The Economic Benefits of Expanded Child Care Services in Ontario

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Introduction and Summary

The Canada-Wide Early Learning and Child Care program (CWELCC) began rolling out across Canada in 2022. The program is already having significant and positive economic impacts, including dramatic reductions in the average cost of child care services, significant increases in employment and earnings in the ELCC sector, and improvements in labour force participation and employment for women in the core parenting years. A recent report from the Centre for Future Work (Stanford, 2024) compiled and measured these impacts. It estimated that the expansion of ELCC services since 2019 (including through CWELCC) had increased Canadian GDP by $32 billion by 2024 (over what would have prevailed without an expanded ELCC sector). This expansion of ELCC services has been an important source of growth as Canada grappled with near-zero economic growth and macroeconomic uncertainty in the wake of Donald Trump's trade war and other geopolitical shocks.

This report considers the economic, labour market, and fiscal benefits being experienced in Ontario as a result of that province's participation in the CWELCC program. It reviews provincial-level data for the same national indicators reported in the earlier report, and extrapolates likely GDP and fiscal benefits based on Ontario's share of national economic activity. Data from various sources confirms that CWELCC has achieved a substantial expansion of ELCC availability in the province.

The expansion of ELCC in Ontario has generated an economic boost to the province that is especially valuable given the other economic challenges Ontario and Canada are facing. Benefits for Ontario from the growth of ELCC services include:

- Over 17,000 new jobs have been created in ELCC provision in Ontario since 2019. That is impressive, but the pace of ELCC job-creation in Ontario has been slower than in Canada as a whole: ELCC employment grew 34% in Ontario from 2019 through the first quarter of 2026, versus 40% for Canada as a whole. This is because Ontario has failed to hit the targets it agreed with the federal government for creation of new spaces, and hence ELCC employment growth has been slower than in other provinces.

- Average weekly earnings for ELCC workers have improved in Ontario thanks to stronger funding, and the introduction in 2022 of a new wage floor and supplemental funds for wage improvement for ELCC staff.[1] Nominal weekly earnings in Ontario's ELCC sector grew 39% between 2019 and 2026, broadly matching the average for Canada. Those wage gains surpassed inflation by a significant margin, producing a 15% gain in average real earnings for Ontario's ELCC staff over that period, which is helpful in recruiting and retaining staff. Average weekly ELCC earnings in Ontario are now slightly higher than the Canadian average for the sector, whereas a decade ago Ontario ELCC earnings were slightly below the national average. Nevertheless, wages for ELCC workers are too low compared to other jobs with equivalent training and responsibility in the economy.

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[1] This system is explained in Ontario Coalition for Better Child Care (2022).

- Average hours of work have increased in the ELCC sector—another indicator of improving job quality. Hours of work in Ontario's ELCC sector (about 31 hours per week) are now comparable to average working hours in the wider labour market. In contrast, a decade ago ELCC jobs offered five hours less work per week than typical in the provincial labour market—and hours were also less regular. The combination of higher hourly wages with longer hours of work (in part reflecting less reliance on part-time arrangements) is producing a two-fold improvement in earnings.
- Total compensation of ELCC workers in Ontario will exceed $3 billion in 2026, almost double the aggregate earnings paid out in the sector in 2019. These earnings support stronger household finances and consumer spending.
- A key economic benefit of more accessible ELCC services is its impact on labour force participation by women, who are better able to undertake paid work when child care is more affordable and available. This benefit is readily visible in Ontario, where core-age (25-54) female labour force participation increased by two full percentage points between 2019 and 2026. That is even faster than the improvement in participation experienced in Canada as a whole (up 1.5 percentage points in the same time).
- The incidence of part-time employment among core-age female workers has also trended downward as the ELCC system has been expanded. More accessible child care allows more women parents to work full-time, amplifying the benefits of ELCC for female labour supply. The part-time employment rate among women in Ontario declined by 1.2 percentage points between 2019 and 2026 (slightly less than the 1.7-point decline for Canada as a whole).
- The combination of increased labour force participation and increased full-time employment for core age women has increased Ontario's provincial labour supply by some 81,500 full-time-equivalent workers over the seven years to 2026. (This only includes greater female labour supply in the core 25-54 age cohort; additional labour supply is also generated by improved participation by younger and older parents.)
- The combination of expanded employment and output in the ELCC sector, indirect and induced activity in both 'upstream' supply industries and 'downstream' consumer industries, and the incremental output produced thanks to greater female labour supply, has generated a strong boost to provincial GDP. Based on Ontario's proportionate share of likely national GDP gains (projected in Stanford, 2024), we estimate that provincial GDP in 2024 was $13.6 billion higher (measured in real 2024 dollar terms) than would have been the case without the expansion of ELCC services after 2019, reinforced by the CWELCC program. That advantage will be even larger in the future, as the province's ELCC sector continues to expand.
- The provincial government itself harvests significant fiscal benefits thanks to that multidimensional growth in economic activity, employment, and incomes. The provincial

government collects 16.5% of provincial GDP in the form of various own-source[2] revenue streams (such as provincial income taxes, the PST, and other sources). The improvement in GDP resulting from a stronger provincial ELCC sector thus translated into approximately $2.25 billion in extra provincial revenue in 2024. That fiscal benefit will get larger, as the province's ELCC sector continues to expand and the provincial economy (and provincial revenue base) grow accordingly. That incremental revenue slightly exceeded the provincial government's own net contributions to ELCC, indicating that expanded child care is now a money-maker for Queen's Park.

