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## Nonprofits Deliver a Canada-Wide Child Care System

A briefing note to inform the development of Canada's nonprofit child care system

### Introduction

For the first time in Canada there is overwhelming public and cross-sectoral support as well as political will tied to using a significant amount of money to build a Canada-wide child care system. Various arguments have won people over, with the most common one being that women are disproportionately dropping out of the labour force due to the pandemic and child care is the obvious pathway to pandemic recovery - not just for women but for our economy overall.

Currently we have a federal vision, decades of research, historic level of investments, and appetite from many provinces and territories to improve child care. For this reason, it is more important than ever that this moment be seized to build the best child care system possible. This system, as noted by the federal government, should be rooted in principles of affordability, accessibility, high quality and inclusivity. The design elements described below are paramount to ensure low parent fees, the elimination of child care deserts, adequate licensed and regulated spaces for all, a well paid workforce, and expansion of both public and nonprofit child care spaces.

Nonprofits, including nonprofit cooperatives, are the best partners for governments to **build and expand a Canada-wide licensed child care system that fits this vision**. While the sector is making the best out of precarious child care infrastructure, an enabling policy environment led by the federal government and negotiated with the provinces/territories would allow the sector to better support parents and their children. **The sector is well positioned to offer a variety of flexible, high quality child care choices to parents that do not compromise quality of care, safety and working conditions**. Expanding in partnership with the nonprofit sector now will have positive cascading effects for children, parents - especially women, the child care workforce, communities and the broader economy for years to come.

### Summary of recommendations:

1. Take profit out of child care by **targeting all federal investments for expanding licensed child care across Canada exclusively to nonprofits and nonprofit cooperatives**, thus ensuring there is no further expansion in the for-profit sector.
2. Provide **federal capital investments for building new licensed child care spaces and retrofitting existing ones** exclusively to nonprofits and nonprofit cooperatives.
3. Invest in **start up/scaling up of nonprofits that can function as intermediaries** between nonprofit child care services and the child care spaces building process to strengthen the sector's ability to expand (e.g., technical assistance and capital project financing experts).

## Design elements for a Canada-wide child care system

### Affordability

- **Publicly funded child care operations** to lower parent fees. Operations funding will sustain decent work for the workforce (raising the floor for the workforce) and the true cost of operating child care.
- **Capped affordable daily fees** for families.

### Accessibility

- Expansion of **regulated nonprofit licensed child care spaces**, both in centre and home-based care.
- **Intentionally planned and developed across urban and rural regions**, like other public services.
- **Ongoing capital investments** to create new physical infrastructure as well as to maintain and retrofit existing buildings.
- **Strategy to sustain child care spaces** through current and future pandemics, public health emergencies and climate emergencies

### High Quality

- **Recruitment and retention strategy** for the child care workforce that expands the workforce, raises the floor for it with decent work practices (e.g. wage grid), includes ongoing professional development (through local organizations), and is more broadly informed by labour force trends.
- Learning environments **informed by the extensive research** on what constitutes high-quality early learning and care.
- Ongoing investments to **enhance quality**.
- **Legislative mechanism** to ensure that priorities to build a Canada-wide child care system lives beyond the government of the day, keeps profit out, and is rooted in principles that reflect best practices.
- **National Child Care Secretariat** that monitors the system in accordance with these principles and reports on program and financial accountability for the public, communities, and parents.

### Inclusive

- Flexible child care models that **meet the needs of local communities - especially Black, newcomer and Francophone communities, low-income families and parents working alternative hours, and children with disabilities** - yet do not compromise quality of care and working conditions.
- **Expansion of Indigenous-led licensed child care spaces for both urban and on-reserve communities** through the Indigenous Early Learning and Child Care Framework and in partnership with Indigenous communities.

## Opening up child care to big-box for-profit chains creates instability and risk

In Canada, governments and nonprofits have traditionally engaged in partnerships to build and operate social infrastructure. **Community assets, such as hospitals, seniors' homes, child care centres, and supportive housing options, serve people locally and are accountable to communities through their volunteer boards of directors.** Nonprofit services are rarely sold and remain in their communities providing services, often for decades. Over the long-term then there is stability of essential services and public assets remain in public hands.

