

The Costs of Childcare



Helen Penn

Eva Lloyd

CWRC Working Paper No. 18

July 2013

The Childhood Wellbeing Research Centre is an independent research centre with funding from the Department for Education. It is a partnership between the Thomas Coram Research Unit (TCRU) and other centres at the Institute of Education, the Centre for Child and Family Research (CCFR) at Loughborough University and the Personal Social Services Research Unit (PSSRU) at the University of Kent.

This report was produced by the Childhood Wellbeing Research Centre (CWRC) and funded by the Department for Education.

The views that are expressed in this work are those of the authors and do not necessarily reflect those of the Department for Education.

Published by and available from:

Childhood Wellbeing Research Centre (CWRC), Institute of Education, 20 Bedford Way, London WC1H 0AL.

www.cwrc.ac.uk

Contents

Acknowledgements.....	5
EXECUTIVE SUMMARY: THE COSTS OF CHILDCARE	6
2. General Comments on the Data Sources for the Literature Review.	9
2.1. The topicality of ECEC.....	9
2.2. Typologies of Care and Education.....	9
2.3. Country-wide data in devolved governments.....	10
2.4. Scope of data discussed in this report.	10
2.5. UK data sources.	11
2.6. Background literature to the OECD Family database	11
2.7. Relevant EU data and other international literature	12
3. UK Databases on Fee Charges and Costs of Childcare	13
3.1. Heterogeneity of childcare and education arrangements in the UK	13
3.2. Calculating the fees parents pay for childcare	14
3.3. Calculating the subsidies parents receive.....	15
3.4. Calculating the costs in delivering ECEC provision in the UK.....	17
3.5. OECD use of UK figures.....	19
4. Childcare Fees in Comparative Perspective	20
4.1. General considerations.....	20
4.2. The OECD tables on childcare fees.....	20
4.3. Employer Related Benefits	24
4.4. Informal Childcare Arrangements	24
4.5. The Role of Regulation	25
5. Government Expenditure on ECEC	27
5.1. UK ranking on OECD expenditure charts.	27
5.2. Distributional Effects of ECEC expenditure	29
6. Conclusions	32

7. References	34
APPENDIX I.....	38
PARENTAL CHILDCARE COSTS IN THE NETHERLANDS AFTER THE CHILDCARE ACT 2005 – A CASE STUDY	38
APPENDIX 2: CASE STUDY OF ECEC COMPARATIVE COSTS AND FEES, NORWAY.....	45

Acknowledgements

Helen Penn is Professor of Early Childhood at the Cass School of Education and Communities, University of East London.

Eva Lloyd is a Reader at the Cass School of Education and Communities, University of East London.

EXECUTIVE SUMMARY: THE COSTS OF CHILDCARE

This report was commissioned from the Childhood Wellbeing Research Centre by the Department of Education in response to public concern about the apparent high costs of childcare to parents in the UK. The Department requested a technical analysis of the current comparative literature and data on the affordability of childcare to parents. It also requested further analysis on the costs to providers of providing childcare; and on the contribution of governments in providing subsidies to parents and/or providers.

The two agreed research questions were:

1. *What is the scope and what are the limitations of the comparative literature on the net costs to parents (childcare fees) of using childcare?*
2. *Why are the net costs to parents in the UK so high, given the relatively high level of expenditure on Early Childhood Education and Childcare (ECEC)?*

The main data source for this report is the OECD family database and its associated background papers which explain the methodology for compiling the information. It is the most rigorous source of information currently available. This database is continuously updated and reorganised and presents 60 indicators for assessing the range of public policies which support the well being of families and children. The database which can be found at <http://www.oecd.org/els/familiesandchildren/oecdfamilydatabase.htm> is designed to be easily accessible for policymakers and others interested in comparative information. The tables are clearly enumerated, and this report has followed OECD enumeration.

The indicators most relevant to the research questions are reproduced and discussed in this report, but the total picture is complex and inevitably contains some contradictions.

The OECD is intending shortly to present country profiles, which will enable direct comparisons between all member countries or groups of countries but this facility is not available at the time of writing. The authors have therefore supplemented the report by references to some recent European comparative data, and to two detailed country studies, Netherlands and Norway. These countries were chosen because, as in the UK, the majority of early education and care is provided by voluntary and non-state organisations; and because they give a picture of the complexities involved in making comparisons.

Comparative data are contingent on arriving at common definitions of the services provided, and presume similar compilation dates. The data from

each country represents an approximation from a range of sources, especially in federal countries or countries where there is devolved government. Comparative data therefore is not raw data, but has been previously selected, interpreted and analysed in order to present it in tabular form. These constraints in making comparisons are discussed in more detail in the body of this report.

The report concludes that:

- The provision of early childhood education and care is a complex area and not easily comparable across OECD countries. The OECD database represents a general indication of comparative position, rather than any hard and fast ranking.
- The high gross cost of childcare for parents in the UK given in the OECD comparative table on childcare fees is partly an artifice of the way in which data is presented. Childcare fees for two year olds in centre-based care are compared at the point of use *after* direct provider subsidies are taken into account. Since many countries use direct provider subsidies as a means of keeping fees low it is problematic to compare these fees directly with countries like the UK where subsidies for childcare are instead given to parents through the tax and benefit system.
- Tables which show how governments subsidise families with young children across a range of taxes and benefits give a more accurate reading of the situation concerning the affordability of childcare. The UK compares favourably with other countries on social spending for children under five but this does not appear to have impacted significantly on the childcare fees parents pay.
- Many countries exercise fee capping for childcare and have regulations that specify that fee charges must be related to household income, generally set at around 15-20% of household income. In the UK, a low income lone parent household is estimated to pay approximately 14% of household income, but dual earner households receive less government support. At 167% of average earnings the childcare fees paid by a dual earner household typically amounts to approximately 43% of household income.
- Those countries which exercise fee capping regulate childcare fees at the point of use. In the UK, the evidence suggests that retrospective reimbursement through the tax and benefits system has been a deterrent for many families.
- The use of supply led systems and fee capping regulation in most countries has depressed the growth of the private childcare market, and there is more reliance on voluntary, co-operative and state provision. By contrast in the UK and countries such as USA, and

Australia, parents are reimbursed through the tax and benefit system for the childcare they choose to purchase in an open childcare market, where fees may be set by providers in order to maximise profitability.

- The UK, comparatively speaking, is a high spender on early childhood education and childcare, although its ranking depends to an extent on the indicators used. However, the figures used in the comparative data are unable to take into account the exceptionally varied pattern of provision and funding in the UK, and in particular the use of the informal sector.
- UK expenditure on ECEC is high, but OECD figures suggest that this expenditure is not translated into equality of access to childcare or early education. Higher income quintile groups benefit disproportionately. Lower income quintile groups are least likely to access provision. The reasons for this are likely to be complex and related to more general fiscal policies on poverty, labour market and family well-being, as well as to the particular structure of the UK childcare market.
- There are no comparative figures available on how much it costs to provide childcare, since there are a wide range of factors which affect uptake and type of provision.
- The OECD presents data on the quality of provision as indicated by Staff: child ratios and the qualification levels of childcare staff. These are generally assumed to be key indicators of quality. Comparative data available on ratios, place of work, and the levels of qualifications of workers suggest that UK workers in childcare appear to be less well qualified than workers in other countries, although those that work in schools providing nursery education tend to be better qualified. Deregulation in the UK would lead to a reduction in quality, as measured by these indicators.

2. General Comments on the Data Sources for the Literature Review.

In this section, we highlight some relevant trends and issues in considering childcare affordability and costs. We indicate the data sources used and the background literature to those data sources.

2.1. The topicality of ECEC.

Early Childhood Care and Education (ECEC) is a topical issue, not least because of the work of James Heckman, the Nobel prize winning economist, who has calculated that returns from investment in the early years brings exceptional returns (Cunha and Heckman 2007). Heckman's claims have often been simplified and taken out of context, but they have nevertheless inspired considerable debate. In addition, work on gender in the EU and OECD has led to a great deal of interest in the reconciliation of work and family life, and the role that ECEC has to contribute to it. This is discussed more fully in a number of EU and OECD documents (NESSE/EU 2009; Plantega and Remery 2009; EU 2011, OECD Starting Strong 2006; OECD Babies and Bosses series 2002-8). As a result many countries, including the UK, have considerably reviewed and revised their ECEC policies over the last 10 years. The comparative tables discussed here have to be read against this background of change and development in ECEC services. Although the OECD commentary on each table was updated in 2011 it should be noted that some of the data collection was first undertaken in 2001.

2.2. Typologies of Care and Education

The organisation and pattern, as well as the uptake, of early education and care differ considerably across countries. The distinction between "childcare" and "early education" has different parameters in different countries. Comparative data in this field invariably requires compromises over definitions and over the validity and reliability of data.

Categories which may be meaningful in one country are not understood in another and many countries have categories of provider, which are not used outside of that country. Informal care arrangements in particular have proved very difficult to classify and track.

As an example of the non-transferability of categories, in Norway there are more than 30 categories of provider listed, which include distinctions between different kinds of ownership – parent co-operative; joint stock company etc (See Appendix 2). In other countries categories of provider may distinguish between different kinds of religious provider – as in Germany (see Penn

2012). Similarly in the UK, there are historically complex patterns of provision spanning education, childcare and welfare, and some of the definitions in common use are not shared outside of the UK (Scheiwe and Willekens 2009). There may be some confusion, for example, over the category “early education” if it is not provision within the formal education system, and words like “setting” and “playgroup” are not generically used.

The OECD provides an extensive comparative database to compare how countries use fiscal policy to support family wellbeing across a wide range of indicators. Since early childhood care and education (ECEC) is very heterogeneous, the OECD has attempted to provide a typology of services, to ensure issues of comparability can be addressed. The typology gives the categorisations used by OECD for ECEC and illustrates the range of variation in hours available, ages catered for, and types of service provided across countries. (See appendix 3 OECD Family database PF4.1A)

As far as possible the comparative tables given by the OECD attempt to compare like with like, and are matched for hours attended, ages of children attending, and type of service, but this is not always possible and some approximations are necessary. The comparative tables attempts to take into account childcare *and* education, and their overlaps. Comparative tables which deal with family expenditure are usually presented as percentages of median or other specified income level.

2.3. Country-wide data in devolved governments

It should also be stressed that the comparative tables mostly refer to country-wide data, even though many countries have federal or devolved administration. In federal countries one state or region may be taken to represent the country as the comparator- for instance the state of Michigan for much of the USA data. The UK is referred to as a country in the comparative data, even although there is devolved administration, and much of the in-country data available may only refer to England.

2.4. Scope of data discussed in this report.

As pointed out, ECEC presents a complex picture, and many factors affect the uptake and profiles of ECEC services. The remit for this report did not include the wider demographic factors, work-family reconciliation policies, and parental leave entitlements, although they may well be important in determining uptake of childcare and affect maternal employment levels. Instead the report focuses on the nature of registered centre-based childcare pricing and costs, and on childcare affordability as determined by the extent and types of the financial subsidies offered to parents to offset costs.

2.5. UK data sources.

The report considers the UK data sources which profile childcare affordability and childcare costs. There are a number of relatively recent reports and papers which illustrate the complexity of ECEC in the UK and the difficulties in coming to conclusions about what parents pay for childcare and how they are subsidised. This in turn affects how information from the UK is submitted to the OECD for comparative purposes. This is discussed in more detail in the next section.

