



# **Private Sector Participation in Childcare Service Provision**

**International Evidence and Implications  
for Latin America and the Caribbean**

Agustina Suaya



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Prepared by Agustina Suaya

Inter-American Development Bank  
1300 New York Avenue, N.W.  
Washington, D.C. 20577  
[www.iadb.org](http://www.iadb.org)

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Any remaining errors, omissions, or inaccuracies are the sole responsibility of the author<sup>1</sup>.

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# Table of Contents

|                                                                                               |           |
|-----------------------------------------------------------------------------------------------|-----------|
| <b>EXECUTIVE SUMMARY</b>                                                                      | <b>1</b>  |
| <b>1. INTRODUCTION</b>                                                                        | <b>13</b> |
| <b>2. CONCEPTUAL FRAMEWORK</b>                                                                | <b>15</b> |
| 2.1 What is meant by private sector participation .....                                       | 15        |
| 2.2 The five - dimensional taxonomy .....                                                     | 16        |
| <b>3. METHODOLOGY</b>                                                                         | <b>17</b> |
| 3.1 Corpus and search strategy .....                                                          | 17        |
| 3.2 Selection criteria .....                                                                  | 18        |
| 3.3 Protocol for analyzing each instrument .....                                              | 19        |
| <b>4. FIVE POLICY DIMENSIONS: EVIDENCE AND TRADE - OFFS</b>                                   | <b>20</b> |
| 4.1 Dimension 1: Regulation .....                                                             | 20        |
| 4.1.1 Mandatory Minimum Standards .....                                                       | 21        |
| 4.1.2 Legal Employer Mandates .....                                                           | 28        |
| 4.2 Dimension 2: Public Financing and Economic Incentives .....                               | 33        |
| 4.2.1 Demand - side subsidies .....                                                           | 33        |
| 4.2.2 Supply - side subsidies .....                                                           | 40        |
| 4.2.3 Employer tax incentives .....                                                           | 45        |
| 4.3 Dimension 3: Private Participation in the Provision of Public Childcare<br>Services ..... | 51        |
| 4.3.1 Delegated management: public services operated by private actors .....                  | 51        |
| 4.3.2 Purchase of services and places from private providers .....                            | 59        |

|                                                                 |           |
|-----------------------------------------------------------------|-----------|
| <b>4.4 Dimension 4: Information and friction reduction</b>      | <b>71</b> |
| <b>4.4.1 Active support and administrative burden reduction</b> | <b>72</b> |
| <b>4.5 Dimension 5: Service Quality</b>                         | <b>77</b> |
| <b>4.5.1 Supervision and inspection</b>                         | <b>78</b> |
| <b>4.5.2 Rating and continuous improvement systems</b>          | <b>83</b> |
| <b>4.5.3 In-service training and professionalization</b>        | <b>88</b> |

## **5. CROSS-CUTTING PATTERNS IN THE EVIDENCE AND COMBINATIONS OF INSTRUMENTS** **94**

|                                                        |           |
|--------------------------------------------------------|-----------|
| <b>5.1 What the comparative evidence shows</b>         | <b>94</b> |
| <b>5.2 What these findings imply for policy design</b> | <b>98</b> |

## **6. DISCUSSION AND CONCLUSIONS** **102**

|                                                             |            |
|-------------------------------------------------------------|------------|
| <b>6.1 Implications for Latin America and the Caribbean</b> | <b>102</b> |
| <b>6.2 Conclusions</b>                                      | <b>106</b> |

## **REFERENCES** **110**

# Executive Summary

## 1. The policy problem and the central question

**Childcare services for children under age four in Latin America and the Caribbean (LAC) face a structural gap between potential demand and effective access.** In most countries in the region, more than half of children under age three remain outside formal childcare services, with persistent gaps by socioeconomic status and between urban and rural areas (Araujo et al., 2024). This situation has consequences that go beyond child development: it restricts women's labor force participation, deepens socioeconomic inequalities from the earliest years of life, and reduces the returns to other investments in human capital. On average, governments in the region spend three times more per child on children aged 6 to 11 than on children aged 0 to 5, precisely during the stage with the highest returns for cognitive and socioemotional development (Berlinski and Schady, 2015).

**In LAC, expanding access through direct public provision faces fiscal, institutional, and capacity constraints that make it difficult to scale services at the required pace.** In this context, non-state actors—including firms, civil society organizations, cooperatives, churches, community-based providers, and other operators—may have an important role to play. The rationale is not to replace public provision, but, where appropriate, to leverage existing infrastructure, organizational capacity, and human resources; expand coverage more rapidly; diversify service delivery models; and respond more flexibly to heterogeneous or geographically shifting demand. However, private sector participation is neither automatically desirable nor neutral in its effects: it can expand access, but it can also generate segmentation, uneven quality, fiscal dependency, or fragile institutional arrangements if it is not adequately regulated, financed, and supervised. The central question, therefore, is not only whether private providers can expand available places, but under what conditions that expansion offers safe, stable, and sufficiently high-quality services that can contribute to child development and women's economic autonomy.

**This technical note systematizes the international evidence on public policy mechanisms that can incentivize, structure, limit, or condition private sector participation in the provision of childcare services for children aged 0 to 4.** Its purpose is neither to prescribe a single policy path for specific countries nor to determine whether a system must necessarily include private providers. Its objective is narrower: to review which policy instruments have been used to mobilize or regulate such participation, what effects they have on supply, demand, quality, equity, and

sustainability, and under what institutional conditions those effects emerge. The systematization is based on more than 220 documents—including impact evaluations, quasi-experimental studies, reviews, and comparative policy reports—and organizes the evidence into five dimensions of state action, with particular attention to the enabling conditions that determine the feasibility and effectiveness of each instrument across contexts.

## 2. A five-dimensional taxonomy

The analysis is organized around a five-dimensional taxonomy that reflects the different mechanisms through which the state can shape private sector participation. These dimensions are: (1) regulation of the formal childcare market, (2) public financing and economic incentives for families, providers, and employers, (3) private participation in the provision of public services, (4) reduction of access frictions for families, and (5) quality assurance. The taxonomy is inspired by Salamon's (2002) framework of tools of public action, which identifies instruments through which the state can mobilize private actors in the provision of public goods. Each dimension follows a distinct causal logic, targets specific actors and constraints, and depends on different conditions for effective implementation.

| DIMENSION            | INSTRUMENT                                          | PROBLEM ADDRESSED                                                                                      | AVAILABLE EVIDENCE                                                                                                                               |
|----------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>D1 Regulation</b> | Minimum standards: ratios, credentials              | Guarantees a basic quality floor; defines who can operate                                              | Quasi-experimental evidence from the United States; documented effects on entry, prices, and supply                                              |
| <b>D1 Regulation</b> | Employer mandates: provision or financing           | Reduces barriers to women's labor force participation by lowering childcare costs in formal employment | Quasi-experimental evidence from Chile; descriptive evidence from Bangladesh and India                                                           |
| <b>D2 Financing</b>  | Demand-side subsidies: vouchers, portable subsidies | Reduces prices for families; creates demand signals for private supply                                 | Quasi-experimental evidence and natural experiments from the United States, Finland, and Luxembourg; descriptive evidence from the United States |
| <b>D2 Financing</b>  | Supply-side subsidies: structural and partial       | Reduces providers' financial risk; enables operation where households cannot afford to pay             | Quasi-experimental evidence from Quebec; descriptive evidence from Mexico and Colombia                                                           |
| <b>D2 Financing</b>  | Tax incentives for employers: credits, exemptions   | Channels private financing toward childcare for employees                                              | Descriptive evidence based on administrative data from the United States and the United Kingdom; no causal evaluations                           |

| DIMENSION             | INSTRUMENT                                                               | PROBLEM ADDRESSED                                                                                                               | AVAILABLE EVIDENCE                                                                                     |
|-----------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| D3 Mixed provision    | Delegated management: public services operated by private actors         | Expands public coverage by leveraging existing organizational capacity                                                          | Descriptive evidence from Buenos Aires, Chile, and Colombia; no causal identification of final effects |
| D3 Mixed provision    | Purchase of places from private providers                                | Expands access rapidly; stabilizes provider financing                                                                           | Quasi-experimental evidence from England; descriptive evidence from São Paulo and Pennsylvania         |
| D4 Reducing frictions | Friction-reduction interventions: support, administrative simplification | Converts latent demand into effective use among eligible families who do not access services because of administrative barriers | Experimental evidence from Germany, the United States, France, and Uruguay                             |
| D5 Quality            | Supervision and inspection                                               | Ensures compliance with minimum safety and quality standards; activates regulatory and reputational channels                    | Quasi-experimental evidence from England; descriptive evidence; evidence on reputational effects       |
| D5 Quality            | Rating and continuous improvement systems (QRIS)                         | Makes quality visible; encourages continuous improvement through gradual incentives                                             | Descriptive evidence and logit models from the United States; inconclusive evidence on market effects  |
| D5 Quality            | In-service training and pedagogical coaching                             | Improves caregiving practices, interactions, and process quality in day-to-day service delivery                                 | Experimental evidence and meta-analysis from Chile and the United States                               |

**Methodological note:** The taxonomy classifies instruments according to their predominant mechanism of action. In practice, several instruments operate simultaneously across more than one dimension. The available evidence varies substantially across dimensions.

### 3. Main findings by dimension

The table below summarizes the central findings, key magnitudes, and most relevant trade-offs for each dimension<sup>1</sup>. The main findings by dimension are then discussed in greater detail based on the available evidence.

| DIMENSION / POLICY                 | CENTRAL FINDING                                                                                                                                                                                                                  | KEY MAGNITUDES                                                                                                                                                                                                                                    | MAIN TRADE-OFF OR RISK                                                                                                                                                                                                                            |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>D1 Regulation</b>               | Child-staff ratios reduce entry and may increase prices; educational requirements do not show equivalent effects.                                                                                                                | A one standard deviation tightening of the child-staff ratio, equivalent to moving from one teacher for every 7–8 children to one for every 6, reduces the entry rate of new providers by 23%.                                                    | Uniform standards can raise the mini-mum quality floor, but may disproportionately penalize small providers and low-income markets if they are not combined with gradual implementation, technical support, financing, and effective enforcement. |
|                                    | Employer mandates show low compliance and adverse distributional effects.                                                                                                                                                        | Female wages in Chile fell by 9% to 20% (Prada et al., 2015). Compliance reached only 23% in Bangladesh and around 5% of factories with functional crèches in India.                                                                              | Low compliance. Adverse effects on women's wages, with no compensating employment gains.                                                                                                                                                          |
| <b>D2A Vouchers</b>                | The instrument with the strongest causal evidence. It shifts families from informal care to center-based care, expands private supply, and affects maternal employment, with high supply elasticity when the design is adequate. | +33.2 pp probability of female employment and center-based care use (Tekin, 2005); +0.026 private places per child for each additional USD 100; supply elasticity of 10.7 (Lee et al., 2025); places doubled in Luxembourg between 2009 and 2014. | Low payment caps generate segmentation. Subsidy instability discourages investment. Without quality standards or incentives, subsidized demand may concentrate among lower-cost and lower-quality providers.                                      |
| <b>D2B Supply-side subsidies</b>   | Greater capacity to close coverage gaps at scale where households cannot afford market prices. Enables large-scale expansion where vouchers would not reach.                                                                     | Quebec: +14 pp use of formal childcare from a baseline of around 41.5%; +7.7 pp maternal labor force participation (Baker et al., 2008). Mexico: around 300,000 children; Colombia: more than 1 million.                                          | Rapid expansions can generate uneven quality if they do not include supervision, training, and sufficient financing. Dependence on public financing: abrupt changes in financing architecture can affect network sustainability                   |
| <b>D2C Employer tax incentives</b> | Very low uptake, concentrated among large firms. Does not generate systemic expansion of the private market. Voluntary participation and administrative complexity are the main sources of low impact.                           | United States \$45F: 169–278 corporate claimants in 2016; USD 15.7–18.8 million annually. No causal evaluations of supply expansion (GAO, 2022).                                                                                                  | Benefits are concentrated among large formal firms. Does not reach informal workers or more vulnerable households.                                                                                                                                |

1. Dimension 2 is presented in three separate rows because its instruments operate through different mechanisms and have substantially different evidence profiles.

| DIMENSION / POLICY           | CENTRAL FINDING                                                                                                                                                                                                      | KEY MAGNITUDES                                                                                                                                                                                                                               | MAIN TRADE-OFF OR RISK                                                                                                                                                                                                                                                                           |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>D3 Mixed provision</b>    | Effective instrument for expanding public coverage by leveraging existing capacity. In documented cases, it accounts for most system growth, but with quality heterogeneity across operators.                        | Buenos Aires: 20 to 76 Early Childhood Centers (CPIs) between 2011 and 2019, around 11,000 children. Chile VTF: 97% of system expansion. São Paulo: contracted network with +227% enrollment between 2007 and 2014, 80% of total enrollment. | In England, only a fraction of purchased places generated genuinely additional participation (Blanden et al., 2016). Quality may vary systematically across operators if financing, standards, and supervision are not adequate.                                                                 |
| <b>D4 Reducing frictions</b> | Robust experimental evidence of increased enrollment when the barrier is administrative or cognitive. Notable redistributive impact without monetary transfers.                                                      | Germany RCT: socioeconomic application gap of 21.8 pp closed almost entirely; enrollment gap reduced from 28.1 pp to around 12 pp (Hermes et al., 2025).                                                                                     | Does not expand supply. Redistributes access within existing capacity. Limited scalability for intensive support interventions.                                                                                                                                                                  |
| <b>D5 Quality</b>            | In-service training with coaching has the strongest causal evidence for improving practices. QRIS works better when ratings are tied to tangible incentives, rather than operating only as an informational channel. | Coaching meta-analysis: $g = 0.58$ SD on teaching practice; $g = 0.29$ on child outcomes (Schachter et al., 2025). Chile RCT: emotional support $d = 0.81$ in CLASS in year 1 (Leyva et al., 2014).                                          | Improvements in process quality do not automatically translate into child outcomes; effects depend on focus, dosage, and implementation. Voluntary QRIS shows partial participation and negative net returns for the average provider without subsidies, technical support, or linked contracts. |

## **D1 Regulation: standards that expand and restrict at the same time**

Minimum regulation is the enabling condition for the formal market, but its design has distributional consequences that policymakers tend to underestimate. **Child-staff ratios are the component with the strongest documented effect on private sector participation:** a one standard deviation tightening of the ratio reduces the entry rate of new providers by approximately 23% and decreases the stock of establishments in low-income markets (Hotz and Xiao, 2005, 2011). Providers that cannot pass the additional cost on to prices — typically smaller and home-based providers — are the ones that exit the market. This effect is especially pronounced in segments where demand is more price-elastic; in other words, precisely where the most vulnerable households are located.

Minimum educational requirements, by contrast, show only small effects on provider exit linked to higher labor costs and greater staff turnover. The implication is not to eliminate or weaken regulation, but to design it in ways that raise safety and quality floors without pushing formal supply out of the most vulnerable markets. This requires differentiating standards by provider type and size when appropriate, complementing requirements with technical support or financing, and prioritizing effective compliance over nominal expansion of the regulatory framework.

**Employer mandates, present in 26 countries worldwide, show low compliance when enforcement is weak:** in Bangladesh, only 23% of covered employers provide any childcare service; in India's textile sector in Bangalore, compliance is close to 5%. More importantly, the only available causal evidence documents adverse distributional effects: in Chile, activation of the mandate is associated with a 9% to 20% reduction in women's wages, consistent with partial cost shifting to female workers through wage adjustments, without compensating increases in employment (Prada et al., 2015). In that respect, the instrument is a labor policy with childcare effects, and those effects are regressive when the activation threshold is defined by the number of women employed.

## **D2 Public financing and economic incentives: relatively strong evidence and high design heterogeneity**

**Vouchers and portable demand-side subsidies are among the instruments with the strongest causal evidence in the review.** The most robust and consistent effect in the literature is the shift from informal arrangements to the use of formal centers. For low-income single mothers in the United States, receiving a subsidy increased the joint probability of being employed and using center-based care by 33.2 percentage points (Tekin, 2005). Evidence on the expansion of private supply is also strong: each additional USD 100 per child in voucher financing is associated with 0.026 additional private places per child, and an estimated supply elasticity of 10.7 suggests that most of the increase in subsidized demand is absorbed through quantity expansion rather than price increases (Lee et al., 2025).

**But these effects depend critically on design parameters:** high effective coverage, gradual co-payments, fee caps aligned with real costs, portability across providers, and stable rules. When these conditions are not met, the instrument may operate mainly as cost relief for families already using formal care, without generating supply expansion. In addition, when it is not linked to minimum standards or quality incentives, it may expand the use of lower-cost providers without ensuring equivalent improvements in the caregiving experience.

**Structural supply-side subsidies are the instrument with the greatest documented capacity to close coverage gaps at scale where families cannot afford cost-covering fees.** In Quebec, reducing the copayment to around CAD 5 per day led to a 14 percentage point increase in the use of formal childcare from a baseline of around 41.5%, and a 7.7 percentage point increase in the labor force participation of married mothers (Baker et al., 2008). Latin American programs — Estancias Infantiles in Mexico, serving around 300,000 children, and Hogares Comunitarios in Colombia, serving more than 1 million — show comparable expansions, although the quality of the evidence for estimating causal effects is lower. The central trade-off is that rapid expansions can

generate quality heterogeneity across providers if financing does not cover real costs, if supervision is weak, or if sustained support for improving practices is lacking. In addition, dependence on public financing makes these programs vulnerable to abrupt policy changes: in Mexico, the 2019 redesign replaced financing linked to the operation of childcare centers with direct transfers to families, substantially changing the program's financing architecture (CONEVAL, 2020; López Estrada, 2020).

**Employer tax incentives show the clearest picture of low impact in the review.** The Section 45F credit of the Internal Revenue Code in the United States was claimed by only 169 to 278 corporate taxpayers in 2016, with aggregate spending of USD 15.7 to 18.8 million — a scale that does not generate sufficient demand signals for systemic expansion of the private market. The combination of high fixed costs, administrative complexity, limited awareness of the instrument, and a benefit perceived as insufficient explains its low use (GAO, 2022). There are no causal evaluations documenting supply expansion attributable to this instrument.

### **D3 Mixed provision: effective expansion with governance risks**

**Delegated management and the purchase of places are, in the documented cases, structural components of childcare systems.** In Buenos Aires, Early Childhood Centers increased from 20 to 76 between 2011 and 2019, serving around 11,000 children in the city's most vulnerable areas (UNICEF, 2019). In Chile, JUNJI's delegated management modality (VTF) accounted for 97% of system expansion between 2011 and 2014 (MINEDUC/JUNJI, 2015). In São Paulo, the purchase of places through the contracted network increased enrollment by 227% between 2007 and 2014 and accounts for 80% of total enrollment in childcare centers (do Nascimento et al., 2022). These results are descriptive and do not allow causal attribution to the management model, but they show that the instrument is viable and operates at scale.

The central risk is additionality: in England, quasi-experimental evidence shows that only the fraction of purchased places that generated genuinely new participation produced improvements in early skills; where substitution of pre-existing private spending dominated, effects were essentially null (Blanden et al., 2016). Quality, in turn, is systematically heterogeneous across operators even under the same regulatory framework. In Chile, directly administered JUNJI centers scored higher than VTF establishments on the ITERS-R and ECERS-R scales (MINEDUC/JUNJI, 2015). The lesson is not that mixed provision is inferior or superior to direct provision, but that its results depend on the public sector's capacity to finance, monitor, and sustain quality in networks operated by diverse actors.

**Delegating service operation does not eliminate the burden on the state: it shifts it toward contracting, monitoring, supervision, and quality support.** The cases analyzed show that selecting operators, negotiating agreements, verifying standards, and correcting non-compliance across multiple centers requires sustained state capacity and generates significant institutional demands.

## **D4 Reducing frictions: experimental evidence of high redistributive impact**

**Administrative simplification and active support<sup>2</sup> for families have recent experimental backing that justifies their inclusion as a policy instrument.** An RCT in Germany that combined proactive information with application assistance almost entirely closed the socioeconomic gap in application rates to childcare services — from 21.8 percentage points to nearly zero — and reduced the effective enrollment gap by half (Hermes et al., 2025). In New Orleans, personalized two-way support increased enrollment by 7 to 12 percentage points among eligible families who had not accessed services (Weixler et al., 2020). Generic one-way messages show much smaller or null effects (Ajzenman et al., 2022).

The conceptual limitation of the instrument is clear: **it does not expand supply and operates mainly by redistributing access within existing capacity.** Its contribution to the system is complementary: it can significantly increase the effectiveness of a system that already has available places but leaves eligible families out because of avoidable frictions.

## **D5 Quality: an enabling condition for effective expansion**

**In-service training with pedagogical coaching is the instrument with the strongest causal evidence for improving caregiving practices.** A recent meta-analysis estimates that, relative to business-as-usual practice, coaching increases process quality by 0.58 standard deviations on average (Schachter et al., 2025). In Chile, a hybrid program —combining workshops, coaching, and guided reflection—, implemented through a cluster RCT, generated improvements of 0.81 SD in emotional support and 0.46 SD in classroom organization (Leyva et al., 2014). The evidence on

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2. Active support refers to personalized, two-way assistance (through messages, phone calls, or in-person support) that helps families complete enrollment procedures, gather documentation, and resolve questions about eligibility and available places, rather than simply informing them that the program exists.

child outcomes is positive, but more nuanced. The same meta-analysis estimates average effects of 0.29 SD relative to business-as-usual practice and 0.14 SD relative to alternative equivalent interventions without coaching (Schachter et al., 2025).

**However, these effects depend on the focus of the intervention, effective dosage, implementation quality, and the measurement horizon.** In the Chilean study, for example, the observed improvements in CLASS did not translate into robust effects on language or early literacy skills by the end of the program, confirming that the relationship between improved practices and child development is not automatic (Leyva et al., 2014). QRIS-type rating systems in the United States show low and selective voluntary participation, motivated mainly by eligibility for pre-existing subsidies rather than by the reputational signal itself. The net return to voluntary accreditation for the average provider is negative, which explains low voluntary uptake (Xiao, 2010). Supervision and inspection, for their part, can ensure compliance with minimum standards when enforcement is credible. However, the available evidence suggests that publishing inspection results improves quality mainly through providers' internal adjustments, rather than through families reallocating enrollment (Witte and Queralt, 2004).

The implication for the note as a whole is that quality instruments should not be read as a component separate from coverage expansion. They are enabling conditions for private participation to contribute to public objectives: ensuring safe services, reducing unjustified heterogeneity across providers, improving everyday practices, and preventing the expansion of places from consolidating low-quality tracks for vulnerable households.

## 4. What makes instruments work: enabling conditions and state capacities

**The most important cross-cutting finding of the review is that the performance of a policy depends less on its general label than on its specific design parameters and the institutional context in which it operates.** Similar instruments produce very different effects depending on market structure, state capacity, and the starting point of the childcare system. The relevant question is not which instrument works best in the abstract, but what problem it is intended to solve, in what context it will operate, and whether the necessary capacities are in place to sustain it.

The review identifies five state capacities that determine the feasibility and effectiveness of the different instruments:

- **Capacity for enforcement, monitoring, and quality support.** Without this capacity, regulation produces only compliance on paper, contracts lose their enforcement leverage, and rating systems become weak signals.
- **Availability of market information.** Where providers are located, what they offer, under what conditions they operate, and how accessible they are to target households. This information base is a precondition for designing efficient allocations and monitoring results.
- **Capacity to manage relationships with third parties.** Registering, selecting, contracting, supervising, and, where appropriate, sanctioning diverse providers. The case of São Paulo illustrates that the growth of a contracted network does not reduce the burden on the state, but rather shifts it toward complex contractual functions.
- **Stability of public financing.** Comparative experience shows that the best operators, as documented by the aeioTU case in Colombia, may withdraw when contracts and payment levels are incompatible with quality service delivery. A poorly calibrated scheme can push out precisely the providers the system most needs to retain.
- **Households' ability to access benefits.** This is often underestimated in policy design. Experimental evidence shows that even when supply is available and subsidies are accessible, a significant share of demand does not materialize because of cognitive and administrative frictions. This capacity is not evenly distributed: it is lower precisely among households with the greatest latent demand.

These capacities are also necessary to prevent coverage expansion from leading to internal segmentation of the system. Instruments should be assessed not only by the number of places they create or finance, but also by their effects on the composition of supply: which families access each type of provider, what resources those providers receive, what profiles of educators they are able to attract and retain, and whether systematic quality gaps emerge across public, subsidized private, and unsubsidized private tracks. Without this monitoring, a policy may show aggregate coverage expansion while reproducing inequalities in access to quality services.

Ultimately, **private sector participation should not be understood as an automatic substitute for public provision, nor as spontaneous market expansion, but as the result of a specific institutional architecture.** The state does more than regulate or finance: it actively shapes the field of action for private providers through rules, contracts, incentives, quality standards, and access mechanisms. The question is not how much space to leave to the private sector, but under what conditions that participation effectively expands access without undermining quality, deepening inequalities, or creating fiscally fragile arrangements.

## 5. Implications for Latin America and the Caribbean

The findings of this review do not point to a single model of private sector participation in childcare. Rather, they suggest that the available instruments offer different ways to address specific system constraints, and that their effectiveness depends largely on how they are combined with each country's institutional, economic, territorial, and social conditions. In LAC, where these conditions vary considerably both across and within countries, the central question is not which instrument to adopt in the abstract, but how to design institutional arrangements capable of expanding access without sacrificing quality, equity, or fiscal sustainability.

Five specific tensions in the regional context shape the interpretation of the international evidence:

- **High labor informality.** Employer mandates cover only formal employment, which represents less than 50% of the labor force in several countries in the region. Vouchers and supply-side subsidies can reach informal workers, but require targeting and coverage mechanisms compatible with their heterogeneous income levels and living conditions.
- **Territorial heterogeneity.** Instruments designed for markets with dense private supply —such as vouchers in the United States or Finland— may not generate a supply response where that density is low or nonexistent. In those contexts, structural subsidies and delegated management are often the only viable alternatives for expanding coverage at scale.
- **Institutional fragmentation of the system.** In many LAC countries, early childhood services are distributed across sectors and levels of government with different mandates and intervention logics. In practice, this often translates into a separation between preschools regulated by the education sector, with a pedagogical and curricular focus, and care centers supervised by social development agencies, with different objectives and institutional arrangements. This fragmentation is not merely administrative: it generates different regulatory frameworks, separate financing streams, poorly interoperable information systems, and quality standards that do not necessarily converge. In this context, the same policy may produce different results depending on which institution administers it, and expanding supply without improving coordination may reinforce system segmentation rather than reduce it.
- **Social norms and non-economic barriers to use.** Persistent norms around motherhood and care, distrust of formal services, and lower capacity to navigate complex administrative systems suggest that expanding supply or reducing costs may be necessary, but not always sufficient, to activate demand. Friction reduction is a relevant complement to supply and financing instruments, not a substitute for them.

- **Demographic transition.** Falling fertility does not eliminate the need to invest in childcare, but it does change the nature of the challenge. In contexts with low coverage, smaller cohorts may make it possible to pursue a more orderly expansion, with greater emphasis on quality, sustainability, and territorial equity. The central issue is not simply whether to grow or not, but how to reorganize supply where it is most needed, avoiding both overcapacity in saturated markets and persistent deficits in underserved areas.

Moving in this direction also requires recognizing several critical evidence gaps for the region: what differences exist among different types of private providers—civil society organizations, for-profit firms, churches, or community cooperatives—in terms of the populations they serve, the services they offer, and the quality they provide; which institutional arrangements can reduce fragmentation in childcare systems; and whether interventions targeting social norms can change the effective use of formal care. Without this evidence, there is a risk of expanding lower-quality segments of private supply, or of overestimating the capacity of supply and financing alone to translate into greater effective use of formal childcare. Generating this evidence, embedded in ongoing reforms, is one of the investments with the greatest potential returns for policy design in the region.

**Seen this way, the main contribution of comparative evidence is not to offer a recipe, but a disciplined approach to design:** diagnosing the problem more accurately, selecting instruments consistent with that diagnosis, building the capacities needed to sustain those decisions over time, and generating region-specific evidence on which combinations of instruments, incentives, and supports produce effective responses. Without that accumulation of evidence, the risk is to continue transferring lessons from other contexts without learning enough about which arrangements actually work in Latin America and the Caribbean.

