

Quebec Child Care After 20 Years: What Have We Learned?

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**Pierre Fortin
Department of Economics
University of Quebec at Montreal
fortin.pierre@uqam.ca**

Apertura

“If we could simply bring the participation rate of prime-age women in the rest of Canada up to the level in Quebec, we could add almost 300,000 people to our country’s workforce.”

Steve Poloz
Governor of the Bank of Canada

Basic stats (2018)

	<u>Quebec</u>	<u>New York State</u>
Total population	8.4 M	19.5 M
GDP (US\$)	\$400bn	\$1,700bn
Unemployment rate	4.5%	4.1%
LFPR women 25-54	87%	75%
Population children 0-4	440,000	1,180,000

Sources: Statistics Canada; US Bureau of Labor Statistics; US Census Bureau.

What's the message?

- 1 A low-fee/high-quality child care system is a good idea for both scientific and practical reasons**
- 2 Quebec child care is not a uniform/wall-to-wall model, but is a mix of several types of care, from reduced-fee nonprofit ECC (called *CPE*) to full-fee for-profit *garderies* giving access to a tax credit**
- 3 Mainly due to the child care system, the labour force participation rate of young Quebec women now exceeds that in every other province and every advanced country**
- 4 The child care system has entailed no net fiscal costs – it has in fact generated fiscal surpluses – and therefore has not required any tax increase**
- 5 Impacts on child development have been mixed, not because the system is intrinsically flawed, but because quality is highly variable, ranging from good/excellent in many *CPE* to inadequate elsewhere**
- 6 Obviously, what now needs to be done is:**
 - (a) expand the high-quality *CPE* sector**
 - (b) raise quality standards in every other type of care**
 - (c) attract more disadvantaged children and respond adequately to their needs**

A good idea

Scientific reasons

Neurology: early years are critical for brain development, and the outcome is lasting

Psychology: if unattended, cognitive and behavioural vulnerability in early years tends to persist into adolescence and adulthood, and is hard and costly to remedy

Economics: investment in early childhood education and care is the most profitable of all investments in education

Practical reasons

- 1) Nowadays, it takes two incomes to make a decent family living
- 2) A staggered career entails loss of a large chunk of the massive investment women make in their education
- 3) Labour force withdrawals after giving birth increase the risk of dire financial consequences upon a separation
- 4) 70% of Canadian mothers with children 5 years and under are currently at work ; they need secure, reliable, trustable and affordable good-quality educational care for their young children

A favorable political context

- **The rising employment rate of young women made work/life balance a central political issue in the province**
- **A provincial coalition for a « progressive » agenda (women, community groups, unions, etc.) was formed around this objective**
- **At a 1996 provincial *Sommet socioéconomique*, Premier Bouchard and Minister of the Family Marois wanted to balance the political agenda around achieving zero deficit financially and promoting new programs socially**
- **Minister Marois was listening carefully to leading early childhood experts such as Fraser Mustard, Richard Tremblay and Camil Bouchard**
- **She leaned on the Scandinavian low-fee universal approach**
- **Political parties were only moderately polarized on the issue**

Building the family policy package

1997: Full-day kindergarten offered to all children aged 5

**1997-2000: Low-fee universal educational child care
progressively offered to children aged 0 to 4, initially at
\$5/day, later at \$7/day**

**1997: Before- and after-school care for children aged 5 to
12 have also been made available at \$5, and then \$7/day**

**2006: The Quebec Parental Insurance Plan (QPIP)
enhanced parental leaves for mothers and fathers over
the already-existing national program**

Quebec's child care system in a nutshell

<u>Type of care^a</u>	<u>For profit?</u>	<u>Fee^b</u>	<u>% of children</u>
Early childhood centres (CPE)	No	\$8.25-\$21.45	21
Family-based settings (> 6)	No	\$8.25-\$21.45	17
Reduced-fee private centres	Yes	\$8.25-\$21.45	11
Full-fee private centres	Yes	≈ \$40, less PRTC ^c	11
All other types	Mixed	Various	40
<u>Total</u>	<u>100</u>

