

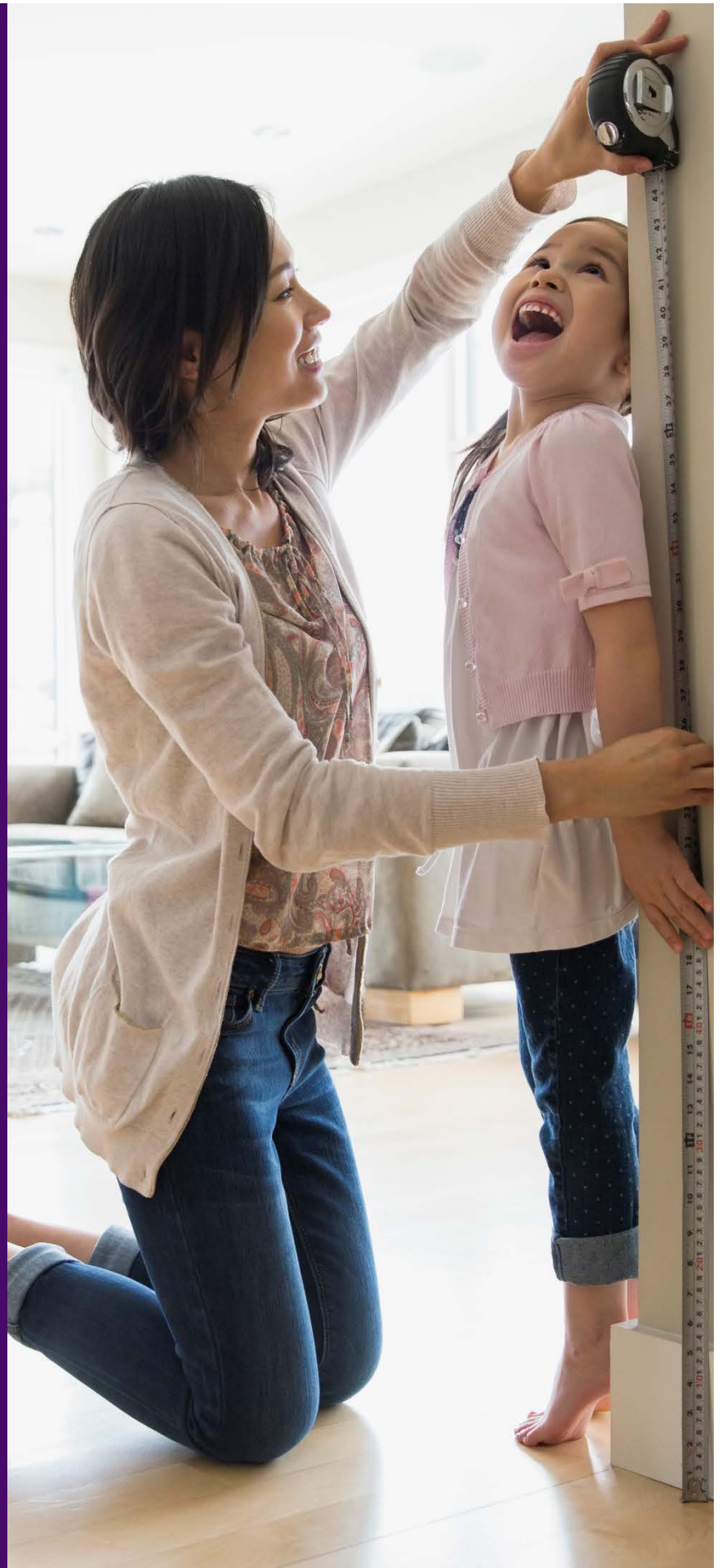


Early Learning and Child Care Transformation

MANITOBA
DEPARTMENT OF
FAMILIES

FINAL REPORT

AUGUST 31, 2020



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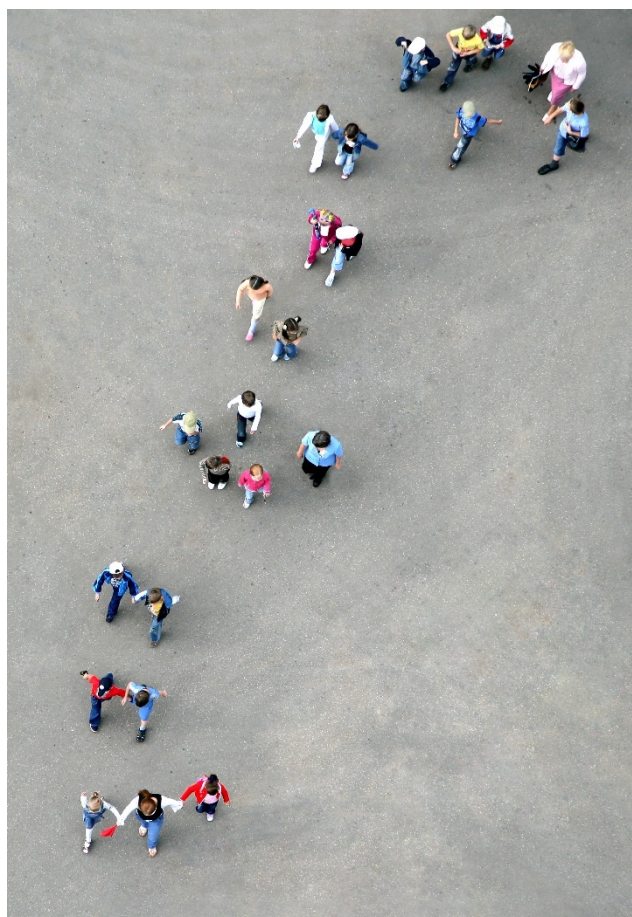
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Table of contents

PROJECT OVERVIEW	4
INTRODUCTION TO CHILD CARE	6
MANITOBA'S ELCC SYSTEM	11
CURRENT STATE ASSESSMENT	25
THE CASE FOR CHANGE	37
OPPORTUNITIES FOR THE FUTURE	40
MOVING FORWARD	57



Project Overview

PROJECT CONTEXT AND OBJECTIVES

Manitoba's Early Learning and Child Care (ELCC) Program falls within the Department of Families (FAM). ELCC oversees various aspects of child care operations in the province through legislation, regulations, funding, policies, strategic development, and initiatives in order to support the provision of safe, accessible, affordable and high quality child care services.

The ELCC Program distributed \$162.1 million in 2019-20 to Manitoba's child care sector through operating grants for providers, subsidy for parents, inclusive support funding to support children with additional needs, child care workforce supports, capital and other special purpose grants.

Manitoba's child care system has not been reformed in many years, and systemic issues have arisen. The Government of Manitoba, through FAM, wanted to explore how to develop a modern child care system and funding model that would enable and support the child care sector to: grow in line with demand from families in terms of amount and type of child care; provide greater equity in the type of support given to families; offer choices and flexibility for parents, and provide administrative efficiencies.

The goals of this project were to:

- Provide an assessment of the existing ELCC funding model and its effectiveness in meeting desired program outcomes
- Modernize the approach to ELCC funding with a shift toward procuring services that meet specified program outcomes, including the identification of outcomes and a method to track and report on these
- Design an ELCC funding model that was equitable across the system, streamlined to reduce administrative burden for providers and clients (reduce red tape) and “nimble”; i.e. oriented towards proactively addressing changes in child care demand through the realignment of resources as required and over time, and
- Identify methods to monitor and assess spending at both the micro and macro levels, including methods to recognize trends in overall spending and the relationship between spending trends and intended outcomes.

PROJECT SCOPE

KPMG was engaged to work with FAM to review the current ELCC system, document its strengths and challenges, and identify options for improvement.

The scope of KPMG's involvement specifically included:

- Defining an outcomes framework for the future ELCC Program to show the impact of FAM funding for families and children, and provide methods for tracking, measuring and reporting outcomes
- Analyzing the economic impacts of child care in Manitoba
- Reviewing the current ELCC funding model and approach to identify strengths and opportunities for improvement

- Supporting the development of an equitable, streamlined, and efficient policy framework for the ELCC Program in Manitoba, including understanding the components of a future-state child care system that responds to parent needs
- Providing estimated costs for a future-state ELCC funding model, based on assumptions provided by FAM, and documenting the costs, benefits, issues and challenges in moving towards a different future-state model
- Developing a market steward strategy that outlines the roles, responsibilities and actions of FAM in leading a more responsive ELCC system, and
- Developing an implementation plan to enable the roll out of the new proposed funding approach, taking into consideration both the immediate post-COVID period, and the longer-term 'business as usual'.

The results from this work, if implemented, could lead to an ELCC system transformation post-COVID-19 and could support the Government of Manitoba and community to recover from the social and economic effects of that situation, as well as position the future child care system to support Manitoban parents, employers and the community in the event of future disruptions.

LIMITATIONS

There were some limitations in data available to this project. This included limits on the data that could be extracted from existing FAM systems due to IT system constraints. There were also limitations related to the fact that child care providers, as independent businesses, are only required to report on some items to FAM.

Specifically, the data limitations in this project included:

- **Availability of subsidy usage data.** Data on subsidy applicants and usage was only available for years 2013-14 and 2019-20.
- **Understanding of the demand for child care.** FAM does not track family composition and income distribution of families using licensed child care in Manitoba, and there was only some limited available data on families using unlicensed child care in Manitoba through a 2019 Statistics Canada survey. Key assumptions were accepted by FAM and secondary sources were used to estimate these proportions using available taxation and additional Statistics Canada data.
- **Use of select jurisdictional comparisons.** For the purposes of analyzing the current state, Manitoba's child care statistics were compared to select jurisdictions as agreed by FAM. Additional jurisdictional examples were used to highlight case studies of diverse policy approaches and their impacts.
- **Availability of centre-based provider data.** Financial data and space utilization data is collected by FAM for licensed child care centres in Manitoba for the purpose of informing ongoing eligibility for operating grant funding. FAM's existing IT system does not support tracking of data over multiple years for comparative analysis.
- **Availability of other child care provider data.** There was no financial data available for licensed Nursery Schools and home-based providers in Manitoba, as there is currently no requirement for these providers to provide this information. As such there is limited analysis in the report on these child care options.

Introduction to Child Care

For many families with children, an effective, affordable, and quality child care system is vital to being able to combine parenting with other things they want and need to do, particularly work. Parents cannot concentrate on studying, training or working unless they know their children are safe and cared for. In this way, it is important for today's parents, as well as for supporting the economic activity that we all benefit from.

Being able to combine work and parenting is vital for all families. Employment has immediate and long-term benefits, including the ability to be self-reliant, to build financial savings for the present and retirement, the opportunity to build and develop skills that will lead to increased pay in the future, and the personal rewards of social connection and participation. Parents who could or do work represent a substantial proportion of the actual and potential workforce, and make a substantial contribution to an economy. Without their participation, economies would be considerably worse off.

In 2019, a Statistics Canada survey on the usage of early learning and child care arrangements in Canada found that around half (50.5%) of Manitoban children aged 0 to 5 were enrolled in some form child care. The skills and experience of the parents of these children represent an economic and social resource to the economy, much of which would be unavailable to employers if child care was not available. As such, one of the contributions that child care makes is to enable Manitoban parents to engage in the formal economy and ultimately create jobs. This highlights how child care is an essential service of a society, comparable to telecommunications, healthcare, or transportation, without which, a range of economic activities would not be possible.

Child care makes a contribution to the economy through:

- Providing quality, developmental learning environments for families with children that support early childhood development, and
- By supporting parents to participate in employment and education opportunities.

For most parents using child care, participation refers to their ability to work. In this way, the value of the child care sector is not only what it produces, but also what it supports others to produce.

Through an economic impact analysis¹ completed as part of this project, it is estimated that the child care sector in Manitoba supports approximately 5.4% of jobs in Manitoba and 5.5% of the province's GDP. In addition, it enables more jobs for parents that use child care, further increasing its value.

In addition to the benefit child care brings to adults, high quality child care also contributes to society through promoting children's growth and development.

Quality child care services are part of what helps parents to work. But it is much more than this. High quality child care helps children grow up strong and healthy, and puts them on a path to physical and mental well-being that

¹ Analysis was based on utilizing a customized Statistics Canada-based input output model using the revenue and expenditures provided by Manitoba's ELCC program. The analysis quantified the direct and indirect impacts and induced effects from the noted scenarios.

will affect their whole lives. It is vital that every experience children have is as safe, positive and developmental as it can be. Some of its additional benefits include:

<p>The promotion of social and intellectual development of children.</p>	<p>There is evidence that quality child care improves outcomes that children achieve later in life², especially for those children from disadvantaged backgrounds.³ This has benefits for those children and their families in terms of their immediate well-being and welfare.</p> <p>Research has shown that a child's cognitive functioning is largely established in their early years, and that the scope of life skills impacted by early years' experiences is extensive.⁴ In some cases, those benefits can persist even into adulthood, resulting in higher productivity and labour force participation, higher income earned, and taxation paid, better mental and physical health, and lower claims for government benefits.</p>
<p>Increasing access to high quality child care means increased opportunities for parents to enter or re-enter the labour market.</p>	<p>For low-income families or single parents, the ability to work while children are young can mean the difference between relying on social assistance or rising above the poverty line.⁵ Poverty can result in life-long damage to children's mental and physical well-being.</p> <p>The benefits of child care on working are particularly large for mothers, meaning child care can help to reduce the gender gap in today's labour market.⁶</p>
<p>Child care offers an opportunity for families to get help for issues they are facing.</p>	<p>This includes parenting and child development as well as other issues that families face including housing or food insecurity, drug and alcohol misuse, mental health issues or domestic violence, all of which impact children's well-being and development.</p> <p>The stigmatizing context of some specialized services can be a barrier to many people accessing services. By contrast, mainstream services such as child care offer a non-stigmatizing space in which children may have their behaviours observed and their issues potentially identified. Child care offers a space where help and support can be provided.</p>

² Archambault, J., Cote, D., & Raynault, M. (2019). Early Childhood Education and Care Access for Children from Disadvantaged Backgrounds: Using a Framework to Guide Intervention. *Early Childhood Education Journal*.

³ Melhuish, E. (2004). A literature review of the impact of early years provision on young children, with emphasis given to children from disadvantaged backgrounds. Institute for the Study of Children, Families & Social Issues.

⁴ McCain, N., Mustard, J., & Shanker, S. (2007). *Early Years Study 2: Putting Science into Action*. Council for Early Child Development.

⁵ Alexander, A., & Ignjatovic, D. (2012). *Early Childhood Education has widespread and long lasting benefits*. TD Economics.

⁶ The Centre for Spatial Economics. (2010). *Early Learning and Care Impact Analysis*. Milton, ON: The Centre for Spatial Economics.

SELECTED JURISDICTIONAL PERSPECTIVES

Governments around the world are grappling with similar child care issues to those facing Manitoba and have taken a variety of approaches to address their challenges. The following outlines some of the various approaches used in Ontario, Alberta, Quebec, and Australia.

ONTARIO

The amount of child care available in Ontario has experienced strong growth in past years. Between 2013-14 and 2018-19, the number of licensed spaces grew by more than 40%. Of this, 87% of the growth can be attributed to the non-profit sector, compared to 13% among private providers.⁷

Child care fees in Ontario are consistently among the nation's highest. In 2019, fees in Oakville and Toronto were second only to Iqaluit in terms of the average costs for child care, at just over \$1,200 per month.⁸ Child care fees are estimated to represent around 17% of Ontario families' average after-tax income, while those with infants in child care spending up to 25% of their income on child care.⁹ Fees have also increased in some Ontario municipalities by up to 16% between 2017 and 2019, compared to inflation of 4.8% over that same period.¹⁰

Market rates for child care are affected by what providers need to charge and what parents are able to pay, as well as relative supply and demand.

There are subsidies available for low-income Ontario families to pay for child care. The parental contribution towards the cost of child care for a family receiving fee subsidy is zero if the family income is under \$20,000; otherwise it is 10% of income over \$20,000 and an additional 20% for incomes over \$40,000.¹¹ However there is a waitlist for those child care spaces that are subsidized by Ontario as there is excess demand. This means not everyone who meets the income requirements can access a subsidized child care space.¹²

High child care costs are said to be contributing to low rates of child care use in Ontario, which also has the second lowest usage of child care in the country. It was also reported that the cost of child care causes low workforce participation rates among women; Ontario women are the least likely of any Canadians to be working or looking for work, with 28% of families saying the cost of child care is a barrier to work.¹³

In 2019, Ontario introduced a new Ontario Child Care Tax Credit, with eligible families able to claim up to 75% of child care fees paid (with a sliding scale depending on family income), to a cap of \$6,000 per child (under 7 years old).¹⁴ This new program will provide an estimated total of approximately \$475 million per year in support to families with their child care costs.

Because of the structure of the rebate, families earning \$40,000 to \$60,000 per year are predicted to receive the highest benefit; furthermore, all families need to wait for their tax refund to benefit from the rebate, which could be some 18 months after paying for the costs of care.¹⁵ Some have noted that the combination of the current subsidy program and the new tax rebate will still leave some low income families facing unaffordable costs for child care.¹⁶

⁷ Ontario Ministry Of Education (2020). Ontario's Early Years And Child Care Annual Report 2019

⁸ Canadian Centre For Policy Alternatives (2020). In Progress: Child Care Fees In Canada 2019

⁹ Statistics Canada (2019). Canadian Income Survey; Financial Accountability Office Of Ontario (2019). Expenditure Estimates 2019-20: Ministry Of Education

¹⁰ Canadian Centre For Policy Alternatives (2020). In Progress: Child Care Fees In Canada 2019

¹¹ Global News (2016). Child-Care Subsidies: What Parents In Every Province Need To Know

¹² City Of Toronto (2020). Child Care Fee Subsidy; CBC (2017). Ontario Will Unveil 16,000 Subsidized Child-Care Spaces.

¹³ Financial Accountability Office of Ontario (2019). Child Care In Ontario: A Review of Ontario's New Child Care Tax Credit

¹⁴ Government of Ontario (2020). Ontario Child Care Tax Credit

¹⁵ Financial Accountability Office of Ontario (2019). Child Care In Ontario: A Review of Ontario's New Child Care Tax Credit

¹⁶ The Conversation (2019). Why An Ontario Tax Credit For Child Care Is A Bad Idea

ALBERTA

As of March 2019, Alberta had more than 131,000 child care spaces, representing growth of over 30% over the years 2014-15 to 2018-19.¹⁷ Of these spaces, 46% of child care spaces are offered in the private sector, with the remainder being delivered by non-profit organizations.¹⁸

Alberta uses a market-based fee system. Median monthly pre-school fees in 2019 were \$875 in Edmonton and \$1,075 in Calgary, which is below what parents in Ontario and British Columbia pay, but higher than other provinces.¹⁹ Fee increases have consistently exceeded inflation; with increases in Edmonton between 2014 and 2018 of 11.9% and in Calgary 9.8%, compared to inflation of 6.8% over that same period.²⁰

The Alberta Child Care Subsidy program has one of the highest eligibility thresholds in Canada, with families earning up to \$50,000 able to qualify for full subsidy.²¹ In addition, an extended hours subsidy applies for parents who work or attend classes during evenings or weekends.²² Alberta started implementing a pilot of \$25 per day maximum fees in 2017, which was rolled out to 122 centres across the province.²³

Alberta is also one of the few provinces which is able to provide funding for particular child care programs that are outside of the normal full-time and centre-based care options, through the Extended Hours Subsidy for child care provided outside of 6 am to 6 pm weekdays or on weekends. The Innovative Child Care Program is another option that can be approved by government to meet the unique child care needs of the community in which the program is provided and operates; this is set out in Alberta's Child Care Licensing Regulation.

