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# Early Childhood Care and Education and Jobs for Women: A Care-Led Strategy for Jobs and Growth?

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## A Care-Led Strategy for Jobs and Growth

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### Abstract

Quality early childhood care and education (ECCE) yields significant benefits for children, including improved nutrition and health, cognitive development, and better labour market outcomes later in life. Despite the clear individual and societal benefits, particularly the economic returns from enhancing human capital, many countries—including South Africa—continue to underinvest in ECCE. In demonstrating how strategic public investment in ECCE could unlock its potential in South Africa, the paper underscores the importance of recognising ECCE not just as a social service but as a key driver of economic development, improved labour market outcomes for women and gender equality.

This paper critically examines international research and policy recommendations that highlight the various ways expanded ECCE positively impacts communities and economies. We review several simulation studies that predict substantial multiplier effects from ECCE investments, projecting significant job creation for women and positive effects on national income and tax revenue. While economic models suggest optimistic outcomes for investing in ECCE in South Africa, two major cautions must be considered. South Africa faces challenges from sector constraints and potentially diminished fiscal multipliers, necessitating refined strategies and consensus-building for effective implementation. Despite these obstacles, ECCE investment remains promising, as economic conditions can evolve, and there are opportunities to develop strategies that address both sector-specific and macroeconomic challenges concurrently.

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# 1. Introduction

There is strong evidence for the positive impact of early childhood care and education (ECCE) on the lives of children, on the productivity of workers and on the prosperity of countries. Barnett and Nores (2015:74) conclude that “[d]ecades of research provide unequivocal evidence that public investment in ECCE can produce economic returns equal to roughly 10 times its cost”.

Despite the strong evidence for the economic returns from ECCE, especially through improving human capacities, underinvestment persists in many countries and in South Africa. This paper, firstly, points to this underspending on ECCE in South Africa despite the promised returns. It argues that the underinvestment can be partly explained by an underappreciation of the various channels through which ECCE will impact on communities and the economy, and especially an underappreciation of the channels that will provide a more short-term and direct effect on economic activity and hence reduce the financing constraint. In the South African context of dismal growth, consistently troubling levels of unemployment and persistent gender inequality in the labour market, these potential impacts of ECCE are a high priority.

After outlining the various channels through which expanded ECCE impacts on the economy, the paper reviews studies that simulate the significant potential of ECCE expansion in South Africa to create jobs for women and to stimulate growth. Relying on the multiplier effects of an injection of funding into ECCE, these studies predict that the investment can create a significant number of jobs for women in providing ECCE services and further jobs in sectors supplying the ECCE sector as well as in sectors providing goods to the newly employed women. A typical study is that of De Henau *et al.* (2019), finding that an investment of an additional 0.5 per cent of GDP could generate 670,000 ECCE jobs and around 200,000 indirect jobs in South Africa. While the number of additional jobs projected is large (about four per cent of total employment at that stage), the required investment of R35.3 billion in 2017 was thirteen times the estimated state spending on ECCE in that year.

The paper also points out that in response to the COVID-pandemic, which highlighted the key role of care services and the need for recovery strategies, a wide range of international studies and policy proposals highlighted the potential short-term economic effect of the expansion of care services. One of the recent studies, focusing on the United States (U.S.) and Europe, predicts that compared to a construction sector post-COVID stimulus, the jobs-effect of an investment in the care sector could be 1.4 to 2.6 times bigger (De Henau & Himmelweit, 2021:464).

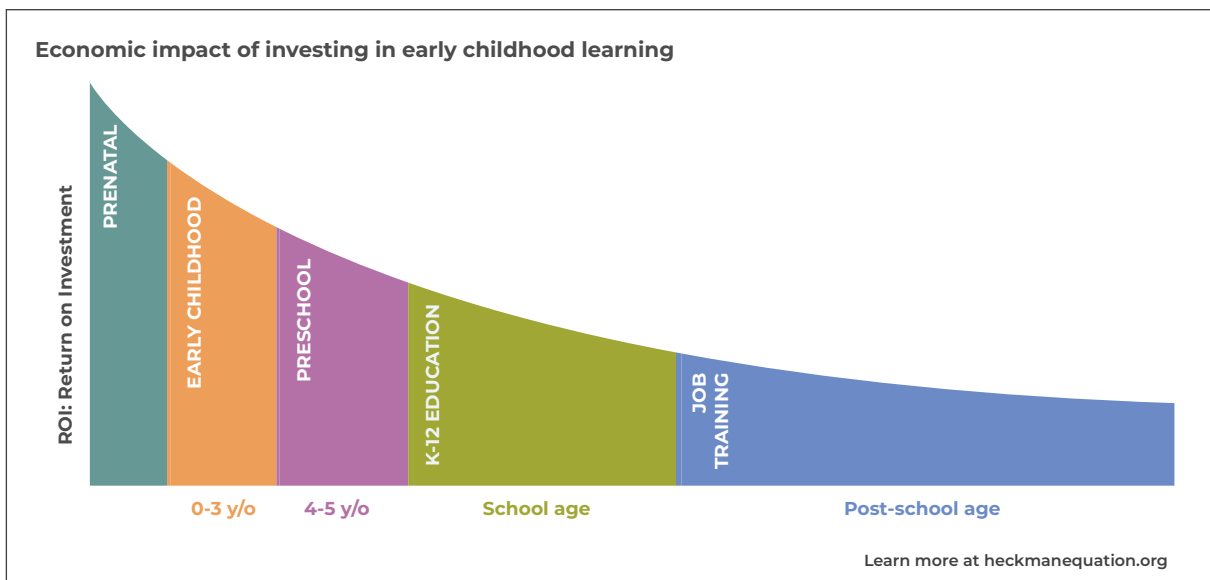
The penultimate section of the paper points out that the optimistic findings of these modelling or “multiplier” exercises must be tempered by at least two cautions, which also apply to multiplier work in general. Firstly, sector supply constraints may make rapid quality expansion impossible with the result that neither macroeconomic nor social objectives would be reached. This points to the need to further refine and build consensus on approaches to rolling out ECCE to more children and families in South Africa and to develop more detailed strategies and population-based plans. Over the last two decades a strong ECCE support and innovation ecosystem has developed in South Africa, and this will be an important ingredient of a successful ECCE expansion. Secondly, the size of fiscal multipliers depends critically on country structural factors (such as levels of debt and openness to trade and investment), conjunctural factors (such as the stage of the economic cycle and the potential for growth), and the specific instruments used for fiscal stimulation. Some South African economists argue that over the last decade South African fiscal multipliers have dropped to zero because of past policy decisions. This should not, however, lead to complete despondency in the ECCE sector over investment prospects. In addition to the fact that times and fiscal prospects do change, and that there are disagreements about the size and relevance of fiscal multipliers at any point in time, there may also be room for tailoring a more detailed ECCE investment strategy that could simultaneously address macroeconomic constraints.

While national level multiplier models must therefore be interpreted with caution, they point to the potential of the ECCE sector not only as redistributive or human capital developing instruments, but also as an important sector driving jobs and income. In considering ways of enhancing short-term growth, particularly in the aftermath of the COVID-19 pandemic, ECCE should be included in the array of sectors being weighed up for job creation and economic stimulation.

## 2. The Case for ECCE unheeded

In his most recent work on the importance of ECD, James Heckman sends a clear warning relevant to policy makers in South Africa: “Efforts to reduce inequality and promote better learning outcomes will only be effective when they include a focus on early childhood development” (Baulos & Heckman, 2022). The work of Heckman and others provides mounting evidence that investments in ECD are highly effective in improving the well-being of children, that of their families, and ultimately the whole of society. Desmond *et al.* (2016) point to the impact “in the short-term on improved care and protection, better health and nutrition outcomes and reduced stress” and, in the longer term, on “better cognitive and emotional development ... better emotional and social adjustment, education outcomes and higher earnings”. A popular way of summarising the evidence is the “Heckman curve” which shows that returns to investment in children at younger ages are higher than returns from investment in later years (The Heckman Equation, 2014. See Figure 1). Another shorthand indicator of soundness of investment in ECD programmes comes from estimated benefit-cost ratios. A recent review of impact assessment for ECCE points to benefit-cost ratios ranging from 3.9:1 to 6.8:1 for a longstanding US programme (the HighScope Perry Preschool Project) and 3.2:1 for another (the Carolina Abecedarian programme) (Cascio, 2021).

