

# **Enhancing Policy to Increase Child Care Accessibility and Affordability in British Columbia**

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The views expressed in this paper are the author's and do not necessarily reflect the opinions of the Early Years Policy Team, the Ministry of Children and Family Development, or those of the BC Provincial Government.

## **EXECUTIVE SUMMARY**

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### **1. Introduction and Background**

The Government of British Columbia (BC) has made a public commitment to enhance support for the early years sector, including child care. A shortage of child care spaces and prohibitive costs for parents who access child care have been raised as concerns by parents, practitioners, and government. This report was prepared for the Early Years Policy branch to provide information about child care funding policy approaches used in jurisdictions similar to BC and to analyze the potential for shifting BC's approach to enhance accessibility and affordability for families who use child care services.

### **2. Methodology**

The overarching objective of this research was to make recommendations for implementing more effective child care funding policy in BC, to enhance accessibility and affordability for families who use child care services. A comparative analysis approach was used to describe the current policy used in BC and comparable jurisdictions, and to analyze the effectiveness and efficiency of the various approaches used.

The research objectives guiding this report are to:

- Provide a review of BC child care funding policy levers;
- Identify a spectrum of child care funding policy levers used by governments to help offset child care costs and support access for families;
- Document child care funding policy levers used across jurisdictions; and
- Provide a discussion and analysis of options and recommendations to enhance BC's child care funding policy by increasing accessibility and affordability for families.

Four methods were used to explore research objectives. A review of BC's child care funding policy shows government's current policy position and level of involvement in the sector. A literature review describes and discusses a variety of child care funding policy levers. A jurisdictional scan identifies child care policy used by selected governments to address accessibility and affordability for families who use child care services. A discussion and analysis consider the current context of child care in BC and the strengths and challenges of policy levers identified in the literature review and jurisdictional scan.

### **3. BC Child Care Funding Policy**

The review of BC's child care funding policy includes a description of two general categories for child care settings in the province, licensed and unlicensed. Descriptions are provided for each care type within the categories of licensed and unlicensed. An overview of BC's child care funding policy identified quality, accessibility, and affordability as the main areas of focus. Four child care programs that fund parents or operators to support accessibility and affordability were identified: Child Care Operating Funding Program, Child Care Major and Minor Capital Funding Programs, Child Care Subsidy Program. The BC Early Childhood Tax Benefit is another direct payment to parents. However, eligibility

for the tax benefit does not require child care use. This payment assists parents with the costs of raising children under the age of six.

#### **4. Literature Review**

The literature review of academic articles, books, and grey literature identifies and discusses a variety of child care funding policy levers used across jurisdictions to address accessibility and affordability. A summary table at the end of the section lists funding types, provides a brief description, and indicates which programs are available in BC with funding amounts for the 2012/13 fiscal year:

- universal and income-tested child benefits;
- tax credits and deductions;
- child care subsidies;
- operating and capital funding; and
- universal child care subsidies.

#### **5. Jurisdictional Scan of Child Care Funding Policy**

A review of Canada, United States, Australia, and Sweden's child care funding policy programs provides a comprehensive review of how governments support accessibility and affordability of child care services in four different countries. Policy levers are identified at a federal government level and when applicable on a regional (i.e., provincial, territorial, or state) government level. Child care data is presented on a federal government and provincial- or state-level government for Canada, United States, and Australia. Lack of available data precludes Sweden from a thorough discussion. However, an overview of Sweden's fully funded, universally accessible child care funding model has been included as an example to demonstrate a range of policy approaches. The Quebec child care funding model has been included in the Canadian provinces subsection as a case of interest from BC's respective jurisdiction. Although funding amounts and policy terms vary, each country reviewed uses some form of child care subsidy program to support accessibility and affordability.

#### **6. Discussion and Analysis**

The strengths and associated challenges of child care funding policy levers identified in the literature review and jurisdictional scan are discussed in comparison to the BC context. Findings are reviewed and analyzed in consideration of potential recommended options for enhancing current provincially funded programs that support child care accessibility and affordability.

#### **7. Recommendations**

Information from the background and findings from the BC Child Care Funding Policy, Literature Review, and Jurisdictional Scan provides a basis for six recommendations:

1. Continue to use a combination of child care funding policy levers to support accessibility and affordability for families.

2. Continue to support the building of new licensed child care spaces in underserved areas to help increase access to child care services.
3. Enhance the current child care subsidy program to help more families offset the cost of child care.
4. Explore the potential for developing and implementing a universal child care subsidy program in BC.
5. Educate parents about the differences between child care types available in BC and the minimum health and safety standards set in the Community Care and Assisted Living Act (2002) and Child Care Licensing Regulation (2007) used to inform quality of care.
6. Educate parents about the child care funding policy benefits available to help meet their family's child care accessibility and affordability needs.

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## **1. INTRODUCTION AND BACKGROUND**

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### **1.1 Introduction**

This report summarizes the results of research conducted for Wendy McMahon, Acting Director of Early Years Policy at the British Columbia (BC) Ministry of Children and Family Development. Child care funding policy falls under the purview of Early Years Policy, a branch of the Policy and Provincial Services Division of the Ministry of Children and Family Development. Working in partnership with the Ministries of Education and Health, the Early Years Policy branch is responsible for developing and maintaining policy to support children and families during the early years.

#### *1.1.1 Research objectives*

The broad general goal of the research was to identify the most efficient and effective child care funding policy approaches taken by governments to address accessibility and affordability of child care, to address these issues in BC while recognizing the current economic and political climate. In February 2015, the BC government announced

Budget 2015 continues government's commitment to fiscal prudence by projecting balanced budgets throughout the fiscal plan period. While economic growth remains modest, improving revenue growth has enabled government to provide funding for long term public sector wage settlements and key priorities such as core service caseload pressures. (Ministry of Finance, 2015, p. 5, para. 1)

Government's ability to adapt child care funding policy may be limited as public spending is constrained by the fiscal plan set out to adhere to a balanced budget. The following research questions guided the development of this project.

#### *Primary research question*

How could the Province of BC change its child care funding policy to increase accessibility and affordability for families?

#### *Secondary research questions*

1. What is the current state of child care funding policy in BC?
2. What approaches to child care funding have been demonstrated to be effective and efficient in addressing child care accessibility and affordability?
3. What approaches to child care funding do comparable jurisdictions use to address accessibility and affordability issues?
4. How could BC change its child care funding policy to enhance accessibility and affordability?

### **1.2 Background**

Parents, practitioners, advocates, and government have identified a shortage of child care spaces, the prohibitive cost associated with available spaces, and the quality of care in BC as concerns (Early Childhood Educators of BC., n.d.; Generation Squeeze, 2014; Coalition of Child Care Advocates of BC., n.d.; MCFD, n.d.d). To address these concerns, the Early

Years Policy branch needs information on efficient and effective child care funding policy approaches used in different jurisdictions specific to accessibility and affordability for parents. The Early Years Policy branch would also like an analysis of the potential to shift BC's current child care funding policy approach to enhance accessibility and affordability for parents, while recognizing the BC Government's current Budget and Fiscal Plan 2015/16 – 2017/18 (Ministry of Finance, 2015).

The most recently published data from 2012 show the province of BC had 102,908 regulated child care spaces, translating into enough spaces for 18 percent of children between the ages of birth and 12 years old (Friendly, Halfon, Beach, & Forer, 2013, p. 55). Average median full-time monthly parent fees were \$761 for preschool, \$907 for toddler care, and \$1,047 for infant care (p. 57). There were approximately 268,200 children aged birth to five and 302,300 children aged six to 12 in BC (p. 42). The number of working mothers in BC totalled 150,900 for children aged birth to five and 201,400 for children aged six to 12 (p. 62). This same year the Province of BC allocated \$227,151,000 public funding dollars to regulated child care (p. 65).

With the release of the BC Early Years Strategy, the BC Government identified a need to enhance support to the current early years' sector, including child care (Ministry of Children and Family Development [MCFD], n.d.d.). However, due to current fiscal limitations and political mandates, improvements for consideration must be incremental. This report outlines BC's current child care funding policy approaches and offers recommendations for modifications to increase child care accessibility and affordability for families. Affordable child care promotes parental labour force participation, contributes to the economy, and increases children's access to early care and education and the potential for improved child development outcomes (Lefebvre, Merrigan, & Verstraete, 2008, p. 3; Kohen, Dahinten, Khan, & Hertzman, 2008, p. 453; Ryan, Johnson, Rigby, & Brooks-Gunn, 2011, p. 17). Child care funding also supports child care operators, increasing accessibility (Warner & Gradus, 2011, pp. 575–576; Ryan et al., 2011, p. 17). Overall, a review and analysis of child care funding policy approaches can benefit parents, operators, and society more generally.

### **1.3 Organization of the Report**

The remainder of this report contains seven sections. The Methodology section describes the research methods used to develop the report and the reasons for selecting methods. The BC Child Care Funding Policy section provides a brief description of licensed and unlicensed child care settings and describes BC's current child care funding policy landscape. The Literature Review section presents a synthesis of child care funding policy levers used by governments to address accessibility and affordability for families. The Jurisdictional Scan section provides an overview of child care funding policy levers used by Canada, United States, Australia, and Sweden to support accessibility and affordability. The Discussion and Analysis section discusses the strengths and challenges of policy levers identified in the literature review and jurisdictional scan, and are used to develop the Recommendations section of the report. Finally, the Conclusion summarizes the research findings and proposes next steps to inform further research.

## **2. METHODOLOGY**

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The research objectives guiding this report are to:

- Provide a review of BC child care funding policy levers;
- Identify a spectrum of child care funding policy levers used by governments to help offset child care costs and support access for families;
- Document child care funding policy levers used across jurisdictions; and
- Provide discussion and analysis of options and recommendations to enhance BC's child care funding policy by increasing accessibility and affordability for families.

This methodology section contains four subsections. The Conceptual Framework section illustrates how governments use child care funding policy levers to help support accessibility and affordability for families. The Literature Review section describes the literature search strategy. The Jurisdictional Scan section provides an overview of the jurisdictions selected for the scan and why they were chosen. Lastly, the Limitations and Delimitations section identifies the scope and limitations of the research strategy.

### **2.1 Conceptual Framework**

The conceptual framework for this research is illustrated in Figure 1. Information attained from the literature review and the jurisdictional scan was used to show how governments appropriate funding to support child care accessibility and affordability: cash payments, tax credits and deductions, subsidies, operating grants, or universal child care subsidies.

Federal governments across jurisdictions provide regional-level governments (i.e., provincial, territorial, and state) with funding to run programs and services at the regional-level to support families. As discussed in the literature review and jurisdictional scan, increased government involvement in the child care sector via policy improves public management and government's ability to impose quality measures. This report assumes that better informed child care funding policy has the potential to better support the child care sector and the needs of families.

### **2.2 Literature Review**

The literature review was conducted using the University of Victoria Library, the BC Government Health and Human Services Library, and the Google search engine. Search terms and keywords included “child care policy”, “child care subsidies”, “child care financ\*”, “child care funding”, “daycare financ\*”, “maternal employment”, “women labour participation rates”, “social policy”, “tax deductions”, “universal child care”, “child care vouchers”, “comparing child care policy,” and “child care costs”. Search terms were used to retrieve materials across disciplines (including economics, health, social sciences, etc.) and literature types (including media releases, policy papers, economic analyses, academic articles, print media, etc.). Materials pertaining to child care financing that discussed accessibility and affordability for families were retained. Articles regarding quality of child care services may be mentioned, but are not included in a comprehensive or systematic manner. The discussion about quality of child care services is out of scope for the focus of this report. Media releases and print media content provide a citizen’s perspective (i.e.,

media, advocates, and parents) in response to the child care sector and issues as they relate to perception and experience.

