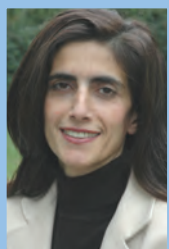


## \$7-A-DAY CHILDCARE: ARE PARENTS GETTING WHAT THEY NEED?

With the stated aim of preventing “two-tier” childcare from emerging, the Quebec government recently blocked subsidized private daycare centres from engaging in extra-billing for supplementary activities. This coercive measure is a logical outcome of the centralization and standardization process that began a decade ago. Although the Quebec childcare model is seen by many as being among the most advanced in Canada or even the world in terms of family policy, the perverse effects of government management are being felt increasingly. Does this policy really suit the parents it was meant to help?



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### The institutional context

In Quebec, childcare providers are subsidized directly by the government, especially the community childcare centres (“*Centres de la petite enfance*”, or CPE) that are the main result of a new family policy adopted in 1997. Community childcare centres offer childcare services in a formal facility<sup>1</sup> and are non-profit organizations where administrative rules and labour relations are largely set by government. Private daycares may also join the program and receive subsidies by signing an agreement with the government; this makes them “regulated private daycares”.<sup>2</sup>

In exchange for subsidies, community childcare centres and regulated private daycares provide their services for minimal payment from parents, referred to in bureaucratic jargon as “reduced parental contribution spaces” (the so-called \$7-a-day childcare, or \$5 until January 2004). Before 1997, Quebec daycares could set their rates freely based on supply and demand, and labour relations were handled between employers and workers at each location.

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### Who benefits from the new system?

By its very nature, the \$7-a-day childcare model favours a specific type of childcare setting that is subsidized and state-regulated. It benefits certain parents to the detriment of others. Prior to 1997, parents received universal family allowances. Childcare expenses made parents eligible for refundable tax credits, and underprivileged families were fully exempt. In 1997, the government abolished the various universal family allowances, adopted a system of diminishing tax benefits based on family income, and introduced reduced contribution spaces in childcare.

Researchers estimated that the new selective family allowances would improve the financial situation of only 28% of Quebec families.<sup>3</sup> They found that families with incomes between \$25,000 and \$40,000 were worse off financially when the new system came into effect, and this was not offset by the use of subsidized childcare.

1. Originally, community childcare centres, in addition to providing formal daycare services, coordinated, supervised and controlled daycare services in a family setting in a given territory. Since June 1, 2006, coordinating offices have dealt with childcare in a family setting. The latter involves an adult providing childcare services at home to a maximum of six or nine children, based on certain conditions.
2. A community childcare centre is essentially a non-profit organization with a board of directors consisting mostly of parents (at least two-thirds). A private daycare is a private business that may be for-profit or non-profit but that does not follow formal rules with respect to its managers. In 1997, the government imposed a moratorium on issuance of permits for opening private daycares and asked existing private daycares to convert themselves to non-profit organizations to be eligible for subsidies. This moratorium was lifted in 2004.
3. Robert Baril, Pierre Lefebvre and Philip Merrigan, “Quebec family policy: impact and options,” *Choices*, Vol. 3, No. 3, December 1997, p. 21, available at <http://www.irpp.org/choices/archive/vol6no1.pdf#search=%22baril%20lefebvre%20merrigan%22>.

FIGURE 1

**Tax consequences of the use of \$7-a-day childcare**  
(couple with two children, one of whom is in daycare, compared to use of unregulated private daycare at \$26 a day)



Source: Claude Laferrière (see footnote 4).

Calculations by tax specialists show that families with relatively high incomes (over \$60,000) benefit most even now from the system<sup>4</sup> (see Figure 1); it is they who make the greatest use of \$7-a-day childcare. In 2000, more than 58% of the children in subsidized daycare came from families with incomes above \$60,000, although they represented only 49% of children aged 0 to 4 in Quebec.<sup>5</sup>

Moreover, parents who do not use this form of childcare service are at a disadvantage. In 2004, 48% of Quebec families with children aged 0 to 4 did not use \$7-a-day childcare.<sup>6</sup> This group includes those who use alternatives such as care with relatives (6%) or at home with persons other than the parents (9%), not to mention the most overlooked people of all, those who look after their children themselves (33%) (see Table 1).

