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Old Dollars, New Sense: Recent Evidence and Arguments about Child Care Spending

Across North America, new economic arguments are being made about the value of child care spending — new arguments that mark a near complete reversal of common-sense. The new claims position child care spending as a productive investment instead of an economic drain on the public purse — one that will more than pay for itself in the future. In this new framework, child care is good for business rather than the other way around.

The new evidence and logic has reversed conventional economic logic; naturally, it has also had a profound impact on child care advocacy and social movement organizing. One outcome is that child care talk is changing, even though child care policy and services still lag far behind.

In Canada, child care is one of the most stunted social services. There is a raft of complex reasons for this, but one powerful factor is that child care has long been tied to welfare — with the stigmatizing perception that dollars directed to welfare disappear into a black hole. Political disdain for welfare spending is expressed in the beliefs that what is needed is a "hand up" not a hand-out; that we must "end welfare as we know it," and that recipients of welfare must be made to "work" for their cheques. In this climate, finding positive returns from child care spending is an astonishing and long overdue paradigm shift.

Cost-Benefit studies

The U.S. was first to quantify positive economic returns from child care. Beginning in the 1960s, programs such as the Perry Preschool Project began tracking the developmental outcomes of high-risk (usually African-American) children who had participated in ECEC programs. Results beginning in the 1970s found that every $1 invested in the Perry Preschool Project returned about $7 of social benefits (Schweinhart, Barnes, & Weikart, 1993). Follow-up research has tracked the small group of children to find $17 of benefits for every $1 of daycare spending (Schweinhart, 2005).

Similarly, the North Carolina Abecedarian Study found over $3 of returns for every $1 of cost, while the Chicago-Parent Child Study discovered over $7 per original $1 (Galinsky, 2006; Masse & Barnett, 2002). Beyond these three landmark projects, analysts have found numerous other studies concluding that there are positive outcomes resulting from children's attendance in child care programs (Barnett & Ackerman, 2006). The Washington State Institute for Public Policy summarized a wide body of literature, concluding firmly that there are "very attractive" returns for every dollar invested (Aos, Lieb, Mayfield, Miller, & Pennucci, 2004).

In the U.S., much of the research focus is on children's improved development. Cost-benefit studies frequently examine health, education, and criminal justice outcomes of children in their economic modeling (Fight Crime: Invest in Kids, 2003; Karoly, Kilburn, & Cannon, 2005; Lynch, 2004, 2007). Nobel-prize winning economist James Heckman has explained why society should invest in disadvantaged young children. "The traditional argument for doing so" he says, "is made on the grounds of fairness and social justice. It is an argument founded on equity considerations." Yet,

> there is another argument that can be made. It is based on economic efficiency. It is more powerful than the equity argument, in part because the gains from such investment can be quantified and they are large. There are many reasons why investing in disadvantaged young children has a high economic return (Heckman, 2006, p. 1).

It is not just children who stand to gain; their parents — especially their mothers — also see benefits from child care. As a distinct addition to child-centred studies, Canadian researchers Gordon Cleveland and Michael Krashinsky included parental effects in determining the economic returns of child care, alongside gains to children. They find a 2:1 return on child care spending, based on anticipated returns to children's development as well as from positive changes in maternal employment (Cleveland & Krashinsky, 1998).

Input-Output multiplier studies

Beginning in the mid-1990s, another economic model began to be applied to child care. Instead of long-term cost-benefit studies that followed years of developmental trajectories, the technique of input-output (IO) analysis was applied. Lay readers know these as "multiplier" studies, which track the "ripple" effects of dollars as they circulate in a given industry or community. The first IO child care study was done in upper New York state, and it introduced a new set of arguments, namely the positive local regional effects of the child care sector (Cornell University, nd).

In the United States, at least 70 economic studies of child care have been completed at the state or regional level since 2000 (Liu, Ribeiro, & Warner, 2004; Warner & Liu, 2005), highlighting the role of child care as an economic sector in its own right, as well as a sector with strong associated linkages. One overview has determined that the child care sector has linkages that are equally strong or greater than retail and tourism and other social infrastructure sectors such as hospitals, job training, elementary and secondary schools and colleges and universities (Warner, Anderson, & Haddow, 2007; Warner & Liu, 2006).