**Figure 1: The Heckman Curve**



Source: The Heckman Equation, 2014

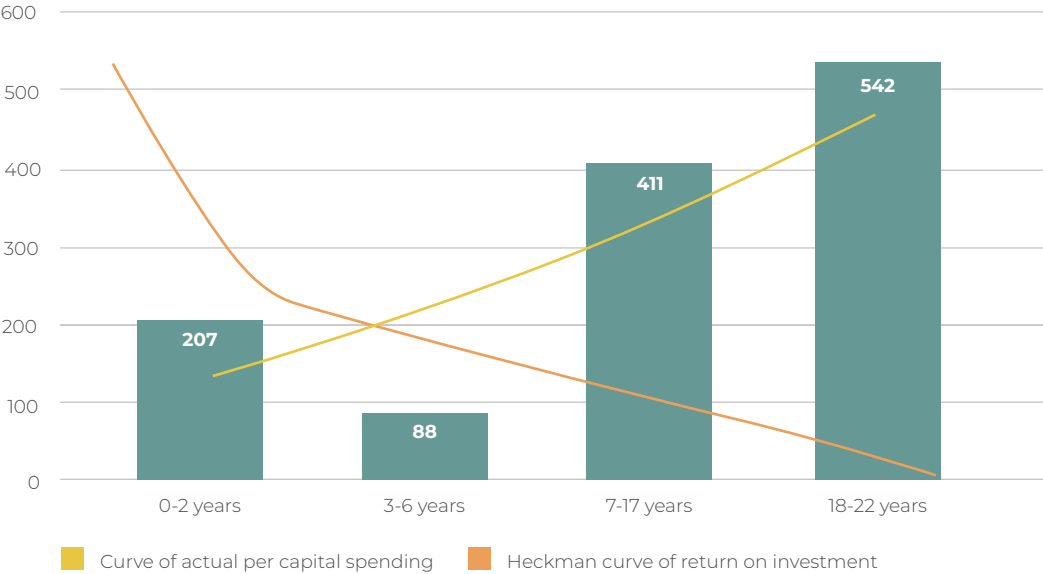
The South African National ECD Policy (2015) defines ECD as a package of services that includes all the interventions that promote: stimulation or early learning; maternal and child primary health, nutrition support for pregnant women, mothers, and children; support for primary caregivers; and social protection services. This combination is aligned with the World Health Assembly’s Nurturing Care Framework (WHA 2018). The “stimulation for early learning” component is also often referred to as early childhood care and education (ECCE), as an umbrella term for the various modalities of care and education for children from birth to formal schooling.

There is limited evidence on the impact of ECCE in South Africa. A South African study on the impact of Grade R in schools (the year prior to formal schooling) found positive impacts on learning but less so for the poor (Van der Berg *et al.*, 2013). The authors stressed the importance of quality of services. A recent comparison of five ECCE programmes against normal age effects found large positive effects, which cannot be generalised to all ECCE programmes because they may be exceptional and of high quality (Van der Berg, 2021). In a follow up paper, Van der Berg (2023) again found a limited impact of ECCE on cognitive outcomes of young children, arguing again that enrolment alone has limited benefits to developmental outcomes. Literature from other countries encourages caution with respect to the long-term cognitive benefits of ECCE programmes, with some pointing to evidence of “fade out” – i.e. the fading of gains in test scores as children progress through school (United States of America, Office of the President, 2014). Overall, the conclusion from the international literature remains that gains in a range of life outcomes – educational achievement, labour market incomes, and reduced criminal behavior – persist, despite fade-out in cognitive advantage, potentially because of other skills from ECCE are not captured by standardised tests (United States of America, Office of the President, 2014; Barnett & Nores, 2015).

Evidence of ECCE impact, combined with the existence of market failures (positive externalities and credit market imperfections) and distributional concerns (inequalities in income leading to the persistence of educational inequalities), make a strong case not only for expanding access to ECCE but for government intervention in expanding access through regulation, financing, or provision (Nores, 2020).

While the importance of expanding ECCE for human capital and economic development is therefore almost uncontested, continuing ECCE gaps and inequalities point towards underinvestment in ECD. For Eastern and Southern Africa, Camaione and Muchabaiwa (2021) find that ECD spending does not follow the Heckman curve: per capita spending on 7–17-year-olds for health and education is nearly double what is spent on 0–2-year-olds, and still higher for those in the 18–22-year age group. Three-to-six-year-olds receive the lowest per capita expenditure (see Figure 2).

**Figure 2: Average per capita government and donor spending on core human capital sectors by age group in Eastern and Southern Africa alongside the Heckman curve, 2019 (in US\$, 2017 constant prices)**



**Source:** Camaione & Muchabaiwa (2021) with data from WHO, UNESCO, UNDESA, OECD Statistics, and the IMF. It is noted that “the Heckman curve is for illustrative purposes and is not drawn to scale. The two curves are presented to visualise spending trends in relation to the expected rate of return.”

For South Africa there are similar inadequacies and inequalities in spending. Wills and Kika-Mistry (2021:8) speak of “limited depth of public financing for ECCE” in South Africa, pointing to the total per child per day subsidy requiring inordinately large class sizes to cover the daily minimum wage for a practitioner, and to the fact that government spends six times more on a child attending school compared to a child attending an ECCE programme.

More generally, in terms of both access to ECCE and childhood outcomes, South Africa has large gaps and inequalities. Table 1 provides 2019 coverage rates for zero to five-year old children, showing ECCCE coverage without Grade R and with Grade R. Fifty per cent of 0-5-year-olds are in some form of preschool or care arrangement (including Grade R), with coverage for 3–5-year-olds around 60 per cent and lower for 0–2-year-olds. Inequalities exist with the broader coverage rates where a 3-year-old in quintile 5 is twice as likely to be enrolled in an early learning programme compared to a child from quintile 1. The 0-2 age group also reflects this access inequality. However, the 0-2 age group requires a different analytical approach. The youngest children do not necessarily benefit developmentally from being in group learning environments (i.e., early learning programmes). For the most vulnerable caregiver-child dyads, home-visiting type services that address issues of early stimulation, parenting and maternal and child health are recommended. However, while a young child does not necessarily benefit from access to group early learning programmes, mothers and other caregivers certainly benefit through reduced unpaid care work and increased time for labour market participation.

Similar inequalities are reflected in developmental outcomes for children as shown by the 2021 Thrive-by-Five Index (Giese *et al.*, 2022). The index combines information on a representative sample of 4 and 5-year-olds in South Africa attending early learning programmes. The index measures cognitive development, physical growth and social-emotional functioning. More than half or 57 per cent of this group were found to be “failing to thrive by five”, meaning that they are not achieving the developmental standard expected for their age, and are likely to fall behind in relative performance as they grow older.

**Table 1: South Africa, ECCE Enrolment 2019**

Age	Popula- tion	Centre	% of pop (access)	Non- centre & Other	% of pop (access)	All ECD	% of pop (access)	Grade R	% of pop (access)	ECD+ GrR	% of pop (access)
0	1,124,336	50,874	4.5%	73,398	6.5%	124,272	11.1%	4,627	0.4%	128,899	11.5%
1	1,129,889	178,016	15.8%	74,928	6.6%	252,944	22.4%	10,101	0.9%	263,045	23.3%
2	1,135,326	351,922	31.0%	48,955	4.3%	400,877	35.3%	8,416	0.7%	409,293	36.1%
3	1,140,264	566,810	49.7%	32,305	2.8%	599,115	52.5%	37,423	3.3%	636,538	55.8%
4	1,144,316	714,375	62.4%	20,775	1.8%	735,150	64.2%	165,583	14.5%	900,734	78.7%
5	1,147,097	315,061	27.5%	9,460	0.8%	324,521	28.3%	734,754	64.1%	1,059,275	92.3%
<b>Total</b>	<b>6,821,227</b>	<b>2,177,058</b>	<b>31.9%</b>	<b>259,821</b>	<b>3.8%</b>	<b>2,436,879</b>	<b>35.7%</b>	<b>960,904</b>	<b>14.1%</b>	<b>3,397,783</b>	<b>49.8%</b>

**Source:** Enrolment, Ilifa Labantwana from Stats SA General Household Survey 2019. Adjusted to align with Stats SA 2021 mid-year population estimates.

