

What can we learn from Quebec's 20-year-old child care reform?

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Apertura

“Economists often don’t take politics into account. As a result, their advice often falls on deaf ears or is seen as impractical.”

Noah Smith

“Detailed institutional knowledge matters.”

Gordon Cleveland

Interdisciplinary handshake

Neuroscience: early years are critical for permanent brain development (Marmot, Mustard)

Psychologists: cognitive/behavioural vulnerability in early years has a strong tendency to persist in later years (Offord, Tremblay)

Economists: investment in early childhood is the most profitable investment in education (Romer, Heckman)

Politics

Large addition to government expenditure

Harder than an effortless increase in child benefits

Fragmented vs. concerted social setting

Partisan polarization of political parties

Federal-provincial bickering

The Educational Childcare Act

• **According to this Quebec *Act*, three objectives are pursued:**

1) **"ensure the health and safety of the children [and] foster their development and well-being"**

2) **"particularly those...who live in a precarious socio-economic situation...and provide them with equality of opportunity"**

3) **"take into account the needs of parents, particularly their need to reconcile their parental and professional responsibilities"**

Four types of regulated care

	<u>CPE</u>	<u>Family-</u> <u>based</u>	<u>Private <i>garderies</i></u>	
			<u>LF</u>	<u>FF</u>
Centre-based?	Yes	No	Yes	Yes
For-profit?	No	No	Yes	Yes
Low-fee?	Yes	Yes	Yes	No
Provincial RTC?	No	No	No	Yes
Federal deduction?	Yes	Yes	Yes	Yes
Share in 2016	32%	32%	16%	20%

- In March 2016, 285,315 regulated child care spaces were available for 64% of the total 0-4 population

Evolution of fees

- The fee charged by directly-subsidized providers was:
 - a flat \$5/day from 1997 to 2003
 - a flat \$7/day from 2004 to 2014
 - indexed to the COL beginning in 2014
 - set between \$7.30 to \$20/day depending on family income in 2015
- Full-fee private *garderies* are indirectly subsidized through a provincial refundable tax credit (RTC) for users that was introduced in the early 1990s, and then enhanced and set to decrease from 75% to 26% (median is 60%) with increasing family income in 2009
- Standard contract is for 10 hours/day, 261 days/year
- There is open "competition for children"

