

FINANCING EARLY CHILDHOOD EDUCATION AND CARE IN NORWAY

By

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Introduction:

The number of day-care centres, which represents the cornerstone of the Norwegian system of Early Childhood Education and Care, ECEC, has been massively expanded over the past couple of decades. In 1980, 78 000 children attended ECEC institutions. In 1999 the number had increased to 193 000 children. Similarly, major efforts have been made to develop various aspects of the quality and content of the ECEC system. It is therefore initially important to stress that despite these efforts, it might still be too early to draw any final conclusions on the workings of the system. The government still does not regard the ECEC sector as fully developed, as there still exists large differences locally with regard to what a child might meet of ECEC.

In addition to variations caused by these unfinished aspects of the system, two other factors must be mentioned; Geography and administrative structures: First, Norway is a geographically large country with a small population of some 4,4 million people. In fact, the population density is among the lowest in the OECD-area. It is therefore difficult to ensure the same standard and access of services within sectors such as ECEC when there are such large local variations in population-basis, employment-structure and infrastructure. Second, Norway is divided into three levels of government. Their relative importance varies from one policy area to the other. When it comes to ECEC, the central government in Oslo is primarily involved in funding and legal/regulatory aspects. The level below, Norway's 19 counties, are primarily responsible for specialised services such as hospitals and secondary education and does not have any role within the ECEC sector. The smallest administrative unit, the municipalities of which there are 434, are in charge of primary schools, services for the elderly, primary health care, child welfare and early childhood education and care. But as the municipalities vary in size, wealth, number of inhabitants – and political control – differences are often seen in priorities and standard between the municipalities within many policy-areas.

These differences are not necessarily controversial. In fact, there is a strong tradition in Norway for decentralisation. It is an overall aim that services should be produced close to where the users live. Consequently, the central government has gradually made the municipalities take over many welfare services, including ECEC. This process of decentralisation has gradually given municipalities more power and more room for financial manoeuvring.

Central government influence:

As mentioned above, the central government retains a certain degree of influence of the development of ECEC through the passing of laws and regulations, and by means of financial contributions.

Whereas the central government's regulatory role is of key importance when it comes to for example ensuring a relatively unified standard of services for children nation-wide, *government funding* has been the key incentive for ensuring establishment of new ECEC institutions. Services provided at the municipal level are largely financed through taxes generated locally, by municipal fees and by grants from the central government. But government grants might be given in two forms. The bulk of grants are made through 'the general purpose grant scheme', i.e. in the form of block grants that are not earmarked for particular services or sectors. The other major type of grant are 'earmarked' or targeted for a specified service. State grant to ECEC in Norway, in 2001 amounting to some 5 billion NOK, is given as an earmarked grant.

The central government's argument for choosing the current system is well known also from other policy areas: The 'general purpose grant scheme' is used for well established services and they are seen as important to secure local democracy and as instrumental in encouraging local initiative and priorities. Grants 'earmarked' to special targets areas, on the other hand, are commonly used for services which are not fully developed or established. Such grants might ensure a large degree of control by the central government in situations where this is considered important in order for example to achieve equal access to services throughout the country. On the other hand, as critics rarely forget to mention, earmarked grants may result in less effective use of public means at the local level. This is an ongoing debate, and the general trend seems to be towards directing more means to the municipalities through the general purpose grants scheme. So also with funding for ECEC.

ECEC and Family Policy in Norway.

Some key trends and objectives with regard to demographic development and Norwegian family policy are of importance in order to understand the development of ECEC. There are 60 000 children born annually in Norway – up from some 50 000 in the early 1980ies. Also the fertility rate has increased, and is now 1,9 children per woman. Even if this is below the level required for population replacement, Norway scores among the top countries in this re-

spect in the western world. Possible explanations to this is the generally high standard of living, the low level of unemployment and the generally sound economic situation with substantial revenues from the oil sector.

Further, Norwegian women, and young mothers in particular, are active in the work force. In fact, three out of four women work. The level of employment among women with children is even higher, and close to 80 per cent of mothers with school age children are working outside the home. Half of all employed mothers of small children work part time.

It has for decades been an important policy aim for varying governments to enable young parents to combine care for small children with the possibility to take an education or to participate in the work force. Several measures have been implemented to make this possible. First of all the parental leave system is generous; enabling working parents to take 52 weeks paid leave (80 per cent of normal pay). The increasing access of day care centres has also been a key element of the central government's strategy for stimulating the current high employment rate of young mothers. Furthermore working parents are entitled to paid leave from work when their children are ill, and flexible working hours are becoming the norm within the public as well as the private sector. The general move towards gender equality is also of importance. Studies of time use in families show that that mothers and fathers are increasingly sharing the domestic burdens, duties and joys of having children, thus enabling both parents to work.

The structure of the ECEC-system

As is pointed out in the OECD Country Note on Norway¹, our system of early childhood education and care is in some respects a simple one. Compulsory school starts at age six. Prior to that the main provision for children is the *barnehage*, literally kindergarten. The Act on Day Care Institution² regulates the authorisation, operation and supervision of the ECEC institutions, thus ensuring a satisfactory level of services nation-wide. According to the act the staff has to consist of educated pre-school teachers and auxiliary staff.

