

CALEDON



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Architecture for National Child Care

by

Ken Battle and Sherri Torjman

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The case

The case for investing in high quality child care is compelling and unequivocal.

Countless studies conducted both in Canada and throughout the world have documented the value of good child care for the healthy growth and development of children. High quality child care contributes fundamentally to their physical, emotional, social, linguistic and intellectual development.

Accessible and affordable child care is also a smart investment in a competitive economy. Without it, parents cannot participate fully in the labour force. Good child care enables and supports education, training and working. It is vital to promoting women's equality by enabling them to train for paid work, find work and keep working.

Public investment in high quality early childhood programs benefits not only parents and children. Society as a whole reaps significant social and economic benefits.

By increasing labour force participation, child care enhances economic growth and employment income, which in turn raise tax revenues and reduce expenditures on social supports such as welfare, health and social services. High quality child care is also an essential element of anti-poverty policy, both in enabling parents to climb the welfare wall by training and working, and in lessening the learning and health risks faced by poor children (which can limit their opportunities when they grow up). A recent economic study on the value of high quality child care found that its benefits outweighed its costs by a factor of two to one [Cleveland and Krashinsky 1998].

In no other field is the evidence for public investment so clear and compelling. It derives not only from child development literature but also from research on population health, 'active' labour market policy and anti-poverty policy. The case has been made, over and over: Child care is smart social policy, smart economic policy and smart health policy.

Unfortunately, the case also has been made, strongly and repeatedly over many years, that Canada does not have an adequate – let alone good – child care system. We do not need to make that case yet again, except to repeat that Canada does not have a decent system of child care. Instead, we have a variable collection of arrangements that, while good in spots, as a whole fails to

provide affordable, high quality and accessible care to the majority of families that need it. Services are uneven between and, in most cases, within provinces and territories: There is nothing approaching a national system.

Europeans often are shocked to learn that most child care in Canada is unregulated and bought or traded on the market (typically from neighbourhood providers) or provided by relatives. While Canadians tout their superiority over the US when it comes to medicare and other social programs, our child care is as bad as theirs.

We know why Canada needs a good child care system. We also know that we don't have one. Now the process of translation – to move from evidence to action – must begin.

The challenge

The challenge is to develop an architecture to guide the construction of a Canadian child care system open to all families that want to use it. It is essential to convert the compelling research evidence from a wide range of fields into policy building blocks and tools that will achieve a clear and crucial goal: to expand and support the supply of accessible, affordable high quality child care throughout the country.

The first step in realizing this objective is to identify the existing architecture to construct a national child care system and to determine its strengths and limitations. If, for whatever reason(s), this approach is neither feasible nor appropriate, then it is important to identify and assess other possible policy options that would help move in this direction.

The quest for a new 'architecture' of social policy

Canada's social security system was conceived and built largely between the 1930s and 1970s, and has been struggling increasingly to operate in a society and economy that is much changed, if not transformed in some respects. Piecemeal renovation has updated some of our social programs and policies, and in a few cases has achieved structural reform through what Caledon has dubbed 'relentless incrementalism' – the accretion of small or medium changes in social programs that, over time, accumulate to become more than the sum of the parts and forge qualitative changes in means and even ends [Battle 2001]. Relentless incrementalism has achieved some positive results (e.g., the rationalization of federal child and elderly benefits), but it also can have negative impacts (e.g., the partial deindexation of the personal income tax system and child benefits between 1986 and 2000, which imposed stealthy tax hikes and benefit cuts).

However, Canada needs not only fundamental changes in the structure of social provision, but also a systematic and transparent approach to updating and reconstructing our social security system. We require a new ‘architecture’ for social policy, to use the vogue term that has been imported from Europe.

The quest for a new architecture is being driven not only by the need for more effective instruments to pursue the various purposes and objectives of social policy. There also is growing support for the view that social policy should be seen as a profitable investment in the ‘knowledge economy.’ Strong and sustainable social programs can enhance Canada’s economic competitiveness by supplying the vital social infrastructure – health care, lifelong learning, a skilled and knowledgeable workforce, and solid supports for families with children – that bestows comparative advantage on the global economic stage.

There also is greater awareness that the persistent and growing inequalities of outcomes and opportunities endemic to market economies are a costly economic deadweight in terms of lost productivity, foregone tax revenue, reduced consumer spending and higher expenditures on income assistance, social services and health care. Inequality imposes economic as well as social and individual costs.

Another factor driving the quest for a new architecture of social policy is the recognition that the economic and social problems confronting Canada are too big and too complicated to be tackled by the federal and provincial/territorial governments alone: Social policy no longer is the sole preserve of government. Business, labour, municipal governments, the educational system, interest groups, researchers, communities and citizens must play an active role as well; these stakeholders must marshal and combine their resources through various forms of working partnership. The Social Union Framework Agreement affirms this position in its principle that federal and provincial/territorial governments, within their areas of jurisdiction and powers, should “work in partnership with individuals, families, communities, voluntary organizations, business and labour, and ensure appropriate opportunities for Canadians to have meaningful input into social policies and programs” [Federal, Provincial and Territorial Governments 1999].

