Quebec’s Childcare Program at 20

How it has done, and what the rest of Canada can learn

BY PIERRE FORTIN

Governments and the general public throughout Canada are showing renewed interest in developing educational childcare. The 2017 federal budget has pledged to transfer $700 million per year for childcare to provinces over the next 10 years, which is a modest, but meaningful, step in this area.

Meanwhile, conservative think tanks such as the Montreal Economic Institute (MEI) and the Fraser Institute of Vancouver are on alert. They have published harsh negative assessments of Quebec’s 20-year-old experience with low-fee universal educational childcare. While their usual antigovernment bent is manifest, their arguments must be pondered seriously. I address these arguments in what follows, while taking stock of
Quebec’s childcare program and noting what other provinces seeking to develop comparable programs might learn from it.

Quebec’s childcare program in a nutshell

What is Quebec’s childcare program? In 1997 Quebec’s Educational Childcare Act initiated a low-fee universal program with two explicit objectives: to improve work-life balance and to enhance child development, with an eye on equality of opportunity. Currently, regardless of their employment, marital or income status, all parents have access to low-cost spaces for their preschool children aged 0 to 5 years.

The system offers direct subsidies to three types of reduced-fee providers: centre-based nonprofit centres de la petite enfance (CPEs), family-based caregivers and for-profit private garderies that conform to specified conditions. In all, these three types receive 83 per cent of children in care. The reduced fee was initially set at $5, and increased to $7 in 2004. In 2014–15 an indexed fee schedule rising with family income was introduced. It currently runs between $7.75 and $21.20. The other 17 per cent of children in care attend for-profit private garderies that charge full fees. Even here there is a fee reduction, which comes through a provincial refundable tax credit that significantly lowers parents’ net after-tax payment.

Table 1 summarizes the current characteristics of these four types of licensed care. The net after-tax daily cost is what remains after subtracting government assistance from the before-tax daily charge. Government assistance includes the federal child care expenses deduction and, where applicable, the provincial refundable tax credit and adjustments for the Canada Child Benefit and the GST credit.
How much does the program cost the provincial government?

In fiscal 2016, direct subsidies to the three reduced-fee providers cost the provincial government $9,985 per childcare space. This was 2.6 times more than the $3,900 cost in fiscal 1997. Two periods are highlighted in figure 1. In the first five years (1997 to 2002), the childcare system was in rapid development, and the cost per space doubled from $3,900 to $7,804. The percentage of spaces that were eligible for direct subsidies increased progressively as children of various ages successively became covered by the program. Also, basic quality standards concerning such things as personnel qualifications, child-staff ratios, class sizes and physical areas were set and many new centres were established. Over the 14 years following this period (2002 to 2016), the cost per space increased at the modest rate of 1.8 per cent per year. Government cost control measures and prudent management by individual childcare centres did the job.
Strangely, the MEI and the Fraser Institute have claimed that, following the 2008 extension of unionization to family-based childcare workers, there was a $1 billion wage hike for this group. This incredibly large figure is seven times the increase published by Quebec’s ministry of the family. Statistics Canada’s payroll survey shows that, from 2001 to 2016, the average weekly earnings of Quebec childcare workers increased in line with the provincial average, at 2.3 per cent per year. This is slightly faster than the average increase of elementary and secondary school workers, reflecting the enhanced professional qualifications that have been required for good-quality childcare.

In fiscal 2016, the total cost of direct and indirect subsidies to all four types of childcare was $2.5 billion, about 0.6 per cent of Quebec’s GDP. Does this make Quebec’s childcare program an “expensive” program? No, for two reasons. First, by international standards, 0.6 per cent of GDP is not excessive. It is just about equal to the current average spending that advanced countries allocate to early childhood educational development. Second, the cost of a program cannot be assessed in the abstract, but has to be determined relative to the benefits generated. The right question to ask is: Have the effects of Quebec’s childcare program on mothers’ incomes and child development been positive and significant enough to justify the cost? The MEI and the Fraser Institute answer this question negatively. I show below that they are mistaken and that the benefits more than recoup the costs.

