

Fiscal Costs of Expanding Early Childhood Development Services in Saint Lucia



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Table of Contents

Acknowledgements	i
Acronyms	ii
Executive Summary	iii
Introduction	1
Background	1
Rationale	2
Purpose	3
Public Early Childhood Development Services in Saint Lucia	4
Overview of Public ECD services	4
Government Expenditure on Public ECDCs	5
Affordability of Public ECDCs	6
Capacity of Public ECDCs	9
Operating Hours of Public ECDCs	9
Geographic Distribution of Public ECDCs	10
Fiscal Costs of Scaling Up Public Investment in Public ECDCs	13
Increasing Access to Public ECDCs through Direct Intervention	13
Increasing Access to ECDCs Through Indirect Intervention	16
Potential Benefits from Increased Investment in ECDCs	18
Concluding Remarks	21
References	22

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Acronyms

ECDC	Early Childhood Development Centre
ECD/E	Early Childhood Development and Education
ECE	Early Childhood Education
ECLAC	Economic Commission for Latin America and the Caribbean
ECSU	Early Childhood Services Unit
GDP	Gross Domestic Product
GoSL	Government of Saint Lucia
NER	Net Enrolment Rate
SDG	Sustainable Development Goal
SLC-HBS	Survey of Living Conditions-Household Budgetary Survey
SSDF	Saint Lucia Social Development Fund
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNICEF	United Nations Children’s Fund
XCD	Eastern Caribbean Dollar

Executive Summary

This study evaluated the fiscal costs associated with increasing public investment in early childhood development services in Saint Lucia. Two methods of public investment are considered: 1) increasing the number of public early childhood development centres (ECDCs), which is a direct intervention; or 2) increase access to ECDCs through subsidization, which is an indirect intervention. The scenarios suggest that direct intervention aimed at children living in households at or below the poverty line could cost the Government an additional XCD 123.4 to 188.7 million¹ or 2.8 to 4.3 per cent of the Gross Domestic Product (GDP), while the additional funds needed to extend ECD services to all children under the age of five could reach XCD 378.9 million or 8.7 per cent of the GDP.

Focusing only on operational costs associated with direct intervention – fiscal costs net of capital expenditures – the Government could spend an additional XCD 12.3 to 18.9 million or 0.2 to 0.4 per cent of the GDP if they focus on children living in households below the poverty line. Whereas operating costs for a universal childcare policy could amount to an additional XCD 37.9 million or 0.9 per cent of the GDP.

In the indirect intervention simulation presented in this report, parents would receive a subsidy of XCD 2,555 per school year for each child so that the costs of private ECDCs better align with the costs of public ECDCs, thereby making private ECDCs more affordable to parents/guardians. If children from poor households are targeted this translates into an additional XCD 9.9 to 15.2 million per annum or 0.2 to 0.4 per cent of GDP spent on ECDCs; whereas under a universal childcare policy targeting all children under the age of five, this translates into an additional XCD 30.5 million or 0.7 per cent of GDP. While the upfront costs are high, estimates from applied studies on the economic and social returns on public investment in ECD services suggests the benefits (chief among being increased employment, economic growth and improved child outcomes) could outweigh the costs. Thus, additional spending on early childhood development services could be seen as an investment that will provide several public benefits to Saint Lucia in both the short- and long-term.

¹ XCD is the Eastern Caribbean Dollar

Introduction

Education lies at the centre of Saint Lucia’s development agenda. Saint Lucia has achieved universal access to primary and secondary education, and schooling is compulsory for children from 5 to 15 years of age. The Government’s commitment to the provision of accessible and affordable primary education has resulted in high primary school enrolment rates; in academic year 2018/2019, the net enrolment rate (NER) was 95 per cent.² Enrolments in Early Childhood Development Centres (ECDs), however, are much lower; in academic year 2018/2019, the NER was only 45.4 per cent.³ NERs in ECDs are even lower among children living at or below the poverty line. According to Saint Lucia’s Survey of Living Conditions-Household Budgetary Survey (SLC-HBS), only 23.4 per cent of children aged 0-4, living in poor households were enrolled in an early childhood education (ECE) programmes.

Background

Over the past few decades, the Government of Saint Lucia (GoSL) has adopted policies aimed at facilitating affordable childcare and preschool for children under the age of 5; however, publicly-provided early childcare services fall short of serving this population of children. Private childcare and preschool services exist in Saint Lucia, but are unaffordable to low-income and poor families. The lack of affordable early childcare services is worrying, as there is consensus in the literature that children and their families, and the economy benefit from easily accessible and affordable high-quality childcare services, including ECD services.

High-quality childcare impacts the development and socialisation of children and can help to reduce social inequalities.⁴ Some scholars contend that ECD services are particularly beneficial to children from

2 Ministry of Education, Innovation, Gender Relations and Sustainable Development (2020). *Education Statistical Digest, 2019 Past Trends, Present Position and Projections up to 2020/2021*. Ministry of Education, Innovation, Gender Relations and Sustainable Development: Castries, Saint Lucia.

3 Ibid, 2020.

4 Addati, L., U. Cattaneo, V. Esquivel & I. Valarino (2018). *Care work and care jobs for the future of decent work*. International Labour Organization: Geneva, Switzerland; Dearing, E., H.D. Zachrisson & A. Nærde (2015). Age of entry into early childhood education and care as a predictor of aggression: Faint and fading associations for young Norwegian children. *Psychological Science*, Vol. 26, No. 10, pp. 1595–1607; Ilkcaracan, İ., K. Kim & T. Kaya (2015). *The impact of public investment in social care services on employment, gender equality, and poverty: The Turkish case* (Research Project Reports). Istanbul Technical University, Women’s Studies Center in Science, Engineering and Technology and The Levy Economics Institute: Istanbul, Turkey.

poor households, as such services promote social inclusion and help to improve children's life chances.⁵ Moreover, access to affordable ECD services has often been linked to increased employment among parents/guardians and increased income to the household, particularly for women who are primary caretakers of children.⁶

It is well documented that the uneven distribution of unpaid domestic and childcare work is a systemic source of gender inequality in labour market outcomes.⁷ Globally, childcare responsibilities are not shared equally among parents: mothers bear a disproportionate time taking care of children relative to fathers. Research suggests that the unequal distribution of childcare, coupled with inadequate and unaffordable childcare services, places significant constraints on women's availability for paid employment. For instance, the Economic Commission for Latin America and the Caribbean (ECLAC) estimates that in Latin America, approximately 60 per cent of women in households with children under the age of 15 *do not* participate in the labour market due to familial responsibilities; whereas in homes where there are no children under the age of 15, only 18 per cent of women *do not* participate in the labour market because of familial responsibilities.⁸

Rationale

In Saint Lucia, meaningful and effective public intervention in the childcare market is necessary to create a system that works for all parents/guardians and children, and that benefits the overall economy. In fact, an increase in access to quality early childhood services can have several social and economic benefits, and help to bring Saint Lucia closer to meeting various Sustainable Development Goals (SDGs) in the 2030 Agenda for Sustainable Development. This includes targets related to:

- SDG 1 – End poverty in all its forms everywhere
- SDG 3 – Ensure healthy lives and promote well-being for all at all ages
- SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 5 – Achieve gender equality and empower women and girls
- SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 10 – Reduce inequality within and among countries.