Caledon discerns two dimensions of ‘architecture’ when the term is applied to social policy – ‘political architecture’ and ‘policy architecture.’ ‘Political architecture’ refers to agreements and understandings – both formal and informal – that shape, guide and launch changes to social programs and policies. There are four pieces of political architecture relevant to building a national child care system – the Early Childhood Development Agreement, the Social Union Framework Agreement, the National Children’s Agenda and the political agreement between the federal and provincial/territorial governments that launched the National Child Benefit.

‘Policy architecture’ refers to the plans with which we actually construct social programs and policies. Policy architecture includes the all-important rationale for a reform, its stated and unstated

objectives, the technical plans and options for redesigning programs, the roles and responsibilities of the various actors, and budgets and schedules for implementation. In most cases, social policy reform today involves deconstruction and reconstruction because we are rebuilding and renovating elements of a social security system that was built for earlier generations. The National Child Benefit and the reform of Canada Pension Plan financing are current examples of policy architecture.

The National Children's Agenda

In January 1997, the federal and provincial/territorial governments concluded an agreement to work together to develop the National Children's Agenda, billed as "a comprehensive strategy to improve the well-being of Canada's children." The agreement "put forward a vision and values for children, founded on the belief that children's well-being is a priority for all Canadians. The Agenda also set out goals for our children and ourselves, and suggested ways Canadians can work together to achieve these goals. Finally, the Agenda discussed tracking children's progress and sharing information in order that we can know how to reach our goals" [Federal, Provincial and Territorial Governments 2000].

The National Children's Agenda furnishes essential political, but not policy, architecture. It acknowledges the need for reform of family policy, sets out a vision and broad objectives, commits the federal and provincial/territorial governments to work in concert and welcomes a role for nongovernmental actors in both developing and monitoring family policy. But it does not provide the architectural drawings for reforming various elements of family policy.

To date, three major policy initiatives have advanced the National Children's Agenda. The National Child Benefit, launched in 1997 by the federal and provincial/territorial governments, is reconstructing Canada's system of child benefits. In 2000, the federal government doubled the maximum length of parental benefits under Employment Insurance, from six months to a year. Also in 2000, Ottawa announced a federal-provincial/territorial Early Childhood Development Agreement committing five years of federal funding to help the provinces and territories improve early childhood development services.

Of these three initiatives, only the National Child Benefit is redrawing both the political and policy architecture of a major element of the National Children's Agenda – child benefits – that also is a key component of income security policy and Canadian social policy generally. The improvement to Employment Insurance parental benefits constitutes a welcome and useful enhancement of an existing instrument. While increasing the maximum duration of EI parental benefits changes neither the political nor policy architecture of parental leave, it can be argued that building on the existing program rather than creating a new one is sufficient (though some may debate this view). The Early Childhood Development Agreement provides essential political architecture, but

only rudimentary and undeveloped policy architecture. Early childhood development is one of the least developed areas of Canadian social policy, one that desperately requires a robust policy architecture with which to build a strong national system.

The Social Union Framework Agreement encourages “[sharing] information and best practices to support the development of outcome measures” and extols “the benefits of joint planning and mutual help through which governments share knowledge and learn from each other” [Federal, Provincial and Territorial Governments 1999]. Though the National Child Benefit (NCB) was developed in tandem with the Social Union Framework Agreement (SUFA) and was not guided by the latter initiative, the NCB is very much in the spirit of SUFA and indeed is the only successful social policy initiative in the SUFA period. The NCB offers some important lessons for early childhood development.

i. National Child Benefit

The National Child Benefit is a federal-provincial/territorial agreement that is creating a new system of child benefits for low-income Canadian families. It is also building a solid platform upon which a much more powerful system of income benefits for all families with children can be developed over time.

Before the National Child Benefit was launched in 1997, families on welfare received federal child benefits and provincial/territorial welfare payments for their children, while the working poor got federal child benefits only. This inequitable more-for-welfare-than-working-families arrangement formed a major part of the ‘welfare wall’ that created a barrier to work. Families that moved from welfare to the workforce lost thousands of dollars worth of child benefits in cash and in kind (e.g., supplementary health care) at the very time when they saw their (typically) low wages reduced by income and payroll taxes and stretched by the cost of employment-related expenses such as clothing, transportation and child care. Working poor families struggled to get by on about half the amount of child benefits as families on welfare.

