

**MANITOBA  
ALTERNATIVE  
PROVINCIAL  
BUDGET 2020**  
**Childcare**



**CCPA**  
CANADIAN CENTRE  
for POLICY ALTERNATIVES  
MANITOBA OFFICE

**CHANGE  
STARTS  
HERE**

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# Childcare

Manitoba's childcare system is under severe strain.<sup>1</sup> There are too few licensed childcare spaces; over 16,600 names are on the central waiting list, and there are only 37,459 licensed spaces in the province. Parent fees, while stable, are still too high for many. Only a handful of low-income parents can use regulated childcare, because the subsidy system is harshly restrictive. Facilities and programs are suffering, some are contemplating closure, and almost none can undertake expansion. In recent years, childcare spending has been frozen at 2016 levels — and was too low even four years ago.<sup>2</sup> Worse, the province is not even spending the insufficient funds it has allotted. In 2018–2019, the province underspent the Financial Assistance and Grants share of the budget (the part that helps programs and parents the most) by \$9 million — or a functional reduction of 5 per cent. Manitoba's approach to childcare is especially concerning in light of the federal Multilateral Framework Agreement on Early Learning and Child Care, which is providing an additional \$15 million per year to Manitoba.

Manitoba has historically been a national leader in childcare. Two policy instruments have been at the heart of Manitoba's policy regime.

First, since 2001, Manitoba has prioritized supply-side financing through dedicated operating support (called “unit funding”). This funding covers approximately 42 per cent of program operating costs, with parent fees making up the remaining 58 per cent. The second feature protects public dollars by prioritizing non-profit care and restricting the role of commercial enterprises. Both unit funding and the principle of not-for-profit care are under attack: our proposed budget in APB 2020 is a first step saving both instruments and repairing years of neglect.

We invest in childcare because it is important and has far-reaching effects. High quality childcare enhances all children's healthy development, supports families, and is a precondition for women's equality. Childcare promotes school readiness, helps build healthy communities, helps reduce poverty, creates jobs, helps parents work, contributes to the life-long good health of children, and aids in the building of safer communities. The Truth and Reconciliation Commission underlined how essential culturally appropriate early childhood education programs are for Indigenous families and reconciliation. Inclusive early childhood services promote equity among classes, levels of ability, racial and ethnic groups

(including newcomers), and generations — all of which strengthens social solidarity and inclusion.

Manitoba's regulated childcare system ensures a floor of safety and quality for children and families. Manitoba has 713 childcare centres that supply 92 per cent of the province's childcare spaces. Nearly all centres (680 or 95.3 per cent) are charitable not-for-profit organizations run by parents and community groups. Less than five per cent (33 centres) are run by private businesses, with private owners, to make private profits from the fees parents pay. The remaining 8 per cent of Manitoba's regulated childcare spaces are provided in private homes: 448 homes supply 3,286 spaces. Fewer than one in seven home providers has specialized education to work with young children, and half of all homes close within four years of opening.<sup>3</sup>

Manitoba has 191,000 children aged 0–12 years, and 116,400 of them have an employed mother (data on employed fathers is neither collected nor reported).<sup>4</sup> These children must compete for only 37,459 licensed spaces — a licensed childcare space for fewer than one in five children. Manitoba's childcare coverage rate of licensed spaces for 18.8 per cent of the child population is well below the Canadian average of 27.2 per cent.<sup>5</sup> Some observers have analyzed access through the lens of childcare 'deserts:' defined as a postal code where there are more than 50 young children, but less than one licensed childcare space for every three of them. Manitoba is in tenth place among Canadian provinces and territories: 6 in 10 Winnipeg children live in a childcare desert and 8 in 10 rural Manitoban children live in a childcare desert.<sup>6</sup>

Childcare is a market service, and parents must therefore pay fees. Manitoba is one of the rare provinces that has province-wide standardized fees. Parent fees are made less expensive because of direct operating/unit funding, but parents still contribute well over half (58 per cent) of all revenue in the childcare sector. Fees vary by the age of the child, since younger children

require higher staff ratios for safety and developmental reasons. Parent fees also vary by the type of care: fees are lower in family homes than in centres. Parents using full-time care pay \$30/day for each infant, \$20.80/day for each preschooler, and typically \$10.30/day for each child aged 6–12 while school is on. In family homes, the fees are lower: usually \$20.20/day for each infant, \$16.20/day for each preschooler, and typically \$8.30/day for each child aged 6–12 while school is on. In a small number of childcare centres which are designated as 'workplace' centres, the fee can be considerably higher. While the daily fee seems manageable, the annual costs are high: \$7,200/year for an infant and \$4,512/year for a preschooler. Nevertheless, Manitoba's parent fees are the second lowest in Canada.

