

# United for universal childcare <sup>[1]</sup>

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## EXCERPTS:

Expanded childcare provision is an important part of the SNP's offer in the Scottish independence debate. But the undoubted fiscal benefits of universal childcare could be achieved by a variety of reforms that would be popular throughout the UK

The SNP government has made great play this week of expanding childcare in an independent Scotland. Universal childcare - of the Nordic variety envisaged in the Scotland's Future white paper - is a very important ambition, and not just because it appeals to female voters.

When preschool childcare and nursery places are good quality, an expansion of funded places brings a higher rate of employment, lower child poverty, more equality in child development and relations between parents, and increased tax revenues. It is for these reasons that universal childcare is a central part of the strong-employment, decent-society Nordic success story.

Currently, childcare and nursery places are funded in three ways: through public spending, tax reliefs and tax credits. The Scottish government could therefore fund an expansion of childcare tomorrow by making different spending choices.

For example, it chooses to give relatively generous subsidies to middle-class graduates in comparison to the rest of the UK when it could invest those resources more progressively in early years learning. So as the Better Together camp pointed out yesterday, there is nothing to stop the Scottish government getting on with it now. It is just a matter of finding the resources to start paying for it.

The SNP is right, however, that many of the fiscal benefits would flow - in the form of increased tax revenues and lower benefit payments - to Her Majesty's Treasury. When Quebec massively expanded its childcare provision in the late 1990s, the dramatic increase in female employment that flowed from the investment returned a significant fiscal bonus: after a decade, for every \$100 invested, the state got \$147 back. Of this, Quebec got \$104, while the federal government got a windfall of \$43.

This is not quite the zero-sum equation the SNP envisages, however. Scotland would reap many fiscal and social benefits from a universal childcare system. It plainly does not require independence both to expand childcare and to return much of the benefit to the Scottish purse.

But two reforms would bring universal childcare within greater reach of the Scottish government. First, the childcare element of the tax credit (and, in the future, universal credit) system could be converted into supply-side public spending in Scotland. This would mirror the Nordic model and build on the existing devolved settlement for nursery education. Second, the Coalition government's proposed new tax relief system for childcare could stop at the border, with commensurate resources allocated to public spending in similar fashion.

These are precisely the reforms that supporters of more devolution with the union should advocate for Scotland (measures IPPR is exploring in its 'devo-more' work). If the Scottish people vote to stay in the union, let them have full powers over childcare policy and let universal childcare become the settled consensus of the Scottish people. Many of us in the rest of the UK would happily follow suit. Then we could be united by universal childcare.

-reprinted from the Institute for Public Policy Research (UK)

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