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

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“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)

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

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

<table>
<thead>
<tr>
<th>Type of care</th>
<th>For profit?</th>
<th>Fee b</th>
<th>% of children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early childhood centres (CPE)</td>
<td>No</td>
<td>$8.25-$21.45</td>
<td>21</td>
</tr>
<tr>
<td>Family-based settings (&gt; 6)</td>
<td>No</td>
<td>$8.25-$21.45</td>
<td>17</td>
</tr>
<tr>
<td>Reduced-fee private centres</td>
<td>Yes</td>
<td>$8.25-$21.45</td>
<td>11</td>
</tr>
<tr>
<td>Full-fee private centres</td>
<td>Yes</td>
<td>≈ $40, less PRTC&lt;sup&gt;c&lt;/sup&gt;</td>
<td>11</td>
</tr>
<tr>
<td>All other types</td>
<td>Mixed</td>
<td>Various</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>...</td>
<td>...</td>
<td>100</td>
</tr>
</tbody>
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<sup>a</sup> All providers of child care are private; no settings are run by government.

<sup>b</sup> All types give access to the federal PIT deduction for child care expenses.

<sup>c</sup> Provincial refundable tax credit.

Source: Quebec Ministry of the Family.
Labour force participation of mothers: Quebec compared to other provinces

Chart 1
Labour force participation rate of mothers of 0-5 children in Quebec and other Canadian provinces from 1988 to 2018

Source: Statistics Canada (CANSIM 1410-0120).
Labour force participation of women aged 20-44: Quebec compared to OECD countries

Chart 2
Labour force participation rate of women aged 20 to 44 in Quebec and 13 OECD countries in 2016

Sources: OECD; Statistics Canada (CANSIM 1410-0018).
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)

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

\(^a\)Contributions to social insurance plans are not included.

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

Chart 3
Percentages of Quebec children aged 18 to 66 months attending care of either inadequate or good/excellent quality

Legend: "CPE" = reduced-fee nonprofit early childhood centres (2014 data); "Family" = reduced-fee family-based care (2003 data); "Profit" = full-fee for-profit garderies (2014 data).
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.

Chart 4
Affordability of full-time childcare in a reduced-fee setting and in a full-fee $40-a-day garderie for a couple with one child and two equal incomes (after-tax cost as a % of net family income) in 2019.

Memo: in Ontario, only 20% of parents face an after-tax cost of childcare that is less than 8% of net family income.

Source: Quebec Ministry of Finance.
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