



The Business of Childcare in Europe

Abstract

This article is based on work undertaken for the European Commission (EC) as part of a wider project on what is termed “social services of general interest”. The EC is currently engaged in considering what kind legislative and quality assurance mechanisms should be put in place for those social services which have been opened up to competition. The EC work reported here mapped the extent to which early education and childcare (ECEC) is provided by private organizations in the member states of the European Union, and what regulatory frameworks exist for such services. This article foregrounds the situation in the UK, and England in particular¹. England is exceptional in Europe in the degree to which it has conceptualized and promoted childcare as a business or for-profit enterprise, and it has developed a regulatory framework with a narrow scope which excludes or limits such issues as financial regulation, access, pay and conditions of work for staff, and accountability measures.

Key words:

Childcare, early childhood care and education (ECEC) private markets, regulation, quality

Introduction.

The European Union (EU) has noted that there is “a trend towards a more important role for private initiatives and market principles” in a range of social services. There has been considerable concern expressed within the EU about such developments. This is partly to do with the appropriateness of competition rules for private initiatives in the domain of social services; but also because, if access to welfare services is determined by ability to pay, or some other limitation of access, such provision may undermine the social equity or solidarity, which is also a goal of the EU (EU 2010). The Directorate of Employment and Social Affairs of the European Commission has commissioned a series of studies about social services of general interest and the legislative framework and regulatory controls in place in different countries. The findings about childcare presented here have been extracted from one of these studies. The task was to map the extent of private provision (defined as provision provided by bodies other than the state, usually either voluntary non-profit or for-profit organizations) and the regulatory controls governing it in selected European countries. This paper considers how the task was undertaken, and the findings that have emerged.

The Mapping Exercise

¹ The four countries of the UK, England, Scotland, Wales and Northern Ireland each have competence to develop their own systems of ECEC regulation. There are some differences, but they all follow broadly the same pattern. In this article the description applies to England, unless the information is UK wide, in which it is described as UK.

The wider regulatory survey, of which this study is a part, was led by a consultancy company (see acknowledgements) and included 3 other topics, social housing, care for the elderly, and the administration of unemployment benefits. The survey questions used across all topic areas were set by the EC in consultation with the consultancy company. They focused mainly on legal issues of regulation and there was some difficulty in tailoring them for specific topic areas and in obtaining legal details relating to topic areas. 22 countries (French Belgium and Flemish Belgium are counted separately) were selected by the EC for a survey on the regulation of childcare (as listed in the tables below). A more detailed account was obtained from 15 countries, as in Table 3.

As numerous trans-national reports have pointed out, there are no straightforward understandings or definitions of childcare that hold good unequivocally across countries (OECD 2006/EU 2009/UNESCO 2010). Childcare can be understood as care for the children of working parents; as a social welfare service for the most vulnerable children; and in some countries is taken to include early education as well as or instead of care. We asked respondents to use the definition “Centre-based early education and care for children from birth to school starting age” (ECEC for short) and to exclude home-based care. However in a number of countries this definition was either unworkable or home care data was inseparable from centre based data. For this mapping exercise ECEC topic experts, such as senior Government officials or leading in-country researchers, completed survey questionnaires on childcare and the author and a Hungarian colleague collated the data.

As part of the survey, each expert was asked to give a brief description of the legal framework of ECEC services in their country and a short account of the services available and how they were administered. Experts were asked to give an account of private (i.e. non-state provided) provision, and explain how such provision was defined for the purposes of regulation. They were also asked to describe the regulatory, monitoring and finance procedures in place.

Like most other comparative exercises in the field of ECEC, the data was somewhat problematic, and the problems were compounded by the fact that this mapping exercise was a subset of a broader attempt to map regulatory procedures. The responses to the survey varied considerably, which in part reflected definitional problems, and in part data collection problems. There is considerable variation in the statistical information collected within countries. Whilst statistics are routinely collected about many aspects of state provision, the data about private provision is often inadequate. In Germany or Norway for example there are many categories of provider and information about them is collected in a relatively detailed and standard format by government agencies. In most of the new accession (ex-communist) countries of Eastern Europe, there is still very little private ECEC provision, and there is considerable ambiguity about what kind of legal frameworks might be appropriate to deal with it, and what data should be collected. In Hungary for example the law governing non-state ECEC provision refers to church organizations only.