2.6. Background literature to the OECD Family database

The OECD in 2005 issued a comprehensive comparative report on childcare costs where methodological issues are exhaustively discussed. (OECD/EU *Can Parents Afford to Work? Childcare Costs, Tax-Benefit Policies and Work Incentives*: Immervoll and Barber 2005). This discusses the statistical and measurement issues that arise in providing comparative data on ECEC. This includes the rationales for selecting the comparative figures on childcare fees for two year olds in centre based care, namely after institutional subsidies but before tax and benefit subsidies. The authors consider this point of comparison the one most likely to present an accurate figure, since most countries offer such subsidies, and the use of the tax and benefit figures introduces an extra layer of complexity into the calculations. They point out however, that the picture of ECEC is a complex one, and has to take into account a range of fiscal policies which affect demand for childcare, as well more general demographic and labour market characteristics of the population. Immervoll and Barber stress this complexity and the difficulties of working with incomplete data:

The observed country differences (on childcare costs) are a reflection of both incomplete information on childcare use (notably a lack of consistent data on the use of informal care across countries) and the large number of factors influencing childcare arrangements. These factors include demographic and labour market characteristics as well as institutional factors such as childcare affordability, tax-benefit systems as well as other aspects of work/family reconciliation policies such as workplace practices and the nature of parental leave entitlements (2005: para .17)

Since the Immervoll and Barber paper was published, the influential Stiglitz/Sen/Fitoussi report *The Measurement of Economic Performance and Social Progress* (2009) has stressed the importance of a wide range of micro-financial data - household level information in understanding and predicting outcomes across a range of indicators. As a result, the OECD Family

Database Series has expanded its range to include data concerning aspects of ECEC usage, ECEC costs and the relationship of ECEC policy to employment and income distribution, which postdate the Immervoll and Barber paper. Each of these comparative indicators contains a short description of the methodology involved in compiling the table. This database is continuously updated.

A new OECD paper “*Money or Kindergartens*” has been published which discusses ECEC fiscal policy (Forster and Verbist 2012). It follows on from earlier work by the authors analysing the EU SILC data *Income and living conditions in Europe* (Eds A. Atkinson and E. Marlier 2012) and extends this across the OECD. It suggests that the direct funding and provision of ECEC services can be a useful tool in poverty reduction and more equitable take-up of services, although direct cash benefits may also be used to reduce child poverty.

2.7. Relevant EU data and other international literature

There is no reliable comparative data on costs of childcare to parents other than the OECD data, and as indicated, some of this data is over 10 years old. The OECD data on family income and expenditure draws heavily on EU data, in particular the EU SILC household survey data (Eds A. Atkinson and E. Marlier 2012). Some papers are published jointly between OECD and EU. In addition the EU has recently published its second report on Social Services of General Interest, which explores the regulatory profiles of 22 European countries on a variety of issues including childcare (European Commission 2012, Second Biennial Report on Social Services of General Interest). A separate article, drawing on the childcare data collected for the Biennial report outlines regulatory requirements for childcare in Europe (Penn 2012). Information about financial regulation and fee capping across Europe is discussed in this article.

The authors of this report have previously commissioned studies of the operation of the childcare market in a number of countries for a recent book *Childcare Markets: Can They Provide an Equitable Service* (Lloyd and Penn 2012). Extracts from the chapter about Norway are reproduced in Appendix 2. Additional information from ongoing work by Lloyd (see Lloyd and Penn 2010) on the Netherlands is also included in appendix 1. These two countries are presented as appendices to the report, to illustrate the complexities in making detailed comparisons between countries.

3. UK Databases on Fee Charges and Costs of Childcare

In this section we consider some of the information from UK databases about childcare affordability and costs, in order to illustrate the complexities which OECD databases could not fully accommodate.

3.1. Heterogeneity of childcare and education arrangements in the UK

The UK has considerable heterogeneity of childcare arrangements in comparison with other countries, where, especially in Europe, provision tends to be more standardised (Scheiwe and Willekens 2009). Historically in the UK there have been three strands of provision, childcare, welfare, and early education, which, under different governments, have been differently administered and costed. The current position is that there are many kinds of childcare, offered at varying prices, with different cost packages, and with a variety of providers, and patterns of usage tend to be complex. There is also a complex interface with early education, which is free to parents at the point of use, but is increasingly provided within childcare rather than within education services until children start school. The Government's implementation of a right to September entry to reception classes in maintained schools for four year olds has also extended school-based education for some children.

A particular feature of the UK is that it relies heavily on the for-profit private market to deliver childcare, and early education for children from two years. The UK government has adopted a system of demand led funding for childcare through the tax and benefit system, (in contrast to supply side funding for part-time free early education places), in order to support parental choice in an open childcare market. This demand led childcare funding is unusual within Europe, but less so in other English speaking countries, most notably the USA and Australia, where the private for-profit market is also prominent. There is some suggestion that government subsidies to parents to enable them to buy childcare in the market has resulted in higher fees (Press and Woodrow 2009, Lloyd and Penn 2012). The most recent provider survey in England by Brind et al (2012) suggests that on average the annual profit per childcare nursery is £13,600 but that this varies considerably with the size of the nursery and the location. This report also found that one in 10 (11%) group based providers had broken even and around a quarter (24%) had made a loss. The loss-makers tended disproportionately to be small nurseries in deprived areas. At the top end of the market some large chains were dealing with revenues of up to £80 million pa and made pre-tax profits of up to £3.5 million p.a, (Laing and Buisson 2012). These are relatively slight margins for big companies. Five years ago, estimated profit margins were much higher., but the market has consolidated (Blackburn 2012).

3.2. Calculating the fees parents pay for childcare

Because of the range of childcare providers, the heterogeneity of childcare arrangements, and demand led funding it is generally difficult to track the link between the subsidies offered to parents to offset childcare, and the providers who are selected by parents in the private childcare market (Lloyd and Penn 2012). This has been done indirectly in the UK through provider and parent surveys of costs and take-up rates. Outside the UK, where provision is more homogeneous, and daily and weekly usage is more regular, it is easier to calculate costs, and fees and expenditure are more likely to be definitively known (Plantega and Remery 2009). There is inevitably a time-lapse between the point at which data is collected, and the publication of reports which refer to the data.

There are four main sources of information about fees in the UK: the Childcare and Early Years Providers Survey, commissioned by the DfE and based on telephone interview questionnaires to an officer in charge or similar within the provision (DfE 2011); the Daycare Trust annual childcare costs survey which draws information from Local Authority based Family Information Services (Daycare Trust 2012); the Childcare and Early Years Survey of Parents, commissioned by the DfE; and the Laing and Buisson Market Research Company who specialise in information about the nursery market, and who undertake an annual direct sampling of subscribers (Laing and Buisson 2011/2012). There are discrepancies between these sources, which may be definitional (e.g. definitions of provider type e.g. voluntary or private, definitions of profitability etc) and/or may be due to the sampling methods used. However the same trends are evident across all four surveys. For the last few years fees have risen above the price of inflation, at about 5%, but the most recent survey (Brind et al 2012) indicates that many providers have frozen fees and since the recession they have stabilised.

The DfE survey suggested that most providers varied their fees according to the age of the child, the time attended, and in some few instances for a second child. The fees charged varied considerably by area and providers in more wealthy areas charged more than providers in poorer areas. For-profit providers charged on average 13% more than non-profit providers (DfE 2011).

The Daycare Trust survey drew on information from Local Authority Family Information Services (FIS), who are legally required to collect information about fees. However FIS data is inconsistent, since the information on pricing structures from respondents is often not directly comparable, given the range of cost structures in use by providers. Fees charged by providers are entirely discretionary (and sometimes information is withheld). As an example, according to the information supplied in handouts by one local authority the

fees varied from £160 per week to £500 per week, from a poor part of the borough to a wealthier one. A number of nurseries within the local authority did not submit any details, and of those that did, many of the prices were not comparable because of differences in opening hours, age-banding and so on (Southwark FIS 2012).

All four surveys suggest that fees are location sensitive even across small areas. Overall there is considerable variation in fee charges across the UK, with charges in London and the South East being consistently higher than elsewhere.

The interface of childcare and education is a further complication in the calculation of fees. The Government's recent decision to extend 15 hours free nursery education provision for English two year olds from low income families, to extend the nursery education offer to 15 hours for three and four year olds, and to continue enabling childcare providers as well as educational establishments to offer such places (DFE and DH, 2011), has led to considerable debate over access and fees. For-profit providers are less likely to operate in poor areas, and those that do tend to be of lower quality (Ofsted 2008, 2010), which limits access for those for whom the policy is designed. Low income parents are less likely to use private provision (Vincent 2011, Speight et al 2010a, Speight et al 2010b). State nursery schooling begins at 3 and school at 4 (see section 3.1 above), so parents need to decide at what point they are going to change from one kind of provision to another.

The Public Accounts Committee (2012) held a session to discuss the 2012 NAO (NAO 2012) report on value for money derived from the Free Entitlement to Education for 3 and 4 year olds. They adversely commented on evidence that some providers are demanding top-up fees from parents.

It should be noted then, that information about the fees parents pay for childcare in the UK comes from a variety of sources, and reflects a variety of situations, so that arriving at a composite figure is problematic.

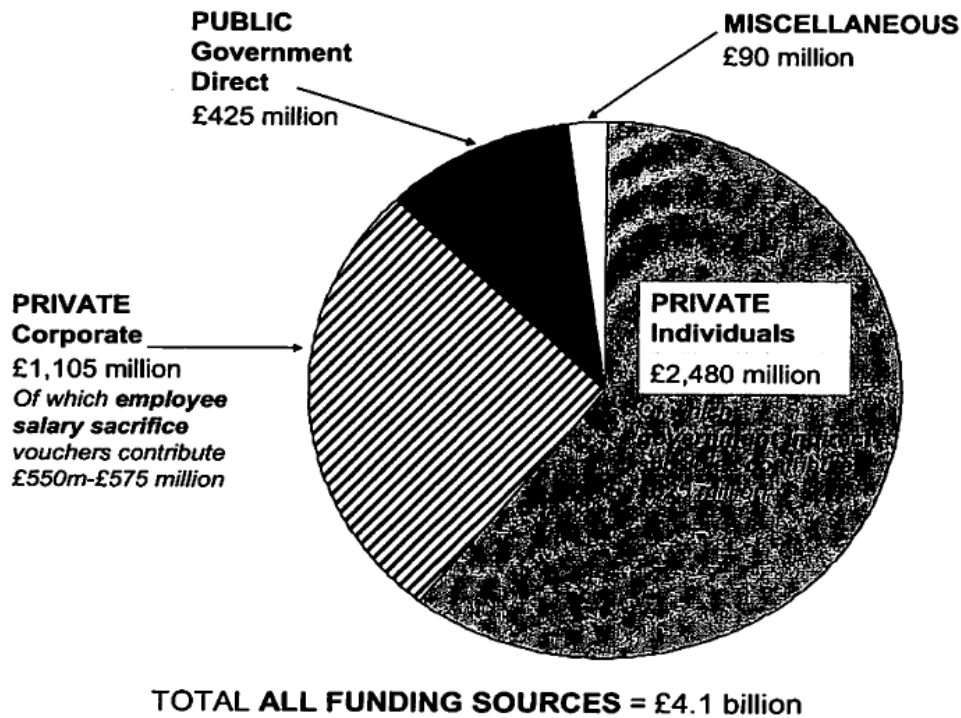
3.3. Calculating the subsidies parents receive.

All tax credits, subsidies and benefits are currently under review by the Government, with the aim of simplifying and streamlining them. The Institute of Fiscal Studies (IFS) have issued a number of papers on the impact of the tax and benefit system on family income and the payment of childcare fees. IFS have modelled how changes might affect different income groups (Brewer and Joyce 2010) and family income more generally (Browne 2012). This report has drawn on IFS papers in order to try to track the presentation of UK data in the OECD family database.

Brewer (2009) argues that working tax credits have been inefficient, and difficult to track because they are retrospective and refer to many different kinds of arrangements. A recent HMRC report (HMRC 2011) suggests that 20% of families in work (55,000 families) do not claim the childcare tax credit to which they are entitled, and a further 1.2million families with young children do not claim credits at all for a variety of reasons. There is also a high turnover of maternal employment in the UK, partly to do with difficulties over work-family reconciliation. 1 in 8 families with young children change their working arrangements every year, so there are continual adjustments necessary to the levels of credit and benefits, and there are time-lags involved in making claims which present difficulties for low-income families. But the issue is not just one of employment. The circumstances of families with young children continually and inevitably change, as children get older, and the challenge for policy is to allow for sufficient flexibility to meet these changing circumstances and needs.

Laing and Buisson (2011/2012), who issue specialised economic reports for private investors, suggest that parents pay approximately 60% of total fee income in the private day nursery sector. This figure is derived from the company's own market survey information. It is not possible to tally this with current Government expenditure estimates, as comparable official information is not available.

