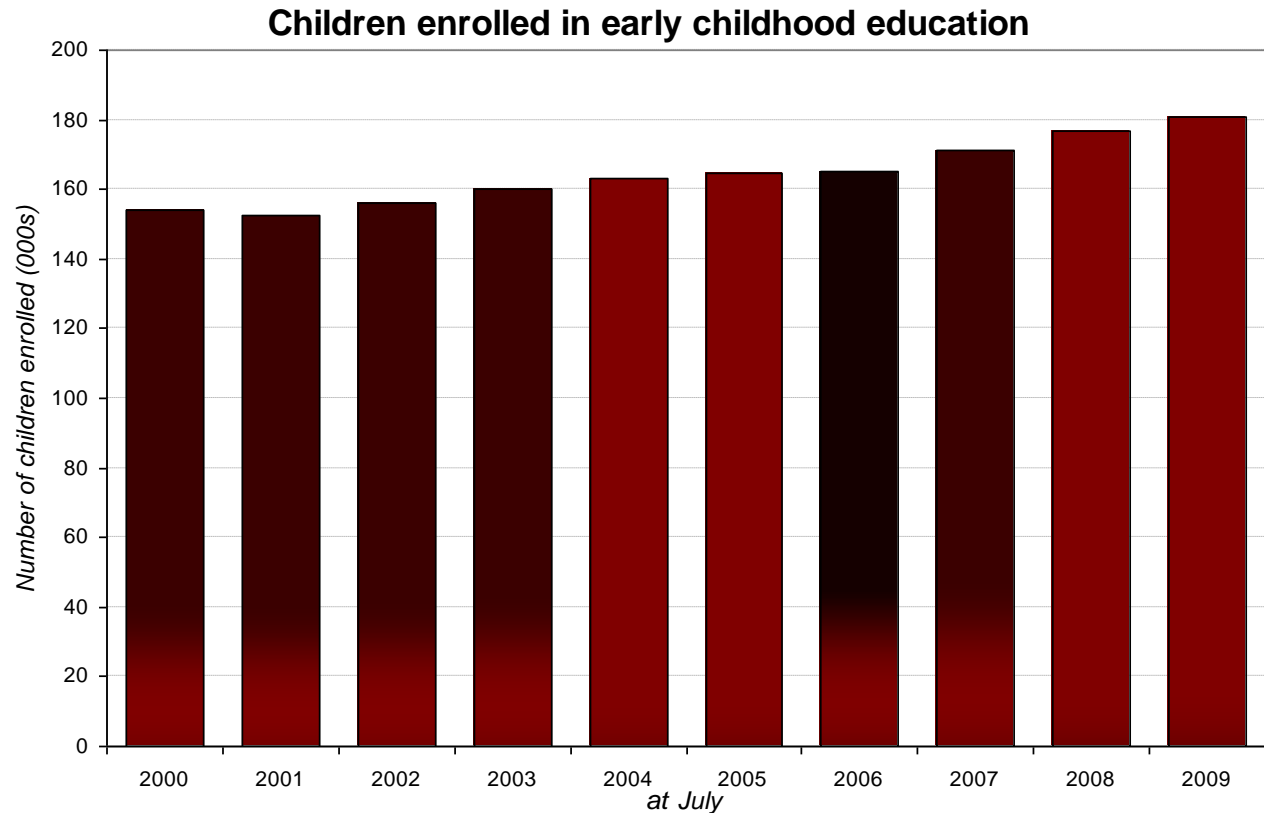


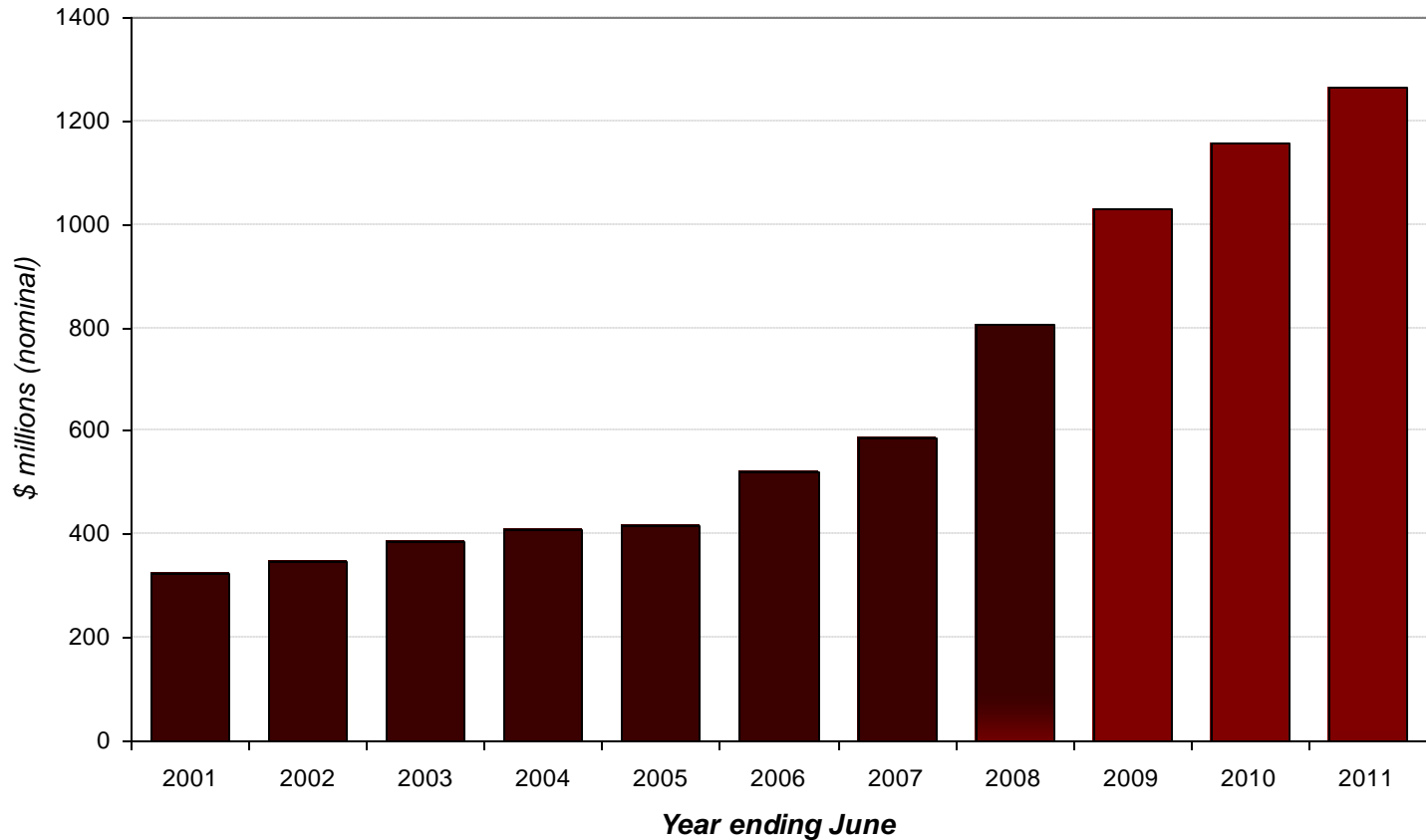
**THE COST OF
EVERYTHING
AND THE VALUE OF
NOTHING**

**HOW LITTLE ECONOMICS CAN TELL US ABOUT
THE VALUE OF EARLY CHILDHOOD EDUCATION**



Between 2000 and 2009 the number of children enrolled in an early childhood centre increased by 17% to 180,100 places. Over the same period the population of children aged under 5 year increased just 7% to 306,000. The availability of ECE places increased from 54% of the Under 5 population to 59%

