

What Have Been the Effects of Quebec's Universal Childcare System on Women's Economic Security?

Brief Submitted to
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Summary

Childcare fees impact strongly on mothers' decision to work, and therefore on their employment income and economic security. A unanimous finding of the research literature is that the low-fee universal childcare system that Quebec started 20 years ago has had a spectacular impact on childcare utilization and the labour force participation of mothers of young children. With more continuity in their careers, Quebec mothers see their employment income increase more and faster not only when their children are very young, but also later when they have entered school. The low-fee universal system operates as an effective insurance policy against the financial and developmental risks that come with separation from husbands or partners, whose probability of occurrence has increased sharply in recent decades. Advances of the kind and magnitude found in Quebec mothers' labour market performance and economic security have not been observed in other provinces, where the traditional full-fee childcare system with targeted subsidies has remained predominant.

The family is and should remain the bedrock on which child education is built. However, in a world where more than 70 per cent of mothers of very young children work, high-quality educational childcare is needed in practice to complement parental care. A low-fee universal childcare system is more effective and less costly than the traditional, purely targeted system in providing high-quality childcare. Only a universal system can catch all vulnerable children, two-thirds of whom come from middle- to high-income families. Furthermore, only the low-fee universal system can attract so many more mothers into the labour force that the additional taxes of all kinds collected by the federal and provincial governments come to exceed the additional subsidies the province has to pay over what a targeted system would otherwise cost. There is no net cost for taxpayers since the system more than pays for itself.

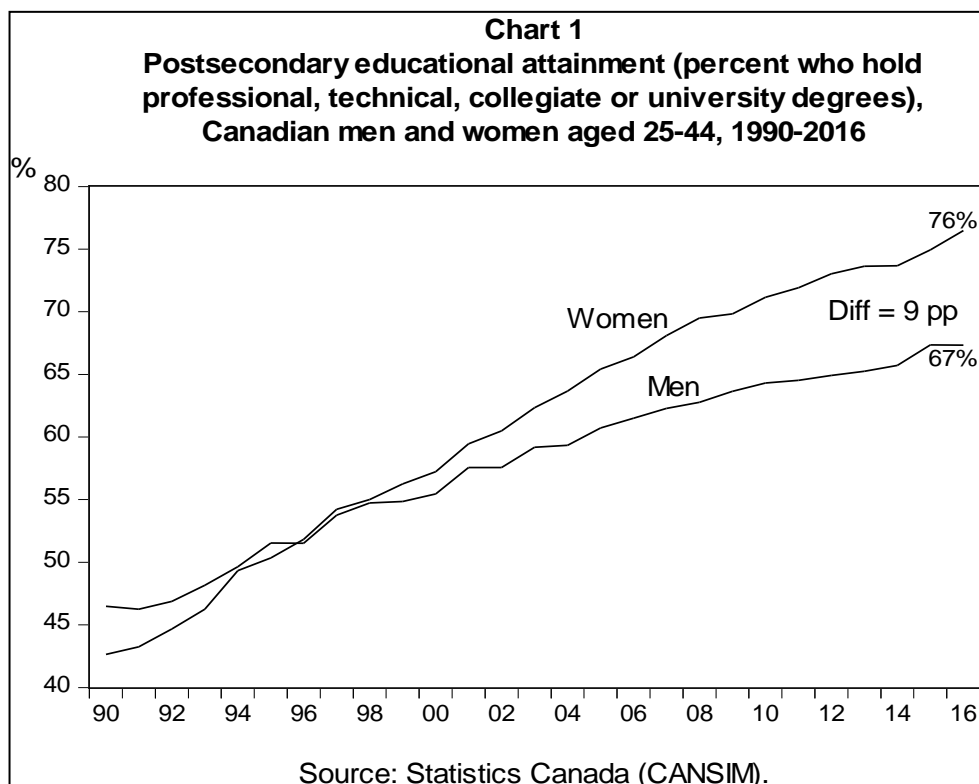
This being said, the Quebec childcare system is still far from being perfect. Far too few children receive education and care of good to excellent quality, and far too few disadvantaged children access the good part of the system and have their special needs attended. Improving quality in general and better responding to the needs of disadvantaged children in particular should be the foremost priorities for the future development of the Quebec system.

Recommendation

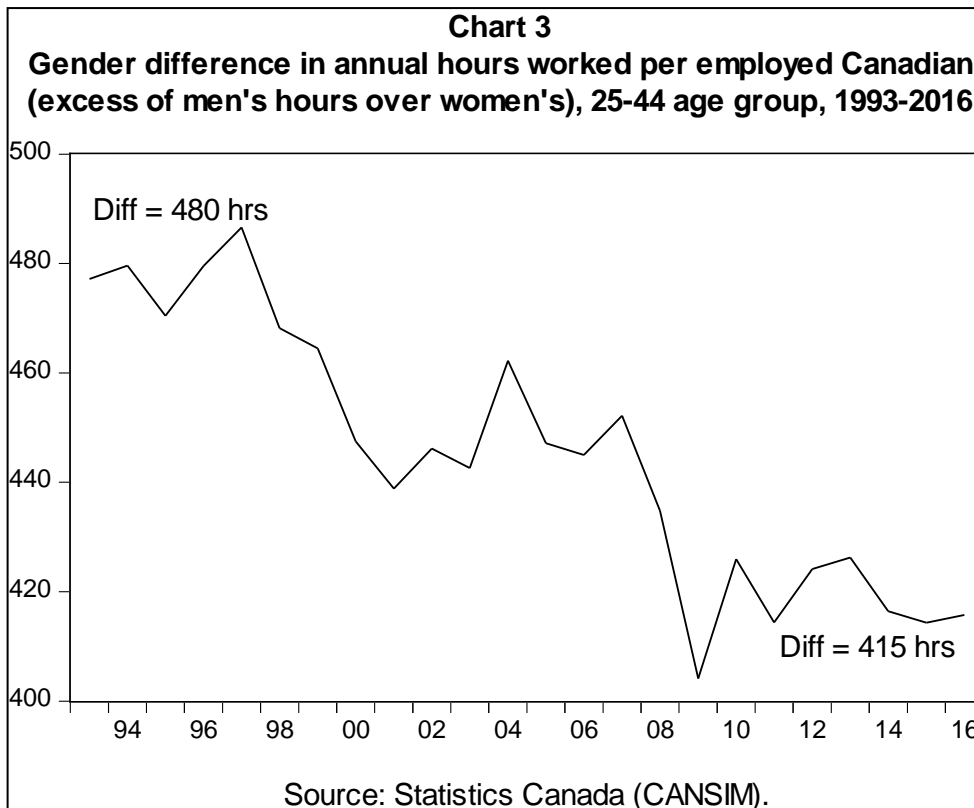
The Government should quickly make good on its 2015 platform promise "to deliver affordable, high-quality, flexible, and fully inclusive childcare for Canadian families." Specifically, it should push forward the national early childhood education and care agenda by introducing a Canada Childcare Act. Under this Act, there would be an annual financial contribution made by the Government to provinces and territories under the condition that their educational childcare programs be low-fee and universal in design.

