

Chapter 17

Childcare supports: Helping both parents in paid work

Key findings

- Participation in early childhood education and care (ECEC) not only varies across OECD countries but also within countries across socio-economic groups. In many OECD countries, children from poorer families are far less likely to be found using formal ECEC than their better-off peers.
- Despite public support, ECEC often remains expensive for parents. In some OECD countries, a single parent with two children earning two-thirds of the average wage can spend nearly half their disposable income on formal childcare.
- Participation in out-of-school-hours care by school-age children remains low in many OECD countries. This increases the difficulty of full-time work for parents with school-age children, and may help explain why many mothers in OECD countries continue to work only part-time even as their children grow up

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Participation in early childhood education and care varies across countries and socio-economic groups

Early childhood education and care (ECEC) services are central to a range of family, child and gender objectives. Access to affordable ECEC provides parents with options to make the work-life decisions that fit their needs and helps parents with young children fully engage in paid work. Since it is mothers far more than fathers who adjust their patterns of paid work around the demands of childcare (Chapter 11; OECD, 2016a), ECEC services are especially important for female labour market opportunities and for ensuring that women have the freedom to engage in paid work even after becoming parents (Jaumotte, 2003; Thévenon, 2013; Del Boca, 2015; Olivetti and Petrongolo, 2017). On top of this, a growing body of evidence suggests that participation in high-quality ECEC can also have positive effects on child cognitive and social development (e.g. Camilli et al., 2010; Havnes and Mogstad, 2011; OECD, 2013), particularly for children from more disadvantaged backgrounds (e.g. Heckman et al., 2010; Ruhm and Waldfogel, 2012; Havnes and Mogstad, 2015; García et al., 2016).

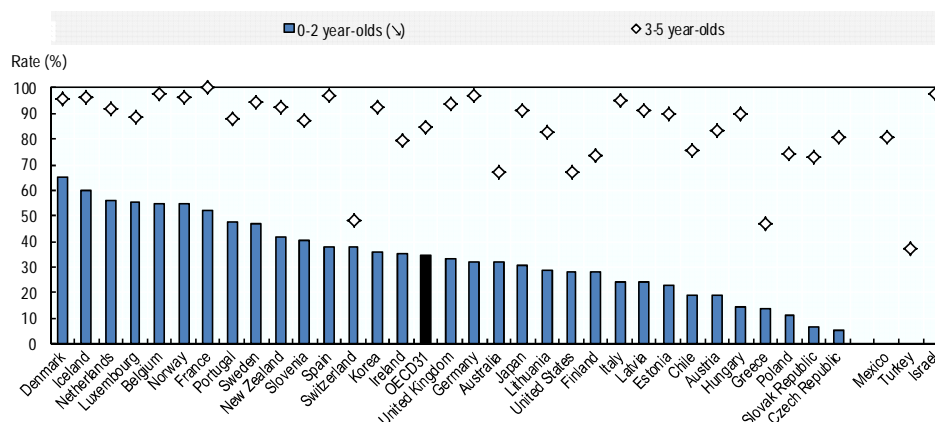
Public support for ECEC is essential for ensuring that all parents have access to affordable services. All OECD governments help fund early childhood education and care in one way or another, and on average across OECD countries public investment in ECEC amounts to just over 0.7% of GDP (*OECD Social Expenditure Database*). Public investment in ECEC is highest in the Nordic countries and France, standing at over 1% of GDP (*OECD Social Expenditure Database*). In most other OECD countries public spending on ECEC amounts to between 0.5% and 0.9% of GDP; it is lowest in Turkey at 0.2% of GDP.