Among non-users are parents who lack access to these services because they are still on waiting lists. As might be expected, the minimal parental contribution to childcare financing introduced

by the reform produced a considerable rise in demand both by new users (for example, mothers who entered the workforce, or some who stayed home and found outside childcare suddenly affordable) and by parents who had previously used other forms of childcare. The result was tens of thousands of children on waiting lists.<sup>7</sup> Meanwhile, parents put off entering the workforce or use more expensive forms of childcare.

Seven-dollar childcare also results in unfair competition for unsubsidized private daycares, further limiting parents' choices. Since 1997, their market share has become negligible. They account for just 1.7% of all spaces in 2006.

In addition, the centralization of collective bargaining at community childcare centres, more than one-third of which are unionized, has led to increased rigidity and more labour disputes, something that is far from beneficial to parents. They are more easily taken hostage, as shown in the strikes that occurred in 2005.<sup>8</sup> This centralization has also produced higher costs for the government and thus for taxpayers.

## The costs of the system

The costs of the new childcare system have risen far more rapidly than the development of new subsidized spaces. Subsidies paid to community childcare centres and regulated private daycares went from \$564 million in 1999-2000 to \$1.353 billion in 2004-2005,<sup>9</sup> up nearly 140% in five years. The number of spaces rose just 96% in the same period. The subsidy per space thus grew considerably. This increase is explained in particular by a 35% rise in salaries paid to the staff of community childcare centres between 1999 and 2003 alone.<sup>10</sup> The latest agreements provide for an 8% increase between 2006 and 2009.<sup>11</sup>

In terms of overall subsidy and total cost per space, it is difficult to come up with precise figures because this depends on a number of factors including the status of service, size, educational staff, and the various types of allowances based on certain situations. General data are available for purposes of comparison, however.

4. Claude Laferrière, *Les garderies à 7\$ sont-elles une aubaine?*, 2005 Edition, p. 3, available at [http://www.er.uqam.ca/nobel/r14154/Doc\\_PDF/FGE2005/05-FGE\\_txt.pdf](http://www.er.uqam.ca/nobel/r14154/Doc_PDF/FGE2005/05-FGE_txt.pdf). For details on the tax outcome of the use of \$7-a-day childcare according to parents' income, see Appendix 1 on the MEI website.

5. Pierre Lefebvre, "Quebec's Innovative Early Childhood Education and Care Policy and Its Weaknesses," *Policy Options*, Vol. 25, No. 03, March 2004, p. 56, available at <http://www.irpp.org/po/archive/mar04/lefebvre.pdf>.

6. Institut de la statistique du Québec, *Enquête sur les besoins et préférences des familles en matière de services de garde, 2004*, April 2006, available at [http://www.stat.gouv.qc.ca/publications/conditions/service\\_garde2004\\_pdf.htm](http://www.stat.gouv.qc.ca/publications/conditions/service_garde2004_pdf.htm).

7. A recent CBC report (July 5, 2006) mentioned a figure of 35,000 children waiting for spaces. See <http://www.cbc.ca/news/background/daycare/>.

8. For further details on the sharp rise in strike days, see Paul Daniel Muller, *Conflit de travail dans les Centres de la petite enfance : les ratés de la réforme*, Le Point de l'Institut économique de Montréal, September 9, 2005, available at [http://www.iedm.org/main/show\\_publications\\_fr.php?publications\\_id=108](http://www.iedm.org/main/show_publications_fr.php?publications_id=108).

9. Quebec Department of Finance, *Public accounts, 2004-2005 and 1999-2000*. In the 2006-2007 Budget, subsidies reach \$1.527 billion.

