



Matthew Lau

# WIDESPREAD SHORTAGES SKYROCKETING COSTS

The growing calamity that is  
government-controlled child care

April 2024



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Cover design: Renée Depocas

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## Executive summary | *sommaire*

**In its 2021 federal budget**, the Liberal government introduced its national child care plan. It proposed up to \$30 billion in new spending over five years, and then \$9.2 billion annually on an ongoing basis to establish national government-regulated child care at an average out-of-pocket cost to families of \$10 per day. The stated objective was to build a high-quality, affordable, and accessible child care system across Canada.

The early evidence on the effect of the government program is not encouraging. Despite billions of dollars in new government spending, in 2023 there were fewer children in child care arrangements of any sort than before the pandemic in 2019. Centre-based child care attendance was up, but this was offset by a larger decline in other forms of child care, including home-based child care businesses.

Specifically, only 56.1 percent of children aged 0 to 5 years were in child care in 2023, down from 59.9 percent in 2019 – a decline of 118,000 children attending child care. Child care attendance was flat or down in every province in Canada, a telling sign that there are problems with the national program and not simply with local implementation.

The reduction in child care attendance does not reflect declining demand. Out of families using child care, the percentage who reported difficulty finding that care rose significantly to 46.4 percent in 2023 from 36.4 percent in 2019, with the reported difficulty increasing in every province. The fact that finding child care has become more difficult even though fewer people are using it is clear evidence of declining accessibility.

There is also abundant evidence of a heavy administrative burden on top of the billions of dollars in annual taxes needed to fund the program, suggesting that even if out-of-pocket fees fall with government subsidies, the all-in costs of providing child care are up. For example, in Ontario, a government memo noted in 2023 that child care funding to municipalities would include \$26 million for administration of the federal program, \$85.5 million in “one-time” payments for administration, plus \$4.5 million for the administration of other grants.

Significant administrative costs are also downloaded to providers themselves, not only in Ontario, but in other provinces. Krystal Churcher, chair of the Association of Alberta Childcare Entrepreneurs, estimates that for her business, the government-imposed admin-

istrative burden works out to about \$28 per child per month, plus an annual audit fee of \$30,000. Estimates show that between the additional administrative costs and the negative revenue effects of price controls, the typical child care business in Alberta could expect to see half its earnings wiped out.

Unsurprisingly, given the dismal statistics on child care attendance and availability as well as the severe financial burdens imposed on operators by government, stories of child care crises and shortages are widespread in Canada. In Vancouver, there is a shortage of 15,000 spaces for children up to age 12. Toronto is projected to fall well short of its child care space targets, and the Financial Accountability Office of Ontario warned in 2022 that even if the provincial government hits its targets to create 375,000 child care spaces by 2026, there would still be a massive shortfall of 227,000 spaces.

News stories report that since the roll out of the government child care program in Ontario, wait lists have expanded by 115 percent in Waterloo, 76 percent in the Niagara region, and 41 percent in Ottawa. In Coquitlam, British Columbia, some parents are waiting three years for child care spots; on the other side of the country in Prince Edward Island, the wait list for child care spaces has ballooned by about 65 percent in the last four years.

The inaccessibility of child care is exacerbated by the inflexibility imposed on families. Subsidizing formal, government-regulated options at the expense of alternatives that many families prefer is a severely deleterious substitution of political judgment in place of parental judgment, and this is exacerbated by discrimination within the government-regulated sector against for-profit private sector operators. Quality and choice have both suffered as a result.

Lastly, it is telling that when the national child care plan was introduced, much of the focus was not actually on caring for children, but on changing the nature of women's work to the kind that shows up in GDP statistics instead of the kind that takes place at home. The early evidence, however, is that national child care has failed to achieve its goals with respect to female employment and labour participation. And even if this goal were to be achieved, it does not mean the program is beneficial: it simply means the government has distorted the nature of women's work versus what women would have ordinarily chosen.

If Canadian families are struggling with the cost of child care, the way to properly and directly address this is to increase their purchasing power. This was the solution endorsed by Canadians in 2006 and implemented by the federal Conservative government, which gave money to parents in the form of the Universal Canada Child Benefit and let them decide how best to use it to improve their family's well-being and care for their children.

The government takeover of the child care sector is entirely unjustified, and the results have been calamitous. [MLI](#)

**Dans son budget fédéral de 2021**, le gouvernement libéral a présenté son plan national de garde d'enfants. Il a proposé jusqu'à 30 milliards de dollars de nouvelles dépenses sur cinq ans, puis 9,2 milliards de dollars pour chaque année subséquente, afin de mettre en œuvre un programme d'État de garde d'enfants, à un coût direct moyen de 10 dollars par jour pour les familles. L'objectif officiel était de mettre en place un régime de haute qualité, abordable et accessible partout au Canada.