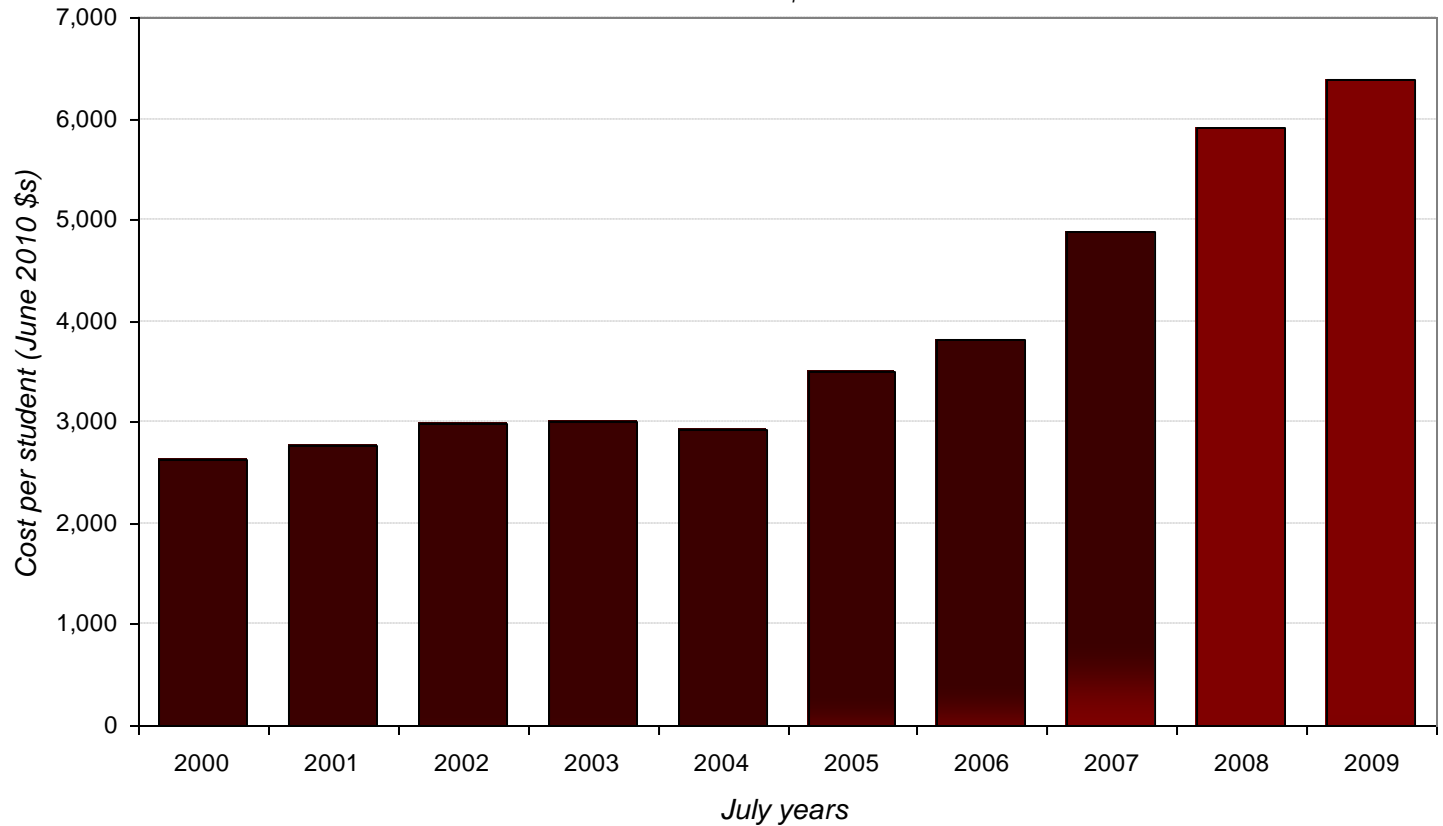
Early Childhood Education operating subsidies



Over the period 2000-10 Government spending on early childhood education operating subsidies increased 269% and by nearly 190% if these costs are adjusted for inflation

Government subsidy per ECE student

in June 2010 \$'s



This has meant that the taxpayer subsidy per student attending ECE rose 143% in inflation adjusted terms from \$2,630 per child per year in 2000 to \$6,373 per child per year in 2009. Even allowing for the fact that the average length of attendance at ECE has increased 40% over this period, the per child subsidy has increased 73% in real terms.

