

National child care roll-out will boost economy more than budget estimates ^[1]

Author: Stanford, Jim

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AVAILABILITY

Access online ^[2]

EXCERPTS

Today's federal government pledge to implement a national affordable child care program will significantly accelerate Canada's recovery from the COVID-19 pandemic and recession, according to research from the Vancouver-based Centre for Future Work.

And the Centre suggests that the resulting boost to output and employment will be significantly larger than estimated by today's federal budget.

"Universal high-quality early child education is a vital ingredient in a high-performance economy, and this plan will spark job-creation and income growth across the country," said Dr. Jim Stanford, Economist and Director of the Centre for Future Work.

"In fact, the improvements in employment and GDP growth arising from the plan are likely to be far greater than the cautious estimates cited in the budget," he added.

Finance Minister Chrystia Freeland's budget estimates the new program will boost female employment by 240,000 positions, and add 1.2% to GDP once fully implemented. But the Centre's own research, published in December, suggests the gains in employment and output could be up to 4 times larger.

The Centre estimates that 200,000 jobs would be created over ten years within child care and early learning facilities, and another 86,000 in the supply chain (including construction) linked to child care work. The Centre also estimated that as many as 780,000 more parent-age women would join the labour force, or increase their hours of work, if affordable child care was available. Combined, these effects would boost employment by 650,000 to 1 million jobs, and lift GDP after full phase-in by \$63 to \$107 billion per year. That would represent an increase in total output of 2.7% to 4.6% (all estimates measured in 2019 dollar terms).

"The Finance Minister was extremely cautious in her estimate of the economic gains that will be unleashed by national child care," said Stanford. "In reality, the ultimate boost to employment and output from this program will likely be much larger."

"Investing in a high-quality, accessible early child education program will significantly accelerate Canada's economic recovery from the pandemic. This is a powerful, timely measure."

"The icing on the cake," Stanford added, "is that the resulting growth in government tax revenues arising from new employment and output will quite literally offset the costs to government of rolling out this program."

In the Centre for Future Work projections, federal government revenues would grow under a full national system by \$8-\$14 billion per year – offsetting the \$8.3 billion ongoing increase in annual child care funding promised by Freeland. Provincial governments will capture an equivalent amount in new revenues from the growth in employment and output, giving them a powerful fiscal incentive to participate in the program.

Related link: The role of early learning and child care in rebuilding Canada's economy after COVID-19 ^[3]

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