

Quebec Childcare at 20: What Have We Learned?

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Abstract

Quebec's 1996 *Educational Childcare Act* instituted a Scandinavian-type universal low-fee childcare system in the province. It has boosted the labor 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 into the system and better responding to their special needs.

Résumé

La *Loi sur les services de garde éducatifs à l'enfance* de 1996 du Québec a mis en place un système de garde universel à tarif modique de type scandinave. Il a porté le taux d'activité féminin au plus haut niveau canadien et mondial. Il a eu un effet net positif sur les soldes budgétaires gouvernementaux. Jusqu'ici, les résultats du programme sur le développement des enfants sont mitigés. Cela n'est pas dû au fait que le système soit déficient en lui-même, mais plutôt qu'on a permis 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 s'assurant que les meilleures normes de qualité soient observées dans tous les types de garde, en attirant un plus grand nombre d'enfants défavorisés dans le système et en répondant plus adéquatement à leurs besoins particuliers.

“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.”

Stephen Poloz
Governor of the Bank of Canada

To begin with, **Table 1** reports a few relevant comparative statistics in the Province of Quebec and the State of New York. Basically, it shows that New York’s population and GDP per capita are much larger than Quebec’s, but that nevertheless New York women are much less present in labor markets than Quebec women. The intriguing question is how come women participate in such larger numbers in the labor force in Quebec than in the larger and richer New York State.

Table 1. Basic comparative statistics for the Province of Quebec and the State of New York in 2018

	Quebec	New York
Total population (millions)	8.4	19.5
GDP per capita (USD PPP)	48,000	87,000
LFPR of women 25-54 (%)	87	75

Scientific and practical motivation

We all agree that the family is and should remain the bedrock on which child education is built. But there is also nowadays a well-established scientific and practical justification for early childhood education and care programs.

The scientific reasons cut across disciplines. First, neurologists have found that early years are critical for brain development and that the outcome is lasting. Second, psychologists have shown that, if unattended, cognitive and behavioural vulnerability in early years tends to persist into adolescence and adulthood, and that it is hard and costly to remedy later. And third, economists have calculated that the rate of return from investment in early childhood education and care is the most profitable of all investments in education. This interdisciplinary convergence to the idea that education begins at birth, and not at 4 or 5 years old, has been forcefully argued by all researchers on early childhood in both the United States and Canada over the past 25 years.

There is also a practical justification for high-quality educational childcare. In 1996, for example, 2/3 of Canadian mothers of young children were already in the

workforce. The question was not whether this was acceptable in theory, but what to do in practice given that this was a fact of life. Mothers have reasons to behave as they do. First, they feel they need to work. Nowadays it takes two incomes to make a decent family living. Second, if they have a staggered career, mothers are bound to lose a large chunk of the major investment made in their education. Third, since 50% of all couples separate after 10 years, long-lasting labor force withdrawal after giving birth increases the risk of dire financial consequences not only for the lonely parents, but also for their children, after separation. So, for a clear majority of families the practical challenge is to ensure that their children get the reliable, affordable, good-quality childcare they need during the day to complement the care they receive at home in the morning, the evening, the weekend and the holidays.

How did Quebec's new family policy come about?

How did a low-fee universal child care system come to be established in Quebec in the late 1990s? A number of causes played a role. First, as in many other advanced societies, the rising employment rate of young women made work/life balance a central political issue. Second, a provincial coalition for a "progressive" agenda (women, community groups, etc.) was formed around this objective. Third, a province-wide gathering of economic and social leaders organized by Premier Lucien Bouchard took place in 1996. The Premier wanted to form a large consensus over a balanced agenda including both a zero budget deficit and a family and social policy package, of which the low-fee universal child care system emerged as a *pièce maîtresse*. His Minister of the Family Pauline Marois had been listening carefully to leading early childhood experts, and leaned on the Scandinavian low-fee universal approach. This led to the passing of the 1996 *Educational Childcare Act*. Crucially, political parties in the provincial Legislative Assembly were only moderately polarized on the issue. The Act was voted unanimously.

The Childcare Act 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 was started in 1997 and went fully operational in 2000. All parents were to have access to childcare spaces at a low after-tax fee of \$5/day for 10 hours/day and 261 days/year. The new family policy also included other elements. First, full-day kindergarten was offered to all children aged 5, and half-day kindergarten was developed for children aged 4 in a number of poor neighborhoods. Second, at the same time before- and after-school programs for children aged 5 to 12 were also made available at the same rate of \$5/day. Third, and most importantly, negotiations with the federal government were undertaken

over parental leaves, leading to the Quebec Parental Insurance Plan (QPIP) in 2006. This program enhanced leaves for mothers and fathers over the already-existing national program run by the federal Employment Insurance regime.

