International Investments in Early Child Care and Education

Quality early care and education is key to shaping positive early experiences, creating a foundation for lifelong achievement, learning, and growth. While there is largely a consensus around the importance of access to quality early care and education programs, an important question remains: how to pay for it. The investments needed to support early childhood programs can seem daunting, especially in the context of the United States' looming national debt, which for many policy makers serves as a strong incentive to cut spending. The United States can look to international financing structures for early child care and education programs to learn mechanisms through which it can fully fund these programs despite the initial challenges, helping children achieve their potential and eventually invest more money back in the economy.

DOMESTIC SPENDING ON EARLY CHILDHOOD IN AN INTERNATIONAL CONTEXT

On average, Organization for Economic Cooperation and Development (OECD) countries spend 0.7% of gross domestic product (GDP) on early child care and education, with some countries spending up to 1.8% of GDP. The United States ranks among the bottom three OECD countries in terms of public expenditures on early care and education, spending just 0.3% of GDP on these programs. However, in analyzing this data the OECD has cautioned that these figures are closely linked to the number of years children are served in early childhood programs. In countries where school entry is later, more money is usually invested. The United Kingdom, for example, provides pre-primary education through age 4 and spends less money on early care and education than Sweden, where children stay in pre-primary programs until age 7.[1]

Forty-two percent of what the United States spends on child care is administered through the tax code and the rest is a combination of cash benefits and in-kind services.[2] While cash benefits provide families with the most flexibility in how to care for their children, the United States ranks last among all OECD countries in cash benefit expenditures. With regard to enrollment, the United States ranks 20th and 29th out of the 36 OECD countries in the percentage of children birth to age 2 and children ages 3 to 5 enrolled in formal child care, respectively.[3]

Types of Financing Tools for Early Care and Education:[4]

1. 1. **Child-related leaves and benefits:** Paid parental leave
2. 2. **Publicly provided services:** Head Start, pre-kindergarten
3. 3. **Supply-side subsidies:** Subsidies to early care and education providers
4. 4. **Demand-side subsidies:** Tax credits or vouchers to the families utilizing these services

DECIDING WHICH FAMILIES TO SUPPORT

While most OECD countries invest in high quality early care and education programs for all children, the United States largely targets only low-income families for federal benefits. For example, to be eligible to receive a child care subsidy through the Child Care and Development Block Grant (CCDBG) and Temporary Assistance for Needy Families (TANF) programs, families must earn less than 85% of the state median income. Even with these eligibility requirements, only around 17% of children eligible for subsidies under the Child Care and Development Fund (CCDF) and related federal programs received them.[5,6] This leaves a large population of the nation's families who cannot afford child care yet still earn too much to qualify for federal aid.

On the other hand, in England where 40% of children ages 0 to 2 and 88% of children ages 3 to 4 are in some form of child care, investments in child care increase accessibility for everyone, regardless of socioeconomic status.[7] England offers 30 hours of free child care a week for 38 weeks out of the year for all children ages 3 to 4, a benefit which 94% of parents use.[8,9] In Denmark, where all families are offered public child care, 68% of children ages 1 to 3 and 88.5% of children ages 3 to 5 are enrolled in some form of child care. The maximum amount payable out-of-pocket by any parents is 30% of the total cost since subsidies from the state cover the rest.[10,11]

ENGAGING THE PRIVATE SECTOR

The private sector can provide invaluable supplemental funding for early care and education programs in addition to the allocated public funding. Learning from other countries, the United States should think more critically about how to engage the private sector and encourage cross-sector resource development to finance services for young children and families. For example, as of May 2020, the European Fund for Strategic Investments mobilized around $577 billion in investments across the European Union, including $10.5 billion in Finland.[12] This led to the development of the first municipal public private partnership in Finland in the city of Espoo, where the European Investment

Bank, the Nordic Investment Bank, and the OP Corporate Bank invested around $201 million over a 21.5-year term to build eight schools and child care centers.[13] In addition, in Trinidad and Tobago, the Early Childhood Care and Education Centers are public facilities, yet they are privately managed and operated so the government does not incur all of the costs.[14]

While the United States allows for private investments in early childhood programs, this is often done at the local level, failing to systematically engage the private sector with concentrated efforts to maximize capacity and investments. An example of such a private investment is The Opportunity Project (TOP), a non-profit founded in Wichita, Kansas by businessman Barry Downing to provide high-quality early care and learning experiences to children from low-income families. The three current TOP Early Learning centers, which serve about 600 children in Kansas each year, exemplify public-private partnerships as they incorporate federal, state, and local-level funding, including Head Start and Early Head Start. TOP Early Learning also partners with community organizations to provide comprehensive health services to the children.[15] Furthermore, in 2001, the Boeing Company committed $500,000 to invest in early care and learning programs in Washington state where most company employees live and work. It has since become an integral part of Thrive by Five, the state's leading public-private partnership to promote school readiness.[16]

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CREATING A FAMILY AND CHILD-FOCUSED CULTURE

Funding for early child care and education requires that the nation prioritizes both children and families. Another stark contrast between the United States and countries with higher funding levels for early care and education is that these other countries have a commitment to providing assistance from the government to families and to increasing parental engagement, creating a culture of comprehensive support for families. In Finland, for example, families receive a baby box when they become pregnant to support them through what can be a stressful and tumultuous time. The strongest case of parental engagement in the United States is Head Start, which has seen enormous successes, where such engagement is a mandated part of performance standards. The United States could evoke parental engagement as a condition for federal funding, following the steps of countries around the world that strategically use federal funding to drive the agenda.

