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The early learning and child care industry in Canada: An update to the 2021 report



by Jenny Watt, Xingchun (Cathy) Cheng and Hong Nei (Connie) Yam

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The early learning and child care industry in Canada: An update to the 2021 report

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Abstract

This study provides an update to a 2021 report that produced novel estimates of the business characteristics, gross domestic product (GDP) and business dynamics of child care businesses in Canada through 2016. Administrative data on all tax-filing business in Canada are used to identify incorporated businesses, typically representing child care centres, and unincorporated businesses, typically representing home-based child care businesses without employees. Because provinces and territories provide different levels of subsidies to child care businesses and only some regions have junior kindergarten, estimates derived from these data are not comparable across provinces and territories. Therefore, the study uses government ledger files to derive government subsidies and combines various data sources to estimate GDP associated with junior kindergarten and kindergarten for children aged 5 years and younger. The results show that since the 2021 report, the GDP of the child care industry grew rapidly despite a decrease in the number of child care businesses, reflecting a consolidation of the industry into larger businesses. Industry growth accelerated following the introduction of the Canada-wide Early Learning and Child Care (CWELCC) system in 2021. The introduction of this system was also associated with an increase in entry rates and a decrease in exit rates for child care businesses with employees. These findings highlight significant changes in the child care industry since the 2021 report, particularly since the implementation of the CWELCC system.

Keywords: business dynamics, child care, early learning, gross domestic product

Authors

Jenny Watt is with the Economic and Social Analysis and Modelling Division at Statistics Canada. Xingchun (Cathy) Cheng and Hong Nei (Connie) Yam are with the Public Sector Statistics Division at Statistics Canada.

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What is already known on this subject?

- The child care industry is comprised predominantly of small, female-owned unincorporated businesses in terms of the number of businesses, but most revenue and gross domestic product (GDP) is generated by larger, incorporated businesses—typically child care centres.
- The child care industry exhibits a high degree of turnover, with high entry and exit rates among child care businesses.

What does this study add?

- This study shows a rapid expansion in the early learning and child care industry between 2013 and 2022, but particularly after the introduction of the Canada-wide Early Learning and Child Care system in 2021.
- The child care industry has been consolidating into fewer larger businesses, reflected by a drop in the number of unincorporated businesses and an increase in the percentage of GDP generated by incorporated businesses.
- When considering only child care businesses with employees, exit rates are higher than in the business sector, and this is driven by firms with five or fewer employees.

Introduction

Despite the importance of early learning and child care (ELCC) to many Canadian families, historically little information has been available on the economic activity in the industry. Archer et al. (2021) provided novel estimates of revenue and gross domestic product (GDP) associated with the Canadian ELCC industry through 2016, and this paper provides an update of GDP through 2022.^{1,2} This period captures the first years of the COVID-19 pandemic, beginning in 2020 and ending in 2023 (Wise, 2023). It also includes the implementation of the Canada-wide Early Learning and Child Care (CWELCC) system, which began in 2021 and aimed to support the creation of 250,000 additional child care spaces while lowering child care fees to \$10 per day by 2026 (Employment and Social Development Canada, 2025).

This paper begins by using administrative business data to identify incorporated and unincorporated child care businesses, which can be used to estimate business characteristics, GDP, and firm entry and exit. However, because provinces and territories provide different levels of subsidies to child care businesses and only some regions offer junior kindergarten, GDP generated within child care businesses does not provide a complete picture of child care activity across the provinces. Therefore, this paper adds information on ELCC government transfers and expenditures using government ledger files and provides information on GDP associated with junior kindergarten and kindergarten by combining various data sources, described in the Methodology section. These additions enable the production of industry GDP estimates that are comparable across provinces. Specifically, GDP is measured at basic prices and

1. GDP measures the unduplicated value of production by an industry. It represents the total final value of a product minus the value of its intermediate inputs. In the case of child care, GDP can be interpreted as the final value of consumption for child care services.

2. This report does not produce estimates of revenue. The rationale for this decision is discussed in the results section.

includes child care subsidies and other direct spending on ELCC by provincial and territorial governments.