### **2.3 Jurisdictional Scan**

Canada, the United States, Australia, and Sweden were chosen for the jurisdictional scan based on their capacity to illustrate different policy approaches along a spectrum ranging from direct payments with less government involvement to funding a universally accessible child care system requiring significant government involvement. Governmental and legislative practices of each jurisdiction are similar to those in BC. Each jurisdiction has a federal- and regional-level (i.e., provincial, territorial, or state) government, with the exception of Sweden as a social democracy. Information for this section was gathered through Internet-based research and an analysis of available government documents. Child care data and descriptions of funding policy levers have been captured to demonstrate variation and levels of effectiveness for how governments support accessibility and affordability.

### **2.4 Limitations and Delimitations**

A limitation of this report is that countries selected for the jurisdictional scan allocate varying levels of public funding to support families and child care operators. The discrepancy in funding amounts across countries is notable with the types of child care funding policy levers employed and the results that can be achieved. Funding amounts directly affect the types and extent of supports a government can offer families and operators. Though funding amounts differ from Canada's, examples were selected to demonstrate the effectiveness of child care funding policy levers across jurisdictions that have governmental and legislative practices similar to BC's. Variation in how jurisdictions collect and report child care data also presented as a limitation. Differences in reporting result in accessing similar information but exact comparisons for the purpose of analysis are difficult to make across jurisdictions. Another limitation of this report was difficulty finding financial information about Sweden's child care system in English. I was able to retrieve Central Government budgetary information that identifies expenditures areas, however line item breakdowns indicating specific amounts of public spending on child care were not included (Government Offices of Sweden, n.d.). Despite the lack of available funding information, Sweden's universally accessible child care system has been included as a child care funding model along a spectrum of policy options.

A delimitation of this report is the exclusion of child care funding levers promoting quality child care, as this would significantly expand the scope of the report. Although governments use certain types of funding to promote quality, the research for this report is not about funding to promote quality of child care services. Research conducted for this report has focused on child care accessibility and affordability for families.

As an important component of child care services, the following information about quality has been included. The child care sector in BC does not currently have an agreed-upon definition of quality for child care. Mandatory minimum standards outlined in legislation (Child Care BC Act, 2001; Child Care Licensing Regulation, 2007; Community Care and Assisted Living Act, 2002) ensure health and safety of children who attend licensed child

care settings. Licensed child care operations are governed by legislation and regulations and are monitored by an administrative body. As enacted, legislation and regulations set minimum standards detailing maximum group size by care type, ratios for the number of care givers required per maximum group size, mandatory qualification requirements for care givers, and other areas related to health and safety. Lack of government involvement in regulating and monitoring operational aspects of unlicensed child care options raises concerns about the quality of care children might receive.

### **3. BC CHILD CARE FUNDING POLICY**

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This section of the report provides a brief description of licensed and unlicensed child care settings in BC. In addition, BC's current child care funding policy is described to answer the first research question: What is the current state of child care funding policy in BC?

#### **3.1 Child Care Settings in BC**

Child care operations in BC can be licensed or unlicensed. Licensed child care operations must comply with the Community Care and Assisted Living Act (2002) and the Child Care Licensing Regulation (2007). A variety of licensed child care settings are available, including the following: group, family, preschool, school-age, multi-age group and in-home, and child-minding. Unlicensed child care options include registered license not required, licence not required, and in child's own home care. License not required operators start work with their local Child Care Resource and Referral program (MCFD, 2013, p. 38) to become registered by agreeing to meet and maintain specified health and safety requirements, including training (MCFD, n.d.f, p. 10). See Table 1 for further details and a brief description of each care type (MCFD, n.d.f, pp. 5-10).

Table 1

*BC Child Care Settings<sup>1</sup>*

Type	Type of Child Care	Age	Description
Licensed <sup>2</sup>	Infant/toddler	Birth to 30 months	Full- or part-day care offered in group centres; staffed by licensed Early Childhood Educators/Infant Toddler Educators/ Early Childhood Educator Assistants, depending on group size and ages of children.
	Group	30 months to 5 years	
	Preschool	30 months to 5 years	Part-day programs operating during school year; staffed by licensed Early Childhood Educators, with an Early Childhood Educator Assistant, depending on group size.
	School-age care	School-aged children	Care outside normal school hours, including non-instructional days and summer/winter breaks; staffed by responsible adults (as defined by the Child Care Licensing Regulation).
	Family child care	Birth to 12 years	Full- or part-day care, offered in the provider's own home, for up to 7 children; staffed by responsible adults

<sup>1</sup> Table content adapted from the *Parents' Guide to Selecting and Monitoring Child Care in BC* (MCFD, n.d.f, pp. 5-10).

<sup>2</sup> Licensed child care is governed by the Ministry of Health's Community Care and Assisted Living Act (2002) and the Child Care Licensing Regulation (2007).

Type	Type of Child Care	Age	Description
			(as defined by the Child Care Licensing Regulation).
	Group multi-age	Up to 12 years	Full- or part-day care offered in group centers; staffed by a licensed Early Childhood Educator.
	In-home multi-age	Up to 12 years	Full- or part-day care offered in the provider's own home, for up to 8 children; staffed by a licensed Early Childhood Educator.
	Child-minding	Younger than 13 years	Occasional child care provided part time or occasionally to a maximum of 40 hours per month, up to 8 hours per day, staffed by a first aid certified responsible adult with a minimum of 20 hours of training.
Unlicensed <sup>3</sup>	Registered license not required <sup>4</sup>	All ages	Full- or part-day care offered in the provider's own home, that has been registered with a Child Care Resource and Referral Program; restricted to 2 children or 1 sibling group that are not related to the care provider by blood or marriage; training required.
Unregulated <sup>5</sup>	License not required	All ages	Full- or part-day care offered in the provider's own home, restricted to 2 children or 1 sibling group that are not related to the care provider by blood or marriage; no training required.
	In child's own home care	Up to 12 years	Full- or part-day care offered in the child's own home by someone other than a person who is a relative of the child or a dependant of the parent.

### 3.2 Overview of Current Child Care Policy Levers in BC

In BC, MCFD and the Ministry of Health are responsible for child care. MCFD is responsible for the child care subsidy program (MCFD, n.d.b), governed by the Child Care Subsidy Act (1996), and the Child Care Subsidy Regulation (1997). MCFD is also responsible for the Child Care Operating and Capital Funding Programs and the Provincial Child Care Council, which are governed under the Child Care BC Act (2001).

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<sup>3</sup> Unlicensed child care is not guided by legislation. Unlicensed providers may choose to become registered with a Child Care Resource and Referral Centre (CCRR), involving adhering to basic health and safety requirements, including a criminal record check and home inspections.

<sup>4</sup> Registered License Not Required (RLNR) child care providers have met and must continue to meet health and safety requirements, with their local CCRR Centre program. Families that attend RLNR programs may be eligible to receive an enhanced subsidy rate higher than LNRs would receive.

<sup>5</sup> Unregulated child care refers to child care providers that are not licensed by the Ministry of Health and are not registered with their local CCRR.

The Ministry of Health is responsible for promoting health and safety in child care settings by means of licensing child care facilities. Child care licensing is governed by the Community Care and Assisted Living Act (2002) and the Child Care Licensing Regulation (2007). By promoting health and safety, the Ministry of Health ensures minimum standards are being met and maintains quality assurance measures for child care across the province. Licensing officers conduct regular monitoring and inspecting duties. Summary reports of inspections can be found online and can be used by parents when seeking appropriate child care options (Ministry of Education, n.d.). The Ministry of Health's Community Care and Assisted Living Act (2002) governs the Early Childhood Educator Registry program, although it is administered by MCFD.

In 2013, the BC Government introduced the BC Early Years Strategy initiative announcing its intention to “improve the integration, accessibility, quality, and affordability of B.C.’s early years programs, including child care” (MCFD, n.d.d, p. 7). Child care policy and programs of the BC Government are presented below under the categories of regulatory policy and programs, primarily designed to address child care quality, and accessibility and affordability programs.

### *3.2.1 Regulatory policy and programs*

This section describes BC regulatory policy and programs to promote quality in BC’s child care sector. They include the following: the Early Childhood Educator Registry, BC child care sector occupational competencies, the BC Early Learning Framework, the Provincial Child Care Council, and community care facilities licensing.

*Early Childhood Educator Registry.* The Early Childhood Educator Registry (the Registry) certifies, recognizes, and investigates concerns relating to Early Childhood Educators (ECEs) and Early Childhood Educator Assistants (ECEAs) (MCFD, n.d.c). The Community Care and Assisted Living Act (2002) and the Child Care Licensing Regulation (2007) govern the work of the Registry. This agency directly contributes to maintaining quality in the child care sector. The BC Government recognizes the “critical role [ECEs play] in providing BC’s children with fundamental building blocks that foster healthy growth in all aspects of their development” (MCFD, n.d.c, para. 5). In 2012/13, the reported number of certified ECEs, infant/toddler and special needs certified ECEs, and ECEAs was 4,445 (MCFD, 2013, p. 45).

*BC child care sector occupational competencies.* The BC child care sector occupational competencies (the Competencies) provide a framework for knowledge. The performance expectations for ECEs are outlined in the Competencies, describing levels of skills, understanding, and capability for practicing as an ECE in an effective, safe, and appropriate manner (MCFD, n.d.h, para. 3).

*BC Early Learning Framework.* The BC Early Learning Framework (the Framework; Ministry of Education, 2008, 2015) contains a vision for early learning, early learning principles, key areas of learning, learning goals, and questions to guide practitioners who use the framework to support programming for children ages birth to five years old (p. 1). This Framework is designed for use in all early learning environments, including child care, Strong Start BC Programs, preschool, early childhood development, and child health

settings. The framework aims to support dialogue amongst practitioners and assist practitioners to engage families in discussion about their child's development. This tool also promotes reflection of practice and professional development amongst care givers and professionals who use it (p. 17).

A companion document, *Understanding the British Columbia Early Learning Framework: From Theory to Practice* (Ministry of Education, n.d., p. 1), was developed as a supplement to help care givers and professionals use the framework in practice. The Ministry of Education provides Field Trainer contact information for individuals interested in accessing online training modules.

*Provincial Child Care Council.* As a statutory council, the Provincial Child Care Council's mandate is to advise the Minister about child care and child care subsidy policy and programs as they affect quality, affordability, accessibility, and stability in the child care sector (MCFD, n.d.g, para. 4–5). Members—from child care, business, non-profit, and Aboriginal sectors—represent the interests of children, parents, care givers, and communities across regions and for the child care sector as a whole. Three to four times a year, the Council will meet for a one- or two-day-long meeting (para. 6). As governed by the Child Care BC Act (2001), the Minister appoints members to the Provincial Child Care Council. Council membership may fluctuate between 14 and 21 in number (MCFD, n.d.g, para. 2). Currently, there are 14 members on Council (MCFD, n.d.g, Table 1).

*Community care facilities licensing.* The Ministry of Health is responsible for promoting health and safety in child care settings by means of licensing child care facilities as governed by the Community Care and Assisted Living Act (2002) and Child Care Licensing Regulation (2007). By promoting health and safety, the Ministry of Health ensures minimum standards are being met and maintains quality assurance measures for child care across the province. Licensing officers conduct regular monitoring and inspecting duties. Summary reports of inspections can be found online and can be used by parents when seeking appropriate child care options (Ministry of Education, n.d.).

### **3.2.2 Accessibility and affordability programs**

This section describes child care programs that promote accessibility and address affordability for child care spaces in BC. These include funding programs for child care operators, a child care subsidy program, and services to assist parents in finding information about child care and access appropriate child care settings.