Under the National Child Benefit, the federal government redesigned its former Child Tax Benefit into the Canada Child Tax Benefit that is phasing in substantial annual increases in payments to low-income families (the program also provides benefits to the large majority of non-poor families, the amount diminishing as incomes increase). For their part, the provinces and territories have been able to reduce their welfare-delivered child benefits as federal child benefits increase, on the agreement that they ‘reinvest’ such savings in other programs for low-income families. These reinvestments include child care, early childhood education, income-tested child benefits and earnings supplements, employment programs, and extension of supplementary health and dental care to the working poor.

The major objectives of the National Child Benefit are to promote labour market attachment by ensuring that families are better off working; to prevent and reduce the depth of poverty; and to reduce overlap and duplication through closer harmonization of program objectives and benefits, and through simplified administration. While the National Child Benefit is a reform in progress, early indications are that it is making advances on all three of its objectives [Federal, Provincial and Territorial Ministers 2002].

Ottawa and the provinces/territories are close to completing the first stage of reform, which is to create an *integrated child benefit* that gets rid of needs-tested welfare child benefits and replaces them with parallel federal and provincial/territorial income-tested benefits that treat all low-income families equally and no longer favour one group of the poor (families on welfare) over another (the working poor). Moreover, low-income families receive most of their child benefit from the federal Canada Child Tax Benefit, a program that also serves the large majority of non-poor families with children. Thus the National Child Benefit is making progress towards both anti-poverty and inclusion goals.

The Caledon Institute of Social Policy and other nongovernmental organizations have called upon the federal government to launch a second phase of reform whose aim is to reach an *adequate child benefit*. By adequate, we mean a maximum child benefit that largely offsets the cost of raising children in a low-income family. That would go a long way to filling the gap between wages, which pay workers as individuals, and family income needs, which depend upon family size. Modest- and middle-income families also would see an increase in their child benefits. Such an achievement would not only would mark the completion of one of the largest structural reforms in the history of Canadian social policy, but also would help the federal and provincial/territorial governments make progress on other important fronts, including rebuilding the system of income supports and employment and learning services for adults, and improving income support for children with disabilities.

In a 1997 report, Caledon suggested a target of \$4,000 for an adequate child benefit for low-income families, which amounts to about \$4,400 in today's dollars. But we deliberately erred on the low side and recommended that a study be done using more up-to-date data to ascertain the cost of raising children in low-income families. Clearly, we cannot reach that target in one or even a few Budgets, but we should be able to get there by the end of the decade. The UK and Australia already provide substantially larger child benefits to their low-income families.

The National Child Benefit is relevant to the challenge of building a national child care system in several ways – beyond the fact that a number of provinces and territories are reinvesting welfare savings in child care and other early childhood development services.

The National Child Benefit is one of the rare reforms in the history of Canadian public policy that sold itself to governments of all political stripes and hues by virtue of the logic of its substantive policy rationale – which is, first, to break down the welfare wall that stands in the way of families

moving from welfare to work; second, to provide a secure, fully indexed, portable and non-stigmatizing benefit that treats all low-income families equally and includes them in a social program that serves almost all families, poor and non-poor alike; and third, to help reduce the depth of child poverty. The National Child Benefit is an unusual reform because it involves not just Ottawa and the provinces/territories working closely together at both political and bureaucratic levels – a rare sight indeed in these years of uncooperative federalism – but also requires the two levels of government to implement significant integrated reforms that depend the one upon the other.

The National Child Benefit reform was launched quickly through a pragmatic political agreement, not after a lengthy process of new legislation or blue-sky ‘visioneering’ that is long on rhetoric and short on substance. Visions are useful only if they are seen not as an end in themselves, but as a necessary part of the policy development process in which concepts and broad purposes are translated into concrete objectives, implementation plans, budgets and timetables. In other words, we need more than a vision of where we want to go: We need to know how to get there.

The challenges facing governments in building a national child care system are in some respects different and more daunting than in reforming child benefits. Federal money and programming dominate and are driving the design and implementation of the National Child Benefit, through substantial increases in the federal Canada Child Tax Benefit that are triggering fundamental provincial/territorial reforms to welfare and reinvestment in a range of programs and services for low-income families with children.

In the Early Childhood Development Agreement, by contrast, Ottawa effectively is replacing funds that it cut previously and has no significant policy instrument because the provinces and territories have jurisdiction and pay the lion’s share of government costs. In the National Child Benefit, Ottawa is footing almost all the bill for the reform and wields the major instrument, the Canada Child Tax Benefit. In the Early Childhood Development Agreement, Ottawa is paying the full shot for the new money but has no direct policy or operational role and, as we shall see, no say over how the provinces and territories spend the federal dollars. Provinces and territories are expected to make “incremental” investments, which presumably means kick in some additional funding of their own, but the only specified dollars are federal.