Differences in public childcare support, together with variations in parental leave entitlements (Chapter 16) and attitudes towards non-parental care for young children, contribute to large cross-national differences in the use of ECEC, especially among very young children under age 3. On average across OECD countries, just over one third of children under age 3 participate in formal ECEC, but this varies from around 6% in the Czech and Slovak Republics to as high as 65% in Denmark (Figure 17.1). Participation is high in the Nordic countries, except for in Finland where many parents use home-care leave to care for very young children at home, and also in the Benelux countries (Belgium, Luxembourg and the Netherlands), where paid leave is relatively short. In the Netherlands, most children attend on a part-time basis only (*OECD Family Database*). Participation by children under age 3 tends to be lowest in Central and Eastern European countries. In these countries, lengthy parental leave entitlements often encourage many parents to stay at home until children enter pre-primary education.

Participation is generally much higher among slightly older children aged 3-5 (Figure 17.1). In many OECD countries pre-primary education is offered to all children as a statutory right from the age of 3, and services are frequently heavily subsidised or provided for free. Several countries have made pre-primary attendance compulsory (e.g. Austria, Denmark, Finland, Greece, Hungary, Lithuania, Latvia and Poland), at least for a year or two before primary school. As a result, in most OECD countries more than 80% of 3-5 year-olds are enrolled in pre-primary education or primary school (Figure 17.1), and in many, enrolment rates reach well over 90%. In some countries, like Belgium and France, where pre-primary education is offered for free to all children from around or before the age of 3, pre-primary attendance among children aged 3-5 is effectively 100%.

Figure 17.1. Participation in ECEC varies across OECD countries, particularly among very young children

Participation rates for 0-2 year-olds in formal childcare and pre-school services,^a and enrolment rates for 3-5 year-olds in pre-primary education or primary school,^b 2014 or latest available year^c



Note: The OECD average includes all OECD member countries with data available for both age groups.

a) Participation rates for 0-2 year-olds concern children up to and including 2 years of age and generally include children in centre-based services (e.g. nurseries or day care centres and pre-schools, both public and private), organised family day care, and care services provided by (paid) professional childminders, although exact definitions vary slightly across countries. See *OECD Family Database* (<http://www.oecd.org/els/family/database.htm>) Indicator PF3.2 for country-specific notes and more detail.

b) Enrolment rates for 3-5 year-olds include children enrolled in pre-primary education (International Standard Classification of Education [ISCED] 2011 Level 2) and primary education (ISCED 2011 Level 1), only. Potential mismatches between the enrolment data and the coverage of the population data (in terms of geographic coverage and/or the reference dates used) may affect enrolment rates. See the notes to Indicator C2 in Annex 3 of the OECD's *Education at a Glance 2016* for more details: <http://www.oecd.org/education/skills-beyond-school/EAG2016-Annex3.pdf>.

c) For participation rates among 0-2 year-olds, data for the United States refer to 2011 and for Chile to 2015. For enrolment rates for 3-5 year-olds, data for Estonia and Iceland refer to 2013.

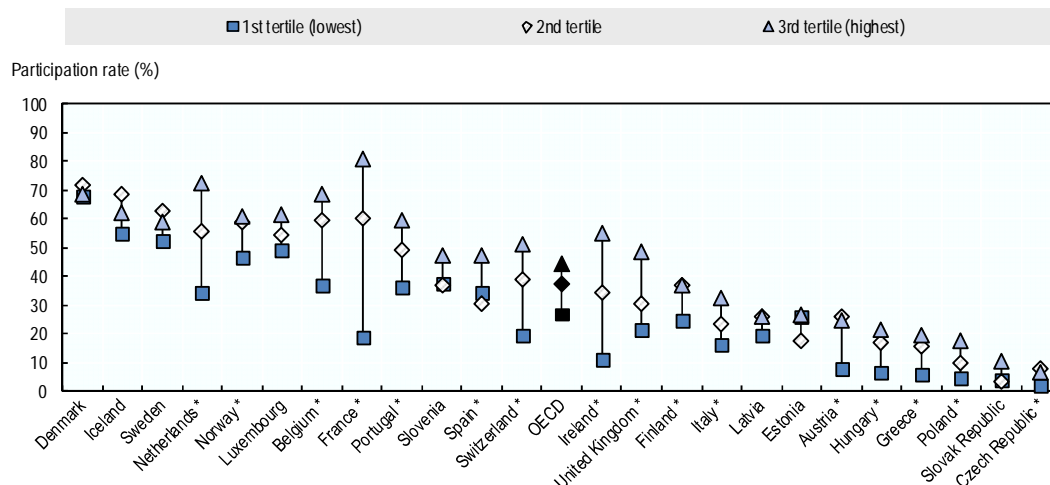
Source: *OECD Family Database*, Indicator PF3.2, <http://www.oecd.org/els/family/database.htm>.