However, the Act allows for a large degree of local and institutional self control. At the state level ECEC institutions are the responsibility of the Ministry of Children and Family Affairs.

¹ OECD Country Note Early Childhood Education and Care Policy in Norway

² Act no 19 of 5 May 1995 on Day Care Institutions

This is also in charge of family and gender policy, as well as general child and youth policy. Education and schools are the responsibility of the Ministry of Church, Education and Research Affairs. ECEC and education policy are therefore not integrated administratively at the national level. However, at the local level ECEC is the responsibility of the municipalities, which are in charge of approving new institutions, supervising the running of institutions and administer state grants. The municipalities are also expected to contribute in the financing of ECEC institutions (see below).

While there is predominantly one type of ECEC institution in Norway, the variations in ownership, management and funding is considerable. Municipalities own and run half of the institutions, where 60 per cent of the children attend. The private institutions are owned and managed in a variety of ways; by parent groups, non-governmental organisations, local parishes, commercial companies, etc. Both public and private owners receive the same earmarked funding from the central government.

The majority of private owners have traditionally been working on a non-profit basis. In recent years however, for-profit ownership has become more common, giving rise to a number of questions - including whether such owners should be entitled to the same amount of subsidy from the state. As will be accounted for later, the large private sector poses a number of challenges to Norwegian ECEC policy.

Expansion of the ECEC-sector

As mentioned above, the ECEC sector has expanded significantly in recent years. The main objective and challenge in national ECEC policy has been access to ECEC for all children whose parents want them to attend. Since the late 1980ies the aim has been ensure this by year 2000. It is now clear that this goal has not been reached, and a revised target date has been set; access to all by 2003.

Private owners have, as mentioned above, played an important part in expanding the sector in recent years. When municipalities have failed to increase access in accordance with growing demand, parents and various organisations have to an increasing degree moved in and filled the vacuum by establishing new day care centres. In fact, and as discussed below, the current system of financing day care centres has encouraged and made possible this development.

But not all parents want or need day care for their children and it is estimated that the access goal will be reached when 70 per cent of all children aged 1-5 have a place in day care; either full-time or part-time. Studies done among parents³ and questionnaires to municipalities⁴ show that demand will be met when 53 per cent of children below the age of three and 80 per cent of children above three years are offered places in day care centres. It has been argued though, that these estimates are too low, as it is expected that increased access will lead to increased demand. For the central government it is therefore of vital importance to monitor the demand situation.

It should also in this context be mentioned that Norway two years ago introduced a supplementary scheme which has an impact on the ECEC sector. The cash benefit scheme for parents whose children do not attend day care, covers parents with one and two year old children. The allowance is NOK 3 000,- per months (app. 320 US dollars) which represents approximately the same amount as the government subsidises day care places with. The scheme has been very controversial, in particular since the main requirement for being entitled is non-use of state funded ECEC institutions. Since attendance of day care is low for this age group, a large majority of parents with children in this age receive the allowance. But when asked, 37 per cent of them state that they would prefer access to ECEC in stead. Nonetheless, it is difficult to predict how this scheme in the future will influence ECEC.

Funding of ECEC

Norwegian ECEC is jointly financed by the central government, the municipalities and parents. Contributions from companies are not common, but do occur. In practice all ECEC institutions receive state subsidies from the Norwegian governments. The only requirement is authorisation according to the Child Care Institution Act, which is fairly easily acquired. Institutions therefore have every reason to seek such authorisation. The state subsidies are determined on the basis of the number of children, their age, and the number of hours spent in day care weekly. The government grants are the same for publicly and privately owned institutions. The central government has used this system of financing to direct the pattern of expansion of the ECEC system and the state grant is the main instrument in obtaining national objectives in ECEC policy.

³ Statistics Norway, 1999

⁴ Study on access to child care in Norwegian municipalities, Asplan Viak Trondheim, 1999

For a number of years the grant system was directed to stimulate establishing of full time institutions for children 3-6 years. The rationale behind this was to meet the demand for the oldest pre-school children first. In recent years as access for the oldest children has improved considerably, the grant system has been changed in various ways in order to encourage establishment of places for the youngest children. There has also been an increase in demand for part-time places, and the grant system has been altered in order to make it more profitable for owners to offer flexible attendance in day care.

In addition to regular state grants to ECEC, the central government has for a number of years given investment grants to owners who build new ECEC centres. Although these grants have been relatively small and never fully covered the actual investment-costs of the owners, they have proved to be a very effective tool for expanding access to day care at a fast rate.

The Norwegian Parliament, when debating a White Paper on day care in 1988⁵, agreed that the share of costs between the state, municipalities and parents should be on a 40/30/30 per cent basis. In the OECD country note of 1999, it is pointed out that this funding formula was adopted without any explicit rationale, and further that it has not been actively implemented. The most recent statistics on cost sharing is from 1998 and it shows that state grants cover 36 per cent of the costs, contributions from municipalities 21 per cent and parental fees cover 35 per cent of the running cost of ECEC institutions⁶. The state grant has been gradually increased, but there has been no measures to ensure a similar increase in funding from municipalities.