Alberta also offered a Kin Child Care Subsidy, which provided funding to low and middle income families who used relatives to care for their children. This program ceased in February 2019 based on low usage.²⁴

QUEBEC

Quebec's child care system is markedly different to everywhere else in Canada. It offers full-day, year-round care for children under 5, with families paying a maximum set fee on a sliding scale – up to \$17 per day. Despite government funding of around \$2 billion per year, demand for set-fee spaces exceeds funded supply, and waiting lists of several years are not uncommon.²⁵

Quebec created an additional tax credit in 2003 to help ease unmet demand for child care, covering 75% of the costs of child care provided by new providers (either private or non-profit) who operate outside of the set-fee system. Growth in unregulated-fee spaces grew by around 3,000% over the next 10 years after the tax credit was introduced; growth in unregulated-fee spaces represents around 75% of the growth in all spaces since 2011.²⁶

Parents able to benefit from a set-fee space in Quebec pay the country's lowest fees (\$179 per month). Parents not able to access a space in the regulated system pay a similar market rate to that operating in the market system in Ontario, reported to be up to \$982 per month (in Quebec City) in 2019.²⁷

¹⁷ Alberta Ministry of Children's Services (2019). Children's Services Annual Report 2018-2019

¹⁸ Childcare Resources and Research Unit (2017). Early Childhood Education and Care in Canada 2016

¹⁹ Canadian Centre For Policy Alternatives (2020). In Progress: Child Care Fees In Canada 2019

²⁰ Canadian Centre for Policy Alternatives (2019). Developmental Milestones: Child Care Fees in Canada's Big Cities 2018

²¹ Alberta Ministry of Children's Services (2019). Children's Services Annual Report 2018-2019

²² Global News (2016). Child-Care Subsidies: What Parents In Every Province Need To Know

²³ Canadian Centre For Policy Alternatives (2020). In Progress: Child Care Fees In Canada 2019

²⁴ Government of Alberta Department of Children's Services Annual Report 2019-20; Ministry of Children's Services statement in Child Care Canada Childcare Resource and Research Unit, 'It's tough. Alberta Government to end 2 child care subsidies at end of year'.

<https://www.childcarecanada.org/documents/child-care-news/19/11/its-tough-alberta-government-end-2-child-care-subsidies-end-year>

²⁵ The Atlantic (2018). When 'Universal' Child Care Isn't Universally High-Quality

²⁶ Canadian Centre for Policy Alternatives (2019). Developmental Milestones: Child Care Fees in Canada's Big Cities 2018

²⁷ Canadian Centre for Policy Alternatives (2019). Developmental Milestones: Child Care Fees in Canada's Big Cities 2018

AUSTRALIA

Australia removed most funding and regulation differences between non-profit and private child care providers in the 1990s, putting all providers on an “equal playing field”, able to compete for families on the basis of their specific offering.

One of the consistently acknowledged outcomes of this has been strong growth in the sector, with the number of children able to use child care growing by 50% in the first decade of the 2000s, almost entirely due to new private providers in the market.²⁸ Child care has continued to grow in Australia, with the proportion of children in child care aged 0-12 rising from 27% of all children in 2013 to 31.5% in 2019.²⁹

Research suggests that private providers in Australia were able to source the capital required to establish new services, or expand existing services to serve this demand, in ways that non-profit providers were not. In addition, services were able to become more responsive, with 27.3% of licensed child care centres offering non-standard hours of care in 2018 (37.9% of centres and 23.8% of family day caregivers).

The average parent costs for a child care centre in Australia are some of the highest in the world – over \$2,000 CAD per month in 2019, representing real growth of around 22% since 2013. A variety of financial supports are available to reduce some of the costs for families, on an income-based sliding scale. After financial supports are considered, parents pay out of pocket fees of between 3.9% and 5.8% of disposable income (for 30 hours per week of centre-based care) – regardless of their family income.

Total expenditures by government (federal and states combined) is uncapped (in terms of numbers of parents who can access it), and grows in line with the numbers of children using care and the costs of that care, with annual indexation of parts of the financial supports to the cost of living. Total (federal and state combined) child care expenditures were \$7.86 billion in 2018-19, up 18% over the previous 5 years in real terms.³⁰

The majority of expenditures are for subsidies based on the estimated family incomes and use of child care by families. These are claimed as fee deductions at the time fees are paid, meaning that there is no delay between payment of fees and receipt of any benefits the family is entitled to. However, rolling reconciliations can result in overpayments having to be paid back if family incomes are higher than anticipated.

Since 2012, Australia has a federally legislated set of quality standards for child care that operates in tandem with state-based licensing frameworks. All licensed services are required to participate and be assessed against seven quality areas, with an overall rating provided based on these results. The system is overseen by the Australian Children’s Education and Care Quality Authority, which is an independent national authority guided by a governing board.³¹

²⁸ Productivity Commission, Childcare and Early Childhood Learning. (2014). ‘Inquiry Report Volume 2’.

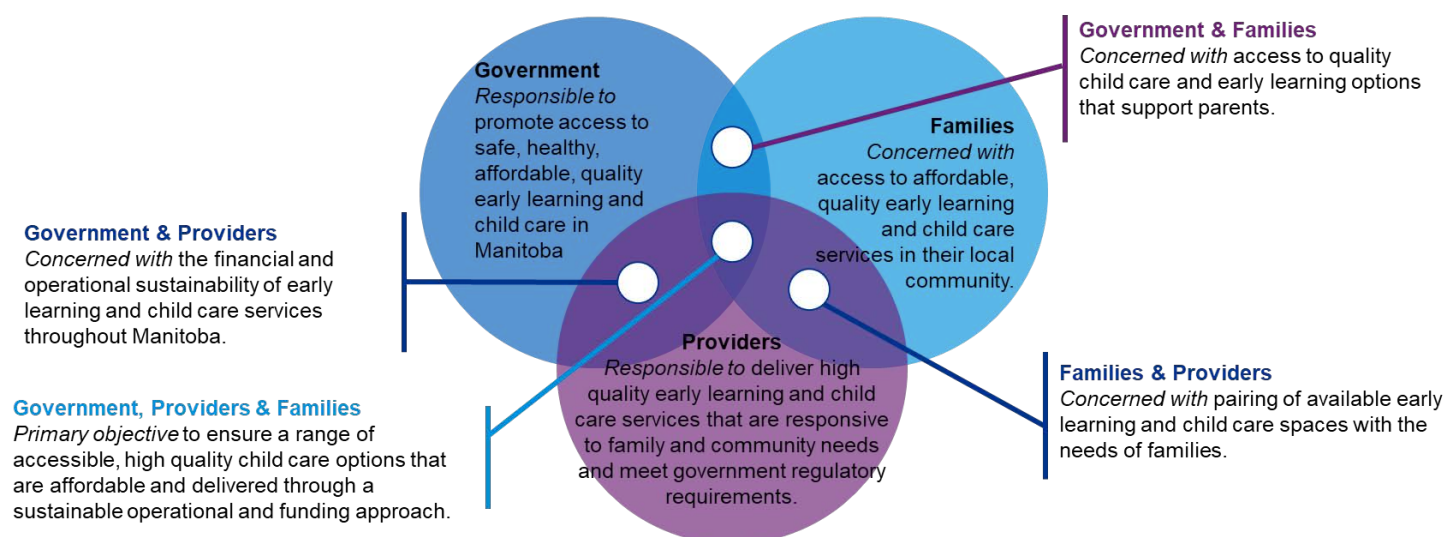
²⁹ Australian Government Productivity Commission (2020). Report on Government Services 2020: Early Childhood Education and Care (section 3)

³⁰ Australian Government Productivity Commission (2020). Report on Government Services 2020: Early Childhood Education and Care (section 3)

³¹ Australian Children’s Education and Care Quality Authority (2020). About Us

Manitoba's ELCC System

Manitoba's early learning and child care ecosystem includes a number of stakeholders, including families (and children), Government (as represented by FAM), and child care providers. Each of these stakeholders is further described below in this figure.



MANITOBA'S FAMILIES AND CHILDREN

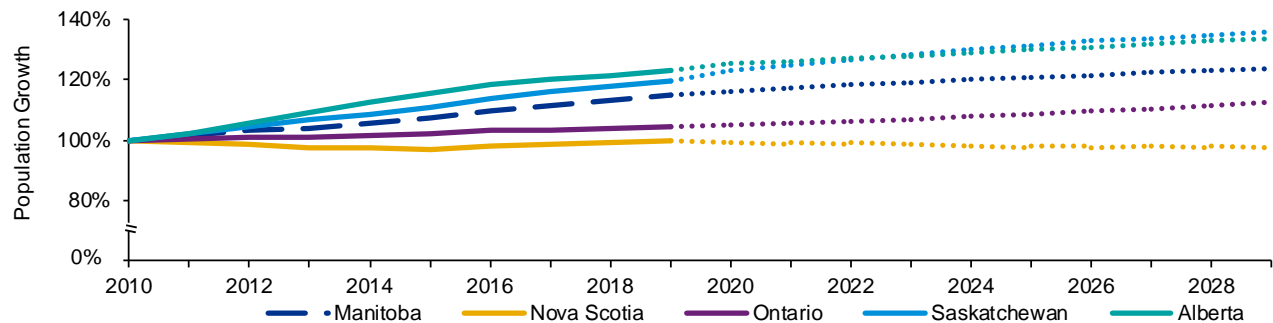
In 2019, there were approximately 209,000³² children aged 1 to 12 years in Manitoba, of whom 87,000 are aged 1 to 5 years. The number of children has increased by around 26,800 over the past 10 years, representing population growth of around 1.5% per year.

Over the coming decade, Statistics Canada estimates that another 16,400³³ children will be added to the province's population, representing growth of under 1% per year. This population growth rate puts Manitoba in the middle when compared to Alberta, Saskatchewan, Ontario, and Nova Scotia, as shown in Figure 1.

³² Statistics Canada. Table 17-10-0005-01 Population estimates on July 1st, by age and sex.

³³ Statistics Canada. Table 17-10-0057-01 Projected population, by projection scenario, age and sex, as of July 1. M1 Scenario.

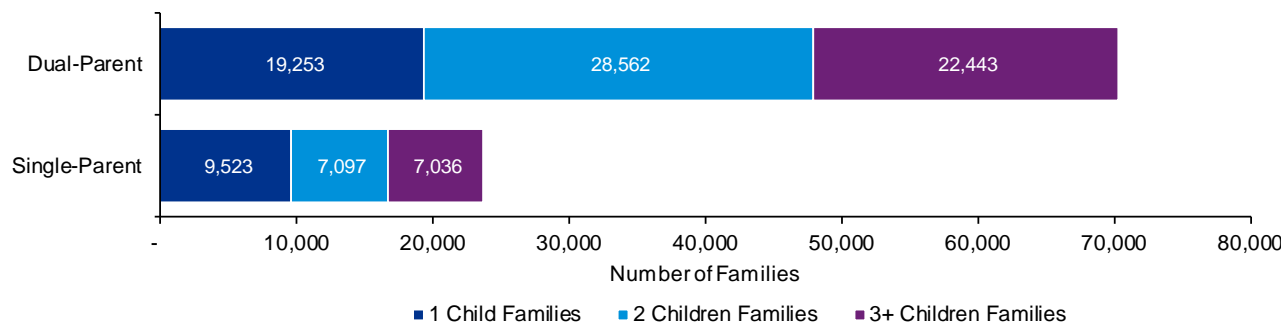
Figure 1: Historic / Projected Population Growth of Children aged 1 to 12 (2010 to 2029), Index = 2010



Source: Statistics Canada. Table 17-10-0005-01 Population estimates on July 1, 2019 by age and sex; Statistics Canada. Table 17-10-0057-01 Projected population, by projection scenario, age and sex, as of July 1, 2019. M1 Scenario.

In 2019, there were approximately 93,900³⁴ families in Manitoba with children aged 1 to 12 who may require some form of child care; approximately 25% of these are single-parent families³⁵, as per Figure 2.

Figure 2: Number of Dual and Single-Parent Families with Children of Child Care Age in Manitoba (2019)



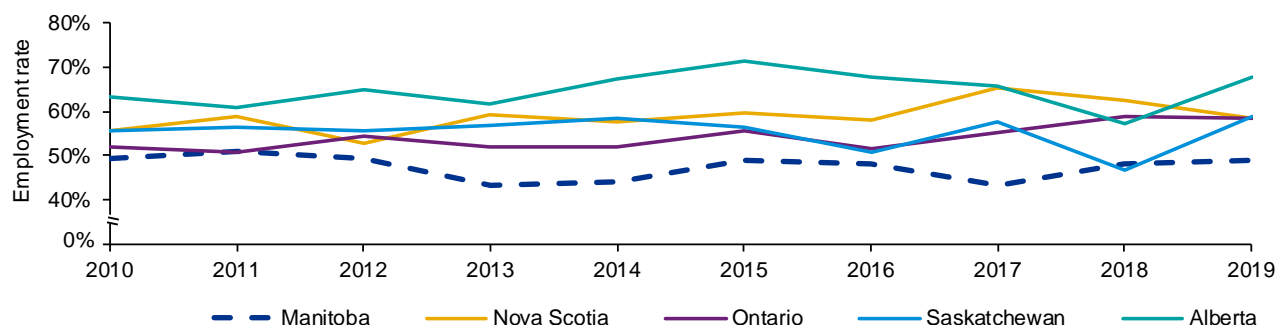
Note: Data on the number of dual and single-parent families in 2017 was prorated for actual growth in population of children aged 1 to 12 in 2019.

Source: Statistics Canada. Table 11-10-0013-01 Census families by total income, family type based on the age of the youngest child and number of children, 2017.

Prior to COVID-19, Manitoba's employment rate was 63.6% and its unemployment rate was 5%.³⁶ Slightly more Manitobans were likely to be working, compared to other parts of Canada. However, as shown in Figure 3, there were some exceptions to this. Single parents in Manitoba, particularly single mothers, are more likely to not be working when compared to single mothers in other provinces, particularly when their children are younger.

³⁴ Statistics Canada. Table 39-10-0041-01 Census families with children by age of children and children by age groups
³⁵ Statistics Canada. Table 11-10-0013-01 Census families by total income, family type based on the age of the youngest child and number of children, 2017.
³⁶ Statistics Canada. Table 14-10-0287-03 Labour force characteristics by province, monthly, seasonally adjusted. February 2020

Figure 3: Employment rates for single mothers with children aged 0 to 6 (2010 to 2019)



Source: Statistics Canada. Table 14-10-0120-01 Labour force characteristics by family age composition, annual.

Table 1 shows the income distributions of families with children aged 1 to 12 in Manitoba. In 2019, nearly 25,000 Manitoban children (aged 1 to 12 years), or approximately 12% of all children in Manitoba, were living in households with total incomes of less than \$25,000.³⁷

Table 1: Distribution of Families with Children of Child Care Age (1 to 12 years old) by Family Income (2019)

Family Income	# of Families	# of Children of Child Care Age	Average Children per Family	Unemployment Rate
≤ \$10,000	4,517	7,530	1.7	27%
\$10,000 to \$20,000	5,136	10,300	2.0	18%
\$20,000 to \$30,000	6,875	14,702	2.1	13%
\$30,000 to \$40,000	7,051	16,345	2.3	9%
\$40,000 to \$50,000	6,982	16,336	2.3	7%
\$50,000 to \$60,000	6,845	15,995	2.3	8%
\$60,000 to \$70,000	6,700	15,453	2.3	6%
\$70,000 to \$80,000	6,372	14,574	2.3	7%
\$80,000 to \$90,000	6,181	14,096	2.3	5%
\$90,000 to \$100,000	5,662	12,818	2.3	5%
\$100,000 to \$150,000	18,932	42,397	2.2	5%
\$150,000 to \$200,000	8,218	18,340	2.2	4%
\$200,000 to \$250,000	2,472	5,684	2.3	4%
> \$250,000	1,969	4,594	2.3	4%
Total	93,914	209,164	2.2	

Source: KPMG Analysis of Statistics Canada, 2016 Census of Population (Public Use Microdata Files); Statistics Canada. Table 11-10-0013-01 Census families by total income, family type based on the age of the youngest child and number of children, Manitoba 2017; Statistics Canada. Table 39-10-0041-01 Census families with children by age of children and children by age groups; Statistics Canada. Table 17-10-0005-01 Population estimates on July 1, 2019, by age and sex.

³⁷ KPMG Analysis of Statistics Canada, 2016 Census of Population (Public Use Microdata Files); Prorated to 2019 using actual growth in population.

GOVERNMENT'S ROLE IN THE ELCC SYSTEM

The Government of Manitoba, through FAM, plays a number of key roles in Manitoba's ELCC system including licensor, funder, and regulator.

GOVERNMENT AS A LICENSOR OF ELCC

Most ELCC services in Manitoba are required to be licensed, including those offered by non-profit and private home-based and centre-based providers. The requirements for licensing are set out in the *Community Child Care Standards Act (1987)* and associated Manitoba Regulations 62/86, as well as the Early Learning and Child Care Centres in Schools Policy and other relevant regulations.

The licensing process sets out requirements that are intended to enable all children in child care services to have child care that is safe, appropriate, and developmental for children. The legislation and regulations set out requirements such as those relating to curricula, qualifications of staff and programming support, staff to child ratios, natural light and the amount of space required for play, to help enable a positive and enriching child care experience.

Providers are measured against 13 competency areas that span the physical, educational and social environment of the child care setting and its safety and appropriateness, including through requirements for safety and adherence to the curriculum statements. The licensing system provides a mechanism to enable children to be in a physical environment and under the supervision of qualified staff that are appropriate to the particular child care type and setting. The available evidence suggests that the legislated licensing standards in operation in Manitoba are similar to those in other provinces.³⁸

Licensed providers can be given an exemption from these requirements. Common exemptions relate to natural light requirements relating to older buildings, and the qualifications of staff on site. With regard to the latter, regulations require two-thirds of staff in infant and preschool child care centres and half of staff working in nursery school and school-age settings be classified as an Early Childhood Educator II or III (requiring two and three years of study respectively); as at March 2019, according to information from FAM, approximately 24% of centre-based providers were operating without meeting these licensing requirements for trained staff. Where an exemption to these ratios is granted, providers are required to have a staff training plan in place.

GOVERNMENT AS A FUNDER OF ELCC

FAM provides funding to licensed child care providers to operate and reduce barriers in order to enable families and their children to fully participate in Manitoba's ELCC system. Licensed child care providers may qualify for annual operating grants, workforce support, capital grants, and inclusion support grants, the parameters of which are governed by the *Community Child Care Standards Act*.

In 2019-20, FAM delivered \$162.1 million in funding (as established and defined in Regulation) through a number of different funding streams.

- **Operating grants.** In 2019-20, child care providers received a total of \$114.7 million in operating grants. Annual operating grants are provided to licensed centre-based and home-based providers for approved spaces for which no more than the regulated parent fee is charged. Table 2 shows the regulated approach for operating grants.

³⁸ Office of the Auditor General (OAG) of Manitoba, Manitoba Early Learning and Child Care Program (2013); OAG – Manitoba, Follow-up (2016)

Table 2: Operating Grants for Licensed Child Care Providers

	Annual rate per approved space				
	Infant	Preschool	Nursery School		School Age
			Regular	Enhanced	
Maximum Operating Grant for Centres 37	\$11,375	\$4,180	\$264 / \$528	\$4,180	\$1,664
Maximum Operating Grant for Family Child Care Homes and Group Child Care Homes 37	\$2,693	\$2,068	-		\$880

Note: The distinction between whether a Nursery School receives a regular operating grant of \$264 or \$528 per approved space is based on the number of sessions they offer per week. Enhanced Operating Grants for Nursery Schools as defined in Section 37(1.1) in the Community Child Care Standards Act (1987).

Source: Community Child Care Standards Act (1987)

- **Child Care Subsidy Program.** In 2019-20, \$22.6 million was disbursed to families through the Child Care Subsidy Program. The current subsidy provides support to low-income families to help with the cost of child care. Eligibility for a subsidy is currently based on a family's income, reasons for child care, the number and age of the children that require child care, and the amount of child care required.
- **Inclusion Supports Program (ISP).** In 2019-20, child care providers received a total of \$10.6 million³⁹ in ISP funding. This funding supports children with additional needs by providing child care providers with funds to support the enhancement of their staffing ratios, to complete training on how to best serve children with additional needs, and to provide upgrades to facilities and equipment.
- **Workforce Supports.** In 2019-20, child care providers received a total of \$9.4 million in Workforce Supports funding. This funding supports child care workers to receive relevant training. Child care providers apply for grants on behalf of their workers for up to an annual maximum of \$400 for each Child Care Assistant or Early Childhood Educator (Level II). Other aspects of this funding stream include Wage Adjustments, Tuition Support, Pensions, Staffing Replacements for the periods of time where staff are away at training, College Expansion and Scholarships (note: these last two have been administered by the Department of Education since 2019-20)
- **Capital and Principal and Interest Payments.** In 2019-20, \$4.4 million in funding was used to increase access to quality early learning and child care through the capital development of new child care spaces in community and school settings.
- **Start-Up Grants.** In 2019-20, \$0.4 million was used for Start-Up Grants. This discretionary funding may support new child care providers in setting up their operation. The amount of the grant available for providers can be up to \$300 per approved child care space for a licensed home-based provider, \$450 for a licensed centre-based provider, and \$245 for a nursery school. At the time of licensing, new providers can receive this one-time start-up grant to help them with the purchase of age appropriate equipment or furnishings required for the age group of children that they are licensed to serve.

