

Exploring Quebec's

Game Changing Child Care Initiative

Quebec Childcare at 20: What Have We Learned? Pierre Fortin. 2019

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Ben Eisen. Fraser Institute, 2017.

Twelve Erroneous Statements of the Fraser Institute R Q 4XHEHF V & KLOGF
Program. Pierre Fortin. 2017.

Quebec Childcare at 20: What Have We Learned?

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Abstract

4 X H E H F ¶ Educational Childcare Act instituted a Scandinavian type universal low-fee childcare system in the province. It has boosted the labour force participation rate of young women to the highest level in Canada and the world. It has generated fiscal surpluses on net. So far, the impacts of the program on child development have been mixed. The reason is not that the system is flawed in and by itself, but that quality standards have been allowed to vary widely, from excellent to inadequate across different types of care. This could be fixed by making sure that the best quality standards are met in every type of care and by attracting more disadvantaged children to the system and better responding to their special needs.

Résumé

La /RL VXU OHV VHUYLFHV GH de 1993 Québec a mis en place un système de garde universel à tarif modique de type scandinave. Il a porté OH WDX[G ¶ DFWLYLW p Ip PLQLQ DX .SI @ x Munké K W QLY net positif sur les soldes budgétaires gouvernementaux. Les impacts du programme sur le développement des enfants sont mitigés. Ce n'est pas que le système soit déficient en lui-même, mais plutôt qu'il ne répond pas aux normes de qualité de varier énormément du plus haut au plus bas niveau entre les divers types de service de garde. Il y aurait moyen de corriger la situation en veillant à ce que les meilleures normes de qualité soient observées dans tous les types de garde. Dans le système québécois, il faudrait attirer plus d'enfants défavorisés et mieux répondre à leurs besoins particuliers.

The Quebec childcare program in a nutshell

These scientific and practical reasons are exactly what motivated Quebec to adopt its Educational Childcare Act in 1996. It set two explicit objectives: help families improve their work-life balance, and enhance child development with a strong purpose of equality of opportunity. The program went fully operational in 2000. Parents have access to childcare spaces at a low after-tax fee for 10 hours a day and 261 days a year.

Table 1 below shows how young children are distributed among the various types of care. About 50%

been found that the increase in employment was about the same whether mothers held a postsecondary degree or not. University of Sherbrooke colleagues and I estimated from the studies that by 2008 there were some 70,000 (3.8%) more Quebec mothers in employment than there would have been without the childcare reform. The success of Quebec in this respect owes much to the fact that its reform has been very comprehensive.

more than 10% of the cost of reform, or in other words that the program generated fiscal surpluses

7 D E O H (V W L P D W H G L P S D - F e w R d c a t e) o n F e d e r a l P a y d U H G X F H

between children of low and high income families at least until Grade 6 there is no discernible fade-out

\$40 in a lower-quality full-fee garderie. This operating cost differential largely reflects the differences in childcare quality among providers. It also implies that government subsidies to the two types of care differ. The average daily subsidy to a CPE is about \$50, while the daily tax credit to a middle-income user of a full-fee garderie is about \$22 (55% of the \$40 fee). Hence, when a child attends a full-fee garderie instead of a CPE, the minister of finance saves some \$28. A large fraction of this amount of money saved by the minister mirrors the cost of the quality of care of which this child is deprived.

The fact that quality is highly variable among caregivers explains that the economic literature has found neutral or negative results for the impacts of the Quebec program on F K L O Cognitive and non-cognitive skills before they enter school. Fortunately, the negative estimates have generally receded in later cohorts and do not carry over to elementary and high school years for any cohort. Nevertheless, clearly positive impacts seem to emerge.

To infer from these mixed results that the system is flawed is unwarranted. The thing is that the economic studies rely on National Longitudinal Survey of Children and Youth data, which make no distinction between types of care and do not allow researchers to measure the quality.

either to transform non-CPE garderies into CPEs, or to impose CPE-level quality standards on them. If the latter option is retained, though, the tax credit to users of full-fee for-profit garderies will obviously have to be increased again for these to comply with the stricter, more costly quality standards. This is the only way that they could stay competitive with CPEs and other reduced-fee providers while charging a higher fee.

