



EXECUTIVE SUMMARY

Better Jobs and Brighter Futures:

Investing in Childcare to Build Human Capital

Amanda E. Devercelli and Frances Beaton-Day
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FOR MORE INFORMATION, THE FULL PAPER CAN BE ACCESSED AT:
<https://openknowledge.worldbank.org/handle/10986/35062>

The full paper includes detailed annexes with additional research, guidance for countries and specific policy and country examples.

Additional paper resources, including translated versions, a short video and blogs, can be accessed at: <https://www.worldbank.org/en/events/2021/03/04/better-jobs-and-brighter-futures-investing-in-childcare-to-build-human-capital>

Executive Summary

In this paper, we present the evidence on why childcare matters for building human capital, look at the current status of childcare provision worldwide, including an estimate of the global gaps in access and propose specific actions countries can take to expand access to quality, affordable childcare for all families that need it, especially the most vulnerable. This paper was originally drafted prior to the COVID-19 pandemic and has been updated to include new content, taking into account the unique challenges that the COVID-19 pandemic poses for families, children, governments and the childcare industry, as well as the importance of investing in childcare to drive countries' economic recovery.

Scaling up families' access to quality childcare has the potential to unlock pathways out of poverty, build human capital and increase equity - all of which are cornerstones of a country's economic growth and productivity. Expanding quality childcare can yield multi-generational impacts by promoting equity and improving women's employment and productivity, child outcomes, family welfare, business productivity, and overall economic development.

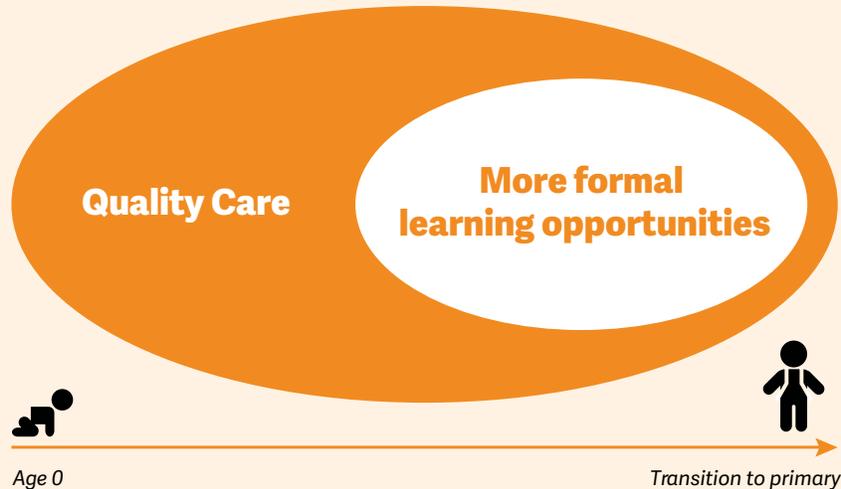
OVERVIEW OF THE BENEFITS THAT ACCRUE FROM ACCESS TO CHILDCARE



Though benefits are categorized into those that accrue to individuals, families and economies /societies, we recognize there is substantial cross-over between categories.

CHILDCARE: DEFINITION, TYPES OF CHILDCARE AND OTHER CLARIFICATIONS

Quality care is essential for all children; as children get older, more formal early learning opportunities, including with other children, become more important



In this report, we refer to childcare as a service with the primary objective of caring for children while parents are working while ensuring children are safe and have opportunities to learn and develop positive relationships with caregivers and peers. Quality care is critical for all children, and as children get older they also need more formal learning experiences to help them prepare for primary school.

Ages of children: This report covers children from birth up to primary-school-entry age. Sometimes, a distinction is made between services for children below 3 years of age and children between age 3 and primary-school-entry age. Provision for these different age groups may be provided separately due to differences in regulations, program design and children's needs. Some countries, however, also have approaches that cover children from birth up to primary-school-entry age in a single setting and/or have consistent regulation for the whole age range.

Is preschool childcare? The primary objective of preschool is to prepare children for primary school by supporting their cognitive, socio-emotional and physical development, but the quality of care remains critical. Preschool can serve as a childcare solution, though often it is only a partial solution for working parents, if a preschool operates for a half-day only.