10. Canadian Union of Public Employees, "The Union Advantage in Child Care," August 25, 2003, available at <http://cupe.ca/ChildCare/ART3f4a4bc401564?slashSess=c134c5fb6ff5fbb70cddb958bd9f8802>.

11. Clairandrée Cauchy, "Entente dans les garderies," *Le Devoir*, October 6, 2005, available at <http://www.ledevoir.com/2005/10/06/92024.html?336>. The latest agreement on wage equity reached in September calls for the payment of a further \$105 million from 2007 to 2011.

**TABLE 1**  
**Proportion of children by form of daycare**  
**(main use), 2002-2003**

|   |            |
|---|------------|
| Community childcare centre  | 20%        |
| Regulated private daycare   | 8%         |
| Unregulated private daycare   | 1%         |
| Daycare in a family setting<br>(by an unrelated person<br>outside the home)       | 23%        |
| Outside the home by a related person  | 6%         |
| At home by a related person<br>(other than the parents)                           | 5%         |
| At home by an unrelated person  | 4%         |
| <b>Percentage of children in the care<br/>of persons other than their parents</b> | <b>67%</b> |
| <b>Percentage of children in the care of their parents</b>                        | <b>33%</b> |

Source: Estimates by the author with data from the Quebec Department of the Family and Tracey Bushnik, *Child Care in Canada*, Statistics Canada, research document published on April 5, 2006, available at <http://www.statcan.ca/english/research/89-599-MIE/89-599-MIE2006003.pdf>.

One measure of subsidies is the daily basic allowance. In formal childcare facilities, this comes to about \$37.50 per child 18 to 59 months old and \$55 for those under 18 months. In regulated private daycares, the figures are \$30.65 and \$42.60 respectively.<sup>12</sup> A set of other allowances must be added to these amounts to get total operating subsidies.<sup>13</sup>

Unsubsidized private daycares ask about \$30 a day from parents. Since these are mostly for-profit outfits, this amount has to cover per-child costs plus a profit for the business owner. The cost per child is thus much lower than the total cost of \$44.50 in community childcare centres (\$37.50 plus the \$7 parental contribution). The

*Surveys show that 80% of Canadian working parents would prefer staying home to raise their children if they could handle it financially.*

difference can be explained largely by the higher salaries community childcare centres pay their educators, who have received advanced training in higher numbers.

The costs of subsidized daycare services in Quebec are also high compared to those in other provinces (see Figure 2). In Toronto, for example, daycare for a three-year-old child is reported to cost \$9,600 a year, compared to the Canadian average of \$6,300.<sup>14</sup> In Quebec, the cost of daycare for a three-year-old child in a community childcare facility comes to \$11,600. Thus, more resources are used overall in Quebec to provide the same type of services. Since there is no reason to believe that parents in the rest of Canada are less concerned with the well-being of their children or are more tolerant of unacceptable conditions, we may wonder if the higher costs in Quebec are the result of higher-quality service or if they reflect the system's relative inefficiency.

### The well-being of children and parents

Despite the costs and distortions caused by current family policy, it must be asked if the children's well-being is any better. Are infants necessarily better off in a facility, more specifically a community childcare centre, than at home with their parents or in the care of someone close to the family, a grandmother, for instance? Specialists take varying positions as to the effects greater use of childcare services may have on psychological, social and cognitive development, at least for children with no special difficulties.<sup>15</sup>

Parents do not get what they need in that respect either. Surveys for the Vanier Institute of the Family show that 80% of Canadian working parents would prefer staying home to raise their children if they could handle it financially.<sup>16</sup> Their first choice is to have one of the parents look after a child, with daycare in a facility coming in fifth.