This data confirms that expanded ELCC access under the CWELCC program has been an economic boon for Ontario, at a fragile time in the province's economic history. Those economic gains would have been even larger had the province moved more quickly and consistently to make the most of federal support and expand its own commitment to universal ELCC. Accelerating and strengthening the rollout of affordable, high-quality spaces in the province, and improving the quality of care provided (including by reducing the province's heavy reliance on for-profit providers), will be important in ensuring these economic benefits continue to be reaped in the years to come.

Ontario's Inconsistent ELCC Participation

Ontario was the laggard among Canadian provinces in committing to participation in the federal CWELCC program. It was the last province to reach a formal agreement with the federal government, not signed until end-March 2022. The agreement included commitments to create 86,000 spaces for children under six years of age by the end of 2026, and to reduce the average cost to parents of those spaces to $10 per day over the same time (Government of Canada, 2022; Government of Ontario, 2025). Ontario's participation was supported with $10.23 billion of new federal funds over five years (Office of the Auditor General of Ontario, 2025). Thanks to that substantial injection of federal resources, the federal government is now the largest source of operating funding for licensed child care in Ontario, accounting for 49% of total expenses (Toronto Children's Services, 2025).

Unfortunately, the province has failed to fully live up to the commitments made in return for those substantial injections of federal funding. For example, by end-2024, the province was about 25% behind its targeted number of new spaces for under-six children (creating only 36,000 of the 48,000 spaces expected by that time).[3]

Even if Ontario did fulfil the number of spaces committed, the province would still experience a relative shortfall of spaces measured by the ratio of licensed spaces to the number of children in the relevant age cohort. Most of the federal-provincial agreements under CWELCC commit participating provinces to not only create a designated number of new spaces, but also to achieve a benchmark ratio of spaces relative to child population (5.9 spaces for every 10 children). However, Ontario did not make a specific ratio commitment. Even if it fulfilled its

[2] Excluding federal transfer payments.
[3] Office of the Auditor General of Ontario (2025).

target for the number of new spaces (which now seems unlikely), the ratio of spaces to children would still be just 4.1-to-10 in 2027—well below the 5.9-to-10 threshold accepted by most other provinces (Macdonald, 2025).

Ontario has also fallen behind on its commitment to reduce average fees to $10 per day by 2026. Average fees fell quickly in the first year of the program, falling 50% by end-2022. However, the province's commitment to reducing parent fees then waned. At present, the average fee (including low-income families who pay nothing thanks to a previously existing provincial subsidy program) was about $19 per day, with a cap of $22.

The province has also fallen short of its commitments in other areas. For example, it committed to ensuring that 60% of staff in licensed child care facilities were professionally qualified Registered Early Childhood Educators (RECEs). That target was only modestly higher than the ratio prevailing when the Ontario-federal agreement was signed. However, over the first two years of implementation, the proportion of RECEs in child care staff has declined, falling to 56% by late 2024 (Jones, 2024).

More recently, the province and the federal government have been negotiating over an extension to the initial five-year plan, which was due to expire in 2026. An agreement in principle was reached in March 2025 to extend the program for another five years (out to 2031), with a federal commitment of $16.8 billion over five years. However, the Ontario government shifted its position and refused to sign the final agreement, demanding more funding. An interim one-year extension to the federal-Ontario agreement was reached, extending and expanding federal funding with an additional $3.9 billion to cover ELCC services to March 2027, sustaining the current average fee in Ontario at $19 per day.

By all these metrics, then, the Ontario roll-out of the CWELCC program has been incomplete and inconsistent. With fewer spaces than required, and average fees remaining higher than promised, Ontario parents have not been able to access the full potential of universal ELCC that was envisioned in the original Canada-wide program.

Nevertheless, even this partial implementation has had a significant impact on the number of child care spaces available in the province, and facilitated a significant decline in ELCC costs. This, in turn, has generated a significant range of economic benefits through all of the channels predicted by previous ELCC research.