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Some children are more likely to participate in childcare than others. In many OECD countries participation differs across socio-economic groups, with children from disadvantaged backgrounds usually most likely to miss out (OECD, 2016b). For example, in many European OECD countries very young children (aged 0-2) from low-income households are far less likely to use formal ECEC services than their better-off peers (Figure 17.2). Differences between income groups are largest in Belgium, Ireland, the Netherlands and especially France, where children (aged 0-2) from high-income households are over four times more likely to use formal ECEC than children (aged 0-2) from the poorest households. The drivers behind these inequalities vary from country to country, but in France, for example, low participation among children from poorer households is driven in large part by a combination of shortages in the supply of publicly-operated centre-based services for children under age three and, despite public financial support for parents, the relatively high cost of private care services like private childminders (OECD, 2016b). However, not all countries see differences in participation across income groups – Denmark, Iceland and Sweden stand out in particular as countries where participation rates are high and vary little with household income. In these countries, a combination of heavily-subsidised, income-tested fees and sufficient supply means that very young children are likely to participate in formal ECEC regardless of whether they live in richer or poorer families.

Figure 17.2. Children from low-income families are more likely to miss out on ECEC

Participation rates for 0-2 year-olds in formal childcare and pre-school services, by equivalised disposable income tertile, 2014



Note: Countries are sorted from left to right in descending order according to the overall participation rate for children aged 0-2. In countries marked with an *, differences in participation rates across groups are statistically significant at $p < 0.05$. Data include children using centre-based services (e.g. nurseries or day care centres and pre-schools, both public and private), organised family day care, and care services provided by (paid) professional childminders, and exclude those using unpaid informal services provided by relatives, friends or neighbours. Equivalised disposable income tertiles are calculated using the disposable (post-tax-and-transfer) income of the household in which the child lives – equivalised using the square root scale, to account for the effect of family size on the household's standard of living – and are based on the equivalised disposable incomes of children aged less than or equal to 12.

Source: OECD Family Database, Indicator PF3.2, <http://www.oecd.org/els/family/database.htm>.

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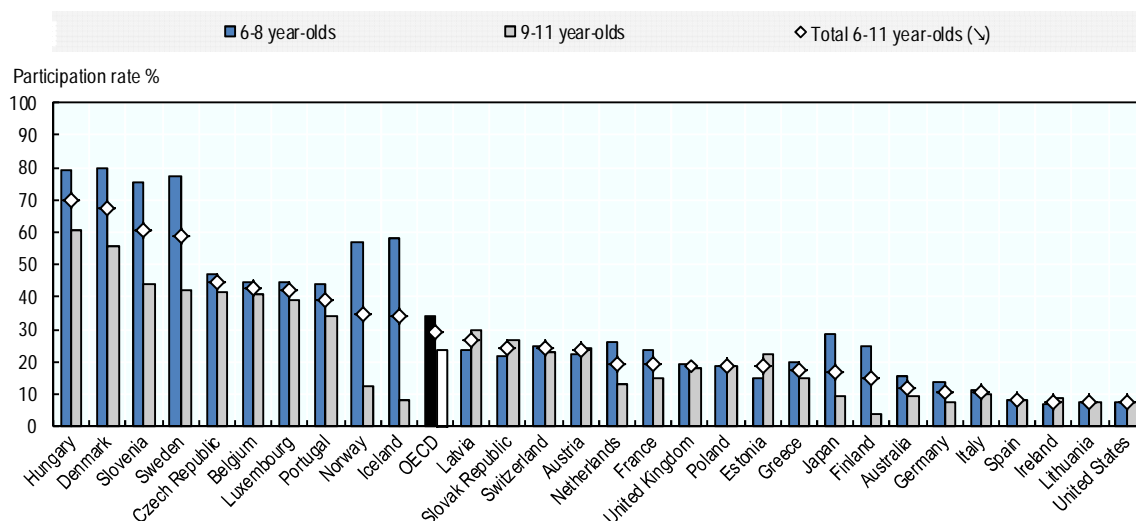
Out-of-school-hours care services remain under-developed in most OECD countries