# Private Sector Participation in Childcare Service Provision: International Evidence and Implications for Latin America and the Caribbean

## 1. Introduction

**Childcare services for children under age four in Latin America and the Caribbean (LAC) face a structural gap between potential demand and effective access.** Attendance in formal childcare services has increased in the region over the past decade, but in most countries more than half of children under age three remain outside these services, with persistent gaps by socioeconomic status and between urban and rural areas (Araujo et al., 2024). This situation has consequences that go beyond child development: it restricts women's labor force participation, deepens socio-economic inequalities from the earliest years of life, and reduces the returns to other investments in human capital development. In the region, the problem is also reinforced by a historical underinvestment in early childhood: on average, governments spend three times more per child on children aged 6 to 11 than on children aged 0 to 5 (Berlinski and Schady, 2015), precisely during the stage with the highest returns for cognitive and socioemotional development.

**Expanding access through direct public provision faces fiscal, institutional, and capacity constraints in LAC that make it difficult to sustain expansion at scale and at the required pace.** In this context, non-state actors—including firms, civil society organizations, cooperatives, churches, community-based providers, and other operators—may have an important role to play. The rationale is not to replace public provision, but, where appropriate, to leverage existing infrastructure, organizational capacity, and human resources; expand coverage more rapidly; diversify service delivery models; and respond more flexibly to heterogeneous or geographically shifting demand. This flexibility may be particularly important in a context of demographic transition, declining fertility, and changes in the territorial distribution of demand, where expansion decisions need to avoid both persistent deficits and overinvestment in infrastructure. However, private sector participation is neither automatically desirable nor neutral in its effects: it can expand access, but it can also generate segmentation, uneven quality, fiscal dependency, or fragile institutional arrangements if it is not adequately regulated, financed, and supervised. The policy question, therefore, is not whether

the private sector should participate, but under what conditions, through which instruments, and with what state capacities that participation can contribute to public objectives of effective access, quality, equity, child development, and women's economic autonomy.

**Beyond constraints related to supply and price, the existence of supply does not, by itself, guarantee that families will effectively use childcare services.** Some families continue not to use childcare services for non-economic reasons. In the region, women with lower levels of education have labor force participation rates 30 to 50 percentage points below those of women with advanced education, and often live in settings where more conservative social norms around motherhood and care persist (World Values Survey [WVS], 2022). In addition, the employment penalty associated with having young children is higher in LAC than in other regions of the world (UNICEF LACRO, 2023). This suggests that latent demand for formal childcare is concentrated precisely among the most vulnerable households, which are also those facing the most intense non-economic barriers to access: cultural norms about who should care for children, distrust of formal services, and lower capacity to navigate complex administrative systems.

**Comparative evidence shows that access to childcare can improve maternal employment and child development, but these effects depend on the context, the actual quality of available services, and families' ability to use them on a sustained basis.** The relationship between childcare access and maternal employment is well established, but its magnitude varies with the institutional context, labor market structure, and the characteristics of demand (Akgündüz and Plantenga, 2011). Moreover, even when access expands, its effects on child development and maternal employment depend critically on the quality, stability, and usability of available services (Herbst and Tekin, 2010). From this perspective, the problem is not only how to expand supply, but also how to understand what prevents households from using it effectively and under what conditions that expansion translates into meaningful results for women's labor force participation and child development.

**This technical note systematizes international evidence on public policy mechanisms that can incentivize, structure, limit, or condition private sector participation in the provision of childcare services for children aged 0 to 4.** The review is organized around four main questions: which policy instruments have been used to mobilize or regulate such participation; what effects have been documented on supply, demand, quality, equity, and sustainability; under what institutional conditions those effects emerge; and what risks or trade-offs countries in Latin America and the Caribbean should consider when adapting these experiences.

The purpose is not to recommend a single decision-making path for specific countries, nor to determine whether a system should necessarily incorporate private providers. The objective is more focused: to offer a systematization of evidence and an analytical framework to help structure policy decisions. To this end, the document reviews more than 220 sources—including impact evalu-

ations, quasi-experimental studies, reviews, and comparative policy reports— and organizes the evidence into five dimensions of state action. Throughout the analysis, it pays particular attention to the enabling conditions that determine the feasibility and effectiveness of each instrument, since the same mechanisms can produce very different results depending on state capacity, market structure, demand characteristics, and the starting point of the childcare system.

## 2. Conceptual Framework

### 2.1 What is meant by private sector participation

This note adopts a functional definition of private sector participation: any arrangement in which non-state actors provide, finance, or operate childcare services within the framework of a public policy; that is, under state regulation, with full or partial public financing, or through contracts or agreements with the state. This definition excludes informal arrangements that are not linked to any policy instrument.

The definition includes for-profit firms as well as civil society organizations, community cooperatives, churches, and individual providers. The literature reviewed rarely distinguishes outcomes by the legal status or nature of the private provider. Most empirical studies use the public/private distinction as their main unit of analysis, and this document follows the same approach. When the evidence makes it possible to identify differentiated findings by provider type, these are explicitly noted in the analysis.

Private sector participation is analyzed through four market outcomes that are not equivalent and do not necessarily occur simultaneously: household use of private services; expansion of private capacity, meaning new places or centers; entry and exit dynamics among providers; and the quality of the service delivered. Quality is treated as a specific outcome when an instrument directly targets it, and as a cross-cutting condition for assessing whether supply expansion contributes to public objectives. A single policy may affect one of these outcomes without affecting the others, and each instrument analyzed in Section 4 is assessed according to the outcomes on which it is designed to operate.



## 2.2 The five-dimensional taxonomy

The taxonomy that structures this analysis reflects the different levers through which the state can shape private sector participation in the childcare sector. Each dimension corresponds to a distinct mechanism of state action, with its own causal logic, actors, and conditions for effective implementation.

**Dimension 1**, regulation, groups the instruments through which the state defines who can operate, under what conditions, and according to which standards: it is the most basic intervention and the enabling condition for all others. **Dimension 2**, public financing and economic incentives, includes the mechanisms through which the state reduces or offsets childcare costs and mobilizes resources toward families, providers, or employers through subsidies, transfers, or tax incentives. **Dimension 3**, mixed provision and contracting, covers arrangements in which the state incorporates private actors as providers within the public system, through contracts, agreements, or delegated management. **Dimension 4**, reduction of demand-side frictions, groups instruments that act on the barriers preventing eligible families from converting latent demand into effective use, without modifying prices or supply. **Dimension 5**, quality assurance, includes mechanisms aimed at improving the characteristics of what is provided, acting through standards, reputational incentives, and workforce capacities.

The classification follows an analytical logic: regulation and financing are structural conditions of the market; mixed provision operates at the boundary between the public and private systems; and friction reduction and quality are dimensions that shape the effectiveness of the preceding instruments. The classification, however, does not assume that the dimensions are mutually exclusive. In practice, several instruments operate simultaneously across more than one dimension: a voucher may be a financing instrument, but it requires licensing rules and quality standards; a delegated management agreement combines contracting, financing, and supervision; and a rating system may operate both as an information tool for families and as a quality improvement mechanism for providers. The taxonomy therefore classifies each instrument according to its predominant mechanism of action at the design level, while recognizing that real-world effects depend on interactions with other policy dimensions.

The taxonomy is inspired by Salamon's (2002) tools of public action framework, which analyzes how the state acts through indirect instruments—regulation, subsidies, contracting, tax incentives—to mobilize private actors in the provision of public goods. This framework, taken up again in the comparative analysis in Section 5, makes it possible to characterize instruments not only by their observed effects, but also by four analytical dimensions that shape their political and institutional viability: the degree of obligation they impose on providers or families; the level of state intermediation they require; the degree of automaticity in implementation; and their public

visibility. These dimensions are especially relevant for assessing the transferability of instruments to the LAC context, where enforcement capacity, the state's contracting capacity, and the density of private supply vary considerably across countries.

## 3. Methodology

### 3.1 Corpus and search strategy

The analysis is based on a review of more than 220 documents. The search began broadly within each instrument, identifying the available academic literature, technical evaluations, and institutional reports for each policy analyzed. Source identification was organized around an initial typology of public policy instruments through which the state can incentivize, structure, finance, contract, or supervise the participation of private actors in the provision of childcare services. Based on this typology, searches were conducted for specific instruments within each dimension.

For each instrument, iterative searches were conducted in academic databases and specialized search engines, including Consensus and Google Scholar, combining terms associated with the policy instrument, the age group of interest, and the participation of private, community-based, nonprofit, or non-state providers. The search prioritized documents published since 2000, with specific exceptions for earlier studies that are widely cited or particularly relevant for understanding the design, effects, or evolution of a specific instrument. It also prioritized extra-regional evidence, especially from Europe, the United States, Asia, and Oceania, as these are the contexts where a significant share of the available empirical evidence on several of the instruments analyzed is concentrated. This prioritization did not imply excluding experiences from Latin America and the Caribbean; regional evidence was incorporated when it helped document institutional arrangements, implementation conditions, constraints on state capacity, scalability, and transferability challenges. The final corpus covers experiences from more than 30 countries, with the greatest density of causal evidence coming from OECD contexts.

Each document was then classified according to its methodology and quality of evidence. The resulting corpus combines academic articles (41.7%), technical and institutional reports (36.5%), reviews and meta-analyses (6.8%), among other document types. In methodological terms, 32.7% of the documents correspond to studies with high-quality causal identification —RCTs, quasi-experimental studies, and difference-in-differences designs—, 23.8% to quantitative observational studies, and the remainder to descriptive, qualitative, and conceptual evidence.

The analysis weighted the available evidence according to the strength of its identification strategy. Experimental and quasi-experimental studies were prioritized to estimate effect sizes on outcomes such as service use, expansion of places, prices, maternal employment, or quality indicators. Observational studies, implementation evaluations, administrative reports, and case studies were used primarily to reconstruct operating mechanisms, design parameters, institutional conditions, and implementation risks. When studies had small samples, implementation limitations, or only partial evidence, their findings were used to inform the analysis of mechanisms, plausible hypotheses, or operating conditions, while avoiding unsupported causal inferences. This decision reflects a reality of the field: for several instruments that are relevant in LAC —particularly mixed provision, contracting, delegated management, and quality strengthening— causal studies are scarce or nonexistent, but the available institutional evidence makes it possible to identify constraints, trade-offs, and conditions for transferability. The evidence is concentrated in the dimensions of financing (34.7% of documents) and regulation (22.3%), with lower density in mixed provision (12.4%), quality (21.3%), and information and frictions (9.4%).

## 3.2 Selection criteria

Documents were included if they met three inclusion criteria. First, they had to analyze childcare or early childhood education and care services for children aged 0 to 4. Second, they had to examine a public policy instrument identified in the typology. Third, they had to provide verifiable information on at least one dimension relevant to the analysis: instrument design, implementation, outcomes, trade-offs, or operating conditions.

Documents were excluded if they focused exclusively on informal arrangements with no link to a public policy; private childcare markets without substantive interaction with the state; documents with no verifiable evidence on design, implementation, or results; purely conceptual texts with no relevant empirical or institutional application; and policies focused exclusively on preschool education for children over age four with no explicit care component for children under age four.

Within that universe, priority was given to documents with the greatest analytical value for the note's research question: which policy instruments have succeeded—or failed—in incentivizing private participation in childcare services, under what conditions, and with what trade-offs. The selection was not limited to experiences considered successful. Cases with low compliance, limited uptake, unintended effects, quality problems, or sustainability challenges were also included, insofar as they helped identify conditions that block or weaken private sector participation or reduce its contribution to public objectives of access, quality, equity, and sustainability.

After the initial identification, each document was reviewed to validate whether it directly addressed the research question, which main instrument it analyzed, what role it assigned to the private sector, and what type of evidence it provided. Based on this review, anchor documents were identified for each instrument: studies that provided direct evidence on relevant outcomes, documented key operating mechanisms, exposed critical trade-offs, or helped structure the comparative debate.

### 3.3 Protocol for analyzing each instrument

The methodological core of this systematization is a standardized analysis protocol applied to each instrument or sub-policy. The main unit of analysis is the policy instrument, not the individual document: studies, evaluations, and reports were used as the empirical basis for reconstructing how each instrument operates and what evidence exists on its effects, implementation conditions, and risks. This approach avoids organizing the synthesis study by study, and instead provides a policy-oriented account of which mechanisms work, under what conditions, and with what risks. The protocol organizes the available evidence into five components:

**Instrument objectives:** This component identifies the policy problem the instrument seeks to address and the market outcome on which it predominantly operates: household use of private services, expansion of private capacity —new places or centers—, or provider entry and exit dynamics. This distinction matters because a single policy may affect one of these outcomes without affecting the others.

**Causal logic:** This component reconstructs the causal chain linking the instrument to its expected results: whose behavior it seeks to change (families, providers, or employers), through which mechanism (price, information, incentives, or obligations), and under what assumptions about how the market functions. This simplified modeling helps identify which links in the chain are supported by available evidence and where evidence gaps remain.

**Design features that matter:** This component documents the design parameters that the evidence identifies as determinants of results, such as copayment levels, eligibility criteria, intensity of support, and enforcement mechanisms, among others. This component is central to transferability: the question is not whether an instrument “works” in the abstract, but under which specific configurations it produces effects and with what institutional conditions.

**Results and magnitudes:** This component synthesizes documented effects following the links in the causal chain. The presentation is explicit about the type of evidence available at each link: when an effect has not been measured causally, it is not inferred. When the evidence is descriptive or observational, this is stated clearly for the reader.

**Implementation trade-offs and risks:** This component identifies unintended effects, design tensions, and risks that appear consistently in the literature: effects on price, supply composition, equity of access, fiscal sustainability, or required institutional capacity.

## 4. Five Policy Dimensions: Evidence and Trade-offs

This section systematizes the international evidence on policies that shape private sector participation in the provision of childcare services. The analysis is organized around five dimensions that cover different mechanisms of state intervention: regulation of market entry and operating conditions (Dimension 1); public financing and economic incentives for families, providers, and employers (Dimension 2); incorporation of private actors as providers within the public system (Dimension 3); reduction of frictions that prevent demand from materializing (Dimension 4); and quality assurance (Dimension 5).

The taxonomy is neither exhaustive nor mutually exclusive: several instruments operate simultaneously across more than one dimension, and some effects documented in one dimension result from interactions with instruments in others. To structure the systematization, each policy is classified according to its predominant mechanism of action, while recognizing that real-world effects are often more complex than this classification suggests.

Two methodological caveats apply throughout the section. First, the evidence is substantively heterogeneous: the number of studies, methodological strength, and availability of causal evaluations vary considerably across dimensions and instruments. Where causal evidence is scarce, the analysis documents observed patterns and plausible mechanisms, explicitly noting the limitations for inference. Second, the transferability of findings across contexts is limited. The effects of a given instrument depend on market characteristics, the institutional capacity of the state, and the starting point of the childcare system. The design lessons presented here aim to identify robust principles rather than prescribe universal configurations.

### 4.1 Dimension 1: Regulation

Regulation is the state's most basic intervention in the childcare market: it defines who can operate, under what conditions, and according to which minimum standards. Unlike financial instruments, regulation does not transfer resources; rather, it modifies the conditions for market entry, operation,

and exit. Its relevance for private sector participation is twofold. On the one hand, it is an enabling condition without which a formal childcare market cannot exist. On the other, its design can expand or contract private participation in ways that policymakers often underestimate.

This section analyzes two subdimensions: mandatory minimum standards, including staffing ratios, educational requirements, and infrastructure; and legal employer mandates, which require firms of a certain size to provide or finance childcare services for their female workers. In both cases, the available evidence is mainly observational, with a limited number of robust quasi-experimental evaluations.

### 4.1.1 Mandatory Minimum Standards

#### What the instrument seeks to achieve

Mandatory minimum standards establish the basic operating conditions for childcare services in the formal market. Their stated objective is to guarantee a floor of safety and quality: that children are adequately supervised, that staff have the minimum required competencies, and that infrastructure is appropriate. From the perspective of private sector participation, what matters is how these standards operate in practice: by defining who can enter and remain in the formal market, standards function simultaneously as an enabling mechanism and as a barrier to entry.

Minimum regulation operates as a package of instruments, not as a single instrument. The three main components—structural standards such as child-staff ratios and maximum group size; human capital requirements, such as minimum staff education; and compliance requirements, including infrastructure, registration, and licensing—are not equivalent in their effects. The evidence shows that they operate through different mechanisms and produce different outcomes in the provider market.

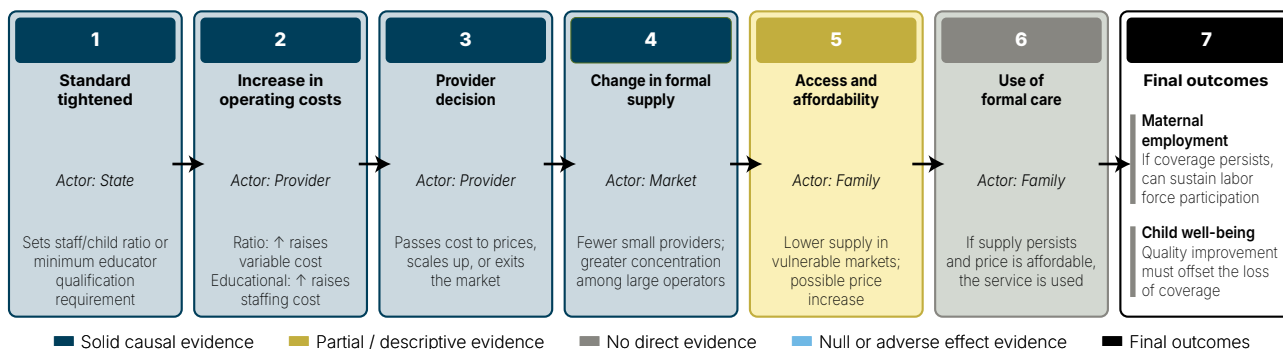
#### Causal logic

The dominant causal chain in the literature is the following (Figure 1): tightening a standard increases the fixed or variable costs of operation; providers that cannot absorb this additional cost—whether by passing it on to prices, increasing scale, or reducing other expenditures—reduce their size or exit the market; those that remain adjust their operating model. At the same time, higher operating costs discourage the entry of new providers, especially in markets where demand is highly price-elastic or where margins are low. The net effect on access and effective use of formal childcare depends on whether the remaining supply continues to be accessible to the most vulnerable families.

This mechanism does not operate uniformly: its intensity depends on the type of standard, the income level of the local market, and providers' ability to pass costs on to prices. These forms of heterogeneity are central to understanding the results.

**Figure 1. Causal logic – Mandatory minimum standards**

*Regulation defines the conditions of the formal market and determines who can operate, and at what cost*



## Design features that matter

The literature identifies three design decisions with strong implications for results.

**First, the type of input being regulated:** standards that regulate the quantity of labor input, such as child-staff ratios, produce very different effects from those that regulate the quality of that input, such as educational requirements. Ratios act directly on the variable cost per child served; educational requirements affect the composition of staff without necessarily increasing staffing levels (Hotz and Xiao, 2005, 2011; Blau, 2003b, 2007).

**Second, the uniformity of the standard:** a uniform standard applied to all providers, regardless of size, location, or modality, disproportionately affects smaller providers, which have less capacity to absorb fixed costs (Hotz and Xiao, 2011).

**Third, enforcement capacity:** regulation generates its expected effects —positive or negative— only when it is effectively monitored and consistently applied. Without credible enforcement, the result is uneven compliance: the most visible formal providers bear the cost of regulation, while others operate outside the framework without sanction (Hotz and Xiao, 2005; Blau, 2007).



## Results and magnitudes

The evidence on the effects of minimum standards on private sector participation comes mainly from studies that exploit regulatory variation across U.S. states, particularly the work of Hotz and Xiao (2005, 2011) and Blau (2003b, 2007), which remain the most robust empirical references in this field. The results are organized around five links in the causal chain. Table 1 summarizes the main findings.

**Entry and formal private supply.** Child-staff ratios operate as an effective barrier to entry. A one standard deviation tightening in the ratio —equivalent to moving from one teacher for every 7–8 children to one for every 6— reduces the entry rate by approximately 23%: nearly two out of every ten potential entrants do not enter the market. The effect on the stock of establishments is also negative, although smaller than the effect on entry, with a reduction of 0.33 establishments per local market. Heterogeneity by income level suggests that these effects are concentrated in lower-income markets: the average effect on the number of establishments is around –0.37 in markets located two standard deviations below the median local income, compared with a slightly positive effect (+0.33) in areas two standard deviations above it. This pattern is consistent with a cost pass-through mechanism that works better where demand is less price-sensitive (Hotz and Xiao, 2005, 2011).

Minimum educational requirements, by contrast, do not show statistically significant effects on entry rates or on the number of establishments. The estimated effects are small and do not survive the inclusion of state fixed effects, suggesting that much of the correlation observed in cross-sectional studies reflects heterogeneity across states rather than a causal effect of the standard. Nor do the effects vary systematically by the income level of the local market (Hotz and Xiao, 2005, 2011; Blau, 2003b).

**Provider exit.** Effects on exit are asymmetric relative to effects on entry, and the mechanism differs by type of standard. Stricter ratios reduce the probability of exit by 4 to 5 percentage points: by acting as a barrier to entry, they reduce competition, which improves the survival of incumbent providers. Educational requirements, by contrast, increase the probability of exit by 1.2 to 1.5 percentage points: by requiring higher qualifications, they generate greater staff turnover, as workers have better outside options. This worsens service quality and eventually affects provider margins (Hotz and Xiao, 2005).

**Provider operations and operating costs.** Stricter child-staff ratios generate adjustments through contraction of scale. A one standard deviation tightening is associated with a reduction of 3 to 4 workers per establishment. This result is consistent with labor market evidence: regulatory changes in ratios and group size limits are associated with a 1% to 1.2% reduction in job vacancies and a

6.9% increase in the relative demand for college-educated workers, indicating that adjustment occurs through labor costs rather than through capacity expansion (Hotz and Xiao, 2005, 2011; Blau, 2007; Ali et al., 2024).

Educational requirements, in contrast, increase operating costs by requiring more qualified staff, but they do not lead to a direct contraction in scale: no significant declines are observed in the number of workers or establishments. The higher cost appears to be absorbed without systematic adjustments through prices or supply reductions (Hotz and Xiao, 2005, 2011; Blau, 2007).

**Prices.** The evidence on price pass-through is mixed and depends on the specification used. Gorry and Thomas (2017), using a cross-section of 50 states, estimate that reducing the permitted child-to-caregiver ratio by one child is associated with cost increases of between 9% and 20% for infant care. Blau (2003b) documents that regulatory differences across states may explain between 25% and 63% of observed differences in families' weekly childcare spending, although these effects are not robust across all specifications. However, Blau (2007) finds that once state fixed effects are included, the effect on prices disappears: the higher cost of compliance is absorbed mainly through lower wages for childcare workers, rather than through price increases. Educational requirements are associated with cost increases of between 25% and 46% in cross-sectional studies (Gorry and Thomas, 2017), although Blau (2007) finds no robust evidence of price effects in specifications with fixed effects, suggesting partial absorption through wages (Blau, 2003b, 2007; Gorry and Thomas, 2017).

**Quality.** Stricter child-staff ratios generate improvements in observable proxies of quality: a one standard deviation tightening is associated with increases of 1 to 2 percentage points in indicators such as accreditation and compliance. These findings confirm that standards can affect observable dimensions of service quality and safety. At the same time, the magnitude of these effects is smaller than that observed in other links of the chain —entry, supply, and prices— suggesting that the design of standards matters as much as their level of stringency. The evidence does not question the need to establish quality floors; rather, it shows that uniform standards, applied without financing, gradual implementation, technical support, or effective enforcement, can generate unintended distributional effects on available supply, especially in low-income markets. Educational requirements, consistent with the broader pattern, do not show significant effects on observable quality in the studies reviewed (Hotz and Xiao, 2005, 2011; Blau, 2007; Sowa-Kofta, 2024).

**Table 1. Summary of evidence: mandatory minimum standards**

| OUTCOME                                 | MAIN RESULT                                                                                                                     | TYPE OF EVIDENCE                                               | EVIDENCE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Provider entry</b>                   | Child-staff ratios operate as an effective barrier. Educational requirements show no significant effects.                       | Quantitative observational evidence — panel with fixed effects | A 1 SD tightening in the ratio → -23% entry rate and -0.33 establishments per market, estimated using state-level regulatory variation. Larger effect in low-income markets (-0.37) than in high-income markets (+0.33 establishments). Educational requirements: small coefficients, not robust. (Hotz and Xiao, 2005, 2011)                                                                                                                                                                                                                    |
| <b>Provider exit</b>                    | Asymmetric effects: ratios reduce exit by limiting competition; educational requirements increase it.                           | Quantitative observational evidence — panel with fixed effects | Ratios: -4 to -5 pp probability of exit. Educational requirements: +1.2 to 1.5 pp exit due to higher staff turnover. (Hotz and Xiao, 2005)                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Employment and operational scale</b> | Stricter ratios induce contraction of scale through reduced employment.                                                         | Quantitative observational evidence + labor vacancy data       | A 1 SD tightening in the ratio → -3 to 4 workers per establishment. Regulatory changes: -1.2% vacancies; +6.9% demand for college-educated workers. (Hotz and Xiao, 2005, 2011; Blau, 2007; Ali et al., 2024)                                                                                                                                                                                                                                                                                                                                    |
| <b>Childcare prices</b>                 | The costs of stricter ratios are partly passed through to prices; educational requirements show no robust effect.               | Quantitative observational evidence                            | Ratios: cross-sectional estimates → reducing the permitted ratio by one child is associated with +9% to +20% in annual infant care costs (Gorry and Thomas, 2017). Blau (2003b): regulatory differences explain 25% to 63% of differences in weekly spending across states. Blau (2007), with fixed effects: the price effect disappears; the cost is absorbed through lower wages for workers. Educational requirements: +25% to +46% in cross-section (Gorry and Thomas, 2017); no robust effects in fixed-effect specifications (Blau, 2007). |
| <b>Observable quality</b>               | Small improvements in quality proxies, such as accreditation, associated with ratios; no effects from educational requirements. | Quantitative observational evidence                            | A 1 SD tightening in the ratio → +1 to 2 pp in accreditation/compliance proxies. Positive effects on observable indicators, although smaller than the documented effects on entry, supply, and prices. Educational requirements: no significant effects. (Hotz and Xiao, 2005, 2011; Blau, 2007; Sowa-Kofta, 2024)                                                                                                                                                                                                                               |

## Trade-offs and risks

**Asymmetric adjustment by market income level.** The central trade-off of minimum regulation is geographic and distributional. In higher-income markets, more demanding standards are absorbed through partial price pass-through or adjustments in operating margins: providers can remain viable by raising prices. In lower-income markets, where pass-through to prices is limited because demand is more elastic, adjustment occurs mainly through supply contraction: fewer establishments, lower employment, or no entry at all. The result is the creation of what the literature calls “childcare deserts” in vulnerable territories when uniform regulatory standards are applied (Hotz and Xiao, 2011).

**Changes in the structure of the provider market.** Minimum regulation may induce the disproportionate exit of small providers, especially family child care (FCC), meaning home-based caregivers, without immediately reducing total available supply. The result is not necessarily a decline in available places, but a shift in market composition toward larger operators, with greater concentration and less diversity in service models. This occurs because small providers have less capacity to absorb additional regulatory costs and, unlike larger centers, cannot pass them on to prices without losing their family base—precisely the families most sensitive to price. This process has long-term consequences for accessibility: small and home-based providers are often the closest, most flexible, and most affordable option for low-income households (Hotz and Xiao, 2011; Blau, 2007). See Box 1 for a detailed analysis of this dynamic among FCC providers.

**Quality, coverage, and regulatory design.** The central tension is not between quality and coverage as opposing objectives, but between different regulatory designs for achieving adequate quality floors without generating regressive distributional effects. The evidence shows that certain structural standards, particularly child-staff ratios, can improve observable quality proxies—for example, 1 to 2 percentage points in accreditation—but can also increase compliance costs, restrict provider entry, and more strongly affect low-income markets. This asymmetry does not imply lowering regulatory ambition or postponing quality. Rather, it calls for standards designed with gradual implementation, differentiation by provider type, complementary financing, and effective enforcement. In contexts where supply is scarce or heterogeneous, quality regulation requires an implementation architecture that can raise standards without pushing out precisely the providers serving households with the greatest access constraints (Hotz and Xiao, 2005, 2011; Blau, 2003b; Gorrry and Thomas, 2017).

