Child Care Now
Un Enfant Une Place

Submission to FINA's Pre-Budget Consultations on the 2026 Budget

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May 19, 2026

Recommendations

1. Federal transfers for Canada-Wide Early Learning and Child Care system

Budget 2026 must ramp-up the annual federal transfers to the provinces and territories to strengthen and significantly expand the Canada-Wide Early Learning and Child Care (CWELCC) system until Canada has in place a developed universal system of early childhood education, as follows:

Table 1*:* Recommended Federal transfers for Canada-Wide Early Learning and Child Care ($ billions)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Operational funding	8.7	9.7	10.8	12.0	13.3	54.5
Early Learning and Child Care Infrastructure Fund	0.2	3.0	4.0	4.0	4.0	15.2

Table 2*:* Planned federal transfers for Canada-Wide Early Learning and Child Care from 2026 Economic Update ($billions)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Operational funding	8.4	8.0	8.2	8.5	8.1	41.2
Early Learning and Child Care Infrastructure Fund	0.2	-	-	-	-	0.2

1(a) Operational funding

The federal spending plan set out in the 2026 Economic Update (summarized in Table 2) will flatline operational funding. Our recommendation is to increase federal transfers for the operation of the system each year as of 2027-28 by 11%. We recommend that operational funding increase by 13% in 2026-27 (over 2025-26) to partially fund the operational funding gap that has arisen in all provinces and territories over the last

several years (Table 1).

Provinces and territories, except Quebec, which has an asymmetrical CWELCC funding agreement with the Government of Canada, should be required to use the transfers for operational funding to:

- reach and maintain a $10 daily parent fee cap;
- ensure that there are provisions for lower than $10aDay fees for lower-income families, and no fees for families living in poverty;
- finance effective workforce strategies to expand the size of the qualified child care workforce including:
    - competitive salary schedules for the ELCC workforce, and policies to ensure that employees are compensated for all hours worked, including program preparation time,
    - province-wide benefit and pension plans equivalent to those in place in publicly funded sectors such as public education, health care, and municipal services.

1(b) **Capital funding**

Federal capital funding to expand CWELCC should be made available through a renewed Early Learning and Child Care Infrastructure Fund currently due to expire March 31, 2027. The Fund was established to provide federal support for the expansion of not-for-profit and public licensed child care facilities through new construction and/or renovation/rehabilitation.

We recommend the federal government put conditions on the distribution of capital funds to provinces and territories (other than Quebec). Specifically, provinces/territories should be required to apply for funds supported by a CWELCC system growth plan to increase equitable and inclusive access to CWELCC-funded licensed programs in public or not-for-profit facilities.

Further, provinces/territories should be required to share the cost of the expansion funded through the ELCC Infrastructure Fund: 75% (federal) and 25% (province/territory). The ELCC Infrastructure Fund should prioritize funding for expansion projects that will co-locate licensed child care in non-market housing projects, schools, post-secondary education facilities, public health care facilities, other public buildings, public lands and other locations.

2. Indigenous Early Learning and Child Care

We recommend that in addition to the federal transfers for operational and capital CWELCC funding, Budget 2026 allocate sufficient funding for the continued implementation of the Indigenous Early Learning and Child Care Framework (IELCC) co-developed by First Nations, Métis and Inuit partners and the Government of Canada.

3. Federal data and research strategy

Budget 2026 should allocate $15 million over the next two years to develop, fund and operationalize a comprehensive Canada-wide early learning and child care data strategy to monitor and report publicly on the progress governments are making with system-development; track and account for public spending on early childhood education, and support policy development. Additionally, $20 million over the next three years should be allocated to fund a research program to evaluate the impact of CWELCC and guide its further development.

Evidence

The 2021 federal budget launched the Canada-wide Early Learning and Child Care (CWECC) program supported by new investments of just under $30 billion over five years, from 2021-22 to 2025-26), and a minimum of $9.2 billion per year ongoing starting in 2025-26, "recognizing that building the quality system we want will take time."

The 2021 budget said, "the government's goal is to ensure that all families have access to high-quality, affordable and flexible early learning and child care no matter where they live."

The government's goal was restated in federal legislation, an **Act respecting early learning and child care in Canada**, that received Royal assent on March 19, 2024. The **Act** specifically states that federal funds must aim to "support the provision of, and facilitate equitable access to, high-quality early learning and child care programs and services–in particular those that are provided by public and not-for-profit child care providers." (S.7(1)(a)).

The federal investments over the first five years of the CWELCC program yielded significant results. Since 2021, parent fees have been lowered significantly in all provinces and territories, with six provinces and territories reaching either a maximum or average fee of $10aDay before March 2026.[1]

As of September 2025, more than 110,000 new spaces had been created for children 0 - 5 who are not in school.[2]

Compensation for qualified early childhood educators has increased through province-wide initiatives in most provinces and territories, including the introduction of a ground-breaking defined benefit pension plan and extended benefit plan for the early

[1] Macdonald and Friendly (2025) *The price is not right (yet)*, Canadian Centre for Policy Alternatives,
[2] Canadian Centre for Policy Alternatives, Childcare Licensing and Accessibility by Region (CLAR) database, Author's calculations.

learning and child care sector in Nova Scotia.