Childcare issues do not disappear once children enter pre-primary or primary school. Children in the educational system do spend a large amount of time at school, but opening hours are frequently incompatible with a full-time working week and school holidays are almost always longer than annual leave entitlements for employees. Informal care services provided by friends or relatives can help, but these are not always available and working families with school-age children often need to find additional formal solutions both before and after school, and also during school holidays.

A few OECD countries have developed extensive out-of-school-hours (OSH) care systems for school-age children. In Denmark, Hungary, Slovenia and Sweden more than 50% of children aged 6 to 11 go to centre-based OSH services during a typical week (Figure 17.3), with these rates reaching around 80% for children at the younger end of the age bracket (aged 6 to 8). In Denmark and Sweden, OSH services are often co-ordinated with school authorities to provide all-day care for children, with services normally provided on school premises or nearby, and opening hours usually stretching until at least 5pm. Costs are also subsidised. In Denmark, services are often offered free to low-income families, while in Sweden there is a maximum fee of around 2% of gross household income for the first child and lower rates for subsequent children, ensuring that OSH services are generally affordable for most families.

Figure 17.3. Participation in out-of-school-hours care remains low in most OECD countries

Participation rates for 6-11 year-olds^a in centre-based before and/or after school care services, by age group, 2014 or latest available^b



Note: Data generally reflect the proportion of children who use centre-based out-of-school-hours care services for at least one hour during a usual week. Data generally cover the use of services offered before and/or after school hours only, and do not cover “school-going” children who use centre-based care services only during school holidays or only on days when schools are closed. Exact definitions do vary slightly across countries. See *OECD Family Database* (<http://www.oecd.org/els/family/database.htm>) Indicator PF4.3 for country-specific notes and more detail.

a) Data for Australia refer to children aged 6 to 12 and the age groups 6 to 8 and 9 to 12, for Japan to children aged 7 to 11 and the age groups 7 to 8 and 9 to 11, and for the United States to children aged 5 to 11 and the age groups 5 to 8 and 9 to 11.

b) Data for the United States refer to 2011, and for Hungary and Norway to 2013.

Source: *OECD Family Database*, Indicator PF4.3, <http://www.oecd.org/els/family/database.htm>.

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However, in most OECD countries OSH care services remain under-developed (Plantenga and Remery, 2013; Plantenga and Remery, 2017). In many countries fewer than one-in-four children aged 6 to 11 are in centre-based OSH services during a usual week (Figure 17.3), and all too often the provision of OSH services depends on the goodwill of local authorities and/or stakeholder actions. This shortage of comprehensive OSH care can present a major obstacle to full-time paid work for parents with school-age children, and may help explain why many mothers in OECD countries continue to work only part-time even as their children grow up (OECD, 2016a; *OECD Family Database*).

