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Private Early Childhood Education and Care (ECEC) in the Nordic Countries

Development and governance of the welfare mix

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Preface

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Sammendrag

Forfatter Håkon Solbu Trætteberg, Karl Henrik Sivesind, Steinunn Hrafnsdóttir & Maiju Paananen

Tittel Private Early Childhood Education and Care (ECEC) in the Nordic Countries

Sammendrag Denne rapporten handler om rollen private barnehager spiller i de fem nordiske landene: Norge, Danmark, Sverige, Finland og Island. For hvert land kartlegger vi hvordan barnehage har gått fra å være en selektiv tjeneste i utkanten av velferdsstaten til en universell tjeneste i kjernen av velferdsstaten. Vi analyserer deretter rollen som ideelle og kommersielle leverandører har spilt i denne utviklingen og deres posisjon i dag. Vi legger særlig vekt på styringsverktøyene som de ulike lands myndigheter bruker for å regulere velferdsmiksen, det vil si fordelingen av offentlige, ideelle og kommersielle leverandører.

Vi viser hvordan barnehage i de forskjellige landene hovedsakelig ble etablert av ideelle aktører. Rundt 1970 kom ny lovgivning som gjorde barnehage til et offentlig ansvar, med kommuner som hovedleverandør. Etterpå økte antall plasser gradvis mot full dekning av etterspørselen rundt år 2000. Først ute med full dekning var Island, Danmark og Sverige, mens Norge var noe senere. Finland nådde først nylig denne milepælen.

At ideelle aktører først etablerte barnehager og at kommunal drift etter hvert ble dominerende, er felles for alle land. Rollen til de kommersielle aktørene varierer imidlertid sterkt. Omtrent halvparten av barna i Norge går i kommunal barnehage og halvparten i privat (ideelle eller kommersiell) barnehage. Den tilsvarende fordelingen i Sverige, Danmark, Island og Finland er rundt 80 prosent offentlig og 20 prosent i privat barnehage. De forskjellige landene har i ulik grad en politikk som skiller mellom kommersielle og ideelle leverandører. For eksempel ser vi at Island for alle praktiske formål ikke har noen bevisst politikk for ikke-offentlige tilbydere, mens Danmark nylig omfavnet ideelle aktører på bekostning av kommersielle.
I Norge har rammebetingelsene vært gunstige for kommersielle virksomheter, og likevel har den ideelle sektoren vokst i absolutte tall, selv om markedsandelen har gått ned. Dette understreker at sammensetningen av offentlige, ideelle og kommersielle leverandører er et politisk valg.

I norsk sammenheng avviker styringen av barnehager betydelig fra andre deler av velferdsstaten. En styringsstrategi, der private tilbydere (1) har rett til å etablere seg, gitt oppfyllelse av visse kriterier (fram til 2011, men dette preger fortsatt feltet), (2) har uinnskrenket brukervalg der finansiering følger bruker, og (3) der det er få restriksjoner på å generere profitt, er uvanlig i norsk velferd. Dette kan også være grunnen til at vi ser endringer i velferdsmiksen i barnehagefeltet i Norge som er ulik den stabiliteten som

kjennetegner de fleste andre tjenesteområder i Norge. En viktig del av forklaringen på dette er at kommersielle aktører var sentrale i å skaffe full barnehagedekning i Norge. I de andre landene ble full dekning nådd uten at kommersielle spilte noen sentral rolle.

I Sverige er markedsbaserte styringsverktøy mye brukt på flere tjenesteområder, noe som har resultert i de samme endringene i velferdsmiksen som vi ser i norsk barnehage. De offentlige barnehagene i Sverige har imidlertid ikke opplevd det samme presset fra kommersielle virksomheter som i andre tjenesteområder, til tross for lave terskler for etablering, brukervalg og fravær av restriksjoner på overføring av fortjeneste. Politiske uenigheter har blitt vunnet av kommersielle interesser, men tjenestestrukturen i offentlig sektor har vært motstandsdyktig mot endringer.

I Danmark har lovreformer som tillater private barnehager å operere uavhengig av den kommunale tildelingen av plasser til barn, ikke ført til viktige endringer i velferdsmiksen. Nye barnehager er hovedsakelig basert på lokale initiativ som opptrer omtrent som ideelle aktører, uavhengig av formell driftsform. En reform som trer i kraft sent i 2021 gir barnehagene kompensasjon for høyere bemanningskrav, men barnehageeierne vil ikke lenger kunne ta ut overskudd. Dette vil begrense utviklingen av kommersielle selskaper som eier mange barnehager, slik vi har eksempler på fra Sverige og Norge.

På Island dominerer kommunene barnehagetilbudet, noe de har gjort i flere tiår. Samtidig er det et økende antall kommersielle aktører, og de ideelle leverandørene er på vikende front.

Også i Finland er det kommunen som dominerer feltet, men her ser vi en betydelig økning i kommersielle aktører de siste seks til sju årene. Hvis denne utviklingen fortsetter, kan vi se en annen velferdsmiks i løpet av få år. Et viktig aspekt er at endringene som skjer i finsk barnehagesektor ligner utviklingen vi har sett i Norge. Finland er på et tidligere stadium på det som kan være samme vei. Den nåværende finske regjeringen har politiske ambisjoner om å begrense rollen til de kommersielle aktørene, men det gjenstår å se hvilke endringer som vil skje.

Til slutt i rapporten diskuterer vi årsakene til at de forskjellige landene har valgt sin respektive strategi for styring av velferdsmiksen i barnehagesektoren og vurderer konsekvensene av disse valgene.

Emneord Barnehage, velferdsmiks, Norden, velferd, privatisering

English summary

Author Håkon Solbu Trætteberg, Karl Henrik Sivesind, Steinunn Hrafnsdóttir & Maiju Paananen

Title Private Early Childhood Education and Care (ECEC) in the Nordic Countries

Summary This report examines the role of private providers of ECEC services in the five Nordic countries: Norway, Denmark, Sweden, Finland, and Iceland. For each country, we map the ECEC journey from a selective service at the fringes of the welfare state to a universal service at the core of the welfare state. We subsequently analyze the role that non-profit and for-profit providers have played in this development and their position today. We pay special attention to the governing tools used by the Nordic governments to regulate the welfare mix, that is, the division of public, for-profit, and non-profit providers.

We document how ECEC in the various countries was predominantly established by non-profit actors. In the 1970s, most countries enacted important new legislation, making ECEC a public responsibility, with municipalities as the main provider. Afterwards, coverage gradually increased. Particularly Denmark and Iceland, but also Sweden, were early movers in expanding the service. Norway followed suit only a few years later, while Finland has only recently reach full coverage in ECEC.

The non-profit initiation of the service and public expansion are common to all countries, while the role of for-profit actors differ between them. Approximately half the children in Norway attend public ECEC institutions and half attend non-public ones (non-profit and for-profit). The corresponding number in Sweden, Denmark, Iceland, and Finland is around 80 percent public and 20 percent non-public in all cases. The different countries have to a varying degree used policies that distinguish between non-profit and for-profit private providers. For example, we see that Iceland for all practical purposes has no deliberate policy on the non-public providers, while Denmark recently embraced non-profit provision at the expense of for-profit providers. In Norway, frame conditions have been beneficial for for-profit enterprises, and yet the non-profit sector has been able to grow in real terms, even if we see a decline in shares of total provision. This underlines that the composition of public, for-profit and non-profit providers is, in effect, a policy choice.

In the Norwegian context, the governance of ECEC deviates most from that of other parts of the welfare state. A governance strategy, where private providers (1) have the right to establish, given the fulfilment of certain criteria (at least until 2011), (2) are party to a practical voucher scheme where they are paid per user, (3) have limited restrictions on generating profit,

which is quite unique to the ECEC sector. This might also be the reason why we see changes in the welfare mix in ECEC that are radically different from the stability that characterizes most other service areas in Norway. One important part of the explanation of the role of for-profits in Norway is that they were tasked with an instrumental role to increase supply. In the other countries, full coverage was reached without similar invitations to for-profits.

In Sweden, market-emulating governance tools are widely used in many service areas, resulting in the same changes in the welfare mix that we observe in Norwegian ECEC. However, in Swedish ECEC, public sector service provision has not experienced the same kind of pressure by commercial enterprises as in other service areas, despite low thresholds regarding establishment, user choice with vouchers, and no restrictions on the transfer of profits. Political disputes have been won by commercial providers, but the public sector service structure has been more resistant to change.

In Denmark, legal reforms allowing private kindergartens to operate independently of the municipal allocation of places to children have not changed the structure. New kindergartens tend to be local units operating in a similar way as non-profits and self-owning foundations because this is in line with the population's expectations (Thøgersen, 2013a). A reform taking effect in 2021 gives kindergartens compensation for higher employment standards, but owners can no longer take out profits. This limits the development of commercial corporations owning numerous kindergartens such as those in Sweden and Norway.

In Iceland, municipalities dominate the provision of ECEC, which they have done for decades. At the same time, there is a growing number of for-profit alternatives, with the formerly dominant non-profit sector playing only a fringe role.

Furthermore, in Finland, municipalities dominate provision, but here, we see considerable for-profit growth over the last six to seven years. If this development continues, we may see a different welfare mix within a few years. One important aspect is that the changes taking place in Finish ECEC resemble a development witnessed in Norway. Finland is at an earlier stage in what could be the same path. The current Finish government has policy ambitions to alter some of the governance structures that are most beneficial to for-profit chains, but it remains to be seen what changes will take place.

Finally, we discuss the reasons why the different countries have chosen their respective strategy for governing the welfare mix in the ECEC sector as well as the implications of these choices.

Index terms Private early childhood education and care (ECEC), welfare mix, welfare state, Nordic welfare, governance

1 Introduction

In welfare studies, it is common to talk about the Nordic model, which was most famously articulated in the groundbreaking work of Esping-Andersen (1990). For there to be a model, there must be certain shared characteristics that are not shared by other countries. Exceptional reliance on the state, public provision of in-kind services, and universalism have traditionally been singled out as such features of Nordic welfare (Anttonen & Karsio, 2017; Anttonen & Sipilä, 2012). Recently, the public sector dominance of the Nordic model has been challenged by for-profit actors to the extent that it is an open question as to whether it is still reasonable to talk about the state-centered welfare approach as a shared characteristic (Sivesind & Saglie, 2017b).

In this report, we will engage with these issues through a comparative case study examining developments within one service area in each of the five countries: Sweden, Denmark, Norway, Finland, and Iceland. Our case area is early childhood education and care (ECEC). While ECEC is part of the broader welfare model, it is also regarded as constituting a Nordic model in its own right. In the ECEC sector, this model is characterized by public dominance and high subsidies as well as a distinctive approach to the content of the service offered: Nordic ECEC is traditionally holistic, centered around children, with play as a key focus. It differs from ECEC in other countries in the sense that it is an independent service and not primarily a preparation for formal education (Garvis et al., 2019b; Karila, 2012). However, in this specific field, the Nordic model has been challenged by an international trend that promotes ECEC as an educational tool (Krejsler, 2012).

Our aim in this study is twofold. We will first trace the development of the ECEC sector to ascertain what is changing and what is stable in terms of the role of private providers versus the public sector. At the same time, we will use this as a prism to say something about the Nordic welfare model more generally.

Over the last five decades, ECEC has gone from the fringes of the Nordic welfare states to center stage. Governments hail ECEC as part of their social investment strategies, and massive amounts of resources are poured into the field. As many service areas face funding limitations, investments in ECEC has generally increased. The scholarly attention on the field is, however, focused

primarily on the content of the service and the pedagogical choices and approaches. What is lacking is a comprehensive analysis of the governance of the field in general and the role of non-public providers in particular. Our aim is to narrow this gap in our understanding of Nordic ECEC.

We will do this by presenting developments within the ECEC sector in the Nordic countries in terms of size and coverage as well as differentiating between ownership types and structures. Second, we will discuss the political reasons for expanding the kindergarten sector and assigning a particular role to public, for-profit, and non-profit actors in the process. Third, we will elucidate the regulation and funding of ECEC as a public welfare service. Fourth, we will examine the governance of the field, including an assessment of the instruments for quality control and the central steering of the service content. Fifth, we will survey the extant literature for possible differences among the public, for-profit, and non-profit sectors.

In this introductory chapter, we will situate the case of ECEC within wider developments in the Nordic welfare states and show the context in which the ECEC sector ought to be understood. Furthermore, we will briefly introduce the Nordic approach to ECEC and why we talk about a Nordic model of ECEC.

By ECEC, we refer to care and educational services for children under school age. This terminology has been adopted by the Organisation for Economic Co-operation and Development (OECD) and is meant to capture the range of systems in the different national contexts. Different countries have different terminology and, often, different terminology for services for the youngest and oldest children in this group. Therefore, we will use ECEC as a broad category when referring to the services provided in all countries and use the most appropriate local terminology when referring to specific services in each country.

Nordic welfare model: private growth in all Nordic countries

A number of parameters have been used to single out the Nordic countries as belonging to a shared model. Some of the central factors that are often mentioned include the intensity of services and public dominance in the financing, regulation, and provision of the services (Fritzell et al., 2005).

The mere existence of such a model has been debated as there has always been important discrepancies between the five countries. In Sweden, the building of

the welfare state in the post-World War 2 period was completely dominated by public provision in the early 1980s, more so than in any other Western country at any point in history (Lundström & Wijkström, 1997). Denmark, however, has always had an important tradition of private, non-profit provision, supplementing the public services developed in the latter half of the 20th century. Finland is closer to the Danish pole, while Norway is situated somewhere in between (Sivesind & Selle, 2009). Iceland has had a later development of its welfare state and has constantly wavered between a Scandinavian, publicly dominated welfare state and more liberal approaches (Jónsson, 2019). In all five countries, there are differences between the service areas, with some being dominated by the public sector and others having had important non-public contributions. There are variations in terms of which service areas among the countries have non-public contributions as there are definitive historical explanations in each case.

The share of public, non-profit, and for-profit welfare providers

One prominent development over the last 25 years, which we identify in all five countries, is the growth of for-profit provision by service providers. While financing and regulation have mostly remained public, for-profit provision has increasingly supplemented the public and non-profit provision of services. This means that in no country is there privatization of public responsibility. When we talk about privatization in this report, we refer to the private provision of the service. There are, however, at least two main differences in the general picture of privatization. One is related to the speed of developments and the growth rate at which for-profit providers gain market share at the expense of other sectors. The other is related to coordinating mechanisms—how private providers are contracted. Table 1.1 illustrates the “market shares” of the different sectors involved in welfare services, including education, social services, and health care. Employment in the for-profit sector has grown in the three Scandinavian countries, and there is a remarkable difference between Sweden, which has witnessed explosive for-profit growth, and the other countries, where growth has been more modest.

Table 1.1. Paid employment in welfare services in Scandinavia: total and sector shares (%)

	Norway			Sweden[a]			Denmark		
Sector	**2006**	**2017**	**10-year change***	**2000**	**2017**	**10-year change***	**2003**	**2013**	**10-year change***
Nonprofit	7.6	8.5	0.8	3.5	3.1	-0.3	15.1	13.8	-1.3
For-profit	12.3	14.2	1.7	8.7	19.9	6.6	6.5	7.2	0.7
Public	80.1	77.3	-2.5	87.8	77.0	-6.3	78.4	79.0	0.6
Total	514,400	655,200	24.9	1,033,597	1,346,880	17.8	590,419	615,988	4.3

Notes: [b]Numbers for Sweden show employed persons and non-full-time employment, e.g., in Norway and Denmark.
*10-year average change in employment share in percentage points.
Sources: Boje, 2017, table 4.10; Danmarks Statistik, 2019; Statistics Norway, 2019a, 2019b; Statistiska central-byrån, 2019.
See calculations in the appendix of Sivesind 2017, pp. 68-69.

The Nordic countries have all used governance tools inspired by New Public Management, which has been the international trend. Public authorities use such tools to outsource services to non-profit and for-profit providers, but per-service fees are also used within welfare provision in the public sector. The outsourcing of services can be coordinated through frame agreements, open tenders, or user choice. Sweden has gone further in implementing user choice in combination with payments that follow the user (vouchers), low thresholds for establishing new service units, and no limitations on the transfer of profits. As a result, international equity funds are among the owners of welfare service providers (Sivesind, 2017, 2018). Table 1.1 shows that for-profit welfare in Sweden has increased from 9 to 20 percent of all welfare service employees from 2000 to 2017. Economic incentives are likely an important reason for this strong increase, which on average amounted to 6.6 percentage points in a 10-year period. If this growth rate continues in the following decades, it will transform welfare services in Sweden, which were dominated by public sector providers before 2000. Non-profit providers remain small, with a little more than three percent of the employees in welfare services. In comparison, Norway and Denmark have a much larger share of non-profit service employment, with 8.5 and 15 percent, respectively. The for-profits have a much larger share in Norway, with 14 percent, than in Denmark, with just seven percent.

The public sector share is still large in all Scandinavian countries, with between 77 and 79 percent in the latest figures, as shown in table 1.1. In Sweden, there has been a large decline from 88 percent in 2000. In Denmark, the public sector recorded 78 percent in 2003, while in Norway, the share was 80 percent.

Reforms implemented in Sweden to increase private sector provision and freedom of choice, first in schools and later in kindergartens and other service areas, have had intended effects. However, the weak development of the non-profit sector was not anticipated by policymakers (Barth-Kron, 2020; Sivesind, 2017, 2018).

The differences in the rate of change among the Scandinavian countries can be seen in the average change recorded in 10-year periods in table 1.1. The Swedish data cover 2000 to 2017, while the Norwegian data cover 2006 to 2017. Unfortunately, it was impossible to obtain newer data from Denmark, with the available data only covering 2003 to 2013 (Boje, 2017, table 4.10). This has to do with the fact that self-owning institutions are categorized as part of the public sector in regular data from Statistics Denmark.

To compensate for different periods of data, we show the standardized growth in 10-year periods to enable comparisons among the countries. In Denmark, there was a decline of 1.3 percentage points in the non-profit sector from 2003 to 2013. This may have to do with major reforms such as mergers of municipalities and the conversion from elderly care in institutions to home-based care. This means that the decline may not signal a new trend. However, the for-profits have increased from 6.5 to 7.2 percent from 2003 to 2013. Newer data show that this trend continued to 8.9 percent in 2018 (Danmarks Statistik, 2019), resulting in a 1.6 percentage points growth, on average, from 2003 to 2018 (not shown in the table). The growth rate increased from just 0.7 in the period shown in table 1.1 from 2003 to 2013. This indicates an increase in outsourcing to for-profits in Denmark, which opened up some welfare service areas to new types of private actors. The available data do not reveal whether this recent trend representing an increase in employment manifests as a decline in the public or non-profit sector.

In Norway, there was an increase in both non-profit and for-profit employment. However, the growth rate was higher among for-profits, with 1.7 percentage points, while non-profits experienced a 0.8 percentage points growth, on average, in a 10-year period. Because of a change in employment data, it is difficult to make comparisons with data from 2016 and 2017.[1] However, all indications are that there was an increase in non-profit and for-profit sector employment, which rose at a faster rate than in the public sector.

1 SSB 2019. Revisjon av nasjonalregnskapets tallserier. https://www.ssb.no/nasjonalregnskap-og-konjunkturer/artikler-og-publikasjoner/revisjon-av-nasjonalregnskapets-tallserier

Still, the most rapid changes took place in Sweden. There, non-profits remained small with just above three percent of welfare employment, which is only comparable to European countries that once belonged to the Eastern Bloc. (Enjolras et al., 2018; Salamon et al., 2017). For-profits increased by an average of 6.6 percentage points in a 10-year average. This growth resulted in a 6.3 percentage points decline in the public sector. This demonstrates that the way in which privatization is implemented in Sweden incentivizes the for-profit sector, while there is a lack of tools, and perhaps political will, to promote non-profit growth. Conversely, in Norway, there has been considerable support for the non-profit sector in parliament (Haugen, 2019) and in many larger municipalities with a red–green majority. In Denmark, there is a long tradition of free schools and self-owning institutions, which enjoys broad support. Policies that promote the distinctiveness and growth of the non-profit sector are important for explaining differences among the Scandinavian countries. In service areas with direct competition between non-profits and for-profits, and where non-profits lack institutional footing, non-profits tend to experience decline (Sivesind et al., 2017).

Unfortunately, we do not have comparable data from Finland and Iceland. They do, however fit into the more moderate developments in Denmark and Norway (see, e.g., Dýrfjörð & Magnúsdóttir, 2016; Puthenparambil et al., 2017).

Much of this development can be traced to the different governance systems in place (Sivesind et al., 2017a). Sweden has had a strong movement toward the increased use of user choice in combination with open tenders or free rights to establishment—with no restrictions on the transfer of profits. When such commercial incentives are implemented and there are no parallel governance systems securing the non-profit share of services, there will be growth in the for-profit sector coupled with non-profit stagnation. However, we also observe that in Sweden, there are differences between service areas and that ECEC is a service area where this development is less pronounced.

Denmark has a more complex governance structure. User choice is also practiced there, though only in certain cases, and governance is characterized by alternative forms of contracting, such as service concessions in education, where the requirement for obtaining public funding is that there can be no transfer of profits to private owners. This promotes non-profit alternatives to public schools, which is in contrast to developments in Sweden. Another example are Danish municipalities that utilize in-house contracts with self-owning non-profit institutions in certain welfare areas, such as nursing homes and ECEC. This limits their freedom of operation, determined by national laws and EU directives (Fløistad, 2017). All users are assigned by the municipality,

and the institutions cannot operate in a market context. The complexity in the governance instruments has resulted in modest for-profit growth, with non-profits maintaining an important share of the market. Essentially, this is the result of a parallel governance system sheltering non-profits from direct competition.

Norway has traditionally had a smaller non-profit sector than Denmark, but even there, we can identify a nuanced set of governance mechanisms. In broad terms, Norway's school governance model is the same as that of Denmark, while the country has long reserved tenders for non-profit providers when it comes to certain health and social services.

To anticipate the findings from this report, a central puzzle was how ECEC on important aspects deviate from this development. Norway, a reluctant privatizer, has the largest for-profit sector, followed by Finland, while Sweden has witnessed more stability in this area than in other welfare areas. This underscores the need to examine the development of the welfare mix and the governance of this particular service area.

Nordic ECEC

ECEC has at least three functions in Nordic societies. First, it is part of the family policy in all the Nordic countries. All five countries stand out with family policies that promote social equality, enable social mobility, balance gender equality, and allow families the freedom to organize their children's care and early childhood education as they please. The family policy instruments are free health and dental care for children, cash allowances for parents, free education and subsidized ECEC, generous parental leave arrangements, and an allowance to stay at home with young children. ECEC is, thus, only one instrument and is characterized by a number of similarities across the countries. Second, Nordic ECEC is an instrument for increasing the supply of labor as it enables parents to take part in the workforce. This effect has led the Nordic countries to be world-leading when it comes to the work participation rate of women. Lastly, ECEC is part of the education system as children receive a pedagogical service. Although these three roles intertwine, the ways in which each role is highlighted in political debate, policymaking, and policy enactment vary across time and among the countries.

ECEC services are publicly subsidized in all countries, and although there is a user fee, it is regarded as a public service. In all five countries, ECEC falls

under the realm of municipalities, albeit with national policies framing its governance. One important aspect of the governance is who is providing the service. This can be the municipalities themselves or for-profit or non-profit private entities. Who provides the service is important if there are systematic differences between the providers from the different sectors. Thus, the Nordic countries differ not only in the share of private providers but also in the ways they govern them.

When the government invites non-public actors to provide publicly funded services, certain mechanisms need to be in place that allow the private providers into the market/service field. This entails coordinating public and private providers for citizens through different policy instruments such as user choice, public tenders, etc. In sum, these policy instruments constitute the governance of the welfare mix—the division of public, non-profit, and for-profit providers.

An important policy instrument in the ECEC context are vouchers. This means public subsidies per child in private ECEC institutions, which result in parental fees that are closer or similar to the fees charged in public ECEC institutions. Subsidies may vary according to family income, the number of hours in the ECEC setting, family size, siblings in ECEC, etc. Thus, the price premium for choosing a private ECEC setting is reduced or eliminated. The political intention may be to promote private provision so as to fill the gaps in supply or create competition between providers based on quality or profile instead of price.

Public authorities may also place limits on the maximum number of children of a certain age per employee in ECEC institutions as well as requirements regarding formal qualifications for leaders and other employees. This may assure a minimum level of pedagogic competence, and it makes the competition more equal in economic terms. In contrast, Danish municipalities may shelter non-profits from competition by including self-owning institutions in their in-house distribution of children to kindergartens, while for-profit kindergartens are chosen by parents outside of the public scheme. Several tools may be used to influence the welfare mix in one way or another, but the countries have different policies regarding whether and how they can be used.

Shared roots: the development of ECEC in the Nordic countries

While ECEC in the Nordic countries date back to the early 1800s, when assessing the current system, it is natural to begin with the establishment of formal education in the first half of the 1900s. There was a dual tradition stemming from shelter for children in need of protection and the pedagogical service

inspired by the German Friedrich Fröbel (Johannessen, 2020). In the 1920s, Sweden, Denmark, and Finland established formal educational programs for ECEC staff. The first educated staff in Norway and Iceland undertook their studies in Denmark and Sweden. Accordingly, the ideology of the ECEC institutions was similar in the different Nordic countries, inspired by Froebel's ideals of free play and creative learning experiences and Alva Myrdal's ideas of the social welfare of children and state provision of early education. There were also influences from the United States, especially the theories of John Dewey (Jónasson, 2006). These shared roots of education in the ECEC context provides a historical explanation of the development of a shared understanding of the service content in the Nordic countries (Ekspertgruppen om barnehagelærerrollen, 2018).

At the end of WW2, there was a gradual expansion of the offer of ECEC, but at varying speeds. In 1970, Norway had only 12,000 children in ECEC, while the corresponding number for Sweden and Denmark was 100,000 (Bergqvist & Nyberg, 2001; Vollset, 2000, p. 52). We do not have precise numbers for Iceland and Finland, but in these countries, expansion also took place from the end of WW2, although it accelerated rapidly from the 1970s. Municipalities or non-profit organizations owned and ran the institutions. The latter group was dominated by organizations attending to women's and social issues, but there was also a fairly large share of religious organizations (Vollset, 2000). For example, in Norway, an early forerunner was The Norwegian Women and Family Association, whose emphasis was on the Fröbelian approach that children should learn through spontaneous play. A feature of the Nordic development of ECEC, therefore, is that non-profit providers established and developed the services. In all five countries, the public sector, through municipalities, gradually assumed responsibility as the main provider of ECEC services from the 1970s.

Accessibility and quality

The gradual movement of ECEC from being strictly related to childcare to also becoming a women's liberation tool and then a first step in the educational ladder must be seen in connection with the growth of its use. Today, more than 90 percent of five-year-old children attend kindergarten in all the Nordic countries. However, the countries reached this level at different times: Denmark in 1998, Iceland in 1999, Sweden in 2002, Norway in 2004, and Finland as late as 2019 (see more detailed figures in each country chapter and in the conclusion; Nordic Statistics CHIL03). This means that, currently, practically all children attend ECEC before starting formal schooling, thus making the institution more important both as a general welfare institution and as an educational instrument.

A societal development that has paralleled the growing use of ECEC is the increasingly multi-ethnic composition of Nordic societies. In Sweden, more than 20 percent of the children in ECEC settings speak Swedish as their second language, and albeit at a lower level, the same can be said of the other Nordic countries in respect of their national languages (Garvis et al., 2019b, pp. 7-8). This adds to the diversity of families using the ECEC service. As governments want to increase the use of the ECEC service to reduce social inequality and spur social mobility, language learning, especially for children from immigrant families, has become paramount.