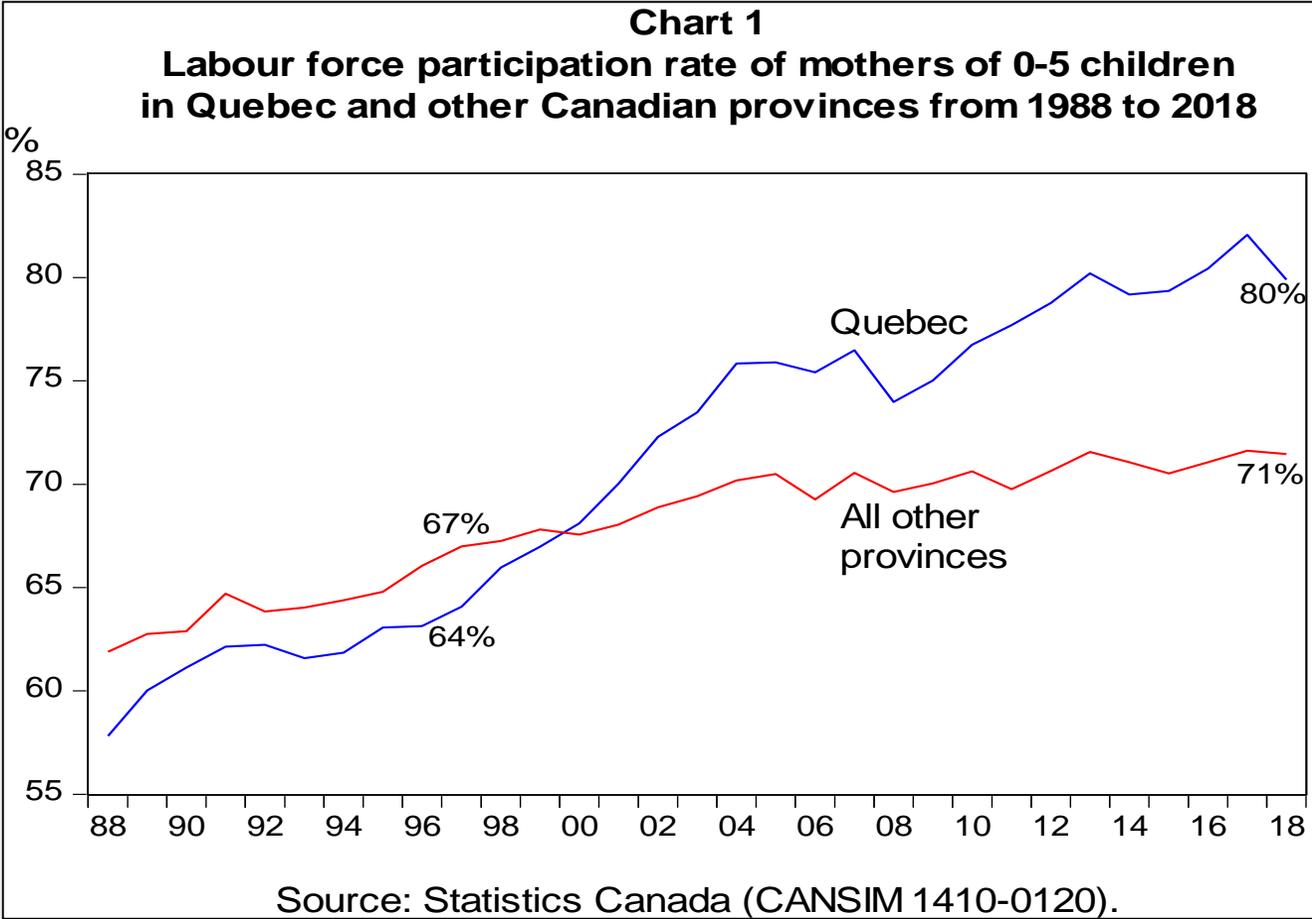
^a All providers of child care are private; no settings are run by government.

^b All types give access to the federal PIT deduction for child care expenses.