Manitoba fees only seem 'affordable' because the cost is astronomical in all other provinces save Quebec. Full-fee paying parents pay a large share of their family income to use childcare. For example, a Manitoban middle-income two-parent family with two children will pay 22 per cent of their net income on childcare fees.<sup>7</sup> One Canadian economic study suggested that paying anything over ten per cent of family income is unaffordable.<sup>8</sup> Even this is likely too high: the USA uses seven per cent of family income as its maximum target. Sweden is even lower, at no more than three per cent of family income.<sup>10</sup>

Low-income parents who work, study or are in training, as well as some parents and children with identified social needs, may receive a full or partial childcare subsidy. The thresholds for eligibility are very low (see Table 1, below), and were last set in 2013. If subsidy eligibility had simply kept up with inflation since 1999, many more families would be eligible today (see Table 1, below). Nearly all parents who qualify for a 'full' subsidy will be surcharged \$2/day per child — a cost that can be formidably high for many poor families. A 'fully' subsidized single parent with two children would pay \$1,040/year of surcharges, and surcharge represents over 9

TABLE 1 Poverty Lines and Childcare Subsidy Levels, 2019 and 1999<sup>13</sup>

	Low-Income Cut-off (2017) in Winnipeg After Tax <sup>14</sup>	Maximum Income Level for 'Full' Subsidy (2019) After Tax <sup>15</sup>	1999 Eligibility in 2020 Adjusted Dollars After Tax
One parent & one child	\$25,555	\$16,420	\$20,597
One parent & two children	\$31,822	\$19,462	n/a
Two parents & two children	\$39,701	\$22,504	\$29,229.67

per cent of that single parent's net income.<sup>11</sup> A two parent, two-child family must be \$17,000 under the poverty line to qualify for a full subsidy. No doubt this explains why just 17 per cent of families today receive a subsidy, a precipitous drop from two decades when the figure was about 50 per cent.<sup>12</sup>

It is in this stressful context that Manitoba policy and funding changes are occurring. Family Minister Heather Stefanson and her colleagues are proposing policy and funding changes that will worsen access, affordability, and quality for children and parents (both full-fee paying and subsidized), and which further threaten supply-side funding and not-for-profit provision.

The clearest signal is that operating funding has been frozen at 2016 levels, and even that has been underspent by over \$9 million, or five per cent. The funding freeze has meant early childhood educator wages have also been frozen for four years. A best practice in childcare is that 85 per cent of a centre's budget is dedicated to staff wages and benefits — one of the reasons why the input-output (also known as 'multiplier' or 'ripple') effects of childcare are so positive, and why the sector is such a job creator. Childcare is a labour-intensive green industry that provides meaningful jobs for women, while also supporting parental employment. But the freeze on supply side funding is having troubling consequences for families, staff, and programs.

As rents and other costs increase, facilities are squeezed. When already low staff pay can't even keep up with inflation, few people want to enter the field. Many others are forced to quit.

The number of new students enrolling in the two-year ECE community college degree is plummeting: enrollments are down over 25 per cent. To meet provincial safety and quality regulations, two-thirds of staff must have specialized early childhood education (ECE) training, but many centres cannot recruit and retain enough trained staff due to underfunding. This causes a negative cascade on quality for children and families.

Beyond freezing [and underspending] operating funds, the province is abandoning the principle of not-for-profit childcare. While most experts agree that non-profit care is more efficient and higher quality,<sup>16, 17</sup> the Conservative government takes the opposite view. The Minister of Families is on record as saying the "private sector is underrepresented in Manitoba's childcare sector compared to other provinces," lamenting that private spaces make up less than five per cent of Manitoba's childcare system.<sup>18</sup> Rather than protecting this strength, the PC government is aggressively opening up childcare to commercial interests.

