OPTION FOR AN ONTARIO CHILD CARE

FUNDING FORMULA

REVENUE REPLACEMENT IS WOEFULLY INADEQUATE

Not-for-profits have kept their fees as low as possible to maintain affordability for parents - many keeping fees below inflation since before COVID. Revenue replacement based on 2022 fees does not represent the increases needed to address revenue gaps. According to the Government's own figures, inflation has increased 13.2% since 2022, but they are only increasing funding by 4.85%.

We propose an "alternative model" for a funding formula for Ontario child care centres.

PROVINCIAL WAGE GRID: wage rates given by a regularly-updated provincial wage grid including all employees at each centre - with time off for planning, meeting with parents and professional development

BENEFITS: defined benefit pension plan funded by the MOE, plus 20% of payroll costs for additional benefits

PLUS 25%: plus 25% more to the total of the wages and the benefits to cover occupancy costs and all other operations to give centres more flexibility & to improve quality.

This option is put forward for discussion, but it is clear that we do need a clear and viable policy alternative.

Building Blocks for Child Care is circulating this paper as a realistic proposal for a Funding Formula. We welcome feedback and suggestions. We've already received several good ideas, many of which have been incorporated into this version. We hope that it provides you, your staff, your boards and your colleagues with the opportunity to evaluate the forthcoming Child Care Funding Formula which we think will be released very shortly.

It has been shared by many not-for-profit and public child care centres in Ontario that they are running deficits; some are being rescued by municipalities, very few have the capacity to expand. At the heart of all of these problems lies Ontario's continuance of the revenue replacement model*, for much longer than expected. In other words, Ontario has not provided a funding formula.

This short note proposes a model for a funding formula for Ontario child care centres (there will need to be a corresponding formula for home child care agencies and providers). It is based on PEI's child care funding formula, in use since 2010. We have adapted the basic ideas to apply to Ontario.

The basic structure of the alternative child care funding formula is straightforward (3 steps).

PROVINCIAL WAGE GRID

1

It takes the annual wage costs of delivering child care to enrolled children with wage rates given by a regularly-updated (at a minimum reflective of COLA) provincial wage grid. The wage costs include all employees at each centre (not just those in ratio), supply staff, time off for planning, meeting with parents and professional development, recognition and full payment to all employees with an RECE designation (not just limited to those required by the Child Care and Early Years Act (CCEYA). This is designed to allow for increased quality.

BENEFITS

2

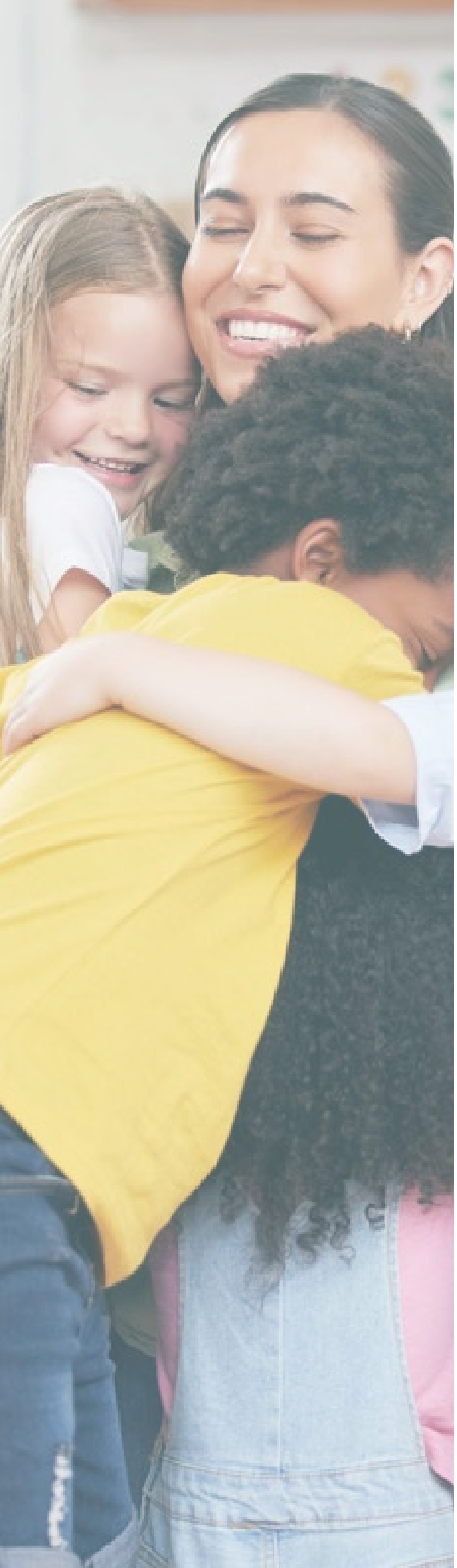
It proposes that the Ministry of Education funds a defined benefit pension plan and pays the employer premiums directly. On top of that it adds 20% of payroll costs for additional benefits. Until the defined Pension Plan is implemented, the % cost for benefits will be higher to allow for continuance of an employer contribution to an employee RRSP plan.