5 Çağatay, N., İ. İlkaracan & B. Sadasivam (2017). *Investing in social care for gender equality and inclusive growth in Europe and Central Asia* (Policy Brief No. 2017/01). UN Women Europe and Central Asia Regional Office: Istanbul, Turkey

6 Jackman, M. & K. Lorde (2021). Gender gaps in (paid) work hours of heads of households: Empirical evidence from Barbados. *International Journal of Manpower*, Vol. 42, No. 7, pp. 1321-1337.

7 Economic Commission for Latin America and the Caribbean (2021). *Social Panorama of Latin America, 2020* (LC/PUB 2021/2-P/Rev. 1) United Nations: Santiago, Chile. Retrieved on 9 May 2022 from: [Social Panorama of Latin America \(cepal.org\)](https://cepal.org)

8 Economic Commission for Latin America and the Caribbean (2021). *Social Panorama of Latin America, 2020* (LC/PUB 2021/2-P/Rev. 1) United Nations: Santiago, Chile.

Purpose

The purpose of this study is to contribute to the policy debate on public investment in expanding early childhood development services, in Saint Lucia. In keeping with this purpose, this study aims to examine the possible costs associated with increasing public intervention in the ECD services market in Saint Lucia.

The report begins with a summary of the main features of public early childhood development services in Saint Lucia, and highlights some of the challenges with such services. This is followed by a description of the methods used to cost the expansion of early childhood development services, and a discussion of the fiscal costs associated with ensuring that: 1) 50 to 100 per cent of children under the age of five living in households at or below the poverty line can be enrolled in an ECDC; and 2) all children under the age of five can be enrolled in an ECDC. In the final section, concluding remarks are offered.

Public Early Childhood Development Services in Saint Lucia

This section provides a brief overview of publicly provided early childhood development services, in Saint Lucia. These services have been delivered through the Ministry of Education, Innovation, Gender Relations and Sustainable Development since 2017. This section also includes a review of government expenditures on public ECDCs over the past five fiscal years, and evaluates the affordability of both private and public ECDCs. It also explores the capacities of ECDCs to cover the population of children under the age of five, along with issues related to operating hours and spatial distribution of ECDCs.

Overview of Public ECD services

ECDCs in Saint Lucia began as a private initiative, although there were ongoing ECDCs that focused more so on childcare. In the 1970s, the GoSL got involved in delivering public ECDCs through the Ministry of Community Development. In the 1980s, these services were expanded with support from the United Nations Children’s Fund (UNICEF). During this same period, several day care centres were established that targeted children under the age of three and low-income families, in an effort to alleviate poverty in Saint Lucia.⁹ In 1985, there was a further push to expand ECD services with the establishment of a Pre-School Unit in the Ministry of Education. The Pre-School Unit was tasked with “developing and implementing a comprehensive pre-school education programme for three- to five-year-olds.”¹⁰ For many years, ECD services, including childcare and ECD, remained under two different units and two different ministries. In 2007, the two units were merged and are currently operated as the Early Childhood Services Unit (ECSU).

The ECSU is the entity designated to execute the delivery of ECD services and oversees the activities of private ECDCs. In general, ECDCs provide services to children under the age of five.¹¹ ECDCs are categorized as day care centres or preschools, although the age groups served and services offered by these two types of institutions often overlap. There are public and private ECDCs, however, those that identify solely as preschools are all privately owned. Nonetheless, all ECDCs are encouraged to follow the Learning Outcomes for Early Development in the Caribbean Handbook which includes six learning

9 Ministry of Education, Innovation, Gender Relations, and Sustainable Development, (n.d.). *Early Childhood Unit*. Retrieved on 3 May 2022 from: [Early Childhood Education Unit | Ministry of Education, Innovation, Science, Technology and Vocational Training](#)

10 Early Childhood Education Services Unit (2014). *Overview of the Early Childhood Sector in Saint Lucia*. ECE Service Unit: Castries, Saint Lucia.

11 Children five years of age sometimes attend ECDCs, but this is rare.

outcomes focused on wellness, effective communication, valuing culture, intellectual empowerment, respect for self and others and resilience.

Government Expenditure on Public ECDCs

Table 1 shows government expenditures on ECD services from 2016/2017 to 2020/2021, which averaged XCD 2.5 million or approximately 0.2 per cent of total government expenditures. The most significant operating expense for ECDCs are staff costs, which account for at least 71 to 75 per cent of ECSU's expenditures. Among the various educational services offered, spending on ECDCs is among the lowest.

With respect to human capital development, the GoSL's focus seems to be on primary and secondary education. Given the fact that Saint Lucia has achieved universal primary and secondary education, there are significant fiscal outlays¹² for primary and secondary schools and education. In the five years under review, fiscal outlays for primary education stood between XCD 60 to 70 million (about 25 times more than that spent on ECDCs), whereas funds allocated to secondary education ranged from XCD 70 to 84 million (nearly 30 times greater than spending on ECDCs). Although modest, public expenditures on ECDCs generally covers 720 to 820 children.

During the five-year period, fiscal year 2016/2017 had the largest number of enrolments in ECDCs. In 2017/2018, one centre closed, which accounted for some of the falloff in enrolments. The lowest number of enrolments came in 2020/2021, where capacity was significantly reduced due to the onset of the COVID-19 pandemic.

Public ECDCs are heavily subsidised. Most ECDCs charge XCD 105 per term or roughly XCD 35 per month¹³, yet there are two ECDCs that charge XCD 60 per month.¹⁴ As shown in **Table 1**, fees make up the bulk, if not all, of the revenues of the ESCU, and revenue generated from these services cover less than 10 per cent of the operating costs.

