

Make Early Childhood Education a High Priority

Investment in ECE pays dividends to children, parents and economy: TD Economics

- High quality early childhood education (ECE) has widespread and long-lasting effects – not only for children, but for parents and the economy as a whole
- Increased investment in ECE should be a priority once government fiscal books are back in order
- Canada ranks last among comparable OECD countries on early learning spending
- Parents, on average (except in Quebec), cover 50% of program costs – 4th highest among select OECD countries
- For every \$1 invested, analysis shows the return ranges from roughly \$1.5 to almost \$3, with the benefit ratio for disadvantaged children being in the double digits.

TORONTO – Canada should consider placing investment in early learning as a high priority once government fiscal books are back in order. While steps have been taken to improve the early childhood education system across the country, TD Economics reports that it is clear that there is demand for more investment and reform. Unfortunately, with governments at all levels currently in deficit reduction mode, increasing spending on large-scale new programs is not on the immediate horizon.

Early childhood education has widespread benefits – for individuals, family and the economy as whole

There is a great deal of evidence showing overwhelming benefits of high-quality, early childhood education. For parents, access to quality and affordable programming can help to foster greater labour force participation. But more importantly, for children, greater essential skills development makes it more likely that children will complete high school, go on to post-secondary education and succeed at that education. This raises employment prospects and reduces duration of unemployment if it occurs.

“A more skilled workforce also creates a more innovative and productive economy,” said Craig Alexander, Senior Vice President and Chief Economist, TD Bank Group. “Furthermore, it can address future pressing issues, like skills shortages, reduce social ills, like poverty and help to address income inequality. All of which leads to a stronger economy and society.”

While the benefits reach all children, it is widely agreed that children from low-income families receive greater benefit from early childhood education, particularly with respect to social outcomes and future economic well-being. In addition, early learning programs can help to identify learning or developmental delays at an early stage, and provide children and parents with appropriate support.

Several studies show that the benefits of early learning far outweigh the costs. The analysis shows that for every dollar invested, the return ranges from roughly \$1.5 to almost \$3 dollars, with the benefit ratio for disadvantaged children being in the double digits. While these estimates should be interpreted with caution, since benefits are difficult to quantify precisely, the unquestionable number of positive effects suggest that more focus should be put on improving the early learning system.

Closing the gap

Governments in Canada acknowledge the benefits and do invest large sums in children. Education and child care both fall under the constitutional mandate of provincial and territorial governments,

which invested \$7.5 billion in 2011. The Federal government also contributed \$1.2 billion of funding to the sector, plus roughly \$2.5 billion through the Universal Child Care Benefit. And, there has been a general trend towards increased investment in recent years.

However, it is worth noting that funding for child care and/or early learning programs is uneven across the country. An average of 1.53% of total provincial/territorial budgets are allocated to early childhood education, which range from a low of 0.59% in Nunavut to a high of 4.67% in Quebec. It should be stressed, however, that any evaluation of provincial/territorial programs must reflect factors beyond the allocation of resources, such as local demand and issues of effectiveness and efficiency. Quebec has the most comprehensive program, as it universally provides \$7 per day child care for children aged 0-12 (including before and after school care). Elsewhere in Canada, Ontario, B.C. and P.E.I. have added full-day kindergarten, while Newfoundland and Labrador, Manitoba and Saskatchewan are considering doing so. And some jurisdictions have expanded access for at-risk 3- and 4-year-olds as well.

Despite the increased investment, early childhood education in Canada is provided in a piecemeal fashion. In most parts of the country, there exists a gap between the end of parental leave and formal schooling, providing a challenge for many parents who wish to work, or have to work, to find care for their children. In addition, where available, the cost for parents is often prohibitively high, which could make it especially difficult for low income Canadians; and the quality of available early child care also varies across communities.

Investing in our future

While the federal and provincial governments do provide some funding, public spending in Canada falls short of many of its peers. At 0.25% of GDP, Canada ranks last among comparable European and Anglo-speaking countries. Meanwhile, parents, on average (except in Quebec), cover 50% of program costs – the fourth highest rate among select OECD countries. By these indicators, it could be argued that Canada has been under-investing in early childhood education and suggests that more fiscal dollars should be earmarked for early learning.

“The learning that occurs during the first few years of life can have important, long-lasting effects that are often underestimated. So while steps have been taken to improve the early childhood education system across the country, it is clear that there is demand and need for much more,” said Mr. Alexander. “While governments are in no position to currently take on new spending programs, over the medium term, they might consider focusing more attention on improving the early childhood education system.”

-30-

Media inquiries, please contact:

Craig Alexander
Senior Vice President & Chief Economist
TD Bank Group
Craig.Alexander@td.com
416-982-8064

Dina Ignjatovic
Economist
TD Bank Group
Dina.Ignjatovic@td.com
416-982-2555