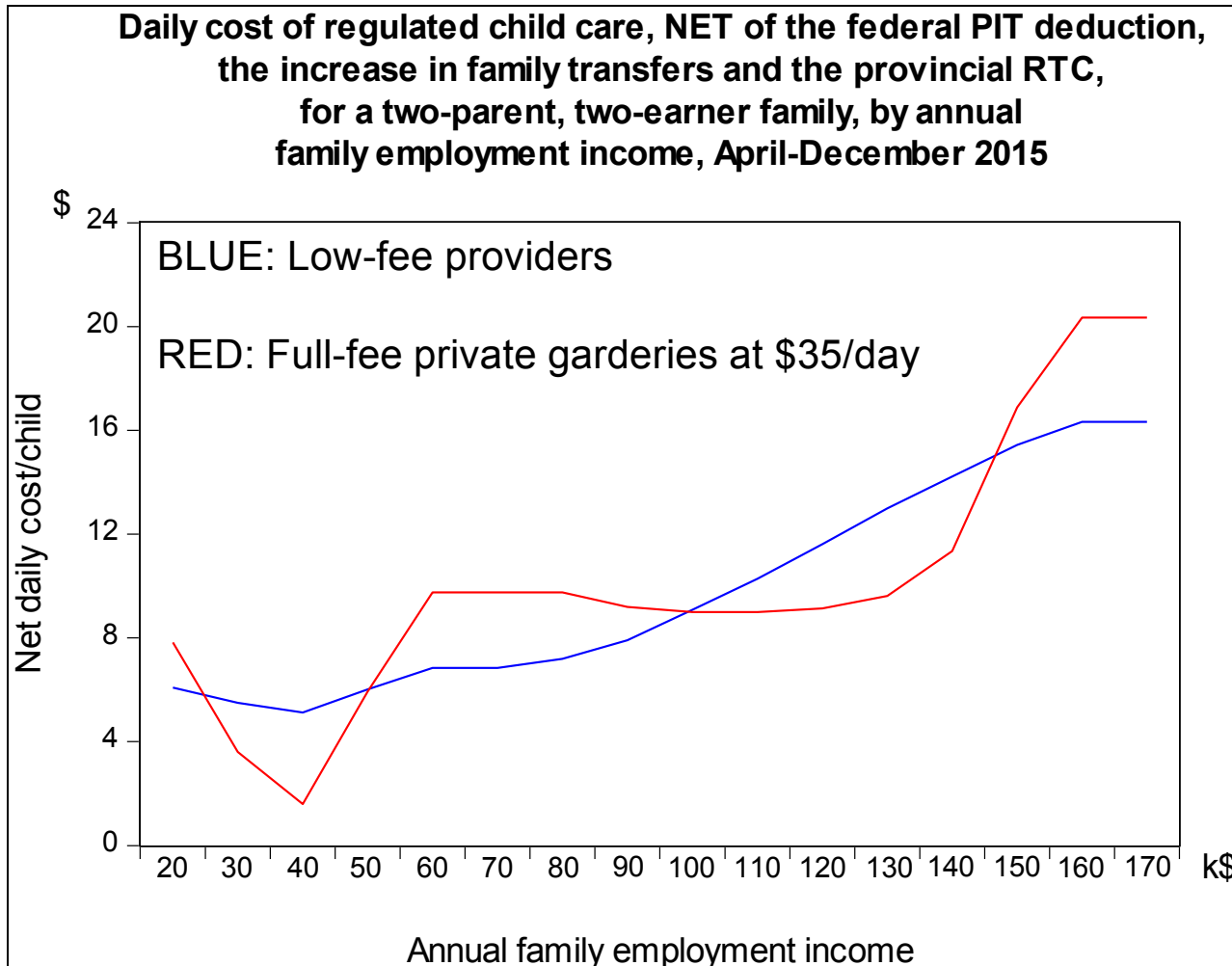
Net daily cost in 2016

	<u>Low-fee</u>	<u>Full-fee</u>
1 Payment "at the gate"	\$7.55	e.g., \$35
2 Additional payment via provincial PIT	Between \$0 and \$13.15	No
3 Provincial RTC	No	Between 75% and 26%
4 Federal PIT deduction	On \$7.55 to \$20.70	On \$35
5 Increase in federal transfers due to lower net family income	Yes	Yes
6 Final net daily cost	1+2-4-5	1-3-4-5

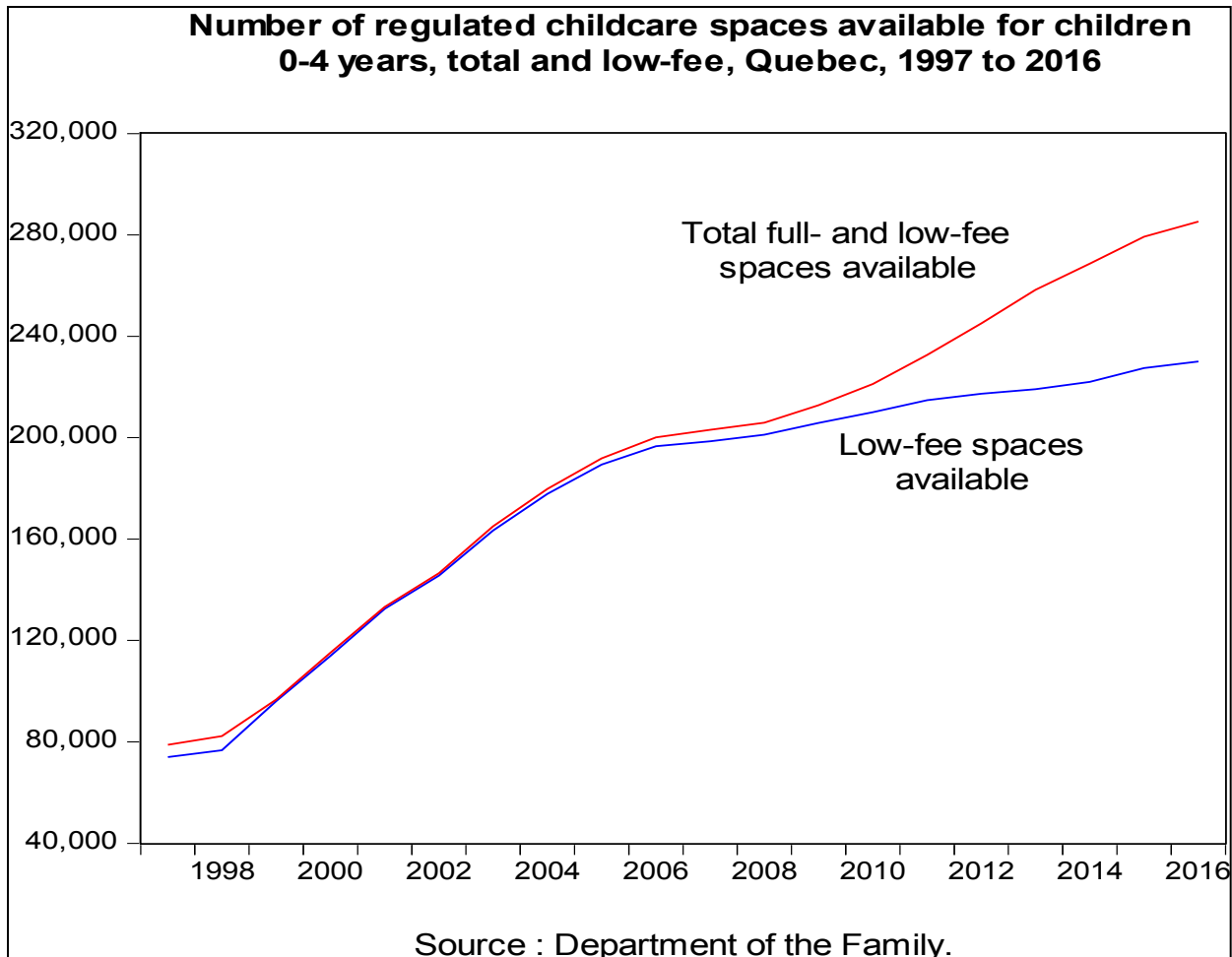
Control of system costs

- **RTC for users of full-fee *garderies* was raised in 2009**
- **Low fee for subsidized care was increased and set according to an income sliding rule in 2015**
- **Each time, the goal was to entice parents to move from low-fee subsidized care to full-fee-with-RTC care**
- **The government could save money since the subsidy paid for a low-fee space (\$45/day) is larger than the cost of the RTC for a full-fee space (\$21/day)**
- **Also, subsidies to low-fee providers were restricted in successive expenditure budgets**

