

# Exploring Quebec's Game Changing Child Care Initiative

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

*Quebec's Daycare Program: A Flawed Policy Model.* Vincent Geloso and Ben Eisen. Fraser Institute, 2017.

*Twelve Erroneous Statements of the Fraser Institute on Quebec's Childcare Program.* Pierre Fortin. 2017.

## **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 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 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

There is no question that the family is and should remain the bedrock on which child education is built. But for scientific and practical reasons, there is also nowadays a great need for early childhood education and care programs.

### **Scientific and practical motivation**

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, was forcefully argued by Fraser Mustard and Margaret McCain in their 1999 seminal report on early years to the Ontario Government.

There is also a practical justification for high-quality educational childcare. In 1996, already 2/3 of Canadian mothers of young children were 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, nowadays it takes two incomes to make a decent family living. Second, if they have a staggered career, mothers lose a large chunk of the major investment made in their education. Third, since 50% of all Canadian couples separate after 10 years, long-lasting labour force withdrawal after giving birth increases the risk of dire financial consequences for lonely parents and their children after separation. So, for a clear majority of families the practical challenge is to ensure that their children get the 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.

## 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% 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 some 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 CAQ provincial government plans to return to a flat fee by 2022.

**Table 1. Distribution of Quebec children aged 0 to 5 in 2019**

Type of care <sup>a</sup>	For profit?	Fee <sup>b</sup>	% of children
Early childhood centres (CPE)	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

<sup>a</sup> All providers of childcare are private.

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

Source: Quebec Ministry of the Family.

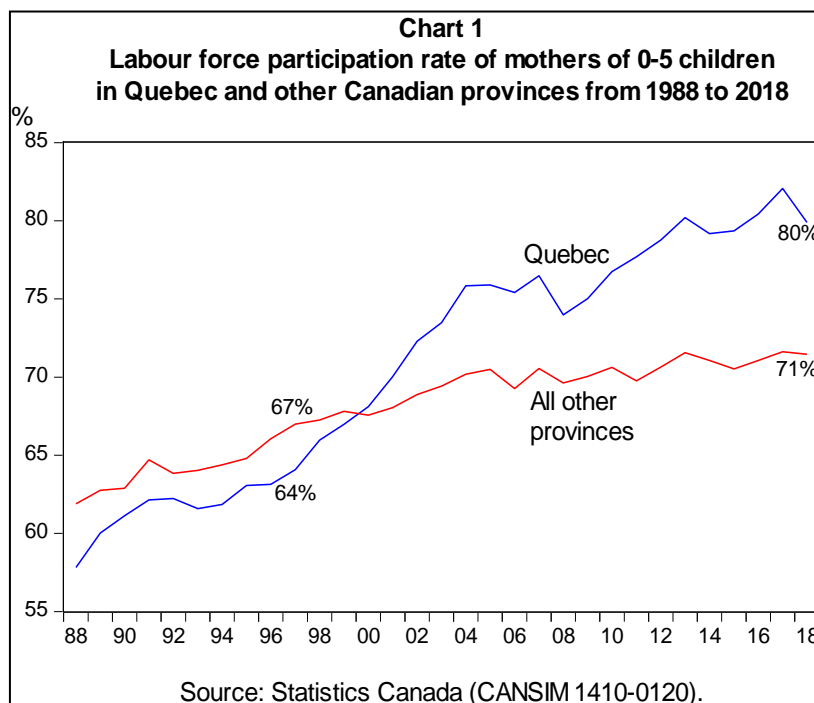
Another 10% or so of Quebec children attend for-profit *garderies* that charge full fees. These are called “non-subsidized”, but this is a misnomer. They are actually subsidized by a provincial refundable tax credit (PRTC) that lowers parents’ net after-tax payment with a view to making it competitive with that of reduced-fee providers. These full-fee for-profit *garderies* allow parental choice, but the quality of care they offer is 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) allocate to early childhood educational development.

### Has the program helped mothers reconcile work and family?

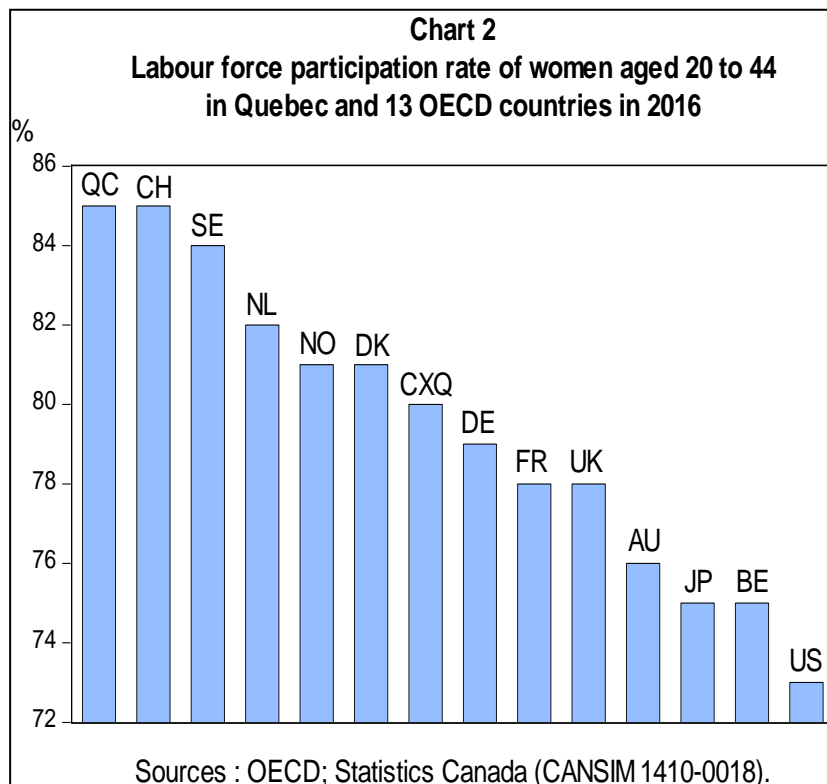
The Quebec program is hugely popular. In a survey, 92% of users of reduced-fee childcare said that the system matched their preferences. It has clearly achieved the work-life balance objective set in 1996. Labour force participation of mothers of young children has increased rapidly in Quebec in the last 20 years. Charts 1 and 2 make the point. **Chart 1** shows that between 1997 and 2018 the labour 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, not the Montreal Canadiens hockey club; CXQ is Canadian provinces other than Quebec).



Economic studies have been unanimous in concluding that Quebec’s childcare program has had a large impact on mothers’ labour force participation. It has also

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 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 labour force if other provinces were to introduce childcare programs similar to Quebec's. Governor Poloz of the Bank of Canada recently estimated this could add 300,000 prime-age women to the country's workforce.



### **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 labour income. University of Sherbrooke colleagues and I later extended the calculation to include all types of taxes, transfers and tax expenditures. **Table 2** 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.

**Table 2. 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 <sup>a</sup>	+530	+1,129	+1,659
Transfers to persons	-100	-179	-279
Tax expenditure	-43	-170	-213
Program cost	0	-1,232	-1,232
<b>Fiscal balance</b>	<b>+673</b>	<b>+246</b>	<b>+919</b>

<sup>a</sup> Contributions to social insurance plans are not included.

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

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 2 also provides a basis for estimating the net impacts on fiscal balances in other provinces if they had childcare programs similar to Quebec’s.

### **Quality of care is crucial for child development, but has a cost**

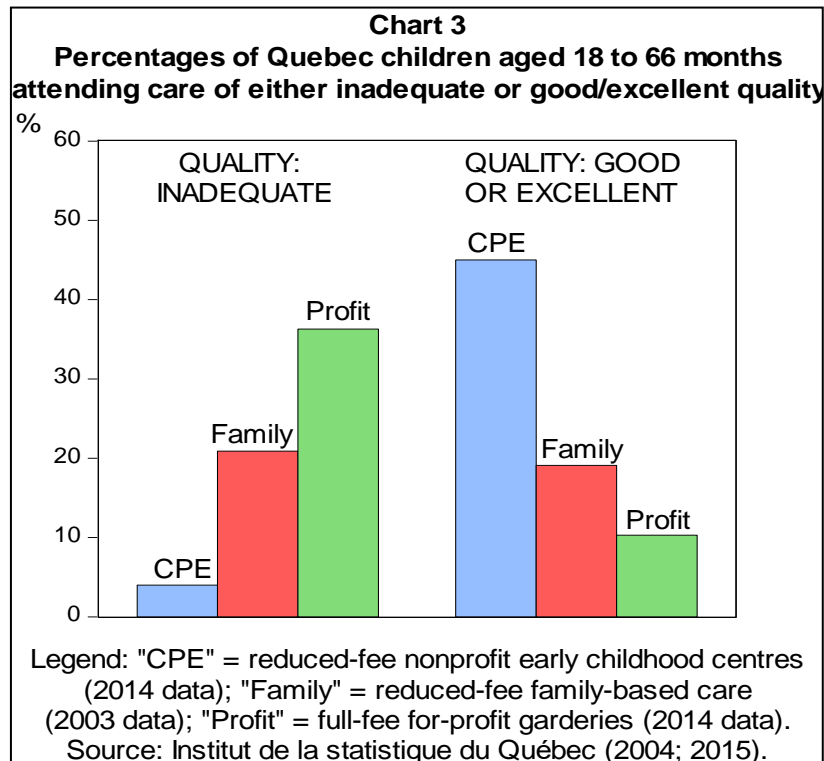
While Quebec has been successful in attaining the first objective of the *Educational Childcare Act* (improving work-life balance), achieving the second objective (enhancing child development and equalizing opportunity) remains work-in-progress.