As in the 2021 report (Archer et al., 2021), the results show that the child care industry is comprised predominantly of small, female-owned unincorporated businesses. However, the number of these businesses has been in decline since 2016, while the number of incorporated businesses—typically associated with licensed child care centres—has increased year over year. While these incorporated businesses made up around 13.6% of child care businesses in 2022, they generated far more GDP than unincorporated businesses, mostly through compensation to employees. Although the data do not allow estimation of the number of child care spaces provided by each type of business, these numbers are consistent with a scenario where child care centres provided the majority of child care spaces in Canada, despite being outnumbered by home-based child care businesses. Overall, the GDP of child care businesses and child care in the education system was \$23.2 billion in 2022, up from \$15.2 billion in 2016.

Finally, this report departs from the 2021 report in its calculation of entry and exit rates, which are now based on businesses with employees only, consistent with Statistic Canada's official estimates. When calculated using this approach, ELCC businesses have entry rates similar to those of all private sector businesses, but higher exit rates. The exit rate was much lower for larger businesses, those with six or more employees, than for smaller businesses, those with one to five employees.

The next section of this paper describes the data sources and how ELCC is measured. The penultimate section presents the results, followed by a final section that summarizes and discusses the strengths and weaknesses of the data.

Data and methods

Statistics Canada's Business Register and its Canadian Employer–Employee Dynamics Database (CEEDD) are used to identify child care businesses classified under the North American Industry Classification System's (NAICS) child day-care services industry (NAICS 624410) (Statistics Canada, 2010; Statistics Canada, 2024; Statistics Canada, 2025a). This NAICS industry includes child care centres and home child care businesses, but excludes nannies, baby-sitting services, and preschool and kindergarten programs provided through the school system. Financial variables and variables related to employees are based on tax filings. For incorporated businesses, gross operating surplus comes from the T2 Corporation Income Tax Return (T2 return), and for unincorporated businesses, mixed income come from the T1 Income Tax and Benefit Return (T1 return). Employee compensation is based on T4 Statement of Remuneration Paid (T4 slip). It is possible for unincorporated businesses to issue T4 slips, but this is very rare, and almost all compensation of employees is from incorporated businesses.

Some businesses in the CEEDD include a child care component, but their primary activity is not child care. For example, a large manufacturing plant may own and operate an on-site child care facility staffed by its employees. In such cases, financial variables such as employment and profit cannot be determined specifically for the child care component because values reported on tax forms reflect the entire business. To address this, the value the on-site child care facility (e.g., compensation to employees) is imputed³ using the average values of incorporated child care businesses in the same region and year. While these

3. Imputation is a process used to replace values that are missing, invalid or inconsistent. For general information on imputation, see Statistics Canada (2019).

cases are rare, this correction is important to avoid attributing the overall business value to the child care activity within that business.

To enable comparisons across provinces and territories, public spending on ELCC for children aged 0 to 5 years was included. In Canada, provinces and territories provide kindergarten through the public school system, but jurisdictions differ in whether care is full time or part time, and in the age at which children enter formal schooling.⁴ Because many families reduce or discontinue child care use once their child begins school, regions with full-time kindergarten or younger school entry ages may have lower economic activity in child care businesses. Therefore, the study reflects two types of public spending in GDP estimates.

The first type of public spending is government spending on ELCC before children start formal schooling. These estimates are derived from government ledger files available at Statistics Canada and include subsidies transferred to child care businesses and direct spending by provincial and territorial governments on ELCC. A challenge with these data is that provinces and territories do not report their expenses in a systematically comparable way, so the estimates must be constructed by manually reviewing spending descriptions in each provincial and territorial ledger. While every effort was made to extract government spending related to ELCC for children aged 0 to 5, some programs included serve children up to age 12, and some ELCC expenditures may be grouped with other programs and therefore not captured. Finally, the amounts include overhead costs, such as administrative costs associated with running government departments and delivering programs.

The second type of public spending is spending on junior kindergarten and kindergarten, derived from publicly available information. GDP related to schooling comes from Statistic Canada's provincial and territorial economic accounts (Statistics Canada, 2025c). Because these GDP estimates provide the total amount for all grades of elementary and secondary school, values for children aged 5 and younger are imputed. The imputation is performed at the provincial and territorial level by multiplying the GDP totals by the proportion of children in the education system who are 5 years or younger then multiplying the result by the proportion of children in full-time schooling. These proportions are derived from publicly available annual reports from the ministries responsible for education in each province and territory.

