

In solving high costs of childcare, Alberta should look to Quebec

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EXCERPTS

How can a province provide robust social support to families while responsibly managing its costs? In the mid-1990s, then-Quebec Premier Lucien Bouchard thought he had the answer, and Quebec's universal daycare system was born.

The Education Childcare Act of 1996 established an approach that allowed parents to pay just a fraction of the actual cost of childcare. Its aims were twofold: get women back into the workforce, instead of forcing them to choose between expensive childcare or staying at home with their children; and expose kids to high-quality childcare programming.

Over the following 20-some years, the rate of mothers with children aged five and under joining the workforce catapulted from 64 per cent to 80 per cent – increasing at four times the rate of other provinces.

Pierre Fortin, an economist and an expert on the province's childcare system who works at the University of Quebec at Montreal, says the program's success is clear: Quebec now enjoys one of the highest labour participation rates in the world for women between the ages of 25 and 54.

Such a program comes at a cost, hitting the provincial budget to the tune of \$2.5 billion through direct and indirect childcare subsidies – or 0.6 per cent of Quebec's GDP. Fortin said it didn't take long for the province to start making money off the program, though – the province began making its investment back through tax revenues as mothers contributed to the economy, and as early as 2004 the program was paying for itself.

By 2008, the tax revenue coming in not only covered the program's costs but made Quebec an additional \$246 million.

“The impact on public finances on the provincial government (budget) was more than sufficient to pay for the addition of the program costs,” Fortin said.

The program has drawn national and international attention for its success. In 2018, Bank of Canada Governor Stephen Poloz sang its praises in a speech, lauding it as a tool that could boost the entire Canadian economy because of its ability to unlock untapped potential in the labour force. Poloz estimated a childcare program rolled out country-wide could help move women, young people, Indigenous peoples, recent immigrants and Canadians living with disabilities into the job market, expanding the labour force by half a million people and raising the country's GDP by 1.5 per cent.

On a global scale, a 2017 working paper from the International Monetary Fund (IMF) titled *Women are Key for Future Growth: Evidence from Canada* found similar results. One of the key recommendations from that report was to improve early childhood education and childcare policies to help bridge the “gender gap.” Authors Bengt Petersson, Rodrigo Mariscal and Kotaro Ishi wrote that Canada compares poorly with other Organisation for Economic Co-operation and Development (OECD) economies on childcare spending.

“Approximately 150,000 women are stay-at-home mothers with high educational attainment living with a spouse or a partner. If they all enter the labour market and start paying taxes, that would raise GDP by 2 percentage points, which would in turn raise federal income tax revenues by about Can\$8 billion, fully compensating the cost of the program,” the authors wrote.

“A work in progress”

While Quebec's system has achieved its first goal of getting more mothers into the workforce, it's still falling short of its second objective: enhancing child development with high-quality programs. Fortin says that's because a government decision in 2008 allowed the private sector to get in on the market, creating two different streams of childcare: one, government-subsidized with excellent programming; and the other, full-fee for-profit centres known as garderies.

The quality of childcare can be measured through tools like the Early Childhood Environment Rating Scale, which evaluates personal care routines, space and furnishings, educational material, daily schedule, language and reasoning development, fine and gross motor activities, creative activities, interactions among children and staff, social development and adult needs.

The introduction of garderies helped lower the amount of kids waiting for spots at subsidized centres and helped the government save money on its childcare programming, but Fortin said that came at the cost of quality.

“The Quebec system is basically a two-tiered system, one with a very high level of quality which is tightly regulated,” Fortin said.

That’s not an insurmountable challenge, though. Fortin says the solution is to raise garderies up to the same standards as subsidized childcare (known as CPE). The province is already on the right path, he added – the first step is expanding the supply of CPE spaces, which Quebec is already in the process of doing. By 2021, the province plans to introduce 13,500 more spaces, an increase of 14 per cent from 2018.