12 Fiscal outlays are disbursement by the treasury in the form of checks or cash.

13 A term lasts roughly three months.

14 The reason for the differences in prices could not be determined at the time of writing this report.

Table 1. Fiscal accounts for ECD services and enrolment in ECDCs by fiscal year

	2016/17	2017/18	2018/19	2019/20	2020/21 (estimates)
No. children enrolled in public ECDCs	818	721	741	n/a	406
Total government expenditures (XCD million)	1297.90	1395.52	1203.72	1525.79	1697.3
Early childhood services revenue (sundry receipts)	0.26	0.25	0.23	0.22	0.07
Early childhood services expenditures (XCD million)	2.48	2.33	2.34	2.61	2.69
Salaries, wages & allowances	1.77	1.70	1.75	1.89	1.96
Stationery, supplies & materials	0.24	0.26	0.24	0.21	0.20
Rental & hire	0.16	0.16	0.15	0.18	0.17
Operation & maintenance	0.16	0.05	0.04	0.17	0.19
Other expenditures	0.15	0.16	0.15	0.17	0.18
Other educational services expenditures (XCD million)					
Primary education	63.38	61.53	62.70	63.36	67.10
Secondary education	70.09	70.88	71.20	71.89	84.40
Technical & vocational education	3.11	3.08	3.07	3.22	3.58
Tertiary education	15.69	15.69	17.19	18.25	17.53

n/a = not available; **Source:** Saint Lucia Budget of Estimates and Expenditures (by year) and GoSL Department of Education Statistical Digest

Affordability of Public ECDCs

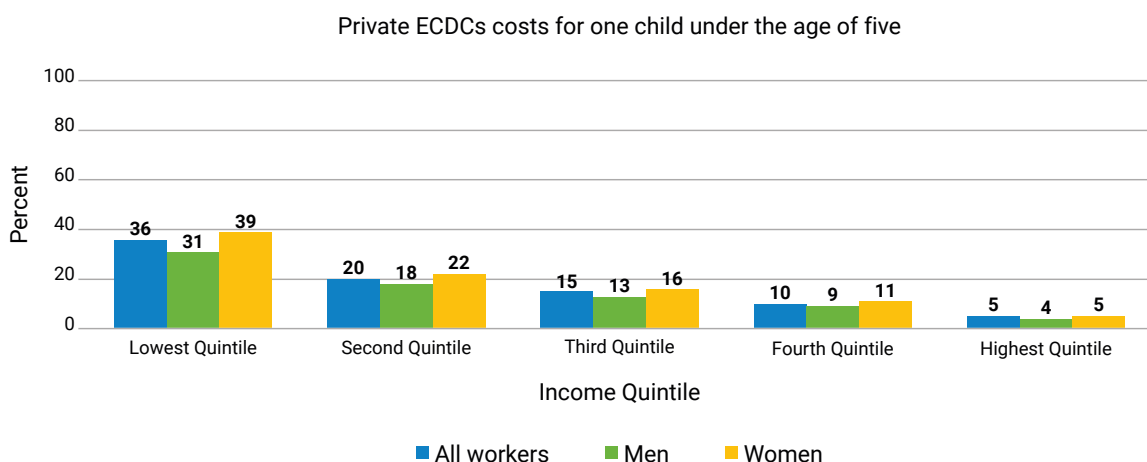
Prices of public ECDCs are less than prices observed in the private sector. Data available for a sample of 64 private ECDCs suggests that prices in the private sector vary significantly from XCD 75 to 600 per month, with a median monthly rate of XCD 225; this is 3.75 to 5 times greater than the charges for ECDCs in the public sector. These costs raise concerns for persons in lower-income quintiles.

Chart 1 shows the affordability ratio for private ECDCs in Saint Lucia, which is defined as the median monthly cost of private ECDCs for one child under the age of five as a percentage of average individual monthly incomes. The data shows that the median cost of private ECDCs is high. The median price of private ECDCs is 36 per cent of the monthly income of low-income workers (workers in the lowest income quintile), compared to 5 per cent for high-income workers (highest income quintile), and 15 per cent for workers in the middle-income range (third income quintile).

The average cost of private ECDCs is high for low-income female workers. In fact, for women earning low incomes, the average price of private ECDCs is 39 per cent of their monthly household income, compared to 31 per cent for male workers in the low-income category.

The costs of private ECDCs are further exacerbated when one considers that the costs do not include meals; whereas the price of public ECDCs includes three meals (i.e., morning snack, lunch and afternoon snack). Thus, many private ECDCs require parents/guardians to provide lunches or they charge an additional fee for feeding children. Some ECDCs also have an additional materials fee of XCD 75 to 200 per school year, and a one-time registration fee of XCD 25 to 100. Given these costs, the poorest households cannot access private ECDCs without public intervention or subsidies.

Chart 1. Household income spent on private ECDCs by income quintile (%)



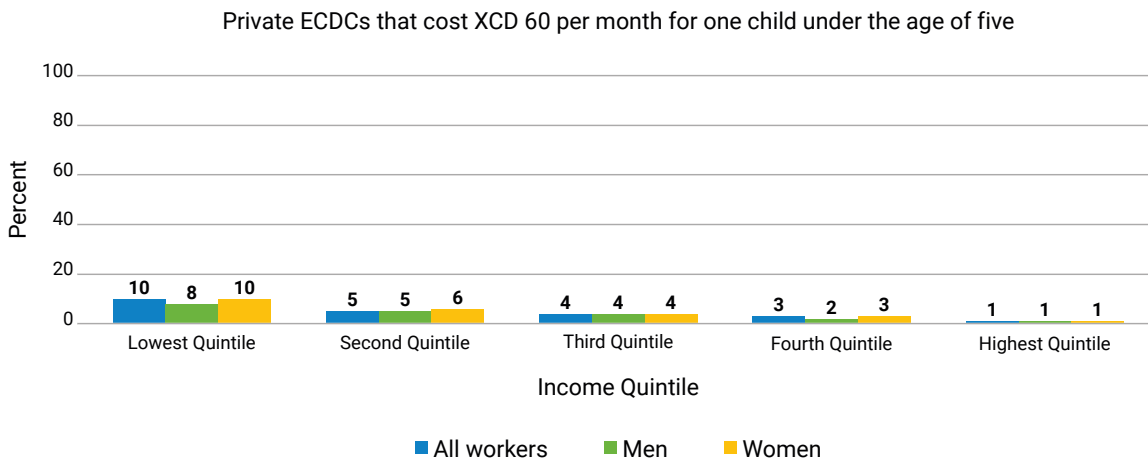
Note: Income quintiles were calculated by the author based upon weighted data from the 2016 SLC-HBS and represents gross employment income.