Results

Results are presented in three sections. The first section covers business characteristics, the second presents GDP estimates and the third reports business dynamics measures (entry and exit).

Unincorporated and incorporated businesses are included in these results. Incorporated businesses comprise for-profit institutions, not-for-profit institutions and charities. Not-for-profit institutions are incorporated businesses that follow specific rules for managing their earnings and reporting to the Canada Revenue Agency (CRA) (Department of Justice Canada, 2025), but they provide similar information as for-profit businesses and are well reflected in the data. Charities operate exclusively for charitable purposes, and registration as a charity must be approved by the CRA. Although most charities do not complete the same tax forms as for-profit businesses and not-for-profit institutions, and thus financial variables such as revenue and gross operating surplus are largely missing, they are included in the CEEDD. Consequently, charities are accurately reflected in business counts and in compensation to employees, which is based on the T4 slips issued by the charities.

4. See Table 4 of Macdonald (2025) for the availability of kindergarten by province and territory.

This limitation is behind the decision to no longer produce revenue estimates, which were included in the 2021 report. Following 2016—the last year of data in the 2021 report—a small number of large child care businesses obtained charitable status. This change resulted in a drop in estimated revenues but had a minimal effect on GDP estimates, which are mostly driven by employee compensation. Therefore, the current report produces only GDP and not revenue.

Business characteristics

The overall number of child care businesses steadily decreased from 114,254 to 78,465, largely because of a decrease in the number of unincorporated businesses (Table 1). This decline in unincorporated businesses accelerated in 2020, coinciding with the first year of the COVID-19 pandemic (Wise, 2023). During the pandemic, the child care sector experienced frequent closures because of outbreaks, and some parents withdrew their children from care (Hacioglu et al., 2024). However, the number of incorporated businesses did not decline during the pandemic period (2020 and 2021), suggesting that unincorporated businesses, which mostly correspond to home-based child care businesses, were less able to weather the disruptions caused by the COVID-19 pandemic.

In terms of other business characteristics, results are similar to those in the 2021 report: the industry was composed mostly of women-owned businesses with no employees (Table 1). However, the number of these businesses decreased over the study period, while larger, incorporated businesses increased. Specifically, incorporated businesses accounted for 7.5% of businesses in 2013 and 13.6% in 2022. The number of businesses with no employees or 1 to 5 employees declined, while those with 6 to 20 or more than 20 employees increased. The proportion of businesses with at least 76% women employees remained steady at around 90% over the study period. The decline occurred across all provinces and territories.

Table 1
Early learning and child care business counts by characteristic and year

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	number of businesses									
Total	114 254	113 328	110 309	104 046	98 840	94 565	95 807	85 926	77 774	78 465
Gender										
Men owned	16 555	16 204	15 506	14 305	13 297	13 140	13 629	12 265	11 875	12 788
Women owned	95 714	95 154	92 827	87 889	83 645	79 498	80 161	71 781	64 080	63 746
Equal ownership	1 675	1 643	1 636	1 491	1 498	1 474	1 520	1 386	1 321	1 386
Unable to assign	310	327	340	361	400	453	497	494	498	545
Legal status										
Incorporated	8 613	8 838	8 997	9 251	9 386	9 884	10 060	10 064	10 243	10 665
Unincorporated	105 641	104 490	101 312	94 795	89 454	84 681	85 747	75 862	67 531	67 800
Size (employment)	114 254	113 328	110 309	104 046	98 840	94 565	95 807	85 926	77 774	78 465
0 or undetermined	104 091	103 141	100 119	93 882	88 626	84 149	85 484	75 889	67 613	67 904
1 to 5	4 770	4 611	4 475	4 273	4 176	4 156	3 878	3 587	3 436	3 397
6 to 20	3 528	3 696	3 774	3 888	3 971	3 932	4 158	4 235	4 282	4 386
More than 20	1 865	1 880	1 941	2 003	2 067	2 328	2 287	2 215	2 443	2 778
Labour composition¹										
0% to 25% women	10 120	9 674	8 940	7 611	6 617	6 212	6 613	5 321	4 818	5 458
26% to 50% women	1 512	1 474	1 454	1 283	1 266	1 187	1 239	1 134	1 074	1 127
51% to 75% women	527	524	497	479	450	476	457	450	429	459
76% to 100% women	101 392	100 980	98 743	93 951	89 839	85 916	86 607	78 091	70 640	70 630
Geography²										
Newfoundland and Labrador	947	962	971	965	897	842	807	746	653	588
Prince Edward Island	346	357	342	351	335	334	298	285	251	219
Nova Scotia	1 818	1 770	1 759	1 744	1 671	1 613	1 639	1 479	1 304	1 251
New Brunswick	1 843	1 849	1 778	1 681	1 630	1 543	1 443	1 336	1 207	1 155
Quebec	36 809	36 933	36 293	34 985	33 547	32 264	30 409	27 258	25 427	25 113
Ontario	43 314	42 098	39 914	35 933	32 931	31 007	33 851	29 767	26 208	27 514
Manitoba	2 799	2 762	2 726	2 640	2 649	2 636	2 539	2 292	2 135	2 149
Saskatchewan	3 302	3 277	3 216	3 267	3 252	3 073	3 021	2 863	2 668	2 542
Alberta	11 023	11 473	11 783	11 667	11 691	11 488	11 748	11 048	10 075	9 930
British Columbia	11 829	11 619	11 301	10 613	10 032	9 561	9 848	8 635	7 644	7 827
Yukon	73	68	75	63	70	70	73	75	67	63
Northwest Territories	94	96	96	85	82	83	83	79	69	61
Nunavut	36	42	39	41	39	35	35	36	36	34

