

Preschool funding is an economic and moral necessity

By Dr Zsuzsa Millei

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Budget repair and productivity are the rationales for current Australian financial policies. Framing the budget debate in his speech, Joe Hockey pitched 'budget repair' as a moral and economic necessity. Mr Hockey's logic is right, in repairing the budget preschool funding is an economic and moral necessity for Australia.

The Organisation of Economic Co-operation and Development (OECD) declared in 2001 that Early Care and Education (ECE) is a highly productive avenue to increase women's labour market participation. ECE contributes to an increase in birth rates thus helping along a generation that will look after the aging population. ECE produces proven increases in overall child wellbeing, and in both short and long-term learning and therefore in the productivity of the population. ECE reduces child poverty and educational disadvantage, and later reliance on welfare and health benefits. According to the OECD, ECE is considered a public good that brings manifold economic benefits to a nation. To continue funding ECE is an economic necessity for a productive nation.

Research from Canada proves that ECE makes good economic sense. In 1997, Minister of Education for Quebec, Pauline Marois, launched a universal preschool program as part of a set family-friendly reforms¹. While it was hotly debated at the time, the province started by expanding leave benefits (adding five weeks exclusively for fathers) to encourage parents to stay home in the first year. It also created a full-day kindergarten for five-year-olds and required schools to provide before- and after-school care for 7 dollars per child. In addition to initial reforms, early childhood education and care has been offered to all children aged birth to 4 since from September 2000, mainly through regulated Early Childhood Centers and at the cost of 5 dollars per child, which was increased to 7 dollars since 2004. ECE spaces were promised for every child who needed one, no matter their income or the age of their child and the spots would cost every citizen the same amount. Quebec's model was recently followed by Prince Edward Island – see Quebec's advice to the rest of Canada and us!²

According to independent economic analyses, such as Lefebvre, Merrigan and Roy-Desrosiers (2011)³, the reforms had huge positive economic returns. The employment rate of mothers of birth-to-4-year-olds increased by 12 percentage points following the program. In 2008 alone about 70,000 more Quebec women were at work than without the ECE program. It had increased provincial GDP by \$5.2

¹ <http://www.theglobeandmail.com/life/parenting/the-one-province-that-gets-daycare-right-in-canada-think-7-a-day/article14933862/?page=all>

² <http://www.theglobeandmail.com/life/parenting/pei-and-quebec-offer-lessons-on-improving-child-care-across-canada/article15071996/?page=all>

³ <http://ideas.repec.org/p/lvl/lacir/1101.html>

billion (+1.7%) and ECE was entirely self-financing within the provincial budget besides procuring \$717 million in additional revenue to the federal government. It is also noted by economists that the longer term impacts will be larger due to persistence of higher women's labour force participation. In light of this evidence ECE is an economic necessity for the Australian government.

Joe Hockey is concerned about the GDP increases that Australia needs to make. ECE investment does just that. According to Professor Farholm⁴, a Canadian economist, a dollar invested in ECE has a larger impact on economy than a dollar used to support most of the other major sectors, such as retail, construction, real estate or manufacturing. A dollar invested in ECE in Canada had a larger impact than most government programs and larger short-term impact from taxes via stimulus effects. For example, increased family incomes through woman's participation in the labor force generated more tax revenues and lower government spending on welfare and other costs. Spending on ECE was recouped via higher government revenues for both federal and provincial governments. The long-term benefits in the Canadian context exceed costs by more than 2 to 1.

In the budget speech Mr Hockey claimed that "between 2010 and 2050 the percentage of people of working age supporting those over the age of 65 in Australia will almost halve". To provide for the sector of population that is raising the next generation and at the same time paying for old age pension and care, it is a moral responsibility of government to fund ECE and ensure this process is a positive one. It is also a moral responsibility of the government to provide the best care and education for the generation that will support us in our old age. If there is "a strong economic and moral imperative to change course" the continued funding of ECE is a necessity for ensuring the long-term productivity of our nation.

A Social Justice Conference in the University Art Gallery on the 5th of May 2014 – 4.30-8.30pm explores ways in which we all can engage in political activism to ensure that quality ECE maintains its government funding. See further information here: <http://www.newcastle.edu.au/events/faculty-of-education-and-arts/social-justice-conference>

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⁴ www.usherbrooke.ca/chaire-fiscalite/.../Etude_femmes_ANGLAIS.pdf