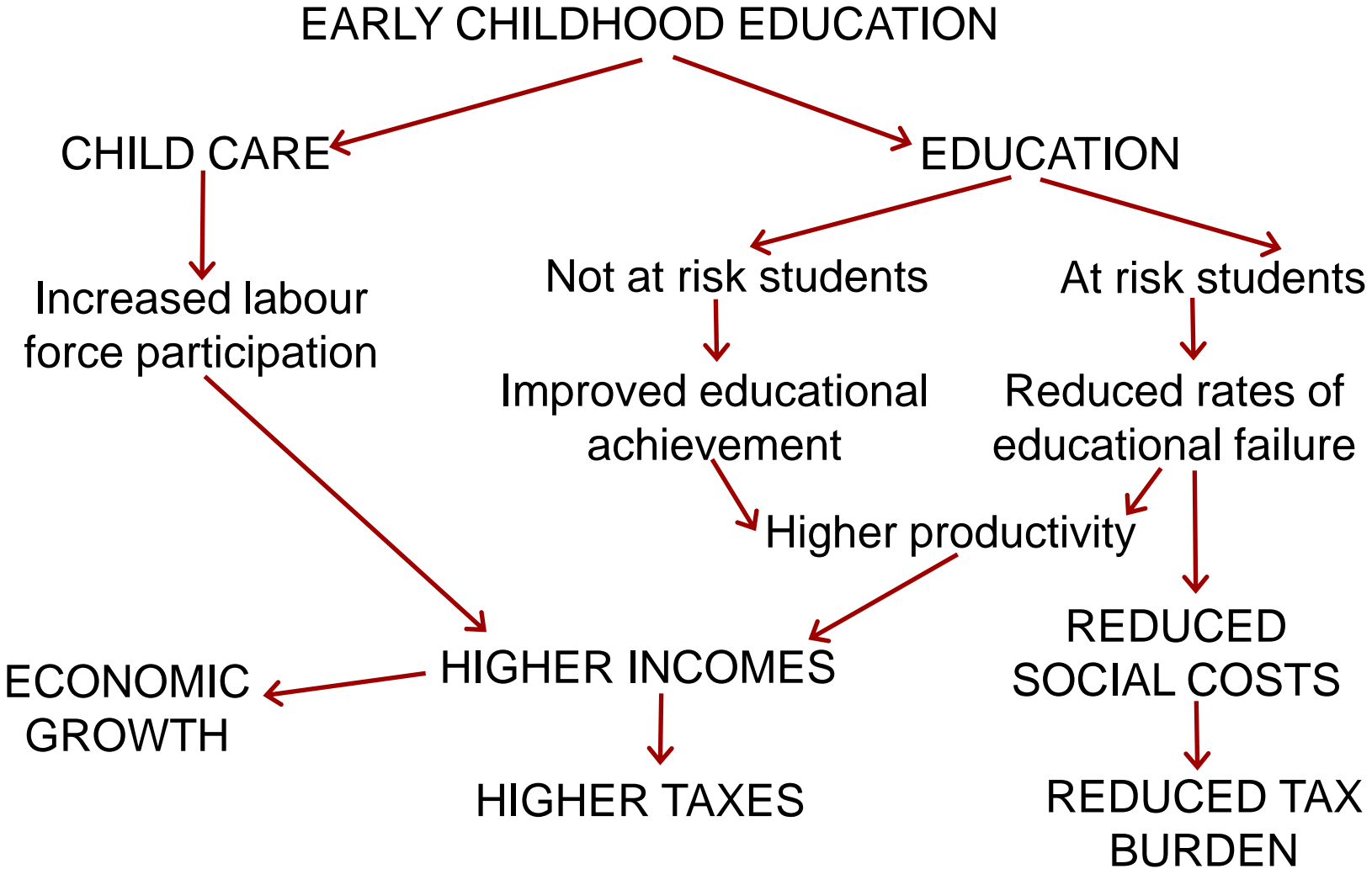
These are startling increases which really need to be explained in terms of what extra benefits the taxpayers and citizens are getting for this increased expenditure
However in looking for such an explanation we need to be mindful of three things

- 1** We should not assume that everything about the funding of the sector was acceptable before the increases
– some of this new expenditure might be catch-up spending
- 2** It is a lot easier to count and to attribute costs than it is benefits – so costs often dominate the conversation
- 3** We need to think about the distributional issues around the new expenditure – who wins and who pays and do they deserve to or are they happy to?

