Centre for FutureWork

Powering Growth:

Economic Benefits from Canada's $10-per-day Early Learning and Child Care Program

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Summary and Key Findings

In 2021, Canada's federal government announced a new $10-per-day national early learning and child care (ELCC) program. After reaching negotiated agreement with all provinces and territories,[1] the program began rolling out in 2022. It has led to increases in the number of regulated child care spaces in Canada, and significant reductions (of over 50%) in average fees paid by parents.

Economists have long highlighted the economic benefits of accessible, quality ELCC services. These include at least three broad categories of benefits:

- Economic activity and employment associated with the direct operation of ELCC services.
- Improved labour force participation, employment, and incomes for parents of young children (especially women).
- Improved lifetime achievement for children who received high-quality early child education (including superior outcomes in education, employability, earnings, and health).

In a 2020 report,[2] the Centre for Future Work estimated the potential economic benefits in Canada arising from a possible national ELCC program. The report simulated the impacts on employment, GDP, labour force participation, and tax revenue from a national strategy to provide spaces for the vast majority of preschool children (matching near-universal ELCC coverage provided in Nordic countries). The report found that the direct and indirect gains to GDP (arising from ELCC operations, construction of new ELCC facilities, supply chain and consumer spending spillovers, and increased female labour force participation and employment) would amount to between $63 and $107 billion after a complete ten-year phase-in. Among other benefits, this increased economic activity would generate incremental tax revenues for government (just on the basis of preexisting tax rates) significantly higher than the cost of providing a universal ELCC system. In this light, ELCC is a public service that quite literally "pays for itself."

The new $10-per-day ELCC strategy is only in its third year of phase-in, but it is already possible to measure the economic benefits being realized from it. The $10-per-day program now being implemented (formally known as the Canada-Wide Early Learning and Child Care program, or CWELCC) is ambitious, although does not yet match the scale of the near-universal program

[1] Bilateral agreements were reached between Ottawa and each province and territory between July 7, 2021 and March 28, 2022.

[2] See *The Role of Early Learning and Child Care in Rebuilding Canada's Economy after COVID-19*, by Jim Stanford (Vancouver: Centre for Future Work, November 2020), https://centreforfuturework.ca/wp-content/uploads/2020/11/ELCC-Report-Formatted-FINAL-FINAL.pdf.

contemplated in our first report.[3] While it is early in the program's history, it is clear that major economic benefits are already being generated, broadly consistent with the projections in our earlier research. These benefits include:

- **Significant job-creation**: Employment in ELCC has grown by 50,000 positions since 2019.[4] Jobs lost during the temporary shutdowns of ELCC centres during the pandemic were fully replaced, and a net new 50,000 positions have been created. Employment in ELCC centres has grown four times faster than overall employment in Canada, providing a significant boost to labour markets during challenging macroeconomic times. ELCC jobs now total over 1% of all payroll employment in Canada.
- **Earnings**: Increased federal and provincial funding under the national program, combined with complementary agreements around wage grids, training, and workforce retention, are supporting increased wages for ELCC workers. Average weekly earnings have increased 28% in the last five years, significantly faster than overall earnings in the Canadian labour market – and significantly faster than consumer prices. Real earnings for ELCC workers are 9% higher than in 2019, and the gap between ELCC wages and economy-wide average wages has narrowed.
- **Hours of work**: Another sign of improving job quality in the ELCC sector is the growing prevalence of full-time work, and resulting growth in average weekly hours of work. Average hours worked (for employees paid by the hour) grew by 6% (or almost 2 hours per week) between 2019 and 2024. At present, ELCC employees work an average of almost 31 hours per week, now only slightly less than average working hours in Canada's labour market as a whole. As recently as 2015, average working hours were 3 hours per week less for ELCC workers than the average, reflecting the very high preponderance of part-time work in the ELCC sector.
- **Aggregate earnings**: The combination of higher employment, more hours, and higher wages has produced a triple-barreled boost to aggregate earnings for ELCC workers. ELCC workers will earn over $8 billion in wages and salaries in 2024 (up almost two-thirds from under $5 billion in 2019). This supports stronger consumer spending in many thousands of households at a time when overall purchasing power in Canada has been damaged by high interest rates and rising unemployment.
- **Female labour force participation**: Female labour force participation has grown notably, supported by the expansion of ELCC services. Since 2019, core-age (25-54) labour force participation by women has grown by 1.4 percentage points (translating to 110,000 additional workers), and the long-standing participation gap compared to men has narrowed.

[3] The 2020 report simulated the effects of a national ELCC system that would provide spaces for 92% of preschool children (equivalent to Norway's program). The

[4] Because of the disruption to economic variables experienced during COVID lockdowns in 2020 and 2021, we frame most comparisons in this report relative to a 2019 benchmark, in order to control for the effects of the pandemic and the resulting recovery.

- **Female full-time work**: A secondary source of labour supply benefits from ELCC services is growth in the proportion of women who can work full-time (not just part-time). The share of core-age women working part-time has declined by 2 percentage points since 2019, to just over 15% – whereas male part-time incidence has not changed. This is equivalent to adding another 65,000 women (in full-time equivalent terms) to the labour force.
- **GDP growth**: Direct GDP in the ELCC sector will exceed $11 billion in 2024, a strong increase from 2019 (when it was under $7 billion). Further GDP gains are also produced by supply chain purchases by ELCC centres (including construction and renovation of facilities), downstream consumer spending by newly-hired ELCC workers, and the output of incremental female workers engaged in paid work thanks to more accessible, affordable ELCC services. All told, we estimate $32 billion in additional GDP was generated in 2024 from the combination of direct ELCC production, indirect (upstream and downstream) spin-off jobs, and increased female labour supply. Data even suggests the expansion of ELCC services likely prevented Canada from experiencing a 'technical recession' in the second half of 2023.
- **Fiscal benefits**: Federal and provincial governments collect a significant share of incremental GDP through various tax channels (including income, sales, and corporate taxes). The enhancement to national output arising directly and indirectly from expanded ELCC services has thus already contributed several billion dollars to annual government revenues.
- **Inflation**: Another especially important benefit of the $10-per-day program has been its success in reducing parent fees. The plan aimed to reduce average fees by 50% by end-2022, and then further (toward an average of $10 per child per day) as the program rolls out. The reduction in ELCC fees is readily visible in Canada's aggregate inflation experience. The average cost of child care services[5] to Canadian consumers declined 28% between 2021 and 2024 – a sharp contrast to the 13% increase in overall consumer prices experienced in the same time. As the biggest ELCC cost reductions were being introduced in 2022 and 2023, these ELCC price cuts measurably reduced the national inflation rate, with incremental benefits for household finances and monetary policy settings.

