QUEBEC’S CHILD CARE POLICY

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I. INTRODUCTION

In 1997, the Quebec Government implemented $5 a day child care as part of their new Family Policy. By offering all-income level families access to affordable child care, Quebec intended to increase: birth totals - which has been Quebec's defense against the assimilation of the English culture; number of hours worked by females - lower childcare costs would enable women to work more hours; and labour force participation rates - women who previously were not working due to high daycare costs would now be able to enter the work force. However, the outcomes Quebec received were quite different from the outcomes they had expected.

This paper will explore the generalities of the policy, followed by a critical analysis of what policy makers expected to accomplish and the actual results that were achieved. Quebec's $5 day care policy was designed to increase women's labour force participation while still promoting an increase in birth totals in the province. While the policy seemed to be sound in theory some negative, unforeseen consequences arose. Such things as excess demand for the $5 day care program, decreased quality of daycare offered and adverse effects on childcare workers. All of these problems arose while the labour Force Participation rate of women only followed national trends, average hours worked by women did not increase significantly and birth rate totals continue to decline in the province.

II. GENERALITIES OF THE NEW POLICY

Eligibility

Regardless of how high one's yearly income, one is eligible for $5 a day child care. For lower-income families, the government will subsidize child care by $3 a day, leaving one to pay only $2 a day. If a family is receiving child care that is not subsidized due to location or insufficient spaces, they are able to receive a significant reimbursable tax credit. Families receiving social assistance have had access to free child care since 1997.

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Demand

In 1997, there was an estimated 54,000 child care spaces available in Quebec. The government planned on having approximately 73,000 new spaces by 2006 in order to meet the anticipated increase in quantity demanded under the policy. The locations of the new child care facilities were to be dispersed across the province providing approximate equal access for everyone. This enabled people who did not live in central areas access to the facilities without having to travel great distances.

Funding

The discrepancy between what one pays for daycare and the actual cost of providing daycare services is absorbed by the Quebec government. With the not-for-profit community-based and regulated child care centers, the funds are transferred directly from the government using tax payers' dollars. For-profit daycares, which are not regulated, are also subsidized but not nearly to the extent of regulated daycares. This is an indirect way of enticing for-profit daycares to convert into non-profit childcare centers.

Expectations

After starting a family, many households confront the problem of having to choose between paying for daycare or having one parent stay at home to raise the children. For some low income families, there is no choice between the two due to high daycare costs. Having a parent stay at home can lead to a loss of income for the family, which in turn decreases the amount of resources available for investment in children in other areas. “Finding affordable, quality daycare is crucial for most single parents and dual-earner couples if their children are not to be penalized” (Blau et al., 2002). The expectation from the policy is to have affordable, quality daycare for all families, so that mothers and/or fathers are able to re-enter the workforce without paying high daycare costs, thus increasing the labour force participation rates. This will lessen the impact of the “baby penalty” because women are re-entering the workforce more quickly than in previous years. With an expected increase in the number of women entering the workforce, the amount of taxes Quebec government can collect will increase. The revenue generated from these taxes is therefore expected to offset the cost to the government of subsidizing the new policy. Another expectation of the child care policy is for Quebec to increase their current birth rate. One is able to go back to the 1800's and take...
note of the high fecundity of the French women. This has been Quebec's biggest defense against assimilation of the English culture. “The power of the State is related to the number of people it controls...” (Schuster, 2001). Since 1991, however, Quebec's birth rate has been on a steady decline, which implies that the previous “Baby Bonus” had no positive impact on the birth rate. Quebec hoped that women would have opted to have more children because they would not have the burden of high daycare costs. According to Mclean (1998), the anticipation was to raise the birth rate from the current 1.35 to a target rate of 2.2 (the minimum children per family required to maintain a population).

