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Article

Early Childhood Education and Care: Public Expenditure, Private Costs and Enrolment Rates

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EARLY CHILDHOOD EDUCATION AND CARE: PUBLIC EXPENDITURE, PRIVATE COSTS AND ENROLMENT RATES

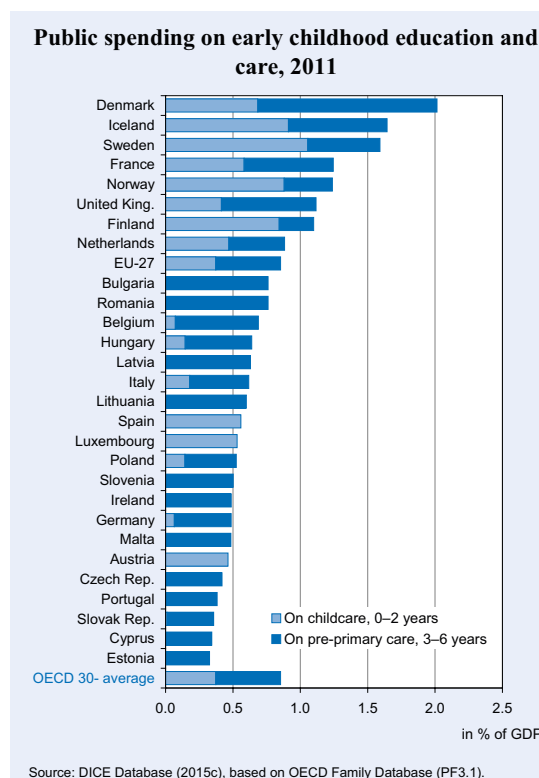
On average 53 percent of those European women with children cite expensive childcare facilities as the main reason for their failure to return into work (Mills et al. 2014, 20 and DICE Database 2015a). Female labour market participation, as well as the improvement of the development of young children, is the main motivation behind early childhood education and care (ECEC) programs. In the “Barcelona Target” (Barcelona European Council 2002, p.12) the European Commission supports and encourages the placement of children until the beginning of compulsory schooling in formal childcare (zero-to-two years) and pre-primary (three-to-six years) institutions. Apart from this unitary target, ECEC varies immensely across the EU member states with regard to quality, fees and subsidies. Progress in care for the younger age group (aged zero-to-two years) in particular reveals how diverse the systems are. The average enrolment rates in that age group vary between 78 percent in Denmark and only two percent in Poland, with an EU average of 29 percent (Mills et al. 2014, 20 and DICE Database 2015b, see also Table 1).

An analysis of childcare costs remains difficult due to the variety in subsidy and benefit systems that range from direct subsidies for ECEC facilities (supply-led systems) to indirect benefits like tax reliefs, family allowances or vouchers for parents (demand-led systems). Supply-led systems lead to lower fees charged by ECEC facilities. In demand-led systems, by contrast, parents have to pay higher fees for ECEC, but receive public compensation via the tax or voucher system. Depending on the system in place, private for-profit or public and private non-profit facilities are predominant. In most countries, benefit systems are adjusted depending on family status and income, leading to further differences in the cost burden for parents across and within countries. To give an overview, this article restricts its attention to a small number of key figures related to ECEC: public expenditure on ECEC as a percentage of GDP as a measure of its fiscal costs, the net costs for parents as a measure of the *financial burden on families* and *childcare enrolment rate* as the main outcome variable.

Public expenditure on ECEC as a percentage of GDP reveals that the Scandinavian countries, France, the Netherlands and the United Kingdom spent more than the EU average (0.8 percent of GDP) on ECEC (Figure 1). While the expenditure on pre-primary education (three-to-six year olds) is relatively equal among the countries, there are major differences in childcare expenditure for the younger age group (zero-to-two-year olds). Nearly half of the European countries listed in Figure 1 spent hardly anything on early childcare. Again, the higher public expenditure in Scandinavian countries is evident, which seems to be in line with the above mentioned high enrolment rates for childcare, for example, in Denmark. In most Eastern European countries, as well as in Portugal and Ireland, no public expenditure is reported for early childcare.

