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Childcare markets: Do they work?

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Introduction

This chapter considers the limitations of using the market as a workable model for the organisation and delivery of childcare. It presents a very brief overview of the reach of economics as a basis for making decisions about childcare, and describes changes in ideas about the application of market principles to traditional welfare contexts.

It describes the neo-liberal view of the market, in which the role of the state is regarded as minimal, and taxation and regulation are viewed mainly as controversial impositions on business. From this perspective, individual choice – including the choice of parents seeking to buy childcare – is paramount; and the best placed people to provide childcare are entrepreneurs whose profits depend on their accurate reading of market demand. Entrepreneurs are therefore likely to be more cost effective and flexible in meeting demand than any monolithic state provider could be, and are more likely to be able to muster the capital investment to set up the childcare service. The childcare market is a way of describing a situation where the state has relatively little influence on – or interest in – how services for young children are set up, maintained and delivered.

This is contrasted with a social welfare view of the role of the state, in which communal obligations and social citizenship are given greater priority. Prioritising profit over the needs of vulnerable individuals, such as young children or old and frail people, is viewed as morally repugnant and undermining of basic communal solidarity, citizenship and caring. In this view, the state is the best guarantor that childcare services will be reliable and in particular, will meet the needs of the most vulnerable alongside those of the strongest, each benefiting from each other's participation in the service (Sandel, 2009). Here the key issue is equity rather than choice.

The market model for childcare has been adopted without much – or any – public discussion in a number of mainly neo-liberal English speaking countries, and also in many east and south Asian countries. It has long been the accepted model of provision in the USA, adopted so widely that it is part of the fabric of thinking about childcare; it is rarely considered worthy of investigation concerning its format or impact even although that effect may be profound.

In the 1980's in the UK, private childcare outside of local authorities or childminding was unusual; but the private market has been increasing for the last 15 years or so, and its status was consolidated as part of the Child Care Act 2006, which made local authority or state provision "a last resort" (Penn, 2007; Penn, 2011). As Blackburn (In press, 2012) shows, more than 80% of childcare provision in the UK is now provided by for-profit entrepreneurs, and the market is framed by calculations of "attractive visible earnings". The reach of the market paradigm is now so great in English speaking countries that it is rarely discussed. The unquestioning acceptance of economic simplifications, and *absence* of debate or investigation in those countries, and the relatively unconditional acceptance, even amongst early years professionals, or by parents, about the use of for-profit childcare provided by entrepreneurs, is striking.

This paper considers what is involved when childcare entrepreneurs try to generate profit, in a system which relies on for-profit entrepreneurs competing with one another for a share of the market. It explores the barriers entrepreneurs encounter in search of profitability, and considers how market approaches might differ from those of public or voluntary services. It recognises the importance of entrepreneurial approaches in contrast to the stultification that is sometimes produced by excessive reliance on state services, but the argument presented here is that for-profit care is often exploitative, and distorts or damages quality and equity of access. At the very least, as Blackburn (In press, 2012) shows, quality and equality of access do not figure in standard calculations of profitability.

In other countries there has been considerably more discussion about non-state provision and in particular whether for-profit provision is acceptable, and under what kinds of conditions it flourishes or is ineffective. This paper explores the position that for-profit childcare is a questionable – and reversible – political choice.

Changing views of economics

It is claimed that economics is a quantitative, empirical, and scientific way of describing societal transactions, and has led to "a golden age of discovery" (Coyle, 2007, p. 232). But the discipline of economics is itself under scrutiny. The failure of most economists to predict recent world economic trends has led to some scathing criticism from economists and non-economists alike (Lanchester, 2010; Ormerod, 2006; Tett, 2009). Harvey (2010) in his analysis of the geography of capitalism is particularly dismissive: "economists place all economic activity on the head of a pin" (2010, p 154). The World Economics Association (WEA) is a worldwide group of mainly academic economists who challenge orthodox economics and its teaching and who present alternative scenarios and interpretations of the market. WEA also produces a widely circulated online journal *Real World Economics.* In the UK, organizations such as the New Economics Foundation (NEF) have focused on the links between social and economic values. For example, researchers at NEF undertook an analysis of the social value of the contribution of childcare workers in the UK to the economy and concluded that they contributed more to the economy than accountants and bankers! (New Economics Foundation, 2009).

