



Why Canada can't work without good child care: How early childhood education and care supports the economy

It is more important now than ever before for countries...to pay heed to one of the fundamental cornerstones of economic growth available to them – the skills and talent of their human resource pool.

- Klaus Schwab, Founder and Executive Chairman, World Economic Forum, 2008¹

Almost two decades ago, Harvard-based competitiveness guru Michael Porter had begun suggesting that investing in early childhood education is part of creating strong 21st century economies². Many economists argue that government spending on people should not be contracting when the economy needs stimulation³. Failing to invest in people – especially through investments like good quality early childhood education and child care – is bad economics. The evidence shows that universal community-based systems of high quality early childhood education and care (ECEC) are part of the backbone of strong economies: ECEC has short-term, medium-term and long-term economic and social impacts on children, their parents, the labourforce, local economies and the larger economy.

Early childhood education and care, if it is high quality and accessible:

- ✓ Makes Canada more competitive
- ✓ Yields high economic and social returns
- ✓ Helps keep families out of poverty
- ✓ Supports women's workforce participation, education and training
- ✓ Builds strong local economies
- ✓ Combats an aging society and diminishing labour force

✓ **Early childhood education and care makes Canada more competitive**

Investing in the early years is about investing in our knowledge-base. Quality early childhood programming supports children's physical, social, emotional and intellectual well-being, helping to ensure that Canada is competitive with other modern economies⁴. Economists, bankers and early childhood development commentators such as Dr. Fraser Mustard and Margaret McCain, authors of the *Early Years* report, say that universal child care is key for Canada's path to prosperity and democratic stability. James Heckman, the Nobel-prize winning economist, argues that investment in early childhood brings greater returns than investment in any other stage of education⁵.

The verdict is in – good quality, early childhood education and care helps prepare children to succeed in knowledge-based jobs that require lifelong learning.

✓ **Early childhood education and care yields high economic and social returns**

A Canadian cost-benefit study considering universal, high quality early childhood education and care showed that such a program would produce a \$2 social and economic return to our society for every dollar spent⁶. Other studies of early childhood education and care in countries from the US to developing countries demonstrate a strong relationship between early childhood programs and improved school performance⁷. Early childhood education and care has been shown to diminish the need for remediation in the school years, resulting in later adult productivity and reduction of anti-social behaviour among high-risk populations⁸. Long-

term US studies based on actual programs show even higher returns for low income children⁹, yielding economic returns ranging from \$3 to \$17 for every dollar invested¹⁰.

✓ **Early childhood education and care supports women's education, training and workforce participation**

A 2008 report by the World Economic Forum is only one of many that stresses that enabling mothers with young children to be educated, train and enter the workforce is not only good social policy but good economic policy¹¹. Child care is a key support for women already in the workforce and those who want to enter it. If reliable accessible child care were available in Canada, more mothers – especially those who are low-income and do not have the funds in-pocket to purchase child care of any kind – could work outside the home. Since Quebec reformed its child care system beginning in the late 1990s, twice the number of married women have entered the workforce than in the rest of Canada. This meant that 40% of the cost of the child care program could be offset by new income and payroll taxes generated by the increased labour force participation¹². Quebec economist Pierre Lefebvre observes that the creation of child care at a reduced contribution was one of the determinants of the influx of women into the labor market¹³.

✓ **Early childhood education and care helps keep families out of poverty**

Studies show that if women's access to training and employment was strengthened through access to child care, poverty rates of women and their families would fall¹⁴¹⁵. If access to good child care was better, female lone parents – most of whom are poor and unable to pay user fees for child care – would be able to seek further education, train for work, get decent jobs and accept job promotions. Families with two parents working would have a chance to improve their economic stability and income in a time of insecure employment and stagnating wages. Women's lifetime earnings would increase, reducing their poverty rates in old age.

✓ **Early childhood education and care builds strong local economies**

From the moment the concrete foundation for a new child care centre is poured, early childhood education and care generates ongoing economic activity in the community. It creates green jobs that don't harm the environment. The majority of child care dollars are spent locally and invested in people, since the sector is labour intensive. Child care workers usually live, work and buy in their communities. Canadian research calculates that every dollar of child care spending in Manitoba produces a ripple effect of \$1.58 in the local economy¹⁶. Many US studies have produced similar figures, demonstrating that early childhood education and care is a very sustainable form of local economic development¹⁷.

✓ **Early childhood education and care helps combat the aging of society and diminishment of the labour force**

Birth rates are falling and populations are aging in most industrialized nations. High quality, affordable child care is critical to helping parents balance work and family and its absence makes a difference when it comes to deciding how many children to have. American economist Kevin Daly's research shows that accessible child care is correlated with some countries' higher birth rates¹⁸. The relationship between child care and higher birth rates has led to the inclusion of child care as an important part of the European Union's labour force strategies for economic growth¹⁹.

If Canadian governments do not put policies in place to address shrinking birth rates, we are likely to face large future labour shortages. These shortages could seriously harm our economy and our standard of living, and threaten social programs that rely on a large tax base, such as universal health care.

✓ **Good child care makes economic sense**

In early childhood education and care, the interest of social activists who advocate for children, women and families converge with the

interest of economic strategists. Investing in our children makes good economic sense in the short-term, medium-term and long-term. It gives children a good start in life; makes sure that families can participate in education, training and the workforce; strengthens local economies and creates jobs; combats the aging of the population; and returns monetary benefits to the economy from taxes and reduction of reliance on social programs.