Data compiled by Friendly et al. (2026, Table 20) show that between 2019 and 2025, Ontario created 38,000 new full- and part-day spaces for pre-school children (in the 0-5 age range) in child care centres. That represented a 22% increase in six years. Ontario accounted for only one-quarter of all new 0-5 centre-based spaces created in Canada in that period—well below its share of the national population (almost 40%). Friendly et al.'s (2026, Table 5) data also highlights Ontario's continuing reliance on private child care operators for many of these spaces. As of 2025, 44% of full-day spaces for children aged 0-5 were located in for-profit centres. Similarly, Macdonald (2025) reports that 42% of new spaces created under the federal program were in for-profit centres. Unfortunately, therefore, Ontario has failed to utilize the opportunity provided by new federal funding to shift the province's ELCC system toward higher-quality public and non-profit facilities. Abundant research has demonstrated that staff turnover, staffing ratios, and quality of care are all lower in for-profit facilities.[4]

Looking forward, major questions continue to swirl around the provincial government's uncertain commitment to the continuation and completion of the promised universal $10aDay system. The refusal to sign a new five-year deal with the federal government, to meet targets for new spaces, and to continue reducing fees all reveal the provincial government's half-hearted commitment to the core principles of this program. To be sure, the federal government needs to continue extending and expanding its leading contribution to CWELLC, and its recent confirmation of $5.4 billion in additional funding for two fiscal years (2026-27 and 2027-28) is welcome.[5] However, alongside this federal support, Ontario clearly needs to increase its own commitment to continue working toward a fully universal system. If it fails to do so, then many of the economic gains from high-quality accessible ELCC services documented in this report will be squandered.

Economic Impacts of ELCC Expansion in Ontario

Despite the failure of the provincial government to fully live up to the promise of the CWELCC program, there is no doubt that even its imperfect implementation has already generated substantial economic benefits for Ontario. This section of the report reviews empirical data on the economic impacts of the expansion of ELCC services in Ontario.

Employment in the provincial ELCC sector has grown strongly and steadily in recent years, apart from a temporary reduction in 2020 resulting from the COVID lockdowns (which required most centres to reduce services or close entirely). As of the first quarter of 2026 (most recent data available), over 67,000 workers are employed in Ontario ELCC services, an increase of over 17,000 since 2019 (see Figure 1).[6] The growth in ELCC employment has been somewhat slower in Ontario than in the rest of Canada: rising 34%, versus 40% for the national total. This reflects Ontario's incomplete fulfilment of commitments under its CWELCC agreement to create new spaces. Nevertheless, the ELCC sector has been an important source of new employment for Ontario during a turbulent time in the provincial economy—which has traversed the COVID pandemic, high inflation and interest rates, and disruption from Donald Trump's trade attacks.

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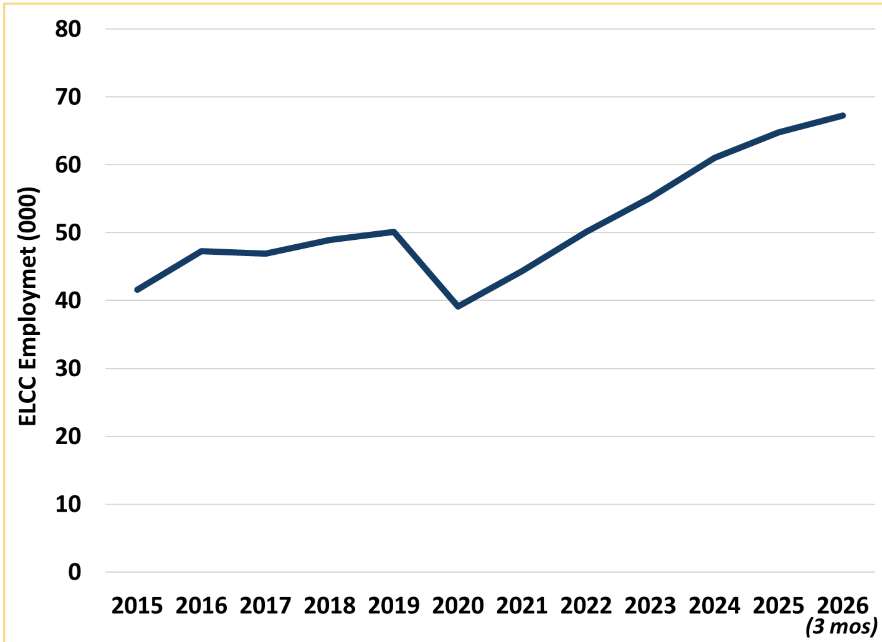
[4] For example, see Cleveland (2021).
[5] See Employment and Social Development Canada (2026).
[6] Most time comparisons in this report are defined relative to a 2019 pre-pandemic starting point, in order to exclude the temporary impact of the pandemic on ELCC employment and enrolment.