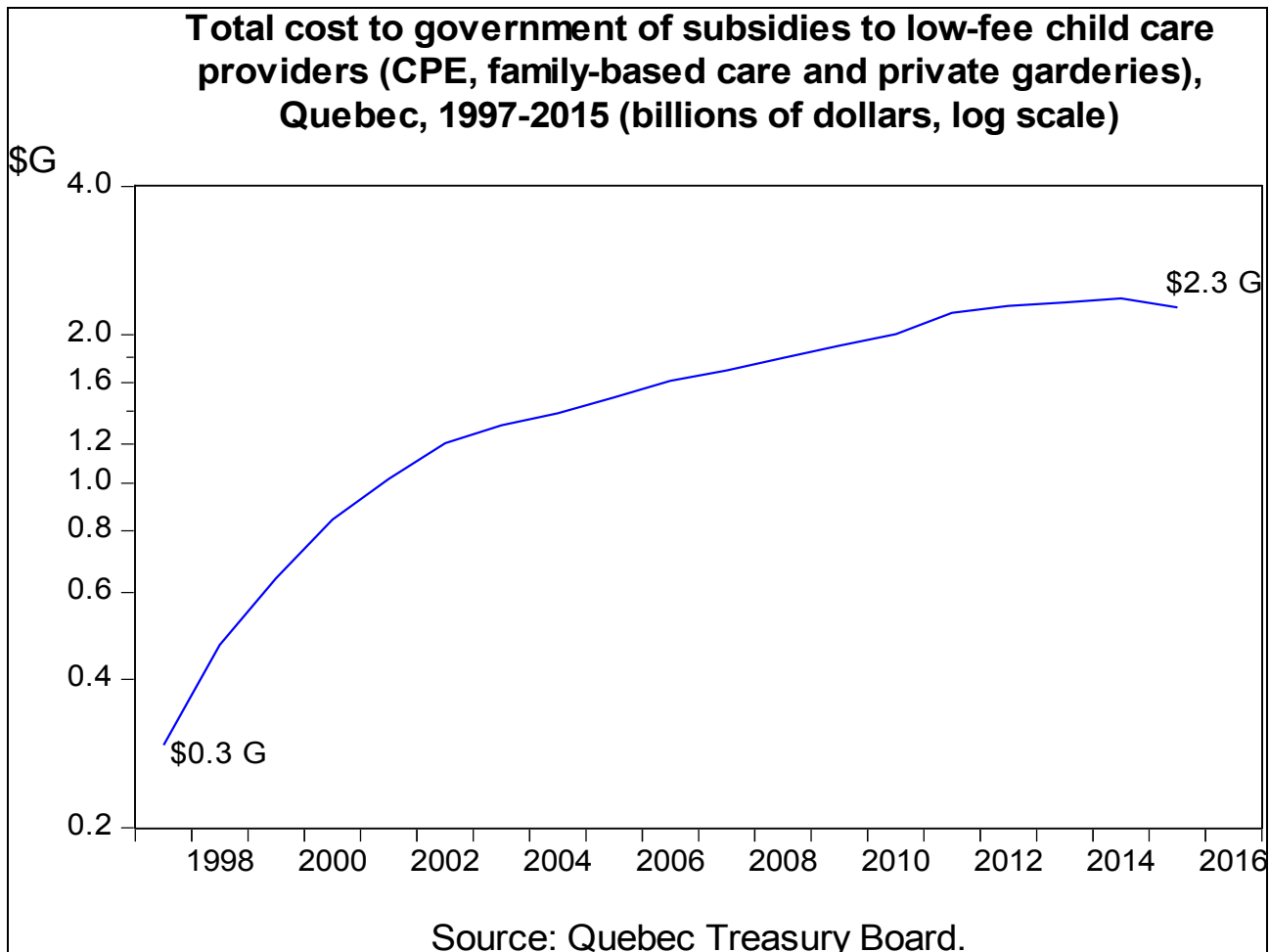
The "snake"



