

# Does quality matter in determining child care prices? Evidence from private child care provision in Turkey <sup>[1]</sup>

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### Excerpted from introduction

Investing earlier in a child's life brings a higher return of human capital investment, and interventions in early childhood are more effective than interventions at later ages (Cunha et al., 2006). Child care (it is used interchangeably with early childhood education and care (ECEC)) is a form of non-parental care of children. High-quality child care programs have been shown to have positive effects on child developmental outcomes such as cognitive, health and behavioral and these effects are also long-lasting (see e.g., Abner et al., 2013; Almond & Currie, 2011; Barnett, 2008; Burchinal et al., 2010; NICHD and Duncan 2003; Norens & Barnett, 2010). If there is perfect information in the market for child care, we expect that parents would be better able to evaluate the actual quality of the child care environment, and therefore low-quality providers would not survive in the market. However, since parents are not able to observe all the aspects of quality, they would have difficulty in selecting the child care settings that are likely to provide the best developmental outcomes for their children (Karoly, 2009). Thus, most families look for high-quality child care options by taking the price as an important indicator.

Child care quality is a multidimensional concept such that the safety and health conditions of child care facilities, availability of learning materials, teaching qualifications and caregiver and child interactions determine the quality of care (Slot, 2018). However, parents are not able to discern all dimensions of child care quality as most features are not readily observable to them. Because of this information asymmetry, parents' own judgments about quality may not reflect the actual quality observed by experts on the field (Barracough & Smith, 1996; Cryer & Burchinal, 1997; Cryer et al., 2002). Alternative approaches such as regulations, accreditation, licensing and quality reporting systems are used as remedies to reduce information asymmetry and improve quality in child care settings. Among these approaches, although licensing and regulations are easier to apply and less costly than other alternatives, they generally concentrate on a narrow set of quality attributes that are readily observable such as group size, child-staff ratio and cleanliness of the child care setting and so provide minimum standards for quality (Karoly, 2009). The government has a role in setting and implementing the standards for child care quality through these approaches.

The Turkish child care market is a highly regulated market in terms of infrastructure-related standards (area of garden space, size of the principal's room, total square meters of indoor and outdoor space per child, etc.) that have been shown to make the price of services less affordable in certain poor urban areas (Aran et al., 2016). On the other hand, a smaller number of requirements exist for human resources and curriculum-related standards. Infrastructural accreditation standards are strict for initially opening up the centers. Thus, it is expensive and difficult to open up the facilities, especially for private providers, and those standards also increase their operational costs, primarily through rents (World Bank, 2015). Once centers are set up, there are inspections carried out every several years, but the data coming from these inspections are not transparently shared with parents, and service providers are not ranked or provided with scores/feedback to improve on their quality of provision. Therefore, significant information asymmetries exist in the Turkish child care sector.

In a context like Turkey, where parents and users of services have little information on the differentiated quality of services, and where there is no existing government mechanism that helps users monitor quality, the link between quality and prices may be weaker. Given this regulatory setup and lack of transparency and data sharing in terms of quality of services, we expect that (1) child care prices are mainly driven by infrastructural and locational factors as well as some human resources items that are likely to increase operational expenses and (2) features that are important for child development (though not observed by parents) have little bearing on market prices.

In order to test this hypothesis, this study examines the factors, especially child care quality, associated with child care pricing of private providers in Turkey using a unique child care provider-level data set. It was collected by the World Bank in 2014 for the Supply and Demand for Child Care Services in Turkey study (World Bank, 2015) from five provinces (Denizli, Eskişehir, Gaziantep, Istanbul and Samsun). This study contributes to the literature by examining the link between child care quality and prices using this unique data set for Turkey, a country where the child care market and the role of the government in the supervision of services are very different from cases in developed countries where such studies have been previously carried out.

**Region:** Europe <sup>[3]</sup>

**Tags:** child care costs <sup>[4]</sup>

quality <sup>[5]</sup>

staff:child ratios <sup>[6]</sup>

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