³⁹ Excluding bi-lateral funding.

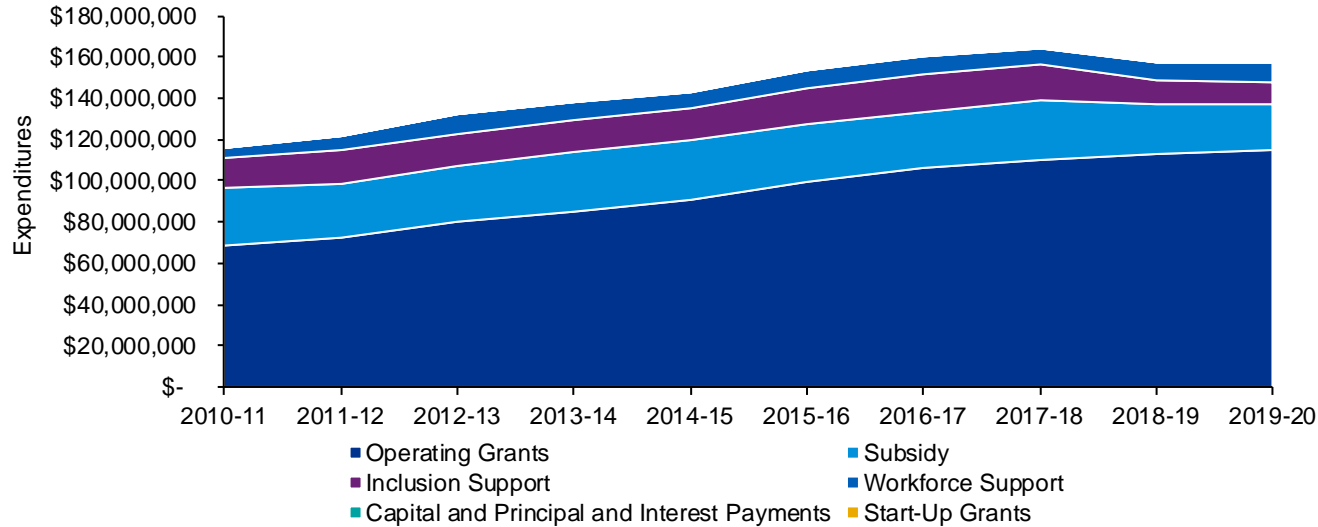
In March 2020, FAM also announced a new one-time grant of \$18 million (in addition to the annual ELCC funding of \$162.1 million) to support Early Childhood Educators whose employment had been impacted by COVID 19 so that they could offer child care services in their home or a community space. This was to be administered in partnership with the Manitoba Chambers of Commerce and the Winnipeg Chamber of Commerce. In August 2020, Manitoba expanded the use of this funding to include support for a range of child care options intended to expand choice and flexibility for Manitoba families.

As well, under the Canada-Manitoba Early Learning and Child Care Agreement (2017-18 and 2019-20), the Government of Canada invested an additional \$47 million to support Manitoba in its ongoing development of quality child care services and building a more accessible and affordable ELCC system. Additional support of more than \$15 million for early learning and child care investments will be provided in 2020-21 through a one-year extension of the bilateral agreement. Funding provided through this bilateral agreement supports various initiatives including:

- Developing new spaces through capital projects
- Strengthening and building the capacity of the workforce
- Measures to increase IT system efficiencies, and
- Creating a one-time COVID-19 Response Grant to support facilities that re-opened during the pandemic.

As Figure 4 shows, overall ELCC expenditures (excluding bilateral agreement funding) in Manitoba have grown by 37%, from \$118.1 million in 2010-11, to \$162.1 million in 2019-20, or 3.5% per year. The majority of ELCC’s funding is used for Operating Grants (71% of total funding in 2019-20), which grew by 5.8% per year.

Figure 4: ELCC Expenditures, nominal dollars (2010-11 to 2019-20)

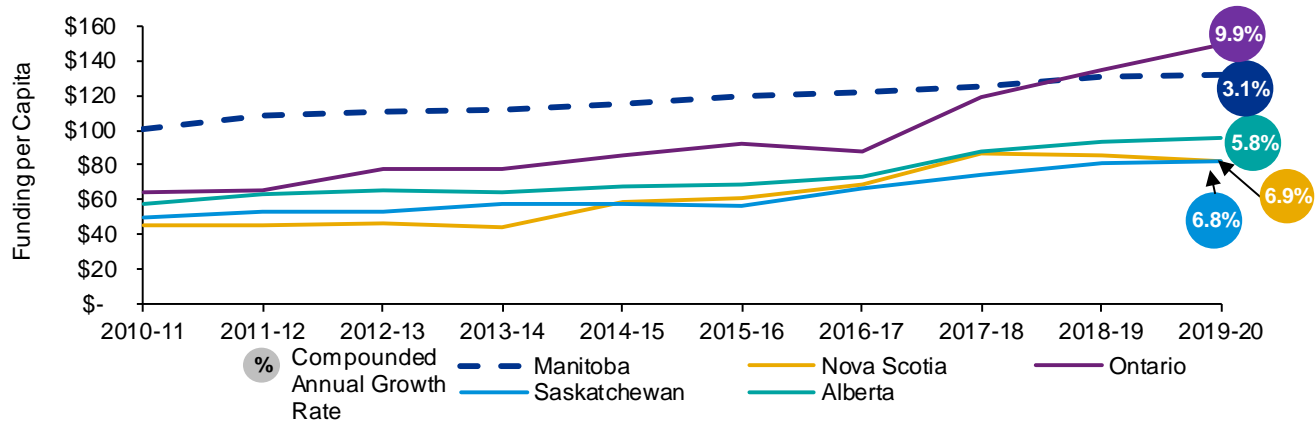


Note: ELCC program categories from 19 programs have been consolidated into the six categories above based on category alignment.

Source: Based on expenditure data from ELCC Expenditures History.

As per Figure 5, government spending on child care on a per capita basis in Manitoba is higher than in Alberta, Saskatchewan and Nova Scotia, and lower than Ontario.

Figure 5: Provincial Child Care Funding per Capita (2010-11 to 2019-20)



Source: Statistics Canada (2019). Table 17-10-0009-01 Population estimates, quarterly; KPMG Analysis of Provincial Annual Reports

USE OF THE TAXATION SYSTEM FOR CHILD CARE

A mix of federal and provincial tax rebates are also used to reduce some of the costs paid by Manitoban families for child care. The amount of the tax rebate is calculated as a proportion of the costs paid, based on the marginal tax rate applicable to the second earner in the family.

Families with higher income earners generally receive more benefit from these rebates, as higher income earners have higher marginal tax rates. Applicable tax rebates received by parents are not considered as an ELCC funding stream, however they represent a cost to the Government of Manitoba and a benefit to parents using child care.

GOVERNMENT AS A REGULATOR OF ELCC

Manitoba, Prince Edward Island and Quebec are the only provinces in Canada that set a regulated parent fee⁴⁰. A regulated parent fee is the maximum daily rate that a parent pays to access a licensed, funded child care space with a designated child care provider.

As per Table 3, in 2019, the average regulated parent fee across all age groups in Manitoba was \$17.91. Approximately 94% of all child care spaces offered in Manitoba adhere to this maximum regulated parent fee⁴¹, which was last increased in 2013.

⁴⁰ Regulated parent fees currently apply in some child care providers in Alberta and British Columbia on a pilot basis.

⁴¹ D. Macdonald and M. Friendly (2020), *In Progress. Child care fees in Canada 2019*. Canadian Centre for Policy Alternatives.

Table 3: Weighted Average Cost of Child Care (2020)

Age Group	Spaces Used	Current State
Infant	2,976	\$30.00
Preschool	15,810	\$20.80
Nursery School	1,740	\$10.40
School Age	11,719	\$12.05
Weighted average cost of child care		\$17.91

Note: The current state rates are based on the minimum parent contribution of either \$2 or \$1, as highlighted in the Community Child Care Standards Act (1987). The current state rate for School Age spaces is based on an assumption of \$10.30 per day for the school year, and \$20.80 per day for summer vacation. The current state rate for Nursery Schools is associated with one session (or half-day) and does not separate out Enhanced Nursery School where parents only pay \$5 per session or a maximum \$10 per day.

Source: KPMG Analysis of Provider Attendance / Utilization Data, 2018-19, provided by FAM; Schedule D: Maximum Daily Fees from the Community Child Care Standards Act.

Manitoba's regulated parent fee generally applies to parents using non-profit child care providers. There are some exceptions:

- Non-profit child care providers can offer spaces at a rate higher than the regulated parent fee if those spaces do not receive operational funding. However, as per Section 38(2.1) of Child Care Regulation 62/86, a subsidized family cannot be charged more than the regulated rate, and
- Eligible parents who use a space with a private child care provider can receive a Subsidy, if the provider offers child care to those parents at the regulated parent fee.

Table 4 compares Manitoba's regulated parent fee to the daily, monthly and annual parent fees (market rates) for preschool aged children from lowest to highest, in select Canadian jurisdictions.

Table 4: Daily, Monthly, and Annual Parent Fees for Pre-School Aged Children, 2019

City	Daily Parent Fee	Monthly Parent Fee (rounded)	Annual Parent Fee (rounded)
Manitoba	\$20.80	\$451	\$5,408
Regina	\$28.62	\$620	\$7,440
Fredericton	\$31.85	\$690	\$8,280
Moncton	\$33.32	\$722	\$8,664
Saskatoon	\$34.15	\$740	\$8,880
Hamilton	\$38.08	\$825	\$9,900
Lethbridge	\$38.30	\$830	\$9,960
Halifax	\$39.74	\$861	\$10,332
Edmonton	\$40.38	\$875	\$10,500
Brampton	\$44.08	\$955	\$11,460
Kitchener	\$47.08	\$1,020	\$12,240

City	Daily Parent Fee	Monthly Parent Fee (rounded)	Annual Parent Fee (rounded)
Calgary	\$49.62	\$1,075	\$12,900

Source: D. Macdonald and M. Friendly (2020), *In Progress. Child care fees in Canada 2019*. Canadian Centre for Policy Alternatives.

ELCC PROVIDERS IN MANITOBA

Manitoba's child care providers can operate in a centre-based environment or in individual homes, as home-based providers. As of March 2020, Manitoba's ELCC system included 1,172 licensed child care providers⁴², as per Table 5.

The majority (95%) of centre-based providers operate independently as non-profit organizations while the remaining ones (5%) are privately operated. All of the home-based providers are considered private providers. Nursery schools also provide child care on a part-time basis for children up to 6 years old, and usually for 2 to 3 hours per day (and 2 to 5 days per week).

Table 5: Count of Licensed Child Care Providers in Manitoba (2020)

Provider Type	Non-profit	Private	Total
Centre-based	579	27	606
Home-based	0	443	443
Nursery School	115	8	123
Total	694	478	1,172

Source: ELCC Facility data, Yearly Reports provided by FAM.

Non-profit, centre-based providers are independent organizations, although a few operate as subsidiaries under larger organizations. The governance model established in Manitoba's *Community Child Care Standards Act* requires each non-profit provider to have a board made up largely of parent representatives. Individual boards are responsible for recruiting, training and managing other board members and senior staff, as well as being legally accountable for financial management of the centre-based provider.

Private providers are for-profit businesses that operate as independent entities that are directed by the owners and managers of that business. Private providers can be home-based providers, or centre-based providers.

Almost all child care providers, regardless of whether they are a private or non-profit entity, are subject to the same provincial licensing standards, based on the type of services they provide (i.e. home-based group care, centre-based care, nursery school).

There are some exceptions to this. Some child care is delivered through unlicensed child care arrangements. This type of child care is not monitored by FAM and not required to meet the same standards that licensed child care providers are subject to.

⁴² ELCC Facility data, Yearly Reports

Unlicensed child care can be used to refer to a range of unpaid or paid arrangements that parents make, for example:

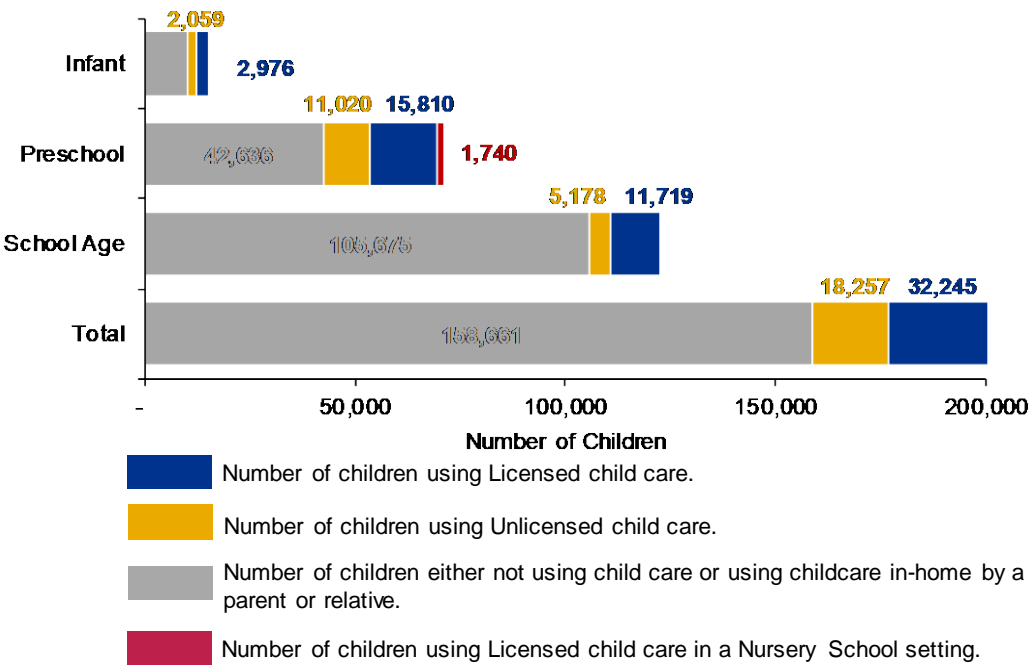
- Home-based child care that is specified within the legislation as not requiring licensing, for example home-based caregivers with a small number of children and some forms of care provided with parents in close proximity (e.g. workplace-based care, a gym)
- Parents who use grandparents, other family members, neighbours, and friends to look after their children
- Parents who pay for private caregivers (e.g. nannies) to care for their children, and
- Day camps, recreational programs and other options for older children.

These arrangements take place without FAM involvement and information on the nature and type of unlicensed child care arrangements is more limited than those relating to licensed care.

USE OF CHILD CARE PROVIDERS

The majority of Manitoba’s children are care for by a parent or relative. Based on analysis completed, approximately 9% of children are supported through unlicensed child care options and 15% of children are supported by licensed child care options. Figure 6 shows this breakdown.

Figure 6: Number of Children by Use of Child Care and Type of Child Care(2019)



Source: KPMG Analysis of Provider Attendance / Utilization Data, 2018-19, provided by FAM; KPMG Analysis of Statistics Canada, 2016 Census of Population (Public Use Microdata Files); Statistics Canada. Table 11-10-0013-01 Census families by total income, family type based on the age of the youngest child and number of children, Manitoba 2017; Statistics Canada. Table 39-10-0041-01 Census families with children by age of children and children by age groups; Statistics Canada. Table 17-10-0005-01 Population estimates on July 1st, by age and sex

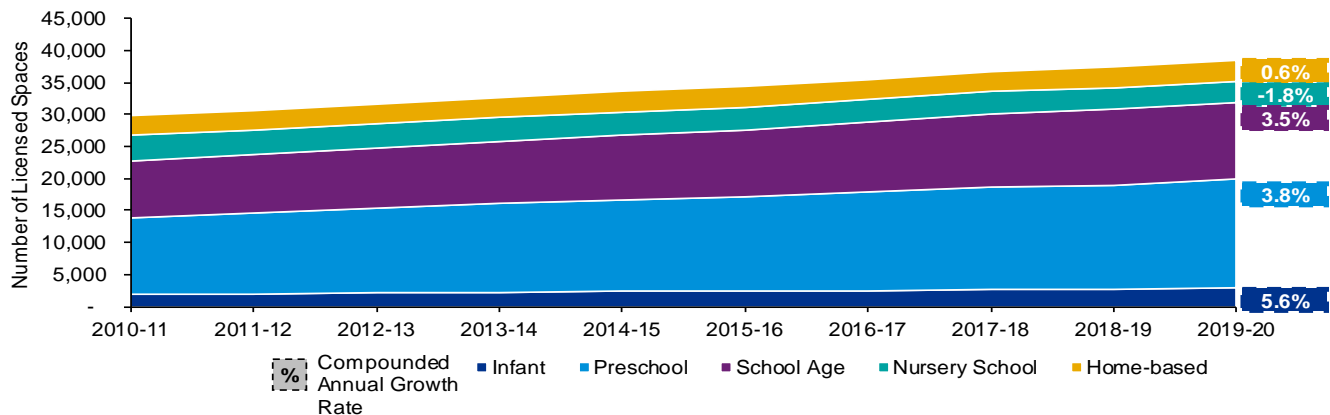
According to FAM data⁴³, in 2019-20, there were 38,465⁴⁴ licensed child care spaces in Manitoba. Most licensed child care spaces were for preschool-aged children in centre-based providers (16,953 spaces) and school-aged children (11,955 spaces). Overall, licensed spaces in Manitoba have grown by 2.9% per year over the past 10

⁴³ Note that FAM data is based on spaces reported by licensed providers, while the child care use data in Figure 6 includes analysis of numbers of children reported based on Statistics Canada data.

⁴⁴ ELCC Facility data, Yearly Reports.

years (Figure 7), with the highest growth coming from infant spaces in centre-based providers (5.6% growth per year).

Figure 7: Licensed spaces in Manitoba (2010-11 to 2019-20)



Note: Dates based on reporting year for ELCC. Graph excludes Occasional Day Care, which accounts for 24 to 40 (0.1%) of total available licensed spaces. Infant, Preschool, School Age, and Nursery School figures represent centre-based care. Home-based spaces is an aggregation of both Family and Group Day Care Homes.

Source: ELCC Child Care Centres and Home Licensed Space statistics, Yearly Summary Reports; ELCC Facility data, Yearly Reports.

Table 6 shows the current supply of licensed child care spaces across the different types of child care providers. As this shows, 85% of all licensed spaces are provided by centre-based providers.

Table 6: Count of Licensed Spaces in Manitoba (2020)

Provider Type	Non-profit	Private	Total
Centre-based	31,040	1,658	32,698
Home-based	0	3,282	3,282
Nursery School	2,318	167	2,485
Total	33,358	5,107	38,465

Note: Most recent data available across comparator provinces is for the 2018-19 year.

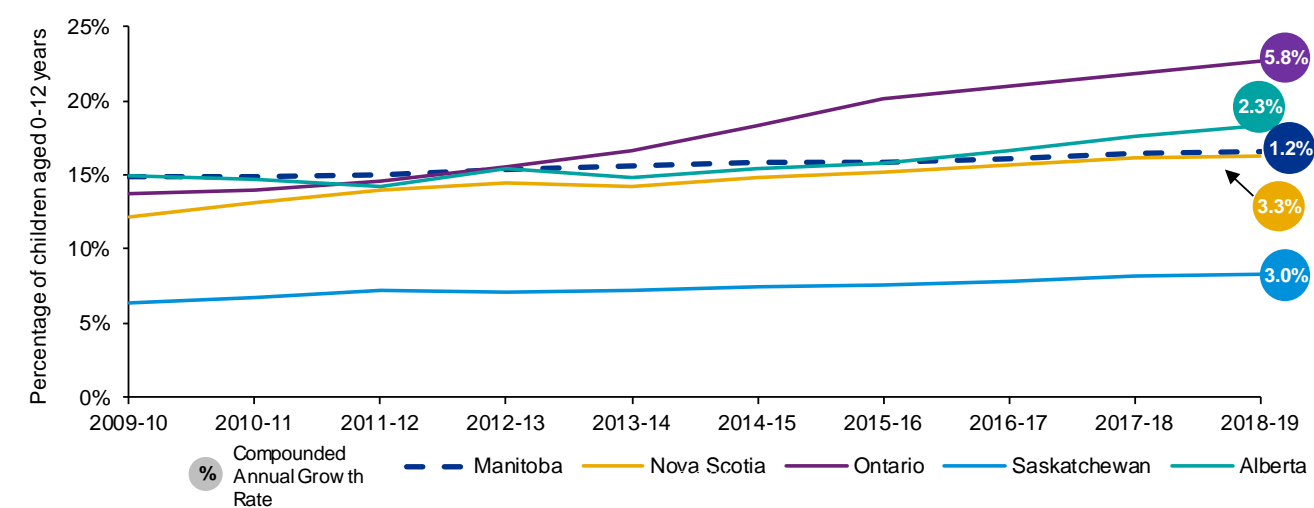
Source: ELCC Child Care Centres and Home Licensed Space statistics, Yearly Summary Reports; ELCC Facility data, Yearly Reports.