When examining the share of children participating in ECEC, it becomes a question of accessibility and consists of four elements: availability, affordability, amendability, and acceptability (see Vandenbroeck & Lazzarri, 2014). Even though ECEC is provided as a universal service, distance, lack of transportation, waiting times, fees, inconvenient operating hours, and views about socially acceptable ways of arranging your child's care and education cause local barriers to access (see, e.g., Paananen et al., 2019; Vandenbroeck & Lazzari, 2014). In addition, access to any type of ECEC service does not guarantee meeting the policy goals related to reducing social inequality or increasing the educational aims of ECEC in case the quality requirements are not met. Quality in the context of ECEC has been topical in both political and academic debate over the last decades, producing various views about defining, assessing, and monitoring it depending on which societal roles regarding ECEC are highlighted (Dahlberg et al., 2007).

The Nordic ECEC approach at a crossroads? National steering toward school readiness

At a fundamental level, the Nordic approach to the content of ECEC services can be characterized as holistic in nature, with play regarded as crucial to the free development of children. Furthermore, care and learning are naturally interwoven in the daily activities of the institutions involved. Institutionally, ECEC institutions are independent of schools. This is shared by all Nordic countries, making it a model that differs from those elsewhere in Europe (Korsvold, 2005). This varies from the Anglo-Saxon and Benelux countries, among others, that place more emphasis on schooling. "The Nordic countries often oppose introducing standards for learning too early in children's lives because of the risk that such standards may limit the children's free development. It is considered unnecessary and almost harmful to introduce a paradigm of 'school-readiness' too early" (B. Jensen, 2009).

At the same time, the Nordic countries have recognized ECEC as the first step on the educational ladder, albeit at different times. An example of this development is how state responsibility for ECEC has been moved from the ministries of social affairs to those of education in all the Nordic countries (Norway 2006; Denmark 2011; Finland 2013; Iceland 1973; Sweden 1998). In a review of national Norwegian steering documents in the sector, Nygård (2006) found that the premises for the kinds of skills considered important have changed from emphasizing solidarity, well-being, play, and practical work to emphasizing basic competence, language, and more systematic work in preparing children for school. These latter values are in line with ECEC thinking, which has traditionally dominated many non-Nordic countries. The influx of these ideas to the Nordic countries is often attributed to the OECD and other international organizations accused of promoting convergence across countries (Krejsler, 2012).

The influx of foreign ideas to the Nordic ECEC sector is not a central topic in this report. While this development coincides temporally with the growing salience of the issue of the welfare mix, the two developments are not interdependent. The growing emphasis on education in the Nordic ECEC sector has, however, led to increased state governance. As ECEC is recognized as an integral part of the educational system, it has become vital for the state to improve and supervise quality. This is an important backdrop in understanding the increased willingness to regulate the service content, and it is important for our understanding of the differing room of maneuver of non-public institutions.

Who should provide the services? Theoretical approaches

In broad terms, welfare services can be provided by the public sector itself, the non-profit sector, and/or the for-profit sector. In terms of definition, the public sector providers are the state, counties, and municipalities. In the case of the Nordic ECEC sector, the public provider are the municipalities in practically all cases.

The for-profit sector consists of private actors that generally have no limitations on extracting profits by laws or statutes. The sector consists of large multinational corporations, small sole proprietorships, and everything in between. In the Nordic countries, we see all these type of actors, but the role they play varies considerably between the countries.

The non-profit sector has, in many cases, been described as the residual part, the units that are neither public nor for-profit (Lohmann, 1989). However, over the last couple of decades, a consensus has appeared in research on a non-profit definition that allows for independent classification. The definition, developed by Enjolras et al. (2018), was the basis of the UN's (2018) handbook *Satellite Account on Nonprofit and Related Institutions and Volunteer Work*. The core of this definition is that the organization is (1) private, thus not in any way part of the public sector; (2) self-governing: the entity must be able to control its own activities and not be under the effective control of any other entity, private or governmental; and (3) totally or significantly limited from distributing any surplus they earn to investors, members, or other stakeholders.

The welfare mix

As ECEC has practically become a universal welfare service in the Nordic countries, its role has also risen in importance in the context of welfare societies. In all the Nordic countries, one of the most salient political issues is privatization and the role of private, non-profit, and for-profit welfare providers (Bjøru et al., 2019; Hartman, 2011; Petersen et al., 2018). As we shall later document, in spite of a shared tradition, the Nordic countries have made different choices regarding this issue over the last 30 years. Here, we discuss the theoretical issues and trade-offs regarding governance of the welfare mix.

Interestingly, the academic literature on the welfare mix—the combination of public, non-profit, and for-profit providers—is less explicit about the quality of public provision in comparison with that of non-profit and for-profit providers. This may be a result of the public provider being "taken for granted": it has always been the case and will continue to be so (Feltenius & Wide, 2021).

In the Nordic countries, the massive expansion of the welfare state in the post-WW2 period meant that public provision was at the heart of socioeconomic reforms. The public sector overtook the responsibility for services that were earlier provided by private (non-profit) providers, and new services were established by the public sector. To a varying degree, private providers were allowed to develop and remain in the sector. This dominance of the public sector in welfare provision is a core feature of the Nordic welfare model (Sipilä, 1997).

The dominance of the public sector was chosen in order to safeguard certain values and achieve important priorities in welfare policy. When debating theoretical arguments, often developed in other contexts, regarding the opening of the welfare field to non-public providers, it is important to be concise about

these values. For example, historically, public dominance in all aspects of service provision was deemed necessary in order to insulate citizens from the harmful effects of market forces. The public provision of services thus became a method for the collective creation of a new, democratic welfare society (Blomqvist, 2004, p. 143; Sejersted, 2005, p. 135). Indeed, even today, there is ongoing debate about whether the welfare system can be truly universal without public provision (Moberg, 2016). Democratic values consist of not prolonging the distance between elected officials and the actual service. Responsible policymakers must remain in control of the service they are mandated to produce. In our case, if a municipality wants to make a policy effort within a certain aspect of the ECEC sector for the good of all children, this can be difficult to achieve if only a fraction of the children are in institutions under public control.

In the scholarly literature, the dominance of public provision has been challenged on various grounds. To name but a few, *public choice theory* perceives public employees as driven primarily by self-interest, which consists in seeking to increase public budgets and the over-supply of services (Domberger & Jensen, 1997). Furthermore, *property rights theory* holds that since the public sector cannot go bankrupt, they do not have the same incentives for efficiency as for-profit actors, thereby leading to suboptimal operations. There is also the argument that breaking up public monopolies and spurring provider diversity and competition will lead to increased efficiency, transparency, and cost containment (Savas, 1987). However, empirical work from the Nordic welfare sector has not been able to document such positive general effects, even if one cannot dismiss the possibility that certain positive effects may exist (Petersen et al., 2018).

The welfare sector as a quasi-market

In practically all countries, public, non-profit, and for-profit providers all contribute to providing citizens with services on behalf of the state (Salamon & Toepler, 2015). This can be done in a number of ways. Traditionally, long-term framework agreements between the state and non-profit actors were commonplace, with non-profit units acting as quasi-public entities in some instances and operating more autonomously in others.

Over the last decades, increased private provision has penetrated most Western welfare states, and the most common instruments for delegating authority to non-public providers have been contracting out and voucher markets (Petersen & Hjelmar, 2014). The first instrument consists of public tenders where private entities compete for the right to provide goods or services for the public sector.

Voucher markets consist of competition among various service providers, thereby allowing users to choose their preferred provider, with the costs being covered by the public sector. It is the latter mechanism that is overwhelmingly used in the Nordic ECEC context.

Welfare services have some inherent information asymmetries that make it difficult to establish efficient markets. Providers are typically far better informed about quality issues than consumers. Therefore, the Nordic countries rely heavily on public provision. Publicly funded welfare services can never be considered a true market since they are based on the idea of insulating citizens from negative market effects. In the case of Nordic ECEC services, the state decides the level of user payments, not the market. This means that there is no price competition among providers. Furthermore, the state tries to secure equal access to services and compensate social inequality, which involves disrupting the market-based relation between supply and demand.

The public sector can, however, introduce market mechanisms and, thus, create a quasi-market. Le Grand and Bartlett (1993; Le Grand, 2007) identified four arguments for quasi-markets in public service provision. The first is concerned with efficiency gains and costs for the government. The other three involve giving power to citizens. They argued that quasi-markets enhance public sector responsiveness, empower citizens by providing them with choices, and promote equality by giving market powers to all citizens, not just those who are able to pay for services. If market mechanisms can produce these effects, they will give citizens more control over their service situation.

Obviously, these positive effects are not achieved simply by inviting private providers. Le Grand and Bartlett (1993) presented five conditions for a well-functioning quasi-market. First, the market must be structured in such a way that incentivizes competition and price formation, which require various providers and many customers. Second, information must flow to users. Third, transaction costs must be limited. Fourth, the motivation of market actors must to some extent be based on financial considerations. Fifth, cream skimming must be avoided. In other words, providers cannot only serve citizens who can generate a profit for them.

Even if accepting that quasi-markets are, theoretically, a superior organizational form of welfare, these theoretical conditions are clearly not all present or absent in the realities of the Nordic welfare context. The issue, therefore, is whether they are present at an adequate level. This is difficult to assess in a general sense and must be examined on a case-by-case level. What makes such comparisons

demanding is that quality in all its aspects is inherently difficult to measure and verify and, thus, compare (NOU 2020: 13, p. 284). Furthermore, as Nordic ECEC has been built on the idea of democracy, in the end, it is at the local level that the aims of ECEC are decided in a participatory manner with staff members, guardians, children, and other parties involved (Dahlberg et al., 2007). This means that comparisons between welfare providers or contexts cover only a fraction of the relevant dimensions concerning the economy, quality, and democracy.

The role of non-profit providers

Thus far, we have discussed theoretical approaches to privatization and the possible effects in the Scandinavian context. The role of the non-profit sector is often ignored in such discussions and is generally referred to as an anomaly in the model. Economic theories of non-profit organizations address this topic specifically and try, in principle, to answer the question of why we need a third sector when we have a market and a state. In order to do this, these theories identify essential aspects of each of the institutional sectors and explain why and how they differ (Salamon & Toepler, 2015; Steinberg, 2006).

A key expectation relates to creating complete services for the population: citizens are an increasingly diverse group with respect to culture, religion, ethnicity, and so forth, and thus, it is becoming equally difficult to create services suited to individual citizens (Phillips & Smith, 2011). Governments may lack the knowledge, capacity, and coordinative ability to create a sufficiently diverse system to cover the entire population. In addition, the public sector has a tendency to center its attention on the median voter and majority groups in society and, thus, overlook the interests of marginal groups. For-profit providers offer services to the largest market segment, which is not entirely different from the public sector's emphasis on the median citizen. Consequently, there is a gap in services for minority populations—a gap that the non-profit sector is well suited to fill (Weisbrod, 1978). By directing services toward smaller niches in the population, non-profits compensate for the lack of breadth in public and for-profit providers' offerings in terms of quality, special needs, interests, methodology, ideology, or beliefs (Clemens, 2006; Smith & Grønbjerg, 2006).

Quality and information asymmetry

Welfare services are activities where there is great information asymmetry between service providers and users. Therefore, the ability of users and society to trust providers is decisive (Hansmann, 1980). The less information users

have, the more important it is for them to be able to trust the service provider. This applies to both users and public regulators as there are limited opportunities for monitoring the quality of this type of service (Evers et al., 1997). Weisbrod (1988) proposed distinguishing between quality indicators that are easy to observe and assess and those that are difficult to observe. Different market participants have different incentives regarding the prioritization of the two forms of quality. A profit-oriented provider has an incentive to achieve high measurable quality, but if doing so reduces profits, it will have an incentive not to devote resources to having high unobservable quality (Hansmann, 1987, p. 29). Non-profit providers do not lack incentives to allocate resources to improve invisible quality (Salamon & Toepler, 2015, p. 2168).

Ben-Ner and Van Hoomissen (1991) provided insights into the demand for non-profits by explaining the supply of non-profits. To do this, they focused on the entrepreneurs who founded non-profit providers. These entrepreneurs had no economic incentive to create non-profit alternatives. Therefore, a different objective must have motivated them, which was often a commitment to improve the quality of the services within the service area. Their participation in non-profit activities can therefore be a basis of trust. Stakeholders seek to ensure that the organization remains loyal to its founding values by recruiting people and establishing institutional solutions that promote adherence to their values (James, 1990). This may attract non-profit providers that are particularly user-oriented, since users themselves often establish the culture and define the structure of the organization.

A special case of such entrepreneurs are cooperatives owned by users themselves. In the Nordic ECEC sector, parents sometimes assume this role, and there are a number of institutions run as parental cooperatives. There is some evidence that this organizational form may be connected to quality in the ECEC sector (Leviten-Reid, 2012; Trætteberg & Fladmoe, 2020; Vamstad, 2012).

Despite the supposed benefits of non-profit provision, such providers also have some potential weaknesses that make them unsuitable as the only types of providers. Their central weakness is that they do not have sufficient growth capacity to produce all the services that people want. They lack the ability to raise capital as they tend to focus on their care mission rather than its expansion (Salamon, 1987). For-profit providers might complement the strengths and weaknesses of non-profits as they are skilled at quickly creating a large and efficient production to serve large proportions of the population.

Empirical studies comparing public, non-profit, and for-profit ECEC

A few empirical studies have sought to grasp the effects of private provision in the Nordics and, thus, have assessed the effects of growing privatization. For example, Dahlström et al. (2018) found a lower level of satisfaction in Swedish regions with a high degree of outsourcing. Yet, ECEC is not normally outsourced through open tenders; it is the subject of user choice. Meta-studies have tended to conclude that it is difficult to document clear disadvantages or benefits from privatization in the Nordics (Petersen et al., 2018), but this does not mean that they cannot exist in parts of the welfare states. The results from empirical studies are, thus, generally inconclusive.

ECEC quality is inherently difficult to measure since it is very complex, and most measures only asses one aspect of the relevant qualities. In a recent review of the international literature comparing quality in public, for-profit, and non-profit ECEC institutions, Brogaard and Helby Petersen (2021) "find no indication in the literature of higher quality with private providers; if anything, the evaluative evidence suggests that public providers tend to offer slightly higher service quality." This is in line with studies conducted in other contexts: for-profit provision tends not to reach the same level of structural quality compared to non-profit or public provision (e.g., Cleveland & Krashinsky, 2004; Mitchell, 2002; Sosinsky et al., 2007). It is important to note that service quality is not only dependent on the type of provider but also on overall governance/regulation. In a pure market, for-profits would have incentives to screen clients and segment the market (with different bundles of price quality). However, in most cases, public regulation limits this kind of segmentation.

ECEC in a Nordic, comparative perspective

As we engage with policy developments in ECEC in the five Nordic countries, some issues stand out and require further examination. Despite their differences, the Nordic countries have a shared approach to family policy, at least in comparison with other regions of the world. In the ECEC sector, we do see, however, widening differences between the countries on fundamental aspects of ECEC governance, which are not generally reflected in the diverging views on family policies. Current research does not provide satisfactory answers as to why we see these widening differences.

One development that has, over the last years, made commentators question the durability of the "Nordic model" is the diverging approach to governing the

welfare mix, that is, the division of public, non-profit, and for-profit providers (Sivesind et al., 2017a). Notably, in the ECEC field, the different countries have at times followed paths that are not in line with their overall approach to governing the welfare mix. This means that Norway, which has been reluctant to privatization, has a commercial ECEC sector that has experienced accelerated growth, while Sweden, which has most eagerly embraced commercial enterprises in welfare, has seen more modest developments in this field. The systematic approach encompassing all five countries in this report can help us explain the dynamics involved in the fundamental decisions taken on marketization. Lessons to be learned may be relevant for the wider understanding of these welfare societies.

In the international scholarly debate on welfare, the issue of convergence is prominent (Henriksen et al., 2012). Are countries learning from each other to the extent that they are converging in their organization and approach to welfare? This is often seen in relation to international processes. It also relates to the content of services: the international trends that affect all countries, such as the need to improve the supply of labor in a competitive market economy. It also relates to the governance of services: the growing marketization and reliance on private providers that, to varying degrees, have penetrated all Western welfare states.

In the Nordic ECEC sector, this raises the question of whether we see convergence across the five Nordic countries. In this report, we are especially concerned with the governance of the ECEC sector and the role played by the different non-public actors.

In what follows, we examine how each of the five Nordic countries have approached the major policy choices in their respective ECEC sectors. Our main attention is directed toward the growth of the ECEC sector in achieving full coverage, the growth in importance of the educational aspects of the ECEC sector, the development in the size of the non-public providers and the role they play in the ECEC sector, and the systems for quality control and supervision of the service area. After analyzing these issues in each of the five countries, we make some overarching conclusions in the final chapter.

2 Norway

The Norwegian ECEC model consists of a unitary system where kindergartens provide services to all children from one to five years old. The formal name of ECEC in Norway is kindergarten (*barnehage*). Compulsory schooling starts the year in which the child turns six years old, and it is up to parents whether children attend kindergarten. Nevertheless, Norway has a strikingly high percentage of children attending kindergarten, with 93 percent of children from one to five years of age in attendance, rising to 99 pecent for five-year-olds (Moafi, 2017, p. 19). This high level is, however, a relatively new phenomenon, and the use of kindergartens has been rising in waves since 1975.

Within kindergartens, there are groups for children from one to two years and from three to five years. A kindergarten receives more funding for younger children than older ones, which is reflected in regulation requiring more staff per child for the youngest groups.

There are 5 620 kindergartens in Norway, among which are 422 family kindergartens. Forty-seven percent of kindergartens are municipal, and 53 percent are private. Fifty percent of children attend municipal kindergartens. Municipalities finance more than 80 percent of the expenses for both the municipal and private kindergartens. Parents cover approximately 15 percent of kindergarten expenses, while earmarked state subsidies and other support from the municipality or owner make up a small part of the financing (Utdanningsdirektoratet, 2019)

Family kindergartens are a special case of kindergartens where children attend in small groups in private homes. This was traditionally a mother looking after a few children in addition to her own and, thus, earning a modest salary. Through the 1990s, this form of childcare grew, and in 2010, 7,568 children attended such special kindergartens (NOU 2012: 1, p. 75). Later, the trend has shifted and today 3,189 children attend the 422 family kindergartens. This is, however, an anomaly in the Norwegian kindergarten sector and is a peripheral aspect of the broad picture discussed in this report.

The main kindergarten policy debates in Norway

Up until the 1990s, kindergarten was not a universal service, and the content of the service received limited attention. This has changed, and today, the sector is at the heart of several debates. However, one issue is no longer contested: across the political cleavages, kindergarten is recognized as the start of education for Norwegian children. This recognition was made institutionally consequential in 2005 as kindergartens were included under the same ministry—Ministry of Education and Research—as institutions in other parts of the educational system. National steering documents explicitly formulate this:

> As the first, voluntary, step in the educational process the kindergarten shall create the basis for further education and working life and thus for the individual's opportunities to reach their goals and develop their potential. (Meld. St. 19 (2015–2016), p. 5)

Today, this view is widely shared among all political parties. Since kindergarten is now practically a universal service and part of the educational system, the stakes are higher, and more stakeholders seek to influence policy. Whereas earlier debates focused on whether kindergartens were good for children and the disruption they may present in the context of traditional values, the most salient political conflict today centers around the role of for-profit kindergartens and whether they channel an unreasonable amount of public funds out of kindergartens and into private coffers (Ellingsæter, 2018). This political divide follows the traditional right–left dimensions.

The dominance of this issue means that a number of policy developments are interpreted into this theme. When parliament passed new regulation concerning the staff–child ratio in 2018, this was the result of a long struggle from many stakeholders as a means to improve quality. At the same time, it was widely seen as a strategy to reign in private profit levels as these kindergartens had a lower staff–child ratio and, therefore, were forced to hire more staff (Røtnes & Bjøru, 2020).

The long journey to full coverage in the ECEC sector

Norwegian ECEC has its roots in in the pre-war era and was gradually expanded until the 1970s. Indeed, economic incentives from the state led to more than a doubling from 7,565 children in 1960 to 17,470 in 1972 (NOU 1972: 39, p. 15). Of these kindergarten places, about half were in Oslo, while 350 municipalities had no kindergartens. In 1971, about 45 percent of children attended public kindergartens, 53 percent attended non-profit kindergartens, while the remainder attended for-profit kindergartens mostly owned by one

person who also worked in the kindergartens. Approximately 100 children attended kindergartens in the latter group (NOU 1972: 39, pp. 22-23).

The modern Norwegian kindergarten was founded in 1975 when parliament passed the first kindergarten act, and the field was no longer subject to childcare legislation. Moreover, the new legislation was part of a reform involving increased public responsibility for the expansion of supply. Before the 1970s, the establishment of kindergartens was directed toward particular groups of children, and local, private initiatives were normally behind the setting up of new institutions (Korsvold, 2005, p. 134). From 1975, the state assigned municipalities the task of identifying local needs for increased supply, but they were not obliged to provide sufficient supply. At this point, only 300,000 children attended kindergarten, that is, about seven percent of children aged one to five years. Most kindergartens were located in cities (Gunnesdal, 2010, p. 7). Increased state funding was part of the reform, which led to the first phase involving an important expansion of supply. Unlike today, where kindergartens are embraced by all political parties, this was a controversial issue both between and within parties (Ellingsæter & Gulbrandsen, 2003, p. 54). The controversies surrounded the role of kindergartens in society more than who should provide this service.

A next major step in the development of kindergarten governance was the publication of a white paper (St.meld. nr.8 (1987-88)) that stipulated that quality improvements should be accompanied by reaching the goal of full coverage before the year 2000. The main tool was increased state funding, and the goal was to move from an increase of 4,000 to 10,000 places each year. The financing and establishment of kindergartens were to remain municipal responsibilities, although with increased state financing. Kindergartens that did not receive municipal funding would still be eligible for state funding (but parents would have to pay more). Municipalities were still not required to build kindergartens, but it was explicitly stated that this would be introduced if the economic incentives did not have the desired effects. The program for kindergarten expansion rested on public initiatives. The white paper recognized that even if the program reached its goals, it would take a long time to reach full coverage. This was a problem because “children, families, businesses and society need kindergartens now” (our translation, p. 14). It was, therefore, underlined that private institutions would continue to get access to the same financing as before.

The result was a considerable growth in kindergarten supply, but without reaching the goal of full coverage by the year 2000. Interestingly, the private sector grew faster than the public sector. Throughout the 1980s and up to 1990, 40 percent of all kindergartens (used by 40 percent of children) were private; in

1996, 53 percent were private (used by 42 percent of children). In the wake of the 1997 reforms where six-year-olds started attending school and cash-for-care benefits were introduced in 1998, this development witnessed a reversal, and we saw public growth in shares (Risberg, 2000). No apparent shifts in governance designed to change the welfare mix explain this development.We do not have detaled data on the development of non-profit versus for-profit providers in this period. However, an Official Norwegian Report from 1988 stated that out of 3,487 kindergartens, 59 percent were public, 40 percent were non-profit, and only 1 percent was for-profit (NOU 1988: 17, p. 144).

Up until 2003, Norway thus had a continuous history of the public and non-profit sectors sharing the kindergarten "market," with the for-profit sector playing a negligible role. The next big change in governance came in 2003.

Extensive (private) growth

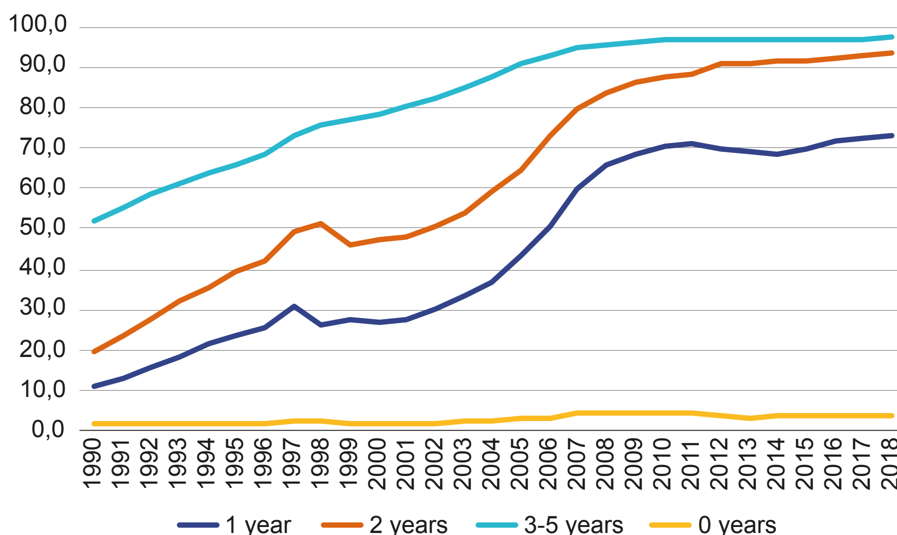
The 2003 reforms were a watershed moment in Norwegian kindergarten governance, and it is the point at which Norway departed from the other Nordic countries in terms of the role of private providers. It was also the first example of a broad welfare service area where the combination of user choice, free establishment, payment per user, and vague restrictions on profits were introduced in Norway, a model that has been a driver of rapid privatization in Sweden (Sivesind et al., 2017a). The point of departure for the reform was an agreement in the Norwegian Storting among the leftist (SV), social democrats (AP), centrist agrarian party (SP), and the populist right-wing party (FrP). These parties had a majority of the votes in parliament, even if they were not in government. Most of the document is a description of tools aimed at achieving the goal of full coverage in the kindergarten system.

At this point, about two-thirds of Norwegian children attended kindergarten. The goal was to make the service available and accessible to all. The original agreement made it clear that municipalities were obliged to ensuring that all families had access to kindergarten and that once there was sufficient capacity, a kindergarten place should become an individual right of the child. The main features of the new regulation was a maximum fee and massive public investments. Regulation and funding for private and public institutions had to be at the same level, including beneficial loans from the Norwegian State Housing Bank and a right for private providers to establish new institutions. The opening up to for-profit providers was motivated by the willingness to quickly develop supply and increase capacity.

The result was an increase in supply to the extent that, in 2009, the state was able to grant access to a kindergarten place as a child's individual right from one year of age. In 2011, the coverage of kindergartens reached such a level that there was not the same need to build new institutions. Therefore, the state abolished the right that private kindergartens had to establish and access public funding. For existing private kindergartens, there was no time limit regarding funding: the municipality had to keep funding them per child in attendance. In some instances, municipalities, mostly without success, challenged the extent of this obligation.

The increase in kindergarten use resulting from the reforms is evident. Figure 2.1 shows the development of kindergarten use from a historical perspective. Usage has been growing steadily since the 1990s (and even before that), but the reforms in the 2000s spurred this development further. The proportion of three- to five-year-olds reached 95 percent in 2007, and that of two-year-olds reached 90 percent in 2012. For one-year-olds, coverage reached 50 percent in 2006. As we will see later, the high levels of coverage were reached later in Norway than in the other Scandinavian countres.

Figure 2.1. Children in Norwegian day care by age and time (percentage of age groups)



Source: Nordic Statistics CHIL03Note: includes care for all children at different ages, whether full-time or part-time, during day-time hours (6:00 am to 6:00 pm) in all institutions where attendance is checked by a public authority.

The 2003 reforms contributed to increased kindergarten use in two ways. First, the introduction of a maximum price (this was lowered even more in 2008) led to lower prices and, thus, an increase in demand. This increase in demand was met with an expansion of supply, which was partly achieved through the establishment of new public kindergartens. For-profit providers predominated the establishment of new kindergartens as the new governance tools gave strong economic incentives to establish and run private kindergartens.

Table 2.1 shows the development of children in public and private kindergartens, respectively. In absolute numbers, we see that there is growth in both public and private kindergartens. However, the private growth rate far outpaced that of the public, creating a shift in market share that resulted in a difference of almost 20 percentage points in 2000 to almost equal in size in 2020.