Types of settings: Childcare can be provided in many different settings and is called different things in different countries. Types of childcare tend to fall into three categories: home-based care, center-based care and improvised and unremunerated family arrangements.



Home-based care: Broadly speaking, home-based care falls into two types: (i) care by someone in the child's own home who is sometimes called a nanny or au pair; (ii) childcare provided for a group of children in a caregiver's home.



Center-based care: Centers providing care for young children are generally called daycares, nurseries or crèches. Preschools and kindergartens can also serve such a childcare function.



Family and other informal arrangements: These are arrangements that put the burden for care on a friend or family member. This could include taking the child to work or leaving the child with a neighbor, friend, sibling, grandparent or other relative. This type of care may or may not be remunerated.

Children's earliest years are a period of rapid and consequential development that lay the foundation for future life success; while family influence is critical during this period, many children spend substantial time in some form of childcare outside the home. The first five years of a child's life are a period of rapid brain development and a critical window to intervene to promote healthy growth and development. Countless studies have demonstrated the long-lasting returns to quality early interventions and the importance of ensuring that children are in safe and stimulating environments. Access to good quality childcare is essential for child development, but for many families, childcare is a binding constraint that restricts decisions on whether to work and what type of work in which to engage. The childcare challenge impacts all working parents, but it is especially acute for parents with young children, who are not yet old enough to enroll in primary school (when accessible government-supported services become available in most countries). With rural-urban migration on the rise and more families removed from the traditional extended family structures that could otherwise offer childcare support, the magnitude of the challenge will continue to grow.

THE IMPLICATIONS OF COVID-19 ON CHILDCARE

The COVID-19 pandemic has laid bare the deep inadequacies in the current system of childcare provision, including uneven access, poor quality, the need for public finance, poor terms of employment for the workforce and the overall vulnerability of the sector. Smart investments to support families and the childcare industry—through a variety of channels—are an essential part of recovery efforts across countries to enable parents to return to work and provide children and families with support. In many countries, this may include channeling resources to childcare providers in financial difficulty so they can reopen. As childcare services begin to reopen, some adjustments will be needed to keep children and staff safe. The experience that so many parents have had in the last few months of struggling to balance childcare and their work responsibilities may also open new opportunities, increase public empathy, and generate policy momentum to address inadequacies in childcare provision worldwide that leave so many families with limited choices and children in settings that do not ensure their safety, let alone promote development.

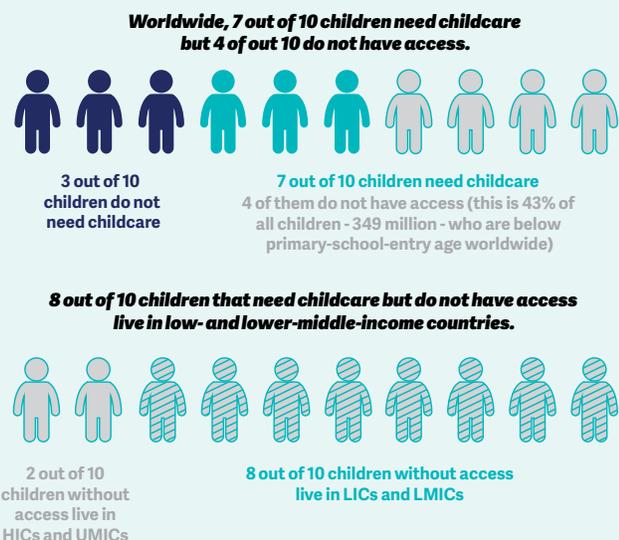
While childcare is an issue that impacts all working parents, it is particularly important in the context of efforts to improve women's employment opportunities and productivity in both the formal and informal sectors. Lack of affordable childcare often keeps women out of the workforce or from reentering the workforce after childbirth. It also limits the quality of employment and income earning opportunities that women can pursue. This can have a wide range of negative impacts, including on family economic security, gender equality and empowerment and business and economic growth. When women earn and control their own incomes, more resources tend to be channeled to support their children's health, education and overall family welfare. When women exit the workforce, firms lose valuable employees, resulting in increased costs related to attrition and reduced business productivity, as well as missing out on the benefits of a more diverse workforce.