However, the commitments made in the CWELCC funding agreements between the Government of Canada and the provincial and territorial governments had not been fully realized by March 31, 2026.

The next five years will be pivotal for the expansion of child care in Canada.

Achieving the long-term goals of affordability, accessibility, quality, and expansion primarily in the not-for-profit and public sectors requires continued attention to several key issues including workforce supply, the balance of public and not-for-profit provision, and the alignment of expansion strategies with community needs.

Child care is essential to Canada's economic resilience

CWELCC is necessary infrastructure to support other Team Canada Strong programs, such as the recent federal initiative to spend $6 billion to recruit, train and hire up to 100,000 new skilled trades workers.

Investing in child care to expand the availability of reliable child care services would ease access to skilled trades work, and it would provide an essential bridge to construction work for women who make up only 7.3 per cent of trades workers.[3]

Additionally, investment in child care would directly benefit the growing child care workforce - that is over 95% women.[4]

Economist Jim Stanford found that from 2019 to 2023, CWELCC added 40,000 new ELCC positions, and increased the earnings of those who work in the sector. Stanford estimates $32 billion in additional GDP was generated in 2024 from the combination of increased direct ELCC production, increased indirect (upstream and downstream) spin-off jobs, and increased female labour supply (compared to 2019).[5]

Baker, Gruber and Milligan's recent study of the long-term positive impact of Quebec's child care program calculated that the additional tax revenues and reduced public spending solely from mother's increased labour supply have allowed the Quebec government to recoup its investments in the program.[6]

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[3] Statistics Canada, cited in Globe and Mail (May 11, 2026), 'Ottawa spends $6-billion subsidizing trades - for young men. What about young women?',
[4] Statistics Canada (2021) *Insights on Canadian Society: Child Care workers in Canada*.
[5] Stanford, J. (2024) Powering Growth: Economic Benefits of Canada's $10-per-day Early Learning and Child Care Program.
[6] Baker, Gruber and Milligan (2026) Investing in Mothers?The Long-Run Impact of a Universal Child Care Program on Maternal Work and Income.

Significant annual increases for operational funding are needed to support stability of the child care sector and growth of the system

Operational funding is needed to bridge the large gap between the supply of low-fee licensed ELCC and parental demand, which has resulted in very long waitlists.[7]

While many provinces have reached the $10aDay parent fee target, sustained increases in operational funding are crucial to lowering fees to a maximum of $10 across the country and ensuring even lower fees for low-income families.

Additionally, funding is needed to raise compensation for the workforce. Low wages and lack of benefits and pensions are a main barrier to recruitment and retention of educators and other staff needed to sustain and expand programs under CWELCC.

A reinstatement and expansion of the ELCC Infrastructure Fund is essential to finance capital costs of not-for-profit and public expansion

Directing public funds to not-for-profit and public organizations ensures that tax-payer money is used efficiently and is used to develop public assets that serve the public interest.

The lack of adequate capital investment by federal and provincial governments is blocking the federal government's goal of 250,000 new spaces through CWELCC.

The continued reliance by governments on the ELCC sector to plan, build, and assume financial risk to put in place new facilities or renovate spaces creates a further barrier to expansion.

Canadian Centre for Policy Alternatives and Childcare Resource and Research Unit analyses of licensing data show that, in most provinces, for-profit child care has expanded much faster than not-for-profit and public child care under CWELCC.[8] Canada-wide, 66.7% of new spaces between 2022 and 2025 were in the for-profit sector.[9] Corrective measures are needed to reach the government's goal of a primarily not-for-profit system of child care and to be consistent with federal child care legislation.

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[7] Office of the Auditor General of Canada (2025) Canada-Wide Early Learning and Child Care System, Office of the Auditor General of Canada.
[8] Friendly, M., Beach, J., Aruran, G., Cossette, A., Hu, L., Lillace, J., & Forer, B. (2026). *Early childhood education and care in Canada 2024/2025*. Childcare Resource and Research Unit.
[9] Canadian Centre for Policy Alternatives, Childcare Licensing and Accessibility by Region (CLAR) database, Author's calculations.

Investment in Indigenous child care

Child Care Now supports the federal government's investments through the IELCC Framework. The long-term success and sustainability of programs in Indigenous communities is driven by policy and initiatives that are co-developed by Indigenous governed organizations and communities. This includes ongoing funding for IELCC Quality Improvement Projects (QIPs).

A data strategy, research and evaluation will support accountability at all levels of government

A strong data strategy and monitoring framework is crucial to track and monitor progress, to keep the public informed about progress against the government commitments, and it provides a tool for provinces to compare and learn about trends in other provinces and territories. Data strategies must also adhere to principles of Indigenous data sovereignty.

The Auditor General of Canada's Report found that ESDC has not been able to assemble comparable information across provinces and territories, making it difficult to track regulated child care spaces in a consistent way.

Child Care Now supports the Auditor General of Canada's recommendation that "ESDC should work with provincial and territorial governments to obtain comparable performance information to accurately compile results and effectively assess outcomes of the Canada-wide early learning and child care system".[10]

Child Care Now, Canada's national child care advocacy association, was founded in 1982 to act on behalf of organizations and individuals who want high quality, affordable, and inclusive child care to be available for all families, and all children, regardless of where they live in Canada, and regardless of their circumstances.

[10] Office of the Auditor General of Canada (2025), p23.