Yet a downplaying of the role of the state, and a policy of minimal government intervention, known as "neo-liberal economics", has become an economic holy grail. Lanchester (2010) suggests that for nearly half a century, after the end of the Second World War, most developed economies were inspired by the idea of a just, fair and equitable society, in which the state played a major role in redistributing wealth through tax and benefits, and in providing universal services for its citizens. Then the neo-liberal approach of minimalist state gained impetus from the fall of communism; the counter arguments of communists for state control and state intervention had been shown to fail spectacularly. Put very crudely, the idea of the market is equated by neo-liberals with democratic principles. From a neo-liberal perspective, anybody can enter and compete in the marketplace and make money without restraint or barriers; or buy commodities in the marketplace without restrictions. Freedom to make and keep money is the essence of free choice and progress. Choice and competition are better guarantors of efficiency and innovation, as opposed to state services which are frequently perceived as inflexible, paternalistic and inefficient.

Recent popular economics books claim that freedom to participate either as a buyer or as a seller in the market is skewed by existing wealth and privilege, and neo-liberals have systematically tilted economic policymaking in order to favour the wealthy (Quiggin, 2010; Chang, 2010; Dorling, 2010). As Lanchester (2010, p 365) succinctly remarks: "capitalism is not inherently fair: it does not, in and of itself, distribute the rewards of economic growth fairly".

A neo-liberal approach then is one in which equality and fairness are no longer overarching goals. Instead, there is rhetoric of equality of opportunity, which in practice means no more than a freedom to compete in an unequal society. Those who fail to compete successfully are less worthy and less deserving individuals, and less, rather than more, entitled to public funds. "Trickle-down" economics, as it is sometimes called, holds that rewarding the rich for their success, through tax breaks and looser regulation, will benefit the poor. Chang (2010, p

137) claims that “pro-rich policies have failed to accelerate growth in the last three decades” and the trickle down is “meagre”, if it exists at all.

Economic rationales then offer a very variable take on childcare, depending on the particular stance adopted. Economics as a discipline does not offer, as some of its adherents claim, a coherent and nearly infallible scientific approach which can explain a wide array of events. Nor can it be used for predictive modeling in an unproblematic way, since its theories rely on simplifications of human conduct. Neo-liberal economic theories present a very particular slant on the economic organisation of society, and on the emphasis that is given to competition and productivity. Some of these contradictions and differences of approach are explored here.

Working mothers and the expansion of childcare

The childcare market has expanded as women’s roles have changed. Governments and supra-national organisations such as OECD and the EU have emphasized the importance of women’s contribution to labour market productivity and the consequent need to reconcile work and family life (OECD, 2006; EU, 2011).

In most industrialised countries women’s participation in the workforce has increased substantially over the last 25 years, and even in non-industrialised countries women are bearing the brunt of any expansion in outsourced production by multi-national companies (Harvey, 2010). As a result the demand for childcare has also increased, and the EU, OECD and even UNESCO have recommended in a range of policy documents that governments support the expansion of childcare (OECD, 2006; EU, 2011; UNESCO, 2010).

Governments have chosen either a supply side model of expansion, in which money has been given directly to services or a demand led model of expansion, in which money is given to parents to buy childcare. In the supply side model, state provision has been modified or expanded to accommodate the needs of working parents; or voluntary organisations have been grant aided to provide services. In the demand led model, low-income parents have been given the money directly as subsidies, in order to buy childcare at market prices, and it has been left up to entrepreneurs to provide the service. Neo-liberal countries have almost all adopted a demand led model, since it is based on the primacy of personal choice.

Governments, at least those in rich countries (with the notable exception of the USA), agree that some kind of subsidy system is necessary to encourage or support mothers, especially mothers on low incomes, to access to the labour market. The *amount* of subsidy is important, and crucially affects quality as well as access (OECD, 2006). However the *means* of subsidy, supply led or demand led, critically affects the growth of the for-profit childcare market. Supply led subsidies, with a fixed grant system to the provider offers a steady income, at least for a period of time, to concerned individuals or groups wishing to provide a service for altruistic reasons. In the UK, as well as Canada, Australia, and New Zealand, supply side funding supported many childcare co-operatives, community nurseries, and other kinds of self-help groups and charities providing childcare. This is for example still the pattern of services now in Germany and a number of other European countries (Penn, forthcoming). But in every case where governments have switched from supply side to demand led funding and income to childcare organisations is no longer predictable, this voluntary sector has shrunk. This is most notably the case in the Netherlands, where the 2005 Childcare Act produced such changes very rapidly (Lloyd and Penn, 2010).

