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Building The Workforce of the Future: The Case for ECE Investment

Craig Alexander

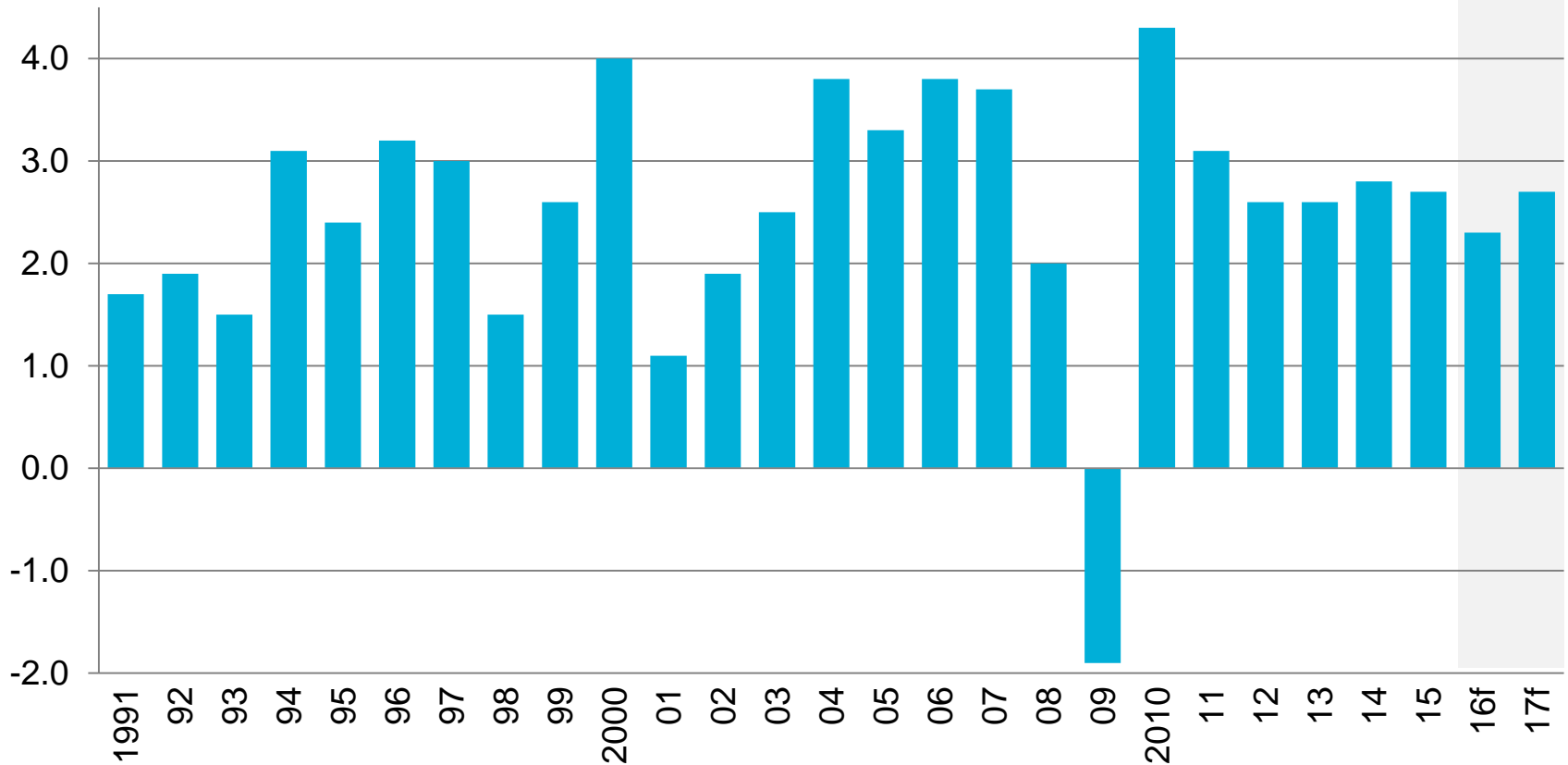
SVP and Chief Economist, The Conference Board of Canada

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Great Debate: Secular Stagnation or Temporary Weakness

World real GDP per cent change.



Source: Consensus Economics

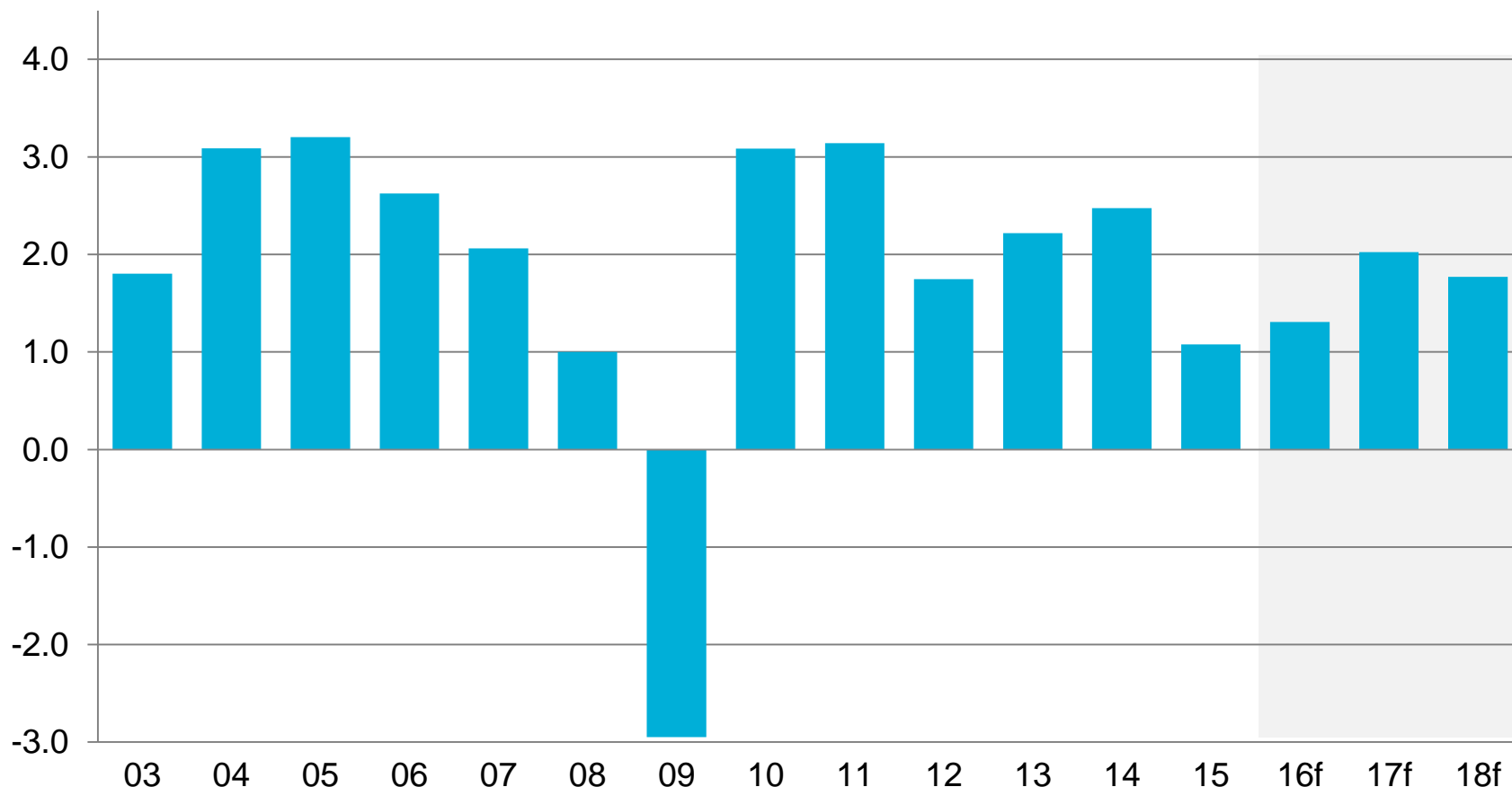


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Canadian Growth Improving But Still Slow

Canada real GDP per cent change



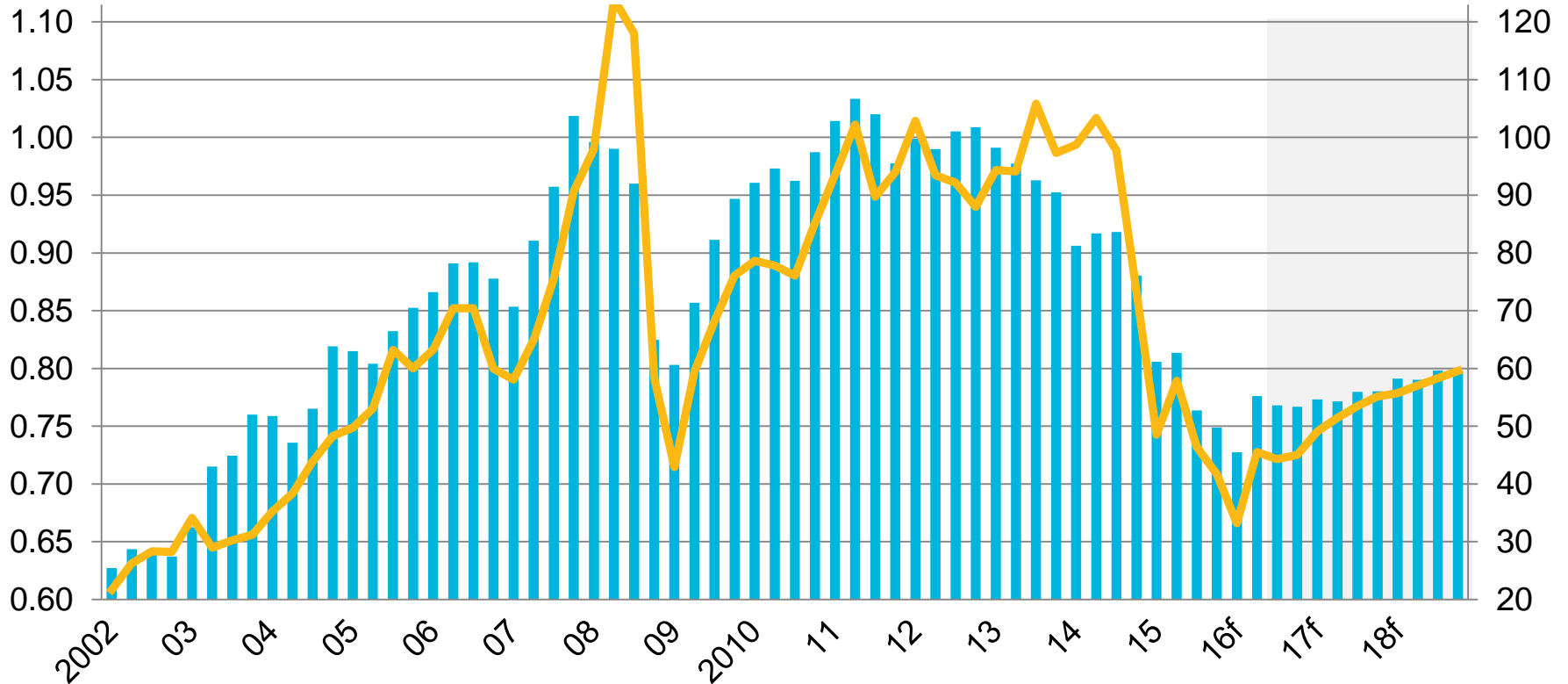
Sources: Statistics Canada; The Conference Board of Canada.