### 3. An expanded case for investing in ECCE

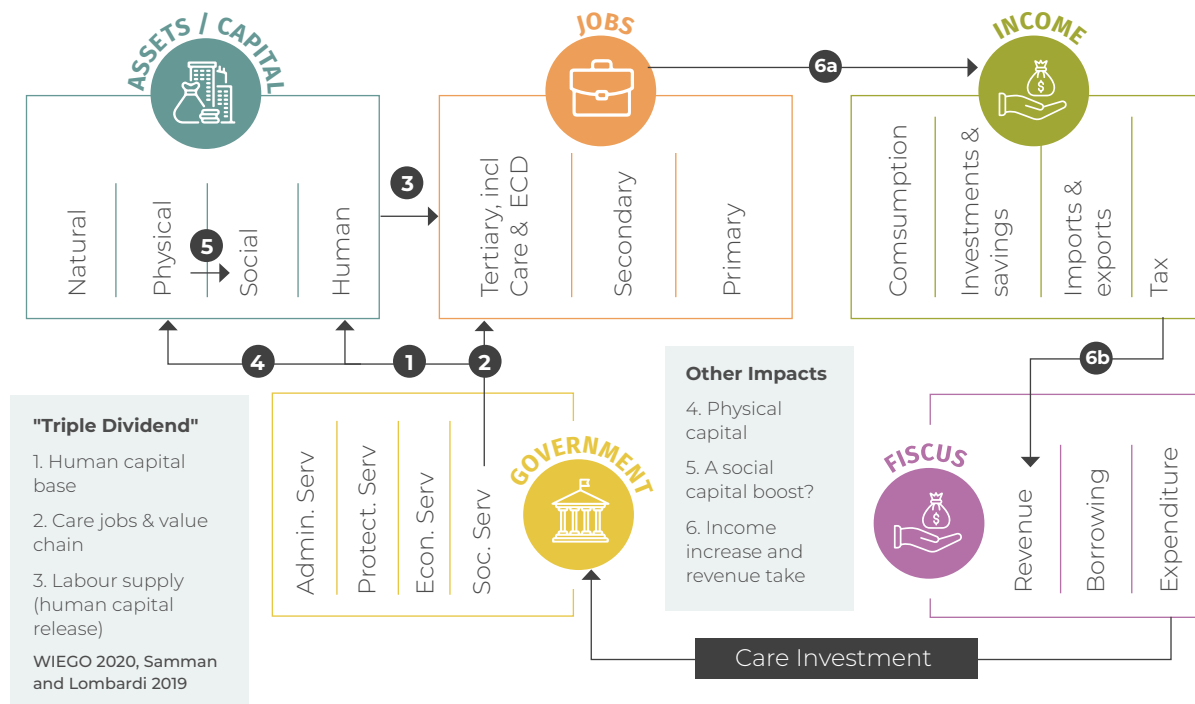
One potential reason why the South African government may continue to underinvest in ECCE is that some of the payoffs of ECCE, especially those related to the building of human capital, only realises over the longer term. Because young children will only generate income and tax revenue after some delay, the government faces a financing challenge. This challenge has become more severe due to declining GDP and mounting debt exacerbated by the COVID-19 pandemic.

In this context it is important to highlight other channels, beyond an increase in human capital, through which ECCE impacts the economy. These channels expand the overall returns to the investment in ECCE but could also lead to more immediate and short-term income and revenue flows and so reduce the financing constraint.

Figure 3 shows the channels through which investment in ECCE impacts the economy, hence elaborating on what UN Women refers to as the “triple dividend” of ECCE (Staab, 2015; Moussié, 2016) and what the Canadian Department of Finance calls a “jobs-and-growth hat trick” from enhanced investment in ECCE (Canada, Department of Finance, 2021b).

Channel 1 is the ECCE investment impact on human capital of the society through strengthening the health, cognitive ability, and other skills of children in care centres or home-based care. Channel 2 reflects the direct effect of government ECCE investment in creating jobs, mostly for women, through management, care, and other support jobs in the ECCE sector. The number of jobs created by ECCE spending will be multiplied because of backward linkages (employment of people in sectors supplying inputs to the ECCE sector or indirect employment) and forward linkages (people being employed through “induced” spending and employment, when those employed in the ECCE sector purchase goods and services in other markets). Channel 3 reflects that the availability of care services in communities “releases” the human capital of women to be available outside the household, and so increases labour force participation rates and employment rates of women. These are areas in which large gender gaps remain in both developing and more industrialised societies.

**Figure 3: ECCE Impact Channels - An Outline**



Source: Author adaptation of a variety of approaches including WIEGO 2016, Samman and Lombardi 2019.

In addition to these three routes of supporting children and women, three further channels are identified in Figure 3. Shown as channel 4, is the effect on physical infrastructure in communities because of investments in buildings and other facilities to accommodate the care services and provide essential services such as water, sanitation, and electricity. Depending on the scale of investments these can impact on the value of surrounding properties and through this on the rates base of local governments. The existence of ECCE providers could also impact on the stability of neighborhoods and contribute to the building of stronger relations between community members. In other words, ECD could impact on social capital, indicated as channel 5.<sup>2</sup>

Jobs in the ECCE sector, and the indirect and induced jobs flowing from the sector, are then mirrored in incomes (channel 6a) which could be utilised for consumption, savings and investment, for imports (a leakage out of the system), or to pay taxes. Hence, in addition to the employment multiplier mentioned before, there will also be an income multiplier operating based on initial income spent domestically on consumer goods and investment. Some income will be taxed and flow to the fiscus, so reducing the net fiscal cost of the expansion of ECCE (channel 6b).

Highlighting these channels takes us beyond human capital and long-term growth and addresses the pressing South African priorities of employment creation and economic growth in the context of rising joblessness, gender employment gaps, and declining per capita income.

## The South African economic predicament and links to gender and jobs

The origins of the South African growth and employment crises are normally sought in international economic factors (a slowdown in Chinese growth and European Union austerity) and local economic and political factors (electricity supply problems and state rent-extracting patronage networks) (see Sachs, 2021). Less emphasis is placed on the pressures that carers face, particularly women, due to the lack of available and affordable childcare and the resultant constraints for half the potential working population, notwithstanding the long-term effects on children's human capital potential.

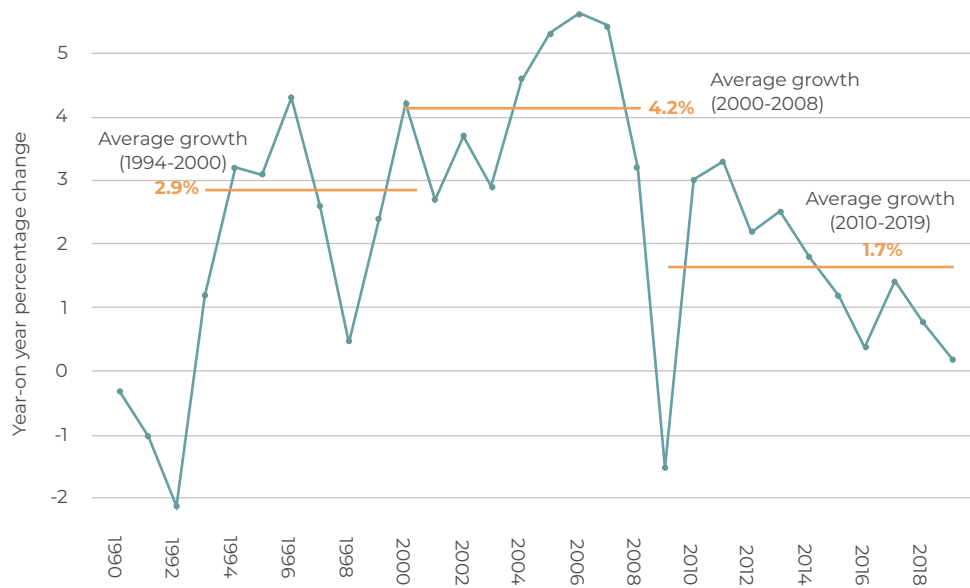
South Africa's intensifying crises of slow growth and high unemployment have been worsened by the COVID-19 pandemic. Data since the early 1990s show, following an acceleration to an average annual growth rate of 4.2 per cent over the period 2000 to 2008, a stepwise deceleration in growth after 2011, reaching very low levels of growth by 2019 and declining levels of per capita income (See Figure 4 from Sachs, 2021).

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<sup>2</sup>Channels 4 and 5 are not further explored in this paper but should be investigated and strategies built around them, especially in the context of local economic development. They should therefore find expression in the Integrated Development Plans of South African municipalities.