Child benefits are a simple and straightforward form of provision in that they are income provided to families (through cash payments or tax savings), whereas childhood development services encompass a broader and more diverse range. As listed in the Early Childhood Development Agreement, they include promoting healthy pregnancy, birth and infancy; improving parenting and family supports; strengthening early childhood development, learning and care; and strengthening community supports for families with children. Child benefits are much older and more established than child care and other early childhood development services, though the two areas are equally in need of reform-through-restructuring. The National Child Benefit has been criticized by social advocacy groups but strongly supported by governments, whereas there is a strong consensus among

early childhood development experts and advocates about what a good system should look like – though not among governments which differ in their emphasis, if not vision, of what such a system (especially its crucial child care component) should be and how to build it. The advocates and experts have agreed upon an architecture, but governments have not.

Nonetheless, some of the success ingredients and lessons of the reform of child benefits could be ‘exported’ to building a national child care system. The key ingredients are flexible federal money, federal-provincial/territorial agreement on political and policy architecture, and shared political payoffs.

Federal money is crucial, now as it always has been in the development of national social programs, by which we mean not federal programs but those operated by provinces/territories according to a shared framework (architecture), with federal financial assistance. Ottawa only recently has emerged from a tough period of financial restraint that brought substantial cuts to federal funding of national social programs – including federal support for child care and other early childhood development services. Ottawa is boosting its expenditures on the Canada Child Tax Benefit; it must do the same on child care, even if the magnitudes are different because Ottawa operates the primary instrument in child benefits whereas the provinces/territories do so in early childhood development services.

Federal transfers for national social programs must be flexible and respect provincial/territorial priorities and timetables, as affirmed in the Social Union Framework Agreement. But Caledon believes that federal money should not be a blank cheque that can be cashed and laundered into other areas of provincial/territorial expenditure at will. The NCB reinvestment agreement allows the provinces/territories to spend welfare savings fuelled by increases in the Canada Child Tax Benefit on a wide range of programs (e.g., child care and other early childhood services, supplementary health care, employment programs for parents, income-tested child benefits and earnings supplements) on the condition that this federally-originated money is spent on low-income families with children and on the agreed upon range of income supports and social services.

Note that these conditions are not formal, legal and enforceable through financial penalties, as with the (now extinct) Canada Assistance Plan or the Canada Health Act. Rather, they are voluntary and result from a political agreement between the two levels of government that, most importantly, reflects a common commitment to the political and policy architecture of the National Child Benefit reform. The political architecture is simply the agreement to proceed with the NCB on the basis of a pragmatic, political handshake between the two levels of government. The policy architecture is the rationale for reform – symbolized by the terms ‘welfare wall’ and ‘remove kids from welfare’ – explained earlier.

It is noteworthy that, while Quebec did not participate in the political architecture of the NCB (for obvious political reasons), it in fact fully subscribes to the policy architecture of the

reform – indeed, had been advocating and moving towards an integrated provincial child benefit before the NCB came along. Low-income families in Quebec are benefiting the same as low-income families in other provinces from the increase in the Canada Child Tax Benefit and from the move from welfare-provided to income-tested provincial/territorial child benefits.

Another reason for the success of the NCB is that it is providing political payoffs for both levels of government. Ottawa can point to the substantial ongoing increases in the Canada Child Tax Benefit, a federal-only policy instrument that delivers cash payments that families see and appreciate. The provinces/territories can cite their increased investment in programs and services for low-income families with children, and (while this is a point of contention with welfare advocacy groups) the progress being made in lowering the welfare wall by removing the loss-of-welfare-child-benefit barrier to work. The provinces/territories also can tell Canadians that they are reaping administrative savings from the NCB, since most are using the personal income tax system to deliver their own income-tested child benefits. And both levels of government can claim, rightly, that they are working together effectively to address serious issues (child poverty and welfare dependency) that Canadians hold important.

ii. EI parental benefits

The National Children’s Agenda also has been advanced by Ottawa’s doubling parental leave benefits paid by Employment Insurance. This initiative is a welcome step forward in both family policy and labour market policy, as it helps ease parents’ struggle with their often conflicting roles as workers and as caregivers to newborns and infants. However, Caledon believes the federal government could strengthen this policy instrument further – e.g., by increasing the maximum length of benefits to two years, enhancing the level of benefits and extending coverage to self-employed parents.

The provinces and territories have a role to play in harmonizing their unpaid parental leave regulations with the changes in Employment Insurance paid parental leave. But this advance in the National Children’s Agenda is mainly Ottawa’s show and, in that sense, is much different from both child care, where the provinces and territories have primary jurisdiction and operational responsibility, and child benefits, where both levels of government operate programs.

As mentioned earlier, doubling the duration of EI parental benefits is an incremental improvement and leaves the present federal-provincial/territorial architecture of parental leave unchanged. However, apart from the difficulty of extending EI parental benefit coverage to the self-employed, which might suggest devising a new instrument, it seems prudent in this case to stick to the status quo, which certainly can be improved further in terms of the length and level of benefits. It is usually easier to reform an existing program than build a new one.

