



**Child Care Advocacy Association of Canada** **L'Association canadienne pour la promotion des services de garde à l'enfance**



## **Getting the Government We Want, Getting the Government We Deserve**

CCAAC September 29, 2010 Annual General Meeting Keynote

by Armine Yalnizyan

We at the CCPA greatly value the rich relationship that has developed with the child care community over the years as a result of collaboration on the Alternative Federal Budget process. I thank you for the invitation to address your AGM this year, but confess I am a little daunted.

My remarks attempt to respond to the question I have been asked to address: *how can child care advocates continue to make the case for significant public investment, given that the current political context is focused on debt and deficit reduction?*

Deficit-phobia and debt-fetish are not new sentiments, but today they are accompanied by a slow, unsteady recovery. Governments are torn between priorities. Should they focus on austerity, and get smaller? Or should they continue to stimulate the economy, perhaps even get bigger?

Women all over the world have long known it's not how big it is, it's how you use it. Good government is not measured by how much it spends, or how big it is in relationship to the economy, but what it accomplishes through public finance.

Economic growth and social investment are linked, but not in a linear way. You can't grow an economy without a solid footing of basic infrastructure, both physical and human. That's takes public investment. In Canada, we already have a multi-generational investment in basic infrastructure. But the truth is that it is now possible for Canada to experience economic growth without expanding public investments for a period of time if trade is growing, particularly exports. We just lived through that truth. In the 1960s, there was both a huge increase in trade and social investments. These twin engines propelled a rapid expansion of our economy and broad-based prosperity. Then, just over a decade ago, we saw another spurt in growth. From the mid 1990s to just before the recession of 2008-2009, instead of improving infrastructure while the economy grew, we saw first reductions in public services, then flatlining of social investments in everything but healthcare. Economic growth was propelled by huge increases in global trade, and the only infrastructure that was strengthened was our ports, roads and bridges, the gateways to trade. Maintenance and expansion of domestic infrastructure (both physical and human) was deferred, and most of the gains from growth went to those at the top of the income ladder. We have been coasting for decades on the platform that social investments built a generation ago. Tax cuts, rather than improved services, have been the preferred domestic policy option for governments of every political stripe in Canada. **We're surrounded by a buy-now, pay-later consumer culture, but when it comes to social investments like child care, we aren't buying now, and we'll pay for it later.**

The crazy thing is that we know there are huge pay-offs from making such investments, both for the public purse and for individuals. Given the concern about deficits and debts, let's just look at public purse arguments and the returns on investment in early child education (ECE).

One U.S. study shows a \$9 return to the taxpayer for every \$1 in public investment to provide ECE for **low income** children (Oppenheim & McGregor, 2002). The US Government notes a 7:1 return for every dollar invested in pre-kindergarten (Department of Health and Human Services, Administration for Children and Families, undated). An excellent summary of the benefits of Head Start, which was started in the 1960s as part of Lyndon Johnson's War on Poverty, provides conclusive evidence from one of the first extensive longitudinal studies on long-term impacts of the program, including comparison of control groups. (<http://www.neighborhoodlink.com/org/headstartalumni/clubextra/93804686.html>) It showed: the program saved taxpayers \$17 for every \$1 invested (\$11 through reduced spending on crime alone); and 1/3 more poor kids graduated from high school (high school grads have 75% lower unemployment rates, 25% higher incomes than non-grads). An OECD thematic review documents a \$4:\$1 return on investment in one case, but includes other measures of "returns". (Cleveland and Krashinsky, 2003). In Canada, it has been estimated that for every \$1 spent on ECE for *all* children, not just kids in low-income households, \$2 is returned to the public purse. (Cleveland, 2003)

Clearly, investing in children pays, for them and for us. And the sooner we sow, the sooner we reap. So why don't we do it, now? Some will say now's not the time; but that's what people always say when they don't want to do something. It's not about the money. It's about how the purpose and role of government get defined – a definition that we help shape. Take, for example, our understanding of deficits, and their significance.

The recession is deemed over. The recovery may be just as hard on Canadians, as we enter the age of austerity. Just how hard depends on how governments go about balancing their books.

The Harper government wants to focus on deficit reduction now, but while it talks tough about the need for constraint in spending it's also ratcheting up budgets for outfitting the military with cutting-edge fighter planes; building more courts and prisons for crimes and penalties yet to be defined by a raft of new laws; and creating junk information (whether paying millions more on the replacement for the mandatory census long-form or advertising all-things-Conservative).

