To the Productivity Commission Inquiry About Child Care in Australia

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1. I have attached a recent chapter that I wrote for a book on child care in Canada[1]. It reviews literature on the costs and benefits of child care/preschool/early childhood education that is a topic on which you have asked for comments/additional evidence. The general conclusions, fairly similar to your own apparently, is that good quality early education can have important positive effects on children's development but that the strength and nature of effects depends on family background, the age of the child, the quality of the teaching/learning/play experience and other factors. There is also evidence of some negative effects under particular circumstances.

2. This chapter also reviews evidence about the effects of child care on the labour force participation and hours of work of mothers of young children. Policy reforms in Quebec (Canada) over the last 20 years have had a particularly strong positive labour force impact, partly because of the transparency of the costs to parents ($5 per day), partly because of the embedding of the child care reforms within the context of other supports to child rearing, and partly because of the inflexibility of the hours of care available (full-time, full-week care).

3. I would offer several other observations on policy choices, most supported by materials in this chapter. My general conclusion is that policy matters a great deal. "In general, the costs and benefits of investment in ECEC are highly dependent on the details of policy reforms (especially the quality of services supported), the institutional details of service delivery, and the behavioural incentives provided by those reforms." (ibid., p. 80).

4. Family-based child care (i.e., care in the home of a non-relative) is an alluring alternative for policy-makers because it is assumed to involve lower public/parental costs and greater flexibility in the hours of care

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1 "The Economics of Early Childhood Education and Care in Canada." Chapter 3, pages 80-108 in Nina Howe and Larry Prochner, eds. (2012) *Recent Perspectives on Early Childhood Education and Care in Canada* Toronto: University of Toronto Press.

provided. Generally, there is greater flexibility, but usually the quality of care provided is much lower than that provided in centres. Caregivers have only a small number of hours of formal training and monitoring/mentoring schemes are generally perfunctory. The low compensation of caregivers is what produces lower costs, but quality may be correspondingly low. It is widely acknowledged that Quebec's excessive dependence on family-based child care to build its expanding system of services was a mistake with negative consequences for average quality.

5. Quality of services is of primary importance for the effects on children, but it is also a major driver of costs. Systems that focus primarily on rapid expansion of access tend to downgrade quality. In these circumstances, costs may rise substantially without improvements in quality. When this is true, it is difficult to put the genie back in the bottle and difficult to enhance quality at a reasonable public cost.

6. There are likely to be expensive and inexpensive ways to improve child care quality. Discussions of quality improvement often centre on increasing staff:child ratios, increasing staff wages, and improving qualifications of staff across the board (e.g., all teaching staff should have a university degree). The extant literature on costs suggests that these will be expensive ways to improve quality. Other measures – increased and improved professional development training, changes in group size, enhanced curriculum/program planning, improvements in physical facilities, improved qualifications and leadership abilities of centre directors, changes in the percentage of centres that are not-for-profit – are likely to be much less resource-intensive ways to increase quality. Unfortunately, much of the early childhood literature on quality ignores the issue of costs. Discussion should focus on determining the degree to which alternative quality improvement measures are cost-effective.

7. However child care is delivered, policy should treat ECEC as a public service. Intense debates over for-profit vs. not-for-profit vs. public delivery of services sometimes miss the central point, which is that ECEC is already, in essence, a public service, which may or may not be delivered by private providers. It is not a market commodity, traded in a normal market situation. In a large and increasing number of jurisdictions (including Australia, the Netherlands, the United Kingdom, Quebec, and most of the EU countries), governments pay 60 per cent to 100 per cent of the costs of providing early childhood education and care because of the substantial public benefits believed to come from ECEC. In this circumstance, normal market mechanisms do not work (in particular,

normal market mechanisms do not restrain increases in costs); government policies are therefore responsible for ensuring desired outcomes even if a substantial component of services is delivered by for-profit or not-for-profit providers, rather than by the public sector.

8. It is important to ensure that good quality services reach children who are more economically and socially disadvantaged, who are more likely to be vulnerable, or to have less than adequate parenting, or other sources of stimulation. These children have a high ratio of benefits to costs, and public support for public financing depends on the system's success in equalizing opportunities. Disadvantaged children (in fact, many children have different degrees of disadvantage or vulnerability) can be accommodated and receive appropriately special treatment within the context of a universal program of services. The alternative of highly targeted services has very substantial problems (Doherty, 2007). However, there needs to be more planning for how ECEC services will foster the development of vulnerable children within the context of universally accessible programs. One issue is access to universal services. In a situation where there is likely to be an inadequate supply of services, low-income families tend to be slower off the mark in ensuring access, and when they do find spaces, their children are often in lower-quality centres. As a result, disadvantaged children may not gain the substantial developmental benefits that ECEC can provide. Cash-for-care schemes that pay parents to use parental or other care rather than subsidized ECEC services are most attractive to mothers in low-income families. However, this discourages labour-force attachment and may not be developmentally-optimal for these children.

9. Maternity and parental leave are essential complements to child care/preschool/early childhood education. The cost of non-parental child care for infant children when done well is very expensive, and parental care in the early months is preferable on cost and child development grounds. When parental leave is paid and excessively long (2 to 3 years), it has strong negative effects on women's labour force participation and encourages employers to discriminate against women of child-bearing-age in hiring and compensation. When parental leave is paid and shorter (6 months to 15 months), and there is job protection for parents taking time off, this encourages labour-force attachment and discrimination is less. Encouraging fathers to take significant amounts of leave with children when they are young is likely to be beneficial for children, for fathers' relationships with children and for reduced discrimination against mothers. Many countries now have use-it-or-lose-it daddy-weeks of parental leave (reserved for the parent who is not the main leave-taker).

Sweden has innovated with allowing parents to negotiate reduced work-time in the first years of the child's life as part of parental leave (e.g., reducing work from 8 hours per day to 6 hours per day, with parental benefit compensating partially for lost income). Since this encourages shorter hours of non-parental care when children are very young, it is likely to be positive for children's development.

10. The book chapter with supporting evidence and references is attached.