

Early learning and child care in Ontario: Building on a house of cards



Queen's Park
March 2010

Full-day early learning

- Roll-out beginning Spring 2010;
- Two key social policy “planks” -- full-day early learning and poverty reduction;
- Government poised to de-stabilize full-day early learning even before it gets off the ground;
- Full-day early learning being built on a “house of cards”.

“Perfect storm” - precarious situation is now brewing

- Four components:

1. Child care base funding not adequate
2. Hole left by end of \$63.5 million
3. “Unconditional grants” ending
4. General financial pressures impacting on municipal contributions (Toronto rent subsidy)

Then full-day early learning -- layered on top of unstable base - adding to the chaos and instability

Why? 1. Base funding problem

- Transferred child care funds not keeping pace with inflation;
- Municipalities falling farther and farther behind, let alone expanding to deal with subsidy waiting lists;
- Not new situation but growing and compounded;
- According to municipal service managers, while this isn't the most immediate problem, it's the biggest.

Why? 2. End of federal funds

- Second year of transfer federal funds when bi-lateral agreements cancelled in 2006;
- Ontario funds profiled to run out this year;
- Loss of \$63.5 million to child care;
- Ontario claim: this is a federal responsibility, though the Constitution Act of 1867 clearly deems social services and education to be provincial responsibilities.

Why? 3. 2005-2006 unconditional grants from province (“reserves”)

- First year of ELCC funds fed/prov agreement;
- “No strings attached” to municipalities re: how to spend (on child care) or year;
- These funds are filling anticipated hole from the loss of the \$63.5 million or to cover gap in base funding;
- However, these funds beginning to run out – many this year or next year.

Why? 4. More municipalities are contributing unmatched funds

- Other financial pressures undermining additional unmatched municipal child care funds

E.g., Toronto rent subsidy; Ottawa – general unmatched municipal funds

The impact of these all happening together...



First wave of municipalities/services already being hit

- Cuts – Windsor closing all municipal centres; Brantford may close its one
- Reduced subsidies – Toronto projection – loss of 5,000; other municipalities are already reducing (OMSSA report)
- Fee hikes – Toronto
- Centre closures – Many around province threatened; beginning to

Second, third, waves coming

- Municipalities not yet in crisis only putting it off until next year;
- But unconditional grants will soon end;
- Sooner rather than later – a year or two – virtually all communities across Ontario will experience child care crises as these shortfalls come together.

What does this mean for the success of full-day early learning?

- Eroding support from community as scramble to shore up unstable “house of cards”;
- Loss of accessible services -- media attention will lead to loss of public support;
- Services for 0–3s, older school-aged children – intended to become part of the “coherent system for 0–12s” are becoming less functional;
- Shrinking accessible, undermined services mean that families – especially low income -- and children will suffer;
- Economic benefits that could be gained from more robust policy transformation will be lost;
- Overall -- what could be a “feather in cap” will instead be an unstable headache -- much less than it could be

Solutions to make full-day early learning for 0-12 a real success...

1. Stabilize the “house of cards” – replace the \$63.5 million;
2. Revise 80% provincial base funding to municipalities based on actual costs with indexation
3. Provide adequate transitional funding to ensure full day early learning program works



Economic Impact Analysis of Reducing Child Care Subsidies on Ontario

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The Centre for Spatial Economics

March 2010



Economic Impact Analysis

Economic Impact Decomposed into Five Parts

Direct GDP Impact

Indirect GDP Impact

Induced GDP Impact

Employment Impact

Parental Labour Supply Effects

Analysis Does Not Include the Long-term Benefits to Human Capital From Quality Early Learning and Care (ELC)

GDP Effects Are Large Per Dollar

Direct GDP Effect of \$60.9 Million Is Large Because Import Leakages Very Small

Indirect GDP Effect is Small Because Most Expenditures are Related to Labour Costs