Les premières données sur l'effet du programme ne sont pas encourageantes. Malgré les milliards de dollars de nouvelles dépenses publiques, en 2023, moins d'enfants qu'avant la pandémie, en 2019, étaient confiés à des services de garde de toutes sortes. La fréquentation des services en établissement a augmenté, mais cette hausse a été contrebalancée par une baisse plus importante des autres formes de garde d'enfants, y compris des services à domicile.

Plus précisément, seulement 56,1% des enfants âgés de 5 ans et moins étaient confiés à des services de garde en 2023, contre 59,9 % en 2019 – une baisse de 118 000 enfants. La fréquentation des services de garde est restée inchangée ou a diminué dans chacune des provinces, un signe que le programme national se bute à des difficultés qui vont bien au-delà de la mise en œuvre à l'échelle locale.

La fréquentation moindre n'implique nullement une baisse de la demande. La proportion de familles utilisatrices de services de garde déclarant éprouver des difficultés à s'en prévaloir a notablement augmenté, passant de 36,4 % en 2019 à 46,4 % en 2023, et la problématique s'est intensifiée dans chacune des provinces. Le fait qu'il soit devenu plus difficile de recourir à des services de garde, alors même que la fréquentation diminue, montre clairement le recul de l'accessibilité.

Il existe également quantité de preuves à l'effet qu'une énorme charge administrative alourdit l'imposant fardeau que représentent déjà les milliards de dollars d'impôts annuels nécessaires pour financer le programme, ce qui laisse croire que même si les frais à la charge des familles diminuent avec l'aide gouvernementale, les coûts globaux pour la fourniture de services sont en hausse. À titre d'exemple, en Ontario, une note de service ministérielle soulignait en 2023 que l'appui financier octroyé aux municipalités pour la garde d'enfants comprendrait 26,0 millions de dollars pour l'administration du programme fédéral et 85,5 millions de dollars en paiements « ponctuels » pour l'administration, en sus des 4,5 millions de dollars versés pour l'administration d'autres subsides.

Des coûts administratifs importants sont également répercutés sur les opérateurs eux-mêmes, non seulement en Ontario, mais aussi dans d'autres provinces. Krystal Churcher, présidente de l'Association of Alberta Childcare Entrepreneurs, estime que pour son entreprise, la charge administrative mensuelle imposée par le gouvernement s'élève à environ 28 dollars par enfant, en sus des dépenses d'audit de 30 000 dollars annuellement. Selon les estimations, l'entreprise albertaine de garde d'enfants typique pourrait s'attendre à voir fondre ses revenus de moitié en raison de facteurs qui vont des coûts administratifs supplémentaires jusqu'aux effets négatifs du contrôle des prix sur les revenus.

*Au vu des statistiques désastreuses sur la fréquentation et la disponibilité des services de garde d'enfants et des lourdes charges financières imposées aux opérateurs par le gouvernement, comme on peut s'y attendre, les témoignages ont fait état de cas de crises et de pénuries de services de garde partout au Canada. À Vancouver, il manque 15 000 places en service de garde pour les enfants de 12 ans et moins. Les projections en matière de places se situent bien en deçà de l'objectif à Toronto. D'ailleurs, le Bureau de la responsabilité financière de la province affirmait en 2022 que même si le gouvernement provincial atteignait en 2026 son objectif de 375 000 places, il y aurait toujours un énorme déficit de 227 000 places à rattraper.*

*Selon certains articles de presse, les listes d'attente se sont allongées de 115 % à Waterloo, de 76 % dans la région de Niagara et de 41 % à Ottawa depuis le lancement du programme gouvernemental de garde d'enfants en Ontario. À Coquitlam, en Colombie-Britannique, certains parents attendent trois ans pour une place; à l'autre bout du pays, à l'Île-du-Prince-Édouard, la liste d'attente a gonflé d'environ 65 % depuis quatre ans.*

*L'inaccessibilité des services de garde d'enfants est exacerbée par l'inflexibilité imposée aux familles. De fait, subventionner les mesures structurées par l'État aux dépens des voies privilégiées par de nombreuses familles opère une substitution sévèrement préjudiciable du jugement parental par le jugement politique, ce qu'aggrave la discrimination pratiquée au sein du secteur d'État à l'encontre des opérateurs privés à but lucratif. La qualité et les choix de services en ont souffert.*