*Child Care Operating Funding Program.* The Child Care Operating Funding Program (MCFD, n.d.a) helps offset operating costs for eligible licensed child care providers, including group and family care type operators. All types of licensed care operators can apply for operating funding, with the exception of those involved in child minding, residential care, and occasional child care (MCFD, 2013, p. 37). Eligibility criteria include that child care operators:

- must hold a valid license (as per the Community Care and Assisted Living Act, 2002);
- provide one of the eligible care types:

- group child care (under 36 months);
  - group child care (30 months to school age);
  - preschool;
  - group child care (school age);
  - multi-age child care;
  - family child care;
  - in-home multi-age child care;
  - multi-age child care;
- have a child care facility open and running;
- be in good standing with MCFD and BC Corporate Registry; and
- be open to providing services to child care subsidy recipients (MCFD, n.d.a, Eligibility section).

Funding for eligible child care operators is determined by the number of children in care, age of the children, and the care type setting. The Government reported an average of 96,681 active licensed child care spaces was funded on a monthly basis over the 2012/13 fiscal year (MCFD, 2013, p. 37). Over 5,000 licensed family and group child care facilities received child care operating funding during that period. This total correlates with the provision of funding for over 104,000 child care spaces province-wide (p. 37).

*Supported Child Development Program and the Aboriginal Supported Child Development Program.* The Supported Child Development Program enables children with special needs who require extra support to fully participate in typical child care settings (MCFD, 2013, p. 38). This program takes a family-centred, community-based approach to assist children from the age of birth to 12-years-old, and in some communities services are available for youth (13- to 19-years-old). Assistance may come in the form of “individualized planning, training, information, resources, referrals to other specialized services, and staffing supports when required” (p. 38). The Government reported that approximately 10,600 children and youth received assistance from the Supported Child Development Program over the 2012/13 fiscal year (p. 38).

The Aboriginal Supported Child Development Program, created and maintained by local Aboriginal service providers, has been designed to assist children with special needs in a culturally-appropriate manner, using “Aboriginal cultural values, beliefs, and traditions” (MCFD, 2013, p. 39). Program consultants help families to make plans with child care providers so their children can fully participate in child care programs. For the 2012/13 fiscal year, the Government reported funding 44 Aboriginal Supported Child Development Programs, serving an estimated 1,350 children annually province-wide (p. 39).

*Child Care Resource and Referral Program.* The Child Care Resource and Referral Program (MCFD, 2013, p. 38) runs out of 41 locations and serves more than 400 communities across the province, providing information and support to parents and child care operators. This program provides parents with information about child care services, referrals to local child care operators, information about the MCFD Child Care Subsidy Program, and assistance for filling out subsidy application forms. Child care operators have access to the following opportunities and services: “Educational opportunities and workshops, including business consultations; Child care programming resources;

Opportunities to make connections with other child care operators and early years professionals; and services for license not required child care operators to become registered” (MCFD, 2013, p. 38).

*Child Care Capital Funding Programs.* Licensed group child care operators can seek assistance with facility capital costs via the Child Care Major Capital Funding Program or the Minor Capital Funding Program:

Major capital funding program. As a component of the BC Early Years Strategy (MCFD, n.d.d), major capital funding program dollars focus on the creation of new child care spaces. Licensed child care operators can apply for funding from the major capital funding program to purchase equipment, build a new facility, renovate, or increase the size of the facility to create new child care spaces (MCFD, 2013, p. 37). The maximum funding amount a non-profit child care organization could receive is \$500,000, and private sector child care organizations may apply for up to \$250,000 (MCFD, n.d.e, para. 1).

Minor capital funding program. Licensed group child care operators can apply for minor capital funding to help maintain the quality of their services in the event of an emergency or the relocation of a facility. The maximum amount of funding available per application is \$2,000 (MCFD, 2013, p. 38).

*Child Care Subsidy Program.* The Child Care Subsidy Program is designed to assist low-income families and help offset costs associated with child care fees (MCFD, 2013). A number of factors determine the amount of subsidy a family might receive: family income, family size, number of children attending child care, age of children, and child care type (e.g., family, group care, registered license not required, and license not required) (p. 36). The Government reported that an average of 24,285 children received child care subsidy over the 2012/13 fiscal (p. 42). This number represents a decrease from previous years. The Government attributes the decrease to the implementation of full-day kindergarten and a change in subsidy categories to accommodate this initiative (p. 42). The estimated expenditure for the Child Care Subsidy Program in 2012/13 was \$100,445,000 (p. 45).

*BC Early Childhood Tax Benefit.* As a component of the BC Early Years Strategy (MCFD, n.d.d), the Government implemented the BC Early Childhood Tax Benefit in April 2015 to assist families with the cost of raising children under the age of six (MCFD, 2015). Eligibility does not depend on parents using child care. This is an income-tested child benefit program providing direct cash payments to parents. Parents of children under the age of six may be eligible to receive a tax-free payment of up to \$55 per month, equalling \$660 per year for each child under the age of six (para. 1). Parents are required to file annual income tax returns to qualify for and receive the benefit (para. 2). Families earning less than \$100,000 per year will receive the full benefit. Those earning between \$100,000 and \$150,000 will receive a partial benefit (para. 3).

### **3.3 Summary**

In the Province of BC, the Ministries of Children and Family Development and Health are responsible for child care policy, legislation, and licensing. Parents can choose from a range of child care options, from licensed family care settings provided in the operator’s home to

group care in a licensed facility or unlicensed options offered in the provider's or child's home. Brief descriptions of the care options were presented in Table 1. The current state of BC's child care policy was presented as three inter-connected related areas of focus: (a) quality, (b) accessibility, and (c) affordability. BC's current child care funding programs include the following: the Child Care Operating Funding Program, the Major and Minor Capital Funding Programs, and the Child Care Subsidy Program. In addition, eligible families with children under six years of age may apply to receive the BC Early Childhood Tax Benefit.

## **4. LITERATURE REVIEW**

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The following literature review presents a synthesis of academic articles, books, and grey literature on child care funding policy to answer the following research question: What approaches to child care funding have been demonstrated to be effective and efficient in addressing child care accessibility and affordability?

The literature review was conducted using the University of Victoria Library, BC Government Health and Human Services Library, and the Google search engine. Search terms and key words include “child care policy”, “child care subsidies”, “child care financ\*”, “child care funding”, “daycare financ\*”, “maternal employment”, “women labour participation rates”, “social policy”, “tax deductions”, “universal child care”, “child care vouchers”, “comparing child care policy,” and “child care costs”. Search terms were used to retrieve materials across disciplines (including economics, health, social sciences, etc.) and literature types (including media releases, policy papers, economic analyses, academic articles, print media, etc.). Materials pertaining to child care financing that discuss accessibility and affordability for families were retained. Articles regarding quality of child care services may be mentioned, but are not included in a comprehensive or systematic manner. Media releases and print media content provide a citizen’s perspective (i.e., media, advocates, and parents) in response to the child care sector and issues as they relate to perception and experience. The literature review below provides a discussion of child care funding policy levers as implemented by regional-level governments (i.e., provincial, territorial, or state). The discussion focuses on the jurisdictions selected for the scan: Canada, United States, Australia, and Sweden. Review findings are organized by funding policy lever.

Child care funding policy levers range in type and function. Governments may disburse funding directly to families or to individual child care operators via tax credits or deductions, vouchers, and fee subsidies. Each lever has a different function and associated requirements attached to its usage. For example, child care tax credits or deductions may be applicable to any form of child care, but may only be accessible by working parents who file annual income tax statements. However, vouchers are used to reduce expenses incurred when parents choose eligible child care options. Although eligible parents may qualify for subsidies, in Canada, these benefits are paid to the child care operator (Friendly, 2011, p. 13). Governments may also provide funding supports directly to families in the form of cash payments (e.g., family allowances types of transfers such as the Canadian Universal Child Care Benefit). The eligibility requirements associated with these payments do not depend on parents enrolling their children in child care. The cash payment funds are used at the parents’ discretion and may or may not be applied to offset child care costs.

Other forms of child care funding policy levers provide direct support to child care operators to assist with offsetting operational costs, facility costs, or staff wages. Eligible child care operators may receive funding to support operational and capital needs associated with the building or structural aspects of the facility. Universal child care subsidy funding is distributed to individual child care operators, supporting an established early years’ system (Friendly, 2011, p. 13).

## **4.1 Universal and Income-tested Child Benefits**

Universal and income-tested child benefits are cash payments to parents for having children. All parents with children of a specified age may be eligible to receive a universal child benefit. For example, Canada's Universal Child Care Benefit (Canada Revenue Agency, 2015b, para. 2) is a taxable transfer available to all parents with children aged birth to 17 years old, regardless of income or child care use. An income-tested child benefit is similar to the universal child benefit, only the amount of the cash payment decreases as income rises (Canada Revenue Agency, 2015a, para. 1; National Child Benefit, 2014b, para. 1). Either cash payment may be used at the discretion of the recipient, allowing parents to make decisions about how to best meet their respective family needs. Although governments state this funding policy lever can be used to offset the costs of child care, these cash payments are used at the parents' discretion and may or may not be applied to offset child care costs.

## **4.2 Tax Credits and Deductions**

Child and child care tax credits and deductions offset parents' income tax amount leaving them with more disposable income. Child tax credits and deductions are offered to all tax-paying parents of children within a specified age range. Child tax credits reduce parents' tax liability and offer an equal value to all taxpayers who apply for the credit. However, the child tax deduction reduces parents' taxable income, seeing deduction amounts fluctuate with parents' marginal tax rates. Higher income earners (in a tax system with increasing marginal tax rates) receive greater benefits with the child tax deduction option (Tax Policy Centre, 2015, para. 1). In Canada, the Child Care Expense Deduction requires parents to have children within a specified age range enrolled in eligible child care.

As funding policy levers, child care tax credits and deductions recognize child care as a legitimate expense associated with active participation in the labour force (Cleveland & Krashinsky, 2004, p. 1). Advocating on behalf of families choosing to have one parent stay home to care for their children, Mintz (2008) criticises taxation policies calling for "horizontal equity—the equal treatment of equals" (p. 16) via the implementation of taxation rules based on the principle that families with comparable economic statuses should be taxed the same. Mintz (p. 16) argued the potential financial differences between individual and family tax policies and proposed a shift in support of income splitting and the ability to transfer tax credits between spouses to promote horizontal equity. He notes how child tax benefits are reduced for low-income families when income surpasses a certain threshold.

Canada's Child Care Expense Deduction (CCED) is a form of child care tax deduction (Government of Canada, 2015). Gagne (2001) conducted an analysis on the CCED, determining the child care tax deduction "promotes horizontal equity and is relatively neutral in terms of vertical equity when the focus is on dual-earner families with child-care costs" (p. 661). She concludes that

The CCED promotes horizontal equity because it recognizes that parents, in engaging in market work, substitute taxed earnings for valuable but untaxed household production and/or leisure, and that some of the household production

must be replaced with costly services. The CCED also recognizes that potential income is a better measure of the household's opportunity set and ability to pay than actual income. (Gagne, 2001, p. 661)

Gagne challenges critics of the CCED who argue that it fails to promote horizontal equity by demonstrating it supports horizontal equity between single and dual earner families in two parent households because the household production of a stay-at-home parent has value. This value is not recognized by critics of the CCED when only earned income is taken into account. Mintz argues for tax reform to support a family tax in support of parental choice to stay home and care for children.

### **4.3 Child Care Subsidies**

Vouchers and fee subsidies enable parents to access child care, encourage women's labour force participation, and increase access to early childhood development opportunities for vulnerable children and families. Individual families receive vouchers directly, allowing parents to choose the type of care that best suits their needs, and subsidy funding—a form of voucher—applied for by families is paid to the child care operator (Friendly, 2011, p. 17). Voucher schemes generally target low-income families to help with gaining access to and offsetting costs for child care services. In Australia and the Netherlands, all families receive some type of government funding support to offset costs for child care and very-low-income families receive a higher subsidy (Warner & Gradus, 2011, pp. 575–576). In the United States, President Obama has recently announced a plan for expanding the nation's child care subsidy program targeting low- and moderate-income families (Hirschfeld-Davis, 2015, para. 2).