Has the program helped mothers reconcile work and family?
The Quebec program is hugely popular. In a 2009 survey, 92 per cent of users of low-fee childcare said that the system matched their preferences. Women are much more comfortable with combining work and family duties now than 20 years ago. In 2016, the labour force participation rate of Quebec women aged 20 to 44 was 85 per cent, compared to 80 per cent elsewhere in Canada. Along with Swiss women, they had the highest participation rate worldwide. Between 1997 and 2016 the labour force participation rate of mothers of children aged 0 to 5 increased by 16 percentage points, from 64 to 80 per cent. Elsewhere in Canada, the increase was just four points, from 67 to 71 per cent.

The MEI and the Fraser Institute have been trying hard to deny the role of the new childcare policy in explaining the sharp increase in Quebec mothers’ participation rate in the past two decades. They have pointed out that mothers’ participation also increased significantly in Atlantic Canada. This was indeed the case: the labour force participation rate of mothers of children 0–5 years old increased by 10 percentage points in the four Atlantic provinces between 1997 and 2016. However, this was much less than the 16-point rise in Quebec, and was the outcome of much more vigorous economic growth and greater wage increases than in Quebec (and Ontario) over these two decades. There is nothing in this comparison to deny the key role played by the new childcare program in Quebec.

Crucially, the published research has been unanimous in concluding that Quebec’s childcare program has had a large and significant impact on mothers’ labour force participation. The main studies in this vein are due to three teams of labour economists: one from the Université du Québec à Montréal; a trio based at the University of Toronto, the Massachusetts Institute of Technology and the University of British Columbia; and a third team from Queen’s University.

They reached their unanimous verdict by using the detailed information contained in repeated individual interviews from two major longitudinal surveys conducted by Statistics Canada over the 15-year period 1994–2008. Their estimates controlled not only for the broad effects of changes in national programs (such as the Employment Insurance reform of 1996), but also of possibly confounding regional effects across
Canada. They did this by taking account of the impact of changes in province-specific unemployment rates and various community sizes.

In a 2013 paper, University of Sherbrooke colleagues and I calculated that their common findings implied that, already by 2008, there were some 70,000 more Quebec mothers (3.8 per cent) in employment than there would have been without the childcare reform. This estimate included about 42,000 mothers with children aged 0–5 years and 28,000 mothers with children aged six years and older. This was consistent with the 2009 finding by Pierre Lefebvre, Philip Merrigan and Matthieu Verstraete that the effect of the program on mothers’ employment lasted beyond their children’s preschool years. The estimate of 70,000 more mothers in employment could account for about 60 per cent of the increase in the employment rate of Quebec women aged 20–44 between 1997 and 2008.

The success of the Quebec reform in the area of work-life balance is due mainly to the fact that it has been so comprehensive. Coverage is universal (regardless of parents’ employment, marital status or income) for all children aged 0–5 years. There are 10 hours of service per day for 261 weekdays annually. The reduction in the fee for users of directly subsidized childcare is large. Even today, with the fee now increasing with family income, on average parents pay less than 20 per cent of the cost of childcare to licensed providers. The financial incentive to join and stay in the labour force is very strong, and it is offered to all mothers.

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

The 2008 study by the U of T–MIT–UBC trio found that about 40 per cent of the cost of direct childcare subsidies was recovered in the short term by the increase in personal income and payroll taxes and decrease in child benefits resulting from the increase in maternal labour income. It was a good study, but only a first step toward assessing the full feedback of the program on fiscal balances in general economic equilibrium. Completing the assessment would mean taking account not only of short-term effects but also of medium- and long-term effects, and calculating impacts arising from higher maternal labour income not only on personal income and payroll taxes and child benefits but on all types of incomes and all types of taxes, transfers and fiscal expenditures.
Colleagues from the Research Chair on Taxation at the University of Sherbrooke and I later implemented these further required steps. We found that in general economic equilibrium, federal and provincial government coffers would recover more than 100 per cent of the cost of the childcare reform. Our conclusion was that the new program was therefore generating fiscal surpluses – in plain language, that it was more than “paying for itself.” In contrast, the MEI and the Fraser Institute have mistakenly presented the initial estimate by the U of T–MIT–UBC trio of a 40 per cent fiscal feedback as the definitive evaluation of the impact of the childcare program on government budgets. This has led them erroneously to reject the idea that the Quebec program was paying for itself.