Charts 2 and 3 show the affordability ratio for public ECDCs in Saint Lucia, which is defined as the median monthly cost of public ECDCs for one child under the age of five as a percentage of average individual monthly income. **Chart 2** shows the affordability ratio for public ECDCs when the cost is XCD 60 per month, whereas **Chart 3** shows the affordability ratio for public ECDCs when the cost is XCD 105 per term or approximately XCD 35 per month. These data show that the costs of public ECDCs is still higher for low-income workers (lowest income quintile), regardless as to whether the monthly costs are XCD 60 per month or XCD 35 per month; however, the disparity between the lowest and highest income quintiles is the least when the monthly costs of ECDCs is XCD 35 per month.

What is most notable from the data in **Charts 2 and 3** data are that when the Government subsidizes the costs of ECDCs, this helps to level the playing field and increases opportunities for all children to access affordable ECD services, but particularly children whose parents/caregivers are low-income workers. In fact, when the costs of public ECDCs are XCD 60 per month, low-income workers pay nearly four times less of their monthly income to public ECDCs versus private ECDCs (**see Chart 1**). Moreover,

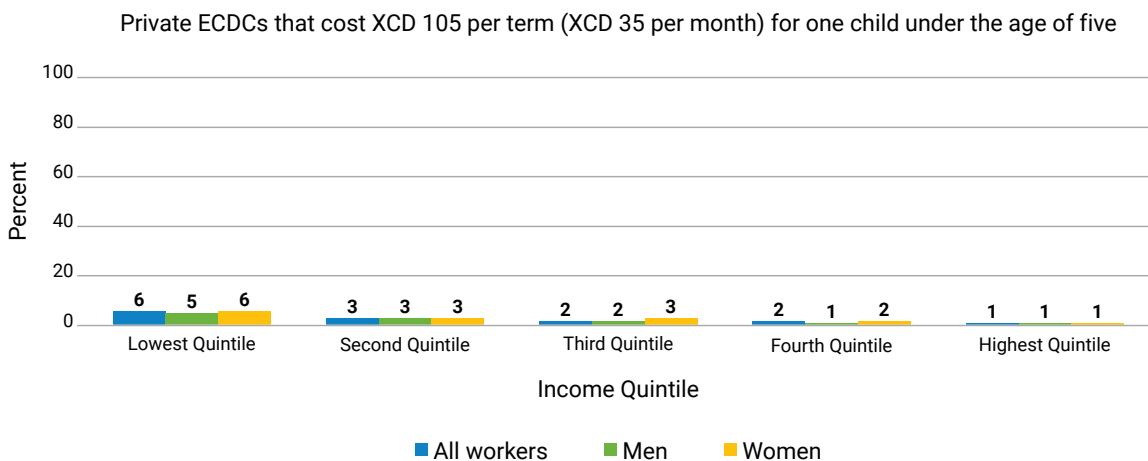
when the costs of public ECDCs are XCD 35 per month, persons earning low incomes pay six times less of their monthly household income to public ECDCs versus private ECDCs (see Chart 1). This data demonstrates the benefits to households, particularly lower-income and poor households, of ensuring access to affordable, quality ECD services.

Chart 2. Household income spent on public ECDCs that cost XCD 60 per month by income quintile (%)



Note: Income quintiles were calculated by the author based upon weighted data from the 2016 SLC-HBS and represents gross employment income.

Chart 3. Household income spent on public ECDCs that cost XCD 60 per month by income quintile (%)



Note: Income quintiles were calculated by the author based upon weighted data from the 2016 SLC-HBS and represents gross employment income.

In recent years, there have been efforts to return to the original childcare policy initiative, which focused on lower-income households access to ECD services. Some members of the ECSU suggested that in the past two decades, there was no explicit focus on ECD services for children from lower-income households. In 2019, however, there was a targeted expansion of the ECD services programme. In particular, the Saint Lucia Social Development Fund (SSDF), in collaboration with the Caribbean Development Bank (CDB), embarked upon the construction of four government-run ECDCs under the 9th cycle of the Basic Needs Stress Fund (BNTF). The four ECDCs were constructed in Monchy (in the Gros Islet District), Jacmel (in the Anse La Raye District), Micoud and Gros-Islet.

Unlike the other government-run centres, entry requirements to the new public ECDCs are based on a child's permanent address and their parents/guardians' income status; more specifically, children attending public ECDCs must live in the community where the ECDC is located. In comparison, the new ECDCs in Monchy, Micoud and Gros-Islet require that at least 70 per cent of children in attendance must come from low-income households, and priority is given to households with a combined earning of less than XCD 5,000 annually; whereas second priority is given households with a combined earning of less than XCD 10,000 annually. The new ECDC in Jacmel, in the Anse La Raye District, caters only to children from low-income households; in other words, all children in attendance must have parents/guardians who earn less than XCD 5,000 annually. According to the ECSU, the ECDC in Jacmel was initially set to have the same requirement that at least 70 per cent of children in attendance must come from low-income households, similar to the other three new ECDCs, but ECSU analysis of households in the Jacmel community revealed a significant need for affordable ECD services among low-income households. Thus, the 70 per cent quota was abandoned at the ECDC in Jacmel and the ECDC was designated to accept children from low-income households only.

Capacity of Public ECDCs

In February 2022, the establishment of four new ECDCs brought the total number of government-run ECDCs in Saint Lucia up to 24. When operating at full capacity, public ECDCs can accommodate 913 children¹⁵, which is insufficient to cover all children under five living in low-income and poor households in Saint Lucia. The 2016 SLC-HBS classified 4,797 children under the age of five as poor, yielding a poverty rate of 37.4 per cent for children under the age of five. Based upon these figures, the reality is that public ECDCs are able to accommodate fewer than 20 per cent of impoverished children under the age of five, and roughly seven per cent of the population of children under the age of five (see **Table 2**).

Operating Hours of Public ECDCs

The operating hours of public ECDCs needs to be explored, particularly since the need for ECDCs is greatest among working parents/guardians, particularly working mothers. Typically, public ECDCs are opened from 8 am to 4 pm, although teachers often arrive at 7:30 am to accommodate early drop-offs. Accessibility is often difficult for parents/guardians with limited flexibility in their work hours and those with non-standard work hours. Also, the operating schedules of public ECDCs are fashioned after the

¹⁵ This is the full capacity rate and does not reflect limited capacity during the COVID-19 pandemic.

primary and secondary school systems, in that there are three terms per school year, each lasting roughly three months. The first term begins in early September and ends in December, the second term begins in January and ends in March, and the final term begins in April and ends around June. This can cause problems for parents/guardians who may not be able to access affordable ECD services in between terms. Another challenge for many parents/guardians is that the ECDCs are often closed during holiday breaks; thus, not all parents/guardians are able to access affordable ECD services during holiday breaks.