III. PROBLEMS WITH THE NEW POLICY

Excess demand

The increase in demand for child care slots that the government initially anticipated was not near the amount that was actually observed. In turn, failure in accurately forecasting demand led to more problems than the government expected. Figure 1 shows the relationship of market demand for daycare service at different prices. Supposing anticipated demand $D_F$, a lowering of the price of child care to $\$5$ per day results in a forecasted increase in demand for afford-
able care $q_F$. By controlling the price of such services, the new regulated child care policy aimed in this way to make daycare more accessible by controlling the price of such services. Yet in order for the new policy to be meaningful, the government must correctly predict the number of spaces demanded and ensure that the necessary resources are available. Given actual demand $D_A$, an increase to $q_A$ translates into higher per unit subsidies to daycares and a higher cost to government (represented by the shaded segment of Figure 1) than would be anticipated under demand $D_F$. In the first year of the policy alone, the cost of the new daycare policy exceeded Quebec's initial budget by $300 million due to unanticipated demand.

By the end of 2002, upon full implementation, it is estimated the policy will cost the government $1.2 billion a year to run. The initial estimated cost was $250 million per year. The failure of the government to provide adequate facilities has resulted in excess demand so vast that children are being placed on three-year waiting lists. This implies that some families may never have the opportunity to utilize the new child care program.

**Effects on Quality**

Daycare enrollment limits are currently set by the amount of floor space. Outside of Quebec the average floor space per child is around 3.25m$^2$, and in Quebec it is 2.75m$^2$.\textsuperscript{1} Although this leads to overcrowded daycares, the most important measure of a child care center's quality is the ratio of children to caregiver (the higher the ratio the lower the quality). Quebec has always had one of the highest ratios in the country. Philip (1997) notes in the *Globe and Mail* that before the new policy, Quebec had a child to caregiver ratio of 8:1 compared to Ontario which has a ratio of 5:1.\textsuperscript{2} These ratios demonstrate that Quebec's child care has not been of the highest quality, and with the current demand surplus it is predicted to only get worse. According to the same source, the excess demand for child care spaces has encouraged the government to propose a relaxation of provincial standards that restrict the number of children that a center can enroll. The maximum enrollment would thus increase from 60 to 80 children, which means an increased child to caregiver ratio from 8:1 to 10:1. One could assume that this would lead to a decline in the quality of child care provided.

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2. See Margaret Philip (1997). “Child-care plan makes Quebec distinct: an ambitious, European-style social program provides cradle-to-grade-school subsidies for all families, rich and poor.”
sidized childcare, there must be a decrease in quality? Drawing upon Human Capital Theory, one could argue that quality should come before quantity. Quality education results in higher productivity and hence higher marginal returns to other education and employment in the future.\(^3\) With current conditions in Quebec, the policy seems to be focusing more on quantity than quality. Yet, even daycare directors have expressed their concern about quality: “I’d love to say this policy is going to mean affordable, accessible childcare for everyone,” said Barbara Kaiser, director of Montreal’s non-profit Garderie Narnia daycare centre. “I’d love to utter those words. But I don’t feel I can. The word missing here is quality, and it’s a very important word” (Philip, 1997).

**Effects on Childcare Workers**

When the new policy was implemented, the government made it mandatory that at any point in a day, 2 out of 3 child care workers must have certified training. Due to the cost of training and the increase in children to care for, the government proposed an increase in wage from $10 an hour to $15 an hour (Gyulai, 2002). The Quebec government also discussed establishing a pension fund for child care workers. The chances of child care workers receiving these benefits are highly unlikely due to the tremendously high demand, the increasing costs to the government, and insufficient funding. The daycare workers know that there is a lack of funds and hostility within the workplace has grown.

One childcare worker, Claudette Carbonneau, has a different point of view as to why they have not received what they were promised. Carbonneau claims, “It’s an old story of systemic discrimination” (Gyulai, 2002). She says this because ninety-five percent of child care workers are women. The child care workers are looking for pay-equity, but that might take awhile because the government has not found a male-dominated job that is comparable to a child care workers wage. Premier Bernard Landry is now blaming the Federal Government claiming, “If the province would get $50 million more a week from Ottawa, it would be easier for the government to increase its pay for nurses and daycare workers”(Gyulai, 2002). This is unlikely to occur because it would mean $2.6 billion a year to Quebec, as well as each other province and territory.