The second step Fortin sees is transforming garderies into CPE locations or imposing CPE-level standards on them.

Quebec’s childcare system also falls short in serving low-income families. Fortin notes 77 per cent of high-income parents have good quality childcare, compared to only 41 per cent of low-income parents. There could be different reasons for that: for some, the lowest fee for parents (\$8.50 in 2019) is still a financial barrier, forcing them to keep their children home; others may not have enough quality childcare available in their neighbourhood, or may be embarrassed by their situation.

“If you take all those aspects together, it makes for a much lower percentage of attendance at childcare centres by lower income people than by higher income people,” Fortin said.

“Perhaps (you) would have to lower the daily fee and make it dependent on the level of family income in the future, and this is also under (review).

What about income testing?

Despite Fortin’s suggestion to use income as a barometer for childcare fees, he does not believe in completely moving to an income-testing model, partly because the fiscal surplus from Quebec’s universal childcare program couldn’t be achieved on a program only targeted to low-income families.

“I think universality is the best, because only universality can generate a fiscal surplus, (and) the system is paying for itself,” he said.

Another risk that comes with income-tested childcare is the potential of a drop in quality.

“In general, programs for the poor turn out to be poor programs,” Fortin said.

“If you have your universal system, you can be sure that middle income and high income people who use the system will make sure they will get high quality and with the spill over on to lower income families.”

The Alberta model: \$25 a day

Quebec is generally an outlier across Canada where childcare is concerned, but Alberta is in the midst of piloting a subsidized program.

With the help of federal funding, Alberta launched its \$25-a-day childcare pilot program in 2017, opening up 7,276 spaces for children across the province. Two of the 122 locations are in St. Albert, providing 67 subsidized spots for children in the city.

Both locations were part of a second phase of funding for the program, slated to run until March 2021. Beyond that, the future of \$25-a-day childcare isn’t certain.

Allison Hodgson was one of the lucky few parents to get their kids a spot in the St. Albert pilot program. Hodgson has three kids who are 11, 8 and 4 years old, and her youngest Holden snagged a spot in the YMCA Citadel program.

Hodgson, a nurse who now works a 0.6 FTE, said the program has enabled her to work more hours. The mother said the most obvious way to see that the pilot program was successful for their family was to look at one of their T4 tax slips, which showed Hodgson made \$30,000 more than she was able to without the affordable program available for her young son.

Before the program, Hodgson was working part-time, but said it didn’t make sense financially to put him in daycare.

Hodgson was happy to return to work after staying home with Holden.

“It’s lonely being at home with kids all the time. When you’re going back to work, you feel empowered,” Hodgson said.

The nurse said she felt she got part of her identity back when she returned to work.

Hodgson said she is very pleased with the YMCA Citadel daycare program and said the program delivers high-quality childcare.

Martha Friendly, who has spent her career researching childcare and is now the founder and executive director of the Childcare Resource and Research Unit based out of Toronto, said right now in Canada there is no way to ensure your child receives quality childcare.

“Parents and children really in most Canada can’t count on the fact that you’re going to be able to get decent childcare,” Friendly said, adding the country lacks a consistent childcare delivery system.

“What we have in Canada with childcare is, and this is true across Canada, it’s a market not a system,” Friendly said.

“Childcare does not lend itself to being a market commodity ... it’s a human service, and to deliver it well, it’s too expensive for parents to pay for.”

In 2005, Paul Martin’s Liberal government earmarked \$5 billion for a national childcare program to roll out over five years. Ten provinces

signed up to co-operate with the plan, but the program never came to fruition once the Liberals lost the next federal election.

Friendly said one of the challenges of a Canada-wide system is Canadians still view childcare as a family and market responsibility.

"It's generally the whole concept of a private responsibility essentially and it permeates the whole thinking about it," Friendly said.

Fortin said many provinces are reluctant to get involved in the delivery of childcare in the same way Quebec has because they aren't sold on the economic benefits.