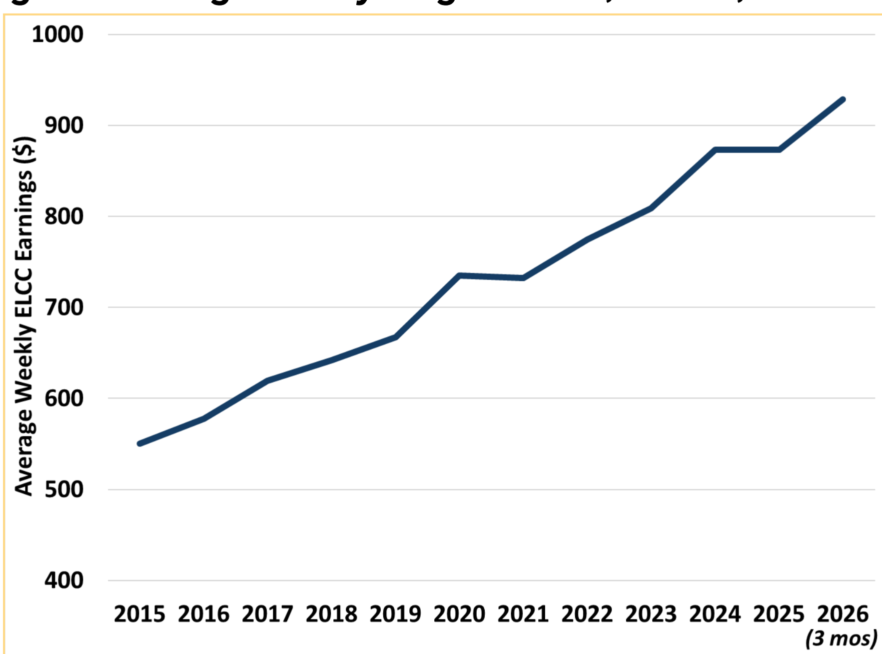
Figure 1. Employment in ELCC, Ontario, 2015-2026



Source: Statistics Canada Table 14-10-0201-01.

A key priority in the rollout of CWELCC initiatives is the need to improve wages and working conditions in ELCC, in order to attract and retain staff in a sector notorious for high turnover and labour shortages. Progress has been made on this front in Ontario, thanks both to the new CWELCC funding and associated provincial commitments to improve wages for ELCC workers.

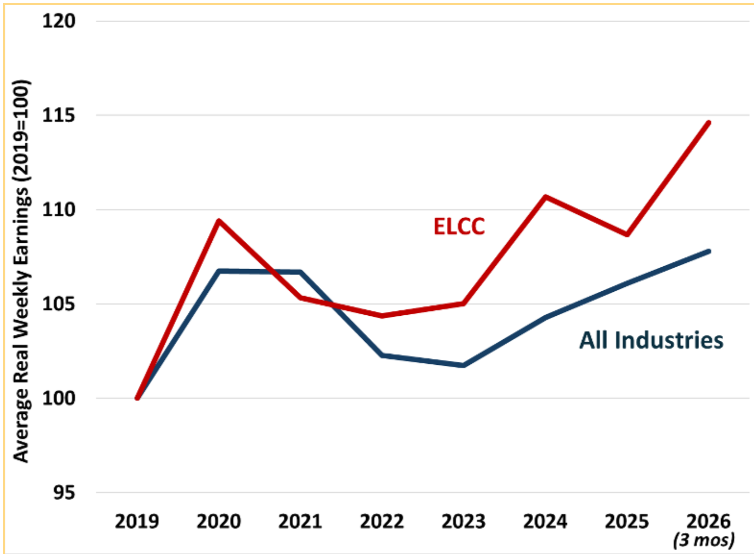
Figure 2. Average Weekly Wages in ELCC, Ontario, 2015-2026



Source: Statistics Canada Table 14-10-0203-01.

Figure 2 illustrates the growth of average weekly earnings in Ontario's ELCC sector. So far in 2026, wages have averaged $930 per week, an increase of 39% since 2019. The increase in weekly wages for Ontario ELCC workers has matched a parallel increase in ELCC wages in Canada as a whole.

Figure 3. Real Weekly Earnings, Ontario, 2019-2026



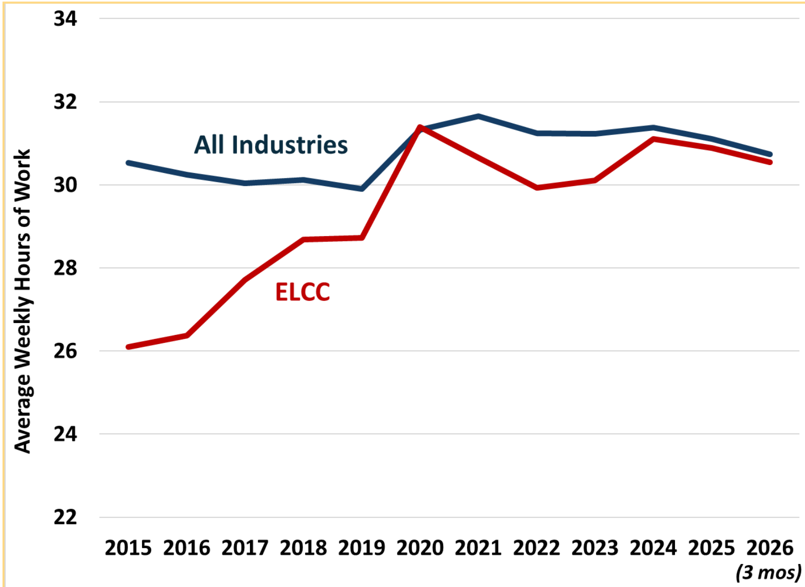
Source: Calculations from Statistics Canada Tables 14-10-0203-01 and 18-10-0004-01.