In England, there is now a very large for-profit sector, and an enabling legal framework, the Childcare Act 2006, which specifies that state or local authority childcare provision may only be provided as a last resort. Despite the extent of the private sector, nonetheless specific data about it is not collected. The only distinction made by Ofsted (Office for Standards in Education, which has responsibility for regulating and monitoring ECEC) is between “domestic” and “non-domestic” providers or “settings”. Ofsted do not collect any information about auspices (i.e. who owns or administers the ECEC centre and on what basis) and information about the commercial for-profit ECEC sector comes mainly from market research companies who are themselves for-profit organizations for whom the data sets are valuable commercial property (Penn 2011). There are also other surveys, from advocacy

organizations and research projects, which directly or tangentially collect information about the private for-profit sector; for instance the Daycare Trust annual survey of the fees parents pay.

It is also the case that countries are changing rapidly in their policies and provision in the field of ECEC, partly prompted by the 2002 EU Barcelona targets which were introduced as part of the Lisbon treaty (NESSE 2009). This process of change is likely to accelerate, as the EU has issued an updated communiqué on ECEC provision (EU 2011).

Information collected from the mapping reported here can therefore only give a snapshot of the current extent of private ECEC provision across Europe. However despite the weaknesses of the information from the mapping exercise, it is possible to get some kind of European wide picture, in order to compare policies.

The picture across Europe:

i) The distribution of private provision

Table 1 gives an approximation of the extent of private provision across *Europe in the context of the system of early education and care operating in the country*. The information is subdivided into provision for under threes, and over threes. Where the respondent has provided this information, or if there is other reliable corroborative information, details about the breakdown of the private sector are included, in particular, the extent of voluntary and for-profit provision. Maternity, paternity and parental leave is included in this table, since demand for services for children under three is less where there is good leave coverage. A further distinction is between national or federal responsibility for regulation and regional/local responsibility. Countries vary considerably in the extent to which regional/local authorities have discretion to shape, develop and regulate their own services – Reggio Emilia in Italy being a notable example of municipal initiative in a country with a minimal national framework.

Countries may organize their services entirely within an educational administration (Slovenia or Sweden); or entirely within a welfare administration (Denmark, Finland). More commonly there is a split in administration between children under three, where services are provided under the auspices of health or welfare; and children over three where they are most commonly located under the auspices of education. Generally there has been a shift towards education in recent years, even in countries which have traditionally been welfare based like Finland. (Onnismaa and Kalliala 2010). Some countries have a hybrid system, as in the UK, where although the education administrations (i.e. England, Scotland, Wales and Northern Ireland) are nominally responsible for all services, in practice there are different systems of funding and different regulatory requirements for what were previously separate education and welfare systems.

For most countries early education is a universal, free, state funded and state provided service, although the educational offer varies from 12-15 hours per week (England-Ireland) to 28 hours per week (France). In some countries (England, Ireland) education may also be offered in private provision, either in voluntary provision or in for-profit provision. But for children under three, in almost all countries, there is a higher percentage of private provision. Countries do not routinely collect data on informal (friends and relatives) care, although the EU-SILC data does provide alternative information on demand and supply for *childcare* services. (Plantenga and Remery 2009 – see graph 11)

In the UK there has been an exceptional swing towards the private for-profit market, as the government adopted policies which they hoped would generate private investment in order to meet childcare targets (Penn 2007, 2011). There has been a 70% increase in the private for profit sector since 2000, although the current recession is taking its toll (Laing and Buisson 2010).

