

Quebec's childcare universal low fees policy 10 years after: Effects, costs and benefits ^[1]

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Abstract:

More than ten years ago the province of Quebec implemented a universal early childhood education and care policy. This paper examines if the two objectives pursued, to increase mothers' participation in the labour market (balance the needs of workplace and home) and to enhance child development and equality of opportunity for children, were reasonably met. A non-experimental evaluation framework based on multiple pre- and post-treatment periods is used to estimate the policy effects. First, year after year the number of children and their weekly hours in childcare have increased. More preschool children are in non-parental childcare at a younger age and the intensity of childcare has increased over the years. Second, the policy has significantly increased the labour force participation and annual weeks worked for mothers with at least a child aged 1 to 4 years compared to mothers in the same situation in the Rest of Canada. Third, the evidence presented shows that the policy has not enhanced school readiness or child early literacy skills in general, with negative significant effects on the PPVT scores of children aged 5 and possibly negative for children of age 4. Simulations show the bounds of the public benefits in terms of additional net taxes (income taxes less refundable credits and transfers based on household's 'net' income). Unless one supposes that mothers in the upper part of the earnings distribution are those who returned early to the labour market after giving birth or a maternity leave, and who have worked more weeks, the effect on governments revenues are modest. The main beneficiary of the larger tax base of a higher labour supply of mothers with young children is the federal government which does not support the significant public funding of the program. The policy has some drawbacks in terms of social efficiency and equity. The structure of the program with its very low \$7/day fee before taxes creates strong incentives for families to use long hours of daycare for children at a very young age, which may not be the best mechanism for child development. The high transfers in-kind (1.9 billion in 2009) to families using subsidized childcare raise the question of their horizontal and vertical equity. The paper concludes on three modifications to the program that could correct some of its weaknesses.

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