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3. See Blau et al. (2002) for a complete discussion.
Effects on Labour Participation Rates of Women

As stated earlier, the Quebec government was hoping that the reduction in daycare costs would increase labour force participation rates. “Child care may allow parents to be employed when their children are young, and this provides both private and public benefits” (Cleveland et al. 1998). Berger et al. find that single mothers who receive child care subsidies are more likely to be employed. Analyzing Figure 2, one notices that labour force participation rates in Quebec have risen. Is one able to then make the assumption that the new policy has contributed to this effect? The Quebec government would likely say yes. Looking at the labour participation rates in Canada, one can observe that the Canadian average is increasing by just as much. Therefore, Quebec’s increase in labour force participation is only following the nation’s trend rather than rising because of the new policy. It is important to note that Quebec has a lower participation rate than the Canadian average to begin with, and continues to stay lower even after implementation of the new child care policy. Therefore, even after the vast amount of resources that were used to maintain the new policy, there are no significant increases in labour force participation rates. This means that although expenditures will keep rising in order to fund the daycare, the amount of taxes collected will stay relatively constant. Eventually this will lead to either cuts in other social programs or an increase in taxes. Either way the citizens of Quebec are worse off.

**Figure 2: Labour Force Participation Rates**

Data Source: Statistics Canada
Effects on Average Hours Worked

One would expect that due to the huge increase in utilization of daycare, that the amount of hours a woman worked (in the market) would increase. Having access to subsidized daycare enables a woman to increase the amount of hours she works, therefore causing a rise in the income of the household. Looking at Figure 3, this expectation is not met. In 1999 and 2000, there was a slight increase in the average amount of hours worked by a female living in Quebec, but it was still lower than the Canadian average. Also in 2001, Quebec's average actually decreases while the Canadian average increases. This difference leads to the biggest gap between Canada and Quebec since 1998. Considering no other province has child care that is subsidized as greatly as Quebec, why are women in these other provinces working more on average?

Increase in Birth Totals

Previously, Quebec had a program called the “Baby Bonus” which was supposed to induce families to have more children. This program assumed that having children was purely a financial decision. Although the Baby Bonus did have positive effects in the short run, the birth totals ended up falling dramatically later on. The failure was due to the fact that having a third child is not so much of an economic decision as it is a personal preference. The new child care policy is
also expected to increase birth totals by allowing women access to less expensive daycare. Low-cost daycare perhaps suffers from the same faulty assumption of the Baby Bonus, with the exception in this case that women can both satisfy their preference for children and pursue career interests. What are the effects on the birth totals in Quebec since the implementation of the new child care policy? Looking at Figure 4, one can see that there has been no growth in birth totals whatsoever. From 1998, to 2000 the birth totals leveled off somewhat, but whether it was the effect of the child care policy or not is a question left unanswered.

IV. Conclusion

Quality child care provides children with increased education, which in turn will result in greater productivity in the future. If Quebec implemented this policy because they wanted to invest more into their children, then part of their goal was met. With the new policy, more children have gained access to early education through the daycare centers, but at the expense of quality. Quality child care in Quebec has decreased dramatically due to the unanticipated demand for the service. With increasing children to caregiver ratios and overcrowding of daycare centers, one must wonder if the children of Quebec were better off before the new policy was implemented.

If Quebec implemented the policy with the intent of increasing their population, this is perhaps the government’s most obvious fail-
Birth totals in Quebec are lower than in previous years, and once birth rates start to decline, they are difficult to reverse.

Finally, if Quebec expected that affordable child care would increase the number of women in the labour force, the policy has yielded little success. Although statistics show an increase in Quebec's labour force participation, this rise is no more impressive than the Canadian average. In turn, there is little reason to believe that the rise in labour force participation rates of women in Quebec is a result of the implementation of the $5 a day child care.

These failures can be attributed to several misconceptions within the Quebec government. First of all, the policy assumes that having children is a financial decision. In the future, research should focus on why women decide to have children to guarantee a better understanding of women's preferences. Another miscalculation involved the inaccurate forecasting of demand for low-cost care. Excess demand for limited spaces in daycare has dramatically raised costs to government, while at the same time jeopardizing the quality of the service.

REFERENCES


Articles