This report provides detailed statistical evidence describing these varied channels of economic benefits already visible from the introduction and expansion of the $10-per-day program. The next section briefly summarizes the evidence from previous research (including our 2020 report) regarding the nature and scale of economic benefits from expanded ELCC. The following

[5] Statistics Canada's definition of child care services (a category of household operations in its consumer price bundle) includes other services beyond regulated group ELCC spaces (including personal home care arrangements), and hence this measure does not fully reflect the price reductions in group care achieved through the new national program. Furthermore, since Quebec already provided low-cost ELCC prior to the introduction of the CWELCC, there has been little change in ELCC prices in that province under the national program.

sections then provide data describing each of the benefits noted above. The conclusion considers the policy implications of these growing economic benefits for future economic and social policy in Canada.

Previous Research on the Economic Benefits of ELCC

An extensive and growing international literature has explored and documented the many economic benefits generated by the expansion of affordable, accessible, high-quality ELCC services. Notable contributions to that body of research were summarized and referenced in our previous 2020 report, and in other research surveys.[6] The main channels of economic benefits identified in this previous research include:

- Economic activity and employment associated with the direct provision of ELCC services. This includes employment, output, and incomes generated in the ELCC sector. It also includes indirect spillover benefits from that activity, experienced in two broad categories: upward through the supply chain that feeds ELCC centres with inputs and services (known as 'indirect' effects), and downstream through consumer goods and services industries boosted by the additional spending power of ELCC workers (known as 'induced' effects).[7]
- Expanded participation by parents of children in paid work, as a result of their ability to access quality, affordable ELCC services while employed. These benefits are especially concentrated among women, who in Canada (like most industrial countries) demonstrate lower labour force participation than men, particularly in the prime parenting years. Enhanced female labour supply can be achieved both through higher labour force participation, and reduced incidence of part-time work. Women typically are disproportionately employed in part-time jobs, reflecting the challenges of balancing paid work and women's unfair share of unpaid caring duties at home. Our previous

[6] See, for example: Steven Barnett, "Preschool Education and Its Lasting Effects: Research and Policy Implications," Boulder and Tempe: Education and the Public Interest Center & Education Policy Research Unit, 2008, http://epicpolicy.org/publication/preschooleducation; Child Care Human Resources Sector Council, *Literature Review of Socioeconomic Effects and Net Benefits*, 2009, http://www.ccsc-cssge.ca/sites/default/files/uploads/Projects-Pubs-Docs/2.8-WFS_LitSocioMain_Eng.pdf; Margaret McCain et al., *Early Years Study 3: Making Decisions, Taking Action*, McCain Family Foundation, 2011, http://ELCCreport.ca/media/uploads/pdfs/early-years-study3-2011.pdf; Josh Bivens et al., "It's time for an ambitious national investment in America's children", Economic Policy Institute, 2016, https://www.epi.org/publication/its-time-for-an-ambitious-national-investment-in-americas-children/; Executive Office of the President of the United States, *The Economics of Early Childhood Investments,* 2015, https://obamawhitehouse.archives.gov/sites/default/files/docs/ early_childhood_report_update_final_non-embargo.pdf; and Matt Grudnoff, The Economic Benefits of High Quality Universal Early Child Education, Centre for Future Work, 2022, https://futurework.org.au/wp-content/uploads/sites/2/2022/11/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf.

[7] The scale of these indirect benefits is typically held to depend on the existence of underutilized labour and other resources in the broader economy; in these conditions, initial autonomous demand generated by the expansion of a 'base' industry (which can include publicly-supported services production) has multiplied impacts on overall output and employment experienced through these upstream (indirect) and downstream (induced) channels.

report showed a clear correlation across Canadian provinces between female labour force participation and full-time employment, and the extent of ELCC coverage.

- Long-run and multidimensional benefits resulting from the improved scholastic, health, employment, and income-generating potential of children who receive high-quality early child education in the preschool years. Clinical evidence confirms that capacity to learn, success in group settings, communication skills, and other cognitive attributes are enhanced by participation in high-quality ELCC programs. These benefits are especially strong for children from lower-income or otherwise disadvantaged home settings. In turn, this enhanced cognitive and scholastic success manifests in long-lasting advantages across many other dimensions of well-being: including lifetime employability and earnings outcomes, reduced engagement with income support and criminal justice systems, and better health. These long-lasting impacts of high-quality ELCC are more challenging to quantify, but researchers have utilized innovative methodologies (including long-lasting longitudinal studies) to confirm that graduates of quality ELCC programs receive broad and long-lasting and economic and financial benefits from that experience.

Table 1
Summary of Economic Benefits
from Implementation of Universal ELCC

Nature of Benefit	Time Frame	GDP ($billion 2020)	Employment (000)	Government Revenues ($billion 2020)
Category A: Economic Footprint of Expanded ELCC Production				
Direct Production **Construction** **Indirect Effects** **Sub-Total**[1]	Over 10 Years	$9.6 - $9.4 $19	211 8 78 297	$2.5 - $2.5 $5
Category B: Improved Female Labour Supply				
Increased Participation **Increased Full-Time Work (FTE)** **Sub-Total**	Over 10+ Years	$44-88	230-460 135-270 365-730	$12-24
TOTAL A + B		**$63-107**	**660-1025**	**$17-29**
Category C: Improved Capacities of ELCC Participants				
Better earnings, productivity, health, social & fiscal outcomes	Very Long-Term (20+ Years)	$30 or more?		

Source: *The Role of Early Learning and Child Care in Rebuilding Canada's Economy after COVID-19*, by Jim Stanford, 2020, Table 8. Some sub-totals do not add due to rounding.

1. Estimated sub-totals adjusted to exclude double-counting between construction and supply chain impacts.

Table 1 reprints a summary from our earlier 2020 report of our projections of the economic, labour market, and fiscal benefits for Canada of the implementation of a near-universal ELCC system (akin to successful programs in the Nordic countries, world leaders in ELCC policy). The report modeled the required investments in new spaces, construction of ELCC centres, and new ELCC employment required to support an affordable ELCC system providing spaces for 92% of pre-school children (the same proportion as Norway).

Our report assumed the national ELCC program would be phased in over 10 years. It categorized and quantified benefits in each of the three broad categories listed above, and corresponding time frames. The most immediate are the economic benefits resulting directly and indirectly from the economic footprint of the growing ELCC sector (including direct, indirect, and induced effects). Those benefits would be experienced in tandem with the expansion of the system. Second, the benefits of enhanced female labour supply take somewhat longer to be realized: it takes time for family decisions regarding paid work and child care to adapt to the new reality of a more extensive, affordable ELCC network. Finally, the multidimensional benefits of improved learning and employment capacity for ELCC graduates take many years to be fully realized – as those graduates complete their education, find and keep work, and progress through their lives. Again, those long-run benefits are hardest to quantify, but abundant evidence confirms they are robust and important – and should not be discounted in policy-making simply because they are hard to measure.

There are many other broader and non-economic benefits also associated with universal high-quality ELCC provision, not captured in this analysis. These include enhanced equality for women (financial, social, and familial) arising from their greater ability to choose paid work if they desire it, and the stronger community and social stability arising from enhanced opportunities for children and their families to interact, grow, and receive support in group and community settings. This report focuses on quantifiable economic benefits from expanded ELCC provision, but those broader benefits are important and should also be considered.