The United States Child Care and Development Fund subsidizes child care costs for low-income families, disbursing funding in the form of vouchers to eligible families or via grants and contracts to child care operators (United States Office of Child Care, 2015, para. 4). Policy development and funding are managed and disbursed on a regional-level by state, territory, or tribal governments. The program has been designed to support low-income families to gain access to higher quality child care settings (para. 1).

Compared to other funding policy levers, the voucher has fewer constraints associated with its use. The voucher scheme allows parents to choose the type of care they prefer for their children. Parents in the United States favour the use of vouchers over contractual subsidy agreements. In this instance, vouchers enable parents to choose child care options close to home and find child care operators who provide a better cultural fit for their family or those who can provide care during shift work hours (Holod, Johnson, Martin, Gardner, & Brooks-Gunn, 2012, p. 354). However, as a child care funding policy lever, governments choose to implement a voucher scheme for two reasons: (a) driving the child care market place with an increased demand to enhance supply, and (b) promoting women entering and participating in the workforce (Warner & Gradus, 2011, p. 574). Due to the flexible nature of the voucher and its potential usage in unlicensed child care settings, lack of quality associated with the child care arrangements sought by parents has been raised as a concern (Holod et al., 2012, p. 354). Warner and Gradus (2011, pp. 582–586) also cautioned administrators to consider implementing quality measures to ensure the participation of regulated child care operators who provide high quality care.

Like vouchers, subsidies can help families to access child care, promote labour force attachment, and increase access to early learning opportunities for vulnerable children and families. Subsidies can be universally available to all families, like the voucher scheme in Australia, but are generally designed to assist very-low- or low-income earning families to address issues related to access and affordability (Greenberg, 2007; Moodie-Dyer, 2011; Purcal & Fisher, 2006). Public funding directed through this policy lever aims to cover part or all of the child care service user fee a family may incur. Individual families receive assistance if they meet eligibility requirements based on the amount of family income, the size of the family, and the costs associated with child care (Friendly, 2011, p. 17).

Child care subsidies assist eligible low-income parents to participate in the workforce, return to work, or undertake further education. They increase labour force participation rates for women and may also positively affect their career trajectory and earning power. Women's ability to access subsidy programs when their children are young has positive effects on their future wage earning potential and "can further labour supply" (Lefebvre et al., 2008, p. 3). Guner, Remzi, and Ventura (2014) modeled the aggregate effects of a more generous nation-wide child care subsidy program in the US, funded by "an additional, proportional income tax on all households" (p. 24). Their findings showed an increase in labour participation rates, with the largest increase for women from less-skilled households, leading to substantial gains. The program results in income redistribution towards the low-income as it benefits relatively few lower income households (p. 35).

While increasing the affordability of child care, subsidies also allow administrators to factor quality as a component of service delivery into the development of the policy lever. Child care subsidies are often allocated for use in regulated care settings (Friendly, 2011, p. 13). Regulated child care settings operate in compliance with minimum quality standard requirements, while administrators monitor individual operators' health and safety levels. However, unregulated child care settings lack an accountability framework and may operate without meeting minimum health and safety standards, and for these reasons, unregulated child care is considered a lower quality option.

In terms of quality, researchers have disagreed about whether child care subsidies positively or negatively affect child development. Based on an analysis using a subsidy-eligible sample in the United States, Ryan et al. (2011, p. 17) suggested child care subsidies could support healthy child development in addition to increasing labour force participation rates. These researchers determined that families who received child care subsidies were more likely to choose regulated care over kith-and-kin-type arrangements (p. 14). This finding suggests a link between subsidy and low-income families accessing higher quality care options; however, the researchers found that when families selected a centre-based care facility, the quality was lower. A number of possibilities were suggested in the research, such as lack of available child care in the recipient's neighbourhood, the subsidy amount may not have been adequate to cover the full cost of care, or families may have had access to other quality care options over the subsidy program (Moodie-Dyer, 2011, p. 42; Ryan et al., 2011, p. 14). Researcher Anna D. Johnson found parents in the United States accessed higher quality programming when their children attended Head Start and public kindergarten, rather than the options chosen when a subsidy was used to access child care arrangements (Society for Research in Child Development, 2012, para. 3). Though the child

care arrangements were decidedly lower quality than the Head Start program, parents who received subsidies selected a higher quality of care in comparison to parents who did not (para. 5). Other researchers have found “consistent evidence that subsidies are associated with negative child outcomes . . . [possibly caused by] intense exposure to low quality child care” (Herbst & Tekin, 2010, p. 634).

#### **4.4 Operating and Capital Funding**

Governments provide public funding to individual operators to support labour force attachment and healthy child development by promoting the operation of quality programs. In comparison to providing payments directly to parents, governments take a more direct role in supporting service delivery when policy levers allocate funding to operators. Operators receive funding from government, while parents contribute a portion in the form of user fees, to offset the costs of operating their child care facility. The amount of operational funding received varies and is determined using an established funding allocation process (Friendly, 2011, p. 15). Operators can apply for a variety of grants offered by governments to assist with the cost of running a facility and program, including a supplemental wage grant for ECEs to promote quality of programming (Friendly, 2011, p. 18). However, this type of base funding approach supports a fragmented sector and relies on a complicated funding structure. The City of Toronto (City of Toronto, Community Services Committee, 2006, p. 7) recognized the complexities of managing various funding grants and subsidies and determined potential changes to the structure would be difficult to make. The Government of Quebec distributes funding directly to individual licensed child care operators to offset operating costs and user fees. The reduction in user fees addresses affordability issues for families, enabling parents to work or studies outside of the home. The Quebec child care funding model has been included in the jurisdictional scan.

#### **4.5 Universal Child Care Subsidies**

A publicly funded, integrated system of child care and early learning rests on a complex organization. The development, delivery, and ongoing maintenance components of a system require a coordinated policy framework, administration from various levels of government and community, and links across services (Penn, 2009, p. 62).

Cleveland and Krashinsky (2004) proposed an approach for developing and implementing a universal child care system in Canada. They pondered the potential for funding the marketplace’s supply or demand side, private or public services, a reasonable parent contribution amount, potential public funding sources, and how to roll out a new system (p. 2). Their discussion has offered insight to the potential difficulties in establishing a well-organized, quality-enhanced, financially sustainable system. They used Canada’s Quebec model as an example for supporting affordable parental access to child care, but since the publication of their paper, the Quebec model has been criticized for running grossly over budget (Cleveland & Krashinsky, 2004, pp. 5–6; Kelly-Gagnon & Labrie, 2015, para. 2). Other literature has shown that a universal child care system may not be most effective at supplying access to affordable child care. Research has revealed an uneven distribution of child care provisions negatively impacting low-income families in most European countries (Van Lancker & Ghysels, 2012, p. 126). Although publicly available and universally accessible, not all families are guaranteed to gain access to child care services.

The following table summarizes the child care funding approaches discussed above, including columns indicating which programs are available in BC and the amount spent on the program for the 2012/13 fiscal year.

Table 2

*BC Child Care Funding Options and Programs*

Type of Funding	Description	BC Program	Est. Annual Cost of Program for the 2012/13 Fiscal Year
Universal child benefit <sup>6</sup>	Cash payments to all parents with children of a specified age.	n/a	n/a
Income-tested child benefit <sup>7</sup>	Cash payments to parents with children of a specified age. Payment amount decreases as income increases.	BC Early Childhood Tax Benefit <sup>8</sup>	n/a <sup>9</sup>
Child tax credit <sup>10</sup>	Reduction of tax liability to all parents with children of a specified age. Not dependent on child care use or income.	n/a	n/a
Child tax deduction <sup>11</sup>	Reduction of tax liability to all parents with children of a specified age. Deduction amount depends on income and marginal tax rate. Progressive taxation—greater benefit for higher income earners. Not dependent on child care use.	n/a	n/a

<sup>6</sup> For example, Canada's Universal Child Care Benefit (Canada Revenue Agency, 2015b, para. 2).

<sup>7</sup> For example, the Canada Child Tax Benefit (Canada Revenue Agency, 2015a, para. 1) and Canada's National Child Benefit (2014b, para. 1).

<sup>8</sup> (MCFD, 2015a).

<sup>9</sup> Estimated annual cost of the program was not captured in the 2012/13 fiscal, as the BC Early Childhood Tax Benefit initiative was launched in 2015.

<sup>10</sup> (Tax Policy Centre, 2015).

<sup>11</sup> (Tax Policy Centre, 2015).

Type of Funding	Description	BC Program	Est. Annual Cost of Program for the 2012/13 Fiscal Year
Child care tax credit	Reduction of tax liability to parents with children in eligible child care. Not dependent on income earned.	n/a	n/a
Child care tax deduction <sup>12</sup>	Reduction of tax liability to parents with children in eligible child care. Dependent on income and marginal tax rate. Progressive taxation—greater benefit for higher income earners.	n/a	n/a
Child care subsidy funding <sup>13</sup>	Payments to parents with children in eligible child care to help offset fees. Operators receive payments on behalf of parents. Income tested.	Child Care Subsidy Program	\$100,445,000 <sup>14</sup>
Child care operating funding <sup>15</sup>	Payments to eligible child care operators used to offset operating costs.	Child Care Operating Funding Program	\$63,766,000 <sup>16</sup>
Child care capital funding <sup>17</sup>	Payments to eligible operators used to offset facility capital costs.	Major Capital Funding Program and Minor Capital Funding Program	\$458,000 <sup>18</sup>
Universal child care subsidies	Payments to eligible operators to achieve set child care cost objectives (i.e., parental cost is set at	n/a	n/a

<sup>12</sup> For example, Canada's Child Care Expense Deduction (Government of Canada, 2015). The Child Care Expense Deduction is a federal Government of Canada program. However, an individual's child care expense is deducted from income before federal and provincial taxable income is calculated, reducing both federal and provincial tax liability (TaxTips.ca, 2015, "Provincial claims for child care costs," para. 1).

<sup>13</sup> (MCFD, 2013, p. 36)

<sup>14</sup> (MCFD, 2013, p. 45)

<sup>15</sup> (MCFD, 2013, p. 37)

<sup>16</sup> (MCFD, 2013, p. 45)

<sup>17</sup> (MCFD, 2013, p. 37)

<sup>18</sup> (MCFD, 2013, p. 45)

Type of Funding	Description	BC Program	Est. Annual Cost of Program for the 2012/13 Fiscal Year
a specified rate per day)			

#### 4.6 Summary

Child care funding policy levers range in type and function. Depending on the lever, governments may disburse funding directly to families or to individual child care operators. Child care funding policy levers used by governments to support accessibility and affordability for families include the following: (a) universal and income-tested child benefits, (b) tax credits and reductions, (c) child care subsidy, (d) operating and capital funding, and (e) universal child care subsidies. The extent of available choices for parents, the level of quality parents might gain access to, and the degree of government involvement varies across the spectrum of funding policy levers (see Figure 1). Levers such as the cash payment and tax credits and deductions offer the greatest amount of choice to parents, yet reduced government involvement in the child care sector limits public management and government's ability to implement quality measures. Quality, access, and affordability are interconnected components associated with the provision of child care. Quality of care is informed by programming content, caregiver skill and education levels, and imposed licensing regulations, including health and safety standards. When fewer restrictions are attached to the child care funding policy lever, parents may exercise a greater amount of choice; however, governments can impose regulations and quality measures with greater involvement. The literature has shown all levers provide support to families in varying degrees. The benefits and challenges associated with these levers will be explored in Section 6: Discussion and Analysis.