PLUS 25%

3

In addition to all the wage, benefit and replacement costs (including the pension plan if not yet implemented), it adds 25% more to the total of the wages and the benefits to cover occupancy costs and all other operations. This is designed to give centres more flexibility in the way that they operate and to allow some choice to improve quality.

There are some extra details about how to calculate the numbers and what costs are covered by each part, but it is fundamentally a simple and transparent formula. It has to be accompanied by financial accountability measures that ensure that the money is spent on providing quality child care and not making entrepreneurs rich with government funds.



REASONS FOR POLICY ALTERNATIVE

This option is put forward for discussion, but it is clear that we do need a clear and viable policy alternative. There are several reasons:

- **When Ontario comes up with its funding formula recommendation, our proposal will help us to assess Ontario's version.**
- **We need to ensure that the funding formula is based on actual costs to operate high quality child care.**
- **Our model focuses our attention and discussion on the broad funding approach and level instead of individual details. Both are important, but the broad strokes are the place to start.**
- **Maybe, just maybe, Ontario will appreciate all the work that has gone into developing this option and will adopt it (or at least learn from it)!**
- **Having a clear funding formula proposal will help the media to understand what is missing from the Ontario government.**

“Our model focuses our attention and discussion on the broad funding approach ”

A FEW EXTRA DETAILS

Some items would be funded separately, outside the funding formula. For example:

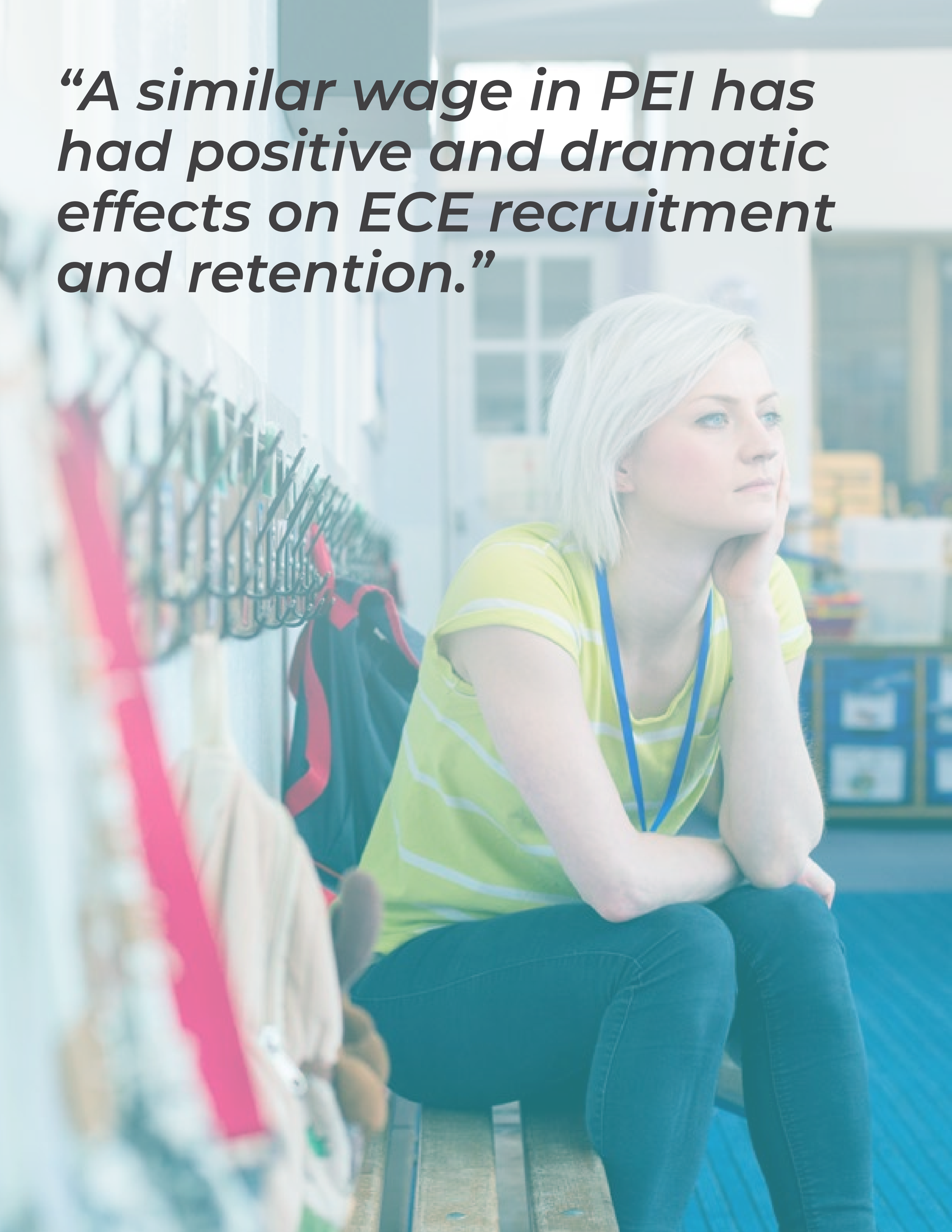
- **We assume that Ontario will, like PEI, Nova Scotia and others, provide a pension plan for child care staff that would be covered outside the funding formula.**
- **Funding for children with special needs would be separate from the funding formula because the funding needs may vary from centre to centre. Currently Ontario does not have a defined system and the details of this system need to be worked out and agreed to first. Later, we would hope that funding for special needs children will be integrated into the formula.**
- **CEOs/Directors of multi-site agencies would be funded outside the funding formula because their compensation may vary according to the number of centres/employees/programs they’re responsible for etc.**
- **Special allowances for high occupancy costs (as discussed below) would be funded outside the funding formula. This would only be covered by application to the SSM and permitted only in extenuating circumstances.**
- **Others that we haven’t yet thought of!**

