



A Sustainable Approach To Child Care Access & Affordability in Canada

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Contents

Executive Summary	3
About ADCO	3
Situational Analysis.....	4
Background	5
Suggested Reforms.....	6
Conclusion.....	12



Executive Summary

While the Canada-Wide Early Learning and Child Care program (CWELCC) has been successful at lowering child care fees for a minority of families with children under the age of five, it is far from becoming the universal, \$10-a-day child care system that was marketed to Canadians in the lead-up to the 2021 federal election. The “directed growth” elements of the CWELCC have hindered the pace of new space creation, leaving hundreds of thousands of Canadian children trapped on child care waitlists. Further, by increasing the licensed child care sector’s dependence on taxpayer funding for both its ongoing operation and its expansion, the cost of the program will increase exponentially over time, making it unsustainable. Given the new economic pressures facing the country and the Prime Minister’s directive to Ministers that savings of 15% be found within their departments, the CWELCC must be reformed in order to remain available for future generations of Canadian families.

The reforms suggested in this paper are not a rejection of the goals of increasing access to licensed child care, making it more affordable for families, or the notion of a national child care strategy. They simply reflect the natural and necessary evolution of the program from its original, pandemic-era vision, which involved strict federal control over both citizens’ access to the program and how child care services were to be delivered, to a simpler, more practical and more sustainable approach. The solutions offered in this submission are designed to help more families by using the federal resources allocated to the program more efficiently, and to give provinces and territories greater flexibility to streamline and customize the CWELCC’s implementation in their jurisdictions.

About ADCO

Founded in 1981, the Association of Day Care Operators of Ontario (ADCO) is the industry association for independent licensed child care programs in Ontario, both commercial and not-for-profit. Independent licensed child care programs are those that are not affiliated with any public sector entity such as a municipality or a school board, or national multi-service institution such as a YMCA or Boys and Girls Club. ADCO members include licensed child care centres, Montessori schools, nursery schools, preschools, private schools, licensed home child care agencies and school-age programs. Many are small businesses owned and operated by women, more than half of whom are registered Early Childhood Educators (ECEs) or Ontario Certified Teachers. ADCO provides a forum for the owners, managers and boards of these organizations to work together to maintain and improve child care quality, and expand the range of licensed child care choices available to Ontario families.



Situational Analysis

Canadian families are facing severe financial challenges. Inflation is up, housing costs are up, food bank use is up and unemployment is up. Canada's relationship with the United States, its largest trading partner and its closest security ally, has been fractured. In its effort to rebuild ties, Canada has pledged to double its defense spending to 5% of GDP moving forward. Since 2014, the country has been ["experiencing a collapse in investment, low productivity growth, and a large and growing government sector, all of which contribute to reduced growth in living standards compared to our peer countries in the OECD."](#)

Many of these challenges were created or exacerbated by over-regulation and ill-informed climate policies that have effectively stalled some of the most lucrative elements of Canada's economy. Over the last decade, there has also been a [43% increase in the size of the federal bureaucracy](#). Some of this increase is attributable to the Trudeau government's introduction of a plethora of costly new entitlement programs in the wake of the Covid pandemic. Dental care, pharma care, school lunches and the Canada-Wide Early Learning and Child Care program (CWELCC) are all notable examples.

Not all Canadians want or need these programs and, in most instances, their creation marks a significant incursion into areas that have traditionally been the purview of provinces and territories. All of these programs have had negative unintended consequences, including the elimination of non-taxpayer-funded alternatives. None have lived up to the promises politicians made when introducing them. In light of the current Prime Minister's directive that Ministers find savings of 15% within their departments, it is critical that these pandemic-era programs be reviewed, streamlined and/or reduced in size and scope.

Continuing to fund the CWELCC without significant reforms isn't a viable option. The first five years of its roll-out were financed entirely by new government debt, supplemented by parent fees and ongoing financial losses by many of the licensed child care programs enrolled in it. There is no evidence that the program will ever be able to "pay for itself" through increased GDP. Hundreds of thousands of Canadian children are trapped on waitlists and it will take decades before taxpayer investments in child care infrastructure can replace the many centres and spaces that continue to be lost due to the CWELCC's current design. Reform is essential if these challenges are to be addressed.

