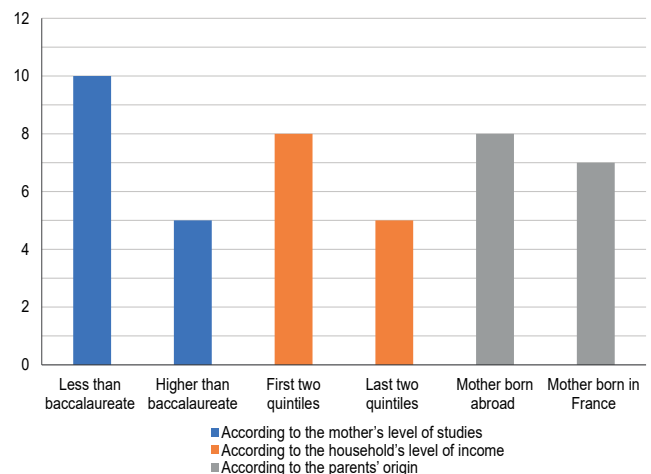


## Unequal Access to Day Nurseries and Related Economic Issues

*Karine Ishii, Per Yann Le Floc'h, Adrien Massebieau, Baptiste Royer*

- Government policies for childcare for the under-threes are two-pronged: to support parents' professional activity and to foster children's development until they start nursery school (*école maternelle*). They encompass all postnatal leave arrangements, financial support to cover the cost of formal childcare with a child minder or in a day nursery (*crèche*), and the provision of a day nursery service.
- In the first few months of a child's life, care by the parents is the most beneficial, all the more so when it is provided by both parents. However, after the first year, formal childcare, particularly collective childcare, is preferable for the child, especially if they are from a disadvantaged background. In the long term, funding childcare places for young children enables them to develop their abilities and human capital in general, and helps reduce social inequalities.
- The unequal day nursery offering throughout France sometimes hinders access to formal childcare and limits the parents' ability to work, in particular in single-parent households. In addition, the net cost of formal childcare restricts its use by low-income households. Childcare by parents is mostly provided by mothers and it distances them from the labour market when it lasts too long. As a result, it exacerbates social and gender inequality.
- Improved governance by defining a leader from among the many stakeholders is required in order to expand the day nursery childcare offering. In addition, bringing the net cost for childcare by a child minder, which is incidentally less costly for the public purse, more into line with that for childcare in a day nursery, as provided for by the 2023 Social Security Budget Act, would spur recourse to formal childcare by low-income households.

**Additional number of words spoken by two-year-old children having attended a day nursery in France (2011 generation)**



How to read this chart: At two years old, among children whose mother's education level is less than the baccalaureate, those who attended a day nursery for at least a year know, on average, 10 words more than children not having attended a day nursery. Taking all childcare options, a child is able to say an average of 74 words at around two years of age.

Source: L.M. Berger et al. (2021), "The Impact of Center-Based Childcare Attendance on Early Child Development: Evidence from the French Elfe Cohort", *Demography*, vol. 58(2), pp. 419-450.

# 1. State of play of early childhood care in France

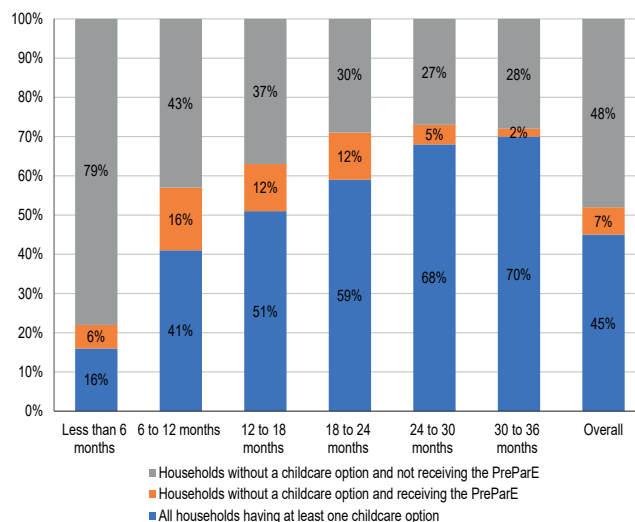
## 1.1 Childcare options for young children in France

In France, childcare for children aged zero to three can either be informal and provided by the parents (particularly during postnatal leave) or relatives (such as grandparents), or formal and provided by early childhood professionals. Among formal childcare options, there is also a distinction between individual childcare by a child minder<sup>1</sup> or childcare at home and collective childcare in early childhood care establishments, or day nurseries. In addition, under certain conditions, children aged two to three can be pre-schooled at nursery school.

Various government policies have an effect on childcare options. The existing arrangements, which are examined in this paper, may consist of financial support or the structuring of a service offering. These policies are two-pronged: to favour the cognitive and non-cognitive development of young children until they start nursery school and to avoid parenting leading to reduced professional activity for the parents. In this respect, provision of high-quality childcare for all is a challenge in the fight against social, geographic and gender inequality.

In France, postnatal leave allows parents to care for children during the first months of their life. Maternity leave is covered by the health insurance system for 16 weeks for the first two children.<sup>2</sup> For the second parent, leave (including the birth) lasts 28 calendar days.<sup>3</sup> Subsequent to these periods, parental leave may be covered by the shared benefit for child education (PreParE), the amount of which varies depending on the extent to which professional activity is reduced – up to €422 per month in 2022 if the recipient does not work at all.<sup>4</sup> The PreParE may be paid out for six months to each parent for the first child and then for a maximum of 24 months per parent as from the second child.<sup>5</sup>

**Chart 1: Use of a formal childcare option in 2018 according to the child's age**



Source: *Observatoire national de la petite enfance (2021), L'accueil du jeune enfant en 2020.*

When this leave comes to an end, access to childcare options is a major issue for parents. In France, use of the various childcare options varies according to the child's age (see Chart 1), the region and the parents' financial circumstances.