*Enfin, il est révélateur que lorsque le plan national de garde d'enfants a été introduit, l'accent n'a pas été mis sur les soins aux enfants, mais plutôt sur la transformation de la nature du travail féminin en une catégorie comptabilisée dans les statistiques du PIB plutôt que dans ce qui est accompli à la maison. Toutefois, les premières constatations indiquent que le plan national de garde d'enfants n'a pas atteint ses objectifs en matière d'emploi et de participation des femmes au marché du travail. Et, même si cet objectif avait été atteint, cela ne signifierait pas que le programme est bénéfique, mais simplement que le gouvernement a altéré la nature du travail des femmes, par opposition à ce qu'elles auraient normalement choisi.*

*Lorsque les familles canadiennes ont du mal à supporter le coût des services de garde, la façon d'y remédier adéquatement et directement est d'augmenter leur pouvoir d'achat. C'est la solution approuvée par les Canadiens et mise en œuvre par le gouvernement fédéral conservateur en 2006. L'argent a été distribué aux parents dans le cadre de la Prestation universelle pour la garde d'enfants, laquelle leur a permis de choisir eux-mêmes la meilleure façon d'améliorer le bien-être de leur famille et les soins aux enfants.*

*La mainmise du gouvernement sur le secteur de la garde d'enfants est totalement injustifiée, et les résultats ont été désastreux. **MLJ***

## Introduction

**In the 2006 federal election,** Canadians rejected the Liberal promise of a national, government-run daycare program, instead electing the Conservatives, whose child care plan, the Universal Canada Child Benefit, was simple: give parents cash and let them, not government, decide how best to use it to care for their children. In 2015, the Liberals returned to power and replaced the Universal Canada Child Benefit with the Canada Child Benefit. The two main differences: the cost to taxpayers became much higher as the size of the transfer became much larger, and the transfers were income-tested and so clawed back as incomes rose (which is effectively a tax on the marginal income of lower-income families with children).

In its 2021 federal budget, the Liberal government brought back its national child care plan. Budget 2021 proposed up to \$30 billion in new spending over five years, and then \$9.2 billion annually on an ongoing basis to establish national, government-regulated child care at an average out-of-pocket cost to families of \$10 per day (Canada 2021a). The national plan was meant to transform child care everywhere except in Quebec, which already had a longstanding government child care program. The Canada-wide Early Learning and Child Care Plan, as the federal government called it, would be rolled out through bilateral agreements with each of the provincial and territorial governments. Its stated objective was “to build a high-quality, affordable, and accessible early learning and child care system across Canada” (Canada 2021b).

There was an abundance of reasons to believe the national child care program was doomed from the start. In the first place, what is the general track record of top-down government planning – through regulatory initiatives, price controls, and billions of dollars in new spending – to transform a sector towards higher quality and affordability? When has government economic



planning for a sector ever led to the operational improvements and increased efficiency required to produce higher quality goods and services, increase accessibility, and deliver cost savings to struggling families?

Government control over Canada's wait times for surgery (Moir and Barua 2023), road congestion (Coyne 2014), military procurement (Shimooka 2024), government-protected agricultural cartels (Whalen and Fuss 2024), green energy disasters (McKittrick 2013), and public schools where costs are rising and quality is declining (Lau 2020), all point to the opposite effect. And if ordinary people in the Soviet Union benefited from widespread access to high-quality goods and services because of its state-run industries, this fact has not been well documented by historians. "It has simply not happened," as economist John Cochrane puts it. "Government-imposed efficiency is, to put it charitably, a hope without historical precedent" (Cochrane 2012).

*That government control of child care would be doomed to fail should therefore have been evident from the beginning.*

That government control of child care would be doomed to fail should therefore have been evident from the beginning, and on top of all other examples, government child care has not been a success in Quebec. The national plan for \$10-per-day child care was based largely on the Quebec model, adopted in 1997, in which government subsidized child care providers and parents only paid \$5 per day out of pocket (though the amount was later raised). However, the outcomes in Quebec have not been nearly as good as is commonly suggested.

A 2006 study published by the Montreal Economic Institute reported the all-in costs (including costs to taxpayers) of subsidized child care in Quebec for a three-year-old child were \$11,600 per year, compared to \$9,600 per year in Toronto and a national average of \$6,300. The far higher relative costs in Quebec reflected a 35 percent increase in community child care centre staff salaries between 1999 and 2003 alone; meanwhile the unionization of many child care centres resulted in labour disputes that left families without child care, such as occurred during several strikes in 2005 (Kozhaya 2006). Private child

care providers struggled after the system began as they were initially excluded from the program but were made to compete against subsidized alternatives; the government never effectively filled the gap, and now almost 30 years into the program there is still a significant shortage of spaces (Mrozek 2021).

