

National child-care plan would accelerate post-COVID recovery

[1]

A universal, national system for early learning and child care would easily pay for itself, delivering precious economic, social and fiscal benefits.

Author: Stanford, J.

Source: Policy Options

Format: Article

Publication Date: 17 Dec 2020

AVAILABILITY

Access online [2]

EXCERPT

Canadian governments have been talking about national public child care for years. And the issue is once again at the top of the political agenda because of the extreme labour market and work-life pressures unleashed by the COVID-19 pandemic. In September the federal government's speech from the throne committed Ottawa to "a significant, long-term, sustained investment to create a Canada-wide early learning and child-care system." Citing a broad consensus from business leaders, unions, and educators, the speech issued a strong call to action: "The time is now."

This admirable ambition must now navigate the usual minefields of competing fiscal priorities and federal-provincial wrangling. Unlike previous initiatives (like a 2005 national plan, which collapsed within months following a change in government), this one could well come to fruition. There are several reasons why the alignment of political and economic forces could allow the federal government to finally get the ball over the line.

First, business leaders (from major banks to the Canada Business Council) have affirmed their support for universal child care as critical to their own workforce strategies. It's not often the business community lines up in favour of a big new social program.

Second, while remnants of old-fashioned hostility toward public child care still lurk in some constituencies, child care is less partisan than it used to be. For example, the recent election platform of B.C.'s Liberal party (that province's major conservative party) featured a commitment to 10,000 new child-care spaces and a means-tested \$10-per-day fee schedule. That was trumped by the New Democratic Party's more expansive (and ultimately more successful) pledge: 22,000 spaces and universal \$10-per-day services. But the contest confirmed that politicians of all stripes now see child care as an electoral winner.

Third, the economic case for moving ahead with a national system is stronger than ever because of the pandemic. Economists have known for years that the benefits from public funding for early learning and child care (ELCC) outweigh the costs. But those arguments are more compelling after COVID-19: especially given the disproportionate consequences of the pandemic for women.

I recently surveyed the economic impacts of universal child care in Canada, estimating their general order of magnitude after COVID. I identified three broad categories of benefits: each felt through distinct economic channels and according to different timelines.

The first and most immediate benefit is the new employment and income associated with producing and delivering ELCC services to many more children. I modelled a system that could enrol most one- to five-year-olds in Canada (adjusted for kindergarten attendance by four- and five-year-olds). This expanded system would need to hire over 200,000 educators and administrators – phased in, say, over a decade – boosting national GDP by \$10 billion per year.

This program would also stimulate new sales for industries that supply the child-care sector: from buildings to utilities to services. And newly employed ELCC workers would spend their incomes on consumer goods and services, stimulating still more business. I estimate another \$10 billion per year in these indirect benefits, and tens of thousands more jobs – including 8,000 ongoing construction jobs building and retrofitting new child-care centres.

In this way, rolling out national child care has similar benefits to other job-stimulating stimulus policies. But because child-care workers earn relatively low salaries, this program generates much more "bang for the buck" in new jobs than conventional make-work programs (like building roads and bridges).

The second category of economic benefits relies on boosting labour-force participation by parent-age women – severely suppressed by the absence of affordable, high-quality ELCC. In parenting-age cohorts, women's participation is eight percentage points lower than for men. This robs the economy of the productivity and income-generating potential of hundreds of thousands of potential workers.

If that participation gap were halved, about 250,000 more women would join the labour market. If it were eliminated, 500,000 more

female workers would be available. On top of that, child care allows more women to work full-time rather than part-time – boosting labour supply by up to 280,000 more full-time equivalents. Once they start working (in the paid labour market), those women would boost Canada's total GDP by \$45 to \$90 billion per year.

Child care allows more women to work full-time rather than part-time – boosting labour supply by up to 280,000 more full-time equivalents.

The third category of economic benefits takes longer to be realized, and is the most difficult to quantify – but in the end could be the most important. Scientific evidence from a range of disciplines indicates that high-quality learning experiences during children's early years, while their synaptic connections are being quickly formed, contributes to better lifelong outcomes across many dimensions: including ability to learn, employability, health, and social outcomes. These benefits are most evident for children from lower-income and marginalized backgrounds but can be experienced by any kids.

Long-term longitudinal research (examples [here](#), [here](#) and [here](#)) indicates the significant size of these benefits: increased lifelong earnings capacity, higher productivity, and fiscal savings in many areas (including lower health care, welfare, and criminal justice costs). Providing top-quality ELCC to all Canadian children, regardless of their income levels, will undoubtedly produce a healthier, more cohesive, and more equal society.

For political leaders intimidated by the price tag for a new national program, the extra GDP and incomes generated by national child care would in turn boost tax revenue for governments at all levels.

Considering all of these categories, it is clear that a universal, national ELCC system would deliver major economic, social and fiscal benefits at a time in Canada's history when our economy needs all the help it can get. And for political leaders intimidated by the price tag for a new national program, the extra GDP and incomes generated by national child care would in turn boost tax revenue for governments at all levels.

My estimates suggest that higher GDP from direct child-care production and increased female participation (not counting the third category of long-run social and fiscal savings) would boost government revenues by \$17 to \$29 billion per year. That revenue would be split between the federal and provincial governments, and would more than cover the costs of even an ambitious national program. In this sense, child care is a social program that quite literally pays for itself.

Politically it is important to note that while most of the initiative and fiscal support for national ELCC is coming from Ottawa, provincial governments would benefit enormously from the new system. Provincial GDP would grow, tens of thousands of jobs would be created, and provincial revenues would grow by \$8-14 billion per year. In fact, the biggest gains would be experienced in those provinces with the weakest existing ELCC systems: the Prairies and Ontario. That should concentrate the minds of conservative premiers in those regions who might otherwise be inclined to discourage or even block a national system.

In the wake of COVID-19, Canada needs the economic benefits of high-quality, universal ELCC more urgently than ever. Investing in a national plan is an economic “no-brainer” that will pay for itself.

The speech from the throne is correct. This is the time.

This commentary is based on a longer report prepared for the Child Care Now coalition, available [here](#).

Region: [Canada](#) ^[3]

Tags: [national child care](#) ^[4]

[economics](#) ^[5]

[benefit](#) ^[6]

Source URL (modified on 4 Jan 2021): <https://childcarecanada.org/documents/research-policy-practice/21/01/national-child-care-plan-would-accelerate-post-covid>

Links

[1] <https://childcarecanada.org/documents/research-policy-practice/21/01/national-child-care-plan-would-accelerate-post-covid> [2]

<https://policyoptions.irpp.org/magazines/december-2020/national-child-care-plan-would-accelerate-post-covid-recovery/> [3]

<https://childcarecanada.org/taxonomy/term/7864> [4] <https://childcarecanada.org/category/tags/national-child-care> [5]

<https://childcarecanada.org/category/tags/economics> [6] <https://childcarecanada.org/taxonomy/term/8947>