Notes on the Rationale for Public Investment in Child Care in Canada

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At least 5 research areas provide support for public investment in child care in Canada:

1. Child development research

- International, national and local research (e.g. Human Early Learning Project at UBC) is conclusive about the importance of, and long term benefits from, quality early childhood experiences, including child care.

2. International comparisons

- United Nations' Committee on the Rights of the Child has encouraged the federal government to make child care a priority…The Committee expressed concern about high costs of child care, paucity of spaces and lack of national standards. It urged Canada to eliminate disparities in child care services across the country, and to move forward in developing a coordinated approach to ensure quality child care is available to all children, regardless of their economic or geographic status. *(CCCABC Newsletter, October 2003)*

- Organization for Economic Co-operation and Development (OECD) – 2000 report "Starting Strong: Early Childhood Education and Care" compares major policy developments and issues amongst 12 leading industrialized nations. The second report, this time including Canada, should be released soon.

- OECD identifies 8 elements of successful child care policy; 3 of which are:

    1. Universal approach to access
    2. Substantial public investment
    3. Appropriate training and working conditions for all staff.

- International comparisons highlight Canada's low investment, and our children's low participation, in licensed child care.

    - ♦ Among 7 major industrialized nations, Canada has the second lowest public expenditure on education-oriented programs for children aged 3 to school age. France spends almost 3 times, and the U.S. 1.5 times, as much as Canada as a % of GDP (Japan spends the least)*. (Health Canada/Healthy Child Manitoba, Raising Young Children: A New Generation of Canadian Families, September, 2003)*

    - ♦ Out of 22 affluent countries reviewed in 2002, Canada has the lowest percentage – below even England and the US – of three and four year olds accessing licensed child care or education *(Bradshaw and Finch).*

3. Social justice/social inclusion/population health

- Increasingly, quality child care is seen as an important part of a comprehensive strategy to address Canada's social inequalities and improve our overall health and well-being.

- "Studies in population health have shown that countries with high levels of poverty and income inequality have lower levels of health and well-being for all citizens, not just those at the bottom". *"Pathways to Progress: Structural Solutions to Address Child Poverty", Campaign 2000, May 2004.*

- Campaign 2000 report calls for a Social Investment Plan for Children and Families that includes "a universally accessible system of quality early childhood education and care to support optimal early development of children and to enable parents to work or receive training."

4. Demographics

- Declining numbers of young children – every one counts! Also relates to the increased importance of a healthy, productive, well-educated labour force.

- Number of mothers in the labour force continues to rise – currently over 80%.

5. Economic analyses

<u>Is child care a good investment?</u>

- Multiple analyses demonstrate that investment in high quality child care yields benefits to children and society that far exceed costs:

    - Cleveland & Krashinsky – 2 to 1 for <u>all</u> children
    - Perry Preschool and others – up to 7 to 1 for those at risk

- Prominent economists make the case that investing in ‘human capital’ is in fact economic development, and the earlier you invest the higher the return.

- Art Rolnick, head of research at the Minneapolis Federal Reserve Bank, describes how annual returns on public investment in early childhood development can exceed the stock market, and says there may be more savings to society than with any other social program. *(Saint Paul Pioneer Press, October 24, 2003).*

- According to James Heckman, Nobel Prize winning US economist, “the returns to human capital investments are greatest for the young for two reasons: (a) younger persons have a longer horizon over which to recoup the fruits of their investments and (b) skill begets skill. Skill remediation programs for adults with severe educational disadvantages are much less efficient compared to early intervention programs.” *(Heckman, 2000)*

<u>Who should pay for child care?</u>

- Many believe that public investment in child care more fairly distributes costs among Canadian taxpayers, instead of requiring young parents to shoulder the burden of costs for a service for which all of society benefits. As previously noted, successful child care systems in other countries are characterized by substantial public investment.

- David Dodge, Governor of the Bank of Canada, builds on Heckman’s work to talk about “the appropriate split between private and public resources for human capital development.” He notes that “traditionally, most of the investment in early childhood development has come from the family itself – i.e. private resources of time and money. The costs of formal schooling have largely been paid for publicly. At the post-secondary level, there is a split between public and private resources…This allocation of costs across the different stages of human capital development does not appear to match terribly well with the allocation of public and private benefits. The evidence seems to show that the greatest … public benefits, come from ECD and the early years of schooling." *(Human Capital, Early Childhood Development, and Economic Growth: An Economist's Perspective)*

<u>How much would a publicly funded child care system cost in Canada?</u>

- Incremental public cost required to implement child care system accessible to all Canadian children aged 2-5 is about $5.3 billion/year, assuming parents paying on average 20% of fees. Payback starts in 5 years, and reflects both child development and labour force benefits. *(Cleveland and Krashinsky, The Benefits and Costs of Good Child Care, March 1998).*

- Important to note 2 key assumptions about the economics underlying this study: (1) the child development benefits are related to <u>quality</u> child care and (2) the labour force benefits relate to accessible, affordable child care for working families.

- Estimated public cost of child care system accessible to all children will be over $10 billion; consistent with European Union's Child Care Network recommendation of spending at least 1% of GDP *(Friendly, Policy Options, March 2004).*

<u>How would government pay for such a system?</u>

- "There could be a variety of options for balancing public funding with parent fees (e.g., low flat fees such as in Quebec, sliding fee scales as in Sweden) but financial accessibility for all would be the ultimate goal. *(Friendly, Policy Options, March 2004)*
- Some believe that governments can reprioritize their budgets to at least begin to accommodate publicly funded child care. The Vancouver Board of Trade, for example, recommends that "public policy make investment in early child development for children aged 0-6 years a spending priority, [and] that funding for this initiative be from reallocation of spending priorities, not increased tax revenues". *(Task Force on Early Child Development and Child Care, Investing in our Children is Good Public Policy, July, 1999)*
- In commenting on the spending priorities reflected in the 2004 federal budget, First Call: BC Child and Youth Advocacy Coalition pointed out that an additional $250 million was provided for some small life long learning-related programs, while $4 billion was set aside in "economic prudence" and "contingency reserve" funds.

- According to Dr. Clyde Hertzman, Professor of Health Care and Epidemiology at UBC, "equalizing access to quality child care needs to be one of the cornerstones of an effective early child development strategy."
- Dr. Hertzman also indicates that "current spending per child in British Columbia on all child care and development programs for the 0-5 age range is less than one-fifth [of] what it is on public education starting at age 6… The good news is that the resources needed to adequately fund early child development are already coming available." He goes on to explain how the declining child and youth population provides an opportunity to finance early childhood services:
- "The fraction of the Canadian population age 0-18 will decline from 25% to 21% over the ten years 2001-2011. All we would need to do is hold spending on education and development among the entire 0-18 group constant as a share of GDP, as though their share of the population were not declining, and assign the surplus to the 0-5 age group. By the middle of the next decade, spending on children 0-5 would gradually approach the same level as school age children, giving us time to phase-in sensible approaches to early child development." *(Early Childhood Development: Lessons from Vancouver, 2004). (Dr. Hertzman is also Director of the Human Early Learning Partnership (HELP) at UBC. Visit the HELP web site at* www.earlylearning.bc.ca *for more information about their research on early childhood development).*