CED Policy Brief: Public Investment in Childcare and Early Education Policies: Europe vs. United States

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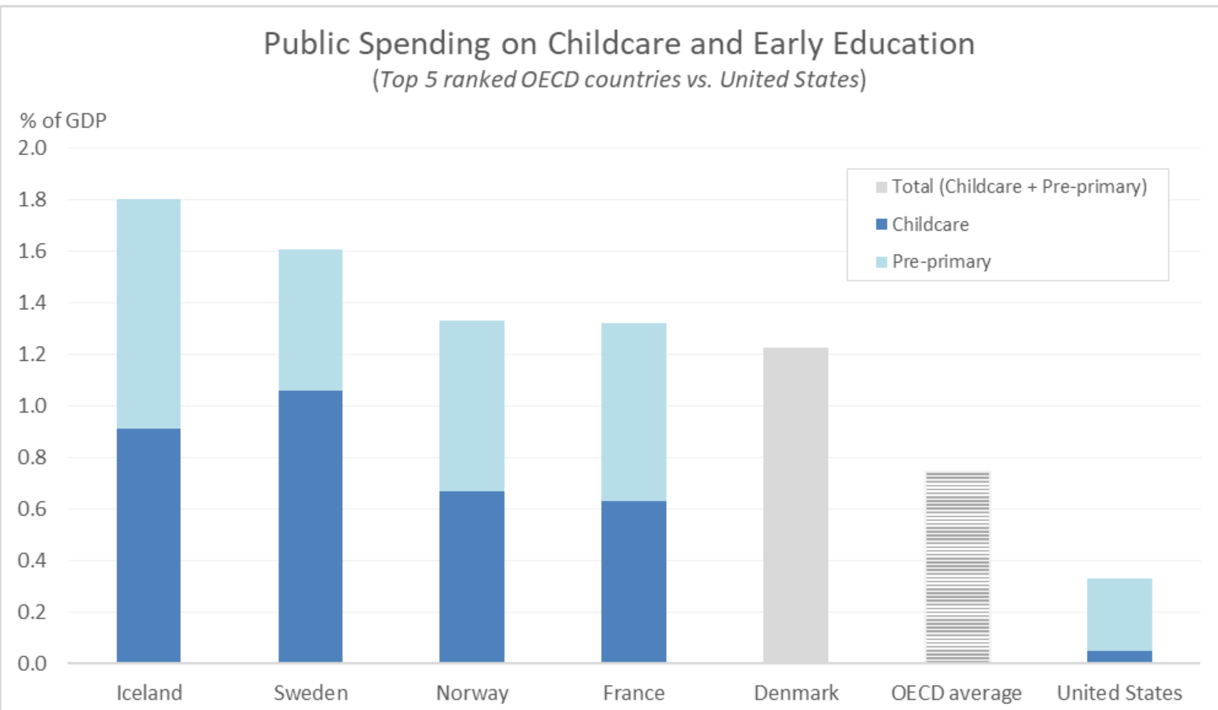
Compared to other OECD countries, the United States is considered an outlier with regard to public investment in childcare and early education. Since the end of the nineteenth century, many OECD countries have significantly expanded the scope and generosity of family-friendly labor market policies.[i] In 2002, the European Council set a target of making formal childcare accessible to at least 90 percent of children between three years old and the mandatory school age and at least 33 percent of children under the of age three in EU Member States by 2010.[ii]

On average, OECD countries spend a little over 0.7 percent of their GDP on childcare and early education, including on parental leave benefits.[iii] Iceland, Sweden, and Norway, which rank the highest in total public expenditure on such policies, spend 1.8 percent, 1.6 percent, and close to 1.4 percent of their GDP, respectively. The US on the other hand spends less than 0.5 percent of its GDP (ranking 31st out of 33 member nations). While data from the OECD Social Expenditure Database show that most countries spend more on pre-primary education than childcare, it is to be noted that public expenditure on childcare (as a share of GDP) in the US in 2016 was close to zero.