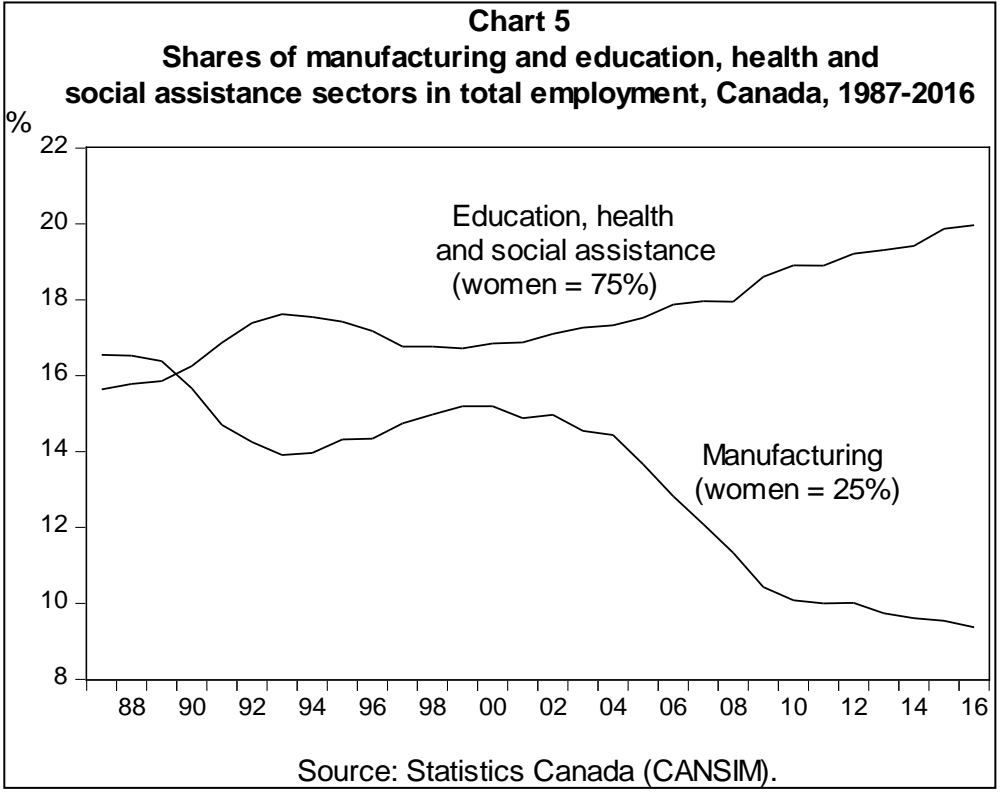
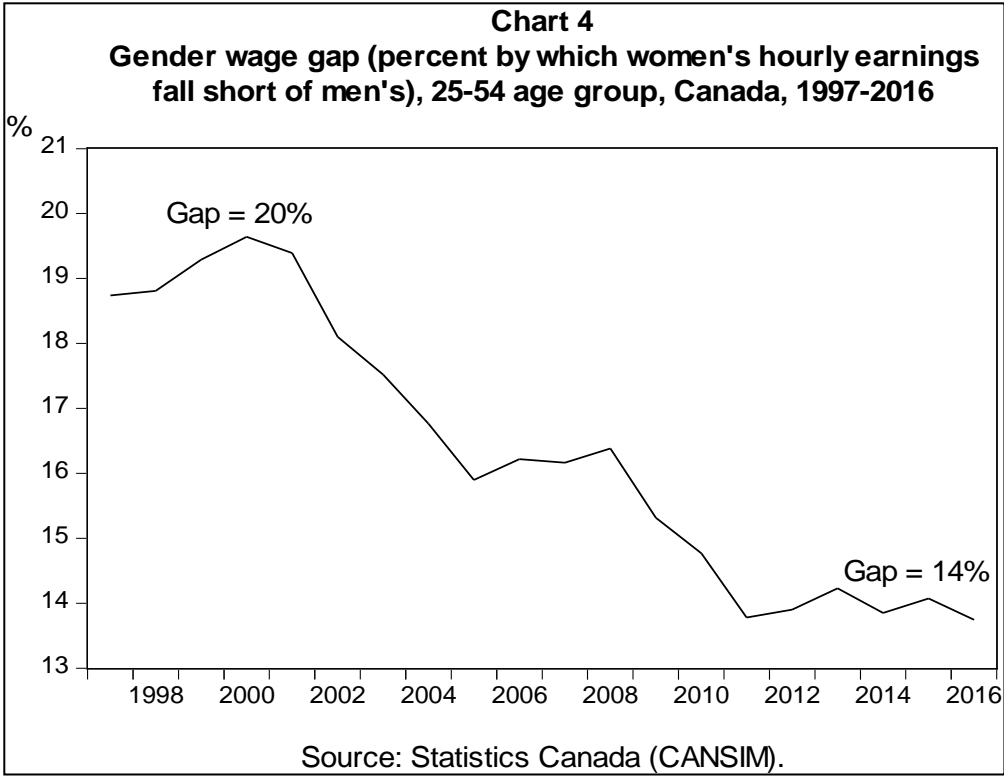
In recent decades, changes in educational attainment, industrial structure and unionization have improved women's relative labour market performance