To help understand how the supply of child care spaces meets the demand from Manitoban families, coverage rates were used. Coverage rates are the number of licensed child care spaces for children of a certain age as a proportion of the total children of a certain age in a given area.

Relative to the population of children, child care coverage rates in Manitoba were higher than or similar to the comparator provinces through the mid-2010s (Figure 8). In the most recent year, Manitoba was similar to Nova Scotia and Alberta, lower than Ontario and higher than Saskatchewan.

However, growth in Manitoba's coverage rate for child care over the past 10 years has been slower than the comparator provinces. These comparator providers have averaged growth of 3.6% per year, compared to Manitoba's growth of around 1.2% per year.

Figure 8: Child Coverage Rates for Children aged 0 to 12 across Comparators (2009-10 to 2018-19)



Note: Most recent data available across comparator provinces is for the 2018-19 year.

Source: Provincial Annual Reports; Statistics Canada. Table 17-10-005-01 Population estimates.

Analysis of coverage rates (which includes licensed centres, nursery schools, and home-based spaces) in 2018-19 for urban (Winnipeg and Brandon), rural, and northern⁴⁵ areas of Manitoba show that the number of available licensed child care spaces varies by geographic region. The coverage rate (or the proportion of licensed spaces to children aged 0 to 12) in urban areas was 22.1%, in northern areas it was 5.3%, and in rural areas it was 11.9%.

Further analysis was conducted at the census subdivision (CSD) level. Table 7 highlights the coverage rates for the most densely populated CSDs in Manitoba for 2018-19. Overall, the ability of Manitoban families to access child care differs greatly according to where in the province they live.

Table 7: Coverage Rates by Most Densely Populated CSDs (2018-19)

CSD	Licensed Spaces Available	Coverage	CSD	Licensed Spaces Available	Coverage
Winnipeg	25,014	22.8%	Portage	384	15.7%
Brandon	1,184	13.6%	Morden	160	9.7%
Steinbach	324	9.8%	Selkirk	211	14.2%
Thompson	563	17.2%	Dauphin	382	27.7%
Winkler	147	5.3%	Niverville	104	8.2%

Note: Based on geographical requirements of coverage analysis, population was derived from Statistics Canada population by sub-census division 2016 and prorated for actual growth to 2019.

Source: KPMG Analysis of ELCC Child Care Centres and Homes Licensed Space Statistics, Yearly Reports; KPMG geospatial analysis of facility locations; Statistics Canada. Table 17-10-005-01 Population estimates; Statistics Canada. 2016 Census of Population. Manitoba Census Subdivisions; KPMG Analysis of 2018-19 facility spaces reporting.

⁴⁵ Classification of Urban, Rural, and Northern centres as per FAM.

HOW CHILD CARE PROVIDERS OPERATE

Outside of the aspects of child care that are regulated and licensed by FAM, providers have autonomy in how they operate and are responsible for managing revenues and expenditures to deliver child care services in a financially sustainable way.

Providers⁴⁶ receive the majority of their funding from a combination of operating grants (44%) provided by FAM and from parent fees (43%).⁴⁷ Of a representative sample of providers examined, 257 centres (69%) were estimated to be in a surplus position at the end of 2018-19, while the remaining 31% were estimated to be in a deficit position.

The major expenditures for centre-based providers are primarily staff salaries and benefits, which account for 83% of expenses (on average). The remaining expenditures are related to office and building expenses such as rent or repairs, program expenses such as activity supplies and food, and administration expenses such as bookkeeping and advertising.

Providers receive operating grants on the basis of the proportion of their licensed spaces they expect to fill, which is reconciled against the actual use. Operating grants are also contingent on a review of the centre-specific operating budgets by FAM. The current process was noted by FAM to be cumbersome and to enable certain incentives; specifically that providers can receive the maximum operating grant at 86% utilization (of their licensed spaces). This means providers have a relatively small incentive to fill the remaining spaces (though providers doing so would receive additional revenues from parent fees).

Table 8 shows the usage rates across different child care providers and in different regions of Manitoba.

Table 8: Usage Rates by Region and Type of Facility (2018-19)

Provider Type	Centre-based	Home-based	Nursery School	Average
Northern	83%	86%	64%	82%
Rural	81%	90%	57%	80%
Urban	91%	73%	64%	80%

Note: The sample of providers that provided attendance records represents 95% of centre-based spaces, 77% of home-based spaces, and 86% of nursery school spaces.

Source: Provider Attendance / Utilization Data, 2018-19, provided by FAM

Some child care operators strive to offer innovative services that meet or exceed parents' needs. Examples that were reported included services offering some extended hours of care (for example evenings or weekends) in response to parents' work-related needs, and providers setting up seasonal child care in towns where parents follow seasonal work related to a harvest or summer season.

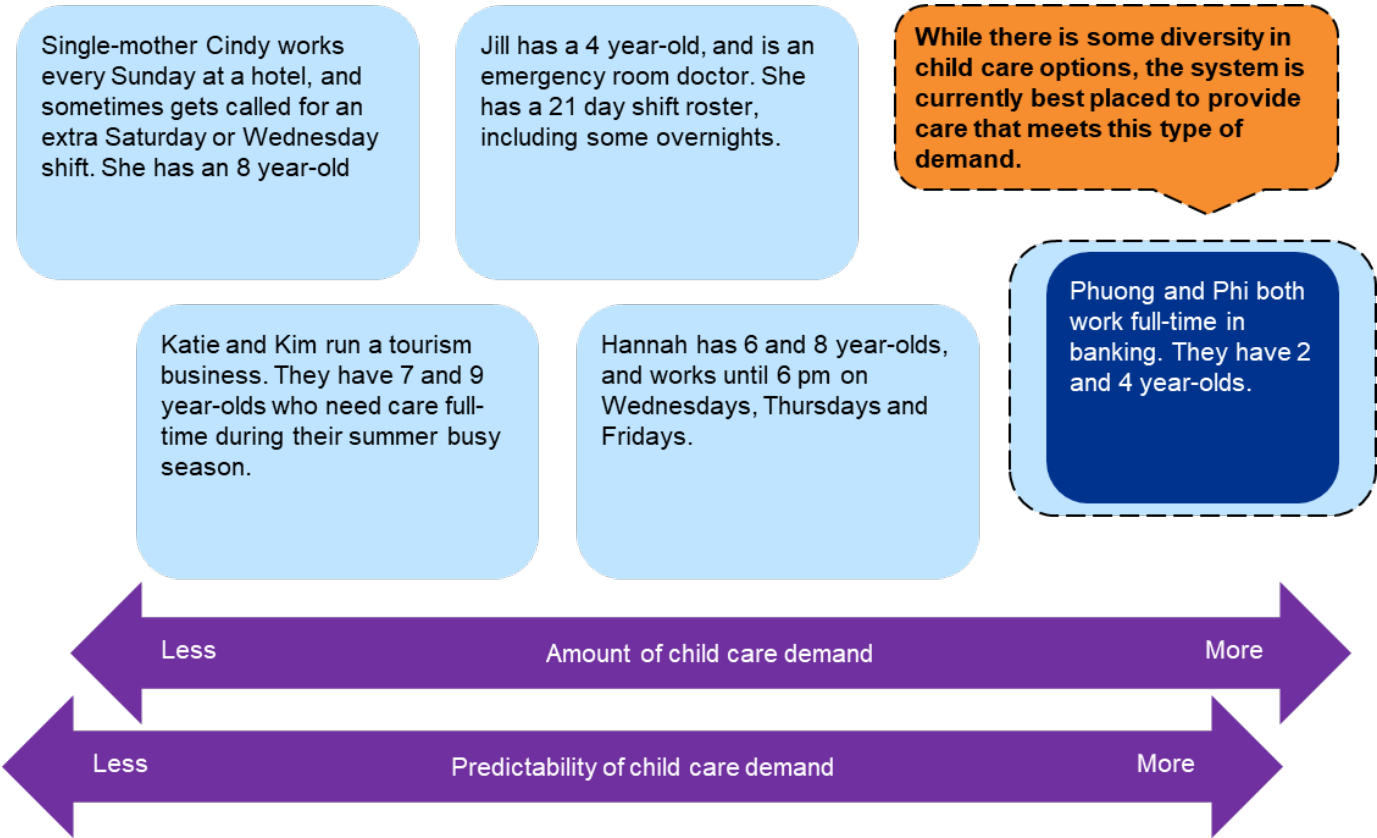
There were also reports of more rigid approaches. For example, it was commonly reported that many providers require parents to pay for a full-time block of child care, regardless of how much they need. For a family who only wants part-time care, this means parents might have to pay for more child care than they need or even use in order to access any child care at all. This practice is not limited to Manitoba; it is also reported in other jurisdictions.

⁴⁶ The data provided on financials is representative of centre-based providers that account for 92% of the total proportion of licensed centre spaces.

⁴⁷ The remaining funding sources primarily includes: fundraising and donations, interest and investment income, and ISP funding.

Generally speaking, options for occasional or unplanned child care are reported to be limited, and the availability of child care outside of standard hours was reported to be very low. This suggests that the child care needs of some families in Manitoba are currently better catered for than others; this is depicted in Figure 9 below.

Figure 9: Illustrative Child Care Needs of Manitoban Families



Source: KPMG

Current State Assessment

CHILD CARE SYSTEM OUTCOMES

In thinking through what a good child care system looks like, child care systems from other jurisdictions were reviewed and considered to identify a set of outcomes that could be used. The following outlines the desired outcomes for Manitoba's ELCC system.

Table 9: Desired Outcomes for Manitoba's ELCC System

Outcomes	What does it mean
Access	<p>Parents are able to find child care for their child when, where, and how they need it. Children from Indigenous, francophone, newcomer or rural communities do not face barriers to meaningful participation in child care.</p> <p>There is equity in access to child care options and parents can find out about their full range of child care options, and how to enroll. Parents' choices with regard to child care options are supported with equitable funding (including across services provided by different types of providers and agencies).</p>
Affordability	<p>Parents can pay for their child care, and can find out about any financial assistance and understand how to access this to reduce their out of pocket costs. The payment of financial assistance to parents is responsive and relative to their costs incurred.</p>
Labour Market Support	<p>Child care supports and encourages parents' labour market decisions and aspirations, and is responsive to changes in parents' employment and / or education participation requirements.</p>
Sustainability	<p>Funding from Government is predictable and known and the changes in funding are able to occur in line with changes in the demand, type and location of child care needs. ELCC services are positioned to respond to parents' needs for child care.</p>
Quality	<p>The ELCC system strives to deliver quality programming for children that supports positive early childhood development and provides information about programming to parents to make decisions on the right child care option for their family.</p>

These outcomes are used to assess the current state of Manitoba's ELCC system below, and to provide a focal point for opportunities for the future (on page 54).

ACCESS

Overall, the levels of child care in Manitoba are similar to other places in Canada. However, Manitoba's parents are more likely than other Canadian parents to report that it is difficult to access the child care they want in their community (see Table 11) and are less likely to be using child care than other Canadian parents – at 50.5% of children aged 0 to 5, compared to the Canadian average of approximately 59.9%, as per Table 10.

Table 10: Child Care Arrangements for Children aged 0-5 by Province (2019)

Province	Proportion of 0 to 5 year old children participating in child care	Of the 0 to 5 year old children that participate in child care, arrangements are:			
		Daycare centre, preschool, or child care centre	Care by a relative other than parent	Family child care home	Before or after school program
Manitoba	50.5%	50.4%	36.9%	21.3%	3.1%
Nova Scotia	61.0%	55.4%	27.2%	21.4%	8.2%
Ontario	53.6%	45.6%	33.6%	15.5%	13.3%
Saskatchewan	53.0%	48.3%	30.5%	27.6%	4.0%
Alberta	54.1%	50.6%	31.9%	20.8%	5.0%
Canada	59.9%	51.9%	25.6%	20.4%	9.3%

Note: Values are percentages of the total of children unless stated otherwise. Rows total to more than 100% as children can use more than one type of care.

Source: Statistics Canada. Table 42-10-0004-01 Use of early learning and child care arrangements.

Relative to the number of children in Manitoba, the provision of child care spaces has been higher or similar to comparator provinces throughout the mid-2010s (see Figure 8). However, growth has been slower in Manitoba than in other places, and the child care coverage rates (the proportion of children for whom there are child care spaces) has slipped to the 'middle of the pack'.

The difficulty reported by parents in getting access in Manitoba, as per Statistics Canada, suggests that growth in demand is exceeding what is currently being supplied, and the ELCC system is not currently responding to this need by growing the supply of child care options.

Child care spaces are unevenly distributed across Manitoba, with coverage rates of more than 22% for children aged 0 to 12 in urban areas, around 12% in rural areas, and 5% in the northern region. There are also disparities in coverage rates within Winnipeg. Some areas, such as River Heights and Assiniboine South, have higher coverage rates (33.9% and 30.8%, respectively), while Point Douglas and Seven Oaks have coverage rates of 17.1% and 15.7% respectively. These differences in coverage rates reflect that not all parents have equal access to child care options.

Full-time child care in standard hours is relatively well supplied in many areas of Manitoba. However, the availability of child care that is flexible, occasional, and outside of normal business hours is important to many

parents, particularly those who may be offered occasional work. Based on analysis completed for this project, there appears to be limited supply of these diverse options for child care in Manitoba, which can limit the ability of some parents to work.

Table 11: Types of Difficulties in Finding a Child Care Arrangement by Province (2019)

Barriers to accessing child care	Care is not available in your community	Child care is not affordable	Care does not fit your work or study schedule	Hard to find the quality of care you desire	Hard to find licensed care	Hard to find a qualified care provider	Hard to find care to accommodate more than one child in your family
Manitoba	17.4%	9.7%	8.8%	8.4%	13.4%	9.7%	6.7%
Nova Scotia	12.3%	8.3%	10.8%	6.5%	4.3%	5.4%	2.4%
Ontario	9.8%	10.6%	7.4%	6.7%	5.8%	5.8%	2.7%
Saskatchewan	9.7%	10.0%	9.0%	7.3%	5.9%	7.0%	4.6%
Alberta	9.2%	13.1%	9.1%	8.5%	4.0%	6.6%	4.5%
Canada	11.5%	10.5%	8.3%	8.1%	6.0%	6.0%	3.6%

Note: Values are percentages of the total of children unless stated otherwise.

Source: Statistics Canada. Table 42-10-0008-01 Difficulties for parents/guardians in finding a child care arrangement;

More Manitoban children are cared for by a relative other than their parent(s) when compared to elsewhere in Canada.⁴⁸ The higher proportion of child care by a relative in Manitoba could indicate parental preferences, availability of other relatives and family members to provide child care, and / or the lack of availability of a licensed child care space.

Summary

Assessment of Access

Manitoba's parents are more likely than other Canadian parents to report that it is difficult for them to access the child care they want. Child care options are not evenly distributed across Manitoba, with some communities better served than others. Those requiring child care outside of standard hours, and on a part-time or flexible basis, have few options in the current ELCC system.

AFFORDABILITY

Manitoba's child care fees are lower than other comparable provinces (see Table 4), and are kept low for almost all of the province's parents through a regulated parent fee. It is not surprising that Manitoba's parents are less likely than other Canadian parents to say that cost is a barrier to using child care (see Table 11).

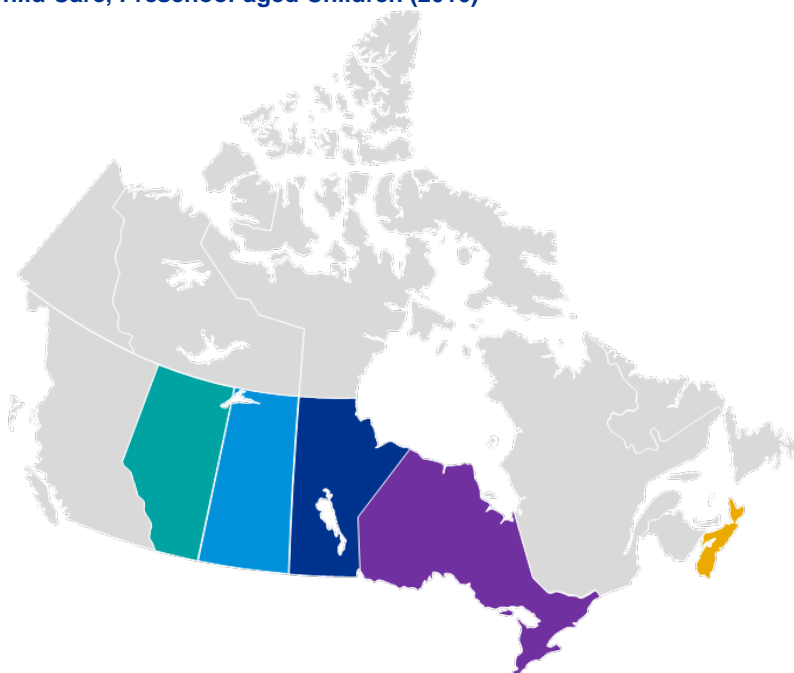
While Manitoba is one of the few provinces that charges a regulated parent fee (Prince Edward Island and Quebec are the others), Manitoba's regulated parent fees are lower than these jurisdictions, and have not been

⁴⁸ Statistics Canada. Table 42-10-0004-01 Use of early learning and child care arrangements.

increased since 2013. As Figure 10 shows, the regulated parent fee in Manitoba is below what parents in other jurisdictions pay for child care; on average, they are the second lowest in the country, following Quebec.⁴⁹

Figure 10: Daily Parent Fees for Centre-based Child Care, Preschool-aged Children (2016)

Alberta = \$43.20
Saskatchewan = \$29.90
Manitoba = \$20.80
Ontario = \$42.00
Nova Scotia = \$34.00



Note: The current state rates for Manitoba are based on the rate associated with either a \$2 or \$1 minimum parent contribution highlighted in the Community Child Care Standards Act (1987). Values from Daily fees for centre-based care table are based on child care centres age of children and type / length of program. Provinces have different categorizations of ages to child care. Nominal regulated child care fees in Manitoba have not changed since 2013.

Source: Friendly, M., Larsen, E., Feltham, L., Grady, B., Barry, F., Jones, M. (2016). Early childhood education and care in Canada 2016; FAM -The Community Child Care Standards Act; Statistics Canada Table 18-10-0004-13 Consumer Price Index by product group.; KPMG analysis of ELCC documents "Maximum Daily Fees" for (i)2007 and (ii)2013. Macdonald and Friendly, Developmental Milestones, Child care fees in Canada's big cities 2018

The average regulated parent fee for child care for a preschool-aged child in Manitoba is \$20.80 per day. The average reported child care fees in comparator provinces (where there was available fee data) ranged from \$34 in Nova Scotia to \$43.20 in Alberta.⁵⁰

As well, the differential between the market rate and the regulated parent fee in Manitoba is high. Parents in Manitoba who use private options for child care pay an average market rate of \$40 per day⁵¹ for their preschool-aged children.

Many provinces operate a market fee system. Market fees allow child care providers to operate at a surplus (where there is demand for their services), and encourage growth in the child care system to meet unmet demand. However, where market-based fees apply, parents pay higher – sometimes very high – fees to use child care. Some provinces have been looking at ways of reducing these market fees by regulating the cost of child care for parents, with below market fees being subsidized by some governments (e.g. Alberta). This type of approach creates both low cost and high cost child care providers who offer similar child care services. With no mechanism to enable access to subsidized spaces for those most in need, some families can end up paying higher out-of-pocket costs for child care.

⁴⁹ D. Macdonald and M. Friendly (2020), *In Progress. Child care fees in Canada 2019*. Canadian Centre for Policy Alternatives.

