

# Private early childhood education and care (ECEC) in the Nordic Countries: Development and governance of the welfare mix <sup>[1]</sup>

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## Excerpted from summary

This report examines the role of private providers of ECEC services in the five Nordic countries: Norway, Denmark, Sweden, Finland, and Iceland. For each country, we map the ECEC journey from a selective service at the fringes of the welfare state to a universal service at the core of the welfare state. We subsequently analyze the role that non-profit and for-profit providers have played in this development and their position today. We pay special attention to the governing tools used by the Nordic governments to regulate the welfare mix, that is, the division of public, for-profit, and nonprofit providers.

We document how ECEC in the various countries was predominantly established by non-profit actors. In the 1970s, most countries enacted important new legislation, making ECEC a public responsibility, with municipalities as the main provider. Afterwards, coverage gradually increased. Particularly Denmark and Iceland, but also Sweden, were early movers in expanding the service. Norway followed suit only a few years later, while Finland has only recently reach full coverage in ECEC.

The non-profit initiation of the service and public expansion are common to all countries, while the role of for-profit actors differ between them. Approximately half the children in Norway attend public ECEC institutions and half attend non-public ones (non-profit and for-profit). The corresponding number in Sweden, Denmark, Iceland, and Finland is around 80 percent public and 20 percent non-public in all cases. The different countries have to a varying degree used policies that distinguish between non-profit and for-profit private providers. For example, we see that Iceland for all practical purposes has no deliberate policy on the non-public providers, while Denmark recently embraced non-profit provision at the expense of for-profit providers. In Norway, frame conditions have been beneficial for for-profit enterprises, and yet the non-profit sector has been able to grow in real terms, even if we see a decline in shares of total provision. This underlines that the composition of public, for-profit and non-profit providers is, in effect, a policy choice.

In the Norwegian context, the governance of ECEC deviates most from that of other parts of the welfare state. A governance strategy, where private providers (1) have the right to establish, given the fulfilment of certain criteria (at least until 2011), (2) are party to a practical voucher scheme where they are paid per user, (3) have limited restrictions on generating profit, which is quite unique to the ECEC sector. This might also be the reason why we see changes in the welfare mix in ECEC that are radically different from the stability that characterizes most other service areas in Norway. One important part of the explanation of the role of for-profits in Norway is that they were tasked with an instrumental role to increase supply. In the other countries, full coverage was reached without similar invitations to for-profits.

In Sweden, market-emulating governance tools are widely used in many service areas, resulting in the same changes in the welfare mix that we observe in Norwegian ECEC. However, in Swedish ECEC, public sector service provision has not experienced the same kind of pressure by commercial enterprises as in other service areas, despite low thresholds regarding establishment, user choice with vouchers, and no restrictions on the transfer of profits. Political disputes have been won by commercial providers, but the public sector service structure has been more resistant to change.

In Denmark, legal reforms allowing private kindergartens to operate independently of the municipal allocation of places to children have not changed the structure. New kindergartens tend to be local units operating in a similar way as non-profits and self-owning foundations because this is in line with the population's expectations (Thøgersen, 2013a). A reform taking effect in 2021 gives kindergartens compensation for higher employment standards, but owners can no longer take out profits. This limits the development of commercial corporations owning numerous kindergartens such as those in Sweden and Norway.

In Iceland, municipalities dominate the provision of ECEC, which they have done for decades. At the same time, there is a growing number of for-profit alternatives, with the formerly dominant non-profit sector playing only a fringe role.

Furthermore, in Finland, municipalities dominate provision, but here, we see considerable for-profit growth over the last six to seven years. If this development continues, we may see a different welfare mix within a few years. One important aspect is that the changes

taking place in Finish ECEC resemble a development witnessed in Norway. Finland is at an earlier stage in what could be the same path. The current Finish government has policy ambitions to alter some of the governance structures that are most beneficial to for-profit chains, but it remains to be seen what changes will take place.

Finally, we discuss the reasons why the different countries have chosen their respective strategy for governing the welfare mix in the ECEC sector as well as the implications of these choices.

**Region:** Europe <sup>[4]</sup>

**Tags:** for-profit <sup>[5]</sup>

non-profit <sup>[6]</sup>

governance <sup>[7]</sup>

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