In Quebec, child care is infrastructure [1]

As U.S. policymakers consider ideas to improve child care affordability, a new report shows how Quebec's universal subsidized system enabled it to weather the pandemic.

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EXCERPTS

While child care centers across the U.S. have faced a spate of closures during the pandemic, the Canadian province that pioneered a model for universal subsidized child care had a markedly different experience — even from the rest of Canada.

Though providers in Quebec faced many of the same struggles to keep kids and caregivers safe, more centers were able to stay open, and in some cases thrive.

A major reason Quebec's system fared better was its funding model, according to a new report by the Canadian Centre for Policy Alternatives. The research builds on other economic studies that have concluded a market-based approach does not work well for the child care industry, especially during an economic downturn.

"I've been defending private markets all my life. I'm not an extreme leftist. But you also have to be pragmatic. Child care is an area where private markets don't do a very good job," said Pierre Fortin, an economist at the University of Quebec at Montreal who has done extensive research on Quebec's system.

The new study found that during the pandemic, high fees for child care were "a driving force in how likely parents are to stop using child care." Quebec's nonprofit low-fee child care centers, which provide a kind of public option to families and charge less than C$9 a day, saw little to no loss in enrollment. David Macdonald, a senior economist who co-authored the report, says that's because the low-fee programs have kept the centers affordable enough for parents to access even during the recession.

After a pandemic year that has seen a mass exodus of women from the workforce, the Canadian government has begun paying close attention to Quebec. In the fall, it announced its intentions to create a national child care system and to "learn from the model that already exists in Quebec." Last week, the country's finance minister revealed details of what that plan could look like: a proposed investment of roughly C$30 billion in federal funding over five years with the goal of driving down the cost of child care to just C$10 a day, per child, nationwide.

In the U.S., government officials are also eager to not only stabilize the child care sector, but to build it back better. What "better" could and should look like is still very much up for debate. This week, Senator Elizabeth Warren reintroduced a plan that aims to create a kind of public option for child care, similar to Quebec's nonprofit centers. President Joe Biden, meanwhile, has proposed a different path, which would provide universal preschool for 3- and 4-year-olds and build on our current market-based system to expand subsidized child care for younger children, based on family income.

The Quebec Model

Like roads and public schools, nonprofit child care centers in Quebec are funded by the Canadian government as critical infrastructure. They are considered an investment both in the province's future workforce, and also its current one, especially mothers and child care teachers. Studies have found that the province's low-fee subsidized program not only dramatically boosts mothers' participation in the workforce, it more than pays for itself through the increased tax revenue generated from more women working.

Other countries have adopted similar models, including Japan, Sweden, Denmark, Norway and Australia. One downside of the model thus far is that Quebec hasn't had enough slots in its nonprofit centers for every parent that wants one. That means that to provide universal access, the government reimburses families that attend private centers, which can lead to uneven quality and greater expense for some. Still, few dispute the system's positive economic benefits.

During the early days of the pandemic, the local government continued to fund the nonprofit centers while requiring them to stay open for essential workers, even if those centers sat empty. This meant the child care programs were ready to welcome back families as soon as they were given the green light. As lockdowns lifted, the centers had little trouble ramping back up to full enrollment, in large part because they charge such a low fee, according to the study. That meant center staff were able to focus less on finances, and more on families, says

Athena Xenos, director of Centre de la Petite Enfance Vanier in Montreal.

The Market-Based Model

In other parts of Canada and throughout the U.S., most child care programs receive little, if any, government funding. More like restaurants than public schools, their survival hinges on paying customers.

Even in the best of times, advocates regard this market-based approach as a tenuous business model for child care, which requires heavy staffing to meet even basic safety requirements. Child care programs in the U.S. eke by week to week, even as infant care can cost more than college tuition, and teachers make poverty-level wages. Market-based child care is subsidized, just not with government funding, says Dan Wuori, senior director of early learning at the Hunt Institute. It's subsidized through the very low wages of the "early childhood workforce who are primarily women of color."

Fortin says the children lose as well. That's because quality child care is an "intangible good"— its quality is more difficult to assess than, say, "brussels sprouts," so market-driven programs compete on cost rather than quality, says Fortin.

Add a recession to the mix, and this shaky business model pushes tuition-dependent programs into a financial crisis, according to a recent economic analysis of over two decades of state-level data, published as a discussion paper by the IZA Institute of Labor Economics.