The child care program in a nutshell

Table 2 below shows how young children are distributed among the various types of care. About 50% of all children are cared for by three types of reduced-fee providers that are directly subsidized by the government, namely non-profit *early childhood centres (CPE)*, family-based caregivers, and a number of for-profit *garderies* that conform to specified conditions. A flat fee was initially set in all three types: \$5 until 2004, and \$7 until 2015. The flat fee was then replaced by a sliding scale that is currently going from \$8.25 to \$21.45. The new provincial government that was elected in October 2018 now plans to return to a flat fee by 2022.

Table 2. Distribution of Quebec children aged 0 to 5 in 2019

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

^a All providers of childcare are private.

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

Source: Quebec Ministry of the Family.

Another 11% of Quebec children attend for-profit *garderies* that charge full fees. They are not subsidized directly, but indirectly through a provincial refundable tax credit (PRTC) that lowers parents' net after-tax payment with a view to making it competitive with that of reduced-fee providers. These full-fee for-profit *garderies* allow parental choice, but as reported below the quality of care they offer is unfortunately low on average.

Finally, the remaining 40% of children are cared for at home or in non-licensed outside settings.

In general, system costs have been under control. The total cost of direct and indirect subsidies to all types of childcare in 2019 will be some \$2.9 billion, or

0.6% of Quebec’s GDP. This percentage is about equal to the current average spending that advanced countries other than Canada and the United States allocate to early childhood educational development. A fraction of GDP of 0.6% would amount to some \$10 billion for Canadian provinces other than Quebec, \$10 billion again for the State of New York, and \$110 billion for the entire United States. (These amounts include sums already spent in childcare programs throughout the provinces, the state and the country. They do not subtract amounts recovered through economic impacts to be discussed below.)

Has the program helped mothers reconcile work and family?

The Quebec program is hugely popular. In a survey, 92% of users of reduced-fee childcare said that the system matched their preferences. It has clearly achieved the work-life balance objective set in 1996. Labor force participation of mothers of young children has increased rapidly in Quebec in the last 20 years. Charts 1 and 2 make the point. **Chart 1** shows that between 1997 and 2018 the labor force participation rate of Quebec mothers of children aged 0 to 5 increased by 16 percentage points, from 64 to 80%. In other provinces, the increase was 4 points, from 67 to 71%.

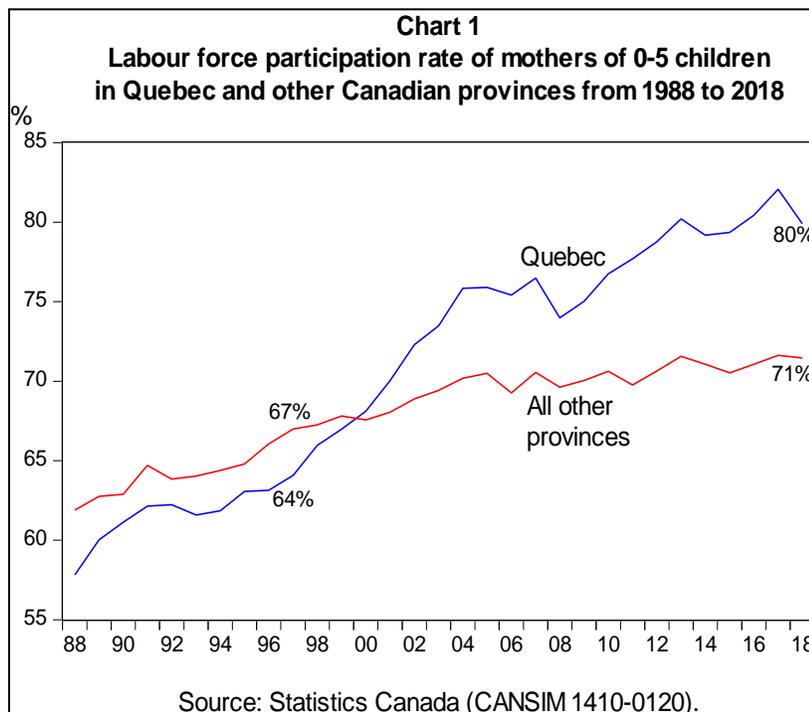


Chart 2 goes international. It shows that in 2016 the participation rate of Quebec women aged 20 to 44 was not exceeded by that of any advanced country (note: CH is Switzerland; CXQ refers to Canadian provinces other than Quebec).