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 the fields of psychology, psychiatry and medicine. They find 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 cegep 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 enhanced, 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. 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. 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 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 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 of care actually received. Hence, the impacts on child development captured by these economic studies are averages of impacts of childcare settings ranging 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 regions): there are several thousands of unoccupied spaces, mainly in the full-fee commercial sector. However, the demand for high-quality childcare spaces continues to exceed the supply. Therefore, the obvious first thing to do is to expand the CPE network. The new CAQ government plans to make 13,500 more CPE spaces 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 are financially strapped. So, the second thing to do is

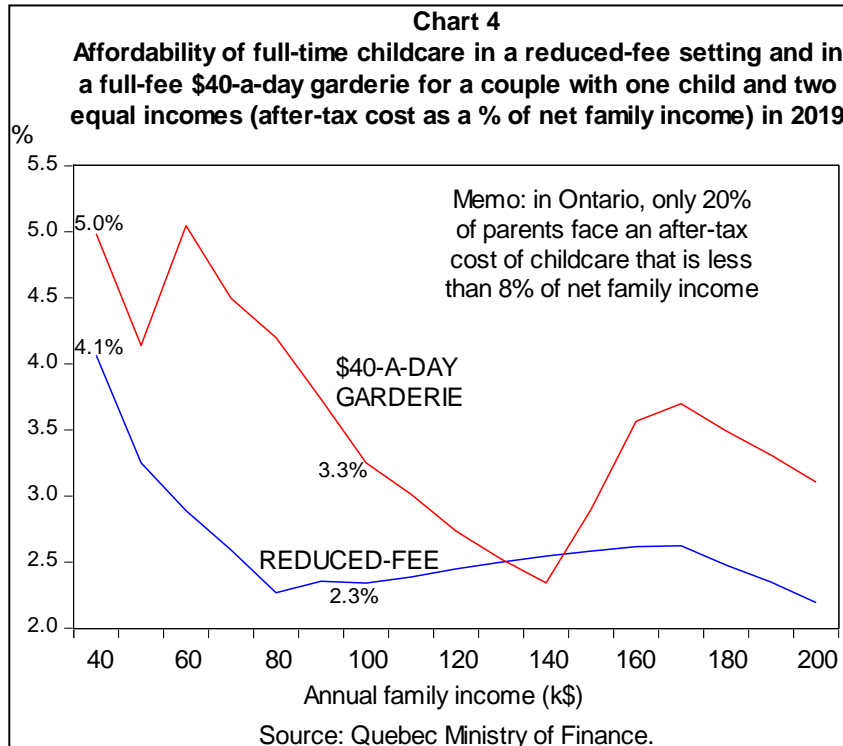
either to transform non-CPE *garderies* into CPEs, or to impose CPE-level quality standards on them. If the latter option is retained though, the tax credit to users of full-fee for-profit *garderies* will obviously have to be increased again for these to comply with the stricter, more costly quality standards. This is the only way that they could stay competitive with CPEs and other reduced-fee providers while charging a higher fee 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 do low-income working parents avoid 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 very clearly that one consequence of the current childcare fee schedule is to make licensed childcare much 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 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 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*
- 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 our free public school system.

So, should we opt for universality or targeting? Basically, there is compelling evidence from Quebec’s 20-year experience with childcare that we need not choose between the two, but that we can have both at a bargain price.

## **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.



## Quebec's Daycare Program A Flawed Policy Model

by Vincent Geloso and Ben Eisen

### MAIN CONCLUSIONS

■ 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.

■ Quebec's system is expensive. The government spends over \$9,000 per child served, for a total cost of approximately \$2.6 billion in 2014/15.

■ Nevertheless, Quebec's daycare system has been held up by some as a model for other provinces: advocates argue increased maternal labour-force participation generates tax revenue that offsets program costs and that the program produces beneficial child development outcomes.

■ These claims should be treated skeptically. The resulting tax revenues from increased maternal

labour-force participation likely do not offset the full cost of Quebec's program. What's more, the effects upon labour-force participation in Quebec cannot easily be generalized to the rest of Canada and daycare based on Quebec's model would likely have significant fiscal costs if adopted elsewhere.

■ Evidence for long-lasting child development gains from subsidized daycare is mixed. Troublingly, studies from Quebec show the program has contributed to significantly worse health and social development outcomes.

■ Although the program is often described as “universal”, Quebec has not solved the problem of access and waiting times despite very high levels of government spending. Lengthy wait times remain in many areas, and children from higher income families are more likely to obtain a place in daycare.

## Introduction

In 1997, the province of Quebec instituted a subsidized daycare system. Setting a low and flat daily rate, first at \$5 then at \$7, that system replaced income-contingent tax credits. Recently, the province has abandoned completely flat rates for access to subsidized daycare services and now require that higher-income families pay somewhat higher daily fees. Even these higher rates charged to upper-income families, however, are still heavily subsidized. Since the introduction of Quebec's daycare system, politicians in other provinces, and even at the federal level, have proposed adopting similar programs. The arguments for introducing daycare based on the Quebec model in other provinces rests primarily on two key arguments.

Firstly, proponents claim that the Quebec daycare model significantly boosts maternal labour-force participation and, therefore, growth of GDP and tax revenue. In fact, some proponents have gone so far as to say that as a result of additional tax revenue from increased parental labour force participation that these types of programs essentially “pay for themselves”.

Secondly, proponents argue that these types of daycare programs generally improve cognitive and non-cognitive developmental outcomes for

children, enhancing readiness for school and potentially leading to better long-term socio-economic outcomes in adulthood. According to this argument, spending today on daycare programs represents a wise long-term investment in human capital (Friendly and Rothman, 2009, January 8).

This research bulletin shows both of these arguments have severe flaws. On the first, claims that Quebec-style daycare programs “pay for themselves” through increased maternal labour-force participation are based on mistaken analysis of data from Quebec and faulty assumptions about the extent to which data from there can be generalized to other provinces. Indeed, predictions of dramatic increases in labour-force participation that allow the program to “pay for itself” are likely overstated and the program will, therefore, almost certainly have real fiscal costs.

Claims of impressive, reliable, long-term gains in human capital from daycare programs also lack a strong evidentiary base. In fact, the evidence for improved child-development outcomes and enhanced readiness for school from public spending on daycare programs is weak, and there is some evidence of negative impacts on child-development outcomes.

## Does subsidized daycare “pay for itself”?

Young children weigh heavily in the decision of parents (mostly mothers) to enter the labour market. Daycare for children is an important factor in this decision as it is a cost associated with working. This is why the economics literature finds an important role for daycare costs in the decision of married women to enter the workforce. The logic

advanced by many is that reduced daycare costs, through subsidization, will increase labour-force participation on the part of mothers.

Some proponents of Quebec's model of daycare argue that the labour-force participation gains for mothers are so large that the resulting

# Quebec's Daycare Program: A Flawed Policy Model

increase tax revenue actually can completely offset the cost to the government of paying for daycare. In short, the claim goes that daycare programs, in this way, “pay for themselves.” Some of the support for that argument has emanated from Quebec economists Pierre Fortin and Suzie St-Cerny and fiscalist Luc Godbout (2012).

This is a claim to be scrutinized carefully, given that one of the major obstacles to the program's adoption elsewhere is the very high price tag. Quebec currently spends over \$2 billion annually on the program, and the inflation-adjusted cost per daycare place has nearly doubled since 1997, climbing from \$4,874 to \$9,823 in 2016 (2016 dollars) (Quebec, Ministère de la Famille, various years). The problem is that the research literature calls into question the claim that Quebec's daycare system pays for itself, and other evidence complicates the notion that this outcome can be generalized and would also be true in other provinces if similar programs were adopted there today.

On the first of these two points, studies have generally found a positive effect from the Quebec daycare program on the labour supplied by parents, but several studies suggest this increase is not sufficient to offset the significant fiscal costs associated with delivering the programs. There have been a range of estimates surrounding the net fiscal costs to the government of Quebec resulting from its daycare program. For example, a paper by Baker, Gruber, and Milligan (2008) estimated that approximately 40% of the cost of the daycare subsidy is recovered by the resulting increase in payroll and income taxes generated by the subsidy. Another estimate by Haeck, Lefebvre and Merrigan (2015) provided a range of scenarios using multiple sets of assumptions. Their paper showed that even in the “best scenario”

available, the Quebec program still had costs that significantly outstripped its fiscal benefits for the provincial government—by approximately \$1.2 billion annually (Haeck, Lefebvre, and Merrigan, 2015).

In short, the best available evidence suggests that, while the daycare subsidy in Quebec did increase maternal participation in the labour force, it did not do so on nearly a large enough scale to result in an increase in tax revenue that covers the cost of the program. In short, there is no free lunch in this policy area. In fact, it is likely that even the estimates we do have about the impact on labour-force participation are overestimated because the introduction of Quebec's daycare program coincided with the reform of employment insurance across the country.

To estimate the net number of mothers participating in the labour force because of the program's existence, statistical tests have to be conducted where a baseline of what would have happened without the policy must be established. The baseline used by most studies for these analyses have been Canadian provinces that did not enact a subsidized daycare program. These models assume that any observed difference in the evolution of workforce participation or employment rates between married women in Quebec and in the rest of Canada, all else held constant, can then be attributed to the policy.

This assumption, however, is problematic. There are in fact several factors that could have a differential effect on labour-force participation in Quebec compared to the rest of Canada that were not properly accounted for. One of those changes, which occurred at the same time as the daycare reform, was a significant reform of employment insurance, which had the effect of increasing labour force participation.



# Quebec's Daycare Program: A Flawed Policy Model

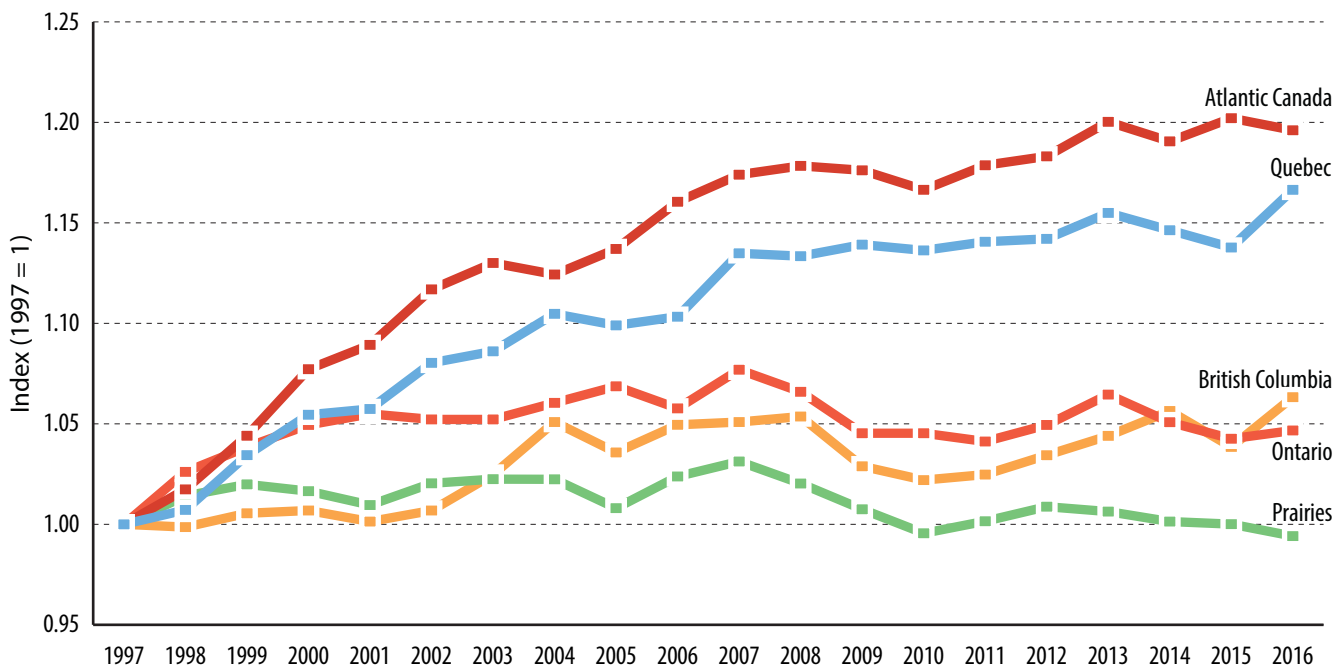
This reform was designed in part to increase labour-force participation and, indeed, it was followed by increases in employment rates across the country. However, the size of the change in employment rates following the reform was not uniform across Canada. Instead, regions with lower rates of labour-force 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 (figure 1). 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.