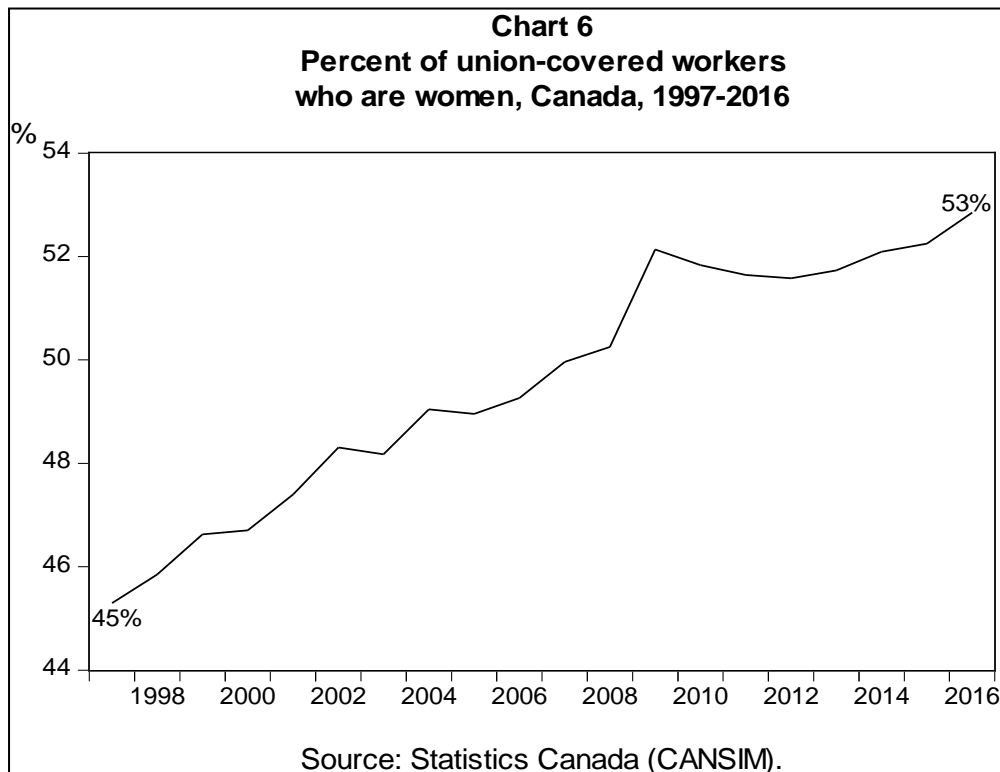
The main contributor to economic security is having a good job, and the main path toward a good job is having a good education. Canadian women have made significant progress in these two areas in past decades. On educational attainment, a good summary indicator is the percentage of people who hold postsecondary degrees. Chart 1 shows that, while until the mid-1990s more young Canadian men than women had postsecondary degrees of all kinds, the tide has since turned to the increasing advantage of women. In fact, women's advantage is even more pronounced at the university level alone. Today, 36 per cent more young Canadian women than men are university graduates. Charts 2 to 4 synthesize the labour market outcomes. The male-female gaps in employment rates, annual hours worked and hourly wages have all declined significantly. (Of course, this does not mean that there is no further progress to be made for women!)



The rising proportion of more highly educated women compared to men is the most important cause of the better labour market performance of women, but obviously not the only one. On the demand side, Chart 5 shows that in the last 30 years the share of male-dominated manufacturing in total Canadian employment has decreased, while that of female-dominated education, health and social assistance has increased. Chart 6 displays the not-unrelated fact that the labour force covered by unions, whose working conditions are better protected than average, has become more feminine over time. These two developments have helped women to improve their employment performance relative to men overall.







Childcare costs impact strongly on mothers' decision to work

On the supply side of the labour market, one has to pay close attention to the interaction between maternity and labour force participation. Every working woman who becomes a mother has to leave her job for a while upon ending pregnancy, delivering, and starting her new child. She usually qualifies for maternity/parental benefits that can last up to 50 weeks. Then, parents have to decide how to organize their life with the child until the age of entry in kindergarten. The mother may opt for staying at home with the child, or using informal or licensed childcare services.

Childcare fees play an important role in the mother's decision on whether to return to work at the end of her parental leave (Blau and Currie 2006). Table 1 reports estimates of how costly childcare services were and what pressure they exerted on women's market income in 22 large Canadian cities in 2014.

The results for the five Quebec cities stand out. For the past 20 years, Quebec has run a low-fee universal educational childcare system. In 2014, the daily fee was 7 dollars, which is estimated here to represent just 6 per cent of women's median market income. In all other provinces, licensed childcare services are run by full-fee private family- or centre-based providers, generally with subsidies targeted to low-income families (Friendly et al. 2015 gives a detailed description). Table 1 shows that, outside of Quebec in 2014, the median licensed unsubsidized daily fees averaged 44 dollars for toddlers (18-36 months) and 38 dollars for preschoolers (36-68 months). They varied widely from 21 dollars for the two groups of children in Winnipeg (where the provincial government sets a maximum daily fee) to 61 dollars for toddlers in Toronto. The

median financial burdens on women's income averaged 29 per cent outside of Quebec. They ranged from 15 per cent in Winnipeg to 36 per cent in Brampton.

Table 1. Median licensed unsubsidized childcare fee per full day for toddlers (18-35 months) and preschoolers (36-68 months), in dollars and as a percentage of women's median market income, in 22 large Canadian cities in 2014

City	Median fee per full day		Percent of women's median income
	18-35 months	36-68 months	
St. John's, NL	n.a.	\$40	32%
Halifax, NS	\$38	\$36	28%
Quebec City, QC	\$7	\$7	6%
Longueuil, QC	\$7	\$7	6%
Montreal, QC	\$7	\$7	6%
Laval, QC	\$7	\$7	5%
Gatineau, QC	\$7	\$7	4%
Ottawa, ON	\$46	\$44	26%
Toronto, ON	\$61	\$46	34%
Mississauga, ON	\$48	\$45	32%
Brampton, ON	\$47	\$45	36%
Hamilton, ON	\$44	\$37	31%
Kitchener, ON	\$41	\$39	30%
London, ON	\$48	\$42	34%
Windsor, ON	\$39	\$35	34%
Winnipeg, MB	\$21	\$21	15%
Saskatoon, SK	\$32	\$30	23%
Edmonton, AB	\$39	\$34	24%
Calgary, AB	\$43	\$43	26%
Surrey, BC	\$45	\$40	35%
Burnaby, BC	\$47	\$35	27%
Vancouver, BC	\$56	\$40	29%
Out-of-Quebec average	\$44	\$38	29%