"What we found is that child care providers are really sensitive to the state of the economy and generally more sensitive to economic conditions than other low-wage industries," says Chris Herbst, co-author of the analysis and a professor at Arizona State University. In the study, Herbst and his co-author, economist Jessica Brown of the University of South Carolina, estimate that a one percentage point increase in a state's unemployment rate is associated with a 2-3% decrease in employment in the child care industry, along with a 1% decrease in the number of child care centers remaining open.

That damage lingers, with the analysis finding that the child care sector recovers more slowly than the rest of the economy, and even more slowly than other similar low-wage industries, potentially hampering parents' return to work, which, in turn, can hamper economic recovery.

Enter the Pandemic

When child care centers closed during lockdowns starting in March, many lost customers or temporarily closed. In the following months, some families continued to keep kids home due to factors such as unemployment and safety concerns. Some centers that reopened enrolled fewer children to allow for social distancing, or because teachers had quit.

By February 2021, child care programs in the U.S. were serving 50% fewer children than before the pandemic, according to a survey by the child care software company ProCare Solutions. Add to lost tuition the costs of providing care during a pandemic, and many shoestring budgets snapped.

Providers have made all kinds of hard choices as they struggle to stay afloat: They've raised tuition, dipped into personal savings, taken on credit card debt, laid off staff and reduced staff pay. Employment in child care was down in the U.S. by 16% in February compared with a year ago, according to the New York Times, and ProCare found that one out of every four U.S. programs that closed early in the pandemic had not yet reopened that month. An estimated 20,000 child care programs throughout the country have shuttered permanently.

In Canada, although closures have not been as prevalent, programs dependent on market-based tuition are also facing "huge declines in the number of children enrolled," leading to "an immediate financial crisis for these centers," and layoffs throughout the industry, says Macdonald.

But not all Canadian child care programs are suffering equally. While market-based Canadian programs are struggling, subsidized programs offering parents low-cost child care "are holding their own during the pandemic, as we see in the set-fee system in Quebec," says Macdonald, who co-authored his study with Martha Friendly, executive director of the Childcare Resource and Research Unit.

> "Child care is an area where private markets don't do a very good job."

They found that cities with higher fees saw bigger drops in enrollment. Unemployment also factored in: As rates of joblessness increased in a city, so did the drop in child care enrollment.

Most telling were the findings within Quebec's subsidized system. About 65% of the province's child care programs charge parents low fees subsidized by the government. The other programs charge market-rate tuition. Parents are partially reimbursed for this tuition through a tax credit, but they still end up paying two to three times more than those in the set fee system, says Macdonald.

Enrollment in the Quebec programs offering market rates — the ones most dependent on tuition — was "variable," with Montreal and Laval centers reporting enrollment drops of around 30% due to Covid-19.

But Quebec's low-fee centers with direct government funding have had enrollment declines of 5% or less in all five cities surveyed, with Laval and Quebec City reporting no decline. "That speaks to the difference between set fee versus market fee in the exact same city," says MacDonald. "We're not comparing Montreal to Toronto. We're comparing Montreal to Montreal."

Macdonald says the lesson is clear. If the goal is to build a child care system that can weather economic downturns and aid with recovery, follow the example of Quebec's nonprofits: Keep upfront costs affordable for parents so their kids continue attending, and the programs stay viable.

None of this is to say that the last year has been easy even for Quebec's subsidized nonprofits. Xenos still remembers the fear she felt shopping for safety gear during that first week of lockdown when her child care program learned it must stay open for essential workers. But concerns over enrollment weren't part of that equation.

Whenever a parent pulled a child from her program, the center's low cost and high reputation meant Xenos was able to enroll a new family almost instantly, and this year that's led to a more economically and ethnically diverse family body. When a few members of her staff quit, Xenos swiftly replaced them from the pool of teachers who'd been laid off from the market-based centers. (Those teachers now make far better wages, adds Xenos.) And during a time when so many programs have shuttered, hers is preparing to open a second set fee center.

These silver linings have left Xenos with a jarringly positive view of the pandemic's impact.

Her center has emerged stronger, and she has too. "There are so many good things that have come out of Covid when I look back," she said. "I could cry, it's been such an incredible journey."

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