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Economic Gains from Early Childhood Education and Care: The Role of Workforce Participation

Elizabeth Dhuey, PhD

University of Toronto, Canada

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Introduction

The benefits of high-quality early childhood education and care (ECEC) for children, such as increased cognitive and social-emotional development, are well-known and documented. However, ECEC also provides economic benefits for caregivers and society by supporting increased labour force participation. In particular, providing high-quality, accessible, and affordable ECEC can help more caregivers enter, continue, or return to the labour force. This chapter focuses on the economic benefits of ECEC from the perspective of caregiver labour force participation.

Subject

Providing increased access to ECEC affects caregivers on an individual, household, and broader societal level. When caregivers have access to high-quality, affordable, and accessible ECEC

services, caregivers can better pursue part- or full-time employment, which can offer the caregiver many benefits such as increased productivity due to skill development, increased human capital, access to job benefits such as healthcare and other employment benefits, improved physical and mental health, and eligibility for benefits from government programs that require workforce participation.

Increased labour market activity can also increase economic independence and bargaining power, leading to more equitable resource distribution within households. In addition, an overall increase in household income can have many positive effects, such as reducing the household's reliance on social welfare programs, allowing households to invest more in children's education, and creating a cycle of increased opportunities for future generations.

Finally, increased labour force participation of caregivers caused by ECEC can also have broader macroeconomic benefits, such as increased overall labour productivity, higher tax revenues, and lower government expenditures on social welfare programs. Therefore, increasing accessible, affordable, and high-quality ECEC can have significant economic implications at both the micro and macro levels.

Problems

Despite its potential benefits, several issues hinder ECEC's ability to support caregiver workforce participation. The cost of ECEC remains a major barrier for many households. High ECEC costs often force caregivers, especially mothers, to reduce their working hours or leave the workforce altogether, reducing household income and limiting women's long-term career opportunities, which often causes a large "motherhood penalty."

Accessibility is another major problem. Caregivers in many regions, particularly rural or underserved urban areas, face limited options for high-quality ECEC. The quality of ECEC can vary widely, and poor-quality care can prompt concerns about child development and well-being, leading caregivers to scale back their work commitments to assume caregiving responsibilities.

Structural barriers exist, such as inflexible working hours that do not align with ECEC hours or a lack of supportive government or workplace policies such as paid caregiver leave. Finally, societal norms can often reinforce traditional gender roles, limiting the extent to which mothers can benefit from ECEC services in terms of labour market attachment.

Research Context

The research on the economic gains from ECEC due to workforce participation presents a complex and nuanced picture. While there is a consensus that ECEC can positively impact maternal employment and contribute to economic growth, the extent of this impact varies significantly across studies and geographical locations.

Key Research Questions

- What is the impact of ECEC on caregiver workforce participation?
- How do varying factors such as accessibility, cost, and quality influence how ECEC affects workforce participation?

Recent Research Results

The research surrounding the effect of ECEC on caregiver workforce participation is varied and can be contradictory. Numerous studies have demonstrated the positive impact of affordable and accessible ECEC on maternal employment. Research in the United States,[1-3], Argentina[4] and Quebec,[5-6] shows that mothers are more likely to enter or remain in the workforce when reliable, affordable ECEC is available.

However, the evidence is not unanimously positive. Studies in the United States[7] and similar findings in France,[8-9] Sweden,[10-11] and Norway,[12-13] suggest minimal or no effect of ECEC availability on maternal labour force participation. The varied results suggest that the benefits of ECEC on maternal workforce participation may depend on factors such as the children's age, quality of ECEC, and the cultural and economic context.

However, the elasticity of labour supply (the percent change in the amount of labour supplied due to a percent change in wages) in response to ECEC prices varies significantly across studies. Estimates of maternal employment elasticity to ECEC price range from 0.025 to 1.1, with most estimates clustering between 0.05 and 0.25.[14] This variation underscores the complexity of ECEC's impact on maternal labour supply, with results influenced by numerous factors, including the age of children, maternal education level, and regional economic conditions. For instance, U.S. studies generally report larger elasticities than more recent or non-U.S. studies, suggesting that historical, cultural, and policy differences play a crucial role in shaping the effects of ECEC on labour force participation.

Research Gaps

Despite the growing body of literature on ECEC and labour force participation, several research gaps remain. One major gap is the long-term impact of ECEC on the participation of caregivers in the workforce and family well-being. While there is considerable evidence on the immediate effects of affordable ECEC, less is known about how these benefits evolve, especially regarding career progression, income trajectories, and overall family well-being. Additionally, research is needed to understand better how informal caregiving arrangements interact with formal ECEC systems, particularly in lower-income and rural areas. Research on the intersection of ECEC, immigration status, and workforce participation remains underdeveloped. Immigrant families may face distinct challenges in accessing affordable, high-quality ECEC, which could affect their labour force outcomes differently than native-born families. Finally, research is needed to determine how different delivery systems (profit versus non-profit; community versus public delivery) impact the economic benefits for families.

Conclusions

Affordable and high-quality ECEC availability can provide significant economic benefits by supporting caregiver workforce participation, particularly among mothers. The evidence shows that accessible ECEC can help caregivers participate in the workforce, pursue further education, or advance their careers while contributing to broader economic growth. This is especially important for single-caregiver and lower-income households, for whom ECEC can provide a crucial support system.

However, the relationship between ECEC and caregiver labour force participation is complex and context-dependent. Factors such as the cost, quality, and accessibility of ECEC, along with broader societal and workplace dynamics, play a significant role in determining whether caregivers can fully engage in the labour market.

Implications for Caregivers, Services, and Policy

The findings discussed in this chapter have important implications for caregivers, ECEC providers, and policymakers. Affordable and reliable ECEC can be a game-changer for caregivers, especially mothers. It allows for greater flexibility in balancing work and family life, fostering professional development and financial independence. However, caregivers must also consider potential trade-offs, such as the effects of work-life stress and the quality of their

children's care.

ECEC providers are crucial in ensuring their services are accessible and high-quality. Providers should focus on expanding capacity, particularly in underserved areas, and offering flexible care options that align with the diverse needs of working caregivers. Additionally, improving the quality of care through staff training and curriculum development can help address concerns about the potential negative impacts of low-quality ECEC on children’s development and caregiver well-being.

The evidence underscores the need for robust public investment in ECEC. Measures that expand access to high-quality ECEC are critical for improving caregiver labour force participation, particularly among mothers.

The economic benefits of ECEC are clear, but realizing its full potential requires a holistic approach that considers the diverse needs of families, the quality of care, and the broader policy environment. By addressing these challenges, society can better harness the potential of ECEC to promote both child development and caregiver workforce participation.

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