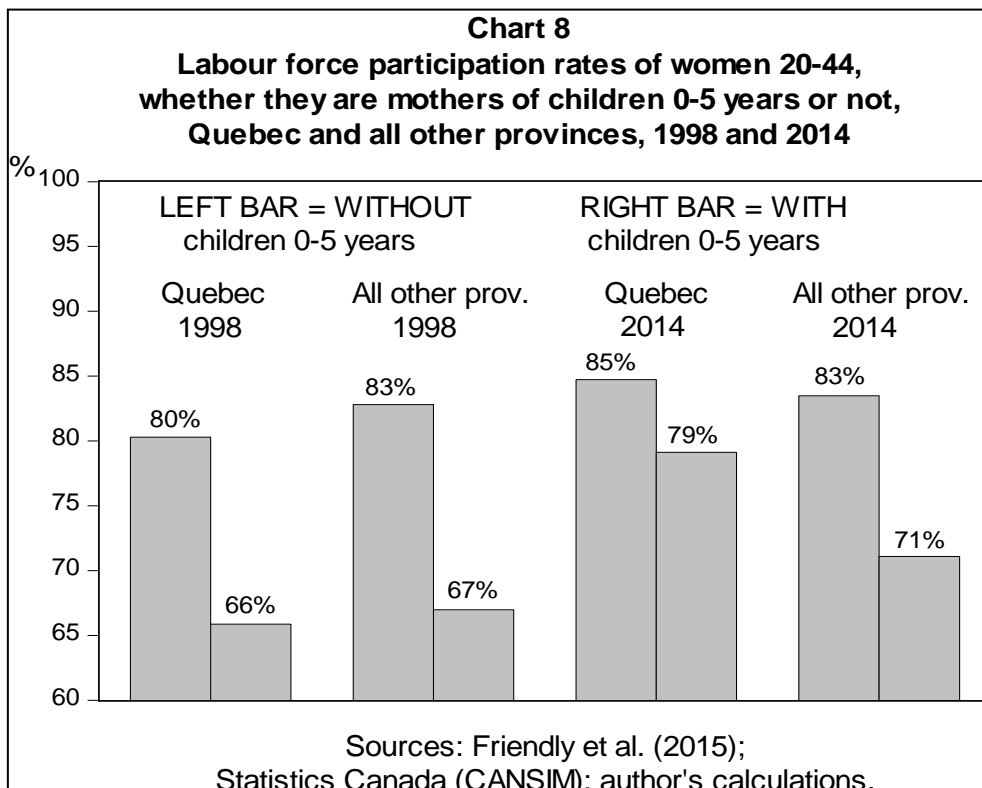
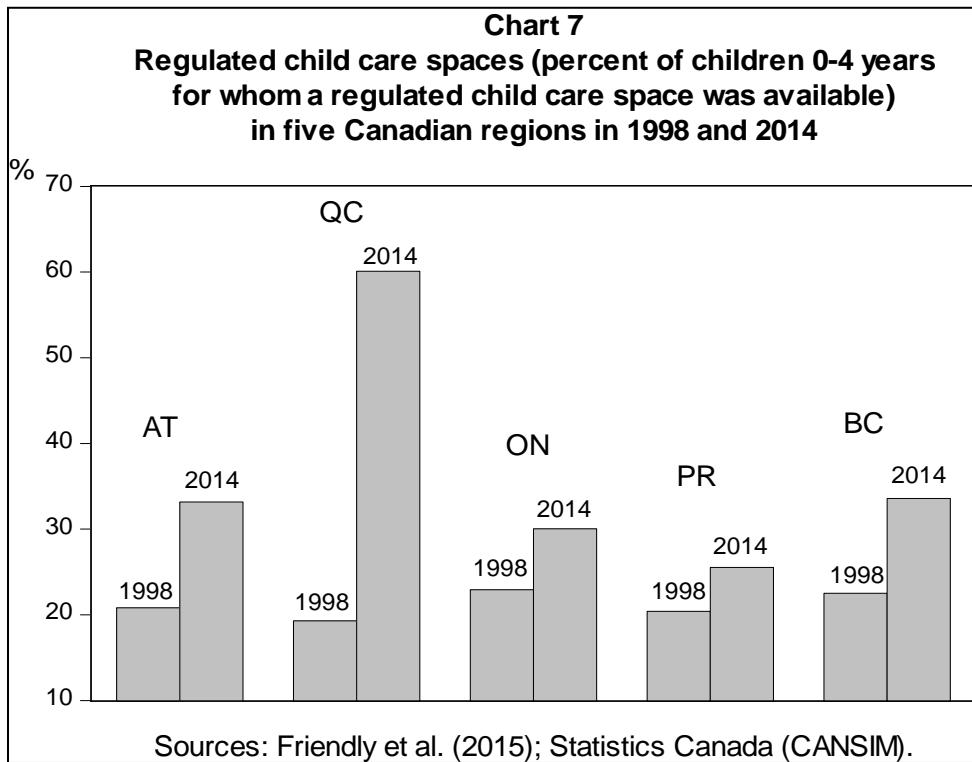
Source: Macdonald and Friendly (2014).

Low childcare fees in Quebec's universal system have had a huge impact on childcare utilization

One can immediately see from Table 1 data that licensed childcare was about five times more affordable in Quebec than elsewhere in Canada in 2014. Did this convince more mothers of young children to use licensed childcare and go to work in that province? Charts 7 and 8 suggest that both questions should be answered affirmatively.

Chart 7 shows that in 1998 there were between 20 and 23 per cent of children 0-4 years that had access to regulated spaces in the five Canadian regions, including Quebec (where the new low-fee universal childcare program was just being started). Sixteen years later, in 2014, the Quebec percentage had zoomed to 60 per cent of children while it had increased only modestly to

between 26 and 34 percent in the four other regions. This suggests that the effect of the new program on the utilization of licensed (family- or centre-based) childcare in Quebec has been very large.