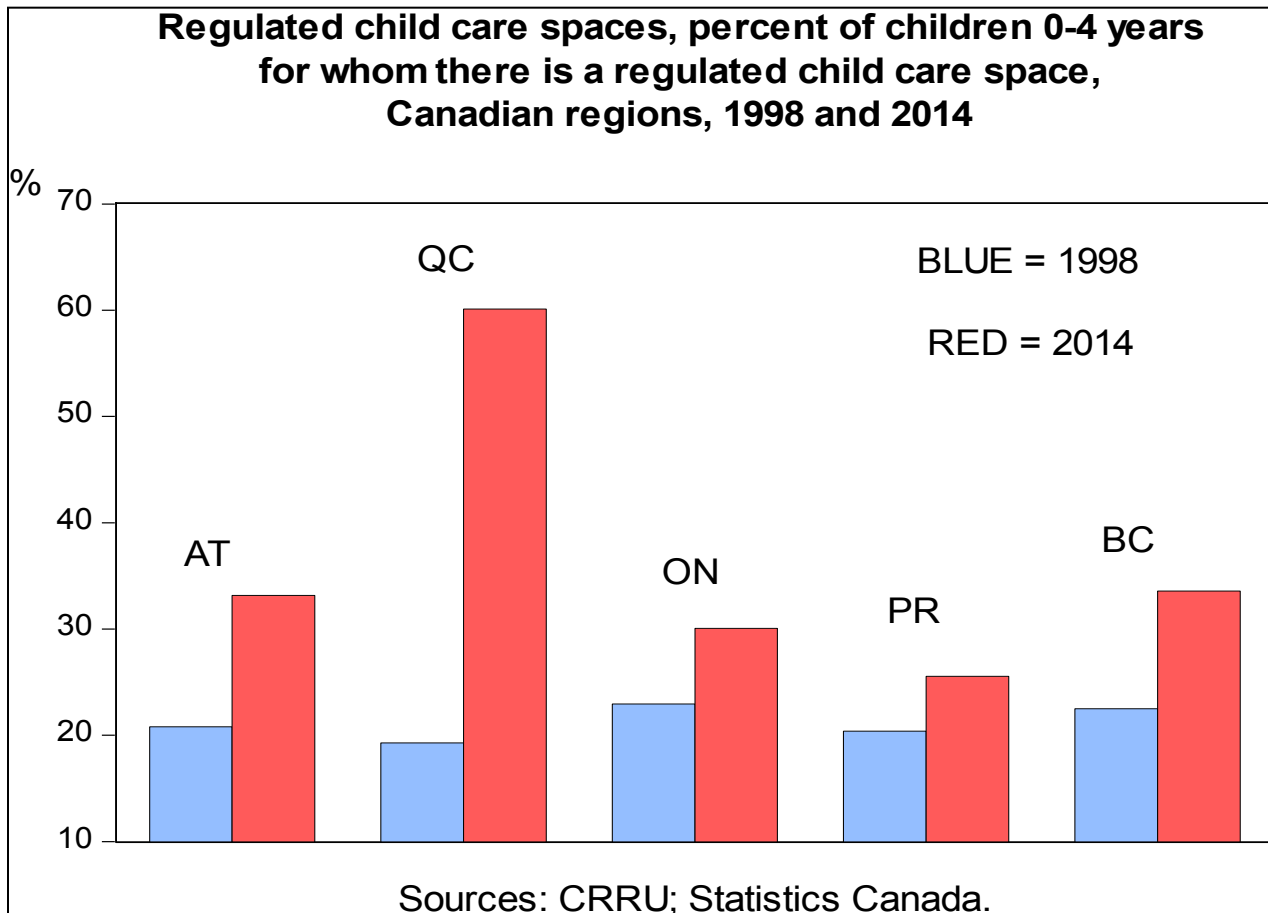
Child care utilization in QC



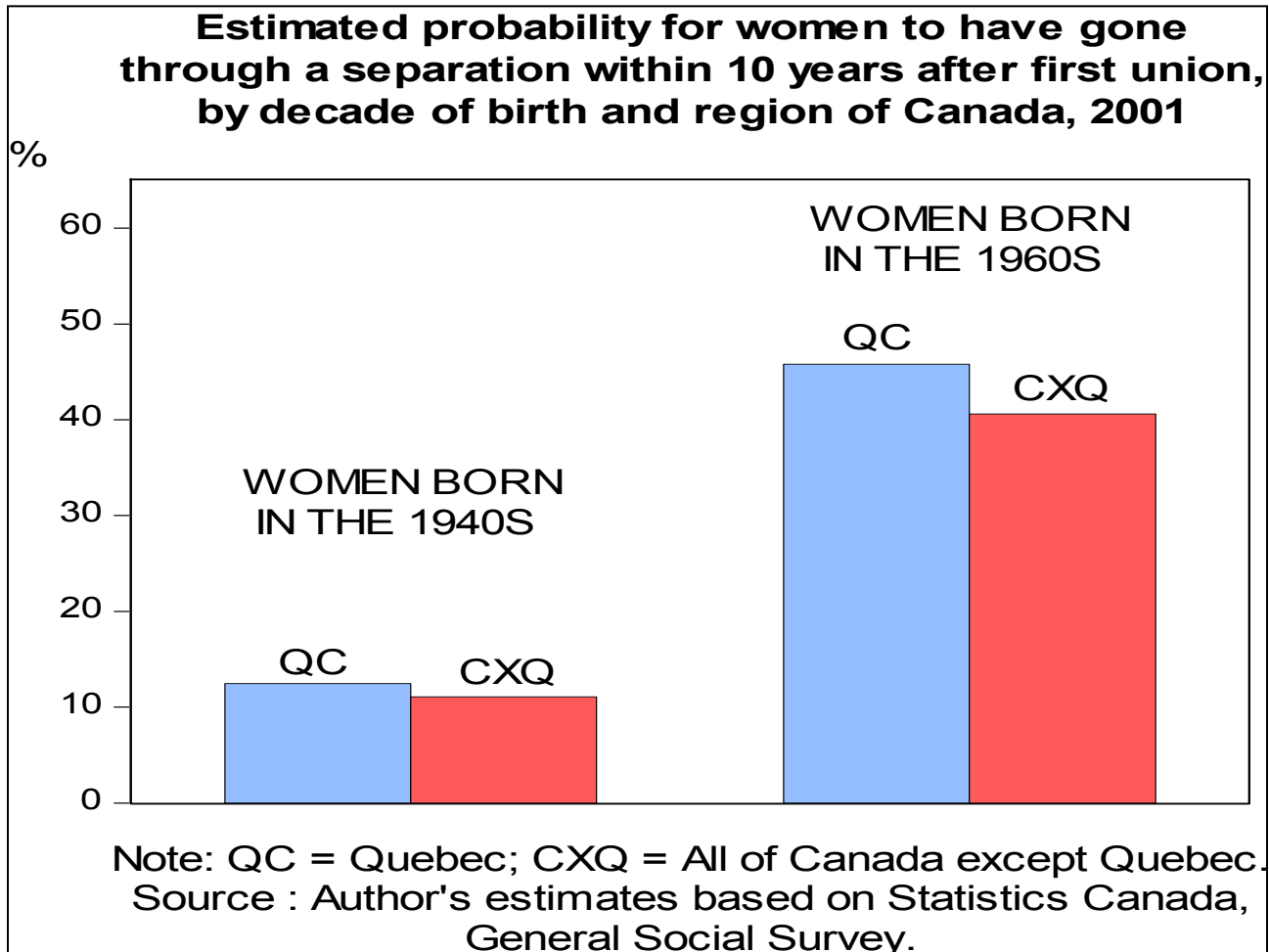