As to the effects on children, authors of an influential study published in 2015 summarized their research thus: “We first confirm earlier findings showing reduced contemporaneous non-cognitive development following the program introduction in Quebec, with little impact on cognitive test scores. We then show these non-cognitive deficits persisted to school ages, and that cohorts with increased child care access subsequently had worse health, lower life satisfaction, and higher crime rates later in life. The impacts on criminal activity are concentrated in boys” (Baker, Gruber, and Milligan 2015). In other words: increased anti-social behaviour, lower health and life satisfaction, and no academic improvement. A literature review in another paper found several other studies with similarly discouraging conclusions (Geloso and Eisen 2017).

This summarizes several but not all of the warnings from many quarters of negative outcomes for families and children: widespread shortages, skyrocketing costs, and generally deleterious effects across the board that would arise because of the proposed national government child care plan (Mitchell and Mrozek 2022). Unfortunately, the government did not heed the warnings.

## What the numbers show

**The early evidence on the** effect of the government program on child care accessibility – one of the stated goals of its program – is not encouraging. In December 2023, Statistics Canada published province-level data on child care arrangements for children aged 0 to 5 years, and while child care attendance was predictably higher than during the pandemic, despite billions of dollars in new government spending, there were fewer children in child care arrangements of all sorts in 2023 than before the pandemic in 2019. Centre-based child care attendance was up, but this was offset by a larger decline in other forms of child care, including home-based child care businesses.

**TABLE 1:** Number of children aged 0 to 5 years in child care (in thousands)

	<b>Canada</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
<b>2019</b>	1,383.2	152.9	178.1	43.4	47.8	474.6	403.7	24.7	31.2	6.0	15.2
<b>2023</b>	1,265.3	142.3	160.9	43.2	47.0	416.0	379.3	25.0	29.0	5.4	12.1
<b>Change</b>	<b>-117.9</b>	<b>-10.6</b>	<b>-17.2</b>	<b>-0.2</b>	<b>-0.8</b>	<b>-58.6</b>	<b>-24.4</b>	<b>0.3</b>	<b>-2.2</b>	<b>-0.6</b>	<b>-3.1</b>

Source: Statistics Canada table 42-10-004-01, author's calculations

Specifically, only 56.1 percent of children aged 0 to 5 years were in child care in 2023, down from 59.9 percent in 2019 – a decline of 118,000 children attending child care. While the federal government rolled out its national program through bilateral agreements with each provincial or territorial government, a telling sign that there are problems with the national program, and not simply with local implementation, is that child care attendance was either flat or down in every province, in some cases significantly so.

If the declining child care attendance simply reflected declining demand among parents for these services, it could be argued that the national program still succeeded in making child care services available to the parents who wanted them. However, as the Statistics Canada data make clear, the reduction in child care attendance is not the result of parents simply hesitating to send their children back to child care once the pandemic was over. If that were the case, there would be many child care spaces sitting empty, waiting for children to return. But in fact, out of families using child care, the percentage who had difficulty finding that care rose significantly – to 46.4 percent in 2023 from 36.4 percent in 2019.

Again, as evidence that the national program and not simply local implementation is badly flawed, the reported difficulty in finding child care increased in every province. From 2022 to 2023, the children aged 0 to 5 years who were not in child care but were on a waiting list rose from 19 to 26 percent. Among infants under 1 year old, the percentage on a waiting list increased from 38 to 47 percent (Statistics Canada 2023). It is often said of Canada’s “universal” government health care system that access to a waiting list is not access to health care; parents can now say the same of government child care.

**TABLE 2:** Among those with children in childcare: percentage with difficulty finding it

	Canada	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
2019	36.4	46.5	36.1	38.2	51.9	36.5	30.5	34.0	35.7	46.7	33.5
2023	46.4	58.8	38.7	52.2	56.1	44.3	43.8	51.4	52.3	57.8	67.2
<b>Change</b>	<b>10.0</b>	<b>12.3</b>	<b>2.6</b>	<b>14.0</b>	<b>4.2</b>	<b>7.8</b>	<b>13.3</b>	<b>17.4</b>	<b>16.6</b>	<b>11.1</b>	<b>33.7</b>

Source: Statistics Canada table 42-10-001-01, author's calculations

## Administrative burden growing with government control

In addition to waiting lists, growing bureaucracy and a heavier administrative burden are other hallmarks of government control of a sector, whether child care or health care. “It is amazing,” economist Thomas Sowell observed, “that people who think we cannot afford to pay for doctors, hospitals, and medications somehow think that we can afford to pay for doctors, hospitals, medications, and a government bureaucracy to administer ‘universal health care’” (Perry 2019). It is similarly amazing that people who think Canadians cannot afford to pay for child care facilities, staff, and programs think Canadians can afford to pay for child care facilities, staff, programs, and newly added bureaucratic and administrative costs.