1. In the case of firms with no employees, this statistic is based on the gender of the owner. If gender cannot be assigned, it is excluded from the tabulations, and the components will not equal the overall total.

2. In rare cases, the geography of the firm is not assigned. When this occurs, the sum of the components will not equal the overall total.

Source: Statistics Canada, Canadian Employer–Employee Dynamics Database.

Gross domestic product

GDP measures the value added created by production activities within an economy and can be measured in three ways.⁵ For child care businesses, GDP is measured using an income approach combined with government final expenditures. Imputations are applied where direct measurement is not feasible.⁶

To measure income-based GDP from administrative files, different approaches are required for incorporated and unincorporated businesses. For incorporated businesses, compensation of employees and gross operating surplus represent remuneration to labour and capital from production, respectively. These values can be measured from T2 returns and are reported in Table 2. For unincorporated businesses, the T1 returns do not distinguish between the entrepreneur's labour income and the payment to their capital. In this case, the combined value of operating surplus and compensation of employees is known as mixed income and is shown in Table 2. Together, these values constitute a measure of GDP at factor cost. Subsidies, derived from government ledger files, are added at factor cost to calculate the GDP at basic prices.

Overall, GDP at factor cost increased over the entire study period, except in 2020 when it temporarily dipped (Table 2). This coincides with the first year of the global COVID-19 pandemic (Wise, 2023). Examining the GDP components at factor cost, compensation of employees followed the same pattern as overall GDP at factor cost, dipping in 2020, but recovering in 2021 to the highest level observed during the study period. Compensation of employees drove the growth in GDP at factor cost, increasing from \$3.0 billion in 2013 to \$5.9 billion in 2022. Because these figures represent economy-wide totals, they are affected by changes in wages and changes in the number of hours worked by employees. Unfortunately, the data do not contain information on wages or hours worked. As a result, it is unclear how much of the growth is explained by changes in wages or changes in the size of the ELCC workforce.

Unlike compensation to employees, corporate gross operating surplus (from T2 returns) (i.e., profits on services) increased in 2020. This suggests that the expenses of incorporated child care businesses fell by more than their revenues. In contrast, unincorporated mixed income (from T1 returns) trended downward over the study period, consistent with the decline in the number of unincorporated child care businesses over time.

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5. The System of National Accounts 2025 (United Nations et. al., 2025) is the internationally recognized methodology for calculating GDP. It describes three approaches: value-added GDP, final demand GDP and income-based GDP. GDP for the ELCC industry is measured using income-based GDP. Where direct measurement is not possible, values are imputed. Imputation is also used to isolate government sector GDP for junior kindergarten and kindergarten from other grade levels.
 6. For a description of GDP measurement and the differences between GDP at market prices, GDP at basic prices and GDP at factor cost, see Statistics Canada (2002).