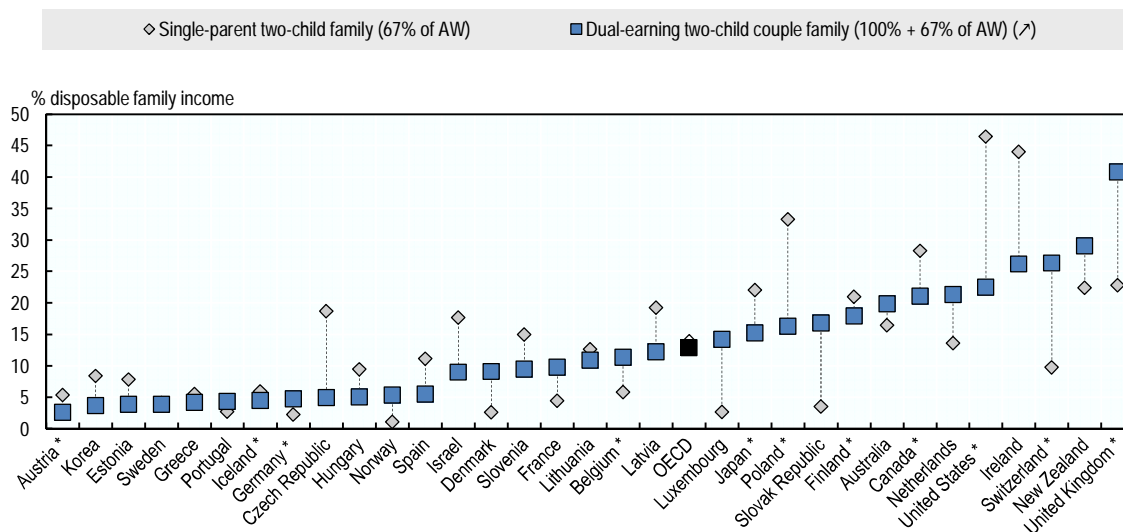
A lack of affordable ECEC continues to act as an obstacle to paid work for many parents

A scarcity of affordable childcare continues to act as a barrier to employment for many women. Places in early childhood education and care remain in short supply in many OECD countries, especially for children below age three (EC/EACEA/Eurydice/Eurostat, 2014), and costs to parents are often high. On average across OECD countries childcare costs claim roughly 13% of the disposable family income of a two-child full-time dual-earner couple on moderate earnings (Figure 17.4), and the bill is often higher (in relative terms) for low-earning couples and single parents; in Ireland and the United States, for example, the amounts charged to a single parent with two children can reach around 45% of

disposable income (Figure 17.4). These high costs weaken financial incentives to work and act as a barrier to paid employment for second earners and single parents, especially those with low potential earnings. Indeed, on average across European OECD countries, more than one-in-five economically-inactive mothers with a very young child report that a lack of affordable childcare prevents them from looking for work at all (OECD, 2016a).

Figure 17.4. Childcare costs remain very high in some OECD countries

Out-of-pocket childcare costs for a two-child family as a proportion (%) of disposable family income, by family type, 2015



Note: Data reflect the net cost (gross fees less childcare benefits/rebates and tax deductions, plus any resulting changes in other benefits received following the use of childcare and/or change in family income) of full-time care in a typical childcare centre for a two-child family, where all parents are in full-time employment and the children are aged 2 and 3. Gross earnings for the two earners in the “dual-earning two-child couple family” are set equal to 100% of average earnings for the first earner and 67% of average earnings for the second earner. Those for the single earner in the “single-parent two-child family” are set at 67% of average earnings. Full-time care is defined as care for at least 40 hours per week. Data for countries marked with an * are based on estimates for a specific region or city, rather than for the country as a whole. See the *OECD Tax and Benefit Systems* website (<http://www.oecd.org/els/soc/benefits-and-wages.htm>) for more detail on the methods and assumptions used and for information on the policies modelled for each country.

Source: OECD Secretariat calculations based on *OECD Tax and Benefit Models 2015*, <http://www.oecd.org/els/soc/benefits-and-wages.htm>.

