

To lower inequality, boost spending on early childhood education ^[1]

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Canada does not invest adequately in early childhood education. More access to affordable and high quality pre-school education could help to boost literacy and numeracy skills and would help to reduce income inequality in the long run.

Over the past three decades, income inequality in Canada has increased significantly and this risks reducing social mobility. Many Canadians find it challenging to climb the income ladder. The loss of government support programs when personal incomes increase to even modest levels is part of the story, as is inadequate affordable housing. However, an often overlooked dimension to this problem is the lack of access to affordable and high quality early childhood education programs.

Under the current system, we provide maternity support to new parents. Then, there is publically-funded primary education starting at ages 4 or 5, depending on the province. In the intervening 3-4 years, parents are left to fend for themselves. This is a troubling gap.

Research shows that significant cognitive and motor skills development occurs at a very young age. Moreover experiences in the first five years of life have a material impact on economic and social success. Academic studies reveal that as much as 80 per cent of personal development comes from experiences and environment, only 20 per cent from genetics.

While wealthy Canadians can afford good quality early childhood education, many Canadians in the bottom half of the income spectrum cannot. To drive home the point, 70 per cent of affluent Canadians have out-of-home care, while less than 40 per cent of low-income Canadians have such services. Outside of Quebec, parents on average cover 50 per cent of child care costs – the fourth highest in a ranking of advanced economies. This impairs the skills development of children from low income households and sets them at a disadvantage in life. It also reduces the participation of low income parents in the labour market and constrains the number of children that low income parents can afford.

Should we make greater investments in pre-school education? Absolutely. Direct public expenditure on early childhood education services stands at a mere 0.25 per cent of GDP – the lowest in comparable European and Anglo-speaking countries. Even looking at family support – including child care payments, parental leave benefits and child care support – Canada invests 17per cent less than the average of comparable industrialized economies.

Raising investment in early childhood education would bring long-term benefits. Most studies show that a one dollar investment reaps a long-term return of 1.5-to-3 dollars, and the return on investment for children from low income households can be in the double digits. Investing more in children would help to address Canada's essential skills challenge. Evidence from an international benchmark study on literacy showed that 5-in-10 Canadians have literacy skills below the desired level for a modern knowledge based economy, while 6-in-10 have below desired numeracy skills. Canada's performance in the 2012 survey was weaker than in the prior surveys in 2003 and 1994. And, Canadian youths scored lower than the average of youths in other industrialized economies. In a knowledge-based economy, we need to do better.

The usual push-back on calls for increased investment in early childhood education is that it is too expensive and the return is too far off in the future. It is true that raising Canada to the average level of investment in other advanced economies would cost \$3- to \$4-billion, but that is evidence of the magnitude of underinvestment at the moment. Make no mistake, governments do have to live within their fiscal constraints, but prioritizing education is important – and we need to think more about education starting earlier in life.

Businesses strive to balance short-term priorities with their long-term strategies. The same is true for policy makers. Governments should invest in skills training programs for adults today to improve labour market outcomes for workers and employers. However, governments can't lose sight of the need to develop the most skilled labour force of the future. And, the future is our children. This calls for much more investment in high equality early childhood education and better access for such services for low and middle income Canadians.

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