

The role of early learning and child care in rebuilding Canada's economy after COVID-19 ^[1]

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Excerpt from introduction

The Government of Canada's recent Speech from the Throne committed the federal government to a significant expansion of fiscal support for early learning and child care (ELCC) services across the country. The Speech was ringing in its affirmation that Canada's economy, and Canadian households, urgently need high-quality ELCC services:

"Canadians need more accessible, affordable, inclusive, and high quality childcare... Recognizing the urgency of this challenge, the Government will make a significant, long-term, sustained investment to create a Canada-wide early learning and childcare system. The Government will build on previous investments, learn from the model that already exists in Quebec, and work with all provinces and territories to ensure that high-quality care is accessible to all. There is broad consensus from all parts of society, including business and labour leaders, that the time is now." - (Governor-General, 2020)

Child care advocates have developed plans for phasing in universal ELCC services to provide coverage for most young children (Child Care Now, 2020; Canadian Centre for Policy Alternatives, 2020). Business leaders have also endorsed the expansion of ELCC services as a vital support for rebuilding labour force participation and employment after the COVID-19 pandemic and associated recession (Bradshaw, 2020; Saba, 2020). It is a topic on which business and organized labour agrees: expanded child care is good for parents (especially mothers), good for workers, good for employers, and good for society.¹ In short, there is a powerful cross-cutting consensus that the expansion of accessible, high-quality ELCC is an important and urgent economic and social priority, and governments must move quickly to make it a reality.

The COVID-19 crisis therefore constitutes a historic moment. After years of debates and false starts, Canada's ELCC system remained sadly inadequate – even before the pandemic arrived. Now the pandemic has enhanced our shared understanding of the importance of ELCC services in facilitating full participation and healthy work-life balance. And it has caused an unprecedented shock to Canada's economy and labour market, that will likely last for years. Finally moving forward with this vital economic and social reform would make a significant contribution to national economic recovery. As the Throne Speech said, the time is indeed now.

Strong support for expanded ELCC services is also informed by recognition that the economic and human impacts of the COVID-19 pandemic and recession have been borne disproportionately by women (Yalnizyan, 2020). Women lost work at a faster rate in the first months of the health-ordered shutdowns: women's total employment declined 17% between February and April, compared to 15% for men. This steeper decline reflected women's disproportionate concentration in the industries (such as retail, hospitality, and personal services) which faced the most stringent health restrictions on continued work. It also resulted from women's greater concentration in precarious work, in all its forms: part-time jobs, temporary positions, contracted out and "gig" jobs. These, not surprisingly, were the first jobs that disappeared as the pandemic hit, and women held most of them. Moreover, the decline in employment did not tell the whole story of lost work: many workers remained "employed" even though their hours of work mostly or entirely disappeared. Total hours worked by women fell 30% in the first two months of the pandemic, and that drop was also larger than for men. In subsequent months, some of that gender gap in lost employment narrowed, as hard-hit service industries partially re-opened. But the decline in cumulative employment for women (measured both by jobs and by hours) has still been worse for women than men. And the drop in labour force participation since the pandemic (reflecting women who have lost work, and given up on searching for it) has been almost three times worse for women than for men. The decline in participation has been particularly severe for sole parents with children under six (Scott, 2020), most of whom are women. In that context, timely roll-out of accessible high-quality ELCC services will be vital to supporting a full recovery in women's employment.

A related reason why progress on expanding ELCC is especially urgent right now is the financial and operating crisis facing many child care centres in Canada's existing, under-resourced system. A combination of outright closures of child care centres during the initial shutdowns, reduced enrolments since then (with many parents working from home with their children), and increased costs from COVID-related safety protocols has created enormous financial pressures on many child care centres – especially those operated on a stand-alone

basis by small organizations (McGinn, 2020). Child care centres shed 35,000 jobs (25% of total staff) between February and July; many of those job losses will become permanent without forceful action by government to ensure long-term financial stability for the overall system. And there is a significant risk that without determined and timely progress on a national universal ELCC system, even the existing inadequate patchwork of services currently in place will deteriorate.

It is clear, therefore, that this is a moment when the need for universal high-quality ELCC is very widely accepted in Canada, and the willingness of government to finally move forward with a transformational ELCC strategy is strong. The expansion of quality, accessible ELCC services would also provide an enormous boost to Canada's economic reconstruction after COVID. This paper reviews the various ways in which implementing a universal high-quality ELCC system would strengthen Canada's economy as it comes out of the pandemic and recession. It attaches broad quantitative estimates to some of those benefits, on the basis of previously published economic research and new analysis of current Statistics Canada data on employment, participation, and incomes. It confirms that rolling out a strong universal ELCC program over the coming decade would make a critical contribution to national economic recovery, including:

The creation of over 200,000 new jobs in ELCC provision, representing annual direct job creation of 20,000 positions per year.

- The creation of close to \$10 billion in additional GDP, and close to another 80,000 new jobs, in the upstream and downstream industries which will receive new business from the expanded ELCC sector. This includes an estimated 8,000 construction jobs building or retrofitting ELCC facilities.
- An increase in labour supplied by women in the prime parenting age cohorts (from age 25 through 50) equal to as many as 725,000 additional workers – experienced through both greater labour force participation and greater ability to work full-time hours.
- An eventual increase in national annual GDP of between \$63 billion and \$107 billion, achieved gradually over the decade, driven by both expanded ELCC production and increased female labour supply.
- Long-run employment, income, and fiscal benefits arising from the enhanced cognitive and social capacities of future generations of Canadians who received high-quality ELCC services in their formative early years of life.
- Additional revenues to government (roughly split between the federal and provincial levels) of \$17 billion to \$29 billion per year – more than enough to pay for the cost of providing universal ELCC services.
- While most of the policy initiative and fiscal support for a national universal ELCC program is coming from the federal government, provincial governments would benefit enormously from the implementation of the new system. Provincial economies would be strengthened, tens of thousands of jobs created, and provincial government revenues would grow by \$8-14 billion per year. The biggest provincial gains would be experienced in regions with the weakest existing ELCC systems: the prairie provinces and Ontario.

Consistent with previous published research, this report finds that ELCC services are an economic and social program that literally “pays for itself,” thanks to the government revenues generated automatically through this enhanced economic activity. At a moment when Canada's economy is desperate for additional spending power, employment, and production opportunities, moving forward with the long-delayed roll-out of a high-quality national system has the potential to significantly strengthen Canada's economic performance after this catastrophic pandemic and recession.

The rest of the paper is organized as follows. The next section introduces three broad categories of economic benefits arising from the provision of accessible, high-quality ELCC services: including economic impacts from the expansion of ELCC production, benefits arising from women's increased labour supply, and long-run benefits generated by the enhanced cognitive and social capabilities of ELCC participants. The following sections of the paper then provide illustrative quantitative estimates of the potential order of magnitude of each these three categories of benefits. The conclusion assembles these estimates into a composite portrait of the overall economic impacts of a universal ELCC system. It concludes with a strong call to governments at both the federal and provincial levels to move forward firmly and ambitiously with this program, as part of the broader reconstruction of Canada's economy after COVID-19.

Related link: Universal child care would generate up to \$29 billion a year in tax revenues, new report says [4]

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