Table 2

Early learning and child care gross domestic product, by component and year

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	millions of dollars									
Corporate compensation of employees (T2 Corporation Income Tax Return)	3,027	3,195	3,411	3,660	3,860	4,293	4,559	4,136	4,980	5,871
Corporate gross operating surplus (T2 Corporation Income Tax Return)	142	130	140	241	224	262	285	435	381	410
Unincorporated mixed income (T1 Income Tax and Benefit Return)	1,165	1,160	1,143	1,110	1,085	1,080	1,090	809	929	1,039
GDP at factor cost	4,334	4,486	4,694	5,010	5,169	5,635	5,935	5,380	6,290	7,321
Plus: Government transfers and expenditures on ELCC predominantly provided to businesses	5,369	5,218	4,694	4,525	5,041	5,635	6,076	6,593	6,892	8,971
Subtotal for directly measured GDP at basic prices	9,703	9,705	9,387	9,535	10,210	11,271	12,011	11,973	13,182	16,293
Plus: Imputation for non-childcare enterprises with childcare locations	67	71	77	88	54	72	73	88	120	151
Plus: Imputation for kindergarten and junior kindergarten	4,806	5,253	5,373	5,556	5,702	5,921	6,226	5,999	6,484	6,730
ELCC GDP at basic prices	14,576	15,028	14,837	15,179	15,966	17,263	18,310	18,060	19,786	23,174

Notes: GDP = gross domestic product. ELCC = early learning and child care.

Sources: Statistics Canada, Canadian Employer–Employee Dynamics Database; government ledger files; and table 36-10-0711-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000).

Government transfers and expenditures on ELCC increased from \$5.4 billion in 2013 to \$9.0 billion in 2022. As in the 2021 report, the growth of government spending was somewhat higher than the growth in GDP at factor cost (generated within child care businesses through employee compensation, gross operating surplus and mixed income). However, caution is needed when comparing GDP at factor cost to GDP from government transfers and expenditures. In the case of the child care industry, GDP from government transfers and expenditures includes subsidies to child care businesses, meaning that increases in GDP associated with government transfers and expenditures can reflect increases in child care business activity. Both GDP at factor cost and GDP from government transfers and expenditures increased substantially in 2021 and 2022, coinciding with the implementation of the CWELCC system.

Across the provinces and territories, the largest GDP values were in Quebec and Ontario, while the smallest expenditures were in the territories (Table 3). While these values are affected by population size, they are not completely proportional to population estimates (Statistics Canada, 2026). To examine GDP further, Table 4 shows provincial and territorial GDP by the number of children aged 0 to 5 in the respective province or territory.

Table 3

Early learning and child care gross domestic product, by province and territory and year

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	millions of dollars									
Canada	14,575	15,028	14,837	15,181	15,967	17,263	18,309	18,059	19,788	23,173
Newfoundland and Labrador	95	102	103	100	100	120	130	132	148	178
Prince Edward Island	36	38	39	42	43	50	57	64	81	104
Nova Scotia	160	160	164	169	178	196	280	301	336	456
New Brunswick	174	184	188	202	213	233	259	281	298	386
Quebec	5,378	5,566	5,650	5,708	5,815	6,101	6,370	6,445	6,910	7,676
Ontario	6,206	6,392	6,049	6,219	6,513	6,977	7,205	6,711	7,342	8,519
Manitoba	380	394	413	443	454	461	510	475	554	656
Saskatchewan	251	264	270	287	302	314	327	327	406	524
Alberta	830	888	876	867	1,135	1,331	1,405	1,285	1,492	2,028
British Columbia	1,010	984	1,028	1,083	1,144	1,404	1,689	1,961	2,123	2,537
Yukon	20	20	21	22	24	27	28	28	45	52
Northwest Territories	21	22	23	23	28	32	32	32	35	34
Nunavut	14	14	15	16	16	17	18	18	20	22

Sources: Statistics Canada, Canadian Employer–Employee Dynamics Database; government ledger files; and table 36-10-0711-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000).