Fortunately, there are numerous opportunities for reform within the CWELCC that could actually help the program support more families and increase its sustainability for both child care providers and taxpayers. While this submission explores some of these possible reforms, it acknowledges that the Trudeau government's initial vision for the CWELCC also needs to be revisited.

Increasing access to child care, improving child care quality and making it more affordable to families are extremely important goals. However, as described in ADCO's [2024 submission](#) to the Federal Early



Learning and Child Care Secretariat, these goals may be more readily achieved through the creation of a national ecosystem in which families can thrive rather than through a debt-financed social program that, in hindsight, seems more aimed at increasing government control over child care access than on making life easier or less expensive for families. Rather than investing more and more into a past administration's attempt at creating a government-directed, flat-rate child care scheme that will only ever produce mixed results, it may be wiser to refocus the existing resources on providing some level of assistance with child care costs to all families with children in the targeted age group.

Background

After the passage of the 2021 federal budget, the Government of Canada began signing Agreements with provinces and territories to launch the CWELCC. This initiative was championed by both the Prime Minister and Finance Minister at the time and was part of Canada's response to the economic chaos caused by pandemic lockdowns. Canada was not alone in its pursuit of a government-directed, universal child care program. Other countries were also influenced by the World Economic Forum's messaging about using the Covid pandemic as an opportunity to "reset" Western society through such initiatives. Around the world, government-directed child care systems were marketed through the contrived narrative of the "she-covery."

Here at home, lobby groups with ties to organized labour had long envisioned replacing Canada's existing inventory of private sector licensed centres—both commercial and not-for-profit—with a universal public-sector child care system similar to what exists with public schools or hospitals. Many of these groups seized on the financial disaster of the COVID pandemic and subsequent federal spending spree to justify pushing for this transition. Some were even given taxpayer funding to write papers recommending various policy options, despite having no practical experience in child care service delivery.

What was clearly absent in the federal government's consideration of creating a national child care program was any widespread consultation with the private-sector entities—both commercial and not-for-profit—that own almost all of Canada's licensed child care infrastructure of centres and spaces. Families weren't formally consulted either. There was no opportunity for them to communicate their child care needs or to offer input about what was working and not working about the child care systems that already existed in provinces and territories across the country.

While the federal government of the day lacked the practical knowledge required to roll out an effective national child care program, it began holding up "the Quebec model" as the standard for the rest of the country to follow. This was despite the fact that most provinces already had well-established licensed child care systems of their own. Systems that, in many cases, were better suited to the unique circumstances in those provinces than a model developed elsewhere ever could be.



In the lead-up to the 2021 federal election, the Trudeau government pledged some \$30 billion toward the creation of a new national child care system and began signing funding Agreements with provinces and territories. Not surprisingly, most of these initial CWELCC Agreements have since proven unworkable. Most have had to be amended, some more than once.

The process of negotiating the Agreements was shrouded in secrecy. There is some evidence to suggest that some elements of these Agreements were developed behind closed doors by a special task force comprised largely of individuals with no career experience in child care. This task force was first convened by the Ministry of Finance in 2021, but its publicly available terms of reference did not mention the federal/provincial child care Agreements.

It seems that the Government didn't publicly admit the task force's involvement until February of 2024, when it tabled its response to a question originally posed by Senator Tony Loffreda in March of 2023. The Government's response reads:

"The Task Force on Women and the Economy met several times over the course of the year and provided advice to the Government of Canada on various policy topics related to the economic inclusion and advancement of Canadian women. The advice was communicated informally in the context of the confidential meetings of the Task Force and no written report was produced. These discussions informed decisions made in Budget 2021, the 2021 Fall Economic Statement, Budget 2022 as well as the negotiations with provinces and territories over Early Learning and Child Care agreements and their implementation. Task Force consultations were concluded at the end of 2021."