⁵⁰ D. Macdonald and M. Friendly (2020), *In Progress. Child care fees in Canada 2019*. Canadian Centre for Policy Alternatives.

⁵¹ Average market rate based on Winnipeg private rate averages sourced from Macdonald and Friendly, Developmental Milestones, Child care fees in Canada's big cities 2018, and figures provided by two private centres and a family day home.

While child care costs are kept low for most Manitoban families through a regulated parent fee, there are families for whom the cost of child care represents a high proportion of their disposable income. While very low-income families are protected in Manitoba by the current Child Care Subsidy program, the subsidy does not extend to many lower and middle income families.

For example, for a single parent in Manitoba, out-of-pocket child care costs (for one infant needing child care) can represent up to 15% of their disposable income when their total income is \$35,000. For couples earning \$70,000 (with a 50/50 income split), out-of-pocket child care costs can represent up to 18% of their disposable income.⁵²





On average, as noted above, Manitoban parents pay around 50% of the total cost of child care, with the Government of Manitoba paying the remaining 50%. Parents pay different fees and receive different levels of assistance depending on the type of child care provider they use, despite many private and non-profit providers being required to meet the same licensing standards where they are offering the same type of care.

Many lower income families are not eligible for the current Child Care Subsidy program, and also receive little in the way of additional federal or provincial tax deductions for the costs of child care, while higher income families are able to claim higher levels of tax rebates. This means higher income earners often pay less out-of-pocket costs (as a proportion of their disposable income) than lower and middle income earners.





The scenarios in Table 12 highlight some examples of different levels of support, and different out of pocket costs for child care, for parents of similar incomes and child care use. For ease of comparison, each family has one child (infant) in full-time centre-based care. For example:

- Single parent Bobbie, earning \$35,000, spends 15% of her disposable income on child care, and has 26% of her maximum fee covered by government (including subsidies, operational funding and possible taxation rebate), while single parent David, earning \$80,000, spends 7% of his disposable income on child care, and has 38% of his maximum fee covered by government.
- Couple Preeti and Jameel, with similar household earnings to Bobbie, spend 2% of their disposable income on child care and have 87% of the fee covered.

Table 12: Illustrative Scenarios of Manitoban Parents

	 Bobbie has a 1 year old. She earns around \$35,000 per year from work	 Anna and Ali have 1 child aged 1. Ali earns \$75,000, and Anna has regular part-time work making \$30,000		 David has been off work caring for his son since his birth 6 months ago. He is returning to his full-time job, earning \$80,000 per year	 Preeti and Jameel each earn around \$20,000 from a variety of jobs, and use child care for their child, aged 1	
Type of Child Care used	Funded Non-profit	Funded Non-profit	Private	Funded Non-profit	Private	Funded Non-profit
Estimated Child Care cost (before subsidy and tax rebates)	\$7,200	\$7,200	\$14,400	\$7,200	\$14,400	\$7,200
Estimated Child Care Subsidy	\$0	\$0	\$0	\$0	\$0	\$5,892

⁵² See Table 12 for additional examples and notes regarding calculations

	 Bobbie has a 1 year old. She earns around \$35,000 per year from work	 Anna and Ali have 1 child aged 1. Ali earns \$75,000, and Anna has regular part-time work making \$30,000		 David has been off work caring for his son since his birth 6 months ago. He is returning to his full-time job, earning \$80,000 per year	 Preeti and Jameel each earn around \$20,000 from a variety of jobs, and use child care for their child, aged 1	
Estimated Child Care Expense Tax Deduction	\$1,903	\$1,424	\$3,715	\$2,728	\$5,457	\$337
Estimated Child Care fees paid out of pocket	\$5,297	\$5,776	\$10,685	\$4,471	\$8,943	\$971
Estimated Child Care cost paid out of pocket as a % of disposable household income	15%	7%	13%	7%	14%	2%
Estimated % of Child Care cost paid by government	26%	20%	26%	38%	38%	87%

Note: These are illustrative calculations for demonstration purposes only; the actual amounts for any family or individual will depend on its unique circumstances. Market fees were calculated only for Anna / Ali and David's scenarios as it was assumed that these higher fees would not be feasible in the other circumstances. Market fees were assumed at \$60 per day, 48 weeks per year of full-time care. It was assumed that households receive all possible financial assistance and deductions.

Source: KPMG analysis based on Federal and Manitoba financial assistance rates provided by FAM; taxation rates and possible tax deductions; funded child care costs and subsidy values sourced from Manitoba Government Child Care Subsidy Calculator.

In addition, some practices used by providers that see parents who need part-time or occasional care having to pay for a full-time block of child care are also likely to put child care out of reach of some families not working full-time. The current subsidy arrangements stipulate that only the amount of child care that is needed can be funded.

This means that if a family wants child care to undertake part-time work or study, they could be asked to pay for more hours of child care than they are able to claim the subsidy for. Exemptions to this requirement can be granted, however, some parents may not understand this and may decide they cannot afford to use part-time child care if they have to pay the full cost, out of their pocket, for some or all of the hours they need. The extra costs imposed by these practices can put child care out of reach for lower and middle income families who cannot afford them.

Summary Assessment of Affordability

Low regulated parent fees mean that child care is generally affordable for parents who are able to get a space where the regulated parent fee applies. Even with the regulated parent fees and current subsidy program, child care costs can still represent a high proportion of disposable income for some lower and middle income families.

Overall, the ELCC funding provided through FAM has been growing over the past decade, and on a per capita basis, it is higher than other comparator provinces. There is not a clear link between how current ELCC funding is distributed and the level of need among Manitoba's families.


LABOUR MARKET SUPPORT

While child care supports all parents to work, it is typically more strongly associated with a mother's workforce participation decision. Patterns of working and unemployment for women in the province have generally been similar to those in the comparator provinces over the past 10 years. In 2019, the participation rate (those working or looking for work) for women was 77.9% in Manitoba compared to an average of 79.6% among the comparators.⁵³

Mothers in Manitoba are less likely to be working than mothers in other provinces, and single mothers in Manitoba are significantly less likely to work than single mothers in other provinces (see Figure 3). Possible contributing factors include: fewer / less desirable job opportunities, mis-match of job skills and skills demand, and / or greater difficulty in getting access to supports (e.g. training, child care) than other provinces.

Single parents with earnings up to around \$35,000 have higher rates of workforce disincentives. This is not caused by the costs of child care, but the way the current subsidy is designed contributes to the situation; an example is shown in Table 13.

Table 13: Disposable Income (per year, after child care costs) for a Single-Parent (Donna)

	Single-Parent Donna studies and uses child care for her 8 month old	After graduating, Donna starts a job, working 20 hours per week	Donna takes on an extra shift of 7 hours per week
Federal and Provincial Financial Assistance	\$22,708	\$10,132	\$7,372
Private Earnings	-	\$15,000	\$20,000
Estimated Federal and Provincial Taxes	-	-	(\$2,310)
Estimated Child Care Subsidy	\$6,720	\$6,720	\$5,892
Estimated Child Care Expenses Tax Deduction	-	-	\$337
Estimated Net Cost of Child Care (gross fee: \$7,200)	(\$480)	(\$480)	(\$971)
Estimated Disposable Income (after taxes and child care out of pocket costs)	\$22,228	\$24,652	\$24,512

Note: Assumes 1 infant in full-time care 260 days per year. Assumes households receive all possible financial assistance and deductions. Income assumes work at gross \$15 per hour. Any costs of working are not considered. Net cost of child care is gross fee less child care subsidy and child care expense tax deductions.

Source: KPMG Analysis of disposable income and costs based on Federal and Manitoba financial assistance rates provided by FAM; taxation rates and possible deductions; funded child care costs and subsidy values sourced from Manitoba Government Child Care Subsidy Calculator.

As per Table 13, if Donna increases her private earnings from \$0 to \$15,000, paying for full-time child care for one infant, her annual disposable earnings only increase by an estimated \$2,424. If Donna increases her earnings from \$15,000 to \$20,000, she has an estimated \$140 less in disposable income – meaning she potentially loses an estimated \$1.03 for every extra \$1 she earns. This is not caused by child care costs alone, but Donna's child

⁵³ Statistics Canada (2019). Table 17-10-0061-01 Estimates of the number of census families

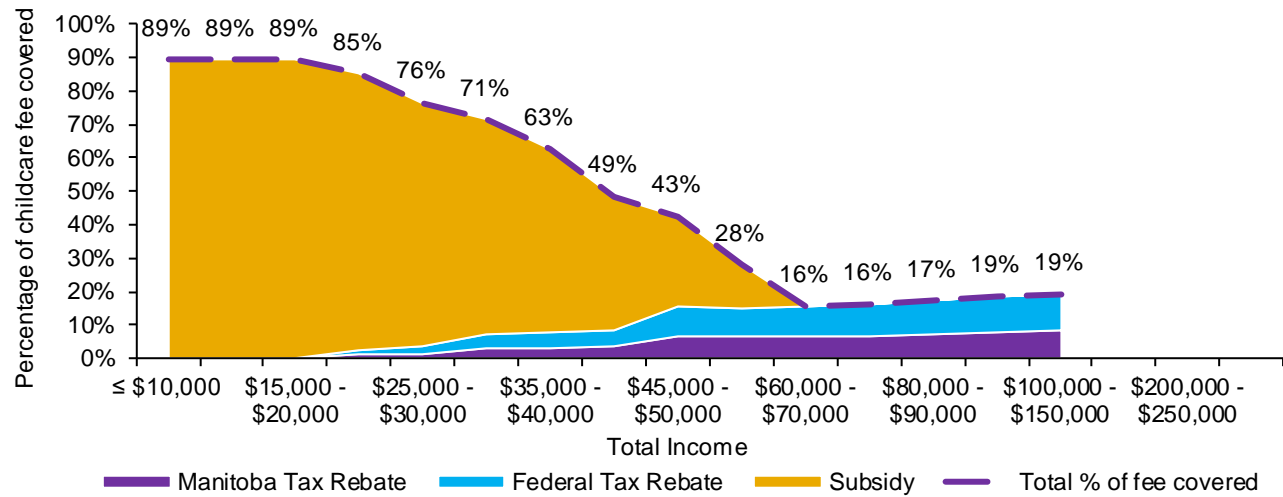
care costs contribute to her financial situation, and are part of the reason that she has few financial rewards from work at various income points.

A contributing factor to Donna's financial situation is the eligibility for the current subsidy program under ELCC. The current subsidy starts to reduce at around the equivalent of \$20,000 per year in earned income, and cuts out (for a single parent with one child) at \$33,700. These rates have not changed in more than a decade; this means that families who have had modest adjustments to their income (through cost of living adjustments) are likely no longer eligible for the subsidy and the number of families who are supported by the current subsidy program is declining.

Figure 11 and Figure 12 show for the population of Manitoban families using child care, the estimates percentage of their child care fee (after-tax) that is covered by government (both Manitoba and Federal), either through tax rebates, subsidy or other forms.

For single-parent families in Figure 11, there is a sharp decline in support that begins at around \$20,000 of income. For dual-parent families in Figure 12, there is a sharp decline in support that begins at around \$25,000 of income.

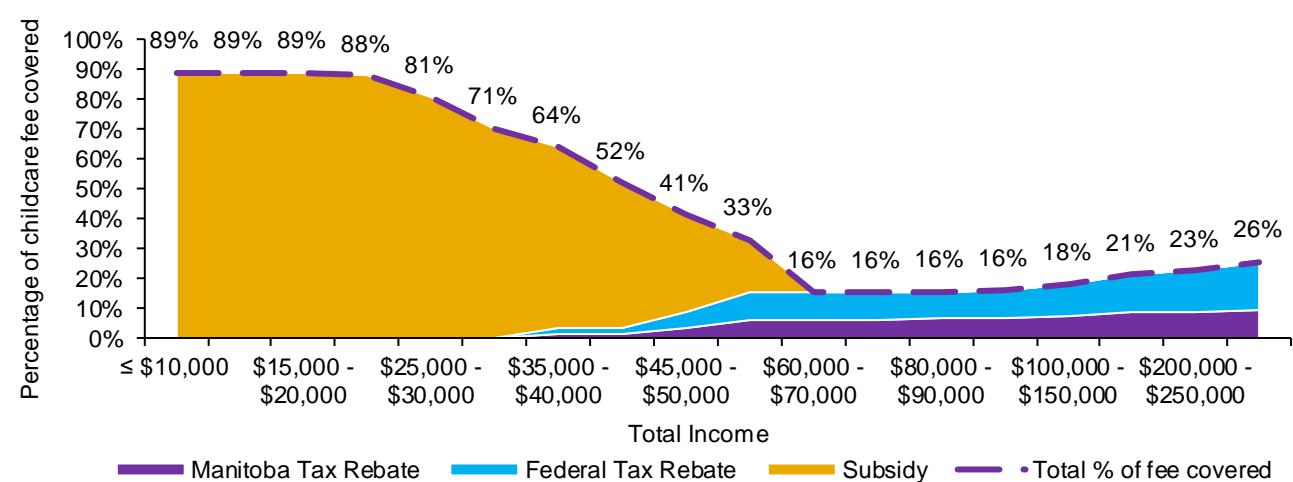
Figure 11: Estimated Percentage of Child Care Fee Covered for Single Parent Families, by Income



Note: This chart is an aggregation of the family compositions (number of children) in each single-parent family. There were no single-parent families with income over \$150,000 in Manitoba based on the data obtained from Statistics Canada

Source: KPMG Analysis of Subsidy Program Eligibility, Manitoba and Federal Tax Rebates.

Figure 12: Estimated Percentage of Child Care Fee Covered for Dual Parent Families, by Income



Note: This chart is an aggregation of the family compositions (number of children) in each dual-parent family.

Source: KPMG Analysis of Subsidy Program Eligibility, Manitoba and Federal Tax Rebates.

Research⁵⁴ on the unmet needs of low-income families in relation to child care consistently point to the need for non-standard hours of child care, including weekends, evenings and overnights, which are strongly associated with the work patterns of households with lower incomes.

There is evidence that low-income Canadian families tend to use unlicensed child care in such situations, as licensed child care does not support these needs well. Child care provided under such arrangements can be lower in quality, with some parents reported to find occasional caregivers on Facebook or Kijiji⁵⁵. The level of safety or child development offered in these situations is also unknown.

Summary
Assessment of
Labour Market
Support

The current child care arrangements contribute to low financial rewards from working for many lower income families. The availability of child care outside of normal hours is important for many parents and employers, and is particularly important to many lower income parents, who are most likely to work non-standard hours. Few such care options were identified in Manitoba through this review.

SUSTAINABILITY

The financial analysis completed on child care providers suggests that there are issues with the sustainability within the current system; and providers reported that low regulated parent fees in the province can make it challenging to operate a viable child care system. Of a representative sample of providers examined, 257 centres (69%) were in a surplus position at the end of 2018-19, while the remaining 31% ran a deficit.⁵⁶

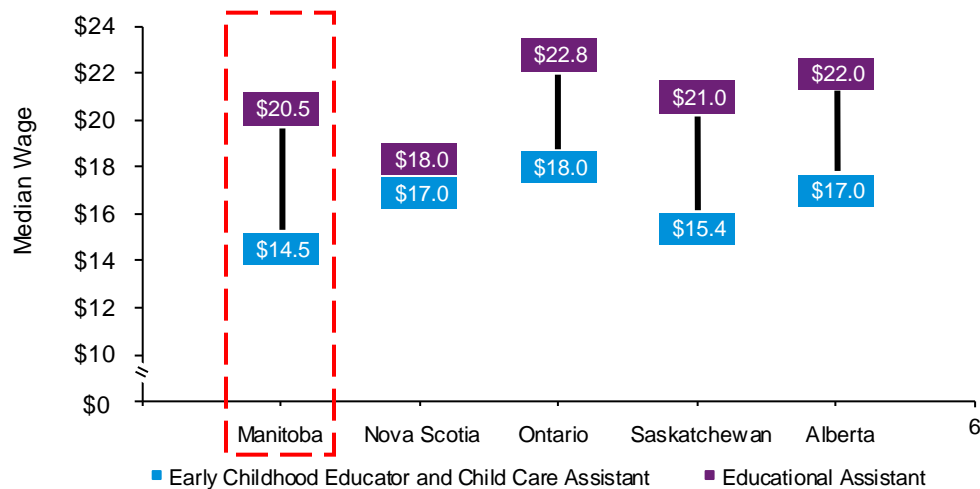
Anecdotally, there are reports of workforce shortages of qualified staff in the sector. In 2007, there was a reported workforce shortage⁵⁷ of around 4,800 child care workers in Manitoba. Against this, available 2019 data suggests that there are a large number of qualified workers in Manitoba who are not employed in the sector. This includes

⁵⁴ Government of Canada, *Non-standard work and child care in Canada* (2019)
⁵⁵ Government of Canada, *Non-standard work and child care in Canada* (2019)
⁵⁶ This does not include the accumulated surplus reported by providers
⁵⁷ Counts of ECE Workforce by Employment Status from Manitoba Family Services and Labour

approximately 2,775 people with an Early Childhood Educator II qualification, and 3,632 people with an Early Childhood Educator III qualification.⁵⁸

The reasons for not working in the sector are not known, however there are reports from FAM that many child care staff move into Manitoba's school system for better pay, working conditions, and the 'social value' placed on their work. The median wage in Manitoba for Early Childhood Educator and Child Care Assistants was \$14.50 in 2019. This wage was the lowest (by \$0.90 per hour) of the provinces compared in Figure 13.

Figure 13: Relative Wages for Early Childhood Educators and Child Care Assistants compared to Educational Assistants (2019)



Source: Job Bank Canada, Provincial Wage Reports on Early childhood educators and assistants, and Elementary and Secondary School Teacher Assistants (2019)

These figures may suggest that the current pay for child care workers are not sufficient to attract and retain a sustainable workforce. With staffing costs representing the majority of a provider's expenses, at 83% on average (as reported by providers to FAM), staffing costs have a material impact on provider sustainability. As previously noted, almost one-third of providers are already operating at a deficit, meaning they are unlikely to be in a position to increase wages for staff.

Non-profit, centre-based providers may also experience issues with Manitoba's child care regulations for board governance⁵⁹, which require the board to be mainly made up of parent representatives. This can lead to some challenges such as: the level and mix of expertise needed to run a non-profit not being available, and the high turnover of board members. Some providers also find it challenging to resource their bookkeeping, IT, and human resource functions.

There are licensed providers (both private and not-for-profit) in Manitoba's ELCC system who charge a higher market-based fee for spaces for which they do not receive operating grants – fees of \$40 to \$60 per day were reported. Some of these providers reported waitlists at these higher fee levels.

It may be hard for new private providers to contemplate entering Manitoba's ELCC system and competing with lower regulated parent fee options. Manitoba's unlicensed child care spaces represent about 9% of the total ELCC system (see Figure 6). While in Charlottetown (Prince Edward Island) and across Quebec, where regulated parent fees also apply, more than 30% of child care spaces operate as unlicensed providers.⁶⁰ This suggests that

⁵⁸ Classified Counts of ECE Workforce by Employment Status from Manitoba Family Services and Labour

⁵⁹ Canada-Manitoba Early Learning and Child Care Agreement

⁶⁰ Canadian Centre for Policy Alternatives (2020). In Progress: Child Care Fees in Canada 2019

there is a disincentive in Manitoba to setting up outside of the funded system than in these other provinces. In part, it could be because of a limited ability for new providers to compete with low regulated parent fee.

A 2014 survey of small business owners by the Canadian Federation of Independent Businesses⁶¹ also found that Manitobans were the least likely to recommend starting a small business in their province (at 24%), compared to 72% for Alberta and 88% for Saskatchewan. The reasons given in this survey were perceptions of excessive ‘red tape’ and relatively high taxation. This may have affected the historical likelihood of starting a business. It was noted that since this survey the Government of Manitoba has made efforts to address these issues.

Constrained provider viability also limits the ability of child care providers to innovate and offer new services that could attract families into the ELCC system, or improve services for those using child care. This might include options that would help more families work, such as evening or weekend child care, or part-time child care for those who do not require more than that. It could include also options such as additional languages, food / meals, parent outreach, transportation, etc. that could increase the value of child care to children and working parents.

Summary Assessment of Sustainability	More than a quarter of centre-based providers are operating at a deficit. Workforce shortages, together with a large number of qualified staff working in other industries, suggest that the pay offered in the Manitoba’s child care sector are not sufficient to attract and retain a sustainable workforce.
	Providers operating at a deficit, despite growing operating grant expenditures, are unlikely to be in a position to improve staff pay; nor are they likely to be able to innovate to offer new services that might attract new parents into the system or enhance current offerings.