**Critical dependence on enforcement.** Minimum regulation generates the documented effects—positive or negative—only when it is effectively monitored and applied. In contexts of low state capacity, the result is uneven compliance: the most visible formal providers bear the regulatory

costs, while others operate informally without sanction. This creates an incomplete quality floor and unfair competition that can erode the viability of formal providers that do comply (Hotz and Xiao, 2005; Blau, 2007; Sowa-Kofta, 2024).

## Synthesis

Minimum regulation affects private sector participation in real but differentiated ways. Child-staff ratios are the component with the strongest documented effect: they reduce entry and the stock of private establishments, especially in low-income markets, and may increase prices for families. They also generate improvements in observable proxies of quality and compliance, confirming their relevance as an instrument for establishing minimum floors of safety and quality. However, these positive effects coexist with compliance costs that may restrict supply in the markets where access is already most limited. Educational requirements do not show these effects on entry or prices, although they do imply higher operating costs and a small but statistically significant increase in provider exit.

The policy implication is not to eliminate or weaken regulation, but to design it with awareness of its distributional effects and with instruments that make compliance viable. This means differentiating standards by provider type and size where appropriate, phasing implementation according to the capacity of the local market, complementing regulatory requirements with financing or technical support, and prioritizing effective enforcement over nominal expansion of the regulatory framework. Quality must be a non-negotiable objective of childcare policy, but its regulation requires an architecture that can raise standards without reducing vulnerable households' access to formal, safe, and supervised services.

### Box 1 — Minimum regulation and distributional effects on small providers (FCC)

Minimum regulation does not affect all private providers in the same way. Small and home-based providers, known in the English-language literature as family child care (FCC), follow a distinct pattern that deserves attention, both because of their weight in childcare supply and because of their relevance for low-income households.

The evidence shows two distinct phenomena that operate sequentially. In the short term, when regulation on centers becomes stricter and reduces their capacity or increases their prices, part of the demand shifts toward FCC. Hotz and Xiao (2011) document statistically significant increases in average income per FCC provider, consistent with a higher number of children served by each existing provider. However, this increased use of existing FCC capacity does not translate into an increase in the number of FCC providers: coefficients on the number of establishments are not significant and, if anything, point to a slight contraction. This effect varies by market income

level: income per FCC provider increases in higher-income markets, but does not increase—and may even fall—in lower-income markets. This suggests that the adjustment mechanism through FCC has severe limits precisely where it is most needed.

In the medium and long term, multiple factors erode the viability of FCC providers. Banghart et al. (2023) document a sustained decline in the number of FCC providers in Maryland since 2008, attributable to a combination of causes operating simultaneously: providers' life events—such as health problems or moves, which can become trigger points for closure after accumulated burn-out—; economic pressure from low and unstable income; and a growing administrative burden linked to compliance requirements. Regulation is a contributing factor, particularly the costs of documentation, physical upgrades, and participation in rating systems, but it is neither the only determinant nor the one most frequently cited by providers themselves. The study also documents that increases in subsidy reimbursement rates in 2018–2019 slowed the pace of closures, suggesting that financial instruments can partially offset regulatory pressure.

The integrated interpretation is the following: minimum regulation can raise average market standards and strengthen basic safety and quality conditions. However, if it is uniform and ignores differences in scale, costs, and administrative capacity across providers, it can shift the composition of the market toward larger operators and push small providers out of the formal market. The final result may be a market with higher average standards but less diversity in service models, poorer geographic coverage, and reduced access for households that depend most on flexible and nearby options. The challenge, therefore, is not to lower standards, but to design compliance pathways, technical supports, and financing mechanisms that make it possible to bring small providers into—or keep them within—the supervised formal market.

References: Hotz and Xiao (2011); Banghart et al. (2023); Gorry and Thomas (2017).

## 4.1.2 Legal Employer Mandates

### What the instrument seeks to achieve

Legal employer mandates require firms above certain workforce thresholds to provide or finance childcare services for the children of their female workers. Their main objective is to reduce barriers to women's labor force participation by requiring employers to bear part of the cost of child-

care, making it easier for women to remain in employment. From the perspective of private sector participation, the instrument is relevant insofar as it can create regulatory demand for childcare services and enable the contracting of external private providers.

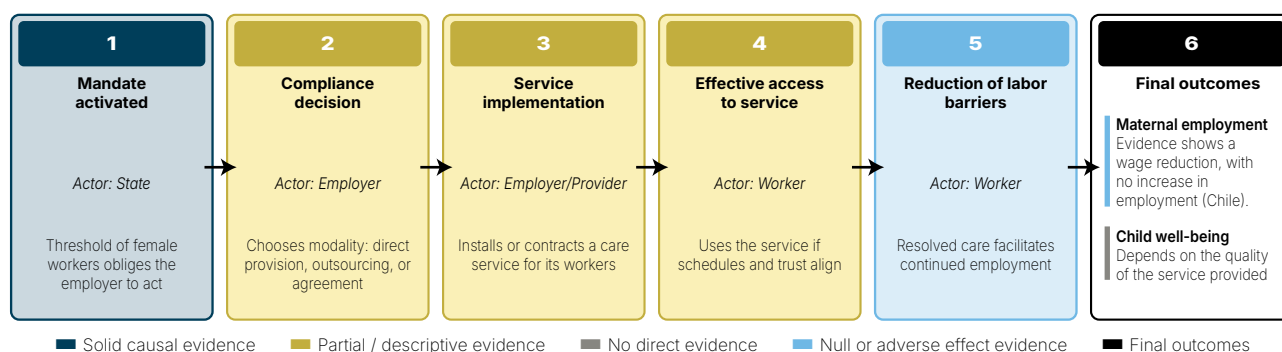
Globally, 26 out of 189 economies have employer mandates for childcare, approximately 14% of the total (World Bank, 2019). The most common activation criterion is the number of female workers: 18 of the 26 countries with mandates use it. Thresholds vary: Chile activates the mandate at 20 or more female workers, Bangladesh at 40, and India at 30 under the *Factories Act*.

## Causal logic

The stylized causal chain of the instrument has several links (Figure 2): the mandate requires the employer to implement a childcare solution; the employer chooses the mode of compliance —on-site direct provision, contracting an external provider, or entering into an agreement with other employers—; female workers gain access to and use the service; access to childcare reduces barriers to continued employment. The evidence shows frequent breaks in the intermediate links, especially in contexts of weak enforcement: the existence of the legal obligation does not guarantee either actual implementation or effective use. And when the instrument is implemented, the only available causal evidence documents adverse effects on women’s wages, with no compensating increases in employment (Prada et al., 2015).

**Figure 2. Causal logic – Legal employer mandates**

*The mandate obliges the employer to provide or finance care → generates regulatory demand for private providers*



## Design: modes of compliance

The most widespread mode of compliance in older legislation is on-site direct provision —the provision of a *crèche* within the firm’s facilities. This modality has high fixed costs and low scalability: it requires physical space, specialized staff, and continuous management, making it unviable for many medium-sized and small firms. More flexible modalities, such as contracting external providers, establishing near-site arrangements, or forming consortia among firms, are less common in

legislation but more functional from the perspective of the private market, as they could generate scalable demand for specialized providers. However, the possibility of outsourcing is a necessary but insufficient condition for generating private sector participation: pre-existing available supply and a minimum scale of demand are also required (IFC, 2019; World Bank, 2019).

## Results and magnitudes

The evidence on employer mandates is limited in causal terms and comes from highly heterogeneous contexts. The only study with a robust quasi-experimental design is from Chile (Prada et al., 2015), which exploits the activation threshold through a regression discontinuity design. The remaining evidence—from Bangladesh and India—is descriptive, based on employer surveys and sectoral case studies without causal identification. The transferability of the Chilean findings is limited by the characteristics of Chile’s formal labor market; the transferability of the Asian cases is limited by differences in industrial structure and enforcement capacity. With these caveats, Table 2 summarizes the main findings.

**Effective compliance.** The available evidence shows low compliance in contexts with weak enforcement. In Bangladesh, only 23% of legally covered employers report offering any childcare service, and 61% report having no implementation plans (IFC, 2019). In India’s textile sector in Bangalore, up to 95% of factories do not have functional crèches despite the legal obligation in force (Cividep, 2016). Where compliance exists, provision is predominantly direct, on-site, and small-scale.

**Access and effective use.** Even when services exist, use is low. In Bangalore, only around 6% of female workers used the available crèches (Cividep, 2016). Since these women are already employed, low use does not reflect lack of demand, but rather a mismatch between the service and available alternatives. The main barriers to use identified in the qualitative evidence are incompatible hours with work shifts, distance between the service and the workplace, eligibility restrictions, and distrust in the quality of care. This evidence shows that nominal access—the existence of a service—can differ substantially from effective access—actual use—and that the mandate itself does not solve non-economic barriers to use.

**Private sector participation.** The participation of private providers does not emerge systematically from employer mandates. It appears when regulation allows outsourcing, when there is pre-existing provider supply, and when there is a minimum scale of demand. In the absence of these conditions—which are the prevailing conditions in many contexts—provision remains fragmented, on-site, and small-scale, without generating clear signals for the sustained entry of specialized private providers. There are no causal evaluations documenting expansion of the private market directly attributable to employer mandates (IFC, 2019; Cividep, 2016).

**Labor market effects.** The only available quasi-experimental evidence on labor market effects of the mandate comes from Chile. Prada et al. (2015) exploit the threshold of 20 female workers to identify the causal effect of the mandate in firms that cross that threshold, using a regression discontinuity design. The results point clearly in one direction: activation of the mandate is associated with a 9% to 20% reduction in women's wages, consistent with partial cost shifting to female workers through wage adjustments. No compensating increases are observed in female employment or labor force participation. The adverse wage effect is larger when the activation threshold is defined by the number of women, creating an incentive for employers to reduce female hiring or keep their workforce below the threshold.

**Table 2. Summary of evidence: legal employer mandates**

| OUTCOME                                                | MAIN RESULT                                                                                 | TYPE OF EVIDENCE                                       | EVIDENCE                                                                                                                                                                                                                          |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Effective compliance with the mandate</b>           | Low in contexts of weak enforcement; nominal or small-scale on-site provision predominates. | Descriptive evidence / administrative surveys          | Bangladesh: 23% of covered employers offer some service; 61% have no implementation plans (IFC, 2019). India, Bangalore textile sector: up to 95% of factories without functional crèches (Cividep, 2016).                        |
| <b>Effective use by female workers</b>                 | Low even when the service formally exists.                                                  | Descriptive / qualitative evidence                     | India, Bangalore: around 6% of female workers use available crèches. Barriers: hours, distance, eligibility, distrust of quality (Cividep, 2016; Maquila Solidarity Network, 2016).                                               |
| <b>Private sector participation — market expansion</b> | Does not emerge systematically. No causal evidence of provider market expansion.            | Descriptive evidence                                   | No causal evaluations document entry or expansion of private providers attributable to mandates. Observed provision is fragmented and predominantly on-site (IFC, 2019; Cividep, 2016).                                           |
| <b>Effects on women's wages</b>                        | Partial shifting of the cost of the mandate to female workers through wage reductions.      | Quasi-experimental evidence — regression discontinuity | Chile: activation of the mandate —20-female-worker threshold— → -9% to -20% in women's wages. No compensating increase in employment or female labor force participation. Effect linked to threshold design (Prada et al., 2015). |

## Trade-offs and risks

**Structural limits in contexts of high informality.** The reach of the instrument is intrinsically limited by its design. Because it is activated by the size of the formal employer and the number of female workers, employer mandates cover only a fraction of total employment. In LAC, where labor informality reaches 50% to 60% of the labor force in many countries, that fraction is particularly

small. Households with the largest childcare deficits —especially informal workers, rural workers, and domestic workers— are excluded from the instrument by design. In that respect, employer mandates are a labor policy with childcare effects, not a universal childcare policy (Araujo and López-Boo, 2015; López Estrada, 2017; World Bank, 2019).

**Adverse distributional effects.** The evidence from Chile documents a distributional risk that comparative policy discussions tend to overlook: when the activation threshold is defined by the number of female workers, the mandate creates incentives for employers not to hire women above the threshold, or to pass the cost of the mandate on through wage adjustments. The Chilean result —wage reductions without compensating employment gains— suggests that the instrument can harm precisely the women it seeks to benefit. This effect is specific to the design of the threshold and is an important warning for countries considering the adoption or reform of mandates with a similar structure (Prada et al., 2015).

**Risks of low quality under weak compliance.** In contexts of insufficient enforcement, the mandate tends to generate symbolic provision: services that exist on paper but present recurrent quality problems, inadequate infrastructure, staff without formal training, high turnover, and episodes of risk to child safety. This low-quality provision not only fails to meet the instrument's objective, but can also erode trust in formal childcare services and inhibit future demand (Cividep, 2016; Maquila Solidarity Network, 2016).

## Synthesis

Legal employer mandates do not generate systematic expansion of access to childcare or of the private provider market. Their reach is intrinsically limited by the coverage of formal employment, which excludes precisely the households with the largest childcare deficits in LAC. When implemented in contexts of weak enforcement, they produce symbolic compliance, low use, and quality risks. The only available causal evidence, the Chilean case, also documents adverse distributional effects on women's wages.

Employer mandates operate mainly as a compensatory instrument in the face of structural deficits in public supply, relevant in contexts where the formal workforce is large and enforcement is credible. They do not constitute a strategy for universal childcare expansion or a reliable mechanism for stimulating private provision in the most common LAC contexts.

## 4.2 Dimension 2: Public Financing and Economic Incentives

Among the instruments reviewed, public financing and economic incentives are the mechanisms most consistently associated in the international literature with observable private-sector responses in childcare markets. Unlike minimum regulation, which operates by establishing conditions for entry and operation, financing instruments act directly on the cost of childcare for families or on providers' operating costs, altering supply and demand incentives.

This section explicitly distinguishes among the different outcomes on which these instruments may operate. Financing mechanisms can increase the use of formal services, expand available places, or improve affordability for families, but these changes do not necessarily imply equivalent improvements in service quality, child development, or women's labor force participation. The relationship among these outcomes depends on the actual quality of the services financed, the stability of access, the hours and location of supply, labor market conditions, and institutional capacity to regulate and support providers. For this reason, effects on coverage, supply, quality, and final outcomes are presented as related but analytically distinct links in the causal chain.

This section analyzes three families of instruments: demand-side subsidies, which transfer resources to families so they can choose among providers; supply-side subsidies, which transfer resources directly to providers; and tax incentives for employers, which seek to mobilize private financing through the tax system. The available evidence is more extensive and robust for the first two instruments, and shows important differences both in the scale of effects and in the risks associated with each design.

### 4.2.1 Demand-side subsidies

#### What the instrument seeks to achieve

Demand-side subsidies seek to reduce the effective cost of childcare for families, expand the use of formal care, and generate demand signals that induce responses from private supply. Unlike instruments that act directly on providers, these instruments operate through household decisions: if families can afford formal childcare, demand expands and, under the right conditions, private supply responds.

This category includes instruments with very different logics. Vouchers and portable subsidies operate *ex ante*, at the moment when childcare decisions are made; they reduce liquidity constraints and allow explicit targeting of lower-income households. Tax deductions and credits, by contrast, operate *ex post* through the tax system and mainly benefit households with positive tax

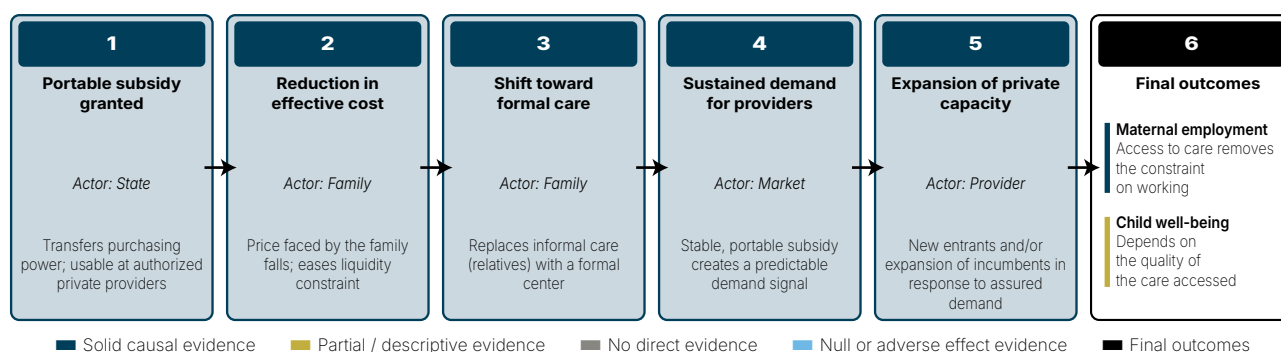
liability, which concentrates the benefit among middle- and higher-income families. This distinction has direct consequences for private sector participation: evidence on supply-side effects is very limited for tax instruments, and substantial for vouchers. For this reason, the analysis focuses on vouchers as the central instrument, while tax deductions are presented in a box at the end of the subsection (Box 3).

## Causal logic

The stylized causal chain of vouchers operates through several links (Figure 3). The subsidy reduces the effective price faced by the family at the moment of the childcare decision. This price reduction increases the use of formal care, especially among households that previously could not access it because of liquidity constraints. When the voucher is portable and can be used with private providers, the increase in use translates into effective demand for those providers. If that demand is sustained and predictable, existing providers accept the subsidy and may eventually expand capacity, while new operators may enter the market. This mechanism does not operate uniformly: its intensity depends on the effective generosity of the subsidy, copayments and fee caps, real portability across provider types, and the stability of rules over time.

**Figure 3. Causal logic - Vouchers and portable demand-side subsidies**

*The subsidy lowers the effective price for the family → activates demand → a signal that mobilizes private supply*



## Design features that matter

The comparative literature identifies six design decisions with strong implications for results.

**Effective cost coverage:** the schemes that produce the strongest private supply response cover a high share of the real cost of childcare for lower-income households: around 88% in the United States, 97% in the Netherlands, and 100% in Australia for the lowest-income brackets. Nominal generosity is not the same as effective generosity: if the residual copayment is high relative to the income of eligible households, the instrument does not generate sufficient demand (Warner and Gradus, 2011).

**Population coverage and size of the subsidized market:** a quasi-universal design creates a larger subsidized market than a scheme targeted only to low-income households, with direct implications for the demand signal perceived by private supply. A scheme with high monetary coverage but low population coverage, due to restrictive eligibility thresholds, generates a weak signal: subsidized demand is dispersed and does not reach the critical mass needed to induce entry by new providers (Warner and Gradus, 2011).

**Copayment structure:** schemes with gradual copayments that increase with income avoid the discontinuities known in the literature as cliff effects: abrupt drops in the subsidy when families cross eligibility thresholds, which discourage program participation and generate volatility in demand. Evidence from the United States shows that the abrupt cutoff of the subsidy around 200% of the poverty line limits its effectiveness for lower-middle-income households (Witte and Queral, 2002, 2003).

**Level of fee caps:** caps set below market prices concentrate subsidized demand among lower-cost providers, reduce incentives to expand capacity, and increase the risk of market segmentation. Aligning caps with real local costs is a necessary condition for the subsidy to function as a demand signal (Jones-Branch et al., 2004; Ryan et al., 2011).

**Effective portability across providers:** to mobilize private supply, the voucher must be usable with private providers without reimbursement rules that exclude them de facto. Minimum quality requirements linked to voucher payment—such as minimum levels in quality rating systems—can mitigate segmentation and prevent public financing from concentrating in lower-quality services. At the same time, if those requirements are not accompanied by technical support, gradual implementation, or sufficient financing, they may exclude small providers that serve vulnerable households, reproducing the regulatory design challenges discussed in Section 4.1.1 (Ryan et al., 2011; Tang et al., 2024).

**Stability of rules:** frequent recertification, changes in eligibility criteria, and administrative frictions generate beneficiary turnover, which reduces providers' incentives to invest and expand capacity. Longitudinal evidence shows that subsidy instability is a consistent predictor of lower supply expansion (Witte and Queral, 2002; Shaw et al., 2019).

## Results and magnitudes

The available evidence on the effects of vouchers comes mainly from the United States, Finland, and Luxembourg, with methodologies ranging from discrete choice models and panel analyses with fixed effects to mixed-method implementation evaluations. The results document effects across four links in the causal chain (Table 3).

**Substitution from informal to formal care.** The most robust and consistent effect in the literature is the shift from informal arrangements —parental or relative care— toward the use of formal centers. Descriptive SIPP data for households with incomes below USD 25,000 show that center-based care use is far higher among subsidy recipients than among non-recipients: around 45% versus 5% (Blau, 2003a). The size of this difference suggests that liquidity constraints are the main obstacle to the use of formal childcare among low-income households, more than a preference for informal arrangements. Causal estimates by Tekin (2005), which jointly model employment decisions and childcare mode choices for single mothers in the post-welfare reform period, show that receiving a subsidy increases the probability of working and using center-based care by 33.2 percentage points, with a symmetric decline of 16.2 pp in the use of relative care —from a baseline in which 38% of working mothers use centers and 41% use relative care. Low-income households that receive subsidies are thus substantially more likely to use centers and less dependent on informal networks (Chari and Valli, 2021; Pilarz, 2018; Ertas and Shields, 2012).

**Use of private providers.** When the subsidy is portable and can be used with private providers, a substantial share of the increase in use goes to private provision. A natural experiment in Finland shows that the introduction of a voucher for private childcare increased its use by 3 to 5 percentage points from a baseline of around 4% in the control region, even alongside universal public provision. The effect was larger —6 to 7 percentage points— in areas with excess demand, suggesting that private supply is particularly responsive where bottlenecks exist (Viitanen, 2011).

**Capacity expansion and provider entry.** The response of private supply to increases in voucher financing has been estimated causally in the U.S. market using panel analysis with district and year fixed effects (Lee et al., 2025). Each additional USD 100 per child per year is associated with 0.026 additional private places per child —equivalent to one new place for every USD 3,846 in additional financing, around 40% of the average annual price of a private childcare place in that market, estimated at approximately USD 10,000— and with a 0.4 percentage point increase in the provider entry rate, from an average rate of 8%. In Luxembourg, the expansion of a voucher scheme was accompanied by a doubling in the number of places between 2009 and 2014, with larger effects in municipalities without parallel expansion of public supply (Bousselin, 2022). In Maryland, design reforms to the childcare scholarship program —expanded eligibility, increased reimbursement rates, and elimination of waiting lists— generated sustained increases in the share of providers accepting the subsidy and a shift toward higher-quality providers (Banghart et al., 2024; Tang et al., 2024). Taken together, the evidence suggests that effects are larger when the subsidy is sufficiently generous, rules are stable, and there is no dominant parallel expansion of public provision (Lee et al., 2025; Viitanen, 2011; Bousselin, 2022).

**Effects on childcare prices.** Vouchers generate upward price adjustments, but these are modest and consistent with highly elastic supply. For the U.S. market, Lee et al. (2025) estimate an increase of USD 0.56 per week —around 0.3% of the average weekly price of USD 186— for each additional USD 100 per year in financing. This effect is driven mainly by price adjustments among incumbent providers, while new entrants tend to set slightly lower prices. The estimated high supply elasticity of 10.7 explains why the price effect is so small: most of the increase in subsidized demand is absorbed through quantity expansion rather than price increases.

**Table 3. Summary of evidence: vouchers and portable demand-side subsidies**

| OUTCOME                                          | MAIN RESULT                                                                                                    | TYPE OF EVIDENCE                                                          | EVIDENCE                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Substitution from informal to formal care</b> | Consistent and large shift from parental and relative care toward centers.                                     | Descriptive evidence — SIPP — and causal evidence — discrete choice model | Around 45% center use among recipients vs. around 5% among non-recipients, households below USD 25,000; Blau, 2003a. +33.2 pp probability of working and using centers, from a baseline of 38% of working mothers using centers; -16.2 pp relative care; Tekin, 2005. Consistent patterns in other descriptive studies (Chari and Valli, 2021; Pilarz, 2018).          |
| <b>Use of private providers</b>                  | A substantial share of the increase in use is channeled toward private providers when the voucher is portable. | Quasi-experimental evidence — natural experiment                          | +3 to 5 pp use of private childcare, from a baseline of around 4% in the control region; +6 to 7 pp in areas with excess demand (Viitanen, 2011, Finland).                                                                                                                                                                                                             |
| <b>Capacity expansion and provider entry</b>     | Expansion of private capacity and net provider entry under certain designs; highly elastic supply.             | Quasi-experimental evidence — panel with fixed effects                    | +0.026 private places per child for each additional USD 100 per year; +0.4 pp entry rate, from a baseline of 8.0%; supply elasticity of 10.7 (Lee et al., 2025, United States). Places doubled between 2009 and 2014 (Bousselin, 2022, Luxembourg). Sustained increase in participating providers (Banghart et al., 2024; Tang et al., 2024, Maryland, United States). |
| <b>Childcare prices</b>                          | Small price increases, consistent with high supply elasticity.                                                 | Quasi-experimental evidence — panel with fixed effects                    | +USD 0.56 per week for each additional USD 100 per year, around 0.3% of the average price of USD 186 per week; driven by incumbents. Elasticity of 10.7 confirms that quantity response dominates (Lee et al., 2025).                                                                                                                                                  |



## Trade-offs and risks

**Market segmentation through caps and quality.** When fee caps are low or copayments are high relative to higher-quality providers, beneficiaries concentrate among lower-cost providers, generating a dual market. Evidence from Germany documents a pattern of inverse selection in gains: children from lower-socioeconomic-status families are less likely to attend subsidized programs, but would benefit more than others if they did, because their counterfactual—the informal care they receive in the absence of the program—is of lower quality. This pattern is particularly marked for migrant children and children from more vulnerable households (Cornelissen et al., 2018), and offers a warning for designs in which caps do not allow access to higher-quality providers.

**Risk of a race to the bottom on price without explicit quality incentives.** If the design does not incorporate minimum quality standards or progressive rating schemes—such as the public quality rating systems (QRIS) described in Section 4.5.2, which classify providers into levels based on process and outcome indicators—competition among providers may focus mainly on prices. Partially linking voucher reimbursement to the provider's rating level is the architecture that most consistently mitigates this risk, although it may also raise entry barriers for small operators (Tang et al., 2024).

**Instability, turnover, and investment horizons.** Frequent recertification and administrative frictions generate beneficiary turnover, shortening the demand horizon perceived by providers and discouraging investment and capacity expansion. Subsidy stability is a consistent predictor of greater supply expansion (Witte and Queralt, 2002; Shaw et al., 2019).

## Synthesis

The evidence reviewed presents a relatively clear picture: well-designed vouchers generate measurable effects across the entire causal chain, from substitution away from informal care to expansion of private capacity. The estimated supply elasticity in the U.S. market is high, suggesting that private providers respond actively to sustained increases in subsidized demand. However, effects depend critically on design: high effective coverage, sufficient reach of the subsidized market, gradual copayments, caps aligned with real costs, effective portability across providers, and stable rules. These parameters must be complemented by minimum standards, information mechanisms, and, where possible, quality-linked incentives, so that subsidized demand does not concentrate among lower-cost but lower-quality providers. When these conditions are not met, the instrument may function mainly as cost relief for families already using formal care, without expanding supply or improving access for households facing the greatest constraints (Warner and Gradus, 2011; Witte, 2002; Shaw et al., 2019). An important limitation of the literature is that most available causal studies come from markets with high density and formalization of private

supply—the United States, Finland, and Luxembourg—, leaving a substantial gap in knowledge about supply responses in contexts with low initial coverage, which is precisely the predominant situation in Latin America and the Caribbean for children under age three.

### **Box 2 — Does public expansion crowd out private supply?**

A relevant debate for policy design is whether the expansion of direct public provision crowds out existing private providers. The evidence suggests that crowding out is not inevitable, but depends on initial market conditions and the type of intervention.

**No crowding out: contexts with supply deficits.** When public expansion occurs where unmet demand exceeds the supply available from both types of provider, private enrollment does not decline. Spain documents this pattern in the expansion of public care for three-year-olds: private coverage remained stable because the market absorbed new demand without becoming saturated (Nollenberger and Rodríguez-Planas, 2015).

**Crowding out: free public supply captures the full demand of the target group.** Crowding out is more likely when the public program is completely free and reaches groups that would otherwise use private providers. A randomized experiment in Rio de Janeiro—with municipal places allocated by lottery in low-income neighborhoods,  $n \approx 4,348$  children— documents the phenomenon: none of the children who won a free public place enrolled in private daycare, while one third of children who remained on the waiting list did so (Paes de Barros et al., 2011). This occurred even in a low-coverage context, showing that free provision can capture virtually all demand among the beneficiary group, eliminating incentives for private provision among those households. Similar patterns are documented in pre-K expansions in markets with a consolidated private sector (Bassok et al., 2014; Gelbach, 2002; Cascio, 2009).