Economy Adjusting to Commodity Prices

(WTI \$US, \$US/\$C)

■ Dollar (left) — Oil Price (right)



Sources: The Conference Board of Canada; U.S. EIA; Statistics Canada.



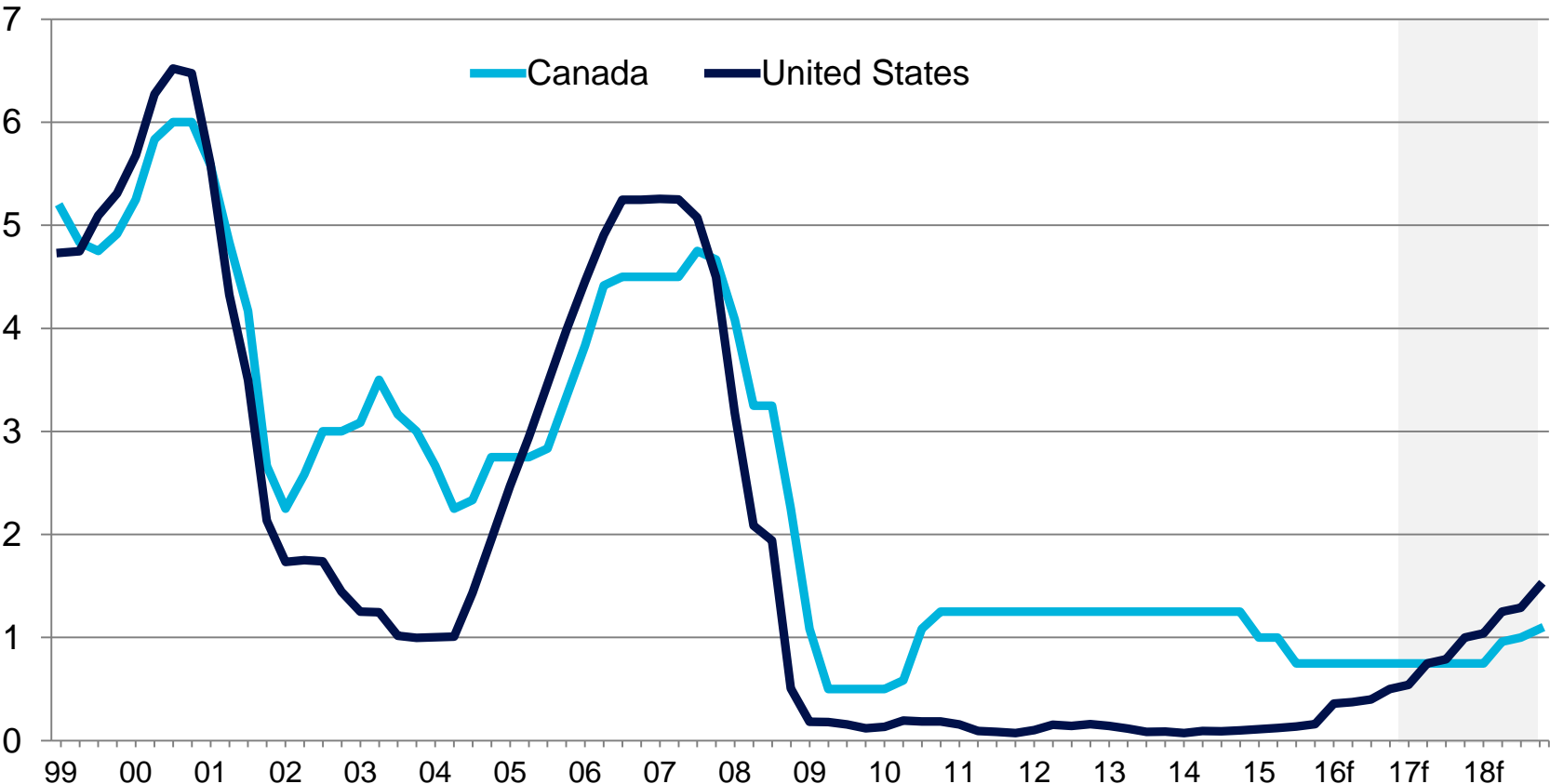
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Central Banks Can Only Do So Much

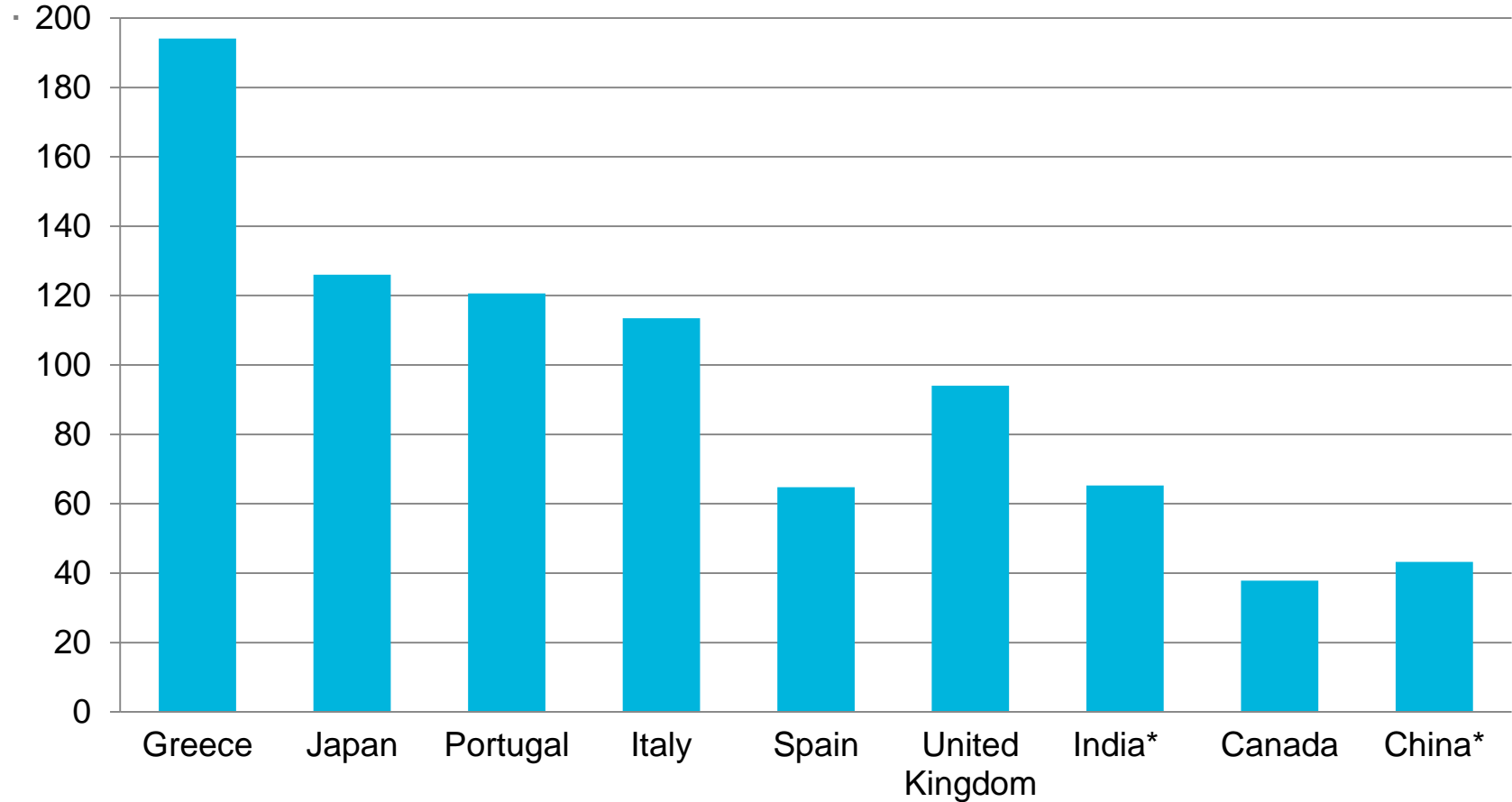
Canadian Bank Rate and U.S. Federal Funds Rate.



Sources: The Conference Board of Canada; Statistics Canada.

Can Governments Ride to the Rescue?

Gov't net debt per cent of GDP, 2015 estimates, * reporting gross debt

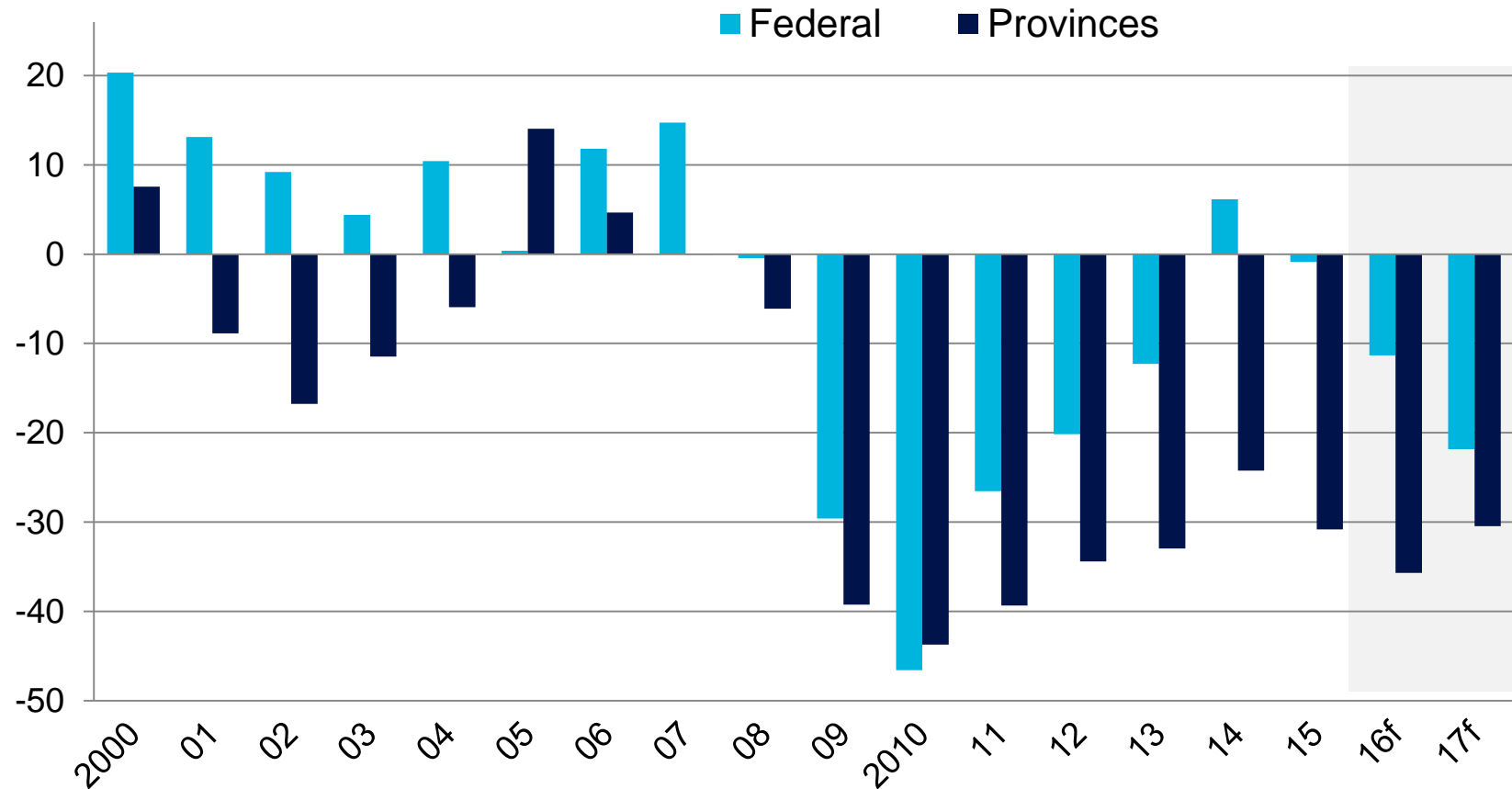


Source: International Monetary Fund.