Our previous simulations of the economic effects of phasing-in (over a decade) a Norway-equivalent near-universal ELCC program projected substantial benefits, including.

- 1.2 million new ELCC spaces.
- An increase in ELCC direct employment of 211,000 positions.
- Cumulative construction investment in ELCC centres of $30 billion (over ten years).
- Expansion in annual GDP directly produced in the ELCC sector of $9.6 billion (in inflation-adjusted 2020 dollar terms) after ten years.
- 78,000 indirect jobs supported in supply chain and downstream consumer industries.
- An additional $9.4 billion in GDP arising from those indirect and induced spillovers.
- An increase in core-parent age female labour force participation of 7.2-9.5 percentage points.

- An increase in the incidence of full-time work among employed women of 6-12 percentage points.
- An increase in total female labour supply (through enhanced participation and more full-time work) of 390-780,000 full time equivalents.
- New GDP arising from the employment of increased female labour supply reaching $44-88 billion after ten years.
- Combined GDP from ELCC provision and increased female employment of $63-107 billion after ten years.
- Additional government revenue (at both the federal and provincial levels) of $17-29 billion per year – more than enough to fund the universal ELCC system.

Our 2020 report did not attempt to quantify the longer-run economic and fiscal benefits arising from enhanced scholastic capacity and lifetime earnings for ELCC graduates, but noted (on the basis of other research) that those benefits would likely be of an order of magnitude comparable to the other two categories of benefits that were explicitly modeled.

Early Economic Benefits from $10-per-Day ELCC Expansion

The national $10-per-day ELCC program is leading a major expansion in both the number of licensed group care spaces available for young children in Canada, and sharp reductions in the cost of those services. According to findings from Statistics Canada's new Canadian Survey of ELCC, close to 1 million children under 6 in Canada attend licensed group child care facilities (not counting school-based kindergarten programs). In Québec, with its long-standing low-fee program, 78% of parents of children under 6 (who are not on parental or maternity leave) had enrolled their children in licensed child care in 2023; outside of Québec, the ratio is only 42%.[8] The popularity of licensed group ELCC has been reinforced by the decline in prices under the new national program, so demand still exceeds supply for these spaces. Coverage will continue to grow in coming years as the national program expands.

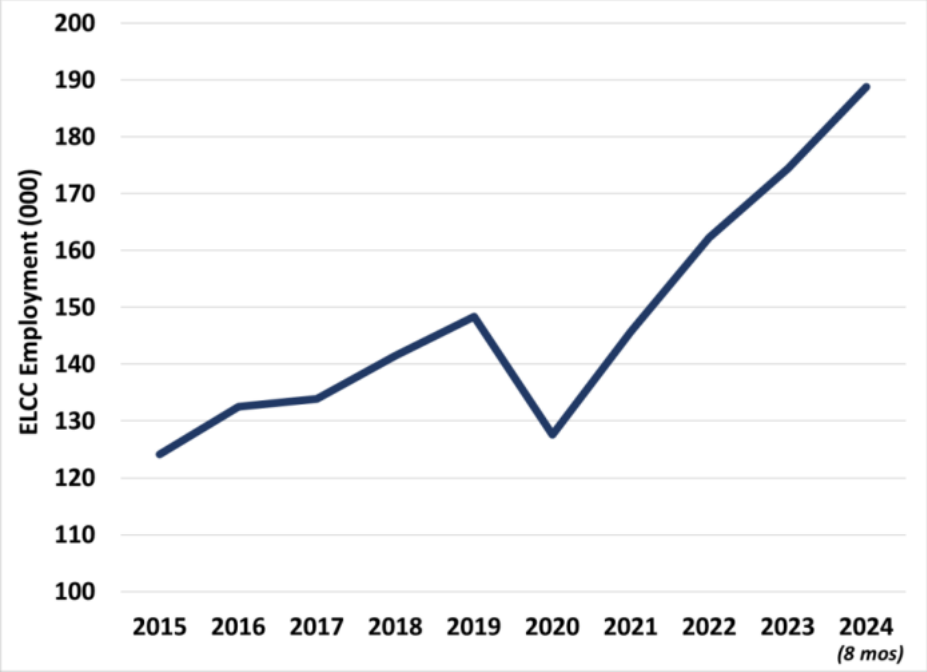
Although the $10-per-day program is still in early days, it is already having visible positive effects on several dimensions of Canada's economic performance: including employment, incomes, GDP, labour supply, and even inflation. We consider these dimensions in turn. To control for the disruptions associated with the COVID pandemic and it immediate aftermath, we compare latest data (in most cases, covering the first half to three-quarters of 2024) to a 2019 starting benchmark.[9]

[8] Gordon Cleveland, *Giving Parents Money Doesn't Solve Child Care Problems* (Toronto: The Prosperity Project, 2024), https://canadianprosperityproject.ca/wp-content/uploads/TPP-Child-Care-Report_EN.pdf.

[9] If we measured changes in economic variables from 2021 when the CWELCC program was announced, we would be capturing impacts of the re-opening of economic activity after COVID lockdowns, which would be hard to distinguish from the impacts of the new national program.

Employment

Figure 1. Employment in ELCC Services, 2015-2024



Source: Statistics Canada Table 14-10-0201-01.

Figure 1 illustrates the growth in total employment in the ELCC sector in Canada. About 20,000 jobs in the sector were temporarily lost during the worst period of the COVID pandemic (when many ELCC centres closed). Those jobs were quickly regained as the economy re-opened, and then total employment accelerated with the expansion of services supported by the new national program. By 2024, almost 190,000 waged workers were employed in the ELCC sector.[10]

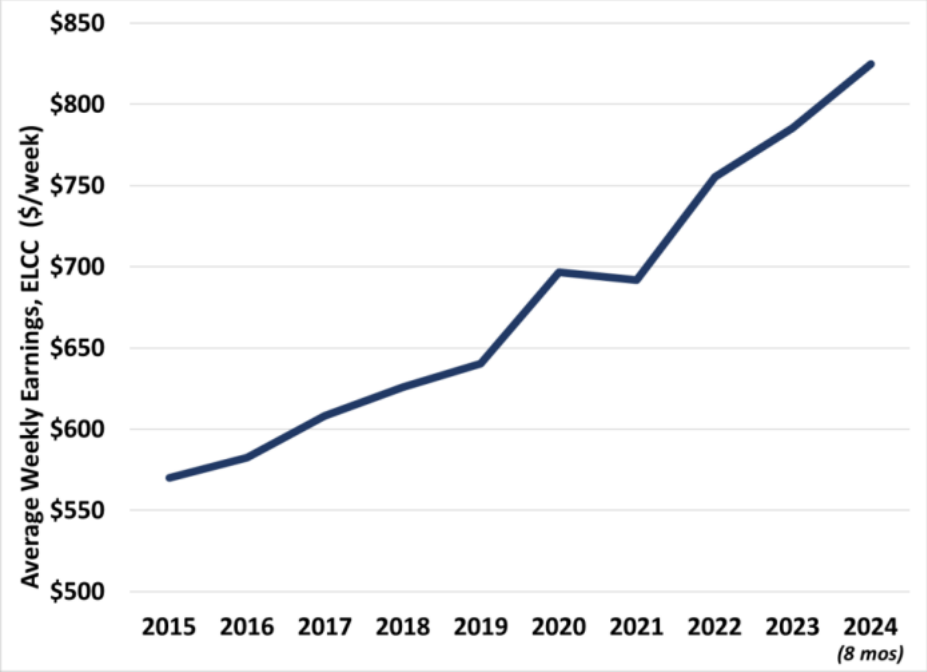
ELCC has thus been an important source of new employment during a challenging time for Canada's labour market. ELCC employment increased by 27% (or over 40,000 new positions) between 2019 and 2024. That is four times faster than the 6% growth in payroll employment recorded across Canada's labour market as a whole. Today the ELCC sector accounts for over 1% of total payroll employment in Canada (up from about three-quarters of one percent in 2015). As indicated in Table 2, the ELCC sector ranks as the sixth-largest job-creating sector[11] in Canada's entire economy over the past five years – generating a far larger boost to employment than sectors traditionally assumed to be the 'drivers' of Canada's economy (such as natural resources or manufacturing[12]). The $10-per-day program has thus underpinned a powerful source of new employment across Canada.