First-year analysis of the impact of the EI parental benefit reform shows positive results. The number of recipients rose significantly, from 174,000 in 2000 to 216,000 in 2001, for a 24.3 percent increase. The number of claims for parental benefits from men jumped by almost 80 percent, from 12,101 in 2000 to 21,530 in 2001 [HRDC 2002].

iii. Early Childhood Development Agreement

The Early Childhood Development Agreement, signed by the federal and provincial/territorial governments in September 2000, is an attempt to improve early childhood development services. Under the agreement, Ottawa committed a cumulative total of \$2.2 billion over five years to help provinces and territories invest (over and above what they already spend) in four areas: promoting healthy pregnancy, birth and infancy; improving parenting and family supports; strengthening early childhood development, learning and care; and strengthening community supports for families with children. Under the Agreement, the provinces and territories can allocate their new federal funds “on any or all of these areas.”

While better than nothing, the federal money in the Early Childhood Development Agreement has proven to be too small to carry much weight. Moreover, the provinces and territories can spend federal funds however they wish, so long as these go to early childhood development services. Thus the virtually-no-strings-attached federal dollars announced under the Agreement will do little if anything to help build a comprehensive system of high quality child care across Canada.

While the language of the Agreement enables provinces and territories to invest in child care, and a number of them are doing so, the ‘any or all of these areas’ clause is a powerful constraint on building the high quality child care system that is so badly needed and so essential to a comprehensive and balanced system of early childhood development services. The Agreement allows, but does not require, investment in child care. There is no guarantee under the existing arrangement that newly injected federal dollars will be used for this purpose.

While it is too soon to pass judgment on the Early Childhood Development Agreement, Ontario (which as Canada’s largest province, will get \$844.2 million over five years or 38.4 percent of the total) so far has not invested any of its new federal money in regulated child care. Others are putting new money into child care, but that will not build a national system where all Canadian families that need good child care can get it.

Moreover, even though some provinces and territories are spending some of the federal money on child care, there is no requirement that it be invested in those forms of care considered by the child development and population health literature to be of high quality. Any existing or new monies can be paid to parents through the provision of direct subsidies or indirect benefits in the form of tax breaks, such as credits or deductions.

On the surface, it might appear that the National Child Benefit suffers from the same absence of direction over where the provinces and territories spend their federal money. Under the NCB ‘reinvestment agreement,’ provincial/territorial governments can spend their federally-funded welfare savings in a wide range of programs serving low-income families with children, and thus they can invest in any or all of these areas in the same way as they can in early childhood development services under the Early Childhood Development Agreement.

But the NCB in reality is not quite the same as the ECD Agreement in this regard. For one thing, the increases to the Canada Child Tax Benefit and the offsetting shrinkage in welfare-provided child benefits are the dominant feature of the reform; the provincial reinvestments, while important, are secondary. And all but one (PEI) of the provinces and territories now provide some form of income-tested child benefit, in most cases financed through the federal reinvestment dollars, that replaces welfare child benefits. Thus there is a built-in parallelism between the federal and provincial/territorial child benefit reforms. But under the ECD Agreement, there is no federal lever enabling and encouraging provincial/territorial reforms; there is only federal money, not programs.

The argument typically made in support of direct subsidies to families or indirect assistance in the form of tax breaks is that these measures support parental choice. Parents can take the money intended for child care and use it to purchase any service that they choose.

The flaw in this argument, however, is that providing cash or tax breaks to parents goes only so far in meeting the objective of enhancing the availability of high quality child care. Indeed, the cash-for-care approach could result in little or no improvement in the supply of quality child care if parents use the money to buy unregulated child care either through choice or because they cannot find good care. At the end of the day, there must be something for parents to purchase. If there is little or no investment in the supply of high quality child care while at the same time the cash-for-care approach results in more parents looking for good child care, then this service becomes increasingly scarce relative to the demand.

Affordability is another serious problem with existing child care arrangements for many low-income and middle-income families. While providing more financial assistance to parents to buy child care might on the surface appear to ease the affordability problem, in reality the affordability and supply issues are linked. Child care providers can raise their prices if demand increases as a result of more parents shopping for their services; while providers may well increase their supply to meet the greater demand, they also could charge more. Again, there must be a sufficient supply of quality child care both for availability and affordability reasons.

But there is more than a simple supply/demand argument that is at play here. The evidence is clear: The multiple social, intellectual and developmental benefits of child care derive from services of high quality. The quality component was found to be an *essential* ingredient in the 2:1 benefit/cost ratio reported in the economic study cited earlier. The wide-ranging and long-lasting benefits of child care to both children and parents are highly unlikely in the absence of quality.