Figure 1: Funding of UK children's nursery market by sector 2010.
Laing and Buisson



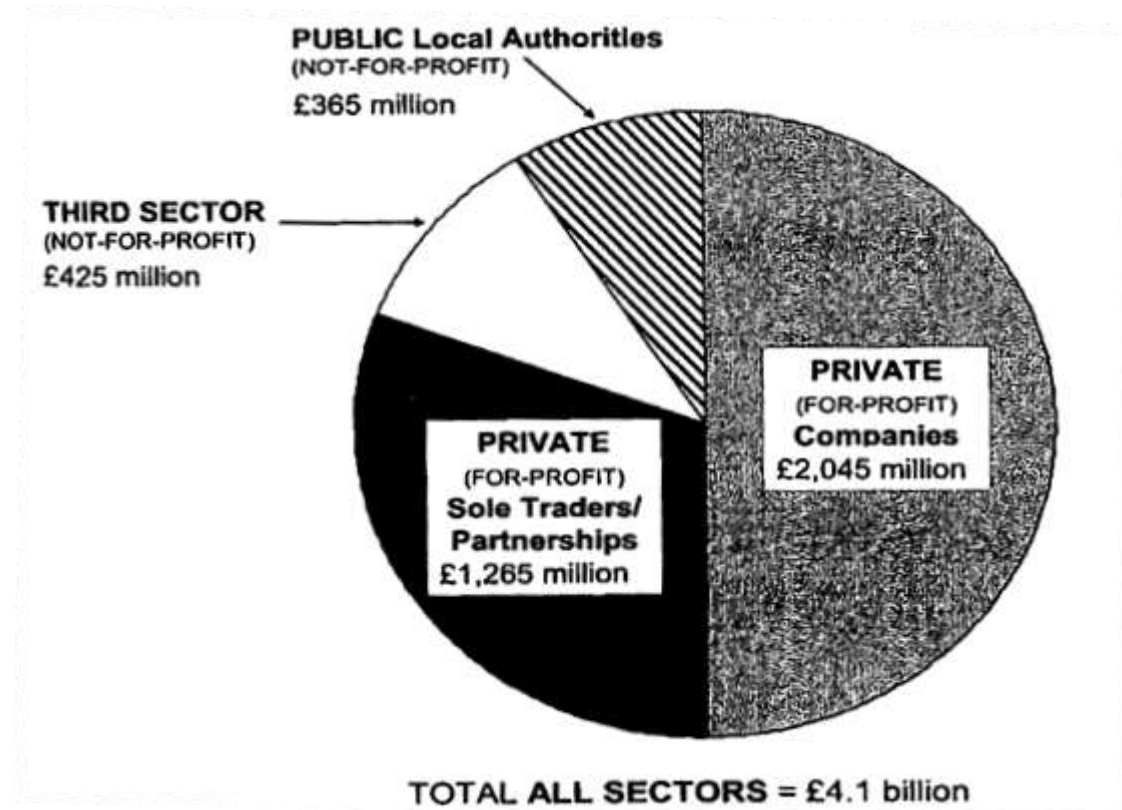
3.4. Calculating the costs in delivering ECEC provision in the UK

Brewer (2009) has attempted to analyse expenditure on different types of childcare and early education. He has used figures for the free education entitlement (excluding 4 year olds in reception classes), and the childcare element of the working tax credit to arrive at a figure (in 2009) of £4.2.-4.4. billion. This figure excludes other sources of support for ECEC, for instance various kinds of training subsidies and regulatory costs. Brewer then models the costs of quality improvements to ECEC services, an estimated £2.6billion p.a. He discusses how these costs might be shared by parents across population quintiles and by the government, under a variety of cost models. These models essentially assume the status quo in terms of the range of providers, and demand led mode of funding, but they present alternative funding scenarios, all of which assume that more money will need to be pumped into ECEC services to raise quality, as measured in terms of staffing qualifications. The difference between the models Brewer puts forward is in the extent to which parents themselves will have to pay extra to cover any increased costs.

The private for profit market nursery sector has provided its own data concerning uptake and costs. The figures in figure 2 present estimates of the value of the sector within the economy. The value of sole traders (owners of

five or fewer nurseries) and of companies, is compared against public and voluntary sector provision.

Figure 2. Value of the UK Children's Nursery Market by supply sector 2010¹ Laing and Buisson.



In the last 3 years there has been a 15% turnover rate in for-profit childcare, with a further third of all providers now saying that their business is currently in difficulties. Market volatility means that it is harder to track users and providers. Business viability is stronger in wealthier areas, but fees also tend to be more expensive in such areas (Laing and Buisson, 2011).

Further work on costs incurred by centre based providers has been presented by Brind et al (2012). They suggested that 77% of costs were staff costs, 7% were rent or mortgage repayments, 7% were materials including food costs, and the remainder of the costs were for administration, loan repayments, insurance etc. Generally economies of scale made a difference, and larger nurseries were more profitable than smaller enterprises.

¹ This table represents an estimate of income generated by different supply sectors. It should be noted that DFE providers survey (2012) gives a figure of 60% of providers in the for-profit sector.

Education costs, as well as childcare costs, are varied. The recent NAO report, mentioned in section 3.2. above, has indicated that English expenditure on nursery education is notional rather than actual, since the early years element of the Dedicated Schools Grant is not ring fenced. Section 2 of the NAO report confirms that take-up rates vary considerably (NAO 2010). The money is given to local authorities, but patterns of provision differ greatly within local authorities, and within rich and poor areas in local authorities. The details of the NAO report were investigated by the House of Commons Public Accounts Committee, which identified shortcomings in the figures (House of Commons 2012)

3.5. OECD use of UK figures

Very broadly UK expenditure on ECEC has been calculated on the basis of the early education entitlement and from the working tax credit. In both cases this data is complex, as highlighted above, and these complexities cannot be fully represented in the comparative tables. It is not fully clear how the OECD has derived its figures on UK expenditure in the comparative tables, but given the typology listed above, it is likely to include figures for nursery education, and an additional estimate for four year olds in reception classes.

4. Childcare Fees in Comparative Perspective

In this section we explore the OECD data on fees and childcare affordability. We highlight the ways in which fees have been calculated and note the ranking of the UK on the comparative databases.

4.1. General considerations

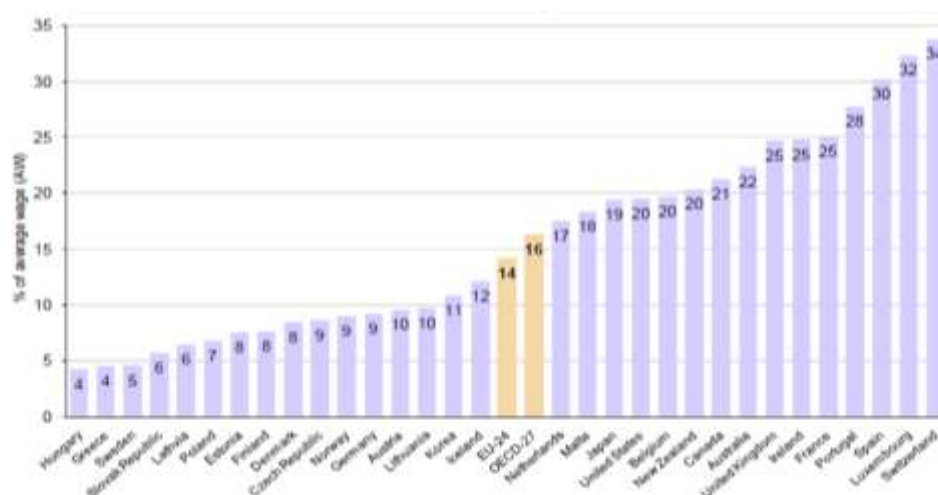
It should be noted that the figures given for each country are subject to the same constraints as other data, and may vary not only by country but by the type of care provided and frequently by region/municipality. In particular federal countries such as Canada, Australia and Spain may have distinct policies and practices across provinces. The comparative fee data given in the OECD Family Database was originally collected in 2001, although the data is reused and recombined in subsequent publications. Fees are expressed as a percentage of the average wage, so unless there have been major changes in income distribution or in ECEC policy, comparative rankings are likely to stay the same over time. However, as indicated above, many countries have changed their ECEC policies over the last 10 years. The Netherlands (see Appendix 1) is an example of a country which has introduced –and revoked – substantial policy change over this period. UK policies on ECEC have also changed considerably over the last 10 years (OECD *Doing Better for Families Country Report 2010*)

4.2. The OECD tables on childcare fees.

The OECD family database includes a set of tables, PF3.4, on comparative fees for childcare. These tables were based on data collected in 2001, and were first tabulated in 2004. The commentaries were updated in 2010, and some of the data was retabulated. (There is also a related table in the OECD-UK report “Doing Better for Families” which draws on the same data sets, but presents the material slightly differently).

The first comparative table presents gross fees as a percentage of average wage, that is the amount charged in each country at the point of use for 40 hours care for a two year old in accredited centre based care. It should be noted that neither this table, nor any of the subsequent ones reflect supply side funding, that is the amount of money given to the centre in order to enable it to reduce the cost to parents at the point of contact. Such direct supply side subsidies are a major reason for low fees at the point of use in many of the countries listed in the tables. In this table, UK fees appear high at 10% higher than the OECD average.

OECD Family database PF3.4.A. Average childcare fees for a two year old attending accredited early-years care and education services in 2004 as a percentage of average wage.

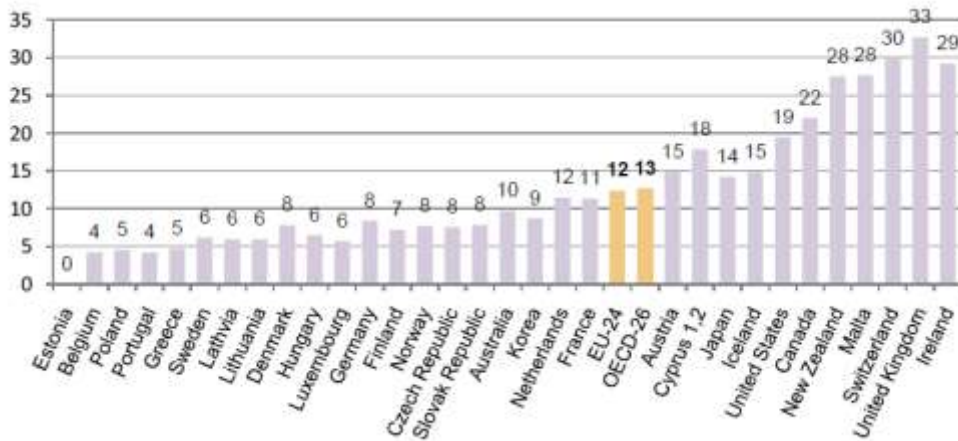


Note: The average wage reflects the earnings of an "average worker"; see OECD, 2007, pp. 186-7 for detail.
Source: OECD (2007)

Subsequent tables in the series present net costs, modelled on three scenarios: an average family net income; a dual earner family where one partner earns an average wage, and the second partner earns 67% of average wage; and a lone parent household earning 67% of average wage. Net childcare costs as defined here include fees at the point of use minus cash benefits, rebates and tax concessions. Subtracting the latter from the gross fee charged by the childcare provider gives the net cost to parents, i.e. the "out-of-pocket" expenses resulting from the use of a formal childcare facility. Calculations of net childcare cost relate to *full-time* (ie 40 hours) care for *two children aged 2 and 3* in a typical *childcare facility*.