[10] The data in Figure 1 is from Statistics Canada's monthly payroll survey, which includes waged employees (but not self-employment) in a wide range of child care services: including licensed group care centres, but also family day homes, in-home babysitting, and nurseries and playschools.
[11] Among sectors defined at the Level 5 or 6 level of disaggregation in Statistics Canada's payroll employment data.
[12] In fact, the oil and gas and manufacturing sectors both reduced employment over this same five-year period.

Table 2 Ten Largest Job-Creators, 2019-2024 *Level 5/6 Disaggregation, Payroll Employment*		
Rank	**Sector**	**Net Job Creation**
1	Computer System Design	122,695
2	Federal Government Public Administration	77,468
3	Hospitals	63,077
4	Elementary and Secondary Schools	62,798
5	Building Equipment Contractors	43,268
6	Child Day Care Services	42,347
7	Nursing Care Centres	40,472
8	Architectural and Engineering Design	38,161
9	Provincial Government Public Administration	37,957
10	Outpatient Care Centres	37,633
Source: Calculations from Statistics Canada Table 14-10-0201-01. Measures change in payroll employment Jan-Aug 2024 compared to similar period in 2019.		

Earnings

Figure 2. Average Weekly Earnings in ELCC Services, 2015-2024

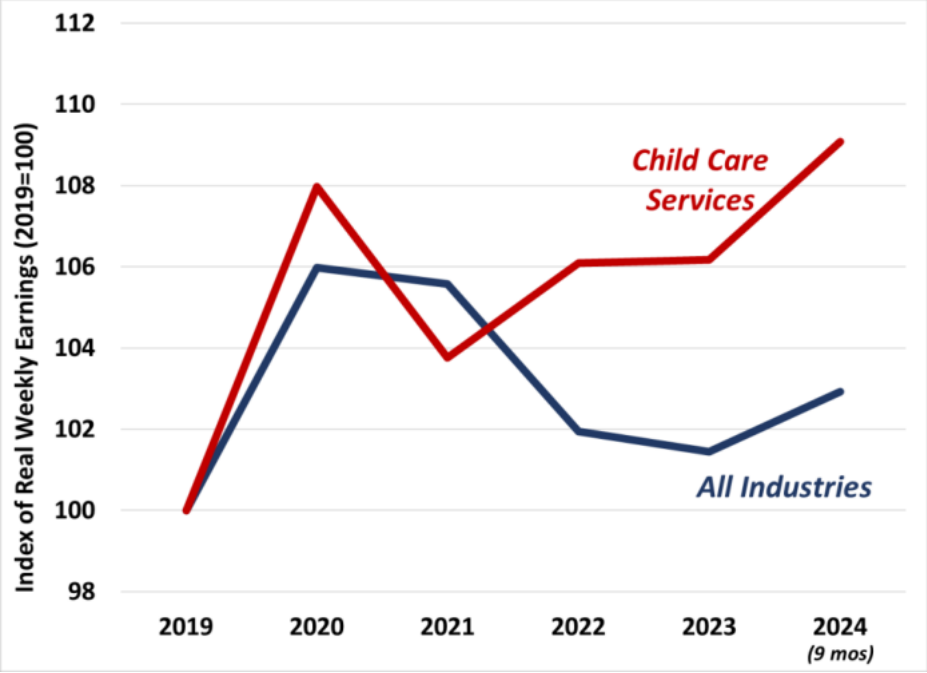


Source: Statistics Canada Table 14-10-0203-01.

Work in the ELCC sector has always offered below-average compensation, reflecting the underfunding of the ELCC system, and the undervaluation of the work and qualifications of the women who constitute the vast majority of the sector's workforce. However, buttressed by new funding under the $10-per-day program, and complementary policies from the federal and provincial governments (including new wage standards and wage grids implemented in some provinces, support for training, and workforce recruitment and retention initiatives to address staffing shortages), pay in the sector is improving – in both absolute and relative terms. As of 2024, average weekly earnings in ELCC reached $825 per week (see Figure 2). That represents a 28% increase in nominal earnings since 2019. Average earnings have grown faster in ELCC than in the overall labour market: overall weekly earnings for payroll employees in Canada grew 21% in the same period.

Of course, given the acceleration in consumer price inflation after the COVID pandemic, nominal wage growth in all industries needed to accelerate to keep pace with prices. But wages in the ELCC sector did better than that. Relative to consumer prices, real (inflation-adjusted) weekly earnings for ELCC employees grew 9% in the last five years. ELCC real wages were not as damaged as much as in other sectors during the initial years of post-COVID inflation; and they renewed growing in real terms sooner and faster (see Figure 3).

Figure 3. Real Weekly Earnings, 2019-2024



Source: Statistics Canada Tables 14-10-0203-01 and 18-10-0004-01.

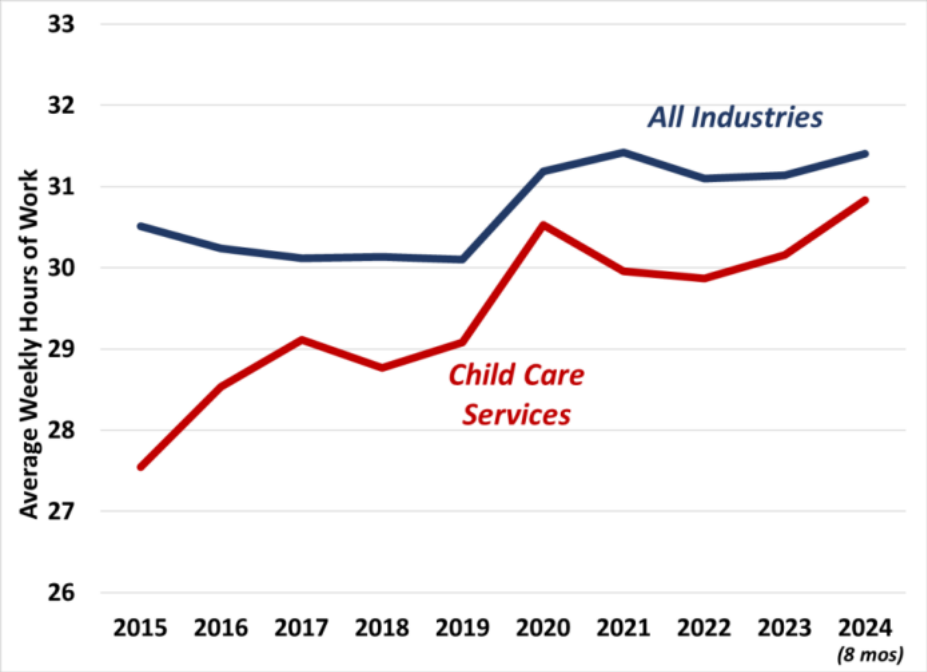
Because of the stronger growth in weekly earnings in the ELCC sector, the long-standing wage disadvantage relative to other sectors has narrowed somewhat in recent years. As of 2024,