2

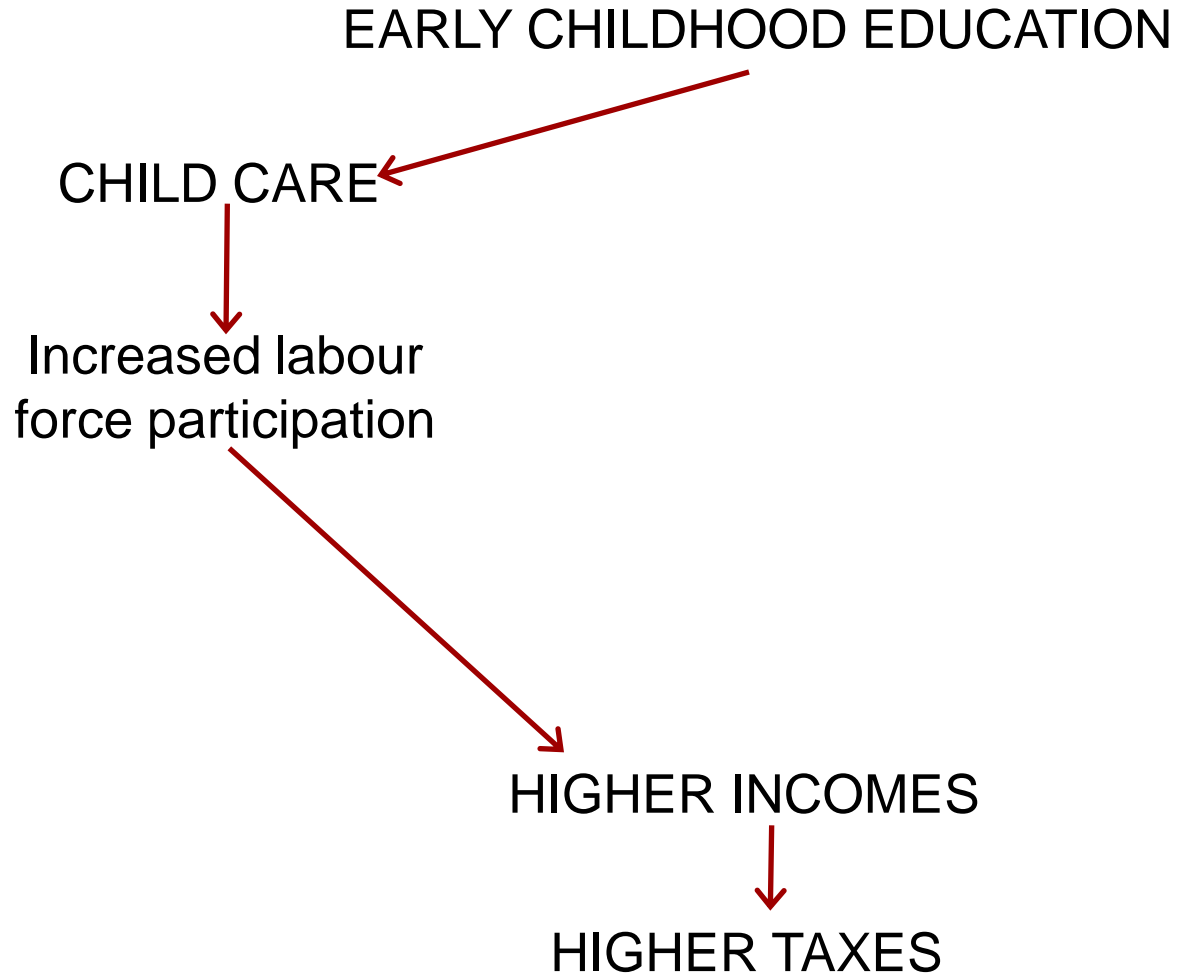
It is a lot easier to count and to attribute costs than it is benefits – so costs often dominate the conversation

HOW MIGHT THE BENEFITS ARISE?