Those wage improvements have allowed ELCC earnings to stay ahead of inflation, despite the surge in prices that occurred in the wake of the COVID pandemic. Adjusting for provincial consumer prices, real earnings in the ELCC sector are currently 15% higher (as of the first quarter of 2026) than in 2019 (see Figure 3). Real ELCC earnings have grown twice as much as average real wages in the overall Ontario labour market (which increased by 7.8%, adjusted for inflation, in the same period).

Despite this important progress, wages for ELCC workers remain too low, well below wages for other workers with equivalent training and responsibility. Most child care centres are not compliant with pay equity targets, and there is great disparity in wages across different ELCC employers. The provincial government could take a leadership role in further strengthening wages and pay equity in the ELCC sector—including by implementing a pay-equity compliant province-wide wage grid for ELCC workers, as several other provinces (including Quebec, the Atlantic provinces, and Manitoba) have done.

An important driver of higher weekly earnings for ELCC workers has been a notable increase in average working hours. With more secure funding, the sector has become less reliant on part-time work (typified by insecure schedules and rapid turnover). A decade ago, average weekly hours of work in Ontario's ELCC sector were well below economy-wide averages—with a typical ELCC worker working just 26 hours per week. Since then, working hours have increased steadily (see Figure 4). By 2024 ELCC staff were working as long as other workers on average. Longer hours have reinforced the growth in average weekly earnings, important in recruiting and retaining ELCC staff.

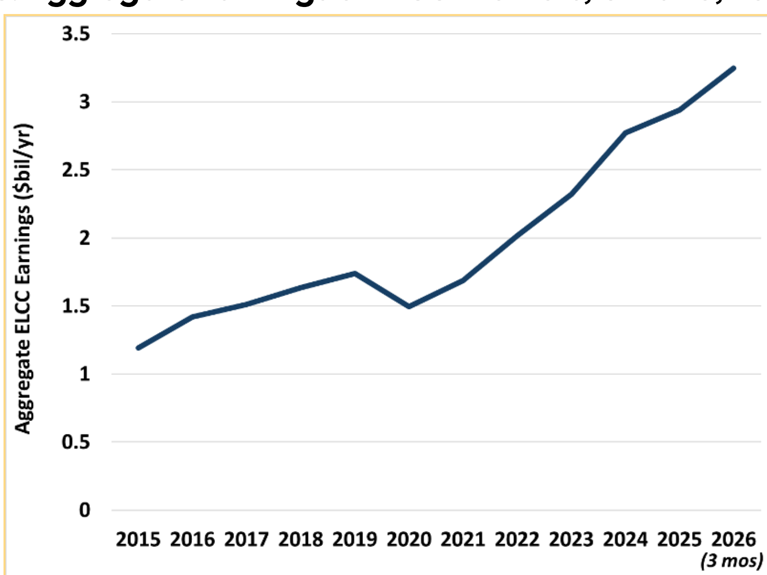
Figure 4. Average Weekly Hours of Work, Ontario, 2015-2026



Source: Statistics Canada Table 14-10-0255-01.

Thanks to higher employment, longer hours, and higher wages, aggregate wage payments in the ELCC sector in Ontario have grown strongly (Figure 5). In 2026, overall wage payments in the sector will exceed $3 billion, almost double the 2019 level. In this very labour-intensive sector, wage payments constitute the lion's share of value-added in the sector. So this strong growth in labour compensation closely correlates with expansion in the direct contribution of the ELCC sector to provincial GDP.