The most widely accepted mechanism for ensuring quality is through adherence to provincial and territorial guidelines that set standards for service provision in such areas as physical conditions, caregiver training, and health and safety considerations. Guidelines with respect to child/caregiver ratios, for example, help ensure that any given caregiver is not permitted to care for more than a designated maximum number of children.

Regulated child care services are provided in group-based day care centres or in private houses, known as ‘licensed family day care homes.’ Direct subsidy or indirect tax assistance, by contrast, provide no guarantee of high quality because parents can use the money to buy regulated or unregulated care.

Strengthening the Architecture

While the Early Childhood Development Agreement provides, in theory, a foundation for a national child care strategy, it does nothing in practice to move explicitly in this direction. It provides the necessary political architecture to enable reform, but it lacks the substantive policy architecture.

The Early Childhood Development Agreement’s political architecture is essentially the same as that of the National Children’s Agenda and is similar in form to that of the National Child Benefit. It is a political agreement between the federal and provincial/territorial governments that does not require any legislative changes, complex funding arrangements or formal conditions. Ottawa and the provinces/territories acknowledge the crucial importance of early childhood development services to children, their families, the economy and society. The agreement posits two very general objectives – “to promote early childhood development so that, to their fullest potential, children will be physically and emotionally healthy, safe and secure, ready to learn, and socially engaged and responsible; and to help children reach their potential and help families support their children within strong communities.” The agreement commits governments to work together and with families and communities “to improve and expand early childhood development services over time.”

But the Early Childhood Development Agreement constitutes what most charitably can be described as a first and partial draft of a policy architecture. It defines and categorizes the broad spectrum of early childhood development services. It offers some rather obvious homilies on “effective approaches to supporting early childhood development [which should be] focussed on prevention and early intervention; intersectoral; integrated; supportive of the child within the family and community context...[and] inclusive of children with different abilities; and children living in different economic, cultural, linguistic and regional circumstances.” True to its SUFA credentials,

the Early Childhood Development Agreement places considerable emphasis on the need for various forms of public reporting and accountability – which is important and useful, but only one part of the policy process and certainly not the most important.

The ECD Agreement lacks the essential core of policy architecture, which is a clearly articulated, compelling and substantive case for reform offering solid analysis and practicable solutions. It is just that core rationale for reform that distinguishes the NCB's policy architecture and has secured buy-in from governments of different parties and ideological persuasion. The NCB began with a forthright critique of the existing system of federal and provincial/territorial child benefit programs; set forth clear objectives that can be operationalized and evaluated; and then prescribed a formula for reform that specified joint and complementary action on the part of both levels of government.

It may well be that the ECD Agreement's ability to provide a political architecture acceptable to the federal and provincial/territorial governments stemmed from its very failure to set out a solid policy architecture that started with a tough, honest critique of the sorry state of early childhood development services viewed nationally. Although there has emerged a strong, evidence-based consensus among early childhood development/social policy experts and advocates (most of them nongovernmental, though the consensus includes some government officials who work in the area) as to the characteristics of a good early childhood development and child care system, such consensus likely does not hold at the political and official levels. Nor is the federal government willing or able to play as strong a leadership role in this area as in child benefits, now that the federally dominated cooperative federalism of the past has given way to the partnership federalism of today in areas of provincial/territorial jurisdiction. Moreover, public opinion may be less cohesive if not divided on child care, which is a much more contentious area among the public than child benefits.

While we recognize that creating a strong policy architecture for a national system of early child development services is a difficult challenge, the task is not impossible. Caledon wrote just such an architecture in its February 2000 report *Ottawa Should Help Build a National Early Childhood Development System* [Battle and Torjman 2000a] and its follow-up September 2000 report *A Proposed Model Framework for Early Childhood Development Services Within the National Children's Agenda* [Battle and Torjman 2000b]. The proposed architecture offers a vision, values, goals, categorization of services, medicare-like principles (comprehensiveness, universality, accessibility, quality and accountability), research- and practice-proven exemplary practices (service integration, mixed delivery, community base), roles for multiple stakeholders and multiple sources of financing (all three levels of government, business, community funds, private foundations and geared-to-income parental fees, including subsidies for low-income families).

How to get there

Unlike the National Child Benefit, which has a sound policy as well as political architecture that has built a strong foundation for an adequate child benefit, Canada will have to work towards a good policy architecture for child care and other early childhood development services in a more incremental way. The issue is how to make use of the political architecture that has been established to date to make progress towards a better policy architecture.

The Early Childhood Development Agreement constitutes the current political architecture, and doubtless is the mechanism that the federal and provincial/territorial governments will prefer to use – given their efforts to negotiate the agreement. The recent federal Speech From the Throne signalled a potential infusion of federal funding and energy in stating that the federal government “will work with its partners to increase access to early learning opportunities and to quality child care, particularly for poor and lone-parent families.” The explicit reference to “quality child care” is encouraging, since the Early Childhood Development Agreement does not require the provinces/territories to improve child care. (There is good news for the National Child Benefit as well, which will receive significant additional funding.)