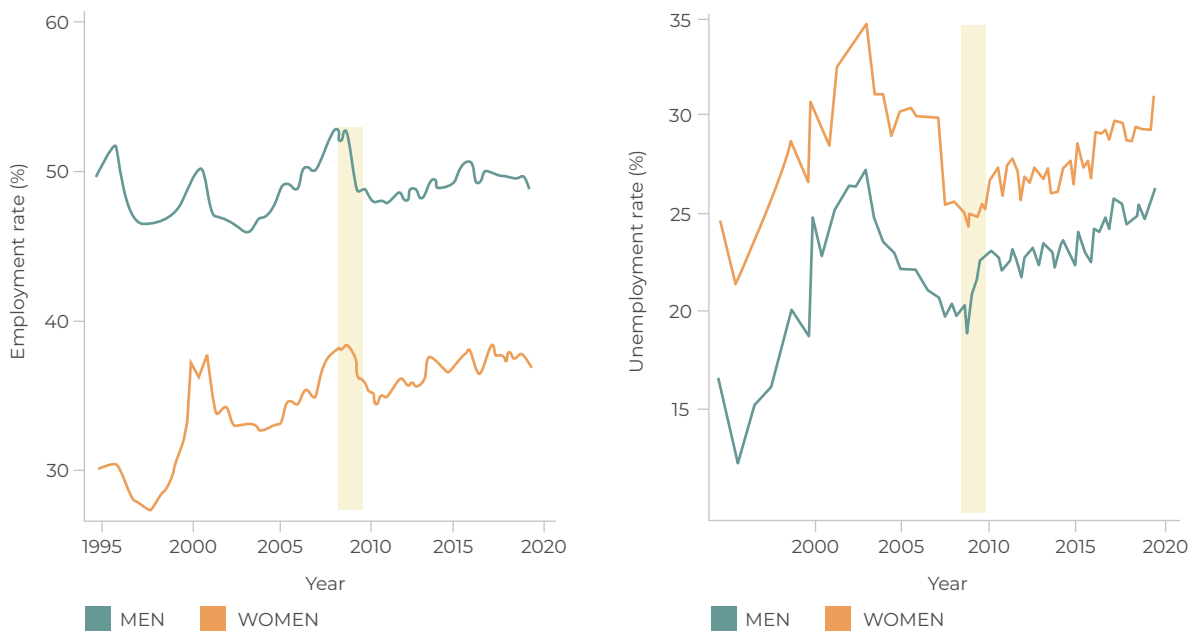


**Figure 4: South Africa's Growth Deceleration ...**



Source: Sachs 2021:8

**Figure 5: ... And Ratcheting up Unemployment**



Source: Casale et al. 2021:23 based on the Post-Apartheid Employment Series from UCT DataFirst

An almost mirror image of the South African growth experience is provided by the unemployment data showing a reduction in unemployment levels leading to 2008 and thereafter a stepwise uptick in unemployment rates. The strict unemployment rate for women shown by the orange line in the right-hand graph of Figure 5 increased from 25.8 per cent in 2007 to 31.5 per cent in 2019, and from 19.9 per cent to 26.3 per cent for men over the same period (see the blue line in the right-hand graph in Figure 5). After adjustment of the GDP base from 2010 to 2015 in mid-2021, Stats SA estimated that the South African economy shrunk by 6.7 per cent in 2020 because of the effects of COVID-19. The Quarterly Labour Force Survey for the fourth quarter of 2021 puts the strict unemployment rate at 35.3 per cent-38.2 per cent for women and 32.8 per cent for men.

As is evident from the employment and unemployment data in Figure 5, the South African economic and jobs crisis has a significant gender dimension. Employment rates for women are substantially below those of men and unemployment rates significantly higher. The wage gap between men and women also persists. Casale *et al.* (2021) identify a narrowing in the gender gap in the labour market since 1994, specifically noting increasing labour force participation and employment rates for women as well as, on some measures, a decline in the wage gap. The analysis is, however, also clear that inequalities remain, with continuing higher unemployment rates for women and the fact that women are found disproportionately in low-skill and low-pay occupations while being relatively absent from high-skilled managerial positions and business ownership.

The COVID-19 pandemic aggravated pre-existing gender inequalities, affecting women's employment and socio-economic position severely with women hardest hit by job losses and reduction in hours of work. In addition, the so-called COVID-19 "childcare shock" (Casale *et al.* 2021:12), caused by the closure of schools and childcare centres, meant substantially increased unpaid care work from women at home.<sup>3</sup>

The subordinate position of women in the labour market, and their disproportionate share in unpaid care work, has a significant impact on the care economy and especially on the care and support of children. This is exacerbated under South African conditions, where the high cost of private childcare and unequal access to state and private care provision put significant pressure on households, and particularly the women in them. Casale *et al.* (2021:13) argue that reducing the load on women and improving the situation of children supported by women requires challenging "deeply entrenched gender norms very early on" and investing "more heavily in social care infrastructure rather than see[ing] the provision of care as only a private responsibility".<sup>4</sup>

## 4. Evidence for a jobs and growth effect of ECCE investments – employment and output multipliers

While additional channels of ECCE seem intuitively attractive and significant in addressing short-to-medium term South African priorities, there are important questions about the potential magnitude of impacts, negative indirect effects and the context and conditions necessary for them to be realised. In short, what evidence do we have about the impact of enhanced investments in ECCE through the additional channels identified?

Over the last 15 years, a range of modelling exercises has developed the case that greater investment (spending) by governments on free, quality childcare for 0–5-year-olds will not only build children's human capital and capacities, but will also provide decent jobs for women, improve gender equity, and stimulate

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<sup>3</sup>For the international evidence see Cohen & Van der Meulen Rodgers (2021)

<sup>4</sup>See also Kenny & Yang, 2021

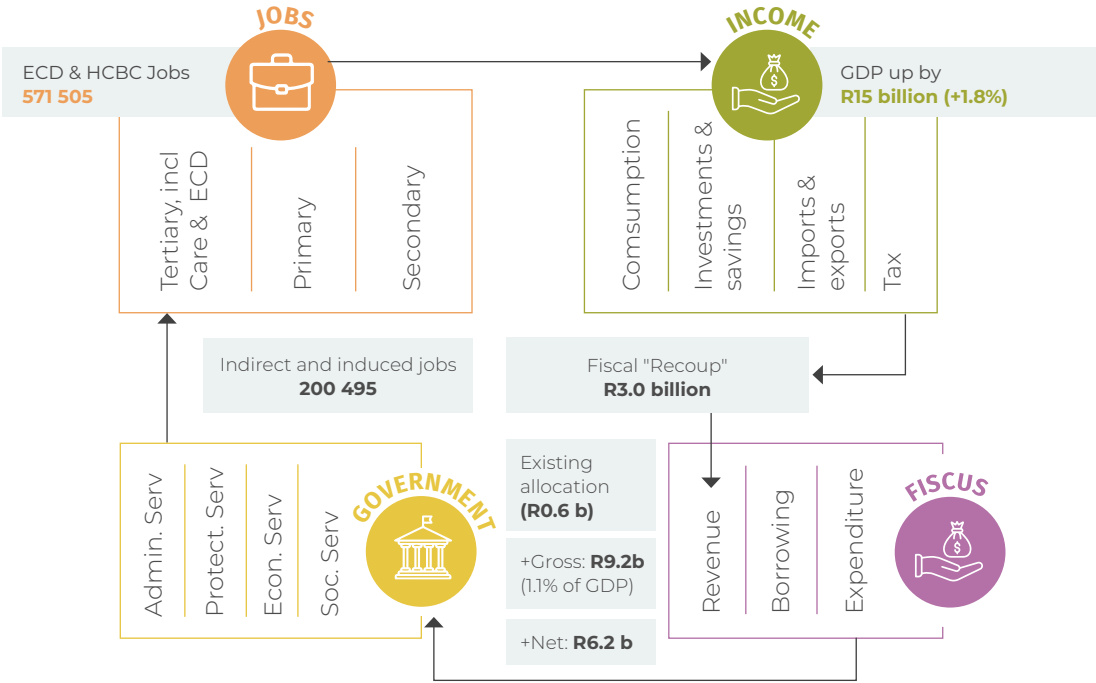


the economy. In addition, it is argued that because growth boosts government revenue, the net cost of the investment will be significantly less than the gross cost of the investment.

Ilkkaracan *et al.* (2020) identify three types of “applied fiscal policy simulations”, two of which included work on South Africa. In an example of the first type, Antonopoulos and Kim (2008) undertook a “simulated policy experiment” estimating the consequences of job creation in early childhood development and home and community-based care in South Africa. Their analysis in effect costed and simulated the impact of a proposal to expand the social sector component of the Expanded Public Works Programme (EPWP) as it existed at that stage. Using a gender-disaggregated social accounting matrix and a micro-simulation based on household data, the study estimated the impact of programme expansion on job and income generation and the distribution by gender, education and household income, as well as the impact on poverty and growth. The cost estimate (or size of the investment) was based on the number of children not covered by care and the number of employees to service these children (Ilkkaracan, 2021).

As summarised in Figure 1, Antonopoulos and Kim (2008) projected that a budgetary allocation of R9.2 billion (in 2000 prices) would create 571,505 new care jobs and just more than 200,000 jobs because of backward linkages (suppliers) and induced consumption spending. The proposed spending was large relative to what existed: a 15-fold increase in the existing spending to 1.1 per cent of GDP. The budget expansion was projected to create a very significant number of jobs because of the large service gap (and therefore many jobs to create) and significant backward and forward linkages. Nearly 800,000<sup>5</sup> jobs could be created directly and indirectly, of which 60 per cent of the jobs would be filled by women. GDP would expand by R15 billion (a multiplier of 1.6), and incomes would increase most for ultra-poor and poor households (9.2 per cent and 5.6 per cent) compared to the non-poor (1.6 per cent).