Insert **Table 1** about here

ii) *The categorization of private provision*

Table 2 gives an overview of the way private provision is categorized in each country. “Private” is defined as non-state provision, which may be subcategorized in many ways, as a voluntary or church organization, as a social enterprise, or as for profit provision. In the UK, the market research firm Laing and Buisson (2010) further categorize for-profit provision as small traders (owners of up to 5 nurseries) and corporate providers (owners of more than 5 nurseries). Around 8% of all providers (28% of all places) are provided by corporate businesses, many of whom are stock market listed (Laing and Buisson 2010). In Norway private providers make up 56% of all provision and there are more than 40 categories of private provision. All private providers except for-profit providers are eligible for generous state subsidies (administered through local authorities). There was a debate in the Norwegian Parliament about whether for-profit provision was acceptable and could be eligible for state funding. The consensus was that for-profit provision was not acceptable (Jacobsen and Vollset 2012). By contrast in England the Child Care legislation in 2006 defined local authority as a last resort, and there was no debate about for-profit provision (Penn 2007).

The distinctions between voluntary, social enterprise and for profit organizations are not always clear cut, since voluntary organizations may charge comparable fees to the for-profit sector, and be run in a similar manner. In this case a crucial distinction is whether or not there is fee capping, and who retains ownership of any profits or assets, should the provision change or close. Regulatory frameworks in some countries include asset disposal.

Insert **Table 2** about here

iii) *The funding of private provision*

Private provision is controlled directly through regulation, but also through the terms of funding. Only three countries, the UK (for children 0-5), Ireland (for children 0-5) and the Netherlands (for children 0-3) offer demand led funding, that is income through tax credits or tax incentives of some kind given directly to parents, to enable them to choose and pay for childcare in the private market. Otherwise, state funding is supply led, that is the subsidy is given directly to the private provider on a per capita basis, providing regulatory procedures are followed. In England and Ireland there is also a per capita grant to cover the nursery education offer, which can be used within the for-profit private sector (about 40% in England, 100% in Ireland).

The mapping exercise did not collect information about parental contributions, except in so far as financial regulations such as fee capping were in place. There is additional information about costs, drawn both from the EU (Plantenga and Remery 2009 – see Box 6) and from the OECD (Immervoll and Barber 2005), which can be used to supplement the regulatory picture. The OECD report suggests that parental fees in excess of 20% of household income could be deemed as excessive. Laing and Buisson (2010) suggest that 60% of the costs of childcare provision in the UK are met entirely by parents (the rest coming from a variety of sources including tax credits given to parents). Whilst fee capping is in place in many countries, in some countries it is also regarded as acceptable that parents

should make a direct contribution to services through fees, especially for children under three. Universal provision does not necessarily mean free provision.

iv) *The regulation of private provision*

Table 3 describes the scope of the regulatory framework in each country. It specifies the legislation which governs regulation and the date at which it was introduced and how it was introduced. The scope of the regulatory framework follows on from the policies and principles which are said to inform it. Table 3 also gives a very brief summary of the principles which underlie the regulatory framework. Country experts expanded this point considerably. Unfortunately the information about regulation was not always clearly or systematically detailed in the returns to the mapping.

Table 3 attempts to list the scope of the regulatory framework, which may include or emphasize very different kinds of items. One key difference is in the scope of financial regulations. As can be seen in Table 3 many countries operate a fee cap, usually set at about 15%-20% of household income. In these cases, there is also substantial state funding given directly to providers on a supply side basis, so that the costs of provision can be fully covered. In Norway for example, any provider can claim state funding, providing they are non-profit and adhere to all regulatory requirements including fee capping and asset disposal (Jacobsen 2012 forthcoming). In addition regulation may include some kind of asset control, so that any money given in the form of subsidies or grants must be returned if the provision closes. This is very difficult to do with demand led funding, as there is no tracking of where state subsidy money goes.

Training is a key issue (Oberheumer 2010). In some countries the level of qualification is set at between 3 and 4 years post 18 relevant qualification, with a mandatory number of workers having achieved the qualification. In Denmark 60% of workers must have undertaken a 3 and a half year post 18 pedagogue qualification. In education systems –for example France or Belgium or the Czech Republic – all teaching staff must be qualified. In addition regulations may include requirements for pay, for working conditions for staff, and include provision for unionization (Denmark, Finland, Germany, Hungary, and Italy).