Canadian Governments Providing Stimulus

Federal & Provincial deficits, \$billions



Sources: Statistics Canada; The Conference Board of Canada.

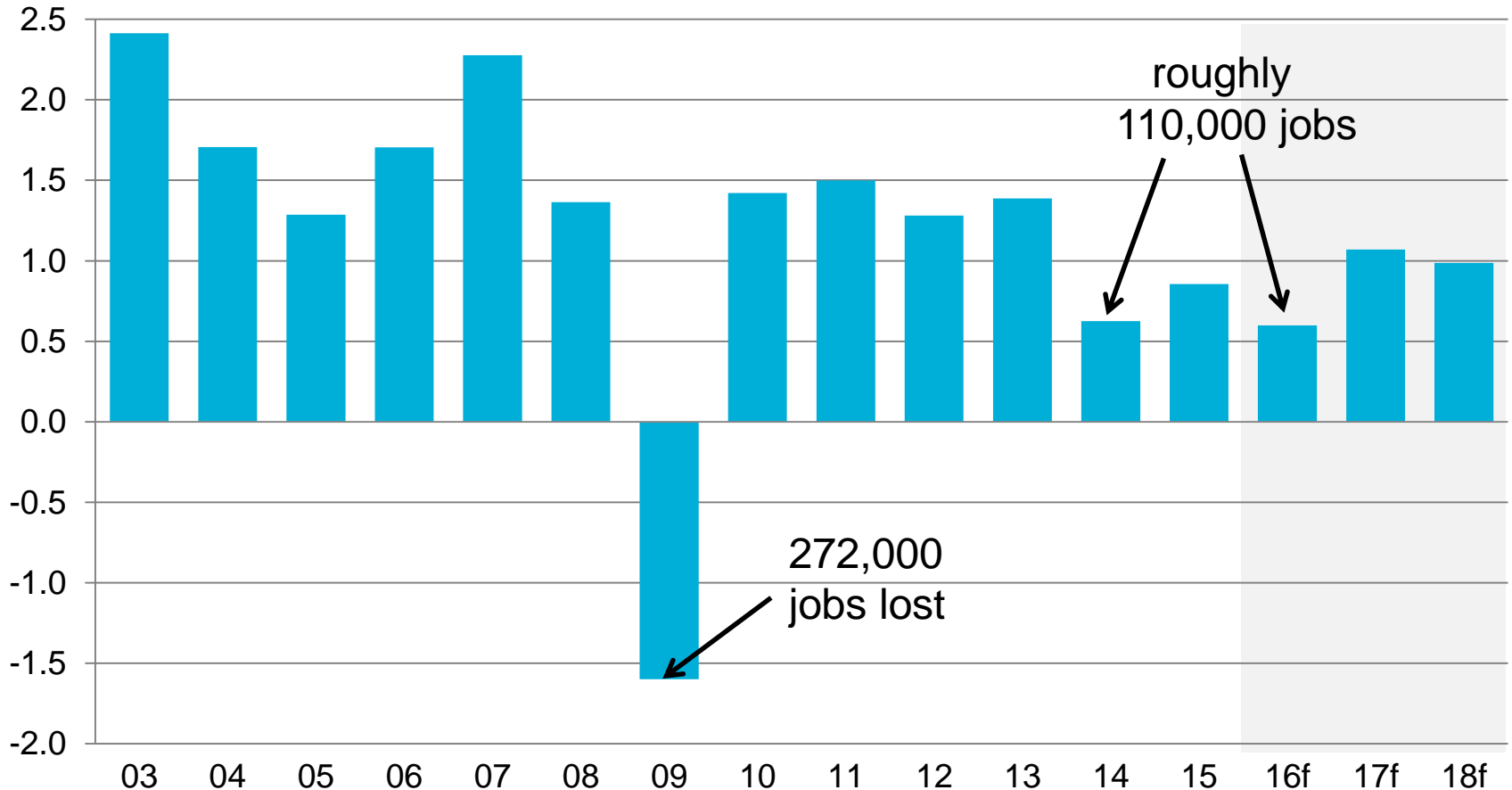


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Employment Growth Picking Up

per cent change



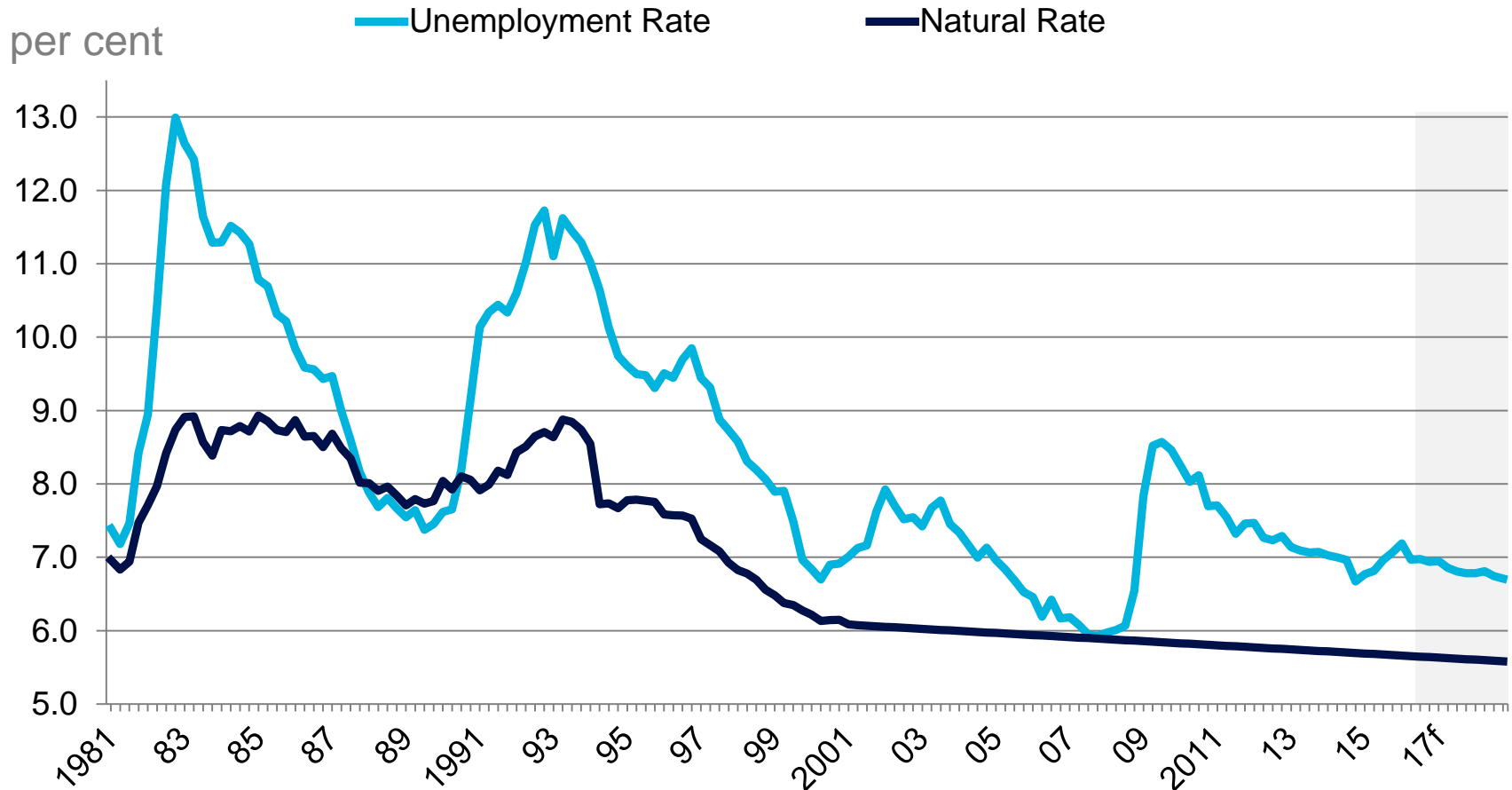
Sources: Statistics Canada; The Conference Board of Canada.



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Labour Market Slack to Persist, But Shortages as Well



Sources: Statistics Canada.; The Conference Board of Canada.



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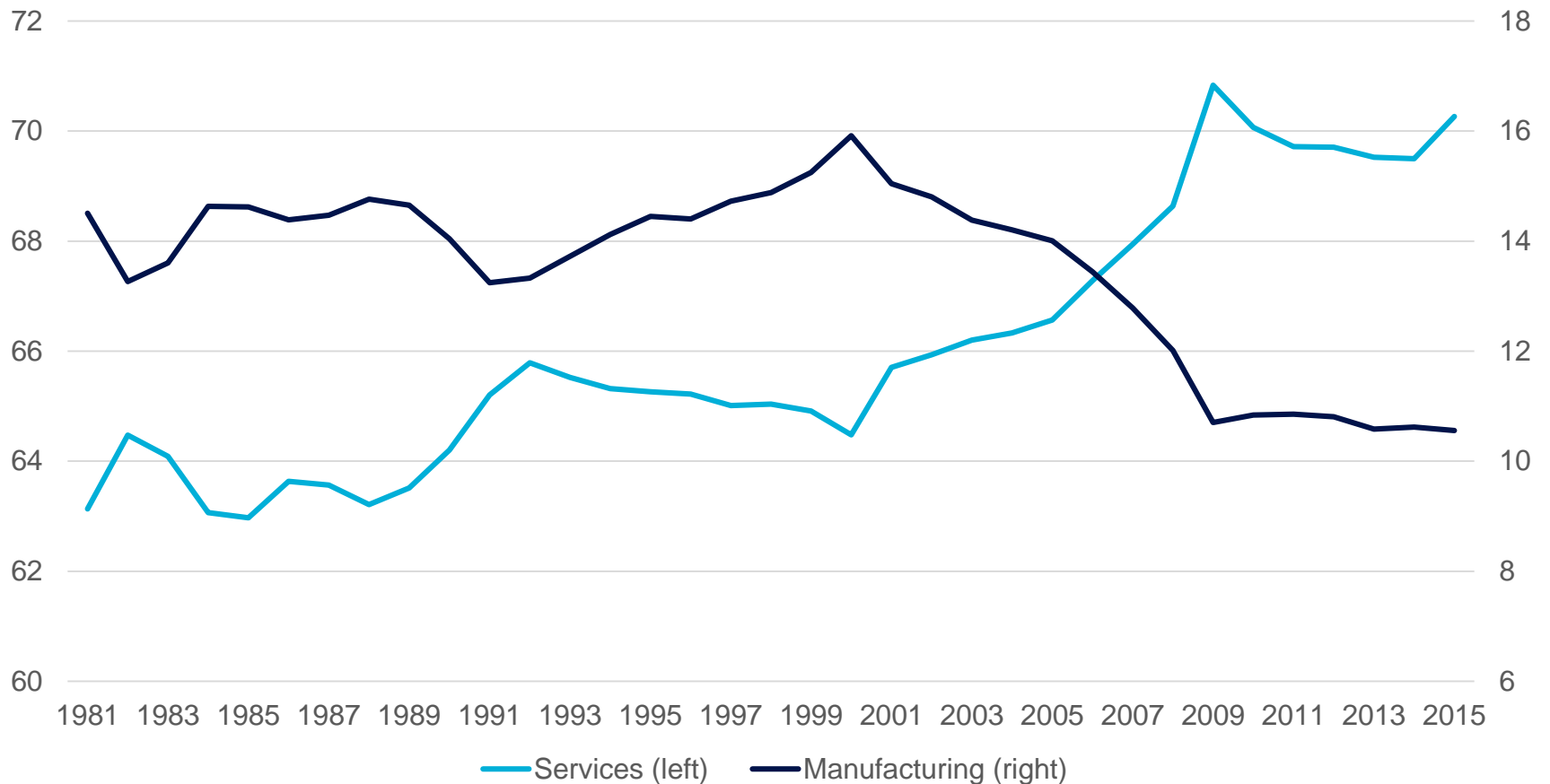
Structural Forces also Shaping Outcomes

