

# What can we learn from Quebec's child care experiment? <sup>[1]</sup>

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## EXCERPTS

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In the 2021 budget, Minister of Finance Chrystia Freeland announced she is ready to negotiate five-year bilateral plans with the provinces on educational child care. Her goal is for some \$30-billion federal dollars to join existing provincial funds and reduce the fee for good-quality child care to \$10 per day across the country by 2025.

The minister has indicated that these plans should be adapted to the specific needs of each province, but that one can learn from the educational child care experiment that Quebec started in 1997. So, what is the Quebec model, and what can be learned from it?

Quebec child care is regulated by government, but is entirely operated by private providers. Parents can choose among four types of care. Three receive subsidies, allowing providers to charge a uniform low daily fee of \$8.50 per child that isn't tied to family income. The universality of the fee is a good thing because it encourages social mixing and positive peer interactions between children of different income backgrounds, and because it successfully convinces richer parents that their heavy tax burden for once buys them something concrete. The fourth type of provider consists of full-fee for-profit centres that operate in private markets. These are also subsidized, this time through a provincial refundable tax credit offered to parents. In all, there are currently 307,000 low-fee child care spaces available, covering nearly 70 per cent of the total provincial population of children four years old and under.

Three main lessons can be drawn from the Quebec experiment. First of all, the economic research literature has unanimously found that the low-fee child care system has led to a dramatic increase in the work force presence of Quebec's prime-age women. At 87 per cent before the pandemic in 2019, their labour force participation rate has become the highest in Canada and the United States. This has been hailed by the Bank of Canada and international organizations.

The system is hugely popular for a reason. Most parents rightly believe that the family is and should remain the bedrock on which child education is built. But at the same time mothers feel a strong urge to improve their work-life balance. They want to avoid the kind of staggered career that would make them lose so much of the huge investment they have made in their own education. Research from my colleagues has shown that Quebec's child care policy eliminates 80 per cent of the large wage setback and loss of income that would otherwise follow any new birth.

Second, the Quebec child care system has been more than paying for itself. This is a rare occurrence with public programs, but this time is different. The University of Sherbrooke's tax simulator has shown that one additional dollar spent on child care by the provincial government generates a combined increase in tax revenue and economic benefits totalling \$1.75 for the federal and provincial governments. In other words, the program has not required any increase in taxes.

Third, the Quebec child care system holds the promise of enhanced child development and equal opportunity. This remains a work in progress. The published research in the best psychiatric and pediatric research journals has given top marks to Quebec's Early Childhood Centres (or CPE, for Centres de la Petite Enfance) for their positive impacts on child development. Meanwhile, only 10 per cent of full-fee for-profit market-based providers have been shown to be of good quality. In other words, private markets for child care have unfortunately been a failure. (That's hard to admit for me, given I've spent my entire career promoting market-based solutions to economic problems, but that's how it is.)

Quality still needs to improve in Quebec's system, particularly for disadvantaged children. This leaves Quebec with the crucial challenge of accelerating the expansion of high quality non-profit child care centres, which have long waiting lists due to strong demand.

There is a long road ahead for educational child care in Canada. But I am convinced that Ms. Freeland is right to suggest that a high-quality, low-fee, universal and publicly funded system is indeed the way to go. We can learn partly from what the Quebec experiment has shown us, and shrewdly adapt it to the specific needs and goals of each province.

**Region:** Canada <sup>[3]</sup>

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