Another regulatory issue is the environment, especially outside space. This includes care and knowledge about the environment, as well as access to it. For example in Finland there is a requirement that whatever the weather children should be outside for a minimum of 2 hours per day. In Sweden there is an obligation to adopt green policies throughout the system, as well as including environmental education as a curricular requirement. By contrast in England there is no statutory obligation to provide outside space for children, and no mention of environmental issues in any of the regulatory measures.

A fourth regulatory issue is accountability and transparency. Most countries have some requirement for accountability, through an inspection system or through some kind of self-evaluation. In Norway there is a requirement for each nursery to have a system of democratic accountability – for example an annual review system led by users (including children), such as a process for drawing up a yearly plan for the nursery, including financial plans. In addition local authorities provide regular networking arrangements on a locality basis, at which plans are discussed, which act as an additional check for quality. Although Nordic systems include a high proportion of private provision, they are systems which are open to scrutiny and change at a number of levels. This would be very difficult to achieve in a for-profit system where business confidentiality is a paramount concern – balance sheets for

example are likely to be regarded as confidential information and are not seen by anyone other than the owner and the taxman.

Legislation, monitoring and enforcement are all part of the regulatory package. However in some countries, most notably England, given the fragmentation and variability of provision, it has proved necessary to be relatively draconian about monitoring and enforcement even although the regulatory framework is relatively limited in scope. In other countries, provision does not vary greatly, and since there is widespread consensus about policies, regulatory powers are considerably devolved, and the evaluation process is relatively relaxed and devolved.

The regulatory controls in England are in one sense formidable. There is a detailed list of requirements, and compliance is secured through a national inspectorate, OFSTED. In England all “settings” are inspected on a four year cycle, and rated as “outstanding” “good” “satisfactory” or “unsatisfactory”. Those deemed “unsatisfactory” are reinspected within a year. (Outstanding provision is more likely to be found in prosperous areas, unsatisfactory provision in poorer areas – Ofsted 2010a). But the inspection process is itself privatized, and as practitioner representatives have complained, it is a highly routinised process focusing mainly on a basic checklist for health and safety and on a checklist for adherence to the English Early Years Foundation Stage procedures (Faux 2010). There is no requirement for provision or use of outside space, and many inner city nurseries operate without such provision. The requirement for staffing qualifications, currently under review, is set at a relatively low level, considerably lower than in some other European countries.

Ofsted also has an elaborate and formalized complaints procedure, at the provider level and about the inspection process itself, perhaps in anticipation of the level of complaints but also as a means of self-protection for the organization (OFSTED 2010b). These complaints about the providers, and about the process, are all dealt with centrally, on a national basis, preferably on-line, and the judgements are also displayed on line. Even so, tough regulation is relatively ineffective if the scope of regulation is a narrow one.

In one respect the UK is outstanding, in that every new initiative in ECEC has been monitored through research. The research was independently and systematically commissioned and was openly published on the very accessible Government website even when the findings appeared to be critical. No other country has invested so much in research or used it as evidence for early years policy making in this way. But unfortunately there was no research attention given to the for-profit sector; its use was *sine qua non*. Research, like regulation, had a relatively narrow focus.

Discussion

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The purpose of the EU exercise was to map private provision and the regulatory frameworks used to govern it. The mapping suggested that most countries can be divided into roughly four groups; those countries with near-universal state provision which discourage any private enterprise; those countries which welcome private providers but under strict regulatory conditions; those countries which actively promote private provision and have relatively lax or narrow regulations; and those countries, mainly accession countries and Southern Europe, which have not yet come to grips with the private sector.

Many countries have a regulatory cap which maintains parental contributions below this figure. However where there is no regulatory cap, and where funding is demand led, ie vouchers or tax relief is given to parents, fees have risen above the amount offered through subsidy – most notably in the UK, Ireland and the Netherlands (Noailly et al 2007). The combination of substantial block funding, or supply side funding, given directly to providers, plus a cap on parent fees, guarantees that provision will be affordable to parents, even if it is technically described as “private” provision. Within these constraints, little profit can be made, especially if there are also regulatory conditions about staff qualifications and pay. Without such regulatory conditions, there tends to be a thriving for-profit market, parents in effect paying directly for the profits of childcare entrepreneurs (Clarke et al 2010).