- Globalization
- Technical Change
- Leading to Shifts in Labour Demand
 - Deindustrialization
 - Decline in unionization
 - Increase in high skill jobs, decrease in middle skill jobs
- Aging Demographics
- Urbanization
- Climate Change



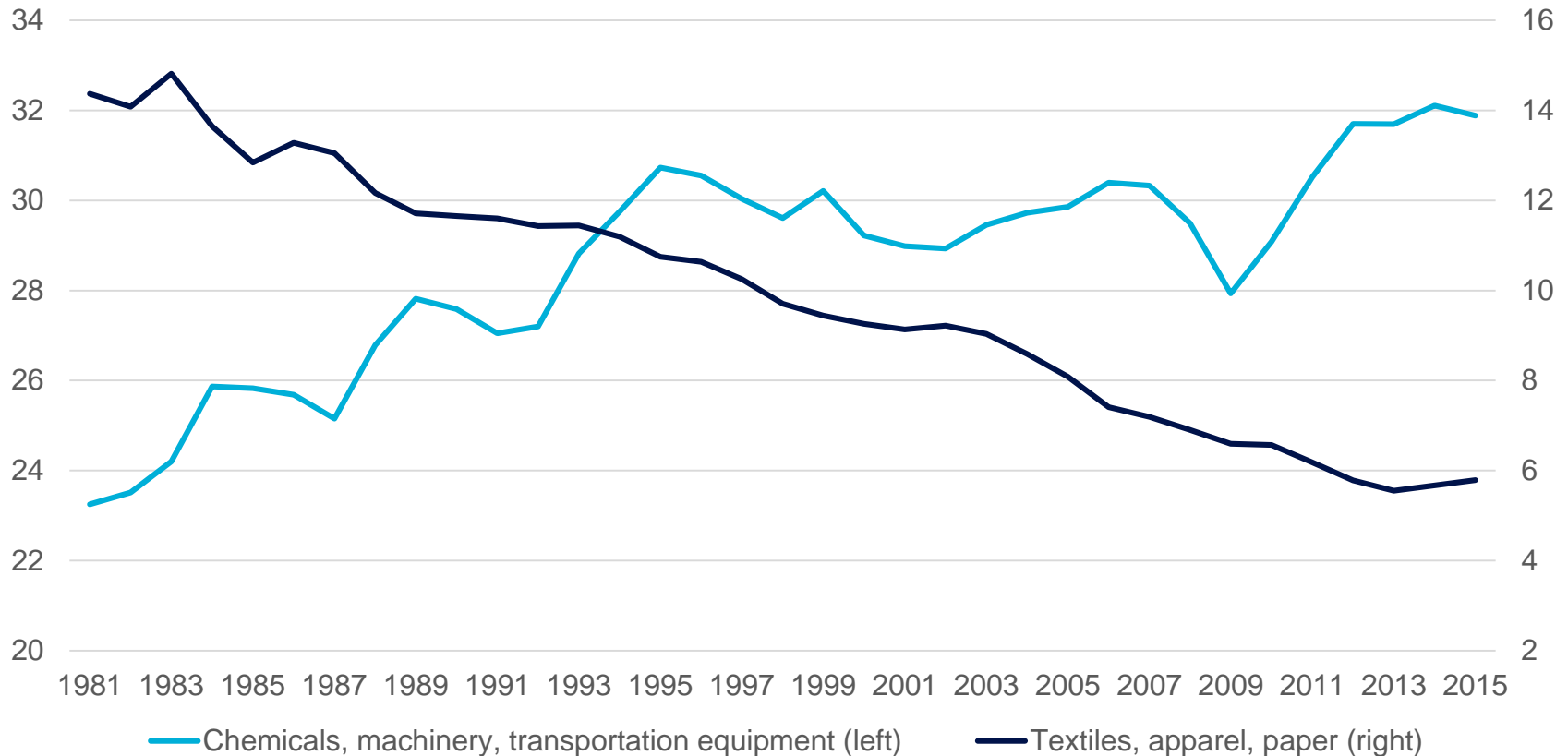
Economy Is Shifting Towards Services

share of Canadian GDP, per cent

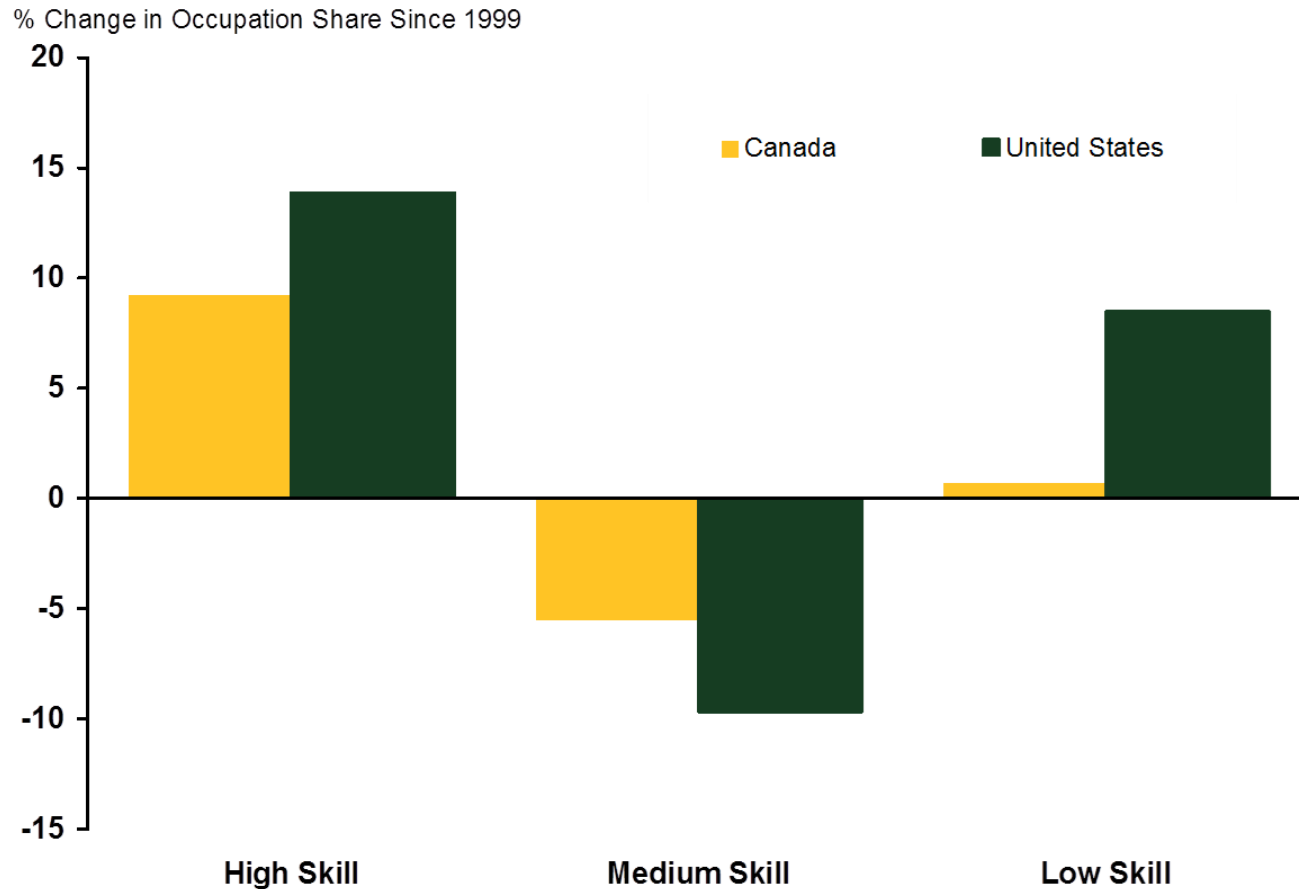


Manufacturing is Moving Towards Higher Value Added Activities

Share of manufacturing GDP, per cent



Labour Demand Fundamentally Changed

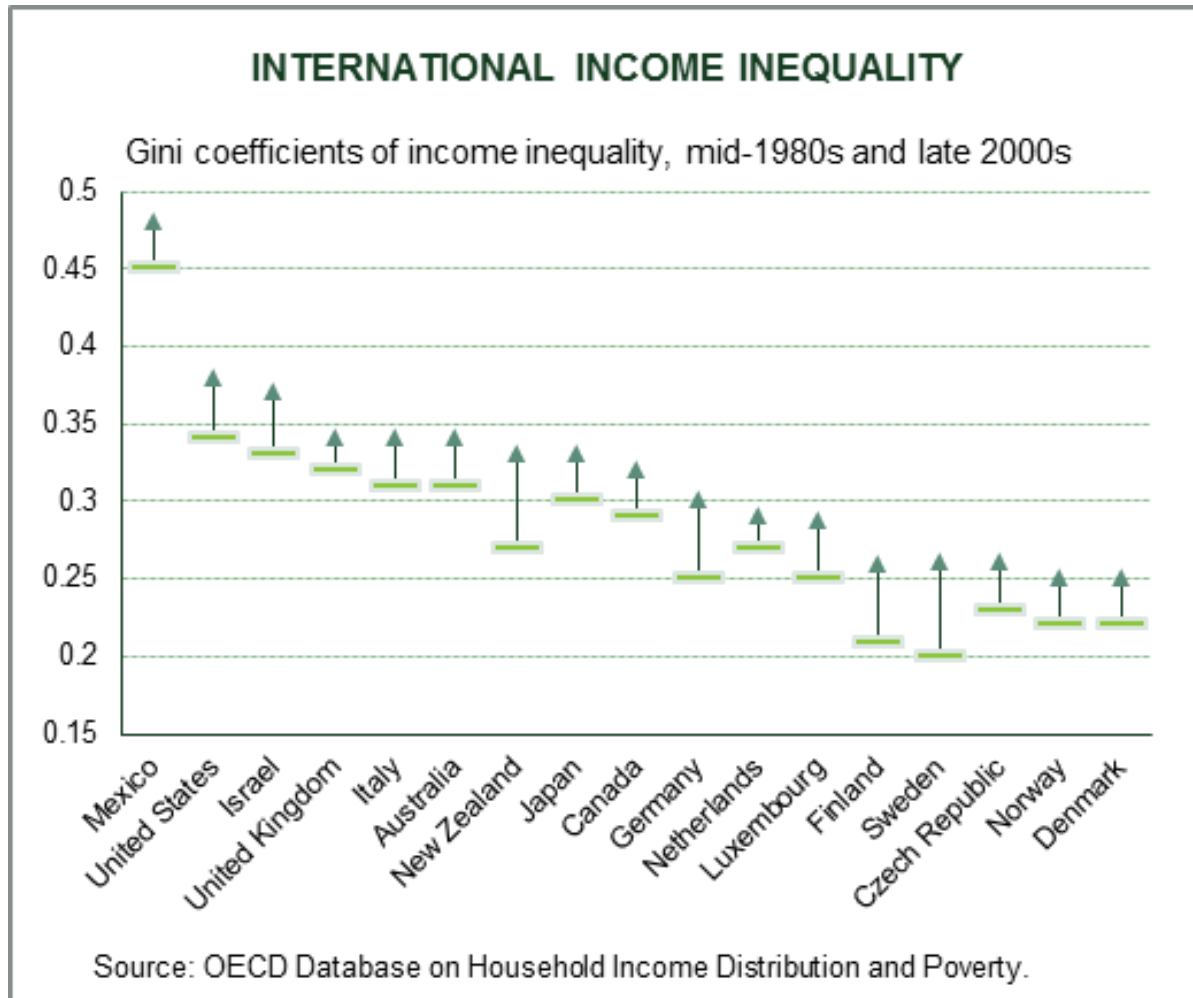


* Canada's data encompasses 1999-2012, whereas U.S. data cover 1999-2009.