The highest GDP per child aged 0 to 5 was in Quebec, Ontario, Yukon and the Northwest Territories (Table 4). These numbers reflect differences in child care provisions and spending on formal schooling. Because of its universal child care program, Quebec has had higher child care use than other provinces (Sinha, 2014; Findlay and Wei, 2021; Statistics Canada, 2021; Zhang et al., 2021), and higher spending in Ontario may be explained by the presence of full-day junior kindergarten (Macdonald, 2025). Similarly, Nova Scotia's GDP per child aged 0 to 5 increased in 2019 when full-day junior kindergarten was introduced.

Over the study period, GDP per child aged 0 to 5 in Yukon and the Northwest Territories was higher than the Canadian average; however, this comparison should be interpreted with caution, as no adjustment is made for differences in prices between the north and the south (Table 4). Although a child care-specific estimate is not available, existing research shows that service prices are higher in Yukon and the Northwest Territories, and that public services such as education are more costly to provide because of relatively higher wages for workers providing the services (Landry et al., 2025). The relatively low value per child in Nunavut may reflect differences in institutional structures, such as the use of informal child care arrangements within families or the provision of ELCC incorporated into cultural learning.

Table 4**Early learning and child care gross domestic product per child aged 0 to 5, by province or territory and year**

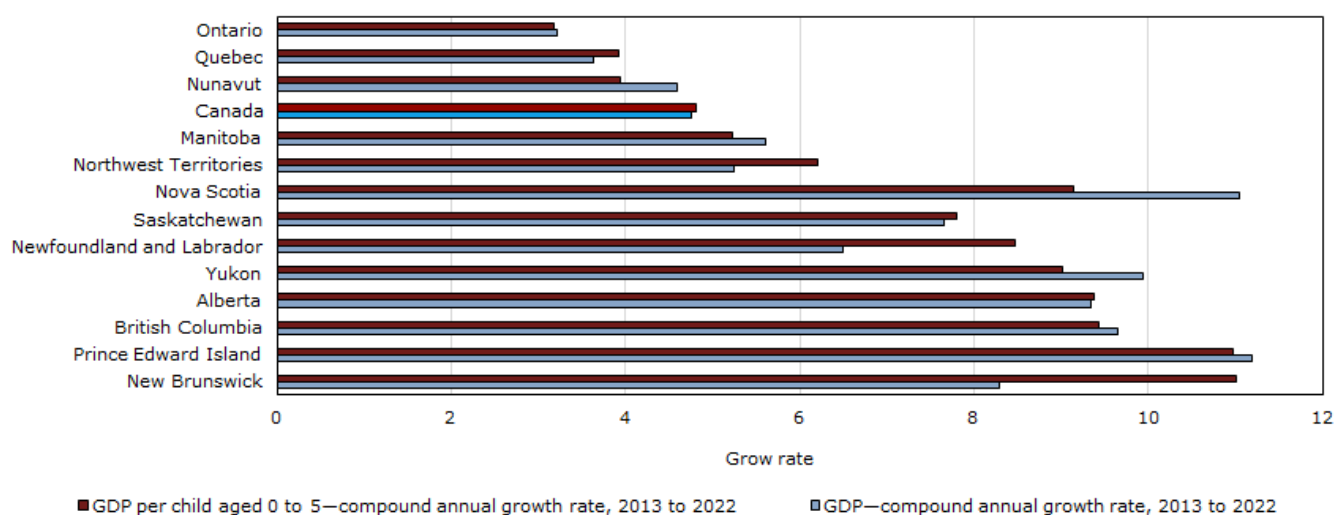
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	dollars									
Canada	6,290	6,468	6,381	6,495	6,783	7,312	7,757	7,683	8,539	10,052
Newfoundland and Labrador	3,259	3,532	3,631	3,591	3,603	4,431	5,000	5,231	6,057	7,346
Prince Edward Island	4,127	4,350	4,520	4,821	4,851	5,530	6,350	7,223	9,257	11,692
Nova Scotia	3,658	3,701	3,858	3,999	3,425	3,760	5,340	5,750	6,525	8,778
New Brunswick	3,288	3,516	3,631	3,912	5,041	5,533	6,180	6,785	7,260	9,348
Quebec	10,079	10,405	10,608	10,729	10,919	11,427	11,978	12,194	13,310	14,804
Ontario	7,146	7,391	7,016	7,181	7,449	7,927	8,144	7,575	8,379	9,765
Manitoba	3,918	4,010	4,148	4,368	4,426	4,472	4,938	4,612	5,435	6,517
Saskatchewan	2,862	2,967	3,005	3,151	3,286	3,408	3,579	3,639	4,622	6,061
Alberta	2,636	2,763	2,689	2,642	3,438	4,039	4,275	3,950	4,695	6,459
British Columbia	3,746	3,638	3,771	3,920	4,089	5,018	6,044	7,040	7,666	9,218
Yukon	8,087	7,813	7,844	8,119	8,968	9,744	10,117	10,210	15,999	19,162
Northwest Territories	5,366	5,966	5,910	5,930	7,417	8,522	8,600	8,811	9,665	9,797
Nunavut	2,710	2,762	2,824	3,032	3,115	3,145	3,327	3,394	3,612	3,987