Table 2.1. Children in public and private institutions

Year	Children in public kindergartens	Public share	Children in private kindergartens	Private share
2000	112,999	60%	76,838	41%
2002	116,229	59%	82,033	41%
2004	120,401	57%	92,696	44%
2006	127,252	54%	107,696	46%
2008	141,502	54%	120,384	46%
2010	147,180	53%	129,959	47%
2012	150,777	53%	135,376	47%
2013	149,870	52%	137,307	48%
2014	147,493	51%	138,921	49%
2015	143,803	51%	139,805	49%
2016	142,319	50%	140,330	50%
2017	140,999	50%	140,623	50%
2018	139,154	50%	139,424	50%
2019	138,122	50%	137,682	50%
2020	136,280	50%	135,984	50%

Source: Utdanningsdirektoratet

The developments documented in table 2.1 are in themselves interesting, but the change within the "private" category is what is striking in this development. As

mentioned earlier, private kindergartens were traditionally run on a non-profit basis, but this reform created a market for for-profit actors.

Changes in the private part of the kindergarten sector

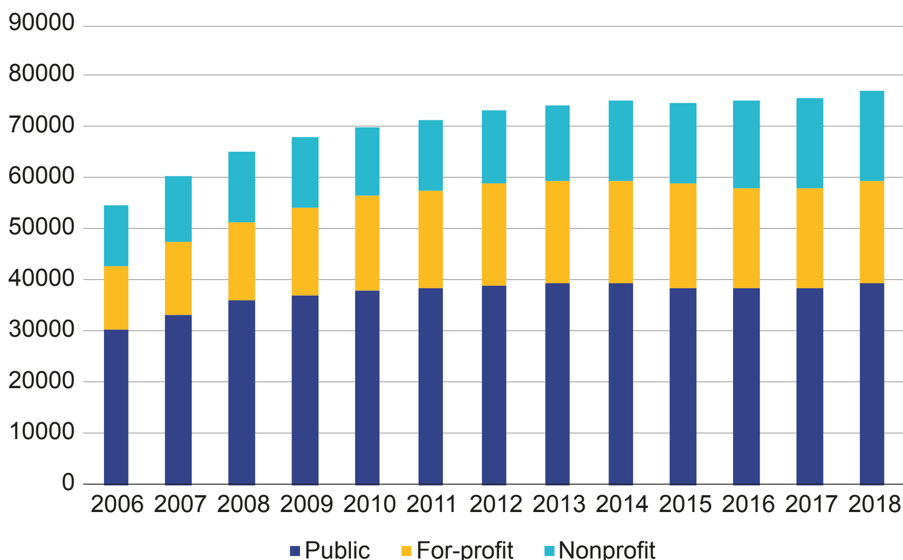
After 2003, we saw the establishment of a large number of private, for-profit kindergartens. A challenge regarding the statistics is that there is no legal definition of non-profits in Norway. A group of experts commissioned by the government to examine private actors in welfare used organizational forms to differentiate the sectors in which the actors belonged. They defined a joint-stock company and sole proprietorship as for-profits, while foundations and cooperatives were defined as non-profit. Using this measurement, they found that from 2010 to 2018, the number of for-profit kindergartens had grown by 34 percent, while the number of non-profit kindergartens had declined by 71 percent (NOU 2020: 13, p. 228).

An alternative data source is the Satellite account for non-profit institutions from Statistics Norway. These data are based on the definitions in the UN's handbook for satellite accounts for non-profit institutions (United Nations, 2003). The statistics count full-time employment data in the sector and not the number of institutions. Using this data source, figure 2.2 demonstrates real employment growth for non-profit kindergartens from 12,161 to 15,467 between 2006 and 2015. A technical change in 2016 using better data sources resulted in a break in the time series (Statistics Norway, 2020a). Direct comparisons before and after this year are, therefore, not possible. From 2016 to 2018, full-time employment increased from 17,201 to 17,637, indicating that the modest growth continued. In any case, the data from figure 2.2 tell a different story from what was revealed in NOU 2020: 13 as the modest growth of non-profit employment continued.

No matter how we measure it, however, it is evident that the for-profit sector mostly benefited from the overall growth in the Norwegian kindergarten sector. Figure 2.2 is based on employment data from the nonprofit satellite account combined with data on employment in public and private kindergartens of Statistics Norway. The Figure illustrates the development in fulltime equivalent employment (FTE) shares when differentiating between public, non-profit and for-profit providers. We see that although all three sectors are growing in absolute terms, in terms of employment shares the for-profit sector is growing at the expense of the other sectors. The nonprofit sector has a relatively stable development, declining from 22 to 21 percent from 2006 to 2015, while the for-profit

sector increased from 22 to 28 percent. The public sector decreased from 56 to 52 percent of the fulltime employment. From 2016 to 2018 the employment shares have been stable. This faster increase of the for-profit sector at the expence of the public sector's share is similar to welfare service areas where there are commercial insentives in all the Scandinavian countries (see table 1.2 and Sivesind, 2017).

Figure 2.2. Full-time equvialent employment in Norwegian kindergartens (FTE) 2006–2018



Source: (Statistics Norway, 2020a, 2020b)

Structural changes in the field, including mergers and acquisitions of kindergartens and major for-profit chains seeking to buy non-profit actors, make accurate comparisons of the number of units difficult. Full-time places in kindergartens and full-time employment among staff may be the best measures (see table 2.1 and figure 2.2.). Since public and non-profit kindergartens have different levels of staff per child, this may create inaccuracies in the employment statistics. These differences may have been limited due to legislative changes in 2018 regarding child per person ratios, but this effect should not yet appear in the data. Nevertheless, we are unable to say conclusively which of two versions of non-profit development is "the correct" one.

Table 2.2. Changes in the size of Norwegian ECEs 2011–2020

Number of children	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change 2011–2020
1–25	2,007	1,938	1,835	1,756	1,688	1,602	1,504	1,427	1,402	1,358	-649
26–50	1,826	1,756	1,762	1,700	1,682	1,673	1,680	1,696	1,692	1,666	-160
51–75	1,571	1,593	1,569	1,630	1,609	1,578	1,568	1,539	1,539	1,518	-53
>76	936	986	1,008	998	991	1,013	1,011	1,009	981	968	32
Total	6,340	6,273	6,174	6,084	5,970	5,866	5,763	5,671	5,614	5,510	-830

Notes: Open kindergartens are not included.
Source: Fakta om barnehager 2020 (udir.no)

Table 2.2 illustrates some of the structural changes taking place in the sector. What we see is that as small kindergartens are closed or merged into bigger units, there was a growth in large kindergartens. The fall in the number of kindergartens did not corresond with a fall in the number of children or full-time equivalent employment since the units grew larger. Assuming that many of the small kindergartens were non-profit, this may be part of the explanation as to why we see falling numbers of non-profit kindergartens alongside a small increase in full-time emplyment in non-profit kindergartens.

In addition to the relationship between non-profit and for-profit providers, a striking development in the wake of the 2003 reforms was the establishment of for-profit kindergarten chains and a strong concentration of ownership in the for-profit sector. This development has become increasingly important in the development of kindergarten services.

In 2007, the six largest chains accounted for around five percent of all private kindergartens, while in 2016, they amounted to just over 17 percent. The market share of the six largest chains measured in the number of children increased from around 11 percent of the private kindergarten market in 2007 to almost 32 percent in 2016. In 2016, the six largest actors accounted for approximately 60 percent of the overall economic results of private Norwegian kindergartens (BDO Norge, 2018).

In the initial phases of the private expansion in 2003, the private chains grew organically through the establishment of new institutions. Over the last years, the growth has taken place in the form of the big chains buying smaller chains and independent kindergartens. In a state-commissioned report, Lunder (2019a)

concluded that if this development continues at the current speed, five actors will own half of the private Norwegian kindergartens by 2029.

The kindergarten financing system

The governance changes in 2011 gave municipalities more control over the kindergarten service in their area as it removed the right to establish from private providers. At the same time, there were also changes in the financing of kindergartens, which had consequences for how municipalities could govern their kindergarten sector. Until 2011, kindergarten financing was earmarked state subsidies. In 2011, this was changed to block financing, where private kindergartens would get their grants based on the average cost of a kindergarten place in municipal institutions.

This gave some incentives to municipalities. If they reduced their kindergarten-related expenses, they could also reduce funding for private kindergartens, thereby achieving an enhanced cost-saving effect. Conversely, if they wanted to invest in their kindergartens, they would also have to pay more to private kindergartens, but they could not demand that private kindergartens make the same kind of investments.

From 2011, private kindergartens were entitled to 85 percent of the expenses per child in municipal kindergartens. This percentage was gradually increased until 2016, when it reached 100 percent. At the same time, expenses for pensions were removed from the calculus, and private kindergartens received 13 percent of their salary expenses to cover pension expenses.

The level and organization of financing have been an ongoing struggle. Unions, activists, a number of municipalities, and left-leaning politicians have found that funding of private kindergartens has been too generous, constituting a waste of the public purse as the operation of kindergartens has built large private fortunes for some owners. Nevertheless, private providers have pushed for more funding through their well-organized networks, claiming that their real expenses are not covered. They generally receive sympathy from the center–right parties that have governed Norway since 2013.

There is no differentation in terms of the financing of for-profit and non-profit kindergartens or any form of capital lock, ensuring that funds granted to this service actually end up there. This has made it possible for kindergarten owners to sell their institutions and keep the profit stemming from, for example, a free

or below-market price on a plot of land and subsidised loans for building the kindergarten (NOU 2020: 13, pp. 226, 409). This is in contrast to the school sector where a capital lock exists to ensure that public money is spent in line with intentions.

Disagreement about private profit

An official Norwegian report (NOU 2020: 13) found that the major for-profit chains have beyond-reasonable profit margins (pp. 490-491). At the same time, the profit margin is not the most important form of value realization in the sector, as selling institutions is what generates most profit for owners (NOU 2020: 13, p. 406; BDO Norge, 2018). The growing tendency of international investment funds allocating resources in the Norwegian kindergarten sector is an indication of a sector with a beneficial relationship between risk and profit. Non-profit institutions have a lower profit margin at around two percent (NOU 2020: 13, p. 338).

The for-profit kindergartens have over time had a lower staff-child ration then the public and non-profit ones. From 2018, national regulation have limited this difference and as a consequence the profit levels of for-profits declined in 2019 from the level the preceding years (Bjøru et al., 2021).

As a result of a number of reports (see, e.g., Lunder, 2019b) describing the financing of private kindergartens as overly generous, in 2019, the government suggested some changes in the financing of private entities, among which was a reduction in pension funding. The government did not succeed in passing this in parliament due to opposition from private stakeholders and their alliance partners in parliament.

A central actor in the debate about the frame conditions for private kindergartens is Private Barnehagers Lansdforbund (PBL), an employers' organization that actively advances the interests of private kindergartens. Its members consist of a range of actors from small non-profit kindergartens to large chains of for-profit kindergartens. Their adversaries on the political left have attributed to them the central role of creating a regulatory framework that has enabled a level of for-profit expansion that is unique to Norwegian welfare (Skrede, 2021). These actors also claim that while representing both non-profit and for-profit actors, PBL pursues the interests of the latter, often at the expense of non-profits. An internal governance structure that gives undue influence to big chains

supposedly contributes to explaining this priority (Skrede, 2021), but the PBL leadership has disputed this description.

PBL has actively and successfully argued for beneficial financing for private kindergartens. The recent efforts aimed at changing pension financing and the successful blocking of an attempt by the center–left government to limit profits in 2010 are cases in point. In any event, the current size of the for-profit share of kindergartens is sufficient on its own to give power to their organized interests.

When the state budget for 2021 was revised in the spring of 2021, new cuts for private kindergartens were suggested by the government, but once again, private interests were able to block the changes through their support from the Progress Party (Fremskrittspartiet), which the government depends on in order to obtain a majority in parliament. This exemplifies the heavy politicisation of the subject, and the growth of big for-profit chains has created actors with economic and administrative capacity to do advanced advocacy work to pursue their interests (Børhaug & Moen, 2014).

Consequently, a process was established to identify long-term funding for private kindergartens. The result of this process remains unknown, but in June of 2021, a stakeholder-based working group commissioned by the government suggested reforming the financing of private kindergartens (Storberget et al., 2021). The main arguments of the working group were that the system of financing was established in order to increase supply, that this was no longer the need, and that the system should be amended to demonstrate this new situation. They also criticized the large profit margins of the big chains while smaller and independent kindergartens were receiving insufficient funding. They also wanted all kindergartens to be independent legal entities so as to secure transparency in the flow of money. The suggested changes would also give more influence to municipalities to implement their own financing rules for private kindergartens. These suggestions were supported by the leader of the working group and the member representing the non-profit providers and unions. The representative for the PBL in the working group suggested other, less consequential changes regarding the governance and financing of private kindergartens. The suggestions will now be circulated for a public hearing, before the government tables a proposal to parliament that makes a final decision.

The governance changes in kindergartens in 2003 had the explicit goal of increasing the supply of kindergartens. This goal was reached. However, the question remains whether more balanced growth could have been achieved had a similar stimulus used to target the non-profit and public sectors. The relevant

policy documents make clear that private providers should be invited to create supply on equal footing with the public sector. The documents do not, however, make any statements about expected developments in market shares for the different sectors. Indeed, we found no policy document at the time that foresaw the development or reflected on how the change in governance might influence the welfare mix or the consequences of concentrated ownership by large entities.

In a 2020 interview, one of the architects of the agreement, the then deputy leader of the leftist party SV Øystein Djupedal, stated that:

> At the time, non-profit foundations and organizations ran the existing private kindergartens, and I did not have the imagination to understand that the kindergarten field would be taken over to such an extent by commercial providers [our translation]. (Mejlbo, 2020, our translation)

This lack of foresight regarding the development of the private kindergarten business seemed to be widespread among policymakers and stakeholders at the time of the 2003 reforms.

The main policy focus – quality kindergartens for all

Once the 2003 agreement regarding full coverage of kindergartens was established by the majority in parliament, the government was forced to produce an implementation plan. In the white paper St.meld. nr. 24 (2002-2003), the government argued that kindergartens were important arenas for learning, that they were especially important for children in difficult situations, and that they played an important role in family and gender equality policies.

The role of kindergartens as an arena for learning and in developing competences, particularly for children from disadvantaged backgrounds, only gained prominence in the years since 2003. In the white paper from 2016 (Meld. St. 19 (2015–2016), p. 5), the government stressed the importance of kindergartens for learning and that

> The kindergarten shall be accessible to all children, regardless of the family's social, financial or cultural background.

The goal formulation revealed an increased emphasis on formal learning and the document used new research on the positive effect of kindergarten for life developments as justification. The goals also reflect a concern that the children who are most in need of this service—children from economically disadvan-

taged families and from a non-Norwegian cultural background—are those who used kindergartens the least (Moafi, 2017).

To increase the uptake of kindergarten services from an already high level, the government introduced two national schemes in 2015 whereby low-income families paid a reduced price or were granted free core time. The evaluation of the scheme demonstrated that the rise in kindergarten use as an effect of the schemes was modest and suggested that, for the minority of families that chose not to use kindergartens, cultural reasons might be just as important as economic ones (Trætteberg & Lidén, 2018; Østbakken, 2019). In either case, the establishment of these schemes was a clear indication of the importance that national authorities placed on families choosing to use kindergartens as a first step onto the educational ladder.

At the same time, kindergarten-related policies constitute part of family policy, gender equality policies, and labor market policies. Since 1998, Norway has had a cash-for-care benefit scheme where families choosing not to use kindergarten may receive a cash benefit. This was introduced in order to increase the freedom of families with small children to organize as they chose, and the idea was that those who did not use kindergartens should also enjoy the state subsidy that families using kindergarten receive. The policy was introduced at a time when full coverage in kindergartens was lacking in Norway. As coverage increased, the policy has gradually become more controversial. It has been documented that the policy reduces women's labor participation, particularly among ethnic minorities, as it incentivized them to stay at home and not use kindergartens (Østbakken, 2016). Amendments in 2017 requiring five years of membership in the national insurance scheme have changed the user composition, with reduced use from immigrants, espcecially from Asia and Africa (Arntsen et al., 2019). Today, the scheme functions largely as a "waiting support" until the child reaches the age of kindergarten inclusion. Nevertheless, there are differences in its use relating to increased uptake among woman outside of the labor market, and there is still an overrepresentation of users from non-Western countries and those located in the southwest part of the country. In this area, different public policies pull in different directions.

Kindergarten governance – increased state steering

The growth of for-profit providers in the kindergarten sector over the last 20 years is paralleled by increases in the state's central steering of the service content. Since 1975, this has, to some extent, taken place in the legislature and,

arguably more consequentially, in the education of staff. Nevertheless, there was limited willingness from the state to steer this profession compared to other professions in the welfare state, which has been attributed to a lack of interest in the service content (Ekspertgruppen om barnehagelærerrollen, 2018, p. 57). This has changed drastically over the last 25 years, and the first step in state steering was likely the adoption of the national framework plan in 1995. This was also seen as a recognition of the importance of the field and, at the same time, mostly a codification of the prevailing norms in the sector (Østrem et al., 2009, p. 11).

Revised framework plans have since been adopted in 2006 and 2017. The evaluation of the framework plan from 2006 found that it was much inspired by international trends and formal manuals for work with children (Østrem et al., 2009). This development left less room for local professional judgement and constituted a break with some of the traditional values of the Norwegian kindergarten sector. A later evaluation found that the framework plan had contributed toward a shared conceptualization of what kindergartens are and should be in Norway (Ljunggren et al., 2017).

A related issue was the accentuation of the government on early intervention. In a white paper titled "Early intervention and inclusive education in kindergartens, schools and out-of-school-hours care" (Meld. St. 6 (2019–2020)), the government stated that:

> A sustainable welfare state requires more people to participate in the labour force and more people to work for longer. The government is therefore investing in education and knowledge for all. Early intervention and inclusive practices are key to ensuring that all children and young people can realise their dreams and ambitions.

This makes the kindergarten sector a key field in securing long-term economic development for the country.

The growth of private providers in general and for-profit chains in particular has coincided with increased central steering of the sector. We do not have documentation to conclude that these developments are connected. The increased political attention on kindergartens as educational arena would, in all probability, have led national policymakers to impose increased control, regardless of the ownership structures.

At the same time, the increased central steering is important when assessing the implication of private growth, first, because a plurality of providers can potentially lead to a plurality in service content. The increased state intervention in the field may have undone much of this potential. Second, some of the central

steering is motivated by the unwanted differences between private and public providers. The 2018 regulation of staff per child was partly driven by lower staff levels in private kindergartens (Prop. 67 L (2017-2018), p. 15).

Quality regulation and supervision

Since kindergartens have become an important part of the educational system, the state wants to secure a certain level of quality and coherence in content across municipalities and types of service providers. At the same time, in order to reap the potential benefits of local professional judgement (Vik, 2014) and from having providers belonging to the public, for-profit, and non-profit sectors (Trætteberg, 2017), there needs to be some level of local discretion. This is a real dilemma for the government in terms of designing regulation and supervision.

The law on kindergartens regulates the operating framework. The law gives general guidelines regarding care for children and the educational offering and obliges all institutions to follow the framework plan for kindergartens. It also gives detailed instructions about the ratio of children per employee and the educational level of different staff members. The kindergarten shall have a general manager who is educated as a kindergarten teacher or other college education that provides educational competence toward children. The kindergarten must have at least one employee for every three children when the children are under three years old and one employee for every six children when the children are over three years old. Among the staff, there must be at least one educational supervisor (with at least 3 years of higher education) for every seven children under three years and one educational supervisor for every 14 children over three years of age. There is also legislation requiring a certain skill level in Norwegian language and that secures a safe and inviting environment for children (NOU 2020: 13, p. 233). In a decade-old study, Børhaug et al. (2011) found that private and public kindergartens used nationally developed guidelines and professional standards to approximately the same extent. However, much has changed over the last decade. In an evaluation of the last framework plan, Homme et al. (2021) presented findings suggesting that this may no longer be the case. This is a topic ripe for further studies.

Economically, the law specifies some limitations on how kindergartens can spend public funding. While public funding shall benefit children, the law (§ 23) underlines that kindergartens can generate a "reasonable" profit. Private kindergartens must be able to document that this is the case. Reasonable profit is not

explicitly defined. However, the paragraphs point to some frames regarding how private kindergartens can lawfully operate: the kindergarten may not have expenses that are not related to the operation of the kindergarten; transactions with other entities in the same ownership structure must be on market-based terms; and the kindergarten cannot have significantly lower expenses per employee than comparable municipal kindergartens. In a review of supervision activities, the consultancy Agenda Kaupang (2017) found that few municipalities had actually supervised the use of funds in private kindergartens and that the municipalities had found the rules to be unclear and difficult to interpret. In cases where municipalities found private kindergartens to be in breach of the rules, the county governors often overruled their decision. Moreover, a common theme in the report was that it was much more difficult to supervise important aspects of the operations of kindergartens that were part of the big commercial chains. A common example was that the buildings where the kindergartens were located were often owned by other parts of the kindergarten's parent company. A crucial question for the supervision was, thus, whether the rent level was reasonable. This is difficult to assess, and municipalities do not want to confront the legal and administrative capacity of the big chains and the PBL.

Until now, municipalities have had the responsibility to monitor that all kindergartens follow all aspects of the regulations. The role of municipalities as owner, financier, and supervisor has been problematized on a number of occasions (see, e.g., NOU 2012: 1, p. 207). The role of supervising both oneself and the competitors of one's own kindergartens can pose potential problems. However, the national government has struggled to find a better organization. The debate on how to solve this has thus been ongoing for a decade, and parliament recently decided to transfer the economic supervision to a state agency that is currently being established. Supervision of other aspects of kindergartens will remain a municipal responsibility.

The policy of the state is thus to have a plurality of providers, among other things, in order to obtain diversity in the service content. At the same, legislation, guidelines, and a system of kindergarten supervision serve to limit differentiations among kindergartens. In a review of the research exploring this tension, Haugset (2018) found that private owners had considerable influence in the Norwegian kindergarten sector. However, in addition to legislation, she also found that institutionalized norms contributed toward limiting the differences that legally occur in the sector.

Quality differences among public, non-profit, and for-profit kindergartens?

In a review of quality differences between private and public kindergartens in Norway, Haugset (2019) found only small differences in a number of quality indicators. She did, however, call for more nuanced categories for private institutions as few studies had differentiated between for-profit and non-profit providers. Similarly, in an observational study, Bjørnestad and Os (2018) found no difference between private (for-profit and non-profit combined) and public kindergartens. In an attempt to differentiate between the different types of private providers Trætteberg and Fladmo (2020) analyzed user surveys of parents in the city of Oslo and found that in spite of high overall satisfaction, users of parent cooperatives were most satisfied, with other non-profits coming in second, for-profits third, and municipal providers fourth. When controlling for food services, the differences were even smaller, and there were no differences between for-profit and municipal kindergartens.

Despite small quality differences, there may have been differences in how the institutions worked that may not have been identified in terms of higher or lower quality. In an analysis of 100 annual plans, Dahle (2020b) found systematic differences between kindergartens in terms of how they approached issues of care, education, and the use of formal manuals. One main finding was that profit-based kindergartens tended to favor structured learning activities at the expense of time and space for social play. The article concluded by drawing attention to whether the market dynamics involved moved the focus from children to economic results.

In addition to systematic differences among the public, non-profit, and for-profit sectors, the creation of a market with market dynamics may, in itself, have influenced the service. In a qualitative study based on interviews with staff in large for-profit chains, Dahle (2020a) found that staff were torn between professional judgement and the need for the kindergarten to attract customers. The study had a limited empirical scope and could not be generalized to the whole sector. However, it did render empirical backing to mechanisms known to operate in publicly funded quasi-markets.

In an evaluation of the national framework plan, Ljunggren et al. (2017, pp. 128-129) found that the major private chains created standardized national plans for implementation, something that made the role of local staff less influential and increased the potential differences between private and public institutions. Also, the first report from the evaluation of the framework plan adopted in 2017

found that Norwegian kindergarten owners increasingly steered the pedagogical content of their kindergartens to an extent that challenged the professional autonomy of the staff and created cleavages between kindergartens with different owner profiles (Homme et al., 2021, p. 138). The dynamic of ownership changes in the private kindergarten sector, thus, seemed to have consequences for the content of the services. We have no information enabling us to make normative judgements about these consequences.

There are also some differences between public and non-public kindergartens in terms of user characteristics. Public kindergartens have a higher share of children who are speakers of minority languages (23 vs. 16 percent) and who receive special educational assistance (3.7 vs. 2.7 percent) (Storberget et al., 2021, p. 72). We do not know why these differences exist. Trætteberg and Fladmoe (2020) found that both for-profit and parental cooperative (non-profit) kindergartens were overrepresented in affluent neighborhoods, while municipal providers were overrepresented in poorer neighborhoods. This was a study from the city of Oslo. Likewise, in a study relying on administrative data covering every child in Oslo over a decade, Drange and Telle (2020, pp. 897) find excessive segregation of children by socioeconomic background across ECEC institutions. They identify “some signs that private centres take advantage of their discretion with respect to whom to admit by enrolling dis-proportionally more advantaged children than those who applied. The impact of this on the overall segregation is, however, limited”. These studies are from Oslo, and we do not know whether this was also the case in other parts of the country. A study from Sweden suggests that the situation was present also in other parts of the Nordic welfare sector (Gustafsson et al., 2016).

Studies reporting on the differences in user characteristics are important for assessing the functioning of this kind of welfare market. As discussed in the introduction, a situation where “easier” users are somehow overrepresented among private providers is a strong signal that the market is not functioning well. In this case, we see that the differences between private and public providers are quite moderate and that the relevant studies were not designed primarily to capture this phenomenon. More data on this aspect of the Norwegian ECEC sector would be welcome.

Conclusions

The Norwegian kindergarten sector has undergone massive changes over the last 20 years. First, the government reached the goal of providing the service to all citizens who wanted it, and in 2009, it became an individual right. From a level in 2003 where two-thirds of children attended kindergarten, practically all children today have experience of kindergarten when they start school. This has been the most pronounced policy effort conducted by national governments in this period. Table 2.3 gives an overview of the most important regulatory choices in Norway.

Table 2.3. Overview of ECEC regulation in Norway

Regulation	Norway
Fee paid by parents	NOK 3,230 is the maximum price.
Schemes for reduced price?	Yes, for siblings and families on low income (national scheme since 2015).
Individual's right to a place	Since 2009, for children from 1 year of age.
Quality regulations	Through law and the framework plan. From 2018, there has been a minimum regulation regarding the staff–child ratio, and the existing minimum requirement for the number of pedagogues was tightened.
Level of funding of private ECEC	Funding for private kindergartens is on par with that of public providers. Whether the expenses are also on par has been contested, especially pension expenses.
Form of funding of private ECEC	Voucher scheme where institutions are paid per child. The level of financing is based on the expenses per child in the municipal institutions where the kindergarten is located.
Supervision of private entities	Conducted by the municipality, but a new national supervisory body is being established to supervise the economic aspects of the operations.
Limitation on profits?	Private kindergartens can make reasonable profits, but to ensure that children benefit from public funding, there are limitations, for example, on how much a kindergarten can pay for services delivered by other firms controlled by the same owner. Unlike the school sector, there is no capital lock in place. This makes the realization of profits easier for owners.
Right to establish?	Since 2003, but especially since 2011, this right was limited as municipalities gained more authority on whether to approve private kindergartens.

Second, relatedly, the growth in kindergarten supply was orchestrated by major investments and important changes in governance. The state spent more money but also invited private, for-profit actors into the field at a level unseen before. Generous financing, access to beneficial loans from the Norwegian State Housing Bank, an initial right to establish, and no practical limitations on profit

accumulation were important instruments in enabling private actors to contribute toward expanding supply. The result was the growth of the number of kindergartens as well as a recalibration of the "market" where big commercial enterprises increasingly dominated the field through initial organic growth and later by buying smaller private entities.