Demand led subsidies on the other hand incentivise for-profit entrepreneurs. By promoting and successfully selling their services, entrepreneurs can attract more customers, many of whose fees will be in part guaranteed by government; and by running their businesses more efficiently, they have an opportunity to expand and make a profit. This potential for profitable return in response to demand led subsidies is what attracted many investors in the last 10 years or so, and what led to the rapid growth of big corporate childcare companies such as ABC in Australia. As Blackburn (In press) illustrates, the potential profitability of the childcare market attracts banks and other investment companies partly because of the guarantee of subsidies. The major childcare chains are mainly owned by private equity companies. Until the current recession, childcare was seen as an expanding market, generating above average profits for shareholders and for owners of small businesses alike.

Making a profit

What is entailed in running a for-profit childcare business efficiently? The possibility of making a profit attracts investors. But childcare entrepreneurs face serious barriers to profitability. Some of these barriers are considered here.

Labour costs

The most significant limitation entrepreneurs face is in terms of fixed labour costs. These usually amount to between 70-80% of outgoings. Caring cannot be made more productive; the caring capacities of members of staff can be improved but cannot usually be extended to cover more children. If there are regulatory conditions in place about ratios or levels of qualifications, then labour costs are higher. The only way in which labour costs can be reduced is by paying staff less, at or below a minimum wage; employing the least well qualified workers; covering ratio requirements with temporary or untrained staff or students on placement; and minimising benefits concerning sick leave, in-service training, holidays and pensions; and adopting anti-union policies to minimise resistance to such conditions. The conditions of childcare workers are notoriously bad as Davis and Fairholme (In press) attest.

Generally there is a consensus that good outcomes for children are related to good child-staff ratios, and levels of staff training. Some studies have taken levels of pay as a proxy measure – poorly paid staff tend to be poorly qualified, and have a very high turnover (NICDH, 2005). A major study of recruitment and retention of childcare workers in the UK concluded that low pay and poor employment practices led to high turnover in the childcare sector (Rolfe et al, 2003). There is a constant pressure on government from lobbyists representing the childcare industry to reduce regulatory requirements concerning staff ratios and conditions of employment in order to reduce costs.

In state or co-operative run childcare, the organisation must justify and account for its pay awards and employment conditions, but no such scrutiny is usually required of for-profit enterprises. The entrepreneur has to file financial returns, or report on returns on investment to shareholders, if it is a stock listed company, but that is a very different matter from having accounts scrutinised and influenced by those working in or using the service. Yet such co-operative scrutiny – as opposed to the limited economic concept of "voice" is regarded as being a key aspect of services in some systems.

Property costs

Apart from labour costs, there are substantial capital costs, especially for those entrepreneurs operating in urban areas. The investment required for capital expenditure to set up new services, is one of the reasons that demand led funding is attractive to government – they do not have to raise the money to provide new services but can leave it to private investors. But because of land costs, many if not most, small entrepreneurs are limited in what they can provide. Entrepreneurs are most likely to use or extend existing premises – shop fronts, domestic premises, industrial premises, church halls and so on. Any capital investment is dependent on local property prices, and the investment in a building is covered by the potential sale value of the property if the childcare ceases to be profitable. It is less of a risk to invest in areas where property values are likely to remain stable or to rise, than in poorer areas where property values are more uncertain.

In the UK, there is a significant secondary market in property companies who specialize in buying and selling childcare properties of all kinds. As Blackburn (In press) illustrates, property values underpin childcare profitability, and in the current recession property values have fallen. Many childcare businesses tend to be over-valued as a result, and companies now have many empty properties on their books. This advertisement, from one such company, illustrates how childcare property purchases are hedged.

> T/O £300,000 GP 65%, superbly equipped town centre (children's) activity centre, impressive 13,000sqft property, capacity for 290 + 70 cover cafe, off road parking, licensed premises - potential night club use. http://www.daynurseries.co.uk/for-sale

Bigger companies can provide purpose built childcare, although the long-term viability of land purchase remains a paramount consideration. Companies tend to use commercial prefabricated models, and/or standard designs, easily recognisable, which are a form of branding, rather like a supermarket chain (staff are often required to wear brand uniforms).