**Figure 6: Projected jobs and economic impact expanding care jobs in the South African Expanded Public Works programme (2000 prices) -estimate for 2007/08**



Source: Data from Antonopoulos & Kim (2008)

<sup>5</sup>Total employment at this time estimated to be 14.4 million (Stats SA 2021 QLFS Trends)

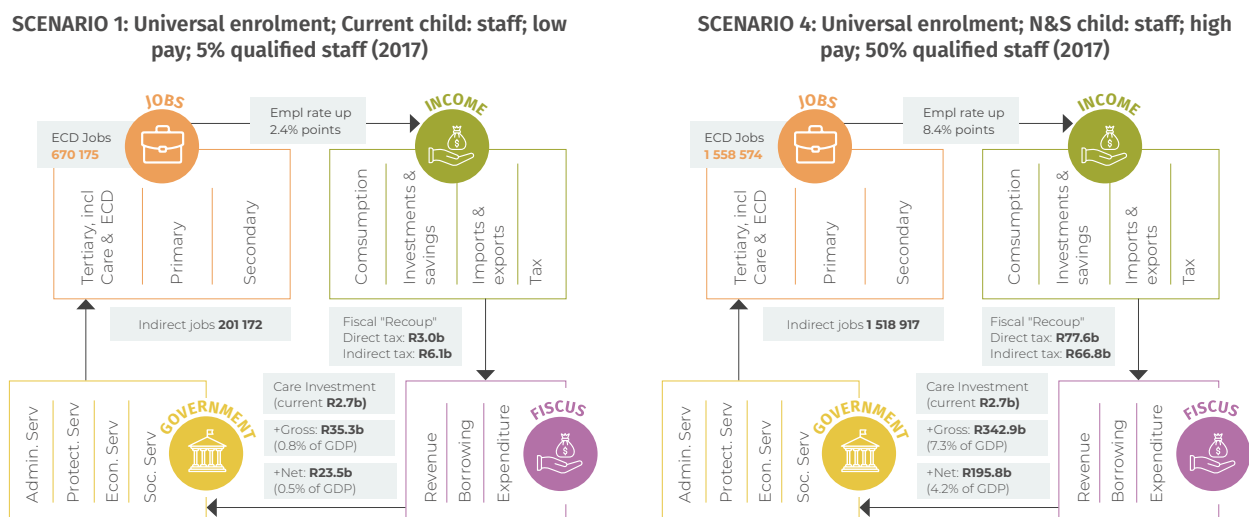
It was further argued that, given South Africa's healthy fiscal balances in 2007/08 (a budget surplus of R26.6 billion), the 2007/08 cost of R6.2 billion (R9.2 billion minus the fiscal recoup of about a third) would not be difficult to fund, even with the reappearance of a deficit resulting from the 2009 financial crisis.

In later studies of this type, expansion of the care sector was compared to an expansion of spending on construction. Here Ilkkaracan *et al.* (2020) “show that spending on the social care sector (given its higher labour intensity) creates substantially more jobs than the spending of similar magnitude on physical infrastructure”. The higher employment intensity translates into the generation of higher wage earnings for more households and hence delivers stronger poverty reduction outcomes. At the same time, the composition of new labour demand is pro-women such that social care spending results in a narrowing of the employment gap as well as the gender earnings gap, while physical infrastructure investment is likely to widen those gaps.

In the second type of study, Ilkkaracan *et al.*'s (2020) “policy simulations” show the effect on total employment and the gender composition of employment only, and do not provide estimates of impact on poverty and income distribution. These studies, using input-output or multiplier analysis, assess and cost care coverage gaps and then estimate economic returns in the form of employment creation (direct, indirect, and induced) as well as fiscal effects. The methodology is described systematically in Ilkkaracan (2021). De Henau *et al.* (2019) apply this methodology to South Africa, Turkey, and Uruguay for the case of ECCE. Working from country norms for provision to 0–5-year-olds they estimate a range of scenarios covering:

- Different coverage levels (universal or medium),
- Different child/staff ratios (current practice or norms and standard),
- Different pay levels for staff (low, medium or high), and
- Proportion of staff qualified (for South Africa 5 per cent and 50 per cent).

**Figure 7: Projected jobs and fiscal impact, providing free childcare – Two scenarios**



**Source:** Data estimates from De Henau *et al.* (2019)

Figure 7 illustrates the outcomes of two of the four scenarios provided for South Africa by De Henau *et al.* (2019). Net costs are moderate (0.5 per cent of GDP) in the conservative scenario where there is universal enrolment but child to staff ratios, remuneration, and staff qualifications stay at current levels. To get universal enrolment at better levels of inputs and quality, net costs will approach 4 per cent of GDP. The projected



job impacts of these investments are significant, nearly 700,000 jobs under the more conservative scenario and nearly 3.1 million under the scenario of universal enrolment with high pay, more qualified staff, and a reduced child to staff ratio. To give a sense of the relative magnitude of these projected increases they can be compared to actual total employment in the South African economy for the study period (December 2017) of 16.7 million (of which 2.9 million positions were in the informal sector and 1.3 million in private households).

The third type of policy experiment (of which none could be found for South Africa) use economic modelling to also factor in the impact of increased labour force participation of women on reducing time for leisure and non-paid care. The studies (such as Ilkkaracan *et al.*, 2020) thus consider both time and income effects to look at “net welfare impact” of an expansion of the care sector, factoring in both the conventional measure of income poverty (focusing on earned income) and a more comprehensive measure which factors in “household production and access to time”. Using “a structuralist social accounting matrix-based model and a microsimulation analysis” they conclude, for Turkey, that while there is substantial job-creation, “women’s unpaid work time is reduced only slightly ... [and] they experience a large rise in time-poverty through entry into the labour market”.

The COVID-19 pandemic has seen a barrage of effects on women in the labour market and the care system. Grantham *et al.* (2021) point to the loss of what was often precarious work (such as informal work) and the large expansion of unpaid care work as schools closed and more work took place from home. In addition, the childcare sector came under huge pressure and many jobs and places were lost. Despite that, Grantham *et al.* (2021) show that stimulus and relief packages in most cases did not substantially focus on “unpaid care, including childcare”.

In this context, De Henau and Himmelweit (2021) argue for “a care-led recovery from COVID-19”. Applying input-output analysis to a range of European countries and the U.S., they illustrate that a care-led recovery will have better outcomes than a recovery driven by the construction industry, which is the favoured target of recovery proposals. The total effect on the number of employees of a similar size stimulus, they estimate, will be between 1.5 to 2.5 times bigger in the care sector than in the construction sector. They also anticipate a bigger increase in taxes from the stimulus in the care sector than from a similar stimulus for the construction sector. Taking Scandinavian employment and wages in care as the norm, they argue that in most other European countries there is substantial room for expansion in care, from additional employment of 39 per cent in the care sector in France to 352 per cent in Italy, which will cost 0.9 per cent of GDP in France and 2.8 per cent of GDP in Italy.

Analysis from a range of other perspectives also tends to support the jobs and growth argument for ECCE. A range of studies of the U.S. used sectoral linkages and multiplier analysis to focus on child care and its regional and local economic role. Warner (2006) coordinated a project providing regional analyses of the childcare sector and its importance for families and the broader economy in states and localities. They argued that childcare is a unique sector because it can be viewed in different terms compared to the traditional view of care as “merely education or welfare”. The care sector is also:

- an economic sector with firms and jobs and links to other industries generating incomes.
- critical social infrastructure enabling parents to work, and
- indispensable for the development of children who are “the next generation of workers”.

Warner (2006:13-15) distinguishes between the direct effect of the sector (“employment and gross receipts”) and its linkages to the broader economy. Under “forward linkages” she identifies “labour mobilisation”, “labour productivity” and the effect on the human development of children, improving the productivity of future generations. Backward, or supply, linkages include aspects such as purchases of labor, materials, and other required inputs “that keep money circulating in the regional economy, stimulating other businesses.”

Warner and Liu (2006:1) compare the multipliers, which can be seen as measures of these sectoral linkages, in the childcare sector to other sectors in regional economies in the U.S. According to their analysis the childcare sector has high output multipliers, reflecting relatively stronger backward linkages because of large local purchases of inputs such as food, toys, and labour. Childcare has similar output multipliers to job training, and hospitals, and higher than water supply and sewage systems. However, childcare employment multipliers are lower than for other sectors because of its high labour intensity and because many of its inputs come from sectors with lower labour intensity. Overall, however, they conclude that the multiplier studies do support a greater focus on ECCE for economic development.