This has had consequences for the ECEC sector. The mere size of the private actors translates into political power, which they can use to influence their frame condition. We see that ECEC occupies a unique position in Norway as a service area where private actors are reaching a level that they, arguably, constitute a veto point for public policy changes. This is something that we have seen in many fields in Sweden, which is generally more open to this form of commercialized governance structure.

Furthermore, we see that private chains create the service content from the national framework plan, albeit through standardized implementation. This is a new phenomenon in Norway. It may help secure quality in policy implementation as it is done professionally at a central level, but at the same time, it may undermine local professional discretion.

In parallel with the changes in governance and the interconnected changes in the welfare mix, there has also been a change in the service content over the same two decades. The holistic Nordic approach to kindergartens, with play at the center of activities and detached from formal schooling, has been downplayed in Norway. International standards connected to the OECD and manual-based programs have moved kindergartens toward a social investment approach that stresses educational benefits.

There is limited documentation on the relationship between for-profit growth in provision and the educational turn in content. However, we see that through the competitive dynamics created by the voucher scheme in kindergarten financing combined with the growth of for-profit chains and the growing tendency of supply exceeding demand, kindergartens compete, and promises of educational qualification may be an effective way to promote a kindergarten in the eyes of its owners. This can create a dynamic that was impossible in this sector two decades ago.

Moreover, the instrumentalization of kindergartens and market-oriented governance may be seen as part of the same market-emulating governance agenda where social investment and the promotion of competitiveness are prioritized over other values in the kindergarten sector.

3 Denmark

ECEC in Denmark is practically a universal service, with 98 percent of children attending ECEC before commencing formal schooling. The service is offered to children from zero to five years of age, and children have an individual right to a place in an ECEC institution from the time their children turn six months old, which, from a comparative perspective, is uniquely early (Blum et al., 2018). Maternity leave guarantees salary compensation for 11 months, leaving no gap in public family policies for families. Since the 1960s, the ECEC sector has undergone significant expansion, and in 2020, most children in Denmark between the ages of one and six attend an ECEC institution. This expansion has positioned ECEC as a core universal welfare service, including a special focus on preventing injustice and inequality and on taking care of the vulnerable and disadvantaged. Since the 1990s, a number of reforms have been introduced in order to strengthen state control and impose a learning agenda (Dannesboe & Kjær, 2021).

ECEC institutions are differentiated among "vuggestuer" for children from zero to two, "børnehaver" from three to five years of age, and "age integrated institutions" for children from zero to five. Municipal ownership of institutions is the main organizational form. In addition, there is "dagplejeordningen," where children are looked after in ordinary homes. This is usually used for children under four years old, and the arrangement typically consists of three to four children (Gupta & Simonsen, 2013, p. 6).

Kindergartens in Denmark are integrated in the Nordic model, with a holistic approach to kindergartens where play is at the center of the pedagogical approach. An underlying value is that children shall enjoy their childhood and that this is not primarily an arena for preparation for more formal schooling. Over the last years, there has been a struggle over what ECEC in Denmark should be. Traditional values are challenged by manual-based approaches, and seeing children as a future labor force that needs social investment has challenged traditional values to the extent that scholars speak of a "cultural battle" (J. J. Jensen, 2017, p. 84).

The long journey to full coverage in the ECEC sector

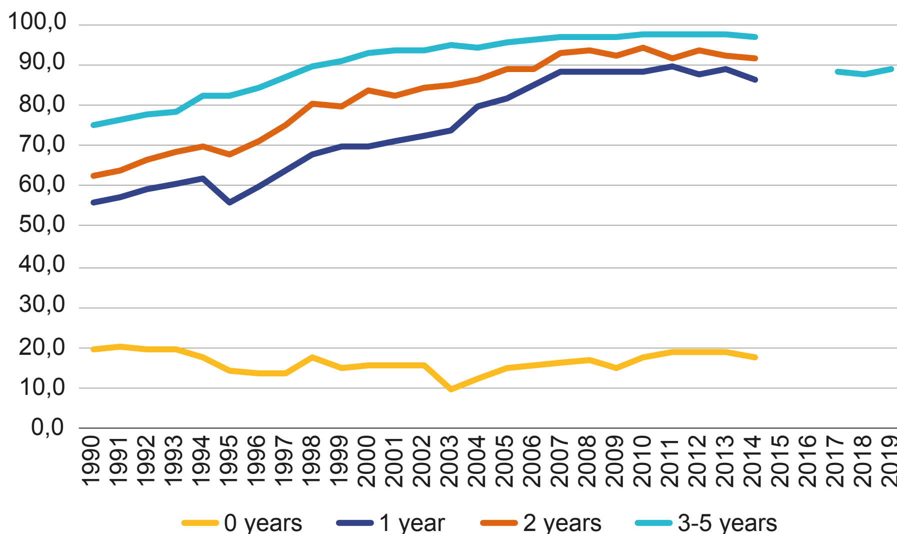
The year 1964 constitutes a watershed moment in Danish kindergarten governance as new legislation advanced kindergartens as a universal service by abolishing uptake based on parental income and changed the name from a welfare institution to “day institution,” indicating a heightened pedagogical focus. The reform was passed unanimously in parliament, and while some based their support on the educational effects for children, others stressed that it enabled women to participate in work life (Gulløv, 2012). The reform prompted major increases in state funding from the late 1960s, starting a process that resulted in kindergartens becoming an individual right in 2006 (J. J. Jensen, 2017, p. 72).

Major growth in kindergartens began with the legislative change in 1964 and increased most rapidly for children between three and six years old, and usage remains higher for this age group. In 1973, 34 percent of this older age group used this service, full time or part time (Rostgaard, 2010, p. 18).

The 1970s was a period of turmoil in Denmark as the economy faced difficulties not experienced before in the post-war period. Also, politically, the period was dynamic, with new parties entering parliament and many policy areas experiencing a recast of priorities. To some extent, this also included the ECEC sector, but the development and expansion of the sector continued, and from 1974 to 1980, coverage increased from 20 to 44 percent for one- and two-year-olds and from 38 to 59 percent for three- to five-year-olds (Togeby 1987, as cited in Borchorst, 2000, p. 63).

In the 1980s, there was an increased emphasis on the well-being of children, including in ECEC institutions. This resulted in public commissions and heated public debates. Waiting lines and limited supply were still a problem, and in 1990, the state began allowing parents to establish their own kindergartens as cooperatives (puljeordningen). Over the next few years, more than 200 such kindergartens were established, but from 2007, it has not been possible to establish such kindergartens, even if the existing ones may continue operation (Thøgersen, 2013b).

Figure 3.1. Children in day care by age and time in Denmark (percentage of age groups)



Notes: There is a break in the time series in 2017. Therefore, data before and after 2017 cannot be compared. Data before 2014 show the number of children, while data from 2017 are converted to full-time enrolled.
Municipal and self-governing day-care institutions are included, while private day-care settings are not.
Source: Nordic Statistics CHI03

Figure 3.1 shows the coverage of children in different kinds of ECEC. The proportion of three- to five-year-old children reached 95 percent in 2005 and the two-year-olds 90 percent in 2007. For the 1-year old, the coverage reached 88 percent in 2007. Even the children below 1 year have had a coverage fluctuating between 10 and 20 percent from 1990 to 2014. This means that the present pattern of high coverage was established about 10 to 15 years ago.

Already in 1993 the idea to make ECEC an individual right for parents was launched, but it was not enacted because of opposition from municipalities that did not want such a state-mandated change in their local governance of the sector (Borchorst, 2000). Yet, a right to a place in kindergartens was gradually implemented in municipalities, and from 2000, almost 90 percent of municipalities had such guarantees. At this point, we may say that full coverage was achieved, even if a kindergarten place was not legislated as an individual right before 2006.

The development of the private part of the ECEC sector

Kindergartens in Denmark were predominantly non-profit, self-owning institutions up until the 1970s. A legislative change in 1976 laid the path for municipalities to run the institutions, and since then, municipalities have gradually become the dominant provider of kindergarten services (Thøgersen, 2013b, p. 11).

Danish ECEC differentiates among public, self-owning, and private institutions. Self-owning institutions are non-profit entities that have a formal agreement with municipalities and where children are assigned by the municipality. They operate on an equal economic footing with municipal units, which means that they get 75 percent funding from the municipality and can only charge parents 25 percent. Private institutions must be approved by the municipality in accordance with predefined criteria, but when these criteria are fulfilled, they have a right to establish. They get funding per children in attendance at the institutions, and municipalities do not assign children. These institutions are free to set the fee paid by parents. Private institutions can be both non-profit and for-profit. In Denmark, therefore, it is common to differentiate among public, self-owning, and private providers, where the latter category can contain both for-profit and non-profit institutions, although they operate under the same, more autonomous regulatory regime.

Table 3.1. Number of ECEC institutions in Denmark per category

Number of ECEC institutions	Public	Self-owning	Private
2020	2,781	500	568
2019	2,791	520	533
2018	2,798	535	548

Source: Danmarks Statistik, Statistikbanken, table BOERN4.

Today, self-owning kindergartens predominantly operate in close cooperation with municipalities. They receive funding on equal terms as their municipal counterparts, and municipalities assign children to their institutions. The municipality is free to choose whether it wants to engage in partnership with self-owning institutions in order to cover the needs of the population. This sets this service area apart from other service areas in Denmark, such as schools, where non-profits have more autonomy from the public sector.

A number of pedagogical, religious, or other philosophies motivate self-owning kindergartens in ways that set them apart from public institutions. A primary concern of their most central interest organization, Frie Børnehaver og Fritidshjem, is the autonomy and freedom to pursue different values.

For-profit kindergartens – a marginal part of the sector

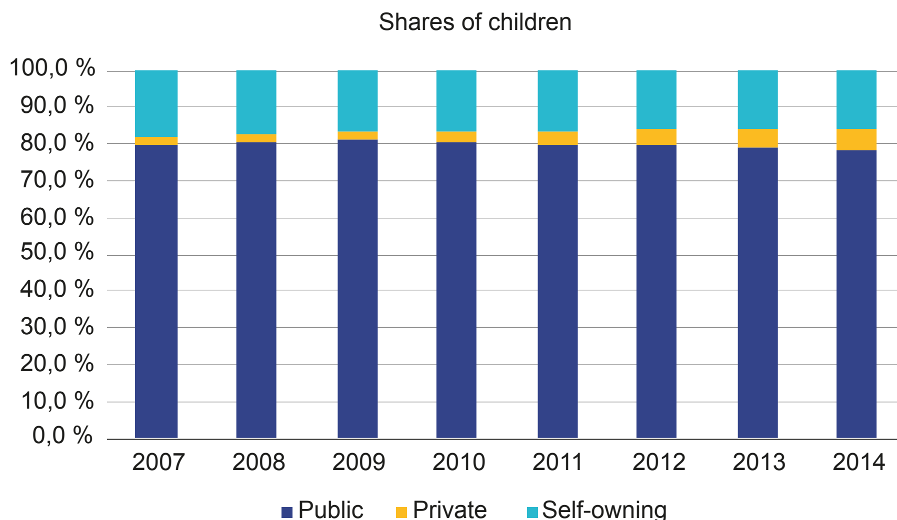
In 2005, a legislative change opened the sector to for-profit actors. These actors needed to be approved by the municipality based on predefined criteria, but they had the right to establish if they fulfilled these criteria. A new legislative change in 2011 enabled municipalities to outsource the operation of kindergartens to private, profit-generating providers, though it has scarcely been used by municipalities.

The main argument for passing the law in 2005 was to give parents freedom of choice (L 25 (2004-05)). Private kindergartens were expected to provide parents with substantive alternatives but not to achieve a certain pedagogical approach or changes in the pedagogical activities. Furthermore, private kindergartens do not consist of large chains with political power or interest organizations that advanced certain pedagogical agendas.

Interestingly, many of the institutions under the legislative framework established in 2005 are self-owning entities, even if there are no formal limitations on their ability to generate profit. One reason for this is the increased freedom and autonomy that comes from this relationship with the municipality (Thøgersen, 2013b). No data exist on how many of the private institutions are run on a non-profit basis, and there are no data on how many of these kindergartens actually extract profits from their operations (Brogaard & Petersen, 2020, p. 11). Indeed, if a municipality chooses to end its contract with a non-profit, self-owning institution, this non-profit may seek to continue its operation under the organizational form of private institutions.

In terms of the development of the three sectors—municipal, non-profit, and private (in Danish terminology)—there are no good data sources documenting the development in terms of the number of children attending the different institutions because, at various times since 2005, Statistics Denmark has changed how they count (Brogaard & Petersen, 2020, p. 7). For the period 2007 to 2014, we illustrate the development in the share of children attending each of the three sectors in figure 3.2. (The data have not been updated by Statistics Denmark since 2014.)

Figure 3.2. Shares of children in municipal, private, and self-owning institutions in Denmark from 2007 to 2014



Source: Danmarks Statistik, Statistikbanken, table PAS22.

Overall, figure 3.2 represents a picture of stability. The public sector saw a decline of one percentage point, the self-owning sector a decline of 2.5 percentage points, and the private sector a growth from two to six percentage points. Nevertheless, when interpreting these numbers, we must remember that some self-owning institutions opted for the private organizational form due to the increased autonomy allowed (Børn & unge 2014). Therefore, the numbers do not necessarily reflect changes between the for-profit and non-profit sectors but, rather, a small variation in how private entities are governed by the funding municipalities. The most important conclusion is the stability of municipal provision in this service area (Thøgersen, 2013)..

The financing system and the possibilities to gain profit

Financing in Danish ECEC is organized through municipalities. Up until 1987, the state would reimburse expenses to the owners of the institutions, but from 1987, state financing no longer takes the form of reimbursements to the municipality but, rather, that of a block grant. This change was not intended to alter the level of financing, only the administration. It was only after the legislative change in 2005 that it became possible to generate private profit in the Danish ECEC sector. This was controversial, and the voting in parliament was 60–49 following the left–right divide.

Private institutions would get funding from the municipality per child and would themselves admit children to their institutions, independent of the municipality. The public funding was equal to the average expenses in the public institution for a child of the same age. There was no cap on how much these kindergartens could charge parents. To our knowledge, there are no statistics or reliable sources on how much profit has been extracted by private ECEC companies.

A part of a new government agreement from 2020, whose main purpose was to bolster the number of staff, a settlement was included stating that it shall no longer be possible to extract profit from kindergartens. According to the agreement (Børne- og Undervisningsministeriet, 2020), private kindergartens must become self-owning institutions, or there will be new legal arrangements in place to stop the transfer of money. The agreement also abolished the (scarcely used) possibility to outsource the operation of kindergartens. Moreover, the agreement includes provisions of increased economic supervision of private kindergartens to ensure that they do not funnel money out until the new regulation is fully in place. At the time of writing, the details and practicalities concerning this reform were not yet published. According to the government minister, the draft legislation will be finalized in the fall of 2021.[2]

ECEC governance

Like the other Scandinavian countries, Denmark has traditionally had a holistic approach to ECEC where play has been at the center of activities. Kindergartens are thus not primarily a preparation for formal schooling; they are an independent service. This is reflected in kindergartens being regulated by social legislation instead of school policy and that the educational staff are pedagogues rather than teachers (Kjær et al., 2020). However, following universal coverage in the 1990s, the emphasis changed from expansion of the service to debates about the content (Borchorst, 2000).

Changed policy focus – kindergartens for school readiness

At this time, kindergartens also became a more central policy issue, and the central topic was their role as an educational offering and in preparation for school. In the early 2000s, the “PISA shock” to all Nordic countries, except Finland, spurred further debates about how to improve results, and the ECEC

2 See https://www.ft.dk/samling/20201/almdel/buu/spm/208/svar/1768270/2369971.pdf

sector was assigned a more instrumental role in the educational system (Kjær et al., 2020). This lead to the introduction of a curriculum for kindergartens in 2004, and the government established expert commissions regarding how ECEC could be used to improve the school system (Regeringens Skolestartudvalg, 2006).

In 2007, a new law on kindergartens took effect. It represented a leap in the development of prioritizing the educational aspects of kindergartens. ECEC's integration into the educational system made it clear that school preparedness was a distinct goal. Furthermore, all children are tested in their Danish language skills at the age of three years old in order to enable institutions to intervene in cases where language skills are inadequate. The goals are fourfold (dagtilbud-sloven, 2007): (1) to promote development and learning, (2) to give families flexibility and freedom of choice, (3) to counteract negative social inheritance and exclusion, and (4) to make public services complete and connected. Observers saw this as a downsizing of the tradition of promoting children's play, creativity, and fantasy at the expense of a predefined take on children's interest in harmony with the interest of the larger society (Gulløv, 2012, p. 103). The state's steering of the sector increased, reflecting increased political interest in kindergartens and their role in society.

An interesting point is that as a means to expand the flexibility of families, the law extended economic support for childcare within families as an alternative to the use of ECEC, though with an exception for people who have lived in the country for less than seven years (except EU citizens). This exception is telling in terms of the role that kindergartens are assumed to have for integration, learning, and establishing relationships between immigrant children, their families, and Danish society (Gulløv, 2012).

In 2011, the government commissioned a new task force (Task Force for Fremtidens Dagtilbud, 2012) to provide advice on the future of Danish ECEC. A central part of their mission was based on the view from the government that "children who experienced quality early in day care perform better in school and later as adults in the labor market. This is especially true for children from disadvantaged families" (our translation). The task force gave advice leading to new legislation in 2018, which further advanced the expected learning outcomes from ECEC.

Quality regulation and supervision

Danish kindergartens have traditionally had much local freedom in how to develop their service and decisions regarding substantive content. Since the 1990s, the service area has increasingly become a central part of the attention and priorities of national policymakers, with ECEC being recognized as part of the educational system (Dannesboe & Kjær, 2021). This has resulted in the increased national steering of the sector. All kindergartens—municipal, self-owning, and private—must adhere to national regulations. In addition, each municipality develops their own quality standards, which all kindergartens must adhere to.

Traditionally, there was no legislation demanding standards in terms of the number of children per employee or the number of educational supervisors. Over the last years, the ratio of children per employee has become a salient issue. Since 2010, the trade union Association of Child and Youth Educators (BUPL) has demanded a national minimum standard regarding the number of children per employee. This demand has garnered growing attention, and in 2018, a number of parents organized to demand more employees in the ECEC sector. In December 2020, this demand resulted in an agreement between the social democratic government and the other center–left parties, securing minimum staffing-related standards, which involve considerable public expenditure on more staff.

Municipalities are tasked with the supervision of all kindergartens in their geographical area, including non-public providers. Supervision includes issues such as physical aspects of the building and playing area, staff qualifications, and the substantive content of the service. All aspects must be in adherence with national and municipal guidelines. For municipal and self-owning kindergartens, supervision involves all economic aspects, but for private kindergartens, economic aspects are not supervised by municipalities (Dagtilbudsvejledningen, 2015, chapter 8), although this is set to change as the agreement from 2020 is implemented. However, private institutions may not use funds in violation of the law, and if the municipality is informed of such practices, it must stop the transfer of funds to the private institution. The content of the supervision of self-owning institutions is normally agreed upon in the agreement between the institution and the municipality.

Quality differences among municipal, self-owning, and private kindergartens?

As mentioned earlier, the kindergarten sector consists of three main groups of institutions: the lion's share are municipal kindergartens; a smaller number are self-owning with a contractual relationship with the municipality; and the third group are private entities that may generate profit and are more autonomous from the municipality. They all have to operate within the confines of national law and municipal regulations regarding the content of their services. There are *no large* kindergarten chains or other forms under the private umbrella that are uniform in terms of the operation of non-public entities. There is an interest organization for self-owning kindergartens, but they work to safeguard the autonomy for their members, not push them in any given direction in terms of service content. Moreover, even if the non-public institutions are split between self-owning ones with an agreement with the municipalities and private ones with more autonomy, the relationship between them is blurred as many private ones are either self-owning or other non-profit institutions.

Given this regulatory situation and market structure, are there differences among the different types of providers? We have identified a few studies that examine this issue. In a report published by Udbudsrådet (2011), they sought to uncover the potential for increased competition and private provision in the ECEC area in line with the policies of the government at the time. They found little competition in the service area and only small differences between providers. In terms of opening hours, the number of closed days a year, and the number of employees per child, there were no differences. The staff of public institutions were somewhat more educated (63 percent versus 50 percent with higher education), and there was a higher incidence of sick leave in public than non-public institutions (4 percent versus 3 percent). The findings regarding operational costs and parental satisfaction were not arrived at through a methodological approach enabling robust inferences.

A meta study from 2012 by Petersen and Hjelmar summed up experiences of competition between private and public providers in three service areas in Sweden and Denmark. It found so few studies that it was difficult to draw clear conclusions.

In a more recent report, Brogaard and Petersen (2020) distributed a survey to all non-public kindergartens (for ages 3–5) and 1,000 municipal ones (with a response rate of 30.4 percent). In a descriptive analysis, they found that the self-owning and private institutions were smaller and had fewer children per

employee. They had a better score on most quality indicators except food quality and welcoming children with disabilities, which were better in the municipal institutions. When introducing proper controls, for example, regarding the composition of children and the socioeconomic status of the neighborhood, there were no significant differences. Thus, there was no basis to infer that there were important differences in quality among the public, self-owning, and private kindergartens.

Conclusions

The Danish ECEC sector has had two main development paths over the last 50 years, the first being the expansion of the service itself. In the 1960s, it was recognized as a service for the whole population and not only for certain subgroups. This led to an expansion of the service, which expanded almost continuously until full coverage was reached in the 1990s and was later codified as an individual right in 2006. This development of the service has been part of the transformation of Danish society, enabling women participation in the labor force and influencing the upbringing of generations.

The other core development is the formalization of kindergartens as preparation for schooling and integration into the educational system. This development has accelerated over the last 25 years and has gradually gained prominence in debates about the ECEC sector. In many ways, this development is a consequence of full coverage: when practically all children were attending kindergartens, the mere scope meant that it became a more important service for citizens and politicians. At the same time, it became a tool for influencing and developing children and families. The development was also part of two external trends. First, social investment was becoming a central governing strategy across service areas in Denmark, and increased focus on kindergartens as a tool for developing the future labor supply was, thus, part of a strategy that reached across service areas. This also implies that ECEC was an instrument for integration, and the authorities were particularly preoccupied with having high participation rates among immigrant families. Second, the emphasis on formal learning and the use of learning manuals were visible across countries and were inspired by international organizations such as the OECD.

Interestingly, the role and development of private providers were unrelated to both of these trends in Denmark. Self-owning, non-profit institutions are a historically important part of Danish welfare and have played an important role in most welfare areas, including in the ECEC sector. These institutions are charac-

terized as being tightly integrated into the public organization of services and, in many ways, operate in line with public priorities and regulation. These institutions have a long history and have played a more central role in establishing the ECEC sector in Denmark than in increasing the supply toward full coverage. Full coverage was primarily reached through the expansion of municipal institutions. Interestingly, when national policymakers were frustrated with the lack of speed in the expansion of supply, they passed regulation establishing parent-owned institutions (puljeordningen) rather than inviting for-profit actors.

The for-profits were not allowed into the service area before 2005. Notably, this was after full coverage had been achieved. Using for-profit providers to increase supply was, thus, not a strategy in Denmark. With the opening up to for-profits, the regulatory framework also allowed for a new form of relation between municipalities and kindergartens where private kindergartens were given the right to establish and were free to charge parents what they wanted. This regulatory change was arguably more important than the opening up to for-profits. We know that a number of kindergartens are now run using this regulation, but we do not know how many are for-profit. Moreover, the for-profits are not organized under major chains, and we are not familiar with examples of them doing advanced advocacy work or in other ways seeking to influence ECEC governance or the sector as a whole.

There is little research investigating the potential differences among municipal, self-owning, and private kindergartens. One explanation for this may be that this is not a salient issue in Denmark. There is a notion that there are small differences between the three categories and that we have no reason to believe that the composition or role of the different actors is important for understanding the content, culture, and governance of Danish ECEC. Indeed, the agreement between the social democratic government and the center–left parties will abolish the for-profit actors in the Danish market. There are few indications that this is a dramatic transformation of the Danish ECEC sector. Increased staffing is potentially the more important element of this agreement.

Table 3.2: Overview of ECEC regulation in Denmark

Regulation	Denmark
Fee paid by parents	Fees vary between municipalities, but they shall never exceed 25 percent of the total expenditure of municipal and self-owning institutions. Private institutions are free to set their own rate.
Schemes for reduced price?	The fees vary between municipalities, but the central government imposes a scheme for reduced fees. Depending on income, families pay a share of the normal price. In 2021, only those who made more than 576,800 DKK a year needed to pay 100% of the fee. The amount was lower for single parents and if the family had more than one child.
Individual's right to a place	From 2006.
Quality regulations	A political agreement was forged in 2020 to gradually increase the staff–child ratio, with full effect from 2025. Municipalities may have quality standards that all settings—public, private, and self-owning—must adhere to.
Level of funding of private ECEC	On par with municipal institutions in the same municipality.
Form of funding of private ECEC	Voucher scheme for private institutions and long-term agreement for self-owning ones.
Supervision of private entities	Conducted by municipalities.
Limitation on profits?	Not allowed for self-owning institutions. No restriction for private ones, but this is due to change because of a recent political agreement. There will then be practically no profit generation in Danish ECEC, but the practicalities in this reform are yet to be ironed out.
Right to Establish?	Private institutions have had a right to establish since 2005 if they fulfill certain criteria. Self-owning institutions need an agreement with the municipality.

4 Sweden

ECEC in Sweden is a widely used and highly subsidized service area. Municipalities have responsibility for providing childcare from 12 months of age for parents in employment or education and for children with special needs. Since 2010, three- to five-year-old children have had the right to cost-free, half-time hours in preschool or 525 hours a year (Utbildningsdepartementet, 2015, p. 84). Parents who are unemployed or on parental leave get 15 hours per week, and six-year-old children attend free, compulsory (since 2018) preschool classes. All other forms of public ECEC have regulated maximum price levels.

State agencies are responsible for the regulation (Statens skolverk) and inspection (Statens skolinspektion) of both private and municipal institutions. The Ministry of Education and Research implements the government's policies, which includes the school act, the framework curriculum plan for ECECs, and the certification of preschool teacher education. Development through free play and good care is at the core of Swedish ECEC. At the same time, Sweden was an early mover in the Nordics in regarding ECEC as part of the educational system. This approach was introduced in the mid-1990s and has intensified in the last 15 years, influenced by international trends.

Private for-profit and non-profit operators may establish institutions on the same economic and regulatory conditions as public institutions. Municipalities must approve all applications that satisfy criteria specified by laws and regulations. Using a voucher system designed to create a quasi-market, parents are free to choose where their children should go. This means that there is competition about users, with the state regulating payments and standards. Conservative–liberal governments have promoted freedom of choice since the early 1990s. Red–green parties have reluctantly accepted this development because the tax-funded and state regulated ECEC sector has been retained, which is an important part of the social democratic welfare state.

The long journey to full coverage in the ECEC sector

In the 1930s, preschool and early childcare became part of the discussion about the modern welfare state in Sweden. Alva Myrdal, who was an important figure

in the Social Democratic Party, was concerned about making kindergartens a service not only for the poor, and this meant free access and improved conditions for play and development. The Social Democratic Party had ambitions for a welfare state with universal services and entitlements, including a child allowance as cash payments for all (Rothstein, 1998). In the 1940s and 1950s, most childcare was still private, but an increasing number of municipalities offered it, mainly as a part-time service. Such “play-schools” were preferred by municipalities because they were less expensive, which also meant low pedagogical ambitions (Utbildningsdepartementet, 2015, p. 19). Full-time childcare for working mothers was still controversial and was mainly considered acceptable as help for single mothers or as part of child protection (Nyberg, 2000).