Induced GDP Effect of \$85.2 Million is Large Because

- Total Labour Costs are High
- Wages of ELC Workers Are Low
 - Reduces Tax Rate (Increases Multiplier)
 - Increases Spending of Extra Dollars and Increases Multiplier

Employment Effects Are Large

Employment Multiplier is Large per \$Million

- Low Wages of ELC Workers Means More Workers Per \$Million
- Large Induced Effects Increases Employment Impact

Provision of ELC Services Enables Parents to Go to Work

- 1.0% ELC Price Rise Leads to 0.38% Drop in Parental Labour Force Participation and 0.32% Drop in Hours
- Could Push Some onto Welfare

Summary of Effects

Total GDP Impact of \$148.3 Million For Removal of \$63.5 Million in ELC Spending

The Multiplier of 2.34 is Large Compared with Most Sectors

The Employment Impact of Removing Funding is a Loss of 3,030 Jobs

Total Employment Multiplier of 47.7 Jobs per Million Dollars is Very High

Parental Labour Supply Effect Threatens An Additional 3,480 Jobs and Push Some Parents Onto Welfare

Economic Impacts

Table 1: Impact of the Elimination of \$63.5 million in funding

Direct GDP (\$ millions)	-60.9
Indirect GDP (\$ millions)	-2.2
Induced GDP (\$ millions)	-85.2
Direct, Indirect & Induced GDP (\$ millions)	-148.3
Direct Employment (Jobs)	-1,862
Indirect Employment (Jobs)	-30
Induced Employment (Jobs)	-1,139
Direct, Indirect & Induced Employment (Jobs)	-3,030
Parents Labour Supply Effect (Jobs)	-3,480
Source: Statistics Canada Simulation & Calculation by Author	

Campaign 2000



Child Care & Poverty Reduction



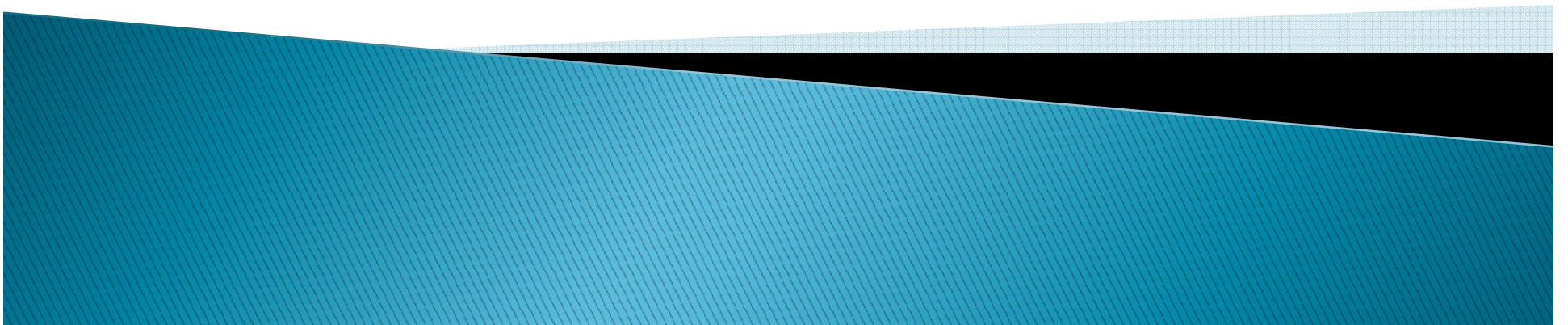
- Failure to invest in child care in Ontario's budget would jeopardize 2 key government social policy planks – Early Learning Program, & Poverty Reduction Strategy.
- Implementing ELP for 4&5 year olds while losing subsidized spaces for children 0–4 is like building a 2nd floor on a house with a crumbling foundation.

Child Care & Poverty Reduction



- Access to child care services for low income families is crucial for Ontario to achieve its target of 25% cut in child poverty by 2013.
- The families which Ontario's Poverty Reduction Strategy aims to lift out of poverty would be hardest hit by the loss of 7600 child care subsidies.
- Parents cannot work, look for work, or get training when they don't have secure, affordable, quality child care.