Cost of child care subsidies in QC



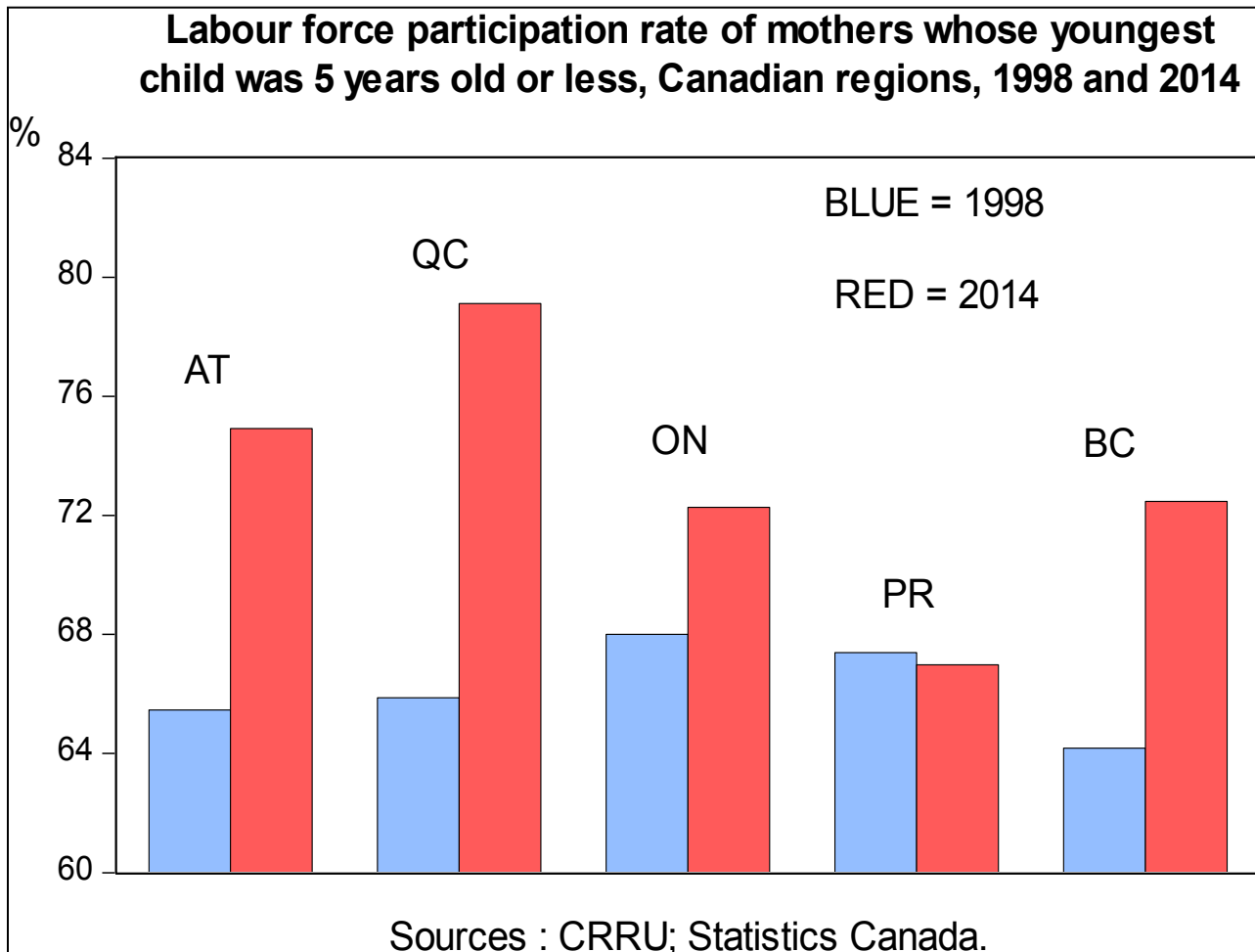
Child care utilization: the regional picture