Too many children are spending their early years in suboptimal environments, with negative implications for their development and lifetime opportunities. In the absence of other options, many working parents are forced to leave their children in unsuitable or even unsafe environments. Children may be left alone or with a sibling, or may accompany their parents at work in unsafe conditions. Aside from safety, the development consequences for children who do not have access to quality childcare and early learning opportunities emerge quickly, as children arrive to primary school without the skills to succeed and then fall further behind more advantaged peers during primary school. An estimated 53 percent of children in low- and middle-income countries are living in "learning poverty," unable to read and understand a simple story by the end of primary school. In the poorest countries, this figure can be as high as 80 percent. These early deprivations and poor learning outcomes impact countries' human capital as children grow into adults who cannot achieve their full potential: The Human Capital Project estimates that 56 percent of children born today will grow up to be, at best, half as productive as they could have been. Older siblings, especially girls, are also impacted by the childcare challenge when they are forced to take on childcare responsibilities, with consequences for their own education opportunities and life choices. Keeping adolescent girls in school longer has positive implications for delaying marriage and first pregnancy.

The size of the unmet need for childcare is substantial: we estimate that over 40 percent of all children (nearly 350 million) who are below primary-school-entry age worldwide need childcare but do not have access to it. More specifically, 72 percent of all children below primary-school-entry age need some form of childcare (593 million), and 59 percent of these children who need childcare do not currently have access (349 million). The childcare challenge disproportionately impacts families in low- and lower-middle-income countries: nearly eight out of ten children who need childcare but do not have access are living in low- and lower-middle-income countries. A child living in a low-income country is nearly five times less likely to have access to childcare than a child living in a high-income country. These figures likely underestimate the global need, as they do not factor in parents who are prevented from entering the workforce due to a lack of childcare. These excluded families are likely some of the most vulnerable and could benefit the most from childcare. The gap in access is particularly acute for children below the age of 3, because costs are generally higher for this age group and few countries have policies or widespread provision that covers them. For children ages 3 to 6, preschool, where available, can offer a partial solution, often providing at least a half day of services. Despite progress in preschool expansion, however, nearly 40 percent of all preschool-age children globally are not enrolled in preschool, and in low-income countries 80 percent of preschool-age children are not enrolled.

Global estimates: Substantial gaps in access to childcare

- Over 40 percent of children (nearly 350 million) who are below primary-school-entry age need childcare but do not have access to it.
- The childcare challenge disproportionately impacts families in low- and lower-middle-income countries: nearly 8 out of 10 children who need childcare but do not have access are in low- and lower-middle income countries.
- A child living in a low-income country is nearly five times less likely to have access to childcare than a child living in a high-income country.



It is not just a question of access; the quality of childcare that children receive is paramount to ensuring that the various returns can be realized. In considering both current childcare services and childcare expansion, it is critical that quality be at the forefront of any policies and program designs to ensure children's development and learning. Quality is essential, both to ensure good outcomes for young children and also as a "signal" to motivate parents to enroll their children in the first place. If quality is low, children will not benefit and may even be harmed, and parents may be unwilling to leave their children in facilities that do not feel safe or likely to benefit their children. Unfortunately, many childcare settings currently are not of high enough quality to positively impact child development.



Expanding the childcare economy offers substantial employment opportunities: we estimate that the expansion of the childcare workforce to meet current needs could create 43 million jobs globally. These jobs are important for the future of work, as they are much less vulnerable to automation than some other employment opportunities. Given that one of the most important aspects of quality is a capable, caring and qualified workforce, appropriate training opportunities for these practitioners are crucial. Expanding childcare could also create millions of small business opportunities (for center-based and home-based provision) that could generate income while meeting community needs. In the context of the COVID-19 pandemic, ensuring access to childcare will be essential to enable parents to return to work and is, in its own right, a source of potential job creation for childcare providers.

Childcare policies and service delivery are fragmented in many countries, which exacerbates the challenge of ensuring quality and planning. In many countries, the regulation and provision of childcare do not fit neatly into one agency or ministry mandate, and the roles of different stakeholders are often unclear. In the absence of clearly defined roles and responsibilities, childcare may fall through the cracks, and the robust and effective planning, regulation, quality assurance and monitoring needed to ensure adequate provision never materializes. The result is millions of families without reliable childcare, leaving millions of children in inadequate or even unsafe care settings. A comprehensive approach to ensure that country systems and enabling environments support quality is currently lacking in most countries.