Still, the Harper team means business when they talk about tackling the deficit and lowering the debt. Their focus on debt reduction is part of their political DNA. The global economic crisis was an unwelcome hiccup in a clear path the Harper team had set out from the beginning, and will return to as quickly as possible. In Budget 2008, the stated goal was to **ELIMINATE** the Debt.

Since coming into office, the Government has already reduced the federal debt by \$27.4 billion. With planned debt reduction over the budget-planning period of \$13.8 billion, and planned debt reduction of

*\$3 billion per year for 2010–11 to 2012–13, total debt reduction by the Government will be more than \$50 billion.*

*This will allow the Government to meet its commitment to reduce the debt-to-GDP ratio to 25 per cent by 2011–12, three years ahead of the original target date. It also furthers the objective, as a country, to eliminate total government net debt by 2021 (p.65) ....*

*Canada is on track to eliminate its total government net debt by 2021. By doing so, it will be able to count itself among the few OECD countries that are in a net asset position. (p.219)*

According to the OECD (<http://www.oecd.org/dataoecd/5/51/2483816.xls> Annex Table 33: General government net financial liabilities per cent of nominal GDP) the following nations had no government debt when Budget 2008 was written: Australia (no longer the case) Czech Republic (no longer), Denmark, Finland, Korea, Luxembourg, New Zealand (no longer) Norway, and Sweden.

Last Friday, a small group had a chance to discuss the Harper government's plans for balancing the books, plans that have been public for some time. Stockwell Day, Minister of the Treasury Board, wrapped up his opening remarks at a breakfast meeting in a downtown law firm saying: "That's the track we are on. It's aggressive, but it's part of the reason we are getting such great reviews from..." and he rattled off comments from the IMF, the OECD, the Economist Intelligence Unit and an international investment house. He kept coming back to the importance of messaging, and the three messages he conveyed were totally consistent with getting "back on track", to focus on debt reduction as the role of government, all the while accelerating tax cuts and a new strong-man focus on crime and punishment:

1. ***The stimulus worked, it's time to turn off the taps.*** This was portrayed as easy, since infrastructure spending and EI changes were structured from the outset as temporary and time-limited; public servants are approaching retirement age and won't be replaced; the annual exercise in finding savings, instituted by Liberal Finance Minister Paul Martin in 1995, will achieve cuts of 5% a year. Tax cuts were also included in this list, characterized as "paying for themselves" due to their ability to attract more investment and consequently economic growth.
2. ***Canada is punching above its weight.*** Our relatively low debt/GDP, relatively stable banking sector, and relatively strong recovery gives Canada bragging rights on the international stage. Every nation wants what Canada has. Harper used the example of Canada's "success" to convey that we knew how to handle a crisis, we knew what we were doing, and in June used the opportunity of hosting the G8/G20 meetings to push the international community towards an "agreement", if not consensus, on post-recession fiscal policy: it's time to focus on deficit and debt reduction. (Note the Harper government had little to do with these hallmarks of the Canadian advantage: The falling debt/GDP ratio trajectory started with brutal program cuts in the mid 1990s and unexpectedly rapid growth of exported commodity prices after that; the regulatory context of banking was not Conservative policy (indeed they agreed to zero-down, 40-year terms of mortgage lending for Canada, in 2006, when AIG and Genworth came knocking on the door); and the Bank of Canada operates largely independently of the Government of Canada, and certainly acted, in concert with other central banks, months ahead of the Harper team. In fact, the Harper government was professing the crisis would not cause a budgetary deficit right up to the end of 2008.)
3. ***We can't afford to coast.*** The level of international competition was characterized with an intensity that verged on a siege mentality. We need to do more with less or lose ground. The productivity gains and innovations of China, Singapore are no longer being brought about by people "over there somewhere, on bikes". The Chinese are in our towns and villages, outbidding us on construction contracts right here in Canada, outflanking our universities in scale and innovation, showing us what it means to work hard. Then he asked "what should we be bracing for?" Stockwell Day and other members of the Harper team have used the "can't afford to coast" message box in other ways too: threats to Canadian sovereignty in the North; our reputation and strength in NATO and other international calls for military might; and crime control.

Recession, what recession? When it comes to the economy, the Harper team's focus is mostly on trade and the international stage.

