to existing licenses from operators. The Province will not commence licensing a child care centre without Children's Services' sign-off of the request, which ensures that the new or revised license complies with the Access and Inclusion priorities and is within the CWELCC space target allocation. This is a new role for Children's Services.

This process is only for operators seeking CWELCC funding for new spaces. If operators want to pursue a new license but are not requesting funding from CWELCC to reduce fees, they may do so but still have to seek confirmation from Children's Services before pursuing licensing.

Conclusion

The CWELCC agreement has led to lowered fees for many families in Toronto. Sustained funding and an increased share of the space allocation is critical to achieve the equity and inclusion goals set out by the Province, and to ensure affordable child care can be accessed by all families in the future. Children's Services looks forward to further engagement with the Province to help inform the policy development of CWELCC that sustains and expands the system to support those populations and communities most in need, recognizing the value a well-compensated workforce has on high quality child care and one that responds to the unique needs of Toronto.

CONTACT

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SIGNATURE

A handwritten signature in black ink, appearing to read 'S. McNamee', written in a cursive style.

Shanley McNamee
General Manager, Children's Services

ATTACHMENTS

Attachment A: Toronto Children's Services Proposed Priority Expansion Areas & Capital Plan under CWELCC

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Methodology for Analyzing Neighbourhood/Areas

Since the publication of Toronto's Licensed Child Care Growth Strategy in 2017, the City's child care Capital Strategy has been aligned to support the target of serving 50% of children aged 0 to 4 years. Wards and neighbourhoods have been assigned a priority from highest to lowest based on how far they are from the 50% target.

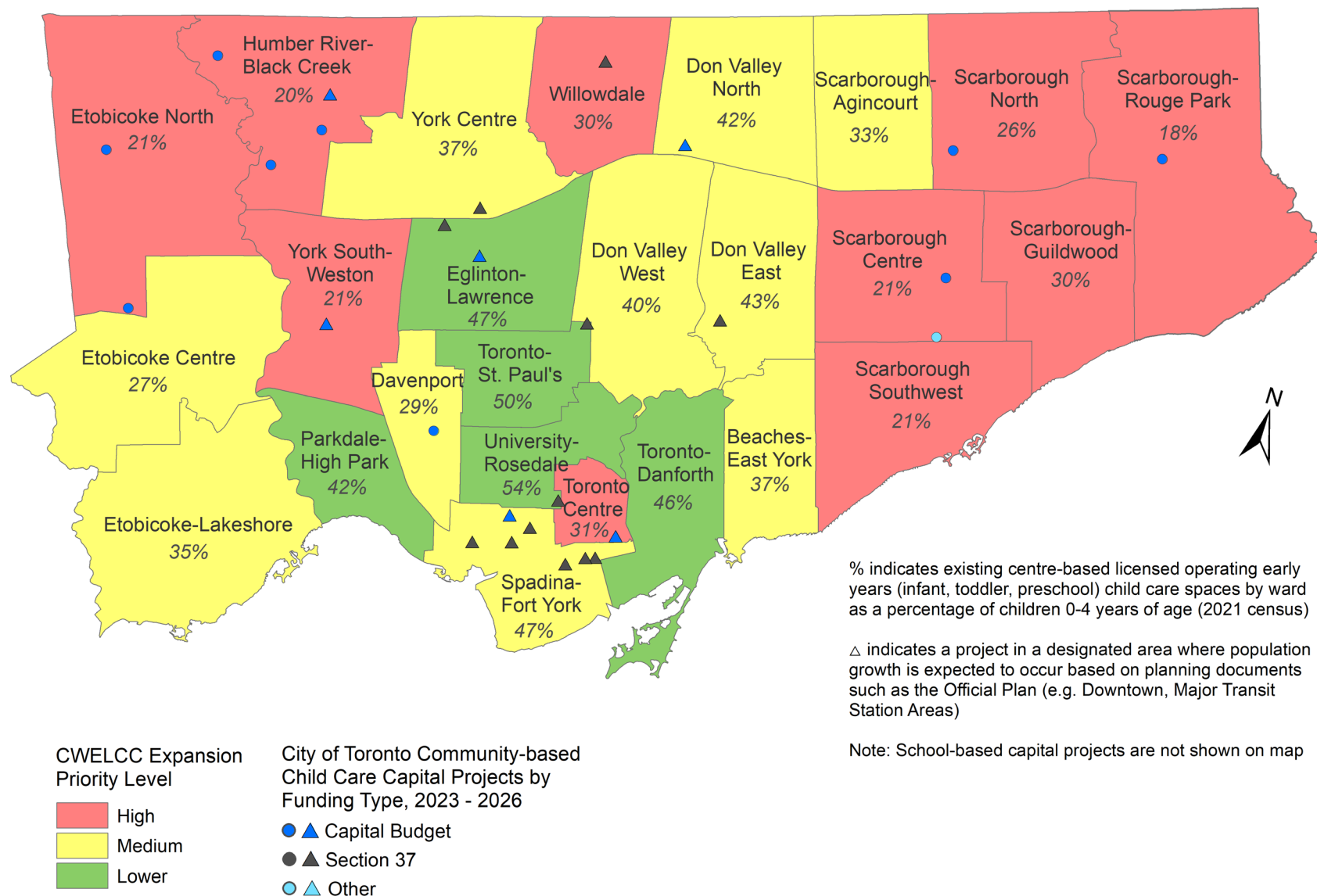
In addition, income and demographic data from the 2021 Census of Canada were overlaid on the current child care priority map to identify priority areas that combined the greatest shortfalls in the number of child care spaces and a higher proportion of both children 0 to 5 years living in low income (i.e., Low Income Measure – After-Tax) and one or more of the following underserved populations identified in the Province's Draft Access and Inclusion Framework: Francophone, Indigenous, Black, other racialized, and newcomer communities.

The Child and Family Inequities Scores from Raising the Village were then added to assess how they aligned with the priority areas. These scores provide a summary measure of the socio-economic challenges that families face at the neighbourhood level. While the majority of neighbourhoods with high inequities scores fell within the priority areas, there were quite a few that fell outside of these areas.

The priority areas were also compared to areas in which future population growth is expected to occur. Intensification is expected along the major transit corridors and in designated city centres including the Downtown and Central Waterfront, Scarborough, North York, Yonge & Eglinton and Etobicoke Centres. Significant investments in transit by the City and Province have been made to support this growth including the Scarborough Subway Extension, Finch West LRT and Ontario Line. Prioritizing child care in growth areas, including Major Transit Station Areas (for which the Province's Growth Plan sets out minimum density targets), is important in ensuring child care supply meets demand as Toronto's population grows.

Based on the analysis, all 25 City of Toronto wards were identified as priorities for expansion under CWELCC. Wards have been grouped into high, medium and lower priority areas based on the degree to which the ward showed a shortfall in child care spaces compared to the population of children 0 to 4 years, combined with higher proportions of the demographic characteristics described above.

Figure 1: Priority Levels for CWELCC Expansion by Toronto Wards



Toronto Children's Services, January 2023