The Quebec solution so far has attempted to mix the two traditions: it is based on a low universal starting fee followed by an additional contribution rising modestly with family income. Of course, this quasi-universal approach has many further practical and exclusive advantages:

- 1) it does not cost a penny to government
- 2) on the contrary, it generates a fiscal surplus that can be reinvested in better quality services for all, including for disadvantaged children
- 3) it can catch all vulnerable children, 2/3 of whom come from middle- to high-income families
- 4) it encourages social mixity and positive peer effects between children of all backgrounds

MAIN CONCLUSIONS

Q In 1997, Quebec instituted a system of subsidized daycare, providing daycare spots at a daily rate of \$5 per day regardless of parental income. Despite some modest reforms, this “universal” daycare program retains its original structure.

Q Quebec’s system is expensive. The govern-

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This reform was designed in part to increase labour-force participation and, indeed, it was followed by increases in employment rates across the country. However, the size of the change in employment rates following the reform was not uniform across Canada. Instead, regions with lower rates of labour-force participation, including Quebec and Atlantic Canada, tended to experience the largest increases in the employment rate. In 1997, the labour-force participation rate for women of child-rearing age was 66.5% in the Atlantic Provinces, and 69.7% in Quebec. By comparison, the labour-force participation rate in every other province in the country for this group was above 72%.

It is therefore important to note, since 1997, labour-force participation rates in Atlantic Canada have actually increased at a slightly faster pace than that in Quebec, in spite of

having no subsidized daycare program (). As a result, models that do not account for differential impacts from changes in the EI program likely overstate the effect of the Quebec daycare program on the labour market.

Moreover, looking at female demograph-

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7 KLV LV LPSRUWDQW VLQFH WKH cal cost of the program mentioned earlier depends largely on the extent of the increase in labour participation attributable to subsidized daycare. If the increase in labour-force participation is reduced by only 25%, the net cost of the program for the provincial government would increase by \$125 million (Haec, Lefebvre, and Merrigan, 2015).

Also rarely discussed is the fact that the introduction of subsidized daycare may have increased the labour supplied by mothers, but it also reduced the labour supplied by fathers. While few fathers dropped out of the labour force, they did reduce WKH LQWHQVLW\ RI WKHLU ZRUN (2013). This effect is rarely accounted for by the proponents of subsidized daycare.

The analysis above suggests it is not reasonable to conclude that Quebec's program of subsidized daycare has "paid for itself" through increased

How if Participation Was. There are also important questions to be asked about whether other jurisdictions can reasonably expect gains in labour-force participation comparable to those in Quebec. While the gains in labour-force participation are large, the net costs are also large. While the gains in labour-force participation are large, the net costs are also large. While the gains in labour-force participation are large, the net costs are also large.

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We have seen that Quebec's daycare system is expensive and that it is unlikely that increased labour-force participation yields additional tax revenue that makes up for those expenses.

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continuing to increase. Since the year of the inauguration of subsidized daycare, govern-

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Abstract

In March of this year the Fraser Institute of Vancouver put out a Research Bulletin asserting that 4 X H E H F ¶ V 5 K R O G B D U Z D V D 3 I O D In this paper, I analyze the RWG's arguments raised by the Institute against the Quebec

Executive summary

Since 1997, the Province of Quebec has a low-fee universal childcare program. Initially, three types of childcare services were made available: early childhood centres (called CPE in French), family-based caregivers, and low-fee private garderies. The daily fee was set at a fixed rate of \$5 in 1997, increased to \$7 in 2004, and replaced by a fee schedule rising with income in 2015. Today, the fee ranges from \$7.75 to \$21.20. On average in 2016, a day of childcare cost \$10 in Montreal compared to \$47 in Ottawa, \$49 in Vancouver and \$54 in Toronto.

In March of this year, the Fraser Institute (FI) Vancouver put out a Research Bulletin asserting that the Quebec system is the most expensive in the world. This paper examines each of them in details, and finds all of the major errors in their six most important errors.

Childcare programs are not expensive. This is simply not true. Childcare programs are a small fraction of GDP, close to the OECD average, and definitely not outlandish. In its first five years (1997-2002), the childcare system was under construction, which naturally required important investments. But under normal operation since 2002, cost management by the government and individual childcare centres has been prudent. The annual growth of public funding per childcare space has been less than 2 per cent, and wages in the childcare sector have increased in line with the rest of the economy.

Second, authors believe that the positive impact of the childcare program on the economy is significant.