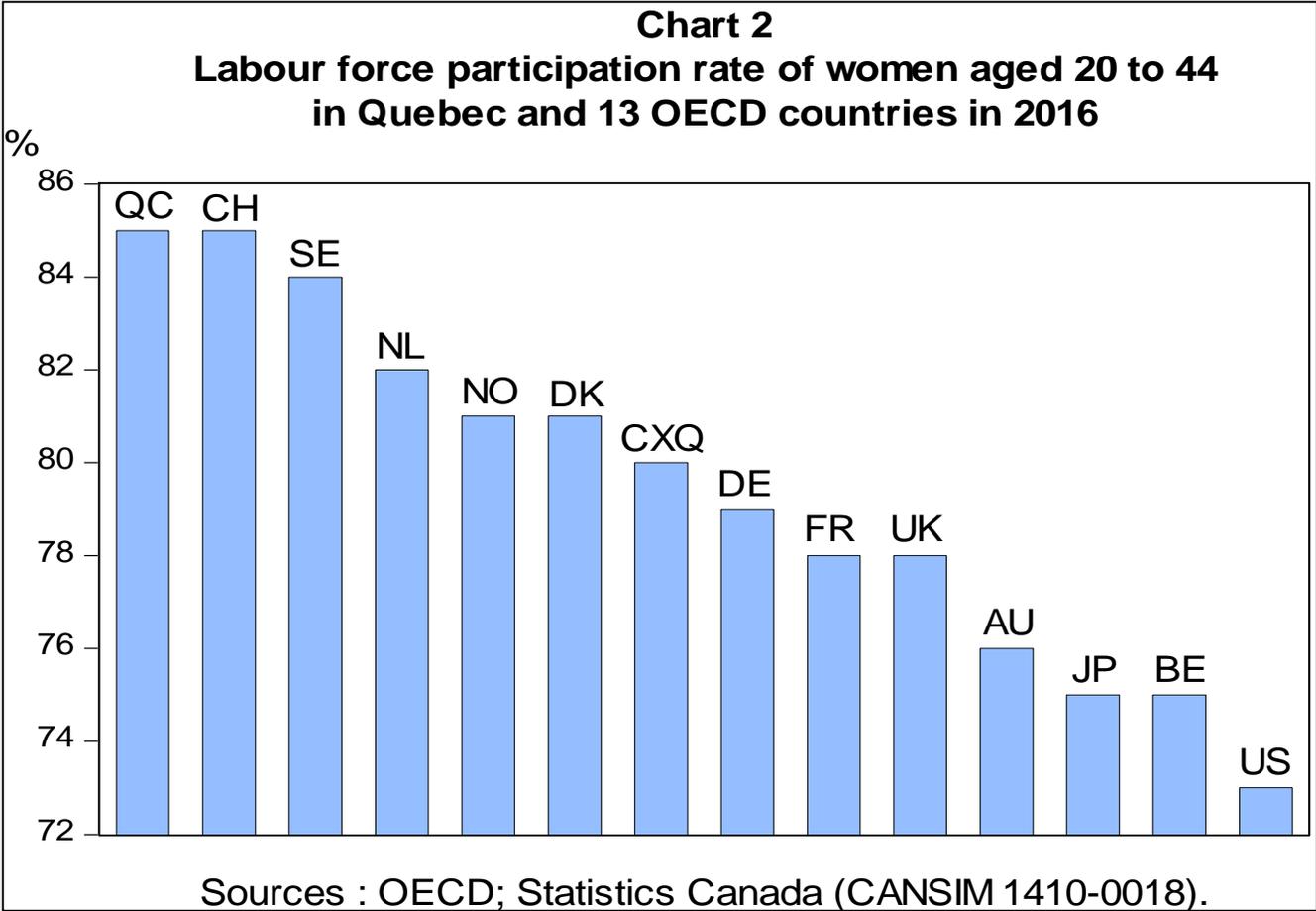
^c Provincial refundable tax credit.

Source: Quebec Ministry of the Family.