average weekly earnings in ELCC equal 66% of the economy-wide average for payroll employees. That is an improvement from under 60% as recently as 2015. There is still a long way to go to reach genuine pay equity for ELCC workers (who remain undervalued for reasons of gender, industrial structure, and government policy), and continuing to improve ELCC wages will be a vital precondition for workforce recruitment and retention. But the trend is heading in the right direction, and the various wage supports negotiated wit provinces alongside the $10-per-day program certainly deserve much of the credit.

Hours of Work

Another dimension of improving job quality in the ELCC sector is the shift toward full-time jobs, facilitated by stronger and more secure funding for ELCC centres. This trend has been complemented by more hours of work for part-time staff. No direct data on the incidence of part-time work in the sector is published by Statistics Canada. However, indirect evidence of the shift toward full-time work is provided through data on average weekly hours of work in the sector, which have been growingq (see Figure 4).

Figure 4. Average Weekly Hours of Work in ELCC, 2015-2024



Source: Statistics Canada Table 14-10-0255-01.

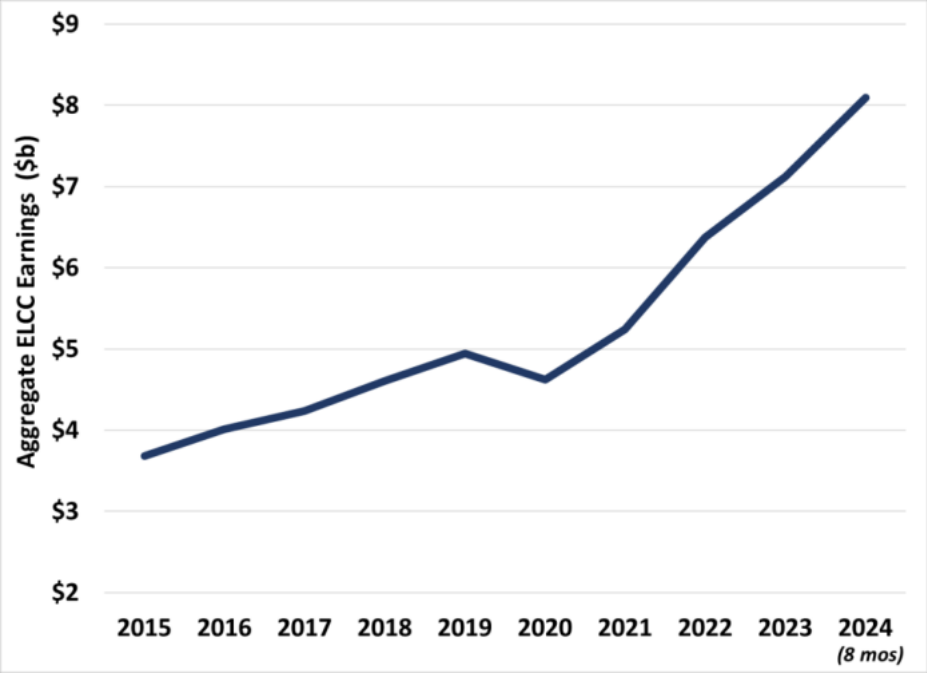
Average weekly hours of work have grown significantly in recent years in the ELCC sector – up by almost 2 hours per week since 2019. That contrasts with only modest increases in average hours in the broader labour market. As a result, the gap in working hours between ELCC and other industries – which, along with lower wages, contributed to inferior job quality in the sector – has narrowed. By 2024, ELCC staff, on average, were employed for only about one-half-hour less per week than the overall average for payroll employees in Canada.

Aggregate Earnings

The virtuous combination of more employment, higher hourly wages, and longer hours of work has produced a triple-barreled expansion of overall labour compensation paid out in the ELCC sector. Total earnings of ELCC employees in 2024 will exceed $8 billion (see Figure 5). That is an increase of over 60% since 2019. This amount does not include supplementary benefits, workplace pensions, or employer contributions to CPP and other social security programs.

At a time when Canadian households have been struggling with household finances (due to high interest rates, inflation, and rising unemployment), the boost to aggregate earnings and financial stability provided by the rapid growth of ELCC employment income is welcome. Moreover, these earnings are quickly recycled into the domestic economy: since their earnings are still relatively low, ELCC workers typically have little savings. Instead, their increased incomes are fully spent on consumer goods and services, amplifying the overall stimulative impact of expanded ELCC programs.

Figure 5. Aggregate Earnings for ELCC Employees, 2015-2024



Source: Calculations from Statistics Canada Tables 14-10-0201-01 and 14-10-0203-01.

GDP Growth

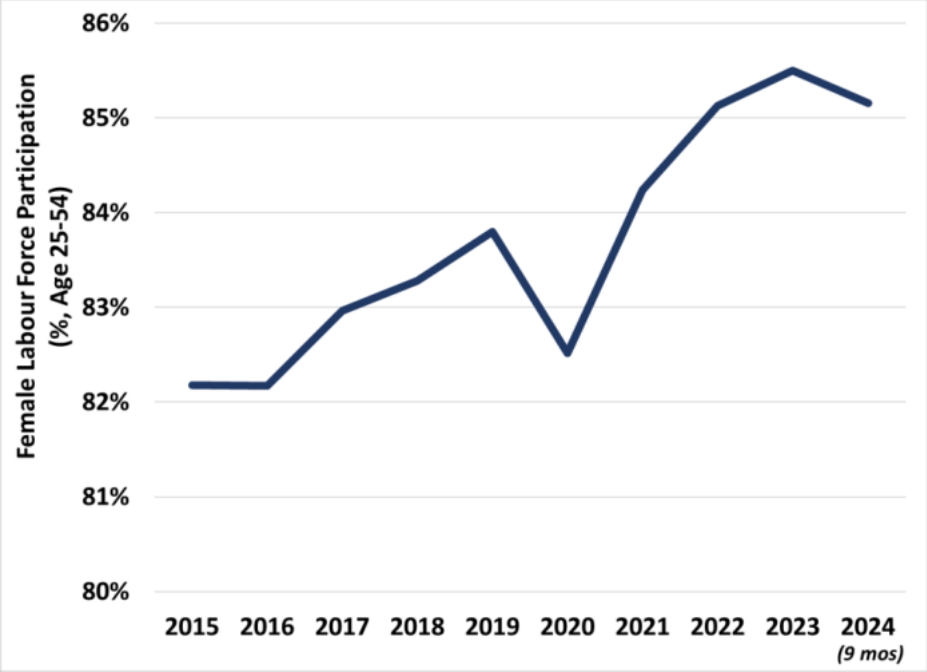
ELCC services are a highly labour-intensive form of production. Labour compensation constitutes by far the largest cost item in an ELCC centre (typically amounting to around 75% of total expenses). So the growth in both quantity of employment, and the quality of that employment (reflected in rising real compensation), will be reflected in higher value-added and a greater contribution by this sector to Canada's overall GDP.