## **5. JURISDICTIONAL SCAN OF CHILD CARE FUNDING POLICY**

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A review of child care funding policy levers across four jurisdictions: Canada, United States, Australia, and Sweden, is presented in this section. Jurisdictions selected for consideration were chosen based on their capacity to illustrate different policy approaches along a spectrum ranging from direct cash payments to parents with less government involvement to funding for a universally accessible child care system requiring significant government involvement. The jurisdictional scan provides an overview of federal- to regional-level (i.e., provincial, territorial, or state) government child care funding supports. Governmental and legislative practices of each jurisdiction are similar to those in BC. The jurisdictions reviewed collect and report out on child care data differently. Variations in reporting result in accessing similar information but exact comparisons across jurisdictions are difficult to make. This scan focuses specifically on child care funding policy levers that address accessibility and affordability for families.

Information for this section was gathered through Internet-based research and an analysis of government documents available online from within jurisdictions. I begin the scan with a review of child care policy levers used in Canada, followed by the United States, Australia, and then Sweden. The following research question guided the development of this section: What approaches to child care funding do comparable jurisdictions use to address accessibility and affordability issues?

### **5.2 Canada**

The Canadian federalism political system has one national government that shares power with a number of provincial and territorial governments. The national government of Canada takes responsibility for issues as they relate to the nation as a whole (Makarenko, 2008, para 1-3). Provincial and territorial governments take responsibility for regional issues (Makarenko, 2007, para 2-3), including public policy pertaining to child care. The Canadian federal government allocates public funding to the regional-level of government through a block transfer called the Canada Social Transfer. Provinces and territories that receive funding are responsible for allocating funds across the following social policy streams: (1) post-secondary education, (2) social assistance and social services, and (3) early childhood development, early learning, and child care (Government of Canada, 2015a). The Canada Social Transfer disbursed to all provinces and territories in the 2015/16 fiscal year totalled \$12,959,000, and of that funding BC received \$1,693,000 (Government of Canada, 2015b).

#### *5.2.1. Child care expense deduction*

The Child Care Expense Deduction allows parents who work, run a business, study, or conduct research to deduct child care costs from income (Government of Canada, 2015c). Most commonly, the spouse earning the lower amount of income claims the deduction. This tax deduction reduces federal and provincial taxes payable. The child care expense is deducted from individuals' income before federal and provincial taxable income is calculated (TaxTips.ca, 2015, "Provincial claims for child care costs," para. 1). Parents can claim the following maximum amounts:

- the total amount spent on child care expenses;
  - two-thirds of the lower-income taxpayer's earned income; and
  - a maximum of \$7,000 per child under age seven, \$4,000 for each child aged seven through 16 (and for infirm dependent children over age 16), and \$10,000 for children who are eligible for the Disability Tax Credit, regardless of their age.
- (Government of Canada, 2015, para. 3–5)

### *5.2.2 Canada child tax benefit*

The Canada Child Tax Benefit is a tax-free monthly cash payment received directly by eligible families with children up to the age of 18 (Canada Revenue Agency, 2015a, para. 1). This income-tested child benefit flows from the federal level of government through the Canada Revenue Agency to all families earning up to approximately \$110,000 per year (National Child Benefit, 2014a, para. 3). The range of benefit amount received varies according to net income earned by families: (a) the maximum amount is allocated to a net low income of below \$24,183, (b) a maximum basic amount for families earning net incomes between \$24,183 and \$41,544, (c) partial benefits for one- and two-child families with net incomes between \$41,544 and approximately \$109,894, and (d) a partial benefit for larger families with net incomes above \$109,894 (National Child Benefit, 2014a, “Annual maximum CCTB,” para. 1–4).

### *5.2.3 National child benefit*

Eligible low-income families receive the national child benefit as a supplemental payment in addition to the monthly child tax benefit cash payment (National Child Benefit, 2014b, para. 1). This federal, provincial, territorial governments, and First Nations joint initiative addresses child poverty through prevention and reduction, helps parents engage and stay in the labour force, and streamlines government programs and services by avoiding duplication (Canada Revenue Agency, 2015a, para. 2).

### *5.2.4 Universal child care benefit*

The universal child care benefit is a taxable cash payment disbursed by the federal government to all Canadian parents of children ages birth to 17 years old (Canada Revenue Agency, 2015b, para. 2). Although child care use is not included as an eligibility requirement, the benefit is designed to provide financial assistance to Canadian families as they work and care for their children, with the purpose of supporting parental child care choice. The Canadian government increased the amount of financial assistance parents receive on January 1, 2015 (Canada Revenue Agency, 2015b, para. 2). The monthly cash payment increased from \$100 to \$160 for families with children under the age of six (“What Changes,” para. 1). The program was further enhanced to provide benefits to families with children ages six to 17 years old, who may now receive up to \$60 per month, per child (“What Changes,” para. 2).

### *5.2.5 Early childhood development initiative and the multilateral framework on early learning and child care*

The Early Childhood Development Initiative (as cited in Cool, 2007, p. 4) was launched during the fiscal year 2001/02 as a block transfer of funds to provinces and territories to

support investments in early years programs and services, including child care. Provinces and territories received \$2.2 billion over five years from the federal government as a social transfer of funds (p. 4). The *Multilateral Framework on Early Learning and Child Care* (Early Learning and Child Care, 2011) focuses specifically on early learning and child care. Beginning in 2003, the federal government transferred \$1.05 billion to provinces and territories. Although the original funding intended to support provinces and territories over a five-year period, the initiative is ongoing (Treasury Board of Canada Secretariat, 2015). During the fiscal year 2014/15, the Government of Canada transferred \$1.313 billion to provinces and territories (Early Learning and Child Care, 2011; Treasury Board of Canada Secretariat, 2015).

### *5.2.6 Canadian provinces*

The following section provides an overview of data regarding accessibility and affordability for child care across the ten Canadian provinces. Four tables present data to show the following: Availability of regulated child care spaces, child care parent fee affordability, child care subsidy spending, and provincial government spending on child care per child aged 0-5. Also, a review of Quebec's child care funding model has been included as a special case from within BC's respective jurisdiction as it is often referred to by media, advocates, researchers, and governments.

Table 3 below shows how many regulated child care spaces are available by province for children ages birth to five years old. Pasolli (2015, p. 70) relates the number of available child care spaces to the implementation of policies that either do or do not support the creation of spaces. Pasolli (p. 70) also acknowledges how the implementation of full day kindergarten for five year olds in BC may raise BC's child care space availability score if universal access to early education for this age category is taken into consideration.

Table 3

*Canada: Availability of Regulated Child Care Spaces, 2012<sup>19</sup>*

<b>Province</b>	<b>Percent of children aged 0-5 for whom there is a regulated centre-based space</b>	<b>High, medium, or low levels of availability</b>
British Columbia	24.6%	Medium
Alberta	19.9%	Medium
Saskatchewan	11.5%	Low
Manitoba	20.5%	Medium
Ontario	20.8%	Medium

<sup>19</sup> Source: (Friendly et al., 2013, p. 66, Table 12, as cited in Pasolli, 2015, p. 71).

Province	Percent of children aged 0-5 for whom there is a regulated centre-based space	High, medium, or low levels of availability
Quebec	36.3%	High
Nova Scotia	23.9%	Medium
New Brunswick	30.7%	Medium
Prince Edward Island	46.5%	High
Newfoundland and Labrador	18.9%	Low

Across provinces, parent fees and provincial government spending on child care subsidies range from high to low. The following two tables show the median monthly fee, captured as an average cost for infant, toddler, and preschool care types, the average monthly amount the province spends on fee subsidies as per the total number of children ages 0-12 who receive fee subsidies (Table 4), and provincial spending on fee subsidies per total number of available regulated child care spaces (Table 5). Pasolli (2015, p. 71) notes the relationship between affordability of child care and families ability, particularly low-income families, to access formal child care options. Two cautions about the data below: parent affordability data in Table 4 has been taken from the *You Bet We Still Care!* Survey (Flanagan et al., 2013 as cited in Pasolli, 2015, p. 72) that has identified issues with representativeness; subsidy data in Table 5 does not take different eligibility requirements into account (p. 70).

Table 4

*Canada: Child care parent fee affordability, 2012<sup>20</sup>*

Province	Median monthly fees charged by child care centres (average of infant, toddler, and preschool fees)	High, medium, or low affordability	Average monthly fee subsidy per regulated child care space for children ages 0-12 <sup>21</sup>
British Columbia	\$905.00	Low	\$454
Alberta	\$838.33	Low	\$430

<sup>20</sup> Source: (Friendly et al., 2013, p. 57, Table 3a; with author calculations; as cited in Pasolli, 2015, p. 73).

<sup>21</sup> Source for this column: (Friendly et al., space statistics and provincial allocations, 2013, pp. 8-45).

Province	Median monthly fees charged by child care centres (average of infant, toddler, and preschool fees)	High, medium, or low affordability	Average monthly fee subsidy per regulated child care space for children ages 0-12 <sup>21</sup>
Saskatchewan	\$582.00	Medium	\$400
Manitoba	\$497.67	High	\$260
Ontario	\$970.67	Low	\$229
Quebec	\$152.00	High	Not Applicable
Nova Scotia	\$734.67	Medium	\$327
New Brunswick	\$671.00	Medium	\$222
Prince Edward Island	\$602.00	Medium	\$318
Newfoundland and Labrador	\$778.00	Medium	\$457

Table 5 below shows provincial spending on fee subsidies per available regulated child care space for children ages birth to twelve years old, indicating the level of public spending from high to low.

Table 5

*Canada: Child care subsidy spending, 2012<sup>22</sup>*

Province	Spending on subsidies per regulated child care space for children age 0-12	High, medium, or low subsidy spending
British Columbia	\$968	Medium
Alberta	\$836	Low
Saskatchewan	\$1329	Medium
Manitoba	\$918	Medium

<sup>22</sup> Source: (Friendly et al., subsidy spending, 2013, provincial sections; spaces data, 2013, p. 55, Table 1; with author calculations; as cited in Pasolli, 2015, p. 74).

Province	Spending on subsidies per regulated child care space for children age 0-12	High, medium, or low subsidy spending
Ontario	\$2953	High
Quebec	N/A	Universal
Nova Scotia	\$1037	Medium
New Brunswick	\$655	Low
Prince Edward Island	\$904	Low
Newfoundland and Labrador	\$1881	Medium

Table 6 below shows provincial spending on regulated child care for children from birth to age five. The data in the table present “the relative commitments to child care spending in each province” (Pasolli, 2015, p. 71). The range of high to low levels of government spending has been calculated twice because Quebec’s spending is so high all other provinces calculate to the medium category (p. 71).

Table 6

*Canada: Provincial government spending on Child Care per child aged 0-5, 2011/12<sup>23</sup>*

Province	Spending on regulated child care per child aged 0-5	High, medium, or low levels of government spending	High, medium, or low levels of government spending (with Quebec excluded)
British Columbia	\$751	Medium	Medium
Alberta	\$682	Medium	Low
Saskatchewan	\$748	Medium	Medium
Manitoba	\$1365	Medium	High
Ontario	\$827	Medium	Medium
Quebec	\$4276	High	<i>Excluded</i>
Nova Scotia	\$712	Medium	Low

<sup>23</sup> Source: (Friendly et al., 2013, p. 65, Table 11 and p. 61; with author calculations; as cited in Pasolli, 2015, p. 71).

Province	Spending on regulated child care per child aged 0-5	High, medium, or low levels of government spending	High, medium, or low levels of government spending (with Quebec excluded)
New Brunswick	\$686	Medium	Low
Prince Edward Island	\$1113	Medium	High
Newfoundland and Labrador	\$712	Medium	Low

### 5.2.7 The Quebec child care model

This model has been selected as a special case for discussion because media, advocates, researchers, and governments have looked to Quebec's child care system as a model for learning from or for replicating in other Canadian jurisdictions. The Ministère de la Famille et des Aînés provides monthly funding to Centre de la petite enfance, garderies, and family child care operators, using mechanisms to calculate funding based on the number of spaces in facilities as annualized on the operating license, annual occupancy, and the annual occupancy rate. One-time-only grant funding is available to operators as start-up funding to create group child care facilities and family child care settings (Beach, Friendly, Ferns, Prabhu, & Forer, 2009, pp. 60–61). The Province of Quebec delivers funding directly to individual operators, subsidizing the cost of providing child care (Finance Quebec, 2015). As of April 2015, families who earn less than \$50,000 pay a flat-rate fee of \$7.30 per day (para. 1). Families earning between \$50,000 and \$75,000 saw a rate increase to \$8 per day, with incremental increases stopping at a high of \$20 per day for families earning \$155,000 (para. 1).