In the public sector, or co-operative sector, although there are also considerable pressures to use available rather than purpose built premises, fitness for purpose is usually a more important consideration. Fitness for purpose includes the appropriateness of the locality for those being served, especially poor families, rather than the viability of the local property market. Since such services are primarily altruistic, to meet an identified need from a specific group of people, they are more likely to be shaped by an overarching vision of what children and parents using the service might need or welcome in the way of space and facilities, and this usually presumes discussion with and accountability to users.

When public money is invested in a property, if the service closes down, the value of the property reverts to the public authority or charity concerned. If a private company owns the building, even if public money has been directly (through grants) or indirectly (through subsidies) invested in it, then the value accrues solely to the entrepreneur. This question of disposal of assets is not one that is usually addressed as an aspect of childcare markets, but may be critical, given the volatility of the market and the signficance of property values.

Technology

Within capitalist enterprises generally, there is a drive to improve technology in order to reduce labour costs and raise profits. Since technology cannot replace human caring, technological improvements in childcare enterprises are limited to more marginal activities, such as administration and management, ordering and supplies and so on. Here the for-profit sector can excel, and as for the property market, there are a considerable number of supply companies who specialise in childcare technology. This advertisement from a USA firm emphasizes how technology can be used to improve marketing and increase recruitment, necessary concerns for a childcare business.

> Child Care Marketing Solutions is excited to announce the launch of their new Child Care Business Success System, a comprehensive toolkit for marketing and enrollment-building. The system features ten learning modules with ten accompanying audio CDs, designed specifically for early childhood business owners and administrators. By using these innovative, cutting edge, and cost-effective strategies, centers and schools can easily increase their enrollment, improve customer satisfaction, and improve their return-on-investment on marketing and advertising budgets. Includes actual examples, templates, and worksheets. Discover the hidden wealth buried in your child care center!
>
> (Childcare Exchange, 2010)

Technological improvements and computerisation can produce considerable gains in efficiency, but again the issue is to what use are these being put. Here it is explicitly in the creation of wealth. There may be less pressure – and less investment available – to introduce technological change in state or co-operative services, but the over-riding consideration would again be fitness for purpose – for example keeping parents informed, keeping children’s records up to date, keeping accurate staff records, monitoring expenditure, undertaking research through monitoring – innovations which might improve the quality of the service.

Competitive edge

In any market, producers vie with one another to sell their product. Childcare markets are no different. One aspect of competition is guarding a product and the processes involved in making it against competitors who may wish to use or exploit such knowledge. This means that childcare entrepreneurs too, may be cagey about disclosing information of any kind about their businesses. Expecting business competitors to pool information, or to share resources, especially in times of recession, is like asking the wolf to lie down with the lamb (Penn and Randall, 2005). The confidentiality argument is stated succinctly by this major childcare provider.

> Why give away techniques and confidential information which have taken time, energy and a great deal of expense to develop? In a competitive environment this intellectual property or pool of trade secrets represents one of the most important assets a company owns…this is exactly what the Government is expecting the best nurseries to do in an effort to raise standards…Both the private and the maintained sector will be expecting to spend time sharing best practice with other nurseries even if they are competitors…this is neither fair nor reasonable.
>
> (Bentley, 2008)

The business confidentiality approach of private entrepreneurs like this may limit mutual co-operation and learning. But even more so, it militates against transparency and openness. A nursery cannot be run on democratic lines, or engage in open discussions with users, or disclose information that might impact on its profitability without threatening that profitability.

Fee income

The main income of for-profit entrepreneurs is from fees. In order to make a profit, the fees must be as high as the market will bear. At the time of writing the price for top-end childcare in London is between £80 and £100 *per day* (Daycare Trust, 2011). Even with a childcare subsidy system, this kind of fee cannot be met except by high-income families, and in this sense access to childcare is inequitable.

If parents are able to claim government subsidies, then entrepreneurs can charge a higher fee from them than they might otherwise do. Subsidies have the effect of driving fees upwards.

For example fees in the UK are very high by OECD standards (OECD, 2009) partly because government subsidies to parents have been relatively generous.

Where children require extra help – some kind of disability, or linguistic support difficulty for example – this can only be provided at extra cost. Similarly if a childcare facility is to offer more flexible care, such as extended hours or extra holiday care, this too can only be provided at extra cost. Far from being responsive to parental need, entrepreneurs need to standardise their offers to make a profit. The recent London Childcare Affordability Project 2009 (CAP09) project incuded an attempt to offer parents additional top-up for childcare precisely in order to provide more flexible care for more vulnerable children (Hall et al, 2011).