Geographic Distribution of Public ECDCs

Parents/guardians are likely to register their children at an ECDC near to their residential address or area. As such, an evaluation of the geographic distribution of children under the age of five is imperative.

Saint Lucia is divided into ten divisions called districts. **Table 2** shows the distribution of public ECDCs and children under the age of five by district. Among the 24 public ECDCs, most are in Castries (n=10 or 42 per cent), the country's capital, and the district with the largest number of children under the age of five. Still, however, the 10 ECDCs in Castries have the capacity to accommodate only 5.6 per cent of children under the age of five and 17.3 per cent of children under the age of five living in poverty.

There are no public ECDCs in Choiseul, Canaries or Vieux Fort; the latter is particularly concerning because Vieux Fort is the third most populous district of children under the age five and has the third highest poverty rate for children under the age of five (58.9 per cent).



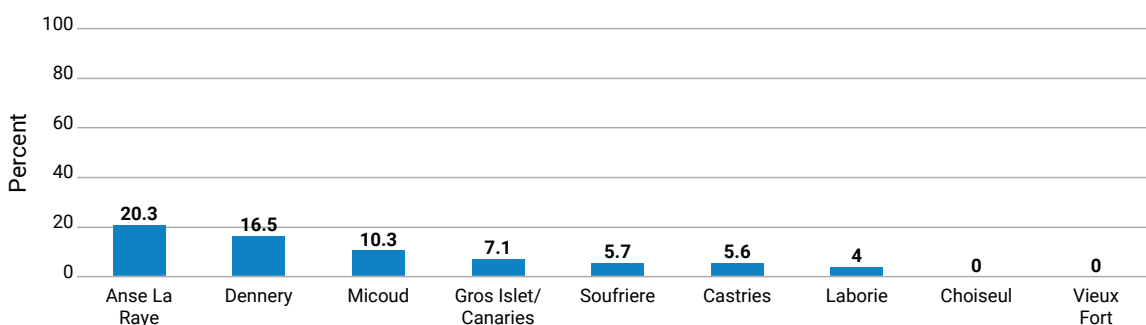
Table 2. Public ECDCs by district and district demographics of children under five (as of Feb 2022)

District	No. public ECDCs	No. of children public ECDCs can serve	Capacity of public ECDCs as a percentage of children under five	Capacity of public ECDCs as a percentage of children under five living in poverty	Poverty rate for children under five
Anse la Raye	2	89	20.3%	32.4%	62.6%
Castries	10	344	5.6%	17.3%	32.5%
Choiseul	0	0	0.0%	0.0%	41.9%
Dennerly	4	184	16.5%	27.3%	60.4%
Gros Islet/Canaries	2	120	7.1%	61.2%	11.6%
Laborie	1	15	4.0%	14.6%	27.8%
Micoud	4	133	10.3%	21.5%	47.7%
Soufrière	1	28	5.7%	14.0%	40.8%
Vieux Fort	0	0	0.0%	0.0%	58.9%
Total	24	913	(7.0%) total/(average)	(18.8%) total/(average)	(38.4%) total/(average)

Note: Calculations are based upon data from ECSU (as of February 2022) and the 2016 SLC-HBS. ECDCs district were assigned based on postal codes. There were no ECDCs in Canaries at the time of this analysis, but the 2016 SLC-HBS merged Gros Islet and Canaries Districts into one; thus, the author was unable to attain separate estimates for these two districts.

In keeping with the data in Table 2, **Chart 4** shows that the two public ECDCs in Anse La Raye are able to serve the largest proportion of children under the age of five in a district (20.3 per cent), followed by the four public ECDCs in Dennerly which can accommodate 16.5 per cent of children under the age of five. ECDCs in each of the other districts, where they exist, are able to accommodate far fewer children under the age of five, compared to their representation in the population.

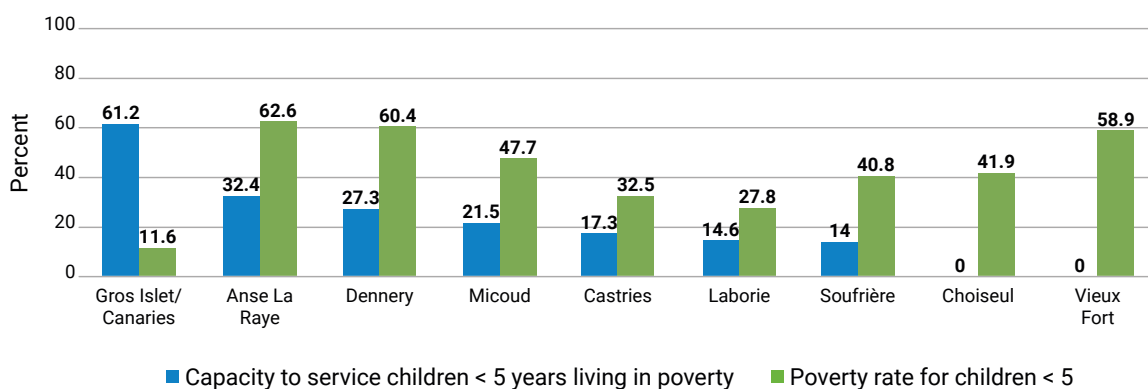
Chart 4. Capacity of public ECDCs to serve children under five (%)



Note: Data are based upon those presented in Table 2

In keeping with the data in Table 2, **Chart 5** shows that ECDCs in Gros Islet/Canaries are able to support the largest proportion of children under the age of five living in poverty (61.2 per cent), compared to the actual proportion of children living in poverty in Gros Islet/Canaries (11.6 per cent). In comparison, in districts where the poverty is particularly high (e.g., Anse La Raye, Dennery and Vieux Fort), public ECDCs are able to accommodate only a small proportion of children under the age of five living in poverty (32.4 per cent, 27.3 per cent and 0 per cent respectively). In general, across each of the districts, except Gros Islet/Canaries, only a small proportion of children under the age of five living in poverty can be accommodated by public ECDCs.