In the 1960s and 1970s, however, higher female labor force participation increased the demand for full-time childcare centers, and municipalities were increasingly responsible for building ECEC, with supplementary funding from the state. In the 1960s, Sweden was at the forefront in Europe with new family policies, an expanding ECEC sector, and paid maternity leave of six months with income-related payment similar to sick leave. In 1975, maternity leave was extended to nine months and included men. In 1978, a further three months of guaranteed leave were added, with equal pay for all. The ECEC policy was driven forward by large public investigations (Barnstugeutredningen), which outlined an ambitious childcare policy to promote progressive pedagogies and equal childhood conditions. This included the integration of children with physical disabilities and assistance for those with psychological and socio-psychological problems (Utbildningsdepartementet, 2015, pp. 23–25). One of the main outcomes of the report was a Law on Childcare in 1975, which, although mainly addressing five- to six-year-olds, defined preschools as a municipal responsibility (Westberg & Larsson, 2020). Children from five years old gained the right to 525 hours per year. The law covered day-care centers, part-time groups, and even family day care as part of the preschool concept, which caused some confusion. To develop the ECEC sector, the National Board of Health and Welfare had a broad responsibility for preparing guidelines for everything from pedagogies, group sizes, and preschool teacher education to architecture (Utbildningsdepartementet, 2015, pp. 25–27).

In 1985, parliament established a right to preschool for all from 18 months to the start of school, which strongly increased demand, and the arguments for allowing private actors into the field to extend the service capacity became stronger. In the 1970s and 1980s, municipalities, supported by ear-marked state funding, built ECEC institutions at breathtaking speed. However, this was not enough, and many parent cooperatives were started to fill the gaps. In addition,

desperate parents had to use family, neighbors, and informal day care (Utbildningsdepartementet, 2015, p. 33). Pushed forward by the Social Democratic Party in a uniquely dominant position in the post-war period (Rothstein, 1998), ECEC became a central part of the modern welfare state in Sweden at an earlier stage,with higher ambitions for coverage and professional quality than in the other Nordic countries.

The conservative government from 1976 to 1981 mainly continued the same growth policy but attempted to curb spiraling costs. The social democrats shared this objective, but in most municipalities, there were not enough places in the ECEC sector to meet the rising demand. Following a public investigation, the political goal of full coverage in 1991 was set, although this turned out to be unrealistic (Utbildningsdepartementet, 2015, p. 45). In other countries, the start of school for six-year-olds was used to free up places in kindergartens, but in Sweden, there was already preschool for almost all children. However, in 1989 to 1991, a closer integration between ECEC institutions and schools was achieved by giving municipalities more decentralized responsibility and block grants to adapt to local circumstances (Utbildningsdepartementet, 2015, p. 54). In the first half of the 1990s, the number of children in ECEC institutions increased from 571,000 to 753,000. This was due to high birth rates and female labor force participation reaching 86 percent. To cope with the pressure, the number of children per employee increased, which meant that many children only got care similar to after school ("fritidshem") (Utbildningsdepartementet, 2015, p. 62).

In 1995, municipalities were obliged to offer preschool services to all families. Even if the ambition was that all municipalities should provide this from 1991, it took some time for all municipalities to reach this goal. Nevertheless, despite the 1990s being a difficult period for the Swedish economy, the goal was reached in the early 2000s (Utbildningsdepartementet, 2015). In 1997, a so-called preschool class (förskoleklass) was created for six-year-olds. Today, there is a right to preschool for children from one year old, and the share of children in ECEC has remained high.

ECEC governance

When the social democrats formed a new government in 1996, one of their main ambitions was to fight unemployment through a highly competent work force, and the instrument to reach this goal was high quality throughout the educational system, from preschool to higher education (Utbildningsdepartementet,

2015, p. 65). Part of this policy orientation was that the responsibility of the ECEC sector at the state level was moved from the Ministry of Health and Welfare to the Ministry of Education, mirroring the administrative order in many municipalities. Preschool classes effectively became part of schools, and in 1998 came the first national framework curriculum ("Läroplan") for preschools (Utbildningsdepartementet, 2015, pp. 67-68). In 2002, a maximum fee per child was introduced, and in 2003, five- and six-year-old children gained the right to a cost-free, half-time place (Utbildningsdepartementet, 2015, p. 74). This was later changed to three- to five-year-old children, and preschool classes for six-year-olds became free. In addition, children whose parents were on parental leave or unemployed had a right to 15 hours.

The development of the private part of the ECEC sector

During the expansion period, the ECEC service area became part of the public sector. From 1941 to 1951, municipalities' share increased from 7 to 36 percent, but this was before the real growth started. In the 1970s, municipalities operated 96 percent of all preschool activity (Utbildningsdepartementet, 2015, p. 40). This particularity of the Swedish welfare state was not hugely popular. In the 1980s, the conservative/liberal block, including the Moderate Party and Liberal People's Party, argued for privatization with public funding in order to give parents choice and inspire competition and development. The ruling Social Democratic Party was very much opposed to involving private corporations in the welfare system and enacted a law ("Lex Pysslingen") against giving public funding to private institutions for the purpose of generating profit. The only private alternatives were family cooperatives and non-profit organizations (Hanspers & Mörk, 2011).

After the 1991 election, a conservative and liberal coalition minority government came into power and immediately reversed "Lex Pysslingen," allowing municipalities to decide to include private actors in their childcare plan. The new bill was termed "Freedom of Choice within Early Childhood Education and Care." It introduced a layered policy, allowing public institutions to operate as before, while some municipalities could let additional private institutions operate under the same conditions but within restrictive regulations. Not surprisingly, municipalities dominated by social democrats would still operate as if "Lex Pysslingen" was still in place (Westberg & Larsson, 2020).

However, the Swedish conservative/liberal government was determined to further increase freedom of choice in the ECEC sector. In 1993, they took a

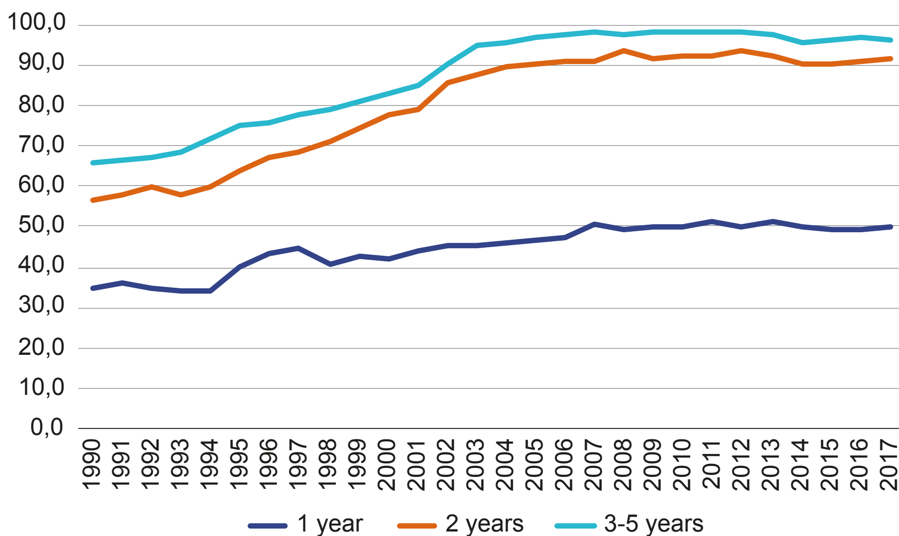
further step toward virtual vouchers, which were introduced two years before in primary and secondary schools. It meant that parents could choose if they wanted municipal funding to pay for ECEC in the public, non-profit, or commercial sector (Westberg & Larsson, 2020). A 1994 bill extended virtual vouchers to parents who chose to stay home to take care of their child instead of using ECEC institutions. The left-wing parties were not completely opposed to using private services, but they wanted municipalities, and not parents, to choose providers in order to secure quality. There were few private ECEC providers, so preschool teachers were encouraged and given information about how to start their own institutions, although not many had such ambitions (Utbildningsdepartementet, 2015, p. 56).

After the 1994 parliamentary election, there was no longer support for the bill, and as a result, the system of childcare vouchers was abolished in the fall of 1994 (Westberg & Larsson, 2020). The social democratic government from 1994 to 2006 was still skeptical about investors with commercial motives, but it did not question the status of private preschools. However, its political position was weakened, and in 2005, a coalition comprising the right-wing parties and the Green Party was able to secure public funding for private ECEC institutions that were not included in the municipalities' plans, as long as they satisfied certain standards set by laws and regulations (Westberg & Larsson, 2020).

In 2008, the right-wing government again allowed private alternatives in all municipalities. The legislation mirrored the system for private schools that was well established by then. The purpose of the vouchers was to further increase parental freedom of choice. Interestingly, the left-wing minority did not dispute this motivation. However, they expressed concerns about public funding going to private pockets, drainage of municipal economies, and a deterioration of quality (Westberg & Larsson, 2020). The legislation would allow independent initiatives and private enterprises with access to investor capital and stronger incentives for expansion to improve coverage of ECEC demand. Family kindergartens were no longer a separate type but were included in the concept of "pedagogical care" ("pedagogisk omsorg") (Utbildningsdepartementet, 2015, p. 84).

When the Social Democratic Party and Green Party came into power again in 2014, changing the voucher system was no longer a priority, and only the Left Party remained outspoken critics. Through the power shifts, the reforms that resulted in the voucher system in ECEC were introduced stepwise: first, reversing Lex Pysslingen, second, granting private institutions the right to establish after approval by national agencies, and third, giving parents the right to choose provider (Westberg & Larsson, 2020).

Figure 4.1. Children in day care by age and time in Sweden (percentage of age groups)



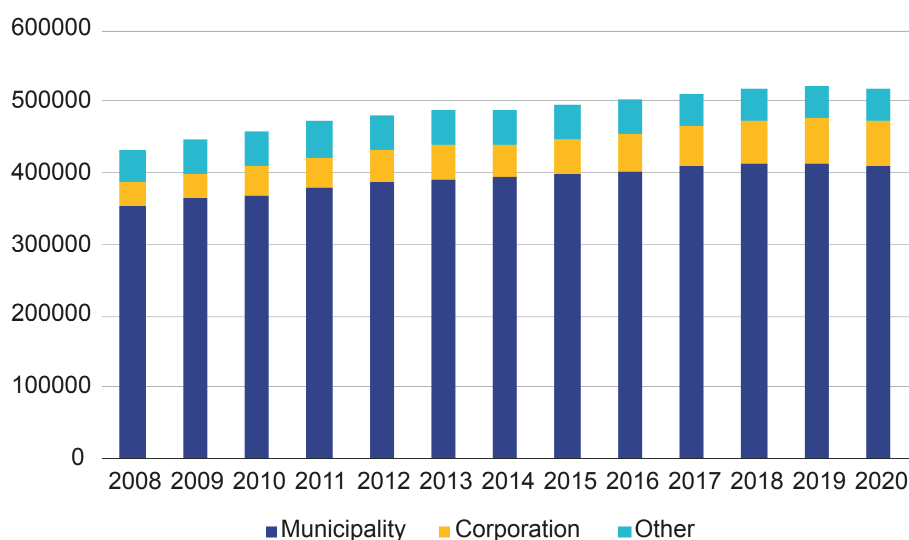
Note: From 1999, children in open kindergartens were not included in the total number of children in kindergartens.
Source: Nordic Statistics CHIL03

Figure 4.1 shows the coverage of children in different kinds of day-care institutions from 1990 to 2017. The percentage of three- to five-year-olds reached 95 percent in 2003, and the percentage of two-year-olds reached 90 percent in 2005. For one-year-olds, the coverage reached 50 percent in 2007. This means that the vouchers introduced in 2008 did not influence the share of age groups in preschool. The present level of ECEC coverage was reached before the full implementation of vouchers. However, there are some small changes in the forms of ownership.

In 2020, there were 2,020 independent operators of private preschools located in 247 municipalities. They were, for the most part, small, and 94 percent operated only one or two units. However, investors of for-profit kindergartens may control broader parts of the sector. As an example, we can look at the company Atvexa, which mainly owns preschools (85 percent of its facilities) and is active in Sweden and Norway, but it is also establishing itself in Germany. The company has a 15% annual growth ambition, but as organic growth in the sector is low (3–5 percent), this can mainly be achieved through acquisitions, which adds units to Atvexa's decentralized structure. In the third quarter of 2020, it owned 159 units with about 13,500 children (ABG Sundal Collier, 2020). In Sweden, Atvexa owns seven units that only operate preschools and eight com-

panies that operate both schools and preschools. Among the preschool owners, there is continuous restructuration going on through mergers and acquisitions. The top five acquisition players control about 17 percent of the preschool market in Sweden and Norway, according to ABG Sundal Collier. We rely on sources such as investment banks that inform traders on the stock market because it takes a considerable amount of work to map the current situation by collecting information from company reports and stock market analysts, which would go beyond the scope of this report.

Figure 4.2. Children 1–5 years in preschool after ownership (Sweden)



Sources: Skolverket, 2014, 2015, 2021.

Figure 4.2 shows the number of one- to five-year-old children in preschools operated by municipalities, private corporations, and others from 2008 to 2020. The latter category includes parent and employee cooperatives, foundations, associations, and other forms of ownership. In 2020, the number of children in municipal preschools was 409,897; the corporation-operated preschools had 62,379 children; and the others had 45,486 children. There was an increase in all ownership categories from 2008. Municipal providers increased by 55,263, corporations by 29,787, and the other category by only 73 children. This means that corporations had the fastest growth and increased their share from 8 to 12 percent of one- to five-year-olds in preschools between 2008 and 2020; the municipalities' share decreased from 82 to 79 percent; and that of the others decreased from 10 to 8 percent. These data show that the voucher system, which was introduced in 2008, has resulted in relatively small changes in the number

of children in preschools operated by municipalities, corporations, and others. However, the for-profit corporations grew faster than the other categories and increased their share by 4.5 percentage points, while the municipalities lost 2.8 percentage points, and the others lost 1.7 percentage points. These changes are small compared to other areas of social services in Sweden that have been subject to user choice, with the right to establish relatively freely and no limitations on profits (Sivesind 2014, p. 43). An important reason for this is that the fastest expansion of preschools in Sweden occurred when the public sector was still the dominant operator. This supports the view of Westberg and Larsson (2020) that political struggle about vouchers and private actors in preschools resulted in the continuation of a government-controlled sector.

Municipalities have an obligation to offer ECEC to all parents who are working or those with other needs recognized under the law. Still, not all qualified applicants get an offer, and for practical reasons, such as travel distance, not all available options are relevant for parents. It is not possible for municipalities to satisfy all needs. In remote areas, it is particularly difficult to offer broad enough differentiation of services in all locations. Even in big cities, not all applicants get offers according to their first choice on the list of priorities, according to The National Agency for Education (Skolverket).

Private alternatives may provide more options, but owners can choose where they want to establish and continue to operate their ECEC institutions. This leaves unsatisfied demands, which municipalities, cooperatives, and other nonprofits with different criteria for localization may try to fill. The effects of different preferences among private and municipal operators are evident from the statistics. Many municipalities have very few or no children in private ECEC institutions. Small, thinly populated, and goods-producing municipalities have, on average, from 5 to 10 percent of children in private ECEC institutions, while big city areas have the highest coverage, with an average of 32 percent (Hanspers & Mörk, 2011, pp. 44–47).

The Swedish model for vouchers and the free establishment of ECEC institutions gives politicians weaker control over the location of institutions, which also affects municipal budgets. This may reduce their ability to prioritize remote districts or deprived neighborhoods. In contrast, the goal of equal possibilities for all was an important part of the Scandinavian welfare model in the post-war period (Telhaug et al., 2004).

Quality control in a diverse sector

The ECEC reforms of the last 15 years have mainly focused on quality control. Over time, Swedish ECEC has been characterized by "educare," the combination of care and education for children from one to five years. The main goal of Swedish ECEC has always been a good childhood as a value in itself. At the same time, Sweden was an early mover in the Nordic context to treat ECEC as part of the educational system in a social investment strategy (Jönsson et al., 2012). In line with trends promoted by the EU and OECD, lifelong learning inspired the new Pre-school Law in 2009 and a revised framework curriculum (Jönsson et al., 2012). In 2011, preschool leaders were given a responsibility that was similar to that of headmasters in schools. Furthermore, from 2009–2011, there was an initiative to strengthen the further education of preschool teachers ("förskolelyftet"). Previously, the education of preschool teachers had been part of the general teacher education, which offered some specialized courses. However, in 2011, the term preschool teacher mandated a separate 3.5-year education and professional title (Utbildningsdepartementet, 2015, pp. 85–89).

Preschools can be operated by municipalities or independent operators (huvudmän). Municipalities are responsible for approval and oversight (tillsyn) over independent preschools, which may be operated by private enterprises, associations, foundations, registered faith-based communities, or single individuals. This includes pedagogical care, which was called family day care before 2009. The municipality where a child is registered pays a fee to the operator. The fees must be paid as long as (1) regulations that apply to similar public institutions are followed, (2) there are no negative consequences for similar municipal institutions, (3) it is open to all children, and (4) the fees are not unreasonably high. Municipalities regulate the fees in accordance with their own costs, with additions for children in need of special care.

The state is responsible for the regulation (Statens skolverk) and inspection (Statens skolinspektion) of the educational sector. The purpose is to secure equal education for all, good quality services, and a safe environment. This includes both municipal and independent institutions (SOU 2016:78, pp. 152–155). New approval is required for a change of operator, unless this takes place through a sale of stocks (SOU 2016:78, p. 156). All applicants who fulfill the demands of relevant laws have to be approved by the municipality. The school act prescribes inspections by the state agency "Statens skolinspektion" to ensure that activities are in accordance with laws and regulations. The school inspectorate may demand that the operator correct errors or irregularities, and sanc-

tions that can be enforced in serious cases. The school inspectorate may even withdraw the operator's approval (SOU 2016:78, p. 157). School inspectorates may also inspect how the municipality conducts it oversight over operators that the municipality deems have a right to payment of fees (SOU 2016:78, p. 158).

However, the municipality or school inspectorate does not have the right to examine the operator's accounts or economic dealings, and there are no restrictions on the transfer of profits to the owners or other purposes. It is also important to note that stocks can be sold without the need for approval of the new operator. The right to operate can, in practice, be sold with the institution, which may favorably affect the market value. The Swedish system of vouchers and the regulation of private operators in ECEC and primary schools are designed to create competition with the municipal institutions in a quasi-market system (Le Grand & Bartlett, 1993). This means that competition should be about attracting users, not about lowering prices and standards.

Quality differences among public, non-profit, and for-profit providers

There is limited research on the quality of ECEC. A chapter in the book *Konkurrensens konsekvenser* (The consequences of competition) examined quality differences in private and public preschools in Sweden (Hanspers & Mörk, 2011). It found that structural quality differences were mainly based on the same data from Skolverket as the recent updates referenced in this report (see "Recent changes in size and structure in the ECECs"). The data show small differences between municipal and private preschools, but they do not differentiate between for-profits and non-profits. However, there were more children per preschool teacher in private preschools, which is also in line with recent data from Skolverket. Hanspers and Mörk also referred to parental surveys conducted by Skolverket in 2005, which showed very high satisfaction with preschools. However, municipal preschools with a 90 percent satisfaction rate scored a few percentage points lower than private and cooperative preschools, with 94 and 93 percent, respectively (no statistical significance level referred). The analysis did not control for personal background factors, which might have accounted for such differences. For instance, parents with positive attitudes towards privatization are more likely to send their children to private preschools (Hanspers & Mörk, 2011, pp. 55-56).

We found one journal article comparing municipal and cooperative preschools in Sweden based on data from 2007 by Johan Vamstad. The study analyzed

qualitative interviews conducted with 36 preschool managers and quantitative surveys of 271 families and 116 staff members. From both the staff and user perspectives, the parent cooperatives appeared to be of better quality. The staff was more satisfied with both the physical and psychosocial environment, despite fewer resources in the cooperative preschools. The parents were especially satisfied in their comparisons of service quality experiences from other types of preschools. The study ascribed this to an extensive two-way communication in cooperatives where parents are significant stakeholders and more involved in governance and voluntary work (Vamstad, 2012).

The average size of groups in preschools has decreased from 2011 to 2020, with municipal providers decreasing from 17 to 14.8 children and private preschools from 16.2 to 14.7 children. This means that there are no differences in this aspect of structural quality. However, when it comes to the number of children per full-time equivalent preschool teacher, private providers have 17.1, on average, while the municipal have 11.9. This indicates a higher level of qualifications in public ECEC institutions (Skoleverket 2021). Unfortunately, the statistics in the tables on the website of The National Agency for Education (Skoleverket) do not display recent data differentiating between corporate and other types of ownership, which means that it was not possible to analyze differences between for-profit and non-profit ECEC institutions.

Conclusion

The main development routes of the Swedish ECEC sector show earlier expansion and quality control compared to other Scandinavian countries. Municipalities became a more dominant operator, with 96 percent of the ECEC sector at the peak of the 1970s. However, as female labor participation increased and birth rates were high throughout the 1980s and the first part of the 1990s, there were difficulties addressing the associated need. This meant that a leisure-center type of ECEC, family cooperatives, and many types of informal day care were necessary supplements. Sweden had earlier established codified rights to ECEC for parents who were working and in education and a lower number of hours for those who were unemployed or on parental leave. In fact, Norway emulated the Swedish approach of maximum prices and a promise of full coverage.

A core part of the development of private providers was the process of implementing vouchers, which was completed in 2008, more than 15 years after the vouchers were introduced in schools. Similar systems were implemented in other service areas in Sweden, and the process was intensified through the law

of freedom of choice systems (Lag om valfrihetssystem, LOV (2008:962)) as an alternative to the more traditional out-contracting by open tender (LOU). This contributed to a much faster growth in for-profit employment than in the public sector, while the non-profit sector remained stagnant at a very low level (Sivesind & Saglie, 2017a). The ECEC sector, with a relatively stable share of private sector service employment at around 20 percent from 2012 to 2020, was therefore untypical in the Swedish welfare system. However, corporate owners increased their share of children in ECEC from 9 to 12 percent, while others decreased from 11 to 9 percent (figure 4.2). Companies that were active in mergers and acquisitions seemed to consider that purchasing existing units was less risky than building new ones. According to ABG Sundal Collier:

> Constant M&A opportunities in the sector represent one factor that has slowed down private penetration. The cost of opening a brand new facility might not be worth the risk, time and effort when choosing between acquiring an already up-and-running facility and starting up a new one. In a market where it is possible to acquire other private facilities at low multiples, an acquisition is often a safer route. (ABG Sundal Collier, 2020)

The result was arguably concentrated ownership, with some of the same companies active in both Sweden and Norway. However, gathering documentation on the extent of this process was beyond the scope of this project.

Table 4.1 Overview of ECEC regulation in Sweden

	Sweden
Fee paid by parents	Depends on parental income, but the maximum prices is currently 1,510 SEK per month.
Schemes for reduced price?	525 hours free for parents of children from 3 to 5 years, while preschool classes for 6 years old are free for all. Reduced general prices based on income.
Individual's right to a place	Since 2010, 3–5-year-olds have had a right to half-time preschool. For parents who are unemployed or on parental leave, their children get 15 hours per week, and 6-year-olds can attend non-compulsory preschool classes.
Quality regulations	The Law on Childcare in 1975 gave the National Board of Health and Welfare had broad responsibilities for developing standards. In 1998 came the first national framework curriculum ("Läroplan") for preschools. In 2009, the preschool act came into effect.
Level of funding of private ECEC	Private institutions are financed at the same level as municipal ones.
Form of funding of private ECEC	Voucher scheme. Municipalities must pay a fee per child that reflects its own costs, with additional amounts for children with special needs
Supervision of private entities	There is a national level agency, the School Inspection Agency, which inspects all private and municipal ECEC institutions, while municipalities are responsible for approving new applicants and oversight (tillsyn).
Limitation on profits?	Municipalities or the School Inspection Agency do not have the right to examine the accounts of private actors, and there are no limits on profits.
Right to Establish?	Since 1991, municipalities may have included private actors in their plans, and in 2008, a general voucher system similar to that of schools was implemented.

The Swedish political process leading to the voucher system in ECEC followed the same pattern observed in other welfare service areas. While in power, the Social Democratic Party did not extend privatization or market-emulating forms of governance, but they did not hit the brakes either. Instead, they focused on counteracting the negative side effects (Sivesind & Trætteberg, 2017, p. 3). The reason is probably that the private institutions had been instrumental in filling the increasing demand and had become a necessary part of many people's everyday life. In addition, once the sector reached a certain size and became an economic actor in its own right with investors and employees, there were economic interests that had to be taken into account by policymakers. The sector also built links with other private sector interest organizations and lobbies to promote investor interests. For the Social Democratic Party, suggesting wide-ranging reforms implied risking tough political battles in an area where there

may have been marginal voter gains. Those assuming the strongest oppositional stance to privatization were probably Left Party supporters anyway.

Klitgaard explained the Social Democratic Party's acceptance of vouchers in schools as a recognition of the need to recalibrate the welfare state to new needs. Otherwise, it would be perceived as too large and resistant to reforms and would be under threat as a system. Rather than risking a private system that competes with the public system, the Social Democratic Party accepted competition from non-profit and commercial actors *within* the welfare state. The services are still taxpayer-funded and regulated by the public authorities (Klitgaard, 2008). Westberg and Larsson used a similar explanation for vouchers in ECEC. Although the public share of employment in the ECEC service area has declined, the service area remains part of a system funded and governed by municipalities, regulated by the state, and under political control. This makes it possible to reduce social inequalities through universal access and high-quality services. Although the fight against privatization was lost, from the point of view of the Social Democratic Party, ECEC was saved as an essential part of the public welfare system (Westberg & Larsson, 2020).

5 Finland

In Finland, ECEC is organized as a set of integrated services for zero- to six-year-old children. This means that childcare for children whose parents participate in the labor force and early education aimed at all children, regardless of their background, are organized within the same system. Thus, all children below school age have a statutory right to participate ECEC services if their parents wish, regardless of their parents' labor force status. In addition, a year before entering primary school, which starts the year a child turns seven, children participate in pre-primary education.

Both national governing bodies and municipalities have important roles in the governance of ECEC. Municipalities have independence in deciding on the provision of ECEC as long as institutions fulfil the statutory demands, for example, concerning staff qualifications and the child–staff ratio (Act on Early Childhood Education and Care, 540/2018). They also have autonomy in the provision of ECEC services themselves, or they can provide some of the services privately by subsidizing private services or by purchasing outsourced services.

The state executes steering and monitoring through a number of bodies. At the national level, the most important steering bodies are the Ministry of Education and Culture, the Finnish National Agency for Education, and the National Supervisory Authority for Welfare and Health (VALVIRA). The Finnish National Educational Evaluation Centre (FINEEC) is responsible for conducting national external evaluations of ECEC and providing support for organizers of ECEC in terms of self-evaluation. Regional-level monitoring and supervision are conducted by a regional state administrative agency (AVI).

Public ECEC services are funded partly by the state, partly by municipalities, and partly by collecting clientele fees. Roughly estimated, the state funds one-third, users pay around 14 percent, and local authorities fund the remainder of the cost of ECEC services. In 2017, public expenditure on ECEC services was 1.2 percent of GDP, which was higher than the OECD average of 0.9 percent. In general, however, the expenditure on education per capita has been falling in Finland, while in OECD countries, it has been rising (OECD, 2020).

