

Quality child care can help rebuild our economy ^[1]

Author: Stanley, Fiona & Denniss, Richard

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EXCERPTS

According to the Australian Bureau of Statistics, every \$1m spent on childcare creates about 9.2 jobs, while every \$1m spent on construction creates just one.

It is clear the best way to grow the economy out of this recession is to help new parents re-enter the workforce as soon as they'd like.

Investing in high-quality childcare directly creates jobs in the short term, boosts the labour force in the medium-term and improves productivity in the long term.

This is not to say that we shouldn't build things to create jobs. On the contrary, imagine if we employed people to build new childcare centres, and people to work in them as well.

While economists have a habit of disagreeing with each other over almost everything, almost all of them agree that the more people actively involved in the labour force, the bigger the economy will be. The Morrison government says it wants to grow the economy out of this crisis and there's no doubt that making childcare more widely available and affordable is the best place to start.

And the employment benefits of childcare do not stop at the childproof gate. The provision of high-quality, affordable childcare pays a double dividend when it comes to employment because the more parents (most often women) who can rely on paid childcare the more parents (mainly women) can look for work.

The proportion of people who are working or looking for work is called the labour force participation rate (LFPR) and according to the Organisation for Economic Cooperation and Development the LFPR for Australian women of 73.9 per cent is well below that achieved in Nordic countries such as Iceland (84.4), Sweden (81.1), Denmark (76.0), Finland (76.6), and Norway (75.7).

If Australian women participated in the workforce at the same rate as women in the Nordic countries, it would mean a boost to the Australian labour force of 2.3 per cent, and in turn, an increase of GDP of more than \$60bn. The enormous economic benefits of helping women to enter the labour market has even been measured by the International Monetary Fund, which concluded that "raising female labour force participation rates to male levels could boost gross domestic product by 5 per cent in the US, 9 per cent in Japan, and 27 per cent in India".

Of course, investment in high-quality childcare isn't just good for the economy. Giving more parents access to more choices is good for individuals, relationships and, according to a wide range of data collected over a long period of time, for the children themselves. While parents should decide when, what kind, and how much formal childcare their children receive, the data is quite clear on the emotional, cognitive and socialisation benefits that children receive from early access to formalised care.

The evidence of investing in high-quality childcare and early childhood education has been known for decades and such investment has been recommended by most global agencies (UN, World Bank, OECD, IMF, WHO) and implemented widely among many nations.

Investing in universal early childhood education, embedded in a system to help those families with special needs and problems, serves two major positive agendas: it ensures the majority of our children, including those in poor circumstances, reach teenage and adulthood healthy and able to achieve their intellectual potential – an enormous benefit to our future economy and social fabric; secondly it reduces the very significant costs to our health, mental health, education, welfare and justice systems by children who are damaged early. An extreme example is the rising rate of foetal alcohol spectrum disorders that cost the health, education, disability, and justice systems so much.

So, what's the holdup? The traditional argument for why Australia couldn't have the kind of childcare system so common in Nordic countries was that the cost was too high and that the need to balance the budget in the short-term had to take precedence over the long-term benefits of investing in better education and a bigger workforce. Those days are over.

In the year just gone, the government spent \$86bn more than it received. It expects to run a budget deficit of \$185bn this year and, despite the sea of red ink, it is planning to bring forward significant income tax cuts for those earning more than \$87,000 on the basis that the \$16bn in tax cuts will lead to a greater incentive to work.

Providing low-cost childcare is a more direct, more equitable, and far less expensive way to create jobs in the short term and expand the labour force in the long term. Last May, when Scott Morrison was encouraging state premiers to keep their schools open, the PM observed that it's "important because it frees up the workforce to go back to work. And women are some of the most affected by that with school closures and even if they're trying to work from home while at the same time looking after kids, it's not an easy job ... It does impact on the productivity."

We couldn't agree more.

The sooner Australian governments – state and federal – start offering low-cost or no-cost childcare the sooner Australia's kids, parents and economy will begin to see the benefits.

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