

The global legacy of Quebec's subsidized child daycare ^[1]

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EXCERPTS

Every morning before work, Damir Lolic leaves his home in Zagreb, Croatia, with his three-year-old daughter, Dora, walks a few hundred meters down the street, and delivers her to a nearby daycare center. Like many of the children in Croatia, Lolic's daughter attends a government-subsidized care center, part of a suite of policies designed to ease the burden on working families. The program means that Lolic and his partner don't have to make the choice between working or staying home to care for Dora, and both have been able to continue to pursue their careers. Such subsidized child-care programs are in effect in many parts of the world, including Japan, Sweden, Denmark, Norway, and Australia. And many of them owe their inspiration to a similar program that began more than twenty years ago, in Quebec, Canada.

With many years behind it, the Quebec program that spawned a global subsidized child-care model has shown marked progress in some areas in its original home province—while still lagging in others. One of the most remarkable changes has been the employment rate of mothers of young kids, which has spiked dramatically since the start of the program.

Quebec's program, which introduced low-fee, universal child care in the province in 1996, centered on a few core premises: that if the government helped make child care accessible and affordable, it would allow more women to join the workforce, increase childhood development and social skills, and ultimately raise revenue for the government through increased payroll taxes. In at least two of those objectives, the scheme has been widely successful, says Pierre Fortin, an economist at the University of Quebec at Montreal, and the country's leading expert in the economics of subsidized child care: It's increased participation of women in the workforce, and cost efficiency.

Since beginning the program more than two decades ago, Quebec has seen the rate of women age 26 to 44 in the workforce reach 85 percent, the highest in the world, according to Fortin. The rate of women that age in the workforce across all of Canada is 80 percent.

"The impact on women's labor force participation in this province has been huge," Fortin said. "Young women's labor force participation in Quebec is the highest worldwide now. It's 86 percent in 2017, and it is exceeding that in Switzerland and Sweden (two countries with generous leave packages and high rates of workplace equality)."

A program that 'pays for itself'

Far from being a nationwide campaign, subsidized child care in Canada is determined at the local level by provincial and territorial governments, and, like most things, is subject to the political will of the parties in power. Several other provinces have introduced similar schemes, but no program has been as sustained as Quebec's. This is reflected, too, in the cost of care: In Montreal, Quebec's largest city, a day of child care cost on average \$10 in 2016, whereas in cities in other provinces, the costs creep up to \$47 in Ottawa, \$49 in Vancouver, and \$54 in Toronto a day in the same year.

Measuring the impact of Quebec's program is imprecise, given the likely influence of other factors like paid parental leave policies and evolving work cultures. But a few dramatic statistics suggest the influence of the program on women in particular: In addition to a high overall rate of employment in the province, Quebec has seen particular increases in female employment amongst mothers of young children.

Between 1997—shortly after the start of the program—and 2016, the employment rate for mothers of kids age 5 or younger has spiked 16 percent, from 64 percent to 80 percent, according to Fortin. Across the rest of Canada in that same period, that same demographic of mothers saw a more modest 4 percent increase in the employment rate.

The employment rate for moms with a child younger than 3 has increased 20 percent since the start of Quebec's child-care program.

Another recent study from Statistics Canada compared Quebec to fellow Canadian province Ontario, which hasn't adopted an expansive program like Quebec's, found an even more dramatic increase in workforce participation of almost 20 percent for moms with a child younger than 3 over a similar time period. It also found that the overall fertility rate increased, even as more women were working.

An increase in women in the workforce is a key driver behind programs in a number of countries, but addressing persistent discrimination

against some mothers—particularly when it comes to salary—remains a sticky problem. Even in Denmark, which offers a tiered system of partially funded childcare, a recent study published by the National Bureau of Economic Research found that having children is the main reason women still face gender inequality.

