

The extent to which the childcare needs of children, working parents, employers and early childhood care and education personnel are recognized and addressed by policies and services is heavily shaped by national and local contexts, with wide variation in government approaches to childcare. Childcare can be financed through government's tax revenues or social insurance following two main approaches: funding the delivery of childcare through the provision of subsidies (including fiscal incentives) to care providers or by supplying services directly; and funding the demand for childcare by offering subsidies to parents. These strategies are not mutually exclusive and can be combined as is the case, for example, in France and the United Kingdom.

By recognizing early childhood care and education as a universal right, directly and adequately financing it and setting up minimum standards, governments help to ensure that there is a supply of relatively affordable and quality services, in particular for lower income families (Hein and Cassirer 2010). As shown in figures 32 and 35, in countries such as Denmark, France and Iceland, public spending on early childhood care and education (in-kind benefits) measures more than 1.0 per cent of the GDP and participation rates for 0–2 year olds in formal childcare are higher than 50 per cent. On the whole, public spending is higher in pre-school centres for children aged from 3 to 5, where direct government funding and the provision of facilities are most common, than for crèches, day care centres and family day care for children under the age of 3 (OECD, 2014d).

In some countries, governments tend to prefer to provide financial support, often in the form of tax breaks, to families with children, who can then decide what service or facility they want to use. In the Netherlands, parents, employers and the Government jointly bear the costs of formal childcare for preschool and school-age children up to the age of 13. Each party pays one third of the cost, which makes childcare more accessible to all income groups. The Government's contribution is related to income, being higher for low-income families. Parents buy the service from a registered provider and are reimbursed through the tax system.

The disadvantage of demand-side subsidies is that parents still bear a high proportion of the childcare cost. In addition, those who profit from a tax-deductible benefit tend to be parents in the highest tax bracket while low-income workers who need it most derive little benefit. Workers earning near-minimum wages cannot even set aside tax-free money for care expenses because their salaries fall below the legal minimum required to benefit from tax-deductible benefits. In addition, demand-side subsidies can often be used to hire home-based caregivers. On the one hand, this is perceived as a way to formalize domestic workers and therefore improve their working conditions, in particular where extensive skills training to improve the quality of service is provided by public or private, profit or non-for-profit agencies in countries such as France. On the other hand, the emphasis on demand-side funding might accentuate the risk of proliferation of services with lower standards and quality than professional childcare centres (Hein and Cassirer, 2010). As a consequence, more support for childcare might not translate into more women in the labour market.

Since 2004, the Republic of Korea has promoted a policy of universal childcare provision, with a significant increase of public expenditure on childcare for children aged from 0 to 2 (Shin, 2015). The Free (Mu-sang) Care and Education Programme was launched in 2013 and offers free childcare for children under the age of 5, amounting to a cost of 5.5 trillion Korean won in 2013 (approximately \$4.5 billion) (OECD et al., forthcoming 2016). In parallel, the amount of demand-side subsidies increased significantly, reaching 86.2 per cent of total public expenditure on childcare provision in 2014. This resulted in 76 per cent of total childcare places being provided in private or home-care centres. Although the service offers 12 hours of childcare for full-time workers, other beneficiaries only receive between six and eight hours of childcare. Since around 44 per cent of women hold non-regular jobs in the Republic of Korea (OECD, 2013), many fail to meet eligibility criteria for full-time provision, which limits their participation in the labour force where working long hours is the norm. Over the last decade, women's employment rate only increased by 3.3 percentage points, from 53.0 per cent in 2004 to 56.3 per cent in 2014. Fertility rates also remained at 1.2 per cent in 2014, compared to 1.15 per cent in 2004 (Shin, 2015).

Among not-for-profit care providers, social enterprises and, in particular, workers' cooperatives, offer an effective way to provide social care services, especially in rural areas with lower service coverage (box 16).