Figure 5. Aggregate Earnings of ELCC Workers, Ontario, 2015-2025

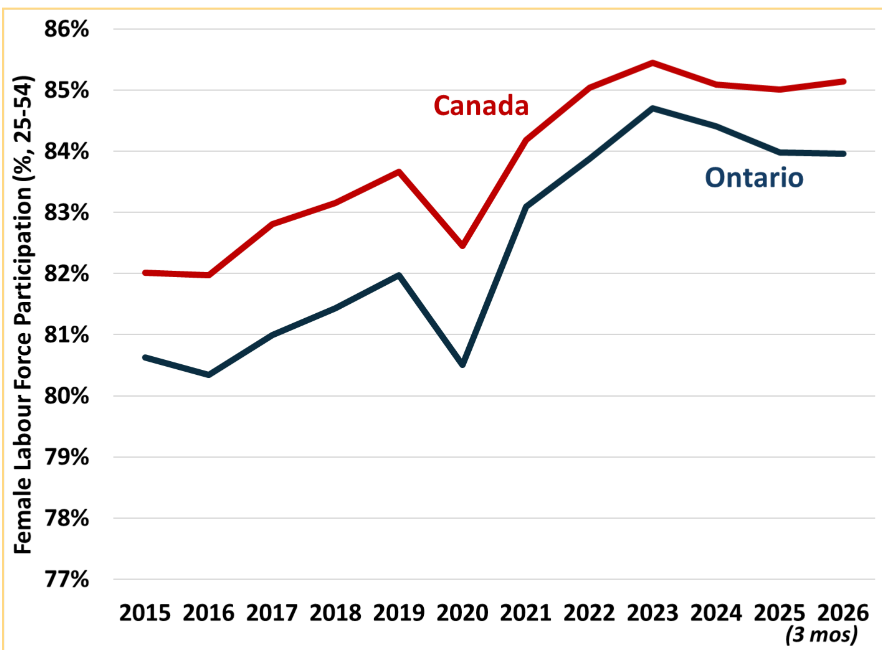


Source: Calculations from Statistics Canada Tables 14-10-0201-01 and 14-10-0203-01.

The biggest driver of economic benefit from expanded ELCC provision is its positive impact on labour force participation and employment by women in prime parenting ages. Previous research has confirmed a strong link between expanded ELCC access and higher female labour force participation.[7] This positive relationship is clearly visible in Canada in recent years, both in cross-provincial comparisons (such as those reported in Stanford, 2020), and in the increase in participation rates over time that has occurred alongside the expansion of ELCC services. Baker et al. (2026) report that the increase in labour force participation resulting from greater access to ELCC services persists long after women's children have reached school age.

Figure 6 illustrates the significant improvement in female labour force participation in Ontario in recent years, consistent with the predictions of previous research. Core-age (age 25-54) female participation has grown by 3.3 percentage points since 2015. That is slightly faster than the simultaneous increase in core-age female participation for Canada as a whole in the same time period (although the level of core-age female participation remains about one percentage point lower than the Canadian average). For Ontario, the improvement in core-age female participation just since 2019 translates into an injection of 66,000 additional workers into the provincial labour force.

Figure 6. Female Core-Age Labour Force Participation, 2015-2026

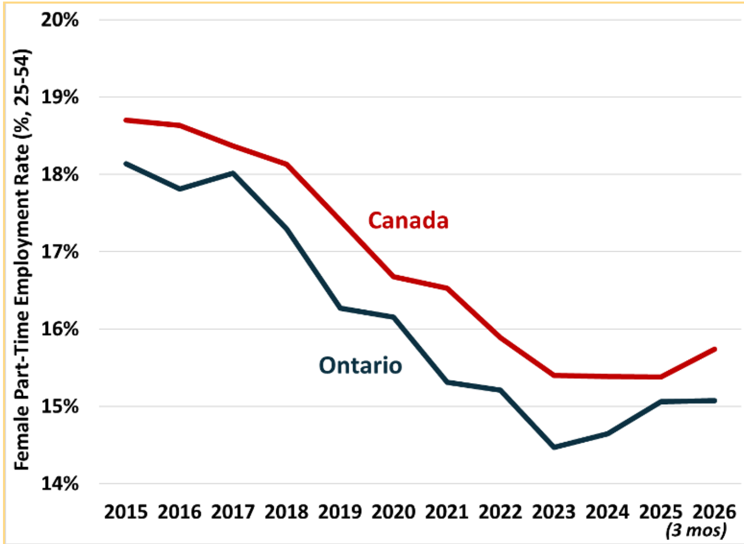


Source: Calculations from Statistics Canada Table 14-10-0017-01.

A second source of labour supply benefit from expanded access to ELCC services results from the greater capacity of women to work full-time (instead of part-time) when their families can access affordable, quality ELCC services. This has also been important in Ontario as the province's ELCC system expands.

[7] For examples see Shariati (2026), Baker et al. (2026), Dixon (2020), Bivens et al. (2019), and Fortin et al. (2012).

Figure 7. Part-Time Employment Rate, Female Core-Age Workers, 2015-2025



Source: Calculations from Statistics Canada Table 14-10-0017-01.

