

CHILD CARE SERVICES
Economic Stimulus with Long Term Benefits for Canada
Pre-2009 Federal Budget Consultation Brief
December 2008

As the federal government seeks input regarding its 2009 budget, the Child Care Advocacy Association of Canada (CCAAC)¹ again points out **the short- and long-term economic benefits of child care services. In addition to providing immediate economic stimulus, public investments in child care services also leave a social capital legacy that will support families, the labour force and the Canadian economy well into the future.**

It will come as little surprise to Canadians that the Department of Finance is basing the 2009 budget consultation around the current downturn, asking for innovative ideas that can "form the plan for economic recovery." Although the benefits of child care services extend beyond the economic realm and child care is not a 'new' idea, we identify below why public investment in child care services meets all four of the central criteria the government has required for budget items to be considered as part of an 'effective fiscal stimulus plan.' But we also remind the government that the benefits of quality accessible child care are much greater than the immediate stimulative effect, and the arguments presented here are consistent with those we have offered in previous consultations.

With regards to the current consultation guidelines, a significant federal commitment to develop a pan-Canadian child care system is:

- **Timely** – Beyond the stimulus to communities that can immediately be provided via employment in child care facilities, child care is timely in this context because of the support it provides to parents across the labour force. Many families are now facing tenuous employment, layoffs, difficult transitions to new jobs and associated challenges with their financial resources. Accessible and affordable child care services are critical for parents to maintain their labour force attachment and/or obtain necessary skill development to deal with employment transition.
- **Maximum impact** – The early learning and child care sector is labour intensive and involves very local expenditures, so spending in this sector has a high *multiplier effect*. Canadian research calculates that every dollar of child care spending produces a ripple effect of \$1.58 in the local economy and many US

¹ The CCAAC promotes quality, inclusive, publicly funded, non-profit child care services accessible to all. The association's membership has a direct connection to more than four million Canadians, including parents, caregivers, researchers and students as well as women's, anti-poverty, labour, social justice, disability and rural organizations.

studies have produced similar figures.² Additionally, this local spending is but one of the economic impacts of child care services, which also include labour force benefits to parents and developmental benefits to children when we ensure that they access high quality child care.

- **Flexible in size and duration** – Despite this stated criterion, the CCAAC worries that what the federal government has in mind is actually quite inflexible and limited to ‘quick’ solutions that do not involve any sustained commitment or responsibility. Building a pan-Canadian child care system requires ongoing funding and attention yet, in coordination with provinces and territories, can be implemented quite flexibly, responding to the particular needs of individual communities at different points in time. Though the government warns of policies that will “burden Canada with a structural deficit that hampers growth in the years ahead”, child care services offer quite the opposite – the opportunity for multiple social and economic returns for years to come.
- **Consistent with Canada’s long-term economic goals** – In 2006, the CCAAC responded to an opportunity to comment on the government’s economic development strategy, *Advantage Canada*. The stated goals in that document included improving innovation and productivity, ensuring that “as many Canadians as possible have the opportunity to participate in the workforce,” and providing “fairness and equity toward future generations of Canadians.” Though these *goals* are consistent with the views of most Canadians, our submission took issue with the government’s *plan to achieve them* through debt reduction and tax cuts.

This leads us to the consistent message that the CCAAC has shared with the federal government in its various budget consultation opportunities³. Direct public investment in a child care system is a direct investment in equity and prosperity, whereas strict reliance on tax incentives and market-based approaches has not worked wherever they have been tried. Whether public investments in child care are made in good times or bad, they provide both an immediate stimulus as well as ongoing returns to the families and children who are able to access affordable, high quality care.

This is quite a different legacy than what we can expect with the *Advantage Canada* approach which, in the early learning and child care sphere, has meant an overarching reliance on taxable allowances paid to families through the Universal Child Care Benefit (UCCB) with no leadership in ensuring that services are actually available for families. Outside of Quebec, most provinces have failed to pick up the leadership slack on child care services, so Canada’s responsibility to its children, its families and its international treaties on children’s and women’s rights remain unfulfilled. Furthermore, the federal government’s ‘hands off’ approach ignores the negative experiences from other jurisdictions that have similarly relied on public payments to parents to deliver early learning and care outcomes. As a result, most other OECD countries have rejected this model.