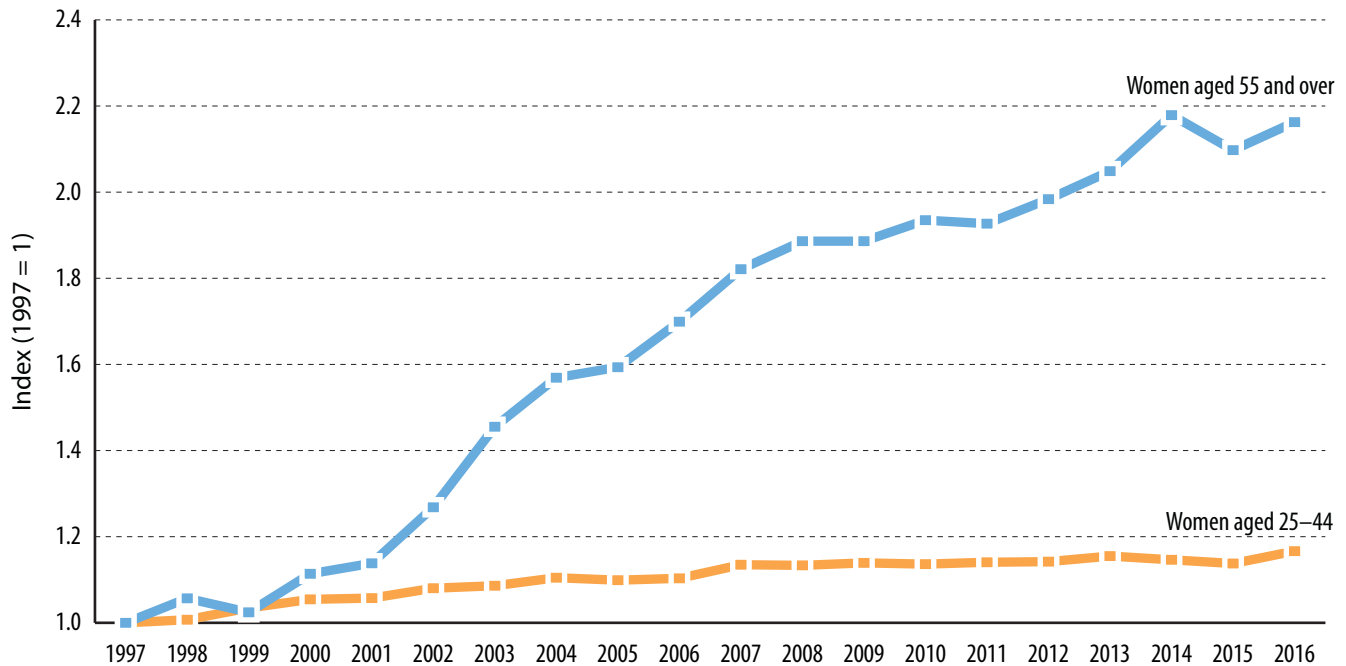
Moreover, looking at female demographics within Quebec confirms that we may have overestimated the effects of this policy. Indeed, the labour-force participation of women above child-bearing age (above 55 years of age) increased more quickly than that of women of typical child-bearing age who were likely to be influenced in their decision by the provision of a subsidized daycare system (figure 2). Thus, this suggests that a large share of the increase in labour participation stemmed from the reform of employment insurance, and those employment gains may be wrongly attributed by some to subsidized daycare.

Figure 1: Employment rate (1997 = 1) for women aged 25–44 in Canadian regions, 1997–2016



Note: The averages for the Atlantic and Prairies provinces are weighted by the female population.  
Source: Statistics Canada, 2017 (CANSIM table 282-0002).

Figure 2: Employment rate (1997 = 1) for women aged 25–44 and 55+ in Quebec, 1997–2016



Source: Statistics Canada, 2017 (CANSIM table 282-0002).

This is important since the estimate of the net fiscal 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 (Haeck, 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 the intensity of their work (Stalker and Ornstein, 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

labour-force participation rates. 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 in Quebec were insufficient to cover program costs, there are important reasons to suspect those gains may nevertheless be significantly greater than other jurisdictions should expect. Specifically, it is important to recognize that Quebec's labour-force participation rate in 1997 was lower than it is in any province in Canada today. The labour-force participation rate for women aged 25-44 in the rest of Canada today stands at 76.6%; in Quebec in 1997, it was 69.7%. It would, therefore, be a mistake to assume that the introduction of a daycare program based on the Quebec model in any province today would have as big of an impact on women's employment rates as Quebec's program did in that province 20 years ago, given the very different baseline employment levels.

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. Troublingly, the fiscal costs of the program are continuing to increase. Since the year of the inauguration of subsidized daycare, government spending adjusted for inflation per place has increased 101.6% (Quebec, Ministère de la Famille, various years). A substantial share of this increase derives from the incentives that the new system has created. With the creation of the system came the unionization of daycare workers, both in public centres and in home-based

daycare. This gave a strong position to unions who can deny service and go on strike for wage increases. Limited private competition strengthens the incentives for the government to cave in and has contributed to inflating costs. For example, the 2008 extension of unionization to home-based daycare workers ended up costing the provincial government more than \$1 billion per year (Lessard, 2008). And these costs fail to account for private costs borne by parents in the form of longer waiting time: in order to control costs, the provincial government rations service, which leads to long waiting lists (Baker, Gruber, and Milligan, 2008).

## What about other benefits? Arguments from enhanced child development and human capital

While it is clear that the program's costs are growing rapidly and it fails to pay for itself, these facts do not mean that subsidization of daycare on the Quebec model is necessarily a bad idea. There may be other benefits from the program that justify the expense. For example, some proponents of heavy subsidization of daycare argue that these programs enhance children's readiness for school, leading to long-term gains in the development of human capital and better socioeconomic outcomes as adults. These long-term benefits may well be worth paying for in the short term.

Unfortunately, the evidentiary basis for these sorts of arguments is quite weak. It is certainly true that some extremely expensive boutique daycare programs serving very small numbers of children from impoverished high-risk backgrounds have been shown through high-quality studies to produce long-term gains for participants (Coalition for Evidence-Based Policy, undated). However, evidence is extremely

scarce that broader, scaleable programs with lower per-student price tags and targeted at non-poor children can achieve similar results. Indeed, evidence from high-quality longitudinal studies in the United States have repeatedly shown that what cognitive gains are found from centre-based daycare participation tend to fade out quickly over time, and are gone nearly entirely by the third grade (NICHD Early Child Care Research Network, 2002). To the extent that cognitive benefits fade out quickly over time as significant American evidence suggests, it is unrealistic to expect long-term human capital returns from investment in daycare based on the Quebec model.

In addition to this evidence from the United States about the dissipation of school readiness effects from daycare participation, there is also substantial evidence from Quebec itself that raises significant concerns about the broader effects of that province's daycare program on child development outcomes. For example, one recent study shows

that, on the whole, subsidized daycare did not improve cognitive development in Quebec. When we disaggregate families by income families, signs of a negative impact appear (Haeck, Lefebvre, and Merrigan, 2015). Another study found that mothers have reduced the time they spend playing with their children since the policy was introduced, although it does report an increase in the amount of time spent reading to them. One study, concerned with the subjective well-being reported by parents in surveys of happiness, found a statistically significant decrease. While the effects on subjective well-being were positive for low-income families, they were negative for families in the middle class (Brodeur and Connolly, 2012).

The most important results have emerged from those who found signs of deterioration in non-cognitive traits such as increases in aggression and hyperactivity in boys (Baker, Gruber, and Milligan, 2008). Large, significant effects upon health outcomes were discovered, for example. Similarly, large negative effects were found on social development outcomes. Instances of hyperactivity, aggression, and anxiety all increased measurably in the years following

Quebec's policy change. Negative effects on motor and social development were also found.

These latter outcomes are particularly disheartening. Non-cognitive traits, known as soft skills, are incredibly important predictors of outcomes in later life. These soft skills are traits like industriousness, perseverance, patience, and self-control. These skills weigh heavily in determining long-term individual well-being, perhaps even more so than many forms of cognitive skills (Heckman and Kautz, 2012).

In short, the evidence from a number of jurisdictions, but especially Quebec, casts major doubt on the notion that there are important school-readiness and human-capital returns that can be expected from current spending on daycare programs of the Quebec model. Indeed, the evidence from elsewhere suggests that gains in school readiness common fade out, and the evidence from Quebec shows significant negative outcomes in terms of non-cognitive development. Given the high fiscal price tag of these programs, the paucity of clear evidence for positive developmental outcomes is concerning.

## Did the Quebec model solve the access problem?

Across Canada, it is a common complaint among parents that it is difficult to find access to a registered daycare space. Some people, when hearing that Quebec has a "universal" daycare system may believe that this means the access problem in that province has been solved, and that access is, in fact, universal. This is not correct: the term "universal" in this context merely means that all families have access to subsidies regardless of income. However, the problem of waiting lists for places in daycare facilities remains. Predictably, with below-market prices, demand for the program is high

and, despite more than two billion dollars in public expenditures each year, tens of thousands of children remain on waiting lists (Kozhaya, 2006).

Not all families have access to Quebec's universal system and access is not evenly spread across the income distribution. In fact, the evidence suggests that utilization rates are much higher for upper-income families compared to those with lower incomes (Kohen, 2008). One study conducted shortly after the program's creation, for example, showed that 58% of

students in subsidized daycare spots came from families with incomes above \$60,000, although students in this income group represented a minority of children aged 0 to 4 in Quebec at the time (Kozhaya, 2006). Moreover, the policy has largely been a boon to richer households. The costs after taxes for poor households after the reform were almost identical to the costs prior to the reform. For more affluent households, the change in policy represented a net financial gain and the incentive to provide more work was concentrated in the segment of the

population where mothers had access to better-paid jobs (Haeck, Lefebvre, and Merrigan, 2015).