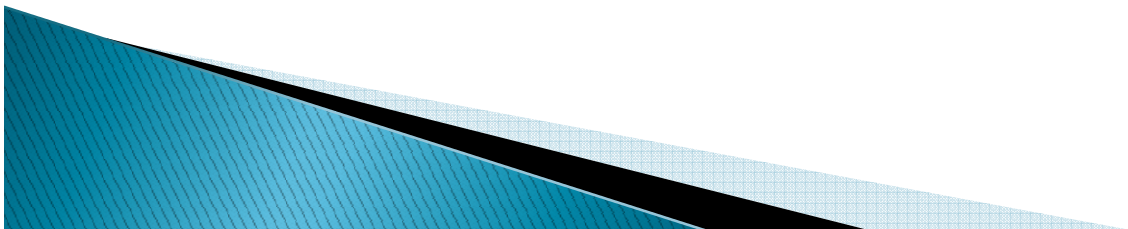
City of Toronto Child Care Status Report



Child Care Waiting List

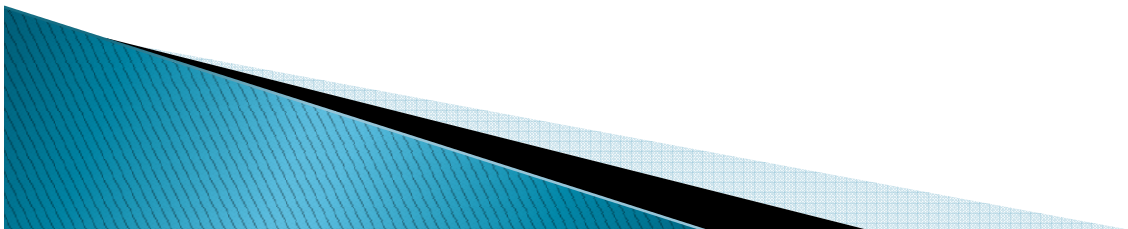
Current waiting list is over 15,000:

- Toronto receives provincial funding to provide 24,000 fee subsidies
- Only 28% of children in low income families have access to child care



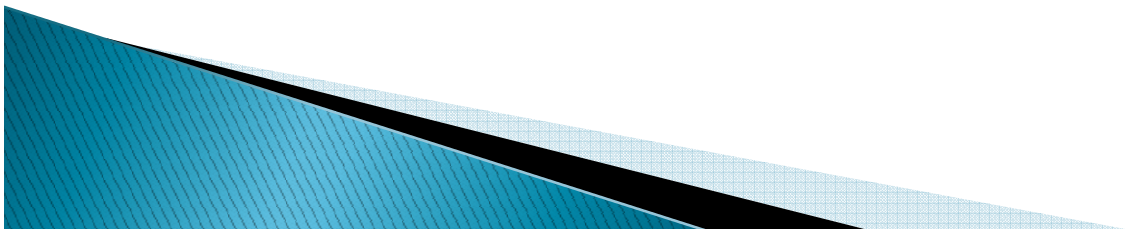
Base Funding Pressures

- Actual costs (inflation), historically funded by Child Care Expansion Reserve is estimated at \$8 M; this is a cumulative pressure.
- Provincial funding for Child Care spaces have not been increased since 1995.
- 2009 Draw from Reserve Fund = \$12.6M
- 2010 Draw from Reserve Fund = \$21.7 M



Best Start Shortfall

- \$9.2M in 2010 growing to \$15.4 in 2011
- Results in a loss of 1,500 child care spaces.
- City does not have the resources to address the Best Start shortfall.



What Does this Mean?

Child Care Expansion Reserve:

- Will be exhausted in mid-2011
- Total loss of spaces: 5000
- Reduction strategy starting in Summer of 2010, with 2,000 spaces lost by January 2011
- Further 3,000 spaces lost by January 2012