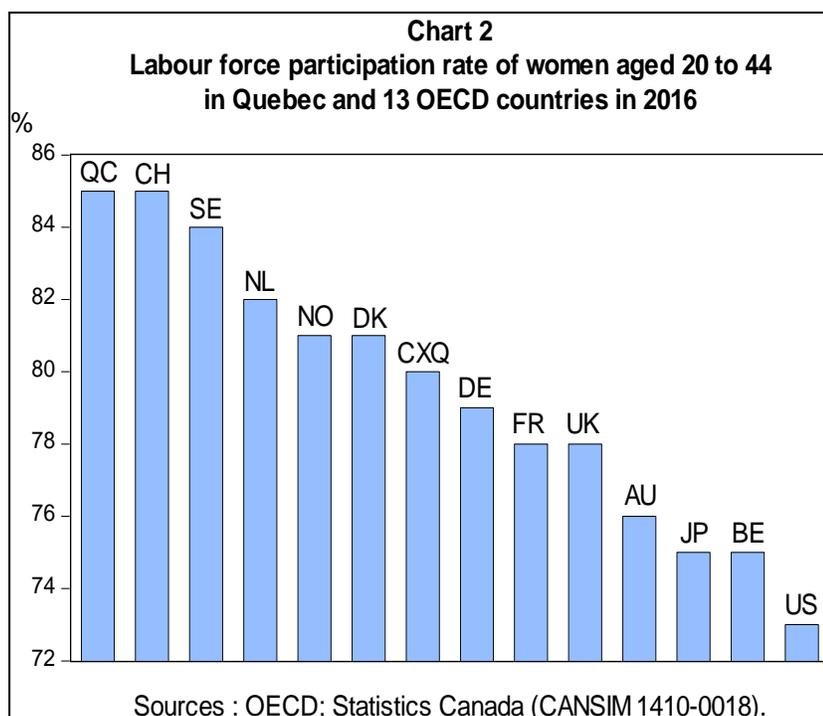
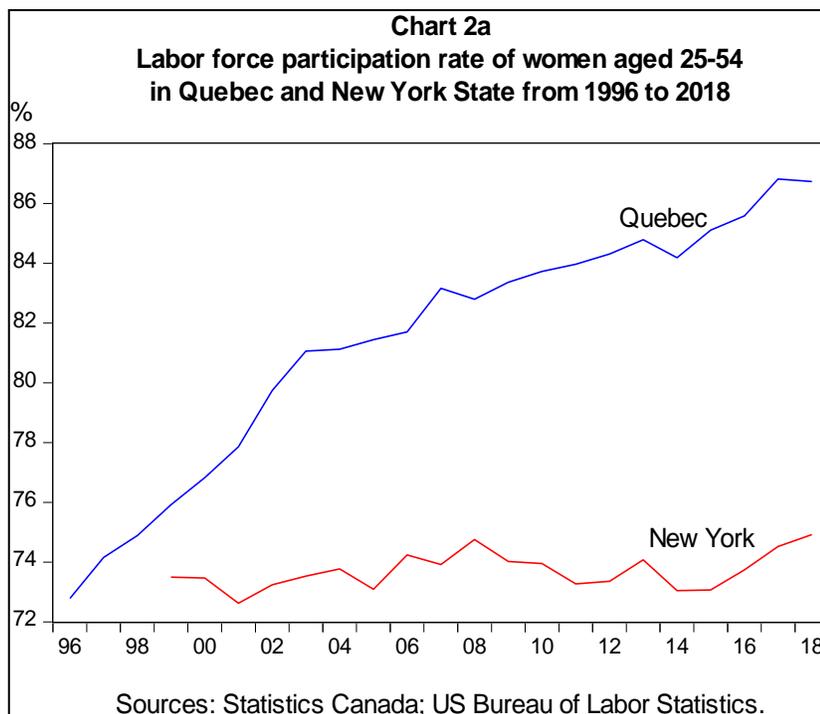


Chart 2a extends the comparison to Quebec versus New York over time. While the labor force participation of women aged 25-54 has remained flat around 74% in New York in the last 20 years, in Quebec it has increased sharply from 73 to 87%.