**Design implication.** In markets with low initial coverage—the predominant situation in LAC for children under age three—the risk of crowding out private supply is lower because unmet demand is large. However, the evidence from Rio de Janeiro warns that even in those contexts, free provision can capture the entire demand of the beneficiary group, limiting private incentives. Vouchers and supply-side subsidies avoid this dynamic to the extent that they channel demand toward private providers rather than replacing them.

References: Nollenberger and Rodríguez-Planas (2015); Paes de Barros et al. (2011); Bassok et al. (2014); Gelbach (2002); Cascio (2009).

**Box 3 — Household tax deductions and credits:  
relief concentrated among middle-income households**

Tax deductions and credits are the other major demand-side subsidy instrument, but their distributional logic and their effects on private sector participation differ markedly from those of vouchers. They operate ex post, through the tax system: the family pays for childcare and later recovers part of the cost through a reduction in tax liability. This creates a structural constraint: households with no positive tax liability cannot benefit from the instrument.

Empirical evidence on the Child and Dependent Care Tax Credit (CDCTC) in the United States shows concentration on both sides of the market. On the demand side, tax expenditures mainly benefit middle- and higher-income households (Maag, 2017). On the supply side, between 50% and 75% of the value of the credit is passed through to higher childcare prices, captured by existing providers without generating signals for capacity expansion (Rodgers, 2018). The net effect for lower-income households is potentially adverse: they receive a minimal share of the credit while facing higher prices. In Germany, the equivalent tax instrument confirms low use and concentration among households already using formal services (Calahorrano and Stöwhase, 2021).

The most effective correction identified in the literature is to make credits refundable: simulations show that this modification eliminates the penalty observed in the bottom tercile and redistributes the benefit toward families with little or no tax liability. Without this adjustment, tax credits primarily provide tax relief to middle-income households, with limited capacity to mobilize additional private supply (Rodgers, 2018).

References: Maag (2017); Rodgers (2018); Calahorrano and Stöwhase (2021)

## 4.2.2 Supply-side subsidies

### What the instrument seeks to achieve

Supply-side subsidies transfer resources directly to childcare service providers, with the aim of sustaining operations, expanding capacity, or facilitating the entry of new providers. Unlike vouchers, they do not depend on individual household decisions to reach providers: they act directly on fixed costs, financial risk, and operational viability. They are particularly relevant in contexts where household demand at market prices is insufficient to sustain private providers.

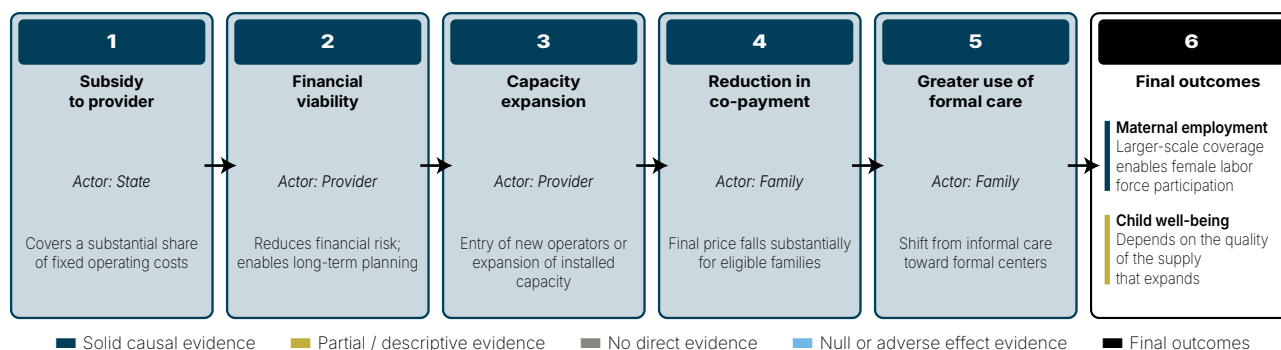
The literature distinguishes two broad families with different logics. Structural or comprehensive subsidies finance a substantial and stable share of provider costs, making formal provision viable at scale. Partial or targeted subsidies cover specific components —infrastructure, staff retention— and operate as defensive instruments: they are not designed to expand supply structurally, but to preserve existing capacity in the face of specific bottlenecks. The main analysis in this subsection focuses on structural subsidies; partial subsidies are discussed in the box at the end (Box 4).

## Causal logic

Structural subsidies act on the main obstacle to private supply in childcare markets where families cannot pay cost-covering fees: the financial risk of operation (Figure 4). By covering a substantial share of operating costs, they reduce provider income uncertainty, allow long-term planning, and make provision viable in contexts where family fees are insufficient to cover minimum costs. The resulting expansion of supply, combined with low or zero copayments, also induces substitution away from informal arrangements, increasing the use of formal childcare.

**Figure 4. Causal logic – Structural supply-side subsidies**

*The subsidy covers the provider's operating costs →  
makes formal provision viable where household demand at market prices is insufficient*



## Design features that matter

**Copayments and final price:** the impact on use depends critically on how much the price faced by families falls. Schemes with very low copayments, such as Quebec's model at approximately CAD 5 per day, generate substantial increases in use; schemes with higher copayments produce smaller effects on demand, although they may be more fiscally sustainable (Baker et al., 2008; Ángeles et al., 2011).

**Allocation rule:** per-child subsidies, such as Mexico's Estancias Infantiles model, reduce providers' demand risk while maintaining some competitive pressure. System-level service financing schemes, such as the Quebec model, allow longer-term planning but require greater public management capacity (Baker et al., 2008; Ángeles et al., 2011; González Ramírez and Durán, 2012).

**Eligibility by provider type:** opening the scheme to different types of providers —nonprofit, private, community-based— allows rapid scaling and can reach areas where private supply is absent, but it introduces heterogeneity in operating conditions and quality. Comparative experience shows that systems with multiple provider types require explicit mechanisms for quality convergence in order to avoid institutional segmentation within the system (Baker et al., 2008; CONEVAL, 2015).

## Results and magnitudes

The evidence on structural supply-side subsidies combines studies with different methodological profiles. The Quebec case (Baker et al., 2008) uses a difference-in-differences design exploiting policy variation at the system level, and constitutes the most causally robust reference in this subsection for estimating effects on the childcare market as a whole. The evaluation of Mexico's Estancias Infantiles program (Ángeles et al., 2011) uses a quasi-experimental pipeline design —beneficiary children as the treatment group and children on the waiting list as the control group—, which allows effects on participating families to be attributed, although with a more limited scope than the Quebec design for estimating effects on market structure. Finally, descriptive evidence is available for the Colombian case. The main gap is the absence of evaluations identifying general equilibrium effects: prices, provider entry, or supply composition. Table 4 summarizes the main findings.

**Capacity expansion.** Structural subsidies can close supply gaps at a scale that no other instrument in Dimension 2 has managed to replicate. In Quebec, subsidized places doubled between the late 1990s and early 2000s, increasing from approximately 77,000 to 163,000 (Baker et al., 2008). Latin American programs show similar results in coverage terms: Mexico's Estancias Infantiles reached nearly 300,000 children through a network of private and community-based providers (CONEVAL, 2015; Ángeles et al., 2011), and Colombia's Hogares Comunitarios de Bienestar served more than 1 million children (González Ramírez and Durán, 2012). For the Latin American cases, the available evidence does not allow a precise distinction between how much of this expansion reflects the net entry of new providers and how much reflects the formalization of pre-existing supply. However, both outcomes have policy value: even when formalization does not add new places, it enables regulation, supervision, and quality improvement in ways that informal provision does not.

**Use of formal childcare and maternal labor force participation.** In Quebec, the dramatic reduction in prices translated into an increase of approximately 14 percentage points in the use of formal childcare for children aged 0 to 4, from a pre-reform baseline of around 41.5% —equivalent to one third of the baseline rate—, with about one third of the increase explained by substitution away from informal care (Baker et al., 2008). The increase was accompanied by a 7.7 percentage point rise in the labor force participation of married mothers, from a baseline of around 53%. For Mexico, the evaluation of Estancias Infantiles shows positive effects on maternal labor force participation and household income, with stronger effects in municipalities with less pre-existing formal supply (Ángeles et al., 2011). Colombia’s Hogares Comunitarios show similar patterns, although with lower quantitative precision (González Ramírez and Durán, 2012).

**Table 4. Summary of evidence: structural supply-side subsidies**

| OUTCOME                                                               | MAIN RESULT                                                                                                          | TYPE OF EVIDENCE                                                          | EVIDENCE                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Capacity expansion</b>                                             | Large-scale expansion of places when the subsidy is structural and the copayment is low or zero.                     | Quasi-experimental evidence — DiD — and descriptive system-level evidence | Quebec: +112% subsidized places, from 77,000 to 163,000 (Baker et al., 2008). Mexico: around 300,000 children in the Estancias network (CONEVAL, 2015; Ángeles et al., 2011). Colombia: more than 1 million children (González Ramírez and Durán, 2012).                                                                                                                         |
| <b>Use of formal childcare and maternal labor force participation</b> | Substantial increase in formal childcare use and maternal labor force participation where prices fall significantly. | Quasi-experimental evidence — DiD                                         | Quebec: +14 pp use of formal childcare, from a baseline of around 41.5%; about one third through substitution from informal care; +7.7 pp maternal labor force participation, from a baseline of around 53% (Baker et al., 2008). Mexico: positive effects on maternal labor force participation, larger in municipalities with less pre-existing supply (Ángeles et al., 2011). |

## Trade-offs and risks

**Quality heterogeneity in rapid expansions.** When minimum standards are very low or compliance monitoring is limited, opening the system to broad networks of non-state providers generates variability in provision conditions. The literature on Quebec documents tensions between the speed of expansion and quality assurance across different provider types (Lefebvre and Merrigan, 2008). Evaluations of Latin American programs identify similar variability in large-scale community-based and private networks (González Ramírez and Durán, 2012; CONEVAL, 2015; Ángeles et al., 2011).

**Institutional segmentation of the system.** Structural subsidies can generate segmentation when different provider types receive different amounts, rules, or requirements without explicit mechanisms for convergence in quality, producing differentiated tracks that reproduce inequalities within the subsidized sector itself (Lefebvre and Merrigan, 2008; Baker et al., 2008; González Ramírez and Durán, 2012; CONEVAL, 2015).

**Fiscal dependency and vulnerability to budgetary changes.** Because they cover fixed and operating costs, structural subsidies generate recurrent commitments and make providers dependent on public financing. The Mexican experience illustrates this vulnerability clearly: in 2019, the Estancias Infantiles program was replaced by a new scheme of direct cash transfers to mothers, fathers, and guardians, eliminating the financing component linked to the operation of childcare centers. The case shows how a change in financing architecture can abruptly alter the conditions under which a provider network built over more than a decade operates (CONEVAL, 2020; López Estrada, 2020).

## Synthesis

Structural subsidies are the instrument with the greatest documented capacity to close supply gaps at scale in contexts with insufficient demand. Their power, however, comes with costs: they require predictable financing, clear quality rules, and solid governance to avoid the institutional segmentation and sustainability problems that affected several of the programs reviewed. Combining them with progressive quality requirements is the most documented architecture in systems that achieved large-scale expansion with some degree of control over heterogeneity. The main gap in the literature is the scarcity of causal evaluations for middle-income countries: the most methodologically rigorous studies come from Quebec, while Latin American data make it possible to describe the scale achieved but not always to causally attribute effects.

### **Box 4 — Partial or targeted subsidies: preserving capacity in the face of specific bottlenecks**

Partial subsidies do not seek to expand supply structurally, but rather to preserve existing capacity in the face of specific shocks: regulatory changes that increase operating costs, staff turnover that erodes service quality, or infrastructure gaps that threaten licensing. These instruments are intended to prevent capacity loss, so their effectiveness is measured by their ability to prevent market exits, not by the generation of new supply.

**Infrastructure and capital subsidies:** Chile's Capital Transfer Program for establishments operating under the family-transfer modality (VTF) enabled hundreds of private centers to comply with new infrastructure and safety requirements, preventing the closure of a significant share of

providers that would otherwise have exited the market. The instrument operates at the margin: without the subsidy, providers affected by the new standards would not have been able to absorb the cost of adaptation and would have closed, reducing the available supply (Navarro, 2021).

**Staff retention bonuses:** high staff turnover is a structural constraint in the childcare sector. Low relative wages generate turnover that erodes service quality, increases replacement costs, and makes it harder to consolidate improvements in pedagogical practice. A randomized experiment in the United States evaluated the effect of a retention bonus of up to USD 1,500 on staff turnover in childcare centers. In the control group, the turnover rate over an eight-month period was 25.2%; the bonus reduced it to 13.9%, a decline of 11.3 percentage points. The effect was especially marked among assistants, the group with the highest baseline turnover: from 40.3% to 16.0%, a reduction of 24.3 percentage points. This instrument does not expand places, but it stabilizes operational capacity and helps ensure that investments in in-service training are not lost through staff turnover (Bassok et al., 2021).

Taken together, partial subsidies play a complementary and time-bound role: they are critical at specific moments, such as when new regulations are introduced or labor shocks occur, but they do not replace structural instruments for expanding supply.

References: Navarro (2021); Bassok et al. (2021).

### 4.2.3 Employer tax incentives

#### What the instrument seeks to achieve

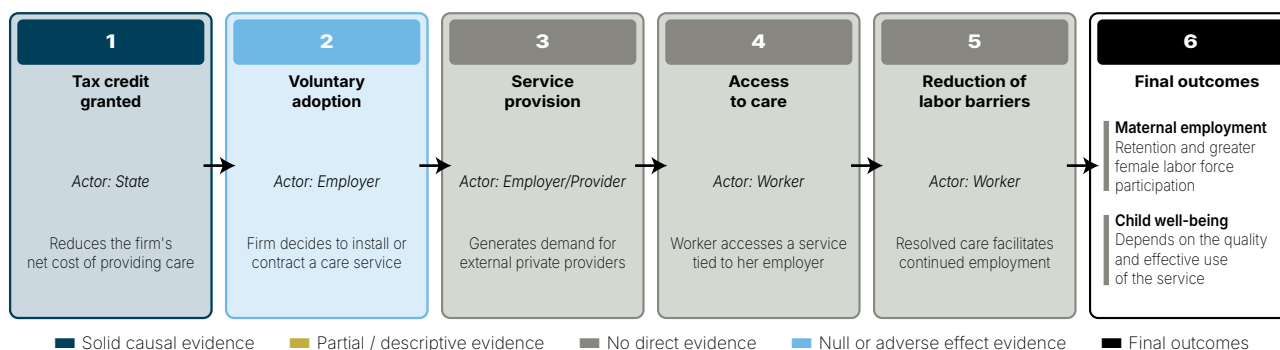
Employer tax incentives seek to mobilize private financing for childcare by reducing the net cost for firms that provide or facilitate childcare for their workers. Unlike the mandates analyzed in Section 4.1.2, they operate voluntarily: the state offers a tax benefit to induce a decision that the firm makes freely. Their ultimate objective is to expand access to childcare for workers with children, potentially reducing barriers to labor force participation and generating additional demand for private providers.

#### Causal logic

The stylized causal chain is long and has documented breakpoints at several links (Figure 5). The tax incentive reduces the net cost of offering childcare for the firm; the firm voluntarily decides to adopt the instrument; access to childcare improves workers' labor force participation and generates additional demand for private providers. The available evidence shows that the most frequent breaks occur in the intermediate links: firm uptake is low and concentrated among large firms, and the translation of the incentive into effective access to childcare services is often weak. The voluntary nature of the instrument is the primary source of its observed low impact.

**Figure 5. Causal logic – Employer tax incentives**

*The tax credit lowers the employer's net cost → aims to induce voluntary provision of care*



## Design features that matter

Employer tax incentives take diverse forms that affect who makes the decision to use the instrument, which expenses are eligible, and the effective intensity of the subsidy. The two most documented designs are the employer tax credit, such as Section 45F of the Internal Revenue Code in the United States, and tax-exempt childcare benefits channeled through employers, such as the United Kingdom's tax-exempt voucher model. Table 5 compares these models.

**Table 5. Design configurations: employer tax incentives**

| DESIGN DIMENSION          | UNITED STATES — EMPLOYER TAX CREDIT, IRC §45F                                                          | UNITED KINGDOM — TAX-EXEMPT BENEFIT PER WORKER                                                                                                                |
|---------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of incentive         | General business tax credit; non-refundable                                                            | Exemption from income tax and National Insurance contributions (NICs) on childcare benefits                                                                   |
| Subsidy intensity         | 25% of spending on facilities; 10% of spending on resource and referral services                       | Tax exemption up to a weekly per-worker cap, by tax bracket: £55 for basic-rate taxpayers, pre-2011; £28/£25 for middle- and higher-rate taxpayers, post-2011 |
| Effective cap             | USD 150,000 per fiscal year — absolute cap on the credit                                               | Around £2,900 per year per worker, based on 53 weeks at the basic rate                                                                                        |
| Unit of benefit           | Firm: the decision and tax claim are centralized; the benefit is not per worker                        | Worker: channeled through the employer; the benefit exists only if the employer voluntarily participates                                                      |
| Eligible modalities       | Own facilities; resource and referral services                                                         | Vouchers; directly contracted childcare; workplace nursery                                                                                                    |
| Administrative complexity | Licensing regulatory requirements; anti-duplication rules with deductions; nondiscrimination criterion | Basic earnings assessment, worker income classification; rules for combining modalities                                                                       |

Both configurations share structural limitations that determine their low uptake. In the U.S. model, the benefit is defined at the firm level—not per worker—and is subject to an annual cap of USD 150,000, meaning that the effective credit is modest relative to the fixed costs of installing or contracting childcare. The United Kingdom model, by contrast, offers a maximum annual amount per worker of around £2,900, insufficient to cover more than a small fraction of the real cost of childcare in urban areas. In both cases, uptake depends on the firm's fiscal and administrative capacity, which structurally biases the instrument toward large firms in the formal sector.

## Results and magnitudes

The evidence on employer tax incentives is almost exclusively descriptive and administrative. The GAO (2022) report for the United States is the most systematic source available, but it reports tax filing statistics, not causal effects on firm behavior or childcare market expansion. There are no impact evaluations or quasi-experimental studies estimating the effects of the instrument on childcare use, maternal employment, or the structure of private supply. In this case, the evidentiary limitation is part of the finding: the absence of rigorous evaluations partly reflects the instrument's low uptake and the difficulty of identifying exogenous variation for estimation. Table 6 summarizes the main available findings.

**Instrument uptake.** The available evidence is mainly descriptive and comes from administrative tax data. For the Section 45F credit in the United States, GAO estimates that in 2016, the year with the most complete data, between 169 and 278 corporate tax returns claimed the credit, with a total aggregate amount of USD 15.7 to 18.8 million. In addition, between 16,000 and 21,000 individual tax returns—mainly from business owners and partners—claimed the same credit, for an annual amount of USD 6 to 8 million. Of the two categories of spending reported by firms, expenditures on firms' own childcare facilities account for most claims—between 143 and 166 corporate returns, around 70% of the total—and therefore for most program spending (GAO, 2022).

The three industries with the highest participation—manufacturing, finance and insurance, and information—accounted for around half of the total amount claimed in 2013. Administrative data indicate that the instrument is concentrated among large firms with greater administrative capacity and tax planning capacity.

Interviews conducted by GAO with representative groups of employers, workers, and childcare providers identify five recurring obstacles that limit firms' use of the instrument. First, the fixed costs of building and operating facilities may far exceed the expected benefit of the credit. Second, the complexity of regulatory and tax requirements—including nondiscrimination rules and facility eligibility criteria—raises compliance costs. Third, a substantial share of employers are unaware

that the credit exists. Fourth, the effective benefit is perceived as insufficient relative to the costs involved. Fifth, some employers prefer simpler alternative mechanisms, such as flexible benefits that workers can apply according to their own preferences (GAO, 2022).

Table 6. Summary of evidence: employer tax incentives

| OUTCOME                                         | MAIN RESULT                                                                                               | TYPE OF EVIDENCE                               | EVIDENCE                                                                                                                                                                                                                              |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Instrument uptake                               | Very low. Concentrated among large firms with greater administrative capacity and tax-planning expertise. | Descriptive evidence — administrative tax data | United States: 169–278 corporate claimants in 2016; aggregate amount USD 15.7–18.8 million. Around 16,000–21,000 individual claimants; USD 6–8 million per year. Concentrated in manufacturing, finance, and information (GAO, 2022). |
| Private sector participation — market expansion | Not documented. The instrument does not generate demand signals sufficient for systemic expansion.        | No causal evaluations available                | There are no evaluations or administrative data documenting expansion of private supply attributable to this instrument.                                                                                                              |

## Trade-offs and risks

**High fixed costs versus incentive intensity.** Investment, operating, and regulatory compliance costs may exceed the expected benefit of the credit for most firms, especially where the firm operates its own facility. The U.K. approach, voucher or direct worker subsidy modality, reduces this problem, but the benefit per worker remains modest relative to the real cost of childcare.

**Regressive distributional impact.** Because the instrument operates through the business tax system and primarily benefits workers in large formal firms, it tends to concentrate benefits among households with greater prior access to the formal childcare market. This dynamic is analogous to that of household tax credits: it reaches those who already have the capacity to access services.

## Synthesis

Employer tax incentives have very limited capacity to generate systemic private sector participation in childcare. The limited available evidence shows very low uptake, concentrated among large firms in the formal sector, with no evidence of private supply expansion attributable to the instrument. The problem is not one of detailed design, but a structural one: the voluntary nature of the instrument, the fixed costs of adoption, and the modest intensity of the subsidy make it insufficient as a mechanism for expanding access. It may play a complementary role in contexts with high labor formality and employers with strong staff retention incentives, but it does not constitute a strategy for expanding the childcare market for households with the largest access deficits. It

is worth noting that this is the instrument in Dimension 2 with the largest gap in causal evidence: the available studies are descriptive and do not allow estimation of the effect of design changes on uptake or childcare supply.

**Box 5 — Hipocampus: employer co-financing  
to expand affordable childcare supply in Mexico**

Hipocampus is a Mexican social enterprise that provides childcare and early education services for low- and middle-income households, combining direct service provision with partnerships with firms that partially subsidize childcare access for their workers. Founded with the aim of expanding the availability of formal, quality services for working families, the organization operates eight centers in five cities across the country and has served more than 900 children. At the same time, it has generated employment and training opportunities for women in the communities where it provides services, with at least 65 educators and staff trained through its model.

Hipocampus' operating model is based on a co-financing model. Centers are located near workplaces or in the communities where families live, and partner firms provide infrastructure or subsidize a significant share of operating costs. In some agreements, firms cover up to 85% of the cost of the service, substantially reducing the final price for households. Families pay fees that may start at around USD 62 per child per month, depending on the center and the subsidy arrangement in place.

The case is especially relevant in the Mexican context following the closure of the federal *Estancias Infantiles* program, which had partially financed childcare for low-income households. The reduction of that scheme left a gap in the supply of affordable services, especially for working families with modest incomes. In this context, Hipocampus emerged as a private initiative designed to link firms' interest in improving worker retention and productivity with the need for affordable childcare.

However, the model also faces structural challenges. Expanding the network requires substantial investment in infrastructure and staffing, while access to capital for social enterprises in the sector remains limited. In addition, the model's reach depends heavily on firms' willingness to finance part of the service, which restricts its capacity to expand in contexts where corporate demand is lower.

From a public policy perspective, the case shows that co-financing arrangements with employers can help expand the supply of formal services and reduce costs for working families. However, it also suggests that these schemes are unlikely to replace a broader public financing architecture. Without public mechanisms to sustain coverage at scale, private initiatives tend to expand in fragmented ways and concentrate in specific segments of the labor market.

References: The Care Economy Knowledge Hub (2022b)

### **Box 6 — Vermont, United States: a financing reform to expand access and strengthen supply**

In 2023, Vermont passed the Affordable Child Care Act (Act 76), a reform aimed at simultaneously improving childcare affordability for families and the financial sustainability of providers. The reform substantially expanded eligibility for the state's Child Care Financial Assistance Program (CCFAP), raising the income threshold to 575% of the federal poverty line; eliminated copayments for families up to 175% of the federal poverty line; increased reimbursement rates; and distributed USD 21 million in readiness payments to approximately 800 programs. It also created a stable funding source through a 0.44% payroll contribution and a 0.11% self-employment tax (Building Bright Futures, 2025).

The available data suggest meaningful early effects on both the demand and supply sides. According to Child Trends, the number of families receiving subsidies increased by 27% between July 2022 and September 2024, from 5,059 to 6,411 families (Steber et al., 2025). In parallel, the monitoring report indicates 170 new infant slots and around 550 families up to 175% of the federal poverty line no longer paying copayments (Building Bright Futures, 2025).

There are also positive signs on the supply side. Child Trends finds that, after years of decline, the total number of registered providers began to grow again, increasing by 2.4% between November 2023 and December 2024. Over the same period, the share of providers accepting subsidies rose from 80.5% to 84.4%, and the average number of subsidized children per provider increased by 43%, from 4.9 to 7.0 (Richards et al., 2025).

The case is valuable because it illustrates an approach that differs from partial subsidies or fragmented interventions: Vermont attempted to correct families' access barriers and providers' financial constraints simultaneously. Indeed, Child Trends reports that center administrators attribute their ability to raise wages, offer benefits, and secure more stable revenue to the higher reimbursement rates (Steber et al., 2025). At the same time, the available evidence also shows persistent limits: access problems remain, linked to shortages of vacancies, limited hours, and difficulties for families with nontraditional work schedules (Steber et al., 2025).

In policy terms, the case suggests that meaningful expansion of access does not require choosing between supporting families and sustaining providers. When public financing is designed as part of a broader system architecture, it can simultaneously improve affordability, coverage, and sector stability; but its results depend on investment being accompanied by sufficient implementation capacity and sustained efforts to strengthen supply.

References: Building Bright Futures (2025), Richards et al. (2025), Steber et al. (2025)

## 4.3 Dimension 3: Private Participation in the Provision of Public Childcare Services

The third dimension analyzed groups two instruments in which the state does not merely finance or regulate existing private supply, but incorporates private actors as providers within the public childcare system. Under delegated management, the state defines the service, finances its operation, and retains public ownership or responsibility, but entrusts day-to-day management to private organizations. Under the purchase of services and places, the state buys places in private establishments that retain management autonomy, paying in exchange for compliance with minimum requirements. Both instruments share the objective of expanding formal coverage by leveraging existing private or community-based capacities, but they do so through different contractual logics and incentives.

Unlike the previous dimensions, the available evidence in this dimension is mainly descriptive and qualitative. The cases analyzed make it possible to document patterns of scale, operating conditions, and design trade-offs in detail, but without causal identification of the effects of the management scheme on final outcomes related to child development or labor force participation. This does not reduce the relevance of the findings, which are substantively important for those designing these instruments, but it does require caution in interpretation.

### 4.3.1 Delegated management: public services operated by private actors

#### What the instrument seeks to achieve

Delegated management refers to policies in which the state defines the childcare service —target population, free access, minimum standards, schedule, benefits—, finances its operation, and retains supervision and control functions, but entrusts day-to-day management to private organizations through agreements or contracts. Operators do not act as market suppliers: they do not set prices, they do not freely select families, and they operate under public rules. They are contracted providers within the public system (UNICEF et al., 2015; Castaño et al., 2019; Penn, 2012).

The instrument seeks to address a double policy problem. First, persistent coverage deficits in childcare for children aged 0 to 4, especially among vulnerable households, which the state cannot quickly close through direct provision because of infrastructure, human resource, and administrative rigidity constraints. Second, the pre-existing presence of community-based and informal private supply that can be integrated into the public system without building state capacity from

scratch. Delegated management allows public provision to scale by leveraging these existing capacities, without creating childcare markets in the conventional sense (UNICEF et al., 2015; Santiago et al., 2017; World Bank, 2022). Its contribution to public objectives, however, depends on whether that expansion is accompanied by sufficient financing, verifiable quality standards, technical support, and effective supervision.