With the national child care program, there are first the cost of federal bureaucrats, and then, because funding is transferred to the provinces for implementation, there are the costs of provincial government bureaucrats. In Ontario, a third layer of government bureaucracy is added as the money is then downloaded to 47 municipal governments (Mrozek 2023a). In fact, a December 2022 Ontario government memo noted that in 2023, child care funding to municipalities would include \$26 million for administration of the federal program, \$85.5 million for a “one-time transitional grant” for administration, plus another \$4.5 million for administering child care wage enhancements and home care grants (Ontario, Ministry of Education 2022).

On top of the costs to taxpayers for government bureaucracy and administration, there are considerable administrative costs imposed on child care providers themselves. “Just accessing grant monies is itself an administrative burden,” researcher Andrea Mrozek writes. Many child care centres in Ontario “report spending significant hours weekly applying for grants and replying to both municipal and provincial requests for information. Some report having duplicate inspections from both levels of government. Since only the province has authority to do quality control, municipal visits are redundant” (Mrozek, 2023a).

These problems are not unique to Ontario. In a letter to the provincial government, Krystal Churcher, chair of the Association of Alberta Childcare Entrepreneurs, whose members operate about 250 child care centres caring for 35,000 children in the province, explained that the federal program “has effectively made childcare operators unpaid fiscal agents for the government due to the administrative burdens it created. This additional administrative responsibility has necessitated hiring extra staff and shouldering mandatory audit expenses – which have cost some childcare operators as much as \$30,000 – further straining financial resources and depleting savings. This burden, combined with the other challenges, is pushing operators towards financial ruin” (AACE 2024).

Churcher estimates that for her business specifically, the government-imposed administrative burden – on top of the \$30,000 in audit costs – works out to \$28 per child per month. But even more damaging than the direct administrative burden is the government overreach into child care operations. The industry estimate in Alberta is that by controlling prices even as input costs rise due to general inflation, the provincial government agreement will cost the average centre nearly \$70,000 in revenue in 2023 and nearly \$80,000 in 2024. Between revenue losses from price controls and higher costs from administrative burdens, the typical for-profit child care centre in Alberta could expect to see half its earnings wiped out (Lau 2024a).

Meanwhile, opting out of the government program means competing without subsidies in a sector awash in public funds, which is also not feasible. Thus, child care operators are damned if they sign the government agreement and damned if they don't. “Alberta's childcare operators have no choice but to sign the 2024 Affordability Grant agreement. If they don't sign, it means immediate insolvency for some and drastic service reductions for others; if

they do sign and nothing changes, it means an inability for some operators to remain financially viable over time and reduction of services across the sector,” Churcher said in a statement (CIPR Communications 2024).

Similarly in Ontario, the YMCA, whose child care programs account for one-fifth of the province’s licensed market, warned of child care closures because the government mandate that fees remain frozen in a rising cost environment has put many non-profit operators in deficit, which is unsustainable (Jones 2024a). Indeed, there are stories of child care centres leaving the program because they cannot afford it (Jones 2024b). “I don’t get a profit, we are not even breaking even,” an Ottawa operator said of her experience of joining the government program. “The prices don’t reflect the expenses we are having at this moment” (Wilson 2024).

## Crises and shortages from coast to coast

**Unsurprisingly given the dismal statistics** on child care attendance and availability, as well as the severe financial burdens imposed on operators by government, stories of child care crises and shortages are widespread in Canada. They are not limited by geography and not affected by the political affiliation of the provincial or territorial government – again, more confirmation that whatever the problems are with local implementation, the national program is badly flawed.

Consider the following survey of the evidence, in the second half of the 2023–24 fiscal year alone – in other words, more than halfway into the government’s initial 5-year plan.