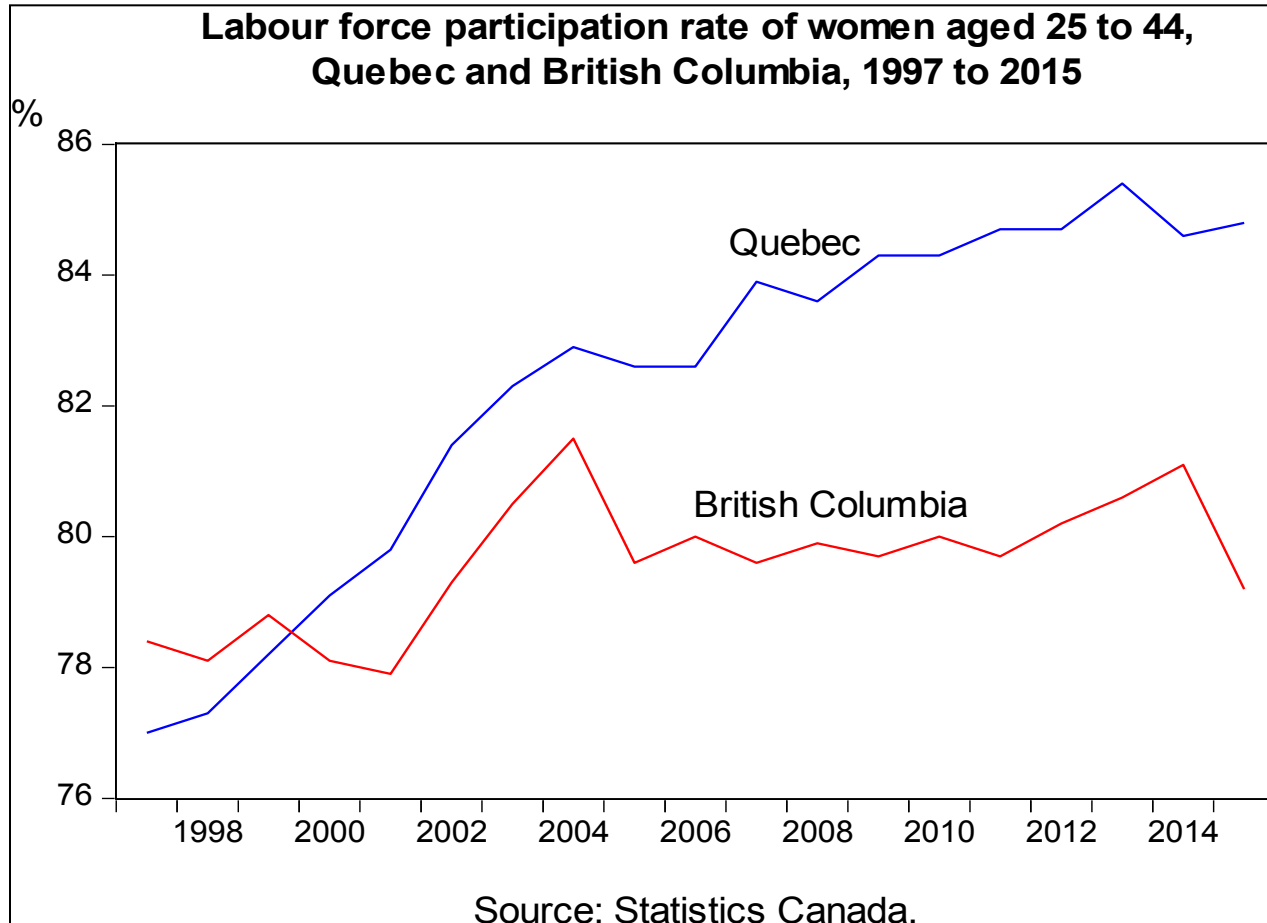
Rising separation rates: QC and CXQ



Working mothers: the regional picture



Young women in the labour force: QC and BC

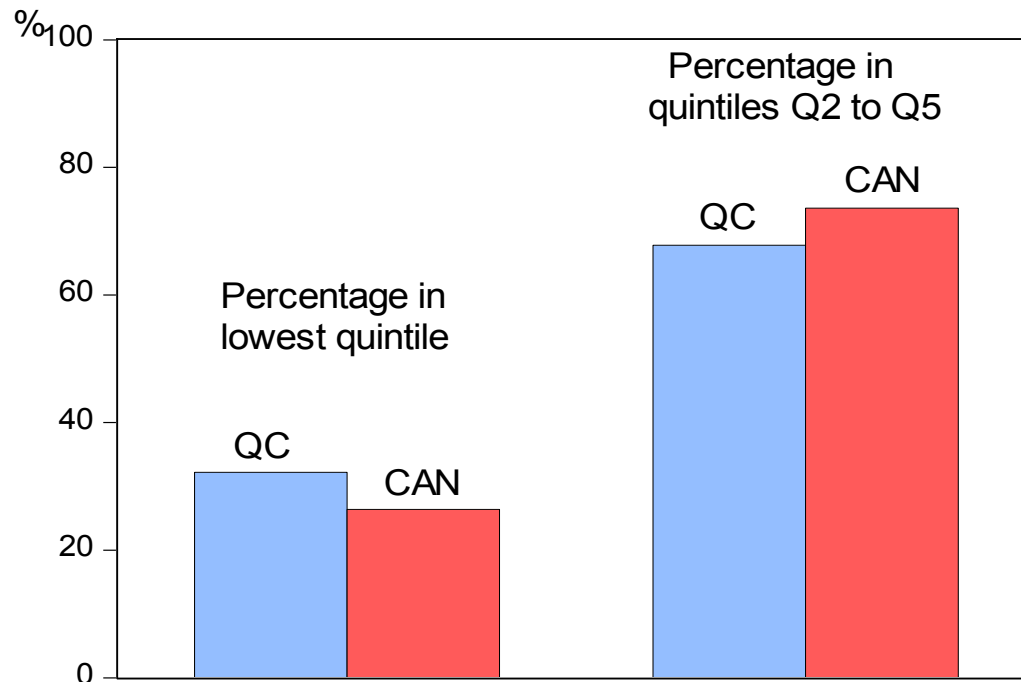


Good for child development

- The trend increase in young mothers' participation in the labour force is welcome for many reasons
- It increases their say and power in household decisions
- It works like an insurance policy against the high separation rates, whose negative financial consequences on mothers are known to be deleterious for children
- It exerts beneficial pressure on fathers to participate more fully in parenting and household management
- And (for macroeconomists like me!) it attenuates the negative impact of population aging on the size and structure of the labour force