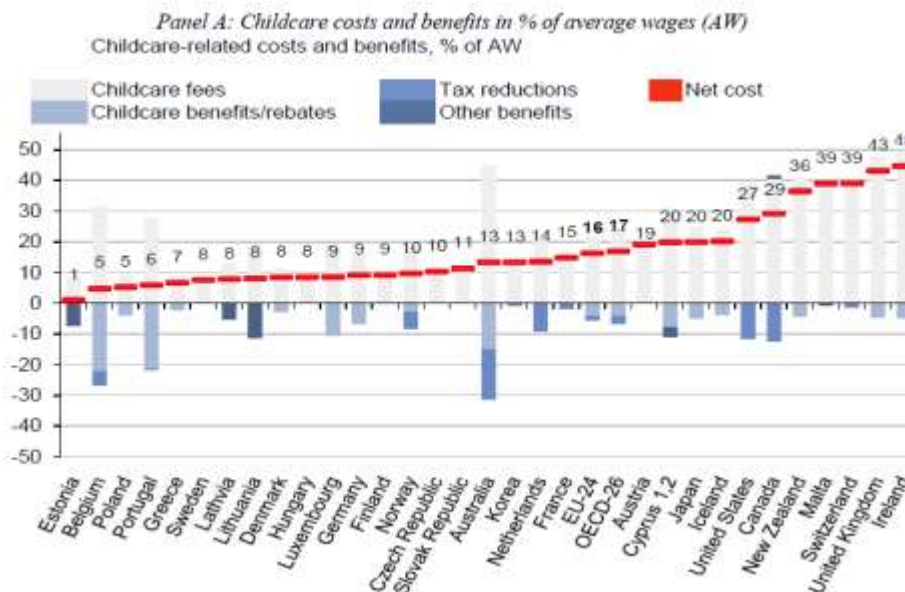
The following table, compiled in 2004, and which is frequently cited, calculates "typical" fees as a percentage of an average family income (Immervoll and Barber 2005). In this table UK costs appear to the highest amongst OECD countries, around 33% of family net income. These net costs suggest that the tax and benefit system has had relatively little impact. For an ordinary family in the UK, childcare costs are extremely high.

OECD Family Database PF3.4B. Panel B. Net childcare costs for a 2 year old and 3 year old as a percentage of average family net income



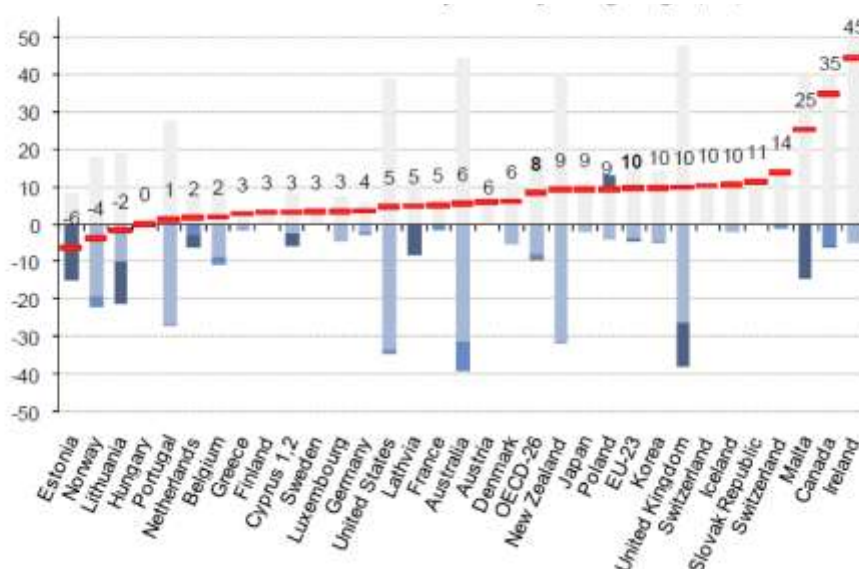
The third table, given below, shows childcare fees as a percentage of the family income of a dual family household, earning 167% of average wage. In this table tax and benefit offsets are shown. The hyphenated red line shows the net costs of childcare to families when these are taken into account. This indicates that, dual earner households where the combined income amounts to 167% of an average wage pay a very high percentage of their income, around 43% on childcare costs, even where tax and benefit support is given. In other words the amount of offset is minimal for this category of earners, and may constitute a disincentive to work.

OECD Family Database PF3.4



The fourth table concern lone parent households. It shows the percentage paid in childcare fees by a low income lone parent household on 67% of average wage. In this case lone parent households pay very slightly above the OECD average, but percentage costs are considerably less than those of higher earning households.

OECD Family Database PF3.4C. Panel A. Net childcare costs for a sole parent family with full-time earnings at 67% of the average wage showing net costs



This table demonstrates that lone parent households have received generous support in the form of childcare fees and benefits, so that for this group the costs of childcare have been reduced to 10% of average wage, just marginally above the OECD average. Since the number of lone parents in the UK, comparatively, is very high at 19% of all families, it is necessary to allocate more financial support to them than in other countries; on the other hand lone parents are typically low wage earners, and relatively little support has a bigger impact than on other types of family.

Overall the set of comparative tables presented in PF3.4.suggest that gross fees in the UK are high, and levels of reimbursement through the tax and benefit system in the UK are relatively low except for lone parents, so that net childcare costs remain high. The low fees in other countries are not because there are particular features of childcare in the UK such as over-generous ratios or other regulatory issues which have resulted in higher fees (explored in section 4.5. of this report) but because subsidies in other countries are supply led. Most countries fund nurseries directly, so as the tables show, they offer lower fees to parents at the point of use. In the UK there is a demand led

system whereby parents must pay the full cost of care at the point of use, but are partly reimbursed through the tax and benefit system. These reimbursements have compensated lone parent households, but far less so for other households. In those other countries where there are also demand led systems, such as US, Australia and New Zealand, fees are high, but the degree of compensation through the tax and benefit system is higher than in the UK.

4.3. Employer Related Benefits

The UK has provided employer related benefits through subsidy of workplace nursery provision and voucher schemes for parents using childcare, for which employers have received tax relief. A proportion of the costs of the voucher scheme are met by employers, and the rest met by parents through salary sacrifice. 17% of employers have adopted voucher schemes, but the evidence suggests that although advertised to parents as an employer benefit, the take-up has been less than expected (Laing and Buisson 2011). In the Netherlands employer support is compulsory and 41% of employers offer some kind of childcare support (see also Annex 1) In Latvia 22% of employers offer childcare support, but in all other countries less than 10% of employers do.

OECD Family Database PF3.1A Employers' provision of childcare/other domestic support

Proportion of companies offering services¹

	Company offers childcare and/or other service support		Establishment offers childcare and/or other service support	
	With employees on parental leave	With no employees on parental leave	With employees on parental leave	With no employees on parental leave
Austria	6	7	Ireland	5
Belgium	3	3	Italy	2
Czech Republic	3	3	Luxembourg	9
Cyprus ^{2,3}	4	3	Netherlands	41
Denmark	5	4	Poland	3
Germany	5	3	Portugal	7
Greece	9	5	Slovenia	1
Hungary	4	5	Spain	8
Latvia	22	15	Sweden	3
Finland	7	4	United Kingdom	17
France	7	8	EU21	8

¹ Companies with 10 or more employees from all economic sectors except agriculture.

²) and 3) see corresponding notes to Chart PF3.1.A

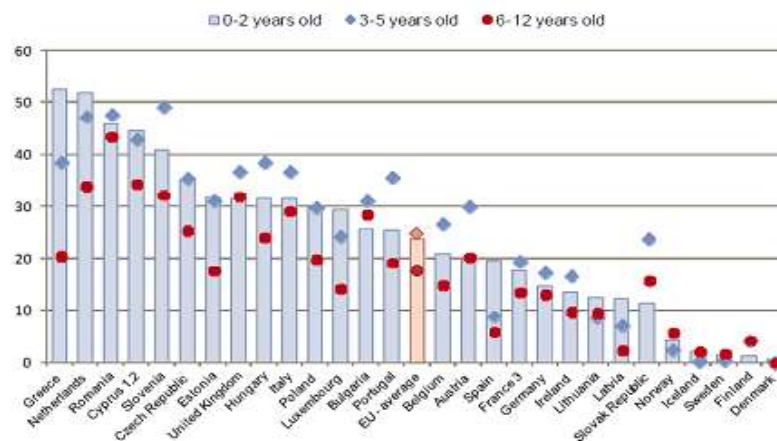
Source: Establishment Survey on Working Time, 2004-2005 (management interviews), in Anxo et al. (2007), *Parental leave in European companies*, European Foundation for the Improvement of Living and Working Conditions.

4.4. Informal Childcare Arrangements

For a number of reasons, including high costs at the point of use and inadequate coverage and quality in poorer areas, informal care is widely used in the UK, (Rutter and Evans 2012). Usage is above the European average.

However, fee calculations do not usually include informal care, because the data is very variable and unreliable. The highest usage of informal care for very young children appears to be in accession countries, where state support for under twos was heavily reduced after 1990, and in the Netherlands, where it was directly subsidised by the Government.

OECD Family database PF3.3A Use of Informal Childcare Arrangements by children’s age during a typical week.



4.5. The Role of Regulation

It is a more general finding in the literature (McCartney 2004) and assumed in the OECD data, that quality of provision is directly linked to staffing. The two key indicators taken as proxy for quality in the OECD data are child staff ratios, and levels of training.

Chart PF4.2A gives typical staff ratios across childcare or daycare services. This does not take account of the actual deployment of staff within services, but only gives overall figures. In the UK the ratios vary by age of child and must be adhered to at all times. Other countries may vary the ratio according to activities or circumstances; that is, ratios may be organised in such a way as to take account of meal and rest times, and may vary throughout the day. A number of countries do not admit children under one or two to nurseries, because maternal and paternal leave arrangements are generous, and there is no need for childcare provision. There is a relatively small difference between the ranking of the first 10 countries, which includes the UK, and which may be accounted for by flexible use of ratios and age of admission.

OECD Family Database PF4.2A *Child to Staff Ratios for 0-3 in formal daycare services.*

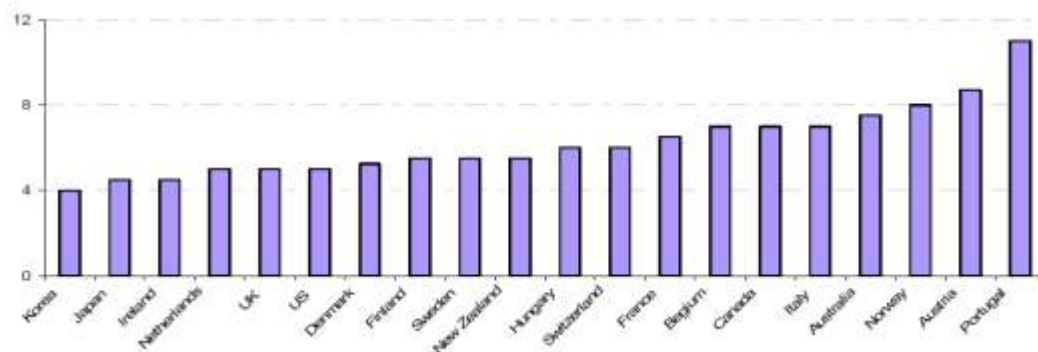
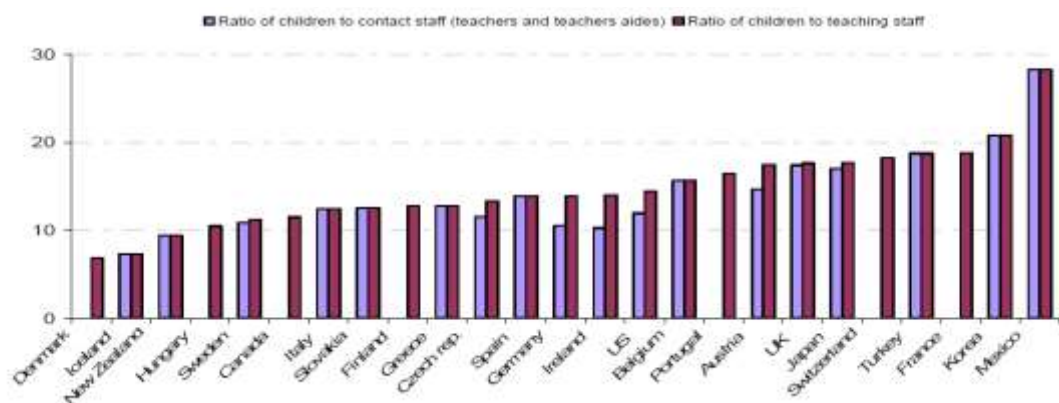


Chart PF4.2B gives child-staff ratios in preschools (i.e. in the education sector). Here the UK has a slightly lower ranking than other countries.

OECD Family database PF4.2B *Child-to Staff Ratios in Pre-schools.*



The OECD comparative tables PF4.2A and PF4.2B also compare countries on qualifications of those who work in childcare and early education services. As typologies vary so much, these tables attempt to describe the qualificatory arrangements in each country rather than rank countries. They are self explanatory.

Comparative data available on ratios, place of work, and the levels of qualifications of workers suggest that UK workers in childcare appear to be

less well qualified than workers in other countries, although those that work in schools providing nursery education tend to be better qualified.