9) Although the childcare program is said to be universal, it has not solved the problem of waiting lists for childcare spaces.

10) Although the childcare program is said to be universal, lower-income families are still less likely to get a childcare space than upper-income families.

11) The childcare program has been a boon for richer households.

12) Evidence has shown that cognitive gains from participation in certified childcare tend to fade out quickly and are gone nearly entirely by the third grade.

In this note, examine the arguments on which these statements are based. I

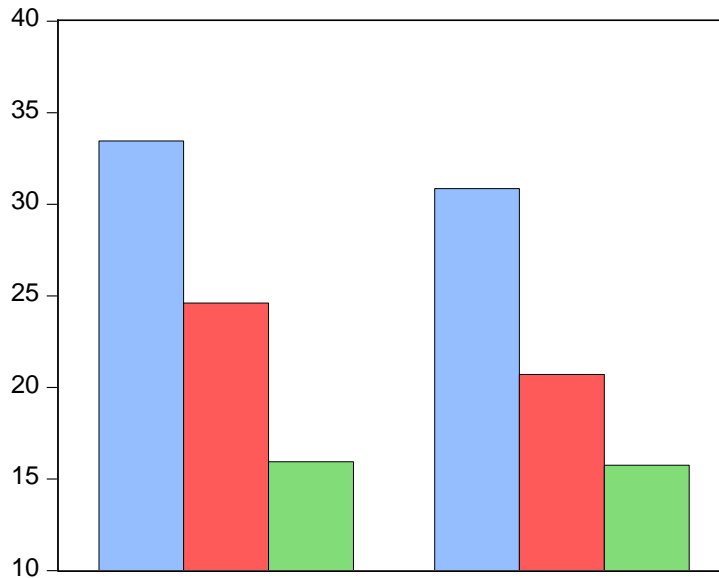
Table 1 summarizes the basic characteristics of these four types of licensed care. It is mostly self explaining, except for the net after tax daily cost. The latter is what remains after subtracting government assistance from the before tax daily cost. Government assistance includes the federal income tax deduction and, where applicable, the provincial refundable tax credit and adjustments for the Canada Child Benefit and the GST credit. The net after tax daily cost is smaller for full fee private daycares when family income is less than \$55,000 or between \$105,000 and \$150,000; if family income is between \$55,000 and \$105,000, it is smaller for the three reduced fee providers.

FI Statement #1

The childcare program inaugurated in 1997 is expensive. Since then, t

Chart 2

Cumulative growth in real GDP per working-age adult and in real average weekly wages of women 25-54 years from 1998 to 2014



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It is instructive to compare the labour force behaviour of women of childrearing age in Atlantic Canada and Ontario over 1998-2014, because in none of these two regions of Canada women have access to affordable universal childcare. This is done in Chart 3, which shows by how much the labour force participation rates of mothers of young children increased from 1998 to 2014 in these two regions and Quebec. The 9 percentage point increase in Atlantic Canada compares to a 4 point increase in Ontario. This result is entirely consistent with the fact that labour markets were much more buoyant in Atlantic Canada than Ontario during this period.

7KH ³DQRIPD &KDUW LV 4XHEHF \$FFRUGLQJ WR &KDUW L performance over 1998-2014 was less dynamic than that of Atlantic Canada, but more than that of Ontario. Absent the low

Put together, the facts pictured in Charts 2 and 3 constitute fairly convincing evidence that
3 V R P H W K L Q J G L I I H U H Q V
QuebecThe most direct and definitive proof based on the
childcare program obviously remains that

Our first step was to interpret the estimates published in the research literature as implying that in 2008 there were some 70,000 more Quebec mothers in employment than there would have been without the childcare reform. This number included about 42,000 mothers with children 5 years and 28,000 mothers with children 6 years and older. In the latter case, we wanted our estimates to be consistent with the finding of Lefebvre et al. (2009) about the long-term effect on labour supply. They had discovered that the effect

Our second step was to figure out by how much this greater

Table 2. (VWLPDWHG LP SDF Wee R u n i v e r s a l C h i l d C a r e P r o g r a m) Impact on federal and SURYLQFLDO JRYHUQP HQWV UHYHQXH DQG H[SHQG LWXUH

Impact on:	Level of government		
	Federal	Provincial	Total
Government revenue	+\$673M	+\$1,478M	+\$2,151M
Government expenditure	\$0M	-\$1,232M	-\$1,232M
Fiscal balance	+\$673M	+\$246M	+\$919M

Notes: (1) The provincial level of government here includes the local level (2) The increase in revenue excludes increases in contributions to social insurance plans (such as CPP/RRQ, EI, etc.), because the latter are deemed to be balanced by increases in expenditure of similar magnitude in the long run. But it includes payroll taxes unrelated to social insurance.