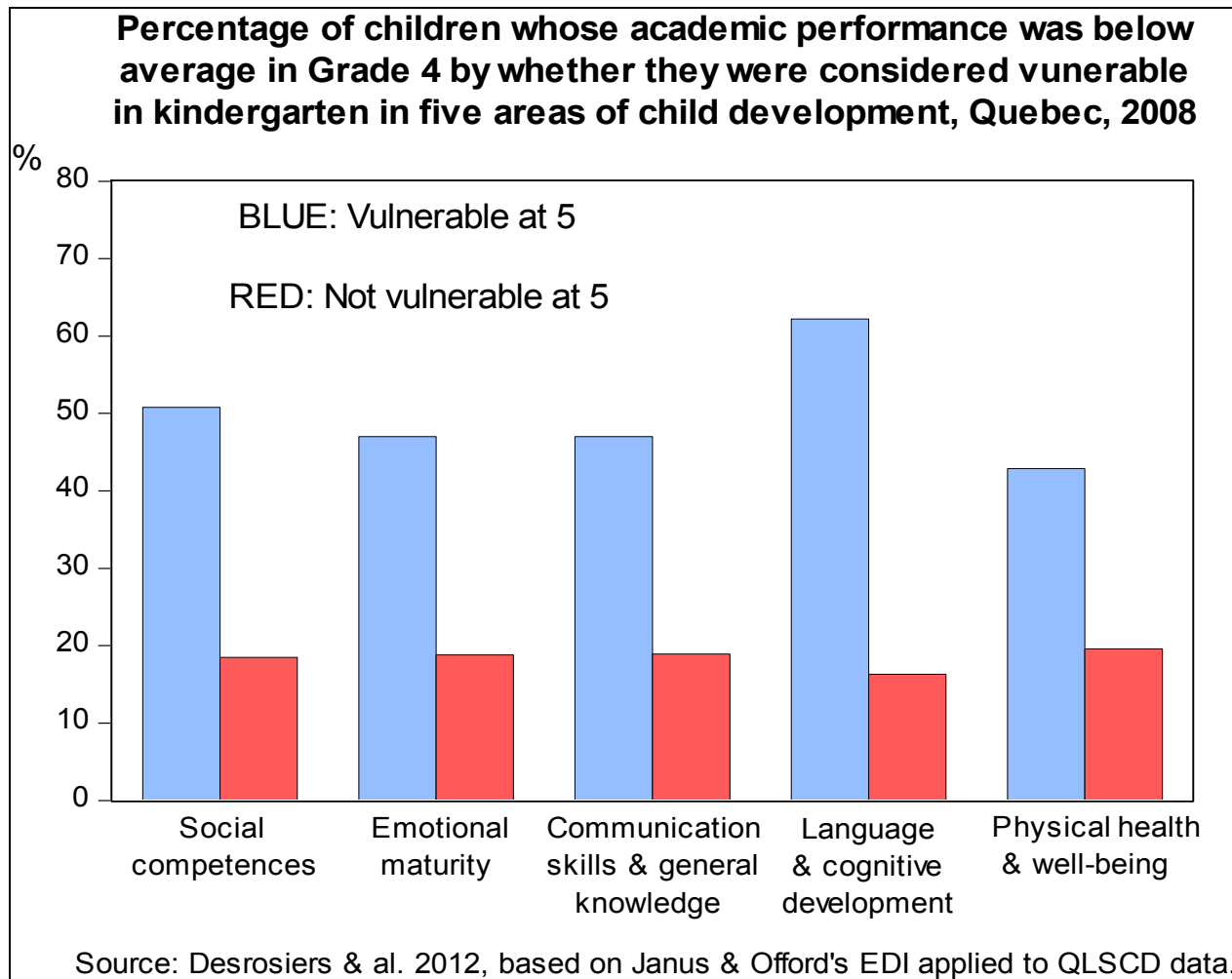
Vulnerable children

Percentage 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, based on children's cognitive and behavioural outcomes from NLSCY data; Desrosiers & al. 2012, based on Janus & Offord's EDI applied to QLSCD data; calculations PF.

Vulnerability persistence



Net fiscal benefits

(\$M)	<u>Gain in rev.</u>	<u>Cost</u>	<u>Net ben.</u>
Quebec City	\$1,450	-\$1,200	\$250
Ottawa	\$650	\$0	\$650
<u>Total</u>	<u>\$2,100</u>	<u>-\$1,200</u>	<u>\$900</u>

Source: Fortin et al., *Interventions économiques*, n° 47, 2013.

- **\$1,200 M is the added cost relative to the old system**
- **For each additional dollar spent, the net gain is 75¢ (900/1,200): 20¢ for Quebec City and 55¢ for Ottawa**