Based on large longitudinal datasets, three major studies by Toronto, MIT, UBC, UQAM and UBC researchers have all concluded that the childcare program has been a major cause of the large increase in Quebec mothers' labor force participation. They also found that the increase in employment was about the same whether mothers held a postsecondary degree or not, and that the impact on mothers' presence in the workforce lasted past their children's age of entry in school. University of Sherbrooke colleagues and I estimated from these studies that by 2008 there were some 70,000 (or 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.

An interesting question is how many more Canadian women would join the labor force if other provinces were to introduce childcare programs similar to Quebec's. Governor Stephen Poloz of the Bank of Canada recently estimated this could add 300,000 prime-age women to Canada's workforce. A similar calculation applied to New York would give an increase of 200,000 prime-age women for the State

workforce, and 3,300,000 more for the US workforce. (These numbers should be taken as reasonable orders of magnitude, not as precise estimates.)



Is it true that Quebec's childcare program more than pays for itself?

Early studies of program impacts found that about 40% of the cost of direct childcare subsidies was recovered through increases in personal income taxes and social insurance contributions and decreases in child benefits resulting from higher maternal labor income. University of Sherbrooke colleagues and I later extended the calculation to include all types of taxes, transfers and tax expenditures. **Table 3** reports our finding for 2008 that the federal and provincial governments recovered more than 100% of the cost of reform, or in other words that the program generated fiscal surpluses.

The increase in fiscal balance is larger for the federal government (\$673 million) than for the province (\$246 million), which offers a political argument in favour of a greater federal contribution to financing childcare programs. Table 3 also provides a basis for estimating the net impacts on fiscal balances in other Canadian provinces and US states if they had childcare programs similar to Quebec's. The crucial point here is that this sort of program does not cost a penny to government and therefore does not require any increase in taxes. On the contrary, it generates fiscal surpluses that can be reinvested elsewhere, or else be used to reduce tax

burdens. These surpluses are an increasing function of the tax/GDP ratio, and would therefore be smaller in low-taxed US states than in Canadian provinces.

Table 3. Estimated impact of Quebec’s reduced-fee childcare on federal and provincial government revenue and expenditure in 2008 (M\$)

Impact on:	Level of government		
	Federal	Provincial	Total
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	+673	+246	+919

^a Contributions 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 for child development, but has a cost

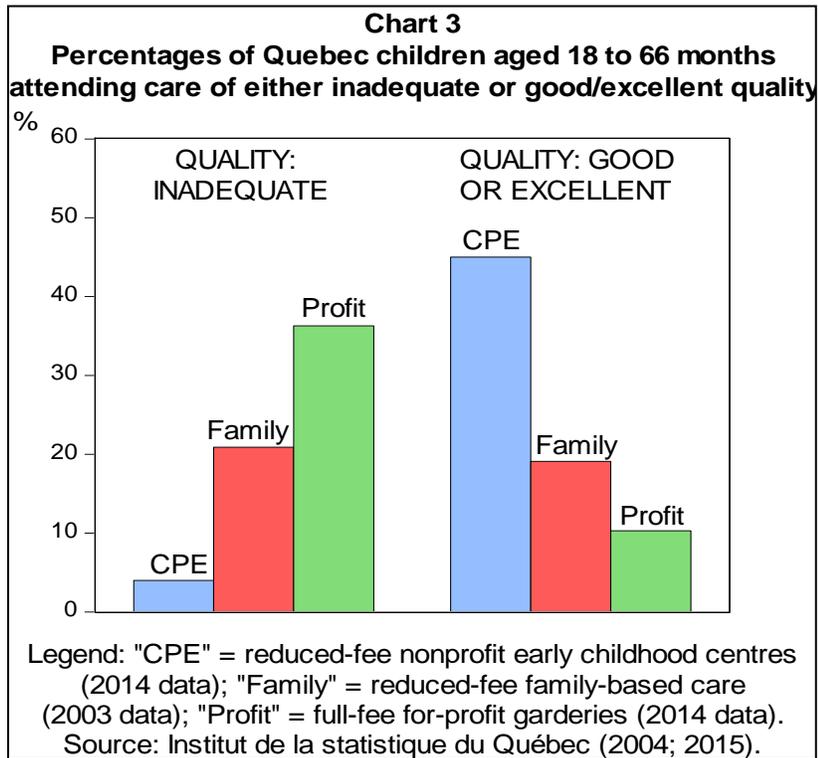
While Quebec has been successful in attaining the first objective of the *Educational Childcare Act* (improving work-life balance), achieving the second objective (enhancing child development and equalizing opportunity) remains a work in progress.

