



April 27, 2026

From: Parisa Mahboubi and Tingting Zhang
To: Childcare Observers
Re: AFFORDABLE BUT UNAVAILABLE: NATIONAL CHILDCARE'S SUPPLY CRISIS

Ottawa's \$10-a-day childcare plan was supposed to make life easier. But for many families, it's made care harder to find.

Three years into the Canada-Wide Early Learning and Child Care (CWELCC), fees for regulated childcare have fallen sharply. But demand has surged far faster than supply. Waitlists have exploded, and more parents now report difficulty finding care for children under six. And the federal government has missed its target of creating 250,000 new spaces this March by a wide margin.

The result is a system that is more affordable in theory, but less accessible in practice, especially for families who were not already using formal childcare.

Lower-income households remain less likely to secure a spot, limiting their ability to benefit from the program. In Ontario, childcare enrollment among low-income families has even dropped by **31 percent** since 2019.

This outcome should not be surprising. Governments can reduce fees relatively quickly. Building a childcare system, however, is much harder.

The core constraint is not funding alone – it is labour.

Canada faces a deep and persistent workforce shortage of early childhood educators (ECEs). Job vacancies in the sector remain well above pre-pandemic levels, wages are still low, and turnover is high. In Ontario, for example, only **58.2 percent** of registered ECEs were working in licensed childcare settings in 2024/25. They are **twice** as likely to resign after three years compared to ECEs employed in other settings, like school boards, which typically pay at least 20 percent more. The reality is simple: you can build new spaces, but you can't operate them without staff. For example, in December 2023, 80,500 CWELCC spaces in **Ontario** were vacant or not operational, highlighting how supply constraints, especially staffing shortages, continue to limit access.

At the same time, the way the system is funded has discouraged expansion. Many provinces used federal money to cover provider revenue losses from fee reductions rather than to support growth. Some funding formulas were incompatible with existing fee structures – Saskatchewan's **for example**, discouraged childcare providers' participation in CWELCC. In Ontario, participating providers have faced financial pressure, and some centres have warned of closures as program funding failed to keep pace with rising operating costs. The province **recently** introduced a cost-based funding approach that uses benchmark allocations adjusted for regional differences, child age groups, and setting-specific factors. Yet it does not account for different operating models, such as opening times, meaning some centres may shorten hours to reduce staffing costs. By comparison, PEI's **simpler model**, based on typical wages, staff benefits (e.g. health and pension), and overhead (e.g. food, rent, taxes), may be easier to administer and more transparent.

Without operational certainty, childcare providers won't expand. Several policy options could help.

Governments can encourage providers to expand by offering operating and capital grants tied to local demand indicators such as childbirth rates per capita or identification of childcare deserts. Flexible demand-side support, such as one-time grants parents can direct to a provider of their choice, could further encourage service growth and innovation. Targeted assistance to offset the costs of renting or acquiring physical space for providers would also help remove key barriers to expansion.

Home-based care also deserves more attention. It offers the flexibility families need, especially for parents working non-standard hours or with younger children. Yet many providers remain unlicensed due to concerns over autonomy, regulatory complexity, and perceived costs. Simplifying the path to licensing without compromising safety would bring more caregivers into the regulated system.

Demand for childcare in Canada has never flagged. Supply has. It's time to fix the supply side so that affordability actually translates into access. Without this shift, our national \$10-a-day childcare plan will remain stuck: Affordable childcare that many families cannot get.

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