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UNESCO Policy Brief on Early Childhood

Early Education Financing: What is Useful to Know?

In this policy brief, we stress the importance of having more complete information about financing early education for children before their entry into obligatory schooling. We take as our point of reference the approach to data collection adopted by the UOE group – UNESCO, OECD and Eurostat (OECD, 2001)[1]. For other levels of education, UOE collects financial data in three areas important for educational planning, namely: how much is spent on education; who pays for education, and how funds are allocated, that is, how funds are distributed between different resource categories.

How much is spent on early education?

Countries differ remarkably in their levels of investment in early education. Disparities can be explained in part by variations in national wealth, by the relative importance given to early education, and by different conceptions of the early education field. In general, the richer OECD countries hold that early education should take place in regulated centres, with certified teachers and appropriate child/staff ratios. Studies recommend, for example, that teachers should be trained to university degree level and that child/staff ratios should not be in excess of 15:1 (Department for Education and Skills, 2002)[2]. Maintaining such standards is costly, however, and may not be either relevant or cost-effective in other situations. Many countries, for example, organise community services for young children in which local mothers with some months of special training are employed.

In the absence of universally applicable standards in the field, a useful starting point for discussion may be to evaluate : *how much countries are spending on early education relative to GDP?* This indicator provides an idea of the importance that a government attaches to early education.[3] We know, for example, that OECD countries spend on their education systems (pre-primary to university inclusive) about 5.6% of their collective GDP. What proportion of this is allocated to early education? The European Commission on Childcare recommended in 1995 that countries should spend 1% of GDP on early childhood education and care. Only the Nordic countries approach or surpass this figure,[4] but at least through using this indicator, we have a rudimentary measure to compare different countries.

The UOE group focuses also on another comparative indicator: *how much countries are spending per child.* To have this information, one needs to know the amount of government investment in early education, and the number of children benefiting from publicly-funded places. The information obtained may lead to a further analysis of *which children benefit and which children do not benefit from early childhood education.* Ideally, such data analysis enables us to know whether early education is distributed in an equitable manner, and whether the children who benefit are boys or girls, urban or rural, rich or poor, mainstream or immigrant/indigenous, and in what proportions. This issue is perhaps more important in early education than in other parts of the education system, as several important windows of opportunity for learning are opened wide only during the early years. A fair start in life for each and every child has important consequences for future educational achievement, and without an equitable spread of early childhood services, inequality at the starting gates of school is inevitable.

***Who pays for early education*?**

The question is particularly important in early education, which unlike primary education is rarely free. In addition to government funding, early education may be supported to a significant extent by parental fees, international agency funds, private providers and by the cash or in kind contributions made by NGOs. Such cost-sharing with other partners is generally welcomed by governments, but may place an undue burthen on parents, who often have to pay not only fees but also uniforms, materials and books. In consequence, for low- and moderate-income families, early education services become unaffordable, or the services accessible to them are of such poor quality that they harm young children rather than promote their holistic development.

There is a need then to gather statistics on *who pays for early education*, and *what is the relative share of government, parents, non-profit (international organisations and NGOs) and private operators.* In European Union countries, parents pay on average 25% of

[1] OECD (2001) Education at a Glance.
[2] Department for Education and Skills (2002) *Research Report* RR 320, London.
[3] A similar indicator providing additional insight is: *How much is public expenditure on early education as a percentage of total government expenditure?*
[4] Sweden spends, in fact, over 2% of its GDP on integrated services for children.

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costs of non-kindergarten early education and care, while in North America parents pay around 50%.[5] As a result, enrolment figures are higher in European services, as the relative cost of early education to parents has a significant impact on enrolments (Edwards et al, 1996)[6].

How are funds allocated in early education?

Important issues that arise concerning the allocation of public funds are the following:

a) Are public funds for early education allocated indirectly through family cash benefits, or are they, as is the custom in primary education, allocated directly to educational institutions as operational grants?

This is a complex question which the limited space of a policy brief does not allow us to address adequately. In summary, there is divided opinion on the issue. Governments that favour cash benefits paid to families argue that the mechanism allows increased financial assistance to be given to low-income families, In addition, it helps to create a "market" for early childhood services, thus attracting private providers and increasing competition among early childhood centres. However, opponents argue that user-subsidies maintain early childhood programming in a welfare or labour market context, and show unwillingness on the part of government to consider early education as a necessary investment in young children. Subsidies to parents, they argue, condemn many centres to low quality, as they cannot be earmarked to finance basic operational necessities such as staff salaries, professional training and learning resources, on which quality in early childhood programming depends. In addition, subsidies paid to parents are generally insufficient to fund the real costs of early childhood provision in disadvantaged or rural areas where demand is generally lower and the costs of organising appropriate programmes are higher.

b) Financing data is also needed to call attention to another issue: *to which parts of the education system are funds directed?*

This question is important in terms not only of equity but also of investment efficiency. In many countries, funding to each child in primary education is 1.5 times greater than similar funding in early education, although younger children need more favourable child/staff ratios. What is more surprising is that funding per university student is generally five or six times greater than for a child in an early education service, although the economic and educational returns from investing in young children are well proven. This difference in funding may be an inheritance from the past when education was conceived in rather elitist terms, with little early education and a powerful university sector. Today, it seems more equitable that public funding should be allocated to the base of the educational pyramid rather than to its apex, although it is clear that governments may need at times to stimulate through funding an increase of graduates in certain fields. Recent experience in Australia suggests that free education at tertiary level may be inefficient in economic terms, as charging student fees seems to have little effect on enrolments if appropriate student loans are put into place (Gallagher, 2003)[7]. If such is the case, a gradual shifting of government investment toward the foundation stage of lifelong learning may take place in future years.

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[5] In Europe, early education and care is generally free from the age of 3 years. In North America, parents must pay for early education and care over a much longer period, as states or provinces take early education in charge only from the age of 5 years and partially from 4 years.

[6] Edwards, J., Fuller, B., and Linag, X. (1996). "The missed pre-school market: explaining local variation in family demand and organised supply" in *Economics of Education Review*, Vol. 15, No. 2, pp. 149 – 161.

[7] Gallagher, M. (2003). *Higher Education Financing in Australia*, Paris, OECD, Directorate for Education, 2003.