Expanding access to quality, affordable childcare will generate a number of positive externalities, and should be a priority area for public intervention and finance. The current system in many countries does not meet the needs of most families and the market alone is unlikely to yield a solution that maximizes both female labor force participation and child development. Childcare should be a priority area for public intervention; without government support, childcare will not be accessible to the most vulnerable families. There are a range of policy options available to governments to correct the current market failure. A whole-of-government approach will be needed to leverage diverse solutions and financing mechanisms and build a strong enabling environment to expand access to quality, affordable childcare. At the country level, a range of existing financial sources and programs could be better leveraged to begin to fill the gap. But that would just be a start— additional resources will be needed in most countries. Table 1 lays out some of these potential entry points across sectors.



43 million new jobs could be created if we expand the childcare economy to meet the global need.

TABLE 1 POTENTIAL SECTORAL ENTRY POINTS TO INVEST IN CHILDCARE

SECTOR	EXAMPLES OF WAYS TO SUPPORT CHILDCARE
 EDUCATION	<ul style="list-style-type: none"> Increasing early childhood education and preschool programs with consideration as to how they also serve a childcare function (hours, location, etc) Developing and implementing regulation and quality standards for all early learning provision, including childcare (in collaboration with other sectors) Offering childcare to facilitate participation in skills and training programs Using skills and training programs to build the childcare workforce
 HEALTH AND NUTRITION	<ul style="list-style-type: none"> Using childcare facilities to reach children with services to address malnutrition and reduce stunting, especially during the critical first 1,000 days Leveraging health and nutrition programs to support childcare Using childcare facilities as referral points and to improve the efficiency of community health workers Taking into account the burden of childcare placed on older female siblings, with implications for adolescent girls' enrollment in school and ultimately for delaying marriage and reducing adolescent pregnancy
 GENDER	<ul style="list-style-type: none"> Expanding childcare to improve women's employment Supporting women entrepreneurs to provide childcare services Promoting complementary policies around maternity / paternity leave and breast-feeding at work
 SOCIAL PROTECTION AND JOBS	<ul style="list-style-type: none"> Establishing childcare provision to maximize participation in and completion of active labor market and empowerment programs, including skills and training programs and public works schemes (e.g. mobile creches) Encouraging childcare to increase female labor force participation Promoting cash transfers or child assistance grants, which could be used for childcare and / or maternity benefits Promoting complementary policies and regulations around maternity / paternity leave Expanding coverage of complementary benefits, such as maternity/paternity leave, to workers in both the formal and informal sectors (e.g. through establishing voluntary contribution to social security)
 AGRICULTURE	<ul style="list-style-type: none"> Establishing childcare to ensure children are safe and increase agricultural productivity
 URBAN DEVELOPMENT	<ul style="list-style-type: none"> Establishing childcare facilities for women workers in industrial zones and urban public spaces (e.g. markets and waste dumps) Investing in childcare facilities as part of "slum upgrading" programs
 PRIVATE SECTOR	<ul style="list-style-type: none"> Encouraging childcare to increase female labor force participation and business productivity Establishing childcare to maximize participation in training programs Supporting childcare expansion through innovative financing mechanisms Prioritizing childcare sector in funding for Micro, Small and Medium Enterprises (MSME)

We suggest five policy goals that governments should focus on to ensure that childcare is available, affordable, of decent quality and meets the needs of all families: (i) expand access to childcare by promoting diverse types of provision; (ii) prioritize childcare coverage for the most vulnerable families and ensure low-cost and free options are available; (iii) allocate sufficient financing to make quality childcare affordable for families; (iv) define clear, workable institutional arrangements and build system coherence; and (v) ensure that children are in safe and stimulating environments through a robust quality assurance system and a supported and capable workforce. Table 2 highlights these goals and summarizes actions that governments could take to achieve them.