Figure 7 illustrates the declining incidence of part-time employment among core-age (25 to 54) women workers in the province. The incidence of part-time work has long been lower for core-age women in Ontario than the national average. That incidence has declined over recent years (as it has in Canada as a whole), falling 3 percentage points since 2015, and by 1.2 percentage points since 2019. For Ontario, the increase in the incidence of full-time employment among employed women since 2019 is equivalent to an increase in full-time-equivalent labour supply of some 15,000 additional workers.[8]

Table 1. Improvements in ELCC Indicators 2019-2026

	Canada	Ontario
Growth in ELCC Employment (%)	40.1%	34.2%
Growth in ELCC Weekly Wage (%)	39.1%	39.1%
Growth in ELCC Real Weekly Wage (%)	13.9%	14.6%
Growth in ELCC Weekly Hours (hrs)[1]	1.9	2.2
Growth in ELCC Aggregate Earnings	94.9%	86.7%
Growth in Core-Age Female Labour Force Participation (%pts)	1.5%	2.0%
Fall in Core-Age Female Part-Time Employment Rate (%pts)	-1.7%	-1.2%

Source: Calculations from Statistics Canada data as described in text. 2026 data for first three months for employment and weekly wage; first five months for participation and part-time rates.
1. Change from 2019 to 2025.

[8] This estimate assumes that previously part-time-employed women worked half-time on average (see footnote 9 for more detail).

Table 1 summarizes the changes in all of these empirical indicators, using 2019 as the starting point, for Ontario and for Canada as a whole. In some cases, Ontario has lagged the improvements seen elsewhere in the country—particularly the increase in ELCC spaces and staffing. In some cases, such as the improvement in female labour force participation, the province has done better than elsewhere. By all indicators, however, it is clear that Ontario's economy has benefited significantly from the expansion of accessible ELCC services under the CWELCC program. And the faster Ontario can proceed with further ELCC expansion in coming years (including by meeting its agreed targets for new spaces and fee reduction), then these provincial economic benefits will grow even further.

A previous review of national economic benefits arising from CWELCC (Stanford, 2024) developed an estimate of the nation-wide GDP impacts of the new program. That estimate considered three distinct categories of benefit: the direct economic footprint of expanded ELCC service provision; the stimulus to indirect (upstream supply chain) and induced (downstream consumer spending) activity resulting from larger ELCC provision; and the extra production arising from expanded female labour supply and employment. This methodology is explained fully in the 2024 report.

Table 2. GDP Gains from ELCC Expansion 2019-2024

Component	Canada ($B)	Estimated Ontario Share (%)	Ontario Gain ($b)
Direct ELCC Production	$4.3	32.1%	$1.4
Induced and Indirect Activity	$4.2	28.8%	$1.2
Female Labour Supply	$24.1	45.8%	$11.0
Total Impact	**$32.6**	**41.8%**	**$13.6**
Source: Calculations as described in text, following Stanford (2024).			

Lack of province-level data on GDP by industry and components prevents us from conducting a parallel direct estimate of the impact of ELCC expansion on provincial GDP. However, on the basis of reasonable assumptions about Ontario's share of the national impacts reported in Stanford (2024), an approximate measure of provincial GDP benefits can be derived. This allocation is described in Table 2, which preserves the same time comparison as the original report (2019 through 2024).[9] For the new GDP directly produced by the growing ELCC sector, we apply Ontario's share of the increase in total national ELCC wage payments (32%), since labour compensation constitutes the dominant share of GDP in this labour-intensive sector of the economy. Ontario's share of induced and indirect activity is estimated on the basis of the share of new national ELCC employment created in Ontario in this period (29%), since the scale of production is the key determinant of new supply chain demand arising from growth in the ELCC sector. Finally, for the female labour supply category, we estimate Ontario's share of

[9] If the full analysis were extended to 2026, the estimated impacts would be even larger thanks to growth in the overall economy, and the ELCC system, since 2024.

additional GDP on the basis of the province's growth in female labour force participation and full-time work, again expressed as a proportion of the total improvement in labour supply generated nationally (46%).[10]

On this basis, Table 2 indicates that Ontario's GDP in 2024 was $13.6 billion larger in 2024 than it would have been, were it not for the growth in the province's ELCC sector during that 2019-2024 period. That impact represents an improvement of about 1.1% in provincial GDP (with that increment accumulated over five years between 2019 and 2024). By this methodology, we estimate that Ontario captured 42% of the total national improvement in GDP resulting from CWELCC and the broader expansion of ELCC services. That is slightly larger than Ontario's share of Canadian GDP (which was 39% in 2024[11]). The relatively stronger increase in Ontario's female labour force participation was the main driver of Ontario's proportionately stronger GDP gain. Just imagine how strong the increment to provincial growth would have been if the province had fully committed to realizing the promises in its CWELCC deal with the federal government.