In 2018, Manitoba launched a regressive Child Care Centre Development Tax Credit Program, worth \$2.1 million. This program provides a tax credit for private corporations which create spaces. Each eligible corporation can receive a windfall of \$740,000 of capital dollars — money that permanently leaves the public sector when it transfers into private hands.<sup>19</sup> In contrast, when charitable and not-for-profit associations applied for capital funds to build childcare centres, they were capped at \$600,000, and these dollars had to be redistrib-

uted to other charitable or non-profit groups if the centre were ever to close down, preserving the value of taxpayer money.<sup>20</sup>

The 2019 Speech from the Throne accelerated privatization, promising to “expand private sector investment”.<sup>21</sup> Manitoba has recently proposed spending \$18 million/year to provide parents with cash to spend on any kind of childcare, including risky unregulated childcare. The Minister of Families’ 12-month action plan touts the intention to introduce “a private sector/for-profit capital grant to incentivize expansion or new development of for-profit child care centres”.<sup>22</sup> No capital dollars have been allocated to the non-profit sector. Perhaps most worrying, last summer the Province issued a secretive call asking for consultants to redesign the provincial funding architecture to ‘modernize the child-care sector.’ Potential bidders were required to sign a non-disclosure agreement to access the RFP and amount of the funding provided was not released.

Management consultants KPMG have been hired to do this work.<sup>23</sup>

What immediate steps must be taken to support charitable and not-for-profit childcare in Manitoba? Our proposed budget has four immediate top priorities:

- to protect parents against fee increases;
- to enhance childcare subsidies so low-income Manitoba families can access childcare;
- to provide operating funding so licensed programs are financially stable;
- to enhance quality by paying market-competitive salaries that reduce staff turnover and promote the retention of trained early childhood education professionals.

Once the current system is stabilized, we will increase the number of childcare spaces. We must do more than maintain childcare, we must ramp up the system to meet the needs of more chil-

dren and families — and this means increases to the childcare budget must be much larger than increases in the budgets of services that are already fully mature and implemented. As a consequence, childcare budget increases will have to be sizeable for at least the next five to six years before the childcare system is ready to move into maintenance mode. Over this term, we will modernize the operating funding formula to recognize that childcare is a public good. We will ensure that no Manitoba parent ever pays more than 10 per cent of their net income on childcare fees, and we will seek to reduce this ceiling. This ambitious agenda will require multi-year planning, including increased contributions by the federal government as a partner committed to supporting families and children.

#### 2020/21 Budget Implications

We begin by assuming that all estimated dollars will actually be spent. Then, we reassign the \$2.1 million Child Care Centre Development Tax Credit Program away from large private corporations and to charitable and not-for-profit associations. Second, we reverse the risky use of \$18 million on unmonitored and unregulated care, and spend this on improving subsidies in the regulated sector.

We restore four years of frozen operating grants, and go further. To do this, we follow the MCCA recommendation to increase unit funding by 47 per cent:<sup>24</sup> this will ensure that facilities have the supply-side funding they need to meet program costs, including paying market-competitive salaries to early childhood educators without triggering parent fee increases. This also permits increases to the Inclusion Program to help children with additional support need. Our budget restores the full complement of public servants at Manitoba Early Learning and Child Care, to serve those working in the sector alongside the citizens and children who use childcare. Finally, we cancel the corporate

**TABLE 2 Manitoba Early Learning and Child Care Expenditures**

	Actual 2018/19 \$000	Estimate 2018/19	Estimate 2020/21 \$000
Salaries and Employee Benefits	4,571	5,384	5,384
Other Expenditures	264	700	700
Financial Assistance and Grants	169,972	178,977	263,096
<b>Total Expenditures</b>	<b>174,807</b>	<b>185,061</b>	<b>269,180</b>

contract with KPMG, at a cost-savings that is currently unknown.

We note that Manitoba can count on receiving \$15 million in 2020/21, and likely more go-

ing forward from the federal Multilateral Early Learning and Child Care Agreement, and so this reduces the 2020/21 cost to Manitoba to \$254,180.

*Total Expenditure: \$254M*

<sup>1</sup> Unless otherwise stated, current data about Manitoba's childcare system is drawn from the Manitoba Families *Annual Report, 2018–2019*. Retrieved from [https://www.gov.mb.ca/fs/about/pubs/fsar/fsar\\_2018-2019.pdf](https://www.gov.mb.ca/fs/about/pubs/fsar/fsar_2018-2019.pdf)

<sup>2</sup> Family homes have received a small funding increase. Since 2017, homes have received policy preference and priority over centres — a paradoxical focus, given that they serve less than one in ten children using licensed care in Manitoba, and public opinion polling finds 75% of parents prefer centre-based care (Manitoba Child Care Association, 2016).

<sup>3</sup> Prentice, S., Sanscartier, M., & Peter, T. (2016). Home sweet home? An evidence-based analysis of family home childcare in Manitoba: Working paper.