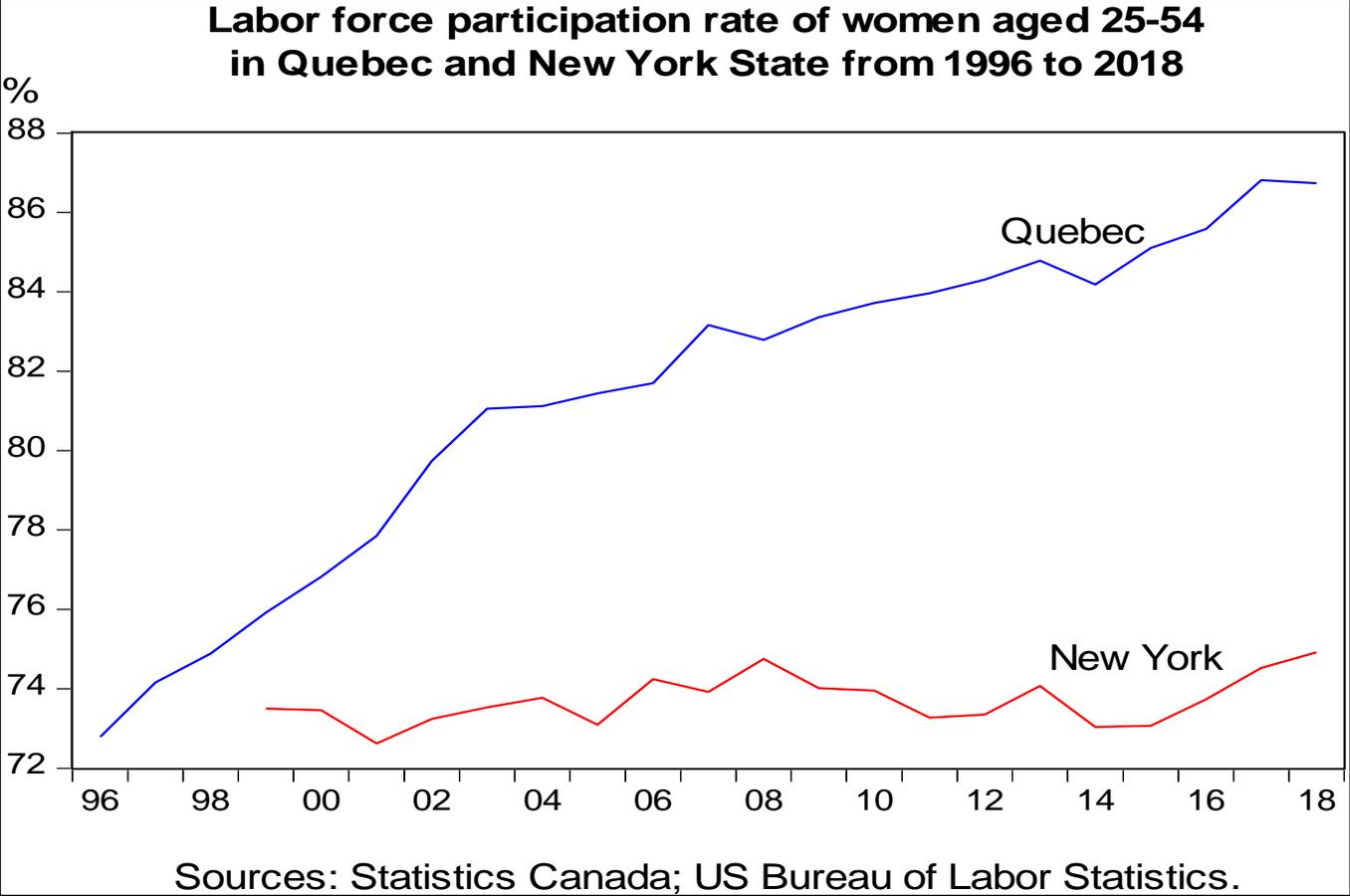
Labour force participation of mothers: Quebec compared to other provinces



Labour force participation of women aged 20-44: Quebec compared to OECD countries



Labour force participation of women aged 25-54: Quebec and New York State



The program generates fiscal surpluses

Estimated impact of Quebec's reduced-fee child care on federal and provincial government revenue and expenditure in 2008 (millions of dollars)

<u>Impact on:</u>	<u>Federal</u>	<u>Provincial</u>	<u>Total</u>
Tax revenue ^a	+530	+1,129	+1,659
Transfers to persons	-100	-179	-279
Tax expenditure	-43	-170	-213
Program cost	0	+1,232	+1,232
Fiscal balance	<u>+673</u>	<u>+246</u>	<u>+919</u>

^aContributions to social insurance plans are not included.

Source: P. Fortin, L. Godbout and S. St-Cerny, *Papers in Political Economy*, No. 47, 2013.