Chart 5. Capacity of public ECDCs to serve children under the age of five living in poverty (%)



Note: Data are based upon those presented in Table 2

Fiscal Costs of Scaling Up Public Investment in Public ECDCs

Scaling up public investment in ECDCs can be done in two ways: 1) increasing the number of public ECDCs (direct intervention) or 2) subsidization of public ECDCs (indirect intervention). This study proposes four different scenarios, including three targeted coverage scenarios and one universal access scenario.

- 50 per cent of children under the age of five living in households at or below the poverty line
- 70 per cent of children under the age of five living in households at or below the poverty line
- 100 per cent of children under the age of five living in households at or below the poverty line
- All children under the age of five (universal access scenario)

This section describes the methodology used to estimate the additional costs to the public sector in each of the four different scenarios and presents the findings. Estimates presented are based on 2016 SLC-HBS estimates of the population of children under the age of five and for data related to current prices for ECD services.¹⁶

Increasing Access to Public ECDCs through Direct Intervention

When it comes to increasing access to public ECDCs through direct intervention, the underlying assumption is that the GoSL would increase access to public ECDCs, similar to what currently exists in the country. The fiscal costs associated with increasing access to public ECDCs would include two different costs per child – operating costs and building costs. As it relates to operating costs (e.g., wages, food, stationary), the assumption is that these costs would remain unchanged. The estimates for operating costs are based on enrollment in public ECDCs and public expenditures for ECD services for the period of 2016/2017 to 2018/2019.¹⁷ Building costs per child, however, represents a new cost, as the number of spaces available in public ECDCs would need to increase.

¹⁶ Estimates presented provide a snapshot of the fiscal costs should such a policy to scale up public investment in ECDCs be implemented in the near future, given there are unlikely to be drastic changes in the birth rate or prices of childcare services.

¹⁷ In fiscal year 2020/2021, per child costs for running public ECDCs were skewed because of the drop in enrollments due to the onset of the COVID-19 pandemic. No data on enrollments were available for fiscal year 2019/2020; thus, per child costs were based on the average for fiscal years 2016/2017 to 2018/2019.

To increase the number of spaces available in public ECDCs, the GoSL can choose to either build new ECDCs, renovate government-owned buildings and/or rent space from the private sector. At the time of this study, reasonable estimates for the costs of renovating a government-owned building could not be calculated and adequate information associated with renting commercial properties was not readily available. Information on the costs of building a ECDC, however, was publicly available. In particular, construction costs for the ECDC in Jacmel, which can accommodate 60 children, was estimated to be XCD 1,715,758¹⁸; in keeping, this study estimated per-child building costs to be XCD 28,595.97.¹⁹

With respect to targeted benefits, the study considered two settings. In the first setting, only children living in households at or below the poverty line would have access to public ECDCs. In the second setting, public ECDCs would determine child admissions using a 7-to-3 ratio (i.e., 70 per cent of children admitted would be from households living at or below the poverty line, and 30 per cent would be from households living above the poverty line), which is similar to that applied in the new ECDCs constructed in February 2022.

18 Retrieved on 9 May 2022 from: [CONTRACT SIGNING - JACMEL EARLY CHILDHOOD DEVELOPMENT CENTER - St Lucia Social Development Fund \(slusdf.net\)](#)

19 It is important to note that this per capita amount does not take into consideration the effects of economies of scale; however, the four newly constructed ECDCs that opened in 2022, all had a capacity of 60, suggesting that this could be the desirable size of ECDCs, at least at the present time.

Table 3. Increase in annual public expenditures associated with direct intervention scenarios (based upon 2020 GDP)

	Scenario 1: Targeted expansion to 50%	Scenario 2: Targeted expansion to 70%	Scenario 3: Targeted Expansion to 100%	Scenario 4: Untargeted expansion to 100%^a
Additional expenditures, including capital expenditures^b (i.e., building costs)				
Places allocated to children from poor households	XCD 47.21 million or 1.08% of GDP	XCD 77.68 million or 1.78% of GDP	XCD 123.40 million or 2.83% of GDP	n/a
Places allocated based on a 7-to-3 ratio	XCD 79.87 million or 1.83% of GDP	XCD 123.40 million or 2.83% of GDP	XCD 188.72 million or 4.32% of GDP	n/a
All children aged 0-4	n/a	n/a	n/a	XCD 378.94 million or 8.68% of GDP
Additional expenditures, excluding capital expenditures (i.e., building costs)				
Places allocated to children from poor households	XCD 4.72 million or 0.11% of GDP	XCD 7.876 million or 0.18% of GDP	XCD 12.33 million or 0.28% of GDP	n/a
Places allocated based on a 7-to-3 ratio	XCD 7.98 million or 0.18% of GDP	XCD 12.33 million or 0.28% of GDP	XCD 18.86 million or 0.43% of GDP	n/a
All children aged 0-4	n/a	n/a	n/a	XCD 37.87 million or 0.87% of GDP

n/a = not available

^a Untargeted expansion 100% ensures that all children under the age of five have access to public ECDCs.

^b Capital expenditures relate to acquiring or maintaining fixed assets, such as land, buildings and equipment.

Source: Data on GDP are sourced from World Bank. Data from the 2016 SLC-HBS were used to determine the increase in public capacity needed to meet each of the different coverage scenarios.

Table 3 shows the increase in annual public expenditures associated with direct interventions to achieve the four scenarios:

- Targeted expansions to 50 per cent (i.e., 50 per cent of children under the age of five living in households at or below the poverty line)

- Targeted expansion to 70 per cent (i.e., 70 per cent of children under the age of five living in households at or below the poverty line)
- Targeted expansion to 100 per cent (i.e., 100 per cent of children under the age of five living in households at or below the poverty line)
- Untargeted expansion to 100 per cent (i.e., universal access for all children under the age of five)

Table 3 shows that targeted direct intervention that allows 50 per cent of impoverished children to register at public ECDCs could cost the GoSL, upfront, an additional XCD 47.2 to 77.7 million or 1.1 to 1.8 per cent of the 2020 GDP. Much of the cost would be related to building new ECDCs. If capital expenditures (i.e., building costs) are removed, the Government would only need an additional XCD 4.7 to 8.0 million or 0.1 to 0.2 per cent of the 2020 GDP, in addition to what they currently spend on ECDCs.