Not investing in early childhood education and care is bad economics. In the United States, Barack Obama has identified early childhood education and care as required for an economic recovery – one of a “new set of priorities to grow our economy and create jobs to start getting our economy back on track”²⁰.

Smart 21st century governments know that investing public dollars in a high quality well-designed early childhood education and care system is one of the best economic decisions a government can make. The evidence points to how best to design such a system to ensure that it is maximally beneficial for children, families, the community and the economy – universal, publicly-funded, public/not-for-profit ECEC programs blending early childhood education and child care.

Short-term, medium-term and long-term – child care – Canada can’t work without it.

¹ Hausman et al, 2008.

² Porter, 1990

³ Donner et al, 2008

⁴ Kamerman et al, 2003

⁵ Heckman and Masterov, 2004

⁶ Cleveland and Krashinsky, 1998

⁷ Berlinski et al., 2007

⁸ Ramey, 2000

⁹ Barnett, 1996

¹⁰ Barnett and Ackerman, 2006

¹¹ Hausman et al., 2008

¹² Baker et al, 2005

¹³ Orfali, 2008

¹⁴ Ramey et al, 2000

¹⁵ Barnett and Ackerman, 2006

¹⁶ Wehner et al, 2008

¹⁷ Liu et al, 2004

¹⁸ Daly, 2007

¹⁹ European Commission, 2002

²⁰ Obama, 2008

References

- Baker, M., Gruber, J. & Milligan, K. (2005). *Universal child care, maternal labour supply and family well-being*. Toronto: University of Toronto. Department of Economics.
- Barnett, S. & Ackerman, D. (2006). Costs, benefits and long-term effects of early care and education programs. *Community Development Journal*, 37 (2), 86-100.
- Barnett W.S. (1996). *Lives in the balance: Age-27 benefit-cost analysis of the High/Scope Perry Preschool Program*. Ypsilanti, MI: High/Scope Foundation.
- Berlinski, S., Galiani, S., & Manacorda, M. (2007). Giving children a better start: Preschool attendance and school-age profiles. *Journal of Public Economics*, 92(5-6), 1416-1440.
- Cleveland, G. & Krashinsky, M. (1998). *The benefits and costs of good child care: The economic rationale for public investment in young children*. Toronto: Childcare Resource and Research Unit.
- Daly, K. (2007). *Gender inequality: Growth and global ageing*. *Global Economics Paper No. 154*. New York: Goldman Sachs.
- Donner, A., McCracken, M. & Yalnizyan, A. (2008, October 21). Economic crisis no excuse to abandon anti-poverty fight. *The Toronto Star*.
- European Commission. (2002). *The Lisbon strategy: Making change happen – Communication from the Commission to the Spring European Council in Barcelona [EU]*. Retrieved November 30, 2008 from http://eur-ex.europa.eu/LexUriServ/site/en/com/2002/com2002_0014en01.pdf
- Hausman, R., Tyson, L.D. & Zahidi, S. (2008). *The global gender gap*. Geneva: World Economic Forum.
- Heckman, J. & Masterov, D. (2004) *The productivity argument for investing in young children*. Retrieved November 30, 2008 from <http://jenni.uchicago.edu/Invest/>

Kamerman, S., Neuman, M., Waldfogel, J. & Brooks-Gunn, J. (2003) *Social policies, family types and child outcomes in selected OECD countries*. OECD Social, Employment and Migration Working Papers, 6. Paris: Author.

Kilburn, M. & Karoly, C. (2008) *The economics of early childhood policy: What the dismal science has to say about investing in children*. *Labour and Population Series Occasional Paper*. Santa Monica, CA: The Rand Corporation.

LeFebvre, P. & Merrigan, P. (2005) *Low-fee (\$5/day/child) regulated child care policy and the labour supply of mothers with young children: A natural experiment from Canada*. *CIRPEE Working Paper 05-08*. Montreal: Centre interuniversitaire sur le risque, les politiques économiques et l'emploi.

Liu, Z., Ribeiro, R. & Warner, M. (2004). *Comparing child care multipliers in the regional economy: Analysis from 50 states*. Ithaca, NY: Cornell University. City and Regional Planning.

Obama, B. (2008). Economic speech delivered October 23 2008 in Indianapolis. Retrieved November 30, 2008 at http://www.realclearpolitics.com/articles/2008/10/obamas_economic_speech_in_indi.html.

Orfali, P. (2008, November 16). CPE : une mine d'or pour les femmes. *La Presse*. Retrieved November 28 2008 from <http://www.cyberpresse.ca/actualites/quebec-canada/national/200811/15/01-801165-cpe-une-mine-dor-pour-les-femmes.php>

Porter, M. (1990). *The competitive advantage of nations*. New York: Free Press.

Ramey C.T., Campbell, F.A., Burchinal, M., Skinner, M.L., Gardner, D.M. & Ramey, S.L. (2000). Persistent effects of early intervention on high-risk children and their mothers, *Applied Developmental Science*, 4, 2-14.

Wehner, J., Kelly, B., & Prentice, S. (2008). *Rural and northern childcare: A summary of economic and social evidence from Manitoba*. Winnipeg, MB: Women's Working Group, Rural Secretariat.