Source: TD Economics, Statistics Canada, BLS, David Autor (MIT)

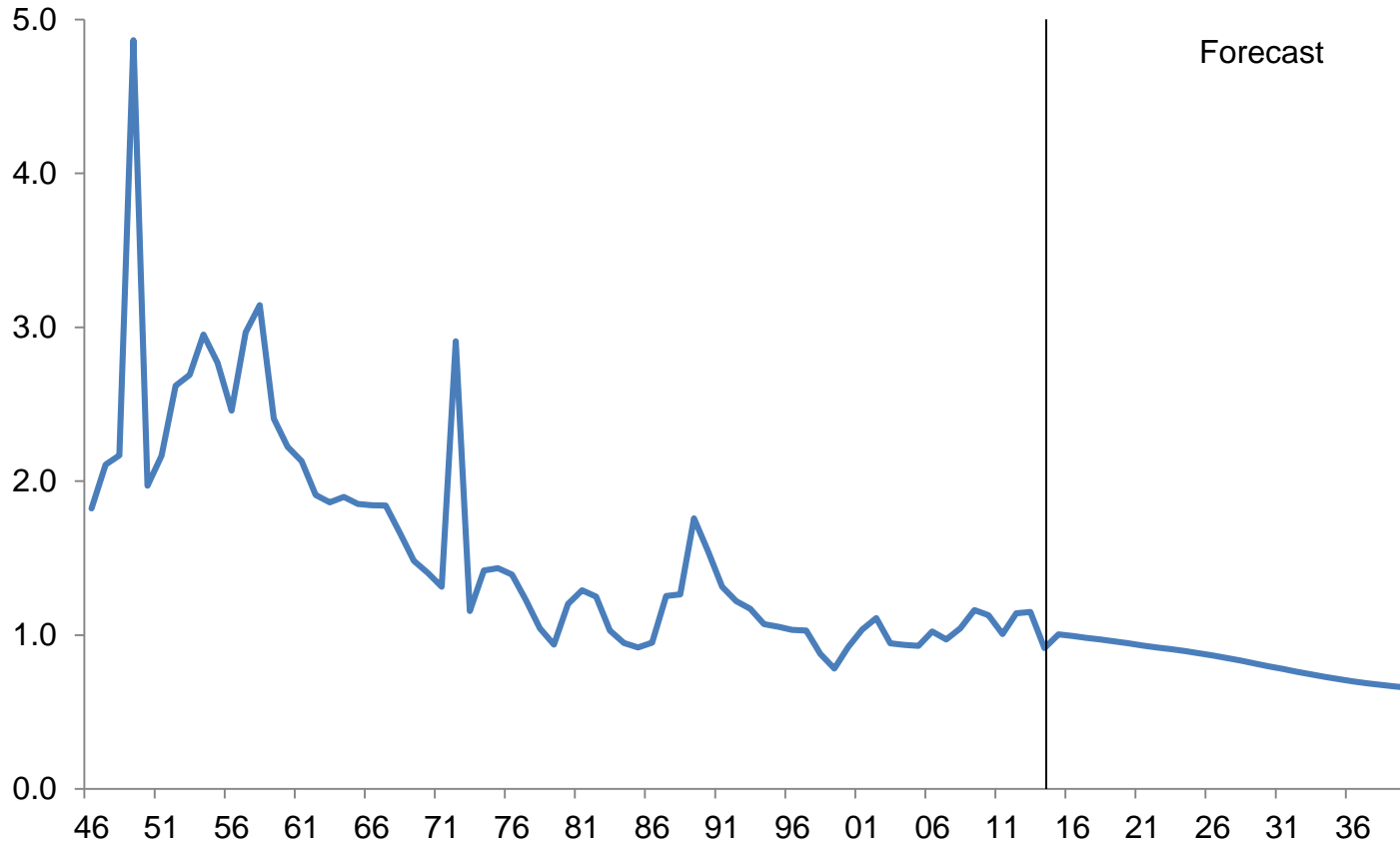


Leading to Rising Income Inequality



Labour Force Aging

Population Year-over-year % change

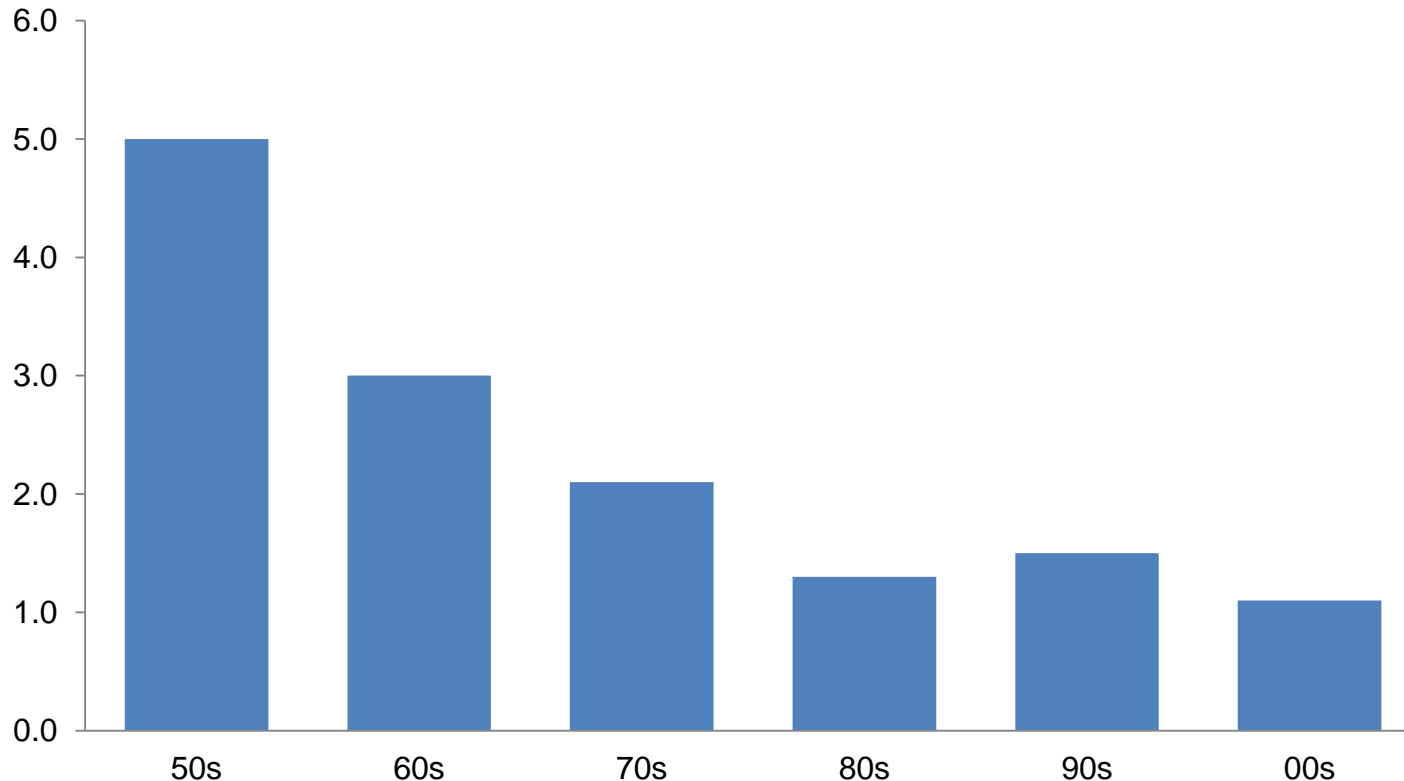


Source: Statistics Canada



Canada Has A Productivity Problem

Business Labour Productivity, Year-over-Year % Change

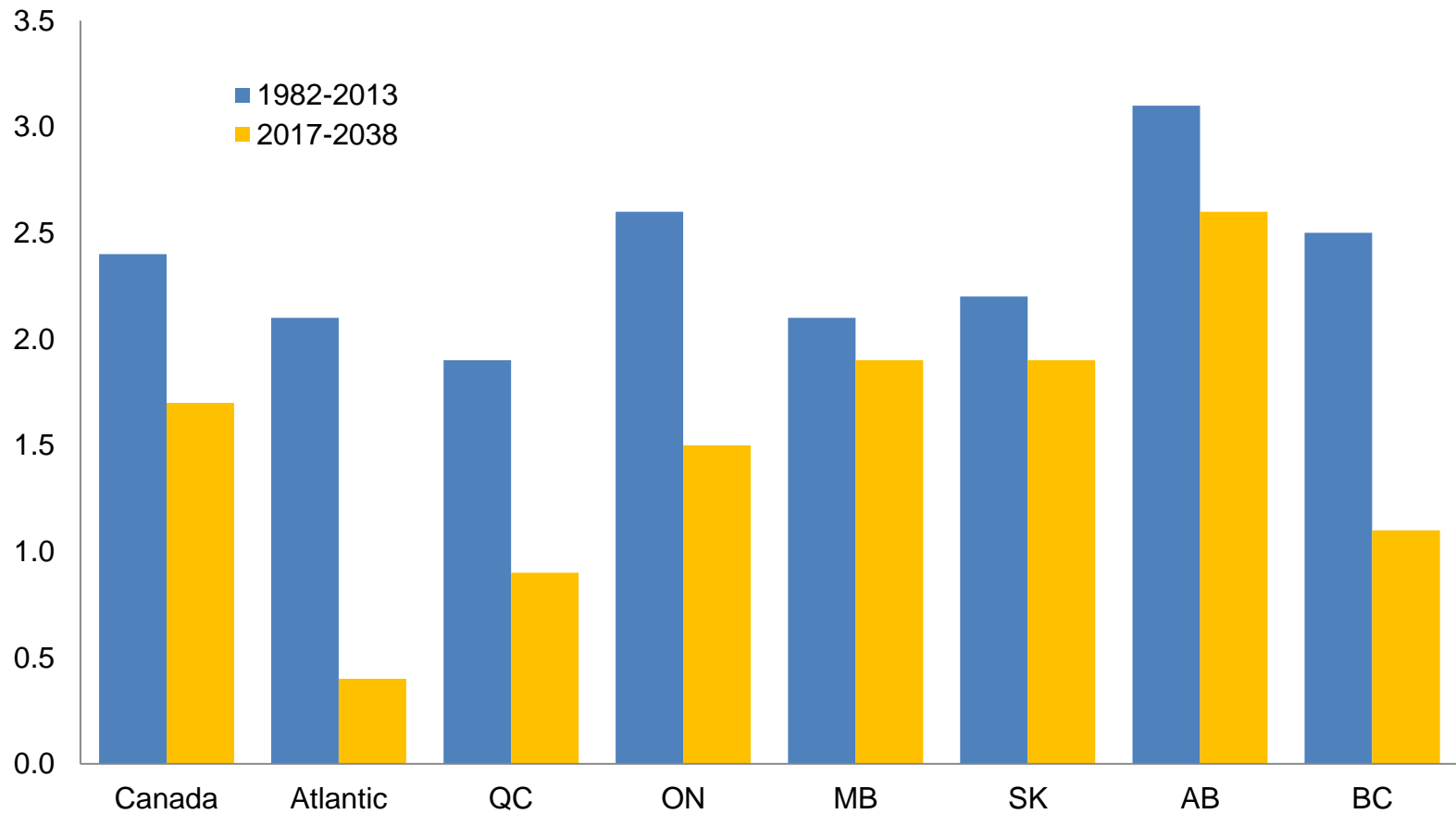


Source: Statistics Canada, Centre for Study of Living

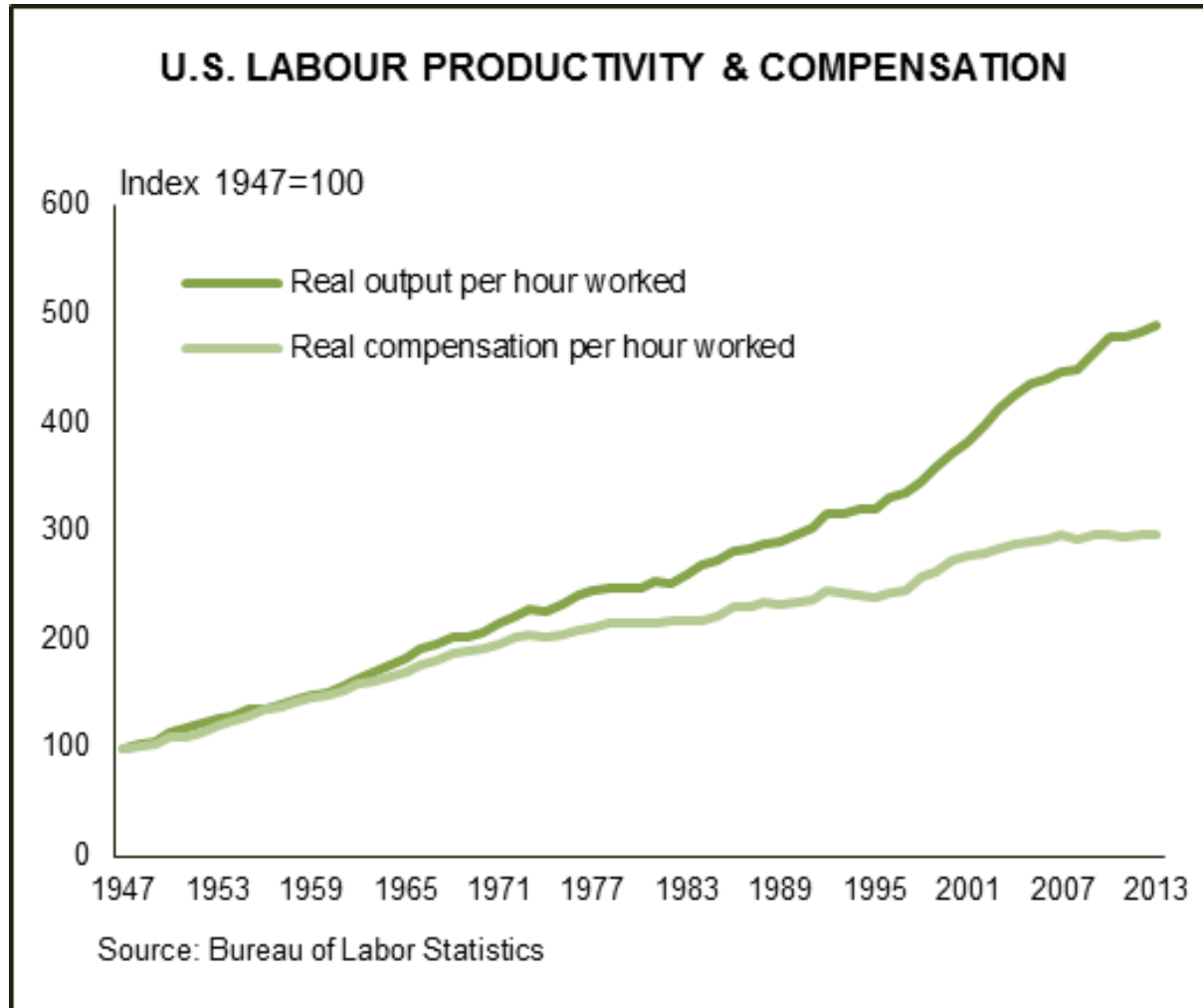


Canadian Trend Economic Growth

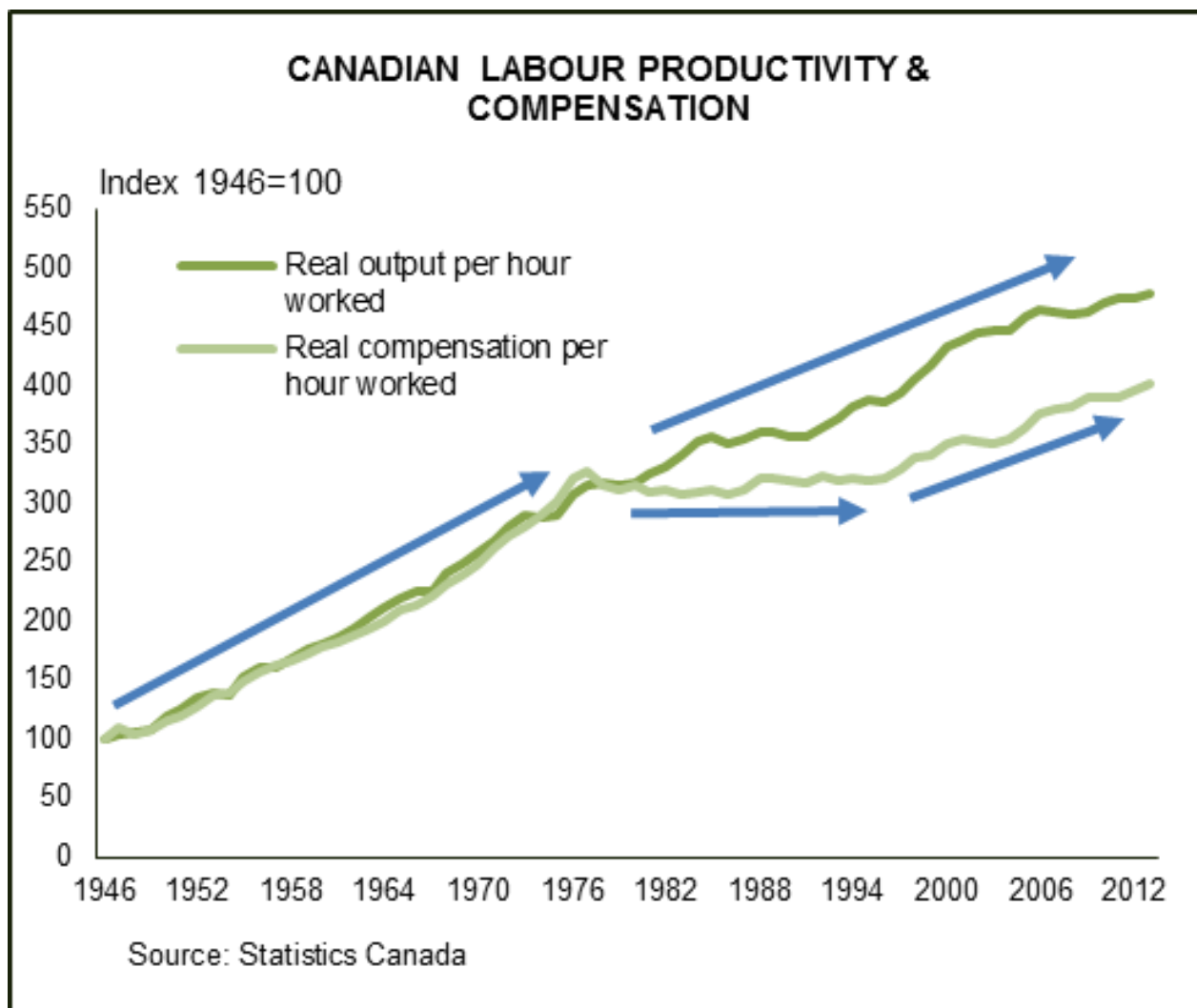
Year-over-year per cent



U.S. Has Good Productivity, But Workers Struggle