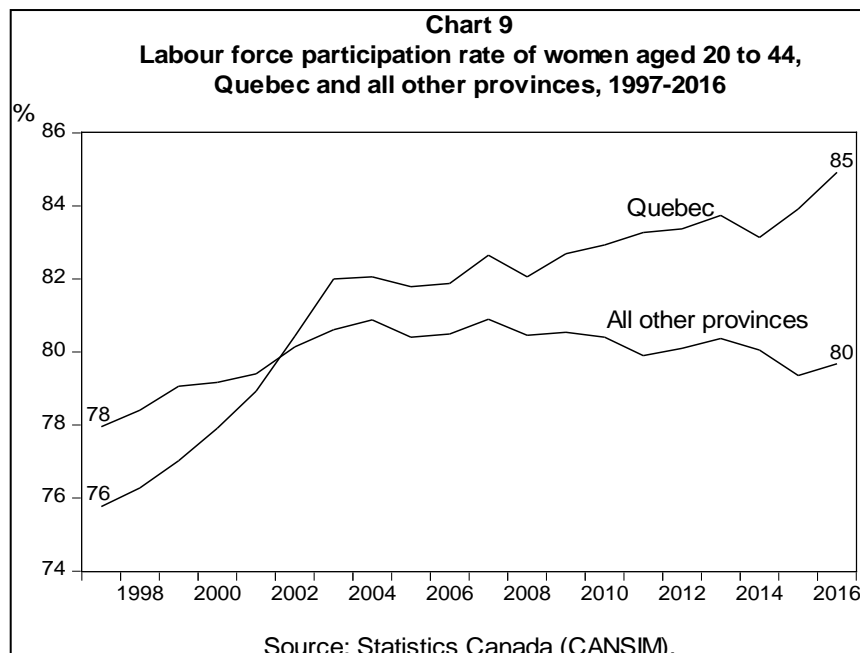
The low childcare fees in Quebec have also caused the labour force participation of mothers to rise sharply

Chart 8 summarizes the evidence on the labour force participation response of women of child-raising age (20 to 44). Three dimensions are distinguished: year (2014 versus 1998), region (Quebec versus all other provinces) and maternal responsibility (depending on whether women 20-44 years are mothers of children 0-5 years or not).

The chart underlines two developments. The first is that from 1998 to 2014 the participation rate differential between mothers of young children and other women 20-44 was reduced in all parts of the country, but by twice as much in Quebec (8 percentage points) as elsewhere (4 points).

The second development is that the labour market behaviour of young women in Quebec underwent radical change between 1998 and 2014. On one hand, while the labour force participation rate of mothers of young children rose by a modest 4 points outside of Quebec, it increased by a whopping 13 points in Quebec. On the other hand, while, outside of Quebec, the participation rate of women who were not mothers of 0-to-5 year olds remained unchanged in 2014 from 1998, it increased by 5 points in Quebec. This raises the possibility that the Quebec program has had a long-term impact: using childcare while working before kindergarten begins may have increased the chances of being at work later, after the child has entered school.

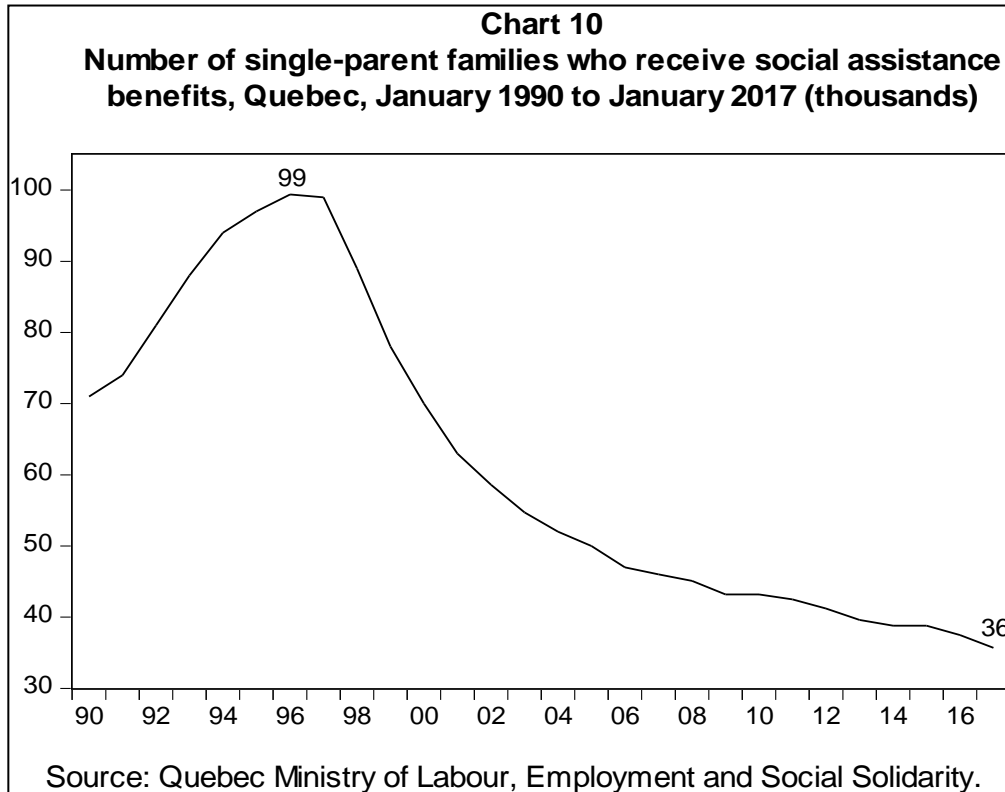
Chart 9 summarizes overall trends in labour force participation of Canadian women of childbearing age. Over the 19-year span 1997-2016, the rate for Quebec women rose from 2 points below to 5 points above that for women in other parts of Canada. The Quebec advantage emerged mainly in the first few years after the low-fee universal childcare program was introduced, from 1997 to 2003. The aggregate labour force participation rate of Quebec women aged 20 to 44 is now on par with the very high rates reported for Swiss and Swedish women of the same age group.