While the field of industrial policy could be said to have been gender and care blind until recently (see for example the topics and contents in Stiglitz and Lin (2013) and Stiglitz (2017), that could be changing (Seguino, 2020). Noting that the aim of industrial policy is to raise productivity and levels of wellbeing through improving conditions for manufacturing products with high value added, Seguino (2020:17) argues that childcare strategies (referred to more broadly as “social reproduction strategies”) need to be included in industrial strategies. She refers specifically to “publicly funded physical infrastructure targeted at reducing women’s care burden in developing countries” and “other social policies such as publicly funded care of children, the sick, and the elderly as well as policies that promote male participation in care”. These social investments reduce the time women spend on unpaid care work and can therefore boost labour market participation and productivity. They also ensure that increased paid employment for women does not reduce the investment in children, nor their human capacities and eventual labour market productivity (Seguino, 2020:17).

Both the U.S. and Canadian governments (and their Treasuries) recently championed the expansion of childcare as a critical development and growth strategy. The Biden Administration’s 2021 American Families Plan proposed a \$200 billion investment in free and universal pre-school for 3- and 4-year-olds. This portion of the plan eventually faltered and was not included in the Inflation Reduction Act of 2022, which started off as the Build Back Better Agenda. The proposal was motivated by the evidence of the impact of ECCE on educational outcomes, its impact on female labour force participation (and earnings of women), and its impact on economic growth. The plan refers to studies finding that the effect of universal pre-school on “U.S. GDP are more than three times greater than the investment needed to provide this service” (United States of America, The White House, 2021). This plan was followed by a report from the U.S. Treasury arguing that “the child care sector is a crucial and underfunded part of the American economy” and indispensable for “inclusive growth” (United States of America, Department of the Treasury, 2021).

The Canadian 2021 Budget proceeded with the implementation of “a Canada-Wide Early Learning and Child Care System” as part of the strategy of rebuilding and recovery post-COVID-19. The budget provided large additional investments to expand care places as well as to reduce and limit the price of care. It also focused attention on strengthening the ECCE workforce, supporting the not-for-profit sector, and ensuring accountability for system improvement. This part of the budget was, reasonably, upheld as a feminist budget, but also as a budget that promotes jobs and growth. It is said that “early learning and childcare has long been a feminist issue; COVID-19 has shown that it is an urgent economic issue too” (Canada, Department of Finance, 2021a). In the 2022 Canadian Budget, childcare is seen as part of the first pillar of Canada’s growth strategy where social infrastructure investment will drive supply-led growth. The strategy is referred to as an exemplar of what the U.S. Secretary of the Treasury refers to as “modern supply side economics” (Canada, Department of Finance, 2022).

## 5. Constraints on fiscal multipliers and a care-led recovery

Policy simulations of the impact of eradicating ECCE gaps point to significant potential employment gains as well as an impact on economic growth, taxation in subsequent periods because of employment and income multipliers that are larger than one. Selected research on regional economic development, and perhaps some new departures in industrial strategy, lend further support to the case of shorter-term jobs and macroeconomic impact of ECCE investments. Expanded ECCE investments have also become cornerstones of recovery from the COVID-19 pandemic in some industrialised countries.

The early simulations for South Africa point to potentially large effects. As shown, one of the recent policy simulations for South Africa estimates that at a net cost of 0.5 percent of GDP, nearly 900,000 jobs could be created, most of them relatively well-paying jobs for women (see Figure 2).

Multiplier analysis, however, is often viewed with skepticism (see for example Barro & Redlick, 2009 and John Locke Foundation, 2017). In some cases, this relates to extravagant claims for, on the one hand, expensive jamborees such as football and rugby World Cups and, on the other hand, for quite destructive mining “investments.” Multiplier analyses therefore sometimes feel like the economic equivalent of a magic wand and, while they remain central to macroeconomic models, are often discounted.

Three sets of perspectives can assist in putting the issue of the multiplier impact of state spending in perspective. The first perspective relates to the fact that increased government spending may expand demand for services and impact on employment and incomes, but such impact may be blocked by sectoral supply constraints. The second set of perspectives comes from international surveys of the determinants of multipliers, which conclude that the size of multipliers depends on the structural (or more long-term) characteristics of a specific economy as well as certain conjunctural (or short-term) factors. Thirdly, there has been substantial recent work on the size of economic multipliers in the South African economy, also arguing that the size of employment and income multipliers depend on economic and other conditions at a given time.

### Sector supply constraints

A fiscal strategy may make financial resources available, but an investment strategy requires real resources and complex mobilisation. Multiplier analysis, stemming from Keynesian analysis in the context of cyclical downswings, perhaps assumes too easily that supply can respond to increased funding, in other words, it assumes that there are no sectoral supply-side obstacles. In this regard, Hirschman (1958), in a classic economic development text asked whether there is

*“a difference between a situation of cyclical unemployment and the problem of development in an underdeveloped country [of which the building of a child care sector could be seen as a sub-problem]. It has often been said that the two situations have nothing in common and demand therefore two totally different cures: during the typical depression in a developed country unemployed labour exists side by side with unutilised plant and equipment and all that needs to be done is to ‘reunite what should never have been parted’; whereas, so it is pointed out, in an underdeveloped economy we have at best disguised unemployment but no other unutilised factors of production, so that the problem is ‘structural’ rather than ‘cyclical!’”*

Hirschman argues that between the two situations there is a difference of degree, not in kind.

*“The development challenge is one of combining elements that have not been combined before, while the cyclical challenge is one of ‘recombining idle factors’: In both situations the need is for a binding agent. The difference is that in a situation of underdevelopment a far stronger agent is required than deficit spending or similar Keynesian remedies for unemployment.”*

In the case of the South African ECCE sector, the question is therefore whether combining the various inputs or “ingredients” is a straightforward matter or whether there is a strong enough “binding agent” to make rapid expansion possible? There are at least three elements of the ECCE sector to consider that shed some light on this.

Firstly, prior to COVID-19, the ECCE saw some growth over the past two decades with enrolment of 0-6 year olds increasing from 12 per cent in 2002 to a high of 38 percent in 2018 (Kika-Mistry, 2021).<sup>6</sup> This growth correlates in some way with increased government allocations to ECCE through subsidies directed at ECCE programme and through increased allocation to public works programmes of which stipends for ECD practitioners were one component (see Ninan Dulvy *et al.*, 2022). One could argue that as funding has increased for ECCE, so has enrolment. This latent-demand dynamic is plausible considering the work of Moses (2022) and others showing that user-fee affordability is a key driver of low enrolment with many income-poor households with unemployed adults not being willing to pay for ECCE when they have “free” care from an adult in the household.

The second factor to consider post COVID-19 is that large numbers of providers have closed because mandated closures meant parents did not pay fees because their children were not in attendance or parents lost income and are not able to pay fees. For those who have had to close, reopening could mean rapid expansion and improvement in quality through appointing more practitioners and securing better premises and more complementary inputs once state funding becomes available.

Finally, there is a diverse network of private non-profit organisations and donors providing extensive support to the sector with the ability to scale up their efforts (Harrison, 2020). This includes a range of intermediary resource and training organisations that can scale up support service should funding become available. These factors could be strong “binding agents”.

Despite the existence of “idle factors” that have been “combined” in the past, expansion of the sector is constrained by an overly burdensome regulatory regime imposed by the various levels of government (Brooks *et al.*, 2022). Rather than standing ready to support and promote a potential growth industry, a more restricting regulatory approach has been taken. The upshot is therefore that in addition to fiscal resources and expansion, there will have to be a careful plan or system that can drive or support rapid expansion and make job creation and income growth a reality. While interesting frameworks exist (see Hickman, 2020), and finance can be said to have been a prime constraint, past experiences do raise concerns about the capacity of the South African bureaucracy to facilitate a rapid expansion in a fairly complex supply environment.

## Factors influencing the size of multipliers

Internationally and in South Africa, the 2008 international recession and the COVID-19 shock have led to increased attention to the relevance and size of fiscal multipliers because of the intense focus on effective mechanisms to reignite growth. A broad range of literature has focused on many different aspects of country or time contexts that could influence the size of multipliers. An important aspect has been to focus on the differences in multiplier sizes during times of recession and times of economic expansion (for example, Barro & Redlick, 2009). Studies have also focused on the levels of private wealth and debt (Gechert & Mentges, 2013), the role of public debt levels (Nickel & Tudyka, 2013), interest rate levels (Melina, 2021) and a range of other factors.

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<sup>6</sup>Analysis of the General Household Survey shows an increase from 12 to 38 per cent of children aged 0-6 enrolled in ECCE programmes between 2002 and 2018 (Kika-Mistry 2021)



While it is difficult to make generalisations given the large number of studies and relevant factors, two fairly recent reviews (Batini *et al.*, 2014; Raga, 2022) were used to extract key factors as set out in Table 2. Broadly, it can be said that three sets of factors will determine the size of fiscal multipliers: namely: 1) structural or long-term economic factors; 2) conjunctural or short-term cyclical economic factors; and 3) the exact nature of the fiscal strategy.