But there is an important caution here. Despite the positive signal about the intent to invest in child care, we are ambivalent about this targeted approach.

On the one hand, quality child care is a key element of anti-poverty policy; it enables low-income parents to train or work and thus avoid or escape welfare, and has been shown to reduce the learning risks for poor children and improve their performance in school. Low-income parents often have trouble finding and affording good child care for their children; only a minority are able to gain access to subsidized child care, which is growing more scarce as a result of cutbacks and failure to invest in supply on the part of some governments.

So it may seem prudent to invest scarce new money in quality child care for low-income families. The National Child Benefit also is targeting its resources on low-income families with children, although the federal government has made some changes to the Canada Child Tax Benefit that are delivering small increases to non-poor families. The Speech From the Throne views these enhancements and other initiatives (targeted assistance to low-income families with children with severe disabilities, improved early childhood development programs for Aboriginal children and communities) as part of its commitment to “put in place a long-term investment plan to allow poor families to break out of the welfare trap so that children born into poverty do not carry the consequences of that poverty throughout their lives.”

On the other hand, the benefits of child care are by no means limited to poor parents and children. Families in all socioeconomic backgrounds need good quality child care. Modest- and

middle-income families often have trouble finding affordable quality child care. Many families that must use unregulated care do not qualify for the child care expense deduction because their caregivers work in the underground economy and do not provide the required receipts for child care. Moreover, there are advantages in terms of inclusion and socialization to child care facilities which serve children from diverse backgrounds.

A targeted-to-the-poor approach for new federal money makes sense only if it is a transitional strategy that, with other measures, helps build an inclusive child care system open to all families and all children. Otherwise, we risk a retrograde return to the categorization and marginalization that characterized the welfare system and for-the-poor-only social services of the past. Ottawa's desire to focus its new spending on early childhood development and child care is understandable and defensible, as part of its welcome commitment to combat poverty on several fronts. But that highlights all the more the need for the federal and provincial/territorial governments to work together to build a comprehensive child care system for all families.

The next step

The next step is to explore possible ways to build a foundation for developing a high quality national system of child care – that would represent major progress towards a strong policy architecture for early childhood development services generally – within the existing political architecture of the Early Childhood Development Agreement. If not feasible, then additions to the current political architecture, or entirely new approaches, should be considered. Four potential implementation mechanisms are discussed here: a codicil to the Early Childhood Development Agreement, a new national child care strategy, bilateral agreements on child care and federal-municipal agreements on child care.

We are focussing at this juncture on building a national child care system, which is an essential dimension of a good early childhood development system. And not just any form of child care: The new federal funding promised in the Speech From the Throne should be committed to improving “quality child care.”

a. Codicil to the Early Childhood Development Agreement

The existing Early Childhood Development Agreement could be strengthened considerably through the addition of a codicil – or extra clause – that would make new federal funding available for the express purpose of investing in high quality child care.

The codicil approach would be ideal in that it not only gives direction to the new federal expenditure – it must be spent on quality child care, a key element of a sound policy architecture for early childhood development – but also would utilize the political architecture of both the Early Childhood Development Agreement and the Social Union Framework Agreement (SUFA). A codicil would respect both the letter and spirit of SUFA. As discussed earlier, in February 1999, the federal and provincial governments, except Quebec, signed a Social Union Framework Agreement that spells out general rules for how these two levels of governments should work together. Its purpose is to promote a respectful and collaborative approach to resolving key social issues not clearly defined as exclusively federal or provincial/territorial.

Since SUFA was signed, an attempt has been made to embed its principles of cooperation and collaboration in all subsequent agreements in the social domain. A SUFA-friendly agreement is considered desirable because it reflects a positive relationship between the federal and provincial/territorial governments – a factor that has been shown to be essential to success, as in the case of the National Child Benefit.

b. New National Child Care Strategy

It may not be possible, however, to get all provinces and territories to agree to a codicil that targets additional federal spending to quality child care. Some may feel that this approach is too directive or intrusive. They may prefer to maintain the ‘no strings’ freedom of the current ECD Agreement. But it is likely that a majority of provinces and territories would be interested in federal funds intended explicitly for high quality child care, given that most already invest in this area and, in fact, direct most of their spending toward the supply of regulated services.

Thus a somewhat different route to reform would be to create an agreement for a new national child care strategy involving the federal government and the majority of provinces and territories interested in making investments in quality child care. While this new political architecture would not include all provinces and territories, it still would be considered SUFA-friendly.