Good-quality care has been repeatedly shown to be crucial for child development outcomes. 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 on process (basic activities, educational program, interactions with children, interactions with parents).

Unfortunately, as **Chart 3** illustrates, quality of care has been allowed to vary widely among the different types of providers. At one extreme, the CPE network has received high marks from published studies in psychology, psychiatry and medical journals such as *Child Psychology and Psychiatry*, *Pediatrics*, *JAMA-Psychiatry*, etc. They have found that CPEs 1) deliver positive cognitive, health and behavioural results on average, 2) are effective in reducing vulnerability of children of all income classes, and 3) tend to eliminate cognitive differences between children of lower- and higher-income families at least until Grade 6. There is no discernible fade-out of the initial favourable impacts achieved in childcare years.

At the other extreme, full-fee for-profit *garderies* have been shown to be of low average quality. Chart 3 reports that only 10% of children in these *garderies*

receive “good” care while 36% get “inadequate” care. One area of vivid contrast is that of teacher qualifications. While 87% of CPEs abide by the standard that at least 2/3 of the teachers be qualified (counting a college degree in childcare techniques plus experience), fewer than 18% of full-fee for-profit *garderies* meet this standard.



Why did the provincial government let quality to vary so much among the several types of caregivers? There are three reasons. First, the Act asserts “the right of parents to choose their childcare provider.” Market-based diversity was seen as a means of ensuring parental freedom of choice (although this is freedom of choosing low-quality care for the children in many cases). Second, beginning in 2009 the refundable tax credit offered to users of full-fee for-profit *garderies* was increased, which has encouraged this type of care to expand briskly. This measure was successfully aimed at solving the problem of waiting lists arising from the lingering excess demand for high-quality CPE spaces, but had a downside in terms of quality. Third, the government wanted to save money. Today, the full cost of a child-day is \$60 in a good-quality CPE, but only \$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. In a CPE costing \$60/day, the average parental fee is \$10 and the direct government subsidy is \$50. In a full-fee *garderie*, the daily tax credit to a middle-income user is about \$22, or 55% of the \$40 fee. Hence, when a child

attends a full-fee *garderie* instead of a CPE, the minister of finance saves \$50 minus \$22 = \$28. A large fraction of this amount of money saved by the minister mirrors the cost of the quality of care of which the 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 children's 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, no clearly-positive impacts seem yet to emerge.

To infer from these mixed results that the system is flawed, as a number of media commentators have done, is clearly unwarranted. The thing is that the economic studies have relied 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 of care actually received. Hence, the impacts on child development captured by these statistical studies are averages of impacts of childcare settings ranging all over the map from high to low quality. These estimated impacts must inevitably 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.

Now, how to get quality to improve? Currently, the total demand for childcare is broadly satisfied (with exceptions in some rural areas): there are several thousands of unoccupied spaces, mainly in the full-fee commercial sector. However, the demand for high-quality CPE childcare spaces continues to exceed the supply. Therefore, the obvious first thing to do is to expand the CPE network. The new provincial government is planning to do just that. It has announced that 13,500 more CPE spaces will be made available by 2021 – an increase of 14% over 2018.

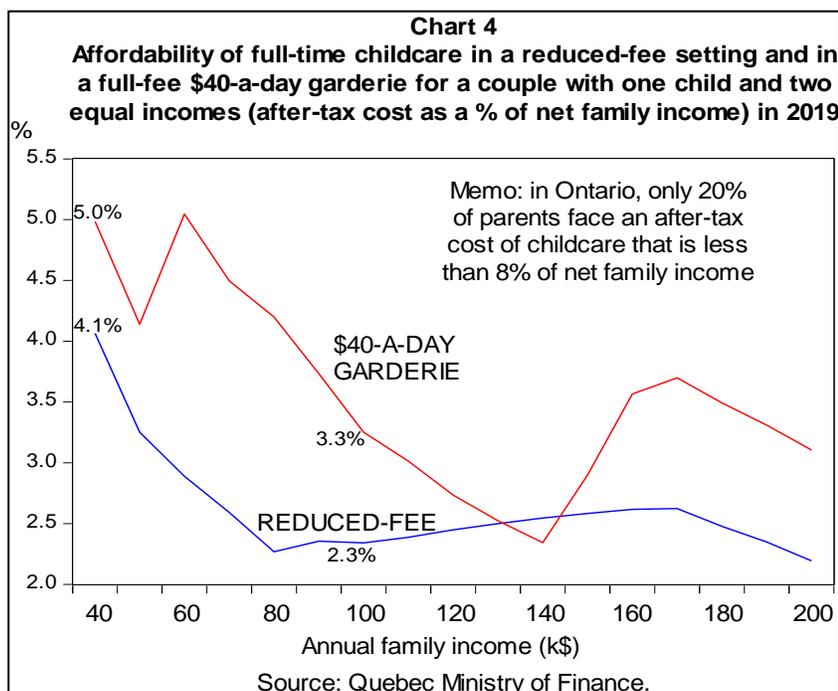
Now, it is crucial to recognize that the full-fee for-profit sector is not going to produce better average quality only by itself. The low average quality of *garderies* in this sector results from the fact that they do not compete on quality, but mostly on price. Studies show that this is because many parents tend to ignore or overestimate quality, or are myopic about its long-term impact on their children's well-being and skills, or again are financially strapped. So, the second thing to do is either to transform non-CPE *garderies* into CPEs, or to impose CPE-level quality standards on them. If the latter option is retained, the tax credit to users of full-fee for-profit *garderies* will have to be increased for these to comply with the stricter, more costly quality standards. In this way, they would be able to stay competitive