It is important to stress that lack of access, and unequal access to daycare services is not just a problem in Quebec: they are problems across Canada. However, the available evidence suggests that these problems have not been solved in Quebec under its universal program, where waiting lists remain a problem and where upper-income families are more likely to get a daycare spot than low-income families.

## Conclusion

Quebec's subsidized daycare policy has been singled out as a model by advocates for subsidized daycare in other provinces. However, claims about the benefits of Quebec's model should be considered skeptically. The program is expensive, and the preponderance of the research suggests that it does not pay for itself, as has been suggested by some, through increased tax revenue. Furthermore, promises of big gains in children's readiness for school and in long-term human

capital lack a strong evidentiary base. The reality is that for other provinces considering daycare programs based on the Quebec model, there is likely to be a substantial net fiscal cost, and there is reason to be skeptical about long-run returns from that spending in terms of the development of human capital. These realities should be borne in mind whenever any Canadian province is considering following Quebec's lead on daycare.

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# **Twelve Erroneous Statements of the Fraser Institute on Quebec's Childcare Program**

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## Abstract

In March of this year, the Fraser Institute of Vancouver put out a *Research Bulletin* asserting that Quebec's childcare program was a "flawed" policy model. In this paper, I analyze the twelve arguments raised by the Institute against the Quebec system as the exemplar of a low-fee universal approach. The main assertions it makes are that the program is "expensive"; that its positive effects on mothers' labour force participation have been greatly exaggerated; that only 40% of program costs are recovered by governments, so that the system is far from "paying for itself"; that fathers' work intensity fell as mothers' rose; that the introduction of a Quebec-style childcare program in other provinces today would have a smaller impact on women's employment than it has had in Quebec in the last twenty years; that the program has had a negative impact on child development; that access to childcare spaces is plagued with long waiting lists; that a universal program does not solve the problem of access of low-income families to childcare spaces; that the Quebec program has been a boon for richer households; and that cognitive gains from participation in centre-based childcare tend to fade out quickly once the child has entered school. I show that each and every one of these statements is either false or misleading.

## Résumé

En mars dernier, l'Institut Fraser de Vancouver a publié un Bulletin de recherche affirmant que le programme québécois des services de garde éducatifs à l'enfance souffrait de sérieuses lacunes. Dans le présent article, j'analyse les douze arguments soulevés contre le système québécois, vu comme modèle de l'approche universelle à prix modique aux services de garde. Les principales affirmations de l'Institut Fraser sont qu'il coûte cher ; que ses effets positifs sur la participation des mères à la population active ont été grandement exagérés ; que seulement 40 % des coûts du programme sont récupérés par la fiscalité des gouvernements, de sorte que le système est loin de s'autofinancer ; que les heures travaillées des pères ont diminué pendant que celles des mères ont augmenté ; que l'introduction de programmes de services de garde à l'enfance semblables à celui du Québec dans les autres provinces y ferait moins augmenter l'emploi des mères que cela a été le cas au Québec depuis vingt ans ; que le programme québécois a nui au bon développement des enfants ; que l'accès aux places en services de garde est freiné par de longues listes d'attente ; qu'un programme universel ne résout pas le problème d'accès des familles à faible revenu à une place en services de garde ; que le programme constitue une aubaine pour les familles riches ; et que les gains cognitifs réalisés par les enfants qui ont fréquenté les services de garde en installation tendent à disparaître rapidement une fois qu'ils sont à l'école. Je fais la démonstration que toutes et chacune de ces affirmations sont fausses ou trompeuses.

## Executive summary

Since 1997, the Province of Quebec has run 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) of Vancouver put out a *Research Bulletin* asserting that Quebec's program was a "flawed" policy model. FI authors raise twelve specific charges against the Quebec system. This paper examines each of them in details, and finds all of them...flawed. This summary focuses on their six most important errors.

First, they argue that Quebec's childcare program is terribly expensive. This is simply not true. In 2016, Quebec's childcare program cost \$2.5 billion. This was worth about 0.6% of the province's 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 rate 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 provincial economy's average of 2.3 per cent per year.

Second, FI authors believe that the positive impact of the childcare program on mothers' labour force participation has been greatly exaggerated. They see much of the increase in participation as due to the Employment Insurance reform of 1996, not to the childcare program introduced in 1997. They also point out that women's labour force participation increased as much in Atlantic Canada as in Quebec, in spite of there being no subsidized childcare program in the Eastern provinces. The problem with the doubts they raise is that they are totally contradicted by the published research of three high-level teams of labour economists from five universities (UQAM, Toronto, MIT, UBC and Queen's) in refereed scientific journals. The unanimous conclusion of these teams is that Quebec's childcare reform has had a large and lasting causal impact on mothers' employment, every other influence being taken into account, including the Employment Insurance reform and specific regional economic trends.

Third, FI authors assert that, even when it was found that Quebec's childcare program had a positive effect on maternal labour force participation, this effect was not large enough to generate an increase in tax revenue that covered the significant fiscal costs associated with delivering the program. They report of one study that found that only 40 per cent of the cost was recovered by the immediate increase in income and payroll taxes. The flaw in this argument is that the feedback on fiscal balances does not come only through the short-term effect on income and payroll taxes. There are short-, medium- and long-term effects on all types of taxes, transfers and fiscal expenditures. Taking these fully into account, colleagues from the Research Chair on Taxation of the University of Sherbrooke and I found that the federal and provincial governments would get back more than 100 per cent of the cost of the reform. In other words, the latter is in fact more than "paying for itself".

Fourth, based on a 2006 CBC report, FI authors state that access to childcare services in Quebec is plagued by long waiting lists. This statement is anachronistic. It is true that, in the early 2000s, the development of new childcare spaces could not follow the fast-rising demand. The reason was that the new policy was hugely popular. To solve the problem of long waiting lists and to contain costs, in 2009 the government gave a generous refundable tax credit to parents who would use full-fee private *garderies*. Having become financially competitive, this fourth type of childcare providers underwent a rapid expansion. These *garderies* now offer 60,000 childcare spaces, against 5,000 in 2008, and there are currently some 30,000 available, but unoccupied, childcare spaces in the system. In other words, as of 2017, the aggregate supply of spaces is more than enough to satisfy demand without delay.

Fifth, FI authors assert that child development has been adversely affected by the childcare program. This statement is incomplete and misleading. FI authors fail to report on the detailed investigation by my UQAM colleagues, which showed that the childcare program indeed had some negative non-cognitive effects on children 1-4 years up to 2006, but that these negative effects became smaller over time and eventually turned insignificant by 2008. Then, once children were in school, most negative effects tended to disappear. Also ignored entirely by FI authors are the results from the psychology and medical research literature that have shown the CPE network to deliver splendid results for the development of children of every socioeconomic status. A recent survey by Quebec's *Institut de la statistique* found that 45% of children in CPEs had access to good-to-excellent educational care and only 4% were stuck with services of inadequate quality. There is a problem, though, with the full-fee private *garderies*, where quality was found to be inadequate for 36% of children and good for only 10% of them. What these results mean is not at all that a low-fee universal system is bad in general for child development, as the FI authors imply, but that the quality of services in some areas of Quebec's particular system needs to be better managed.

Sixth, FI authors state that, in Quebec's childcare system, lower-income families are less likely to get a childcare space than upper-income families. This is true, but again misleading. A foremost difficulty in any childcare system is that disadvantaged children are hard to reach in the first place, because half of them escape the childcare network. Low-income parents are more often without jobs; when they hold jobs, they use childcare less often; and when they use childcare, they wind up in lower-quality facilities more often. Better access of disadvantaged children to good quality care should obviously be a top priority for the future development of every system, including Quebec's.

Where FI authors are definitely in error is when they suggest that a low-fee universal program confers no advantage in caring for the special needs of vulnerable children. Compared to the non-universal targeted system, this type of program is more inclusive because it does not exclude vulnerable children of any socioeconomic status. Furthermore, given that it generates fiscal revenue that can more than cover the additional system costs, it has the potential for financing better quality childcare services and the special needs of disadvantaged children at no net cost for taxpayers.

All twelve arguments made by the FI authors in support of their belief that Quebec's childcare program is "flawed" are in error. A disaster for Canadian policy analysis.

*“Measurement is the foundation for all our work. Careful, accurate, rigorous measurement. In addition, the source of our data is always provided.”*

From the Fraser Institute’s website

In March of this year, the Fraser Institute of Vancouver (FI) put out a *Research Bulletin* authored by analysts Vincent Geloso and Ben Eisen, arguing that Quebec’s childcare program was “flawed” (Geloso and Eisen 2017). Geloso is an associate researcher of the Montreal Economic Institute (MEI), and Eisen is Director of Provincial Prosperity Studies at FI. The *Bulletin* is an expanded version of two July 2015 op-eds published in *La Presse* and the *National Post* by MEI president Michel Kelly-Gagnon and analyst Yanick Labrie, now an FI senior fellow (Kelly-Gagnon and Labrie 2015a, 2015b).

The FI *Bulletin* is here:

<https://www.fraserinstitute.org/sites/default/files/quebecs-daycare-program.pdf>

The two FI authors base their negative assessment of Quebec’s childcare program on twelve statements. They can be summarized as follows:

- 1) *The costs of Quebec’s childcare program have followed an explosive path.*
- 2) *The increase in Quebec mothers’ labour force participation has been largely due to the Employment Insurance reform of 1996, not to the new childcare program introduced in 1997.*
- 3) *The increase in young women’s labour force participation in Quebec since 1997 cannot be explained by the childcare program since participation has increased as much in Atlantic Canada, in spite of there being no subsidized childcare program in the Eastern provinces.*
- 4) *Only 40% of the cost of the childcare subsidy is recovered by government according to studies, so that the claim that Quebec’s childcare program “pays for itself” is unfounded.*
- 5) *The increase in young women’s labour force participation in Quebec cannot be attributed to the childcare program since older women have experienced an even larger increase in participation.*
- 6) *Quebec’s childcare program has led fathers to supply fewer hours of work.*
- 7) *The introduction of a Quebec-style childcare program in other provinces today would have a smaller impact on women’s employment than it has had in Quebec because the participation rates in these provinces today are higher to begin with than in the Quebec of 20 years ago.*
- 8) *The impact of Quebec’s childcare program on child development outcomes has been negative.*

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 centre-based childcare tend to fade out quickly and are gone nearly entirely by the third grade.*

In this note, I examine the arguments on which these statements are based. I find all twelve to be flawed.

### Quebec's childcare system in a nutshell

What is Quebec's childcare program? Since 1997, this province has run a low-fee universal childcare program with two explicit objectives: (1) improve work/life balance and (2) enhance child development and equality of opportunity. Currently, regardless of their employment, marital or income status, nearly all parents who desire so have access to low-cost spaces for their preschool children 0-5 years (more on this below). Four types of licensed childcare services are available: early childhood centres (called CPE in French), family-based caregivers, and two kinds of for-profit private *garderies*: reduced-fee and full-fee.