**Table 2: Determinants of the size of fiscal multipliers**

Structural factors (longer-term characteristics of the economy)	Conjunctural factors (temporary factors)	Design of fiscal expansion
<ul style="list-style-type: none"> <li>Trade openness and flexibility/ efficiency of economy &amp; markets (-)</li> <li>Presence of automatic fiscal stabilizers and debt level (-)</li> <li>Level of development [institutional efficiency (+), level of capital stock (-), proportion poor population (+)]</li> </ul>	<ul style="list-style-type: none"> <li>State of the business cycle (Larger multiplier during downswing – spare capacity (unused resources))</li> <li>International economic environment and policy</li> </ul>	<ul style="list-style-type: none"> <li>Source of funding – Tax versus debt and external versus internal debt</li> <li>Type of fiscal instrument (government consumption expenditure, investment expenditure, transfers or tax reductions)</li> <li>Monetary policy stance – accommodating or leaning against</li> </ul>

Source: Summarised from Batini *et al.*, 2014 and Raga, 2022

### Structural factors and the size of fiscal multipliers

Structural factors impacting the size of multipliers can be organised into three categories, related to (1) the openness of the economy to international economic transactions and the flexibility or efficiency of markets, (2) the nature of the fiscal system and sustainability of levels of debt, (3) factors related to level of economic development. Within these different categories there may be characteristics pushing the size of the multipliers in different directions.

Generally, with reference to the first set of structural factors, the more open an economy is, the lower multipliers will be because of leakage of the stimulus through imports. More flexible and efficient markets will respond to a stimulus and therefore lower or dissipate the impact of the stimulus. For example, a weakening exchange rate resulting from the stimulus could increase prices and reduce what the stimulus could “purchase”.

Related to the second set of factors (fiscal system), if there are extensive automatic stabilisers in a country's fiscal system (effective tax system with high marginal taxes and a system of benefit transfers) the multiplier impact of a stimulus may be reduced. Increased government debt, and perceptions that it is unsustainable, may lead to higher interest rates and withdrawal of foreign savings (and even capital flight).

The third set of factors, related to levels of economic development, correlate with levels of public expenditure and infrastructure management efficiency, levels of capital stock (and hence the return to new capital investments), and the proportional size of the poor (Raga, 2021). Low levels of capital stock, because of the existence of projects with high rates of return, and high proportions of the poor<sup>7</sup>, should raise the size of the multiplier. State inefficiency in spending money and in implementing infrastructure projects will reduce the size of multipliers.

<sup>7</sup>Low-income households have a high propensity to spend on domestic goods.

## Conjunctural factors and the size of fiscal multipliers

The key conjunctural factor impacting on the size of fiscal multipliers is the stage of the economic cycle that a country is in. During a recession or downswing in economic activity, there is substantial spare capacity or what is called a positive output gap (between potential output and actual output). Hence unemployed resources (labour and capital) are available to be pulled into the economy through an increase in demand caused by a fiscal stimulus. During an upswing, such resources are not available, and stimulus will lead to price increases rather than to increases in employment and output.

The international situation and even fiscal and monetary policy in large economies can also impact on the size of multipliers. For example, the expansionary monetary policy in the U.S. post the 2008 recession led to substantial capital inflows into South Africa, complementing local savings.

## The exact fiscal expansionary strategy and the size of multipliers

Two broad aspects of an expansionary fiscal policy will impact on the size of the multiplier, namely the exact method for financing the expansion as well as the type of fiscal instrument used for stimulating the economy. On the financing side, the choices are between tax and debt financing (domestic or foreign). While foreign debt financing could be argued to have potentially the largest effect, both raise significant risks. The risk is that markets may react to what is seen as unsustainable levels of debt and drive-up interest rates and impact on investment and consumption. Foreign financing also brings in exchange rate risk.

The size of multipliers will also depend on the fiscal instrument used for fiscal expansion and particularly whether the focus is on government consumption expenditure, government investment expenditure, transfer payments, or tax reductions. Economists normally favour investment expenditure and there seems to be some evidence for this stance. It is, however, unclear whether in a modern knowledge economy, where education and skills play such a key role in development, the traditional distinction between investment and consumption expenditure for development has much relevance. The issue could rather be about the relative efficiency of the different sets of investment.

The last “strategy” component can be seen as the monetary policy response taken towards the fiscal stance which can either accommodate the expansion or go in the opposite direction. Raising interest rates in response to fiscal expansion will reduce the expansionary effect through a negative effect of higher interest rates on investment and consumption. Raga (2021), relying on recent IMF studies, finds that “baseline fiscal multipliers ... close to 1; up to 1.5 if unemployment is above the historical average, and up to 2.0 when interest rates are low”, pointing to the high potential of fiscal stimulus if not contradicted by monetary policy.

## Overall findings about multipliers sizes

Given the range of factors impacting on multipliers it is clearly difficult to make generalisations about the overall size of multipliers. Clearly, multiplier size will depend on a host of country structural factors as well as the specific economic context and the design of the strategy. In general, Batini *et al.* (2014) estimate “first-year spending multipliers” for advanced economies ranging from 0.3 to 1.2. They conclude that multipliers are smaller for emerging market economies and low-income countries. They also find that the effect of a fiscal shock vanishes within five years and that the largest impact is in the second year.

Raga (2022) summarises findings that show that income multipliers are smaller in developing countries, below one in both the short- and long-run, except for one study including evidence for forty-four countries which concludes that long-term investment multipliers in developing countries rise to 1.6, against a comparable consumption multiplier of -0.63. The evidence therefore indicates that “fiscal multipliers are less effective

in developing countries” (Raga, 2022:12). She, however, also reviews evidence on “sector-level multipliers”, “climate-compatible fiscal stimulus”, and “gender-equalising fiscal stimulus” before coming to three broad conclusions and some suggestions for targeted policy options that may maximise multipliers.

In her conclusions Raga (2022) repeats the findings from both her and the Batini *et al.* (2014) study that a range of structural and conjunctural factors will determine the size of multipliers at a specific point in time. She adds that fiscal stimulus spent on education and social protection has the highest short-term output multipliers while public infrastructure and green and gender-sensitive expansion do better for long-term development and for improving income distribution (Raga, 2022:25). It is suggested that given the range of factors impacting multipliers there should be efforts at “tailoring complementary country-context policies”. Short-term fiscal multipliers will be biggest if targeted at poor communities and small firms without access to credit, and “gender-sensitive fiscal spending associated with the health and care economy” can have large positive effects on the economy (Raga, 2022:26).

## South African perspectives

Recent South African work on the size of fiscal multipliers seems to confirm the effect of a range of factors on the size of multipliers at a specific point and that the “space” for effective fiscal expansion comes and goes over time.

Makrelov *et al.* (2018) estimate that the South African “expenditure fiscal multiplier” was high in the period after the 2008 recession, in the range of 2 to 3. This high multiplier is ascribed to the depth of the recession and the unutilised resources available (the negative output gap) as well as the healthy public finances, especially the low debt-to-GDP ratio. The economy was supported by an accommodating monetary policy, a strong financial sector (a factor not explicitly present in the international surveys), and the fact that there was a substantial inflow of foreign funds to complement local savings due to international monetary conditions.

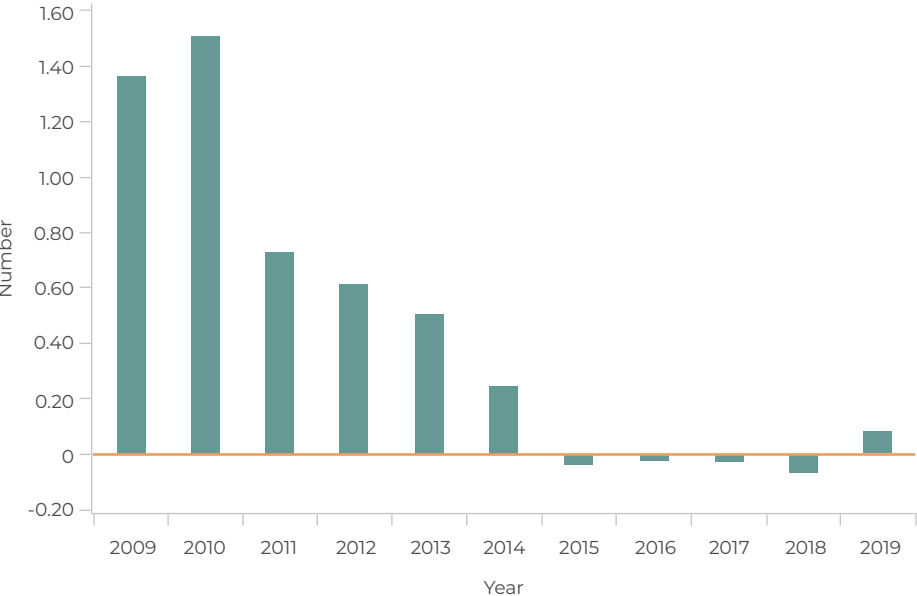
Schröder and Storm (2020) estimated what they refer to as “closed input-output income and employment” multipliers for South Africa and found an income multiplier of 1.68 and a significant employment multiplier for 2018. They therefore conclude that the cut in expenditure in the original 2020 South African Budget will reduce GDP significantly in the subsequent year (reducing GDP by 0.5 percentage points and jobs by about 330,000). They refer to the 2020 budget as an “austerity budget” as well as “socially and economically destructive”. Furthermore, they assert that “within the (current) conditions of South Africa’s demand-constrained economy ... a well-designed strategy of fiscal expansion, targeting potential infrastructural weaknesses in the economy as well as redistribution of income toward the lower-income groups” will raise consumption and investment, and through higher growth also reduce the debt-to-GDP ratio (Schröder & Storm, 2020:12).