To underscore their commitment to parental engagement from the moment a child is born, all OECD countries except the United States offer paid maternity leave for at least 12 weeks. Thirty-three out of the 36 countries offer paid maternity leave for an average of 16 weeks and 26 OECD countries offer paid paternity leave for an average of 2 weeks.[17,18] Currently, 24 out of the 36 OECD countries offer paid parental leave for an average of 45 weeks, yet the United States is not among them.[19] The United States must begin to view funding quality early care and education as just one tool, albeit an important one, to fully support early childhood and should shift towards more deeply considering the importance of creating a family-focused culture through policies such as paid parental leave.

CASE STUDIES

Evaluating the early childhood programming of comparable countries around the world can provide a better understanding of the state of and financing structures for child care in the United States. Both Australia and Canada, like the United States, intervene only when market failures justify the need for public investments in social services such as early care and education.[20]

Australia: In 2008, the Australian Government first signed the National Partnership Agreements on Universal Access to Early Childhood Education (NP UAECE) to provide universal access to quality early care and education for all children.[21] The Australian government recently committed to funding this partnership with $453.2 million through 2021.[22] From 2018-2019, Australian government expenditure on early care and education amounted to $7.9 billion with an additional $2 billion from states and territories—totaling around $9.8 billion in public support on early childhood.[23] In 2019, around 1.4 million children from birth to 5 years (45% of children ages 0 to 5) were served in and one million families utilized some form of child care, including center-based and family child care. Hourly rates for providers averaged at $9.95, with a maximum of $11.98 for center-based care. In 2018, around 275,000 4-year-olds (86% of all children aged 4) and 68,000 5-year-olds (21% of all children aged 5) were enrolled in a preschool program. Of all the children enrolled in preschool, 51% were in a program that charged between $1 to $4 per hour, and 22% were enrolled in a free program.[24]

The main way the Australian government provides additional assistance to families with their child care fees is through their Child Care Subsidy (CCS), a program which lowers the cost of child care via fee reductions paid directly to service providers. CCS helps reduce the out-of-pocket cost for families of all income levels for up to 30 hours of child care a week, but beyond 30 hours only reduces costs for low- and middle-income families. The Australian government also provides targeted monetary assistance to exceptionally vulnerable families through the Child Care Safety Net.[25] Furthermore, the Australian government pays the Child Care Benefit (CCB) to use at approved child care providers, pays the Child Care Rebate, and provides operational and capital funds to some early care providers.[26]

Canada: In Canada, in 2019, nearly 1.4 million children (around 60% of children under 6 years old) participated in some form of child care.[27] Approximately 68% of children ages 1 to 3 and 65% of children ages 4 to 5 were reported to be in child care, compared to only 24% of children under one-year-old, partially reflective of Canada's comprehensive parental leave plan.[28,29] Furthermore, early care and education programs are organized and regulated at the provincial and territorial level, meaning that rates of participation vary according to location.

Aside from specific national programs for Aboriginal and military families, Canada does not have a national program or policy for early child care and education. Each province and territory has its own legislation regarding child care regulations that cover standards, licensing, funding, and monitoring.[30] Despite a recent $1.2 billion investment from the Canadian government in child care for 2020-2021, in general, child care in Canada is primarily paid for by parents with some provinces and territories paying direct operating costs to reduce parent fees[31] While infant and toddler care can cost up to $1,800 a month, three provinces set limits on parent fees regardless of income—Quebec setting a maximum out-of-pocket fee of $500 a month for even the wealthiest families.[32] All provinces and territories except Quebec subsidize eligible low-income families, though eligibility requirements and specific amounts vary by territory.

Instead of subsidizing only low-income families, in 1997 Quebec introduced universal child care, subsidized with roughly $2 billion in public funding. While this program still requires payments from some families, payments are calculated based on a sliding scale according to income levels and even the wealthiest families only pay up to $21.95 per day. To meet the increased demand for early care and education programs that followed the codification of universal child care, the Quebec government engaged the private sector. For families that either could not find a place in a public child care center or simply chose private child-care centers and home-based care options, in 2003 Quebec created a tax credit that reimburses families up to 75% of tuition at these programs, which greatly increased capacity in the pursuit of providing quality early care and education to all children.[33] Following the implementation of universal child care, in which nearly 300,000 children were enrolled in 2016, Quebec saw enormous increases in the work force participation rate of mothers.[34,35] Between 1997 after the start of this program and 2016, the employment rate for mothers of children 5 years or younger increased 16% while across the rest of Canada, the same demographic of mothers only saw a 4% increase in employment rate.[36]

The Takeaway

Shifting to a comprehensive early care and education system that is adequately funded and affordable to all first requires that the country reconsider how it prioritizes children and families alike. Supporting early child care and education goes beyond only funding these programs, but includes supporting family-focused programs and policies such as paid family leave. Shifting cultural norms towards prioritizing children and families can allow for a restructuring of current financing systems, applying lessons from around the world to engage with the private sector and support all children. To improve and comprehensively fund a quality early care and education system, the United States must confront the ethos that hampers its ability to make such commitments.

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