

How are early learning and child care services funded in Canada now?

In most of Canada, regulated or licensed child care is not directly "funded" by government. This means that the costs of operating a child care program—staffing, facility costs, food, supplies and equipment—are financed mostly through parent fees. As a consequence, parent fees for regulated child care are very high, except in Quebec where parent fees are capped at a relatively low level and where the provincial government directly subsidizes to licensed child care operators

A recent OECD report found Canadian child care fees to be among the highest among 35 OECD countries. Canadian families spend almost 1/4 quarter of their income on child care (single parents spend almost 1/3). This is a much higher ratio than in other parts of the world".

Parent Fee subsidies

All provinces, except Quebec, use government financed fee subsidies to help some lower income parents pay for child care. Fee subsidies are meant to substitute for some or all of the parent' s fee, not to fund the child care program as a whole.

Provinces/territories have different rules and criteria for determining which families qualify for fee subsidies, and how much assistance families are entitled to receive.

Fee subsidies are often restricted to parents who are employed or in education or training programs. In a few instances, subsidies may cover fees regardless of parents' activities.

Not being able to afford the fee does not mean the family is eligible for a subsidy. Within the overall eligibility criteria, family income and composition determine the amount of the subsidy. Modest and middle-income families are not ordinarily eligible, depending on the province/territory.

Provinces and territories (and municipalities, in the case of Ontario) restrict subsidies by capping overall spending on subsidies; by keeping income eligibility levels low; by setting additional eligibility requirements; and by not covering the whole fee.

Provincial income-eligibility levels for a full subsidy may be very stringent. For example, in one province on families with a gross annual family income of under \$20,000 are eligible. Where provincial subsidy budgets are not sufficient to address need and demand, such as Ontario, eligible families go on a long waitlist before being able to get a subsidy.

Operating or base funding

Provinces/territories also provide some funds to support the operation of child care services overall. These may take the form of grants to help offset wage costs, quality enhancement grants, accreditation funding or base funding for centre operations as a whole. This “supply-side” funding of early learning and child care helps offset the reliance of child care services on parent fees to fund operations. However, with the exception of Quebec and, to a lesser extent Manitoba and Prince Edward Island, “supply-side” funding in Canada is too limited to make early learning and child care more affordable for families.

“Supply-side” child care funding in Quebec

Quebec’s “educational child care” for 0 to 4-year-olds is Canada’s sole example of a primarily publicly-funded “supply-side” base funding scheme. The formula-based “basic allowance” determines how much provincial funding is paid directly to a centre on a monthly basis. This funding is calculated to cover the bulk of program operating costs. The province also provides supplementary grants to cover costs of insurance, pensions, maternity leave payments, the integration of children with special needs, and to assist those operating in a disadvantaged area. Also, there are several types of one-time only grants to address specific situations.

There are no parent fee subsidies in Quebec. Parents with family incomes up to \$50,000/year pay \$7.30/day. In 2015, indexation was introduced, as well as a sliding fee scale for families above \$50,000 with a \$20/day cap on fees for incomes above \$155,000. Parents with 0 to 4-year-olds who are on social assistance and not employed are entitled to up to 23.5 hours per week of child care at no fee.

Capital funding

In much of Canada, capital funding for child care facilities has generally been very limited or unavailable. This has an impact both on service availability and the quality of physical environments for child care. The Organisation for Economic Cooperation and Development's Canada review team commented in 2004 that “design standards for child care premises in Canada seemed poor, partly a reflection of many makeshift arrangements in low-rent buildings...”