In British Columbia, the legislature-appointed Representative for Children and Youth stated in her report in November 2023 that “virtually all B.C. families have to work hard to find child care. But those challenges are exacerbated for families of children with disabilities” (Charlesworth 2023). In December, the Early Childhood Educators of BC declared there was a “child care crisis” and that the child care system is “extremely fragile” (ECEBC 2023). And when researchers at the University of British Columbia contacted child

care facilities across the province over a period of six months hoping to get in touch with low-income single mothers who were able to benefit from \$10 per day child care spaces, they found only 17 such women (Skrypnek 2023).

In a rare admission of government failure, in February 2024 in an agreement between the provincial and federal government, the British Columbia government said it faced “diverse implementation challenges” with its child care rollout (Lieutenant Governor of British Columbia 2024). Such “implementation challenges” have resulted in widespread shortages. For example, in Vancouver, there is a shortage of approximately 15,000 spaces for children up to age 12. One senior city planner says, with respect to child care, “it’s a desert everywhere” (Fumano 2023). A Vancouver School Board trustee pointed out in February 2024 that Vancouver’s child care needs “continue to be significantly unmet” with some communities facing “over 70% unmet need for licensed childcare spaces” with the shortage disproportionately affecting lower-income families (Reddy 2024).

Elsewhere in the province, there are similar “implementation challenges.” Langley Township is one of British Columbia’s fastest-growing communities, but local media reported at the end of 2023 that there were 600 fewer child care spaces than four years ago even as the number of children aged two to 12 rose by 1,000 (Giesbrecht 2023). Meanwhile, the CBC reports that in Coquitlam, “some parents are waiting three years” for a child care spot. It interviewed one operator who said she had to close her wait lists and “have had parents in tears” calling for spaces, “but we didn’t want to give the parents false hope, because there is zero chance of them getting in” (CBC News 2024a). Another CBC story profiled the difficulty of getting child care in Kamloops, where a Thompson Rivers University early education professor explains parents are “throwing their names on every wait list in the city” (CBC News 2024b).

In Ontario, as the YMCA and other providers face significant financial challenges, shortages are similarly widespread and wait lists are exploding. This was an outcome foretold: the Financial Accountability Office of Ontario estimated in 2022 that even if the provincial government hit its targets to create about 375,000 child care spaces, there would still be a massive shortage of 227,000 spaces for children under age six by 2026 (FAO 2022). Similarly to British Columbia, no region of Ontario seems spared from the severe child care shortage. “Toronto is set to fall well short of its target for new child care

spaces by 2026,” a recent *Toronto Star* article explains, “and is already facing a shortage of trained daycare workers for spots that are currently available, according to a city report and child care advocates” (Hasham 2023). Other stories corroborate the lack of child care access in Toronto (Ontario NDP 2024). Still others confirm the unviability of the government program for child care providers (Stein 2024).

More evidence of severe shortages in Ontario: In Sudbury, with a population of about 170,000, there are approximately 4,000 children waitlisted for child care and the city estimates the average wait time is 23 months (Migneault 2024). Similarly in Peterborough, as of the end of 2023 there were just under 4,500 licensed child care spaces but a wait list of over 3,500 children – in other words, close to as many children on wait lists as actually in spaces (Global News 2024). In Haldimand and Norfolk counties, as of February 2024 there were 2,895 licensed child care spaces, but a wait list of 1,971 (Hall 2024). In Northumberland County, with a population of about 90,000, almost 1,500 children are waitlisted (Washburn 2024). In the county of Simcoe, local media reports that wait lists are “insane” and some waitlisted children “reach school age before they can earn a spot in a local daycare” (McGrath-Goudie 2024).

“ *No region seems exempt from the shortages.* ”

No region seems exempt from the shortages. In Ontario’s Kawartha Lakes, according to media reports, the average wait time for child care is an astounding 6.4 years (Jones 2024c). Since the roll-out of the government child care program in Ontario, wait lists have expanded by 115 percent to 9,200 in Waterloo, risen 76 percent in the Niagara region (including 227 percent for toddlers and preschoolers), and grown 41 percent in Ottawa (Jones 2024c). All around the province the stories are similar. In demonstration both of shortages and of increasing funds dedicated to administration and not necessarily actual child care, the county of Wellington is implementing new wait list software to deal with the shortage (Senoran 2024).



Elsewhere in the country, government child care is similarly failing. In Alberta, child care providers have become so frustrated with the administrative burden and restrictive controls over their businesses that the Association of Alberta Childcare Entrepreneurs released a statement decrying the federal program as “effectively a hostile government takeover of private businesses” (CIPR Communications 2024). At the end of January, about 90 percent of its members, who account for about 35,000 child care spaces, shut their doors for a day to protest the government program (Johnson 2024). Hundreds of child care operators, staff, and parents took to the streets to protest the program. “Instead of the sector improving with this government help that we’ve received, it’s actually doing the opposite. It’s crumbling the sector,” a child care provider in Lethbridge said (Opinko 2024).