ECEC service fees in public ECEC institutions are income-tested and are based on the number of children in the family and whether the child attends ECEC on

a full-time or part-time basis. Families whose income falls into the lowest income decile do not need to pay the fee (Act on Client Fees in Early Childhood Education and Care 1503/2016). The provisions regarding the client fees charged for ECEC services provided by municipalities are laid down in the Act on Client Fees in Early Childhood Education and Care (1503/2016, 1052/2020). The act does not apply to private service provision. In 2017, families whose children attended municipal ECEC institutions used approximately three percent of their yearly income on ECEC fees. The maximum fee was 288 euros per month for publicly provided services (Act on Client Fees in Early Childhood Education and Care 1052/2020).

In Finland, approximately 77 percent of children from one to six years of age attended ECEC in 2019. Attendance in pre-primary education for six-year-olds became mandatory in 2015, and 99 percent of the whole cohort of six-year-olds attended. Only under one percent of under one-year-old children attend ECEC, while 69 percent of two-year-olds and 91 percent of five-year-old attend. The participation rate in ECEC is lower in Finland than in the other Nordic countries (OECD, 2020). However, the use of ECEC has been rising, especially in the last couple of years. There have been numerous policy initiatives aimed at increasing the participation rate, such as the lowering of fees, policy pilots for free-of-charge part-time ECEC for five-year-olds, and extending the pre-primary education for five-year-olds. There is regional variation in enrolment rates: some municipalities have an almost 20 percent lower enrolment rate than others (Finnish Institute for Health and Welfare, 2020).

It has been argued that the low attendance rate of small children in ECEC in Finland is at least partly related to Finland's home care policies (Duvander & Ellingsæter, 2016; Hiilamo & Kangas, 2009; Mahon et al., 2012). The Finnish ECEC model consists of a twofold system where parents can opt for a cash-for-care allowance for caring for their children themselves, or their child can participate in ECEC provided by the municipality or a private ECEC provider. The Child Home Care Allowance (CHCA) has been available since the 1980s. It is meant for parents of children under three years of age who do not attend publicly subsidized ECEC, that is, parents who prefer to care for their children's upbringing at home. The cash-for-care allowances for children's home care were introduced to increase parents' freedom to choose the form of childcare between ECEC services and home care (Hiilamo & Kangas, 2009). The CHCA consists of a fixed subsidy and an additional sum that is dependent on the income and size of the family. In addition, some municipalities top up the CHCA with a municipal supplement, and this amount varies between municipalities. In addition, municipal supplements may include certain conditions such

as requiring that all children of the family who are below school age be cared for at home (Lahtinen & Svartsjö, 2018). There is also a sibling allowance that is paid for any siblings of the child eligible for CHCA who are below school age and cared for at home (Sipilä et al., 2010). In 2018, 23 percent of the children whose home care was subsidized with the home care allowance were over three years old (Kela, 2019).

The systemic provision of ECEC consists of a few service types, and it is up to the municipalities to decide the types of services they provide. Municipal center-based ECEC is the most common form of ECEC service in Finland. In 2019, 71 percent of children who attended ECEC were enrolled in municipality-run ECEC centers. There are 3,617 ECEC centers in Finland (Finnish Education Evaluation Centre, 2019).

Around six to seven percent of children are enrolled in publicly run family day care. Family day care is often organized at the care provider's home or other home-like environment and is meant for children under school age. It is often considered as a form of ECEC focused on basic care and play activities and meant for the youngest children. It can also be provided at a group family day-care center, which means that two to three family day carers work together at shared premises. There are 6,212 family day-care providers in Finland (Finnish Education Evaluation Centre [FINEEC], 2019). Both center-based ECEC and family day-care services are expected to follow the national curriculum guidelines. However, these service types differ in terms of staff qualification requirements, child–staff ratios, and group size regulations (Act on Early Childhood Education and Care 540/2018). In larger municipalities, the share of center-based care is considerably larger than in small municipalities (Finnish Institute for Health and Welfare, 2020). This might be at least partly because family day care is occasionally used, especially in scarcely populated areas where there are long distances to center-based ECEC (see Bernelius et al., 2021). However, the share of family day care has been steadily decreasing over the last 20 years all over the country while the share of center-based ECEC has been increasing (Finnish Institute for Health and Welfare, 2020).

Parents can also choose private ECEC services and claim state-funded subsidies called the private day-care allowance (PDA), which is provided by municipalities to reduce or cover the cost of private ECEC services. The PDA consists of two parts: it has both fixed and income-tested components. Municipalities can top up the PDA with a municipal supplement, which can be income-tested or fixed. Although the PDA is claimed by the child's guardian, it is always paid directly to the private caregiver or the ECEC provider. The PDA allowance is

taxable income for the ECEC provider but not for the family claiming the allowance. It is available for all families whose children are not in municipal ECEC (Kela, 2021). As the largest part of the PDA is a fixed sum and the clientele fees of private providers are not typically income-tested, families on low income need to use a larger proportion of their income on clientele fees compared to higher-income families.

In addition to subsidizing private providers with the PDA, municipalities can also subsidize the demand of private services by providing service vouchers for families. Families can choose a private provider among those approved by the municipality. Municipalities have the autonomy to define the monetary value of the voucher (Act on Service Vouchers in Social Welfare and Health 569/2009) and the eligibility criteria for the providers to be approved as part of the ECEC services in which parents are able to use the service vouchers. For example, they can set a price ceiling for providers by defining it in the voucher contracts used for governing private providers. Vouchers are most commonly income-tested and dependent on the age of the child (Lahtinen & Svartsjö, 2018). It is common for the family to pay the remainder of the service fee after the value of the service voucher has been subtracted. In principle, vouchers maintain clientele fees at a level close to those in municipal ECEC and are, therefore, typically more attractive to families on lower income compared to the PDA. The popularity of these vouchers has grown remarkably in recent years. However, there is considerable regional variation in their deployment (Finnish Institute for Health and Welfare, 2019). In 2018, every third of municipalities offered vouchers; in 2020, every 36 percent did (Lahtinen & Svartsjö, 2018, 2020).

In short, PDA is a state-funded subsidy per child in private day care that is partly fixed and partly (but weakly) income-tested. Alternatively, however, municipalities may issue vouchers, which are subsidies for private day care that can, depending on the municipality's policy, vary, for example, according to the parent's income, the child's age, number of hours in day care, family size, etc. Vouchers result in parental fees that are close to the level charged in municipal day care, while PDA is less favorable for low-income families.

As there is a maximum fee for municipal services and municipalities are obligated to provide a place for all children whose guardians so wish, the fees of private services seem to remain a bit higher compared to public ECEC fees. However, there are no comprehensive reports on private service fees.

There is no licensing requirement for private ECEC service providers. Instead, private providers need to notify the municipal authority in the municipality

where the services are provided prior to the start of providing ECEC services. The municipal authority then carries out an inspection visit, processes the service provider's notification, and submits its statement to the AVI for registration. The AVI then registers the service provider and its offices if they meet the requirements laid down in the Act on Early Childhood Education and Care (540/2018). The AVI makes a decision regarding registration.

Private providers need to comply with the same national regulation as municipal ECEC, for example, child–staff ratios, staff qualification requirements, and national ECEC core curriculum standards (Act on Early Childhood Education and Care 540/2018). The Act on Client Fees in Early Childhood Education and Care (1052/2020) is an exception as it does not apply to ECEC provided by private service providers. In addition, the salaries in private ECEC are lower compared to public ECEC as employees in public ECEC are party to different collective labor agreements.

Approximately 72 percent of center-based ECEC institutions are organized by municipalities and 28 percent by private providers. Among family day-care providers, 74 percent are public and 26 percent private (Finnish Institute for Health and Welfare, 2020). In general, all service forms operate on a full-time basis. In addition, municipalities are obliged to offer round-the-clock care for children whose parents have, for example, shift work.

In addition to statutory ECEC services, municipalities can provide open ECEC services (Act on Early Childhood Education and Care 540/2018), which are mainly organized as playgroups and family cafés. These services are more loosely regulated compared to center-based ECEC and family day care. Consequently, some municipalities offer open ECEC to lower the demand for center-based ECEC as the costs of organizing them are lower compared to those of center-based ECEC. In 2019, 39 percent of Finnish municipalities offered open ECEC services (FINEEC, 2019), which were marketed, for example, for those families whose parents did not work or study full time or who were on parental leave caring for a baby and an older sibling.

The long lines in ECEC governance in Finland

Finnish ECEC has its roots in the Froebelian tradition. The idea of "the kindergarten" was introduced by Uno Gygnaeaus, the founder of the Finnish folk school system, in the 1830s. The use of ECEC services gradually expanded due to urbanization and industrialization (Alila et al., 2014). In the 1970s, the

drafting of the Act on Children's Day Care (36/1973) meant that the regulation of different types of childcare and early childhood education arrangements was more unified. The Act on Children's Day Care subsumed the different kinds of ECEC services under the conceptual umbrella of "day care," and they became part of social services. The societal role of these services was seen in political debates as a service enabling both parental labor force participation and child welfare despite its ideological roots as part of the educational system. Since the establishment of the act, both center-based ECEC and family day care have been considered formal ECEC services, including being governed by the same legislation. The establishment of the legislation can be seen as part of an initiative aimed at building the welfare state (Alila et al., 2014).

Since 1990, children under three years of age have enjoyed the entitlement to full-day ECEC provided by local authorities. Since 1996, the entitlement has covered all children under primary school age. The rationality for this change was related to female labor force participation, and it was strongly supported by the feminist movement (Alila et al., 2014). Municipalities are required to provide an ECEC place for each child whose parents so wish within four months of application. If the need is based on parents' studies or work, the municipality needs to provide a place within two weeks of application.

During the economic recession of the 1990s, a couple of important legislative changes were enforced. First, the legislation concerning the financing of social and health services was reformed in 1992 (Laki sosiaali- ja terveydenhuollon suunnittelusta ja valtionosuudesta, 733/1992), which increased municipalities' freedom to organize their services. For example, it made it possible for municipalities to purchase outsourced services (Local Government Act 365/1995) as the Public Procurement Act 1505/1992 regulated public procurements between 1992 and 2007. Second, the regulation related to the sizes of children's groups was substituted by staff–child ratios (Decree on Children's Day Care 239/1973, Asetus lasten päivähoidosta annetun asetuksen muuttamisesta, 806/1992). This was followed by increased monitoring of the efficiency of ECEC services in municipalities in the spirit of New Public Management principles (Paananen, 2017). These changes reflected austerity policies aimed at economic savings and strengthening market approaches.

Aligned with this approach, the private day-care allowance was introduced in 1996 (Law 1128/1996), which meant that families became entitled to a partly fixed and partly income-tested allowance to cover some of the costs of private ECEC services. The allowance can be used for the clientele fees charged by the private ECEC center, a private family day care, or a hired child carer.

The increased marketization of ECEC services seems to be more closely linked to the voucher systems that have been rationalized by many other countries through the discourse of individual choice and “the creation of managed care markets for private providers” (Anttonen & Häikiö 2011, p. 95). According to Anttonen and Häikiö (2011), the voucher system was piloted in the 1990s with child care and home care for older people in some municipalities. It was integrated into legislation in 2004 (Laki sosiaali- ja terveydenhuollon suunnittelusta ja valtionosuudesta, 733/1992, Laki sosiaali- ja terveydenhuollon suunnittelusta ja valtionosuudesta annetun lain 4§ muuttamisesta, 1309/2003). Furthermore, the position of the vouchers was made more stable with the new Act on Social and Healthcare Service Vouchers in 2009 (Act on Social and Healthcare Service Vouchers 569/2009). However, local authorities are not obliged by any law to provide vouchers.

In 2015, the legislation on childcare was updated (Laki lasten päivähoidosta annetun lain muuttamisesta, 580/2015). The term ECEC (varhaiskasvatus) was introduced into the legislation, and the change was rationalized with arguments related to strengthening the idea of early learning and investments in children’s well-being (see HE 341/2014 vp). Also, pre-primary education for six-year-olds became compulsory in 2015.

Shortly thereafter, in 2016, the right to ECEC for children whose parents were not in full-time work or education was restricted to 20 hours per week (Laki varhaiskasvatuslain muuttamisesta, 108/2016). According to Lundkvist and colleagues (2017, 1553), the tension between these two changes reflected, on one hand, “the long-standing ambition to reform the Finnish ECEC system largely built on ideas on the need to foster lifelong learning and social mobility, but it also emphasized rationales relating to children’s rights, social equality as well as safeguarding the ‘best interest of the child.’” On the other hand, they reflected an emphasis on the economic rationale of ECEC provision and the shift toward the parental employment rationale related to an austerity discourse following global economic crises.

The restriction limiting children’s right to ECEC to 20 hours a week and granting full-time ECEC mainly to children of working parents or full-time students generated active political discussion and a complaint to the European Committee on Social Rights. The committee ruled that limiting children’s right to ECEC to 20 hours a week and granting full-time ECEC mainly to children of full-time students or working parents was contrary to the European Social Charter. The limitation was abolished in 2020.

In 2016, the Act on Client Fees in Early Childhood Education and Care (1503/2016) came into effect. The legislation defined the maximum clientele fees for municipal ECEC. Fees were income-tested and based on the number of children in the family attending the ECEC setting. Also, part-time and full-time ECEC attracted separate fees. As mentioned earlier, the regulation concerning the service fees did not regulate clientele fees in the private sector.

The reforms of ECEC legislation continued in 2018 when the Act on Early Childhood Education came into effect (the Act on Early Childhood Education 540/2018). In this reform, for example, the proportion of ECE teachers required in center-based ECEC increased, while the number of children per staff member decreased. The regulations for private ECEC providers were integrated into the new legislation.

In the 2018 reform, a national data system for ECEC (VARDA) was introduced, containing information on ECEC actors and units, the children attending ECEC, the children's guardians, and ECEC personnel (The Act on Early Childhood Education and Care 540/2018). A data warehouse is maintained by the Finnish National Agency for Education. Both municipalities and private service providers have been required to record information on children in VARDA since 1 January 2019 and the personal data of children's guardians since 1 September 2019. This is the first time data concerning ECEC units, children attending ECEC, and ECEC personnel have been systematically stored. However, there have been delays in deploying VARDA.

In addition to these changes, ECEC has continued to be on the political agenda. Finland is rolling out a pilot scheme that extends pre-primary education to five-year-olds in 2021–2023. Around 10,000 children born during 2016 and 2017 took part in the policy pilot. Sanna Marin's government program (2019) set the objective of exploring the possibilities of limiting profit-seeking in ECEC and carrying out a study on how the right to ECEC is realized for undocumented children and those seeking asylum.

Growth of private ECEC services in Finland

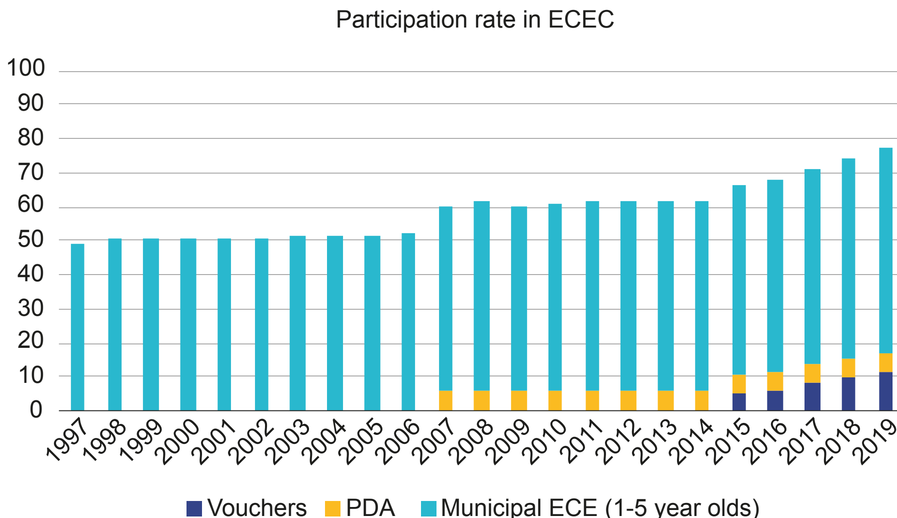
Private ECEC provision in Finland has traditionally involved non-profit actors such as parental cooperatives, churches and NGOs, and local and small for-profit entrepreneurs. According to the day-care legislation that came into force in 1973 (Act on Children's Day Care 36/1973), profit making was prohibited; instead, a private day-care center could receive state aid for 30 percent of its

operating costs. Consequently, the share of private provision has been moderate. Still, in 2000, only 11 percent of children enrolled in ECEC services attended ECEC from a private operator (Säkkinen & Kuoppala, 2017).

One of the key policy changes related to the share of private ECEC occurred when service vouchers were introduced in the 2000s. There were two major consequences of this change. First, as a result of enacting the Act on Service Vouchers, the private ECEC sector expanded rapidly. In 2019, the share of private providers was 18 percent of all ECEC provision. Second, private provision did change: in addition to non-profit and small for-profit operators, large national and multinational companies have entered the ECEC market in Finland. In sum, it seems that public income-tested demand-side municipal subsidies (especially vouchers) have enabled the expansion of the private sector (see Ruutiainen et al., 2020).

Examining the historical development of the share of private ECEC services in Finland is challenging as the earliest statistics on PDA users are from 2007, and the earliest statistics concerning ECE vouchers start from 2015, even though they have both been in use for longer periods. Figure 5.1 shows the development of the participation rate and share of private ECEC. The figure includes both full-time and part-time places and center-based ECEC and family day care. It also shows that the participation rate was rather steady in the 1990s and early 2000s. Also, the share of PDA users has been stable in the documented history from 2007–2019. The most important growth began with documenting the use of vouchers from 2015. The number of voucher users increased steadily each year. Between 2018 and 2019, the increase was 14 percent (Finnish Institute for Health and Welfare, 2020). In 2017, 23 percent of municipalities used service vouchers. Two years later, there was a remarkable increase as 31 percent of municipalities used service vouchers in 2019 (FINEEC, 2017, 2019).

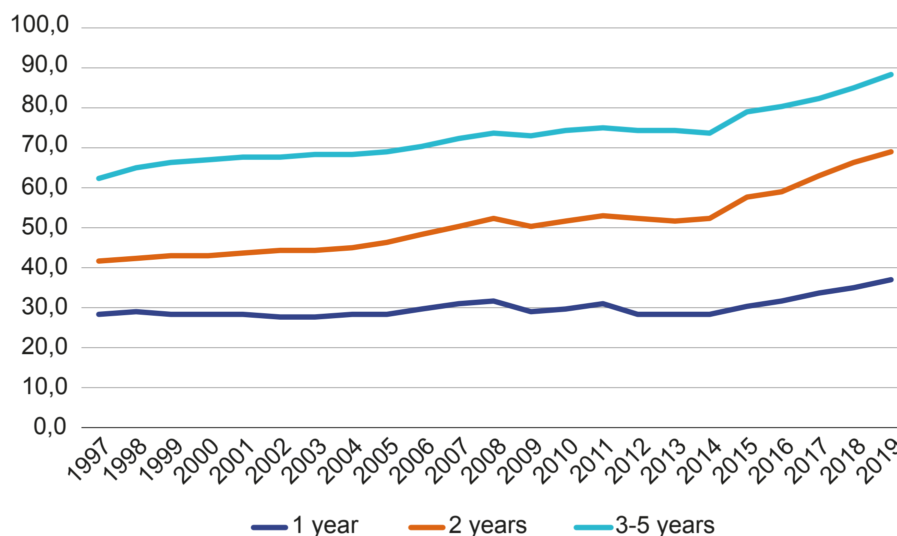
Figure 5.1. Share of Finish children enrolled in ECEC



The change regarding private providers was noticeable: non-profit ECEC centers were becoming fewer, while for-profit ECEC centers were expanding rapidly. Traditionally, private ECEC centers were run on a non-profit basis. The reform concerning service vouchers appeared to create a market for for-profit actors. We can see the increase in the number of private, for-profit ECEC centers: in 2017, there were 907 private ECEC centers, and in 2019, there were dozens more, altogether 993 private centers. However, the number of private providers had decreased. In 2017, there were altogether 501 private providers, 46 percent of which were non-profit and 53 percent for-profit. In 2019, the number of private providers had decreased to only 468 in total, arguably related to the development of larger for-profit companies buying smaller ECEC centers. Most private providers, 86 percent in 2017 and 84 percent in 2019, had only one ECEC center (FINEEC 2017, 2019). However, three providers had over 60 ECEC centers, and altogether, they provided over one-third of the private provision. All of the larger chains with more than 10 ECEC centers were for-profit providers. The largest provider had 177 ECEC centers in 2019 (FINEEC, 2019).

According to Ruutiainen and colleagues (2021, based on company databases), the revenue of the three largest for-profit chains increased from around 46 million euros to 146 million euros between 2015 and 2019. The workforce also tripled from 1,033 to 3,566 employees. Therefore, not only has the number of private ECEC increased, the trend has also centered on larger for-profit providers.

Figure 5.2. Children in ECEC by age and time in Finland (percentage of age groups)



Notes: Includes Åland
Source: Nordic Statistics CHI03

As documented in figure 5.2, the percentage of children in ECEC in Finland was lower and increased later than in other Scandinavian countries. For three- to five-year-olds, a rate of 90 percent of ECEC coverage was reached in 2019, almost 20 years later than in Sweden. The coverage for two- and one-year-olds remained lower, even if there was an increase from 2014 to 2019. The main reasons for lower percentages in Finland are arguably strong familism in home care and generous home care allowances.

Quality assessment in a diverse sector

As mentioned earlier in this report, the Ministry of Education and Culture is responsible for the guidance and monitoring of ECEC in Finland. Municipalities and Regional Administrative State Agencies (AVIs) are jointly responsible for monitoring the provision of all ECEC services. When ECEC services are outsourced to other service providers, the municipality is obliged to ascertain that those services also meet the required standards. At the national level, The Finnish Education Evaluation Centre (FINEEC) is an independent agency responsible for the evaluation of ECEC. It operates as a separate unit within the Finnish National Agency for Education.

ECEC providers in Finland have traditionally had quite extensive local freedoms to make decisions concerning the pedagogy and content of ECEC. As in many other countries, the growth of the share of private providers in the ECEC sector has been accompanied by increased central steering of the service. This is not to say that privatization alone has caused the increased steering. However, there have been reports (see, e.g., Iltalehti, 2019) concerning problems in private ECEC, such as not meeting the qualification requirements or staff–child ratios, followed by demands for stricter monitoring and quality assurance systems.

Following OECD recommendations, national core curriculum guidelines were first introduced in 2003 and revised in 2016 and 2018. These documents are broad and leave considerable leeway to local decision-making. Municipal authorities are required to draw up local curricula on the basis of the core curriculum.

The reform of ECEC legislation in 2016 brought changes to quality assessment of ECEC services. According to the revised legislation, all organizers of ECEC, including private providers, are obliged to conduct self-evaluations (the Act of Early Childhood Education and Care 540/2018). However, the legislation does not specify how the evaluations need to be conducted. It states that the key results of the evaluation need to be published and that parents or guardians and children need to have an opportunity to be involved in the evaluation process.

Private providers are obliged to prepare a self-monitoring plan to ensure that their ECEC activities follow the statutory requirements. They must specify in their self-monitoring plan how they collect feedback, how the feedback will then be processed, and include a description of how the feedback is used to develop the activities.

In addition to self-evaluation and self-monitoring, ECEC service providers must participate in external evaluations carried out by the National Education Evaluation Centre, FINEEC, and AVIs. FINEEC is responsible for national evaluations of ECEC and the development of evaluations. It also carries out external evaluations of ECEC organizers' and private service providers' activities (Vlasov et al., 2019).

In 2018, FINEEC published guidelines and recommendations for evaluating the quality of ECEC (Vlasov et al., 2019), which is the first guiding document concerning quality assurance for organizers and private providers. Its aim is to lay the foundation for the evaluation of ECEC. It provided general-level principles

of quality management and introduced quality indicators. Also, FINEEC is in the process of developing a digital quality assessment system, VALKEA, aimed at supporting evaluation at both the local and national levels.

There have been no reliable comparisons concerning structural or process quality in private and municipal ECEC due to methodological reasons. Also, the assessment of the education sector has followed the principle of "enhancement-led evaluation," aimed at a participatory approach to quality assurance. It aims to take into account a (local) democratic approach to defining the key values, aims, and objectives of ECEC (as opposed to the international standardization trend), and it has actively avoided creating an evaluation system that would allow, for example, rankings. As FINEEC's assessments are based on staff self-evaluations, the available data do not allow comparisons between public and private operators (Repo et al., 2019). The new data warehouse, VARDA, enables comparisons of some structural elements of quality regarding ECEC services in the future.

All in all, we can arguably also witness the "governance turn" in the Finnish ECEC sector. It has been argued that this is related to the emergent knowledge on early brain development along with the aims of the knowledge economy, which have both highlighted the role of ECEC in society. At the same time, ECEC providers such as municipalities have experienced increasing economic pressures. At least partly as a result of these two developments, efficiency has been sought in producing good quality ECEC (see Paananen, 2017). This has intensified the aims to monitor, govern, and control the provision of ECEC. It is also partly related to the increased focus on marketization and the use of other corporate management models as the main drivers of improvement (Ball, 2003).

Current developments

In recent years, ECEC has been the subject of considerable political interest, including in Finland. As in other Nordic counties, policy discourse concerning ECEC has changed within the last decades, and instead of the view of ECEC as only fulfilling the societal role of enabling parents to participate in the labor force, it is now recognized as part of the educational system. In 2013, ECEC was included under the Ministry of Education and Culture, the same ministry that houses other parts of the educational system. Finnish ECEC follows the "educare" principle, which means that it simultaneously emphasizes children's education, teaching, and care as the foundation of pedagogical activity. The pedagogical tradition of ECEC in Finland has Froebelian roots, with play as a

central feature in the everyday life of ECEC centers. Play is considered to have intrinsic value in addition to being considered a good way to learn. More instrumental approaches such as considering ECEC as a preparatory step for primary education have been gaining momentum in policy discourses. However, there is no empirical research on whether and to what extent this change has been reflected in ECEC practices.

At least partly because of the growing interest and focus on the early years, there have been multiple legislative and guidance-based reforms on ECEC, including reforming qualification requirements, child–staff ratios, and core curricula documents, as explicated in the previous sections.

More recently, more attention has been paid to the fact that local policy debates on ECEC vary in comparison to national debates. For example, there are local variations in the ways in which the organization and composition of ECEC services have been justified and rationalized. For example, it seems that most often in urban municipalities, the focus has been on discourses regarding children's right to learn, and in other municipalities, mostly located in rural areas, the logic of organizing ECEC services has been rationalized and justified mostly based on labor market needs and the economy (see Karila et al., 2017).

Local-level debates are important for understanding wider policy changes (see Paananen et al., 2019) and local variation in both participation rates and the share of private provision. Although the roots of Finnish ECEC are based on a universalistic welfare model, in the last couple of decades, it has been mixed with the neoliberal free-choice model. One example of this development is the growth in regulated and subsidized private ECEC provision (Mahon et al., 2012). Municipalities have been the key actors, especially in the growth of the private sector (Ruutiainen et al., 2020), as they have considerable autonomy in deciding how they organize their services.

This is especially notable in the variation of the local share of private ECEC provision, which is remarkable between municipalities. In some municipalities, there is no private provision, whereas in others, the share of private provision is close to 50 percent (National Institute of Health and Welfare, 2021). More recently, some smaller municipalities have been outsourcing all of their ECEC provision to private operators under the service voucher scheme. This might present problems if parents refuse to claim vouchers as they have a legal entitlement to ECEC services organized by the municipality. Vouchers are used only for subsidizing private provision, not for funding municipal ECEC.

The increase in private provision has, at least to some extent, increased segregation among ECEC services in Finland. This is evident in, for example, the ECEC arrangements of children with special needs, with significantly fewer children with special needs enrolled in private ECEC services compared to public ECEC services, and it is rare for private ECEC service providers to hire special education teachers (Vainikainen et al., 2018). In both subsidy systems, but especially in the PDA system, children from higher socioeconomic backgrounds are more likely to participate in private ECEC. Furthermore, in municipalities where the share of private provision is over 18 percent, children in a need of "day and night care" are more likely to participate in public ECEC compared to their peers (Ruutiainen et al., 2021). Nevertheless, the research concerning the role of private ECEC in segregation among children according to their socio-economic background is still inconclusive.