**Table 1. Basic characteristics of the four types of licensed childcare currently in existence in Quebec**

Characteristic	CPE <sup>a</sup>	Family-based	For-profit private <i>garderies</i>	
			Reduced-fee	Full-fee
Centre-based?	Yes	No	Yes	Yes
For-profit?	No	No	Yes	Yes
Reduced-fee?	Yes	Yes	Yes	No
Before-tax daily cost	Between \$7.75 and \$21.20, rising with family income			Around \$35
Provincial RTC <sup>b</sup> ?	No	No	No	Between 75% and 26%, decreasing with rising income
Federal tax deduction?	Yes	Yes	Yes	Yes
Net after-tax daily cost <sup>c</sup>	Between \$5.85 and \$16.89, rising with family income			Between \$4.38 and \$19.75, rising with family income
Distribution of children <sup>d</sup>	32%	31%	16%	21%

<sup>a</sup> CPE = Centre de la petite enfance (early childhood centre).

<sup>b</sup> RTC = Refundable tax credit.

<sup>c</sup> For a couple with two identical work incomes and total family income between \$40,000 and \$180,000.

<sup>d</sup> In December 2016, 291,545 licensed childcare spaces were available for 66% of the total population of 444,000 children 0-4 years.

Source: Quebec Ministry of the Family.

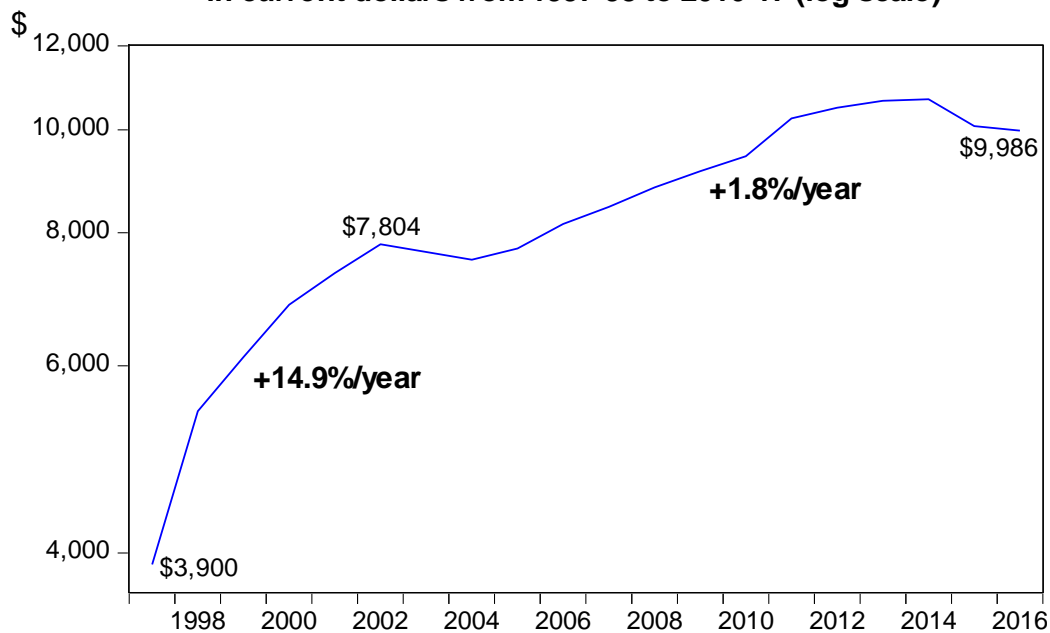
Table 1 summarizes the basic characteristics of these four types of licensed care. It is mostly self-explaining, except for the net after-tax daily cost. The latter is what remains after subtracting government assistance from the before-tax daily cost. Government assistance includes the federal income 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 *garderies* 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, the annual inflation-adjusted cost of provincial direct subsidies per available childcare space has doubled, climbing to \$9,823 in 2016-17. Adding the cost of indirect subsidies, which take the form of the refundable tax credit to users of full-fee private *garderies*, the total cost to the government of all subsidies was \$2.6 billion. An example of cost inflation is the 2008 extension of unionization to family-based childcare workers, which ended up costing the government more than \$1 billion per year.*

In fiscal year 2016-17, the updated cost of the direct subsidies per childcare space to the three types of reduced-fee providers (CPE, family-based and reduced-fee private *garderies*) was \$9,986 dollars. This was 2.6 times larger than the 1997-98 cost of \$3,900 (current dollars). (I use current dollars to avoid the complication of having to select a price deflator.) The implied average growth rate of the cost per space was 5.1% per year from 1997 to 2016.

**Chart 1**  
**Quebec provincial government subsidy per childcare space**  
**in current dollars from 1997-98 to 2016-17 (log scale)**



Sources: Quebec Ministry of the Family and Treasury Board Secretariat.

Chart 1 shows that it would be totally mistaken to conclude on that basis that the childcare budget was out of control over these 20 years.

Two periods can be clearly discerned. In the first 5 years (1997-98 to 2002-03), the childcare system was under initial construction. The cost per space shot up by nearly 15% per year. A main reason was that the percentage of spaces that were eligible for direct subsidies among reduced-fee providers increased progressively as children of various ages became successively covered by the program between September 1997 and September 2000. In addition, basic quality standards concerning personnel qualifications, child-staff ratios, class sizes, physical areas, etc. were set and many new centres were established progressively. All this led to the doubling of the cost per space from \$3,900 to \$7,804.

In sharp contrast, the cost of subsidies per space increased by a modest 1.8% per year (again, in current dollars) over the following 14 years (2002-03 to 2016-17). Government cost control relied mainly on the increase in the flat parental fee from \$5 in 1997-2003 to \$7 in 2004-2014, and on the indexed fee schedule rising with family income that was introduced in 2014-15. The rest resulted from prudent management by individual childcare centres.

Crucially, wage growth in Quebec's childcare sector was moderate. Statistics Canada's monthly Survey of Employment, Payrolls and Hours indicates that, from 2001 to 2016, the weekly wages of childcare workers increased in line with the provincial economy's average, at 2.3% per year.

The *FI Bulletin* reports that, following the 2008 extension of unionization to family-based childcare workers, there was a large once-over wage increase for this group. This "jump" in wages occurred in 2011. The cost of this wage settlement was seven times smaller than the wacky figure of \$1 billion fancied by the two FI authors. The exact figure published by the 2015-16 Annual Report of Quebec's Ministry of the Family was \$147 million.

The cost of direct subsidies to the three reduced-fee types of childcare in 2016-17 was \$2.3 billion. The cost of indirect subsidies – the refundable tax credit for users of full-fee private *garderies* – is unknown, but an estimate of about \$200 million would seem reasonable. The total cost of direct and indirect subsidies in 2016-2017 must therefore have been some \$2.5 billion.

Does a cost of \$2.5 billion make Quebec's childcare program "expensive", as stated by FI? This is certainly a large sum of money, worth about 0.6% of the province's gross domestic product (GDP). But 0.6% of GDP is just about equal to the current OECD average for the share of GDP that governments of member countries allocate to early childhood educational development (OECD 2016, Table C2.3). The percentage is in fact higher than 0.6% in countries such as Denmark, Finland, Germany, Iceland, Israel, New Zealand, Norway, Spain and Sweden. The OECD (2007) argued that "the case can be made that 1% of GDP is a minimum figure if adequate quality is to be maintained." Whatever the case may be, Quebec's 0.6% is definitely not outlandish.

Expensiveness of a program cannot be assessed in the abstract. It has to be determined relative to the benefits that are said to be 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 FI authors answer these questions negatively. Let us examine their arguments.

## **FI Statement #2**

*The introduction of Quebec's childcare program in 1997 coincided with the full implementation of the 1996 reform of employment insurance (EI) across the country. Therefore, it is likely that the quantitative estimates that are available have to a significant extent confounded the positive impact of the new childcare program on mothers' labour force participation with the increase stemming simultaneously from the EI reform, which was particularly large in Atlantic Canada and Quebec.*

This statement is directly contradicted by every result from the research literature. The quantitative estimates of the impact of Quebec's childcare program on mothers' labour force participation are based on research done by three teams of labour economists. One is from the University of Quebec at Montreal (Lefebvre and Merrigan 2008; Haeck et al. 2015), another is a trio from the University of Toronto, the Massachusetts Institute of Technology and the University of British Columbia (Baker et al. 2008), and a third is from Queen's University (Kottelenberg and Lehrer 2013).

They all found that the Quebec reform had had a large causal impact on mothers' employment. Their unanimous verdict was reached by exploiting the detailed information contained in repeated individual interviews from two major longitudinal surveys conducted by Statistics Canada over the 15-year period 1994-2008. The behaviour of mothers from Quebec and other parts of the country were finely compared. The impact of the program on mothers' employment was identified through careful procedures meant to isolate its own effect from those of the many other factors that would operate simultaneously on women's employment at the time, such as the personal characteristics of respondents, the size of the community of residence, province-specific unemployment rates, and economy-wide influences such as the EI reform of 1996, the introduction of the National Child Benefit Supplement in 1998, and the highs and lows of the business cycle. Additionally, UQAM researchers found that the effect of the Quebec program on mothers' employment was long-term. If a mother used childcare while working before her child began school, then she was more likely to be at work later, after the child had entered school (Lefebvre et al. 2009).

All the studies were peer-reviewed and published in reputable scientific journals. The unanimity of conclusions from these multiple independent sources constitutes compelling evidence that a significant share of the increase in Quebec mothers' labour force participation since 1997 can indeed be attributed to the low-fee universal childcare system introduced in that year. The straight conclusion, as the UQAM team put it, was that Quebec's childcare reform had had a "large, significant and persistent" impact on the labour supply of mothers and that, far from being surprising, this result was "comparable to those of similar comprehensive reforms in countries such as Norway, Spain and Germany."

In Fortin et al. (2013), University of Sherbrooke colleagues and I interpreted these findings as implying that in 2008 there were some 70,000, or 3.8 per cent, more Quebec mothers in employment than there would have been without the childcare reform. This could account for

about 60 per cent of the increase in the employment rate of Quebec women 20-44 years from 1997 to 2008.

The FI suggestion that the studies overestimated the impact on mothers' labour force participation because of the confounding impact of the EI reform of 1996, which in addition could have affected Quebec and Atlantic Canada more than other regions, is therefore unfounded. The estimates from academic research were purified not only of the broad national effect of the EI reform, but also of its possibly-different effects on the various regions as captured by changes in province-specific unemployment rates and various community sizes.