“The arrival of children creates a gender gap in earnings of around 20 percent in the long run, driven in roughly equal proportions by labor force participation, hours of work, and wage rates,” wrote the authors, Henrik Kleven, Camille Landais, and Jakob Egholt Sogaard. “Underlying these ‘child penalties’, we find clear dynamic impacts on occupation, promotion to manager, sector, and the family friendliness of the firm for women relative to men.”

But in Quebec, the increase in working mothers has achieved one important outcome: revenue to pay for its government child care program. In a common refrain heard about subsidized child care programs the world over, critics of Quebec’s program often claim the costs of the program don’t justify the expenses, and that the government could allocate the resources needed for these programs elsewhere. In Quebec, those concerns are unfounded, according to Fortin’s research.

Early estimates anticipated the program would generate 40 percent of its costs via increased income taxes from working parents. Instead, it generated income taxes to cover more than 100 percent of the cost. “In other words, it costs zero, or the cost is negative,” Fortin said. “The governments are making money out of the program.”

“The program is paying for itself,” Fortin said. “The increase in the number of young women in Quebec’s labor force has generated such a return in terms of taxation, taxes back into economies in social benefits, and fewer families depending on social benefits, which in turn increases government savings.”

Not all care distributed equally

One of the greatest remaining challenges is providing enough care to meet demand: Quebec, like many places that have introduced subsidized child care programs, does not have enough government-subsidized child care slots for every parent who wants one, and has had to rely on private providers to make up the gaps, albeit with a different type of subsidy. Whereas the public centers receive a subsidy directly, and parents pay a small amount out of pocket similar to a co-pay, parents of children in private facilities must pay the entire amount up front, and receive a tax rebate.

But these centers are not created equally, and the differences in quality in a hybrid public-private system remains one of the greatest sticking points of subsidized child care programs.

For those kids who are in Quebec’s public programs, known as centres de la petite enfance (CPEs), “repeated studies have found sharp improvements in child development,” Fortin said. This accounts for about one-third of Quebec’s children in care right now.

Those benefits vary dramatically if a child is in a for-profit center, a problem that has existed since the beginning of the Quebec scheme. Currently, the government doesn’t have standards of care for private partners.

“Unfortunately, the private for-profit non-subsidized sector has not been as good for child development. The parents/users who are in this part of the system, the private, non-subsidized sector of the program, have on average low-quality care, as opposed to the subsidized centres, which have a very high level of quality,” Fortin said. “So the result in terms of impact on child development has been mixed.”

In Quebec, and elsewhere, parents often prefer the government-subsidized centers for a number of reasons, not the least of which is the higher level of quality compared to the private centers, which aren’t subject to the same level of government regulations as the CPEs.

It’s the same problem in Croatia, which has similar public-private partnerships. To enroll their daughter in the scheme, Lolic and his partner completed an application form and an interview. They didn’t have many choices on location once she was accepted; enrollment is determined by proximity to the child’s home. However, she wasn’t immediately accepted into a government program because of one trick of fate: her date of birth.

“The kindergartens are problematic,” Lolic said, referring to subsidized child care programs in Croatia. “They only take kids in September, and they have to be one year old. If they’re born in October, you have to wait until they’re one year old, which puts them nearly a year behind the other kids.”

The centers in Croatia are also problematic in another way: They’re only open standard business hours. “The centers are not made for people who have unconventional working hours,” Lolic said. “If both parents work an afternoon shift, you’re screwed.”

Because it was an extra year before his daughter could attend the center of choice, Lolic received insight into both types of centers. “The government centers are more stable,” Lolic said. “The private ones have more fluctuation of people, and workers. It’s not stable.”

Fortin says that’s a problem with the private centers overall. “The private sector is not going to enforce the same quality standards as the government, because mostly parents care about the price. And one way to reduce the price and remain competitive is to reduce quality.”

That’s the next frontier for Quebec’s program, and the world will be watching. Says Fortin: “Currently the discussion going on in child care in Quebec is focusing on this disparity in quality between the various parts of the system.”

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