"The problem they have is that they're not sure about the pay for itself aspect of the program ... and how much time it would take for the impact on labour force participation rate of women to be fully developed," Fortin said.

Another issue facing the federal government is the complication of governing a federation.

"In Canada, the question arises, well, why has this not happened? And you can point to the fact that we're a federation and this is an area of provincial jurisdiction, just like healthcare. But we do have healthcare," Friendly said.

Many countries that have successfully rolled out a national childcare plan, like Sweden, have done so because they do not have provinces with any administrative function. In Canada, the complex relationship between the federal, provincial and municipal governments could make it challenging to roll out a national childcare program, but not impossible.

The Germany example: a human right?

In the early 2000s, Germany was facing labour force shortages and began exploring ways to help promote mothers' continuous employment.

As a result, the country, which had been divided as East and West Germany just a few decades before, began to rapidly unveil a new childcare plan. Germany, a federation with a national, regional and municipal government structure, began building an early childcare system.

The country splits the responsibility for delivering childcare between the three levels of government with the federal government having the responsibility for providing early childhood education and care for children from birth until primary school.

The regional government, or Länder, is responsible for translating the legislative framework from the federal level, curriculum development, and creating a regulatory framework. The Länder laws also typically regulate licensing, provision standards, staff qualifications and other elements of quality including staff-to-child ratios.

Local authorities implement the regulations from the other two levels of government and make the child care centres operational. They bear the major responsibility for providing adequate infrastructure and demand-based planning.

According to a review of Germany's childcare system by the International Centre for Early Childhood and Education Care, *Inequalities in Access to Early Childhood Education and Care in Germany: The Equal Access Study* by Antonia Scholz, Katharina Erhard, Sophie Hahn and Dana Harring, the local authorities hold a lot of the power when it comes to ensuring the delivery of the German childcare system.

"In the decentralised system, the local level has been characterised as the 'key arena' for establishing high-quality early education and care since municipalities and districts have extensive competencies in ECEC implementation," the authors wrote.

But with so many levels of government involved in the childcare system, quality isn't consistent country-wide.

"Consequently, access conditions are fairly inconsistent since children in Germany are indeed entitled to a place in ECEC [early childhood education and care] but to differing degrees (depending on where they grow up)," the authors wrote.

The funding model for the German system is as complex as the legislative model.

On average, municipalities fund 51 per cent of childcare costs across the country, with the Lander making up 28.6 per cent of funding, private spending clocking in at 19.6 per cent and the federal government making up just 0.5 per cent.

But municipalities are given money to fund their portion through a trade tax, which is dependent on having industry within a municipality, and other tax revenues are redistributed to the municipalities by the Länder and the federal government.

In the few decades Germany's system has been in place, public sentiment has shifted to see childcare as an entitlement rather than a privilege. By 2013, the government declared every child over the age of one has the right to a spot at a daycare facility, and by 2017 the courts ruled parents could sue the state for lost wages if they are not able to find a space for their children in a public daycare centre.

Friendly said countries where childcare is delivered successfully tend to view it as an integral part of society and the value of the system is not debated.

"We don't sit around calculating how much money we save by having public education. It's become part of the social infrastructure, kind of like the wallpaper at some point," Friendly said.

"In the European countries ... it's really, really viewed as a human right."

Friendly said even when governments come into power that are looking to cut costs or show fiscal restraint, the childcare programs are never on the chopping block. They can be imperfect programs but politically it would be too unpopular to take them away.

Friendly said to have a system successfully move ahead in Canada, as it did in Germany, there needs to be a national childcare plan rolled

out. Friendly said it is hard to successfully make progress on a provincial level.

“Every time a provincial government changes, they could have a completely different policy and everything the one before has done goes right out the window. It makes it very difficult to really make progress,” Friendly said.

“(So) how do you make this kind of thing move ahead? The national government, the federal government really does need to play a role.”

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