QUALITY

A stable and qualified workforce is one of the key elements of quality child care that is safe and developmental for children.

The many Early Childhood Educators who work in the system today work hard to provide safe environments for the children they care for. The framework for quality child care is influenced by provincial standards around curriculum and programming standards. But ultimately, one important aspect for determining if care is “high quality” is capabilities of staff. Overwhelmingly, children benefit from positive caregiving – regardless of the child care setting they are in (including their own home). Higher quality child care, that can be characterized by warm and positive interactions, results in better social development, behaviours and school readiness outcomes for children.⁶²

Research suggests that the current quality frameworks in Canada do not tend to measure the quality of the interactions between staff and children, but measure characteristics of the child care environment, such as: adult-to-child ratios, group size, and staff training, all of which are associated with higher quality of care, and better outcomes for children using that care.⁶³

Staff to child ratios and staffing requirements in Manitoba generally align with requirements in other provinces. However, evidence suggests that the sector may be struggling to find the qualified staff it needs to meet these

⁶¹ Canadian Federation of Independent Business (CFIB) Provincial/Territorial Entrepreneurial Vision Survey.
⁶² Doherty, G., Lero, D., Goelman, H., LaGrange, A., & Tougas, J. (2000). You bet I care! A Canada-wide study on wages, working conditions, and practices in child care centres. Centre for Families, Work and Well-Being, University of Guelph, Ontario. cited in Hanen Centre, ‘Does child care make a difference to children’s development? Clarifying common assumptions about child care’.
⁶³ Ibid, and Petr Varmuza, Michal Perlman & Linda White. ‘Understanding early childhood education and care utilization in Canada: implications for demand and oversight’ in the International Journal of Child Care and Education Policy.

requirements, with a quarter of providers operating under exemptions. As per page 33, providers may not be in a financial position to increase wages that would enable them to attract qualified workers under the current settings.

Beyond the workforce issues, there is limited measurement across the system in terms of outcomes and understanding of the performance of the system relative to FAM’s expectations (for its investments made) and the needs of Manitoban families. The definition of outcomes for Manitoba’s ELCC, on page 25 is a starting point to enable this understanding.

Summary Assessment of Quality	Generally licensing standards in Manitoba align with standards in other provinces in Canada. Exemptions from licensing standards due to shortages of qualified staff ,and hence providers operating outside of the licensing guidelines, are relatively common.
	There are limited quality measures on child care or on providers that are monitored or reported on by FAM to help inform parents in their choice of child care options and / or providers.
	There are limited performance measures reported on or used to understand the overall ELCC system to make policy decisions / adjustments regarding quality and other related factors for child care.

The Case for Change

THE CHALLENGES WITH TODAY'S ELCC SYSTEM

A substantial investment is being made in Manitoba's current ELCC system by Government. Overall ELCC expenditures in Manitoba have grown by 37% from 2010-11 to 2019-20, or by 3.5% per year⁶⁴. These expenditures have grown faster than the rate of inflation (at 1.7% per year⁶⁵) and faster than the growth in the number of children in the province (1.5 % per year⁶⁶), yet issues with access, affordability, labour market support, sustainability and quality in the system exist.

In 2019, a Statistics Canada survey on the usage of early learning and child care arrangements in Canada found that parents in Manitoba note that they have difficulty securing access to child care. The current ELCC system is not currently responding to unmet demands for child care by growing the supply of options.

Analysis of how the current ELCC system operates suggests that there are key challenges that need to be addressed:

- The outcomes that Manitoba's ELCC system are intended to deliver are not clear, and there is no way of reporting the extent to which parents can access the type and quality of child care that they want and need.
- Those parents who want to use child care during standard hours and who can access a child care space at the regulated parent fee are supported by the current ELCC system and benefit from low out-of-pocket costs (relative to other provinces) for their child care, while others may struggle to access child care that meets their needs, or that they can afford.
- While child care enables parents to work (or prepare for work), it is typically associated with labour force participation decisions for mothers. Labour force participation and employment rates for mothers in dual-parent families in Manitoba are generally similar to that of other Canadian provinces. However, single parents in Manitoba, particularly single mothers, are more likely to not be working in Manitoba when compared to single mothers in other provinces, particularly when their children are younger⁶⁷.
- Lower income families in Manitoba are among those who face barriers to getting access to licensed child care (at low regulated parent fees) and who may be forced to rely on unlicensed arrangements that do not meet their needs in terms of affordability or quality.
- Many Manitoban families have different needs and expectations for their child care and the current ELCC system is not well placed to meet these.
- The ELCC system is not well supported by its current technology, policies or processes. This contributes to inefficiencies in the system for both ELCC staff and parents.

⁶⁴ Analysis of expenditure data from ELCC Expenditures History.

⁶⁵ Statistics Canada. Table 18-10-0004-13 Consumer Price Index by product group, monthly, percentage change, not seasonally adjusted, Manitoba (2019).

⁶⁶ Statistics Canada. Table 17-10-0005-01 Population estimates on July 1, 2019 by age and sex

⁶⁷ Statistics Canada. Table 14-10-0120-01 Labour force characteristics by family age composition, annual.

COVID-19 CONTEXT

Recent times have demonstrated how essential child care has become. Like power, water, telecommunications, banking or other forms of essential infrastructure, it is easy to take its availability for granted until such time as there is an unplanned interruption – such as that which occurred from COVID-19.

When COVID-19 struck, there were reports from across Canada of innovative and adaptive responses from the child care sector to support essential workers. These enabled parents to continue to run health, protection and emergency services, sanitation, home delivery and other essential services. In some instances, child care providers continued to offer services despite risks to themselves and their own families.

A number of Government responses were created in Manitoba:

- Families working in critical services (including healthcare, grocery stores, farming, banking and construction) had enhanced access to licensed spaces, and enhanced support to find a suitable space
- \$18 million in grants were offered to help Early Childhood Educators to offer child care independently in their homes, as administered by the Manitoba Chamber of Commerce and Winnipeg Chamber of Commerce
- Over 25,000 personal protective equipment items were made available to help caregivers stay safe, and
- Many child care staff have been eligible for the \$120-million Manitoba Risk Recognition Program, which provides a one-time payment of \$1,377 to more than 78,000 essential frontline workers who have taken extraordinary risks to keep Manitobans safe.

While across Canada the following responses emerged:

- “As-needed” 24/7 care centres for front-line and essential workers was offered in Ontario, providing child care for up to 30 children each at a time
- Free emergency daycare for essential workers was offered in Quebec
- School-based daycare sites were used to provide care for children in a number of jurisdictions through cooperation with education departments, even where schools were closed, with providers saying parents knew and trusted these services, and
- Small day-home providers were used in many locations to nimbly respond to local needs for care, with smaller group settings reducing opportunities for transmission of COVID-19.

While child care providers operate independently, these examples speak to the importance of ensuring that collective value of the child care sector can be mobilized in times of crisis – such as a health emergency, natural disaster, or future economic crisis – to support parents as workers, and communities.

BENEFITS FROM TRANSFORMING MANITOBA’S ELCC SYSTEM

There are a number of benefits to transforming and supporting a stronger ELCC system in Manitoba. Based on economic impacts analyzed⁶⁸ for this review, when considering the direct, indirect, and induced economic impacts of the operation and jobs enabled by child care in Manitoba, the child care sector currently supports approximately 5.4% of jobs in Manitoba and approximately 5.5% of Manitoba’s GDP. The child care sector also contributes to approximately \$248 million of provincial tax revenues.

⁶⁸ Analysis was based on utilizing a customized Statistics Canada-based input output model using the revenue and expenditures provided by Manitoba’s ELCC program. The analysis quantified the direct and indirect impacts and induced effects from the noted scenarios.

Notably, child care in Manitoba yields a strong return on the investment it makes. Based on the economic impact analysis completed for this review, for every \$1 of revenue earned by Manitoba child care providers, \$1.30 of GDP are created and \$1.10 of labour income are created within the same year.

This impact is compounded by the influence of the jobs enabled by child care. The jobs that are directly enabled by child care in Manitoba support an additional \$7.60 of GDP and \$4.70 of labour income for every \$1 of revenue earned by Manitoba licensed child care providers. This results from the fact that for every \$1 million of revenue earned by Manitoba's child care providers, 61 jobs are directly enabled.

Transforming the ELCC system will take time, money, and appropriate resources. But if Manitoba can begin to make changes to the way the ELCC system is able to respond to the needs of families, by creating additional capacity to support families to participate in and / or prepare for work, there are benefits to be realized.

Analysis of some potential benefits was completed to understand the impacts of families being able to access new child care options, specifically:

- Enabling 1,000 families to access new spaces from private child care providers setting up and offering child care to higher-income families who would be able to move their children non-profit to private providers.
- Enabling 1,000 low and middle-income families to access spaces that are freed up in non-profit providers. These are low and middle-income families who previously did not use child care outside of their home and would be enabled to work or prepare for work (i.e. study / train).

If these 2,000 families⁶⁹ were able to use child care to work, the additional jobs created in the ELCC sector, based on economic impact analysis completed, would add an estimated \$45.6 million in additional GDP, 548 jobs in the province, and \$5 million in provincial taxation revenues.

If the value of goods and services purchased by these workers was also considered, the analysis shows that benefits could be expected to total an estimated \$64.1 million in additional GDP (including the estimated \$45.6 million noted above), 678 jobs in the province, and \$5.6 million in provincial taxation revenues.

This illustrates the potential starting benefits that could emerge from transforming the ELCC system, and sets a case for change; one that would seek to improve the access, affordability, labour market support, sustainability and quality of child care for Manitoba's families and children.

⁶⁹ It is estimated that 2,000 families use 4,084 child care spaces.

Opportunities for the Future

There is much to be gained from resetting the current ELCC system in Manitoba. The opportunities for a future ELCC system in Manitoba proposed here take into account and balance the needs of children and their parents, making sure children are safe and cared for, and that parents are able to prepare for work or fully participate in Manitoba's labour market.

The future child care sector in Manitoba is envisioned as one that is thriving, vibrant and responsive, whose workers are valued for the importance of the child care services they offer. It also creates a system that plays its part in making sure Manitoban employers have the workers they need, now and into the future. And it makes sure that FAM is accountable for the investments it makes in the system and can clearly show the benefits that are created.

Achieving all this future state requires a transformation. Minor changes to the current ELCC program and funding arrangements may improve some aspects, but it will not address the holistic issues across access, affordability, labour market supports, sustainability, and quality.

To create a coherent and cohesive ELCC system a number of changes, described in this section, are needed to:

- Enable Government to act as a market steward
- Build a more diverse continuum of child care options
- Strengthen quality in the ELCC system
- Transform the ELCC funding model, and
- Measure success.

GOVERNMENT AS A MARKET STEWARD

Families are ultimately the ones who know best what they want and need from ELCC services, and they are best placed to work with providers in their area to negotiate and navigate these needs. What FAM needs to do is create an ELCC system within which this can happen effectively, seamlessly and transparently.

This is the starting point for a new system, which would see FAM as the “market steward”, with responsibilities for creating and overseeing a system within which child care providers can grow and thrive.

Market stewardship is a model of public sector service delivery where FAM regulates and encourages providers to deliver specified services in a service market. The role of market steward is to support the functioning of a market, drawing on a range of mechanisms, including legislation and funding, to achieve a set of desired and pre-determined outcomes.

Unlike the traditional model of service delivery, market stewardship is outcomes focused. The role of a market steward necessitates deep collaboration and partnerships with families, providers, employers and businesses to understand the needs, objectives and enablers of a successful ELCC system.

The role of a market steward is dynamic; setting and adjusting market parameters and intervening to support providers to deliver services in a manner that achieves the determined outcomes – for providers, families, employers and business. A market steward remains actively engaged with providers and the market to ensure that parameters are appropriate, responsive and effective.

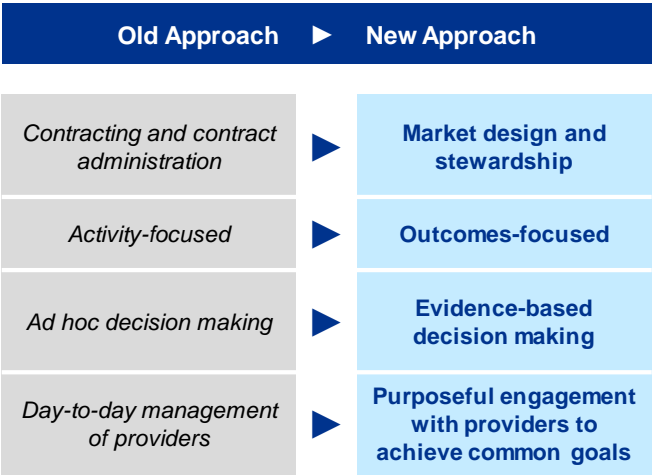
If FAM decides to move in this direction, this will require fundamentally different relationships between families, child care providers and FAM than currently exists; one that sees families and providers working more directly together to decide the type of child care that is needed in their community, and working out how this can be provided.

RECOMMENDATION #1
FAM should establish and implement a market steward strategy to shift its role from day-to-day manager of the ELCC system to market convener and strategic facilitator.
This new role would include creating new capabilities around:

- Understanding and monitoring the demand for child care services
- Understanding and monitoring the supply and market that exists in Manitoba’s licensed and unlicensed providers, and
- Designing and implementing mechanisms to drive the desired behaviours among existing child care providers, encourage the setup of new providers, and enable more families to access the ELCC system (i.e. manage the supply and demand).

As a market steward, FAM would redefine its role in the ELCC system. The rethink of this role would shift primary responsibilities from detailed day-to-day involvement in the sector to become a market convener and strategic facilitator, who cultivates and monitors / oversees market conditions to ensure the ELCC system is successfully meeting the needs of families. The differences between the old and the proposed approach are summarized in Figure 14.

Figure 14: Shifts in a Market Steward Role



FAM would need to retain important roles in a new system – as ultimately, it is responsible for creating the conditions within which a flexible, resilient and sustainable child care sector can thrive. It could achieve this through:

- Setting desired outcomes, allowing providers the flexibility to innovate, and constantly monitoring how the ELCC market is developing and how providers are responding to the emerging needs of families
- Engaging closely with families and providers within the proposed ELCC system to understand the child care market needs, innovations, challenges in the system, and the mechanisms that need to exist to influence supply and demand
- Understanding and guiding demand and supply mechanisms to steer the ELCC system to achieve the desired outcomes, and
- Allocating the necessary resources and skills to effectively perform the above functions.

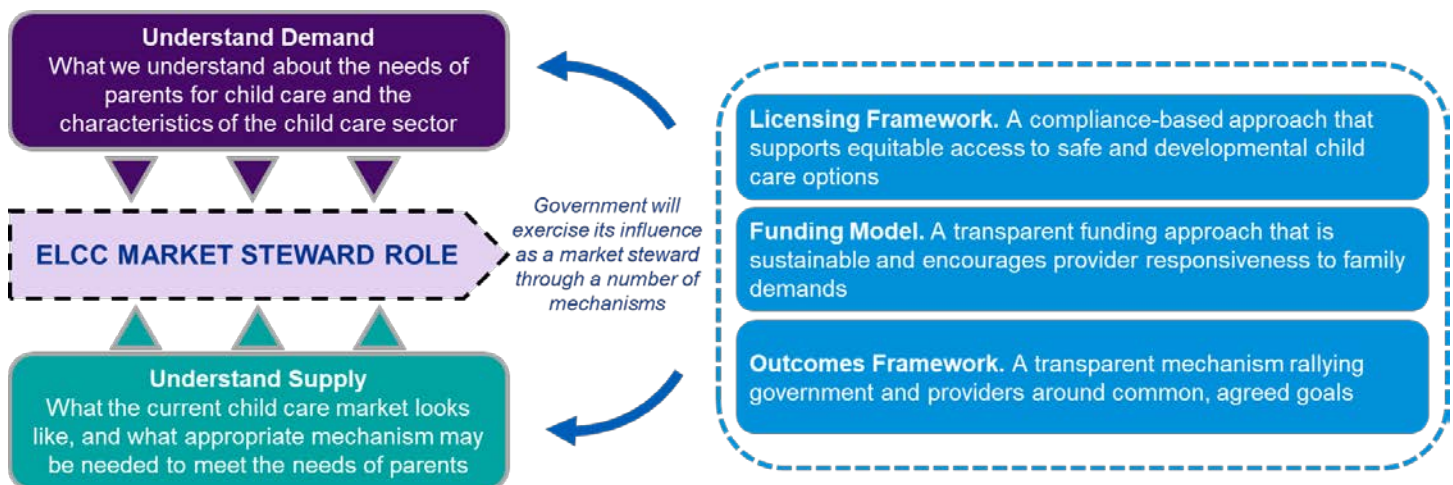
Many functions of FAM should not change under the proposed system. FAM would continue to:

- Provide funding for child care services, to ensure that there is equity in where, how and for whom child care is available
- Regulate the ELCC system through regulations and policies such as health and safety provisions, and the use of a regulated parent fee
- Support the ELCC system to enable quality services to be provided, and
- Support providers who may be struggling to ensure child care services are available to all Manitoban communities.

However, in the future, FAM would also need to put more of its efforts into overseeing a system where providers and families are better able to negotiate the kind of child care they need, and the basis on which it is provided, and less of its efforts into day-to-day engagement in aspects such as providers' operational budgets and issues management. This is why the new approach is described as a *market steward* approach; it sets up the expectations that FAM would develop, support and influence the ELCC system – acting as a steward of the market.

The shift to becoming a market steward would require FAM to develop and maintain a deep understanding of the system-level influences on child care, including what is being demanded and supplied in terms of ELCC services, so it can understand where needs are being met and where more attention is needed.

Figure 15: Manitoba's Future Market Stewardship Model



Source: KPMG

The future ELCC system would continue to rely and build on strong relationships between FAM and stakeholders, including other levels of government, families, providers, employers, labour organizations, educational institutions, and other community groups with an interest in early learning and care. Each stakeholder would play a unique role, however the coordination among the three stakeholder groups is essential for each to execute their responsibilities:

- **FAM** would consult with families, business, employers, and other stakeholders to ensure the types of child care options, location of child care and access to child care meet Manitoba’s needs. With providers, FAM would engage them to measure effectiveness and licensing requirements, measure system-level outcomes, and enable the financial and operational sustainability of providers.
- **Providers** would be responsible for child care service delivery and coordinate with FAM to meet licensing and quality requirements that support healthy child development, contribute to outcomes measurement, and advocate during decision-making. With families, providers would collaborate to make sure child care options are accessible and meeting the needs of families, responding to emerging needs or concerns, and enable sustainable operations.
- **Families** would communicate with FAM on their emerging or changing needs for the type of child care options, location of child care, access to child care services and concerns over the delivery or value of the child care services they access. With providers, families would communicate their wants, needs and concerns over the access to or delivery of child care services.

Under a market steward approach, three main mechanisms would enable FAM to fulfil its roles:

- A licensing framework
- A transformed funding model, and
- An outcomes framework.

Each of these is described in further detail in the following sections.

A MORE DIVERSE CONTINUUM OF CHILD CARE OPTIONS

FAM and child care providers have separate and complementary roles in delivering child care services in Manitoba, and will need to work together to achieve the desired outcomes. One of the fundamental shifts in the ELCC system that should occur as a result of the market steward role is the increase in choices for parents through more providers and the types of child care offered.

Given what is known today about Manitoban families who are unable to use child care, the new ELCC system should be better aligned to support more parents to work knowing their children are safe and well cared for.

