Child Care and Early Learning
Supporting Wise Public Investment

A Submission to the Council of Waterloo

February 25, 2009

The Ontario Coalition for Better Child Care (OCBCC) is a non-partisan advocacy organization that was founded in 1981 to advocate for universal, high quality, non-profit regulated child care in Ontario. Our membership includes representatives of more than 500 organizations and individuals in the child care and early learning sector.

This presentation represents the views of the Ontario Coalition for Better Child Care (OCBCC) a non-partisan advocacy organization representing 500 organizations and individuals in the child care and early learning sector. Since 1981 the OCBCC has been working to improve the quality of and access to child care and early learning services in Ontario.

Specifically, it is focused on the motion of the Waterloo Regional Council to lift the moratorium which currently limits new child care service contract to the not-for-profit sector.

The moratorium was put in place in response to the threat of corporate child care. This action, by your Council and others across the province have, in fact temporarily stalled the growth of 123 Busy Beaver a foreign owned corporate entity that was looking to aggressively move into the child care service market in Ontario and across Canada. However, it has not stopped the growth of corporate child care. In fact, we suspect that the growth of for-profit care has grown substantially in Ontario over the last few years. We also have evidence that there is a new corporate threat in the form of a Real Estate Investment Trust which is detailed in this document.

We are thankful for this Council's courage to take on a policy decision that truly belongs at the provincial and federal level. Canada is the only country among its OECD peers that does not adequately invest in the development of public child care services. In fact, Canada ranks last among the 14 most developed countries in the world, and not by a small margin but by a substantial length.

This neglect at the federal level means that the policy discussions intended for the House of Commons or the Provincial Legislature have become the burden of municipalities and community groups. So we applaud your ability to tackle the issues and commend your obligation to up-hold the public good.

In this case, the public good means ensuring quality child care services for the children of Waterloo Region.

Lifting this moratorium is not simply about a few small businesses in the Waterloo region gaining a foothold -it is about making wise investments with public dollars.

Individuals, corporations and/or REIT's (Real Estate Investment Trusts) are currently lobbying governments in Canada with child care property development and leaseback proposals. While the specifics may vary, these schemes have common elements of concern that have contributed to the recent collapse of ABC Developmental Learning Centres Pty Ltd (ABC Learning) in Australia, *and to the dramatic rise in both the cost of child care and related government expenditures in that country.*

ABC Learning was the world's largest child care corporation. It is now in receivership, and significant questions are being raised about the role that child care property development and leaseback agreements have played in the corporation's demise. As we learn more about the current proposals and lobbying activity in Canada, our primary concerns are:

1. The terms and conditions of the proposals raise serious questions about government's ability to protect the public interest, and

2. The related budget and operating plans clearly reveal why the public goals of quality, affordability and accessibility will go unmet.

These conclusions are based on a review of proposals on their own merits, without consideration of the individuals or groups behind them. Generally, the proposals suggest that:

- A private investment fund will finance, build, equip and own several large new child care centres and a separate organization will operate the centres. The operating organization will enter into a lease agreement with the fund for the use of the space.

- A provincial government will provide the same level of public funding to new child care centres as it does for existing centres (mainly, parent fee subsidies for eligible families and, in most provinces, operating funds such as staff wage enhancements).

- **Governments will provide legal guarantees to the centre owners** (the private fund) **committing to the required lease payments in the event that the operator defaults.** In other words, a public guarantee of private investment returns is proposed.

The operating budgets outlined in the proposals cast serious doubt that the public goals of improving access to quality, affordable child care services would be achieved. For example, the budget proposed to one provincial government contained unusually high lease costs, absorbing more than 25% of total expenses. In fact, occupancy costs, management fees and expected profits together appeared to consume almost 40% of the operating budget. Only 50% of the budget was allocated for staff, the key indicator of quality in child care.

It should be noted that ABC Learning has reported that it allocates only 50% of its budget to staff wages and benefits, while small commercial operators in Australia spend about 60% of budgets on staff. **Non-profits in both Australia and Canada devote 80 – 85% of centre operating budgets to staffing costs.** Yet even with the vast majority of operating expenses devoted to staff costs, college-trained child care workers in Canada are notoriously poorly paid.