Canadian Worker Income Tied to Productivity

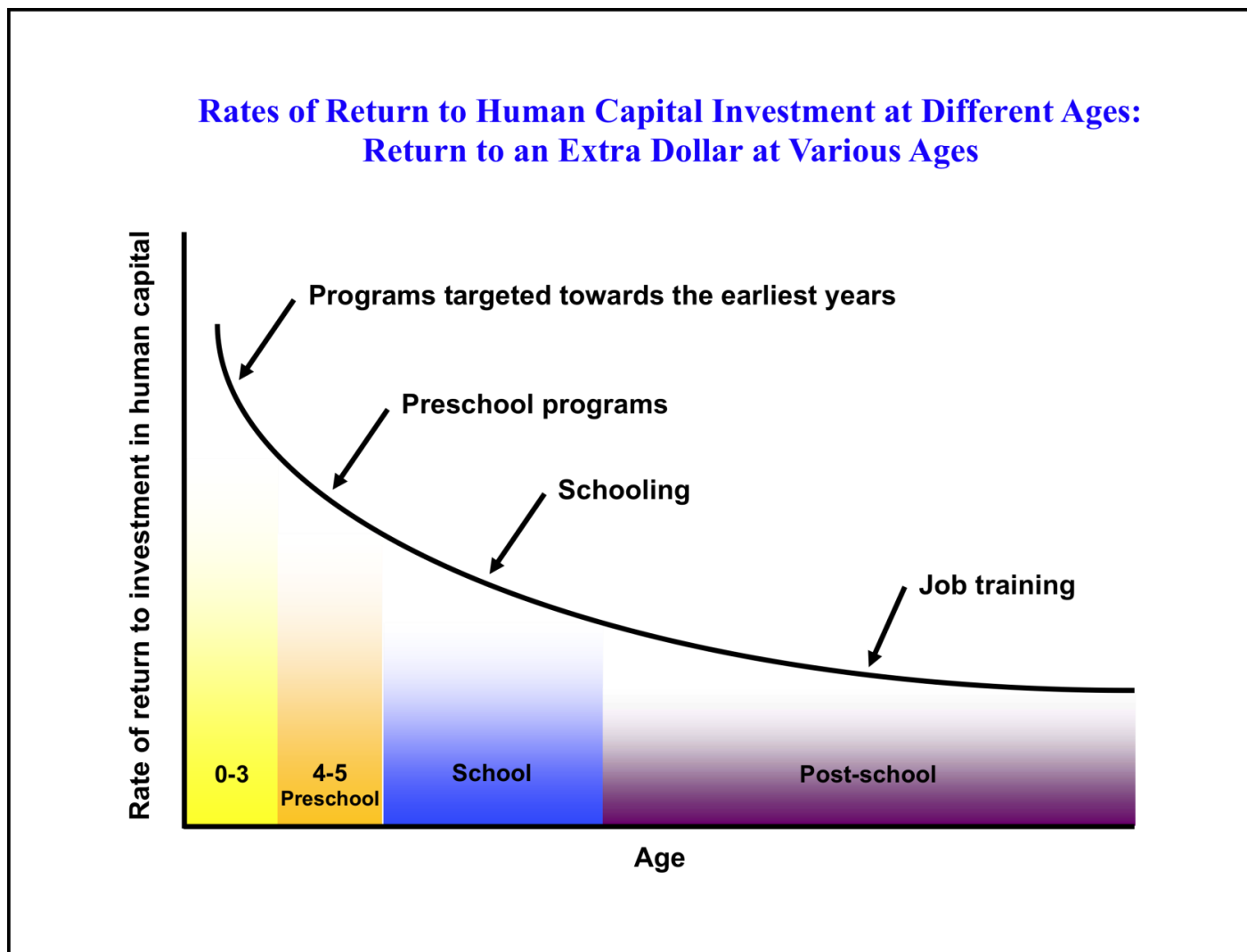


Canada Needs Most Skilled Workforce Possible

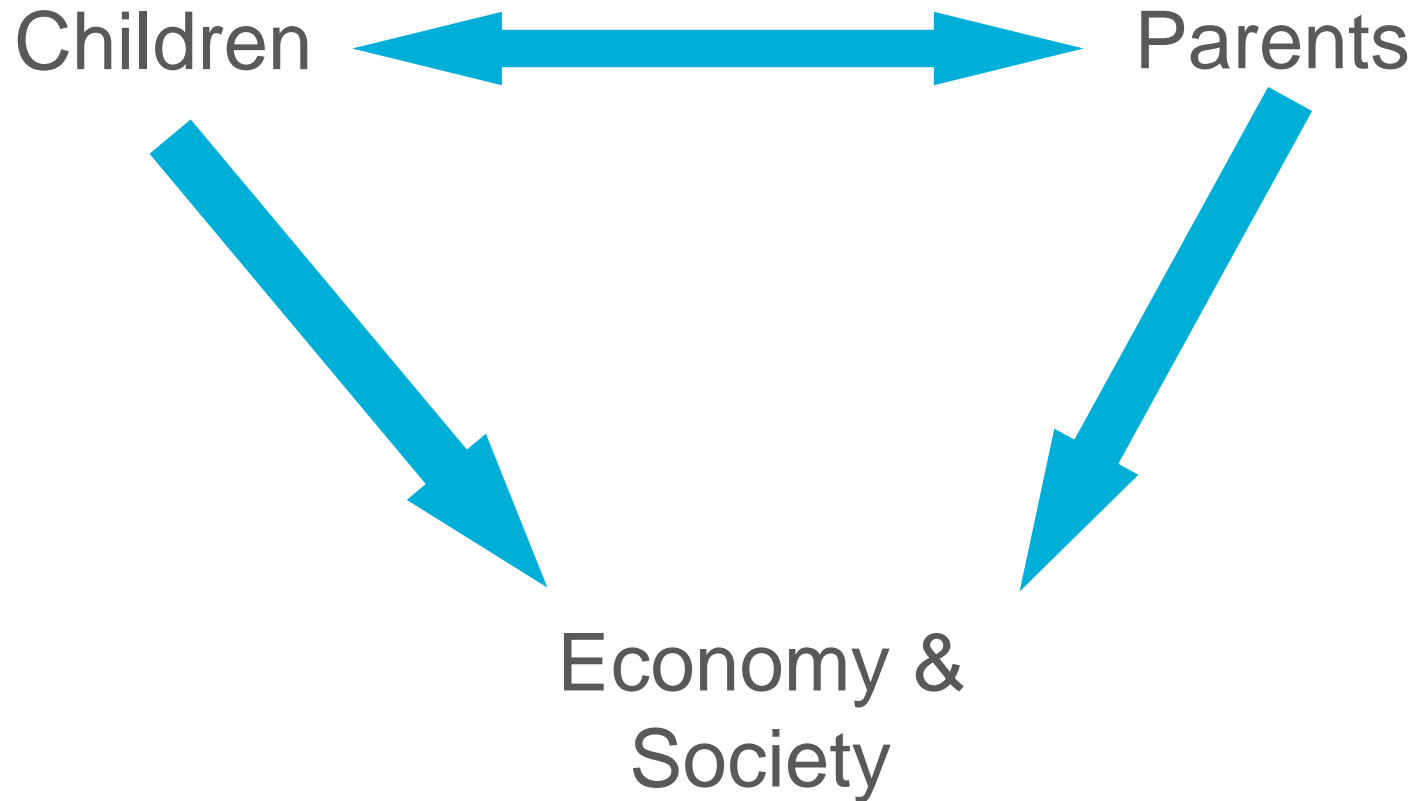
- 1-in-5 Canadian adults don't have the desired literacy skills to succeed in a modern knowledge-based economy
- 1-in-6 lack the desired numeracy skills
- Large pools of underutilized labour: Aboriginals and First Nations People, Immigrants, Youths
- Canadian education system does well on relative international comparisons, but clear evidence that young people are not graduating with the skills that employers need/require
- Absolutely critical to get the foundation right – and that starts with Early Childhood Education