The Social Union Framework Agreement allows new Canada-wide initiatives with the agreement of the majority of provinces and territories. More specifically, SUFA states: “With respect to any new Canada-wide initiatives in health care, post-secondary education, social assistance and social services that are funded through intergovernmental transfers, whether block-funded or cost-shared, the Government of Canada will work collaboratively with all provincial and territorial governments to identify Canada-wide priorities and objectives, and not introduce such new initiatives without the agreement of a majority of provincial governments” [Federal, Provincial and Territorial Governments 1999].

c. Bilateral Agreements on Child Care

Ottawa may find in discussions with the provinces and territories, however, that the majority of jurisdictions do not wish to sign onto a new national child care strategy. In this case, the federal government can still take action to encourage investment in high quality care. It could proceed by signing bilateral agreements with the jurisdictions interested in making new investment in this area.

The advantage of bilateral agreements is that they allow for flexibility and recognition of the different stages and levels of investments currently being made by provinces and territories. The approach could be tailored to the pace at which the individual provinces and territories would like to proceed – all within the framework of a clear purpose. While bilateral agreements would be designed to reflect differences in the spending pace and levels of the various participating jurisdictions, they all would be bound by a common set of guiding principles. Caledon has proposed the bilateral approach in its proposals for a national early childhood development architecture [Battle and Torjman 2002].

Despite the fact that a majority of provinces and territories would not be party to a new national agreement, the bilateral approach still would be considered consistent with the principles of the Social Union Framework Agreement. The primary requirement under SUFA is that the federal government, when using conditional transfers to introduce new and innovative programs, proceed in a cooperative manner that is respectful of provincial and territorial governments and their priorities. In this case, Ottawa would be expected, at the very least, to give fair notice of its intention to enter into bilateral agreements.

More specifically, SUFA states that: “The Government of Canada will consult with provincial and territorial governments at least one year prior to renewal or significant funding changes in existing social transfers to the provinces/territories, unless otherwise agreed, and will build due notice provisions into any new social transfers to provincial/territorial governments” [Federal, Provincial and Territorial Governments 1999]. The bilateral approach also would be consistent with the SUFA provision that respects jurisdictional difference: “Each provincial and territorial government will determine the detailed program design and mix best suited to its own needs and circumstances to meet the agreed objectives” [Federal, Provincial and Territorial Governments 1999].

d. Federal-Municipal Agreements on Child Care

Finally, it is possible that the federal and provincial/territorial governments simply would not be able to find sufficient common ground for a new child care strategy – even with jurisdictions that already invest in high quality care. In this case, Ottawa could facilitate the investment in high quality child care by signing agreements with local governments or with voluntary organizations that would make a commitment to provide and/or purchase such care.

There is precedent for this approach in the Supporting Communities Partnership Initiative (SCPI) model, which the federal government announced in 1999 in response to growing pressure for action on homelessness [Torjman 2002]. This political architecture relies on private and public partnerships at the local level. Modest funds for tackling homelessness were granted to cities that qualified on the basis of population size, extent of poverty and average rental vacancy rates for 1998 and 1999.

While the agreement focussed initially upon the top ten cities that met these criteria, the Supporting Communities Partnership Initiative since has been applied more broadly. As SCPI entered its third year, at least 61 communities had come together to develop comprehensive plans for tackling homelessness.

The advantage of this approach is that it enables the federal government to take leadership on child care and to work with partners that are interested in proceeding to make the investments in high quality care. Moreover, the SCPI experience is instructive in that it started with a handful of selected municipalities and grew exponentially in a short period of time.

The disadvantage of this approach is that municipalities in only certain jurisdictions – such as Ontario – play a prominent role in the financing of child care. Local governments in other parts of the country may not be similarly interested in signing on if they do not pay directly or substantially for child care.

Neither would this approach help build a comprehensive system across the country. Instead, good child care might end up being rather heavily weighted in only certain jurisdictions. It may be possible to restore the potential imbalance through agreements with voluntary sector organizations in jurisdictions in which municipalities play relatively small roles. At some point, however, provincial or territorial governments would have to come on board with financing, in order to avoid extraordinarily high parental fees.

Guiding principles

Each of the four possible implementation mechanisms described here has advantages and disadvantages. The desired option is the first one, which engages all the provinces and territories in a common plan for substantive policy reform – the successful National Child Benefit approach.

But even if this is not possible and other mechanisms need to be employed, they all should be bound by common principles that ensure high quality care. These principles pertain to accessibility, service quality and accountability. They are essential elements of the policy architecture required to build the strong national system of child care that Canadian families and Canada need.

While the implementation mechanisms may vary, the principles cannot. High quality is the bottom line when it comes to any national approach to child care.

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The Caledon Institute of Social Policy
1600 Scott Street, Suite 620
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Phone: (613) 729-3340
Fax: (613) 729-3896
E-mail: caledon@caledoninst.org
Website: www.caledoninst.org

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