Canadian families already pay amongst the highest fees in the world. Nonetheless, the operating budgets in the proposals suggest that to generate the revenues required to provide the required returns to the private investors, current fees would increase substantially. Both quality and affordability would suffer under these scenarios.

Finally, even the basic promise of net expansion in the number of child care spaces is overstated in these proposals. Early Childhood Education and Care in Canada 2006 indicates that approximately one centre closed for every 1.5 centres that opened during the year. So, without improvements to current policy and funding to address the fragility of child care services, it is likely that this closure rate will continue.

Therefore, it is our assessment that government involvement in this kind of property development/lease back proposals carries significant risks to the public interest. The similarities between the Australian experience and these proposals stimulate the following conclusions:

- Neither quality nor affordability will be achieved
- Growth in spaces will be offset by closures, particularly of small, for-profit operators as was the Australian experience
- Growth will be least likely to occur in less profitable areas and for less 'profitable' children (for example, children with disabilities, rural or isolated communities, infants and toddlers)
- The proposed new centres will not be any more financially viable than current child care centres. As a result, governments will have to step in with public funding for centre owners (the fund), which would divert it from improving quality and affordability for children and families
- The only likely winner would be the fund which would have real estate assets as a result.

Other threats to improving access to quality, affordable child care lie closer to home and may involve smaller organizations. Given that less than 20% of children in Canada, outside of Quebec, have access to a regulated child care space, some entrepreneurs see child care as a potential business opportunity. They seek government support through reduced quality standards (i.e. relaxing regulations such as licensing, zoning or bylaw variances or changes) and/or financial incentives (e.g. capital, operating grants) to open new or expanded for-profit child care programs.

These entrepreneurs have much in common with those promoting property development and leaseback schemes: the pressure for return on investment undermines quality (pressure to lower wages and standards), affordability (pressure to raise parent fees) and accessibility (pressure to serve 'profitable' families and communities). Yet, if they are unable to operate a successful business and the centre closes, the public investment is lost.

Given the high rates of centre closure previously described, and the lack of access to quality, affordable child care services in Canada today, it is clear that we cannot and should not rely on private individuals, groups and businesses - the current market-based approach - to solve Canada's child care crisis.

Recommendations:

Maintain the moratorium until a thorough evidence review is conducted. This should include:

A) An external expert review, as was commissioned by the City of Toronto (2008) and conducted by economist Gordon Cleveland, on the issue of for-profit child care. The review must consider the implications of for-profit service on quality, access and public financing for the region of Waterloo;

B) Create a plan for expanding non-profit and public child care where spaces are needed taking into account regionally-determined geographic and demographic priority areas

Defining Quality

So why is quality so important?

There is overwhelming evidence that supports ECEC as an economic and social policy imperative. In this regard, there are two key facts that can not be overlooked. The first is that more than 70 per cent of mothers of three- to five-year-olds are in the labour force in Canada. The second is the first five years of a child's life are the most critical in determining healthy life outcomes; yet quality services are scarce. In fact, only 12% of Ontario's families (17% nationwide) have access to regulated care for their children. This means the vast majority of children under six are in unregulated care settings where quality is not monitored.

These points only go to heighten the need for development and support quality services. Canada's future health and prosperity relies on it.

So how is quality defined?

Ensure High Quality Service: High quality early learning and care programs promote healthy child development. Educators and researchers have concluded that the quality of these services is positively impacted by:

- **Learning Environment**: A quality setting is one that is child-centered, providing care integrated with developmentally appropriate activities for young children. The setting has a richness of resources including educational tools and high nutritional standards.

- **Adult to Child Ratios**: The number of adults as compared to the number of children is crucial given that high adult to child ratios and capping class size enhances the capacity of staff to more sensitively interact with the children and parents.

- **Qualifications, Remuneration and Morale of Staff and Providers:** Highly qualified, well-paid and well-supported staff who experience high job satisfaction with low turn over rates are better able to respond to all children, to plan and support developmentally appropriate programming, and to provide learning and care that respects diversity and values all children and families.

- **Public Non-profit Delivery**: The research in Canada and internationally is clear that non-profit early learning programs consistently serve children and families better and are of higher quality. Any new investment in the sector should be for expansion in the public and non-profit sector only.

- **Equity and Inclusion**: The principles of equity and inclusion incorporate basic values that celebrate diversity. Programs must promote and support the right of and opportunity for each child to be a full and active participant and learner.