This instrument differs from supply-side subsidies in one central respect: here, the service remains part of the public system. The state does not transfer resources to an autonomous private provider; rather, it contracts an operator to deliver a service whose ownership, design, and eligibility rules are public. As a result, the service is usually free for families and the operator has limited autonomy—it does not set prices or define beneficiaries. Under supply-side subsidies, by contrast, the service remains privately provided, copayments usually apply, and providers retain greater decision-making discretion. This distinction directly affects provider incentives and the state's ability to guarantee uniform standards (UNICEF et al., 2015; Defensoría CABA, 2020; MINEDUC/JUNJI, 2015; Penn, 2012; World Bank, 2022).

Finally, while in supply-side subsidies incentives operate mainly through economic mechanisms and market signals, in delegated management incentives are contractual: agreement continuity, stable financing, and compliance with standards. For this reason, the performance of the instrument depends less on prices and more on contract design: payment structure, quality requirements, monitoring systems, and mechanisms for supervision and sanction (Gustafsson-Wright et al., 2017; Trætteberg et al., 2023).

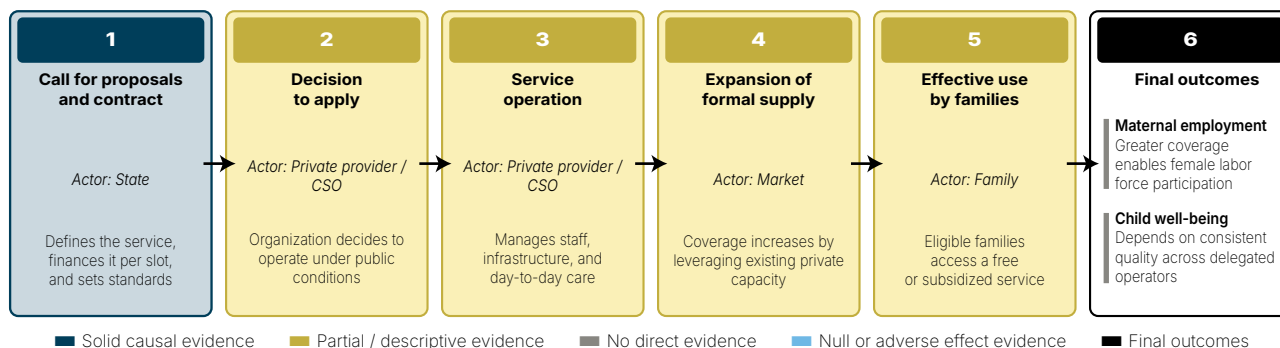
## Causal logic

The causal chain of the instrument operates as follows (Figure 6): the state defines the service and allocates public financing, typically per place or per child, and private organizations—mainly civil society organizations, foundations, and community-based actors—decide to apply for or enter into agreements to operate services under those conditions. Operators implement service delivery, including the full operation of centers, staff management, and accountability to the public authority. As supply increases, families replace informal care with formal care, making effective use of the service among eligible households. If coverage is sustained with high occupancy and adequate conditions of quality, stability, and service relevance, effective use can contribute to the expected final outcomes in child development and maternal labor force participation.

The available evidence shows good performance in the supply and use links, but relevant tensions in the intermediate links, especially in operators' organizational response—human resources, costs, and management capacities—and in the translation of public financing into homogeneous service quality.

Figure 6. Causal logic – Delegated management

*The State defines and finances the service but delegates its operation to private or community actors*



## Design features that matter

**First, what is delegated and what the state retains:** operational functions are delegated —day-to-day management, staff organization, direct provision of care— while the state retains service definition, eligibility, financing, supervision, and control. In Medellín’s Buen Comienzo program, the municipality finances the program and supervises the operation carried out by private operators (Castaño et al., 2019). In Argentina’s Early Childhood Centers in the City of Buenos Aires and Chile’s JUNJI VTF modality —Vía Transferencia de Fondos, or transfer-of-funds modality— the state defines the schedule, admission requirements, and minimum standards, while operators manage day-to-day functioning (UNICEF, 2019; MINEDUC/JUNJI, 2015).

**Second, the type of eligible operators:** in most documented cases, civil society organizations, foundations, and nonprofit community-based actors predominate. In some contexts, municipalities or mixed operators also participate. Entry does not occur through an open market, but through a call for applications conditioned on compliance with technical and administrative requirements, and usually oriented toward territorial needs defined by the public authority (UNICEF et al., 2015; Santiago et al., 2017; MINEDUC/JUNJI, 2015).

**Third, the duration and conditions of agreements:** services are assigned through administrative agreements, with significant variation in terms and duration. Agreements are usually renewed periodically, conditional on administrative and operational compliance. Contracts that are too short create incentives to reduce investment in quality and infrastructure and to make employment more precarious. Long contracts without effective enforcement create the risk that low-performing operators persist through administrative inertia (UNICEF et al., 2015; Defensoría CABA, 2020; MINEDUC/JUNJI, 2015).

**Fourth, the financing and payment structure:** per capita or per-place transfers are the most common modality, with periodic reporting. In some cases, the state complements financing with inputs or infrastructure that function as partial subsidies —see Box 4 on this type of policy— and even with additional transfers for food purchases. The amount paid —whether per child or per place— defines the operator’s actual incentives and shapes quality and staffing. Capitation based on attendance creates incentives for use and coverage, but may push providers toward over-enrollment and deteriorating quality if it does not cover real costs; payment by reserved place reduces those incentives, but requires mechanisms to avoid unused places or low attendance.

If capitation does not cover real costs, especially for more costly age groups such as infants, selective disincentives arise for opening certain types of rooms. In the experience of Buenos Aires’ Early Childhood Centers (CPI), the estimated cost of an infant room was 2.5 times higher than that of other rooms, and centers operated at a loss under the uniform grant in place in 2017, discouraging them from opening rooms for younger children (UNICEF, 2019). The service is formally free for eligible households (UNICEF et al., 2015; Defensoría CABA, 2020), although low capitation levels mean that approximately 80% of resources are allocated to wages, leaving little operating margin. This can lead providers to rely on donations or in-kind contributions from families —documented in 58% of CPIs according to the Defensoría (2020)—, introducing quality gaps across centers within the same program.

Beyond the level of financing, the responsiveness of these services also depends on whether the service design adapts to families’ actual needs. This includes not only location, age coverage, and quality of care, but also operational features such as opening hours. In some contexts, programs have introduced care outside traditional hours to meet the needs of households with extended or night work schedules<sup>3</sup>.

## Results and magnitudes

The evidence on delegated management is mainly descriptive and comes almost entirely from Latin America: Buenos Aires’ Early Childhood Centers and Chile’s JUNJI VTF modality are the best-documented cases, complemented by qualitative evidence from Colombia. There are no impact evaluations with causal identification of the effects of the management scheme on final outcomes —child development or maternal labor force participation— in the cases analyzed. The evidence on process quality —ITERS-R and ECERS-R scales in Chile— is quantitative but de-

3. See, by way of illustration, [the news article on nighttime childcare centers in Argentina](#), which describes recent experiences aimed at meeting care needs outside the usual daytime schedule.

scriptive: differences across modalities cannot be causally attributed to the type of management. Findings on scale and use, however, are substantively important and relevant for design. Table 7 summarizes them.

**Supply expansion and installed capacity.** Descriptive evidence shows that delegated management has been an effective mechanism for scaling up provision. In Buenos Aires, Early Childhood Centers increased from 20 centers in 2011 to 76 in 2019, serving around 11,000 children. The centers are located in the city's most socially vulnerable areas: one area alone—with a multidimensional poverty rate of 39.2%, the second highest in the city (Ministerio de Hacienda y Finanzas GCBA, 2021)—had 2,039 children attending CPIs and 286 on the waiting list in 2019, reflecting both the scale achieved and residual unmet demand (Defensoría CABA, 2020; UNICEF, 2019).

In Chile, JUNJI's VTF modality led the expansion of the system between 2011 and 2014. Total system capacity increased from 155,124 to 165,214 places (+6.5%), but growth was uneven: VTF capacity increased by 5.8% in nursery rooms for children aged 0 to 2—from 38,965 to 41,234 places—and by 12.1% at the middle level for children aged 2 to 4—from 61,565 to 68,996—, while direct administration remained practically stagnant. The number of VTF establishments increased from 1,472 to 1,554 for nursery rooms (+5.6%) and from 1,368 to 1,501 for the middle level (+9.7%), with 82 of the 85 new nursery rooms and 133 of the 134 new middle-level establishments corresponding to the VTF modality (MINEDUC/JUNJI, 2015).

**Effective use and enrollment.** JUNJI enrollment increased from 150,149 in 2011 to 158,157 in 2014, with the VTF modality accounting for 67.7% of enrollment and 70.4% of average monthly attendance in 2014. Demand pressure on CPIs in vulnerable areas of Buenos Aires is reflected in documented over-occupancy: except for three centers, most operated at maximum capacity, with between 28 and 30 children per room in the 2- to 3-year-old age groups (Defensoría CABA, 2020; MINEDUC/JUNJI, 2015).

**Environment quality and heterogeneity across modalities.** The available quantitative evidence on quality comes from the evaluation of the JUNJI system in Chile, which applied the ITERS-R and ECERS-R scales in 2018. Overall scores fall within the minimum-to-good range—4.2 on ITERS-R and 3.7 on ECERS-R for the system as a whole—, but with systematic differences across modalities: direct administration scores higher than VTF both on the total scale—AD 4.4 vs. VTF 4.0 on ITERS-R; AD 3.9 vs. VTF 3.6 on ECERS-R—and on specific subscales such as language and reasoning—AD 4.5 vs. VTF 3.8 on ITERS-R. These results do not allow causal attribution of differences to the management model, since establishments also differ along other dimensions, but they document that quality heterogeneity exists and is systematic, even under a common institutional framework (CEPI/JUNJI, 2018).

**Table 7. Summary of evidence: delegated management**

| OUTCOME                                | MAIN RESULT                                                                                                                                                                 | TYPE OF EVIDENCE                                     | EVIDENCE                                                                                                                                                                                                                                             |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Supply expansion</b>                | Significant expansion of centers and places operated by private actors under agreement, especially where an existing community-based provider network was already in place. | Descriptive evidence — administrative data           | Buenos Aires: 20 → 76 CPIs between 2011 and 2019, around 11,000 children. Chile VTF: +82 nursery rooms and +133 middle-level establishments between 2011 and 2014; VTF accounts for 97% of the expansion (MINEDUC/JUNJI, 2015; UNICEF, 2019).        |
| <b>Enrollment and effective use</b>    | High concentration of public enrollment in the contracted modality; sustained demand pressure in vulnerable areas.                                                          | Descriptive evidence — administrative data           | Chile VTF: 67.7% of JUNJI enrollment and 70.4% of total attendance in 2014. Buenos Aires: over-occupancy in most CPIs; 286 children on the waiting list in an area with 39.2% multidimensional poverty (Defensoría CABA, 2020; MINEDUC/JUNJI, 2015). |
| <b>Quality of the care environment</b> | Scores within the acceptable range, but with systematic gaps between direct administration and the contracted modality.                                                     | Quantitative descriptive evidence — ITERS-R, ECERS-R | AD 4.4 vs. VTF 4.0 on ITERS-R; AD 3.9 vs. VTF 3.6 on ECERS-R. Consistent gaps in language and pedagogical practice subscales. No causal identification of the effect of the management model (CEPI/JUNJI, 2018).                                     |
| <b>Provider financial incentives</b>   | Uniform capitation creates selective disincentives depending on the age group served.                                                                                       | Descriptive evidence — cost data                     | Buenos Aires: the cost of an infant room was 2.5 times higher than that of other rooms; operating deficit under the uniform grant in place in December 2017. Documented disincentive to open rooms for children under age one (UNICEF, 2019).        |

## Trade-offs and risks

**Scale, speed, and service homogeneity.** Delegated management makes it possible to expand coverage rapidly by using existing operators, but expansion through multiple operators can generate heterogeneity in provision conditions, even under a single regulatory framework. Evidence from Buenos Aires and Chile documents marked differences across centers in infrastructure, staffing, and practices, which uniform regulation alone does not eliminate. The design challenge is not to choose between scale and quality, but to build financing, technical support, and supervision mechanisms that can sustain common standards across a network operated by diverse actors (UNICEF et al., 2015; Defensoría CABA, 2020; CEPI/JUNJI, 2018).

**Operational flexibility and state control capacity.** Private operators provide administrative flexibility and territorial adaptability, but delegation fragments supervision: the state faces greater challenges in coordinating and effectively monitoring provision when services are distributed across multiple operators. Delegating operations does not eliminate the state's burden; it shifts it toward coordination and effective monitoring of services. In terms of total cost, delegated management is usually cheaper than direct provision, but this reduction in operating costs is accompanied by greater demands on contractual functions: operator selection, agreement design, and continuous supervision. Operational delegation reduces the state's direct burden, but increases the governance costs of the system, requiring institutional capacities that are not always present (Defensoría CABA, 2020; Santiago et al., 2017).

**Per-child financing and real service costs.** Per-child transfer schemes facilitate budget predictability and fiscally manageable expansion, but they may fail to reflect real cost differences by age group served, service hours, or territorial context. The documented case of the City of Buenos Aires, where the cost of infant rooms more than doubled that of other modalities under a uniform grant, illustrates how financial design can bias supply toward less costly age groups, leaving younger children without coverage. This is consistent with comparative evidence showing that infant care requires lower ratios and more demanding quality and safety standards, which translates into significantly higher costs than care for older children (UNICEF, 2019; Berlinski and Schady, 2015).

**Community participation, institutional capacities, and professionalization.** Including community-based organizations expands coverage and brings territorial embeddedness, but it can also introduce gaps in institutional and professional capacities across operators. Evidence from Chile shows lower average scores in VTF establishments in dimensions related to caregiving practices, interaction, and learning, suggesting that greater coverage does not automatically translate into higher quality (CEPI/JUNJI, 2018; Defensoría CABA, 2020). In the City of Buenos Aires, differences are documented in staff training and working conditions across contracted centers. These gaps are not solved through regulation alone: they require sustained investment in technical support, training, pedagogical accompaniment, and financing conditions compatible with quality standards.

## Synthesis

Delegated management is an effective instrument for expanding the formal supply of childcare services in contexts where the state lacks the capacity to provide them directly and where there is a pre-existing base of community-based or private organizations capable of operating under public rules. In the cases analyzed, the instrument explains a significant share of installed capacity and enrollment within the public system, and it is not a marginal mechanism but a structural component of provision. The available evidence does not allow causal identification of effects on final outcomes related to child development or women's labor force participation, but it documents

that quality heterogeneity across establishments is systematic. This suggests that delegated management should not be assessed only by its ability to expand places or enrollment, but also by the quality and stability of the services it sustains. Its results depend critically on financing design, quality standards, technical support, and the state's supervisory capacity, more than on the public or private nature of the operator itself.

**Box 7 — aeioTU: a hybrid model of provision, training,  
and public-private coordination**

aeioTU, an organization that emerged in Colombia and has recently expanded to Mexico, is an illustrative case of private participation in childcare and early education that combines direct service provision, management of publicly financed centers, consulting, special projects, and training for educators and caregivers. Its pedagogical model, inspired by the Reggio Emilia approach, seeks to promote holistic early childhood development through child-centered learning environments, with a strong emphasis on interaction with families and the community. By the end of 2023, it operated 12 early education and care centers in five Colombian cities —eight publicly financed and four private— as well as a growing portfolio of projects and technical assistance services for governments, foundations, and educational organizations. In 2022, it reported more than 560 employees and revenues close to USD 7.4 million.

Beyond direct service provision, aeioTU has also taken on a broader role in strengthening capacity across the childcare ecosystem. Its work includes training for educators and caregivers, licensing of its pedagogical model, and the development of solutions for contexts with limited access to formal services, including rural communities, migrant populations, and informal caregivers. In this sense, the case shows that private participation in the sector is not limited to expanding places; it can also contribute to knowledge transfer, the development of quality standards, and innovation processes in childcare systems.

However, the most revealing feature of the case is not only its pedagogical innovation, but the evolution of its relationship with public provision. aeioTU initially expanded through state-financed centers, which at one point accounted for a large share of its operations. The organization began by operating 22 state-financed centers, but this model proved financially unsustainable. In 2020, amid a change in leadership and institutional strategy, 15 centers were closed to reduce losses and stabilize the organization's financial position. Although publicly financed centers still represented an important share of the organization's revenues —around 72% in 2021—, dependence on this source of revenue declined significantly in subsequent years as consulting activities and special projects grew.

The reasons behind this shift are particularly relevant for policy design. aeioTU operated at a deficit in state centers because the available public resources did not cover costs that the organization considered necessary to sustain adequate quality standards, including proper nutrition and fairer compensation for educational staff. Until 2019, this gap could be partially covered by contributions from Fundación Carulla, but that cross-subsidy was not sustainable over time. The pandemic further disrupted the plan to use centers serving higher-income households to subsidize part of the operation in more vulnerable contexts. As a result, the organization reoriented its strategy toward lines of work less dependent on direct provision under public financing.

In policy terms, the lesson of the case is clear. Private participation in publicly financed schemes does not depend only on having capable operators or organizations with a social mission. It also requires contracts, payment levels, and risk allocation compatible with quality service delivery. When public financing is insufficient, even actors with proven technical capacities, reputation, and commitment to quality may withdraw or sharply reduce their presence. In this sense, the case suggests that a poorly calibrated public scheme can end up driving out the best operators—precisely those the system most needs to retain.

References: The Care Economy Knowledge Hub (2022a)

### 4.3.2 Purchase of services and places from private providers

#### What the instrument seeks to achieve

The purchase of services and places is an instrument through which the state acquires child-care places in private establishments through agreements or contracts, paying an agreed fee in exchange for compliance with minimum requirements and service provision to the eligible population. Unlike delegated management, the private establishment retains its internal management autonomy and may simultaneously serve families who pay directly and families whose place is publicly financed.

The instrument seeks to expand childcare supply more rapidly than direct provision allows, by leveraging the installed capacity of the existing private sector or inducing the entry of new operators in response to a signal of guaranteed demand. In some designs, it also seeks to stabilize the financial continuity of providers in highly volatile market segments, especially childcare for children under age three. Because the state finances places in services it does not manage directly, the purchase of places requires defining not only how many places are purchased and for whom, but

also under what conditions of quality, supervision, and accountability these providers are incorporated into the public system (do Nascimento and Silva, 2015; do Nascimento et al., 2022; Dorn, 2020; Blanden et al., 2016).

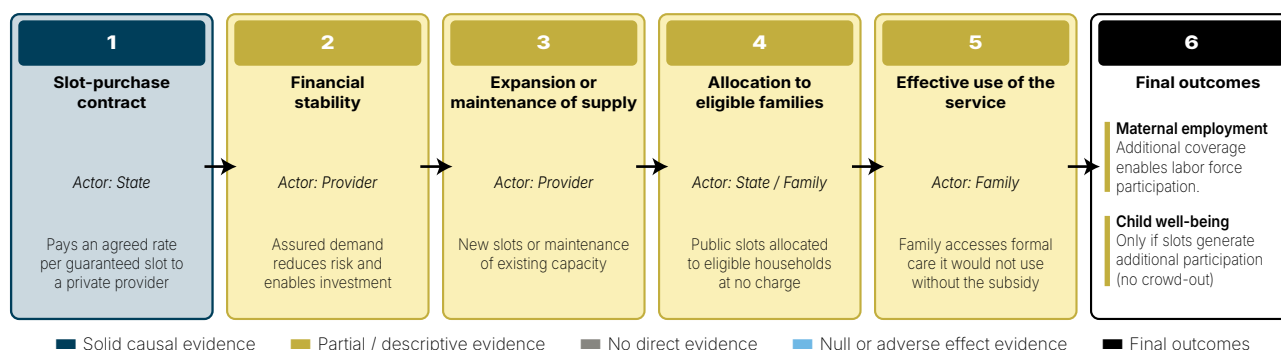
## Causal logic

The causal chain operates as follows (Figure 7): the state contracts places at an agreed fee, which generates financial stability for the provider and reduces operational risk. This stability enables capacity expansion or the maintenance of existing supply. The contracted places are allocated to eligible families with no copayment, inducing the use of formal childcare among households that would otherwise not access it. For this greater use to translate into child development outcomes or effective support for labor force participation, expansion must occur in services with sufficient quality and operational stability.

A critical point in this chain is additionality: an increase in publicly financed places does not necessarily translate into an equivalent increase in effective participation. If the places purchased by the state are places that families were already using or would have used without public financing, public spending does not generate a net expansion in access; it simply replaces pre-existing private spending with public financing (Blanden et al., 2016).

**Figure 7. Causal logic – Purchase of services and places**

*The State acquires places at autonomous private facilities → generates assured demand that mobilizes installed capacity*



## Design features that matter

The literature identifies five design dimensions with strong implications for results, each supported by substantive empirical evidence.

**First, the unit of purchase:** per-child payment for each child served—where the provider bears the risk of absences and enrollment fluctuations—and payment for a guaranteed place—where the state pays for reserved capacity regardless of daily attendance—generate radically different



incentives. The first scheme orients the instrument toward expansion and fiscal savings; the second, toward provider stability and the conditions needed to sustain quality. In Pennsylvania, the ITCS program used payment for guaranteed places: 80% of directors reported improvements in monthly financial stability and 67% reported improvements in staff retention, outcomes that are not observed in strictly per capita schemes (Dorn, 2020).

**Second, the level of the fee:** a fee that is low relative to direct public provision—as in São Paulo, where private agreements cost between 46.5% and 55.8% of the cost of direct provision, depending on the operator’s scale— orients the instrument as a fiscal expansion tool. It allows the state to serve more children with the same budget, but may put pressure on labor costs and quality. A fee aligned with market conditions—as in Pennsylvania’s ITCS program, where payment for contracted places exceeds the base reimbursement rate used in the voucher system— orients the instrument toward provider stability and quality, at a higher fiscal cost per child (do Nascimento and Silva, 2015; Dorn, 2020).

**Third, the price structure:** age-differentiated fees, recognizing the higher cost of caring for infants, and scale-based pricing, with declining fees by enrollment bracket, define who can grow and how. Declining brackets favor rapid expansion, but generate concentration among large operators and pressure to scale. Age supplements protect the higher-cost population and reduce the risk of adverse selection against infants. Complementary payments—rent, repairs, training— reduce barriers to entry, but increase fiscal complexity. In São Paulo, the introduction in 2014 of a supplementary payment for infant rooms sought to correct the disincentive to serve the highest-cost group, recognizing that without differentiated fees operators tend to reject or limit admission of younger children. Complementary per capita payments—for rent, repairs, and training— reduce entry barriers for organizations without their own capital, but increase fiscal and monitoring complexity (do Nascimento and Silva, 2015; do Nascimento et al., 2022).

**Fourth, access requirements for the instrument:** the conditions under which a provider can access the instrument define the type of quasi-market being created. São Paulo historically restricted agreements to nonprofit organizations, which produced large-scale expansion (contracted enrollment grew by 227% between 2007 and 2014) without direct exposure to for-profit incentives, though with high dependence on the state. The later opening to for-profit providers (Municipal Law 17.437/2020 and the Mais Creche and Bolsa Primeira Infância programs) broadened the universe of providers, but required greater regulation, monitoring, and strategic purchasing capacity from the state. This change was partly driven by the COVID-19 pandemic, which led the city to expand the instrument as an emergency mechanism to sustain coverage. These access requirements do not determine whether expansion occurs or not; rather, they determine what type of quasi-market the state creates when it purchases places. Modifying them reconfigures the nature of the instrument (do Nascimento et al., 2022).

**Fifth, quality conditions for participation in the instrument:** when access to the instrument is conditioned on minimum rating levels—as in Pennsylvania, where only centers with Keystone STARS 3 or 4 could participate in ITCS—the purchase of places functions as an incentive that rewards higher-quality providers. When access conditions are limited to minimum standards—as in São Paulo—they facilitate rapid expansion but do not discriminate by pedagogical quality. This decision defines what type of supply expands with public resources: a network oriented mainly toward increasing formal coverage, or a network that combines expansion with explicit incentives for quality and continuous improvement (Dorn, 2020; do Nascimento et al., 2022).

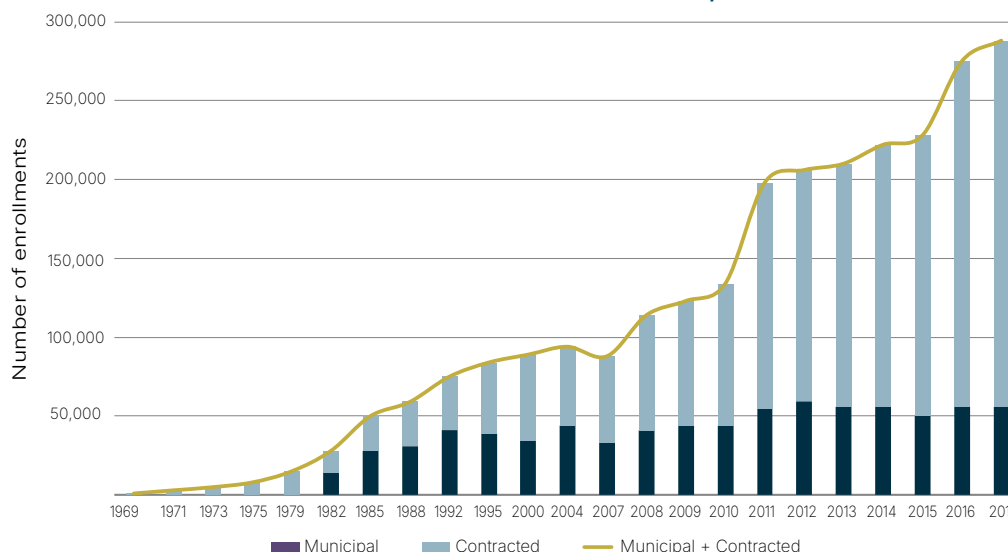
## Results and magnitudes

The evidence on the purchase of places combines different levels of methodological rigor. The study by Blanden et al. (2016) for England exploits staggered implementation across local authorities to identify causal effects on participation and child outcomes: it is the most robust reference in this subsection. The analysis of São Paulo by do Nascimento and Silva (2015) and do Nascimento et al. (2022) is descriptive, but exceptionally detailed in administrative data, making it possible to characterize the structure of the system with precision. The Pennsylvania case (Dorn, 2020) is a mixed-method evaluation based on surveys of center directors, without a control group. Overall, the evidence is stronger on supply and provider stability than on additionality and child development. Table 8 summarizes the main findings.

**Supply expansion and private participation in provision.** The instrument is effective as a mechanism for rapid expansion when two conditions are met: private or third-sector capacity exists, and the state can finance and coordinate its use at scale. Without these conditions, the purchase of places may create demand without supply, or generate expansion without additionality.

The best-documented case is São Paulo, where the purchase of places through the contracted network transformed the structure of the system. Between 2007 and 2014, enrollment in the direct public network increased by 69.9%—from 33,770 to 57,367 children—, while enrollment in the contracted network increased by 227.3%—from 50,035 to 163,777 children— (Figure 8). In 2020, approximately 80% of total enrollment in creches—229,925 of 286,748 children— corresponded to the contracted network. The expansion of establishments between 1992 and 2020 shows the same pattern: direct public provision increased from 317 to 427 centers, an increase of 110 centers, while contracted private provision increased from 293 to 1,724 centers, an increase of 1,431 centers. This means that 93% of the total increase in establishments corresponded to agreements (do Nascimento et al., 2022).

**Figure 8. Enrollment in São Paulo's municipal creches  
(direct and contracted networks), 1969–2017**



**Source:** do Nascimento et al. (2022, p. 8), adapted from Silva (2018) and the INEP School Census.

**Additionality versus substitution (crowd-out).** The purchase of places can expand access only if the places financed by the state translate into additional participation—more children attending—rather than mainly substituting for pre-existing private spending, that is, families who were already using paid preschool and shift to a free or subsidized place. This distinction is critical because, when crowd-out dominates, the program may rapidly increase the number of publicly financed places without an equivalent increase in effective service use. In that case, public spending operates more as a transfer to households than as a net expansion of coverage.

The most informative quasi-experimental evidence on this point comes from Blanden et al. (2016), who evaluate the staggered introduction across local authorities of the universal entitlement to a free part-time preschool place for three-year-olds in England in the early 2000s. A central feature of the design is that the expansion was implemented by financing places in the private sector—state payment per eligible child—rather than by expanding direct public provision.

The main finding on additionality is that the increase in financed places translated only partially into greater participation: during 2002–2007, for every 10 financed places, approximately 2.7 became genuinely new places in terms of total participation, while the rest was absorbed as substitution of private spending. Put differently, the policy greatly expanded public financing, but the net change in participation was relatively limited.