Quality of care is crucial, but has a cost

The quality of child education and care depends on structure (health and safety, physical environment, child-staff ratios, group sizes, teacher qualifications, competence of management) and process (basic activities, educational program, interactions with children, interactions with parents)

Good-quality care has been repeatedly shown to be crucial for development outcomes, but it has a cost

The cost of a child-day is \$60 in a good-quality CPE, but only \$40 in a lower-quality *garderie*

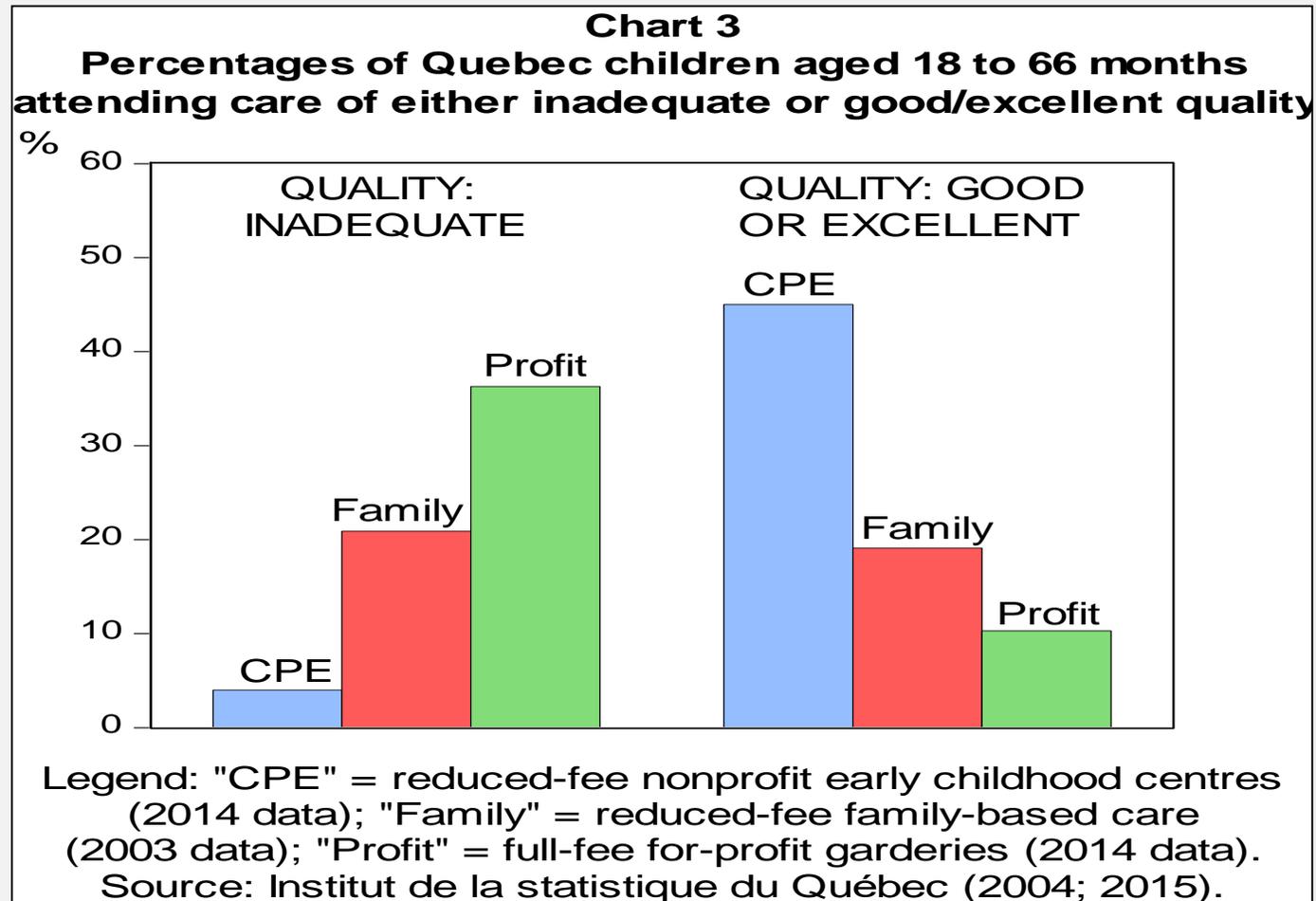
Example: while nearly 90% of children in CPEs benefit from at least 2/3 of their teachers being qualified (counting a college degree plus experience), fewer than 20% of children in full-fee *garderies* are in facilities that meet this standard

The quality differential translates into a cost differential for government: the average daily subsidy to a CPE is \$50, while the median daily PRTC for parents users of the *garderie* is \$22 (55% of the \$40 fee)

Hence, when a child attends a full-fee *garderie* instead of a CPE, the minister of finance saves money, which was an obvious incentive to her to allow full-fee for-profit *garderies* to expand after 2008

The money saved by the minister equals the cost of the quality of care of which this child is deprived