In 2019, the theoretical childcare capacity for the 2.3 million children under three was 59.8 places per 100 children (33 with child minders and 20.9 in day nurseries in France, excluding Mayotte, see Table 1).<sup>6</sup> The slight increase in the rate of cover since 2016 (+2.1 places per 100 children) was entirely due to the reduction in the size of cohorts of children under three. In reality, the theoretical childcare capacity<sup>7</sup> fell by 17,000 places as the creation of day nursery places did not offset the reduction in individual childcare and nursery school places over the period.

- (1) The term child minder will be used rather than nanny in order to remain neutral in relation to the stereotype which associates care for young children by mothers and with a feminine profession, even though, in reality, this profession is almost totally carried on by women (99.4% in 2020).
- (2) For the third child and subsequent children, the leave period is extended to 26 weeks.
- (3) In the event of an adoption, for salaried employees, the leave period fluctuates between 16 and 22 weeks according to the number of children adopted and the total number of dependent children in the household. For couples, leave may be taken by either parent or by both. If it is shared, the duration is extended by 25 to 32 days.
- (4) The amount of the PreParE is €273 for working half-time and €157 for working part-time between 50% and 80% but the total amount received by both parents was limited to €422 in 2022.
- (5) Up to the first birthday of the first child and the third birthday as from the second child.
- (6) The potential childcare offering is the number of places in early childhood care establishments, with child minders, in nursery school classes and with home helps. Only child minders caring for children are taken into account in the commensurate number of children that they are legally authorised to look after, i.e. four children in the majority of cases.
- (7) The theoretical childcare capacity is the number of places available in formal childcare for children under three. This capacity is then placed in proportion to the number of children under three to come up with the capacity per 100 children.

**Table 1: Change in the theoretical childcare capacity since 2016**

	2016		2017		2018		2019	
	Theoretical capacity	Capacity per 100 children	Theoretical capacity	Capacity per 100 children	Theoretical capacity	Capacity per 100 children	Theoretical capacity	Capacity per 100 children
Child minder	782,500	33.2%	770,800	33.4%	759,000	33.2%	744,300	33.0%
Day nursery	437,200	18.5%	448,800	19.5%	460,200	20.1%	471,000	20.9%
Nursery school	96,300	4.0%	92,600	4.0%	88,800	3.9%	82,700	3.7%
Home help	46,700	1.9%	46,100	2.0%	47,000	2.1%	47,700	2.1%
<b>Overall</b>	<b>1,362,700</b>	<b>57.7%</b>	<b>1,358,300</b>	<b>58.9%</b>	<b>1,354,900</b>	<b>59.3%</b>	<b>1,345,700</b>	<b>59.8%</b>

Source: DG Trésor table based on data from the Observatoire national de la petite enfance (2021) for France excluding Mayotte, *L'accueil du jeune enfant en 2020*.

When they use a formal childcare option, households receive benefits which reduce the net cost. For collective childcare in a day nursery financed by the single service benefit (PSU) which is paid by the Family Allowance Fund (CAF), this net cost increases with households' income up to a certain ceiling. For childcare by a child minder, the net cost is the difference between the expenses advanced and the supplement for free choice of childcare (CMG) paid to households, the amount of which is contingent on the compensation paid to the child minder, the composition of the household and the household's resources. The cap on the CMG leads to a net cost of at least 15% of the childcare expenses advanced by the household. For both collective and individual childcare, the net cost is reduced by a tax credit.<sup>8</sup> In 2020, government departments spent €14.3bn to finance formal childcare for children under three and for parental leave benefits (see Table 2).

## 1.2 France differs from its neighbours with regard to childcare options and leave

In France, benefits for parental leave taken subsequent to maternity and second parent leave are rather low compared to other countries. In 2021, the total length of potential maternity and parental leave paid to a woman following the birth of a child was 42 weeks in France for the first child (16 weeks of maternity leave and up to six months of parental leave),<sup>9</sup> compared with 39 weeks of maternity leave in the United Kingdom, 58 weeks in Germany, an average of 51 weeks in OECD countries and an average of 64 weeks in the European Union. This leave comprises variable wage replacement rates which are generally higher at the start of the leave (period of maternity leave) and lower during parental leave. According to the OECD, the average guaranteed replacement rate for the whole term of paid leave is 46% in France, 29% in the United Kingdom

**Table 2: Government expenditure on childcare for children under three in 2020**

Measure	2020 expenditure (€m)
Parental leave benefits by the PreParE*	868
Individual early childhood care, including the CMG**	4,631
Collective early childhood care in day nurseries, including PSU***	6,634
Childcare at nursery schools	485
Tax expenditure related to early childhood care	1,713
<b>Total benefits related to early childhood care and for parental leave benefits</b>	<b>14,331</b>

Sources: *Rapport d'évaluation des politiques de sécurité sociale - Famille (2022)* and *Dossier statistique des prestations familiales (2022)*.