### **FI Statement #3**

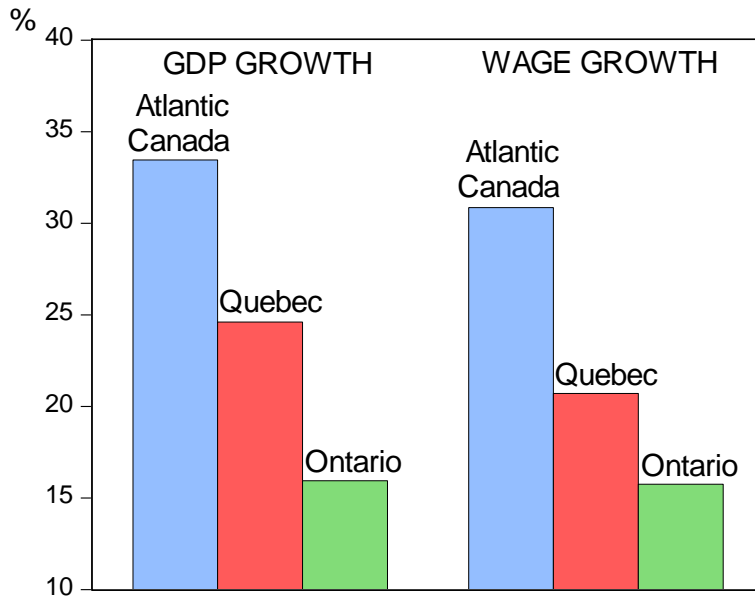
*More generally, since 1997 the labour force participation rate of women of child-rearing age has increased at least as much in Atlantic Canada as in Quebec, in spite of there being no subsidized childcare program in the Eastern provinces. This suggests that similar economic forces have been at play in the two regions. There is no need to rely on the childcare program to explain any significant part of the increase in Quebec women's labour force participation.*

This is an obvious fallacy. If employment increases as fast in Florida as in Texas following an oil boom in the latter state, can one pretend that oil has had nothing to do with job growth in Texas based on the fact that there is no oil in Florida? Of course not. It is entirely possible – we have seen this in the past – that a housing boom has lifted Florida's economy at the same time as the oil boom has propelled economic growth in Texas, and that these two occurrences have generated fast employment growth simultaneously in the two states. Similarly, women's labour force participation rate may have increased after 1997 in Quebec due to the childcare program, and increased as much in Atlantic Canada due to another factor that would have been specific to this region and unrelated to childcare.

What could this factor be? Essentially, more vigorous economic growth and faster wage growth in Atlantic Canada than in Quebec and Ontario. The left-hand panel of Chart 2 shows that, cumulatively from 1998 to 2014, constant-dollar GDP per working-age adult increased by 33% in Atlantic Canada, but only by 25% in Quebec and 16% in Ontario. It is well-known that the fulcrum of economic growth in the Atlantic provinces was the oil boom in Newfoundland-and-Labrador. But it is also true that each of the three Maritime provinces, and not only Newfoundland-and-Labrador, did better than Quebec and, a fortiori, Ontario. The employment rate grew in St. John's, Halifax and Saint John, but it suffered setbacks in Toronto and Hamilton. In labour markets, according to the right-hand panel of Chart 2, the real purchasing power of women's wages also increased faster in every Atlantic province (+31% on average) than either Quebec (+21%) and Ontario (+16%).

Economic and labour market performance was therefore much more dynamic in Atlantic Canada than in Central Canada through the 1998-2014 period. Employment and earnings opportunities created strong incentives for women to join and remain in the labour force.

**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 in Atlantic Canada, Quebec and Ontario**

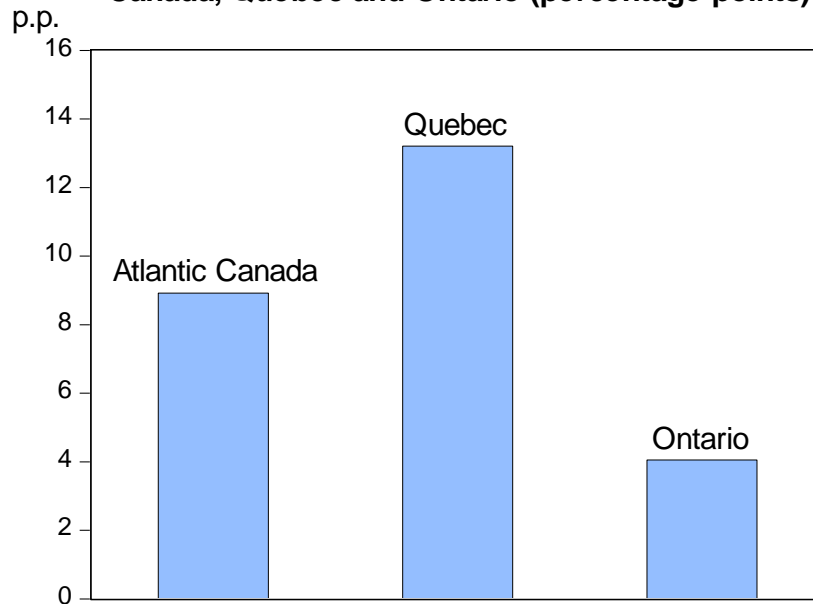


Source: Statistics Canada.

It is instructive to compare the labour force behaviour of women of child-rearing age in Atlantic Canada and Ontario over 1998-2014, because in none of these two regions of Canada did 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 ebullient in Atlantic Canada than Ontario during this period.

The “anomaly” in Chart 3 is Quebec. According to Chart 2, its economic and labour market performance over 1998-2014 was less dynamic than that of Atlantic Canada, but more than that of Ontario. Absent the low-fee universal childcare system, it would have therefore been natural to expect that the increase in the labour force participation rate of Quebec mothers would have been somewhere between the 4-point increase for Atlantic Canada mothers and the 9-point increase for Ontario mothers. But there was instead a surge of 13 points for Quebec mothers.

**Chart 3**  
**Increase in the labour force participation rate of mothers of children aged 0 to 5 years from 1998 to 2014 in Atlantic Canada, Quebec and Ontario (percentage points)**



Source: Statistics Canada.

Put together, the facts pictured in Charts 2 and 3 constitute fairly convincing evidence that “something different” exerted an important influence on maternal labour force participation in Quebec. The most direct and definitive proof that this “something different” was the province’s childcare program obviously remains that based on the scientific publications I have referred to above. The point here is that this proof is not contradicted at all by the “alternative facts” that the FI authors have put forward, based on the simultaneity of the EI reform impact and the similar evolution of women’s labour force participation in Quebec and Atlantic Canada.

#### **FI Statement #4**

*Even if studies have generally found a positive effect from the Quebec childcare program on maternal labour force participation, the best available evidence suggests that it did not do so on nearly a large enough scale to result in an increase in tax revenue that covers the significant fiscal costs associated with delivering the program. For example, one study (Baker et al. 2008) estimated that approximately 40% of the gross cost of the childcare subsidy is recovered by the increases in personal income and payroll taxes and the decrease in child benefits generated by the subsidy. So much for the claim that Quebec-style childcare programs can “pay for themselves”.*

The claim that the Quebec childcare program was “paying for itself” was made in the study that University of Sherbrooke colleagues and I did of its impact on mothers’ employment, provincial GDP, and federal and provincial fiscal balances (Fortin et al. 2013). Since the FI authors do not seem to be aware of what we did, let me describe how we reached this conclusion.

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 0-5 years and 28,000 mothers with children 6 years and older. In the latter case, we wanted our estimate 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 of the program on mothers' employment lasted beyond their children's preschool years.

Our second step was to figure out by how much this greater willingness of mothers to work – a big “shot in the arm” for the aggregate supply of labour – would increase provincial GDP in general economic equilibrium (as done in Blanchard 2000, for instance). Combining information on hours worked, work experience and educational attainment with standard macroeconomic techniques led us to calculate that Quebec's GDP would be some \$5.1 billion larger as a result of the new program being delivered. Crucially in this context, the economic impact included not only the direct value of the additional labour supplied by the mothers, but also the revenue generated by the additional business investment in buildings, machinery and equipment that was necessary to employ these new women productively.

Our third step was to calculate the impact of the new program on federal and provincial government income and expenditure. On the cost side, in 2008, the provincial government spent \$1.80 billion in direct subsidies. Based on childcare expenditure trends in other provinces, we estimated that, without the new program, the cost of subsidies to the government would have been about \$570 million in that year. This meant that the province had to pay \$1.23 billion in additional subsidies over what a non-universal targeted system – of the kind that existed in Quebec pre-1997 and was still in operation elsewhere in Canada in 2008 – would have required. It was this net addition of \$1.23 billion to the cost of childcare subsidies, not the entire gross program cost of \$1.80 billion, that generated and supported the rise in mothers' participation in the labour force and was the source of impact on government finances.

On the net revenue side, three consequences followed the introduction of the new childcare program. First, less fiscal expenditures: users of low-fee childcare were cut out of the provincial refundable tax credit, and the low childcare fee implied a smaller cost of the childcare expenses deduction for the federal government. Second, more tax revenue: 70,000 more mothers at work and the \$5.1 billion increase in GDP generated more personal and corporate income taxes, payroll taxes, consumption taxes (GST, PST, gasoline taxes, etc.), local taxes and government enterprise revenue. Third, less transfers: more mothers at work and higher family incomes meant fewer social assistance recipients and lower child benefits.

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 (\$2,151M) exceeded the total increase in expenditure (\$1,232M) by \$919M, 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 (\$673M) than for the province (\$273M), given that the latter carried the entire cost of the program.

**Table 2. Estimated impact of Quebec’s low-fee universal childcare program on federal and provincial governments’ revenue and expenditure in 2008 (millions of dollars)**

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).

The *FI Bulletin* correctly noted that these results seem to conflict with the finding by Baker et al. (2008) that only 40% of the gross cost of the childcare subsidy – their exact estimate was 38% – could be recovered by the increases in personal income and payroll taxes and the decrease in child benefits. Since the gross program cost in 2008 was \$1.8 billion, the Baker et al. 38% estimate implies that some \$685 million would have been recovered in that year, whereas our estimate of fiscal feedback in Table 2 is \$2,151 million, or three times as much.

Three omissions by Baker et al. explain that the \$685 million impact derived from their estimate of 38% for the fiscal feedback was so small compared to ours. First, they excluded from consideration any impact of the childcare program on government revenue other than the increases in personal income taxes and contributions to social insurance plans and the decrease in child benefits. Our own calculations for the magnitude for these elements was \$691 million, that is, very close to the \$685 million estimate based on their 38%. Baker et al. neglected any effects on other types of revenues, transfers and fiscal expenditures. This is a major omission since, for example, a sizable fraction of family incomes winds up in large household expenditure items such as consumption and local taxes. Second, Baker et al. did not take into account, as we did, that the program’s impact on mothers’ employment was long-term and lasted beyond their children’s preschool years. This important finding by Lefebvre et al. (2009) on persistence past the age of entry in school came out a year after the Baker et al. paper had been published (2008). Third, Baker et al. did not allow for the additional increase in provincial GDP that would follow from investment in productive capacity and would from there generate more tax revenue from corporate profits and capital income.