Table 2 summarizes our final estimated impact of the childcare program on government revenue and expenditure in 2008. The two key results are (1) that the total increase in revenue ($2,151 million) exceeded the total increase in expenditure ($1,232 million) by $919 million, which meant that the program was more than “paying for itself”; and (2) that the increase in fiscal balance was greater for the federal government ($673 million) than for the province ($246 million), given that the province entirely paid for the program. This could be a political argument for a greater federal contribution to financing childcare programs.

<table>
<thead>
<tr>
<th>Table 2: Estimated Impact of Quebec’s Low-Fee Universal Childcare Program on Federal and Provincial Government Revenue and Expenditure in 2008 ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Government revenue</td>
</tr>
<tr>
<td>$+673</td>
</tr>
<tr>
<td>$+1,478</td>
</tr>
<tr>
<td>$+2,151</td>
</tr>
<tr>
<td>Government expenditure</td>
</tr>
<tr>
<td>$0</td>
</tr>
<tr>
<td>$-1,232</td>
</tr>
<tr>
<td>$-1,232</td>
</tr>
<tr>
<td>Fiscal balance</td>
</tr>
<tr>
<td>$+673</td>
</tr>
<tr>
<td>$-1,232</td>
</tr>
<tr>
<td>$-246</td>
</tr>
<tr>
<td>$+919</td>
</tr>
</tbody>
</table>


An interesting question to ask is what the overall annual cost would be for other provinces to operate childcare programs of the same order of magnitude as Quebec’s. My rough-and-ready estimate, based on the same percentage of children in care and the same ratio of childcare wages relative to elementary and secondary school wages as in Quebec, is that this overall cost would be around $10 billion annually, including $4.8 billion in Ontario, $1.8 billion in Alberta and $1.4 billion in British Columbia.

Provincial governments outside Quebec already allocate about $2.5 billion annually to
regulated childcare, so the additional cost would be $7.5 billion. But the net added cost for taxpayers would be small and could even be negative since, as in Quebec, the new low-fee universal programs in other provinces would attract many more mothers into the labour force, generate more economic activity and increase the tax revenues of all levels of government.

Would similar programs in other provinces have similar impacts on women’s employment?

How many more Canadian women would join the labour force if provinces other than Quebec were to introduce childcare programs similar to Quebec’s? The MEI and the Fraser Institute have asserted that the impact on women’s employment would be smaller than it has been in Quebec because the participation rates in other provinces today are higher than they were 20 years ago in Quebec. This is a non sequitur. Table 3 shows what is at stake by comparing the labour force participation rates of women aged 20–44 in Quebec and other provinces in 1997 and 2016. In the last 20 years, women’s participation rates have increased by nine points in Quebec, to 85 per cent, and by only two points in provinces other than Quebec, to 80 per cent.

| TABLE 3: LABOUR FORCE PARTICIPATION RATE OF WOMEN AGED 20 TO 44 YEARS IN 1997 AND 2016 IN QUEBEC AND OTHER CANADIAN PROVINCES |
|-------------------|--------|--------|
|                   | 1997   | 2016   |
| Quebec            | 76%    | 95%    |
| All other provinces | 78%    | 88%    |
| Source: Statistics Canada |

What would Quebec women’s participation rate have been in 2016 without the childcare program? On the basis of our estimate that the Quebec program brought 70,000 more mothers into employment, the answer to this question is 79 per cent, six percentage points lower than the actual 85 per cent. So, the MEI and Fraser Institute are in effect asserting that, if a childcare program similar to Quebec’s had also existed in other provinces in 2016, it would not have caused a comparable rise in the labour force participation rate of young women aged 20–44. A more realistic estimate is that, outside Quebec, average 2016 participation would also have risen by an additional six points – to 86 per cent instead of 80 per cent.
So far, Quebec’s childcare program has yielded mixed results on child development

While the success of Quebec’s childcare program in helping mothers reconcile work and family responsibilities has been nothing less than spectacular, there remains much to be done in achieving the highest standards of quality for childcare services and responding adequately to the special needs of disadvantaged children.