There is some evidence that providers would like to see higher standards. Brind et al (2012) report that in England most providers say that they would like to spend more on staff training. The Laing and Buisson report (2011) indicates that staff wages have not so far risen directly in relation to increased training requirements. The cost modelling put forward by Brewer (2009) discussed in section 2.6 suggests £2.6billion investment would be needed to lift staff qualifications.

In other countries there are additional regulatory requirements, over and above those in the UK. In Nordic services, for example, financial accountability and transparency to parents are also part of the regulatory requirements (see Appendix 2 and Jacobsen and Vollset 2012). External space requirements, which are optional in the UK, are more stringently applied in some other countries (Penn 2012).

Quality childcare is expensive, but there is little evidence that high fees are a function of regulatory requirements. However the converse is true – that very lax regulatory regimes lead to poor quality provision. This is illustrated in the case of the USA, where regulatory controls are described as weak, and the quality of provision is generally regarded as mediocre (NICDH 2007). The case study of the Netherlands (Appendix 1) indicates that when regulatory requirements were abolished for childcare services there was a measurable drop in quality. Regulatory controls have now been re-introduced.

5. Government Expenditure on ECEC

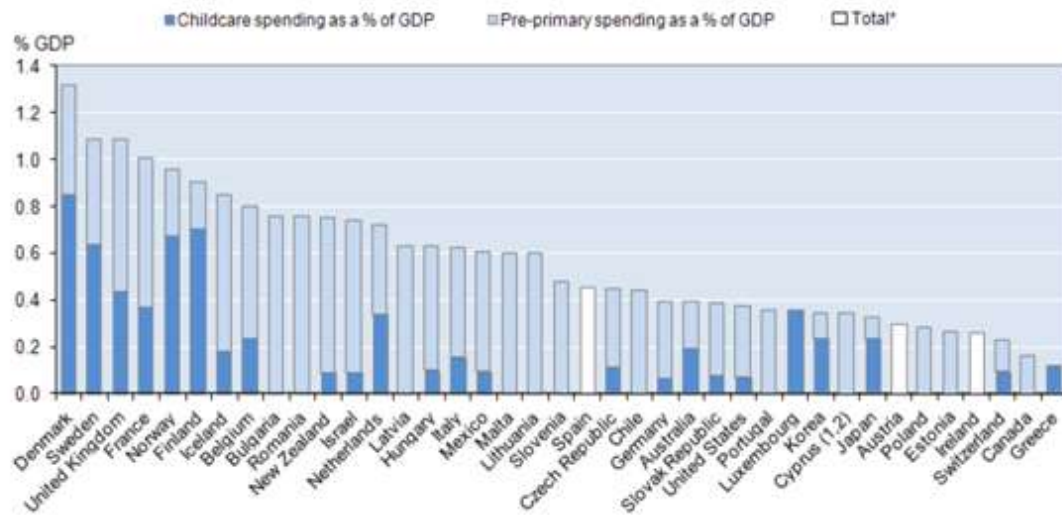
This section compares the rankings of the UK on comparative expenditure charts and considers how ranking impacts on uptake of services.

5.1. UK ranking on OECD expenditure charts.

The UK is consistently ranked as a high spender on ECEC, both in terms of absolute and per capita spending. As indicated in section 3, the UK databases are complex and may not be fully reflected in OECD rankings. In addition the definitions of education and care vary across countries.

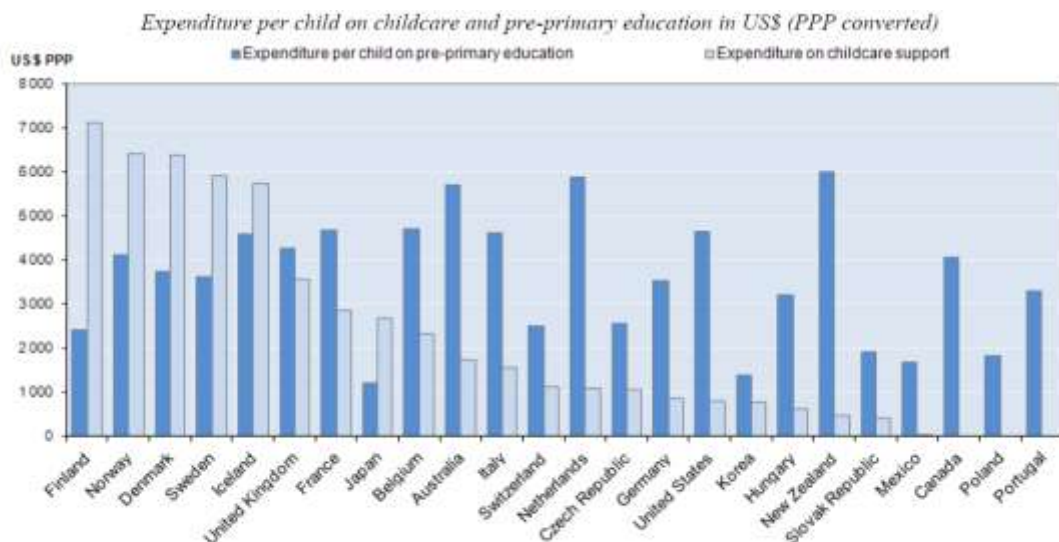
OECD Family database PF3.1A. Public expenditure on childcare and early education services, as % of GDP.

Chart PF3.1.A: Public expenditure on childcare and early education services, per cent of GDP, 2007
Public spending on childcare and pre-primary education, 2007



The UK is ranked third in this table, and thus appears as a generous spender on ECEC services. In the next table, where the data is presented in terms of per capita, the UK is also presented as a high spender, although its ranking has slipped slightly.

OECD Family database PF31B. Public Expenditure on childcare and preschool per child.



Source: Social Expenditure database 1980-2007; OECD Education database; and, US Department of Health and Human Services.

OECD family database PF3.1B gives per capita spending per child on childcare and early education. Again this table may indicate classificatory

problems, since it depends on what is counted as childcare and what is counted as education, in compiling the figures. Here the UK slips slightly down the ranks.

5.2. Distributional Effects of ECEC expenditure

Another way of considering government expenditure on early education and childcare is to consider who benefits from such expenditure in terms of uptake of services. The most recent OECD (Verbist et al 2012) and EU work (Atkinson and Marlier 2012) has drawn on household panel data to explore in more detail how public funding for ECEC services lessens the impact of poverty; and in particular how the poorest children in society benefit from ECEC provision.

Verbist et al (2012) point out that ECEC provision has a number of complementary functions. Access to affordable childcare is one of the key elements of strategies to reconcile work and family life, promote equal opportunities and combat social exclusion (Matsaganis and Verbist 2009; NESSE/EU 2009, OECD 2011a) Investment in early education in particular can protect children from further social and educational disadvantages and contribute to more equality. Pre-primary education is crucial in this respect. (OECD, Family Database 2011).

These overlaps between the traditional categories of childcare and education mean that it is problematic to compute the effects of financial interventions and to decide which beneficiaries are most relevant for the calculations, for instance children themselves or working mothers. Calculation difficulties are exacerbated in those few countries, such as the UK, where figures on expenditure on childcare are not directly linked to uptake, and where information on uptake is obtained from survey data.

A detailed account of the basis on which figures on uptake are calculated is available in the full Verbist/OECD report. Comparative tables should therefore be treated with some care.

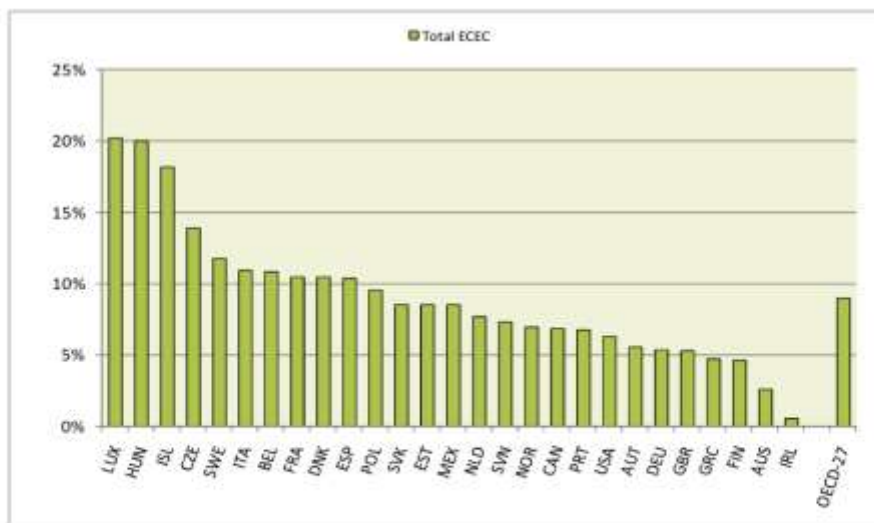
A further report “Money and Kindergartens – What is the Optimal Mix” published by Forster and Verbist (2012). Based on earlier work, this is likely to suggest that ECEC spending is likely to achieve more equitable results when it is used directly for provision, rather than as a demand led subsidy to parents through the tax and benefit system.

The same amount of government money spent on ECEC can have very different effects on poverty reduction. A detailed comparative study of ECEC in Sweden and Flanders using household level data suggested that, although overall per capita expenditure on ECEC in both countries was very similar, the results in terms of social equality and efficiency were very different, Sweden

having a much more equitable service (Lancker,W. and van Ghysels, J. 2011).

The table on income advantage from ECEC services to those families living below the poverty line is given in the table below. This is based on more recent data than some other OECD tables. This suggests that ECEC expenditure does not make a significant difference to the poorest families in the UK, a position confirmed in the review of the UK data in section 3.

Income advantage from ECEC services below the poverty line. OECD Verbist et al.



Note: Countries are ranked in decreasing order of total ECEC expenditures spent below the poverty line in percentage of the poverty gap.

Source: OECD Secretariat's computations from OECD/EU database on the distributional impact of in-kind services and national survey data for non-EU countries.

This data is also presented in terms of income quintiles. The table below illustrates that the lowest income quintile of the population is least likely to benefit from ECEC expenditure, in comparison with many other countries.

Actual ECEC beneficiaries as a share of potential beneficiaries by income quintile. OECD Verbist et al

	Q1	Q2	Q3	Q4	Q5	Total
AUS	33.0%	35.0%	50.8%	39.3%	42.4%	40.1%
AUT	38.1%	44.7%	46.6%	42.8%	47.7%	43.2%
BEL	54.2%	69.9%	71.6%	75.7%	79.0%	69.2%
CAN	30.9%	32.9%	29.2%	27.5%	26.3%	29.8%
CZE	44.1%	45.6%	46.9%	40.0%	40.7%	43.8%
DEU	65.8%	59.9%	67.9%	61.0%	57.1%	62.8%
DNK	80.1%	80.4%	86.0%	86.8%	84.6%	83.8%
EST	56.1%	48.0%	54.2%	53.3%	48.4%	52.0%
ESP	64.7%	66.4%	66.9%	68.0%	72.7%	67.6%
FIN	42.2%	45.2%	55.2%	69.5%	66.1%	54.0%
FRA	63.4%	56.9%	63.4%	63.2%	70.8%	63.0%
GBR	33.7%	38.8%	45.7%	52.2%	53.1%	43.0%
GRC	33.2%	37.6%	38.1%	50.8%	43.8%	40.7%
HUN	53.0%	52.2%	54.9%	57.2%	55.7%	54.2%
IRL	15.1%	26.7%	31.5%	31.4%	43.0%	28.9%
ISL	59.3%	70.4%	67.4%	74.6%	66.8%	66.8%
ITA	55.3%	57.4%	57.4%	57.4%	68.9%	58.5%
LUX	52.2%	63.3%	64.3%	63.3%	75.6%	61.6%
MEX	15.2%	15.9%	16.2%	15.5%	16.1%	15.8%
NLD	66.2%	64.8%	66.8%	69.1%	85.5%	69.4%
NOR	48.6%	57.2%	60.2%	58.9%	67.6%	57.5%
POL	17.4%	17.2%	20.6%	24.5%	31.5%	21.8%
PRT	46.5%	45.3%	54.8%	68.1%	68.3%	56.2%
SWE	70.6%	70.6%	72.6%	70.0%	69.6%	70.9%
SVK	29.3%	33.4%	56.1%	42.4%	64.8%	43.2%
SVN	56.2%	64.1%	62.0%	57.7%	62.7%	60.4%
USA	29.6%	27.7%	29.5%	28.8%	28.5%	28.9%
OECD-27	46.4%	49.2%	53.2%	53.7%	56.9%	51.4%

Source: OECD Secretariat's computations from OECD/EU database on the distributional impact of in-kind services and national survey data for non-EU countries.