<sup>4</sup> Friendly, M., Larsen, E., Feltham, L., Grady, B., Forer, B., & Jones, M. (2018). *Early childhood education and care in Canada 2016*. Toronto: Childcare Resource and Research Unit. p. 70.

<sup>5</sup> Ibid. p. 146.

<sup>6</sup> Macdonald, D. (2018). *Child care deserts in Canada*. Toronto: Canadian Centre for Policy Alternatives. p. 10 and 48.

<sup>7</sup> Flanagan, K., & Beach, J. (2016). *Report of the commission on early learning and child care*. [https://www.gov.mb.ca/fs/childcare/childcare\\_news/pubs/final\\_report.pdf](https://www.gov.mb.ca/fs/childcare/childcare_news/pubs/final_report.pdf) p. 47.

<sup>8</sup> Cleveland, G. (2018). *Affordable child care for all: Making licensed child care affordable in Ontario*. <http://www.edu.gov.on.ca/childcare/affordable-for-all-en.pdf> Toronto: Cleveland Consulting.

<sup>9</sup> Miller, C. C. (2020, January 17). Why mothers' choices about work and family often feel like no choice at all. *The New York Times*. Retrieved from <https://www.nytimes.com/2020/01/17/upshot/mothers-choices-work-family.html>

<sup>10</sup> Commission/EACEA/Eurydice/Eurostat, E. (2017). Sweden: Overview. Retrieved from <https://webgate.ec.europa.eu/fpfs/mwikis/eurydice/index.php/Sweden:Overview>

<sup>11</sup> Flanagan, K., & Beach, J. (2016). *Report of the commission on early learning and child care*. [https://www.gov.mb.ca/fs/childcare/childcare\\_news/pubs/final\\_report.pdf](https://www.gov.mb.ca/fs/childcare/childcare_news/pubs/final_report.pdf) p. 14.

<sup>12</sup> Prentice, S. (2000). *A decade of decline: Regulated childcare in Manitoba, 1989–1999*. Winnipeg: Canadian Centre for Policy Alternatives-MB.

<sup>13</sup> We model all three families with preschool-aged children

<sup>14</sup> LICO are often referred to as the 'poverty line.' Source: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110024101>

<sup>15</sup> Source: Stephen-Wiens M. *Letter to Centre Directors: Subsidy Eligibility Tool*. Winnipeg: Early Learning and Child Care, Department of Families; 2019 March 21.

<sup>16</sup> Cleveland, G., & Krashinsky, M. (2009). The non-profit advantage: Producing quality in thick and thin child care markets. *Journal of Policy Analysis and Management*, 28(3), 440–462.

<sup>17</sup> Penn, H. (2009). International perspectives on quality in mixed economies of childcare. *National Institute Economic Review*, 207(January), 83 - 89.

- 18 Canadian Press. (2019). Manitoba PCs pledge child-care subsidy, while NDP says waitlists grew under Tories. *CTV News*. Retrieved from <https://www.ctvnews.ca/canada/manitoba-pcs-pledge-child-care-subsidy-while-ndp-says-waitlists-grew-under-tories-1.4555206>
- 19 Manitoba Families. (2019). A guide to the child care centre development tax credit program. Retrieved from [https://www.gov.mb.ca/fs/childcare/resources/centre\\_dev\\_tax\\_credit.html](https://www.gov.mb.ca/fs/childcare/resources/centre_dev_tax_credit.html)
- 20 Capital grants through the MELCC Building Fund have not been disbursed for several years, and no announcement has been made about a call in 2020.
- 21 Government of Manitoba. (2019). *Speech from the throne: At the opening of the second session of the 42nd legislature*. Retrieved from Winnipeg: <https://www.gov.mb.ca/thronespeech/index.html>
- 22 Minister of Families. (2019). *Shared priorities, sustainable progress: A 12-month action plan for Manitoba families*. Retrieved from Winnipeg: <https://www.gov.mb.ca/fs/pubs/shared-priorities-sustainable-progress.pdf>
- 23 Government of Manitoba. (2019). Manitoba creates new early learning consultation table to increase options for families [Press release]. <https://news.gov.mb.ca/news/index.html?item=46440>
- 24 MCCA. (2019). *2019–2020 early learning & child care recommendations*. Retrieved from <http://mccahouse.org/wp-content/uploads/2019/10/Recommendations-to-Government-2019-20.pdf>