

Expanding day care services for children aged 1-3: goals, means and social impacts

A growing body of empirical evidence links low female employment to the structure and size of child care provisions. In Hungary, both relatively generous cash benefits and the limited availability of day care for children act to reduce parents' labour supply.

Other goals of social policy, such as early childhood development and the inclusion of disadvantaged social groups also call for a redesign of family policies. Together with the need to increase female employment, these considerations have put the expansion of day care services for children on top of the agenda in most developed countries.

This chapter offers an overview of the goals that may motivate the expansion of child care services and assesses the potential financial and administrative measures necessary for implementing such an expansion relevant in the Hungarian context.

In the present Hungarian system, the expansion of day care services are constrained by lack of resources (consumed by cash transfers), administrative hurdles and dysfunctions in the financing system. Overly strict administrative requirements raise the cost of entry and daily functioning as well, while restrictions on setting fees constrain the ability of institutions to rely on parents fees or donations from employers.

The expansion of child care services would require a careful revision and reduction in the administrative restrictions and a simplification of rules of establishing and running child care institutions. To ease the financial constraints, we recommend a rise in the cap on parent fees and the replacement of the flat rate parental leave benefit with a voucher that could be used to pay for childcare services when parents re-enter employment.

To strengthen the role of public day care in supporting early childhood development and the inclusion of disadvantaged children, we propose a per capita subsidy that varies with the quality of services provided and not with the legal status of the service provider (as is the case now). Quality should be measured against a new quality assurance scale developed in partnership with stake-holders. We also propose that disadvantaged families should receive additional support and incentives to take their children to high quality day care institutions.

These proposals would not require large additional public investment – not even in the short run – and in the medium and long run they would in fact improve the fiscal balance. The fiscal gains come partly from the increased employment of parents and the related taxes and contributions and partly from the savings in healthcare and social expenditures resulting from the improved educational and health outcomes of children and their parents.