Meanwhile, CityNews reports “parents in Winnipeg and across Manitoba are experiencing distress around daycare spaces, faced with uncertainty and years-long waitlists” (Modjeski 2024). The Manitoba Child Care Association said in its 2024 pre-budget submission that even as Manitoba is part of the federal program, which includes funding of more than \$1.2 billion over five years, “licensed child care programs in our province continue to present deficit budgets, experience rising staffing shortages, and face recurring systemic challenges” (Manitoba Child Care Association 2024). According to the association, “despite the dazzling Canada-wide agreements, it is still dismal for child care programs in Manitoba who are financially unstable and are experiencing significant challenges.” Given that the financial instability and widespread industry challenges directly followed the government agreements, perhaps the phrase “because of” in the Association’s statement would be more appropriate than “despite.”

As well, on the country’s east coast, Public Policy Forum reports “daycare operators in Atlantic Canada describe a system under considerable stress” (Public Policy Forum 2024). The federal government crowed in December 2023 that by January, Prince Edward Island would have achieved its \$10-per-day child care system two years ahead of the national target (Canada, Employment and Social Development 2023), but the reality on the ground is very different. Indeed, in January a senior operations manager with one of the province’s large non-profit child care providers told the provincial legislature, “I hear horror stories every day working in centres; people calling and begging for spaces.” There are families who join wait lists before they are even pregnant, “and they still don’t have

a space by the time the child is a year old” (Prince Edward Island Legislative Assembly 2024). There are an estimated 2,000 children on wait lists in Prince Edward Island, up about 65 percent from four years ago (Neatby 2024). Things are no different in Nova Scotia, where spaces have been lost due to closures of private sector daycares and where wait lists are exploding (Lau 2024b).

The fact is, whatever the problems with local implementation, there is clearly a problem with the national child care program; both the statistics and the stories on the ground provide evidence of widespread crises and shortages from coast to coast.

## The public sector above all

**The inflexibility of subsidizing formal** child care options at the expense of alternatives that many families prefer (such as having a parent or other family member care for the child at home) is already a severely deleterious substitution of political judgment in place of parental judgment. Exacerbating this error is that even when attempting to distort families’ child care decisions towards formal, licensed child care, the federal program strongly discriminates against for-profit private sector operators. In fact, the federal government’s stated goal in Nova Scotia is to move to “a fully not-for-profit and publicly managed system” (Canada, Justin Trudeau 2021). This goal, shared by the provincial Liberal government that signed the agreement and carried forward by the provincial PC government that came after it, has clearly proven to be a problem. Even the current provincial Liberal leader Zach Churchill lamented the exclusion of the private sector as a “serious limiting factor” of the program (CTV News 2024) – something he says he had a problem with from the outset (Munro 2024).

The problem, however, is not just in Nova Scotia. Discrimination against the private sector is evident across the country and in the federal government’s stated vision for national child care. “Frankly,” researcher Andrea Mrozek writes, by concentrating public funds only on the government-favoured option, “Canada’s national daycare system excludes many more Canadians than it includes” (Mrozek 2023b).

The focus on public and non-profit organizations is premised on the idea that government and non-profits provide better service at lower prices because they don't have to earn profits. But this is nonsense: the Soviet Union's state-run enterprises were not a boon to consumers. Many non-profits do good work, but because they lack clear definitions of what success look like, they tend to be less efficient than for-profit businesses (Broughel 2023). There is also significant evidence that for-profit businesses are better governed and better run (Dent 2014). The most important distinction between for-profit businesses and the organizations favoured by the federal government's child care program is that for-profit businesses have shareholders who demand profit, and the profit requirement imposes operational discipline. Non-profits and especially the public sector tend to be relatively less effective and more wasteful. Even if they were not: this would not justify preferential government treatment. It is, after all, families' preferences and not politicians' that should count.

Families whose preference is for something other than regulated non-profit or government-run daycare are not the only victims of the federal program. So too are the for-profit operators whose businesses are effectively being taken over by government. By implementing a funding model that, while not completely excluding, severely discriminates against for-profit centres and subjects them to extensive government control, Association of Alberta Childcare Entrepreneurs chair Krystal Churcher told the Senate last October, "you are limiting choice, you are limiting options, and you are bankrupting businesses like my own" (Senate of Canada 2023). Ironically for a federal government that never tires of gilding its feminist credentials and that considers its child care program a cornerstone of its feminist agenda, the businesses being bankrupted – as Churcher explained – are overwhelmingly owned and staffed by women, often mothers.