Statistics Canada does not report GDP data for the ELCC sector (which is aggregated with other social services in a broad 'social assistance' sector). As explained in our previous 2020 report, approximate estimates of value-added in ELCC can be generated on the basis of factor input ratios typical of educational activity (including schools), which are similarly labour-intensive sectors. On that basis, assuming that labour compensation accounts for about three-quarters of total value-added, direct GDP produced in the ELCC sector will exceed $11 billion in 2024. This does not include the indirect stimulus to GDP in other sectors provided by ELCC expansion (including indirect and induced activity in supply-chain and downstream industries, and the output undertaken by women workers joining the labour market as a result of the greater availability of affordable ELCC services); these impacts are considered further below.

Female Labour Supply

The strong correlation between access to affordable ELCC and female labour supply is the largest single source of economic benefit from expanded ELCC services. Already, the expansion of ELCC provision in Canada, and reductions in their cost, are contributing to an important and valuable increase in women's labour supply in Canada – just as predicted in earlier research on the economic benefits of ELCC expansion.

Figure 6. Core-Age Female Labour Force Participation, 2015-2024



Source: Statistics Canada Table 14-10-0017-01.

In the core working age cohort (ages 25 through 54, also the prime parenting years), female labour force participation has increased by 1.4 percentage points since 2019, and by 3 percentage points since 2015 (see Figure 6). This growth in participation is equivalent to an increase in the core-age female labour force of some 110,000 workers. Of course, not all that increase in participation is directly attributable to the national child care program; growing

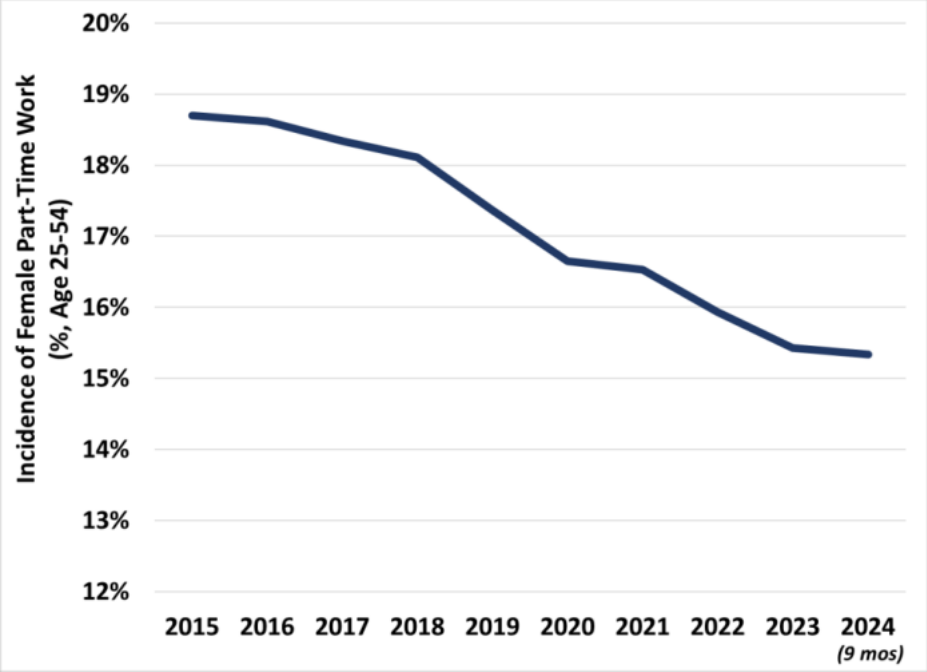
female participation has been a decades-long trend, reflecting the combined impact of economic and social change, and the demands of women for full equality and participation. But international and Canadian evidence confirms that access to affordable ELCC services is a vital precondition for full participation by women in paid work.

The gap in core-age participant between men and women has narrowed, by two percentage points since 2015. But the gap is still significant (close to 7 percentage points in 2024). This indicates there is room for considerable additional gains in female participation as the $10-per-day program rolls out.

A second component of increased female labour supply comes from women's enhanced ability to work full-time hours – more feasible when they can count on accessible and reliable ELCC support. Women traditionally have worked more part-time jobs, and shorter average hours, in large part due to the unequal sharing of domestic care work, and the resulting challenges in balancing home and paid work duties. Affordable ELCC makes that balancing act more sustainable.

Figure 7 illustrates the proportion of employed women in the core age cohort (25-54) working part-time jobs. The incidence of part-time work by women in this cohort has declined steadily: falling almost four percentage points since 2015, and over two percentage points since 2019. The incidence of part-time work for men has been stable in recent years, so the gap in full-time work between the genders has narrowed considerably (shrinking by about one-third since 2010). Similar (but less dramatic) trends are visible in other age cohorts.

Figure 7. Incidence of Female Part-Time Employment, Core Age Cohort, 2015-2024



Source: Calculations from Statistics Canada Table 14-10-0017-01.

If we assume that a shift from part-time to full-time work is associated with an increase of one-half full time equivalent of labour supply,[13] then the growing incidence of full-time work for women in the core age cohort since 2019 has provided some 65,000 full-time equivalents of core-age labour supply to the labour market.

Female Labour Supply and Increased Output

Together, then, these two sources of enhanced female labour supply add 175,000 new full-time equivalent positions to the core-age female labour force. We can explore the corresponding economic benefits from this growth in female labour supply as follows.

We assume, first, that the proportion of this new female labour supply which then find paid employment is equal to the current experience. So far in 2024, the unemployment rate for core-age women has averaged 5.2%, and so we assume that 94.8% (100% minus 5.2%) of the new female labour supply is employed. We also assume that incremental output from each of those employed labour force entrants equals average productivity per worker in the economy as a whole.

On that basis, the growth in effective core-age female labour supply since 2019, supported by the expansion in accessible and affordable ELCC services, will add $24 billion (or about 0.8%) to Canada's GDP this year. Including the increases in female labour supply that have been experienced in other age groups would lead to an even higher estimate; but we have limited our attention here to the prime parenting years, in an effort to isolate the impacts of accessible ELCC services.