Since the 1990s, however, this nonprofit care system has been eroded in numerous service delivery areas. Large, for-profit chains have persuasively presented themselves as better-positioned to provide these local services and better-financed to build and own the facilities that house them. **For-profit companies offer governments the promise of ready capital, greater efficiencies, cheaper services, and reduced governmental risk. Unfortunately, these promises are too good to be true.** Private companies pay more for capital than governments who have better borrowing capacity, so construction is more expensive, as numerous auditors have pointed out.<sup>1</sup>

The bigger problem, however, has turned out to be ownership. In numerous jurisdictions, companies buying, selling, and leveraging (loading up with debt) care services has left governments without facilities they have been paying to finance and maintain over the years -- and so the government ends up paying twice.<sup>2</sup> Years of operating funding as well as any capital investments are never recouped by the public treasury when the asset is sold. **For-profit ownership leaves care services vulnerable to foreign takeovers which can threaten both the quality of care and the quality of jobs -- and create the risk of closures if they are not sufficiently profitable.**<sup>3</sup>

Moreover, big-box ownership comes with a shareholder motive where profit generation is an indicator of success and so comes at the cost of quality of care and working conditions. This is money that leaves the system and benefits investors rather than improving quality of care, affordability, accessibility, and inclusivity for parents, children and communities. **Canada cannot afford the risk of large chain child care providers leaving parents in the lurch if their shareholders are unsatisfied with the rate of return.**

The example of Australia's big-box child care collapse serves as a warning for Canada. **ABC Learning went bankrupt with 1,000 centres left hanging, costing the government \$100 million (AUS) to keep the centres open. It took years to re-engineer their child care system.**<sup>4</sup> The UK's Busy Bees chain, which also operates in Canada, has been sold and bought over four times while simultaneously overtaking smaller child care centres in Europe and Australia. More recently, it was bought by the Ontario Teachers'

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<sup>1</sup> Office of the Auditor General of Ontario. "Public-private Infrastructure Projects Can Be Expensive, Auditor General Says." December 9, 2014. [www.auditor.on.ca/en/content/news/14\\_newsreleases/2014news\\_3.05.pdf](http://www.auditor.on.ca/en/content/news/14_newsreleases/2014news_3.05.pdf)

<sup>2</sup> Simon Goodley. "Southern Cross care fiasco sheds light on secretive world of private equity." The Guardian. June 3, 2011. <https://www.theguardian.com/business/2011/jun/03/southern-cross-care-private-equity>

<sup>3</sup> Steven Chase. "No pledge to create new Canadian health care jobs in Chinese takeover." Globe and Mail. February 22, 2017. <https://www.theglobeandmail.com/news/politics/no-pledge-to-create-new-canadian-jobs-in-anbang-deal/article34116476/>

<sup>4</sup> Helen Penn. "Analysis: Australia - Childcare reformed in wake of ABC collapse." Nursery World. 2010. <https://www.nurseryworld.co.uk/news/article/analysis-australia-childcare-reformed-in-wake-of-abc-collapse>

Pension Plan while some standalone centres were bought by Home Consortium (HMC), a fund listed on the Australian Stock Exchange.<sup>5</sup>

Over the past decade, for-profit child care has been expanding at a greater rate across Canada than nonprofit, increasing from 20 per cent in 2004 to 30 per cent in 2016.<sup>6</sup> **Growth is not occurring through a rise in home-based private child care (licensed or not), but through “big-box” for-profit chains, which now own a substantial portion of for-profit child care centres in Canada.**<sup>7</sup> Some provinces and territories, like Ontario and Alberta, had a “For-Profit Maximum Percentage Threshold” embedded in their respective child care acts and resulting funding agreements which limited the amount of public funding available to for-profits or blocked their access completely. As governments have changed, both provinces have eliminated this legislative protection.

## **Nonprofits are key to the best possible child care system**

Some have argued that better regulation of various ownership models can improve working conditions and conditions of care. However, better regulation cannot address the profit motive nor the lack of accountability to the public, communities and parents. The alternative is to change the DNA of the care system and remove the profit motive. Nonprofit care models put mission at the core. They eliminate the cost of profit; they benefit from community partnerships; and they leverage the contributions of donors and volunteers to provide far greater value for community members and governments. Nonprofits also have improvements to make, but they are built to put mission - not profit - first. With community governance, they can be subject to higher levels of accountability to improve, rather than in the case of corporate shareholder governance, which inherently puts profits first. **Like the rest of the care economy, the child care sector should have care, and not profit, in its DNA and the only way to ensure that is keeping it in the hands of nonprofit operators.**

Numerous studies and policy analyses conducted in Canada and other similar countries highlight that a nonprofit model delivers higher quality, more affordable, and more inclusive child care in comparison to a for-profit model.<sup>8</sup> The nonprofit model inherently facilitates higher levels of oversight, transparency, and

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<sup>5</sup> Sean Farrell “Busy Bees nursery set to go global after sale to Ontario Teachers’ Pension Plan.” November 1, 2013. <https://www.theguardian.com/business/2013/nov/01/busy-bees-nursery-buyout-ontario-teachers-plan>; Rhys Prka. “HomeCo (ASX:HMC) announces \$132m worth of acquisitions.” May 17, 2021. <https://themarketherald.com.au/homeco-asxhmc-announces-132m-worth-of-acquisitions-2021-05-17/>

<sup>6</sup> Child Care Now. “An Analysis of the Multilateral early Learning and Child Care Framework and the Early Learning and Child Care Bilateral Agreements.” February 2019.