Businesses also have to be very careful about the collection of fees, since the cash flow of the nursery is dependent on prompt payment. In a commodified system, childcare becomes a financial contract between the buyer and the purchaser, subject to legal constraints, rather than a shared care arrangement, with "parental participation". A recent article in the practitioner magazine *Nursery World* by the managing director of a debt collection agency explains how nurseries should insist on spelling out the details of the contract with each parent and make clear the penalties for breaching it.

> The fact that many nurseries are conducting business without clear accepted terms and conditions from their customers means they could face serious consequences if queries or payment disputes arise…Here are our tips for what to include in your terms and conditions to get quicker and more effective payment of debts and other late payment charges from late payers:
>
> - Clear payment terms, that is the right to recover interest and debt collection charges in securing payment
> - The right to refer disputes to your local County Court if there is a dispute (so it is more convenient for you to give evidence)
> - Make sure that both parents sign and accept your terms and contract details.
>
> (Hughes, 2011, p 27)

Market volatility

Successful businesses compete and expand; unsuccessful businesses fail and close. Markets are inherently unstable and businesses, small and large, fail all the time, although failure tends to be minimised or ignored in the economic literature, and success, by contrast, is extolled (Ormerod, 2005; Harvey, 2010). Small entrepreneurs have a very high failure rate. Childcare businesses are no exception, and whilst there may be many new entrants to the market, so total numbers may appear constant, there is likely to be considerable turnover. Kershaw and his colleagues, working in British Columbia, shows that even in an expanding market, businesses themselves are fragile (Kershaw et al, 2005). Unlike public services which are intended to provide a consistent service whatever the vagaries of the market or vulnerabilities of the clientele, the private market responds primarily to profit and loss. The balance sheet is necessarily the primary consideration rather than, for example, the well-being of poor or vulnerable children. In times of recession the unreliability of the marketplace becomes still more volatile. For instance childcare markets are contracting in the UK (Laing and Buisson, 2010; Ofsted, 2010). In this scenario, advertising and marketing to attract customers is especially important, from the sophisticated marketing techniques described above by the USA company *Childcare Marketing Solutions* to a basic discount store approach. This leaflet was pushed through my door by a local company *Excel Childcare Services Ltd.*:

> First ever WINTER sale!
> 6% discount on ***all*** fees for the first 3 months (12 weeks) for babies and children starting at the nursery before 28th February.
> You could be quid's in – saving huge amounts of money and have excellent, homelike childcare.
> HURRY! HURRY! HURRY! LIMITED PLACES

The nursery being advertised was rated by OFSTED as unsatisfactory, the lowest rating it could have short of being deemed unfit to open. Marketing is necessarily about successful presentation in order to increase sales rather than about a description of the product which will enable parents to make a considered choice.

The market also consolidates. In the childcare business, smaller operators are swallowed up by bigger companies, and bigger companies themselves are sold on or reorganised. The corporate market in the UK is currently around 8% of all childcare places. All but one of the 20 largest companies has been taken over or bought out in the last five years (Laing and Buisson, 2008). The biggest childcare company in the world, ABC Learning, based in Australia, which provided 30% of childcare in Australia, and 70% of the provision in the state of Queensland, expanded very rapidly, then spectacularly failed in 2009. The Australian government had to bail out the company, because of the number of childcare places at risk, and spend many millions of dollars in a holding operation, until the assets could be sold on. The affair was so damaging that the government was more or less obliged to resell to a non-profit consortium, and tighten its regulatory procedures (Parliament of Australia, 2009).

Such market volatility is an obstacle to providing stable and consistent care that young children need for their well-being, and for the reassurance mothers need in order to combine work and domestic life.

Regulation

In a neo-liberal context, the state is viewed as a liability, in so far as it limits individual choice and seeks to control and thereby distort the market through regulation. But because of the difficulties and inequities in childcare markets, most governments – at least in high income countries – have a raft of policies in place to support childcare markets. Most childcare markets are subject to some kind of government intervention, in the form of regulation, subsidies, or price controls.

