

MEMORANDUM

TO: Department of Finance, Government of Canada

FROM: Peter Jon Mitchell, Program Director, Family
Daniel Liegmann, Junior Policy Analyst

DATE: August 13, 2026

SUBJECT: 2026 Federal Pre-Budget Consultation on Early Learning and Child Care

WHO WE ARE

Cardus is a non-partisan think tank dedicated to clarifying and strengthening, through research and dialogue, the ways in which society's institutions can work together for the common good.

ISSUE

Cardus is providing recommendations for the 2026 Federal Pre-Budget Consultations on the issue of child care. These recommendations center around improving the accessibility and affordability of child care for families.

BACKGROUND

Canadian young adults are struggling to achieve the family life they desire. Young adults are delaying partnership and having children as Canada's fertility rate continues to decline.¹ While governments should acknowledge the limitations of public policy on questions of family formation, it should not neglect the role that federal policy can play to increase the formation and growth of young families.

Despite being a signature program of the federal government, the \$10 a day child care program has only benefitted a minority of parents with children under age six and has failed to reach the targeted number of new spaces.² The implementation of the program was slower and more costly than the federal and regional governments anticipated, creating significant disruption among fatigued child care operators.³ While all families pay into the system via taxation, only a minority of parents can access the subsidized rates while others choose other options that better meet their needs. Federal policy must better serve all families.

RECOMMENDATIONS

Recommendation 1: We recommend restructuring the Canada-Wide Early Learning and Child Care (CWELCC) agreements to provide provinces and territories greater flexibility in funding delivery to support parents with a greater complement of tools and policies, while maintaining accountability for how funds are allocated and spent.

Recommendation 2: We further recommend that the Child-Care Expense Deduction should be converted to a refundable credit, and the two-thirds limit on the lower income earner should be

¹ Statistics Canada, "Canada's total fertility rate reaches a new low in 2024", (2025) <https://www150.statcan.gc.ca/n1/daily-quotidien/250924/dq250924d-eng.htm>.

² P. Mitchell, "Ten-Dollar Delay: How Canada's Child Care Program Locked Provinces In and Left Most Families Out", *Cardus*, March 25, 2026, <https://www.cardus.ca/research/family/reports/ten-dollar-delay/>.

³ P. Mitchell, "Ten-Dollar Delay".

removed. This would increase the impact of the policy for lower income families and would better support families who pay for care outside the CWELCC funded system.

RATIONALE

(1) Low-income families are not accessing licensed care and need greater flexibility in care

According to Cardus research, the CWELCC agreements have made some progress in lowering fees for licensed child care facilities.⁴ Despite this progress, low-income families make less use of licensed child care than their peers.⁵ As the program is currently structured, it is not primarily benefitting the families that need it most. This is in part because low-income families are more likely to work non-standard hours, such as evenings, weekends, and overnights. These non-standard time frames are significantly more likely to be offered by unlicensed home-based providers compared to licensed providers.⁶

Given the diversity of child care needs facing Canadian families, policies should be structured to meet those needs, especially for low-income families.

(2) Current initiatives aimed at low-income families and vulnerable groups have struggled to achieve results

Substantial CWELCC funding was directed toward inclusion initiatives targeted to low income households and vulnerable groups. Cardus research has shown that provincial and territorial governments struggled to achieve these targets. The 2025 Auditor General's report in Ontario noted that the province actually re-allocated resources from underserved regions to regions where they could create spaces more easily.⁷ Nova Scotia attempted to offer free school-based care for 2,000 low-income 3-year-olds, but had to cancel upon registering just 8 children.⁸ Manitoba allocated \$16 million in funds to create 1,700 non-standard hour spaces, but put the initiative on hold having spent \$110,000 to create a meagre 191 spaces.⁹

All levels of governments have underestimated the cost and complexity of the CWELCC program. This highlights a fundamental problem with a one-size-fits-all approach to child care delivery. As a result, a significant number of low-income families have been left behind within the CWELCCC program as currently structured.

CONTACT

We would welcome the opportunity to meet with you and assist with future considerations on this issue. Please do not hesitate to contact us at pmitchell@cardus.ca.

⁴ P. Mitchell, "Ten-Dollar Delay".

⁵ Leanne Findlay, "Early Learning and Child Care for Children Aged 0 to 5 Years: A Provincial/Territorial Portrait," Economic Insights, Statistics Canada, July 2019, <https://www150.statcan.gc.ca/n1/en/pub/11-626-x/11-626-x2019013-eng.pdf?st=rawdSN0X>, 14.

⁶ "The Daily - Canadian Survey on the Provision of Child Care Services, 2022," Statistics Canada, March 22, 2023, <https://www150.statcan.gc.ca/n1/en/daily-quotidien/230322/dq230322b-eng.pdf>, 2.

⁷ Office of the Auditor General of Ontario, *Performance Audit: Canada-Wide Early Learning and Child Care Program* (2025), 21, https://www.auditor.on.ca/en/content/specialreports/specialreports/en25/AR-PA_CELandCCP_en25.pdf.

⁸ Peter Jon Mitchell, "Child Care Funding Update: Nova Scotia—Years One and Two (2021–22 and 2022–23)," Cardus, August 29, 2024, <https://www.cardus.ca/research/family/research-brief/child-care-funding-update-nova-scotia-years-one-and-two-2021-22-and-2022-23/>.

⁹ Peter Jon Mitchell, "Child Care Funding Update: Manitoba—Years One and Two (2021–22 and 2022–23)," Cardus, August 29, 2024, <https://www.cardus.ca/research/family/research-brief/child-care-funding-update-manitoba-years-one-and-two-2021-22-and-2022-23/>.