In other words, the FI authors are mistaken to view the Baker et al. estimate of 40% as a definitive evaluation of the comprehensive feedback from the childcare program onto government budgets. It was a good study, a good first step in this direction, but just a first step. What we did, essentially, was to complete their endeavour to its end.

**FI Statement #5**

*From 1997 to 2016, the labour force participation rate of women above 55 years of age increased more quickly than that of women of typical child-bearing age. This suggests that a large share of the increase in labour force participation stemmed from causes such as the reform of EI and may be wrongly attributed by some to subsidized childcare.*

The data in Table 3 show that the FI authors’ argument here makes no sense at all. They realized that between 1997 and 2016 the labour force participation rate of the older group (55 and over) doubled, or increased by 100% (going from 14% to 28%), while that of the younger group increased by only 12% (going from 76% to 85%). This is what led them to conclude that the older group had done better than the younger group. But this is mathematically absurd. According to the criterion used to judge the race, for the younger women to win their participation rate would have had to more than double between 1997 and 2016, which means it would have had to exceed  $76\% \times 2 = 152\%$  in 2016 – an impossible outcome.

**Table 3. Labour force participation rate of Quebec women aged 20 to 44 and 55 years and over in 1997 and 2016**

Year	Age group	
	20-44	55+
1997	76%	14%
2016	85%	28%

Source: Statistics Canada.

The contrary statement, that the younger group has in fact done much better, is easy to argue and makes sense. In 1997, 24 out of 100 members of the 20-44 group did not participate in the labour force. In 2016, only 15 remained out of it. Therefore, during this 19-year period, 9 of the 24 non-participating members, or 38%, decided to go for a job. A similar calculation shows that 86 out of 100 members of the 55+ group were not in the labour force in 1997, but that 14 of these 86, or 17%, had joined it by 2016. Clearly, the younger group was better able than the older group to put its non-participating members to work between the two years.

The second sentence of Statement #5 is therefore a non sequitur. There is no question that many causes are behind the trend increase in the labour force participation of younger as well as older women, possibly including EI reform. But there is nothing in the first sentence of the statement to “suggest” that low-fee childcare was not one of these causes. The FI authors’ reference to the 55 and over age group is also particularly confusing because so many factors have impacted simultaneously on its connection with the labour market in recent decades, such as demographic change, rising educational attainment, norms and regulations concerning retirement, and the rising rates of separation and divorce. One cannot extract the truth about the older group by relying on simplistic alternative facts and correlations.

### **FI Statement #6**

*Quebec’s childcare program reduced the labour supplied by fathers. While few fathers dropped out of the labour force, they did reduce the intensity of their work (Stalker and Ornstein 2013).*

This is not what Stalker and Ornstein said. What they found was not at all that fathers “reduced the intensity of their work”. They showed that, following the 1997 introduction of the new childcare program, relative to the rest of Canada the policy resulted in a shift in the proportion of Quebec families using the traditional household strategy (father works full-time, mother does not work, and she does more childcare) towards a strategy in which fathers remained largely employed full-time, mothers worked, and childcare was more equally shared. In private

exchange, Professor Stalker stated to me: “It is inaccurate to suggest that there is a general secular trend toward less investment in paid labour among fathers as a result of the policy. I do not see how the Fraser Institute's citation of our work meaningfully represents the central conclusions of our paper.”

Confirmation recently came from the detailed longitudinal study of Quebec’s childcare program conducted by Haeck et al. (2015) I have referred to above. They reported that their estimated effects on fathers’ annual weeks worked (as well as on their labour force participation) were “rarely significant and relatively small.”

**FI Statement #7**

*The labour force participation rate of women of child-rearing age was lower in Quebec in 1997 than it is in any province in Canada today. It would therefore be a mistake to assume that the introduction of a childcare program based on the Quebec model in any province today would have as big an impact on women’s employment rates as Quebec’s program did in that province 20 years ago.*

This is a non sequitur statement. To see what is at stake, Table 4 compares the increases in the labour force participation rates of women 20-44 years in Quebec and in other provinces in the pre- and post-reform periods 1976-1997 and 1997-2016.

**Table 4. Labour force participation rate of women aged 20 to 44 years in 1976, 1997 and 2016 in Quebec and in all other Canadian provinces**

Region	1976	1997	2016
Quebec	54%	76%	85%
All other provinces	60%	78%	80%

Source: Statistics Canada.

In the 20-year period 1976-1997, the labour force participation rate of young women increased rapidly in every region of Canada. The differential between women in Quebec and elsewhere shrank slowly. It declined from 6 points in 1976 (54% vs. 60%) to 2 points in 1997 (76% vs. 78%). In the last 20 years, women’s participation rates increased by 9 points in Quebec (to 85%), but by only 2 points in provinces other than Quebec (to 80%). In 2016, the regional detail was 82% in the Atlantic provinces, 79% in Ontario, and 80% in the Prairie provinces and British Columbia.

What would Quebec women’s participation rate have been in 2016 without the childcare program? If the estimate that the program brought 70,000 more mothers in employment in 2008 is adapted to produce an estimate of their labour force participation rate in 2016 (taking the unemployment rate and population growth into account), the straightforward answer to this question is: 79%, or 6 percentage points lower than the actual 85%. So, the second sentence of the above FI Statement amounts to denying that, if a childcare program based on the Quebec model had also existed in other provinces in 2016, the labour force participation rate of young women 20-44 years there could have been 86% instead of 80% on average. This is a very dubious position to take: if Quebec women were able to achieve 85%, it is hard to figure what could have



stopped women in other parts of Canada to achieve 86% if they had benefited from the same degree of affordability of childcare as the former.

### **FI Statement #8**

*There is substantial evidence that Quebec's childcare program has not improved the cognitive development of children and that it has brought about significant negative outcomes in terms of their non-cognitive development.*

Enhancing child development is one of the two basic objectives of Quebec's *Educational Childcare Act* of 1997. The above statement by the FI authors suggests that the childcare program has not met this core commitment. Their assertion is incomplete and misleading because they ignore some major recent advances in research on the development of Quebec children.

In the research literature, there are two major sources of information on the effects of Quebec's childcare program on child development: (1) studies by economists on child development outcomes based on the biennial National Longitudinal Survey of Children and Youth (NLSCY) that Statistics Canada did from 1994 to 2008, and (2) studies in psychology, psychiatry and medicine on the performance of the early childhood centres (CPE) network based on longitudinal and cross-section surveys. The FI authors focus their comments on the negative effects uncovered by some of the economic studies and ignore the second set of studies entirely.

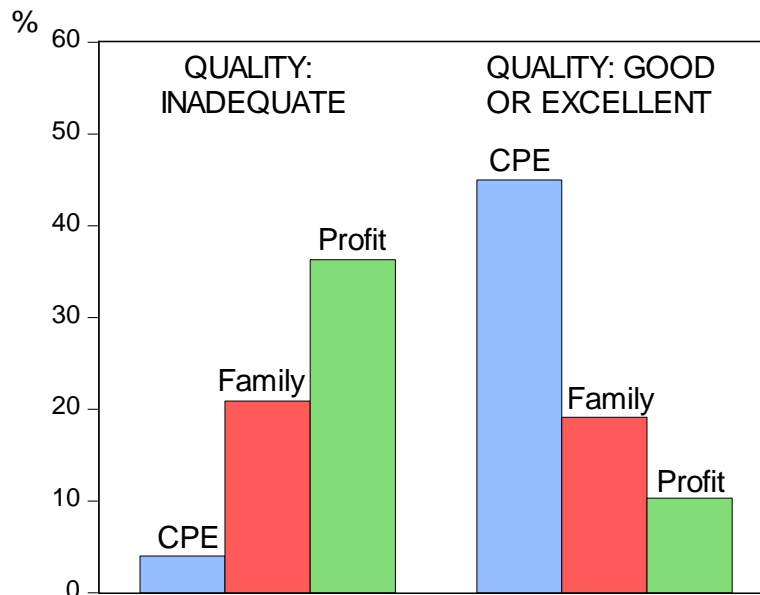
Economists Baker et al. (2008, 2015), Brodeur and Connolly (2013), Kottelenberg and Lehrer (2013, 2016, 2017) and Haeck et al. (2015) studied the effects of the childcare system as a whole on outcomes such as vocabulary, health, motor and social development, inattention, anxiety and aggression, and parental well-being. Results were widely dispersed, sometimes positive and often negative, depending on family type, family income, child gender and estimation method. Kottelenberg and Lehrer and Haeck et al., in particular, emphasized that this heterogeneity of outcomes was to be expected, given that average effects on child development result from a sample of children that are widely distributed across many dimensions, for example the quality of the care they receive and the type and quality of care that can be reasonably considered as their best alternative.

The FI authors fail to report on the detailed investigation of child outcomes that was done recently with the NLSCY survey by UQAM researchers (Lebihan et al. 2015). The latter found that the childcare program had some negative non-cognitive effects on children 1-4 years up to 2006, but that these negative effects became smaller over time and eventually turned insignificant by 2008. As children got older (5-6 and 7-9 years), most negative effects tended to disappear. The researchers speculated that the negative short-term effects until 2006 may have reflected not only the impact of childcare per se, but also the rapid deployment of a large-scale childcare network, which was completed by 2006. Then, as the network stabilized, the effects may have been different.

Also ignored entirely by the FI *Bulletin* and by the economic studies themselves is research published in scientific journals specialized in psychology, psychiatry and medicine on the performance of the early childhood centres (CPEs) network. As Table 1 has indicated above, CPEs, family-based care and for-profit (reduced-fee or full-fee) private *garderies* each account

for about a third of childcare spaces. Crucially, as indeed suspected by Kottelenberg and Lehrer and by Haeck 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 care providers. As Chart 4 shows, it is more often “good or excellent” in CPEs, but more often “inadequate” in family-based care and for-profit *garderies*.

**Chart 4**  
**Per cent of Quebec children 18-66 months attending care of either inadequate or good/excellent quality, in three types of care**



Note: "CPE" = early childhood centres (in 2014); "Family" = licensed family childcare (in 2003); "Profit" = for-profit full-fee *garderies* (in 2014).

Source: Institut de la statistique du Québec (2004 and 2015).