Although the Quebec child care funding policy implemented was developed to promote accessibility and affordability for families, and to promote quality of programming, due to the rapid growth of the program, the poor quality level of care has been raised as a concern (Fortin, Godbout, & St-Cerny, 2012; Kottelenberg & Lehrer, 2014). This policy initiative saw a huge uptake upon implementation as parents flocked to access child care spaces. The Province found there was a lack of available spaces and qualified ECEs. As a result, more family child care operators became regulated, though with lower standards (Anderson & Mackrael, 2013).

The Quebec model has been successful at increasing labour market participation of mothers. The policy has been credited for rapidly increasing the labour participation rates of Quebec mothers by 18 percentage points more than the rest of the country from 1994/95 to 2002/03 (Kohen et al., 2008, p. 453). By 2008, 70,000 mothers were actively engaged in the workforce and contributing to the provincial income tax base (Fortin et al., 2012, p. 20).

The Province of Quebec's \$7.30 a day rate (Finance Quebec, 2015) makes child care affordable, but not all families can access child care when they need it. The Province has a waitlist with hundreds of people waiting for a child care space to become available. Those

who cannot access subsidized child care options pay significantly higher child care fees (Anderson & Mackrael, 2013). Consequently, the child care initiative launched and maintained by the Quebec Government is not universal, as it cannot provide service to all families within its jurisdiction.

Government's capacity to maintain the program is of interest when considering affordability as well. In a recent news article, Kelly-Gagnon and Labrie (2015) highlighted the costs associated with sustaining the Quebec child care funding policy approach and cautioned other provinces from adopting similar policy practices (para. 11). As strong supporters of parental choice and a competitive market, Kelly-Gagnon and Labrie emphasized the mixed results associated with the Quebec approach, including the high cost to government, affluent parents rather than low-income parents accessing spaces, waitlists, lack of indicators supporting healthy child development, and low quality of child care.

### **5.3 United States**

The United States political system has one national government sharing power with a number of state governments that are responsible for regional-level issues (Makarenko, 2007, para 2-3). The United States federal government provides funding to state governments through block funding grants to subsidize child care in the form of vouchers received by families or grants and contracts received by eligible operators (United States Office of Child Care, 2015, "Brief description," para 2). Families may also receive assistance directly through the Temporary Assistance for Needy Families benefit for low- and very-low-income families; this benefit is another federal transfer of funds to state governments (United States Department of Health and Human Services, n.d., para. 1-2). This funding is allocated to state governments for the purpose of administering social programs run by the state, including child care (n.d., para 1). Tax credits, available in varying amounts depending on state and family income level, are also available to families and businesses that support child care including the following: Earned Income Tax Credit, Child Tax Credit, Child and Dependent Care Tax Credit, and Dependent Care Assistance programs (Child Care Aware of America, 2014, p. 27).

#### *5.3.1 Child care and development fund*

The United States federal government Office of Child Care (2015, para. 1) administers the child care and development fund (CCDF) program in partnership with other levels of government, which include state, territory, and tribal. The CCDF is designed to assist eligible low-income families with accessing and affording the costs of licensed child care programs that suit respective family needs ("Brief description," para. 2-3). The CCDF is considered an integrated child care subsidy program, as state-level governments coordinate the funding program with other early years' programs, such as Head Start, pre-kindergarten, and others (para. 4). The CCDF underwent enhancements in 2014, as a number of components were defined by policy, including health and safety standards for child care operators, family-friendly program eligibility requirements, quality enhancement efforts, and public education about available child care options (para. 1). In the fiscal year 2013, the federal government contributed approximately \$5.2 billion and state governments allocated approximately \$2.2 billion to the child care development fund program (United States Office of Child Care, 2013, Table 1b, Federal and State Share Total).

### *5.3.2 Head Start and Early Head Start programs*

Designed and delivered on a per-community basis, program composition is based on identified community needs and may be delivered in centres, schools, family child care settings, or in the child's own home. Families may access the Early Head Start program a minimum of six hours per day. The Head Start program runs half- and full-day services for preschoolers. The Head Start programs services "are designed to be responsive to each child and family's ethnic, cultural, and linguistic heritage" (United States Office of Head Start, 2015, What are comprehensive services section, para. 3) and offer coordinated services to families, including the following: "Early learning, Screenings and follow-up for health, development, and behavior, Health and safety, Social and emotional development, Nutrition, Family goal-setting, Social services, Transition services, [and] Services for children with disabilities" (para. 2). For the 2014/15 fiscal year, the federal government appropriated approximately \$7 billion in funding for the Head Start program to state governments (United States Office of Head Start, 2014, p. 4). That same fiscal year, state governments received \$500 million from the federal government to administer Early Head Start programs (2014, p. 2).

### *5.3.3 United States child care data*

This section provides an overview of child care in the United States as a nation (Table 7) and highlights child care across four selected states (Table 8). The chosen states: Washington, Oregon, Colorado, and Connecticut, were selected because the range of total, 0-4, and 5-12 population levels represent a range comparable (higher and lower) to BC.

Table 7 below provides an overview of the total number of children in the United States, the number of children under age six with parents in the labour force, total number of child care spaces available, average annual fees across care types, and the cost of full time care as a percentage of family median income.

Table 7

*United States children, spaces, average annual fees, and cost of full time care*<sup>24</sup>

<b>United States: National-level child care data</b>	
Total number of children age birth to 4 years old	19,930,834
Total number of children age 5-11 years old	28,719,013
Total number of children under age 6, with 2 parents both in labour force	8,538,727
Total number of children under age 6, with 1 parent in labour force	6,486,355

<sup>24</sup> Source: (Child Care Aware of America, 2015, pp. 5-6).

Total number of child care spaces		8,400,000
Percentage of spaces in regulated centres		83.1%
Percentage of spaces in family child care		15.8%
Percentage of spaces in other programs		0.1%
Average annual fees for full time care in a centre	Infant 4 year old child School-age child	\$4,822 - \$17,062 \$3,997-\$12,781 \$1,104-\$8,919
Average annual fees for full time family child care	Infant 4 year old child School-age child	\$3,972-\$10,666 \$3,675-\$10,030 \$1,846-\$8,346
Cost of full time care as percent of family median income	Married couples Single mothers	7% - 15% 24% - 63%

Table 8 below provides a state-level overview of the total number of children, the number of children under age six with parents in the labour force, total number of child care spaces available, average annual fees across care types, and the cost of full time care as a percentage of family median income.

Table 8

*United States: State-level children, spaces, average annual fees, and cost of full time care<sup>25</sup>*

<b>United States: State-level child care data</b>	<b>Washington</b>	<b>Oregon</b>	<b>Colorado</b>	<b>Connecticut</b>
Total state population	6,896,071	3,899,266	5,192,076	3,592,264
Total number of children age birth to 4 years old	442,474	231,897	337,866	193,870
Total number of children age 5-11 years old	610,582	336,540	490,441	312,081
Total number of children under age 6, with 2 parents both in	186,391	103,011	154,857	98,803

<sup>25</sup> Source: (Child Care Aware of America, 2015, pp. 15-16, 17-18, 79-80, 99-100).

<b>United States: State-level child care data</b>		<b>Washington</b>	<b>Oregon</b>	<b>Colorado</b>	<b>Connecticut</b>
labour force					
Total number of children under age 6, with 1 parent in labour force		117,110	60,984	91,034	62,155
Working mothers, with children under age 6		183,808	96,139	141,067	88,446
Working mothers with children under age 6 AND children aged 6 to 17 years old		87,424	49,183	73,186	49,657
Married working mothers, with children under 18 years old		350,274	189,579	285,665	201,808
Single working mothers, with children under 18 years old		129,846	73,563	103,604	85,468
Total number of child care spaces		157,243	95,073	146,097	Not reported
Percentage of spaces in regulated centres		67%	66%	86%	Not reported
Percentage of spaces in family child care		23%	34%	14%	Not reported
Percentage of spaces in other programs		Not reported	Not reported	Not reported	Not reported
Average annual fees for full time care in a centre	Infant	\$12,733	\$11,322	\$13,154	\$13,880
	4 year old child	\$9,588	\$8,787	\$9,882	\$11,502
	School-age child	\$4,521	\$3,655	\$5,022	\$5,323
Average annual fees for full time family child care	Infant	\$9,466	\$6,885	\$8,862	\$10,003
	4 year old child	\$7,801	\$6,761	\$8,192	\$9,540
	School-age child	\$3,758	\$3,997	\$4,272	\$4,297

United States: State-level child care data		Washington	Oregon	Colorado	Connecticut
Cost of full time care as percent of family median income (infant enrolled full time care in a centre)	Married couples	15%	15%	15%	12%
	Single mothers	49%	51%	47%	46%

## 5.4 Australia

Run by a federalism political system, similar to Canada, Australia's federal government is primarily responsible for providing funding to families and operators, addressing accessibility and affordability. A scan of Australian state-level government websites (Australian Capital Territory Government, 2015; Northern Territory Government, 2015; Tasmanian Government, 2015; Government of South Australia, 2015; Queensland Government, 2014; Government of Western Australia, 2014; Victoria State Government, 2015; New South Wales Government, n.d.) shows the following federal government programs are the primary financial support assisting families. The child care benefit, an income-tested fee subsidies benefit, is available to eligible families who choose to place their children in approved child care settings (Australian Government, n.d.b, p. 1). Parents apply for the child care benefit, and approved child care services receive the benefit on behalf of the families. The non-income tested child care tax rebate offers extra support to eligible families who use the child care benefit-approved child care, for parents who are working, studying, or training (p. 1). The child care tax rebate is a cash payment paid out directly to parents; alternately, parents may choose to have the rebate paid directly to their child care service provider. Eligible families may also receive further assistance through the Jobs, Education and Training Child Care Fee Assistance program. This benefit is applied for by parents and paid directly to child care service providers to help further reduce the costs of child care for parents working, studying or training (p. 2).

Eligible child care operators may receive public funding in the form of subsidies to support the creation of new programs or centres through the Child Care Services Support Programme (Australian Government, 2015b, para. 1). The program is designed to help child care operators increase access through the establishment or maintenance of child care services on a community basis, with particular focus on vulnerable communities and rural areas. The Child Care Benefit, Child Care Tax Rebate, and Child Care Services Support programs have been designed as a suite of financial assistance supports (para. 2).

The Australian Government (2015c) recently announced a significant infusion of funding to undertake a new approach to supporting early childhood education and care on a national scale. The \$3.5 billion Child Care Assistance Package contains plans for transitioning from the current suite of financial assistance supports (para. 1). Led by three goals, including affordable, accessible, and flexible, the new approach is designed to help families work and

to more effectively target low-income and vulnerable families so they can access quality early learning programming (Australian Government, n.d.a, para. 3–5). A comprehensive Child Care Subsidy Program will replace the current suite of financial supports, addressing affordability (para. 6). A Child Safety Net Program will provide targeted help to child care operators in poor communities and vulnerable families and children, addressing access barriers (Australian Government, 2015a, para. 7). The Nanny Pilot Programme will help families seeking alternative care options, including situations such as shift work, rural locations, and children with special needs (Australian Government, 2015d, para. 3).