According to the research literature, the Quebec program has yielded mixed results on child development. At one extreme, all published studies in the fields of psychology, psychiatry and medicine have given high marks to the CPE network, which is attended by 35 per cent of children in care. Their unanimous finding is that CPEs deliver positive cognitive, health and behavioural results on average, and are effective in reducing the vulnerability of children of all income classes.9

Four results stand out. First, whatever the income levels of their families, five-year-olds who have attended CPEs are less likely to be cognitively or behaviourally vulnerable than those who have not been in licensed care. Second, the reduction in the risk of vulnerability is largest for children from low-income families, but still significant (though naturally more modest) for those from middle- to high-income families. Third, early and intensive CPE attendance eliminates the cognitive differences between children of low and middle-to-high socioeconomic status at least until Grade 6. In other words, there is no evidence so far that cognitive gains from CPE attendance fade out, at least until Grade 6. Fourth, early CPE attendance significantly reduces the risks of internalizing problems for children of mothers with elevated maternal depressive symptoms – a frequent occurrence in low-income families.

At the other extreme, however, the full-fee for-profit garderies, which are attended by 17 per cent of children in care, have been repeatedly shown to be of low average quality. A 2014 survey by the Institut de la Statistique du Québec found that quality in nonprofit CPEs was “good or excellent” for 45 per cent of children and “inadequate” for only 4 per cent of them; in contrast, quality in full-fee for-profit garderies was deemed to be “good” for 10 per cent of children and “inadequate” for 36 per cent of them.10 In particular, more than 87 per cent of CPEs abided by the regulation that at
least two thirds of their educators be qualified, but fewer than 18 per cent of full-fee garderies met this standard.

The fact that quality is highly variable among caregivers easily explains the mixed results in the economic literature for the impact of the Quebec program on cognitive and noncognitive child development. The results obtained by these economists implies not that a low-fee universal system is bad in general for child development, but that it can be bad if the average quality of services is substandard.

The problem of waiting lists was solved at the expense of quality standards

How did low-quality for-profit full-fee garderies emerge in the Quebec system? In the mid-2000s, the new reduced-fee childcare policy was a victim of its popularity. Increases in available spaces could not keep up with the fast-rising demand. To solve the problem of long waiting lists, as well as to contain costs, beginning in 2009 the provincial government increased the refundable tax credit to users of for-profit garderies, which made them more competitive with CPEs and other reduced-fee caregivers. This fourth type of childcare has expanded rapidly. It now offers 62,000 childcare spaces, in comparison with 5,000 in 2008.

This policy decision has effectively solved the problem of waiting lists. There is no longer any shortage of spaces in aggregate. In 2017 there were 293,000 spaces available, but only about 260,000 were actually occupied, implying an excess capacity of 33,000, mostly in for-profit full-fee garderies. Demand still exceeds supply for spaces in the high-quality CPE network, but parents always have the option of placing their child in a full-fee garderie while waiting for a space in a CPE.

However, solving the problem of waiting lists has come at a price, since on average quality in the for-profit full-fee garderies is poor. Why is this so? The provincial government made two mistakes. First, believing in classical economic theory, it expected that competition among childcare providers would somehow eliminate the “bad” garderies. This belief in the ability of a freely functioning childcare market to weed out the “bad” is contrary to available evidence. In the private market, users of childcare services are ready to neglect quality so as to keep the price they pay to a
Access of disadvantaged children to educational childcare presents a major challenge.

Access to childcare services is unequal across income groups, in Quebec as elsewhere. Table 4 underlines this reality by comparing the childcare profiles of high- and low-income families in the province.
Children from low-income families are less present than other children in good-quality licensed childcare. The table helps explain why. First, low-income parents are more often without jobs, in which case they care 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 centre- or family-based childcare providers. As table 4 indicates, 51 per cent of low-income parents use childcare, as opposed to 84 per cent of high-income parents. One in five low-income parents (10 out of 51) use inadequate quality care versus only one in 12 high-income parents (7 out of 84). The base daily charge ($7.75 in 2017) may still be too expensive for them; there may not be any good-quality childcare provider in their neighbourhood; or the mix of tax-transfer rules may make it financially more attractive for them to use lower-quality services.