Canadian Worker Income Tied to Productivity



ECE Creates Broad Based Gains

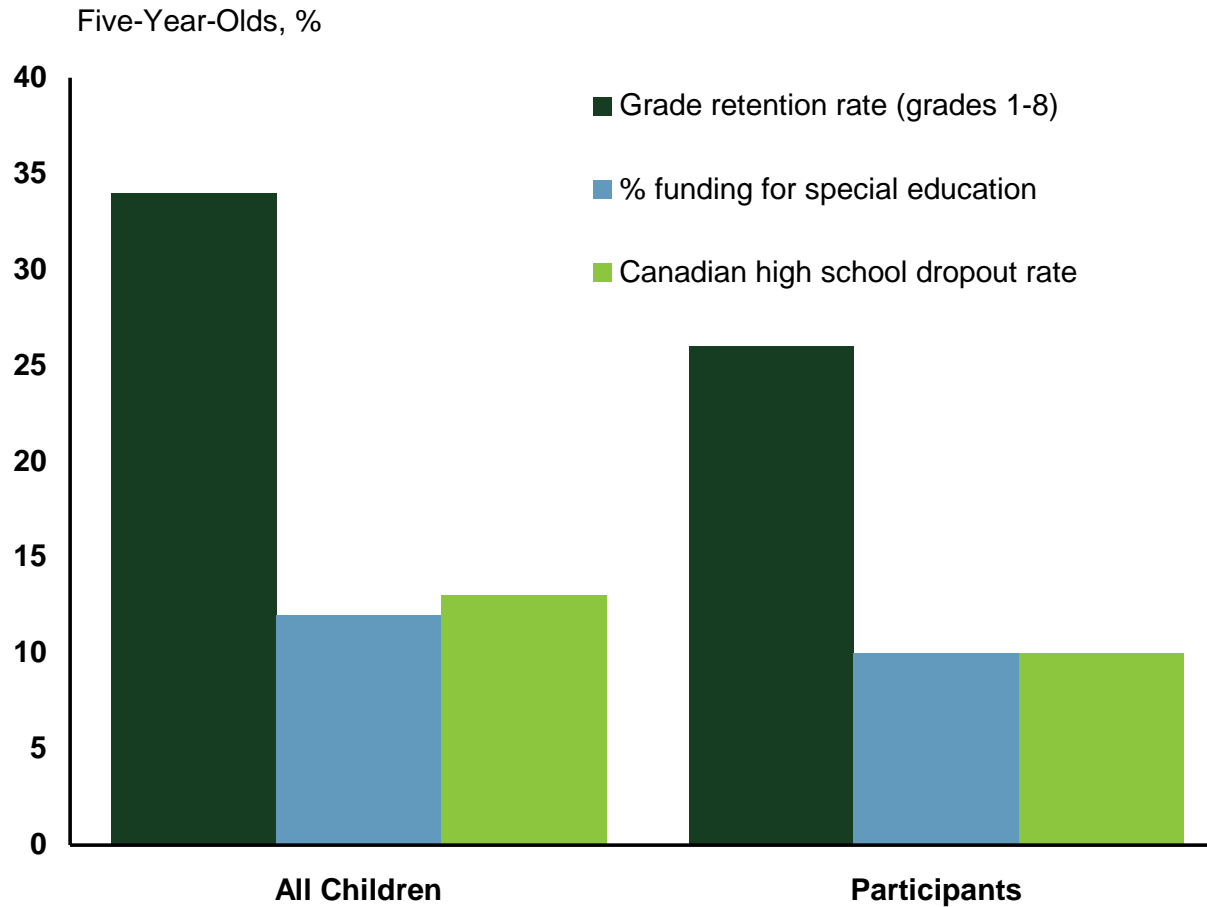


Science Highlights the Benefits to ECE

- Research has challenged prior misconceptions. Human abilities driven more by environment (80%) than genetics (20%)
- Basic abilities can be altered early in life as genes respond to life experiences
- It is more difficult to improve a child's learning abilities later in life
- Pre-primary education leads to cognitive and language development



Early Learning Shapes Outcomes



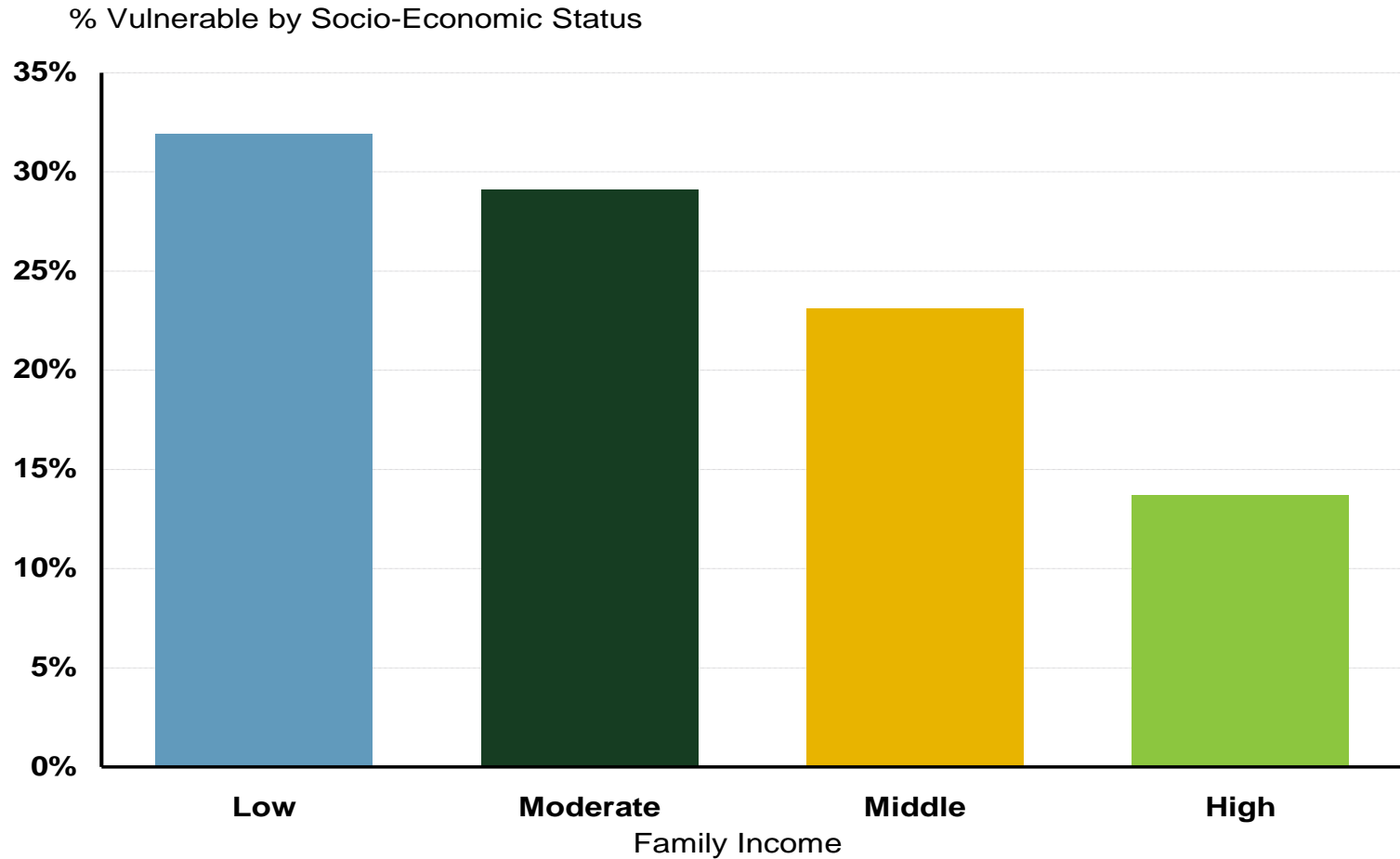
Source: Child Care Human Resources Sector Council; 2005