Universality versus targeting

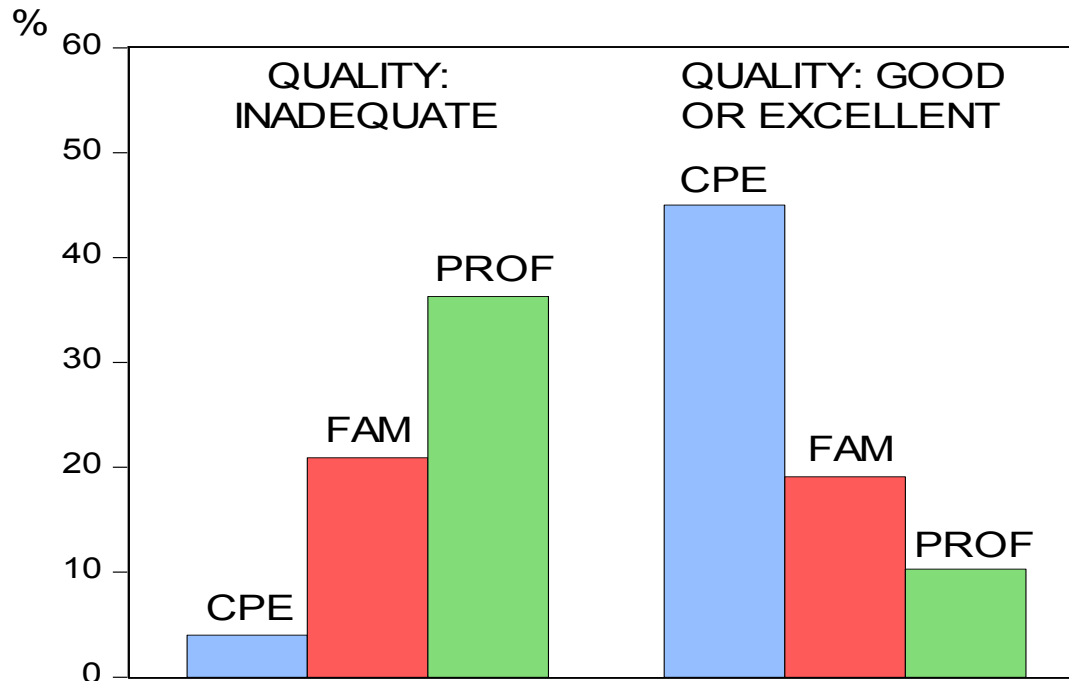
- The Quebec universal ECEC program is preferable to a purely targeted program
 - 1) On the demand side, 68% of Quebec's vulnerable 5-year-olds are in middle- and high-SES families and, moreover, their vulnerability persists as they get older
 - 2) On the supply side, the important fiscal surpluses generated by the Quebec program could be reinvested in care for the special needs of vulnerable children and in the development of a national shared program
- A universal-cum-targeting program would be more effective and less costly than a purely targeted one

More on universality...

- **Low-fee universal ECEC is often one of the few public goods or services that young middle- and high-income families get in return the taxes they pay**
- **It encourages peer effects and social mixity across income classes early in life**
- **The presence of middle- and high-income parents helps establish and maintain good-quality child care, and prevents the stigma in "programs for the poor"**
- **It can be seen as the first component of the low-fee universal public school system**

Quality of child care: the good, the bad and the ugly

Percentage of children 18-66 months attending care of either inadequate or good/excellent quality in three types of care



Note: CPE = Early Childhood Centres (2014); FAM = regulated family child care (2003); PROF = for-profit full-fee garderies (2014).
Sources: ISQ, "Grandir En Qualité" Surveys (2003 and 2014).

High-quality *CPEs* deliver

- Whatever the income levels of the families they are from, the 5-year-olds who have attended *CPEs* are less likely to be cognitively/behaviourally vulnerable than those who have not been in regulated care
- The reduction in the risk of vulnerability is large for children from low-income families, and more modest for those from middle- to high-income families
- Early/intensive *CPE* attendance eliminates the cognitive differences between children of low and middle- to high-SES status at least until they are 12

Disadvantaged children

- Disadvantaged children are much less present than other children in good-quality regulated child care
- There are four reasons:
 - 1) Low-income parents are more often without jobs
 - 2) When they hold jobs, they use child care less often
 - 3) When they use child care, they attend centre-based care less often
 - 4) When they attend centre-based care, they wind up more often in lower-quality *garderies* than in higher-quality *CPEs*

Child development:

- Three groups of economists (Toronto-UBC- MIT, Queen's, and UQAM) have studied the overall effects of Quebec's policy on child development (cognitive, health, behavioural) with the NLSCY, which was conducted biannually over 1994-2008
- These overall effects result from the distribution of children across a large number of factors, most importantly the type and quality of care and the next best care alternative available
- The studies help make judgments on the overall impact of Quebec's specific incarnation of ECEC policy, not on that of universal systems in general

Child development: neither negative nor positive overall

- **For example, my UQAM colleagues Lebihan et al. (2015) estimated effects on 14 non-cognitive (health and behavioural) outcomes separately for 3 child age groups, 2 maternal education levels, and each of the last 5 cycles of the NLSCY**
- **For 0-4 children, they found some negative effects up to 2006, but these diminished in strength over time and became broadly insignificant by 2008**
- **As children got older (5-9 years), most negative effects tended to disappear**
- **But no positive overall effects were detected**

Stuck in a low-quality trap

- 1) The share of high-quality *CPE*-type care has declined steadily from 48% of all regulated child care spaces in 1996 to 32% in 2016
- 2) Early expansion was very rapid: qualifications and competence of new teachers and managers were not optimal, child-staff ratios were set high, etc.
- 3) The system continuously suffers from severe budget restraint: the government is permanently cash-strapped and considers EC education as an optional good instead of a basic education infrastructure

Stuck in a low-quality trap

4) Concern with system costs has led the government to create strong financial incentives for parents to move from low-fee subsidized care to full-fee-with-RTC care, which is of lower average quality and is absorbing a rising share of regulated spaces

5) Parents normally want the best quality of care for the long-term well-being of their children, but they may not have adequate information to measure it properly, and their overriding concern in the short term is the price they pay, not quality

- *Bad garderies* will not be eliminated by free markets

What next?

- **How to escape the low-quality trap from now on?**
- **Should the financial incentives to move from *CPEs* to full-fee private *garderies* be repealed?**
- **Should we actively expand the share of *CPEs*?**
- **How to get to more disadvantaged children?**
- **More flexible hours/week and weeks/year?**
- **How to deal with the transition from parental leave to child care?**
- **Should we have universal access to kindergarten at 4?**
- **How to balance the needs of children and the elderly?**

Clausura

“Success is not final, failure is not fatal: it is the courage to continue that counts.”

Winston Churchill