#### *5.4.1 Australian states child care data*

The following section provides an overview of data regarding accessibility and affordability for child care across the eight Australian states. Four tables present data to show the following: Child care children, families, services and estimated entitlements by state and territory, September quarter 2014; child care vacancies by service type, September 2013 to September 2014; hourly fee rates and average hours per week spent in care by service type, September 2014; and, total estimated Child Care Benefit and Child Care Rebate entitlements by service type, September quarter 2014.

Table 9 below shows the total number of children using approved child care, number of families using approved child care, total number of approved child care spaces, estimated amounts of child care benefit and child care rebate entitlements, and the number of families who received the child care rebate. The Australian Government (2015, p. 2, para. 2) highlights affordability stating that approximately 92.1 percent of the 819,970 families who used approved child care during September 2014 received the child care rebate and saved up to half the cost of child care.

Table 9

*Australia: Child care children, families, services and estimated entitlements by state and territory, September quarter 2014<sup>26</sup>*

State and territory	Number of children using approved child care	Number of families using approved child care	Number of approved child care services	Estimated Child Care Benefit entitlement ('000)	Estimated Child Care Rebate (CCR) entitlement ('000)	Estimated number of families receiving the CCR
New South Wales	394,950	274,920	5,694	\$268,375	\$282,996	250,010
Victoria	301,000	198,520	3,865	\$256,734	\$206,320	184,040

<sup>26</sup> Source: (Australian Government, 2015, Table 1, p. 2). Author's note regarding table content, due to rounding of numbers and families who use services across states and territories numbers in columns may not equal totals.

<b>State and territory</b>	<b>Number of children using approved child care</b>	<b>Number of families using approved child care</b>	<b>Number of approved child care services</b>	<b>Estimated Child Care Benefit entitlement ('000)</b>	<b>Estimated Child Care Rebate (CCR) entitlement ('000)</b>	<b>Estimated number of families receiving the CCR</b>
Queensland	278,230	189,310	3,473	\$190,560	\$159,564	174,080
South Australia	84,840	57,330	1,292	\$46,056	\$40,470	53,450
Western Australia	90,880	64,570	1,481	\$47,385	\$61,761	59,870
Tasmania	23,100	15,890	379	\$12,181	\$10,638	14,660
Northern Territory	9,350	6,640	186	\$3,948	\$8,367	6,430
Australian Capital Territory	25,630	17,750	347	\$8,486	\$25,782	17,250
<b>Australia</b>	<b>1,201,110</b>	<b>819,970</b>	<b>16,717</b>	<b>\$833,725</b>	<b>\$795,899</b>	<b>755,270</b>

Table 10 below shows the number of child care space vacancies on a national scale, by service type, depicting registration trends and the number of regulated child care spaces available per quarter. A vacancy refers to an available permanent, full day space the operator is prepared to fill (Australian Government, 2015, p. 14).

Table 10

*Australia: Child care vacancies by service type, September 2013 to September 2014<sup>27</sup>*

<b>Service type</b>	<b>Sep 2013</b>	<b>Dec 2013</b>	<b>Mar 2014</b>	<b>Jun 2014</b>	<b>Sep 2014</b>
<b>Long day care</b>					
Total number of services	6,360	6,471	6,443	6,606	6,601
Percent services reporting	91%	90%	93%	90%	91%
Proportion with vacancies	86%	86%	90%	88%	87%
Average vacancies	68,490	66,410	92,340	83,740	75,230

<sup>27</sup> Source: (Australian Government, 2015, Table 16, p. 13).

Service type	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
<b>Family day care</b>					
Total number of services	560	605	642	714	761
Percent services reporting	47%	46%	40%	38%	36%
Proportion with vacancies	80%	85%	85%	87%	87%
Average vacancies	7,130	7,500	8,610	8,690	8,070
<b>Occasional care</b>					
Total number of services	119	119	119	117	115
Percent services reporting	63%	66%	61%	59%	60%
Proportion with vacancies	52%	53%	55%	54%	51%
Average vacancies	310	300	330	320	280

Table 11 below provides hourly fee rate and the average weekly number of hours a child spends in child care by service type. The Australian Government provides subsidies to families across a range of gross income amounts. With the receipt of benefits and entitlements, the cost of approved child care was reduced to approximately 10 percent of weekly disposable income for families earning gross annual incomes from \$35,000 to \$150,000 per year. In terms of weekly disposable income, the parent portion of child care fees before subsidies ranged from 42.6 percent for families earning \$35,000 to 17.6 percent for families earning \$150,000 (Australian Government, 2015, p. 12).

Table 11

*Australia: Affordability: hourly fee rates and average hours per week spent in care by service type, September 2014<sup>28</sup>*

Service type	Average hourly fee rates	Average weekly hours spent in care by service type
Long day care	\$8.05	28.0
Family day care and in-home care	\$7.90	31.6

<sup>28</sup> Source: (Australian Government, 2015, Average hourly fee by service type, Table 14, p. 11; Average weekly in child care by service type, Table 5, p 5).

Occasional care	\$9.35	11.8
Outside school hours care	\$6.30	11.7

Table 12 below contains estimated funding amounts for the federal government subsidy programs: the Child Care Benefit and the Child Care Rebate entitlements, at the September 2014 quarter. Of the \$1.6 billion total estimated expenditure, approximately \$1.1 billion supported families who use long day care services (Australian Government, 2015, p.12).

Table 12

*Australia: Total estimated Child Care Benefit and Child Care Rebate entitlements by service type, September quarter 2014<sup>29</sup>*

Service type	Child Care Benefit ('000)	Child Care Rebate ('000)	Total ('000)
Long day care	\$463,704	\$615,482	\$1,079,186
Family day care and in-home care	\$312,279	\$100,552	\$412,832
Occasional care	\$1,769	\$2,424	\$4,193
Outside school hours care	\$55,973	\$77,440	\$133,413
<b>Total</b>	<b>\$833,725</b>	<b>\$795,899</b>	<b>\$1,629,624</b>

## 5.5 Sweden

Sweden's government system runs as a parliamentary democracy (Sweden, 2013-2015), whereby the national government takes responsibility for providing universal child care subsidies to a nation run child care system. Current financial data could not be retrieved for this jurisdiction. Available Central Government budgetary information identifies expenditures areas and does not include a line item breakdown indicating specific amounts of public spending on child care (Government Offices of Sweden, n.d.). Despite the lack of available funding information, Sweden has been included in the scan to acknowledge the universally accessible child care system as a child care funding model along the spectrum of policy options. A brief overview of the Swedish national family policy is also provided.

The Swedish National Agency for Education (the Agency; as cited in Parliament of Canada, 2009) administers the early learning and child care system on a national scale. The state-level government determines the goals, frameworks, and guidelines to support the

<sup>29</sup> Source: (Australian Government, 2015, Table 15, p. 12).

delivery of child care and early learning programs, and municipal governments deliver child care and early learning programming on a per community basis. Programming is developed and implemented as community needs are identified (pp. 208–210). The Agency ensures ongoing evaluation of the system through assessments, evaluation, and the collection of data on children, school-aged pupils, teachers, operational costs, and education outcomes (Skolverket, 2011, para. 9).

Swedish family policy aims to support parents' labour force attachment, while promoting healthy child development and early learning (Friendly, 2011, p. 30). Sweden's child care and early learning system is comprised of pre-school, family day-care homes, and leisure-time centres. Pre-school is a group child care and early learning setting intended for children from one year old to school age. The hours of operation are flexible and responsive to parent needs for attending work or school. Children may start pre-school at varying ages and attend part time or full time. Municipalities are responsible for providing care for children from the age of one year old, within four months of parents requesting a child care space. Depending on availability and the needs identified by parents, children may be placed in a pre-school, family day-care homes, or leisure-time centres. Family day-care homes and leisure-time centres provide care for children from the ages of one to 12 years old. Municipalities voluntarily set maximum fee scales and receive government grants to offset the cost for doing so. Although parents pay fees, they receive 525 hours free of charge once the child reaches the age of three (Skolverket, 2009).

## 5.6 Conceptual Framework

This conceptual framework was constructed from the literature review and jurisdictional scan findings. Figure 1 below shows how each child care funding policy lever appropriates funding to support accessibility and affordability: cash payments, tax credits and deductions, subsidies, operating grants, or universal child care subsidies. Federal governments across jurisdictions provide regional-level governments (i.e., provincial, territorial, and state level) with funding to run programs and services at the regional-level to support families. As discussed in the literature review and jurisdictional scan, increased government involvement in the child care sector via policy improves public management and government's ability to impose quality measures.

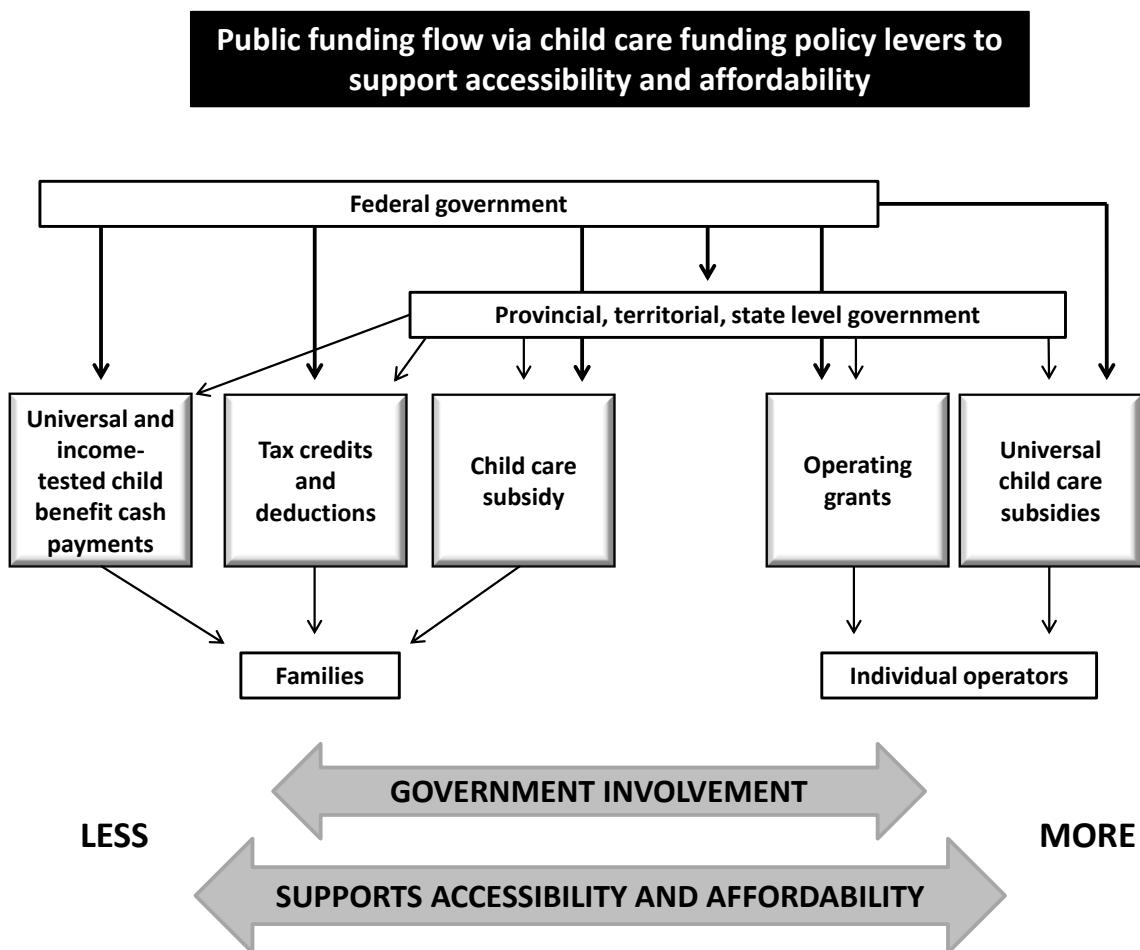


Figure 1. Conceptual framework<sup>30</sup>.