These tables suggest that the level of expenditure is not a guarantee that money will be spent efficiently. If one of the aims of ECEC expenditure is poverty reduction, sophisticated strategies need to be in place to ensure that it will benefit all children equally. This table very broadly suggests that those countries which have a strategy for directly funding services benefit lower income groups more than do those countries which rely on childcare markets and retrospective funding. One of these strategies may be to fund services directly and not retrospectively, as is currently the case in the UK.

6. Conclusions

This review suggests that provision of early childhood education and care is a complex area and not easily comparable across OECD countries. The OECD database represents a general indication of comparative position, rather than any hard and fast ranking.

In addition, the OECD stresses that ECEC cannot be isolated as a policy area, but is intimately connected with demographics, poverty levels, labour market policies and family well-being policies more generally, as well as with fiscal regimes. The figures presented here on ECEC offer a snapshot only and should not be used as any kind of definitive statement on UK policy.

In section 2 of this report we have explored the limitations of the OECD statistical data. Firstly, the categorisations used are inevitably problematic. ECEC is a difficult field in which to produce comparisons because care and early education services are delivered in different ways and apply to different age groups across OECD countries. The OECD has made an attempt to define this range of services (see appendix 3) but individual country patterns of delivery may differ considerably.

The data is compiled on a national level, even though there may be wide variation within countries; these variations cannot be reflected in the tables. The compilation dates of the data vary, and some of the data is over 10 years old. Like the UK, countries may have revised their policies considerably since the data was initially collected. It is also not clear how the data was compiled, and what mechanisms were used within countries to provide the data. Nevertheless, in so far as it is possible, the statistical analysis of the data tries to compensate for these difficulties, and the tables offer the most rigorous comparative data currently available.

In section 3 of the report we have explored how the UK figures have been compiled, and highlight some of the anomalies in producing national data on ECEC. Some of the research into UK data on ECEC is reviewed. Because tax and benefit support for childcare is retrospective in the UK, this presents some problems in calculating expenditure and uptake, given the constant changes in family circumstances whilst children are very young.

Section 4 reproduces and explains OECD comparative data on childcare fees. The data provides a comparative picture of gross childcare fees at the point of use across OECD countries. The data is then recalculated to give net childcare costs modelled for families for net family income, 67% of average wage, and 167%, of average wage.

The data suggests that fees are very high in the UK in comparison with other countries, because many countries give direct subsidies to providers, which enables them to charge low fees at the point of use. The offsets through the tax and benefit system only marginally affect family expenditure on childcare, unlike other countries such as Australia and USA where fees are high at the point of use, but offsets are greater. Dual earner families earning 167% of the average wage may pay up to 43% of their income on childcare fees. However lone parent families who receive offsets are likely to have their childcare costs reduced to 14% of household income.² In this section, we also look at other childcare support, such as employer support, and the provision of informal care.

Data on staff: child ratios and qualifications is also considered in this section. We can find no evidence that the high costs of childcare in the UK occur because the UK is over-regulated. In comparison with other countries on these indicators the UK is not heavily regulated. Other EU evidence briefly considered in the report suggests that on other issues, such as financial regulation and accountability, the UK could be considered as lightly regulated.

Section 5 considers government expenditure and explores how government expenditure has been targeted. UK government expenditure is high, although it is not clear why this might be so (see section 3). It may in part relate to the categorisation of educational expenditure. However it also appears that despite considerable efforts by UK government, expenditure on ECEC reaches fewer of the poor than in some other OECD countries, and does not impact significantly on the poorest quintile of the population. This appears to be confirmed by UK research which suggests that uptake of ECEC provision is less likely amongst the poorest parents.

² See OECD Family Database Table PF3.4C, Panel B.

7. References

Eds A. Atkinson and E. Marlier (2012) *Income and living conditions in Europe* Brussels. Eurostat/EU Commission

Brewer, M. (2009) *Quality Costs: Funding Options for High Quality ECEC*. IFS/Nuffield Working Paper no 5.

Brewer, M. and Joyce, R. (2010) *Child and Working Age Poverty from 2010 to 2013. IFS Briefing Note 115*. London IFS.

Brind, R., Norden, O. and Oseman, D. (2012) *Childcare Provider Finances Survey*. London. TNS BBRB. Research Report DFE-RR213

Cunha, F. and Heckman, J. (2007) *Investing in Our Young People*. http://jenni.uchicago.edu/human-inequality/papers/inv-young-rep_all_2007-01-31b_mms.pdf

Daycare Trust (2012a) *Annual Child Care Costs Survey*. London. Daycare Trust.

Brind, R., Norden, O., McGinival, S., Garnett, E., Oseman, D., with LaValle, I., and Jelcic, H. (2010) *Childcare and early years providers survey 2010*. Department for Education London. DfE Report No OSR17/2011 Main research report

Department for Education and Department of Health (2011) *Families in the Foundation Years, 2011*, London: DFE/DH

Department for Education. *Families in the Foundation Years, 2011*, London: DFE and DH),

European Commission: *Early Childhood Education and Care: Providing all our children with the best start for the world of tomorrow*. Brussels.

Communication from the Commission. COM (2011) XXX

European Commission (2012). *Second Biennial Report on Social Services of General Interest* <http://ec.europa.eu/social/main.jsp?catId=794&langId=en>

Forster, M and Verbist, G. (2012) *Money or Kindergartens*. Paris. OECD. [http://oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DELSA/ELSA/WD/SEM\(2012\)6&docLanguage=En](http://oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DELSA/ELSA/WD/SEM(2012)6&docLanguage=En)

HMRC (2011) *Working Tax Credit: Take-up of Childcare Element . 2008-09*. London. HMRC

HM Treasury (2011) *Public Expenditure Statistical Analyses 2011* London. HM Treasury

House of Commons Committee of Public Accounts (2012) *The free entitlement to education for three and four year olds. Eighty–sixth Report of Session 2010–2012*. London. The Stationary Office.

12

Immervoll H. and Barber, D. (2005) *Can Parents Afford to Work? Childcare Costs, Tax-Benefit Policies and Work Incentives*. Paris. OECD Social, Employment and Migration Working Papers. No 31.

Jacobsen, K. and Vollset, G. (2012) *Publicly Available and Supported Early Education and Care for all in Norway* in Lloyd, E. and Penn, H. (2012) *Childcare Markets: Can They Deliver an Equitable Service*. Bristol. The Policy Press. 2012

Laing and Buisson (2011/2012) *UK Day Nurseries Market Report*. London. Laing and Buisson.

Lancker, W. and van, Ghysels, J. (2011). *Who reaps the benefits? The social distribution of public childcare in Sweden and Flanders*. Amsterdam, AIAS, GINI Discussion Paper 10

Lloyd, E. and Penn, H. (2012) (eds) *Childcare Markets: Can They Deliver an Equitable Service?* Bristol: The Policy Press. 2012

Lloyd, E. and Penn, H. (2010) Why Do Childcare Markets Fail. Comparing England and the Netherlands. *Public Policy Research*. 17 (1) pp42-48

McCartney, K. (2004) *Current Research on Childcare Effects*. Toronto. Encyclopaedia on Early Child Development. <http://www.child-encyclopedia.com/documents/McCartneyANGxp.pdf>

National Audit Office (2012) *Delivering the free entitlement to education for three- and four-year-olds* London. NAO

NESSE/EU. (2009) Early childhood education and care: Key lessons from research for policy makers. Paper prepared for the EU by the NESSE network of experts. Brussels. Available at: www.nesse.fr/nesse/nesse_top/tasks

OECD (2006) *Starting Strong II: Early Childhood Care and Education*. Paris. OECD

OECD (2002-8) *Babies and Bosses Series*. Paris OECD

OECD (2011a), *Family Database*, OECD, Paris.

OECD (2011b) *Doing Better for Families. UK Profile*. OECD.
<http://www.oecd.org/els/familiesandchildren/47701096.pdf>

Ofsted (2008) *Early Years: Leading to Excellence. A Review of Childcare and Education Provision 2005–2008*. London: Office for Standards in Education.

Ofsted (2010) *Registered Childcare Providers and Places in England, December 2009*. Available at: www.ofsted.gov.uk/publications/20090002, accessed 24 May 2010.

Penn, H (2012) 'The Business of Regulation in Europe'. *European Early Childhood Education Research Journal*. 2012. forthcoming

Plantega, J. and Remery (2009) *The Provision of Childcare Services: A Comparative Review of 30 European Countries*. EC Expert Group on Gender and Employment. Brussels. EC

Press, F. & Woodrow, C. (2009). The giant in the playground: Investigating the reach and implications of corporatisation of childcare provision. In D. King & G. Meagher (Eds.) (2009). *Paid care in Australia: Politics, profits, practices* (pp. 231-251). Sydney, Australia: Sydney University Press

Rutter, J. and Evans, B. (2011) *Informal childcare: choice or chance?* London: Daycare Trust

K. Schweie and H.Willekens. *Childcare and Pre-school Development in Europe* Palgrave MacMillan 2009

Southwark Family Information Services (2012) *Nurseries available in the Southwark Area*. Southwark Family Information Service

Speight, S., Smith, R. with Coshall, C. and Lloyd, E. (2010a) *Towards Universal Early Years Provision: Analysis of Take-up by Disadvantaged Families from Recent Annual Childcare Surveys*. Research Report DFE-RR066. London: DFE

Speight, S., Smith, R. and Lloyd, E. with Coshall, C. (2010b) *Families Experiencing Multiple Deprivation: their Use of and Views on Childcare Provision*. Research Report DCSF-RR191. London: DCSF

Stiglitz, J., Sen, A. and Fitoussi, J. (2009) *Report of the Commission on the Measurement of Economic Performance and Social Progress*. Paris.
www.stiglitz-sen-fitoussi.fr

Verbist, G., Förster, M. and Vaalavuo, M (2012) *The Impact of Publicly Provided Services on the Distribution of Resources: Review of New Results*

and Methods. Paris. OECD. OECD Social, Employment and Migration Working Papers No. 130

Vincent, C., Braun, A. and Ball, S. (2008) 'Childcare, Choice and Social Class: Caring for Young Children in the UK,' *Critical Social Policy*, vol 28, no 1, pp 5-9.

APPENDIX I

PARENTAL CHILDCARE COSTS IN THE NETHERLANDS AFTER THE CHILDCARE ACT 2005 – A CASE STUDY

Summary

The Netherlands shares with England the unique distinction of having introduced legislation, the 2005 Childcare Act (*Wet op de Kinderopvang 2005*), specifically aimed at encouraging the privatisation and marketisation of childcare. This formed part of a bid to promote maternal employment levels by reducing parental childcare costs. The adoption of a market approach was based on the view that this encouraged business efficiency and a better balance between supply and demand, while extending parental choice (Plantenga and Remery, 2009). This marketisation involved a substantial amount of deregulation.

Recent research and official statistics confirmed expected as well as extensive unintended consequences of this marketisation process. There was an increase of around 10% in the use of formal childcare during the period 2004-2008 (Berden and Kok, 2009). While the availability and uptake of formal provision increased, the improved childcare offer to parents could be shown to account for 26% of the increase in the amount of female labour market participation in the period 2005-2009, this appeared to have cost the Dutch government in total some 100 thousand euro (£83.310 at today's rates) per additional job taken up out of a total of 30.000 (CPB, 2012).

Four years after the Act's introduction, the 40% increase in the uptake of childcare tax credits exceeded childcare budget predictions and an evaluation concluded that the marketisation process had largely failed (Berden et al, 2009). The Dutch government proceeded to freeze childcare tax credit levels. By now these have been substantially reduced. In view of the evidence for deteriorating childcare quality, the Dutch government in 2012 also decided on the reversal of earlier deregulation decisions. Certain current childcare policy guidance is to be converted into a set of enforceable Regulations, with a view to protecting children's well-being and longer-term outcomes (Minister van Sociale Zaken en Werkgelegenheid, 2012).