Combined GDP Impacts

The gains in GDP arising from increased core-age female employment can then be added to the direct and indirect GDP gains driven by the growing economic footprint of the ELCC sector itself. In this way, a more comprehensive depiction of the overall economic impacts of expanded ELCC services can be constructed.

Recall from above that estimated GDP produced directly in the ELCC sector grew by over $4 billion between 2019 and 2024.[14] Our 2020 report estimated that the combined total of indirect (upstream) and induced (downstream) spillover benefits from expanded ELCC activity (for supply chains and consumer industries) amounted to almost one dollar in additional activity, for each dollar of ELCC activity.[15] That implies another $4 billion in additional GDP gains. Meanwhile, the new output produced by incremental female labour supply constitutes the largest increment in GDP: $24 billion this year.

[13] In other words, we assume part-time workers, on average, work half-time hours.

[14] This was based on our assumption that labour compensation in the sector accounts for about three-quarters of value-added, akin to published Statistics Canada for other educational services

[15] The 2020 report estimated $9.4 billion in indirect and induced GDP, supported by the projected $9.6 billion increase in direct GDP produced within the ELCC sector, for a ratio of about 0.98:1.

Table 3 Combined GDP Gains from ELCC Expansion 2019-2024	
Component	**Value ($b 2024)**
Direct ELCC Production	$4.3 billion
Induced and Indirect Activity	$4.2 billion
Female Labour Supply	$24.1 billion
Total	**$32.6 billion**
Source: Calculations as described in text.	

Table 3 summarizes the combined benefits of these channels of ELCC-supported economic growth. As in our original 2020 report, we have not attempted to quantify the long-term gains from enhanced scholastic, employment, and income capacity for ELCC graduates (and, at any rate, the time frame for those benefits would extend far beyond the current analysis). Across these three categories, GDP in 2024 is estimated to be $32.6 billion higher than if the ELCC sector (and its associated spillover effects) had not been growing so vibrantly.[16] That amounts to over 1% of national GDP this year.

Canada's economy has struggled with many challenges in the wake of the COVID pandemic. Canada has recently experienced a marked slowdown in economic growth, the intended outcome of the Bank of Canada's dramatic interest rate increases beginning in 2022. Those rate hikes were motivated by an effort to reduce inflation (which surged temporarily in the wake of COVID lockdowns, supply chain disruptions, shifts in consumer demand, a global oil price shock in 2022, and record-high profit margins in many Canadian industries). In the wake of rate hikes, economic growth slowed to near-zero levels. In this context, the additional output and purchasing power that was generated thanks to the expansion in ELCC services has been especially welcome.

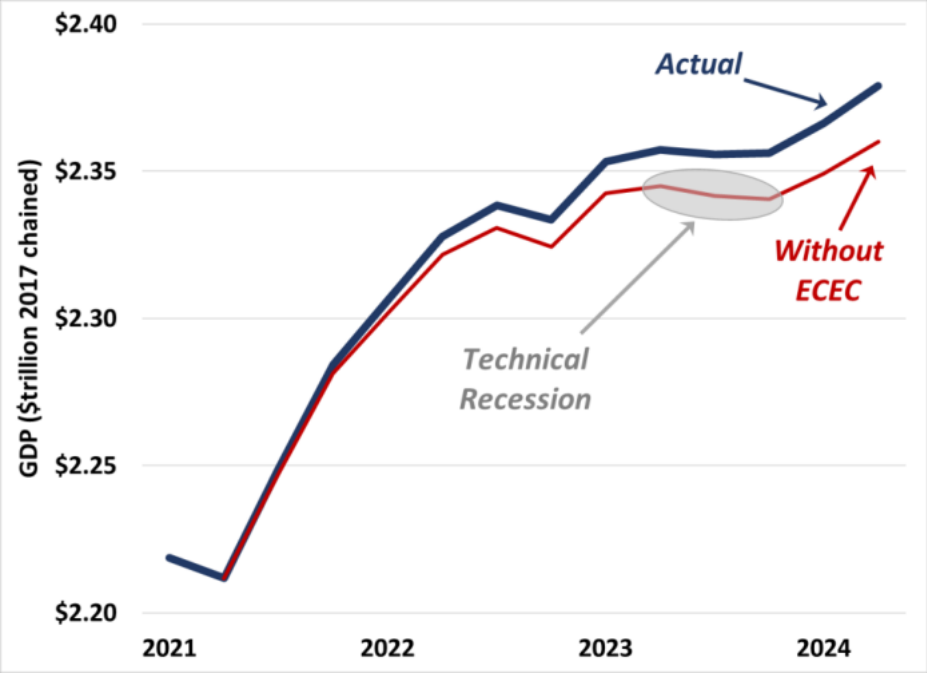
Indeed, it is likely that the growth stimulated by the ELCC expansion saved Canada from entering a 'technical recession' in the latter half of 2023. Economists traditionally define a recession as two consecutive quarters of negative real GDP growth. In the aftermath of Bank of Canada rate hikes, Canada narrowly avoided such a recession: while there were some isolated quarters of negative growth (such as the fourth quarter of 2022 and the third quarter of 2023), there were not two in a row. However, if the significant direct and indirect stimulus to growth

[16] Note that in comparing this estimate to the original economic benefits projected in the original 2020 report, the 2020 estimates were phrased in 2020 dollar terms, whereas the current estimates are in 2024 dollar terms. The increase in price level in the intervening period (the overall implicit GDP deflator has grown almost 20% in the same period) means that the real value of the more recent estimates is not as substantial as if phrased in equivalent 2020 dollar terms.

provided by the ELCC expansion had not been in place, then Canada would have entered a technical recession in the second half of 2023.

To illustrate this, we take the aggregate increase in GDP over the past five years summarized in Table 2 ($32 billion), and divide it into 20 quarters (covering five years). This assumes the expansion in ELCC and related activity has been experienced evenly over that five year period. Unfortunately, the nature of our indirect data on GDP in ELCC and other variables does not allow a more precise specification of the time trajectory of these broader economic impacts.[17] We then deflate those equal proportional increments in GDP by the implicit price deflator for current public services, to derive an estimate of the real increments in quarterly GDP expressed in real ($2017) terms, compatible with Statistics Canada's overall GDP data. We then remove that extra ELCC component from aggregate GDP beginning in mid-2021 (after the announcement of the new national program), to represent the counterfactual scenario of no ELCC expansion in that period.

Figure 8. Actual and Counterfactual GDP Growth, 2021-2024



Source: Calculations as described in text.

The results of this simulation are illustrated in Figure 8. Beginning in mid-2021, there is a gradually widening 'wedge' between actual real GDP (blue line, expressed in annual rates) and the red line (simulated GDP without the increased ELCC-driven activity after mid-2021). The gap between the two lines widens over time, indicating the cumulative contribution that expanded

[17] For present purposes, this is a conservative assumption. In reality, given that the ELCC sector contracted (like other parts of the economy) in 2020, the pace of ELCC growth in subsequent years was faster than we have assumed here – making it even more likely that without that growth, a recession would have occurred.