Federal data on the actual results achieved for the billions of taxpayer dollars spent on the CWELCC so far has been similarly sketchy. There appear to have been no standardized reporting requirements built into the program before the federal funds started flowing. Evidence of this can be found in the transcripts of the Senate Finance Committee's March 21, 2023 [meeting](#), as well as in the Government's response to a March 27, 2023 [enquiry](#) of Ministry.

In July of 2024, the Office of the Auditor General of Canada announced that it would conduct a performance audit of the program. Several provinces either have recently audited or plan to audit the CWELCC's implementation in their jurisdictions. It is likely that some of these audit results will be released as Budget 2025 is being debated.

Suggested Reforms

It's clear that the CWELCC is not living up to all of the promises the Trudeau government made for it and is unlikely to ever do so, no matter how much Canadian taxpayers are asked to sacrifice to pay for it. For the nearly 40% of Canadians who live in Ontario, the program has proven to not only be hard to access, but hasn't dropped fees to the promised \$10-per-day. For many of Ontario's licensed child care



providers, participating in the CWELCC isn't financially sustainable, despite the fact that the Province has tried two different funding formulas so far. The CWELCC is also having detrimental effects on the quality of working life for child care staff and on the quality of children's experiences while in care. Other provinces and territories have reported significant challenges in implementing the program as it is currently designed.

ADCO's suggestions for reform can be categorized as follows:

- Increasing child care access and affordability
- Cutting costs and increasing sustainability
- Reducing administrative burden
- Addressing staffing shortages

Increasing child care access and affordability

While the CWELCC has made licensed child care more affordable for some Canadian families with children under the age of five, the majority still face significant challenges related to the cost of care. The CWELCC may have even worsened the situation for some of the families it has frozen out, in that their child care fees haven't been reduced, but they're being called upon to pay higher taxes to help cover the costs of a program they can't access. For families not well-served by existing licensed systems, the issue is often one of paying for an option that fits their work schedule, aligns with their values and suits their child's temperament and abilities.

As has been the case with Quebec's child care system, there is some indication that many of the families whose children are enrolled in the CWELCC are comparably quite wealthy and don't actually require such extensive financial assistance with their child care costs. Even a slight modification of the CWELCC from a flat-rate model to one in which wealthier parents contribute somewhat more toward the cost of their children's care could free up the resources needed to make life more affordable for families in more challenging circumstances.

While allowing provinces and territories to introduce a sliding-scale fee system, or a means-testing element to the CWELCC won't create new spaces, the savings generated could help more families access care through other more flexible measures such as Ontario's CARE tax credit.

Possible Solution:

- *Make CWELCC funds go further by allowing provinces and territories to introduce a sliding fee scale system or means-testing element to the program. Allow provinces and territories to allocate the savings to more flexible child care assistance measures such as Ontario's CARE tax credit.*

Space creation has been a challenge since the roll-out of the CWELCC. A [recent report](#) indicated that Ontario has only been able to increase its access rate by about 1% per year since 2021. The same report



indicates that other provinces are facing similar challenges. This is due in large part to the CWELCC's pandemic-era design, which has dramatically increased the role of government in directing child care service delivery and expansion.

A look at federal funding levels and new child care space creation in Ontario prior to the CWELCC's roll-out in 2021/2022 offers some perspective. In the 2019/2020 fiscal year, the federal government contributed an [estimated \\$145 million](#) to child care in Ontario. In the 2019/2020 fiscal year, Ontario added over [16,000 new centre spaces](#) for children aged 0-12. In the 2023/24 fiscal year, the federal government contributed an [estimated \\$2 billion](#), with Ontario adding about [11,400 new centre spaces](#) for children aged 0-12.

Possible Solution:

- *Accelerate the pace of new space creation by eliminating the “directed growth” elements of the CWELCC’s implementation, so that all child care licensees with the financial capacity to expand may do so in response to community needs.*

The CWELCC as it is currently designed is not even making full use of the country's existing child care capacity. Right now, in communities across Ontario, there are licensed child care spaces sitting vacant, but the current CWELCC Agreement prohibits the Province from using federal funds to make these spaces affordable to families who desperately need them. Successive Provincial Ministers of Education have raised this issue with Employment and Social Development Canada to no avail. The pandemic-era design of the program prioritized ideology over access to licensed child care, by limiting small business participation in the program to 30% or less of the total number of centres participating. This leaves existing child care infrastructure under-used as well as discouraging new space creation both within and outside of the CWELCC.