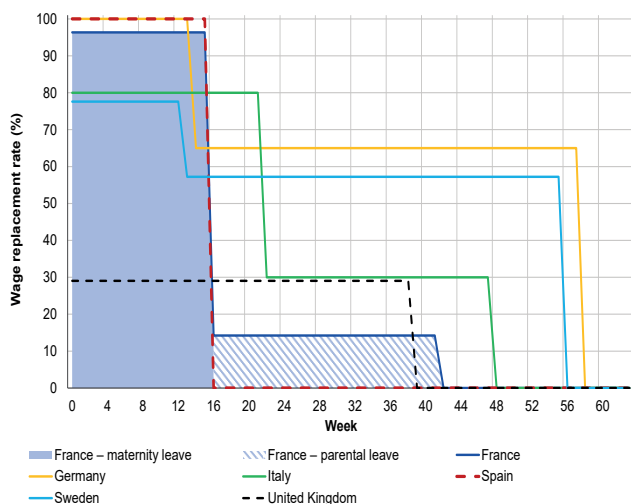
\*Shared benefit for child education, \*\*Supplement for free choice of childcare, \*\*\*Single service benefit from the National Family Allowance Fund (CNAF).

- (8) The tax credit for the cost of childcare for children under six represents 50% of childcare expenses capped at a fixed annual rate of €2,300 per child, giving a maximum tax credit of €1,150 in 2022 for childcare by a child minder or in a day nursery.
- (9) For the spouse, the maximum length of postnatal leave is 28 calendar days (childcare leave) plus six months (parental leave) for the first child up to their first birthday.

but 62% in Sweden which has a higher employment rate for women than France (80.8% in 2021 vs 70.0% in France). In Germany, the replacement rate is 73%, benefits are paid for longer than in France and the employment rate for women was 74.6% in 2021.

More specifically, in France, the amount of parental leave benefits paid under the PreParE, which is set on a fixed basis according to the proportion of work time but irrespective of the parent's income, is much lower than that guaranteed by maternity and second parent leave which is close to previous wages. It is also lower than in neighbouring countries. Whilst the wage replacement rate for maternity leave is fairly high in France, benefits paid for parental leave seem to be more generous in other European countries, in particular in Germany (see Chart 2).

**Chart 2: Wage replacement rate and length of leave upon the birth of a child for a woman in 2021**



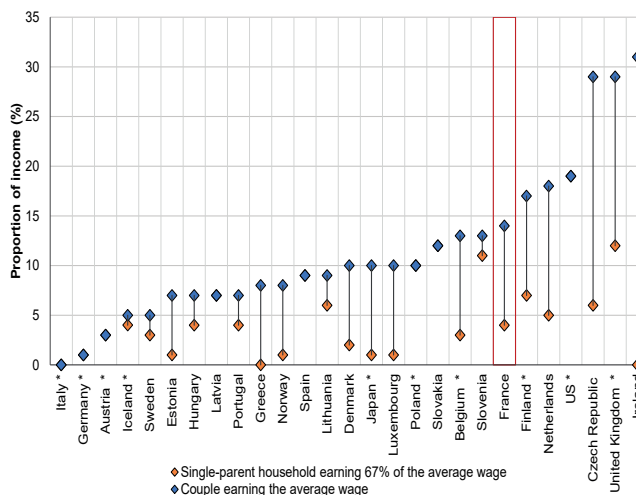
Source: DG Trésor calculations from OECD data.

Note: The replacement rate is the proportion of the previous gross salary paid for maternity leave followed by parental leave for a person with the average salary for full-time work. For Germany, the benefit is expressed in proportion to the salary after taxes. For France, it is expressed in proportion to the net salary.

The net cost for childcare in a day nursery in France is aligned with the OECD average but is higher than that in a number of other European countries. The OECD flags up major differences in the net cost for collective childcare in European countries. In 2021, for a working couple paid the average wage with two children aged two and three, the net cost of childcare in a day nursery accounted for around 14% of the average wage in France – the OECD average – compared with 5% in

Sweden and in South Korea, 9% in Spain and 29% in the United Kingdom (see Chart 3). For a single parent paid 67% of the average wage (*i.e.* around the level of the French statutory minimum wage, Smic), the net childcare cost is lower and represents an average of 5% of income in OECD countries, and 4% in France.

**Chart 3: Net costs for childcare in day nurseries in 2021**



Source: DG Trésor calculations from OECD data.

Note: The data reflects the net cost of full-time childcare in a day nursery as a percentage of the income for a household with two children aged two and three, with both parents working full-time and respectively earning 100% and 67% of the average wage or with the parent, if a single parent, working full-time and earning 67% of the average wage. The net cost for a single-parent household is the same as for a couple when this is not represented on the chart. It is assumed that childcare is full-time but, in some countries, such as the Netherlands, childcare is very often only used half of the time. Furthermore, childcare costs may vary between different regions in the same country.

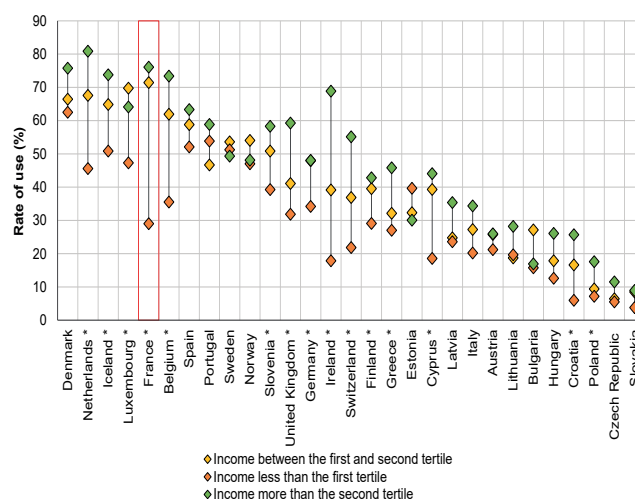
\*The figures show the situation in specific cities (Rome for Italy) or regions (Wallonia for Belgium).