In addition, the commitment of the municipalities varies. About half of all private institutions receive no subsidies from local authorities. The main sources of income for these institutions are therefore the state grant and parental fees. The consequence of this is that many private institutions are forced to charge much higher parental fees than public institutions which also receive subsidies from municipalities.

There is growing concern that parental fees are too high and that this affects the attendance of children from less advantaged backgrounds. Earlier this year Parliament discussed a White

⁵ St.meld. nr. 8 (1987-88) *Barnehager mot år 2000* (White Paper on ECEC Policy)

⁶ Statistics Norway, 1999

Paper on ECEC⁷ and great attention was paid to the economic situation of private institutions and in particular the high parental fees that these institutions often are forced to charge. As a result of the parliamentary debate a new funding formula for ECEC was decided. The Parliament asked the government to make a plan for increased public funding of ECEC, the main aim being a reduction in the high level of parental fees. According to the new funding formula the state's share of the running cost shall increase to 50 per cent, while parents' fees shall be reduced to 20 per cent of the total running costs.

Parliament has made it clear that the new funding formula must enter into force by 2005. In practice this means that the central and local governments will have to increase their funding. In the budget proposal for next year, state grant to ECEC has been increased, although not at a very large scale. Furthermore it is still unclear how local authorities will respond; if they will actually increase their funding in order to reduce the level of parental fees. The minister in charge of ECEC has repeatedly said that if local funding is not increased, she will consider making municipalities obliged to increase funding by proposing a change in the law. When debating the White Paper this spring, Parliament also asked the government to prepare a change in the law to the effect that municipalities shall be obliged to offer places in ECEC for all who want it. The Norwegian Ministry of Children and Family Affairs is working on this bill now, and plan to propose it for Parliament next year. The change will not introduce a legal *right* to day care for families, but will imply that municipalities will be legally required to ensure that adequate ECEC services are delivered.

Integrated Education and Care

Norwegian ECEC institutions are regarded as having an integrated educational and care function. This applies for all age groups within our ECEC system, which is 1-5 years (very few children attend institutions before they are one year, which is largely due to the generous parental leave scheme). Learning in the traditional sense is not stressed and there is no tradition of pre-school teaching/education within Norwegian ECEC institutions. This does not mean however that participation in ECEC is not regarded as qualifying. Children are regarded as competent learners. The Framework Plan, which is a regulation to the Day Care Act, emphasises this aspect strongly, and states that relating to others is possibly the most essential lesson learned in childhood. Play is seen as important since it promotes both development and learning. Education in specific subjects is therefore regarded as far less important.

⁷ St.meld. nr. 27 (1999-2000) *Barnehage til beste for barn og foreldre* (White Paper on ECEC Policy)

In 1997 the compulsory school age was reduced from seven to six years, thus moving the six year olds from day care into schools. The reform also loosened the division between day care and schools since it allowed pre-school into the schools and the formal education system. The new first grade is a mix between the pedagogical traditions of schools and early childhood education and care, and it is believed that this change will give all children a better start at their formal education.

Conclusion – Current challenges

ECEC in Norway has long been regarded as part of the general family policy, and establishing ECEC institutions was seen as an important tool in order to enable women to participate in the work force. Provision of ECEC have therefore been crucial for varying government's efforts in order to achieve gender equality. Despite this, parallel to the rapid expansion of the ECEC sector, there has been a debate on "what is best for the child", either staying at home with one of the parents, or attending ECEC institutions. The introduction of the cash benefit scheme in 1998 highlighted this debate.

This debate has in particular focused on the youngest pre-school children. There is more or less consensus however, that ECEC attendance is desirable for children 3-6 years old. The OECD country note finds it "striking" that this has not led to reduced fees for this age group in order to encourage more children to attend⁸. The report points to the contrast to other European countries where services for this age group are free.

It is not until very recently that public documents have stated that ECEC is important as part of lifelong learning. The White Paper on ECEC presented to Parliament in 1999, did not use such terms. The importance of ECEC was pointed to, but any connection to life-long learning was not made. The government's budget proposal for 2001 represents a change in this respect, since it clearly states that ECEC is important for children as part of a life-long learning system.

The Social Democratic Party which is presently in office, wants to give priority to achieving the aim of access for all as soon as possible. When that is in place, the next step will be the introduction of free of charge part time ECEC for the oldest pre-school children.

⁸ OECD Country Note, Early Childhood Education and Care Policy in Norway, OECD 1999

The Norwegian system of ECEC has had a tremendous development in the past decades. The main challenge in the years to come is to improve the funding in order to make access to ECEC for all possible. Parental fees will have to be reduced in order to ensure this. Even if the level of public funding is not yet satisfactory, the expansion of the sector had not been possible without the strong commitment from central and local governments.

Early childhood education and care is the focus of great attention in Norway, both from the general public and from local and national politicians. We are proud of our system and the growing awareness that ECEC is the necessary foundation for a society which puts life-long learning high on the agenda, make us optimistic that we will reach our ambitious goals.