CALCULATING WAGE COSTS

How would the “wage costs” (point 1 in the funding formula) be calculated?

1. **Take the estimated enrollment for the next quarter by age category.**
2. **Then, with the legislated staff-child ratio, calculate the number of FTE front-line staff needed to provide care and education for the enrolled children for the number of hours that the centre is open.**
3. **Adjust to calculate number of additional FTE staff to cover the beginning and end of the day, professional development time for staff, as well as non-contact time including administrative tasks each day, contacting parents, updating documents, connecting with colleagues about children’s learning, programming, communicating with other staff, documenting learning, etc.).**
4. **All program staff would be permitted to hold RECEs and be remunerated for their qualifications regardless of the minimum ratios prescribed in the Child Care and Early Years Act.**
5. **Use this sample provincial wage grid to calculate the actual wages for the coming budget year that will be paid to these staff according to their certification level and years of experience. Payments should be made quarterly in advance.**
6. **Add an amount per staff member to account for the cost of replacement staff for vacations, sick leave and other personal leaves.**
7. **Add the wage amount for the budget year due to the cook, administrative staff, and the Supervisor of the centre**
8. **This gives you the wage costs for the next budget year to plug into the funding formula.**

“A similar wage in PEI has had positive and dramatic effects on ECE recruitment and retention.”



CALCULATING BENEFITS

On top of this, there is an allowance of 20% for the cost of benefits. (Health, LTD, Dental, Insurance, etc.) It would also make sense, as in Nova Scotia to have a province-wide benefits plan. This paper proposes that the pension plan be taken care of by the provincial government outside the funding formula and that the Ministry pay the employer premiums.

Then, add an additional 25% to cover all other operational costs including occupancy. It's possible that occupancy costs would be so high that it would not be possible for some centres to include their occupancy costs in the extra 25%. If centres believe that their occupancy costs are unusually high but justifiable, there should be an appeal mechanism to the SSMs which can evaluate whether a supplement is required.

This extra 25% should cover costs that will allow centres considerable discretion but also be used to improve quality. For example, if you choose to hire pedagogical assistants above ratio in your centre, prefer to emphasise particular healthy foods, or need to enhance your equipment and supplies, having discretion over your 25% will help you do that – or put in place a plan for achieving it.

"pay equity should be the long-term goal for ensuring... fair pay"