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Many OECD countries have, however, made progress in policies aimed at improving access to ECEC in the years following the introduction of the OECD 2013 Gender Recommendation. OECD governments are increasingly aware of the importance of accessible childcare services, as illustrated by responses to the 2016 OECD Gender Equality Questionnaire (GEQ), for example, which reveal that almost two-thirds of countries think “making childcare more accessible” is one of the three “most effective ways to tackle barriers to female employment”. Over the past few years, many OECD members have introduced or extended measures aimed at increasing the accessibility and affordability of ECEC, in one form or another.

Many OECD countries have concentrated on the costs of childcare, and have taken steps to improve affordability for parents. In most cases these measures take the form of increases in subsidies or benefits/rebates for parents using childcare (e.g. Canada, Japan, Korea, New Zealand, the Slovak Republic and Poland). In New Zealand, for example, the level of both the Childcare Subsidy and the Out of School Care and Recreation subsidy – fee-

subsidies paid directly to providers on behalf of low-income families using registered ECEC and OSH services, respectively – were increased by 25% in 2016. Some countries have also looked to reduce the overall cost of childcare through the introduction or expansion of free childcare hours (Norway and the United Kingdom). Norway, for instance, has over the last few years phased-in 20 weekly hours of free childcare for 3-5 year-olds from low-income families.

Korea provides an example of one of the most extensive efforts to improve affordability and reduce costs to parents. Korea has long provided financial assistance for the cost of centre-based care, but historically these subsidies were restricted to children from the very poorest households only. From 2004 onwards, however, the income test on the subsidy was gradually loosened and the level of the subsidy itself steadily increased. In 2013, the income test was removed altogether, effectively establishing a programme of free childcare for all children up to age six regardless of background or family income level. These reforms were supported by extensive public financial investment – public spending on ECEC in Korea increased from 0.1% of GDP in 2004 to 0.9% in 2014, the largest increase in the OECD over the period (*OECD Social Expenditure Database*) – and have contributed to massive increases in participation. Since 2005, the proportion of children aged 0-2 using centre-based childcare services has more than trebled from 9% to 34% (*OECD Family Database*) while the share of children aged 3-5 in pre-primary education has jumped from 31% to 92% (*OECD Education Database*).

Several countries have also introduced measures aimed at addressing shortages in the supply of childcare places. Some have attempted to improve the availability of ECEC services by introducing a legal obligation for local governments to provide all children above a certain age with a place in formal care (Germany, Poland and, from September 2017, the Czech Republic). Others have moved to ease supply shortages by increasing or extending public investments in new facilities (Austria, the Czech Republic, Estonia, France, Germany, Hungary, the Netherlands, Poland, the Slovak Republic and Switzerland), in most cases with an emphasis on places for children under age three. Germany has adopted elements of both in a comprehensive package of reform. Since August 2013, all children aged one or older have been legally entitled to a place in ECEC, and this has been backed up by the continuation of a programme of public investment that has seen the number of children under 3 enrolled in public or publicly-subsidised care more than double over the past decade, from just under 290 000 in 2006 to over 720 000 in 2016 (Destatis, 2016).

Key policy messages

- Governments should continue efforts to increase the supply and affordability of places in ECEC, especially those aimed at very young children under the age of 3.
- Further reducing the costs charged to parents – by, for example, increasing subsidies for providers or by offering parents further financial support through the tax-benefit system – is crucial for ensuring that ECEC remains affordable and that work pays for second earners and single parents.
- Governments must step up investment in out-of-school-hours care services, which can help parents with school-age children participate in paid work full-time.

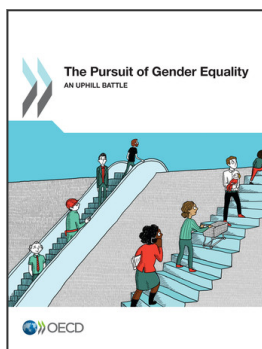
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