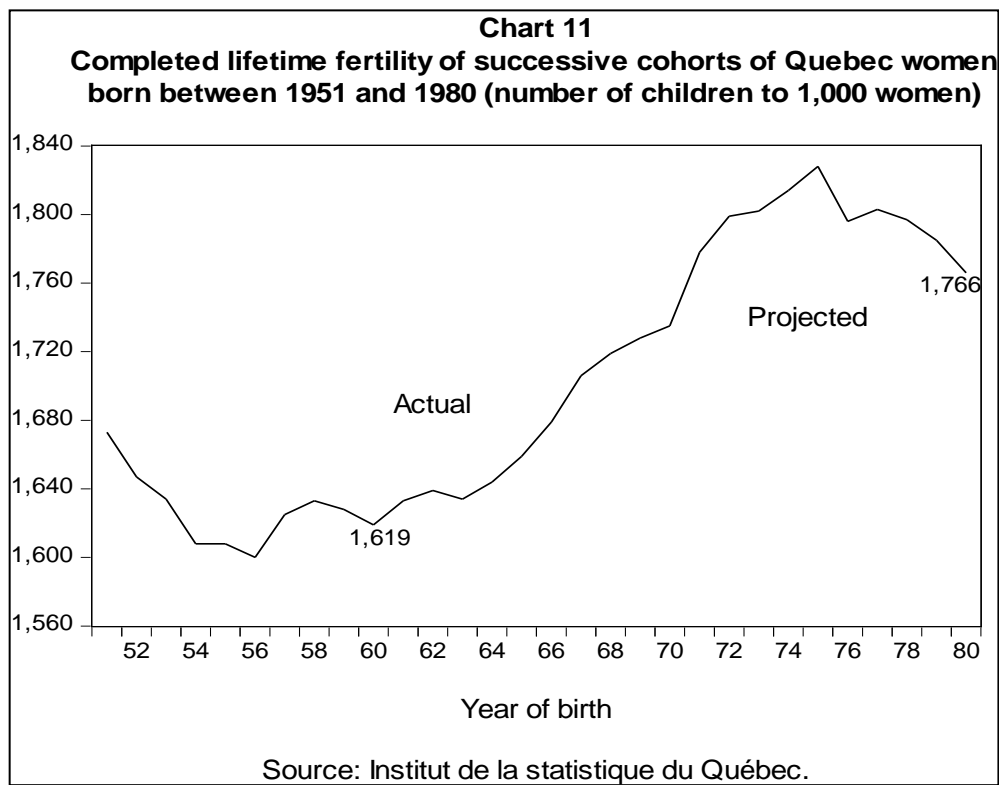


One should be careful here not to fall in the *post hoc ergo propter hoc* fallacy. The fact that the higher participation rate of Quebec mothers of young children followed the introduction of Quebec's childcare innovation is suggestive, but not a definite proof of a cause-and-effect relationship. However, several researchers from UQAM, Toronto-MIT-UBC and Queen's have been able to confirm with longitudinal microdata that the Quebec reform did have a large causal impact on the employment of mothers (Haeck et al. 2015; Baker et al. 2008; Kottelenberg and Lehrer 2013). Furthermore, UQAM researchers found that the effect was indeed long-term, as suggested by the picture in Chart 8 above. If a mother uses childcare while working before her child begins school, then she is more likely to be at work later, once the child has entered school. This is particularly so for middle- to low-income mothers (Lefebvre et al. 2009).

Based on all these results, University of Sherbrooke colleagues and I estimated that in 2008 there were 70,000, or 3.8 per cent, more Quebec mothers in employment than there would have been without the reform, and that the long-term impact on provincial gross domestic income (GDP) was an increase of around 5 billion dollars, or 1.7 per cent (Fortin et al. 2013). These are very large effects.

Another study, by a Laval University graduate student, found that the low-fee childcare program made some modest, but significant, contribution to the 60 per cent decline in the number of single-parent families who received social assistance benefits in Quebec after 1997 (Blouin 2005). This decline, depicted by Chart 10, also followed the reform of family allowances and the public prescription drug insurance plan, both introduced in 1997.





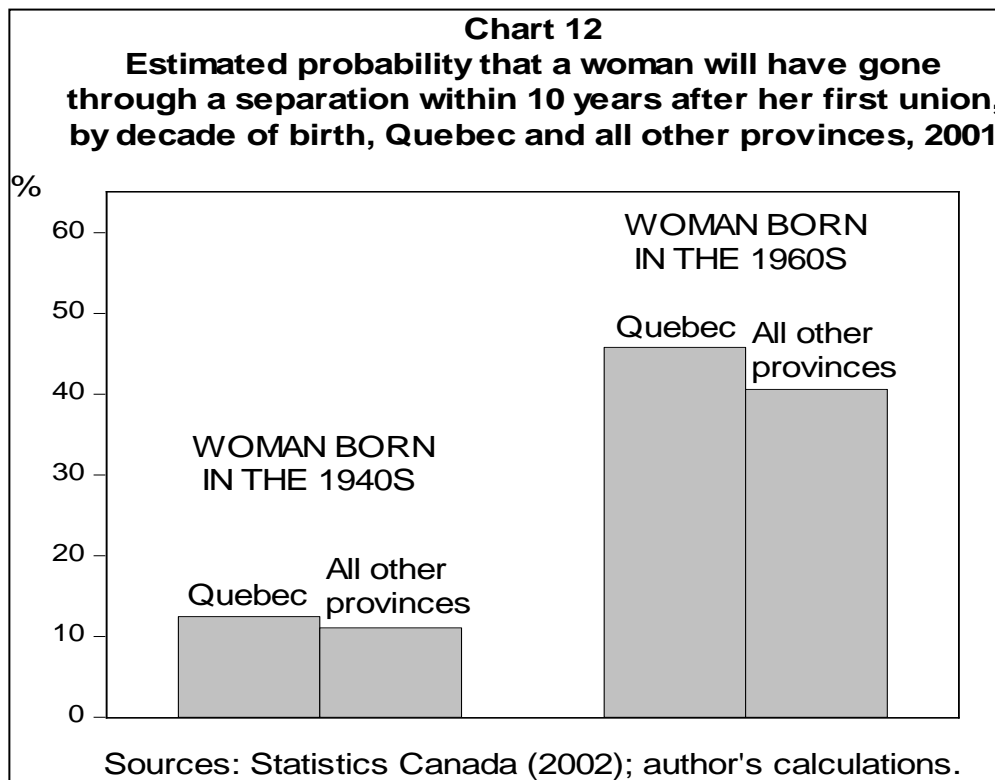
A final observation is that the advent of the low-fee universal childcare program was not followed by a decline in fertility. Chart 11 indicates that the completed lifetime fertility of Quebec women has increased from 1.62 children per woman born in 1960 to a current projection of 1.77 children per woman born in 1980. In other words, Quebec women work more and do not have less children today than before the new childcare program was started 20 years ago.