The policy debate concerning privatization in ECEC has increased in the past couple of years. It has been argued that the funding of private ECEC centers has built large private fortunes for some owners at the expense of service quality. At the same time, private provider networks have been pushing for more funding, arguing that more funding will give families equal-choice opportunities. Sanna Marin's government program (2019) set out to examine the possibility of restricting profit making in the ECEC sector. The report on this was published in 2021, concluding that the restriction could violate the right to engage in commercial services protected by Finnish constitutional law (Tuori, 2021). There are also plans concerning private ECEC being subject to a licensing practice instead of the current practice of a notification system (Sanna Marin's government program, 2019; Tuori, 2021).

Conclusion

The main development paths of the Finnish ECEC sector show a strong level of familism in the tradition of home care and trust in public sector ECEC. Municipalities have been key players in ECEC policymaking and policy development due to strong municipal autonomy. The public ECEC sector has developed as part of the creation of the welfare system and has been influenced by incentives to increase female labor participation and provide child welfare services. There has been a strong norm concerning (especially) mothers caring for their small children at home. This has been accompanied with a rather generous home care allowance policy, which has been especially enshrined by the Center Party. This has led to a situation where public ECEC has been available universally for all

children, although the participation rate has been lower than in other Nordic countries.

The introduction of voucher schemes in 2009, along with austerity and choice discourses, led to an increase in private provision and large multinational for-profit companies entering ECEC markets. Vouchers have resulted in a much faster growth in for-profit ECEC compared to PDA.

Table 5.1. Overview of ECEC regulation in Finland

Regulation	Finland
Fee paid by parents	Maximum prices in public ECEC but not in private ECEC
Schemes for reduced price?	Pre-primary education for six-year-olds is free of charge. Policy pilot concerning free-of-charge ECEC for five-year-olds in 2018–2021. Fees are income-tested: families on low income do not pay a fee.
Individual's right to a place	Since 1996, all children below school age have had a right to full-time ECEC, regardless of the labor force status of their guardians.
Quality regulations	The law on children's day care came into effect in 1975. The law on Early Childhood Education replaced the law on children's day care in 2018. It set regulations concerning qualification requirements, child–staff ratios, aims of the service, and group sizes. The National Agency for Education is responsible for the core curriculum.
Level of funding of private ECEC	The fixed part of the private day-care allowance (PDA) is 174.59 e/month/child; the income-based part is a maximum of 146.82 e/month/child. In addition, municipalities can grant municipal supplements. Municipalities have decisional autonomy regarding the monetary value of vouchers and municipal supplements for PDA.
Form of funding of private ECEC	Municipalities may subsidize ECEC by PDA, which is a weekly income-tested sum per child. However, they may issue vouchers instead that most typically vary according to the parent's income, the child's age, number of hours in day care, family size, etc. They can limit fees by setting price ceilings in the voucher rulebook. There is no national regulation concerning private ECEC providers' clientele fees.
Supervision of private entities	Municipalities and regional administrative state agencies (AVIs) are jointly responsible for monitoring the provision of all ECEC services in their area.
Limitation on profits?	There are no limits on profits. Sanna Marin's government set out to examine the possibility of restricting profit making in ECEC. The report on this was published in 2021, concluding that the restriction could violate the right to engage in commercial services protected by Finnish constitutional law. According to the report, the limitation could be possible in pre-primary education (Tuori, 2021).
Right to establish?	Since 1975, municipalities have been able to include private actors in their ECEC service plan; in 1996, PDA was introduced; and in 2009, a general voucher system was implemented. There are no licensing requirements but a notification system. Sanna Marin's government is considering the possibility of introducing licensing.

There has been a dearth of research on privatization in ECEC in Finland, but in recent years, studies have started unraveling this reality (e.g., Ruutiainen et al., 2020; Ruutiainen et al., 2021). It seems that, at least to some extent, the increase in private services has led to selectivity. In the ECEC sector, children with special needs are more often enrolled in public ECEC (Vainikainen et al., 2017). Ruutianen and colleagues (2021) reported on the potential for selectivity even within private institutions: in some cases, parents can purchase extra activities such as language showering or music activities during ECEC days, potentially leading to segregation within the ECEC group. Nevertheless, research on segregation related to privatization remains inconclusive.

Studies have pointed out that there are many restrictions regarding the decisions that parents are able to make, such as those related to distance, work life, municipal policy, parental support networks, information availability, etc. (Paananen et al., 2019). Thus, the strong discourse of free choice concerning ECEC arrangements prevalent in Finnish ECEC policy (Onnismaa & Kalliala, 2010) does not have a strong reference point in actual ECEC arrangements (Paananen et al., 2019).

6 Iceland

ECEC has been a fundamental part of family polices in Iceland for decades. Nearly all children in Iceland attend ECEC before formal schooling or, 87% in the age group of one- to five-year-olds, 95 to 97% of two- to five-year-olds, and 48% of one-year-olds (Icelandic Statistics, 2018 n.d). ECEC is highly subsidized and is almost universal in terms of coverage, despite the fact that there is no state guarantee or universal right to ECEC based on legislation (Eydal et al., 2018). However, municipalities commit politically to making preschools (leiksskóli) available when children are between 18 and 36 months of age (Eurydice, 2019). Family day care (dagforeldri) fills the gap between parental leave and preschool for many younger children (Nordens Velferdssenter, 2021, p. 18).

Preschool is usually provided to two- to six-year-old children. Paid parental leave is nine months in total, which leaves a gap that parents must bridge until the child has access to day care. There are no legal rights to home care allowances; however, a few municipalities have paid them when children are on a waiting list for preschool (Arnalds et al. 2013). As in the other Nordic countries, ECEC is part of wider care policies that aim to support families with young children and help them reconcile work and family life (Eydal et al., 2018).

ECEC is divided into preschools and family day care. The Ministry of Education has overall responsibility for preschools, but family day care falls under the Ministry of Welfare. Family day care is provided in private homes, usually with three to five children. It is most common that the youngest children (0–2 years) are in family day care while parents are waiting for a place in a preschool (Eydal & Rostgaard, 2011). In 2016, 28 percent of one-year-old children were in family day care (40 percent of all ECEC places). The proportion was considerably lower from age two, when approximately 95 percent of children attended centerbased ECEC settings (Statistics Iceland, 2018a, 2018b). Children with special needs have the same right as others to attend ECEC, and programs are to be adjusted according to their ability and needs (Act on Preschools, 90/2008; Eydal & Rostgaard, 2011).

The Ministry of Education is responsible for the regulation and inspection of both public and private preschools, which has been the case since 1973 when

the first act on day care was passed (Eydal & Rostgaard, 2011). The ministry also delivers the national core curricula for the ECEC stage (excluding family day care). The emphasis, according to the legislation, is on the welfare and well-being of children and learning through play in a creative environment (National Core Curricula, 2011).

The majority of preschools are owned, operated, and regulated by municipalities, and it is the municipality's responsibility to grant licenses to operate both public and private preschools. Private preschools can be both non-profit entities (self-governing organizations in most cases) and for-profit entities. Private preschools operate under the same legislation and regulatory provisions as public preschools. In addition, both these organizational forms run on an equal economic footing with municipal units. Usually, private entities have a formal service contract with the relevant municipality (the Preschool Act, 90/2008).

Preschools are for children below primary school age (6 years old). They are financed and run by municipalities. Funds are allocated to municipalities from national income tax. Local taxes may also be used for the financing. Parents pay fees that differ among municipalities, and their share sometimes depends on their circumstances or whether they have more than one child in ECEC. Overall, parents' fees range from 10–25 percent of the preschool's operating costs.

When private organizations run ECEC, the municipalities usually contribute to the cost of the operation; however, there are no nationwide coordinated rules concerning such contributions. In any case, parents' contributions are higher.

It is up to the municipalities concerned to allow other parties to operate preschools according to the guidelines in the Preschool Act (Euyridice, 2019). Municipalities can decide whether to outsource preschools to private providers or run the services themselves. Private preschools can decide about selection and admittance procedures (Eurydice, 2019). However, they have to fulfill the same national standards as public ECEC, such as staff qualification, national curricula policy frameworks, and child–adult ratios (Act on Preschools 90/2008; National Curricula Framework, 2011).

In 2019, there were 258 preschools in Iceland, among which 215 were run by municipalities, and 43 were privately owned (Statistics Iceland, n.d.). Unfortunately, no official data exist on how many private entities are run as non-profits or how many extract profits from their activities.

The long lines in ECEC governance

Until 1973, when the first act on day care was passed, the day-care system was characterized by voluntary organizations operating the majority of day-care institutions and staff training, with relatively little state support (Broddadóttir et al., 1997). In many ways, the modern ECEC in Iceland was established in 1973 when this first act was passed. From then, municipalities gradually took control of the provision as the coverage expanded.

From 1973–1984, only minor amendments were made to this act. Although the first act was not passed until 1973, bills had been proposed in parliament in the 1940s and 1960s on the operation of day care, although they were never fully discussed. The first such bill in 1946 emphasized that because of urbanization and industrialization, childcare was becoming a social problem and that it was the responsibility of the state to provide day care as a solution. Therefore, the safety and well-being of children was the main ideology behind this bill, not as a means for mothers to be able to work outside the home. Later, two bills were presented in 1963 and 1965 emphasizing the operation of day-care centers for the public and for the establishment of a school to train preschool teachers. In these bills, the emphasis had shifted from the interest of the child to labor market policies and the need for women to participate in the labor market (Eydal, 2005).

In the first legislative act, several reasons were advanced regarding children's need for day care, such as the child's development and safety and when both parents'participate in the labor market. These arguments were very similar to those from 1946. There was a political consensus on the legislation, and there were several reasons for its timing, such as changing living conditions, public acceptance of the importance of day care for the well-being and development of the child, the need for women to participate in the labor market, and the demand by women for equality (Broddadóttir et al., 1997). In the first act, the term "day home care" (i. dagvist) was used, and the services were divided into day-care nurseries, kindergartens, and school day-care centers. In the legislation, special emphasis was placed on the pedagogical value of day-care institutions and the education of qualified pedagogues. At the time, the government also accepted responsibility for providing training and funding for ECEC and incontrovertibly took over schools owned by charitable organizations (Gunnarsdóttir, 2014).

In sum, the rationale for public day care was not debated, and day-care institutions were recognized as a public issue and public responsibility (Eydal, 2005). This is reflected in statistics about the expansion of day care between 1973 and

1984, although the volumes were low, and only part-time care for children three years and older was usually available. In 1984, 34 percent of three- to six-year-olds were enrolled in part-time day care (Broddadóttir et al., 1997; Eydal, 2005).

Interestingly, although women's labor market participation and equality were mentioned in the debates in parliament, the main emphasis was on children's rights. There were no controversies regarding who should provide the services.

A new legislation was passed in 1976, but it was not until 1981 that it was required that the Ministry of Education develop a national curriculum framework for ECEC (Law on Government Building and Running of Day-care Homes, 40/1981). According to Jónasson (2006), this change was in line with developments in Northern Europe and the United States.

In 1991, when a new act was passed, the term day care was changed to playschool. The argument for this change was that playschools were educational organizations. There was a debate in parliament because of different opinions about the purpose of preschool at this time. The debate revolved around whether the main purpose of playschool should be educational and for all children or as a social service for parents who wanted it (Alþingi, 1990, 1991).

This act represented the first instance in which it was recognized that all children should have the right to attend preschool. Later, in an act passed in 1994, municipalities were obliged to take the initiative in ensuring places for children. Additionally, it was clearly stated that preschools were the first level of the educational system (Gunnarsdóttir, 2014). The running and operation of preschools were moved from the state to the municipalities, while regulation and inspection remained at the state level (Broddadóttir et al. 1997).

In 1997, the training of ECEC staff was amalgamated with the Teachers College of Iceland, thereby moving their education to the university level (Gunnarsdóttir, 2014). In 2008, a milestone was reached when legislation on the whole Icelandic school system was passed. There were several fundamental changes in this legislation, such as enabling the further privatization of playschools in Iceland. The legislation specified that "municipal councils may authorize third parties to build and operate preschools using the form of non-profit organization, a company limited by shares or any other legal form." In general, the emphasis was on deregulation and, accordingly, opportunities to write a new national curriculum for the whole school system. Each school was supposed to write its own curriculum based on its philosophy and methods. The emphasis

was much in the spirit of New Public Management, that is, a focus on measurements and goals (Magnúsdóttir & Dýrfjörð, 2016).

Another milestone was reached in 2008 with the act requiring that teachers at all levels hold a master's degree (Gunnarsdóttir, 2014). The preschool act also stated that two-thirds of employees should be qualified as playschool teachers. However, this goal has not been reached (Eurydice, 2019). Furthermore, a regulation on the working environment of preschools (655/2009) stated that each municipality, in cooperation with the head of the preschool, should make decisions about the number of children admitted to the preschool based on factors such as the age distribution and special needs of children, length of stay, size of the space used for play and instruction, and the composition of staff. However, there was no regulation regarding staff–child ratios.

Shortly after the legislation was passed, Iceland experienced a huge financial crash, forcing the then government to resign. After this crash, some preschools merged, and some were merged with compulsory schools. A report by the Ministry of Education to parliament stated that, in 2014, 15 preschools were run jointly with compulsory schools (Skýrsla Mennta og menningarmálaráðerra, 2018).

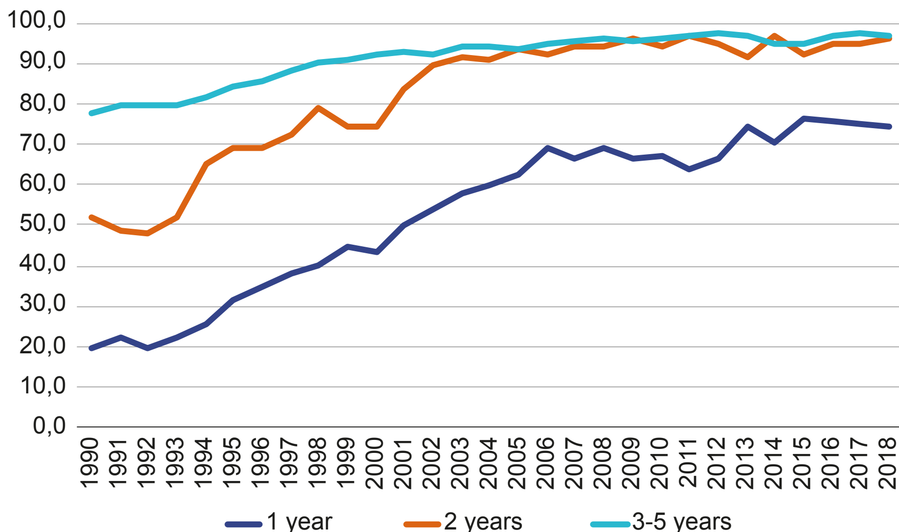
The national curriculum for preschools was last updated in 2011. It continued to underscore pedagogy and the best interests of the child as well as ensuring consistency and continuity in education from preschool to university (National Core Curricula, 2011). Gunnarsdóttir (2014) appraised the document as very progressive. The first three chapters in the curriculum are the same for all educational levels, with the remaining chapters dedicated to each school level. The ideology is based on six pillars: democracy, sustainability, equal opportunities, reading, creativity, and health and welfare. Every school is supposed to base its curricula on these six pillars. Although the emphasis is still on learning through play, there appears to be a greater focus on integrating playschools with compulsory schools. The document did not explicitly state that preschools should constitute preparation for formal education. However, it specified that preschool learning should form a basis for compulsory school (Menntamálaráðuneytið, 2011a). This was confirmed in research by Einarsdóttir (2007, 2015), which concluded that the gap between preschool and compulsory school seemed to have narrowed. This is also in line with discussions by labor unions that have proposed transfers of five-year-old children to primary school, which is thought to give the children an advantage as they would spend more time in formal education. The same points have been observed in policy discussions about preschools. According to Gunnarsdóttir (2014), some preschools might have adapted their

terminology toward more teaching instead of play, although the emphasis is still on learning by play and pedagogy. Some municipalities have expressed support to move the emphasis more toward formal education preschools by moving five-year-olds into primary schools and conducting assessments on children in the last year of preschool. This development is in line with international forces advocating for more measurements, standardized tests, assessments, etc. These trends have also had an influence in Iceland, as in the other Nordic countries. However, findings by Einarsdóttir (2019) on the views of parents of pre-schoolers indicated that parents were satisfied with the social emphasis of pre-schools and did not want to focus on education. This is perhaps a sign of a mis-match between the regulative environment of municipalities and the traditional view that learning through play should be in the forefront.

Coverage

Figure 6.1 presents a historic point of view on the share of children attending preschool. The figure demonstrates the development from 1990–2018. It shows that full coverage was reached just after 2007. The older the children got, the more common it was for parents to use ECEC services.

Figure 6.1. Children in day care by age and time in Iceland (percentage of age groups)



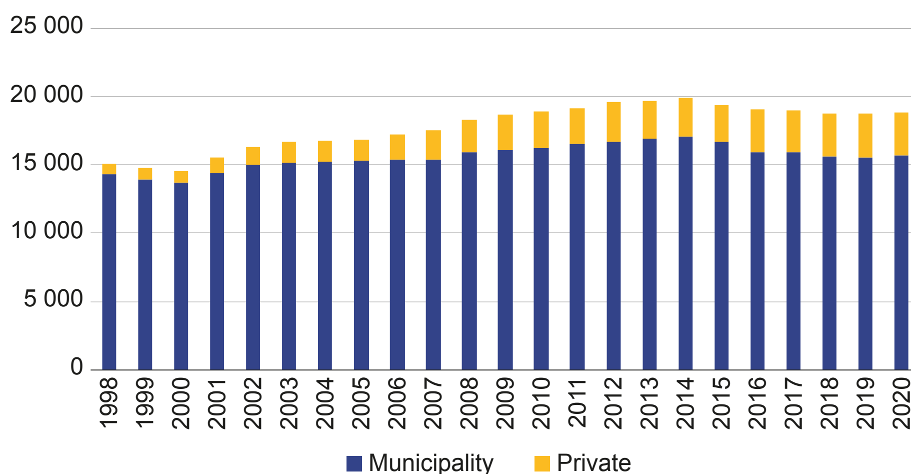
Notes: Compulsory school starts at the age of 6. Only children in day-care included, not children in after school arrangements.
Source: Nordic Statistics CHIL03

Growth of private ECEC services in Iceland

Private ECEC services in Iceland have traditionally involved non-profit providers. As mentioned earlier, nearly all day-care institutions were run by voluntary organizations before 1976, when the government took over most of its services. However, some alternative private schools have always provided ECEC services. Usually, these operations are based on ideology, religion, and parental or entrepreneurial initiatives. A case in point are the Waldorf schools that operate both preschool and primary education based on Steiner's ideology and the playschool of Ananda Marga tradition. Before the 2008 legislation came into effect and enabled further privatization of ECEC, it was possible to establish private for-profit playschools. However, the 2008 act did not mention whether preschool owners could extract profits from their operation. Nevertheless, as municipalities usually approve formal service contracts for private ECEC operations, it could be that restrictions on profits to private owners were specified in these contracts. Interestingly, in 2016, the Compulsory School Act from 2008 was changed and stated that public funding should only benefit the educational activities of the school. No such modifications have been made to the legislation on preschools, which suggests that there are no limitations on the generation of profit.

Figure 6.2 shows the number of children attending public and non-public ECEC from 1998 to 2020. Private ECEC are shown to be on the rise. The share of children in private ECEC grew from five per cent in 1998 to 17 per cent in 2020.

Figure 6.2. Total number of children 0-5 years attending ECEC in Iceland



Source: Children in pre-primary institutions by age of children and daily attendance 1998-2020, Statistics Iceland

There is a dearth of research on privatization in the context of preschools in Iceland. However, as in other Nordic countries, neo-liberalism has been gaining momentum as a political ideology. According to Dýrfjörð (2011), you can mainly see the manifestations in the curriculum discourses regarding deregulation, choice, privatization, etc. However, the outsourcing of preschools to private providers and formal service contracts are also evidence of the rhetoric of New Public Management. A historical analysis following the 2008 act pointed out that there has been increased formalization of relations between the state and private entities in the welfare and education sector in Iceland (Hrafnsdóttir & Kristmundsson, 2012). However, it did seem that, at the beginning, the main focus of offering private preschools was to give parents more freedom of choice and not necessarily to develop private preschools run by companies. In any event, there were no heated debates in parliament about privatization when the 2008 bill was submitted. While there are no large multi-national chains providing ECEC services, there is an alternative preschool (Hjallastefnan ltd.) based on the ideology of gender equality, which is the largest company in the field. Currently, they operate 17 preschools and three primary schools (Hjallastefnan, n.d.). In a few cases, they have contracted with smaller municipalities that have given them a monopoly in the provision of preschool services. In these cases, parents have no freedom of choice. The second largest provider is Skólar ltd., which operates five health-promoting preschools. Other private preschools are mostly run individually, often based on some alternative pedagogy. As there are no official statistics on the division between profit and non-profit (self-governing organizations or associations) preschools, it was decided to search the website of the Association of Independent Schools in Iceland, although not all private preschools are members. It was also decided to look at the websites of the municipalities in the metropolitan area to locate private preschools. As mentioned earlier, in 2019, Statistics Iceland indicated that 43 preschools were private. Through this method, 38 private preschools were found. Interestingly, 32 of them were limited companies, and six were non-profits (self-governing organizations/associations). Three of the non-profits where established many years ago, and the other three were run by the University of Iceland's Student Services, which is a self-governing organization. It is evident that, at least from the year 2000, nearly all private preschools in Iceland are registered as limited companies. It is difficult to account for these statistics except through a detailed empirical study.

Quality control in the ECEC sector

The Ministry of Education is responsible for the evaluation and monitoring of the whole educational system in Iceland, including public and private preschools. When ECEC services are outsourced to private preschools, municipalities have the responsibility to monitor that their services meet the required standards.

As mentioned earlier, the educational system in Iceland has been decentralized in terms of responsibilities and decision-making to the municipal level. Historically, preschools have had much freedom to decide the content of their services. However, with the implementation of the Preschool Act of 2008 and the national curriculum policy framework guide in 2011, national steering has become more transparent. Nevertheless, every preschool is responsible for writing its own curricula based on the 2011 national curriculum policy framework guide, thereby retaining some liberties within this framework.

According to the Preschool Act (90/2008), the aims of evaluation and quality control are as follows:

- To provide educational authorities, preschools staff, receiving schools, and parents with information on the education and care provided, their outcome, and development.
- To ensure that schools operate in compliance with the provisions of law, regulations, and the National Curriculum Guide for Preschools.
- To increase the quality of the education and care provided in preschools and promote improvement
- To ensure that children's rights are respected and that they receive the services to which they are legally entitled (Article 17, 90/2008).

Preschools are responsible for their internal evaluation, but the ministry and municipalities perform external evaluations. External evaluations can include evaluations of schools/institutions, internal evaluation methods, or other aspects of school activities. Since the establishment of the Directorate of Education in 2015, most aspects of the process belong under its auspices.

The main purpose of external school evaluations, apart from improving work quality, is to obtain an overall picture of each school's activities or specific aspects at a given time. Attention is directed toward various features of the school's activities, such as administration, development work, cooperation and communication within the school, study achievements, and communication between the school and parents and other acting parties outside the school.

ECEC employees must have appropriate education and training. The requirement is that one in three staff members must have a higher education degree. Municipalities are also required to hire specialists to provide counselling and support to children with disabilities in preschools.

Since 2000, Iceland has participated in the OECD PISA studies and, since 2009, the TALIS study. Iceland also takes part in OECD work on developing student achievement indicators, with the Icelandic educational system being regularly reviewed by OECD experts (Euyridice, 2019).

Conclusion

The main development of the ECEC sector shows a strong reliance on publicly provided ECEC services, although after 2000, there was an increase in private providers, a development whose trajectory is difficult to predict. Municipalities are the main players in providing these services, with relatively extensive autonomy. ECEC services are intended to facilitate parents' labor market participation as well as secure the child's well-being. The coverage is nearly universal, and almost all children have experienced preschool attendance before the age of six. However, parents in Iceland need to bridge the gap between the end of parental leave until the child starts school, most often with paid family day care. There is considerable political and public support for ECEC, and it is considered a natural part of a child's education in society.

Table 6.1. Overview of ECEC regulation in Iceland

Regulation	Iceland
Fee paid by parents	No national regulations, but municipalities set fees for parents in the range from 10–25 percent of the operating costs of preschools.
Schemes for reduced price?	Not generally, but some municipalities have discounts for siblings, students, and low-income families.
Individual's right to a place	According to legislation, there is no individual right to a place. Municipalities commit themselves politically to provide places.
Quality regulations	Through legislation and national curricula. One in three staff members in ECEC centers must have a higher education degree.
Level of funding of private ECEC	Funding of private preschools is on par with that of public preschools.
Form of funding of private ECEC	Publicly subsidized, but parental contributions are higher.
Supervision of private entities	Conducted by municipalities along with the Ministry of Education.
Limitation on profits?	No, not according to the Preschool Act.
Right to Establish?	Municipalities can decide to outsource ECEC services to private providers.

ECEC development in Iceland seems to have followed similar paths as in the other Nordic countries, although there were some dissimilarities. The main difference was a slower development because of later industrialization and urbanization compared to the other Nordic countries. It is also clear that international standards from the OECD and the results of the PISA studies were somewhat influential in the discourse in policy documents, such as the national curricula. Although there have been some scholarly disagreements about this, public debates involving politicians and parents have mainly involved waiting lists following parental leave.

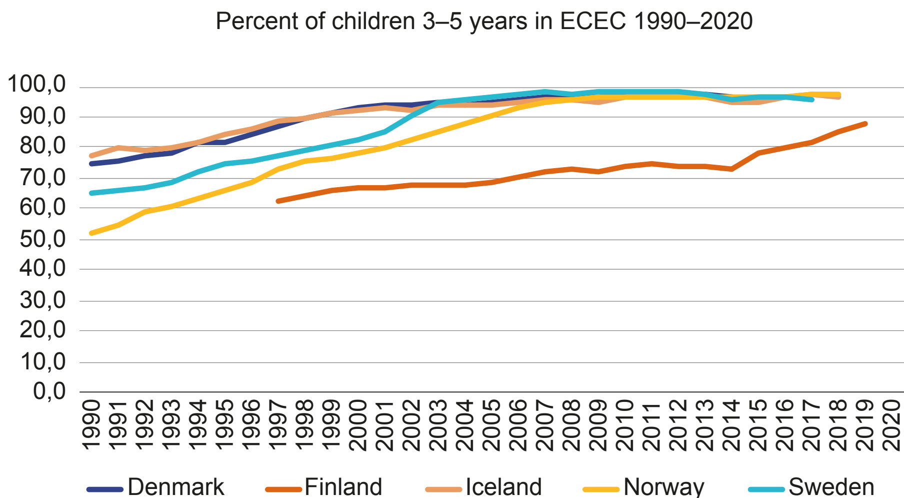
In general, there have not been many public or political debates on the challenges of the ECEC sector, neither has the privatization of ECEC been high on the agenda in political or public debates. Very few Icelandic researchers have criticized the neoliberal changes evident in ECEC policies after 2008 and 2011. Furthermore, hardly any research has been carried out on the privatization of ECEC, and there has been very limited political or public debate about the ECEC sector in general.