[https://timeforchildcare.ca/wp-content/uploads/2019/03/Main-Report-English-v7.2-Screen\\_compressed.pdf](https://timeforchildcare.ca/wp-content/uploads/2019/03/Main-Report-English-v7.2-Screen_compressed.pdf)

<sup>7</sup> Martha Friendly. “A bad bargain for us all: Why the market doesn’t deliver child care that works for Canadian children and families.” May 2019. <https://childcarecanada.org/sites/default/files/OP31-A-bad-bargain-for-us-all.pdf>

<sup>8</sup> Child care Resource and Research Unit. “What research says about quality in for-profit, non-profit and public child care.” 2011.

<https://childcarecanada.org/sites/default/files/What%20research%20says%20about%20quality%20in%20fp%20np%20and%20p%20child%20care.pdf>; Child Care Now. “An Analysis of the Multilateral early Learning and Child Care Framework and the Early Learning and Child Care Bilateral Agreements.” February 2019.

[https://timeforchildcare.ca/wp-content/uploads/2019/03/Main-Report-English-v7.2-Screen\\_compressed.pdf](https://timeforchildcare.ca/wp-content/uploads/2019/03/Main-Report-English-v7.2-Screen_compressed.pdf);

Martha Friendly. “A bad bargain for us all: Why the market doesn’t deliver child care that works for Canadian children and families.” May 2019.

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accountability which is of particular importance when using public money to build the system and providing care services.

**High quality child care is achieved in large part through decent work for the workforce.** Low wages, coupled with a lack of health benefits, paid vacation and sick days, pension contributions, and little to no professional development create conditions for high staff turnover, low staff morale, increasing staff/child ratios, and group sizes. Also, inexperienced and untrained educators are often hired to fill the gaps. This is more likely to be the case in models that have to generate profit to distribute to shareholders, rather than in the nonprofit model.<sup>9</sup> The promise of greater efficiency comes at a significant cost to high quality care.

**Nonprofits know their local communities and so are best positioned to deliver child care services that best meet regional needs,** rather than offering a cookie-cutter approach or only growing in neighbourhoods where parents' ability to pay is higher and where fewer children have additional support needs. For example, during the COVID-19 state of emergency, many nonprofits quickly pivoted to deliver Ontario's 24/7 emergency child care for free. In Ontario, faith spaces, multi-service nonprofits, and community hubs across rural and urban regions are already being repurposed as child care spaces. Nonprofits are also innovators. One such example is the Calgary Immigrant Women's Association, which has developed a manual for how to deliver flexible childcare services (e.g., during nonstandard hours) for immigrant women.<sup>10</sup> Licensed, nonprofit child care can be offered at any scale - from local small sites, home-based licensed care, and multi-site centres.<sup>11</sup>

## **Quebec provides both a successful child care model blueprint and lessons to build on**

Quebec's child care model has successfully lowered parent fees and increased women's labour market participation over the past two decades, better than any other province/territory in Canada. A closer look at how their spaces have expanded, however, reveals a multi-tiered system that comes with its own challenges and lessons for the Canadian system. When Quebec began building its child care system in 1997, it imposed a five-year moratorium on the creation of spaces in for-profit child care centres. However, in 2003 at the end of the moratorium, and thanks in part to a number of tax incentives, there was an explosion of for-profit child care centres to meet the need for more spaces.<sup>12</sup> In turn, the

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<sup>9</sup> Ontario Nonprofit Network. "Keeping human services in community hands: Why nonprofits deliver better". 2020. [https://theonn.ca/wp-content/uploads/2020/06/Keeping-human-services-in-community-hands\\_-Why-nonprofits-deliver-better-June-2020.pdf?mc\\_cid=3272b77f3e&mc\\_eid=e798c86726](https://theonn.ca/wp-content/uploads/2020/06/Keeping-human-services-in-community-hands_-Why-nonprofits-deliver-better-June-2020.pdf?mc_cid=3272b77f3e&mc_eid=e798c86726); Ontario Nonprofit Network. "Not for Sale: The case for nonprofit ownership and operation of community infrastructure." 2018. [https://theonn.ca/wp-content/uploads/2020/06/Not-for-Sale-2018-FINAL.pdf?mc\\_cid=3272b77f3e&mc\\_eid=e798c86726](https://theonn.ca/wp-content/uploads/2020/06/Not-for-Sale-2018-FINAL.pdf?mc_cid=3272b77f3e&mc_eid=e798c86726)

