

# What universal child care does for Norway <sup>[1]</sup>

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## EXCERPTS:

Norway is ranked No. 1 in the world for productivity, measured by GDP per total hours worked, according to the Organization for Economic Co-operation and Development. Canada comes 17th, behind Spain.

Many variables affect productivity, and Norway's high oil production contributes significantly to its GDP, and therefore productivity.

"However, even after controlling for the rent [profits] from natural resources, Norway has high productivity. And more importantly, our relative productivity has increased a lot from the early 1990s to 2011, even after adjusting for natural resource rents," explains Adne Cappelen, an economist at Statistics Norway.

Mr. Cappelen attributes Norway's high productivity to four main factors:

1. A more educated work force, largely enabled by free university tuition;
2. Outsourcing low-wage, low-productivity labour;
3. Maximizing participation in the work force for skilled workers, (providing social support and flexible work for seniors and new parents);
4. Equal distribution of income.

The fourth point, he explains, relates to the idea that a company will stop hiring when the productivity gain of adding another employee equals his or her wage, in other words, when it becomes unprofitable to hire more employees. Therefore an economy with very low wages will create many low-productivity jobs, and an economy with very high wages will create very few high-productivity jobs. With equal income distribution, Norway has eliminated the two extremes which results in a high average productivity.

The downside of having a highly productive work force, says Mr. Cappelen, is that there are few opportunities for low-skilled workers and they often end up on welfare, a challenge that Norway is working to mitigate.

Mr. Cappelen also points out that Norwegians don't like hierarchical management. "There are strong sentiments against centralized power at the top level. So firms are efficient because they do not spend much time on controlling their employees but rely on trust and involvement."

Michael Krashinsky, an economist at the University of Toronto, agrees that an educated work force is a productive one. But he adds the trick is to get them while they are young. He feels Norway's universal child care and early education programs are key to Norway's highly productive work force.

"Most people who study education say that the early years matter the most," Dr. Krashinsky says.

"In terms of productivity, subsidized child care has two effects, one is on working mothers and the other is on children down the road," Dr. Krashinsky explains.

For children, his research shows that when they participate in early childhood education and preschool, they are better socialized and more prepared to learn when they enter school.

And for working mothers, having access to affordable child care encourages them to enter the work force and then to stay in it. Women in general are highly productive contributors to our economy, Dr. Krashinsky says.

"It's continuous attachment to the labour force that's really important to high-productivity workers. Good maternity leave policies and subsidized child care are a big part of that."

With the exception of Quebec, access to subsidized child care and early education in Canada is generally reserved for very low-income families.

"What we found was a general pay-off of about two dollars of benefits for every dollar spent on subsidized child care, and those were very conservative numbers," Dr. Krashinsky says.

Of the 2:1 ratio, slightly more than a dollar of benefit represents an increased productivity by working mothers and slightly less than a dollar represents productivity gains of children down the road.

"Norway's high productivity flows directly out of their progressive social policies," Dr. Krashinsky says.

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**Region:** Canada <sup>[2]</sup>

**Tags:** economics <sup>[3]</sup>

mother's labour force participation <sup>[4]</sup>

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