The measurement of the quality of childcare (e.g., Harms et al. 2004, Japel 2016) is based on structure and process. Structure involves health and safety, physical environment, child-staff ratios and group sizes, teacher qualifications and experience, and competence of management. Process concerns activities, educational program, interactions with children and interactions with parents. A unanimous finding of the published research in psychology, psychiatry and medical journals is that Quebec’s CPEs deliver very significant positive results for child development (for example, Geoffroy et al. 2010; Herba et al. 2013; I. Laurin et al. 2015; J. Laurin et al. 2015). First, whatever the income levels of their families, the 5-year-olds that 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 large for children from low-income families, and by no means negligible (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. 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.

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, but it absorbs only 1/3 of children. The other 2/3 of children in licensed childcare receive services from family-based caregivers and for-profit *garderies* that are of minimal or inadequate quality on average. This explains that, so far, the results obtained by economists that have studied the effects of the childcare program as a whole based on the longitudinal data of the NLSCY survey imply that child development has not improved on average since 1997.

Second, what these results obtained by economists entail is not a grand conclusion that a low-fee universal system is bad in general for child development, but a reminder that it can be bad if the average quality of services is substandard – a common-sense observation. There is no doubt that the quality of services in Quebec’s particular system needs to be better managed. The challenge is to extend the good quality standards achieved by the CPE network to the rest of the childcare system. This would be a shrewd use of the fiscal surplus generated by the program. This can be done either by expanding the non-profit CPE network itself, or by enforcing better quality standards on private full-fee for-profit *garderies*.

#### **FI Statement #9**

*Access to a licensed childcare space in the Quebec supposedly-universal system is not in fact universal because the problem of waiting lists for spaces in childcare facilities remains.*

This statement is incorrect. Estimates based on official statistics for the fiscal year 2014-15 are reported in Table 5. Among the four types of licensed childcare, there was only 2% excess capacity or less in CPEs and in reduced-fee private *garderies*, but 16% in family-based care and a whopping 43% in full-fee private *garderies*. There was more than enough excess capacity for every parent to get a space somewhere in the system. These estimates are easy to derive from widely available official reports, but the two FI authors chose to rely instead on an obscure CBC report of 2006 pointing to around 35,000 families on waiting lists in the early 2000 period. Things have evolved since. The last line of Table 5 implies that there were about 30,000 available spaces that were unoccupied on average in 2014-15 ( $273,968 - 244,193 = 29,775$ ).

The fact that the excess capacity in CPEs and reduced-fee private *garderies* is a small frictional 2% or less is likely related to the good-to-excellent average quality of this type of childcare, pictured in Chart 4 above. Even if the net after-tax cost of a space in family childcare or in full-fee private *garderies* is about the same as in CPEs, many parents prefer the CPE option when they are aware of the higher quality of services there. They apply for a space in a CPE, and use family or private childcare as a temporary option until they get a favourable answer to their CPE request.

**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 spaces	Excess capacity
Early Childhood Centres (CPE)	88,302	86,536	2,0%
Family-based childcare	91,664	78,831	16,3%
Reduced-fee private <i>garderies</i>	44,760	44,357	0,9%
Full-fee private <i>garderies</i>	49,242	34,469	42,9%
All licensed childcare	273,968	244,193	12,2%

Note: Column (1) is from official Ministry of the Family (MFA) count statistics (average of March 2014 and March 2015); column (2) is from official MFA space occupation statistics, except the number for 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 to full-fee *garderies*.

### FI Statement #10

*Across Canada, lower-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 women's median income in 22 large Canadian cities, licensed childcare is currently four times more affordable in Quebec than elsewhere in Canada (Macdonald and Friendly 2014, updated). This median-based ratio obviously hides the fact that access to childcare services is unequal across income groups, in 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 0-4 years by parents' employment status, childcare profile, and family income quartile**

Parents' employment status and childcare profile	Family income quartile	
	High-income (Q4)	Low-income (Q1)
Parents don't work	8	36
Work, but don't use childcare	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 good-quality 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 good-quality childcare provider in their neighbourhood, or the mix of tax-transfer rules makes it financially more attractive for them to use lower-quality services.

As Table 6 makes clear, a 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 Quebec's.

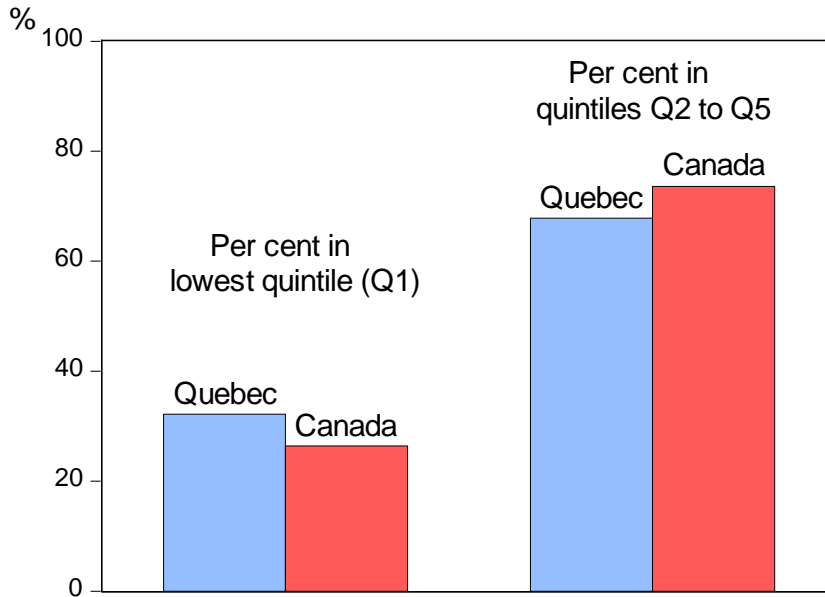
But the FI authors are definitely in error when they suggest that a universal program confers no advantage in caring for the special needs of vulnerable children.

There are two decisive arguments to support low-fee universality. The first, summarized by Chart 5, is that two-thirds of vulnerable children come from middle- to 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 latter is to “catch” all vulnerable children. Only a universal system can aspire to achieve this.

The second argument in support of a low-fee universal system is the one that was made in the above discussion of FI Statement #4. Such 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 additional taxes of all kinds collected by governments come to exceed the additional subsidies and tax credits the province has to pay compared to a non-universal targeted system. Not only does the universal system not add to the burden of taxpayers, but it more than pays for itself.

A low-fee universal program therefore has the potential for providing everything that is required to catch all vulnerable children and to finance better quality of childcare services and the special needs of disadvantaged children at no net cost. It provides the benefits that are necessary to cover the costs. Compared to the non-universal targeted system, it is more effective because it does not leave out the majority of vulnerable children, and it is less costly because it generates fiscal revenue that can more than cover the additional system costs.

**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, Quebec (5 year olds, 2004) and Canada (0-11 year olds, 2000)**



Sources: Willms (2002); Desrosiers et al. (2012); calculations PF.

**FI Statement #11**

*Quebec’s childcare program has been a boon to richer households.*

This sort of anti-rich bias on the part of FI is misplaced. It is good practice to ensure that middle- to high-income households sometimes receive government services at low cost 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 first child is not going to reach school age before they are 33. Viewed in this light, the access of richer young households to low-fee childcare is not a “boon” to them, but a well-earned modest return for their huge contribution 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 needier. This attitude is widespread in North America. Introducing a pinch of Scandinavian “you get what you pay for” into markets for public services is not a bad idea. Access of richer households to low-fee childcare, which may or may not be combined with a modest increase in fee with income, is a natural implementation of this

principle. In fact, a universal childcare system can be viewed as the very first component of our free public school system, which is universally accessible to the “not-so-poor”. This approach to early childhood education and care further encourages peer effects and social mixity across income classes early in life. Furthermore, the presence of middle- and high-income parents in a low-fee childcare system helps establish and maintain good-quality childcare and prevents the stigma that is too often associated with “programs for the poor”.

As experience with Quebec’s low-fee universal childcare program has developed, it has become clear that access of college- and university-educated young families to the program has been key to whatever success it has achieved so far. For one, two-thirds of all vulnerable children in society are their children. For two, their participation in the program is a main reason that the response of the labour force participation of mothers has been so large, significant and persistent and hence that the program more than pays for itself (Haeck et al. 2015; Fortin et al. 2013).

### **FI Statement #12**

*Evidence from studies in the United States has shown that cognitive gains from centre-based childcare participation tend to fade out quickly over time, and are gone nearly entirely by the third grade. It is therefore unrealistic to expect long-term human capital returns from investment in childcare based on the Quebec model.*

Bizarrely, the only U.S. reference on which the FI authors rely is a 2002 NICHD study that contains no discussion at all of the fade-out phenomenon. Let me compensate by referring to the comprehensive summary of the long-term effects of centre-based childcare participation in the United States published recently by Elango et al. (2016). These authors show that the two small-scale demonstration projects with long-term follow-up of cognitive abilities – the Perry Preschool and Carolina Abecedarian Projects – do have statistically significant positive cognitive outcomes that persist into adulthood. However, they confirm that studies of the large-scale project Head Start have indeed found that the early positive effects on IQ have faded out by high school years. This evidence must no doubt be taken at face value, but it could be specific to the U.S. context, where the quality of public schools attended by so many disadvantaged children is mediocre (see Currie and Thomas 1995).

What is the evidence on Quebec’s young (20-year-old) childcare program in this respect? So far, what has been learned from initial studies of the persistence of cognitive gains from participation in this program differs from the U.S. evidence. Based on the Quebec Longitudinal Survey of Child Development (QLSCD), Geoffroy et al. (2010) found that the 12-year-olds (grade 6) from low socioeconomic status families who had been in centre-based care (mostly CPEs in the sample) had cognitive outcomes that were (1) significantly better than if they had not attended CPEs, (2) even better if attendance had been intensive (around 40 hours per week), and (3) similar to those from adequate socioeconomic status families if the CPEs had been attended early (from 18 months old). These results were confirmed by J. Laurin et al. (2015), who showed with the QLSCD survey that early participation in centre-based childcare can eliminate the social inequalities in academic performance at least up to early adolescence.

There is no question that the FI authors lacked the evidence basis to conclude that “it is unrealistic to expect long-term human capital returns from investment in childcare based on the

Quebec model.” Of course, this negative assessment of FI by no means implies that there is no progress to be made to improve the average quality of the program and its responsiveness to the special needs of disadvantaged children.

## **Conclusion**

This *Research Bulletin* is an affront to the standards promised by the Fraser Institute’s website, according to which “careful, accurate and rigorous measurement” is the foundation for its work, and the source of its data is “always provided.” The twelve arguments made in support of its view that Quebec’s childcare program is “flawed” do not hold water. Measurement is often careless, inaccurate, negligent, absent or mathematically absurd. Many sources are anachronistic, contrarian or unrelated to the argument, irrelevant, misinterpreted or missing. Simple correlations are fallaciously taken as identifiers of cause and effect.

All in all, a policy analysis disaster.

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