

Twelve Flawed Statements of the Fraser Institute on

Pierre Fortin
Department of Economics
School of Management
University of Quebec at Montreal

April 2017

*“Measurement is the foundation for all our work.
Careful, accurate, rigorous measurement. In
addition, the source of our data is always provided.”*

From the Fraser Institute’s website

In March of this year, the Fraser Institute of Vancouver (FI) put out a *Research Bulletin* authored by analysts Vincent Geloso and Ben Eisen, arguing that Quebec’s childcare program was “flawed” (Geloso and Eisen 2017). Geloso is an associate researcher of the Montreal Economic Institute (MEI), and Eisen is Director of Provincial Prosperity Studies at FI. The *Bulletin* is an expanded version of two July 2015 op-eds published in *La Presse* and the *National Post* by MEI president Michel Kelly-Gagnon and analyst Yanick Labrie, now an FI senior fellow (Kelly-Gagnon and Labrie 2015a, 2015b).

The FI *Bulletin* is here:

<https://www.fraserinstitute.org/sites/default/files/quebecs-daycare-program.pdf>

The two FI authors base their negative assessment of Quebec’s childcare program on twelve statements. They can be summarized as follows:

- 1) *T* *an explosive path.*
- 2) *Employment Insurance reform of 1996, not to the new childcare program*

- 5) *cannot be attributed to the childcare program since older women have experienced an even larger increase in participation.*
- 6) *supply fewer hours of work.*
- 7) *The introduction of a Quebec-style childcare program in other provinces today would have a n it has had in Quebec because the participation rates in these provinces today are higher to begin with than in the Quebec of 20 years ago.*
- 8) *childcare program on child development outcomes has been negative.*
- 9) *Although the childcare program is said to be universal, it has not solved the problem of waiting lists for childcare spaces.*
- 10) *Although the childcare program is said to be universal, lower-income families are still less likely to get a childcare space than upper-income families.*
- 11) *The childcare program has been a boon for richer households.*
- 12) *Evidence has shown that cognitive gains from participation in centre-based childcare tend to fade out quickly and are gone nearly entirely by the third grade.*

In this note, I examine the arguments on which these statements are based. I find all twelve to be flawed.

What is Quebec's childcare program? Since 1997, this province has run a low-fee universal childcare program with two explicit objectives: (1) improve work/life balance and (2) enhance child development and equality of opportunity. Currently, regardless of their employment, marital or income status, nearly all parents who desire so have access to low-cost spaces for their preschool children 0-5 years (more on this below). Four types of licensed childcare services are available: early childhood centres (called CPE in French), family-based caregivers, and two kinds of for-profit private *garderies*: reduced-fee and full-fee.

Table 1 summarizes the basic characteristics of these four types of licensed care. It is mostly self-explaining, except for the net after-tax daily cost. The latter is what remains after subtracting government assistance from the before-tax daily cost. Government assistance includes the federal income tax deduction and, where applicable, the provincial refundable tax credit and adjustments for the Canada Child Benefit and the GST credit. The net after-tax daily cost is smaller for full-fee private *garderies* when family income is less than \$55,000 or between \$105,000 and \$150,000; if family income is between \$55,000 and \$105,000, it is smaller for the three reduced-fee providers.

Does a cost of \$2.5 billion make Quebec's childcare program "expensive", as stated by FI? This is certainly a large sum of money, worth about 0.6% of the province's gross domestic product (GDP). But 0.6% of GDP is just about equal to the current OECD average for the share of GDP that governments of member countries allocate to early childhood educational development on average (OECD 2016, Table C2.3). The percentage is in fact higher than 0.6% in countries such as Denmark, Finland, Germany, Iceland, Israel, New Zealand, Norway, Spain and Sweden. The OECD (2007) argued that "the case can be made that 1% of GDP is a minimum figure if adequate quality is to be maintained." Whatever the case may be, Quebec's 0.6% is definitely not outlandish.

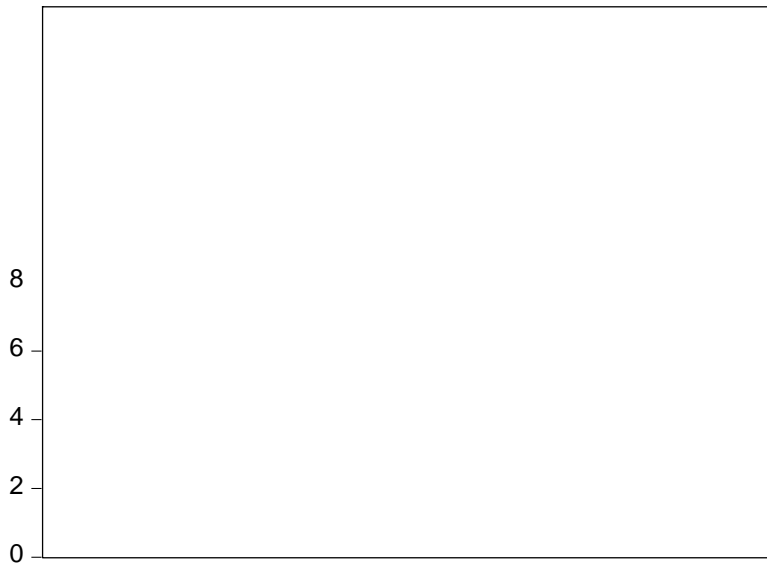
Expensiveness of a program cannot be assessed in the abstract. It has to be determined relative to the benefits that are said to be generated. The right question to ask is: have the effects of Quebec's childcare program on mothers' incomes and child development been positive and significant enough to justify the cost? The FI authors answer these questions negatively. Let us examine their arguments.