However scrappy or unreliable the information from the mapping exercise, it still demonstrates that the UK is out on a limb in Europe in the extent to which it has deliberately and successfully promoted the for-profit private sector (Penn 2007). There has been an exceptional swing towards the for-profit market in the UK, as governments adopted policies which they hoped would generate private investment in order to meet childcare targets (Penn 2007, 2011). In the UK also, the regulatory systems are untypical.

A majority of EU countries provide universal free nursery education in state provided, state funded nursery education, although they may have more hybrid systems for children under three, often combined with comprehensive maternal and parental leave arrangements. In those countries, chiefly the Nordic countries and Germany and Austria, where there is a substantial private sector, the regulatory and funding arrangements militate against for-profit entrepreneurs, since there is very little to money to be made in the system. Generally in accession countries there is still a comprehensive kindergarten system in place, at least for children over three, and some confusion over the private sector and how it should be regulated. But in the UK, and to a lesser extent in the Netherlands (Penn and Lloyd 2010) and Ireland, the market rules supreme, and parents pay the cost.

The rationale for using demand led funding, and indeed, promoting the for-profit market, is that it increases investment, and it provides parental choice. However, as Plantenga (2012) suggests parental choice is a chimera – parents do not shop around freely for childcare in the way that they might do for consumer goods. They are constrained by affordability, distance, and by the need to maintain continuity and stability for their children. But in most countries, and within EU policy making itself, there are other, overarching goals; namely to promote and protect social citizenship and equality of access for all children. The emphasis is on the wider social good rather than on satisfying the preferences of individual consumers.

In a global context perhaps, the UK would not be unusual but typical. English speaking neo-liberal countries have adopted market reforms in ECEC. Reliance on the for-profit sector to deliver early childhood services is widespread in countries like the USA, Australia, New Zealand and in many countries of the Far East. In this global context for-profit care is “the elephant in the room”, a phenomenon so large and so dominating that no-one can fail to be aware of it, but which no-one is willing to discuss because the implications are too uncomfortable or too problematic. By contrast the business of childcare in Europe is negligible.

Acknowledgement

The research data reproduced here is an extract from a broader survey of social services of general interest by a specialist consultancy company, Bernard Brunhes International working in close

consultation with senior staff from the EC Directorate of Employment and Social Affairs. The author is very grateful for access to the survey data. It should be noted that the responsibility for any information or conclusions presented here is entirely that of the author.

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Table 1: Type of system and percentage of public-private provision

Country	System of early education and care*	% of children attending centre based services 0-3 3-6*	% provision by state sector 0-3	% provision by state sector 3-5
Austria	Part-unitary, federal, social welfare	4 71	61.4% state provision 38.6% private non-profit	
Belgium	Split: Welfare (0-2.5) Education (2.5-6)	40 98	About 50-65% state 35-50% private, part subsidized through supply side funding	98% state, free
Czech Republic	Split: Health 0-3 Education 3-6	2 67	Preference for extended maternity leave over services. Provision approx 95% state No data available on private provision	100% State, free
Denmark	Unitary, Welfare led	73 96	Over 95% state or private non-profit and parent fees capped and places heavily subsidized	
Finland	Unitary, Welfare led	26 77	Over 95% state or non-profit; parents fees capped and places heavily subsidized	
France	Split: Welfare (0-2.5)	31 94	Over 90% state	100% state