Table 4 makes it clear that children in low-income families are hard to reach. Half of them have no contact with the childcare network. The development of children from low-income families is a worldwide problem, not a Quebec or a Canadian problem. Better access for disadvantaged children to good-quality care should obviously be a top priority for every system, including Quebec's.

Does a low-fee universal program confer an advantage in caring for the special needs of vulnerable children? The MEI and the Fraser Institute answer this question negatively. They are obviously wrong.

There are two decisive arguments in support of low-fee universality. The first is that two thirds of vulnerable children (those whose development is delayed in some way) come from middle- to high-income families. Furthermore, if not corrected early,
before kindergarten, vulnerability is persistent. A child who is vulnerable at the start of kindergarten is very likely to remain so in later grades. Families of every socioeconomic status must therefore participate in the system if it is to “catch” all vulnerable children. Only a universal system can achieve this.

The second argument for a low-fee universal system is that it typically generates a fiscal surplus because it attracts so many more mothers into the labour force that the additional taxes of all kinds plus reduced social assistance payments exceed the additional payments in subsidies and tax credits the province has to make to support the system. A low-fee universal program therefore has the potential to provide everything required to catch all vulnerable children, to finance better-quality childcare services and to meet the special needs of disadvantaged children, possibly at no net cost to government.

Is the Quebec program a boon to richer households?

Many complain that Quebec’s low-fee universal program is “a boon to richer households” in contrast to a program targeted to poorer households. Playing Robin Hood – soaking the rich to give to the poor – is obviously popular among many groups and may make sense in various circumstances, but yielding 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 in cutting taxes and services to the needier. What is often a good idea is introducing a pinch of Scandinavian-style user fees (“you get what you pay for”) into the supply of public services. Access of richer households to low-fee childcare, combined with a modest fee tied to income, is a natural and, in my opinion, welcome combination of Robin Hood and pragmatism.

A universal childcare system can be viewed as a component of our free public school system, which is intended to equalize opportunity for all children and, in principle, is universally accessible without fees to the “not-so-poor” as well as to the poor. The universal approach to early childhood education and care gives more scope to positive peer effects (as young children of low- and high-income families interact). In addition, the presence of middle- and high-income parents in a low-fee childcare system helps
establish and maintain good-quality childcare and prevent the damaging stigma too often associated with “programs for the poor.”

A work in progress

Quebec has pursued two objectives with its low-fee universal educational childcare program: improving work-life balance and enhancing child development. How successful has it been so far? The short answer: “improving work-life balance” accomplished; “enhancing child development” a work in progress.

The Quebec program is hugely popular. Quebec mothers are much more comfortable with combining work and family duties now than 20 years ago. At 85 per cent, the labour force participation rate of Quebec women 20 to 44 years old in 2016 was the highest in the world, on par with Swiss women. It was five percentage points higher than the rate elsewhere in Canada. More work has not come at the expense of fewer babies, and the number of single-parent families on social assistance has plummeted.

While success of Quebec’s childcare program in helping mothers reconcile work and family responsibilities has been spectacular, there remains much to be done in achieving the highest standards of quality for childcare services and responding adequately to the special needs of disadvantaged children. The program has had mixed results in enhancing child development, not because a universal system is bad in general for this purpose, but because in Quebec the distribution of children among the various types of licensed childcare has skewed toward the lower-quality providers. The good news is that the Quebec government has finally recognized this problem. It has recently announced that it will continue to expand the high-quality nonprofit CPE network and at the same time increase the regulatory pressure for better quality in for-profit garderies.

Notes


Institut de la Statistique du Québec, *Enquête sur l'utilisation, les besoins et les préférences des familles en matière de services de garde* (Quebec City: ISQ, 2011).


Baker, Gruber and Milligan, “Universal Childcare.”


Baker, Gruber and Milligan, “Universal Childcare”; Kottelenberg and Lehrer, “New Evidence”; Haeck, Lefebvre and Merrigan, “Canadian Evidence”; Laetitia Lebihan, Catherine Haeck and Philip Merrigan,


15 See Hélène Desrosiers, Karine Tétreault and Michel Boivin, Demographic, Socioeconomic, and Neighbourhood Characteristics of Vulnerable Children at School Entry, Profiles and Pathways 14 (Quebec City: Institut de la Statistique du Québec, December 2012).