Education Leads to Better Life Choices

ECONOMIC AND SOCIAL OUTCOMES		
	Participants* (%)	Control Group (%)
Smoked	41.5	50.7
Used hard drugs	22.2	29.3
Used soft drugs	45.3	54.4
Treated for drug/drinking problems	22.2	33.9
Owned a home	36.7	26.6
Owned a car	73.8	60.9
Had life insurance	66.5	53.8

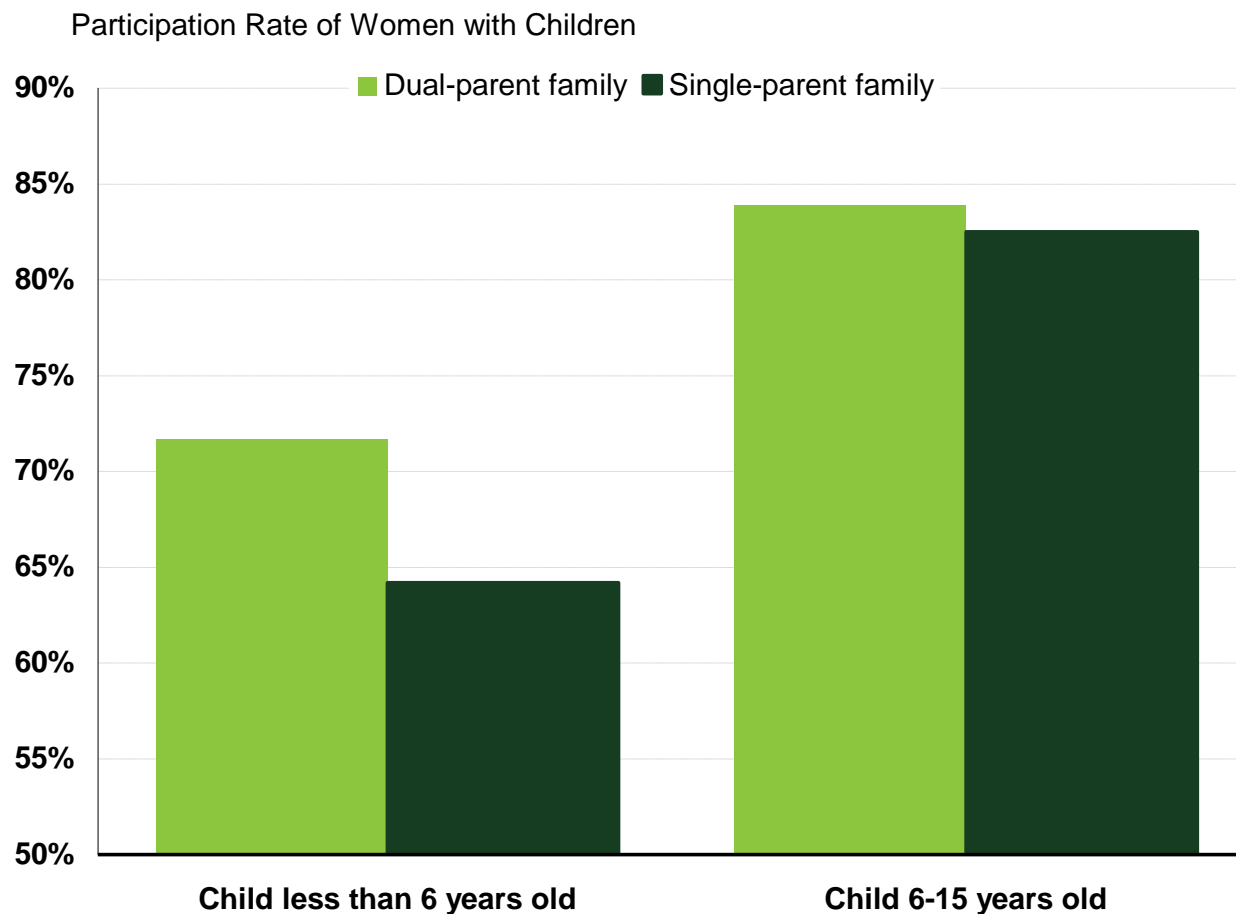
Source: Child Care Human Resources Council
 *Participants of the High/Scope Perry Pre-School Program

Vulnerable Children Benefit the Most



Source: Report to the Premier by the Special Advisor on Early Learning, Charles E. Pascal

Women Labour Participation Can Be Lifted

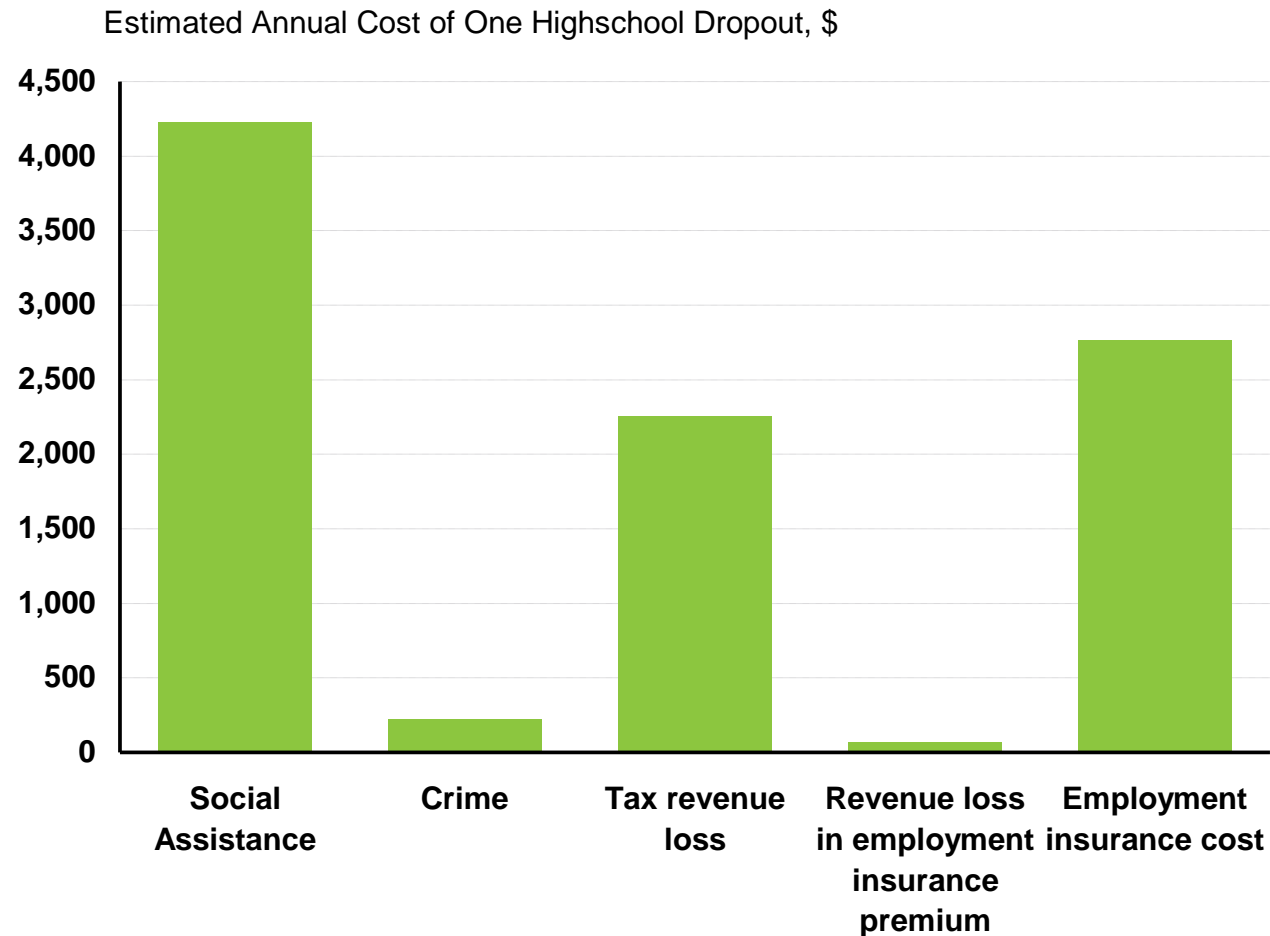


Source: Statistics Canada, 2011

Benefits to Parents

- Increased labour force participation – for women
- Increased average hours work
- Can reduce stress, addressing challenges that results from that stress

Can Save Governments Money



Source: Canadian Council on Learning

ECE Studies Show High Return on Investment

STUDIES OF COST-BENEFIT ANALYSIS OF ECE PROGRAMS	
Study	Benefit / Cost (\$)
Economic Consequences of Quebec's Educational Child Care Policy, by Fortin, Godbout & St-Cerny, 2011	1.49
Better Beginnings, Better Futures by Peters et al., 2010	2.00
Worforce Shortages Socio-Economic Effects, by Fairholm, 2009	2.42
Child Care as Economic and Social Development, by Prentice, 2007	2.78
The Benefits and Costs of Good Child Care, by Cleveland & Krashinsky, 1998	2.00
Source: Early Years Study	

Analysis Often Does Convince Skeptics

- Costs can run over budget
- Quantifying benefits is difficult
 - Several assumptions made
 - In the long run, things change – many unknowns
- External factors can affect results
- Location and program design/implementation matter

Evidence-Based Analysis Makes A Strong Case

- All studies show that benefits are greater than the costs despite analyzing different programs
- In most parts of Canada, there is a gap between the end of parental leave and formal schooling
- Evidence that accessibility and cost are key issues
- Current system is fragmented
- Suggests increased investment and maximizing impact of the system would be beneficial



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