Source: Statistics Canada, Canadian Employer–Employee Dynamics Database; government ledger files; and table 36-10-0711-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000).

As shown in Chart 1, provinces and territories with initially higher levels of GDP per child aged 0 to 5 tended to have lower growth, leading to a narrowing of regional differences over time. The exceptions are Yukon, which had high initial spending and strong growth, and Nunavut, which had low initial spending and weak growth. An important caveat is that these growth rates are based on nominal rather than real GDP, i.e., they do not account for inflation. Therefore, growth driven by increases in the quantity of child care cannot be distinguished from growth driven by increases in prices and wages.

Chart 1**Gross domestic product and gross domestic product per child aged 0 to 5 years, compound annual growth rates, 2013 to 2022**

provinces



Source: Statistics Canada, authors' calculations.

Business dynamics

To align with other Statistics Canada estimates, only businesses with at least one employee (hereafter called employer businesses) are included in business dynamics calculations (Statistics Canada, 2025b). As a result, most home-based child care businesses, which typically do not have employees, are excluded, and the estimates primarily capture centre-based child care. A business entry is when a business is present in a given year but not in the preceding year, while a business exit is when a business is not present in a given year but was present in the preceding year. Under these definitions, re-openings and temporary exits are included. In the context of child care businesses, exits imply that families have to search for new arrangements; therefore, higher exit rates are more disruptive for families and children.

Over the study period, entry rates were similar for all employer businesses and ELCC employer businesses (Archer et al., 2021).⁷ Exit rates for ELCC employer businesses were higher for most of the study period, but not in 2020, the first year of the COVID-19 pandemic. From 2019 to 2020, the exit rate increased from 11.0% to 17.5% for all employer businesses and from 11.0% to 13.1% for ELCC employer businesses, suggesting that ELCC employer businesses were less affected. Because entry rates include re-openings, they increased in 2021 and 2022 as some businesses re-opened; however, this increase was less pronounced for ELCC employer businesses, as fewer of them had exited initially.

Table 6 presents entry and exit rates by business size for ELCC employer businesses. ELCC employer businesses with one to five employees had much higher entry and exit rates than ELCC employer businesses with six or more employees. For example, in 2022, the entry rate for ELCC businesses with one to five employees was 23.8%, compared with 8.2% for those with six or more employees, and the exit rate was 21.7%, compared with 3.3% for those with six or more employees. Note that businesses may reduce the number of employees before closing.

Table 5
Entry and exit rates, by year

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	rate								
Entry rates									
All employer firms	13.2	13.3	12.9	13.2	13.2	13.3	11.0	17.5	15.6
All ELCC employer firms	14.4	14.1	13.7	12.3	14.4	12.3	11.0	13.1	13.9
1 to 5 employees	22.0	21.9	22.0	20.2	23.8	20.2	19.7	22.3	23.8
6 or more employees	7.4	7.2	6.7	6.0	7.1	6.7	5.2	7.4	8.2
Exit rates									
All employer firms	11.8	11.5	12.2	11.9	12.3	12.1	17.4	11.4	12.3
All ELCC employer firms	14.5	14.6	14.1	12.0	12.6	13.6	14.3	12.3	10.1
1 to 5 employees	24.4	25.2	25.3	22.1	23.6	25.4	28.7	26.1	21.7
6 or more employees	5.3	5.2	4.7	4.0	4.2	4.9	4.9	3.8	3.3

Note: ELCC = early learning and child care.