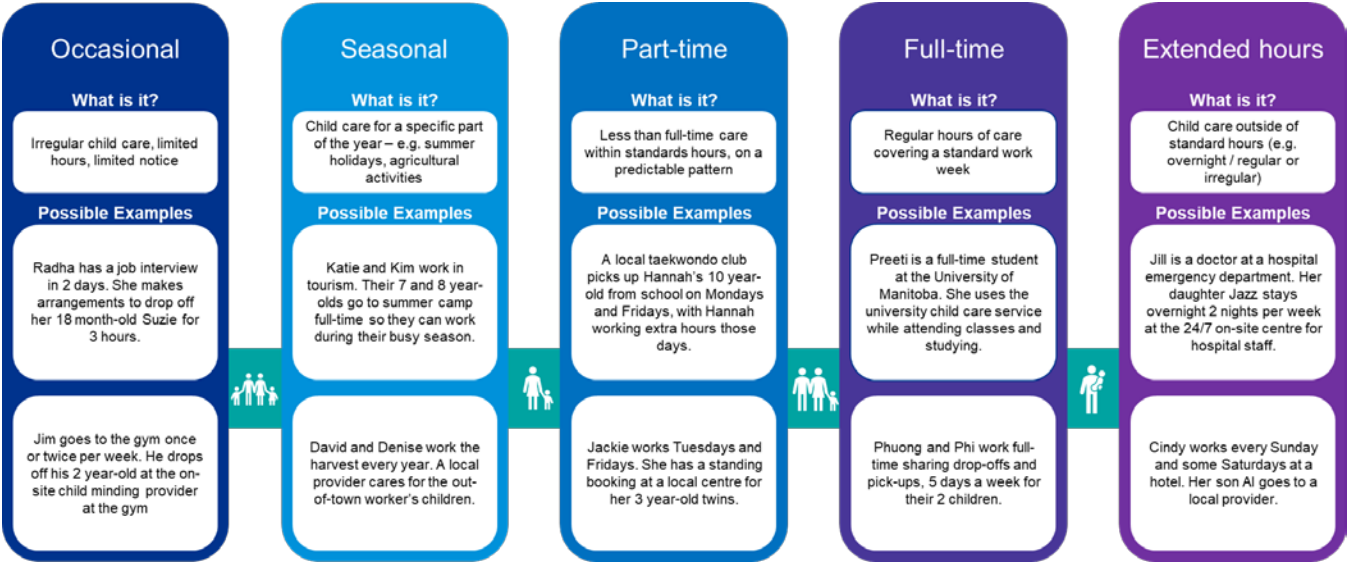
RECOMMENDATION #2

FAM should enable a full continuum of diverse child care options for more families, informed by what already exists and what else families need.

As part of this, FAM would need to measure and monitor where the current ELCC system is able to supply these types of child care options and where there may be gaps.

This may look like a “menu” of options (Figure 16) that is sufficiently broad and flexible so that parents can combine parenting with the other activities they have to and want to do, and particularly that enables parents to prepare for and take up available employment opportunities.

Figure 16: Illustrative Continuum of Child Care Options for Manitoba



Source: KPMG

As well, the expansion of care options that are available on a part-time or occasional basis would enable more parents who are offered short-term or casual work to take these opportunities.

RECOMMENDATION #3

FAM should work to encourage providers, through market steward approaches, to address known service gaps across the province.

As part of this, FAM would need to consider licensing and funding approaches that would incentivize providers to expand the diversity in what child care services are offered, and / or expand the range of providers operating in the ELCC system to meet the unique or innovative needs of families.

Moving to a transformed ELCC system would enable FAM to encourage new providers to set up to grow the ELCC system, and potentially offer new services and programs. Moreover, all providers would have more flexibility to offer additional types of child care, and respond to the local demands of parents. Parents would also have more control over how their fees are directed, and would be better placed to direct their fees to providers who are meeting their needs.

Transforming the system may also result in other related changes that hone the focus of ELCC services on the early years, such as considering if the child care needs of school-age children are more appropriately responded to through a schools-based policy or one housed in the Department of Education.

No system can respond to every demand. However, Manitoba could expect to see different types and offerings of child care that better meet parents' needs.

There are benefits to be realized from expanding the options for Manitoban families. As outlined in Figure 6, the majority of Manitoba's children are not supported by child care providers in the ELCC system, but rather outside of these options by a parent (who is not working full-time) or by a relative providing care.

Analysis completed for this review⁷⁰ suggests 2,000 additional families able to use child care to work would lead to approximately \$45.6 million in additional GDP, an additional 548 jobs in the province, and \$5 million in provincial taxation revenues.

In addition, there are also a number of qualitative benefits to parents that would exist by increasing the number and range of providers offering child care, in terms of:

- Greater choices of child care and more flexible child care options to increase their ability to combine work and family, which would benefit low income families
- A more viable child care system that could directly provide and support new jobs, and
- Greater ability for families and the economy as a whole to absorb shocks, such as those that may occur through a future COVID-19 wave or a natural disaster.

STRENGTHEN THE QUALITY IN THE ELCC SYSTEM

Overall, the licensing system in Manitoba is similar to that employed in other provinces. Manitoba has been seeking to roll out a more compliance-based approach to licensing, with the effort required to administer licensing – both from the provider and FAM – tailored to the degree of risk.

Typically, licensing usually applies a ‘one size fits all approach’ that requires all providers and potential providers to go through the same application processes, licensing mechanisms and check points. Compliance-based licensing considers elements of a provider’s profile, such as operating history, to determine the proportionate level of oversight necessary to ensure safety and compliance with licensing standards. A new provider or one that has a history of licensing breaches, for example, may receive intensive oversight and support. A provider that has a history of problem-free operation may ‘qualify’ for a lower level of oversight.

Compliance approaches often include operational incentives, such as a streamlined review and monitoring process, to encourage providers to proactively reach and maintain compliance with licensing requirements. Using risk-based assumptions to determine the need of an individual provider for licensing support means that FAM focuses its effort and makes best use of its resources.

Under a proposed regulation amendment, the term for a child care licence will be extended to three years for facilities in good standing, with no annual inspection requirement. This amendment is intended to support compliance-based licensing, which is already in place in Manitoba, and it was part of the Bill 9 consultations completed by FAM.

This change will remove an administrative burden for providers who demonstrate compliance and will reduce FAM’s administrative efforts. By issuing a licence for longer than a year for providers with a positive compliance record, FAM would be able to redirect its resources to other providers who are not compliant and may be experiencing a range of challenges.

Manitoba has already been working towards a number of improvements to its current licensing arrangements. The changes already underway are:

- **Compliance-Based Licensing Approach.** In 2018, FAM rolled out a compliance-based Tiered Licensing Approach for child care centres across the province. The approach segments child care providers into four tiers, based on each centre-based providers’ licensing history and compliance with regulations. Child care

⁷⁰ Analysis was based on utilizing a customized Statistics Canada-based input output model using the revenue and expenditures provided by Manitoba’s ELCC program. The analysis quantified the direct and indirect impacts and induced effects from the noted scenarios.

centre-based providers in the top two tiers of this model qualify for streamlined licensing assessment processes, as long as the centre remains compliant with all relevant regulations and operating requirements.

- **Adjusted Licensing arrangements.** From 2019, child care centre-based providers with three previous years of licensed operations, who are compliant with all licensing regulations, health and safety requirements and are in good standing, can benefit from an adjusted licensing and monitoring compliance schedule. A proposed regulatory amendment will enable the provision of licenses for up to three years.

RECOMMENDATION #4

FAM should enhance its licensing arrangements to better align the administrative effort of meeting licensing requirements with the risks involved.

Characteristics such as provider history, past quality of child care and type of child care offered should all be taken into greater consideration when considering how to approach licensing with individual providers.

The licensing requirements should be written in plain language, be readily available, and incorporate an accelerated process to facilitate rapid market responses to unmet needs such as where there are gaps in services.

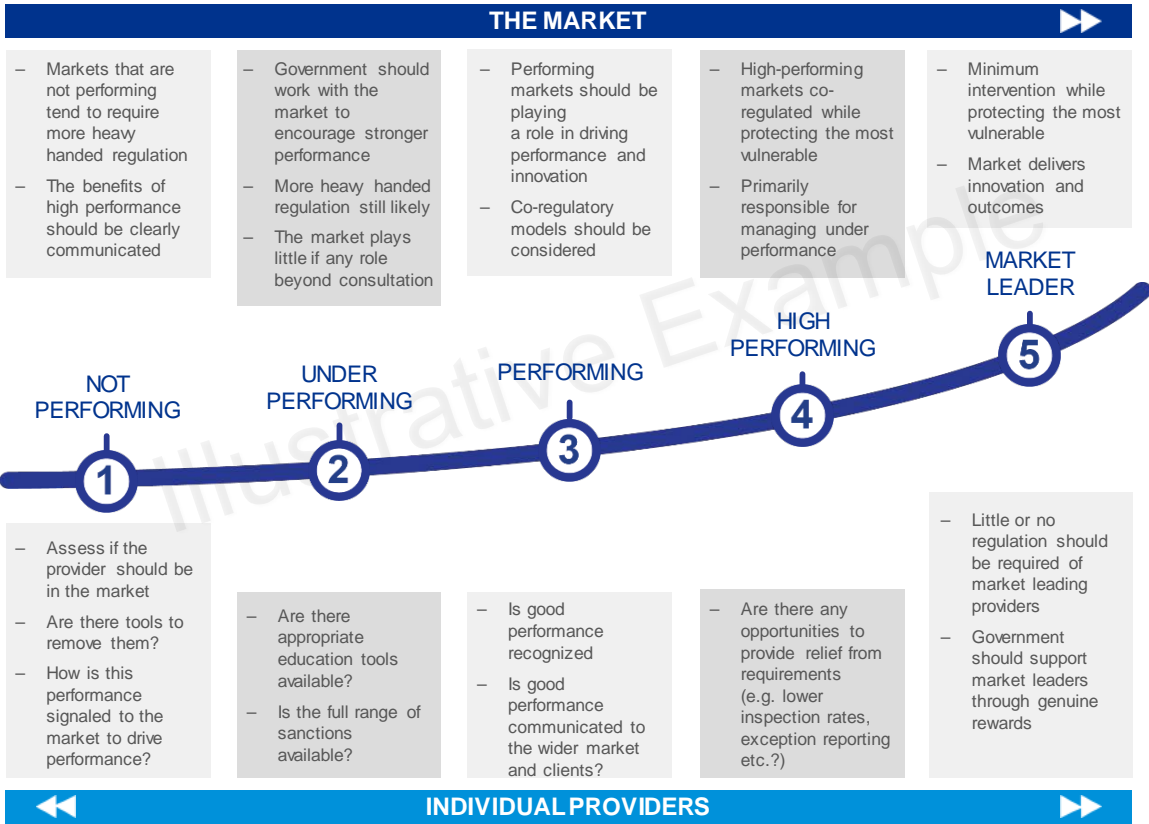
Several opportunities for enhancements to the current licensing system for ELCC could also be considered by FAM, including:

- **The opportunity to further shift towards a proportionate response, or compliance-based licensing approach with additional elements.** An example could include negative licensing, which prescribes what providers *cannot* do *without* oversight, rather than what they *can* do *with* it. This could reduce oversight requirements for low-risk activities.
- **The potential to increase the digital enablement of licensing evaluation, notification and procedures to reduce the administrative efforts for FAM staff and providers.** An example could include digital workflow for evaluations to increase the efficiency and clarity of the licensing process for providers and FAM. The current licensing application and evaluation processes include a number of manual processes that could be streamlined through the enhanced use of digital tools.
- **The provision of additional supports for licensing of new providers.** This could build on existing materials to support new providers to navigate licensing requirements and the evaluation process. This could be especially helpful for prospective child care providers who do not come from a business background.

To operationalize the compliance-based engagement criteria, FAM should consider creating and utilizing a maturity model to understand the market of ELCC providers. A market's maturity can be assessed against a number of key elements, such as: compliance, capabilities of a provider, ability to measure and achieve outcomes, and the complexity and volume of ELCC services offered.

A corresponding maturity level could be applied to each provider to drive the type and nature of engagement with a provider. Figure 17 shows a maturity model that could be used by FAM as a starting point.

Figure 17: Illustrative Market Maturity Model



Source: KPMG

RECOMMENDATION #5

FAM should consider developing a quality framework for child care.

Provincial quality standards for child care could apply in tandem with a licensing framework, providing FAM with an ability to guide the delivery of ELCC services.

This would involve aspects associated with ‘quality in ELCC’ being identified and defined under key areas. In the future, a quality framework would see providers assessed against these quality areas and used to inform changes to the ELCC system.

- The following key quality areas are adapted from Australia's National Quality Standards, to show what such a quality framework could look like for Manitoba:
- **Educational program and practice.** Measures how well ELCC programs meet the developmental needs of individual children
 - **Children’s health and safety.** Measures how well the physical environment and provider-specific procedures promote health and safety of children.
 - **Physical environment.** Measures how well the physical environment design and use promotes a positive and enriching experience for the child.
 - **Staffing arrangements.** Measures how well the provider staffing arrangements support the development and wellbeing of the child.

- **Relationship with children.** Measures how well the provider fosters positive relationships among children and educators.
- **Collaborative partnerships with families and communities.** Measures how well the provider fosters strong, collaborative relationships with families and their community at large.
- **Governance and leadership.** Measures how well the provider's internal processes and operations contribute to a positive and enriching experience for the child.

TRANSFORMING THE ELCC FUNDING MODEL

Currently, providers receive much of their funding on the basis of the number of child care spaces they expect to make available to parents by way of operating grants from ELCC. The balance of their revenues are made up of fees paid directly to providers by parents and from FAM for those parents who are eligible for a Child Care Subsidy.

NEW CHILD CARE ASSISTANCE PROGRAM

The starting point for a transformed ELCC funding model would be a more parent-oriented funding approach that would distribute ELCC funding differently. Specifically, less funding would be paid in the system through operating grants, and more would be paid on the basis of actual parent use of child care. This would be achieved through a new child care assistance program.

A transformed ELCC funding model is intended to increase revenue for providers so they can be more responsive to the demands and needs of parents, and give them the means to consider how to improve the quality of the services they offer, including through wages that can help attract and retain qualified staff.

A new funding approach would also help incentivize providers to work with families and make sure their needs are met. It would also expand parents' choices about the type of child care options they can direct funding to, increasing the equity of treatment among parents' choices of child care.

RECOMMENDATION #6

FAM should implement a parent-based funding model (i.e. the Child Care Assistance Program) over the next three to five years to enable greater access for families and improve choice in child care options.

This would require FAM to move away from its current operating grant-based funding model, and towards a model that provides assistance to families to address their child care costs, enables greater access for families, and improves choice in child care options, utilizing some portion of the existing Operating Grants, Workforce and Training Supports, and Child Care Subsidy funding streams.⁷¹

The proposed ELCC funding model that FAM implements should be based on the following:

- A parent-oriented funding model that consolidates operating grants, child care subsidies, and other funding streams into integrated financial assistance that can be directed by parents to providers of their choice (within certain constraints)
- A transparent and more equitable funding model that directs more funding to lower-income families to improve employment outcomes
- Increased regulated parent fees, and

⁷¹ Based on direction from FAM, the current Inclusion Support Funding, Start-Up Grants, and Capital and Other funding streams are outside of the scope of funding envelope for the transformed ELCC funding model.

RECOMMENDATION #6

- An indexation to the cost of living going forward, to deliver greater certainty in child care arrangements for parents, providers, and child care staff in the future.

FAM would need to consider the specific parameters of the funding model based on the scenario impacts analyzed through this review to be implemented, for example: regulated parent fee, income thresholds (reasonable child care out of pocket expenses), parent contributions, and timing for implementation.

FAM would also need to consider the delivery mechanisms for the new program – whether it is better delivered through subsidy (i.e. upfront payment to families) or through the taxation system (i.e. a monthly or annual rebate paid on the basis of child care costs incurred).

The proposed ELCC funding model should include the following elements:

- **Child care costs for families would be capped as a proportion of total income for Manitoban families.** The funding model would set out to limit the amount that parents would pay for child care, as a proportion of their income. This would help to make child care affordable for a greater range of Manitoban families.
- **An increased regulated parent fee (for all non-profit providers) would need to be established to account for changes in the costs of providing child care since the last increase.** The regulated parent fee in Manitoba has not increased in real terms in over ten years. Therefore, the new ELCC funding model would need to increase the regulated parent fee to account for increased provider costs over time.
- **A funding program that delivers substantially more help to lower and middle-income families, when they need it, to support these families to work.** The current subsidy program cuts out at very low incomes (e.g. a single-parent with a preschool-aged child would need to have a net income of less than \$16,420 per year to qualify for the current full subsidy; this same family would need to have a net income of less than \$28,874 per year to qualify for a partial subsidy⁷²), meaning many low and lower-income families receive little help with their costs of child care. Under the proposed funding model, substantially more families would be eligible for assistance, ensuring that low and middle-income families have fewer disincentives to work and will be better off than they are now when they choose to do so.
- **Existing ELCC funding used as a baseline.** The total amount of funding provided by FAM under this proposed system is not expected to change; FAM could consider additional investments as needed.

Analysis was completed on the implications of a new funding model. Scenarios were developed to show how different regulated parent fees impact families, providers, and FAM. For the purposes of the analysis, the ELCC funding envelope was held constant.

Each scenario included an income to expense cap by which FAM could set the level of financial support for each income group based on the Manitoba Income Tax Brackets⁷³. This results in a parent's contributions to the cost of child care being capped at a maximum proportion of their gross income. This reduces the impact for those families who pay high child care fees relative to their income (i.e. families that have low-income or have multiple children in child care).

The analysis suggests that a range of settings are possible to achieve the desired level of out of pocket costs for Manitoban families, while holding the current levels of ELCC funding constant. Three scenarios are presented on

⁷² Analysis of the Child Care Subsidy Eligibility Requirement

⁷³ After discussion with FAM, the Manitoba Income Tax Brackets were the base of the model's income groups, but required further distinction to allow for a more targeted support. The \$32,671 - \$70,610 income bracket was split in half at the mid-point (\$51,640), while the high-end bracket was calculated by multiplying the original high-end bracket (\$70,611) by 1.5.

the following pages. Each of them aligns with the principles and objectives of this project, including delivering a more parent-focused funding model.

Table 14: Estimated Funding distribution, by Scenario

Scenarios	Regulated parent fee	Subsidy-based Funding	Funding for Providers
Current State	A weighted-average regulated parent fee of \$17.91 applies.	\$22.6M (or 15% of the total ELCC funding envelope) of funding is used by the existing Child Care Subsidy Program.	\$129.2M (or 85% of the total ELCC funding envelope) is used for existing operating grants, workforce support (and other funding) for providers.
Scenario 1	A weighted-average regulated parent fee of \$25 applies.	\$95.5M (or 63% of the total ELCC funding envelope) of funding would be used for the new child care assistance program.	\$54.9M (or 37% of the total ELCC funding envelope) could be used for operational supports for providers.
Scenario 2	A weighted-average regulated parent fee of \$30 applies.	\$116.9M (or 78% of the total ELCC funding envelope) of funding would be used for the new child care assistance program.	\$33.9M (or 22% of the total ELCC funding envelope) could be used for operational supports for providers.
Scenario 3	A weighted-average regulated parent fee of \$40 applies.	\$141.5M (or 94% of the total ELCC funding envelope) would be used for the new child care assistance program.	\$10.3M (or 6% of the total ELCC funding envelope) could be used for operational supports for providers.

Source: Analysis of proposed ELCC funding model

Table 15 shows the income to expense cap that allows for the optimal viability in each scenario for families, providers, and FAM. For example, under Scenario 2, at a regulated parent fee for \$30 per day, a family earning between \$51,641 - \$70,610 would be expected to pay no more than 2.5% of their total gross income on child care in the proposed funding model.

Table 15: Income to Expense Cap by Scenario

Family Gross Income	Maximum proportion of child care expense to gross income (%)		
	Scenario 1: \$25	Scenario 2: \$30	Scenario 3: \$40
< \$32,670	0%	0%	0%
\$32,671 - \$51,640	0%	0%	5%
\$51,641 - \$70,610	0%	2.5%	10%
\$70,611 - \$105,915	5%	7.5%	11%
> \$105,916	10%	10%	30%

Source: Analysis of proposed ELCC funding model

Table 16 shows how many families would receive some level of subsidy from FAM under a proposed ELCC funding model. In the future ELCC funding model, it is estimated that an additional 6,800 families could be supported under Scenario 2.

Table 16: Estimated Number of Families Receiving Child Care Assistance, by Scenario

	Single-Parent Families	Dual-Parent Families	Total
Current State	2,122	1,071	3,193
Scenario 1: \$25	3,864	5,907	9,771
Scenario 2: \$30	3,834	6,140	9,974
Scenario 3: \$40	3,800	4,663	8,463

Note: The future state estimates include approximately 1,600 families who may meet the eligibility criteria for the existing Child Care Subsidy Program, but do not receive it.

Source: Analysis of proposed ELCC funding model

Table 17 shows how families' out-of-pocket child care costs would be expected to change, and by how much on average, under each of the scenarios for the proposed ELCC funding model. Approximately half of Manitoba's families who access licensed child care could experience an increase in their monthly out of pocket expenses and approximately half of Manitoba's could experience a decrease.