Background

About 6% of the Dutch population of just over 16 million inhabitants consists of children under five, while the total female employment rate is around 65%. While maternal employment rates are high, more Dutch mothers work part-time than in any other OECD member state (Plantenga and Remery, 2009). Consequently Dutch children primarily attend childcare provision part-time,

especially children under 3. Dutch early education and childcare are provided and funded separately. Schools offer part-time publicly-funded nursery education to children from their fourth birthday, before they start compulsory schooling at five. Part-time playgroup places offer young children opportunities to socialise with peers and include subsidised places allocated by local authorities for children with additional needs or from disadvantaged backgrounds. Registered childcare in private for-profit and not-for-profit daycare centres or with childminders is used primarily by children under four, mostly part-time, while out-of-school care targets children aged 4 to 12 (Lloyd, 2012, p 113). Informal care by family and friends has traditionally also played a significant part in Dutch parents' childcare arrangements (Plantenga, 2002).

Impact on childcare costs

The 2005 Dutch Childcare Act radically changed the way this childcare system is funded. The Act introduced a demand-led childcare market as a substitute for the previous system of unsubsidised parental fees coupled with supply-side funding, which had been largely brokered by local authorities. Under the Act's 'tripartite' method of funding childcare, costs are shared between central government, employers and parents. Via income-related childcare tax credits and employer childcare contributions, compulsory since 2007, parental childcare costs were halved during the period up to 2009.

At the time the 2005 Childcare Act was introduced, the government agreed with employer organisations and trade unions that, in 2008, up to 90% of all employees would be reimbursed by their employer for a third of childcare costs for children aged 0 to 12. The employer childcare levy was to be shared in the case of two employed parents. In practice, this meant that for each parent the respective employer levy would be for one sixth of the costs. However, when this target had not yet been reached in mid 2006, the Government proceeded to make this levy compulsory (Grünel, 2006).

Although originally parents were expected to pay around a third of costs, in 2010 parents on average paid 22% of their childcare costs which averaged 1,600 euro annually, equivalent to around £1,333 at today's rates. Households with a disposable income above 75 thousand euro (£62,480) contributed some 42% of the direct costs, but nevertheless received the average annual childcare tax credit allowance of 5,600 euro (£4,670) (CBS, April 2011). The government set upper limits on the hourly childcare costs funded under the tax credit system, but the upper income level qualifying parents for financial support was raised year on year. Employer contributions were paid direct to government and covered approximately 25% of parental tax credits. In all, the government contributes over half of parents' direct childcare costs.

Average childcare fee levels rose in line with levels of fiscal support: 70% of providers took this upper qualifying limit into account in setting their annual fees. Most enterprises agreed their fees, and indeed staff remuneration, with the settings' parent committees, which had been required under the 2005 Act and predictably acted as a brake on raising profits (Berden et al, 2009).

Nevertheless, by 2007, average profit among day nurseries amounted to 5.2% of turnover, as compared to 0.6% in 2005 (Waarborgfonds Kinderopvang, 2008).

Impact on supply

In their evaluation, Berden et al (2009) established that small private-for-profit childcare businesses needed to realise a profit of between 10 and 20% of turnover to remain sustainable, whereas larger not-for-profit chains needed to secure a surplus of between 2 and 4% for the same reason. Not-for-profit chains acknowledged that loss-making settings in poorer areas might be cross-subsidised by settings in more well-to-do areas which did manage to realise a surplus. After the Act's introduction, numbers of formal childcare providers increased exponentially, while informal care uptake decreased. Much of this occurred via the provision of childminding by relatives.

The number of registered childminders, including grandparents, increased by over 200% within four years. This issue was addressed by the Dutch Government by means of an amendment to the 2005 Childcare Act tightening up on childminding regulations (Ministerie van Onderwijs, Cultuur en Wetenschap, 2009). Subsequently, between 2009 and 2010 the number of parents in receipt of a childcare subsidy for childminding provision was reduced by 25% (CBS, April 2011).

There was also a 16% increase in the number of full day care settings between late 2006 and late 2008. During the same period the largest increase in providers, 68%, was observed among businesses brokering childminding provision, agencies helping parents find a childminder (Paulussen-Hoogeboom and Gemmeke, 2009). In England there are no agencies with an equivalent role

As for places, by far the highest number of places for children aged under 4 became available in the two major cities, The Hague and Amsterdam, mostly with for-profit providers, even though growth was more pronounced in areas which had lower numbers of places to start with (Paulussen-Hoogeboom and Gemmeke, 2009: p 9). Early impact research by Noailly and Visser (2009) suggested that the new funding system driving the childcare market had a noticeable impact on numbers of not-for-profit providers in non-urban areas, which substantially decreased. Previously these had offered subsidised childcare places allocated through the local authorities acting as intermediaries. Waiting lists for day nurseries remained static, though they decreased for out-of-school care.

In another revolutionary development, childcare provision was largely deregulated as a result of the 2005 Childcare Act, though compliance with basic quality criteria was still required. This took the form of an annually renewable 'covenant' drawn up between three childcare sector stakeholder groups, specifying basic quality standards to be employed in local inspections, mostly concerned with health and safety issues (Convenant Kwaliteit Kinderopvang, 2006). There is no prescribed curriculum beyond a

'pedagogical plan' requirement. The effect of deregulation on competition between childcare providers was mainly seen in the area of day nursery group sizes which increased from an average of 9.7 to 10.9 and in some improvements to the nursery environment.

Impact on quality

The consequences of deregulation for operational aspects, such as the observed increase in group size, are thought to have had a very limited positive impact on quality (Berden et al, 2009). In contrast, it appears to have coincided with a continuous decrease in childcare quality over the last six to eight years (de Kruif et al, 2009). Summarising de Kruif et al's research, Lloyd and Penn (2010, p 44/45) note that:

“Compared with a similar representative sample of childcare settings studied in 2005, a significant worsening of the quality of the physical environment as well as a much impaired sensitivity and responsiveness in staff/child interactions were evident among the sample studied in 2008. Among provisional explanations identified by the research team were increased pressures on staff due to the industry's rapid growth, an insufficient focus in childcare training on working with very young children, and the limited childcare setting choice open to parents.”

The latest report of the Netherlands Childcare Research Consortium (NCKO, 2011) notes that in the 2010 round which focused on 1 and 2 year olds, few new findings were added to those from the de Kruif et al's (2009) study. In response to the biennial research reports published by this publicly funded research consortium, the Dutch government in 2011 reversed some of the Act's provisions regarding quality control. Centralising this aspect of regulation, it introduced national policy guidance concerning maximum group sizes and staff child ratios for day nurseries and playgroups (Minister van Sociale Zaken en Werkgelegenheid, 2011).

Only a year later, in February 2012, the Dutch government has taken a further step towards the reversal of the childcare quality deregulation introduced under the Childcare Act 2012. Having received legal advice that policy guidance does not allow the enforcement of sanctions in cases where childcare businesses act contrary to such provisions and thereby put children's well-being and healthy development at risk, the Secretary of State announced the introduction of yet another amendment. Childcare quality Guidance to the Act will be converted into enforceable Regulations as early as spring 2012.

Impact on government finances

Within four years of the Childcare Act's introduction the 40% increase in the uptake of childcare credits had exceeded the government's estimates, largely as a result of the 200% increase in the number of registered childminders. By 2010 the Childcare Act had been amended to include new regulations concerning the reimbursement of parental childminding costs via the childcare

tax credit system. These were coupled with some new quality criteria for childminders and childminding brokerage agencies (Ministerie van Onderwijs, Cultuur en Wetenschap, 2009).

As a result about a quarter fewer parents received a childcare allowance to use registered childminders than had been the case during 2009. However, the level of credits for centre-based and out-of-school provision remained similar (Centraal Bureau voor de Statistiek, April 2011).

Nevertheless, out of the total body of allowances paid by the Dutch government in 2010 for childcare, health care, rent support and the child tax credit, 37% was still spent on childcare support (Centraal Bureau voor de Statistiek, December 2011).

In the last two years the Dutch Government has taken stringent measures to reduce the cost to the Exchequer of childcare support. In 2011 parents received 25% less in childcare tax credits than the previous year (Ministerie van Sociale Zaken en Werkgelegenheid, 2011). Since 1 January 2012, childcare tax credit support to dual earner families is based on the number of hours worked by the parent working the fewest hours per week. The employer contribution will similarly be recalculated with respect to this percentage (Rijksoverheid, 2012).

Conclusion

By 2009 childcare related costs to the Dutch exchequer had risen by 3 billion euro since 2005, when the Childcare Act was implemented with the express intention of promoting childcare market operations (CPB, 2012). In an interesting development, by 2011 the childcare policy remit, which had been relocated to the Department for Education following the Act, had reverted to being the responsibility of the Department of Social Affairs and Employment.

Nevertheless it was not so much a rise in childcare cost per se that forced the Dutch government into the policy reversal described here. This was primarily due to the unintended costs to the exchequer of the larger than expected uptake of tax credits for formal childcare and the conversion of informal to formal provision, notably through the expansion of childminding.

The tripartite funding system introduced in 2005 turned out to contain many loopholes which are gradually being closed. A more careful modelling of possible unintended fiscal consequences might have prevented such developments.

References

- Berden, C. & Kok, L. (2009) *Participatie-effect Kinderopvangtoeslag*. SEO-rapport 2009-73. Amsterdam: SEO economisch Onderzoek
- Berden, C. and Kok, L. with van Ham, M. (2009) *Ontwikkelingen op de markt voor kinderopvang 2004-2008*, SEO-rapport nr. 2009-41. Amsterdam: SEO Economisch Onderzoek
- Centraal Planbureau (2012) Ex post analyse effect kinderopvangtoeslag op de arbeidsparticipatie; cpb-notitie-23 december 2011. Den Haag: Centraal Planbureau
- Centraal Bureau voor de Statistiek (April 2011) 'Fewer parents receive allowance for care provided by childminders,' CBS *Web magazine*, 21-4.
- Centraal Bureau voor de Statistiek (December 2011) 'Allowances for health care and childcare increase further,' CBS *Web magazine*, 14-12.
- Convenant Kwaliteit Kinderopvang (2006) *Verantwoorde Kinderopvang: Verdere Stappen naar de Toekomst*. Utrecht: Belangenvereniging van Ouders in de Kinderopvang, BoinK, de Branchevereniging Ondernemers in de kinderopvang en Maatschappelijk Ondernemers Groep, MOgroep
- De Kruif, R.E.L., Riksen-Walraven, J.M.A., Gevers Deynoot-Schaub, M.J.J.M., Helmerhorst, K.O.W., Tavecchio, L.W.C., & Fukkink, R.G. (2009). *Pedagogische kwaliteit van de opvang voor 0- tot 4-jarigen in Nederlandse kinderdagverblijven in 2008*. Amsterdam/Nijmegen: NCKO
- Grünell, M. (2006) *Employer's contribution to childcare to be made compulsory*, EIROnline – European Industrial Relations Observatory on-line NL06090101, 16-10.
- Lloyd, E. (2012) 'The marketisation of early years education and care in England,' in: L. Miller and D. Hevey (Eds) *Policy Issues in the Early Years*, London: SAGE, pp 107 -121
- Lloyd, E. and Penn, H. (2010) 'Why do childcare markets fail? Comparing England and the Netherlands.' *Public Policy Research*, Vol 17(1), 42-48
- Ministerie van Onderwijs, Cultuur en Wetenschap (2009) *Besluit van de Staatssecretaris van Onderwijs, Cultuur en Wetenschap van 16 oktober 2009, nr. WJZ/2009/150847(2687), tot Wijziging van de Beleidsregels kwaliteit kinderopvang in verband met de totstandkoming van het Convenant Kwaliteit kinderopvang 2009*. Den Haag: Ministerie van OC & W
- Minister van Sociale Zaken en Werkgelegenheid (2011) *Kwaliteitsagenda kinderopvang: op weg naar verbetering van de pedagogische kwaliteit van de kinderopvang*. Den Haag: Ministerie van Sociale Zaken en Werkgelegenheid

(Letter from the Secretary of State for Social Affairs and Employment to Parliament re proposed legislative action to improve childcare quality)