France has a high level of formal childcare with 60.4% of children aged from zero to two benefitting from it in 2019 compared with an OECD average of 38.9% with significant variations between countries.

However, in France, the rate of use of childcare differs substantially according to the household's disposable income (see Chart 4). The participation rate of children from households in the first third of disposable income is 29%, *i.e.* less than half of the rate of 76.1% for the upper third. This can be partly explained by the fact that in couples with one wage earner, which are more prevalent among low-income households, childcare is more often carried out by the non-working parent. As regards single-parent

households, although they receive specific benefits, their use of a formal childcare option is lower (47% among those where the parent works) than for couples with two wage earners (71% in 2018). This points to the presence of additional non-financial barriers to access to formal childcare, in particular urban and regional distribution.<sup>10</sup> Unequal access in France is estimated to be among the highest in European countries along with the United Kingdom, Ireland and the Netherlands. Conversely, Sweden appears to have reconciled an overall satisfactory rate of use with the absence of unequal access depending on income.

**Chart 4: Childcare use according to parents' disposable**



Source: DG Trésor calculations from OECD data.

Note: The data refers to children aged zero to two in formal childcare.

\*The differences between the groups have statistical significance at a 5% threshold.

## 2. Formal childcare is beneficial for children and helps reduce social and gender inequality

### 2.1 Formal childcare is conducive to young children's development

During the first months following the birth, parental care is more favourable for the child's development than formal childcare. As highlighted in the report from the Commission on a child's first 1,000 days,<sup>11</sup> relations between children and parents forged by them being together during the first months have a positive and lasting effect on health and cognitive development,<sup>12</sup> with a stronger impact when both parents share childcare.<sup>13</sup> Conversely, when formal childcare starts too soon during the child's first year, this is thought to lead both to more strained relations with the parents and more frequently observed aggressive behaviour.<sup>14</sup> It is estimated that the effect is more pronounced when the child spends a lot of time at the day nursery or the childcare is of a poor standard.<sup>15</sup>

If formal childcare options are not used too early on, they subsequently have a positive impact on the child's development. In France, the Elfe (*Étude Longitudinale Française depuis l'Enfance*) study observes the psychic development of a cohort of 18,000 children born in 2011. The work of Berger et al. (2021)<sup>16</sup> suggests that use of a formal childcare option at the age of one allows for better development of language skills than parental care, but it is impossible to identify a significant age threshold after which formal childcare is more preferable. Whereas, on average, a child knows 74 words towards the age of two, children who go to nursery school are able to say 80 words, *i.e.* also three words more than children looked after by a child minder<sup>17</sup> and 12 more than those cared for by their parents.

(10) Observatoire national de la petite enfance (2021), *L'accueil du jeune enfant en 2020*.

(11) Ministry for Solidarity and Health (2020), "Rapport de la Commission des 1000 premiers jours".

(12) C. J. Ruhm (2007), "The Effects of Parental Employment and Parental Leave on Child Health and Development". *Encyclopaedia on Early Childhood Development*. Centre of Excellence for Early Childhood Development [online].

(13) M. Huerta et al. (2013), "Fathers' Leave, Fathers' Involvement and Child Development: Are They Related? Evidence from Four OECD Countries", *OECD Employment and Migration Working Papers*.

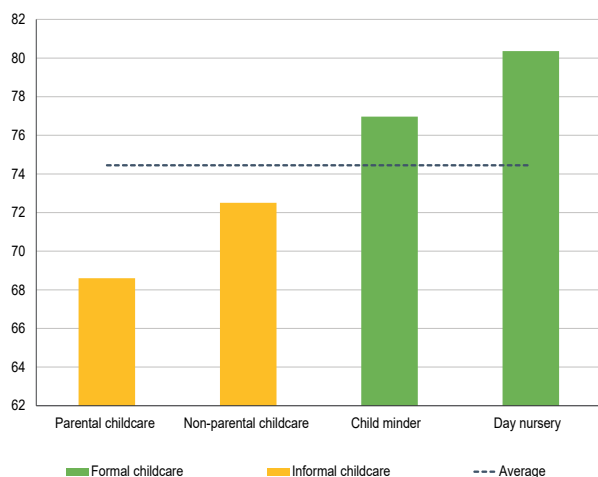
(14) J. Belsky (2001), "Emmanuel Miller Lecture: Developmental Risks (Still) Associated with Early Child Care", *The Journal of Child Psychological Psychiatry*, vol. 42(7), pp. 845-859.

(15) J. Belsky (2004), "Impact of Time Spent in Non-maternal Child Care on the Socio-emotional Development of the Young Child", *Devenir*, vol. 16, no. 1, pp. 5-15.

(16) The interviews conducted when the child was between 12 and 18 months old noted the childcare option at the age of one, then the number of words spoken was observed during an interview at two years old.

(17) The difference in the number of words spoken between childcare at a day nursery and with a child minder is significant at a threshold of  $p < 0.05$ .