FI Statement #2

The introduction of _____ in 1997 coincided with the full implementation of the 1996 reform of employment insurance (EI) across the country. Therefore, it is likely that the quantitative estimates that are available have to a significant extent confounded th

fulcrum of economic growth in the Atlantic provinces was the oil boom in Newfoundland

expect that the increase in the labour force participation rate of Quebec women would have been somewhere between the increases of Atlantic Canada and Ontario women, that is, somewhere between 4 points and 9 points. But there was instead a surge of 13 points in Quebec.



Put together, the facts pictured in Charts 2 and 3 constitute fairly convincing evidence that Quebec's childcare program exerted an important influence on maternal labour force participation. The most direct and definitive proof obviously remains that based on scientific publications, to which I have referred above. The point here is that this proof is not contradicted at all by the alternative facts that the FI authors have put forward, based on the simultaneity of the EI reform impact and the similar evolution of women's labour force participation in Quebec and Atlantic Canada.

FI Statement #4

Even if studies have generally found a positive effect from the Quebec childcare program on maternal labour force participation, the best available evidence suggests that it did not do so on nearly a large enough scale to res0 1 14BTcn00091>6004A0055>60044400fkQ go7 G{ne/MCID 9>BDC q0.0000

The claim that the Quebec childcare program was “paying for itself” was made in the study that University of Sherbrooke colleagues and I did of its impact on mothers’ employment, provincial GDP, and federal and provincial fiscal balances (Fortin et al. 2013). Since the FI authors do not seem to be aware of what we did, let me describe how we reached this conclusion.

federal government (\$673M) than for the province (\$273M), given that the latter carried the entire cost of the program.

Table2.

This is not what Stalker and Ornstein said. What they found was not at all that fathers “reduced the intensity of their work”. They showed that, following the 1997 introduction of the new childcare program, relative to the rest of Canada the policy resulted in a shift in the proportion of Quebec families using the traditional household strategy (father works full-time, mother does not work,

question is: 79%, or 6 percentage points lower than the actual 85%. So, the second sentence of the above FI Statement amounts to denying that, if a childcare program based on the Quebec model had also existed in other provinces in 2016, the labour force participation rate of young women 20-44 years there could have been 86% instead of 80% on average. This is a very dubious position to take: if Quebec women were able to achieve 85%, it is hard to figure what could have stopped women in other parts of Canada to achieve 86% if they had benefited from the same degree of affordability of childcare as the former.

FI Statement #8

There is substantial evidence that *the cognitive*
development of children and that it has brought about significant negative outcomes in terms of
their non-cognitive development.

Enhancing child development is one of the two basic objectives of Quebec's *Educational Childcare Act* of 1997. The above statement

high-income families. Third, early and intensive CPE attendance eliminates the cognitive differences between children of low and middle-to-high socioeconomic status at least until Grade 6. Fourth, early CPE attendance significantly reduces the risks of internalizing problems for children of mothers with elevated maternal depressive symptoms – a frequent occurrence in low-income families.

Two major implications follow. First, the distribution of Quebec children among the four types of licensed childcare is skewed toward the lower-quality providers. The high-performance CPE network has been demonstrated to deliver positive cognitive, health and behavioural results on average, and to be effective in reducing the vulnerability of children of all income classes, but it absorbs only 1/3 of children. The other 2/3 of children in licensed childcare receive services from family-based caregivers and for-profit *garderies* that are of minimal or inadequate quality on average. This explains that, so far, the results obtained by economists that have studied the effects of the childcare program as a whole based on the longitudinal data of the NLSCY survey imply that child development has not improved on average since 1997.

Second, what these results obtained by economists entail 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 particular system needs to be better managed. The challenge is to extend the good quality standards achieved by the CPE network to the rest of the childcare system. This would be a shrewd use of the fiscal surplus generated by the program.