Investing in more and better quality childcare is an important strategy for countries seeking to build human capital and could bring transformational change to many government priority areas. Over 40 percent of all children (nearly 350 million) who are below primary-school-entry age worldwide need childcare but do not have access to it. Achieving quality, affordable childcare for all families that need it will require substantial increased political and financial commitments in many countries, and it is imperative that governments act now. Too many families are desperately struggling to make a living and give their children the best possible start. These families are not in a position to consider the optimal balance between women's employment and child development. They need and deserve solutions now. We are failing this generation and future generations. The expansion of quality childcare presents an incredible opportunity to deliver better jobs and brighter futures by improving women's employment and productivity, child outcomes, family welfare, business productivity, and overall economic development.



Childcare should be a priority area for public intervention and finance given the positive externalities and that the market alone is unlikely to yield a solution that maximizes women's employment and child development, especially for the most vulnerable families. Governments should ensure that childcare is available, affordable, of decent quality and meets the needs of all families.

TABLE 2 SUMMARY OF POLICY GOALS AND PRIORITY ACTIONS TO ENSURE QUALITY, AFFORDABLE CHILDCARE THAT MEETS FAMILY NEEDS

POLICY GOALS	ACTIONS GOVERNMENTS COULD TAKE TO ACHIEVE THE GOALS
 <p>GOAL 1: Expand access to childcare by promoting diverse types of provision</p>	<ul style="list-style-type: none"> • Conduct country-level diagnostics to understand family needs and adjust programming accordingly. • Use multiple levers to support the expansion of childcare provision (various policy options exist, including direct government provision, financial support for families, incentives for the nonstate sector and mandated employer-supported childcare). • Integrate childcare into other existing public programs (e.g. childcare alongside training or public works programs to maximize participation).
 <p>GOAL 2: Prioritize childcare coverage for the most vulnerable families and ensure low-cost and free options are available</p>	<ul style="list-style-type: none"> • Prioritize childcare options for vulnerable families (e.g. allocated spaces, targeted provision). • Heavily subsidize childcare costs at least for the most vulnerable families (through financial support to families and/or subsidies to nonstate providers that serve vulnerable families). • Consider the needs of, and solutions for, informal workers, including identifying spaces that could be used to provide services for informal workers near their worksites or neighborhoods. • To ensure equity, consider the needs of especially disadvantaged children (e.g. children with disabilities, ethnic or linguistic minorities, refugee populations or others affected by violence and conflict, etc). • Apply conditions/means testing to ensure government-supported and nonstate sector provision is accessible for low-income families. • Build on existing programs that serve vulnerable populations (e.g. using them to identify target populations and / or piggy-back on services).
 <p>GOAL 3: Allocate sufficient financing to make quality childcare affordable for families</p>	<ul style="list-style-type: none"> • Allocate sufficient public funding to make childcare affordable for all families. • Consider diverse funding streams—public funding, employer funding, reasonable individual contributions (for those that can afford it), and various types of private-sector funding. • Leverage existing financing by integrating childcare into programs for win-win investments. • Ensure sufficient budget to build and maintain a robust quality assurance system.
 <p>GOAL 4: Define clear, workable institutional arrangements and build system coherence</p>	<ul style="list-style-type: none"> • Define institutional arrangements to cover services for children from birth to primary school entry to ensure child safety and promote child development. • Identify a clear institutional anchor(s) with the mandate and resources to promote access and ensure quality, along with clear roles and responsibilities for other sectoral and agency engagement. • Collect data on usage and quality to inform implementation and policy. • Take a whole-of-government approach to optimize programs and policies to promote both child development and women’s employment and ensure system coherence (taking into account other complementary policies such as child benefits and parental leave).
 <p>GOAL 5: Ensure children are in safe and stimulating environments through a robust quality assurance system and a supported and capable workforce</p>	<ul style="list-style-type: none"> • Establish registration requirements that apply to all types of providers, reflect local conditions, and are feasible enough to encourage registration. • Develop comprehensive and coherent quality standards (with clear minimum standards and progressive pathways to improve over time). • Establish monitoring systems with inspectors trained in early child development. • Encourage parental engagement and establish mechanisms to help parents support their children’s development and advocate for quality services. • Develop and support quality initial and ongoing training and support for childcare and early learning practitioners with a strong focus on practice. • Professionalize the childcare and early learning workforce with formal qualifications, career pathways, and suitable remuneration. • Provide supports for home-based providers and other entrepreneurs (networks, training and coaching programs, peer support, access to learning resources etc).

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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

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