Source: OECD Social Expenditure Database (2015 or latest available data)

Childcare in the US has been viewed more as the responsibility of individual households rather than of the government. A 2016 OECD report showed that, on average, families in wealthy countries spend about 15 percent of their net income on childcare costs,[iv] with two-parent households in the US spending more than 25 percent of their net income and single parents spending close to 53 percent of their income. In contrast, two-parent families in Denmark spend about 10 percent of their income on childcare costs, while single parents spend only close to 3 percent. In addition, the cost of childcare is heavily subsidized or capped at a certain share of family income in Denmark and other European countries such as Norway.[v] Public spending on family benefits in OECD countries is on average 2.4 percent of GDP,[vi] with the US on the lower end of the scale, spending below 1.5 percent of GDP. While European countries usually provide childcare assistance through publicly funded programs, the US relies on subsidies and tax credits to compensate parents for a portion of childcare related expenses.[vii,viii]

In the US, public funding for childcare has historically been low on the list of federally funded programs, unless it was considered as support for families with a low socio-economic background (or temporarily prioritized to help encourage women into the workforce). Examples of such policies include the federally administered "Head Start" program[ix] which supports children under the age of five from low-income households, local level Pre-K programs, childcare vouchers for low-income families through the Child Care and Development Fund,[x] and other similar programs. Most of the public spending for childcare in the US is in the form of services, tax breaks and tax benefits rather than cash benefits. In terms of public spending on cash benefits, the United States ranks last when compared to other OECD countries.[xi]

The US childcare system has been described as a "mixed economy system," meaning that care providers can be privately owned for-profits or nonprofits, or administered by the public sector (local, state, or federal government).[xii] However, childcare is provided predominantly by private pay market-based services. Such a system results in significant differences in the type of childcare received, based on place of domicile, socioeconomic status, and other such factors – wealthy families in the US can purchase high-quality childcare while middle and low-income families are likely to be "priced out." On the other hand, in many European countries, childcare is provided and regulated by the local or federal authorities,[xiii] ensuring that childcare is a single sector, allowing families from all neighborhoods (rich, poor, high-minority, urban, rural, etc.) approximately the same quality of childcare and early education programs. In particular, Nordic countries have an integrated and (almost) universal childcare and early education program with generous parental leave policies and year-round educationally oriented care programs for children between ages one to five.[xiv] In addition, these nations have a highly trained workforce, with a university degree required to become a childcare provider.

Another contrast between the US and other wealthy economies is the absence of parental leave policies.[xv] In fact, the US is the only OECD country not to offer a federal paid leave entitlement for mothers and is one of the few to offer no paid leave benefit specific to fathers. While a part of the private-sector workforce is now covered with the right to parental leave, the duration of leave is relatively short and is unpaid. OECD countries, however, provide an average of around 18 weeks of paid maternity leave, in addition to offering some form of paid leave (around two weeks) to fathers as well.[xvi] Many European countries have also begun looking into flexibility in the workforce[xvii] and benefits to help supplement parents' income and pay for private childcare.

Currently, the COVID-19 global pandemic has led to an economic downturn that has seen a significant number of people, especially women, leaving the US labor force or scaling back their participation. Mothers, especially of younger children, i.e. between the ages of five and seventeen, are thought to be one of the most impacted groups.[xviii] While both parents have faced the brunt of school closures, etc., more women (in comparison to men) are taking on significant responsibilities pertaining to childcare. The long-term effects of this threaten to reverse recently made women's progress by widening wage gaps, reducing senior-level representation, etc., highlighting the need for an increase in public investment[xix] in family-friendly labor market policies. The pandemic has also resulted in the devastation of the child care industry that is further eroding access to child care services for working parents.