Historically, some academics and government officials have justified policies that discriminate against centres run as businesses by claiming these entities deliver a lower quality of care. But, the quest of a small group of ideologues to find a predictive model of child care quality based on auspice does not reality make. The Ontario government has always held all child care licensees, regardless of their corporate structure, accountable for upholding the same licensing standards and following the same regulations. Most other Canadian jurisdictions have similar policies.

Possible Solution:

- *Revise the existing CWLECC funding Agreements with provinces and territories to eliminate any requirement that they discriminate against centres run on a commercial basis by limiting their participation in the program. As new Agreements are signed, ensure that such provisions are not part of them.*



More than just discriminating against centres run as small businesses, the current CWELCC Agreements also discriminate against families who, for a variety of reasons, choose or require other forms of child care. Rather than funneling all federal funding for child care through Provincial governments, the federal government should consider allocating some or all of these funds directly to families, so that they may be supported in choosing the form of child care that works best for them.

This measure would quickly increase access to care and could make access to the CWELCC truly universal. This financial support could help a family purchase care at a licensed centre, make it easier to have a parent or relative at home some or all of the time, or use a trusted neighbourhood care provider working out of nearby home. The point is, it would help make life more affordable for the majority of families with children in the targeted age group who can't currently access the CWELCC. It would also reduce the burden on taxpayers to have to fund new space creation.

Possible Solution:

- *Provide some or all of the federal funding earmarked for child care directly to families, rather than to other levels of government. Alternatively, allow provinces and territories to allocate some or all CWELCC funding directly to families.*

Cutting Costs and Increasing Sustainability

Given the growing federal debt burden and how debt interest charges are limiting the federal government's ability to fund various priorities, it is far from clear that Canada can afford to continue funding the CWELCC at the current or an expanded level. If the CWELCC is to continue, the federal government, along with its provincial and territorial partners will need to consider how it can be streamlined to help more families at less cost, better support the families who need the most help, and reduce the administrative cost burdens it imposes on provinces, territories and child care operators.

Converting the CWELCC program to a universal model by funding families directly would achieve the greatest cost efficiencies for taxpayers and help the most families. This could be done through enhancements to existing federal instruments such as the Canada Child Benefit and/or the Child Care Tax Credit, thereby eliminating much of the federal and provincial bureaucracy required to administer the CWELCC in its current form. Another option would be changes to the CWELCC Agreements to allow provinces and territories to allocate federal funds to dramatically expand the scope and level of support available through instruments such as Ontario's CARE tax credit. Like the HST rebate system, the CARE tax credit makes funds available to families in advance of their child care expenses being incurred.

Most families would benefit greatly from such a transition. It would free up resources that are currently lost to administrative costs incurred by governments. It would also give more families more leverage in terms of child care choice. Right now, child care licensees participating in the CWELCC really only have one client who actually matters-- the government official who signs their funding contract. The system is



so bureaucratic that there are few resources available for innovation and little incentive to keep enhancing services to families. Funding families rather than governments would allow licensed providers to shift back to what they prioritized prior to the CWELCC's implementation—delivering quality care.

Possible Solutions:

- *Initiate the transition process to provide some or all of the federal funding allocated for child care directly to families, rather than to other levels of government.*
- *Eliminate most of the terms and conditions contained in the federal CWELCC Agreements, so the payments to Provinces and Territories become simple transfer payments.*

Administrative Burden

A multi-year transition plan would be required to completely transform the CWELCC from a program that funds provincial and municipal government bureaucracies into one that funds families directly. However, introducing even a limited element of direct funding for families would help reduce program costs and increase its sustainability.

As it stands, the CWELCC is not financially sustainable. The costs of running it will continue to grow exponentially over time. The CWELCC is already increasing the licensed child care sector's dependence on federal funds for its operation and expansion, rather than incentivizing private sector child care licensees (both commercial and not-for-profit) to use their own resources to expand. It is also accelerating the growth and ongoing cost of child care bureaucracies at virtually all levels of government. None of this bodes well for the system's stability or ability to adapt quickly and seamlessly to potential demographic, economic or other societal changes.