Quality of care is highly variable: the good, the bad and the ugly



CPEs get top marks for child development while full-fee for-profit *garderies* lag far behind

Many studies of the impacts of CPEs on child development have been published in scholarly US and Canadian books and journals of psychology, psychiatry and medicine

Unanimous finding is that CPEs reduce cognitive and behavioural vulnerability of children of all income classes

It is also found that CPEs tend to reduce/eliminate cognitive differences between children of lower- and higher-income families at least until Grade 6 (no fade-out of initial impact of child care)

At the other extreme, full-fee for-profit *garderies* have been shown (see Chart 3 above) to be of low average quality

Economic studies and child development

According to economic studies, the impacts of the Quebec system on children's health, cognitive, behavioural and motor-social skills before entry in school have been neutral or negative

The negative estimates generally recede in later cohorts and do not carry over to elementary and high school years for any cohort, but nevertheless no clearly-positive impacts seem to emerge

However, to infer from this that Quebec's child care system is flawed is unwarranted

Thing is: economic studies rely on the National Longitudinal Survey of Children and Youth (NLSCY)

NLSCY data make no distinction between types of care and do not allow researchers to measure quality

Quality was very heterogeneous across settings even before the advent of full-fee *garderies* in 2009

Hence, the impacts on child development estimated by these economic studies are averages of impacts of child care settings ranging from high to low quality, which inevitably must be...average

The appropriate inference is that raising quality levels everywhere up to CPE standards should be given top priority, not that the system is intrinsically flawed and should be scrapped

How to get quality to improve ?

In 2009, full-fee for-profit *garderies* were also allowed in part to solve the problem of waiting lists

Currently, the total demand for child care is broadly satisfied: several thousands spaces are unoccupied

However, the demand for high-quality child care spaces continues to exceed the supply

The obvious first thing to do is to expand the CPE network (13,500 more CPE spaces are due by 2021)

Now, private *garderies* do not compete on quality, but mostly on price, resulting in low average quality

This is because parents are not well-informed on actual quality (they tend to overestimate it), or have a very-short-run horizon for the well-being of their children, or are financially strapped

So, the second thing to do is to impose CPE-level quality standards on every other type of care

However, since quality is costly, full-fee for-profit *garderies* could comply with the higher quality standards only if they could charge a higher fee, but nevertheless could stay in business and make a normal profit

So, the third thing to do is to increase the PRTC so that 1) parents face no increase in their net after-tax cost despite paying a higher fee at the gate, and 2) for-profit *garderies* can stay competitive with CPEs

Too few disadvantaged children participate

Child care systems in every country have a hard time attracting children from low-income families

In Quebec, 77% of high-income parents use good-quality child care, but only 41% of low-income parents do

How come?

- 1) low-income parents are more often without jobs**
- 2) when they hold jobs, they use licensed child care less often**
- 3) when they use licensed child care, they more often wind up in lower-quality settings**