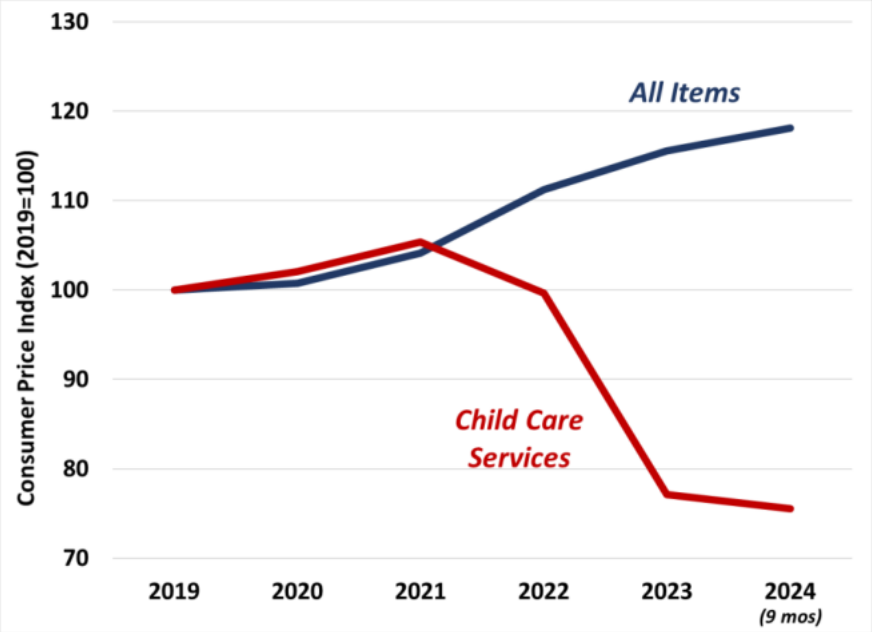
ELCC services are making to national output. Strikingly, in latter 2023, the red line turns down for two consecutive quarters – thus constituting (in this scenario) a 'technical recession'.

In practice, Canada narrowly avoided such a recession thanks to very weak growth eked out in the final quarter of 2023. But without the contribution of rapidly growing ELCC services (including GDP indirectly stimulated by that expansion), real GDP would have declined in that quarter. Without the expanding ELCC sector, therefore, powered by the $10-per-day program, and driving economic activity through all the direct and indirect channels described above, Canada would have experienced a recession. This dramatizes the extent to which investments in human and public services – in this case, Canada-wide ELCC services – offer crucial support to the macroeconomy during times of crisis.

Inflation

Another broad macroeconomic impact of expanded ELCC services is visible in data on consumer prices. A central goal of the $10-per-day program is to reduce parent fees – starting with a negotiated 50% reduction in fees by end-2022, and then moving toward $10 per day in subsequent years.[18] These price reductions are starkly apparent in Statistics Canada data on consumer prices.

Figure 9. Consumer Price Indices, 2019-2024



Source: Statistics Canada Table 18-10-0004-01.

Statistics Canada's bundle of goods and services (which it constructs to estimate overall changes in the price level) includes an item termed 'Child Care Services' (grouped in the category of household operations). Prices for these services (which include some forms of child care other

[18] Eight provinces and territories already reached the $10 per day target by mid-2024, earlier than expected.

than regulated group spaces) broadly tracked overall inflation before the $10-per-day program was implemented. In 2022, however, child care prices began falling significantly thanks to the new program, and they have continued falling since. Figure 9 illustrates this divergence in annual average CPI values.[19] Prices for child care services declined 28% between 2022 and the first nine months of 2024.[20] That contrasts sharply with the 13% rise in average consumer prices experienced over the same time, due to faster inflation.

In this case, again, the economic impacts of the new national ELCC program are macroeconomically significant. The decline in ELCC costs under the $10-per-day program were large enough to measurably reduce national inflation – especially in 2023, when the largest reductions in (year-average) child care costs were recorded. Child care costs currently make up about 0.5% of Statistics Canada's overall CPI bundle (indicating that across all households in Canada, consumers spend 0.5% of their disposable income on child care[21]). That proportion has already shrunk, as a result of the mandated price reductions; in 2017, the weighting on child care costs in the overall CPI bundle was 0.88%.

The rapid decline in CPI for child care costs in 2023 reduced the national CPI by 0.2 points, which in turn reduced the national inflation rate that year by some 13 basis points (ie. by 0.13 percentage points). That was a small proportion of the total inflation experienced that year (the overall year-average CPI increased 3.9% in 2023). But in a time of great disruption and challenge for household budgets, every bit of relief on cost of living counts. And this deflationary impact would have incrementally impacted the Bank of Canada's judgments regarding interest rates – perhaps reducing somewhat their perceived need to have increased interest rates even further.

Conclusions and Policy Implications

There is abundant economic evidence, from Canada and internationally, that the provision of accessible, affordable, high-quality ELCC services generates a wide range of economic, social, and fiscal benefits that enhance the well-being of society over a long time frame. The new $10-per-day program is an ambitious and historic step toward such a system in Canada. It is already making a major difference in the lives of families, communities, and – most importantly – children in all parts of Canada.

[19] The fee reductions introduced in late 2022 are only partly reflected in the year-average CPI value for that year illustrated in Figure 9 (since they only began taking effect late in the calendar year).
[20] That is smaller than the 50% price reductions contemplated under the CWELCC for various reasons, including that the Statistics Canada category captures prices for some forms of in-home or informal child care not covered by the CWELCC, and that Quebec's child care system (which already offered low prices) was not affected by this aspect of the new national program.
[21] Obviously, for parents with children, that proportion is much higher, whereas for households with no young children the proportion is usually zero.

Moreover, even though the program is new, its economic impacts are already clearly visible. Encouragingly, those impacts are consistent with both the direction and the order of magnitude projected by previous research. Employment, earnings, and value-added in the direct ELCC sector are growing rapidly. Indirect benefits of that growth are also being captured in upstream supply chains, and in downstream consumer industries. Female labour supply is growing, as predicted – driven by both increased participation, and longer hours of work. The combined benefits of these various channels have provided a substantial boost to Canada's GDP: cumulating to over 1% of GDP this year. And in the context of the economic turbulence Canada has experienced since the COVID pandemic, the expansion of ELCC has even provided some unexpected macroeconomic benefits: a measurable reduction in national inflation, and greater capacity to navigate adjustments to higher interest rates without slipping into recession.

It is encouraging to see that the projected economic benefits that researchers in Canada and elsewhere anticipated to result from ELCC expansion, are in fact being generated, confirmed by hard economic data. Of course, the $10-per-day program is only partially in place: additional funding, new spaces, new jobs, and higher wages will all be forthcoming as the program continues to roll out. The evidence presented in this report should reaffirm the commitment by both federal and provincial governments to maintain and expand this program in the future.

The goal of the $10-per-day program was to support families, and the economy, with accessible, affordable, and high-quality ELCC services, to underpin full economic and social participation by both parents (especially women) and, eventually, children. From an economic perspective, even at this early stage, the plan is working.