Apart from the public expenditure, the private costs for parents for ECEC arrangements are most relevant for understanding the country-specific outcomes. The ECEC costs used in the following account for both fees and granted monetary benefits, which facilitates the comparison of supply-led and demand-led systems, like for example between Germany and the United Kingdom. Figure 2 shows the net costs of childcare as a percentage of the family’s net income for single and

Figure 1



dual-parent families (100 percent average earner). The EU average of childcare costs for a classic dual parent family are 10.3 percent of the average wage, with a wide range extending from two percent in Austria up to over 20 percent in the Netherlands, Ireland, Switzerland and the United Kingdom. The financial burden varies greatly for single and dual-parent households: In the United Kingdom, for example, a dual-parent family has to spend 29 percent of their average wages on childcare, whereas a single-parent family only has to spend 13 percent of its average wage. However, in over half of the European countries surveyed, the net costs of childcare expressed as a percentage of average wages increases for single-parent households compared to dual-families. In Denmark and Norway the costs of childcare as a percentage of wages are on an average level, whereas public expenditure is exceptionally high compared to other European countries. One explanation might be that both countries have higher quality standards, i.e. lower staff to child ratios and higher education requirements (DICE Database 2015d,e).

Due to the large differences in public spending and private costs for ECEC, enrolment rates in childcare vary considerably across European countries (EU27). As

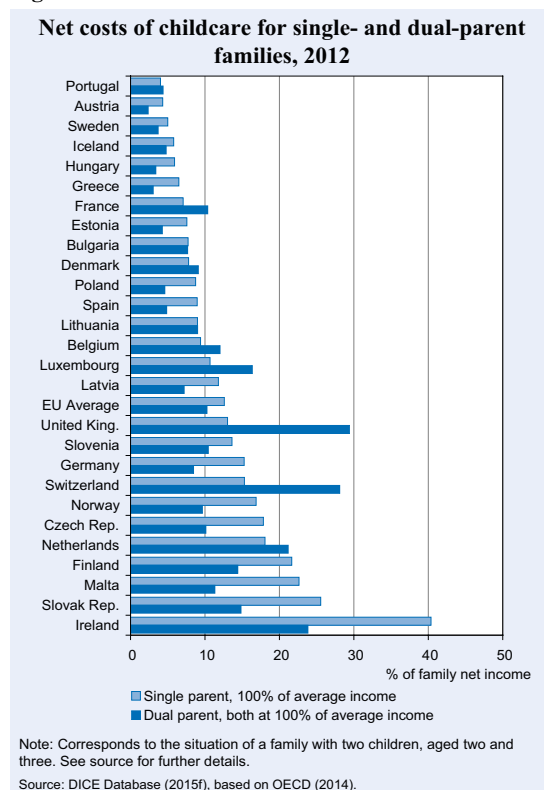
shown by Table 1, 29 percent of children aged between zero and two years are enrolled in childcare arrangements on average. The lowest enrolment rates from two percent to ten percent are mostly seen in Eastern European countries (Poland, Check Republic, Slovak Republic, Croatia, Romania, Bulgaria) and in Greece and Austria at the other end of the scale, northern European countries (Denmark, Norway, Netherlands, Sweden), along with France and Slovenia tend to show the highest enrollment rates, with Denmark on topping the list at 78 percent.

Table 1 also displays the percentage of children enrolled in formal childcare arrangements (zero-to-two years) by income quintiles (1st and 5th). For most countries the data show that the 1st (poorest) quintile has the lowest enrolment rates and the 5th (richest) quintile mostly has enrolment rates above the country average. Denmark and Sweden are notable exceptions, with higher enrolment rates for the 1st than for the 5th quintile. Germany, Slovenia, Estonia, Iceland and Austria have at least similar enrolment rates across the income quintiles.

Quantifying childcare costs across countries remains difficult due to the variety of systems, complex specifications and numerous exceptions. Against this background, it is unlikely that enrolment rates can be relied on exclusively as the only measure of a country's success as regards ECEC. However, the comparison reveals some insights into the existing challenges for the improvement of childcare and pre-primary education across borders that might help to achieve higher labour market participation rates among women and promote the favourable development of children across the board.

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Figure 2



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Table 1

**Formal childcare enrolment rate in percent,
children younger than three, by income quintile, 2010**

	Average	1 st Quintile (poorest)	5 th Quintile (richest)
Denmark	78	87	83
Norway	50	34	53
Netherlands	49	27	70
Sweden	48	44	32
France	45	15	64
Slovenia	39	41	38
United Kingdom	38	20	53
Luxembourg	38	23	56
Iceland	38	37	34
Spain	37	29	45
Belgium	36	17	57
Portugal	31	14	36
Average (EU27)	29	17	36
Switzerland	28	9	53
Finland	27	18	41
Italy	23	17	28
Estonia	22	16	14
Cyprus	22	16	30
Germany	20	21	23
Ireland	17	8	34
Latvia	15	7	11
Lithuania	12	2	10
Hungary	11	7	15
Malta	11	0	15
Austria	9	10	9
Bulgaria	9	0	15
Greece	8	6	12
Romania	8	5	13
Croatia	8	6	13
Slovak Republic	3	2	0
Czech Republic	3	3	4

Source: DICE Database (2015g), based on Mills et al. 2014.

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