This section draws on a study I recently undertook for the European Commission (but not yet published) on regulatory mechanisms for childcare markets in European countries. Three kinds of regulatory controls are briefly discussed here; financial controls, quality controls and data collection. There are considerable differences between countries as to how services are financed, and what regulatory controls might cover. The position of a tranche of European countries on these two aspects of regulatory control is presented in Table 1.

Financial Interventions

To compensate for the inherent inequity in the childcare market, many countries have introduced price controls. Parents pay fees on a banded scale related to household income – usually around 15% of net household income. There is also a price ceiling. In other countries, most notably the UK and Ireland, there are no price controls, and parents may pay as much as one third to one half of household income for a childcare place. The effect of introducing price controls is to limit profitability, so that most provision in those countries that legislate for price control tends to be non-profit rather than commercial.

Table 1. ECEC regulatory framework - An *approximate* overview

Country	Legislation	Date	Derivation	Scope of Regulation	Underlying Quality Principles	Regulatory body or procedures
Belgium	Regional legislation Regional guidance Regional inspection systems	Flemish - 2003 Quality of Health and Welfare Services	Administrative/ Expert	U3 -Includes staff qualifications, adult-child ratios, training, access, fees cap, information service, non-discriminatory practices. Excludes pay and working conditions Education services are almost all publicly delivered	U3 Child well-being and safety, social learning, labour market access 3-5 Education goals	Flemish: Kind en Gezin, an in-house arms length agency oversees all aspects of implementation. French: Office de la Naissance et de L'Enfance
Czech Republic	National Legislation and ordinances. No guidance documents. National or regional inspectorates	Act on Public Health 1991 Act on Sole Trading 1991 (private) Education Act 2004 (private kindergartens)	Ministry of Education Youth and Sports, with some consultation of experts	U3 – none other than sole trader requirements Education services are almost all publicly delivered. V. small number of private kindergartens are expected to follow official programmes.	U3 –n/a Kindergartens – education goals leading to school	U3 –n/a. Kindergartens - in house quality evaluation plus occasional inspection visits
Denmark	National legislation No national guidance. Details left to municipalities	2007 (Dagtilbudsloven) Act	Parliamentary discussions; public debate involving trades unions who have right of comment	Includes working conditions of staff renegotiated at 3 year intervals; Access for parents, qualifications of staff, cap on fees, guaranteed sustainability. Applies to all services, whatever the auspices.	Improve children's well-being, development and learning; to give family flexible choices; to promote inclusion of children with special needs; to ensure coherence and continuity within services; non-discrimination; child's right to express her view-understanding of democracy	Each provider has annual plan, to be agreed by parent board, including children's "environmental assessment". No inspectorate. Some independent research commissioned.

Finland	National legislation, National Curriculum guidelines	1973 Children's Daycare Act, amended 1983 2005 Act on the Professional Qualifications of Social Welfare Personnel 1998 Basic Education Act, 2002 Resolution on ECEC	Steering group within the Ministry, with stakeholder representatives, ongoing on-line consultation, ECEC expert team at Ministry	Includes staff qualifications, curricular guidelines, healthy environments, pay and working conditions through collective bargaining, access, fee caps. Mentoring networks at municipal level, "learning in work".	Play based education, lifelong learning; Non-discrimination and equal treatment; The child's best interest; giving weight to views of the child; own culture, language rights and religion.	Municipalities set up their own collaborative networks to review provision. Some independent research commissioned. No inspectorate
France	National legislation and guidance	2005 Childminders Act Education Act 1989 2010 Code de la Sante publique	Administrative / Expert	U3 Includes staffing standards, ratios, qualifications, training, fees Over 3 services are all publicly delivered.	Enhancement of cognitive and physical abilities Favouring biological rhythms Social integration, labour market access	U3 -Mainly executive board of CNAF. Visits from physicians. Kindergartens – regional inspection service
Germany	National legislation and guidance Regional legislation and guidance	1990 Child and Youth Services Act – modified and amended most recently in 2009 16 Lander provide regional legislation based on act. National curricular framework	Research consortium piloted self-assessment and external assessment procedures, plus regional initiatives	At Lander level includes curricular framework, staff qualifications, ratios, access, sustainability, working conditions of employees	Holistic approach Children involved in decision making Intercultural awareness Gender awareness Experiential learning and enquiring disposition towards learning	National Quality Initiative as described. Large providers have their own quality frameworks
Greece	National legislation National guidance, very sparse	Joint ministerial decision 2002 for daycare Framework Law 1566, 1985 for kindergartens	Administrative. (Lack of consultation strongly criticized by expert)	Minimal requirements	U3 Harmonious psychosomatic development Education curriculum, teacher dominated	Very few implementation tools