with CPEs and other reduced-fee providers while charging a higher fee at the gate in line with the better quality offered.

How to attract and better treat children from low-income families?

In every country childcare systems have a hard time attracting children from low-income families. In Quebec, 77% of high-income parents use good-quality childcare, but only 41% of low-income parents do. How come? Well, first of all low-income parents are more often without jobs, in which case children are usually kept at home. Second, when they hold jobs they use licensed childcare less often. And third, when they use licensed childcare they more often wind up in lower-quality settings.

Why are low-income working parents relatively absent from good-quality licensed childcare? One can think of three likely reasons. First, many low-income families find the base daily charge (\$8.25 in 2019) to be too expensive. **Chart 4** demonstrates that one consequence of the current childcare fee schedule is to make licensed childcare less affordable for low- than middle- and high-income families. Second, there may not be enough good-quality settings in low-income neighbourhoods. A third possibility is that low-income parents may be embarrassed to reveal to other parents that they are poor.



Given all that, there is no question that top priority should be given to better access to affordable good-quality care for children from low-income families, and that childcare settings should be provided with the appropriate level of financial and human resources to respond adequately to the special needs of disadvantaged children. That is, if the goal of equality of opportunity for the next generation is taken seriously.

Should the childcare system be targeted or universal?

This in fact raises the related question of whether the childcare system should be purely targeted to the poor or whether it should be open and charge a low fee to every family, rich or poor. A purely targeted program would follow the Robin-Hood tradition of “soaking the rich to give to the poor.” It has much going for itself given that transferring a dollar of income from a rich household to a poor household likely increases the welfare of the latter more than it reduces the welfare of the former. However, if pushed too far and to all government programs, the procedure 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, a low-fee universal childcare program conforms to the Scandinavian tradition of “getting what you pay for.” It helpfully reminds middle- and higher-income young families that they can get at least this kind of government service in due return for the thousands of dollars of taxes they pay each year.

The Quebec solution can be viewed as an attempt 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 and does not require to increase taxes
- 2) on the contrary, it generates fiscal surpluses that can be reinvested in better-quality services for all, and in particular for disadvantaged children
- 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 in conformity with the equality of opportunity sought for by the *Educational Childcare Act* (A 2017 paper by Elizabeth Cascio of Dartmouth has found interesting results on this question.)
- 5) it prevents the damaging stigma too often associated with “programs for the poor”

6) it casts the childcare system as the first link in the free public school system.

So, should we opt for universality or targeting? Basically, the evidence from Quebec's 20-year experience with childcare would seem compelling that we need not choose between the two, but that we can have both at a bargain price. Universality provides the funds you need to better target the needs of children from low-income families.

Conclusion

Quebec has pursued two objectives with its low-fee early childhood education and care program: improving work-life balance and enhancing child development with an eye on achieving equality of opportunity. How successful has it been so far? The short answer is: "improving work-life balance", done; "enhancing child development and equalizing opportunity", a work in progress.

Current debates in Quebec center on how to increase quality of care in the system, and also on how to introduce free universal pre-K for children aged 4 in continuity and/or in coexistence with the existing low-fee universal child care system for children aged 0 to 4. The latter discussion is around Bill no. 5, which is presently before the provincial Assembly: <http://www.assnat.qc.ca/en/travaux-parlementaires/projets-loi/projet-loi-5-42-1.html>.