	Education (2.5-6)			
Germany	Part Unitary, Welfare led	18 85	34% state 66% in publicly subsidized private provision	
Greece	Split: Welfare (0-3) Education (0-6)	10 61	Approx 8.5% state, no data on private	2% private 98% state
Hungary	Split Welfare (0-3) Education (3-6)	8 79`	Preference for extended maternity leave over services. Provision mainly state and free or heavily subsidized	100% state
Italy	Split Welfare (0-3) Education (3-6)	26 90	No figures given, but a majority of the provision appears to be state provided	74% state 26% private
Ireland	Split Welfare (0-3) Education (3-6)	18 93	98% private	Unclear – some children in school aged 4; many voluntary organizations and small traders
Latvia	Unitary, Education led	16 60	No data available on private sector	
Netherlands	Split: Welfare (0-3) Education (3-6)	45 89	Over 95% private	98% state
Norway	Unitary, Education led	34 80	Over 54% private publicly subsidized non-profit provision 46% state	
Portugal	Split Welfare (0-3) Education (3-6)	33 75	Most provision private but no data	Most provision state, free but no data
Romania	Split Welfare (0-3) Education (3-6)	n/a	No private provision	No private provision

Slovakia	Split Welfare (0-3); Education (3-6)	5 73	Preference for extended maternity leave over services. Provision mainly state	Over 95% state
Spain	Part unitary – education led	39 91	Some state, no data collected on private provision	Mostly state
Sweden	Unitary, education led	44 92	82% state, 18% private publicly subsidized non- profit provision	
UK	Part unitary, Education led	33 89	97% private	40% private

* part unitary systems are usually those with devolved powers to regional/local authorities and/or where there is considerable regional variation in provision

* figures from EU-SILC data. No data on informal or home-based care is included in this table because of difficulties of categorization, although this may in some cases be greater than centre based care eg Greece, Netherlands. These figures do not specify whether attendance is part-time or full-time.

Table 2 Typologies of private care

Country	Typologies of private childcare currently used	% of private for-profit provision children 0-3	% of private for-profit provision 3-6
Austria	Association Churches Companies Private persons	None listed	
Belgium	<i>Flemish community:</i> Social Welfare Organization Unincorporated Association Community School University Company	Unclear, mostly home-based. Described as “not really non-profit but not really commercial”	None listed

	<p>Non-profit organization</p> <p>Independent</p> <p>Family daycare</p> <p><i>French community</i></p> <p>No distinction between directly subsidized providers</p>		
Czech Republic	Category "private" not elaborated	Mostly for-profit but very little available	None listed
Denmark	Private centres; Pool schemes, private family daycare providers	Over 97% non-profit	
Finland	<p>All private providers classified as for-profit, even if, because of regulatory controls, they do not make a profit!</p> <p>Typologies include : Church, 3rd sector, Associations, Family daycare</p>	Over 97% non -profit	
France	Enterprises (employer based nurseries), childminder networks	Over 95% non-profit	None listed
Germany	Catholic church (19.1%); Protestant Church (16.5%); Paritätischer Welfare Organization (8.6%); Workers Welfare Association (4.3%); German Red Cross (2.5%); Other religious communities (.5%); Youth Organizations (12.3%); Parents initiatives (12.3%)	All non-profit	
Greece	No details	No details	No details
Hungary	Church	No details	None listed
Italy	Crèches; Workplace nurseries; Childminding; church	No details	No details
Ireland	Playgroups; Day Nurseries	Over 85% for-profit	No details
Latvia	Associations (NGOs) and Religious organizations.	No details	No details
Netherlands	Crèches; Guest parents; Medical kindergartens; Playgroups	Before 2005 mainly non-profit, but since introduction of demand led funding big	None listed

		increase in for-profit	
Norway	Over 46 categories of provider	Regulatory controls and funding mode means profits curtailed for all private organizations	
Portugal	IPPS groups (Private Institutions of Social Solidarity); NGOs (International and national non-governmental organizations); Co-operatives and Foundations; Welfare organizations	No details, but initiatives to increase the number of private for-profit centres	No details, majority of schools appear public
Romania	None, private provision either does not exist or is not registered	none	none
Slovakia	No details	No details	No details
Spain	No details collected on non-state care	No details	No details
Sweden	parental (4.8%); personnel co-operatives (2%); corporations (7.5%); other providers including churches (3.7%)	Regulatory controls and funding mode means profits curtailed for all private organizations	
UK	Official statistics categorize childcare as two types: "domestic" and non-domestic childcare settings. (Childcare industry sources list corporate providers, small providers voluntary organizations and childminders.)	Over 85% for-profit	Over 40% for profit