Source: Fortin et al. (2013) Tables 5 and 7).

exchange, Professor Stalker stated in his 1983 paper, "The secular trend toward less investment in paid labour and higher wages as a result of the policy. I do not see how the Fraser Institute's citation of our work meaningfully represents the central

for about a third of childcare spaces. Crucially, as suspected by Kottelenberg and Lehrer and by Haack et al., a consistent and persistent result of the surveys conducted by the Institut de la statistique du Québec is that quality is highly variable among providers. As Chart 4

VKRZV LW LV PRUH RIWHQ ³JRRG RU H[FHOOLHQJLY based & 3 (V care and for-profit garderies

The measure

Two major implications follow. First, the distribution of Quebec children among the four types of licensed childcare is skewed toward the lower-quality providers. The high-performance CPE network has been demonstrated to deliver positive cognitive, health and behavioural results on average, and to be effective in reducing the vulnerability of children of all income classes. It absorbs only 1/3 of children. The other 2/3 of children in licensed childcare receive services from family-based caregivers.

Table 5. Numbers of childcare spaces that were available and actually occupied and resulting excess capacity in the four types of licensed childcare services in Quebec in fiscal 2014-15

Type of licensed childcare	(1)	(2)	(3) = [(1)-(2)]/(2)
	Available spaces	Occupied space	Excess capacity
Early Childhood Centres (CPE)	88,302	86,536	2,0%
Family-based childcare	91,664	78,831	16,3%
Reduced-fee private garderies	44,760	44,357	0,9%
Full-fee private garderies	49,242	34,469	42,9%
All licensed childcare	273,968	244,193	12,2%

Note: Column (1)s from official Ministry of the Family (MFA) count statistics (average of March 2014 and March 2015); column (2)s from official MFA space occupation statistics, except the number of full-fee private garderies which is estimated from Quebec Ministry of the Family (2014, page 30).

Source: Quebec Ministry of the Family.

So, the waiting time for access to licensed childcare in general is in fact zero, but there are waiting lists for access to the high-quality childcare in CPEs. This is entirely consistent with the discussion about quality in the above section on child development. There is just one solution: continue to expand the CPE model and impose competitive quality standards for full garderies

FI Statement #10

Across Canada, low-income families are less likely to get a childcare space than upper income families. However, this problem has not been solved in Quebec under its universal program.

This FI statement is correct, but misleading. According to the ratio of the median daily fee to Z R P H (Official) income in 22 large Canadian cities, licensed childcare is currently four times more affordable in Quebec than elsewhere in Canada (Donald and Friendly 2014, updated). This median-based ratio obviously hides the fact that access to childcare services is unequal across income groups, Quebec as elsewhere. Table 6 underlines this reality by comparing the childcare profiles of high and low income Quebec families.

Table 6. Distribution of 100 Quebec children 0-5 years old by employment status, childcare profile, and family income quartile

Childcare profile	Family income quartile	
	High-income (Q4)	Low-income (Q1)
3 DUHQWV ↑	8	36
: RUN EXW GRQ ↑ W ZRUN	8	13
Work and use childcare of minimal to inadequate quality	7	10
Work and use childcare of fair to excellent quality	77	41
All families	100	100

Sources: Haeck et al. (2015); Japel (2016).

Children from low-income families are less present than other children in publicly licensed childcare. The table points to the three reasons for this. First, low-income parents are more often without jobs, caring for their children at home. Second, when they hold jobs, they use childcare less often. Third, when they use childcare, they wind up in lower-quality facilities more often (20%, or 10 out of 51 for the Q1 group vs. 8%, or 7 out of 84 for the high-income group). The low daily fee (\$7.75 in 2017) may still be too expensive for them, or there may not be any quality childcare providers in their neighbourhood, and the mix of tax-transfer rules makes it financially more attractive for them to use lower-quality services.