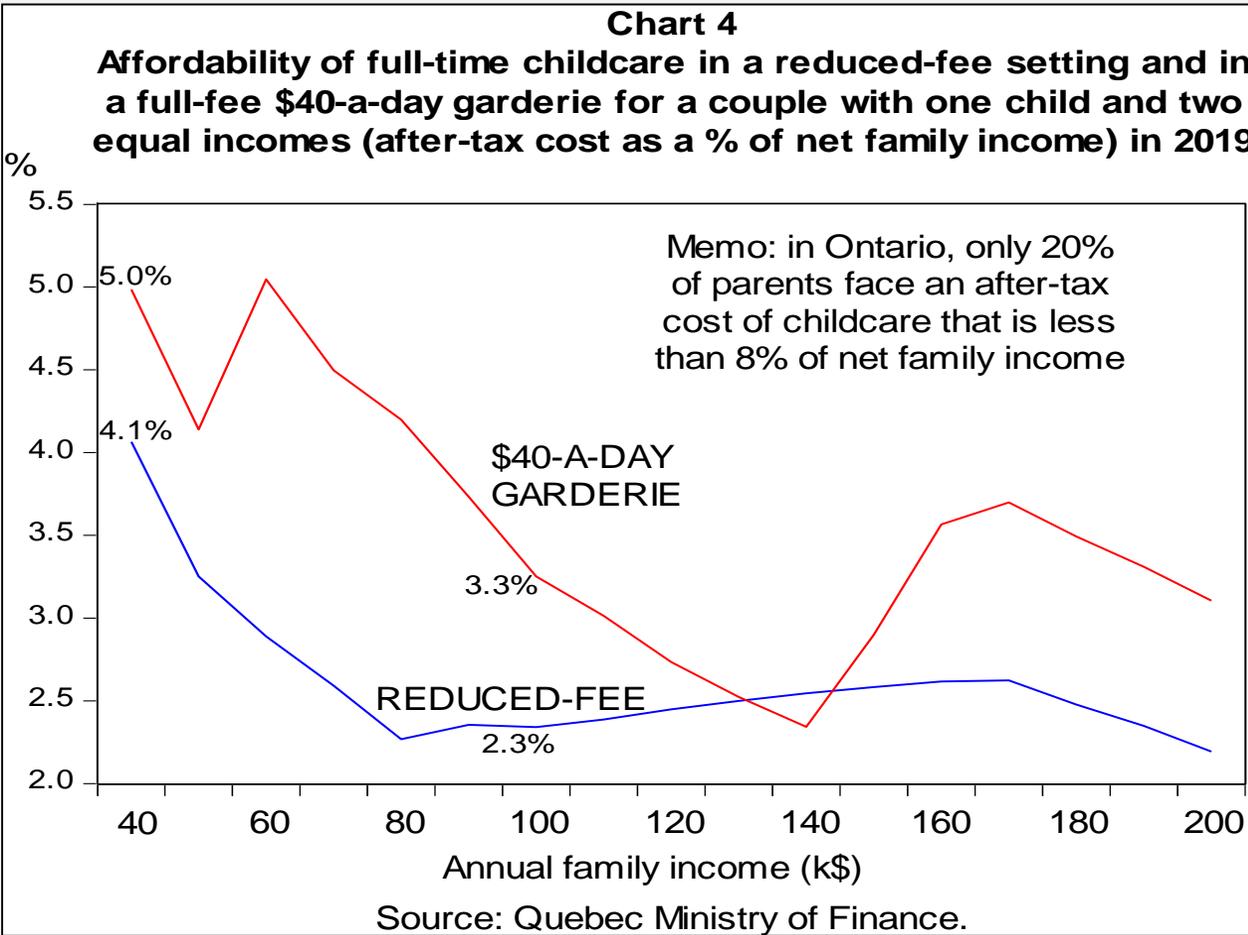
Why do low-income working parents avoid good-quality licensed child care?

- 1) many low-income families find the base daily charge (\$8.25 in 2019) to be too expensive**
- 2) there may not be enough good-quality settings in low-income neighbourhoods**
- 3) low-income parents may be embarrassed to reveal their poverty to other parents**

Better access to good-quality care for disadvantaged children should obviously be given top priority

Caregivers have to be provided with the appropriate level of financial and human resources to respond adequately to the special needs of disadvantaged children

Licensed child care is less affordable for low- than middle- and high-income families



Universal or targeted?

The pure Robin-Hood tradition – “soak the rich to give to the poor” – would have the child care program to be purely targeted to the poor

Always following this tradition risks creating generations of middle- to high-income taxpayers trained to hate government and whose main interest will be in cutting taxes and services to the needier

In contrast, the Scandinavian tradition – “you get what you pay for” – would make the child care program a pure low-and-flat fee universal program

The solution attempted by Quebec mixes the two traditions: it is based on a low universal starting fee (Scandinavian) followed by an additional contribution rising modestly with income (Robin-Hood)

Universality has many advantages:

- 1) it doesn't cost a penny to government, and furthermore**
- 2) it generates a fiscal surplus that can be reinvested in better-quality services for all**
- 3) it can catch all vulnerable children, 2/3 of which come from middle- to high-income families**
- 4) it encourages social mixity and positive peer effects between children of all backgrounds**
- 5) it prevents the damaging stigma too often associated with “programs for the poor”**
- 6) it casts the child care system as the first link in our free public school system (as it should be)**

Chiusura

Quebec has pursued two objectives with its low-fee early childhood education and care program:

- 1) improve work-life balance**
- 2) enhance child development**

How successful has it been so far?

The short answer is:

- 1) “improving work-life balance”: done**
- 2) “enhancing child development”: a work in progress**

Current debate is about how to introduce free universal pre-K for children aged 4 in continuity and/or coexistence with the existing low-fee universal child care system for children aged 0 to 4