**Chart 5: Number of words spoken at two years old depending on childcare option**



Source: L. M. Berger et al. (2021), “The Impact of Center-Based Childcare Attendance on Early Child Development: Evidence from the French Elfe Cohort”, *Demography*.

Formal childcare options have positive long-term impact, especially in collective settings. Along with the cognitive development of young children, collective childcare helps develop human capital which, by acting on productivity, increases long-term growth potential:

- In the United States, the Perry Preschool Project, which was conducted in the 1960s, showed that investment in preschool learning increased the chances of children’s future academic and professional success, reduced social background-related inequality and mitigated the social costs generated by dropping out of school, unemployment and delinquency. It is estimated that the socio-economic gains from the project significantly outweighed its cost.<sup>18</sup>
- In France, the OECD has noted that students who attended a day nursery received a higher PISA score in science than the others; almost 42 points after accounting for students’ socio-economic status.<sup>19</sup>

It is also estimated that collective childcare helps develop children’s non-cognitive skills. In France, children from the EDEN cohort having had collective childcare are thought to have fewer emotional or relationship problems than those having had individual childcare.<sup>20</sup>

## 2.2 Formal childcare is of particular benefit to children from low-income households

Young children from low-income backgrounds gain more from collective childcare. The positive impact of attending a day nursery on the number of words acquired, as noted by Berger et al., is greater for children whose parents have a low level of education, low income and were not born in France (see Chart on the first page). When they attend a day nursery, children whose mother has a level of education less than the baccalaureate acquire 10 words more than children who did not attend a day nursery and whose parents have the same level of education. The difference is only five additional words for children whose mother had taken a post-baccalaureate course. Similarly, the positive impact of years spent in collective childcare on the results of PISA scientific performance assessments is thought to be just as strong for children from low-income backgrounds.<sup>21</sup>

Nevertheless, among children from households in the first quintile for standard of living, only 5% attend day nursery as the primary source of childcare during the week, and 3% are cared for by a child minder, compared with 22% and 37% respectively for children from households in the last quintile for standard of living.<sup>22</sup> The lower figures for parents of low-income households is due to childcare supply factors or demand factors from parents.

(18) J. J. Heckman et al. (2010), “The Rate of Return to the HighScope Perry Preschool Program”, *Journal of Public Economics*, vol. 94, issues 1-2, pp.114-128.

(19) Without accounting for socio-economic status, the difference is 63 points for children having attended a day nursery for at least three years compared with children who did not attend one or who did so for less than a year according to the OECD (2017), “Starting Strong 2017: Key OECD Indicators on Early Childhood Education and Care”, *OECD Publishing*. By way of example, France Stratégie estimated that if the average PISA score of French students in mathematics and science was the same as that of German or South Korean students in 2015 (thus increasing from 497 to 519 or 546), economic growth could be boosted by between 0.12 to 0.28 points of GDP per year over a 35-year timeline. See A. Heim and J. Ni (2016), “L’éducation peut-elle favoriser la croissance ?”, *France Stratégie analysis note*, no. 48.

(20) R. Gomajee et al. (2018), “Early Childcare Type Predicts Children’s Emotional and Behavioural Trajectories into Middle Childhood. Data from the EDEN Mother-Child Cohort Study”, *Journal of Epidemiology and Community Health*, 72(11), pp.1033-1043.

(21) J. Balladares and M. Kankaras (2020), “Attendance in Early Childhood Education and Care Programmes and Academic Proficiencies at Age 15”, *OECD Education Working Papers*.

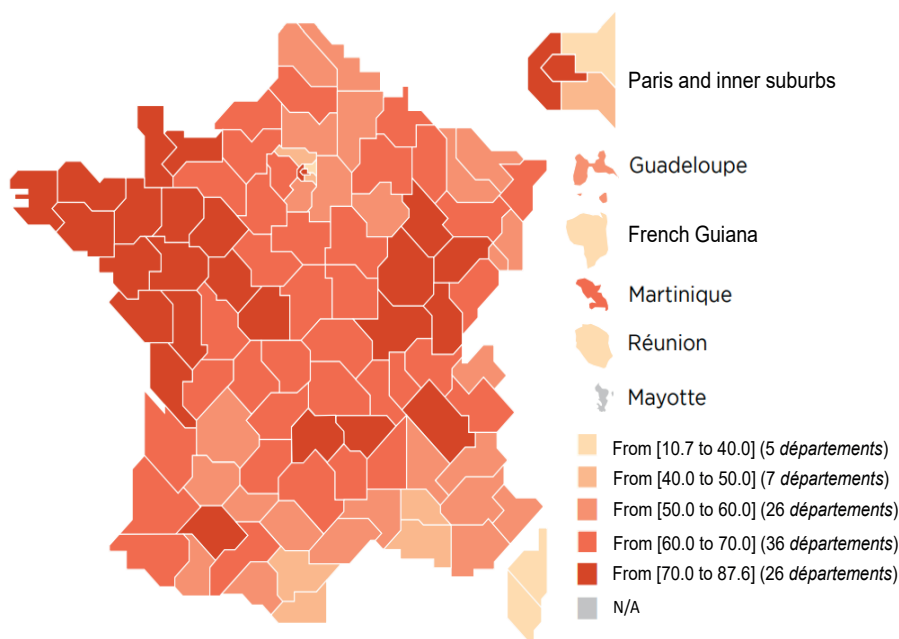
(22) Survey of early childhood care options, Drees (2013).