As Table 6 makes clear, the foremost difficulty is that disadvantaged children are hard to reach in the first place because half of them escape the childcare network (49% according to the table). The development of children from low-income families is a worldwide problem, not a Quebec or a Canadian problem. Better access of disadvantaged children to good-quality care should obviously be a top priority for the future development of every system, including QuH E H F ¶ V

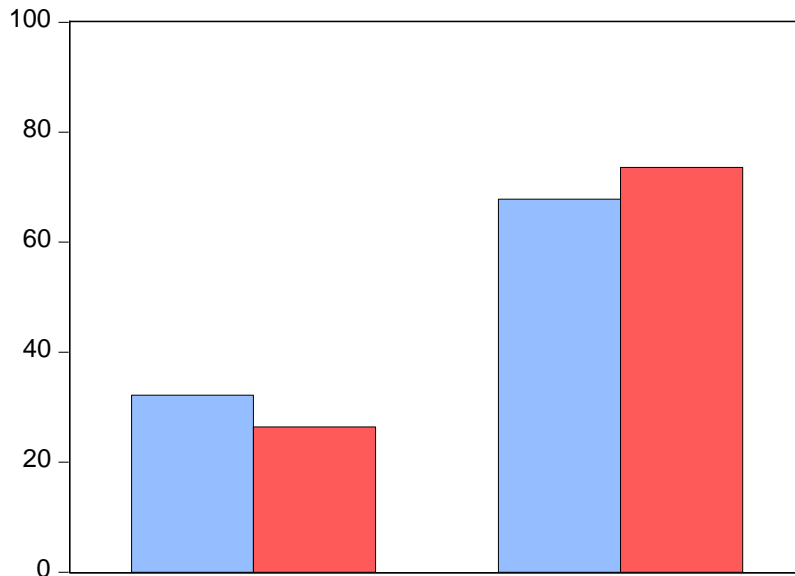
But the FI authors are definitely in error when they suggest that a universal program confers no advantage in caring for the special needs of vulnerable children.

There are two decisive arguments to support free universality. The first, summarized by Chart 5, is that two-thirds of vulnerable children come from middle-high-income families. Furthermore, if not corrected early before kindergarten, vulnerability is persistent. If a child winds up vulnerable in kindergarten, it is very likely to remain so in later grades (see Desrosiers et al. 2012). Families of every socioeconomic status must therefore participate in the system if the O D W W H U L Vulnerable Children. Only a universal system can aspire to achieve this.

The second argument in support of a free universal system is the one that was made in the above discussion of FI Statement #4: it is a system, as the one implemented in Quebec, generates a fiscal surplus because it attracts so many more mothers into the labour force that the

Chart 5

Per cent of all vulnerable children in the lowest quintile (Q1) and in the four higher quintiles (Q2 to Q5) of socioeconomic status, Queb



FI Statement #11

4 X H E H F ¶ V F K L O G F D [s S [j j [@ 0 » @ ` 0 P € H Q D E j j i W 0 P L F K , [K ° € ` € »

This sort of antirich bias on the part of FI is misplaced. It is good practice to ensure that middle to high-income households sometimes receive government services in exchange for the mountains of taxes they will pay throughout their adult lives. Low-fee universal childcare is one of the very few public services that college and university-educated middle and high income families can hope to get in the first 15 years of their adult lives in return for the taxes they pay. They do not get healthcare because they are young and healthy. They do not get employment insurance or social assistance because they hold college and university degrees and occupy good jobs. They do not use free public schools yet because their child is not going to reach school age before they are 37. Viewed in this light, the access of richer young households to few FKLOGFDUH LV ; R W 0 @ 0 3 Earned Money For the World's Best to maintaining and developing good public services.

Playing Robin Hood—soaking the rich to give to the poor—is obviously popular among many groups but yielding too much to this venerable British tradition risks creating generations of middle- to high-income taxpayers whose main attitude will be to hate government and whose main interest will be to cut taxes and services to the order. This attitude is widespread in North America, Q W ° p € ` L Q D S L Q F K ° • 6 F D Q G L Q D Y L D Q ³ \ R X J H W 0 ° D W C services is not a bad idea. Access of richer households to low-cost childcare, which may or may not be combined with a modest increase in income, is a natural implementation of this

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Geloso, L Q F H Q W D Q G % H Q (s W y c a r e p r o g r a m ? A K a w e d p o l i c y i n G H O ' Fraser Research Bulletin, March Vancouver Fraser Institute.

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