- Quebec Department of the Family, the Elderly and Status of Women, *Budget rules for 2006-2007*, available at <http://www.mfacf.gouv.qc.ca/thematiques/famille/administration-service-de-garde/ressources-financieres/regles-budgetaires.asp>. Calculations by the author for a community childcare centre with a typical size of 60 spaces. The basic allowance consists of an amount for care and educational costs plus an amount for occupancy costs and general expenses.
- Additional allowances include amounts for group insurance for employees, handicapped children, facilities in underprivileged areas, exemptions from parental contributions, and acquisition of assets. In addition to operating subsidies, there are also, in particular, subsidies for investment projects and contributions to the employees' pension plan, which came to \$39.9 million in 2004-2005.
- OECD, *OECD Thematic Review of Early Childhood Education and Care Canadian Background Report*, October 26, 2004, available at <http://www.oecd.org/dataoecd/41/36/33852192.pdf>, and Ingrid Peritz, "Public daycare helps fuel Quebec workforce," *The Globe & Mail*, May 1, 2006. In the other provinces, childcare services generally are very lightly subsidized, with subsidies going to low-income parents based on certain terms and conditions particular to each province. The total cost of a space is thus almost the same as what is paid by the parents.
- See Appendix 2 on the MEI website for more details on this issue and for a discussion of the effects of the reform on the well-being of children and parents.
- Reginald W. Bibby, *The Future Families Project: A Survey of Canadian Hopes and Dreams*, Vanier Institute of the Family, 2004, p. 56, available at [http://www.vifamily.ca/library/future/section\\_5.pdf](http://www.vifamily.ca/library/future/section_5.pdf).

Unlike Quebec, the great majority of countries that have active family policies offer more choices to parents. A number of European countries pay, often on top of universal family allowances, additional parental allowances to mothers who look after their children until age 3 (Finland, Austria, Norway and Denmark, for example). Some offer public childcare services but also reimburse a portion of spending on private childcare services. In Australia, parents can receive childcare assistance regardless of whether they use formal institutions or have children looked after by relatives.

A different set of family policies could provide better assistance to parents and children using roughly the same resources. Two alternatives are especially appealing: vouchers for childcare services and universal family allowances. A combination of the two could also be considered.

If the aim is generally to assist childcare and promote conciliation between work and family, the government could give the parents of each child currently using licensed services an amount of about \$7,000 in the form of a voucher, based on the 2004-2005 budget item of \$1.353 billion in subsidies. This comes to \$27 per working day, and it could be used for any licensed childcare service. The voucher could be lower in value if recognition were granted to alternatives such as childcare at home by an unrelated person. Vouchers worth different amounts based on the type of care is another possibility.

Regardless of the actual procedure, this system would give parents more choices. It would also encourage service providers to meet family needs and preferences more effectively in terms of scheduling, programs, etc., and it would create healthy, balanced competition. Many parents currently paying \$7 a day would obviously have

to pay more to cover the gap between the cost of the service they choose and the value of the voucher.

If the aim is to help families in general, whether or not they use childcare services, an amount of \$3,700 for each child in Quebec aged 0 to 4 could be given to parents in the form of a direct allowance or a refundable tax credit. Some parents could choose to work less and take care of their children on their own, while others could choose to use the money to place a child in the daycare facility that best meets their needs, even if it means paying more than the current \$7 a day – or more than

the amount they would have to pay under a voucher system. Underprivileged families could benefit from exemptions in childcare fees. Parents not currently using childcare services would also gain from such a system.

## Conclusion

Quebec's new subsidized childcare system, allegedly more universal and more equitable than before, was supposed to provide for improved childhood development and better work-family conciliation. However, analysis of the results shows, on the contrary, that principles of universality and equity are far from being met in practice. The model is increasingly costly and heavily restricts the choices open to thousands of families. In some cases it even causes them financial loss.

Whatever the aims of family policy – assistance to families, work-family conciliation, or social and cognitive development starting at infancy – there exist other more effective ways of achieving them. By providing greater choice to parents, Quebec would move closer to other countries with highly developed family policies.

*The principles of universality and equity are far from being met in practice. The model is increasingly costly and heavily restricts the choices open to thousands of families.*



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