The childcare offering varies widely in France. In 2019, childcare capacity per 100 children under three differed significantly depending on *the département* ranging from 10.7 places in French Guiana to 87.6 places in Haute-Loire, with a national average of 59.8 places. The formal childcare offering is much lower than the average in municipalities or districts where the median standard of living is the lowest.<sup>23</sup>

Some parents with low incomes may also sometimes not use formal childcare even if it is available. Taking parental leave or electing not to go back to work

are decisions that factor in both social demands or cultural norms which sometimes encourage mothers to stay with their children (fear of appearing to have abdicated parental responsibility, wariness of childcare by strangers), working conditions when the child is born (employment status, seniority or relations with the employer), compensation opportunities or the probability of finding a new job and the financial cost of childcare in relation to its quality or the procedures to be carried out by households, especially for childcare by a child minder.<sup>24</sup>

**Chart 6: Theoretical formal childcare capacity per 100 children in 2018**

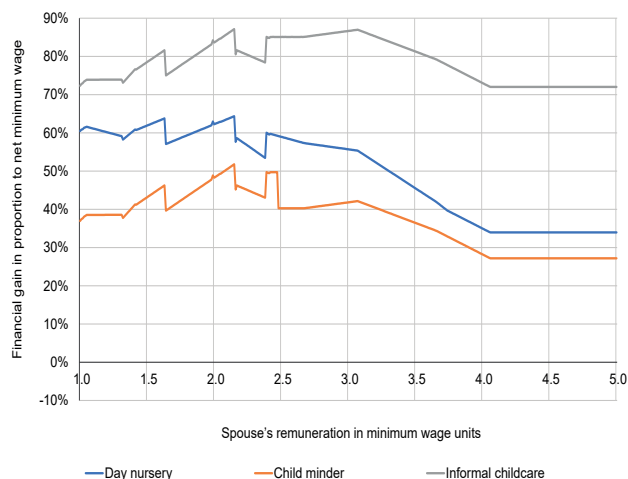


Sources: Observatoire national de la petite enfance (2021), *L'accueil du jeune enfant en 2020*.

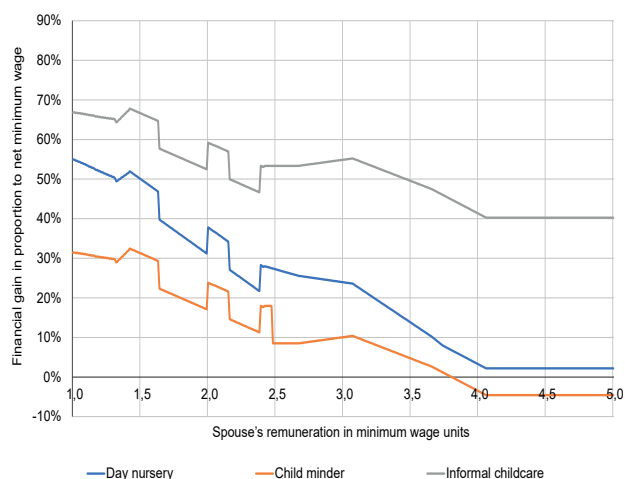
- (23) According to the HCFEA (2018), "L'accueil des enfants de moins de 3 ans", 17% of children under three originating from a municipality in which the median annual standard of living is less than €16,000 live in a municipality in which the childcare coverage rate is more than 40% compared to 82% of children overall.
- (24) Owing to the complex nature of compensation (salary, allowance for expenses, allowance for meals, leave) for child minders whose rates are negotiated with the families, it is impossible to calculate the net cost before choosing the child minder. In addition, the red tape (contract, declaration of salary and allowances) calls for basic reading, writing and IT skills.

**Chart 7: Net gain for resuming employment at minimum wage level according to the spouse's income**

*If the parent does not receive the PreParE*



*If the parent receives the PreParE (€422 per month)*



Source: DG Trésor calculations based on 2022 legislation.

Note: The net cost is net of tax credits for childcare expenses received in respect of the previous year. The household rents its accommodation in zone two and pays rent equal to the threshold level for housing benefits. In this case, informal childcare is deemed to be free of charge with the net cost for the household being zero.

How to read this chart: When the spouse is paid the equivalent of twice the minimum wage, the net gain when resuming employment is around €1,330, less a loss of welfare benefits of some €100 and additional monthly tax of approximately €120, *i.e.* a monetary gain from working of 84% of the net minimum wage when using informal childcare for which the cost is zero. When a child minder is used, the net cost of around €470 reduces the monetary gain from working to 48% of the net minimum wage. The net gain for resuming employment paid at more than the minimum wage would be higher than that set out here, limiting any potential disincentives for higher income households.

### 2.3 Parental childcare can accentuate gender inequality

Parental childcare is mainly provided by mothers. For children whose parents are together, only 12% of parental childcare between 8am and 7pm during the week is provided by the father alone, whereas more than half is provided by the mother alone.<sup>25</sup> Women's daily routines and careers are therefore more affected by the arrival of a child. More women work part time than men in order to look after children or dependent persons (31.6% of women were working part time for this reason in 2019, compared with 10.2% of men)<sup>26</sup> and they accounted for 93.9% of recipients of paid parental leave in June 2020.<sup>27</sup> A reduction in women's working hours, or even an interruption of their activity, causes their earned income to fall by around 30% on average five years after the birth of the child.<sup>28</sup>

Beyond general measures to foster a better work/life balance, which affect women's working hours and the sharing of household chores, early childhood policies are one of the means of fighting gender inequality.<sup>29</sup>

Today, the formal childcare offering still fails to meet households' requirements. The lack of a suitable childcare option may often force a parent, usually the mother, to reduce their working hours or give up work: 8% of mothers of children under three are estimated to have chosen to totally stop work or reduce their activity due to a lack of childcare or to the prohibitive cost.<sup>30</sup> According to the High Council for Family, Childhood and Age (HCFEA), creating between 155,000 and 175,000 additional places is required to care for children whose parents stop working as they have no childcare solution.