The legacy of Canada’s continued reliance on a market-based approach is reflected in international comparisons of early learning and care which consistently give Canada a shameful review. Most recently, UNICEF ranked Canada last out of 25 developed

² See Childcare Coalition of Manitoba (2007) *Rural Childcare: Childcare as Economic and Social Development in Parkland*. http://childcaremanitoba.org/images/stories/docs/cccmpublications/parkland_report.pdf

³ For example, see the 2007 and 2008 pre-budget consultation submissions at <http://www.ccaac.ca/resources/coredocs.php>

countries in terms of meeting suggested standards of early learning and care; the same position Canada occupied in the OECD's *Starting Strong* reports.⁴

In the current economic environment, the importance and timeliness of infrastructure investments has been widely advanced and acknowledged by the federal government and many others. But infrastructure is more than roads and bridges. The CCAAC urges the government, first, to heed the warning of international reports on early learning and care and acknowledge that a problem exists. Second, the government must recognize that early learning and care are critical parts of our national infrastructure – investments in social and physical capital - that provide a short-term stimulus and leave a medium- and long-term legacy we can be proud of.

As recently outlined by the CRRU,⁵ a high quality and accessible early childhood education and care system:

- **Makes us more competitive** - investing in the early years is first and foremost about investing in our children's physical, social, emotional and intellectual well-being, ensuring that Canada is competitive with other modern economies now and in the future.
- **Yields high economic and social returns** - Depending upon how and where the research is done, studies show returns from \$2 to \$17 for every dollar spent. These returns are derived from improved school performance, reduced need for remediation in the school years, reduction of anti-social behaviour -- all resulting in later adult productivity -- and mothers' labour force participation.
- **Helps keep families out of poverty** - With access to good child care, female lone parents -- most of whom are unable to pay child care user fees -- are better able to seek further education, train for work, get decent jobs and accept promotions. Two parent families also have a chance to improve economic stability and income particularly in times of insecure employment and stagnating wages.
- **Supports women's workforce participation, education and training** - Child care is a key support for women already in the workforce and for those who want to enter it. Since Quebec's child care reform began, twice the number of married women entered the workforce than did so in the rest of Canada, providing Quebec with a substantial return in income and payroll taxes.
- **Builds strong local economies** - Since the early learning and child care sector is labour intensive and since early childhood educators usually live, work and buy in their communities, the majority of child care dollars are spent locally.
- **Combats an aging society and diminishing labour force** - As in most industrialized countries, Canadian birth rates are falling and the workforce is aging. Child care is key to a long-term strategy that will address future labour shortages and the resulting threat to social programs reliant on a large tax base, such as universal health care.

⁴ See Adamson, Peter (2008). *The child care transition: A league table of early childhood education and care in economically advanced countries*. UNICEF Innocenti Research Centre, Report Card 8. http://www.unicef-irc.org/publications/pdf/rc8_eng.pdf and Friendly, Martha (2006). *Early learning and child care: How does Canada measure up?* Childcare Resource & Research Unit Briefing Note. http://www.childcarecanada.org/pubs/pdf/BN_EarlyLearning06.pdf

⁵ Childcare Resource and Research Unit (2008). *Why Canada can't work without good child care: How early childhood education and care supports the economy*. http://www.childcarecanada.org/pubs/pdf/BN_ecec_and_economy.pdf

2009 Budget Recommendation

For a budget that must both “form the [immediate] basis for economic recovery” and ensure long term prosperity and equity, the CCAAC recommends that **the 2009 Federal budget commit significant new federal transfer payments to provinces and territories specifically to improve access to quality, affordable child care services. The 2009 budget should provide up to \$2.2 billion to provinces and territories for child care capital expansion and operating support that meets specific eligibility criteria⁶.** The terms of the 2003 Multilateral Framework on Early Learning and Care⁷ will continue to apply to these transfer payments, as well as two additional requirements:

1. **Commitment to direct operating funding** of services, with accountability requirements for access (by expanding the number of quality, inclusive spaces), affordability (by reducing fees) and quality indicators (primarily through professional development and compensation).
2. **Commitment to public ownership and non-profit operation** of facilities and equipment purchased and upgraded with transfer funds. This is to ensure democratic control of publicly funded assets, and to protect Canadians from having public funds fuel the corporatization of child care as countries like Australia have experienced.

In order to realize the full social and economic returns of this federal investment in child care services, provinces and territories must be held accountable for meeting these goals, and must develop a child care plan with targets, timelines and transparent reporting.

Some will say that Canada cannot afford to invest in child care in these uncertain economic times. Nothing could be further from the truth. Child care services are an essential part of every community's economic and social infrastructure - an economic stimulus with long-term benefits for Canada.

⁶ In recognition of Quebec's existing child care system, federal transfers to Quebec are unconditional.

⁷ http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/dep-min/hrdc-rhdsc/elcc-agje/description_e.asp