<sup>10</sup> Calgary Immigrant Women's Association. "Alternative Childcare for Immigrant Women Project Manual." January 2018. <https://www.ciwa-online.com/uploads/Programs/2018/alternative%20childcare%20for%20immigrant%20women%20project%20manual%20april-11-2018.pdf>

<sup>11</sup> Martha Friendly, Jane Beach, Sophia Mohamed, Laurel Rothman, Rachel Civerson and Carol Ann Young. "Moving from Private to Public Processes to Create Child Care in Canada." 2020. <https://childcarecanada.org/sites/default/files/moving-private-to-public-child-care-canada.pdf>

<sup>12</sup> Sophie Mathieu. "Four Lessons From Quebec's Child Care Model." May 2021. [https://policyoptions.irpp.org/magazines/april-2021/four-lessons-from-quebecs-early-child-care-model/?mc\\_cid=a65c237bcb&mc\\_eid=962db3ac2a](https://policyoptions.irpp.org/magazines/april-2021/four-lessons-from-quebecs-early-child-care-model/?mc_cid=a65c237bcb&mc_eid=962db3ac2a)

multi-tiered system consists of highly sought after licensed child care spaces in nonprofits - *Centres de la petite enfance* (CPEs) - which offer the best quality child care, as well as private *garderies* (daycares) or otherwise known as subsidized child care centres, unsubsidized child care centres, family care, and unlicensed spaces. It's difficult for parents to discern at the outset whether their child care centre is of high quality.

The key lesson here is that a high quality, single-tiered, child care system that meets demand will be built only as fast as there is capital and operating funding and will only succeed if the public policy environment supports nonprofit providers.

## **ONN's recommendations for expanding a Canada-wide child care system with nonprofits:**

1. Take profit out of child care by **targeting all federal investments for expanding licensed child care across Canada exclusively to nonprofits and nonprofit cooperatives**, thus ensuring there is no further expansion in the for-profit sector.
2. Provide **federal capital investments for building new licensed child care spaces and retrofitting existing ones** exclusively to nonprofits and nonprofit cooperatives. Like affordable housing, affordable child care comes with predictable revenue streams and can benefit from a mix of grants and loans. The forthcoming Social Finance Fund is an opportunity for the federal government to think creatively about how to learn from (again) the example of Quebec in building a healthy social economy on the pillars of a child care system and a social finance system. Capital funding will seed nonprofits in advance to fulfill increasing demand for spaces and build community-owned assets while preventing for-profits from filling the void and ensuring tax-payer funds do not subsidize private capital and risk.
3. Invest in **start up/scaling up of nonprofits that can function as intermediaries** between nonprofit child care services and the child care spaces building process to strengthen the sector's ability to expand. Intermediaries can provide technical supports (e.g., development processes, lease negotiations, design and contractors help, and policy development) for new site constructions, for nonprofits that want to expand, and for municipal service system managers engaging in systems planning with nonprofit child care. The Co-op Housing Federation model serves as an example to build on - it provides a bridge between Canada Mortgage and Housing Corporation and individual housing co-operatives. These types of intermediaries can accelerate timelines for expansion and improve delivery success. Supporting them is an investment in getting the job done well and more quickly.

## **In conclusion**

Canada stands at a critical juncture: we can either build the best child care system possible for all, and for years to come, or revert to an inadequate status quo that will worsen an already precarious system. Not only is building a Canada-wide child care system the key to a gender equitable economic recovery, but it is also critical to ensuring our young people reach their full potential.

Nonprofits are a natural partner for the federal government to expand child care as they can effectively balance all design elements needed for a high quality, affordable, inclusive, and accessible system without compromising quality of care, safety or working conditions. Nonprofits deliver a higher level of

accountability and transparency and reinvest profits back into their missions. They also deliver flexible localized approaches as they are closely connected to the families they serve, and are trusted leaders in communities.

The Government of Canada can seize this child care moment and all the opportunities that come with it, with the right partners - the nonprofit sector - so parents, especially women, children, communities and our economy is better off.

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