(25) S. Villaume and E. Legendre (2014), "Modes de garde et d'accueil des jeunes enfants en 2013", *Études et résultats Drees*, no. 896.

(26) DG Trésor calculations based on the 2019 survey of working conditions and psycho-social risks. Scope: employees excluding those on sandwich courses.

(27) Observatoire national de la petite enfance (2021), *op. cit.*

(28) D. Meurs and P. Pora (2019), "Gender Equality on the Labour Market in France: A Slow Convergence Hampered by Motherhood", *Economics and Statistics*, 510-511-512, pp. 109-130.

(29) Concerning the interaction between family policies and the fight against gender inequality, see H. Périvier (2020), "L'économie féministe", *Presses de Sciences Po*.

(30) HCFEA (2018), "L'accueil des enfants de moins de 3 ans".



Childcare by both parents during the child's first months should bolster the involvement of fathers over time and therefore rebalance time spent on childcare by the couple. Studies suggest that leave for the second parent helps reshape parental responsibilities well after the birth of the child.<sup>31</sup> When fathers take parental leave alone, they tend to become more involved in household chores.<sup>32</sup> Taking Germany as an example, at the end of parental leave, even if it was only for a short period, fathers have reduced their working hours to care for children. However, only fathers

whose parental leave lasted more than two months or who were on parental leave whilst their partner worked subsequently increased their involvement in housework.<sup>33</sup> That being so, Germany is still one of the European countries where working women most often work part time. In 2021, 36% of German women worked part time compared with an average of 24.6% in OECD countries and 20.5% in France. In addition, the presence of the father or partner on parental leave during the perinatal period helps reduce the risks of the mother's mental exhaustion and postnatal depression.<sup>34</sup>

### 3. Recent reforms and outlook for early childhood care

#### 3.1 France has introduced reforms for early childhood care

At national level, government policy to boost the formal childcare offering comprises strategies set as part of agreements on objectives and management (COG) between the government and the National Family Allowance Fund (CNAF): the current COG (2018-2022) provides for the creation of 30,000 additional places, in particular in the priority districts of cities and grants for structures catering for disadvantaged children or operating in under-funded areas ("diversity", "disability" and "regions" bonus). For its part, the national strategy for preventing and combating poverty contains a training programme for early childhood professionals.

Taken alone, these objectives do not guarantee an adequate expansion of the childcare offering. As regards collective childcare, whilst local authorities are subject to fiscal constraints, creating places is now mainly the remit of private operators that are able to rely on a profitable business model due to substantial use of public financing and more flexible pricing arrangements. This can nevertheless increase the cost of day nurseries for households.

It is estimated that the net cost for households for small day nurseries funded by the early childhood benefit (Paje) is approximately double that of public day nurseries funded by the PSU.<sup>35</sup> Individual childcare suffers from a lack of appeal for child minders whose work conditions are difficult due to the fact that they carry on their profession alone, the low wages and scant career opportunities.

In addition, the multitude of stakeholders involved (government, municipalities, *départements*, CAF, businesses) and the lack of a leader in charge of early childhood care appear to weigh on the capacity of public action to guide expansion of the childcare offering.<sup>36, 37, 38</sup>

In Germany, parental leave reforms since 2007 have led to a substantial increase in the benefit, set at 65% of earned income up to a maximum of €1,800 per month. There is also a bonus system when parental leave is shared by both parents.<sup>39</sup> Between 2006 and 2014, the percentage of fathers taking parental leave rose from 3.5% to 34.2%,<sup>40</sup> with the budget earmarked for this leave increasing by almost 50% (from €4.2bn in 2008 to €6.4bn in 2017).<sup>41</sup>

(31) L. Farré (2019), "Does Paternity Leave Reduce Fertility?" *Journal of Public Economics*, vol. 172, pp. 52-66.

(32) A. Patnaik (2019), "Reserving Time for Daddy: The Consequences of Fathers' Quotas", *Journal of Labor Economics*, vol. 37, no. 4, pp. 1009-1059.

(33) M. Bünning (2015), "What Happens after the 'Daddy Months'? Fathers' Involvement in Paid Work, Childcare, and Housework after Taking Parental Leave in Germany", *European Sociological Review*, vol. 31, iss. 6, pp. 738-748.

(34) S. I. Cardenas et al. (2021), "Associations between Paid Paternity Leave and Parental Mental Health Across the Transition to Parenthood: Evidence from a Repeated-Measure Study of First-Time Parents in California", *Journal of Child and Family Studies*, 30, pp. 3080-3094.

(35) HCFEA (2018), "L'accueil des enfants de moins de 3 ans".

(36) IGAS/IGF (2017), "La politique d'accueil du jeune enfant".

(37) Senate information report (2015), "Les modes d'accueil des jeunes enfants : un enjeu de l'égalité entre les femmes et les hommes".

(38) IGAS/IGF (2021), "Revue des dépenses socio-fiscales en faveur de la politique familiale".