Low-fee universal childcare in Quebec has had major consequences for women's economic security

All said, what impact has the low-fee universal childcare program had on Quebec women's economic security? There have been three broad consequences. First, the current employment income of mothers has greatly increased. Today, with around 75,000 more mothers in employment paid an average annual salary of 40,000 dollars (not including fringe benefits), the program is adding some 3 billion dollars annually to women's income in Quebec. This is not only an increase in total family income, but an increase in the portion of family income that is under the control of women, and therefore in their say and power in household decisions.

Second, with more continuity in their careers, their wages and employment income are bound to increase more and faster over their entire work life.

Third, employment can be viewed as a kind of insurance policy against the high risk of separation. Chart 12 makes the point that the probability for women to have gone through a separation within ten years after their first union has increased enormously in recent decades (Statistics Canada 2002). That probability was 10-12 per cent for women born in the 1940s, but rose very suddenly to 40-45 per cent for those born in the 1960s. It will unlikely have diminished for women born in the 1980s. The point here is that ten years is just the time that it takes nowadays to have one or two children and start them in life. If the mother has not held a job throughout most, or all, of this 10-year period, she is very likely to wind up financially strapped, dependent, or even in poverty, once the couple separates. Not only she will suffer, but her children risk being harmed in their normal development, given that responsibility for children after separation most often remains with mothers. Poor children do not make strong children. By implication, switching to good-quality, affordable childcare and returning to steady employment at the end of the parental leave can be viewed as effective insurance against the financial and developmental risks that would come with a future separation.



High-quality educational childcare services can by no means replace parental education, but for scientific and practical reasons they are clearly needed nowadays to complement parental care

It is crucial here to emphasize that being a working mother of a young child and using childcare is no evidence at all that you are giving up your parental responsibility. There is no question that the family is and should remain the bedrock on which child education is built. But for scientific

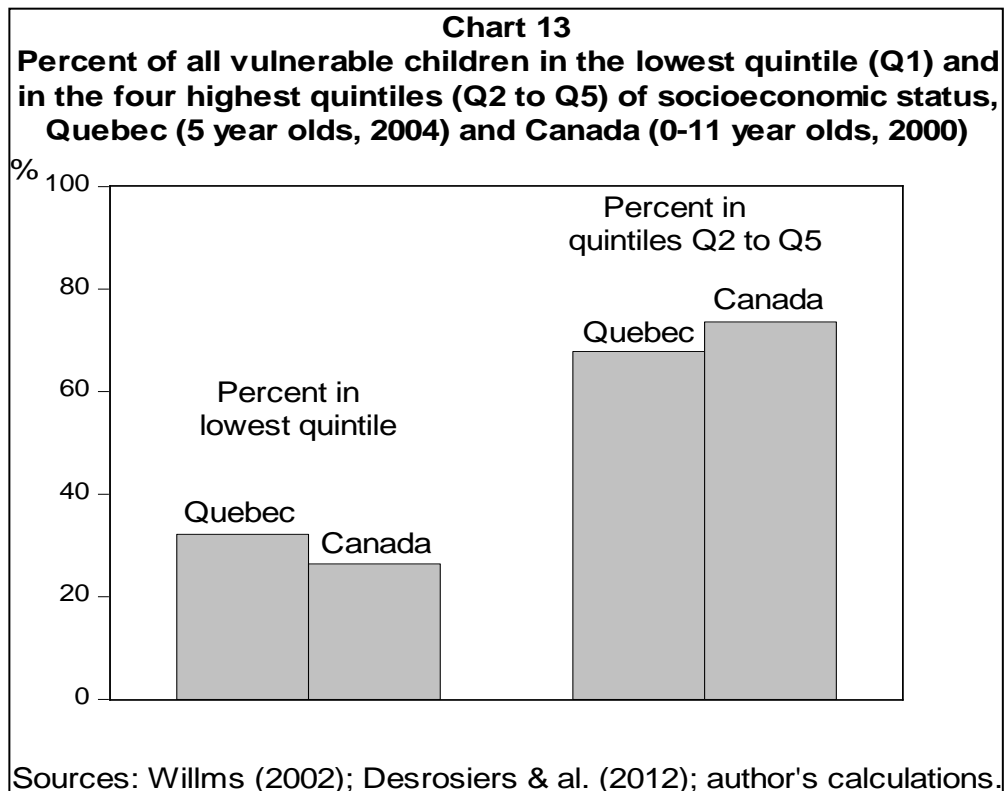
and practical reasons, there is also nowadays a great need for early childhood education and care programs.

The scientific reasons cut across disciplines. Neuroscientists have found that early years are critical for permanent brain development (see Mustard and McCain 1999). Psychologists warn us that a bad start has negative consequences that are persistent and are often prohibitively costly to remedy later (see Boivin and Hertzman 2012). Economists have calculated that investment in early childhood education is the most profitable of all investments in education (see Heckman 2000).

There is also a practical justification for high-quality educational childcare. In 2014, 73 per cent of Canadian mothers (71 per cent outside of Quebec) with children 5 years and under were at work. The question is not whether 73 or 71 per cent of mothers of young children at work is acceptable in theory, but what to do in practice given that this is the reality we have to cope with. How do we ensure that the 70 per cent majority of young children whose mothers work in Canada get the high-quality childcare they need to complement the care they receive at home?

A low-fee universal childcare system such as Quebec's is more effective and less costly than the traditional, purely targeted system

A wise answer to this question is to implement and manage a high-quality, low-fee universal education and care system, as Scandinavians, Germans and Quebecois try to. The system must indeed be universal, and not targeted only at children from low-income families.