This pattern is consistent with a starting point of high coverage: before the full rollout of the universal entitlement, 82% of three-year-olds were already attending in 2000, and total attendance increased by 14.4 percentage points between 2000 and 2007, reaching near-universal levels. By contrast, the most marked change was the replacement of private financing with public financing, with free places increasing from 37.0% to 87.9% between 1999 and 2007.

To show that this difference is not trivial, the authors separate areas according to their degree of additionality: (i) areas with higher additionality, where a larger share of financed places translated into greater participation, and (ii) areas dominated by crowd-out, where the expansion mainly reflected the replacement of private financing with public financing. In areas with higher additionality, the increase in financed coverage was associated with observable short-term improvements in early learning outcomes; in areas dominated by crowd-out, these effects were practically null. In design terms, this suggests that additionality cannot be assumed: it depends on allocation rules, eligibility criteria, and the starting point of the local market.

A relevant aspect of the expansion is what type of care it replaces. In England, the 18 percentage point increase in the use of formal care between 2001 and 2007 was explained mainly by a reduction in exclusively parental care —7 pp— and, to a lesser extent, informal care by family and friends. This pattern was more pronounced among families of lower socioeconomic status: among households in the lowest income quartile, formal care increased by 25.8 pp, accompanied by a 13.6 pp reduction in exclusively parental care —more than twice the reduction observed among higher-income households. By contrast, middle- and higher-income households mainly substituted paid formal care with free formal care, consistent with greater crowd-out in those segments (Blanden et al., 2016). This pattern suggests that, in contexts with low initial formal coverage and high prevalence of informal or parental care —precisely the predominant situation in LAC for children under age three— the instrument’s potential additionality may be greater than in markets with high pre-existing coverage.

The evidence indicates that purchasing places can be a powerful way to finance access, but whether it produces a net expansion in participation depends on three factors: (a) targeting and eligibility criteria that prioritize children who were not previously attending; (b) allocation mechanisms that minimize substitution; and (c) explicit monitoring of the additionality indicator — $\Delta$  participation /  $\Delta$  financed places— in addition to the statistic on contracted places (Blanden et al., 2016).

**Provider financial stability.** The purchase of places can reduce the financial volatility of private providers, depending on the payment design. This result does not appear when payment is strictly per capita based on attendance: in that case, the instrument functions more like a demand-side subsidy than a supply stabilizer. The ITCS program in Pennsylvania illustrates the opposite case: designed explicitly as an alternative to the voucher system, ITCS contracts places directly with the provider, guaranteeing payment for all reserved capacity throughout the year regardless of

actual attendance —unlike vouchers, where payment follows the child and is calculated by days attended. Unlike vouchers, which require family copayments, ITCS charges no copayment or fee to families while the child is enrolled. In addition, while eligibility in the voucher system is redetermined every 12 months, in ITCS the child's eligibility extends until age 36 months and the transition to preschool, reducing interruptions in care caused by administrative procedures. The result: 80% of directors reported improved monthly financial stability, and the program scaled from 670 places in 30 centers in its first phase to 929 places in 90 centers in the second (Dorn, 2020).

**Labor conditions and service costs.** In São Paulo, contracted services cost substantially less than direct provision: monthly costs per child were R\$505 for large operators and R\$606.83 for smaller institutions, equivalent to 46.5% and 55.8%, respectively, of the R\$1,086.79 cost in the direct network. Part of this difference reflects labor arrangements: longer working hours in the contracted network —40 hours per week versus 30 hours in the direct network—, private-sector employment without a municipal career path, and higher enrollment loads per teacher. The teacher salary floor in the contracted network was R\$1,846 for 40 hours per week, compared with R\$3,000 for 30 hours in the direct network, a 54% gap in hourly labor cost. The instrument is not labor-neutral: part of the fiscal savings rests on different labor arrangements, externalized to the private provider. This does not automatically imply lower quality, but it does represent a distributional trade-off that should be made explicit in the design (do Nascimento and Silva, 2015; do Nascimento et al., 2022).

**Service quality and child development outcomes.** The available evidence suggests that purchasing places does not, by itself, guarantee improvements in child development: impacts depend on how much the child's experience actually changes —intensity— and on the quality of the service that expands. In the case of England analyzed by Blanden et al. (2016), the policy had two characteristics that help explain modest impacts: (i) it was low-intensity —an entitlement to 12.5 hours per week of part-time preschool— and (ii) expansion was achieved almost entirely through private providers, where average quality, measured by staff qualifications, was lower than in the public sector.

In terms of outcomes, the authors find that a 10 percentage point increase in the availability of free places is associated with improvements of approximately 1.8% of a standard deviation in the development profile at age five, and that these effects do not persist: they attenuate quickly and are close to zero by age 11. In addition, positive effects are concentrated where the policy generated additional participation; where substitution dominated, effects were essentially null, consistent with the idea that the relevant channel is the change in attendance or educational experience, not merely an income transfer to families.

To support the mechanism argument, Blanden et al. (2016) document a marked gap in staff qualifications between public and private provision during the expansion period: only 10% to 20% of staff in private nurseries and playgroups had a university-level qualification, compared with almost

universal coverage in the public sector. In complementary analyses, they show that the presence of more highly qualified staff is positively associated with better outcomes at age five, reinforcing the interpretation that the quality of the providers absorbing the expansion shapes its effects on child development.

It is notable that effects are not larger for children from lower-socioeconomic-status families, even though they were the group that increased participation in formal care the most. Subgroup analysis finds no statistically significant differences by family income, home ownership, or social class. The partial exception is children with English as an additional language at home, for whom effects on literacy and social development at age five are two to four times larger and statistically significant at the 10% level. The authors themselves attribute the absence of a socioeconomic gradient to a specific mechanism: the private providers serving the poorest children were precisely those of lower quality—with a lower share of qualified staff and poorer adult-child interactions—which may have neutralized the expected advantage of moving from informal to formal care (Blanden et al., 2016). This finding has a direct implication for design: expanding places through the private sector without quality mechanisms differentiated by segment can reproduce, or even widen, development gaps rather than close them.

An additional relevant finding is that the policy generated no detectable effects on maternal employment. Although increasing women's labor force participation was one of the program's stated objectives, the estimated coefficients for labor force participation, employment, hours worked, and type of employment are small and statistically insignificant (Blanden et al., 2016). This result is consistent with the low level of additionality documented: in a context where most families were already using formal care, the program operated mainly as an income transfer rather than as a real expansion of access, limiting its capacity to unlock new maternal employment.

Therefore, if the state purchases places to expand access and expects returns in child development, the instrument should be accompanied by explicit quality mechanisms—staff qualification requirements, observable process standards, improvement incentives, and monitoring. Otherwise, the evidence suggests a double risk: (i) that the program finances access with low additionality, and (ii) that expansion occurs among providers that do not offer a sufficient improvement in quality relative to counterfactual care, generating small and transitory impacts (Blanden et al., 2016; Dorn, 2020).

**Table 8. Summary of evidence: purchase of services and places**

| OUTCOME                                           | MAIN RESULT                                                                                                                                                 | TYPE OF EVIDENCE                                                         | EVIDENCE                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Supply expansion and private participation</b> | Large-scale expansion. The contracted network can become the main channel of system growth.                                                                 | Descriptive evidence — system-level administrative data                  | São Paulo: contracted network +227% enrollment between 2007 and 2014; 80% of total enrollment in creches in 2020; 93% of the increase in establishments corresponds to agreements (do Nascimento et al., 2022).                                                                                                                                                                   |
| <b>Additionality vs. substitution — crowd-out</b> | Only a fraction of the increase in financed places translates into net additional participation; the rest may substitute for pre-existing private spending. | Quasi-experimental evidence — staggered policy implementation in England | England: baseline coverage of 37% in 1999. For every 10 financed places, approximately 2.7 translated into genuinely new participation; the remainder replaced pre-existing private spending. Between areas with real additionality and areas dominated by crowd-out, the difference in effective coverage was approximately 15 percentage points (Blanden et al., 2016).         |
| <b>Provider financial stability</b>               | Payment for guaranteed places improves provider stability and staff retention; unlike vouchers, it eliminates family copayments and extends eligibility.    | Mixed evidence — survey + qualitative                                    | Pennsylvania ITCS: no family copayments + eligibility until 36 months, compared with copayments + annual redetermination. 80% of directors reported improved financial stability; 67% reported improved staff retention; 86% made previously postponed investments. Scaled from 670 to 929 places (Dorn, 2020).                                                                   |
| <b>Labor conditions</b>                           | The lower unit cost of contracted services is partly explained by labor arrangements that differ from those in direct provision.                            | Descriptive evidence — administrative data                               | São Paulo: monthly cost per child R\$505–606.83 in the contracted network vs. R\$1,086.79 in direct provision —46.5%–55.8% of the direct cost. Teacher salary floor: R\$1,846/40 hours vs. R\$3,000/30 hours —54% less per hour. Longer hours, private-sector employment arrangements, and more children per teacher (do Nascimento and Silva, 2015; do Nascimento et al., 2022). |
| <b>Child development outcomes</b>                 | Small short-term effects and null medium-term effects in the case analyzed; impacts depend on effective additionality, intensity, and provider quality.     | Quasi-experimental evidence — staggered implementation in England        | England: around 2% of a standard deviation at age five in areas with genuine additionality; around 0 SD in areas with crowd-out; complete fade-out by age 11. Effects were limited by low service intensity and lower average quality among participating private providers (Blanden et al., 2016).                                                                               |

## Trade-offs and risks

**Rapid expansion and additionality.** The instrument can significantly increase the number of financed places without generating an equivalent increase in effective participation if allocation and targeting mechanisms are weak. The difference between expansion of places and real additionality is an outcome that must be actively monitored, not assumed (Blanden et al., 2016). Moreover, even when additionality exists, the effect on child development depends on the quality of the service that absorbs the new demand.

**Fiscal savings and labor conditions.** The lower per capita cost of agreements compared with direct provision rests partly on different labor arrangements—longer hours, private employment regimes, and higher loads per teacher. This distributional trade-off does not disappear through financial design: it is inherent to outsourcing operation to providers with cost structures different from those of the state (do Nascimento and Silva, 2015; do Nascimento et al., 2022).

**Scale, speed, and provider diversity.** Declining fee schedules by scale and complementary financing—rent, maintenance—favor operators with greater size and administrative capacity. Rapid expansion may become concentrated among large operators and make it harder for small providers to enter and remain in the system, reducing diversity (do Nascimento and Silva, 2015; do Nascimento et al., 2022).

**Provider stability and fiscal cost.** Payment for guaranteed places, with market-aligned fees, substantially improves provider stability and the conditions needed to sustain quality, but it implies a higher fiscal cost per child served. This trade-off has no neutral solution: each point on the continuum between low per capita payment and guaranteed places paid at market rates distributes risk differently between the state and the provider (Dorn, 2020).

**Supply expansion and state governance capacity.** Purchasing places from multiple providers does not reduce the burden on the state; it shifts it toward contracting, follow-up, and control. The greater contractual complexity documented in São Paulo—rents, repairs, multiple agreements, territorial supervision—illustrates that the instrument requires robust institutional capacities to function properly. In the absence of those capacities, growth of the contracted network may generate expansion of formal coverage with quality heterogeneity that is difficult to monitor (do Nascimento et al., 2022; Santiago et al., 2017).

## Synthesis

The purchase of places from private providers is an effective instrument for rapidly expanding childcare supply when a pre-existing provider base is available or when the signal of guaranteed demand is sufficient to induce entry. In the best-documented cases, the instrument explains a dominant share of system growth and operates as a structural component of public provision, not

as a marginal mechanism. However, the expansion of financed places does not guarantee equivalent additionality in effective participation, and effects on children's final outcomes are small in the short term and fade out in the medium term.

The instrument's effectiveness depends critically on the design of the unit of purchase, the level and structure of the fee, allocation and targeting mechanisms, and the state's supervisory capacity. It also depends on whether contracts incorporate requirements, incentives, and supports to sustain quality, especially when expansion is concentrated among providers serving vulnerable households. A system that expands rapidly through private agreements without these elements may increase formal coverage while producing substantial quality heterogeneity, unacknowledged labor trade-offs, and less additional access than enrollment statistics suggest.

### **Box 8 — Public-private partnerships (PPPs) in the infrastructure and operation of childcare centers**

Public-private partnerships (PPPs) are long-term contracts through which the private sector may assume functions related to the financing, design, construction, maintenance, and/or operation of public infrastructure. In the case of childcare centers, their potential relevance lies not primarily in the pedagogical provision of the service, but in the possibility of accelerating the availability of adequate infrastructure and ensuring its maintenance over the contractual period.

In operational terms, three modalities can be distinguished. The first corresponds to contracts focused on the construction of centers. The second incorporates construction and maintenance, making the private partner responsible for maintaining the infrastructure throughout the life of the contract. The third adds construction, maintenance, and operation, with the private partner also managing services required for the day-to-day operation of the center. In this last category, it is important to distinguish between the operation of non-pedagogical services—cleaning, food, security, laundry, maintenance, or administration—and direct provision of the educational or care service. This distinction is central: delegating the management of the building and support services is not the same as delegating the pedagogical and caregiving interactions that determine service quality (UNICEF, 2018; Ma et al., 2023).

A relevant example in Latin America is the PPP for municipal schools in Belo Horizonte, Brazil. The municipality implemented a 20-year contract to design, build, equip, maintain, and administratively manage a network of early childhood and basic education schools. The contract included performance indicators, guarantees, and penalties. A key design feature was that pedagogical services were not delegated to the private partner: they remained under municipal responsibility, while the private partner assumed construction, maintenance, and administrative management (Yitani et al., 2019; UNICEF, 2018). The available evidence documents compliance with construc-

tion deadlines, absence of cost overruns, and subsequent contract expansion, although it does not allow causal estimation of effects on child development, learning, or pedagogical quality (Yitani et al., 2019).

The main difference relative to traditional contracting is that PPPs can integrate construction, operation, and maintenance into a single long-term contract. Under these schemes, the private sector not only designs and builds the infrastructure, but may also be responsible for its operation and maintenance during the contractual period, with payments linked to availability and performance standards (UNICEF, 2018). The economic logic is to align incentives across stages: when better design and construction quality reduce future operation or maintenance costs, integrating these phases can induce higher-quality investments from the outset (Ma et al., 2023). In the case of early childhood centers, this logic is especially relevant if the physical design of the space facilitates day-to-day operation and reduces later needs for adaptation or maintenance.

This potential advantage is particularly relevant in contexts where the maintenance of public infrastructure tends to be underfunded, fragmented, or postponed. However, it also entails costs and risks. Comparative evidence on PPPs in social infrastructure shows heterogeneous results that depend heavily on institutional design: financial viability, risk allocation, contract quality, verifiable indicators, and state supervision capacity are key determinants of performance (Ma et al., 2023). Evidence on public-private partnerships in human services also warns that, when performance is difficult to measure and monitor, limited contractual management capacity may constrain improvements in outcomes and raise costs (Alonso and Andrews, 2022). In social sectors, moreover, infrastructure is a necessary but insufficient condition: the quality of care also depends on staff, interactions, supervision, and operational financing.

The relevance of PPPs also depends on expected demand stability. The literature on social infrastructure warns that these contracts involve long concessions, recurrent public payments, and risks associated with changes in demand. Economic feasibility must therefore be assessed across the full life cycle of the asset, including both construction and operation (Ma et al., 2023). In the specific case of childcare, this warning is particularly relevant in contexts of demographic transition, declining birth rates, or geographic shifts in demand for services. In such cases, a long-term contract may create rigidities if the state becomes committed to sustaining infrastructure that later operates below capacity. Therefore, before using a PPP, a geographic assessment of demand, comparison with alternatives for repurposing or upgrading existing infrastructure, and the possibility of alternative uses for the asset should be part of the feasibility analysis.

In sum, PPPs can be a complementary tool when the main bottleneck is the availability, construction, or maintenance of childcare infrastructure. They are less relevant when the central problem is pedagogical quality, staff training, effective access for vulnerable households, or operational financing. Their contribution depends on whether the contract clearly defines which functions are delegated, which functions the state retains, how performance will be measured, and what flexibility exists to adapt or repurpose the facility in response to changes in demand.

References: UNICEF (2018); Ma et al. (2023); Alonso and Andrews (2022); Yitani et al. (2019)

## 4.4 Dimension 4: Information and friction reduction

The fourth dimension groups instruments that do not act directly on prices, supply, or regulation, but on the barriers that prevent eligible families from converting latent demand into effective use of childcare services. This distinction matters because expanding supply or reducing prices does not guarantee that demand will materialize: even when places are available and subsidies are accessible, some eligible families still do not use childcare services for non-economic reasons. The evidence shows that these barriers include distrust of formal services, cultural norms about who should care for children, and differences in families' capacity to navigate complex administrative systems —barriers that affect households with lower educational and socioeconomic capital more intensely (Carbuccia et al., 2025; Rousseau et al., 2025; Wolf et al., 2020).

The dimension is organized around one central sub-policy and one contextual box. Active support and administrative burden reduction is the instrument with the strongest experimental evidence: it acts on access-process frictions by helping families navigate the system or by redesigning the system to eliminate those frictions from its architecture. Box 9 presents the evidence on information campaigns: the only available RCT shows null average effects and marginal effects among vulnerable households, illustrating the limits of information alone as a policy lever.

One scope consideration is relevant for this section: the available evidence mainly evaluates access to and use of the system without systematically distinguishing by provider type. Effects on private sector participation are therefore indirect and context-specific: they operate through increased effective demand in systems where private places are available, rather than as mechanisms that directly activate supply.

### Box 9 — Information campaigns

Information campaigns seek to reduce knowledge gaps that prevent eligible families from accessing childcare services or the subsidy programs designed to finance them. The central assumption—that some non-use reflects a lack of information about eligibility or available options—has descriptive support but limited causal evidence. In the United States, only 15% to 20% of children eligible for the CCDF actually participate in the program, and part of that deficit is attributed to lack of awareness (Schulman and Camhi, 2019; SCCOE, 2022). However, the only available RCT, conducted in Toronto with 682 participants through a simulated choice experiment, shows that providing explicit regulatory information about what it means for a center to be licensed does not generate statistically significant changes in average preferences: cost remains the dominant determinant. Among a vulnerable subgroup—123 low-income and low-education households—a significant effect emerges: preference for licensed home-based care falls by 12 percentage points ( $p = 0.006$ ), although the shift toward licensed centers is not statistically significant (Burns et al., 2025). The interpretation is consistent: information may shift perceptions among vulnerable households, but it does not fundamentally change the decision or reduce the importance of price. The instrument is more promising as a complement to financing or administrative simplification policies than as a stand-alone policy lever.

References: Burns et al. (2025); Carbuccia et al. (2025); Schulman and Camhi (2019); SCCOE (2022).

## 4.4.1 Active support and administrative burden reduction

### What the instrument seeks to achieve

This instrument seeks to convert latent demand into effective access to childcare services by acting on the administrative frictions and behavioral biases that prevent eligible families from completing the enrollment process. Unlike information campaigns, which primarily address information gaps, this policy intervenes at the points in the process where families are most likely to drop out or fail to complete enrollment.

The instrument groups two distinct logics that share the same causal chain but intervene at different links. Active support and nudges are behavioral and operational instruments that help families navigate existing processes through reminder messages, personalized assistance with enrollment procedures, or human support to complete documentation, without redesigning the system itself. Administrative burden reduction is a structural and institutional instrument that redesigns the system to remove these frictions, through simplification of requirements, one-stop shops,

and automation. Both address the same problem —administrative burdens that amplify inequality in access— but the former mitigates frictions within complex systems, while the latter seeks to eliminate those frictions from the system itself (Herd and Moynihan, 2019; Carbuccia et al., 2025).

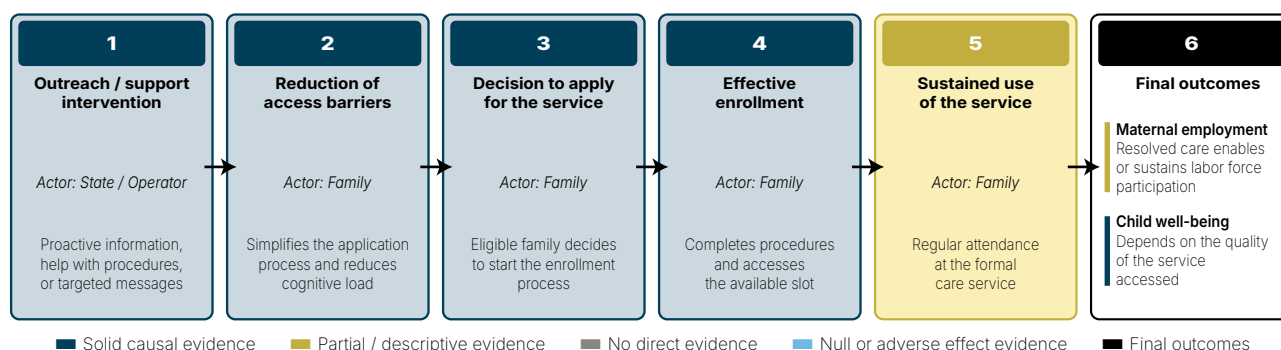
## Causal logic

The causal chain begins by recognizing that non-use of childcare services does not always reflect preferences or lack of resources, but administrative burdens that operate as barriers (Figure 9): learning costs —understanding rules and requirements—, compliance costs —gathering documents, completing forms, attending offices—, and psychological costs —stress, stigma, uncertainty. These burdens amplify socioeconomic inequalities because they disproportionately affect households with lower administrative capacity (Herd and Moynihan, 2019).

The instruments in this dimension act by reducing these burdens at critical points in the process: post-application navigation —the point at which abandonment is most likely—, completion of pending steps, and eligibility verification. If the barrier blocking access is indeed administrative or cognitive, and if there are available places to absorb activated demand, friction reduction can translate into higher effective enrollment. The final link —the conversion of enrollment into sustained use— has more limited evidence. When the barrier is structural —shortage of places, eligibility restrictions— or cultural —gender norms, distrust—, the instrument does not solve the problem on its own (Carbuccia et al., 2025).

**Figure 9. Causal logic – Demand-side friction reduction**

*Interventions that reduce administrative and cognitive barriers → convert latent demand into effective use*



## Design features that matter

**Intensity of support:** one-way messages —automatic reminders via SMS or app— have low marginal cost and high scalability, but limited capacity to resolve complex frictions. Two-way support —personalized messages with the possibility of response, managed by trained staff— can unlock specific bottlenecks related to navigation and uncertainty, but requires an organized back office

and has higher operating costs. The difference between the two options is not only technological but institutional: two-way support shifts part of the burden from the family to the state (Weixler et al., 2019; Weixler et al., 2020).

**Administrative burden reduction levers:** simplifying requirements and eliminating redundant documentation reduce learning and compliance costs. One-stop shops and unified forms reduce frictions caused by institutional fragmentation. Automation and the use of existing administrative data —pre-filled forms, automatic eligibility verification— eliminate manual steps and reduce human error. Each lever requires different institutional conditions: automation requires database interoperability and legal frameworks for data protection; one-stop shops require interagency coordination and governance of the central system (Herd and Moynihan, 2019).

**Timing of the intervention:** the evidence shows that attrition is highest at the post-application stage, before eligibility verification, where navigation frictions and psychological costs dominate. Support is more effective at that point than during sustained service use, where constraints are usually structural rather than behavioral (Weixler et al., 2019; Copeland et al., 2025).

The practical rule emerging from the evidence is that the effectiveness of this dimension depends on correctly identifying the barrier that blocks access. If the bottleneck is the complexity of the procedure, errors, and uncertainty about requirements, the priority should be two-way support with human or hybrid assistance. If the bottleneck is low salience or forgetting, light-touch nudges may be useful, although with realistic expectations about their reach. If the bottleneck is a shortage of places, allocation rules, or territorial availability, information policies may help convert eligibility into take-up, but must be complemented by supply instruments (Dimension 3) or financing instruments (Dimension 2). Information alone rarely unlocks complex burdens; the combination of information with active support is the package with the strongest empirical backing (Herd and Moynihan, 2019; Weixler et al., 2020; Bloomfield et al., 2025; Carbuccia et al., 2025).

## Results and magnitudes

The evidence on friction reduction and active support has the most recent methodological profile and the strongest presence of experimental designs in the entire review. The findings in this literature are heterogeneous depending on the design of the intervention. Table 9 summarizes the results.

**Completion of the administrative process.** The strongest experimental evidence comes from New Orleans, where an RCT with approximately 1,200 low-income families who had applied to early education programs —pre-K and Head Start— evaluated the effect of two-way SMS support on

the completion of pending administrative steps. The control group completed verification in 59.5% of cases; the treatment group did so in 66.9% to 67.2%. The effect of support is 7 to 8 percentage points in the probability of completing the process (Weixler et al., 2019; Weixler et al., 2020).

**Effective enrollment.** In the same study, for the subgroup of families that had applied exclusively to public pre-K, two-way support increased final enrollment from 62% in the control group to 72% in the treatment group: an effect of 10 percentage points. This effect appears with personalized support; generic messages do not show the same pattern. The evidence is consistent with the conclusion of Carbuccia et al.'s (2025) systematic review: information alone has limited effects, while personalized support to resolve frictions can increase enrollment (Weixler et al., 2020).

**Use and continuity — attendance.** An RCT in Uruguay evaluated the effect of one-way nudges through an educational app —reminder messages— on attendance in public early education services among a sample of approximately 4,000 already-enrolled children. The baseline attendance rate was 80%. The average effect on days attended and on the attendance rate is not statistically significant. The instrument does not change average attendance when absenteeism responds to structural constraints —transportation, health, work— rather than forgetting or lack of planning (Mateo-Berganza Díaz et al., 2020; Ajzenman et al., 2022).

**Aggregate access to early childhood programs.** An RCT in Uruguay evaluated the effect of intensive, multichannel remote support —phone and messaging— on a composite index of access to early childhood programs and benefits, including enrollment in childcare services. The control group had a standardized mean of 0.00 in the access index. The treatment produced an effect of +0.30 standard deviations in the aggregate index, a moderate-to-large magnitude for a non-monetary intervention. The effect reflects greater take-up of existing benefits for which the household was already eligible, not the creation of new programs. The study does not identify the separate causal effect on enrollment specifically in childcare services (Bloomfield et al., 2025).

**Equity and reduction of socioeconomic gaps.** The most relevant study on administrative burden reduction is an RCT in Germany that evaluated the effect of simplifying the daycare access process on application and enrollment, with explicit analysis by socioeconomic status. In the control group, the application rate was 85.7% for high-socioeconomic-status households and 63.9% for low-socioeconomic-status households: a gap of 21.8 percentage points. Administrative simplification did not change the rate among high-status households —a statistically null effect—, but increased the rate among low-status households by 21.3 percentage points, closing almost the entire gap. In effective enrollment, the baseline gap was 28.1 percentage points —49.7% versus 21.6%—; the intervention reduced that gap by more than half through a 15.9 percentage point increase among low-status households, with no effect among high-status households (Hermes et al., 2025).

**Table 9. Summary of evidence: active support and administrative burden reduction**

| OUTCOME                                             | MAIN RESULT                                                                                                                                                                                 | TYPE OF EVIDENCE      | EVIDENCE                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Completion of the administrative process</b>     | Two-way support increases the probability of completing pending steps by 7 to 8 pp.                                                                                                         | Causal evidence — RCT | New Orleans: control 59.5% vs. treatment 66.9% to 67.2% in verification. Sample of around 1,200 low-income families (Weixler et al., 2019; Weixler et al., 2020).                                                                                                                                                  |
| <b>Effective enrollment</b>                         | Personalized support increases enrollment by 10 pp; generic messages do not show the same effect.                                                                                           | Causal evidence — RCT | New Orleans, pre-K subgroup: control 62% vs. treatment 72% in enrollment (Weixler et al., 2020).                                                                                                                                                                                                                   |
| <b>Aggregate access to early childhood programs</b> | Intensive, multichannel support substantially improves effective access to programs for which the household is already eligible.                                                            | Causal evidence — RCT | Uruguay: +0.30 SD effect on a composite access index. Moderate-to-large magnitude for a non-monetary intervention (Bloomfield et al., 2025).                                                                                                                                                                       |
| <b>Attendance and continuity</b>                    | One-way nudges do not generate significant effects when absenteeism responds to structural constraints.                                                                                     | Causal evidence — RCT | Uruguay: null effect on days attended and attendance rate, with baseline attendance of 80%, using one-way reminder messages. Sample of around 4,000 children (Mateo-Berganza Díaz et al., 2020; Ajzenman et al., 2022).                                                                                            |
| <b>Equity in application and enrollment</b>         | Administrative simplification closes the socioeconomic gap in applications almost completely and reduces the enrollment gap by half, without changing the average for the higher-SES group. | Causal evidence — RCT | Germany: socioeconomic gap in applications of 21.8 pp at baseline closed almost completely (+21.3 pp among lower-SES households, ≈0 among higher-SES households). Enrollment gap reduced from 28.1 pp to around 12 pp (+15.9 pp among lower-SES households, ≈0 among higher-SES households) (Hermes et al., 2025). |

## Trade-offs and risks

**Reach versus intensity.** One-way interventions —SMS, app— are scalable and have low marginal cost, but limited capacity to resolve complex frictions. Significant effects appear with personalized support, which is more costly and harder to scale because it depends on sustained operational capacity: trained staff, response protocols, and an organized back office. In Uruguay, one-way nudges did not change attendance; in New Orleans, the effects came from two-way support, not generic messages (Weixler et al., 2020; Ajzenman et al., 2022).