7 Conclusions: One model – many solutions?

In this report, we set out to investigate ECEC governance and policy choices and the mix of public, for-profit, and non-profit providers in the Nordic countries. Despite arguably belonging to a Nordic model in terms of the service content and the holistic, play-centered approach, there are important variations in terms of the governance of the field. Notably, the governance and use of non-public providers in the ECEC sector do not necessarily match the overall approach to governance and the welfare mix that dominates the welfare sector in the different countries.

Figure 7.1 shows the development in terms of the proportion of age groups from three to five years in ECEC in the five countries. It shows that, particularly Denmark and Iceland, but also Sweden, were early movers in expanding the service. Norway followed suit only a few years later, while Finland has only recently reach full coverage in ECEC. As we have documented throughout this report, there have been many similarities in this development: non-profit initiation of the service, gradual public expansion of responsibility, the central role of municipalities, and new legislation aimed at making ECEC a universal service, which was enacted in the 1970s. Expanding the supply of places has been an ongoing discussion in all five countries. The variation, however, is instantiated through the role of non-public providers and, in particular, for-profit actors.

Figure 7.1. Proportion of three- to five-year-old children in ECEC 1990–2020



Notes: Denmark: Data post-2015 are not comparable to the previous series. Sweden: from 1999, children in open kindergartens were not included. Finland: includes Åland.
Source: Nordic Statistics CHIL03.

Interestingly, we see major differences between the countries in terms of the role of for-profits in the field, with Norway and Denmark as outliers. At the same time, it is striking how the ECEC sector, in some cases, differs from the governance of other welfare fields. Norway is probably the country where the governance of ECEC deviates most from other parts of the welfare state. A governance strategy where private providers (1) have the right to establish given the fulfilment of certain criteria (at least until 2011), (2) are part of a practical voucher scheme where they receive payment per user, and (3) enjoy limited restrictions on the transfer of profit, which is quite unique to the ECEC area in the Norwegian welfare service context. This is also probably the reason why we see changes in the welfare mix in ECEC that are radically different from the stability characterizing most other welfare service areas in Norway (Sivesind, 2017). One important part of the explanation regarding for-profits in Norway is that they were given an instrumental role to increase supply in the wake of the 2003 legislation. In all the other countries, full coverage was reached without inviting for-profits in the same manner.

Conversely, in Sweden, competition for users with vouchers in the welfare context is widely used in many service areas, resulting in the same changes in

the welfare mix that we observed in Norwegian ECEC. Interestingly, the fact that commercial incentives appeal primarily to for-profit providers seems to be unintentional on the part of policymakers. This is the case in the Norwegian ECEC sector, as exemplified in the Norwegian chapter by the statements from Øystein Djupedal, one of the architects of the regulatory regime enabling for-profit growth. The same level of surprise was expressed by the Swedish policy-makers who created the welfare market there (Barth-Kron, 2020; Trætteberg, 2018, p. 285)

In Swedish ECEC, public sector service provision did not experience the same kind of pressure by commercial enterprises as in other welfare service areas, despite low establishment thresholds, user choice through vouchers, and no restrictions on the transfer of profit. The expansion of the ECEC area took place before the voucher system was fully implemented, and the commercial actors seemed keener on mergers and acquisitions than on establishing new ECEC institutions. Political disputes have been won by the conservative–liberal coalition that wanted vouchers, but the public sector service structure has been more resistant to change (Westberg & Larsson, 2020).

In Denmark, legal reforms allowing private kindergartens to operate independently of the municipal allocation of places to children did not change the structure. New kindergartens tend to be local units operating in more or less the same way as non-profit, self-owning foundations because this is in line with the population's expectations (Thøgersen, 2013a). A reform taking effect in 2021 will give kindergartens compensation for an increased requirement to staff-child ratio, but the owners will no longer be able to take out profit. This will limit the development of commercial corporations owning numerous kindergartens, such as those in Sweden and Norway.

In Iceland, municipalities dominate the provision of ECEC, like they have done for decades. At the same time, there is a growing number of for-profit alternatives, with the once-dominating non-profit sector playing only a fringe role.

In Finland, while municipalities dominate ECEC provision, we have seen considerable for-profit growth over the last six to seven years. If this development continues, we may see a different welfare mix within a few years. One important aspect is that the changes taking place in Finish ECEC resemble the development in Norway. Finland is at an earlier stage in what could be the same path. The current Finish government has policy ambitions to alter some of the governance structures that are most beneficial to the for-profit chains, but it remains to be seen what changes will take place.

Thus, the Nordic countries represent contrasting cases. In Norway, approximately half the children attend public ECEC institutions, while half attend non-public ones. The corresponding number in Sweden, Denmark, Iceland, and Finland is around 80 percent public and 20 percent non-public in all cases (Dahle, 2020a).

One important part of the explanation may be the timing in terms of when for-profit providers were given a beneficial regulatory regime. All five countries have experienced periods of high demand for ECEC services and have rallied to increase supply. In countries such as Denmark, Iceland, and Sweden, this increase in supply took place before the for-profit actors were invited to enter the sector. It was achieved through public provision, and in Denmark with non-profit, self-owning institutions in a supplementary role. In Norway, and to some degree Finland, private providers were incorporated in order to meet the demand of full coverage. This gave them a beneficial environment for growth and enabled private actors to develop the organizational and economic muscle to continue growing as supply caught up with demand.

A shared feature of ECEC governance in all five countries is that municipalities are the public entity responsible for the service. Municipalities also have an important governance role for non-public ECEC institutions. This can explain the important differences observed within the countries as the municipalities choose different governance strategies. A case in point is Finland, where some municipalities only have public providers, while others have no public providers.

Once the five countries first started legislating for ECEC as a universal service in the 1970s, they all gradually increased their responsibility. This occurred as ECEC was increasingly seen as a part of the formal educational system, and the states regulated the content of service in terms of the pedagogical approach, education of staff, and staff–child ratios. At the same time that the supervision of these aspects increased, the governments found it difficult to supervise the economic aspects of the operation. In all the countries, there are limitations on how public funding (and fees from parents) may be spent, but the willingness and ability to supervise these aspects of the operations have been limited across all the selected countries.

Disagreement about the role of private providers

In all the Nordic countries, with the possible exception of Iceland, who should provide welfare services is a salient policy question. As mentioned in the introduction, the tradition of public provision in Nordic welfare is increasingly challenged by for-profit providers. This debate is quite parallel in all countries (bar Iceland) and involves three main dimensions. The first is an ideological dimensions whereby left-of-center parties are more skeptical about for-profit providers than right-of-center parties.

Second, it is a debate about the substantive issues identified in the introduction. Proponents of marketization and private providers emphasize the inherent value in parents being able to choose a provider. This is in itself a form of user empowerment. At the same time, there is a potential instrumental value as competition for users can spur quality improvements or attempts to create new qualities valued by parents. These arguments are largely advanced on theoretical grounds as there is a general lack of solid documentation on the potential differences between providers from each of the three sectors.

Actors who are skeptical about for-profit provision argue that a development where for-profits take a larger market share constitutes less diversity to choose from if the growth comes at the expense of smaller non-profits that have traditionally offered diversity. There is also a fear that the economic incentives for for-profits may make them compromise on the level of quality. As we have seen, there is a lack of conclusive evidence on these issues.

Third, it is an ongoing struggle to define the reality regarding both what is a reasonable level of profit and what profits are actually generated by for-profit providers of ECEC services. The first question is normative, and disagreements are, in principle, political. The other question is also difficult to answer because of access to data. For example, a major public investigation in Norway found that the most used instrument for profit realization is the sale of ECEC institutions, but information about these transactions are limited (NOU 2020: 13). The view on this issue is related to the fact that actors that find private ECEC providers from whom to extract unreasonable levels of profit are also the ones to be feared as they may cut corners on quality in order to enhance profit. This leaves ample room for political confrontation.

In Norway, which has witnessed the most consequential change in the welfare mix over the last 20 years, this is a much-contested topic. This is partly due to the ideological nature of the issue, which mobilizes opinion along classical political cleavages, and partly due to non-public providers gaining the size, and

thus the power and resources, to mobilize for their interest to an extent unseen before. Indeed, we see how several attempts by Norwegian governments to modify the conditions for private providers were blocked after successful mobilization and lobbying by private owners. The public sector still regulates and finances the sector and, thus, has extensive room to make changes to all aspects of the operations of this service area. However, the room for making governance choices in the sector has been limited for the government in practical terms due to the power of private providers. There are currently new attempts to reform public financing of private ECECs that will constitute a test of the political sway of the private providers. This mechanism is arguably most widespread in ECECs in the Norwegian welfare context, although it is also a general feature of Swedish welfare (Svallfors, 2016; Svallfors & Tyllström, 2018).

Notably, the role of for-profit providers is a salient issue even in countries where the for-profit sector is small. In Denmark, a political agreement was reached in 2020 to practically ban for-profit providers from the ECEC sector. For existing for-profits to continue their operations, they need to convert their operational form to that of a non-profit. There are at least two lessons from this Danish approach. The first is that the role of for-profit providers is ideologically loaded and, thus, contentious, including when for-profits do not play an important role. Second, discontinuing for-profit provision in a field is more achievable in contexts where for-profits have not achieved a critical mass in terms of size.

In Finland, the Sanna Marin government's goal to limit profit opportunities in the ECEC sector has been frustrated by legal challenges. The suggested limitation on private actors reportedly violate the right to engage in commercial services protected by the Finnish constitution. There should still be extant political room for maneuver in order to alter the governance of the field, but it could be that the ongoing growth of for-profits is limiting the scope for action, as in the cases of Sweden and Norway. The Sanna Marin government program is a manifestation of the relevance of the policy issue.

Iceland is the context in which this issue has been less contested. In absolute numbers, the use of private providers is quite limited, and debates about ECEC normally center around other aspects, such as the "gap months" between the end of paid parental leave and when the child can be enrolled in ECEC.

In all the countries, bar Iceland, the structure of private ownership is a determinant of how salient the political debate becomes. In Norway, opinions about big for-profit chains dominate much of the debate. This is partly based on these enterprises recording what many people see as unreasonable levels of profit

(Storberget et al., 2021) and partly based on them limiting diversity in the non-public part of the market. Over the last few years, Finland has seen a rapid development in the same direction as Norway, which has prompted debates about the overall governance of the welfare mix. This is an issue about what is a reasonable level of profits and these actors creating inequalities. While Sweden is used to big corporations dominating welfare provision, this has been less pronounced in its ECEC sector, although there are signs of concentrated ownership in the Swedish ECEC sector. Interestingly, we see that a number of the most dominant Norwegian companies expanded their operations across the border.

The role of politics

The actual decisions regarding the governance, and thus the composition, of the welfare mix in ECECs is decided by politicians in the majority. The issue mobilizes left-wing politicians, unions, and left-leaning think tanks to reduce the role of for-profit actors, while right-wing politicians, federations of enterprises, and right-leaning think tanks support governance tools that give for-profits opportunities to develop. The balance of power may shift between these actors at the national and municipal levels.

The dominant public welfare service provision in Sweden in the 1980s led the conservative–liberal governments to take a principled stand regarding the privatization of the welfare state through outsourcing or voucher competition. In contrast, Denmark and Norway already had models for the involvement of the non-profit sector in different service areas and less public dominance in service provision. These differences may explain why the question about freedom of choice versus excluding for-profit actors in Sweden became a bigger issue in political debates and parliamentary power struggles in the 1980s and 1990s. The voucher system was introduced step by step by the conservative–liberal governments, while the red–green parties tried to be veto players at all available opportunities (Westberg & Larsson, 2020). In contrast, in 2003, Norway opened up to private actors on equal terms through a political compromise in parliament, although not everyone foresaw the long-term consequences.

In Sweden, there was an intermediary stage after the reversal of Lex Pyslingen in 1991 when municipalities could decide whether they wanted to include private providers in their plans. Such layered policies and restrictions regarding the establishment of private service provision have been an important condition for regulating the welfare mix in other service areas in Norway, such as elderly care institutions. The institutional structure of Norwegian ECEC was fundamen-

tally altered during the period in which there were no limitations on private establishment (from 2003 to 2011), with big chains becoming dominant. These chains had initially grown organically, but they adapted to the end of the right to establish freely in 2011 and increasingly grew by buying existing institutions. The 2003 reforms in Norway were, thus, a critical juncture regarding the role of private providers in ECEC. It is striking how the Swedish and Norwegian welfare mix in ECEC deviated from the general welfare mix.

In Sweden, opposition to "profit in welfare" has become vocal over time, but it has not been able to mobilize sufficient support in parliament. This is partly due to the lack of willingness from social democratic to do so (Meagher & Szebehely, 2019) and partly because the Social Democratic Party has not been part of a coalition with sufficient votes in parliament. In many ways, Norway has been the most reluctant country to open up to for-profit actors in welfare, except in the ECEC sector. This may be due to the special circumstances of the leftist party (SV) needing the support of the right-wing FrP to push through the big reform of 2003 that secured the expansion of supply. The leftist party had to accept the central role of for-profits in the reform, but it could not envision the future development of the field and ended up in a path-dependent development where for-profits were able to exploit a beneficial regulatory environment. Despite changes in employee–child ratios and some other adjustments, the center–right government from 2013 to 2021 has been content with the main lines in the current governance regime. The Center–Labor Party minority government that assumed power in September 2021 may implement reforms that are more consequential. The investigative report initiated by the former government could serve as a starting point. The majority of the working group developing the report argues for a different governance approach now that the ECEC sector is able to cover the demand (Storberget et al., 2021).

A case in contrast is the new Danish policy abolishing for-profit operations from ECEC. This was a demand from a left-wing party to a center–left coalition. That these parties together achieved a majority was a necessary condition. The limited size of the for-profit sector makes the policy more achievable than would be the case in, for example, Norway or Finland. As the investment bank ABG Sundal Collier has pointed out, "by increasing the size of private sector penetration, the political risk decreases" (2020, p. 9).

Governance challenges in the welfare mix

In all five countries, the public governance of the ECEC sector is divided between the state and municipalities. The state passes laws and national regulations and, in some cases, supervises the institutions. In all cases, the municipalities are the service providers, but their role in governing the local "market" varies. In Denmark, Iceland, and Finland, municipalities have broad authority in designing the composition of the welfare mix, while this is more limited in Sweden and Norway. In Norway, the right to establish was abandoned in 2011, but with coming generations of children, it is unclear how municipalities will be able to reduce overall capacity. There is little municipal influence on the service content as long as it is line with national regulation. In Denmark, municipalities have broad authority over self-owning institutions that are part of the intake system but less over the more autonomous private ones.

A fundamental Nordic welfare goal in education is having democratic processes at the local and municipal levels (Dahlberg et al., 2007). As a public service, citizens can expect to influence ECEC services not only as users but also at the ballot box. ECEC is a municipal service in all five Nordic countries and, thus, also a subject for local elections. This traditional Nordic welfare value is currently being challenged on at least three fronts.

First, local politicians may want to emphasize certain ECEC qualities, such as language skills or physical health. When most children attend private ECEC, these local policies may reach only a minority of the children. A related example is in Oslo, Norway, where the local government wants to spend extra funds on ECEC (private and public) in deprived areas, but due to national rules concerning the financing of private ECEC, it may be illegal to grant such funds to some institutions and not include all private ones.

To the extent that municipalities want to govern their local ECEC, it may be a challenge when big chains establish across municipal or even national boundaries. These chains often have their own pedagogical approach, which can come in conflict with local municipal priorities. How to solve such dilemmas between the freedom of private enterprises and local democratic processes is not an area that has been addressed by the national governing institutions in any of the countries.

Second, part of the appeal in establishing a quasi-market with non-profit and for-profit providers is precisely to limit the public control of the service. In this way, power shifts from citizens as voters to citizens as users who "vote with their feet" as they exploit the user choice scheme to choose their preferred

service. The idea is that users, in this case parents, can choose providers that offer services in line with their preferences. The goal is, thus, to move influence over services from the state and to users.

One challenge for achieving empowerment of parents is the attendant information asymmetry. In ECEC, children cannot easily report what happens in the service, and parents and the public supervisor have limited insight. Thus, a large non-public sector will normally require advanced mechanisms for supervision. This does not seem to be in place in any of the countries, neither in terms of service content nor regarding the economic dispositions of the companies. It is striking that various reports in Norway point to difficulties tracing what happens with public funds spent on private ECEC (BDO Norge, 2018; NOU 2020: 13; Storberget et al., 2021).

A related, and fundamental, matter is that true user choice presupposes that supply exceeds demand. Many places in the Nordic countries this is not the case as a surplus of places is expensive to finance. In practice, parents thus have to accept whatever place is available in their vicinity.

A separate issue is the balance between the public sector seeking a plurality in content in order for the services to match the preferences of more parents and the desire to reach certain goals. This entails that quality levels should not be lowered and school preparedness is a general goal across institutions, but at the same time parents are entitled to influence the content of service. We see various models encompassing these interests. One example is Denmark where self-owning institutions are closely linked to the municipal system and can thus be integrated into municipal efforts to work on certain development issues, such as language skills. At the same time, private ECEC institutions in Denmark have more room to develop separate qualities. The larger the non-public sector becomes, the more important it becomes to find the right balance between these interests as direct public sector control is limited.

Third, in all five countries, ECEC is a municipal responsibility, albeit with important national ambitions for the field. Thus, state steering of the municipal service is also important. As we have seen, all five countries have experienced increased state steering of the ECEC sector over the last couple of decades, which encompasses both the different municipalities and non-public providers. Indeed, all countries have seen increased state interference in the service, pushing the same values of school preparedness and manual-based approaches.

Private alternatives to achieving plurality in service content or increase in supply?

In all the five countries did we see non-profits as principal movers in the ECEC fields. Reforms around the 1970s established ECEC as a central policy field, and the public sector became the main provider. Thus, municipalities have dominated the field since, with the non-public sector as a supplement. The policy choices over the last 25 years have opened the market to for-profit actors that now play an important role in several of the countries.

As discussed in the introductory chapter, the establishment of quasi-markets and the role of non-public providers can service a number of goals. In all five countries, non-profits were established in order to address a need before the state was able and willing to take responsibility. When the state entered the scene, coverage increased quickly, and public provision was the main strategy. The exception is Norway where, despite both the municipalities and non-profit sector increasing coverage significantly since the 1970s, there was a shortage at the turn of the millennium. Norway is the only country in which private providers were actively used to achieve the goal of full coverage in ECEC. Another exception is Denmark, where nonprofit and public provision expanded at the same time to achieve coverage of demand. The real growth of the nonprofit ECEC providers in Norway and Denmark shows that the nonprofit sector also responds when the framework conditions are favorable. This illustrates that there were various pathways to full coverage, and it serves as a reminder that how to reach full coverage is, in effect, a policy choice. Full coverage can be achieved through the deployment of only private or public providers. Furthermore, whether to use nonprofit, for-profit or both kinds of private providers is also something policy makers will, explicitly or inexplicitly, have to decide, as different governance tools will promote different kind of providers.

However, all five countries have witnessed growth in their for-profit provision over the last couple of decades, even if Denmark plans to reverse this development. A core argument for non-public provision generally and non-profit provision in particular is to spur plurality in service, thereby giving parents more to choose from for their children.

In this respect, it is interesting to note that the expansion in the use of private providers occurred at the same time as the national government introduced more central steering of service content. In all countries, we find that the content of ECEC has been influenced by ECEC being increasingly seen as an integral part of the educational system. We see that all countries have increasingly relied on

tests and standards developed outside of the Nordic countries to inform how they work on developing ECEC. This development may, on one hand, limit plurality in content that might have been possible under provider plurality. On the other hand, working on school preparedness in ECECs is something that can be done at different levels. We see signs that some ECEC institutions are embracing this approach in order to differentiate themselves from their competitors. This is a particularly relevant point in Norway where some of the big chains have centralized pedagogical approaches that may systematically differentiate them from public providers (Dahle, 2020b). This can be contrasted with non-profit ECEC institutions that do not share such instrumental ambitions for their institutions.

This instrumentalization of ECECs is disputed in scholarly circles (Pettersvold & Østrem, 2019). These debates are primarily about national regulation and developing an understanding of what should be the service content. In the longer term, this development may create a demand for plurality in ECEC as some parents may want more school preparation within ECEC, while others may prefer a play-based approach. This is a value-based decision that parents may approach in different ways.

There is an inherent dilemma in ECEC governance whereby states balance the increasing willingness to use ECEC as school preparation within a social investment agenda and a steady demand for parents to have influence over the daily life of their children as they attend ECEC. While the first perspective pulls toward central steering and standardization, the second veers more toward diversity and decentralized governance.

A third angle of complexity is the potential role of ECEC in social equality. Policymakers in all five countries seem to agree that increasing the share of children attending ECEC was good for social equality as more children would benefit from the positive effects of ECEC. At the same time, however, user choice schemes can contribute to segregation, and private providers may be overly present in affluent neighborhoods (The effects of user choice on the establishment of for-profit schools in Sweden, see Gustafsson, Sörlin & Vlachos, 2016, figure 4.2 and 4.3). Findings from Finland suggest such an effect, while only few studies are examining this issue in other countries (though Trætteberg and Fladmoe (2020) and Drange and Telle (2020) indicate that this also deserves attention in Norway). As economic factors influence where people live, access to high quality welfare services for all is an increasing challenge for policy-makers with traditional Nordic welfare values as a goal. If a long-term effect of user choice is the segregation of children from different

socio-economic classes or who speak different native languages, this is an important component of the governance scheme that needs to be assessed. Currently, however, we cannot conclude that this is the case.

How non-public providers contribute to plurality today has not been investigated in any of the countries. Non-profits include institutions such as Waldorf and Montessori as well as religious institutions. For-profits can often have a profile such as sports or nature, which is also true of public institutions, but we do not have systematic data on these contributions and how/whether they might differ from public institutions.

Quality differences among public, for-profit, and non-profit providers

Few studies have compared ECEC institutions involving different owners. There may be different reasons for this. One issue is that, with the exception of Norway, the public sector dominates to the extent that these sort of studies are not deemed relevant. A more important aspect may be that it is difficult to design studies that capture the complexity of quality in a human service such as ECEC. Some studies have examined limited issues, such as parental satisfaction, but these studies are not conclusive as to whether one owner type is superior.

The findings from our Nordic case studies are in line with a review of international research on quality in ECEC, which showed that there is a slight majority of studies finding higher quality in public vs. private ECEC on structural indicators such as educational qualifications of staff and group sizes. There are also mixed results regarding process quality, such as activities and communication. However, none of the studies reviewed showed that private for-profit providers offered higher process quality than public providers. Vamstad's (2012) study from Sweden was the only one showing higher process quality in non-profits (Brogaard & Helby Petersen, 2021). This raises questions about whether quasi-markets make such a large contribution to quality in ECEC in general, as one would expect from the theories, and whether this makes the transaction costs of the voucher system worthwhile. However, the extant research in the Nordic countries is too limited to draw any conclusions.

That the body of studies does not suggest important quality differences among public, non-profit, and for-profit providers may be the result of a dearth of studies designed to capture such differences. Such studies are, however, not

non-existent, and our interpretation is that if there are undetected differences, they are not major. In the introductory chapter, we presented theories that would lead to expectations that there were more prominent differences. However, the potential differences depend on public governance. From other service areas, we know that tight public governance in the Nordic countries has enabled these countries to avoid some of the negative effects of privatization experienced in other contexts (Meagher & Szebehely, 2013).

There are no studies reporting on the potential changes in quality standards from competition, that is, that competing for users have made providers from all sectors improve their quality. What we do see, however, is that competition is very different among the municipalities in the five countries, and there is no evidence that quality differs systematically in the same way. Moreover, most parents value having ECEC close to their home and feel the burden of the social cost of changing provider, which may undermine competition.

A Nordic model for ECEC governance?

The Nordic model in ECEC is primarily a model in terms of the content of the service, something that is not the main topic of this report. At the same time, there is a Nordic welfare model, where a given welfare mix and public governance are at its core. Traditionally, we see familiar patterns in the ECEC sector: non-profit initiation of services, a public take-over in service provision in the 1970s, and, to varying degrees, a for-profit expansion in the last 25 years. The great variation in this latter feature may challenge conceptions of a shared Nordic model. Other scholars have pointed to the faltering of a Nordic model in terms of the service content. We identified divergences in the governance of the welfare mix that could undermine the notion of a shared model.

The privatization of education is a global phenomenon (Verger et al., 2016). Thus, it is no surprise that the Nordic countries are part of this development. Nevertheless, a major takeaway is that privatization in the Nordic countries has occurred in a distinct way. Privatization does not mean limitations on public responsibility in any of the countries. Indeed, growing privatization takes place in parallel with growing quality regulation and increased emphasis on supervision. Furthermore, privatization is typically not motivated by obtaining increased user fees or savings for the public purse. The state controls the fees that providers can charge parents, and coverage remains high. The driver for privatization is user choice, in particular when new welfare service areas are opened for private providers. Public tenders and other governance mechanisms

are rarely used in the Nordic context. In spite of diverging levels of private provision, one may thus say that there is a distinct Nordic regulatory regime that safeguards the service as truly public in the eyes of citizens. In addition, in an international comparison, the limited level of privatization in some of the Nordic countries is, indeed, striking. Bar Norway, the public sector is still the dominant provider of ECEC in the Nordic countries.

Verger et al. (2016) differentiated among various material drivers for privatization policies: economic, institutional, and political. The economy will often be a driver for privatization as a recession may spur it or because the open economy makes the country open to international trends. Either scenario seems relevant to all the Nordic countries. The largest private growth came at a time of prosperity and as a result of public investment. Some privatization in Sweden in the 1990s can be traced to the economic downturn, but the ECEC sector was not part of this phase of Swedish privatization. The same can be said of the Icelandic reaction to the 2008 economic crisis.

Institutions function as mediators of policy reform, whether they do so as inhibitors or facilitators. There are strong similarities in the institutional setup in the five countries, which can hardly explain the different trajectories of privatization. Moreover, the institutional structure in ECEC is not very different from that of other welfare areas within the same countries. Privatization is at a strikingly low level in Norwegian primary education, but it has increased considerably in ECEC. In Sweden, the opposite is true. These realities are hardly due to the variations in the institutional setup of the policy fields.

This leaves us with the political drivers. The most far-reaching policy choices are the opening of for-profit chains in Norway in 2003 and the banning of for-profit provision in Denmark in 2020. Both incidents are characterized by particular political circumstances where the chosen policy solutions were the compromises of including fringe parties. In Sweden, center–right parties have worked for decades to increase the private provision of ECEC, but the opening up to private providers took place when public coverage was well developed, making smaller changes to the welfare mix even when the current policy tools had the potential to increase the role of private providers. For-profits are gaining market share but at a modest speed. In Finland, privatization is driven by political preferences that are much pronounced at the local level. In Iceland, this is a more de-politicized subject, and there is a low level of attention to such issues in public debate. The important role of political partisan interests and ideological attitudes is in line with what Bel and Fageda (2017) found in their review of studies explaining local privatization in Europe.

Going forward, we see that Nordic ECEC governance is challenged in some places by full coverage, coupled with a falling number of children. Capacity levels will thus need to be limited. To date, no country has a strategy for how to adapt the future service level to this relatively new situation. Will the capacity be lowered through market mechanisms where one simply allows some ECEC institutions to fail? Alternatively, will municipalities make strategic decisions regarding the lowering of capacity only in public institutions or also in private ones? In either case, one can expect public outcry as parents witness closures of "their" institutions. These are core questions going forward.

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Private Early Childhood Education and Care (ECEC) in the Nordic Countries

Development and governance of the welfare mix

This report examines the role of private providers of ECEC services in the five Nordic countries: Norway, Denmark, Sweden, Finland, and Iceland. For each country, we map the ECEC journey from a selective service at the fringes of the welfare state to a universal service at the core of the welfare state. We subsequently analyze the role that non-profit and for-profit providers have played in this development and their position today. We pay special attention to the governing tools used by the Nordic governments to regulate the welfare mix, that is, the division of public, for-profit, and nonprofit providers.

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