Our focus is on the people and story inside Canada. What's happening to jobs? Household debt? The ability to own a house or get an education? To save and build a future?

We're talking at different levels. But there are intersections between these ways of looking at things.

Governments at all levels are focused on balancing their books. That resonates with Canadians, many of whom are also trying to make ends meet. They're looking at what costs they can cut today, worried about costs spiraling out of control tomorrow, and doubtful that they can count on future improvements for themselves and their families.

In this context of widespread constraint, your group is asking for more; more public spending with a goal of universal, affordable, high-quality non-profit child care. I don't need to tell you, that's a tough sell. But no matter what you are selling, or who sells it, Stockwell Day is right: a clear, consistent message is key. **Here are three messages to and about government that might advance your cause in the current context.**

- 1. Don't waste my money**— Spend money in a way that saves me money today and down the road. Sometimes a cheap deal today costs me money later on. Cost-efficiency has to include the long view. It's the reverse of a buy-now, pay-later mentality. Not wasting money doesn't mean you don't spend money. A recent ad put it well: It's not just how much it costs; it's how much it saves. Governments spend money in all sorts of ways. Investors look at yield curves – if I put a dollar here now, what do I get over the years? Investing in the things that provide long-term pay-back makes sense for taxpayers too: focus on the prevention of problems, the building of resilience, and your costs down the road are smaller, the returns higher. Spending on high-quality ECE is a perfect example of such investments.
- 2. Help the Next Middle Class:** Governments are concerned about their debts. Canadians are too. Household debt is at record levels in Canada. In fact, Canada has the worst household debt rates in 20 OECD nations, worse than the US. It isn't just because of over-consumption, though there is an element of that. Prices are still climbing for the two major things we invest in over the course of lives – houses and post-secondary education. Meanwhile incomes and benefits are flat-lined or falling. Everybody is feeling the squeeze, most of all young families. Affordability is top of mind for most people. So it was jarring when, smack dab in the middle of a recession, the federal government started the brand new Tax Free Savings Account, the TFSA, in January 2009. The people most likely to take advantage of this new tax shelter are over 55 because -- surprise -- most younger families are having trouble saving. They're dealing with massive student debts and mortgages, and having kids now means child care, a necessary and large expense. Canada's latest generation of parents is better educated and working longer than previous generations, but for the vast majority of households it now takes the paid work of two people to get and stay in the middle. So who's taking care of the kids? New tax shelters for saving are a nice, but they come with a cost: less money in the public purse. The foregone revenues from the TFSA are estimated to exceed \$3 billion annually in the coming years.

Capping that one program would go a long way to answer the need for affordable, high quality ECE programs. Adding insult to injury, the people who most benefit from the TFSA also benefited from an earlier era of more generous governments and bosses. When they were 20-and 30-somethings, these citizens enjoyed governments that made sure post-secondary education was affordable and accessible; and the job market had more permanent job opportunities for people starting out, with better wages and benefits, making it more economically feasible to get by on one income. So how come there is money in these hard times to make savings more affordable for those who got a better deal as they grew up and raised their families, but no money to help out the next generation? The opportunity cost of these taxpayer-assisted savings plans for already affluent households is far too high.

- 3. What We Do Today Will Shape Tomorrow** - We're going to need all hands on deck in the coming years. Whether struggling with the needs of an aging population, or finding replacements for all the workers who will be retiring in the coming years, the children of today face huge expectations to turn in star performances as tomorrow's adults. Canadian society will depend on their strengths and ingenuity. Make sure they all get a solid start today, and reap the reward of expanded potential tomorrow. The reverse is true as well: neglect to invest today, and the discount factor will come back multiplied, as research shows. Stubbornly high child poverty rates are one such discount factor. We can ill afford to write off the futures of one in ten children. But rich or poor, we know that children who don't find their footing in basic learning skills before they get to school are less likely to finish school. As adults they are more often unemployed and usually employed at lower wage rates. They put more of a drain on public resources in terms of health care, unemployment insurance, counseling services, police, prisons and the justice system. They earn less and contribute fewer taxes. It's foolish to spend a fortune in 20 years for problems that could have been avoided altogether with a small expenditure today. Why put unnecessary pressure on the public purse right when we'll be coping with the biggest cohort of over 65s in our history? As our grandmas told us, an ounce of prevention is worth a pound of cure. It was true back in the day. It still is.

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