**Redistribution versus aggregate expansion.** When the supply of places is fixed, friction reduction tends to change who gains access rather than increase total system coverage. The result is equitable in composition—more low-socioeconomic-status households gain access—but it does not add net coverage if places are filled by families who previously did not access them rather than by expanding the total. In France, personalized support interventions increased applications and reduced gaps, but average access did not increase when supply was fixed (Carbuccion et al., 2026).

**Fixed costs and implementation timelines.** Administrative simplification involves high upfront fixed costs—process redesign, data interoperability, interagency coordination—and longer implementation horizons than active support. It is a structural instrument for correcting inequities, not a rapid expansion tool (Herd and Moynihan, 2019; Liss and Gilliland, 2024).

**System overload under higher demand.** Reducing external frictions can create internal bottlenecks: more families completing the application process means a larger volume of verifications, greater demand on processing teams, and potential pressure on available places. The instrument can create new demand without supply being ready to absorb it (Liss and Gilliland, 2024; Copeland et al., 2025).

## Synthesis

This dimension has robust and recent experimental evidence showing that it can increase effective enrollment in childcare services when the main barrier is administrative or cognitive. Effects are concentrated on initial access—completion of procedures and enrollment—and are larger when support is personalized and two-way than when it consists of generic messages. The redistributive impact of administrative simplification is notable: it can close substantial socioeconomic gaps without requiring monetary transfers. However, the instrument does not expand supply, does not create places, and operates mainly by redistributing access within existing capacity. Its contribution to the childcare system is complementary: it does not replace financing or provision instruments, but it can significantly increase the effectiveness of a system that already has available supply yet leaves eligible families out because of avoidable frictions.

## 4.5 Dimension 5: Service Quality

The fifth dimension groups instruments that seek to ensure and improve the quality of childcare services. In this note, quality is understood as a multidimensional concept. It includes, on the one hand, structural dimensions—infrastructure, safety, ratios, group size, staff credentials, working conditions, and basic operating conditions—and, on the other, process dimensions linked to children's everyday experience: the quality of adult-child interactions, staff sensitivity, organization of the environment, care, interaction and learning practices, and the stability of caregiving relation-

ships. Both dimensions are relevant, but they operate through different mechanisms: structural quality establishes minimum conditions for safety and functioning, while process quality is the channel most directly associated with children's experience and with their cognitive, socioemotional, and language development.

This distinction is important for interpreting the evidence reviewed and for linking this dimension to the rest of the note. The previous dimensions analyze instruments that primarily affect the quantity of supply, families' access, or the participation of private providers in the system. Quality instruments, by contrast, act on the characteristics of what is provided. For this reason, quality is not treated here as a dimension separate from coverage, but as a cross-cutting condition for assessing any strategy to expand private sector participation. The expansion of places, providers, or enrollment only fully contributes to public objectives when the services financed, contracted, or regulated offer adequate conditions of safety, stability, and quality.

This dimension is organized into three subdimensions. Supervision and inspection seek to ensure compliance with minimum standards and generate incentives for improvement through regulatory and reputational accountability. Rating and continuous improvement systems, such as QRIS in the United States, seek to make quality visible to families and policymakers, and to induce improvement trajectories through ratings, accreditation, technical support, and gradual incentives. In-service training seeks to directly change staff practices through training and pedagogical support.

For all three instruments, the evidence is concentrated on quality improvements and, to a lesser extent, on conditions for the operational sustainability of private providers. By contrast, direct effects on market variables —provider entry and exit, prices, supply composition, or family demand— are less studied and less conclusive than in the previous dimensions. This means that quality instruments should be read primarily as enabling conditions for a desirable expansion of private sector participation, rather than as autonomous mechanisms for expanding supply.

### 4.5.1 Supervision and inspection

#### What the instrument seeks to achieve

Supervision and inspection of childcare services seek to ensure compliance with minimum quality and safety standards, induce corrections when non-compliance occurs, and, through the publication of results, activate a reputational channel that generates additional incentives for improvement. From the perspective of private sector participation, the instrument is relevant in two ways: it conditions providers' ability to remain in the formal market, and it affects the operating costs of compliance differently depending on provider type and size.

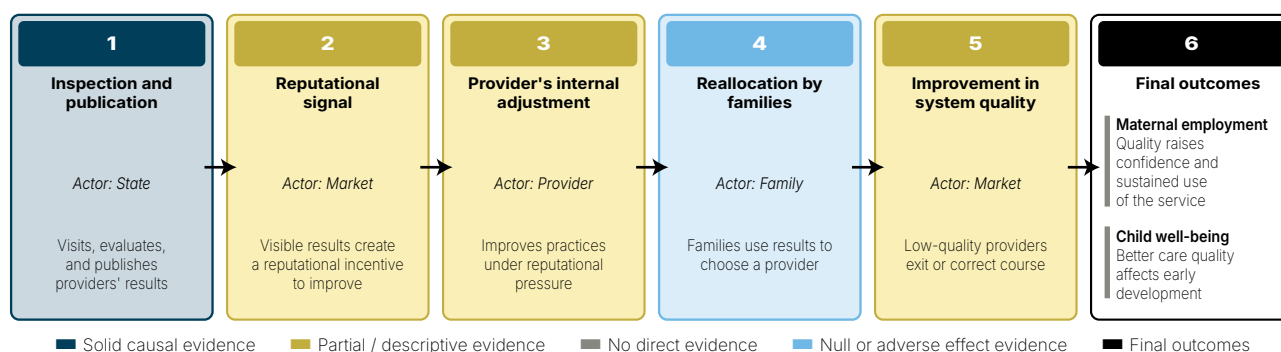
The literature distinguishes two main channels of action. The regulatory channel operates through inspection, detection of non-compliance, and corrective actions with tangible consequences. The reputational channel operates through the publication of inspection results, which may induce quality improvements through demand pressure or providers' own corrective responses (OECD, 2015).

## Causal logic

The causal chain of the instrument begins with inspection: the regulator detects non-compliance with established standards (Figure 10). If the regime has credible consequences —mandatory corrective actions, sanctions, risk of closure— the provider has incentives to correct. If results are published, an additional reputational channel is activated, which may induce improvements without the need for direct sanction. The chain can break at several points: if enforcement is weak, incentives are insufficient; if publication does not generate a demand response, the reputational channel loses strength; if compliance costs are prohibitive for certain providers, the result may be market exit rather than improvement.

Figure 10. Causal logic – Supervision and inspection

*Inspection with credible enforcement induces internal improvements in providers and filters out non-compliant ones*



## Design features that matter

**What is inspected:** regulation may focus on structural standards —infrastructure, ratios, credentials— or on process quality —care, interaction, and learning practices. Structural standards entail lower compliance costs and greater homogeneity across providers, but they only partially capture the quality experienced by children. Inspections focused on process quality have greater potential to guide substantive improvements in everyday practices, although they require more demanding measurement tools and may increase the relative cost of compliance for private and contracted providers starting from lower quality levels. In Chile, structural regulation shows limited variation

across providers, while process quality explains the main observed differences across modalities. Process-based evaluations show significantly lower levels among private/subsidized providers than among public providers (Godoy et al., 2025; CEPI/JUNJI, 2018; OECD, 2015; Navarro, 2021).

**Consequences and credibility of enforcement:** low-impact regimes —recommendations, voluntary improvement plans— favor market continuity and gradual learning, but generate weak incentives if there is no follow-up. High-impact regimes —mandatory corrective actions, sanctions— induce higher correction rates, but increase the risk of exit among providers with lower adjustment capacity. The credibility of consequences determines whether the instrument incentivizes effective improvement, minimum formal compliance, or market exit (Rouine et al., 2022; OECD, 2015).

**Transparency and the reputational channel:** internal use of inspection information limits incentives to the regulatory sphere and depends on the state’s follow-up capacity. Publishing results activates an additional channel that may induce improvements without direct sanction. The effectiveness of this reputational channel depends on whether families respond by reallocating enrollment, which the evidence suggests occurs less than expected (Witte and Queralt, 2004; OECD, 2015).

## Results and magnitudes

The evidence on supervision and inspection combines different levels of rigor and contexts. For the corrective compliance channel, the strongest source is descriptive: administrative data from Ireland’s inspection regime (Rouine et al., 2022), which document compliance rates. For the reputational channel, the most informative reference is the quasi-experimental study by Witte and Queralt (2004) in Broward County, Florida, which evaluates the effect of publishing inspection results online on providers’ average quality. A general caveat is central to this subsection: the documented effects assume credible enforcement capacity. In contexts with weak or irregular supervision, which are predominant in LAC, the instrument may generate formal compliance without real changes in service quality. Table 10 summarizes the main findings.

**Remediation of noncompliance.** The strongest evidence on the instrument’s effect comes from Ireland, where a statutory inspection regime with mandatory corrective actions identified 4,686 instances of non-compliance across 1,563 inspections. In a random sample of 500 non-compliance cases from that universe, eight out of ten services —83%— achieved demonstrable improvements by the end of the corrective action process. This suggests that the instrument has a strong capacity to induce effective compliance when enforcement is credible. In Latin America, the systems of Uruguay and São Paulo use mainly formative approaches, oriented toward gradual improvement plans without automatic closure. Although the evidence is descriptive, it

suggests that inspection can induce behavioral changes; the risk of exit depends on the level of coercion in the regime, not on the instrument per se (Rouine et al., 2022; Panizza, 2018; Sistema de Cuidados UY, 2019).

**Effects on quality through the reputational channel.** Publishing inspection results improves observed quality. The causal evidence on the reputational channel comes from Broward County, Florida, where online publication of inspection and complaint results is associated with a 2.82-point improvement in the average quality score on the 0–100 evaluation scale used by the subsidy-administering agency, equivalent to approximately half a standard deviation. This improvement occurs without changes in standards, sanctions, or inspection frequency, suggesting that the reputational channel itself can induce internal adjustments among providers. Significantly, there is no robust evidence that families reallocate enrollment toward better-rated providers. The evidence also shows that failing an inspection increases the probability of exit, but publication of the information does not generate additional closures (Witte and Queral, 2004).

**Heterogeneity by provider type.** In many cases, private and contracted providers start from systematically lower observed quality levels than direct public provision. In Chile, evaluations using the ITES-R and ECERS-R scales show that the VTF modality scores approximately 0.7 to 0.8 points lower than direct administration on scales from 1 to 7, both in structural quality and process quality. In Brazil, contracted creches show poorer infrastructure and operating conditions than public ones, with a contraction of the contracted network between 2007 and 2014 while municipal provision grew. In Chilean nursery rooms, Godoy et al. (2025) use CLASS-T to identify a dissociation between structural quality and process quality: adult-child ratios and group sizes, which are strongly regulated, do not differ between high- and low-quality profiles, while staff credentials are associated with better process scores ( $p = 0.01$ – $0.07$ ). This means that regulating structural variables alone does not guarantee interaction quality, and that staff credentials are a more sensitive intervention variable than ratios. It also means that the same supervision regime does not affect all providers neutrally: the costs of meeting process standards are relatively higher for those starting from lower quality levels (CEPI/JUNJI, 2018; Grama de Oliveira, 2016; Godoy et al., 2025).

**Table 10. Summary of evidence: supervision and inspection**

| OUTCOME                                                  | MAIN RESULT                                                                                               | TYPE OF EVIDENCE                                       | EVIDENCE                                                                                                                                                                                                                                   |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Correction of non-compliance</b>                      | A regime with mandatory corrective actions achieves high correction rates when enforcement is credible.   | Descriptive evidence — administrative inspection data  | Ireland: 83% of inspected services achieved demonstrable improvements, based on a sample of 500 non-compliance cases from a universe of 1,563 inspections (Rouine et al., 2022).                                                           |
| <b>Observed quality through the reputational channel</b> | Publication of inspection results improves average quality without modifying standards or sanctions.      | Quasi-experimental evidence                            | Broward County, Florida: +2.82 points on a 0–100 scale —½ SD— with online publication. No observable reallocation of enrollment by families. No increase in provider exit (Witte and Queralt, 2004).                                       |
| <b>Heterogeneity by provider type</b>                    | Private and contracted providers have lower baseline quality and face relatively higher compliance costs. | Comparative descriptive evidence — standardized scales | Chile: ITERS-R gap of around 0.8 points and ECERS-R gap of around 0.7 points between direct administration and VTF. Brazil: poorer conditions in contracted creches compared with public ones (CEPI/JUNJI, 2018; Grama de Oliveira, 2016). |

## Trade-offs and risks

**Quality improvement, compliance costs, and market recomposition.** Supervision with credible consequences can improve average system quality and protect basic conditions of safety and functioning. However, if the standards required are uniform and compliance costs are relatively higher for providers starting from a lower base, the result may be the exit of small or private providers with lower adjustment capacity, concentrating supply among larger and better-financed operators. This risk does not imply lowering quality ambitions, but rather combining demanding supervision with differentiated technical support, improvement pathways, and financing compatible with compliance with standards (Godoy et al., 2025).

**Weak reputational channel on the demand side.** Evidence from Broward County indicates that publishing inspection results improves quality mainly through providers' internal adjustments, not through families reallocating enrollment. This suggests that the market mechanism underlying the reputational channel is weaker than many policy designs assume, and that transparency has value even if families do not actively use it to choose providers (Witte and Queralt, 2004).

**Limited enforcement coverage in contexts of high informality.** The instrument generates the documented effects only when supervision is effective and consequences are credible. In contexts of low state capacity, the result is uneven compliance: the most visible formal providers bear the regulatory cost, while others operate informally without sanction, creating a competitive advantage for those who evade compliance.

## Synthesis

Supervision and inspection constitute an effective instrument for ensuring compliance with minimum standards when enforcement is credible, with high documented rates of correction of non-compliance. The publication of results can generate additional quality improvements through a reputational channel that operates on providers themselves more than on families' decisions. The instrument faces a central challenge for private sector participation: how to raise and enforce quality standards without causing a regressive shift in the composition of supply. Demanding standards can generate the intended quality improvements, but their compliance costs disproportionately affect providers starting from a lower base if they are not combined with differentiated technical support.

### 4.5.2 Rating and continuous improvement systems

#### What the instrument seeks to achieve

Rating and continuous improvement systems —QRIS, Quality Rating and Improvement Systems, and equivalent voluntary accreditation models— seek to make the quality of childcare services visible to families and policymakers, and to induce gradual improvement trajectories among providers through a combination of assessment, classification, and technical and financial supports. Unlike minimum regulation, these instruments do more than define entry conditions; they seek to induce gradual improvements in quality and make quality visible to different actors.

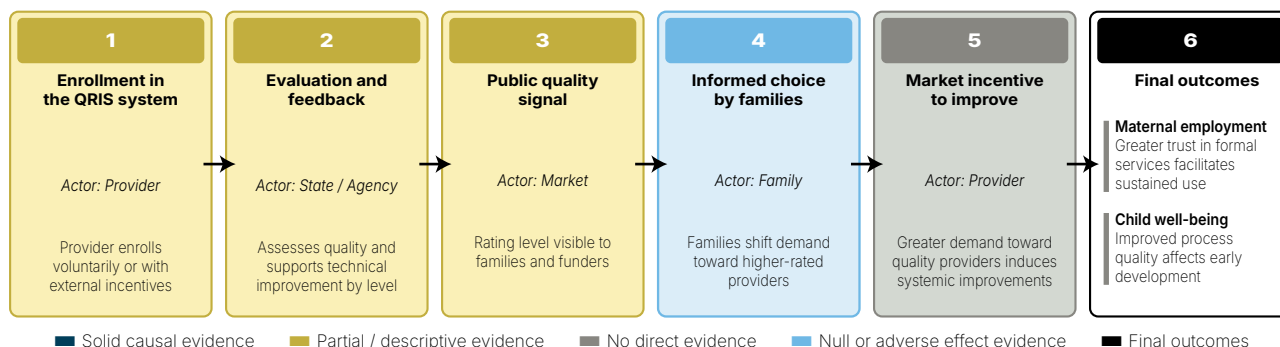
From the perspective of private sector participation, these systems are relevant because they introduce costs and benefits associated with joining and remaining in the system; they can generate reputational, financial, and operational incentives for private providers, especially through differentiated access to subsidies; and they seek to activate informed choice mechanisms among families. Their effectiveness, however, depends heavily on the design of the incentive package and on the quality of the signal generated (Zellman and Perlman, 2008; Tout et al., 2011).

## Causal logic

The instrument's causal chain operates through five links (Figure 11). First, providers enroll voluntarily—or with incentives—in the system. Second, assessment and feedback, combined with technical supports, induce improvements in practices and infrastructure. Third, the provider moves up in rating level, generating a visible quality signal. Fourth, families use that signal when choosing providers, shifting demand toward better-rated providers. Fifth, greater demand for higher-quality providers generates market incentives for improvement and entry. The evidence shows that the intermediate links—the signal and its use by families—are the weakest, limiting the impact of the market channel (Xiao, 2010; Darling et al., 2023).

**Figure 11. Causal logic – QRIS**

*Public rating generates quality signals → guides families' choices and creates improvement incentives for providers*



## Design features that matter

**What is measured and how it is aggregated:** systems use different quality metrics, mainly CLASS—Classroom Assessment Scoring System, a 1–7 scale covering emotional support, classroom organization, and instructional support—and the ERS scales—ECERS and ITERS—for environment and structure. Aggregating continuous metrics into levels or stars simplifies the signal for families, but may reduce its discriminatory power, especially at higher levels. Evidence from Los Angeles shows that continuous metrics predict school readiness better than the aggregate rating, indicating a loss of relevant information through discretization (Hong et al., 2015; Lipscomb et al., 2016).

**Supports and incentives integrated into the system:** systems based exclusively on reputation generate insufficient private returns to sustain voluntary participation. The evidence shows that provider participation responds mainly to tangible incentives: eligibility for subsidies and programs—for example, tiered reimbursement—, access to pedagogical coaching, and specific subsidies for

infrastructure and materials. In Maryland EXCELS, most providers report participating to maintain subsidy eligibility and access technical supports, not to attract families through the rating (Darling et al., 2023; Tout et al., 2011).

**Quality conditions linked to the purchase of places:** when the rating level conditions access to contracts for the public purchase of places, the rating system operates as a provider selection mechanism for provision instruments (see Section 4.3.2). In Pennsylvania, only centers with Keystone STARS 3 or 4 could participate in the ITCS purchase-of-places program, transforming the rating into a prerequisite for access to the public market (Dorn, 2020).

## Results and magnitudes

The evidence on rating and continuous improvement systems —QRIS— comes almost exclusively from the United States, where these systems have operated for more than a decade across multiple states. The available studies are mainly descriptive and based on multivariate models of provider and family behavior; there are no impact evaluations with experimental designs estimating causal effects on service quality or child outcomes. Xiao's (2010) structural simulation makes it possible to estimate returns for the average provider under market assumptions, but its results are sensitive to the model. Table 11 summarizes the findings.

**Provider participation (uptake).** Voluntary QRIS show partial and selective participation. In Kentucky, 19.4% of family child care (FCC) providers participate in the state QRIS; in Delaware, 22.5% do. Participation predictors reveal the actual mechanism: in Delaware, serving children with subsidies increases the probability of participation (odds ratio = 1.87;  $p = 0.001$ ), confirming that subsidy eligibility is the main motivator. Older providers are less likely to participate (OR = 0.94 for each additional year of licensing), suggesting that the system does not reach established operators that already have their own reputation. The main reported barriers are time, administrative complexity, and limited capacity to manage documentation, especially among FCC providers (Hallam et al., 2017; Zellman and Perlman, 2008).

**Provider response.** The evidence suggests that barriers to moving up in rating systems can be significant, especially among providers located at the initial levels. In Maryland EXCELS, among providers with ratings of 1–2, around three quarters report that the process of increasing the rating is too demanding or “not worth the effort” —81% among FCC providers and 73% among centers—, and a similar share considers it difficult to understand —71% among FCC providers and 59% among centers. In addition, staff qualifications and credentialing appear as an important constraint, particularly among centers —79% versus 52% among FCC providers (Darling et al., 2023).

By contrast, some systems combine ratings with improvement supports. In Minnesota's Parent Aware, "fully rated" programs receive technical assistance—for example, support from specialists for documentation and preparation for observations, and in some cases ERS consulting and CLASS coaching—, while programs with fewer than four stars can access financial support to make improvements. Although improvements in observational measures and ratings over time are reported, the findings should be interpreted with caution because these studies are observational in nature (Lipscomb et al., 2016).

Finally, provider response varies strongly by provider type, suggesting the need for differentiated designs. In Oregon, only 13% of Registered Family providers reach 4–5 stars, compared with 40% of Certified Family providers and 36% of Certified Centers (Lipscomb et al., 2016).

**Validity of the quality signal.** QRIS ratings are imperfect signals of quality. Evidence from Oregon shows that the system discriminates between low and medium levels, but loses differentiating power at higher levels. In addition, registered FCC providers receive lower ratings despite showing CLASS scores similar to other provider types, suggesting bias in the structural and administrative component of the system against certain providers. In Los Angeles, continuous metrics predict school readiness better than the aggregate rating: discretization weakens the association with child outcomes. If the quality signal is weak or biased, the instrument becomes less informative and less effective, even when ratings are publicly available (Lipscomb et al., 2016; Hong et al., 2015; Sabol et al., 2013).

**Family use and market response.** The demand channel is weak. In Maryland EXCELS, only 40% of families know about the system and only 25% report using it in their provider choice. Xiao's (2010) structural evidence on NAEYC accreditation quantifies the competition between signals: consumers assign approximately one third of the informational weight to formal accreditation and two thirds to the center's accumulated reputation. In simple terms, accreditation is worth less as a signal when the center already has its own history and reputation. From the provider's perspective, the same study simulates the economic return to accreditation: the benefit accreditation generates for consumers is equivalent to about USD 4,900 per firm per year—or a welfare gain of 1.93% to 2.01% in the sample of 938 firms. However, the costs of obtaining and maintaining NAEYC accreditation—initial fee, assessment process, and periodic recertification—exceed the expected benefit for the average provider. With success rates below 50%, the expected net return is negative for most applicants, structurally explaining low voluntary adoption. Therefore, even with formal signals, the informational channel may be weak because families have low awareness of the existence of this information and/or because the reputational channel dominates the information families use (Darling et al., 2023; Xiao, 2010).

**Table 11. Summary of evidence: rating and continuous improvement systems**

| OUTCOME                                                                    | MAIN RESULT                                                                                                                                              | TYPE OF EVIDENCE                             | EVIDENCE                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Provider participation — uptake</b>                                     | Partial participation in voluntary QRIS; motivated mainly by subsidy eligibility, not by the reputational signal.                                        | Descriptive evidence + logit models          | Kentucky: 19.4% of FCC providers participate. Delaware: 22.5%. Main predictor: serving children with subsidies (OR = 1.87, $p = 0.001$ ). Main barrier: time and administrative complexity (Hallam et al., 2017).                                                                             |
| <b>Progression to higher ratings and investment in quality improvement</b> | Substantive barriers to moving up in rating levels; improvements appear when the system incorporates tangible technical and financial supports.          | Descriptive evidence + provider survey       | Maryland: 81% of FCC providers say moving up is “not worth the effort”; 79% of centers report credentials as a barrier. Minnesota: more than 70% received some support; quality improvements reported, without causal identification (Darling et al., 2023; Tout et al., 2011).               |
| <b>Validity of the quality signal</b>                                      | Ratings discriminate well between low and medium levels, but lose informational power at higher levels and may be biased against certain provider types. | Descriptive evidence + structural simulation | Oregon: weak discrimination at higher levels; registered FCC providers receive lower ratings with similar CLASS scores. Los Angeles: continuous metrics predict school readiness better than the aggregate rating (Lipscomb et al., 2016; Hong et al., 2015).                                 |
| <b>Family use and market response</b>                                      | Weak demand-side response; expected net return for the average provider is negative under voluntary adoption without linked subsidies.                   | Survey + structural model — simulation       | Maryland: 40% of families know the system; 25% use it in provider choice. NAEYC: families assign one third of informational weight to accreditation and two thirds to reputation. Welfare gain of around 2%; negative net return for the average provider (Darling et al., 2023; Xiao, 2010). |

## Trade-offs and risks

**Quality signal and effective incentives.** Systems based primarily on reputation do not generate sufficient private returns to sustain voluntary participation. The instrument functions as a quality improvement support policy when it incorporates tangible incentives —subsidies, coaching—, while as a purely informational mechanism it has limited market effects. The evidence indicates that, without tangible incentives, participation is partial and biased toward providers that already have some external incentive to participate (Darling et al., 2023; Xiao, 2010; Tout et al., 2011).

**Continuous improvement versus administrative burden and exclusion of small providers.** Periodic assessment, documentation, and recertification entail compliance costs that are proportionally higher for small centers. The risk of self-exclusion among providers with lower administrative ca-

capacity is substantial: the system may end up rewarding those that already have stronger management capacity, rather than inducing genuine quality improvements among those that need them most (Darling et al., 2023; Hallam et al., 2017).

**Simplicity of the rating versus informational precision.** Aggregation into levels or stars facilitates communication with families, but dilutes relevant quality differences, especially at higher levels. This weakens the system's demand channel and limits its ability to discipline the market through informed choice (Hong et al., 2015; Lipscomb et al., 2016).

## Synthesis

Rating and continuous improvement systems work better as policies to support quality improvement than as purely informational mechanisms. Provider participation is partial and selective when the system is voluntary and does not link ratings to tangible incentives; it improves when the rating level conditions access to subsidies or public contracts. Ratings are imperfect signals: they discriminate well at lower levels but lose power at higher levels. The demand channel—families choosing based on ratings—is weak: informal reputation weighs more than the formal signal in decision-making. The expected net return to voluntary accreditation for the average provider is negative, explaining low voluntary uptake and the need to link the system to financial incentives or technical support programs for it to function as an effective policy. For this reason, its main value does not appear to lie in autonomously shifting demand toward better providers, but in organizing improvement trajectories and conditioning access to public financing on progressive quality standards.

### 4.5.3 In-service training and professionalization

#### What the instrument seeks to achieve

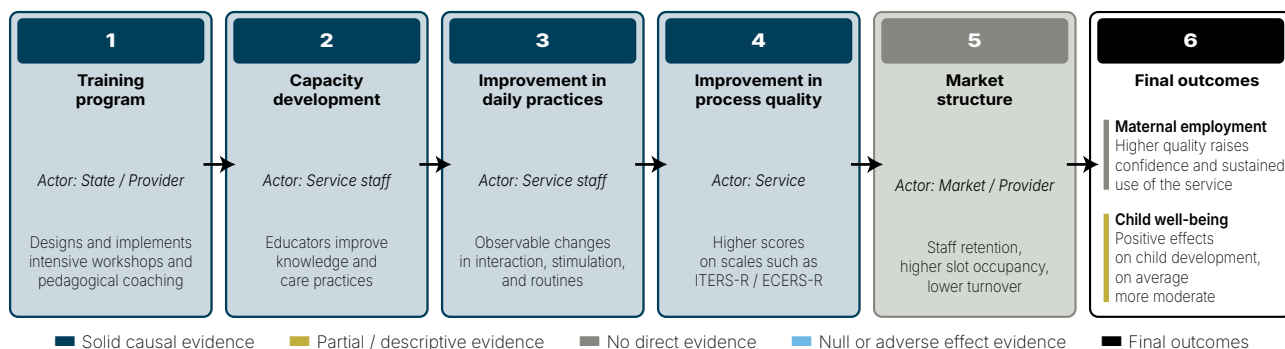
In-service training groups policies aimed at improving the quality of care through the professional development of staff while services are being delivered. Unlike regulation of minimum credentials, which acts on the quality floor at market entry, in-service training seeks to change caregiving, interaction, and learning practices in day-to-day operations, typically through combinations of training and support. The instrument is relevant for private sector participation because it can improve the observable quality of private providers, strengthen their capacity to meet standards, and facilitate their progression in rating systems such as those described in Section 4.5.2.