Hungary	National Legislation National and local guidance	1997 Act on the Protection of Children 1993 Education Act	Legislative processes of ministerial and professional consultation	Includes setting criteria for environment, staff qualifications, ratios, access, fees, working conditions, curriculum.	Equal opportunities; Freedom of conscience and religion; Right of minorities to mother tongue teaching; Rights and obligations of children; Rights and obligations of parents	Municipal licensing and monitoring through "methodological" or demonstration nurseries and in service training. Variety of inspection agencies.
Italy	National legislation Regional or local guidance. Public procurement rules apply – services tendered by region mainly to municipality	1971 Creches Act 2000 Act (62/2000) 2000 Welfare Law Regional laws eg Emilia Romagna 2000/2004 on services to U3s 1968 Act on scuole dell'ifanzia	Public professional debates within interested regions	At regional level includes setting criteria for staff qualifications, ratios, premises, access, working conditions, fees, curriculum	Respect for Children's Rights Solidarity Non-discrimination Accessibility Good governance	Participatory methods involving staff; teams of pedagogic coordinators
Netherlands	National legislation and guidance about quality conditions	General Quality Framework introduced in 2004 Childcare Act	Multiple stakeholders involved, including employers and parents	Includes staff qualifications, curricular guidelines, health and safety. Requires service to be delivered in Dutch language. Excludes pay and working conditions ,access, fees, closures. Applies only to childcare.	Childcare is a business, Parents require choice. Nursery education as aspect of education system	Various self assessment tools developed but use optional. Parents can complain to national complaints committee via local parents committee
Norway	National legislation on grant eligibility National legislation and guidance about quality conditions	2005 Kindergarten Act 2009 Quality in Kindergartens White paper	Public hearings, Sami assembly, various commissions	Includes staff training, curricular guidelines, complaints procedures, pay and working conditions, access, fees cap, closures, annual plans considered by staff/parent	Good opportunities for children's development Lifelong learning, Democracy, tolerance,	Framework implemented through compulsory self-evaluation – annual plans/review for each provider for

				committees. Applies to all services, public or private.	appreciation of sustainable development	all stakeholder groups. National research.
Poland	National legislation Local Guidance	1991 Law on health Care Centres Education Act ?	Administrative?	Includes staff qualifications, health and safety and premises requirements, ratios	Developing intellectual abilities, building a system of values, health and physical fitness, developing skills	Municipal evaluation teams in compliance with national regulations
Portugal	National legislation and guidance	Framework Law for Preschool Education¸1997 amended 2007 plus many other laws and joint orders defining specific aspects of provision	Adminstrative with help of independent experts	Includes premises and equipment, personnel requirements including compulsory in-service training, excludes access, fees, closure	Human dignity, solidarity, user empowerment, transparency, good governance	Licensing compulsory for all provision. Self evaluation systems, questionnaires for levels of client satisfaction at institutional level. Training manuals
Romania	National law for crèches No other specific legislation or guidance or codification	2007 Creche law, amended 2009. 2006 Social Assistance Act 1995 Education Act includes kindergartens	Municipal Administration	Unclear – mainly health and safety But very little private provision	Uniqueness of child Pluri-disciplinary approaches	Internal kindergarten standards, but no more general provision
UK	National legislation and guidance, extremely detailed and exhaustive. Centralized inspection regime(Ofsted) to oversee compliance.	Childcare Act 2006 Education Act 2004 2008 Statutory Guidance on the Early Years Foundation Stage	Consultations through white papers, invited consultancy from the business community. Not consensual	Includes staff training, curricular guidelines, ratios, health and safety. Excludes pay and working conditions, fees, closures. Applies only to childcare.	Childcare is a business Parents require choice Well-being of child; reduction of risk Good school outcomes	Elaborate complaints procedures, via Ofsted. *All* initiatives subject to substantial independent research evaluation (often critical)

Since childcare is a labour intensive and expensive service to provide, these price controls are invariably underwritten by supply side funding, that is by grants, usually on a per capita basis, given directly to the childcare setting. These per capita grants are usually tied into some kind of quality rating. In a demand led system, where the possibility of profit is a major incentive to providers, fee-capping would probably be unworkable, and the only control government could introduce would be in the subsidy level to parents – but as discussed, that usually has the knock on effect on fees.Governments may also insist on asset controls, as discussed above.