Minister van Sociale Zaken en Werkgelegenheid (2012) *Reactie op de uitspraak van de Raad van State dat handhaving op grond van beleidsregels kinderopvang niet mogelijk is. Den Haag: Ministerie van Social Zaken en Werkgelegenheid* (Letter from the Secretary of State for Social Affairs and Employment to Parliament re unenforceability of childcare guidance)

Ministerie van Sociale Zaken en Werkgelegenheid (2010) *Beleidsregels kwaliteit kinderopvang en peuterspeelzalen. Den Haag: Ministerie van SZW*

Ministerie van Sociale Zaken en Werkgelegenheid (2011) Informatiesheet maatregelen kinderopvang – kinderopvangtoeslag,
Nederlands Consortium Kinderopvang Onderzoek (2011)
Pedagogische kwaliteit van de kinderopvang en de ontwikkeling van jonge kinderen: een longitudinale studie. Amsterdam: NCKO

Noailly, J. and Visser, S. (2009) 'The impact of market forces on the provision of childcare: insights from the 2005 Childcare Act in the Netherlands,' *Journal of Social Policy*, 38() pp 477-498

Paulussen-Hoogeboom, M.C. and Gemmeke, M. (2009) *Monitor Capaciteit Kinderopvang 2008 – 2011. Capaciteitsgegevens in het jaar 2008. Eindrapport. Amsterdam: Regioplan Beleidsonderzoek*

Plantenga, J, (2002) *Het Kind en de Rekening. Inaugural Lecture. Groningen: University of Groningen*

Plantenga, J. and Remery, C. (2009a) *The Provision of Childcare Services: a comparative review of 30 European countries. Brussels: European Commission*

Rijksoverheid (2012)

Ontwerpbesluit van [datum] tot wijziging van het Besluit kinderopvangtoeslag en tegemoetkomingen in kosten kinderopvang etc. The Hague: Rijksoverheid, 12 Juni

Waarborgfonds Kinderopvang (2008) *Sector rapport kinderopvang. Eindhoven: Waarborgfonds Kinderopvang*

APPENDIX 2: CASE STUDY OF ECEC COMPARATIVE COSTS AND FEES, NORWAY.

The following information on Norway is drawn from Jacobsen and Vollset (2012- see refs). The authors describe how providers are funded, and what obligations they must meet as a condition of funding.

The legislation

'Kindergarten' (in Norwegian *barnehage*) is the common term for different types of early childhood education and care institutions. The Norwegian Kindergarten Act (Act no 64 of 17 June 2005) with later amendments, is used to cover the age group 0 – 5 years, (compulsory school age is six). As paid parental leave is about one year, there is little need for care for children under the age of one. Since 2009 children from the age of approximately one year have a legal right to a place.

Kindergartens might offer full time or part time services. In addition there are so-called 'family kindergartens' with small groups of children cared for by assistants with teaching guidance from an educated preschool teacher or 'open kindergartens' where the children attend together with one of their parents (or another person) who takes care of them, under the leadership of an educated preschool teacher. Kindergartens might be non-municipal or state owned and run.

In the Kindergarten Act (2005) the Norwegian Storting (Parliament) established the current regulatory framework governing the kindergarten sector. The act has sections concerning the purpose of kindergartens, and on the content of what is offered to children; on parents' and children's rights to participation; on approval of and supervision of kindergartens by the local authorities; and on staff competencies.

The rationale of the Kindergarten Act, in force August 2010, and the curricular framework incorporate the social and educational mandate of kindergartens. The rationale is as follows:

The kindergarten shall, in collaboration and close understanding with the home, safeguard the children's need for care and play, and promote learning and training as a basis for an all-round development. The Kindergarten shall be based on fundamental values in the Christian and humanist heritage and tradition, such as respect for human dignity and nature, on intellectual freedom, charity, forgiveness, equality and solidarity, values that also appear in different religions and beliefs and are rooted in human rights.

The children shall be able to develop their creative zest, sense of wonder and need to investigate. They shall learn to take care of themselves, each other and nature. The children shall develop basic knowledge and skills. They shall have the right to participate in accordance with their age and abilities.

The kindergartens shall meet the children with trust and respect, and acknowledge the intrinsic value of childhood. They shall contribute to well-being and joy in play and learning, and shall be a challenging and safe place for community life and friendship. The Kindergarten shall promote democracy and equality and counteract all forms of discrimination.

If a service operates on a regular basis and one or more children spend more than 20 hours per week, and the number of children present at the same time is ten or more when the children are three years or over or five or more when the children are less than three years, and the activity is carried out in return for remuneration, the service is obliged to seek approval as kindergarten and obey the Kindergarten Act and regulations given in accordance with the legislation. The Kindergarten Act requires head teachers and pedagogical leaders, of groups, to be educated preschool teachers to the level of a three year higher education with bachelor degree at universities or university colleges or equivalent. According to the regulations there must be one educated pre-school teacher per 7 – 9 children under the age of three and per 14 – 18 children over the age of three. In family kindergartens there must be one educated preschool teacher per 30 children. Approximately 1/3 of the staff are educated preschool teachers, the rest are assistants and child and youth workers.

Types of Providers and Funding Mechanisms

More than 50% of childcare provision in Norway is provided in the private and voluntary sector. By the end of 2009 there were 6 675 kindergartens in Norway, 3,096 public kindergartens and 3,579 private. At the same time there were 270,174 children in kindergartens; about 80,000 more than in 2000. A total of 88 per cent of all children between one and five years had a place in a kindergarten. For children aged 1-2 years, about 77 per cent attended kindergarten

The municipalities, however small, play an important role in the kindergarten sector. They govern *all* kindergartens, both municipal and non-municipal. Owners of kindergartens must apply to the local authority for approving their service in accordance with current rules, and are obliged to run their service in accordance with current statutes and rules. The municipalities must monitor/supervise the kindergartens situated in the municipality. Further, they

are responsible for meeting the need for kindergarten services demanded by their inhabitants and for fulfilling the children's legal right to a place in kindergarten. The municipalities must, from 2011, administer the block grants from the state for kindergartens, both the municipal and the non-municipal ones.

The owners of the kindergartens are by law obliged to state the operating conditions of their kindergartens. Admission criteria should be part of the conditions. Further all approved kindergartens in the municipality are required to cooperate on the admission of children. The municipality must facilitate a *coordinated admission process*, taking account of the diversity and distinctive character of the kindergartens. Great importance is attached to the wishes and needs of users in connection with the actual admission. The coordinated admission process is intended to ensure equal treatment of children and equal treatment of municipal and privately owned kindergartens. Since spring 2009 the municipalities are obliged by law to offer all children a place in kindergarten, municipal or private, if they turn one year of age before September and their parents apply for a place in the spring admission procedure, which is a once a year procedure.

From the outset, it was recognised that a system where the majority of the costs were to be borne by the central State budget had to take into account the substantial cost differences relating to kindergartens in the different municipalities. Furthermore it became clear in the legislative procedure that the municipalities had higher costs than the non-municipal kindergartens. In 2003, the costs per child per hour of the non-municipal kindergartens were on average 85% of the costs of the municipal kindergartens. Non-municipal kindergartens were given a legal right to grants from the municipalities through the adoption of the Regulation No. 539 of 19 March 2004 on equivalent treatment of kindergartens with regard to public subsidies.

A maximum price ceiling on parental fees was introduced, both in municipal and non-municipal kindergartens, to cap parents' fees at 20% of the costs of the services. Non-municipal kindergartens cannot charge parental fees at their own discretion. As of 1 January 2006, the applicable rate was fixed at NOK 2,250 per month. The parents' fees in 2011 are NOK 2,330 (approximately GBP 260) per month and NOK 25,630 (approximately GBP 2830) per year. Parents with more than one child benefit from a fee reduction of minimum 30% for the second child and minimum 50% for the third or following children. There are free places for children from low-income families.

There is a large variety of kindergarten owners, but there are more similarities between their services than differences, because of tight legislation. The Kindergarten Act does not legislate for ownership. The different owners may organise their ownerships in different ways. The following tables show the total of kindergartens and children in 2003 and 2008 and the percentage of different private ownerships:

Table 1: Kindergartens and children in kindergartens 2003 and 2008 by public or private ownership (Source: Statistics Norway)

	Kindergartens		Children	
	2003	2008	2003	2008
2008				
Total	5924	6705	205 172	
261 886				
Public	52.5%	46%	57.8%	54%
Private	47.5%	54%	42.2%	46%

Table 2: Private ownership – kindergartens 2003 and 2008 and children 2008, percent (Source: Statistics Norway)

	Kindergartens	Kindergartens	Children
	2003	2008	2008
2008			
Total	3013	3623	
120 384			
Owned by			
Congregations	9.5	7.1	
6.4			
Parents	29.2	21.9	
27.9			

Associations of 1.0 housewives, social welfare etc.	2.5	1.3
Enterprises 21.2	7.2	15.1
Pedagogical/ideo- 4.2 logical organizations	2.8	3.5
Single persons 16.8	34.5	34.0
Others 22.6	14.3	17.1

There has also been a clear change towards non-municipal establishments rather than municipal enterprises. The increase in public support the later years has made it more 'interesting' or economically profitable for non-municipal enterprises to establish kindergartens.

Examples of private kindergarten owners

An example of a non-profit private kindergarten owner is the Kanvas Foundation. Kanvas was established as a membership organisation in 1986, named *Barnehageforbundet* (Union of Kindergartens) by initiative of parents. In 1992 it was converted into a non-profit foundation. All profits are reserved for the benefit of their purpose: Kindergartens. All funds of Kanvas are reserved to strengthening the competence of their employees, to continuously improve their institutions and to develop and build new kindergartens.

Since the conversion into a non-profit foundation in 1992 Kanvas has focused on building, owning and operating kindergartens in Norway. Kanvas has a central administration in Oslo offering financial, administrative and educational services. The administration provides service, support and advises to the employees of their kindergartens, enabling them to satisfy the needs and expectations of their customers. Kanvas currently runs about 55 kindergartens in ten different municipalities across southern Norway. They employ more than 900 professionals taking care of approximately 3000 children

Trygge Barnehager AS (Safe Kindergartens, a joint stock company) was established in 1987. According to their website they have established about

380 kindergartens all over the country. Most of the kindergartens they have established are organised as parental cooperatives, but they have also established kindergartens for foundations, associations, enterprises, private persons and municipalities. In the later years they have as well established and run their own kindergartens through their running company FUS as (joint stock companies). Today there are about 125 FUS-kindergartens. The FUS-kindergartens are organised as independent companies, with a great freedom to make their own running concepts. The kindergartens have non-economic goals, and if there is an economic surplus, and the surplus of the operation remains in the kindergarten, it might be used to improve quality or as an economic reserve.

Norway's oldest and largest chain of private family kindergartens *Nötteliten og Hakkebakkeskogen familiebarnehage* was established in Oslo in 1996. They have 31 family kindergarten units in private homes, where they rent the ground or first floor to use as family kindergarten. They have eight or nine children under the age of three in each department together with two assistants, and a staff of 10 educated preschool teachers to supervise each group once a week. These family kindergartens are owned and run as an undertaking owned by one person. The greatest difference between these family kindergartens and ordinary kindergartens for this age group is that there is no preschool teacher available in the groups on a daily basis (see website). This way of running kindergartens is less expensive than if there were preschool teachers available daily.

The provision of kindergarten services in Norway has never been a typical economic activity. The kindergarten sector has for several decades been defined as part of the public sector, even if not directly provided by them, and has been financially dependent upon the municipal and public authorities, with state fixing parents' fees from 2004.

Norway's expenditure on ECEC as a percentage of GDP is slightly less than that of the UK, but on the indicators listed in the tables given in this report, Norway's performance is considerably better than that of the UK

Childhood Wellbeing Research Centre (CWRC)
Working Paper No. 18
The Costs of Childcare
Helen Penn and Eva Lloyd

Contact us:

Childhood Wellbeing Research Centre (CWRC)
Institute of Education
20 Bedford Way
London
WC1H 0AL

Tel: +44 (0) 20 7612 6957 | fax: +44 (0) 7612 6927
email: cwrc@ioe.ac.uk
www.cwrc.ac.uk

This brochure is available in alternative formats.
Please contact Marketing for assistance.
Telephone: + 44 (0)20 7911 5556
Email: info@ioe.ac.uk