2 It is a lot easier to count and to attribute costs than it is benefits – so costs often dominate the conversation

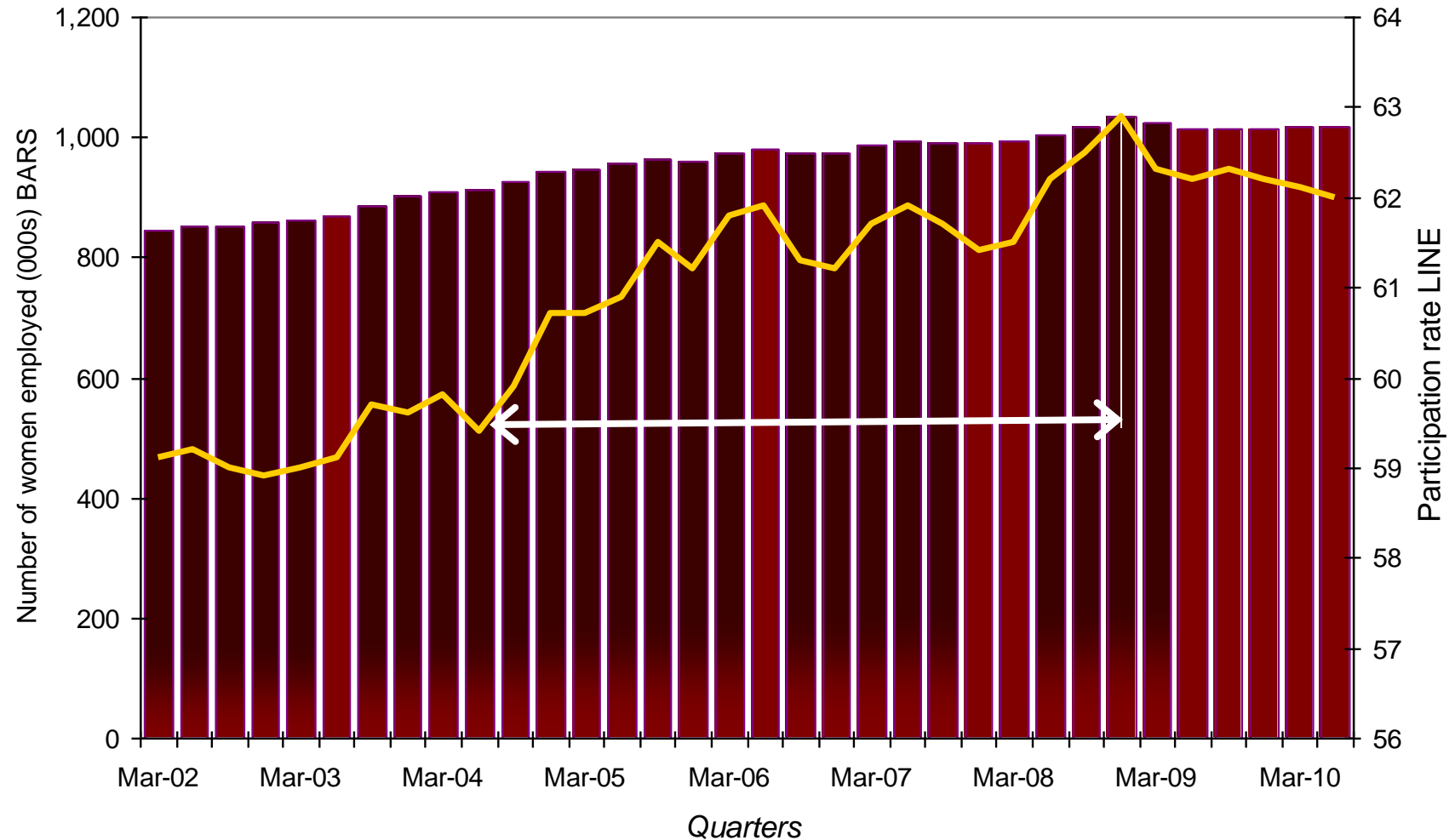
INCREASED LABOUR MARKET PARTICIPATION



2 It is a lot easier to count and to attribute costs than it is benefits – so costs often dominate the conversation

INCREASED LABOUR MARKET PARTICIPATION

Female employment 2002-09



2 It is a lot easier to count and to attribute costs than it is benefits – so costs often dominate the conversation

INCREASED LABOUR MARKET PARTICIPATION

Female labour force participation 59.4% → 62.9%
Female employment rose by 124,00 workers