Faster job-creation, wage growth, and GDP expansion all generate important fiscal benefits flowing back to the government sector—including the provincial government. The stronger the economy performs, and the more people are working, the larger is the revenue flow to government. The approximate scale of these fiscal returns can be estimated on the basis of the share of own-source Ontario provincial government revenue (excluding federal transfers) in provincial GDP. In 2024 (most recent data[12]) that share was 16.5%. Applying that ratio to the incremental provincial GDP generated thanks to the expansion of ELCC services, results in an estimated $2.25 billion in extra revenue received by the provincial government in 2024 thanks to the economic growth resulting from the improved scale and accessibility of the ELCC system. That slightly exceeded the province's contribution to ELCC services in 2024 (net of the federal transfers).[13] This indicates that the province actually generates a 'profit' from its ELCC spending commitments thanks to the fiscal benefits flowing back from increased employment and economic activity.

One other economic benefit from the CWELCC rollout in Ontario is not measurable on the basis of Statistics Canada data: the decline in the average cost of ELCC services paid by parents. As reported by Statistics Canada,[14] on a nation-wide basis, average ELCC costs declined by 35% between early 2022 and April 2026 (most recent data).[15] This historic decline

[10] This calculation assumes that a shift from part-time to full-time work results in an improvement in FTE labour supply one-half as large (equivalent to the assumption that part-time workers, on average, work half-time). These estimates do not include increases in women's average earnings which have been shown to result from increased and steadier labour force participation (documented, for example, in Baker et al., 2026).
[11] Statistics Canada Table 36-10-0221-01.
[12] Statistics Canada Table 36-10-0221-01.
[13] According to data compiled by Building Blocks for Child Care (2026), Ontario's contribution to ELCC in the province (net of federal CWELLC payments) was $2.0 billion in fiscal 2023/24, and $2.2 billion in fiscal 2024/25.
[14] Statistics Canada Table 18-10-0004-01.
[15] Average fees in child care centres have declined by more than this under the CWELCC program; however, the Statistics Canada price index for child care includes other services (such as unlicensed child care) that are not covered by CWELCC and hence have not experienced price reductions.

made a measurable difference in reducing inflation in Canada—especially in 2022 and 2023, when the prices of other consumer prices surged after the COVID pandemic.[16] Statistics Canada does not report price data for ELCC services on a provincial basis, but there is no doubt that the decline in ELCC costs for parents in Ontario broadly parallels this historic reduction. Hundreds of thousands of Ontario families saved hundreds of millions of dollars thanks to more affordable ELCC. The resulting reduction in overall inflation has been important in addressing the affordability crisis facing Ontario families (led by rising costs of housing, energy, food, and other essentials). Reduced child care costs also strengthen household financial stability, further supporting consumer spending.

Conclusion and Policy Recommendations

Ontario was a latecomer to official participation in the rollout of the national CWELCC program. Despite this late start, and an inconsistent commitment to meeting its agreed targets under the program, Ontarians have benefited from significant progress toward improved coverage and more affordable, quality ELCC services. Thanks to CWELCC, Ontario has increased the number of ELCC spaces, and hired thousands of new staff in ELCC centres. However, the haphazard and inconsistent nature of Ontario's rollout—including inadequate spaces, costs that remain well above the CWELCC target, and a risky reliance on private for-profit centres to provide too much of the new capacity—has undermined the province's progress. This in turn has needlessly constrained the economic benefits that flow from expanded, affordable ELCC.

Nevertheless, the expansion of ELCC services in Ontario has generated important economic gains for the province, its residents, and provincial coffers. Employment growth, earnings, and labour supply have all been boosted by the direct and indirect effects of the enhanced ELCC system. The provincial government has reaped billions of dollars in incremental revenues as a result of that economic progress.

The key lesson arising from this review is clear. Quality, accessible, universal ELCC services are a vital precondition for economic progress. The faster Ontario can move toward that goal, by improving the quantity, quality, and accessibility of ELCC services, the greater will be the future economic gains for all sectors of the provincial economy.

In this regard, the provincial government's failure to reach a renewed longer-term agreement with the federal government to sustain and expand the CWELCC program in Ontario raises significant concerns. Continuing the progress toward fuller ELCC coverage, lower fees, and addressing child care 'deserts' in many parts of the province,[17] will certainly require an expanded investment by the provincial government—alongside new resources flowing from

[16] Stanford (2024) reported that lower ELCC costs reduced the overall national inflation rate by 0.13 percentage points in 2023. That was a small proportion of the total inflation experienced in 2023 (the overall year-average CPI increased 3.9% in 2023). But in a time of great disruption and challenge for household budgets, every bit of cost of living relief counts. This disinflationary impact also likely incrementally influenced the Bank of Canada's judgments regarding interest rates: marginally limiting the increases in 2023, and hastening the rate cuts which began in 2024.
[17] See Macdonald (2018).

the federal government under CWELCC. Additional provincial funding commitments would represent a prudent investment by the Ontario government to an essential service that boosts economic growth, facilitates increased labour force participation, and generates billions of dollars in provincial tax revenue. In sum, to fully realize the substantial economic benefits that a strong and accessible ELCC system can generate (including job-creation, labour force participation, GDP expansion, and fiscal returns), a full commitment by both levels of government to financing continued expansion of the system is required.

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