Source: Statistics Canada, Canadian Employer-Employee Dynamics Database.

The rate at which new businesses exit over time is typically examined using a survival curve, which is calculated for a specific cohort. In year 0, the cohort enters the market, and the survival curve shows the proportion of businesses that remain in each subsequent year. These survival curves are based on permanent exits. Businesses that temporarily exit the market (or had no employees) are still included in the year of temporary exit. As shown in Table 6, survival curves were higher for the 2016 cohort (relative

7. This result differs from that in the 2021 report because businesses without employees were included in the previous report (Archer et al., 2021).

to 2014 and 2015 cohorts) and the 2020 cohort (relative to all previous years), suggesting that more recent ELCC employer businesses were surviving longer.⁸ Two major factors affected the 2020 cohort. First, the COVID-19 pandemic, beginning in 2020, meant fewer entrants. Second, in these businesses' second year of operation (2021), the CWELCC system was announced.

Table 6

Survival curves of early learning and child care employer businesses by cohort

years after entry	0	1	2	3	4	5	6	7	9
percentage of businesses remaining active									
2014 cohort	100.0	74.0	63.6	56.0	50.9	45.9	41.3	37.6	33.7
2015 cohort	100.0	73.5	62.2	55.7	50.5	46.1	42.1	38.3	...
2016 cohort	100.0	81.6	70.2	61.2	53.9	47.8	43.0	...	...
2017 cohort	100.0	81.1	71.1	61.3	54.4	49.3	...	...	...
2018 cohort	100.0	80.4	70.3	61.1	55.6	...	...	...	...
2019 cohort	100.0	81.4	69.8	61.4	...	...	...	...	...
2020 cohort	100.0	84.9	74.4	...	...	...	...	...	...
2021 cohort	100.0	84.2	...	...	...	...	...	...	...

... not applicable

Source: Statistics Canada, Canadian Employer–Employee Dynamics Database.

Conclusion

From 2013 to 2022, the GDP of the child care industry grew rapidly, despite a decrease in the number of child care businesses. This pattern reflects a concentration of larger, incorporated businesses with employees in the child care market, especially after 2015. Specifically, the number of unincorporated businesses (typically associated with home-based child care businesses) fell, while incorporated businesses (typically associated with licensed centre-based child care) made up a greater proportion of businesses and generated a greater proportion of GDP over the study period. This phenomenon was not yet apparent from previous estimates, which were available only through 2016 (Archer et al., 2021). This change in the composition of the industry accelerated at the beginning of the COVID-19 pandemic in 2020.

GDP grew rapidly over the period studied, and GDP from government transfers and expenditures grew more rapidly than GDP at factor cost (GDP generated within child care businesses). Growing employee compensation was the largest driver of GDP at factor cost. Growth in GDP at factor cost and GDP from government transfers and expenditures increased significantly after the introduction of the CWELCC system in 2021.

This report departs from the 2021 report in its calculation of entry and exit rates, which are now based on businesses with employees only, consistent with Statistic Canada's official estimates. In the 2021 report, all ELCC businesses were included, and ELCC businesses had higher entry and exit rates than all private sector businesses. In the current report, ELCC employer businesses have similar entry rates to those of all private sector businesses, but higher exit rates.

8. This result differs from that in the 2021 report because businesses without employees were included in the previous report (Archer et al., 2021).

There are other important caveats to this study. Administrative data are used to capture most businesses, and imputation is applied to account for expenditures in the education system (i.e., for 4- and 5-year-olds in kindergarten), allowing for comparisons across provinces. However, complete data on charities' gross operating surplus are not always available, meaning charities are underrepresented in GDP calculations. While the report accurately captures charities in terms of counts and compensation to employees (based on T4 slips), they are not fully reflected in the GDP estimates.

The administrative data used to compile the report also do not delineate licensed and unlicensed child care businesses. While unincorporated businesses are less likely to be licensed and incorporated businesses with multiple employees are likely to be licensed, there is no certainty for individual businesses. Similarly, the data do not inform about the number of child care spaces, divisions between full- and part-time child care, or the quality of child care. Some of these dimensions could be addressed in future work by linking the CEEDD to other data sources.

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