



Swiss government wants to reduce the cost of centre-based childcare

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Description

Switzerland is one of the OECD countries where childcare is most expensive for parents. This is essentially due to the fact that municipalities and cantons, which are responsible for childcare, provide subsidies that cover only a small portion of the total cost. To deal with the problem of high costs, the federal government wants to introduce incentives for cantons and municipalities to increase subsidies so as to lower the cost of the service for parents.

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Switzerland is one of the OECD countries where childcare is most expensive for parents. According to the OECD Family database, Switzerland (together with Luxembourg) is the country where childcare costs for parents are highest relative to wages (OECD 2014). A recent study contracted by the federal government has confirmed this result, and has also shown that this is not due to lower efficiency or higher quality in Switzerland (Stern 2015). After correction for purchasing power parity, Swiss childcare centres are not more expensive than those in the neighbouring countries (Germany, France and Austria). The cost of producing the service is similar, but what changes is the extent to which the service is subsidised. In Switzerland, depending on the cantons, parents pay on average between 38% and 66 % of the total cost of the service. In contrast, in the foreign regions examined in the study, the variation was between 14% and 20%.

In recent years, some cantons have adopted innovative solutions to try to lower the cost of the service paid by parents. Three cantons, all of them in the French speaking part of the country (Vaud, Fribourg and Neuchatel) have introduced employer contributions that are used to subsidise approved childcare

institutions. In the canton of Vaud, for example, an employer contribution of 0.12% is levied on all wages paid in the canton. It is then used, together with cantonal and municipal subsidies, to lower the cost for parents. The impact of this measure, however, remains limited, as overall the employer contribution covers 7-10% of the total cost of providing the service (Bonoli, Abrassart and Schlanser 2010).

These initiatives, however, are limited in their impact and in their extent (only 3 out of 26 cantons are concerned). For this reason the federal government has decided to intervene in this area with a law that could be adopted in 2017. Given that childcare falls under the responsibility of the cantons and of the municipalities, federal intervention can only be indirect and based on incentives.

The federal subsidy that is envisaged will be paid to cantons that increase public subsidies to childcare centres. Cantons will then have the possibility of transferring the funds directly to childcare centres or to the municipalities who will then pass them on to the centres. If a canton increases subsidies, the federal government will reimburse over a three year period 37% of the increase in costs. The federal reimbursement is determined by a sliding scale: 65% during the first year,

35% during the second year and 10% for the third year. In order to be eligible for the federal reimbursement, the cantonal/municipal subsidy will have to be permanent. The sliding scale is meant to ensure a strong incentive to increase subsidies at the beginning.

At present, it is estimated that cantons and municipalities provide about 750m CHF in subsidies for childcare per year (690m EUR). It is expected that thanks to this proposed new law, subsidies will be increased by 10% (Conseil fédéral 2016: 6177).

The new law will have a lifetime of 5 years, and a single canton can benefit from the reimbursement only once during the law's lifetime. The intention is to provide federal reimbursement also to cantons that spend more on childcare in order to extend the opening hours of day-care centres or that provide new ways of facilitating access to care for parents with unusual working hours.

Cantons are free to use the tools they wish in order to increase subsidies. For example, additional employer contributions of the kind that already exist in some French speaking cantons can count towards the calculation of the federal reimbursement (Battagliero 2016).

The proposal was brought to parliament by the Federal government in June 2016, and was accepted by the upper chamber (Council of States) in November 2016. To become a law, it now has to be accepted by the lower chamber of parliament.

Outlook & Commentary

High childcare costs are a serious problem in Switzerland, resulting in underrepresentation of low to middle income families in formal childcare (Abrassart and Bonoli 2015). For this reason, the intention to reduce costs for parents is highly welcome. However, the potential impact of this new tool is likely to be rather limited, as the bulk of the financing effort will remain with the municipalities and the cantons.

The proposal has a fair chance to become a law, since in the upper chamber it was supported not only by the left but also by the Christian Democrats.

Further reading

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