There are two decisive arguments to support low-fee universality. The first, summarized by Chart 13, is that two-thirds of vulnerable children come from middle- to high-income families (Willms 2002). Furthermore, if not corrected early, before kindergarten, vulnerability is persistent. If a child winds up vulnerable in kindergarten, it is very likely to remain so in later grades (Desrosiers et al. 2012). Vulnerable children from families of every socioeconomic status must therefore participate in the system if the latter is to “catch” all of these children. Only a universal system can aspire to achieve this.

The second argument in support of a low-fee universal system is that such a system, as the one implemented in Quebec, generates a fiscal surplus because it attracts so many more mothers into the labour force that the additional taxes of all kinds collected by governments come to exceed the additional subsidies the province has to pay compared to a targeted system. Extending the estimates reported by the above-mentioned studies at UQAM and at Toronto-MIT-UBC, my University of Sherbrooke colleagues and I have calculated that in 2008 the total fiscal surplus that Ottawa and Quebec City got together from the Quebec childcare program was \$900 million (Fortin et al. 2013). In other words, we found not only that the universal system had not added to the burden of taxpayers, but that it had, on the contrary, more than paid for itself. The fiscal surplus could then have been invested in enhancing the quality of childcare services and in better responding to the special needs of disadvantaged children.

A low-fee universal program is therefore preferable to the traditional, purely targeted program in cost-benefit terms. It provides everything that is needed to catch all vulnerable children and to finance high quality and special needs at no net cost.

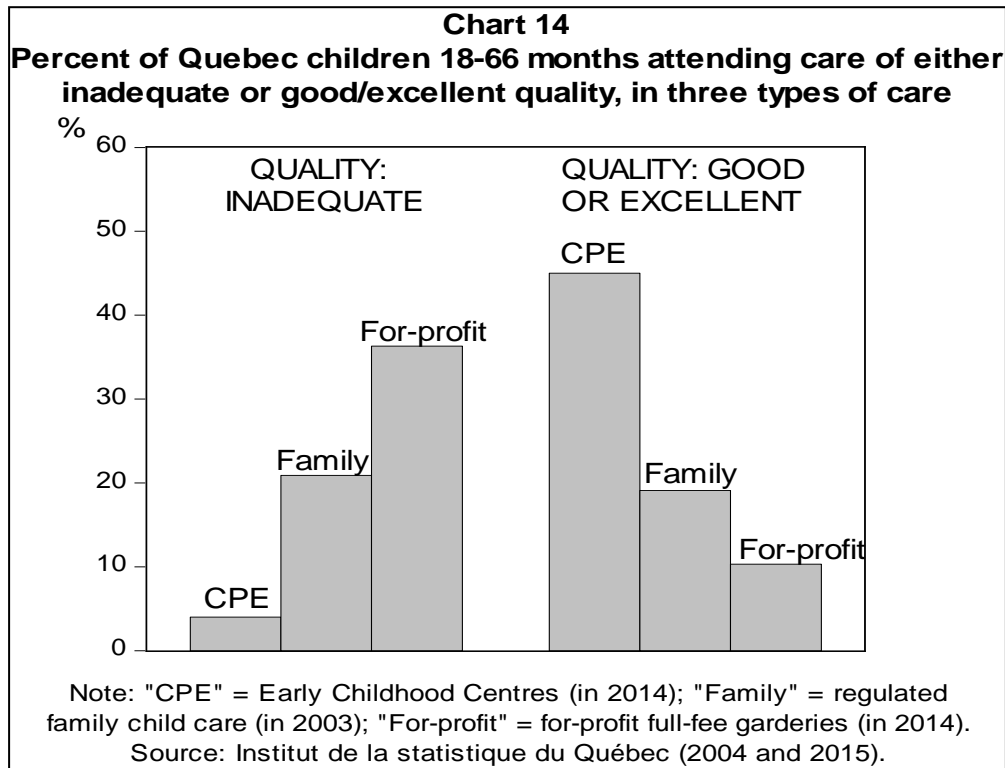
The Quebec childcare system needs to be improved on quality and in its response to the needs of disadvantaged children

At the same time, it is clear that the Quebec system still has to be improved on these two counts of quality and the special needs of disadvantaged children.

On quality, the evidence reported by Chart 14 is that Quebec’s 1,500 Early Childhood Centres (CPE) network offers good-quality care on average. A 2014 survey on quality found that 45 per cent of children attending CPEs were in good to excellent centres, and only 4 per cent in centres of inadequate quality (Institut de la statistique du Québec 2015, Tome 2). The recent research literature has found that the high-performance CPE network is delivering positive cognitive, health and behavioural results on average, and is effective in reducing the vulnerability of children of all income classes (I. Laurin et al. 2015; J. Laurin et al. 2015; Geoffroy et al. 2010; Herba et al. 2013). However, for now this network absorbs only 1/3 of children in regulated care. As Chart 14 further indicates, the problem is that the other 2/3 of children in regulated care, who receive services from family-based providers and for-profit *garderies*, are of minimal or inadequate quality on average (Institut de la statistique du Québec 2015, Tome 3). In a nutshell, the distribution of children in care is skewed toward low-quality providers.

This explains that, so far, researchers that have studied the effects of the childcare system as a whole on the development of Quebec children have not found many positive effects (Lebihan et al. 2015; Baker et al. 2015; Kottelenberg and Lehrer 2016). What these studies imply is not a grand conclusion that a low-fee universal system is bad in general for child development, but a

reminder that it can be bad if the average quality of services is substandard – a common-sense observation. There is no doubt that the quality of services in Quebec’s specific system needs to be better managed. The good quality standards achieved by the CPE network should be extended to the rest of the system.



On the special needs of disadvantaged children, it should be recognized that low-income children are much less present than other Quebec children in good-quality regulated childcare (Haeck et al. 2015; Japel 2016). Their parents use regulated childcare services less often and, when they use them, wind up more often in low-quality *garderies*, either because there is no good-quality CPE in their neighbourhood, or because the current mix of tax-transfer rules makes it cheaper for them to use these *garderies* than CPEs. Better access of disadvantaged children to good-quality centres should obviously be a top priority for the future development of the Quebec system.

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