Female average hours worked = 36.5hrs

Average hourly rate = \$23.50 hr

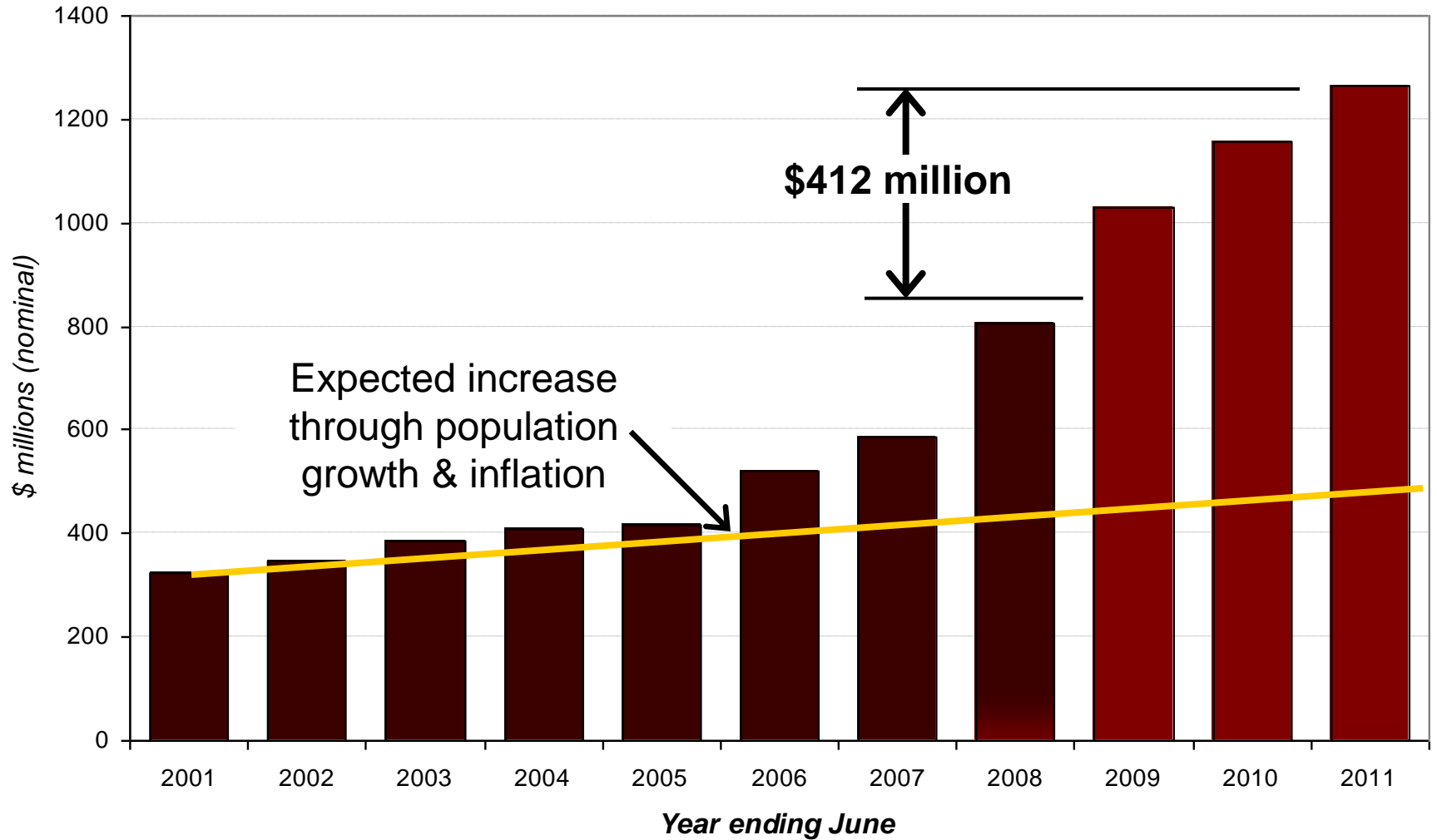
Annual income = \$44,000

Total income for all workers - \$5.5 billion

Tax revenue at 15% tax rate - \$825 million

Additional tax revenue if half increased participation is attributable to subsidized child care = \$412 million

Early Childhood Education operating subsidies



2

It is a lot easier to count and to attribute costs than it is benefits – so costs often dominate the conversation

THE TRICK IS IN THE CAUSALITY

To make a credible case for the economic value of publicly subsidised ECE we need to be able to establish the interdependency and causality described by the arrows in the benefits diagram

In some cases this can be done fairly well using various social research techniques – in other cases the links and causality are more hypothetical because of the existence of other causal factors in any social outcome

The benefits add up very quickly however in dollar terms and there are a variety of benefit streams from ECE which could make the additional expenditure justifiable in economic terms

But is the case for continued spending of ECE even an economic one?

- 1** Economic analysis should support decision-making and not constrain it or conclude it – decisions should be based on sound moral arguments although these will be laced with pragmatism
- 2** Decisions around ECE investments should be made in the context of the wider priorities of the society and not be based on narrow perspectives such as those of tax impacts
- 3** Ideally decisions around the priority given to ECE and other social priorities should be based on notions of citizenship and the rights and responsibilities which stem from these.