

Double dutch: The case against deregulation and demand-led funding in childcare ^[1]

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AVAILABILITY

Full report in pdf ^[2]

Excerpts from the executive summary:

Despite major advances over the last 15 years, childcare in the UK is more expensive and or more variable in quality than in many other European countries. This is especially problematic given the potential of good childcare to overcome early childhood disadvantage and enable parental employment. In recent months, both the Coalition government and the Labour party have established childcare commissions to explore new policy options in this political battleground.

To contribute to the debate, Conservative MP Liz Truss published a paper earlier this year called *Affordable Quality: new approaches to childcare*, in which she argued that the UK should learn from the Dutch childcare system, particularly from a set of reforms in 2005 that reduced the regulation of childminders and instigated a shift to a demand-led system of public funding. At the time of writing her report, Truss was a backbencher. However she has recently been appointed as minister responsible for childcare and early years. This paper critically engages with the arguments and ideas put forward in Truss' paper and the deeper ideological approach that underpins them.

Are Liz Truss' claims about childcare in this country supported by the evidence?

The argument in Truss' paper is rooted in the claim that our childcare system delivers poor value for money, for both parents and taxpayers. This is thought to be because:

- public funding is complex, does not follow parental demand and has (implicitly) favoured centre-based services over childminders
- child-to-adult ratios are among the most restrictive in Europe, particularly for childminders, unnecessarily limiting the number of children they can care for
- regulation for childminders is overly burdensome, pushing up their costs and providing disincentives for new entrants into the market.

However, drawing on data from this country and across the OECD, this report finds that the evidence does not support these central claims.

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What have been the impacts of the 2005 Dutch childcare reforms?

Building on her argument about the weaknesses of the childcare system in this country, Truss goes on to suggest that policymakers should take inspiration from the 2005 reforms to childcare in the Netherlands, which deregulated childminding and instigated a shift to demand-led funding system. However, a number of studies into the impact of the Dutch reforms suggest the impacts were not universally positive:

- Large growth in childcare places, especially among childminders: the number of registered childminders grew by 200 per cent between 2004 and 2008.
- Massive deadweight costs: a large share of 'new places' were created by grandparents taking advantage of their new right to public subsidies, significantly increasing government costs without a net increase in supply.
- Low parental costs, because employers pay one-third of fees: without this contribution, childcare costs in the Netherlands would rank among the most expensive in the OECD (and at least as high as in the UK).
- Bureaucratic funding system: parents pay the entire childcare fee upfront and then claim back a share based on their income.
- Variable impact on quality: a longitudinal study found that the share of providers judged to be 'unsatisfactory' rose from 6 per cent in 2001 to 49 per cent by 2008.
- Decline in the not-for-profit sector: the number of centre-based providers located outside of cities more than halved between 2000 and 2006, alongside a reduction in services in disadvantaged neighbourhoods.
- Rise in part-time, low-paid work (especially among women): this has accounted for a large share of the growth in Dutch maternal employment over the last decade.

Would deregulation and demand-led funding improve the quality and affordability of childcare?

Extending from this review of the Dutch reforms, we argue that the two strategic policy directions proposed by Truss do not stand up to an interrogation of the evidence and would take childcare in this country down the wrong path.

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An alternative source of inspiration: lessons from the Danish childcare system

Rather than 'go Dutch', politicians interested in shaping a quality, affordable childcare system would do better to look to Denmark for their inspiration. The Danish childcare system has evolved over nearly half a century and reflects that nation's particular political, cultural and institutional conditions - not least, the entrenched social partnership arrangements between employers and trade unions. The British context is very different and so such a system could not be straightforwardly imported here. However, there are a number of insights from the Danish system that policymakers in this country could usefully take on board.

Related Links:

Affordable quality: New approaches to childcare [3], Elizabeth Truss, 22 May 12

Elizabeth Truss' response in the Telegraph: Squeezed parents cannot afford childcare [4], 15 Oct 12

Denmark holds the key to affordable childcare, think tank argues [5], Nursery World, 16 Oct 12

Region: Europe [6]

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Links

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https://www.ippr.org/images/media/files/publication/2012/10/double-dutch-childcare_Oct2012_9763.pdf [3]

<https://childcarecanada.org/documents/research-policy-practice/12/05/affordable-quality-new-approaches-childcare> [4]

<https://www.telegraph.co.uk/women/mother-tongue/familyadvice/9609548/Squeezed-parents-cannot-afford-childcare.html> [5]

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