

care is capital: leveraging childhood investment to sustain an aging nation

Farah Nabilah binti Abdul Rahman
Analyst at Institute of Strategic & International Studies (ISIS) |
KSI Fellow



Despite its significant contribution to economic and social development, the care economy in Malaysia has been undervalued and underinvested. Care for the young and for elderly are pivotal to the well-being of individuals and the functioning of societies, without which, the economy will be at a standstill.

With the demographic shift and rising total dependency ratio caused by the declining birth rates and increasing life expectancy, both elderly people and children are at a greater risk and likely to bear the brunt of care burden the most. With this demographic change and polycrisis such as the long lasting impact of COVID-19, increased poverty and inequalities, and climate change, children today are facing more risk than before. Public spending is expected to double between 2015 and 2050, due to the growing demand for services from the aging population. Moreover, the efforts to professionalise the sector which has long been supported informally, raises discussion of whether it will make care support less accessible. With this heightened concern, there is a critical need to examine the optimal way of providing financial support to the care sector. Within the care economy's life cycles, there is a plethora of research evidencing the importance of investing in Early Childhood Care and Education (ECCE) such as quality education, breastfeeding, and parental time investment that can be traced as far back to the Perry Preschool Project in the 1960s. Studies illustrated early childhood interventions having a large social return for human capital development. For example, a study by the Minneapolis Federal Reserve Bank demonstrated early intervention investment having an annual rate of return of 18%, higher than the then country's stock market (5.8%), with 16% coming from the public return. The study is further strengthened with the neurodevelopmental studies showing ECCE being a critical fundamental years and certain skills that are missed during this period could be non-reversible. Simultaneously, recent research developments have also discovered how the overall care economy can contribute to the Gross National Income (GNI) through increased household income as more women participate in the labour workforce, and an estimation of RM379 billion to Malaysia's GDP should unpaid care work be valued at.

In 2012, Malaysia's total spending on ECCE was equivalent to approximately only 0.2% of GDP. It was an increase from the previous years, but still lower from the average public spending on ECCE in the OECD countries which is just over 0.8% of GDP.

Taking a few benchmarks of spending percentage of GDP from countries that scored higher in the Starting Well Index such as Singapore (0.5%), South Korea (0.9%) and Finland (1.1%), Malaysia should be planning an increase of spending in this part of investment to the human capital development of the country. Due to the importance of intervention during early childhood, the salaries for ECCE educators should be compared and made equivalent to primary and secondary schools. Despite the existing policies aimed at ensuring quality ECCE centres, the salaries of ECCE educators remain low, disincentivising top talent in the education field from specialising in ECCE or staying committed in the long run.

While the economic explanation for ECCE is centred on it being a valuable public investment, critics argue that it may not necessarily be the same for the elderly, though they are still necessary. In an aging society, the economic value comes from the high demand of its care service that would create many economic opportunities which could be catered by the private market. Public spending could play a factor in GDP contribution, but since government spending is a limited resource, strategic decisions and allocation would realistically be made. The concern of a non-intervention approach is also centred on it being inequitable and inaccessible for all, aside from it being a social contract and a form of redistributive justice. Additionally, spending on the elderly can produce several positive externalities such as eliminating the barriers for working individuals, especially women, to participate in the labour market. Based on these differences, it is pertinent to look into the most optimal and sustainable financing model for the elderly. There's an urgent need to rebalance care-related spending, especially given ECCE's long-term returns compared to the often reactive approach to elder care.

Though the underlying justifications for financing childhood and elder care may differ, it remains essential to view investments in the care economy through a life-cycle approach. This is because the sector interacts with each other and should not be limited to the provisioning of care centres, but encompasses from the moment when a child is conceived to the elderly years, along with the societal preferences of care that would influence the success of a policy. This includes the labour market policies, provisioning of care centers, government incentives and collaboration with the private market, and social protection. In Sweden, whilst acknowledging the socio-political-economic differences, steps have been taken to allow for a certain amount of transfer of parental leave to other family members who are taking care of the children such as grandparents; an informal care provision that has long been practised in our country that enables the formal labour supply, yet its contributions being invisible and unvalued.

Equally, policymakers must be urged to use the life-cycle approach when examining policy designs that are socially and economically viable. For instance, a connection and closeness between elderly care centres and childcare or orphanage institutions might be a well-planned design especially as both segments require a deep social connection and physical interactions. Statistics show that elderly people experienced loneliness and social isolation, while children require love and care for a healthy development.. Hence, having institutional design where the two generations could interact would benefit both of them. Policymakers should also seek to advocate for family-sensitive labour policies such as breastfeeding-friendly policies and integrate these efforts into a cohesive strategy for human capital development. This can then support the aspiration of Negara Madani in ensuring that no one is left behind as we move up the economic ladder.

This article calls for two critical aspects when designing the financial ecosystem in the care economy in Malaysia; the clear need for increased investment in early childhood care and education (ECCE) due to its well-documented long-term benefits and return of investment in human capital development, and to explore the pathways to a sustainable care model, - especially the untapped economic opportunities within the elder care industry.

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