For over five decades, CED has provided reasoned solutions in the nation's interest to improve the educational prospects of children starting prior to elementary school entry. CED has been a national thought leader, issuing the first call from the business community for universal access to high-quality preschool education for all children in 2002. In 2012, CED's *Unfinished Business* report called for a nationwide strategy to ensure that all children from birth to third grade have access to high-quality child care and early education that promotes their learning and development while strengthening and engaging families in their children's education. To advance the national interest, CED has married its policy advocacy with on-the-ground efforts to help build partnerships between the private and public sectors in support of early learning on the state and local levels.

As outlined in CED's Child Care in State Economies: 2019 Update, early learning and care programs are also critical work supports, particularly for parents of young children who work or hope to pursue additional education and training. Pre-COVID-19 crisis, over 1 million part-time workers cited child care problems as the reason for not working more hours. COVID-19 has highlighted the fragility of the current child care financing model, as well as the indispensability of such care for supporting the work effort of parents. As illustrated in CED's 2020 Solutions Brief: Early Education and Child Care: The Essential Sector, US investments in access to high-quality public pre-K and child care strengthen the US economy—expanding the size and deepening the capacity of the US workforce while helping all families to achieve growing prosperity. CED's recommendations include:

- **Promote** high-quality child care and public-supported pre-K as a public good and treat it as an integral part of education and workforce preparation.
- **Ensure** that all children have high-quality early learning opportunities from birth, including child care and public pre-K education, especially for the most disadvantaged.
- **Implement** a sustainable financing system capable of supporting affordable access to high-quality child care and public pre-K.
- **Invest** in a high-quality early education workforce, including through state adoption of early educator workforce investment tax credits.
- **Modernize** child care regulations to deliver quality, reduce burdens, and encourage innovation.
- **Draw** on business leaders to make the national interest case for investing in early learning.

[i] Claudia Olivetti and Barbara Petrongolo, "The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries," NBER Working Paper No. 23051, January 2017.
[ii] Barcelona objectives – European Commission.
[iii] PF3.1 Public spending on childcare and early education – OECD Family Database.
[iv] "Childcare costs are around 15% of net family income across the OECD," in Society at a Glance 2016: OECD Social Indicators, OECD Publishing, 2016.

[v] "Is Childcare Affordable?", Policy Brief on Employment, Labour And Social Affairs, OECD, June 2020.
[vi] PF1.1 Public spending on family benefits – OECD Family Database.
[vii] Elaine Maag, "Child-Related Benefits in the Federal Income Tax," Urban Institute, December 2013.
[viii] Leonard E. Burman, Jeff Rohaly, and Elaine Maag, "Tax Credits to Help Low-Income Families Pay for Child Care," Tax Policy Issues and Options, Urban–Brookings Tax Policy Center, July 2005.
[ix] Website: Office of Head Start, https://www.acf.hhs.gov/ohs.
[x] Website: Office of Child Care, https://www.acf.hhs.gov/occ/ccdf-reauthorization
[xi] PF1.3 Family cash benefits – OECD Family Database.
[xii] Marcia K. Meyers, "The ABCs of Child Care in a Mixed Economy: A Comparison of Public and Private Sector Alternatives," Social Service Review, 190.
[xiii] Janta, Barbara, "Caring for children in Europe: How childcare, parental leave and flexible working arrangements interact in Europe," European Union, 2014.
[xiv] Christopher J. Ruhm, "Policies to assist parents with young children," The Future of children vol. 21 no. 2, Princeton University, 2011.
[xv] Waldfogel, Jane, "International Policies toward Parental Leave and Child Care," The Future of Children, vol. 11, no. 1, JSTOR, 2001.
[xvi] PF2.1 Key characteristics of parental leave systems – OECD Family Database.
[xvii] "Be Flexible! Background brief on how workplace flexibility can help European employees to balance work and family," OECD, September 2016.
[xviii] Anna Gromada, Dominic Richardson, Gwyther Rees, "Childcare in a Global Crisis: The Impact of COVID-19 on work and family life," Innocenti Research Briefs no. 2020-18, UNICEF Office of Research, 2020.
[xix] Elizabeth U. Cascio, "Public Investments in Child Care," The Hamilton Project, October 2017.