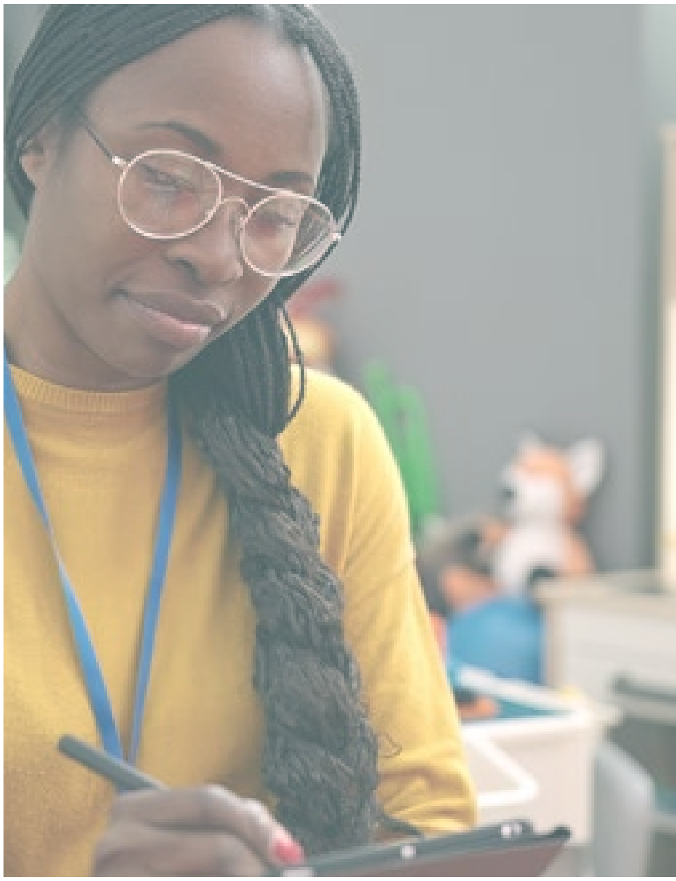
THE WAGE GRID

It is hard to imagine a funding formula without a wage grid. If every centre pays different wages, how can there be any consistent rules for centre revenues that will be provided by the government? Below, we propose an actual wage grid for Ontario child care staff. Wage rates vary by certification level or job classification or amount of experience. The wage grid is designed to increase every year (by approximately 3% - rounded) until it reaches the "job rate" in Step 4 of the grid. This suggested step grid is based on the majority of collective agreements that we have reviewed but is, of course, not cast in stone – it could be two steps, five steps, ten steps (as in Quebec, etc.).

The level of the wage grid for RECEs (job rate) is pegged to the average hourly wage in Ontario - $36.14 for an RECE. A similar wage in PEI has had positive and dramatic effects on ECE recruitment and retention. Having said that, B2C2 emphasises the need to respect legacy wages and collective agreements and not permit "red circling". This point is emphasised in the AECEO/OCBCC's position paper on A Publicly-Funded Salary Scale.

Why not compare educators needed in early learning and child care centres to other positions with comparable qualifications, you may ask? B2C2 would refer you to the paper that Gordon Cleveland wrote in August, 2023 doing just that. He concluded that early childhood educators earned less than all other positions with comparable qualifications and, in fact, were more comparable to jobs held by high school graduates.

Similarly, why not compare to local municipalities, you may ask? We have 47 municipal systems across the province and that makes comparisons to municipalities both unfair
and complicated. Early learning and child care is a female-dominated sector. Pay equity would be the best solution to resolve the discrepancy between the low wages paid to child care staff and male dominated job classifications in the public sector.



But municipalities have not maintained their pay equity plans and the remedy for resolving these issues is currently tied up in the Courts. Achieving pay equity should be the long- term goal for ensuring that the sector receives adequate and fair pay rates. At this time, we believe there is an obvious short-term remedy. Who could argue that early childhood educators should get at least the Ontario average wage, (average for ALL occupations working in both part-time and full-time job classifications in Ontario) as of January 2024. We have therefore used the Ontario average wage as a solid basis to construct the wage grid. As noted, PEI also used this metric in constructing their successful wage grid.

PROPOSED ONTARIO WAGE GRID 2024

CERTIFICATION/JOB	START	STEP 1	STEP 2	STEP 3	STEP 4
Unqualified or Educ. Assist.	25.00	25.75	26.50	27.25	28.00
Food server/housekeeper	22.00	23.00	24.00	24.50	25.00
Cook	27.00	27.50	28.00	29.00	30.00
Administrative Assistant	27.00	27.50	28.00	29.00	30.00
Registered Early Childhood Educator	32.00	33.00	34.00	35.00	36.00
Supervisor: Level 1	39.00	41.00	42.50	44.00	45.00
Supervisor: Level 2 *	51.50	54.50	56.00	58.00	59.00

* **Note:** Supervisors may fall into different wage categories based on the size of the centres and/or the number of employees. Administrative staff and other essential program staff can also be added to the wage grid. For now, we've kept it simple.

WHY REVENUE REPLACEMENT IS SO WOEFULLY INADEQUATE

Not-for-profit programs have historically kept their fees as low as possible to maintain affordability for parents. During COVID most not-for-profit agencies did not increase their fees to keep up with inflation and some SSMs had even requested agencies to not increase fees since 2018. This means that when fees were frozen in March 2022 - these were actually fees from 2018 or 2020 - so revenue replacement based on 2022 fees does not represent the rebound increases agencies expected to implement to address their revenue gaps. The Government's own budget has published inflation figures whereby inflation has increased by 6.8% in 2022, 3.8% in 2023 and 2.6% in 2024, totalling 13.2%. Since that time, the Ministry has authorised an addition of 4.85%. It's no wonder that centres are struggling!