Quality Interventions

Almost all high-income countries have introduced regulations on quality. The introduction of a regulatory system also implies a monitoring system and the ultimate sanction of legal penalties for those childcare businesses in breach of regulations.

Quality regulations usually include requirements for health and safety, space, staff training, staff-child ratios and curricula, although these may vary considerably between countries. For example the space requirements for inside and outside space in Nordic countries are considerably more generous than in the UK, where there are no mandatory outside space requirements. These relatively lax regulations concerning space in the UK enable entrepreneurs to make use of properties that might otherwise be deemed unsuitable for children – converted terrace houses, or shop fronts for example.

Similarly there is considerable variety across Europe in regulations concerning staff training. In some countries, most notably Denmark, there is a requirement that a majority of staff will be trained to postgraduate level, and undertake regular in-service training. In others, again the neo-liberal English speaking group of countries, staff qualifications are set low, at two years post-16 vocational training or lower, and there are no mandatory requirements for in-service training.

Where businesses are competing against one another in a fragmented system and do not operate in any networked way, monitoring in itself requires considerable resources. For example the English monitoring body Ofsted inspects on a four year cycle, (and more frequently if there are complaints or other causes for concern) and carried out over 90,000 inspections in a three year period, 2005-8 (Ofsted, 2009). This requires a considerable workforce. Inspections are themselves now franchised, and there are questions about the viability and consistency of inspections.

However, in those European countries which support childcare markets but impose stringent requirements, having detailed accountability systems in place is a more important regulatory control than an external monitoring system. For example, in Norway, nurseries, together with parents and even children, produce annual plans which are approved at a local authority or regional level. Nurseries are also required to network on a local level, and share training.

Data Collection

There is no standard means of data collection about childcare across Europe, although the EU-SILC data (Standard of Income and Living data) does provide standardized information derived from household surveys. Partly the difficulty is definitional, concerning the overlap between care and education, and partly it is administrative – since childcare is governed by very different administrative arrangements across Europe.

If usage, uptake and quality of for-profit care is a problematic issue, for all the reasons discussed here, then the data collected should record auspices or type of ownership, to determine whether this is truly the case. A study by Cleveland et al (2008) which compared for-profit and non-profit care, estimated that the difference in quality between the two types of provision ranged from 7-22%, the non-profit care achieving the better quality ratings. In most countries where childcare markets are established, this data is not collected; it is assumed that quality of provision can be achieved by any provider, and ownership is irrelevant. But this is a false assumption without evidence.

Summary

This chapter has explored some of the conflicting priorities between childcare by for-profit entrepreneurs and non-profit or state systems. The argument for a childcare market is that it will increase competition, and lower prices. Economists argue that a childcare market is the most efficient and cost-effective way of recognizing and providing for consumer demand. But "consumer demand" is a complicated issue, especially since the word "consumer" applies to the parent who is purchasing the service, not the child who is experiencing it; and because consumer confidence in childcare is partly a reflection of social class (Vincent et al, 2008). Plantenga (in press), writing about the Netherlands, also offers a critique of the concept of consumers in childcare.

The key question is whether the childcare market is a reliable and equitable way of delivering childcare. For neo-liberal countries, the risks and complications involved in allowing entrepreneurs to provide childcare are either unrecognised or deemed acceptable – or a combination of both. In other countries where there is a childcare market, it is carefully controlled and generously funded, and although there may be many kinds of provider, the type of funding and the regulatory framework means that for-profit companies have limited room to maneuver. In yet other countries the childcare market is altogether unacceptable, and the government takes on the responsibility for providing childcare.

Any policy maker has to clarify and weigh the economic advantages and disadvantages of a particular course of action and make some estimate of its costs and benefits. This chapter has considered some of the tensions arising in delivering childcare through the marketplace. It has focused solely on childcare markets, and has not considered the strengths and weaknesses of the public sector or of co-operative approaches in providing childcare. But it has indicated that there are considerable –and generally unrecognised - limitations and tensions in relying on the childcare market. Viewing childcare as a commodity to be bought and sold undermines equity and quality, and regulation has to be comprehensive and wide-reaching in order to try and compensate for these failings.

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