Québec's "natural experiment" in developing a universal child care system has also provided encouraging economic results (Baker, Gruber, & Milligan, 2005, 2006). Over a decade ago, the Québec government began to build a universal child care system, offering regulated child care at \$5/day, later raised to \$7/day. The conservative CD Howe Institute calculates that the child care policy (together with the transformation of public kindergarten) had a large and statistically significant impact on the labour supply of Québec's mothers with preschool children, as well as on their earnings. The proportion of working mothers in two-parent families increased in Québec by about 21%, more than double the increase in the rest of Canada. The CD Howe institute also discovered that 40% of the cost of the provincial child care system was covered by the new tax revenue (from increased labor force participation).

In Manitoba, the Child Care Coalition recently conducted a trio of IO studies of the economic and social impact of child care. The Coalition found that every $1 of child care generated $1.58 of local economic activity — higher than many U.S. results, possibly because the province's regulations are, on the whole, better, producing services with more and more highly trained staff (with marginally better pay). The Coalition found that child care was an effective job-creator, with an impressive employment multiplier: every 2.0 full-time child care jobs create 1.0 new positions, in addition to supporting parents in employment or training.

IO studies of child care produce dramatic results about local regional economies. For example, in the northern town of Thompson, Manitoba the small regulated child care sector is comprised of just seven child care centres and eight licensed family homes, with a collective capacity of 337 spaces (Prentice, 2007b). This small stock of services employs 69 full and part time staff, and creates the equivalent of 31 additional jobs. The industry raises $2.1 million of direct revenue (from parent fees and government grants), with a value worth over $3.4 million to the local economy. The parents who use child care full-time collectively earn about $19 million/year in salaries. Evidence like this has spurred city officials to take the child care crisis more seriously, and lent new energy to advocacy efforts to establish more and better child care for the town.

Economic evidence about Thompson and other parts of Manitoba has been taken up by the provincial government. The 2008 "Family Choices" five-year plan includes assertions about the economic value of child care — including the observation that every $1 invested in child care generates $1.58 worth of local economic activity (Government of Manitoba, 2008). Recent media coverage has highlighted this angle, with headlines like "Child care programs benefit local economies" (Stevenson, 2008), "Child care pays good dividends" (Rance, 2007) and "Child care impacts region's growth" (Stelmach, 2008).

Weighing the business case for child care

There are many good reasons to approve of making the "business case" for child care, because it is a strategy that creates a broad alliance of child care promoters, including business leaders. These are powerful players in decision-making, and their support is consequential, opening up new political opportunities (Prentice, 2007a). When social policy spending is characterized as an investment it has the effect of reorienting decision-makers away from a narrow focus on immediate costs and towards a longer-range perspective on social return (Hay, 2006). Such evidence may persuade politicians to spend. This is one of the chief benefits of the business case for child care: it allows governments to vigorously defend child care spending using economic arguments — pointing out that spending is actually prudent, since it will more than pay for itself in the future. Economic arguments and evidence thus reposition child care expenditures and legitimates the budget lines devoted to ECEC.

For all the current and potential gains associated with new economic logic, there are also some risks. Perhaps the most immediate danger is that business arguments will be used to enhance market relations, rather than diminish them.

In an era of "evidence-based" policy, the business case (through short-term IO and longer-term cost-benefit variants) allows child care to be at the decision-making table. This is an important shift for care, which has often been relegated to the home or the market. As child care is repositioned as economic development, new promoters again come forward. It was on the basis of economic arguments that the Association of Manitoba Municipalities passed its first-ever declaration that child care services were part of rural infrastructure in 2007 (AMM, 2007; Prentice, 2008).

For all the current and potential gains associated with new economic logic, there are also some risks. Perhaps the most immediate danger is that business arguments will be used to enhance market relations, rather than diminish them. Talk about "return on investment" may lead pro-privatization governments to develop corporate, rather than public or not-for-profit services. Given the many documented troubles with commercial child care, this potential risk cannot be under-estimated (Brennan, 2006; Prentice, 2005).

It is equally troubling that the redistribution of social care needs to be justified in economic terms, rather than be satisfied by appeals to social justice, inclusion or equity. The displacement of gender as a central issue in child care talk is a potential high-stakes gamble for women (Prentice, 2009).

But in a climate of economic restructuring, and the many unknowns introduced by the recent economic downturn, advocacy organizations will likely continue to work with the business case. Like the Child Care Advocacy Forum of BC, who told the federal Standing Committee on Finance that child care is the "best investment" (Child Care Advocacy Forum of BC, 2008) and like the New Brunswick Advisory Council on the Status of Women who held a conference on the "economics of child care" (New Brunswick Advisory Council on the Status of Women, 2005), social movements will be aiming to work strategically with child care evidence and arguments. Whether or not they will be successful, however, remains to be seen.

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