Andrea Hannan, executive director of the Association of Daycare Operators of Ontario, whose members represent about 35,000 spaces, concurred with Churcher's position. "It is to all women's detriment that child care entrepreneurs are being targeted for extinction through the nationalization of Canada's child care sector," Hannan told Parliament in February 2024 (Vecchio 2024).

## The effect on women

**The scope of this paper** has been to evaluate the outcomes of the national child care plan with regards to its effects on families with young children and on child care providers. But when the child care program was introduced in the finance minister's budget speech in 2021, tellingly, the focus was not actually on caring for children. The program was introduced with the claim that “without child care, parents – usually mothers – can't work.” The implication seemed to be that caring for children at home did not count as work. “The closing of our schools and daycares drove women's participation in the labour force down to its lowest level in more than two decades. Early learning and child care has long been a feminist issue; COVID has shown us that it is an urgent economic issue, too,” the finance minister said.

In other words, the major consideration of the child care program does not actually seem to be about caring for children, but rather about changing the nature of women's work to the kind that shows up in GDP statistics instead of that which takes place at home. As former Statistics Canada chief economic analyst Philip Cross has shown, the government has thus far failed to achieve that goal (Cross 2024). Importantly, even if this objective had been accomplished, this would not on its own be good evidence that the national child care program was good policy.

“*The major consideration of the child care program does not actually seem to be about caring for children.*”

As an analogy, suppose the federal government imposed a tax on apples in order to subsidize oranges. An increase in orange consumption would not mean the government's fruit policy is beneficial. On the contrary, basic economics tells us, *a priori*, that such a fruit policy would make people worse off. The benefits to subsidized orange-eaters would be offset by the losses incurred by the taxed apple-eaters, but there would be significant losses

overall because even some orange-eaters would be worse off. Many people now eating oranges preferred apples but were coerced into eating oranges by the government fruit policy. There would also be bureaucratic and administration costs, and this fruit market distortion would cause the overall quality of fruit to decline. Sour oranges may still sell if apples are heavily taxed and oranges heavily subsidized.

No more would an increase in orange-eating relative to apple-eating prove the fruit policy is beneficial than would an increase in women working outside the home instead of caring for children at home prove the national child care program is good policy.

## A better way

**If Canadian families are struggling** with the cost of child care, this is no different than the case of Canadian families who are struggling with the cost of housing, the cost of transportation, the cost of clothing, or the cost of food. Such families have a lack of purchasing power. The way to properly and directly address this is to increase their purchasing power – in other words, the solution endorsed by Canadians in 2006 and implemented by the federal Conservative government. It gave money to parents in the form of the Universal Canada Child Benefit and let them decide how best to use it to improve their family's well-being and care for their children.

It would be unthinkable for the government to try to help families afford food by effectively nationalizing, or otherwise bringing under government control, farms and grocery stores, by setting their prices, dictating their operations, and supplying their revenue. It should be equally unthinkable for the government to try to help families afford child care through what is essentially a hostile takeover of the child care sector in the form of price controls, enforcing bureaucratic decision-making, replacing private revenue sources with government revenue, and driving private entrepreneurs out of the sector. But that is exactly what the federal government is doing and has done over the past few years.

The results have been higher total costs for child care even if the costs in the form of direct fees is lower, widespread shortages, the destruction of largely women-owned businesses, and the replacement of parental judgment over how best to care for the child with political judgement.

The goal of helping families who are struggling with the cost of child care is entirely reasonable. However, the government should not have any special program for child care – especially one that so greatly distorts the preferences of families and interferes with private providers – any more than it should have special programs for housing, transportation, clothing, or food. If some families lack purchasing power to afford necessities, their purchasing power should be increased. At the same time, government regulations (large minimum wage increases, for example) that artificially inflate the costs of these necessities should be avoided or removed (Vella 2018). The government takeover of this sector is entirely unjustified, and the results of the federal government’s child care program have been calamitous. [MLI](#)

## About the author



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### The Honourable Jody Wilson-Raybould

The **Macdonald-Laurier Institute** has been active in the field of Indigenous public policy, building a fine tradition of working with Indigenous organizations, promoting Indigenous thinkers and encouraging innovative, Indigenous-led solutions to the challenges of 21<sup>st</sup> century Canada. I congratulate **MLI** on its 10 productive and constructive years and look forward to continuing to learn more about the Institute's fine work in the field.

### The Honourable Irwin Cotler

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