The administrative burden the current CWELCC system places on child care operators has also had [deleterious impacts](#) on child care quality and the child care workforce.

Possible Solutions:

- *Simplify the current and all future funding Agreements with provinces and territories to give them more flexibility in how the funds are administered.*
- *Allow provinces and territories to set per-diem rates by age that will be paid for children participating in the CWELCC program, rather than requiring them to impose paperwork-heavy cost-containment systems on centres.*
- *Simplify the CWELCC program by eliminating elements that are not directly related to making child care more affordable to families.*



- *Standardize the collection of program performance data from provinces and territories, focusing only on high-level indicators, such as how many children and families are being supported through the program and through what means—tax credit, direct financial assistance, fee subsidy—and at what level.*
- *Eliminate any federal funding flowing to provinces and territories for the administration of the CWELCC, thereby incentivizing them to take responsibility for reducing the size and cost of delivering the program in their jurisdictions.*
- *Conduct annual audits of the paperwork burdens provinces and territories impose on child care licensees. Link their eligibility to continue receiving federal child care funding to their ability to keep any CWELCC-related reporting by licensees to no more than one hour per week per licensed facility.*

Addressing Staff Shortages

Staffing shortages continue to hinder the CWELCC's implementation in various parts of the country. In Ontario, they have existed for more than a decade, largely due to the staffing model used by the Province's full-day kindergarten program. Other parts of the country also have longstanding histories of child care staffing challenges. Had the Trudeau government consulted with child care owner/operators before rolling out the CWELCC, it would have known that there were not enough qualified staff in the entire country to keep all of the existing licensed child care centres running at full capacity, let alone expand them. A similar lack of industry insight has undermined the effectiveness of some of the federal government's approaches to addressing staffing shortages in the sector.

An example of this is the wage grid or wage floor concept that has accompanied the CWELCC's implementation. While it has increased wages for some ECE staff, it has also led to wage compression, which creates disincentives for more senior staff to stay in the field. When the government mandates that less experienced staff receive rapid wage increases, but creates funding limitations that preclude offering more experienced staff proportional increases as well, there is little incentive for more experienced staff to stay working in child care.

Providing financial assistance to individuals already working in licensed child care to help them get their ECE or ECA credentials is important and should continue, as should initiatives that increase the portability of such credentials across provincial and territorial boundaries. Additionally, the recognition of certified Montessori educators as qualified professionals under CWELCC would be a major step forward.

Reducing the CWELCC-imposed administrative burden on child care providers would also help with staffing issues, as it would free up time for child care supervisors to support, coach and mentor their



staff teams. This is important for enhancing both the quality of working life for child care staff, as well as the quality of care provided for children.

Producing new ECEs and ECAs and retaining them is essential to addressing Canada's child care staffing shortages, but immigration also plays a critical role. To date, the federal government has failed to prioritize child care professionals in its immigration policies. Recent immigration policy changes mean that many Canadian-trained ECEs and ECAs are now facing deportation. Further, even when provinces and territories have identified the lack of ECEs and ECAs as an issue, there is [no formal or standardized process](#) by which they can communicate this labour market need to Immigration, Refugees and Citizenship Canada.

Possible Solutions:

- *Simplifying the CWELCC Agreements with provinces and territories to eliminate many of the terms and conditions associated with cost-containment would give child care operators greater financial flexibility to pay all child care staff more. (Funding to centres would still be subject to reasonable limitations, but could be based on standardized per-child, per-diems based on age, rather than intrusive line-item requirements within child care centre budgets.)*
- *To address the staffing challenges that are hindering the roll-out of the CWELCC, the federal government must ensure that Canadian-trained ECEs and ECAs are prioritized in terms of Canada's immigration system.*

Conclusion

ADCDO appreciates the opportunity to provide input on the 2025 federal budget. It stands ready to assist the federal government in pursuing any or all of the possible solutions presented in this submission, or to provide further clarification and feedback as needed.