Table 17: Estimated Funding Model Impacts to Monthly Out of Pocket Costs (OOP), by Scenario

Family Income	# of families using licensed child care	Avg. Children per family	Current State OOP per month	Future State OOP per Month: Change from Current State		
				Scenario 1: \$25	Scenario 2: \$30	Scenario 3: \$40
≤ \$10,000	1,176	1.6	\$67	\$0	\$0	\$0
\$10,000 to \$15,000	618	1.8	\$78	\$0	\$0	\$0
\$15,000 to \$20,000	686	1.9	\$80	\$0	\$0	\$0
\$20,000 to \$25,000	825	1.9	\$103	-\$27	-\$27	-\$27
\$25,000 to \$30,000	397	2.0	\$174	-\$90	-\$90	-\$90
\$30,000 to \$35,000	289	2.1	\$238	-\$156	-\$156	-\$156
\$35,000 to \$40,000	425	2.2	\$308	-\$223	-\$223	-\$152
\$40,000 to \$45,000	469	2.2	\$415	-\$339	-\$339	-\$239
\$45,000 to \$50,000	481	2.1	\$478	-\$403	-\$403	-\$281
\$50,000 to \$60,000	976	2.2	\$570	-\$503	-\$456	-\$112
\$60,000 to \$70,000	723	2.1	\$695	-\$628	-\$561	-\$155
\$70,000 to \$80,000	568	2.1	\$689	-\$377	-\$221	-\$2
\$80,000 to \$90,000	1,070	2.1	\$690	-\$336	-\$167	\$73
\$90,000 to \$100,000	699	2.1	\$679	-\$285	-\$112	\$148
\$100,000 to \$150,000	3,666	2.1	\$663	\$83	\$207	\$827
\$150,000 to \$200,000	1,884	2.1	\$640	\$117	\$327	\$799

Family Income	# of families using licensed child care	Avg. Children per family	Current State OOP per month	Future State OOP per Month: Change from Current State		
				Scenario 1: \$25	Scenario 2: \$30	Scenario 3: \$40
\$200,000 to \$250,000	444	2.2	\$645	\$95	\$328	\$795
> \$250,000	403	2.2	\$626	\$52	\$288	\$760

Source: Analysis of proposed ELCC funding model

Scenario 3 (or a regulated parent fee of \$40 per day) represents the limit of feasible options for Manitoba's ELCC system, given the assumptions applied. Based on the analysis completed, regulated parent fees of more than \$45 or above are not possible without changing assumptions or other parameters in the proposed ELCC funding model. This is because at \$45, the amount that would need to be spent by FAM to ensure that child care remains affordable for low and middle income earners would exceed the current ELCC funding available.

The analysis shows that there are trade-offs, specifically related to provider viability (linked to system viability, sustainability, diversity and growth), and the cost of child care to parents who are not subsidized through the new ELCC funding model.

- **Compared to Scenario 1, Scenarios 2 and 3, which would have higher regulated parent fees, would improve provider viability the most, as they would increase the revenues out of which providers could run profitable operations.** More funding in the ELCC sector would make it more feasible for providers to consider offering more flexible options such as part-time child care and child care in non-standard hours. It would also allow providers to negotiate pay and conditions for staff that would help to address current attraction and retention issues for qualified workers.
- **Higher regulated parent fees for non-profit providers in Scenarios 2 and 3, compared to Scenario 1, would also reduce the cost difference between private and non-profit providers.** In other systems, private providers have driven growth in the child care system. If some parents using non-profit providers were to switch to private providers in Manitoba, this would open up new regulated parent fee spaces for lower income families.
- **Scenario 1 would have most parents paying less for their child care than they do now, and more would pay less than under Scenarios 2 and 3.** As the costs for low and middle-income families are subsidized, it is mainly some middle-high and high income earning families who would be estimated to pay more out of pocket for their child care in Scenario 2 and especially Scenario 3, than currently. At the same time, all parents are likely to see the benefits from increased revenues for providers in terms of growth in child care options, flexibility, responsiveness and the quality of care.

The mechanism for the delivery of a new Child Care Assistance Program is also relevant and needs to be considered by FAM. Subsidies received at the point of payment of child care fees (e.g. Australia, Ontario, Alberta) are more likely to help families who need support to defray their child care costs, however these approaches often involve additional administration costs to process claims. Tax rebates (e.g. the Ontario Child Care Tax Credit) may be simpler and less costly to administer, but are unlikely to deliver help when it's needed most, especially for low income families. Manitoba could also consider using both approaches for different income segments in its new funding model.

PORTABLE BENEFIT

The Government of Manitoba announced its intention for a portable benefit. This was intended to provide up to \$500 per month for approximately 3,000 lower-income Manitoban families to increase their flexibility of child care

arrangements by following children to their family's child care option of choice. The total cost of the initiative was estimated by FAM to be \$18 million per year. The Portable Benefit is expected to be an additional investment made in the ELCC system.

RECOMMENDATION #7

FAM should move forward with implementing a new portable benefit to supplement the new ELCC funding model.

This additional financial assistance would be intended to support parents to access a form of child care where costs are not fully subsidized or child care needs are otherwise unmet. The portable benefit should be implemented as a payment to families for unlicensed child care, where no reasonable alternative licensed child care options exist.

As low-income users of child care would be fully subsidized for the costs of licensed care under the proposed Child Care Assistance Program (see page 48), expanding assistance further would require a benefit to support child care where costs are not fully subsidized or child care needs are otherwise unmet.

Research⁷⁴ on the unmet needs of low-income families in relation to child care consistently point to the need for non-standard hours of child care, including weekends, evenings and overnights, which are strongly associated with the work patterns of households with lower income. Low-income Canadian families tend to use unlicensed child care in such situations, as licensed child care does not support these needs well. Child care provided under such arrangements can be poor quality, with some parents resorting to finding occasional caregivers on Facebook or Kijiji. The level of safety or child development offered in such situations is unknown.

Of the current population of low income families, it is estimated by the analysis completed for this review that FAM could afford to support roughly one-third of the current low income families in Manitoba who currently use unlicensed child care or could be supported to use unlicensed child care instead of no child care at all.

SUSTAINABILITY OF PROVIDERS

The changes proposed under the new Child Care Assistance Program (page 48) will largely impact child care providers who receiving operating grants. Where revenue was previously provided by FAM, their new reality will involve collecting more revenue through parent fees.

RECOMMENDATION #8

FAM should reorient its operating grants to support the financial viability of individual providers who are struggling in the transition to the transformed ELCC funding model.

FAM could also consider using this funding for specific providers who serve a rural / remote area of the province where there is limited demand but a defined need for child care.

The hardship or sustainability fund should represent a simplified grant that is provided to child care providers who are facing significant revenue shortfalls (as result of the reduction in operating grants).

⁷⁴ Government of Canada, *Non-standard work and child care in Canada* (2019)

These grants should be based on a demonstrated hardship by the provider. These grants may also be targeted at providers who are serving rural and remote areas of Manitoba, where there is a need for child care but not enough children for a provider to be financially viable.

ADDITIONAL FUNDING MECHANISMS

A transformed ELCC funding model also consider the use of a range of additional financial mechanisms to encourage the right level of supply in the child care system. This would enable FAM to fulfill its proposed role as a market steward (see page 40).

RECOMMENDATION #9

FAM should consider the establishment of additional targeted (and one-time) funding mechanisms as part of a transformed funding model to incentivize providers to address targeted and identified gaps in service.

Funding could include a selection of grants and financial incentives to encourage new or existing providers to develop child care services to fill identified gaps in the service market (such as gaps around type or location).

FAM could establish a range of additional financial mechanisms to encourage the right level of supply in the child care system. These could be used to encourage:

- Supporting new entrants into the private market
- Expanding child care options, and
- Addressing provider sustainability.

FAM should also consider the development and funding of business supports for child care providers. These financial and in-kinds supports would help providers with enhanced capacity and capability to set up or sustain a child care business.

MEASURING SUCCESS

The ELCC system needs to be guided by an outcomes framework that will act as a transparent mechanism for rallying FAM and providers around common, agreed goals, and ensure that FAM has timely, accurate and complete information about the quantity, quality and types of child care options being used.

Sector-wide data collection will measure performance against the outcomes, and provide better real-time understanding of the quantity, quality, nature and type of child care being used by Manitoban families. The goal of the outcomes framework is to monitor and report on how well the entire system is delivering the kind of ELCC services parents need, so as to highlight where adjustments may be needed.

RECOMMENDATION #10

FAM should implement an ELCC outcomes framework and measure and report on key indicators that help it to manage the overall ELCC system.

An ELCC outcomes framework should include:

- Measurement of performance against transparent and agreed outcomes at population level
- Province-wide integrated reporting that monitors and reports service-level data and system outcomes, and
- Real-time understanding of the quantity, quality, nature and type of child care being used by families.

The outcomes that should Manitoba should strive for in its ELCC system have been outlined on page 25.

The outcomes framework should set the expectations of what would be reported against. This would be achieved through new monitoring and reporting processes aligned to the outcomes framework. Determining which ELCC outcomes are necessary to benchmark and report against is a crucial decision, as it will guide the sector and its providers towards actions.

Outcomes reporting would require a high degree of collaboration between FAM and providers, as providers must have the capacity and understanding to act as the primary data collection and reporting agent, and FAM would need to coordinate the collection of information from providers as well as across other departments.

Compared to measuring service outputs (e.g. number of child care spaces offered), outcomes reporting is more complicated, as it requires tracking individual children and their families, to understand, for example, how many parents are using any child care, and where there are gaps in supply. Outcomes reporting on ELCC would be a new capability for FAM, and would require targeted enhancements in its capacity to define, monitor and report.

Benchmarking the achievement of outcomes through agreed indicators provides for meaningful measures of comparison of change over time. The ability to compare the delivery and impact of ELCC services under one model to another would help inform future system planning and changes to child care services.

Outcomes are more difficult to track than outputs. For this reason, final decisions regarding performance reporting should consider including a mix of outcome- and activity-level reporting, to provide a holistic picture of the system-level and operational performance.

Table 18 includes a range of sample indicators to support the ELCC system outcomes reporting that FAM could consider in implementing an outcomes framework.

Table 18: Sample Indicators for ELCC Outcomes

ELCC System Outcome	Sample Indicators
Access	<p>Proportion of families using licensed care (by geographic region)</p> <p>Proportion of licensed child care spaces to child population (by geographic region)</p> <p>Proportion of families identifying as being from particular demographic groups (such as Indigenous, francophone, newcomer, sole parents, low-income families) (by geographic region)</p> <p>Proportion of families indicating child care that meets their needs is available (by geographic region)</p> <p>Responsive child care options (new location, region, type of child care option added to the Manitoba child care continuum as a result of family and/or provider feedback)</p> <p>Unmet child care needs (requested enhancements of location, region or type of child care option)</p>

ELCC System Outcome	Sample Indicators
	Utilization of child care by marginalized communities (measure of the proportion of subsidy-eligible families who use the child care subsidy to purchase licensed child care, segmented by child support needs, family socio-cultural and socio-economic background)
Affordability	<p>Utilization of child care subsidy (measure of the proportion of subsidy-eligible families who use the child care subsidy to purchase licensed child care.)</p> <p>Reported ease of access to child care subsidy / wait times for determination (to measure accessibility of subsidy)</p> <p>Cost of child care (by family income bracket) (measure of the proportion of household income spent on licensed child care by families at different income levels.)</p>
Labour Market Support	<p>Parents reporting that lack of child care is a barrier to working</p> <p>Responsive child care options (reporting on new location, region, type of child care option added to the Manitoba child care continuum as a result of family and/or provider feedback)</p>
Sustainability	<p>Number of providers operating (reporting by location, region, type of child care option)</p> <p>Number of providers not operating at a loss (reporting by location, region, type of child care option)</p> <p>Number of providers at which exemptions to qualifications apply (reporting by location, region, type of child care option)</p> <p>Number of new providers commencing ELCC services (reporting by location, region, type of child care option)</p> <p>Proportion of government funding expended in line with forecasts (by type of funding)</p>
Quality	<p>Number of providers not meeting licensing standards (provider-level outcome, can be rolled up to assess averages at locations)</p> <p>Number of qualified Early Child Care Educators working in ELCC services</p> <p>Number of formal training programs completed by early childhood staff</p>

Moving Forward

ACHIEVING RESULTS

Each of the opportunities for the future outlined in the previous section will enable Manitoba, its ELCC providers and families to work towards achieving the desired system outcomes: access, affordability, labour market support, sustainability and quality.

The table below outlines how all of the components of a transformed ELCC system, as recommended in the previous section, working together, will result in a child care system that addresses the key identified challenges and will lead to a more diverse, more sustainable, and more outcomes-focused system for Manitoba's families and children.

ELCC System Outcomes	Today's Challenges	▶ Tomorrow's ELCC System
Access	<p><i>Many families have barriers to accessing the kind of ELCC services they want.</i></p> <p><i>Some choices of provider and child care type are supported more than others.</i></p>	<p>▶ There are more providers and greater provider diversity.</p> <p>▶ There are more options within the ELCC system, with similar options supported at similar levels.</p>
	<p>How it will be enabled:</p> <ul style="list-style-type: none"> – Government as a Market Steward. FAM in its role as a market steward would work with the ELCC sector to increase the diversity of providers and types of child care offered. – A More Diverse Continuum of Child Care Options. Work to address gaps by FAM in terms of the child care options desired by families would support new providers to enter and existing providers to expand their child care options. – Strengthen the Quality in the ELCC System. Through streamlining licensing processes, new child care providers that are compliant with licensing requirements will be able to open sooner. – Measuring Success. The new outcomes framework would include dimensions to improve the accessibility of ELCC services. 	
Affordability	<p><i>Higher income families can end up with more support for child care than lower income families.</i></p>	<p>▶ FAM support is targeted so that it particularly supports families in need.</p>

ELCC System Outcomes	Today's Challenges	►	Tomorrow's ELCC System
	<p>How it will be enabled:</p> <ul style="list-style-type: none"> – Transforming the ELCC Funding Model. The proposed ELCC funding model would include revised eligibility criteria to enable families to receive equitable assistance based on their financial need. – A More Diverse Continuum of Child Care Options. To improve the affordability of child care options available for families needing part-time and occasional care would be addressed. 		
Labour Market Support	<i>Families in need wanting to move into the workforce face barriers to getting licensed child care.</i>	►	Families in need are supported to access child care to work and prepare for work.
	<p>How it will be enabled:</p> <ul style="list-style-type: none"> – Transforming the ELCC Funding Model. The proposed ELCC funding model would include revised financial assistance thresholds to reduce the disincentives for working. – A More Diverse Continuum of Child Care Options. This work would support the development of new / alternative child care options to meet parents' needs when they are preparing for or entering the workforce. – Government as a Market Steward. FAM would use different levers to incent providers to address supply needs based on the demand for child care from parents. 		
Sustainability	<i>Data on child care system usage is limited and unreliable.</i>	►	Data is available to FAM, providers and families that supports good decision making to move the system towards better outcomes in the future.
	<i>Administrative effort is not always spent on the highest value activities and unnecessary "red tape" takes up time and effort.</i>	►	Efficiency of administrative effort by FAM, providers and families interacting with the ELCC system is maximised, with efforts directed at higher value activities.
	<p>How it will be enabled:</p> <ul style="list-style-type: none"> – Transforming the ELCC Funding Model. The proposed ELCC funding model would include more streamlined approaches to supporting families and providers which should lead to less administration – Strengthen the Quality in the ELCC System. Through enhanced licensing approaches, FAM would have the ability to streamline the licensing process to reduce aspects such as compliance reporting for providers. – Measuring Success. The new outcomes framework would include a standard monitoring and reporting component to increase data collection, measurement and analysis of the ELCC system. 		

ELCC System Outcomes	Today's Challenges	▶ Tomorrow's ELCC System
Quality	<i>Some providers face challenges to providing the quality of child care they aspire to</i>	▶ Increased parent fee revenues, with additional opportunities for FAM funding, is sufficient to provide sector sustainability, including the attraction and retention of qualified staff who offer high quality care.
	How it will be enabled: – Transforming the ELCC Funding Model. The proposed ELCC funding model would include hardship / sustainability grants to support providers facing financial pressures during the transition. The changes proposed also consider other supports to reduce the administrative burden of operating as a child care provider.	

IMPLEMENTING THE TRANSFORMATION

The proposed transformation of Manitoba's ELCC system represents a major undertaking for FAM, providers and families. The implementation of this transformation will include changes to many aspects of the current ELCC system and will have impacts.

An investment of time, money and resources will be needed to address the changes and recommendations outlined for FAM's consideration in this report. This will need to occur in a phased approach over a five year period to allow time for the necessary adaptation, resetting of systems configurations of new IT and organizational and governance changes.

A phased approach will also provide FAM with the appropriate time to design and execute the changes to enable the target future state of Manitoba's ELCC system. The following outlines the high-level suggested timeline for the key bundles of work that would need to be completed.

Work Bundle	Year 1	Year 2	Year 3	Year 4	Year 5
Transformation Mobilization & Management					
Transformation management and governance					
Engagement with providers and families					
Benefits realization planning and tracking					
Enabling Changes					
Legislative, regulatory and policy					
Business processes					
Technology, data and information management					

Work Bundle	Year 1	Year 2	Year 3	Year 4	Year 5
Transforming the ELCC Funding Model					
Implement parent-based funding model					
Implement portable benefit					
Implement provider hardship / sustainability grants					
Establish additional financial mechanisms					
Acting as a Market Steward					
Establish and implement a market steward strategy					
Creating A Diverse Continuum of Child Care Options					
Establish a continuum of diverse child care options					
Encourage providers to address known service gaps					
Strengthening Quality in the ELCC System					
Enhance licensing arrangements					
Develop child care quality framework					
Measuring Success					
Implement ELCC outcomes framework					

Transformations of the scope and scale proposed will invariably need to adjust to changes in the political, social and fiscal landscapes that they will occur in. To support FAM to address challenges that may arise during the implementation of a transformed ELCC system, a set of implementation principles have been developed:

- **Focus on the future experience** – Implementation activities and decisions should consider the impact on the experience of families and providers within the future ELCC system.
- **Improve measurement and monitoring of the system** – Implementation activities and decisions should contribute to an enhanced ability for families, providers and FAM to measure and monitor the financial, quality, operational and workforce elements of the ELCC system in the future state.
- **Enable new ways of working digitally** – Implementation activities and decisions should support the enhanced use of digital tools and systems to facilitate the streamlining of current and future procedures and processes.
- **Measure benefits along the transformation journey** – Implementation activities and decisions should provide clear and traceable support to the future ELCC outcomes. Measurement and monitoring of the

benefits realization during the implementation will help ensure alignment of the implementation with the desired future state of the ELCC system.

- **Enable innovation** – Implementation activities and decisions should work to reduce red-tape and encourage the ELCC sector (and its providers) to develop innovative solutions to fulfill the demand for child care in Manitoba. FAM should support this through engagement with providers to co-design elements of the implementation (as well as families).
- **Take a phased approach** – Implementation activities and decisions should be conducted in a phased way, ensuring that each subsequent activity proceeds from a solid foundation of the activities that came before it. This approach will help ensure that meaningful benefits can be demonstrated from the successful completion of each stage of the transformation.
- **Be transparent** – Implementation activities and decisions should be clearly communicated to families and providers. Communicating progress will allow families and providers to know how they are being asked to respond to change to support the ELCC transformation.

BRINGING STAKEHOLDERS ALONG THE JOURNEY

The transformation will need to be supported by a robust change management strategy and approach that enables providers and families to understand the journey and the benefits of these necessary changes. With the scope and scale of the ELCC transformation, it is essential that FAM communicates and engages with stakeholders early and often. Providers play a key role in this transformation, including the facilitation of much of the service-level data collection and reporting. With this in mind, some elements of the implementation should be co-designed with providers and families to validate and test the changes to the ELCC system.

A phased implementation approach provides an opportunity for FAM to review the progress of the transformation, evaluate the benefits being realized through implementation, and engage stakeholders to inform them of the next stages of change, along with the successes and challenges experienced in the past.

As part of the implementation plan, FAM will need to enable a thorough change management and communications plan to ensure that stakeholders are aware of the transformation progress and have the ability to raise pressing concerns. The steps identified below are the overarching structure to engaging the ELCC stakeholders in sustainable change.





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