As would be expected, fiscal outlays are greatest in the universal access scenario or untargeted expansion to 100 per cent. Embarking on a policy that ensures universal access to ECDCs for all children under the age of five would mean that the GoSL would have to spend, upfront, an additional XCD 378.9 million or 8.7 per cent of the 2020 GDP. On an annual basis, the Government would also have to spend an additional XCD 37.8 million or 0.9 per cent of the 2020 GDP to properly implement a universal access programme. It should be noted that the estimated annual operating costs of a universal access programme is significantly less than what is currently spent on universal primary and secondary education in Saint Lucia. More specifically, the estimated operational costs for universal access to ECDCs through direct intervention is 43.6 per cent less (or XCD 29.2 million) than what was spent on primary education in fiscal year 2020/2021, and 55.1 per cent less (or XCD 46.5 million) than what was spent on secondary education that same year (see **Table 1**).

Increasing Access to ECDCs Through Indirect Intervention

Building new ECDCs requires a large immediate cash outlay, whereas a key benefit of subsidizing costs associated with private ECDCs reduces up-front costs. The assumption here is that prices for ECDCs are dictated by demand and supply; thus, a subsidy lowers the cost associated with private ECDCs. It is expected that as the price of private ECDCs declines, more people would opt to use private ECDCs and the private sector would adjust its capacity as demand dictates.

Subsidization in the early childcare market can be implemented through demand-side policies (i.e., funding directed to parents) and supply-side policies (i.e., funding directed to private childcare providers). Studies on the fiscal costs associated with the provision of a subsidy often begins with an analysis of the sensitivity of demand to various discounted prices; this gives an indication of the size of subsidy needed to meet some defined coverage ratio.

Unfortunately, at the time of this study, there was not sufficient information to adequately assesses the extent to which demand for private ECDCs would respond to discounted prices and by extension, determine the level of subsidy needed to get the desired enrolment. Given the data limitations, a simple analysis was conducted. In the scenario analysis, the government would provide parents with a subsidy such that the price they pay is equivalent to the price they would have paid had they registered their child

with a public ECDC. The assumption is that by making the prices equal, the demand will equate to that for public ECDCs.²⁰

The per-child subsidy in this study is the difference between the public ECDC (using the price of XCD 105 per term) and median private ECDC prices obtained from data collected from the sample of 64 private ECDCs. The subsidy also includes stipends for facility, feeding and material fees for each child per school year. The average size of the voucher that parents would receive is estimated at XCD 2,555 per school year. The fiscal costs associated with indirect intervention are based on the scenarios and settings discussed in the previous sections and presented in Table 3.

Table 4 shows the increase in annual public expenditures associated with indirect interventions to achieve the four different scenarios (i.e., targeted expansions to 50 per cent, 70 per cent and 100 per cent, and untargeted expansion to 100 per cent). The additional costs associated with indirect interventions are significantly smaller than those associated with direct interventions. For instance, the universal access scenario (i.e., untargeted expansion to 100 per cent) costs an additional XCD 30.5 million or 0.7 per cent of the 2020 GDP. This cost is in comparison to an upfront cost increase of 378.9 million or 8.7 per cent of the 2020 GDP associated with direct interventions for the universal access scenario including capital expenditures (i.e., building costs), or the additional XCD 37.9 million or 0.9 per cent of the 2020 GDP associated with direct interventions for the universal access scenario excluding capital expenditures (see Table 3).

Table 4. Increase in annual public expenditures associated with indirect intervention scenarios (based upon 2020 GDP)

Additional expenditures	Scenario 1: Targeted expansion to 50%	Scenario 2: Targeted expansion to 70%	Scenario 3: Targeted expansion to 100%	Scenario 4: Untargeted expansion to 100% ^a
Existing public places allocated to children from poor households	XCD 3.80 million or 0.09% of GDP	XCD 6.25 million or 0.14% of GDP	XCD 9.92 million or 0.23% of GDP	n/a
Existing public places allocated based on a 7-to-3 ratio	XCD 6.42 million or 0.15% of GDP	XCD 9.92 million or 0.23% of GDP	XCD 15.18 million or 0.35% of GDP	n/a
All children aged 0-4	n/a	n/a	n/a	XCD 30.47 million or 0.70% of GDP

n/a = not available

^a Untargeted expansion 100% ensures that all children under the age of five have access to public ECDCs.

Source: Data on GDP are sourced from the World Bank. Data from the 2016 SLC-HBS were used to determine the increase in capacity needed to meet each of the different coverage scenarios.

²⁰ Based on data in Charts 2 and 3, the price of public ECDCs is generally affordable, and this serves as the benchmark price.

Potential Benefits from Increased Investment in ECDCs

This study revealed the costs associated with expanding early childhood services through ECDCs. At face value, expansion of ECDCs seems to be a costly undertaking, however, there are several economic benefits or returns associated with expanding ECDC services through both supply and demand channels. In fact, there is evidence that the benefits of increased investment in ECDCs typically outweigh the costs. In other words, estimates of the macroeconomic benefits of expanding early childcare services utilises input-output analyses or social accounting matrices.²¹ At the time of this study, data required to conduct such analyses were not readily available for Saint Lucia; nevertheless, there are insights that can be gained from other countries for which such analyses were undertaken.

One of the most cited economic benefits of increased investment in early childhood services is related to the impact it has on the labour market. First, by expanding ECDC services, there is an immediate increase in jobs in the childcare economy and indirect employment effects in other related sectors, through their multiplicative linkages to the ECD sector. For instance, a universal childcare policy in the Kyrgyz Republic could increase total employment by three-percentage points.²² Similarly, in Macedonia, total employment could increase by four-percentage points with a universal childcare policy.²³ Whereas in Côte d'Ivoire, Nigeria, Rwanda, Senegal and Tanzania, the estimated increase in employment ranged from 8- to 23-percentage points.²⁴

A universal childcare policy could also impact the labour supply of parents/guardians, where access to affordable early childhood services alleviates time constraints and facilitates paid employment.²⁵ These

21 Ilkcaracan, I. (2021). *A Guide to Public Investments in the Care Economy Policy Support Tool for Estimating Care Deficits, Investment Costs and Economic Returns*. UN Women and International Labour Organization. Retrieved on 3 May 2022 from: [Policy-tool-Care-economy-en.pdf \(unwomen.org\)](#).