(39) Two months of paid leave reserved for the second parent bringing the total to a maximum of 14 months for a couple.

(40) J. Fagnani (2018), "Germany. Family Policy Reforms: Ten Years Later, What are the Results?", *Chronique internationale de l'IRES*, no. 62.

(41) HCFEA (2019), "Voies de réforme des congés parentaux dans une stratégie globale d'accueil de la petite enfance".

## Box: The legal right to childcare in Germany and Europe

In the early 2000s, Germany was lagging far behind with early childhood care: 10% of children under three were cared for outside the family compared to 50% in France. Whilst the coverage rate of all formal childcare options was still lower in Germany in 2014 (32% for children under three versus 52% in France), the rate of individual use of collective childcare structures (day nurseries and nursery schools) grew substantially and reached 27% that same year as against 20% in France. This means that Germany met the objectives it had set itself whereas the coverage rate for children under three has remained very much the same in France.

According to an analysis by France Stratégie,<sup>a</sup> the success of Germany's policy is due to efficient governance of the childcare offering together with highly transparent financing and the introduction of binding objectives for developing the offering. The German system includes the legal right to childcare for children aged between one and three, and for children less than a year old whose parents work, are taking vocational training or receive professional integration benefits. This means that the local authorities which are tasked with early childhood care are bound to offer a sufficient number of places locally. Should they fail to do so, the administrative court, to which cases are referred by households, may order the municipality to compensate them for any additional cost for a different childcare option or loss of wages.

There is also a legal right to early childhood care in England, Denmark, Sweden, Finland and Iceland. As the Economic and Social Research Institute (IRES) observes,<sup>b</sup> all these countries have designated the municipalities as being competent for applying a legal right to childcare, rolled out gradually based on the child's age in Germany and Finland, or based on the childcare requirements of working parents in Sweden. In most of these countries, this right is coordinated with long parental leave which allows formal childcare to be focused on children over one year old. Lastly, these countries are striving to ensure similar net costs for households when using either individual or collective childcare.

a. C. Collombet et al. (2017), "Places en crèche : pourquoi l'Allemagne fait-elle mieux que la France depuis dix ans ?", *France Stratégie analysis note*, no. 48.

b. C. Collombet (2022), "The Right to Childcare Places in Six European Countries: What Lessons for France?", *Chronique internationale de l'IRES*, no. 178

In France, the most recent major reforms have been to parental and paternity leave. Benefits for parental leave changed in 2015 with the inception of the PreParE. For the first child, the maximum benefit period was set at six months per parent as opposed to six months to be shared between the two parents previously. As from the second child, the benefit period is reduced from 36 to 24 months for the same parent thus encouraging sharing by couples. This reform failed to increase the number of fathers taking parental leave even though most of those working part time could have benefitted without reducing their spouse's entitlement. It has however enabled earned income and unemployment benefits to increase for mothers who worked before the parental leave.<sup>42</sup> The reform led to a €3,480 rise in the earned income of mothers during the child's third year which offset the €2,725 reduction of the PreParE received over this period prior to the reform.<sup>43</sup>

Since July 2021, paternity and childcare leave has increased from 14 days to a total of 28 days in France. The timeline has been extended to six months following the birth of the child to enable the second parent to take over from the mother at the end of the maternity leave.

### 3.2 Measures to improve early childhood care

In order to address the insufficient formal early childhood care capacity, bolstering collective childcare in day nurseries requires improved governance of the offering throughout France. Problems with meeting targets in terms of creating places, as set in the agreements on objectives and management between the government and the CNAF, suggest that incentives for creating places by managers are ineffective, especially in the poorest areas. Governance could be made more transparent by the designation of a lead

(42) H. Périvier and G. Verdugo (2021), "Cinq ans après la réforme du congé parental (PreParE), les objectifs sont-ils atteints ?", *OFCE Policy Brief*, no. 88.

(43) The average annual income of the mothers in question was around €12,000 three years before the child's birth.

entity for collective early childhood care in France. This responsibility could be backed by stronger incentives to create day nursery places which could, in the long term, lead to the introduction of a legal right, for instance.

In addition, childcare places with child minders, which are less costly for the public purse,<sup>44</sup> could shift towards a model similar to collective childcare which is more conducive to the development of children as well as generating better quality jobs. *Maisons d'assistantes maternelles* (MAM), where child minders group together to carry on their profession, or *crèches familiales*, where children alternate between childcare in a day nursery and with a child minder, can make childcare more collective. These options bring individual and collective childcare closer together and can make this profession more appealing to early childhood professionals and this childcare option more attractive for households.

Lastly, in order to increase the use of formal childcare by low-income households, the 2023 Social Security Budget Act provides for a reform of the CMG. Its new calculation formula will align the net cost of childcare by a child minder with the household's resources to allow for convergence with the net cost of childcare in a day nursery. It will also eliminate the threshold effects of the current scale so that the net cost will be more progressive depending on resources and enable the hourly volume of childcare to be better factored into the calculation of benefits. This measure will make childcare more affordable for households and will foster low-income households' use of child minders for professional childcare.

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(44) The full cost of a place in a day nursery (some €1,600 per month for a place financed by the PSU) is higher than for a place with a child minder (approximately €1,200 per month depending on the compensation arrangements) and the parents' contribution is lower for a place in a day nursery. [Rapport d'évaluation des politiques de sécurité sociale - Famille \(2022\)](#).

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