<sup>30</sup> Adapted from: (Friendly, 2011, p. 13).

## **5.7 Summary**

Canada, United States, Australia, and Sweden apply a variety of child care funding approaches to address accessibility and affordability for families. Policy levers range from the provision of public funding to parents, individual child care operators, to a universal child care subsidies system. The Canadian federal government provides public funding directly to families and provinces to disburse to child care operators. The Province of Quebec subsidizes child care through direct payments to operators to help increase access to services and offset parent user fees. Although this policy model creates affordable child care options for families, it also presents a number of policy challenges. Child care funding policy in the United States targets low-income families to provide access to quality child care settings and early learning opportunities. The Australian government has recently announced a new strategy for offering child care policy support to families and operators. Presented with a transition plan, the current system of subsidies and tax policies will be transformed into a child care subsidy system. The universal child care subsidy system in Sweden is well managed by state and municipal levels of government, offering families access to affordable child care within a short period of time upon requesting enrolment.

## **6. DISCUSSION AND ANALYSIS**

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This section of the report discusses the strengths and challenges of child care funding policy levers identified in the literature review and jurisdictional scan. The child care funding policy levers identified in the literature review will be discussed and analyzed in consideration of potential recommended options for the province to enhance accessibility and affordability of child care. As child benefits and child tax benefits do not require parents to use child care they will not be considered as recommended options. The analysis will be guided by the following research question: How could BC change its child care funding policy to enhance accessibility and affordability?

The current landscape of child care funding policy in BC, as reviewed in Section 3 BC Child Care Funding Policy and presented in Table 2, addresses accessibility and affordability via the BC Early Childhood Tax Benefit, Child Care Subsidy, Child Care Operating Funding, and Major and Minor Capital Funding Programs. Over the 2012/13 fiscal year, the province spent approximately \$100.5 million on the Child Care Subsidy Program, \$63.8 million on the Child Care Operating Funding Program, and \$458,000 on the Major and Minor Capital Funding Program. In total, the province spent approximately \$164.7 million on the three programs operating in 2012/13. The BC Early Childhood Tax Benefit program was implemented in 2015.

The scan identified comparable child care accessibility and affordability contexts with similarities and differences across jurisdictions. At present, BC has enough available child care spaces for 24.6 percent of children aged birth to five years old (Table 3) and parents pay a median (average of infant, toddler, and preschool fees) monthly fee of \$905 to access licensed child care options (Table 4). In the United States, the federal- and state-level government contribute funding to support the Child Care and Development Fund subsidizing child care for families. Four states from the United States were selected for comparison with the BC context. Table 6 show an average monthly cost for full time centre-based care for infants and preschoolers is comparable to BC: Washington: infants \$1061, preschoolers \$799; Oregon: infants \$944, preschoolers \$732; Colorado: infants \$1096, preschoolers \$824; and, Connecticut: infants \$1157, preschoolers \$959. The cost incurred by married couples is approximately 15 percent and about 49 percent of a single mother's median family income. In Australia, federal government subsidy funding reduces child care costs to approximately 10 percent of weekly disposable income for all parents earning between \$35,000 and \$150,000.

The literature review focused on effective measures for supporting low-income families and increasing women's labour participation rates. A scan of jurisdictions showed a variety of child care funding programs, many of which focus on helping low-income families to access affordable, higher quality child care. In terms of tax credits and deductions, parents in BC can apply to the federal government of Canada for a reduction in federal and provincial tax liability when they file their annual income tax statements. Although literature review findings found that Canada's Child Care Expense Deduction does promote horizontal equity, the tax deduction may not be the most effective lever to address accessibility and affordability for low-income families.

Child care subsidies were noted as being effective funding policy levers for offsetting the portion of parent fee especially for low-income families, driving child care markets to increase demand and enhance supply, promoting women's workforce participation and potentially improving mothers' career trajectories and earning capacities, and enabling governments to impose quality measures when requirements apply subsidies to licensed or regulated child care options. However, some challenges were also raised. The literature review noted contention amongst researchers about the potential positive and negative effects of subsidies on child development. The effectiveness of subsidies also relies on the availability of quality child care spaces and parents' ability to access those spaces. The province of Quebec is an example highlighting the importance of utilizing a market place that can support demand. Upon implementation of the province-wide child care program, Quebec encountered significant challenges as demand for child care outstripped supply resulting in a negative effect to the overall quality of the program. Waitlists were also identified as challenges, and some cases noted more affluent families were able to access care options than low-income families. Yet in the Australian context, a national-level subsidy program is available to all families and child care space availability data show vacancies in all Australian states throughout the calendar year. Government's financial commitment required to implement and sustain a province-wide subsidy program reducing child care costs across a range of income levels may also present as a challenge in the BC context. The current government is committed to a balanced budget and a focus on key core service delivery priorities. Child care subsidies programs are used in all jurisdictions to address accessibility and affordability for low-income families, and, as such, further consideration could be given to exploring possibilities for enhancing BC's child care subsidy program, regardless of current fiscal constraints.

The universal child care subsidy program in Sweden is an interesting model that offers accessibility and affordability support to all families within the jurisdiction. Although the jurisdictional scan produced a lack of data and a significant financial commitment would be required on the part of government deeper exploration and further learning about this model is worthwhile as it may inform future policy development in the BC context.

The existing child care funding policy in BC has been designed to address accessibility, affordability, and quality of services. Current provincial child care funding programs reach a range of families from low- to moderate- income. With the BC Government's commitment to balance the budget and adhere to the fiscal plan set out in Budget 2015, options for consideration may look for the potential to promote and enhance current programs using structures already in place, like the Child Care Subsidy program.

## **7. RECOMMENDATIONS**

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Although the BC Government's current child care policy supports quality, accessibility, and affordability, a need to enhance support for the child care sector has been identified. The aim of this research was to identify potential enhancement opportunities to increase accessibility and affordability for parents by shifting the current child care funding policy. The following recommendations consider existing structures to support incremental and sustainable changes to the current suite of child care funding policy levers used in BC. The development of this section has been guided by the research question: How could BC change its child care funding policy to enhance accessibility and affordability?

**Recommendation 1: Continue to use a combination of child care funding policy levers to support accessibility and affordability for families**

The review of BC's child care policy identified policy levers delivering public funding directly to parents and individual child care operators by means of tax policy, fee subsidy, operating funding, and one-time-only capital grants. Eligible BC parents also receive federal government funding supports to help offset the costs of raising children and accessing child care. As seen in the literature and across jurisdictions, child care funding policy levers are most effective when used in combination to address accessibility and affordability for families across income levels. A combination of levers may be used to support parental choice, offset child care costs, promote labour force attachment, and impose quality assurance measures.

**Recommendation 2: Continue to support the building of new licensed child care spaces in underserved areas to help increase access to child care services**

Guided by the BC Early Years Strategy mandate, the current Major Capital Program for the province will create 13,000 new licensed child care spaces over an 8-year period. The Province should continue to support the development of new licensed child care spaces and continue increasing access to child care, especially in underserved areas where access to child care services is limited or non-existent. The continued creation of licensed child care spaces will support an increase in available quality programming and growth in the sector.

**Recommendation 3: Enhance the current child care subsidy program to help more families offset the cost of child care**

Consider the development and implementation of Child Care Subsidy Program enhancements to address different targets. Fee subsidies can be designed to target families across income levels, or focus specifically on very low or low-income families, with built-in quality measures. This policy lever requires more government involvement than some options, enabling government to take an administration role. An increase to the child care subsidy rates will help low-income families pay less by reducing their parent fee portion. However, an increase to the child care subsidy income thresholds will increase the number of people who would be eligible to receive a child care fee subsidy requiring a larger financial commitment from government. This second option would open eligibility to moderate-income families. A third option may consider a combination approach, making adjustments to both the rates and the thresholds to offer greater support to low and moderate income families. Anecdotally, an increase to the thresholds for child care subsidy

will raise the cost for running the program and require a significant increase in funding. Further research would be needed to determine associated costs and the potential efficacy of extending the Child Care Subsidy Program to help more people or targeting low-income families to increase fee reduction. A deeper review of accessibility and affordability associated with the subsidy programs in the United States and Australia may provide help to identify the costs and associated benefits of enhancing this child care funding policy lever.

**Recommendation 4: Explore the potential for developing and implementing a universal child care subsidy program in BC**

Explore the potential for developing and implementing a universal child care subsidy program to create more licensed child care spaces and address affordability for families. As highlighted in the Literature Review and the Jurisdictional Scan, the universal child care subsidy funding policy lever implemented in Sweden offers the following positive attributes: promotes accessibility to quality child care; supports women's labour force attachment; sets parent portion maximum fee scales; produces an integrated early years system to support families; requires government involvement by means of policy development, and the implementation of guidelines and licensing standards informing quality of programming; and, promotes greater coordination and communication between levels of government supporting public management and responsibility for the child care sector. As noted above in the analysis, the literature review revealed challenges associated with universal child care subsidy programs. Further research could be undertaken to explore the universal child care subsidy program and its applicability to Canada and the BC context.

**Recommendation 5: Educate parents about the differences between child care types available in BC and the minimum health and safety standards set in the Community Care and Assisted Living Act (2002) and Child Care Licensing Regulation (2007) used to inform quality of care**

The literature review focused on access and affordability; however, the issue of quality associated with various child care settings and children's experiences in them was brought to the forefront. This discussion point was also raised in the jurisdictional scan, the United States federal government enhanced policy to include public education about available child care options. Parents may lack knowledge or understanding about the variety of child care types available in BC and how they vary operationally and demographically. They may have limited experience and interactions with the field and not know the differences between licensed and unlicensed child care settings—or the minimum health and safety standards put in place to guide the work of licensed child care providers. There is a need to educate parents about the minimum health and safety standards that inform quality of care (e.g., appropriate ratios for the number of children to caregivers). With basic information about types of child care settings and minimum health and safety standards, parents can make informed choices.

**Recommendation 6: Educate parents about the child care funding policy benefits available to help meet their family's child care accessibility and affordability needs**

Leverage the current suite of child care funding policies and raise parents' awareness about the assistance currently available to help offset affordability issues. A campaign to educate parents could be undertaken in collaboration with MCFD and the Child Care Resource and Referral Program, as well as external stakeholder groups or organizations as appropriate. A consultation process would be required to determine need and feasibility of conducting an awareness campaign.

## **8. CONCLUSION**

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The BC Government made a public commitment to the early years when it announced the BC Families Early Years Strategy (MCFD, n.d.d) with goals to improve access, quality, and affordability of early years' programs, including child care. BC's current child care funding policy addresses quality, access, and affordability for families. Furthermore, BC's current suite of policy levers support parental choice and quality child care programming in the sector. However, government has identified a need to increase support for the child care sector by helping to improve accessibility and affordability of services.

This report provides recommendations based on a review and analysis of current BC child care funding programs, a literature review, and jurisdictional scan. This report focuses solely on accessibility and affordability of child care services; and, as such, the Government should conduct further research to integrate information about ensuring quality of child care services while increasing accessibility and affordability.

The continued use of a combination of policy levers to deliver support to families and operators supports parental choice and ensures quality of programming in the child care sector. Ongoing creation of child care spaces in underserved areas across the province supports accessibility and holds the potential to support changes to policy that would increase affordability for families. Consideration could be given to examining potential scenarios for increasing the number of families that may receive assistance through the child care subsidy program or to explore the feasibility for developing and implementing a universal child care subsidy program. As noted in the literature quality of care is informed by programming content, caregiver skill and education levels, and imposed licensing regulations, including health and safety standards. With increased government involvement—as seen with the implementation of subsidies, operating and capital funding, and universal child care subsidies—regulations and quality measures can be imposed ensuring children have access to healthy child care options. Furthermore, Public education for parents helps to inform parental choice and raise individual awareness about child care supports offered by government to help offset child care costs and address accessibility and affordability.

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