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23 De Henau, J. & N. Mojsoska-Blazevski (2019). *Investing in Free Universal Childcare in the Republic of North Macedonia: Analysis of Costs, Short-Term Employment Effects and Fiscal Revenue*. UN Women: New York, NY, USA. Retrieved on 9 May 2022 from: [Discussion-paper-Investing-in-free-universal-childcare-in-North-Macedonia-en.pdf \(unwomen.org\)](#)

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25 De Henau, J. (2022). Simulating employment and fiscal effects of public investment in high-quality universal childcare in the UK. *International Journal of Child Care and Education Policy*, Vol. 16, No. 3, pp. 1–27; Bousselin, A. (2021). Access to universal childcare and its effect on maternal employment. *Review of Economics of the Household*, Vol. 20, pp. 497-532; UN Women (2020). *Costs, returns, and effects of a universal, free, and quality child care system in Mexico*. UN Women: Mexico City, Mexico. Retrieved on 3 May 2022 from: [twopager_pobinfantilENG.pdf \(unwomen.org\)](#)

improvements in labour supply would lead to higher household incomes, increased consumption, and by extension, potential GDP growth. In the long-term, a universal childcare policy could impact growth through its impact on human capital development.

Studies also suggest that expansion of early childhood development and education (ECD/E) services enhances young children's development and learning in the areas of language and communication, movement and physical development, thinking and brain development, and social and emotional learning skills and behaviours.²⁶ There are also increased opportunities for early childhood developmental monitoring which focuses on observing how a child grows and changes over time, and whether a child meets the typical developmental milestones at 2-, 4-, 6-, 9-, 12- and 18-months of age, as well as at the ages of 2, 3, 4 and 5 years.²⁷ Multiple factors influence the acquisition of these accomplishments and competencies, including health, nutrition, safety and security, responsive-caregiving and early childhood learning.²⁸

Ultimately, all young children, from conception to the age of school entry, achieve their developmental potential in equitable, inclusive environments, programmes and policies. Thus, expansion of ECDCs to all children under the age of five, including impoverished children, would ensure equitable access to quality ECD/E services that address their development needs.²⁹ There is a large body of international literature and evidence that suggests that investment in ECD/E services has long-lasting impact on later stages of life, including adult health and well-being.³⁰ ECD/E services also lays the foundation for life-long learning and school achievement, and human development; thus, ECD/E services can contribute to poverty reduction.³¹ Offering children a stimulating environment for their holistic development benefits children of today, but also contributes to preparing better parents for tomorrow.³²

A policy of universal access to ECD services also has the potential to increase employment and by extension increase household income, as well as reduce the risk of time poverty.³³ Time poverty is the concept that there is not enough time to do all the work one needs to do, and for women who are primarily responsible for unpaid domestic and childcare work, they are often left with little or no discretionary

26 Centers for Disease Control and Prevention. Child Development. Retrieved on 3 May 2022 from: [Developmental Monitoring and Screening | CDC](#); see also, Black et al. (2017). Early childhood development coming of age: science through the life course. *Lancet*, Vol. 389, pp. 77-90

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33 Hyde, E., M.E. Green & G.L. Darmstadt (2020). Time poverty: Obstacle to women's human rights, health and sustainable development. *Journal of Global Health*, Vol. 10, No. 2, pp.. Retrieved on 3 May 2022 from: [Time poverty: Obstacle to women's human rights, health and sustainable development - PMC \(nih.gov\)](#); see also, Ilkcaracan, I. (2021). *A Guide to Public Investments in the Care Economy Policy Support Tool for Estimating Care Deficits, Investment Costs and Economic Returns*. UN Women and International Labour Organization. Retrieved on 3 May 2022 from: [Policy-tool-Care-economy-en.pdf \(unwomen.org\)](#)

time. Individuals, organizations and policymakers often overlook the negative effects of time poverty, although time poverty prevents women from fully engaging in the formal economy, limits their economic productivity and growth, and has negative repercussions on their health and well-being.³⁴ Time poverty is a manifestation of gender inequality and is a human rights issue that must be addressed to fulfil the SDGs, including empowering women and girls to achieve their full human potential. Addressing time poverty will have lasting benefits for women and their families, and communities and nations.³⁵

Investing in ECDCs could serve to reduce gender gaps in the labour market and improve women's participation in the labour force.³⁶ To date, data suggests that there are significant gender gaps in the Saint Lucian labour market. At the end of the 2nd Quarter of 2021, the male labour force participation rate was 75.4 per cent, which was 9.3-percentage points higher than that of the female labour force participation rate (66.1 per cent). Moreover, the 2016 SLC-HBS found that, on average, men's monthly income was approximately 15.7 per cent more than that of women.

Increasing investment in ECDCs is likely to generate jobs in the childcare sector, which means that most of these childcare jobs would likely go to women. In addition, women with children under the age of five will likely have to devote less time to unpaid childcare work, which would increase their employment in the paid labour force. A universal access to childcare services policy can also counter existing gender disparities in the labour market by simultaneously alleviating constraints on women's labour supply and creating employment opportunities for women.

Finally, other critical benefits relate to possible fiscal benefits due to an expansion in the tax base, which would come about due to an increase in aggregate output generated through new employment and the consumption multiplier. Government revenue is likely to increase through both direct and indirect taxation. For instance, simulation analyses for direct interventions to ECD/E for Mexico³⁷, Kyrgyz Republic³⁸, South Africa, Turkey and Uruguay³⁹ suggests that 30 to 55 per cent of a government's gross investment could be recouped in direct and indirect tax revenues in the short-term, and benefits are likely to be even higher over the long-term.

34 Hyde, E., M.E. Green & G.L. Darmstadt (2020). Time poverty: Obstacle to women's human rights, health and sustainable development. *Journal of Global Health*, Vol. 10, No. 2, pp.. Retrieved on 3 May 2022 from: [Time poverty: Obstacle to women's human rights, health and sustainable development - PMC \(nih.gov\)](#)

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Concluding Remarks

This study provides estimates of the fiscal costs associated with increasing public investment in ECDCs. The various scenarios suggest that this will be a costly endeavour, and the upfront costs will likely require significant borrowing or overseas development aid. As alluded to, there are multiple economic benefits and social returns to expansion of early childhood services, such as reductions in gender gaps in the labour market, decreased poverty and improved human capital for women and their children. Enhancements in human capital are also associated with reductions in crime and victimization, improvements in health and well-being, and democratic participation.⁴⁰ Additional spending on ECDCs should be seen as a wise investment that will provide social and economic benefit to Saint Lucia in both the short- and long-term.

At this juncture, it is important to understand that it is not enough to increase the affordability and capacity of ECD services. For instance, without any change to operating hours, parents with limited flexibility in their working hours or who work non-standard working hours would still face difficulties accessing public ECDCs. Flexibility in public ECDCs is needed to address the needs of all parents/guardians, including those who work shifts, non-standard working hours and holidays. Careful thought should be also given to the location of ECDCs to ensure they are easy to access.

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