FI Statement #9

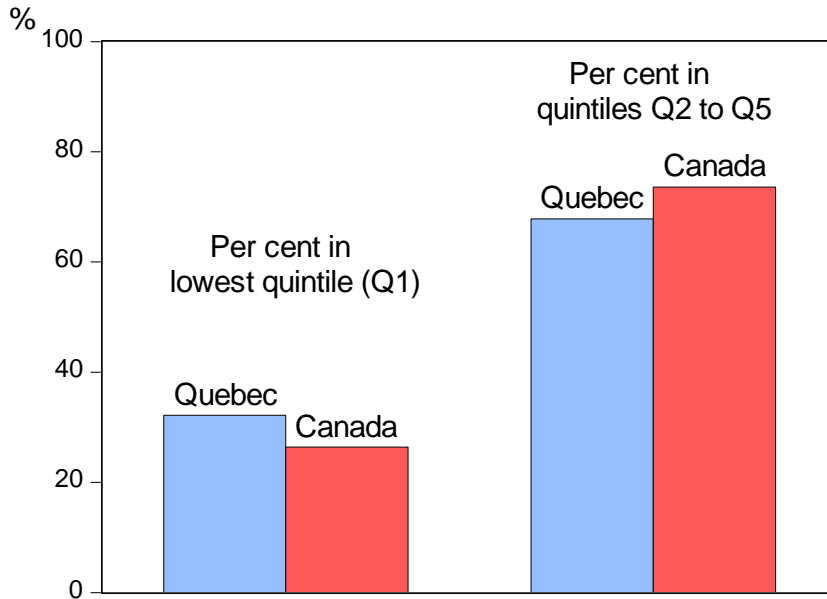
Access to a licensed childcare space in the Quebec supposedly-universal system is not in fact universal because the problem of waiting lists for spaces in childcare facilities remains.

This statement is incorrect. Estimates based on official statistics for the fiscal year 2014-15 are reported in

Table 5. Numbers of childcare spaces that were available and actually occupied, and resulting excess capacity in the four types of licensed childcare services in Quebec in fiscal 2014-15

Type of licensed childcare

Chart 5
Per cent of all vulnerable children in the lowest quintile (Q1) and in the four higher quintiles (Q2 to Q5) of socioeconomic status, Quebec (5 year olds, 2004) and Canada (0-11 year olds, 2000)



Sources: Willms (2002); Desrosiers et al. (2012); calculations PF.

FI Statement #11

been a boon to richer households.

This sort of anti-rich bias on the part of FI is misplaced. It is good practice to ensure that middle- to high-income households sometimes receive government services at low cost in exchange for the mountains of taxes they will pay throughout their adult lives. Low-fee universal childcare is one of the very few public services that college- and university-educated middle- and high-income families can hope to get in the first 15 years of their adult lives in return for the taxes they pay. They do not get healthcare because they are young and healthy. They do not get employment insurance or social assistance because they hold college and university degrees. They do not use free public schools yet because their first child is not going to reach school age before they are 33. Viewed in this light, the access of richer young households to low-fee childcare is not a “boon” to them, but a well-earned return for their contribution to maintaining and developing good public services.

Playing Robin Hood – soaking the rich to give to the poor – is obviously popular among many groups, but yielding too much to this venerable British tradition risks creating generations of middle- to high-income taxpayers whose main attitude

principle. In fact, a universal childcare system can be viewed as the very first component of our free public school system, which is universally accessible to the “not-so-poor”. This approach to early childhood education and care further encourages peer effects and social mixity across income classes early in life. Furthermore, the

Quebec model.”

Friendly, Martha (editor). 2000. *Early Childhood Care and Education in Canada: Provinces and Territories 1998*. Toronto: Childcare Resource and Research Unit.

Friendly, Martha, Bethany Grady, Lindsay Macdonald and Barry Forer. 2015. *Early Childhood Education and Care in Canada 2014*. Toronto: Childcare Resource and Research Unit.

Geloso, Vincent, and Ben Eisen. 2017. "Quebec's daycare program: A flawed policy model." *Fraser Research Bulletin*, March. Vancouver: Fraser Institute.

Geoffroy, Marie-Claude, Sylvana Côté, Charles-Édouard Giguère, Ginette Dionne, Philip Zelazo, Richard Tremblay, Michel Boivin and Jean Séguin. 2010. "Closing the gap in academic readiness and achievement: The role of early childcare." *Journal of Child Psychology and Psychiatry*, vol. 51, no. 12, December, 1359-1367.

Haeck, Catherine, Pierre Lefebvre and Philip Merrigan. 2015. "Canadian evidence on ten years of universal preschool policies: The good and the bad." *Labour Economics*, vol. 36, October, 137-157.

Harms, Thelma, Richard Clifford and Debby Cryer. 2004. *Early Childhood Environment Rating Scale*. Revised Edition. New York: Teachers College Press.

Herba, Catherine, Richard Tremblay, Michel Boivin, Xuecheng Liu, Chantal Mongeau, Jean Séguin and Sylvana Côté. 2013. "Maternal depressive symptoms and children's emotional problems: Can early child care help children of depressed mothers?"

Kottelenberg, Michael, and Steven Lehrer. 2016. "Targeted or universal coverage? Assessing heterogeneity in the effects of universal childcare." Working Paper 22126. National Bureau of Economic Research, Cambridge, MA.

Kottelenberg, Michael, and Steven Lehrer. 2017. "

Stalker, Glenn, and Michael Ornstein. 2013. "Quebec, childcare, and the household strategies of couples with young children." *Canadian Public*