Post-COVID-19, in analysing the adjustment of the South African economy to the pandemic and government’s interventions to support households, Van Seventer *et al.* (2021) note that “multiplier effects are important” and that since “there remains substantial slack in the economy, multiplier effects still apply”. However, it is significant whether interventions are funded from “reduced government savings” (increasing public debt) or “raising the taxes of the top decile”. In the case of tax financing, a smaller effect will follow from the fact that the spending of higher income households will be reduced by the need to pay the increased taxation.

The most recent work from the South African Reserve Bank, however, has a less optimistic conclusion about the potential for a fiscal stimulus to create jobs and stimulate growth. This work concludes that while the South African fiscal multipliers were indeed high following the 2008 recession, several structural shifts and changes in fiscal conditions occurred over the last decade, leading to a dramatic reduction in the size of the fiscal multiplier. As shown in Figure 8, they estimate the multiplier to have declined from nearly 1.5 in 2010 to negative in 2018 before recovering very slightly in 2019. The implication is that fiscal expansion will not be able

to stimulate growth but also that “austerity budgets” “will be less harmful to growth than generally perceived” (Janse van Rensburg *et al.*, 2022). They, however, do not see their findings as in conflict with those of Schröder and Storm because the latter calculated a closed economy multiplier, not factoring in the impact of rising imports.

**Figure 8: South African fiscal multiplier between 2009 to 2019**



**Source:** From Janse van Rensburg *et al.*, 2022:10

Several factors explain the declining South African fiscal multiplier according to Janse Van Rensburg *et al.* (2022). These shifting structural and conjunctural factors are summarised in Table 3. From a fiscal perspective, there was continued expenditure growth, but towards the second period, tax increases started reducing the size of the multiplier. In addition, a rising debt-to-GDP ratio started raising fiscal risks, leading to higher interest rates and a tightening monetary situation. The output gap also reduced over the period due to supply constraints arising because of electricity supply issues and declining commodity prices. Import leakages also expanded. As a result of these factors the fiscal multiplier decreased significantly and then became negative. Over the decade, consumption and investment turned negative against the base and translated into reduced growth. The key mistake, according to Janse van Rensburg *et al.*, was that the initial stimulus post-2008 was not temporary and not targeted to investment expenditure, instead of going to a significant extent to civil service salaries.

**Table 3: Shifting structural and conjunctural factors impacting the size of the South African fiscal multiplier**

Period	Fiscal stance	Debt:GDP	Output gap	Monetary & fin situation	Import leakage	Fiscal multiplier	Growth impact
1. 2009-2010	Fiscal expansion (spending growth)	Low (Sustainable)	Large, driven by deficient demand	Low interest rates; foreign capital inflows	Low	Large	Real HH consumption & fixed investment up
2. 2011-2014	Continued expenditure growth but also start of tax increases	Rising (Threatening)	Not as large & positive because of supply hits: electricity & commodities	Higher interest rate & risk premia	Higher	Reduced	Real HH consumption declines, fixed investment slows
3. 2015-2019	Expenditure growth but even higher tax increases	Rising further	More binding supply constraints	High risk premia (in response to debt: GDP increase)		Mostly negative	Decline in real HH C accelerates, Real fixed investment negative

**Source:** Summarised and interpreted from Janse van Rensburg *et al.*, 2022.

## 6. Conclusions

There are strong arguments for expanding investments in early childhood education and care (ECCE) in most societies. Quality ECCE has been shown to impact on child nutrition and health, on cognitive development and school performance, and on social skills and eventual labour market incomes. There are large gaps in access, especially among younger children and in poorer communities. There are thus strong benefits for individuals and society. Yet arguments around the high rates of return to these investments have not, in the past, led to strong prioritisation of ECCE in state budgets. It could be the case that while governments and treasuries appreciate the need for investment, and investing where the rates of return are the highest, they have a financing problem (“there is no money”). There might also be a perception that there are more urgent problems such as short-term growth and short-term jobs, and it is felt that education and ECCE will take some time to realise returns. Luis Crouch argued that “[w]hile long-term arguments for the impacts of investment in early childhood investment in general and pre-primary education in particular, are powerful, Ministries of Finance are more interested in shorter-term savings” (quoted in Jordan, 2019).

Given this “short-termism”, we should not forget the fact that the impact of ECCE on human capital and future returns is not the only channel through which ECCE can have positive effects. Not only does ECCE serve to release the labour supply of families, and especially women, it is also a labour-intensive sector that can absorb a relatively significant number of workers. This last channel of impact - direct job creation - can have further economic impacts. Because of indirect demand for inputs from other sectors and the induced effect on consumption expenditure of workers, a fiscal investment in ECCE could have a multiplied impact on jobs and on incomes. Higher income and expenditures could potentially also impact on taxation and reduce the net cost of the investment. The argument is therefore, in a sense, that ECCE is about more than children but also about their carers and the rest of the economy.

Several simulation studies are identified which predict significant multiplier effects of ECCE investments and postulate substantial employment gains for women and a positive impact on the national income, which could also boost tax receipts. These studies show that investments of between 0,8 per cent and 1,1 per cent of GDP in the care economy could generate 800,000 – 900,000 additional jobs, push up GDP by 1,5 per cent, and deliver a tax increase of R9.1 billion (Antonopoulos & Kim, 2008; De Henau *et al.*, 2019). In the context of the devastating impact of COVID-19 on the ECCE sector and on the unpaid care burden of women, it was estimated that spending on ECCE would have larger multiplier effects than similar investment in the construction industry, supporting an argument for “a care-led recovery from COVID-19” (De Henau & Himmelweit, 2021).



At least two broad factors, however, often lead to skepticism about the multiplier argument as a justification for fiscal expansion. Firstly, there may be substantial sectoral constraints to a rapid ramp-up in ECCE services. The literature in South Africa is rife with examples of how the ECCE and local government regulatory framework constrain expansion of the sector. While there is a promising ECCE delivery ecosystem to support expansion in South Africa, the question must be asked whether the vision and plans for expansion are clear and detailed enough to drive rapid expansion.

A second factor is that fiscal multipliers at a point in time are determined not only by underlying structural factors (such as openness to trade, sovereign debt levels, and levels of poverty) but also by the state of the business cycle, and specifically the capacity of the economy to grow, as well as by how the expansion is financed and the exact instruments being used. Some South African economists argue that while South African fiscal multipliers were high in the immediate aftermath of the 2008 recession, increasing debt, rising taxation, and growing supply side constraints (such as electricity supply) had reduced these multipliers to negative by 2015.

These views on the slump of South African fiscal multipliers and on sectoral supply side constraints should, however, not, lead to despondency as to the prospects for investment in ECCE. In the wake of COVID-19, two prominent treasuries have confirmed the argument that ECCE is essential social infrastructure that is required to drive short-term as well as long-term growth. As a social infrastructure which could also create reasonably well-paying jobs for women and empower women to participate in the economy, ECCE is an important part of a strategy to establish gender equity. In this regard the IMF, in their first gender strategy, confirmed the “macro-economic criticality” of gender equity in the economy (Edwards, 2017; International Monetary Fund, 2022).

A South African strategy for enhanced investment in ECCE should highlight the potential short-term economic benefits of such a strategy, as well as its unique ability to improve gender equity. In addition, it must be ensured that ECCE sector plans are detailed, agreed on and implementable, so that sectoral constraints to supply expansion will not be a reality and an argument against investment. The ECCE strategy should also be tailored, as suggested by Raga (2022:4), so that modes of provision and locations maximise jobs, income, and distributional impacts.

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