## Causal logic

The causal chain has four main links (Figure 12). First, staff receive the intended dosage of training, measured by completed cycles, attendance, and fidelity to the program. Second, training modifies interaction practices and process quality, measurable through observational scales such as CLASS. Third, improvements in process quality translate into outcomes for children, especially in language and early literacy skills. Fourth, improvements in process quality should translate into changes in market structure—staff retention, higher occupancy of places, sustained provider entry—although this link is the least studied in the literature. The evidence is stronger for the first two links than for the last two: the translation from process quality to child outcomes is not automatic and depends on the focus, time horizon, and implementation conditions (Schachter et al., 2025; Early et al., 2017; Leyva et al., 2014).

**Figure 12. Causal logic – In-service training and professionalization**

*Pedagogical coaching improves staff practices → improves process quality in the service*



## Design features that matter

The evidence shows that in-service training is not a single instrument: its performance depends critically on implementation design. Two programs with the same objective can generate very different results depending on their architecture, effective dosage, content, and quality of support.

**Program architecture:** the literature distinguishes four implementation families with clear trade-offs. Materials and guides—minimal support—have low cost and high scalability, but limited transfer to practice without support. Group training in cohorts facilitates uniform delivery and builds a shared framework, but offers less personalization. Individual coaching—one-on-one, in person or remote—maximizes personalization and work on real practice, but has higher cost and a risk of under-dosage. Hybrid packages—workshop plus coaching plus reflection—combine a shared framework with sustained transfer, but are operationally more demanding. The choice of architecture defines the balance between reach, intensity, and capacity to sustain changes in practice (Early et al., 2017; Downer et al., 2011).

**Effective dosage:** the gap between planned dosage and dosage actually received is a recurrent implementation risk. In designs with strong evidence, the intervention is organized over several months or across the full school year, with repeated cycles of guided practice. In the documented RCTs, participants completed an average of 7.57 remote coaching cycles, ranging from 2 to 13. This wide variation represents an implementation risk (Early et al., 2017; Aikens and Akers, 2011).

**Quality of coaching:** coaching is not a homogeneous category. Meta-analytic evidence identifies that demonstration —the coach modeling practices— is associated with greater changes in practice than co-teaching. Design must therefore specify the observation, feedback, and reimplementation protocol, and ensure consistency across coaches (Schachter et al., 2025; Aikens and Akers, 2011).

**Enabling conditions within the center:** the instrument must be designed with management and governance components, not only pedagogical ones. Effective implementation of these programs requires protected time for planning and reflection, pedagogical leadership to sustain change, and team stability. Without these conditions, the effects of isolated interventions tend to fade. For small private providers, creating these conditions may be more difficult than for public institutions (Peleman et al., 2018; Aikens and Akers, 2011).

## Results and magnitudes

The evidence on in-service training is the strongest within Dimension 5 in terms of methodological design: several studies are experimental, and meta-analyses synthesize findings across multiple experiments. This makes it possible to estimate causal effects with greater confidence than in the previous subsections. The main limitation is not methodological but one of scope: most studies measure effects on process quality —CLASS scales— rather than on final outcomes for children, and the predominant contexts are the United States and Chile, with institutional and market characteristics that are not representative of LAC as a whole. Effects on the structure of the private market —provider retention, entry, prices— are the least studied link in the entire literature on quality. Table 12 summarizes the findings.

**Changes in practice and process quality — CLASS.** The most consistent evidence concerns this link. An intensive hybrid package —workshop accompanied by coaching sessions and spaces for reflection— implemented in Chile in preschool classrooms through a cluster RCT (UBC) generated large to moderate improvements in CLASS dimensions in the first year: emotional support ( $d = 0.81$ ), classroom organization ( $d = 0.46$ ), and instructional support ( $d = 0.44$ , marginal). In the second year, improvements were sustained in emotional support ( $d = 0.37$ ) and classroom organization ( $d = 0.43$ ), while instructional support did not reach statistical significance, confirming that it is the most difficult domain to move and maintain (Leyva et al., 2014). An intensive group intervention in Georgia Pre-K —RCT, MMCI— with high implementation fidelity (97% attendance)

generated improvements of 0.36 standard deviations in emotional support and 0.27 in instructional support. In the same program, remote individual coaching —RCT, MTP— generated a significant effect only on emotional support (ES = 0.22); classroom organization and instructional support did not reach statistical significance (Early et al., 2017).

At the aggregate level, a recent meta-analysis estimates that, compared with closest-to-business-as-usual practice (CBAU), coaching increases teaching practice by an average of  $g = 0.58$  standard deviations<sup>4</sup>, with high heterogeneity across studies (Schachter et al., 2025). In a more demanding comparison —coaching versus an equivalent alternative package without coaching— the point estimate for teaching practice is smaller and not statistically conclusive (Schachter et al., 2025).

**Child outcomes: language and early literacy skills.** Effects on child outcomes are more modest and sensitive to design and content. A meta-analysis of training interventions focused on language and early literacy skills estimates small but consistent effects: a standardized mean difference (SMD) of 0.30 in phonology and 0.12 in letter knowledge, both in the small-to-moderate range according to field conventions, but statistically significant (Markussen-Brown et al., 2017). Video-based remote coaching —web-mediated MTP— shows impacts on language and literacy only at the highest support level —platform plus one-on-one coaching— and only in classrooms with a predominant language of interaction, not in multilingual contexts. This underscores the importance of the match between the intervention and the context (Downer et al., 2011). The intensive hybrid package in Chile, despite large improvements in CLASS, does not show robust effects on language or literacy by the end of the program, illustrating that the translation from process quality to child outcomes is not automatic (Leyva et al., 2014). On average, the meta-analysis by Schachter et al. (2025) estimates that, compared with business-as-usual practice, coaching improves child outcomes by  $g = 0.29$  standard deviations —a medium and statistically significant effect size. In a more demanding comparison, the added value of coaching over an equivalent package without coaching is more limited but significant ( $g = 0.14$ ) (Schachter et al., 2025).

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4. Hedges'  $g$  —and similar measures such as  $d$  or SMD— express effect size in standard deviation units. As a practical rule, values around 0.2 are usually considered small, around 0.5 moderate, and 0.8 or above large. CBAU refers to comparison with business-as-usual practice or the status quo. T-C, "treatment minus coaching," compares coaching with an equivalent alternative intervention without coaching in order to approximate the value added of the coaching component.

**Table 12. Summary of evidence: in-service training**

| OUTCOME                                       | MAIN RESULT                                                                                                                                                                                     | TYPE OF EVIDENCE                                        | EVIDENCE                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Process quality — CLASS</b>                | Consistent improvements of moderate to large magnitude when training includes coaching with feedback. Instructional support is the most difficult domain to improve and sustain.                | Causal evidence — RCT and cluster RCT — + meta-analysis | Chile UBC: emotional support $d = 0.81$ ; organization $d = 0.46$ ; instructional support $d = 0.44$ in year 1 (Leyva et al., 2014). Georgia Pre-K: $d = 0.36$ in emotional support and $d = 0.27$ in instructional support, cohort intervention; $d = 0.22$ for remote one-on-one coaching (Early et al., 2017). Coaching meta-analysis: $g = 0.58$ versus business-as-usual practice (Schachter et al., 2025). |
| <b>Child outcomes — language and literacy</b> | Small but consistent effects when the program is focused on language and adapted to the linguistic context. Improvements in process quality do not automatically translate into child outcomes. | Causal evidence — RCT — + meta-analysis                 | Language-focused meta-analysis: $SMD = 0.30$ for phonology; $SMD = 0.12$ for letters (Markussen-Brown et al., 2017). Coaching meta-analysis: $g = 0.29$ for child outcomes; incremental effect of coaching over an equivalent package: $g = 0.14$ (Schachter et al., 2025).                                                                                                                                      |

## Trade-offs and risks

**Intensity versus coverage.** Individual coaching tends to generate greater transfer to practice than self-administered materials or stand-alone workshops, but its cost limits scalability. A strategy consistent with the evidence is a pyramid design: a lower-cost base of group training, complemented by targeted coaching for classrooms, teams, or profiles with larger gaps or higher potential returns (Schachter et al., 2025; Aikens and Akers, 2011).

**Process quality versus child outcomes.** The evidence supports the effect of training on observed practices, but the translation to child development depends on the content and quality of implementation. Programs focused on language and literacy tend to show stronger effects on those domains than generic quality-improvement interventions. The absence of detectable effects on short-term child outcomes does not imply that improvements in practice are irrelevant; rather, it indicates that the chain linking practice, children's everyday experience, and child development depends on demanding implementation and measurement conditions (Markussen-Brown et al., 2017; Leyva et al., 2014).

**Training versus staff retention.** High staff turnover in the childcare sector, especially in low-cost private centers, can erode the effects of training: trained staff leave their positions and improvements in practice are lost. In-service training requires complementary staff retention instruments in order to be sustained (see Section 4.2.2, box on partial subsidies).

## Synthesis

In-service training can consistently improve process quality when it incorporates support mechanisms integrated into the program—coaching with feedback—and sufficient effective dosage. Effects on child outcomes are modest and more likely when the program is focused on specific areas such as language and literacy and adapted to the context. The translation from improvements in practice to child outcomes is not automatic. The instrument operates mainly as a quality assurance tool, and its contribution to private sector participation is indirect: it improves the service conditions that sustain demand, but it has no observed direct mechanisms affecting market structure. It needs to be complemented by staff retention instruments so that the investment does not dissipate through turnover. In addition, as the rating systems analyzed in this dimension show, observable quality improvements do not necessarily translate automatically into greater demand if families do not know, use, or value those signals when choosing a provider.

### Box 10 — Pre-service training and credentials: raising the quality floor

Pre-service training complements in-service training by raising the baseline level of skills and competencies with which staff enter the childcare workforce, which is especially relevant in less formalized service settings. Its theory of change is that formal training strengthens baseline service capacity—including service organization, basic protocols, and routines—, thereby improving observed quality and potentially child development in domains sensitive to basic practices (Deding and Minnaert, 2024).

The most direct empirical evidence reviewed here comes from a study of family childcare in Bogotá, Colombia: an intensive two-semester vocational program—approximately 2,640 hours—for community mothers is associated with improvements in observed quality measured by the total FDCRS scale (+0.273 points,  $p < 0.05$ ), the physical environment component (+0.394,  $p < 0.01$ ), and a summary index (+0.235 SD,  $p < 0.05$ ). For child outcomes, the same study reports mixed findings: improvements in respiratory health and in some early development indicators with greater exposure, no effects on nutrition, and mixed patterns in the socioemotional domain (Bernal, 2015).

The policy implication is that pre-service training can help raise the quality floor by strengthening baseline capacity and consistency, complementing in-service training aimed at improving more fine-grained dimensions of process quality. When it becomes a licensing requirement, it links directly to the regulatory instruments analyzed in Section 4.1 and can act as an entry barrier if its costs exceed the capacity of less formalized providers (Deding and Minnaert, 2024). The impli-

cation is not to avoid professionalization, but to accompany it with gradual pathways, recognition of prior learning, and support that allow community-based or less formalized providers to meet standards without being automatically excluded.

References: Bernal (2015); Deding and Minnaert (2024).

## 5. Cross-cutting Patterns in the Evidence and Combinations of Instruments

### 5.1 What the comparative evidence shows

**The comparative evidence does not identify a dominant instrument, because policies act on different system constraints.** Far from pointing to a single tool that is consistently superior for promoting private sector participation in childcare systems, the review shows that different instruments operate on different problems and, for that very reason, produce different effects on supply, demand, quality, equity, and system sustainability. Some policies primarily alleviate affordability constraints for households; others seek to create or sustain installed capacity where the market does not generate it on its own; others reorganize existing provision, raise or modify standards, reduce access frictions, or introduce incentives to improve quality. This heterogeneity is not a secondary detail: it is precisely what makes the search for a universally superior policy of limited value. Instead, it is more useful to ask which bottleneck predominates in each context and which instruments can act on it.

This first finding also makes it possible to interpret the diversity of results observed in the literature in a different way. The fact that different studies show positive, null, or ambiguous effects for apparently similar instruments does not necessarily imply inconsistency in the evidence. In many cases, it instead reflects the fact that those instruments were addressing different problems or operating in systems with different constraints. An instrument designed to expand demand may show strong results when there is a sufficient network of providers to which households can be connected, but much more modest results when the underlying problem is a shortage of supply. Similarly, a policy designed to expand capacity may fail to translate into greater effective use if families continue to face frictions that block access. The evidence therefore suggests that instruments are not perfect substitutes for one another: they tend to operate on different margins of the system and, as a result, respond to different policy questions.

**For this reason, results depend less on the type of instrument than on its specific design and the conditions under which it is implemented.** One of the most robust and transferable lessons from the review is that the general category of the instrument —voucher, supply-side subsidy, regulation, purchase of places, quality system, support— says less about its results than its specific design parameters. The same instrument can produce very different, and even divergent, effects depending on the effective level of support it provides, the predictability of financing over time, the structure of copayments, eligibility rules, the degree of portability, the alignment between prices and costs, the intensity of monitoring, or the existence of complementary supports for households and providers. Evaluating policies by their general label is therefore less informative than examining how each one translates its objectives into specific operating rules. In other words, the evidence does not simply suggest that some instruments work and others do not; rather, much of the observed variation depends on whether the design creates credible and consistent signals for the actors in the system —households, providers, and bureaucracies— in the specific context in which it operates.

At the same time, this finding helps explain why policy transferability across contexts is never automatic. A design that produces strong results in an environment with robust institutional capacities, abundant information, high levels of formalization, and relatively dense markets may behave very differently in contexts with more limited capacities, a smaller presence of formal providers, or greater access barriers for households. In other words, design cannot be assessed independently of context: it works well when it recognizes the real constraints of the system in which it is embedded, not when it nominally replicates an architecture that was successful elsewhere under different assumptions. This warning is especially relevant for LAC, where most of the available causal evidence comes from high-income contexts with starting conditions that differ substantially from those of the region.

**Even the best-calibrated designs, however, face persistent trade-offs among coverage, quality, equity, autonomy, and sustainability.** The importance of design does not mean that all system tensions can be resolved through fine-tuning. On the contrary, the comparative evidence shows that several central policy decisions involve legitimate objectives that may come into tension and therefore need to be managed explicitly.

**A first tension arises between expanding coverage and maintaining relatively homogeneous quality standards.** Expanding capacity rapidly, especially through heterogeneous provider networks, can facilitate scale and territorial coverage, but it also tends to increase variation in provision conditions. This caution is consistent with a systematic review of childcare services for children aged 0 to 5, which finds no robust evidence that private providers offer higher quality than public providers and suggests, based on still limited evidence, that within the private sector nonprofit providers tend to perform better than, or comparably to, for-profit providers (Brogaard and Peters-

en, 2022). Strengthening regulatory requirements, supervision, and improvement supports can raise the quality floor, although doing so requires financing, gradual implementation, and sufficient implementation capacity to prevent compliance costs from reducing available supply in the most vulnerable areas. The issue is not to choose between coverage and quality as if they were mutually exclusive objectives, but to recognize that the expansion pathway and governance capacities condition how both objectives can be pursued simultaneously. In mixed systems, quality governance is not a later complement to expansion; it is part of the design of expansion itself.

**A second tension concerns aggregate expansion and equity of access.** The evidence suggests that increasing average coverage does not automatically reduce inequalities in effective service use. When access depends on complex procedures, the ability to gather information, anticipate costs, or navigate fragmented systems, benefits tend to concentrate among households with greater administrative, educational, or time resources. In these cases, a policy may show good results in terms of total enrollment or utilization while leaving gaps between social groups relatively intact. This explains why some instruments aimed at activating demand or expanding options produce only limited redistributive effects if they are not accompanied by design decisions explicitly aimed at reducing frictions and translating formal eligibility into real access.

**A related but conceptually distinct risk is internal segmentation within the system.** Private sector participation may expand the number of available places while also generating differentiated tracks of access, quality, and resources if the design does not incorporate explicit distributive safeguards. This risk appears in different forms: vouchers with low caps may concentrate subsidized households among lower-cost providers; supply-side subsidies with heterogeneous rules may consolidate differentiated institutional tracks; and mixed-provision or place-purchase schemes may expand more rapidly among providers with lower labor costs, lower financing per child, or lower average quality. In these cases, the problem is not private participation in itself, but the absence of mechanisms that ensure convergence in standards, sufficient financing, monitoring of enrollment composition, and effective access by the most vulnerable households to good-quality services.

**A third tension concerns providers' operational autonomy and public steering of the system.** Much of the appeal of private sector participation lies in the possibility of leveraging infrastructure, human resources, and organizational capacities that already exist outside the state apparatus. But this advantage also means that the state must govern a network of actors with different incentives, scales, capacities, and operating logics. The more heterogeneous that network is, the more important it becomes to define precisely which decisions remain in providers' hands—day-to-day management, staff hiring, internal organization—and which must remain under public steering—access rules, minimum standards, financing, supervision, and correction of non-compliance. The tension, therefore, is not simply between more or less market, but between different ways of combining operational flexibility with public responsibility for system outcomes.

**A fourth tension runs through the relationship between fiscal sustainability and supply stability.**

Several of the most effective instruments for expanding or sustaining capacity in contexts where the market does not self-finance rely on regular and, in some cases, long-term public transfers. This dependency is not necessarily a failure; it may be a deliberate feature of mixed systems in which the state recognizes that a certain segment of private supply performs a public function and therefore requires predictable financing. The problem arises when this dependency coexists with volatile rules, unstable budgets, or high exposure to political cycles. In those contexts, fiscal adjustments not only reduce coverage in the short term, but can quickly weaken installed capacity and generate provider exits that are difficult to reverse. Supply sustainability therefore depends not only on how much financing exists, but on how stable and credible it is over time.

**State capacity to monitor and enforce rules cuts across all these tensions and conditions the real effectiveness of policy.**

Although it is not always treated as a separate analytical dimension, the evidence suggests that the capacity to monitor, verify, correct, and impose consequences is a cross-cutting condition for multiple instruments to produce the expected results. Regulations, contracts, quality systems, and even certain financing schemes assume that the state can enforce the rules. When this capacity exists, design differences translate into observable behaviors and policy can effectively shape the system: quality requirements become operational, contracts gain substance, reputational signals become meaningful, and supply expansion can be organized without generating growing system disorder. When it is weak, the same formal architecture can lead to symbolic compliance, uneven implementation, or effects well below expectations. For that reason, state capacity appears in the evidence as one of the factors that most clearly explains why similar instruments produce such different results across contexts.

**As a result, sustained expansion of private sector participation rarely emerges from a single lever and depends instead on combinations and sequences of instruments.**

If instruments act on different constraints, if their results depend on specific design choices, and if they must also operate under persistent trade-offs, then the main comparative implication is that sustained expansion is unlikely to result from a single policy decision. Systems that achieve higher levels of coverage, quality, and stability do not appear to rely on one tool alone, but on more complex arrangements in which financing, regulation, access mechanisms, quality assurance, and complementary supports interact with one another. This does not mean advocating indiscriminate accumulation of instruments; rather, it means recognizing that how they fit together is a central part of the design problem.

**The main lesson from the comparative evidence is not which instrument to choose in the abstract, but how to design a mixed system that combines coverage, quality, equity, and sustainability.**

This is ultimately the most important lesson emerging from the review. Private sector participation in childcare should not be understood as a binary choice between public and private

provision, nor as an ideological preference for a particular type of policy. The issue is to define what role private providers are expected to play within the system, under what rules, with what supports, with what incentives, and with what safeguards. The relevant question is not simply how much space to give the private sector, but what type of childcare market the state seeks to build and what public capacities are needed for that participation to effectively expand access without undermining quality, deepening inequalities, or creating fiscally fragile arrangements.

Read in this way, the comparative evidence does not offer a single recipe, but it does provide clear guidance: the success of policies depends less on adopting a specific instrument than on building coherent combinations among objectives, rules, financing, and implementation capacities. This is the analytical transition that makes it possible to move from an inventory of policies to a more substantive discussion of design. The issue is not only to identify which tools exist, but to understand how they fit together to form viable mixed systems that can deliver results.

## 5.2 What these findings imply for policy design

**Viewed through this lens, policy decisions can be organized as a sequence of questions.** The first is whether there is sufficient supply where access is intended to expand. When the main deficit is the lack of installed capacity, demand-side instruments are unlikely to be sufficient on their own, and policy needs some mechanism to create, sustain, or coordinate supply. The second is whether the available supply is economically accessible to target households. Here, demand-side instruments may play an important role, but only if they meaningfully change the cost families face. The third is whether existing coverage offers adequate conditions of safety, stability, and quality, and whether the state has the capacity to measure, finance, support, and enforce those conditions. Finally, even when supply and financing exist, the question remains whether families can effectively use available services or whether they continue to face frictions that block real access. This sequence does not replace policy judgment, but it helps avoid a frequent error: choosing instruments that are appropriate for a problem that is not the one actually organizing the system's constraints.

This sequence also makes it possible to think about combinations of instruments without turning them into universal recipes. If the main constraint is the absence of supply, expansion may require supply-side subsidies, delegated management, or the purchase of places, but these instruments need predictable financing, supervision, and technical support to avoid quality heterogeneity. If the main constraint is affordability, demand-side subsidies may be more appropriate, but they require caps aligned with real costs, effective portability, and quality rules to avoid segmentation. If places or benefits exist but eligible families do not access them, friction reduction can increase effective

use, although it does not replace the need to expand supply where capacity is insufficient. So the first layer of decision-making is diagnostic: identifying which bottleneck predominates and which combination of instruments can respond to that problem.

**Identifying the problem, however, is not enough: it also matters which type of instrument is institutionally and politically viable to address it.** Two contexts may face a similar bottleneck and still require different responses if they differ in state capacity, market structure, budget stability, or political feasibility. Policy design therefore does not end with linking a problem to a tool; it also requires asking what that tool needs in order to function, what capacities must exist before it is scaled, what risks it introduces, and what implementation costs it shifts to the state, to providers, or to families. This second layer of decision-making is central in mixed systems, where private sector participation can expand capacity and flexibility, but also multiplies the challenges of coordination, monitoring, and accountability.

These two layers of decision-making—which problem to solve and with which instrument—answer different questions. The comparative evidence systematized in Section 4 informs the first: what effects each instrument produces on supply, demand, quality, and equity, and under what design conditions. Salamon’s framework informs the second: given each instrument’s institutional requirements, which one is viable in a specific context. Both layers are necessary; neither replaces the other.

**Salamon’s (2002) tools of public action framework therefore offers a useful way to organize this second layer of decision-making.** Rather than classifying instruments by sector or ideology, this approach compares them according to the properties that define how the state acts through them. Four of these properties are especially useful for this note. Obligation refers to the degree to which a tool can impose effective requirements. State intermediation captures how much the state relies on third parties to finance, provide, or implement services. Automaticity refers to the extent to which an instrument can operate through existing routines or structures. Public visibility captures how visible the intervention is and how easily it can be politically attributed. Read in this way, the framework does not compete with the comparative evidence on results; rather, it complements it by showing that instruments with similar objectives may differ substantially in their implementation requirements.

**To complement this discussion, Table 13 applies this framework to the same policies analyzed in the previous section.** This makes it possible to observe, on a basis consistent with the structure of the document, how instruments pursuing different objectives also differ in their institutional requirements. Read alongside the comparative evidence, this classification does not seek to rank instruments, but to make more explicit the governance, management, and political sustainability burdens associated with each one.

**Table 13. Policies analyzed according to Salamon's framework and implications for LAC**

| DIMENSION | POLICY INSTRUMENT                         | OBLIGATION | STATE INTERMEDIATION | AUTOMATICITY | PUBLIC VISIBILITY | IMPLICATION FOR LAC                                                                                                                                                                                                          |
|-----------|-------------------------------------------|------------|----------------------|--------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| D1        | Regulation                                | High       | Low                  | Medium       | Low               | Its effectiveness depends on enforcement. Without supervision and sanctioning capacity, it may result only in compliance on paper.                                                                                           |
| D1        | Employer mandates                         | High       | Low                  | Low          | Medium            | They impose strong obligations, but their reach is often limited by labor informality and weak enforcement.                                                                                                                  |
| D2        | Vouchers / demand-side subsidies          | Low        | High                 | Medium       | High              | They can expand use and generate political traction when sufficient supply exists, but they depend on an available provider network and rules that make the benefit usable in practice.                                      |
| D2        | Supply-side subsidies                     | Low        | Medium               | Low          | Medium            | They are useful where demand is insufficient to sustain supply on its own, but they require management capacity and stable financing.                                                                                        |
| D2        | Employer tax incentives                   | Low        | Low                  | Medium       | Low               | They are weakly coercive and relatively automatic once established, but uptake tends to be low and concentrated among formal firms with greater administrative capacity.                                                     |
| D3        | Delegated management / agreements         | Medium     | High                 | Low          | Low               | They make it possible to expand provision by leveraging existing third-party capacity, but require contractual capacity, monitoring, technical support, and sustained coordination to avoid uneven quality across providers. |
| D3        | Purchase of places                        | Medium     | High                 | Low          | Low               | It can expand coverage rapidly, but requires strategic purchasing capacity, contractual control, monitoring of additionality, and quality oversight.                                                                         |
| D4        | Reduction of access frictions             | Low        | Medium               | Medium       | Low               | It can improve effective access and reduce inequalities in use, but it does not expand supply; it works best when places are already available.                                                                              |
| D5        | Supervision                               | High       | Low                  | Medium       | Low               | It can raise the quality floor, but requires sustained capacity to inspect, require corrective action, and apply sanctions when necessary.                                                                                   |
| D5        | Rating and continuous improvement systems | Low        | Medium               | Low          | Medium            | They are useful for structuring improvement and making quality visible, but require technical and administrative support to avoid excluding providers with lower capacity.                                                   |
| D5        | In-service training                       | Low        | Medium               | Low          | Low               | It can improve practices and process quality, but requires sustained investment, technical support, and organizational conditions needed to sustain those gains.                                                             |

**Note:** Obligation refers to the degree to which a policy imposes rules or behaviors that cannot easily be avoided. State intermediation refers to the degree to which the state acts through third parties to finance, provide, or implement. Automaticity refers to the degree to which the instrument can operate through existing routines or structures, with less need for intensive discretionary management. Public visibility refers to the degree to which the intervention is perceptible and politically traceable to external actors. The high, medium, and low ratings are ordinal and comparative. They do not constitute an exact measurement, but rather a way of locating each policy, in relative terms, within these four dimensions. The scores summarize the predominant logic of each instrument and may vary significantly depending on its specific design and the institutional context in which it is implemented.

**These differences matter because each type of instrument shifts different management and governance challenges to the state.** Instruments with greater formal coercion, such as certain regulations or mandates, require real capacity to enforce rules; otherwise, obligation remains nominal. Instruments with high state intermediation, such as agreements, the purchase of places, or certain mixed-provision arrangements, require capacity to select, contract, monitor, and correct third parties. Instruments with low automaticity entail higher administrative costs and greater exposure to discontinuities, because they depend on more intensive and less routinized management processes. And instruments with high public visibility may offer greater political traction, but also greater sensitivity to cuts, controversies, or changes in government. From this perspective, the design problem is no longer only which instrument can produce a given effect, but also which instrument can be operated and sustained under real institutional conditions.

**Seen in this way, the discussion of instruments necessarily leads to the question of state capacities.** If different tools impose different requirements, then a central part of policy design is identifying which capacities must exist for those tools to work. The first is state capacity to monitor and enforce rules. Without it, regulation may produce only compliance on paper, contracts may lose their enforcement leverage, and quality or rating systems may become weak signals. The second is the availability of useful market information: where providers are located, what they offer, under what conditions they operate, and how accessible they are to target households. The third is the capacity to manage relationships with third parties: registering, selecting, contracting, supervising, and, where appropriate, sanctioning or correcting diverse providers. The fourth is the stability of public financing, especially when mixed arrangements depend on regular transfers to sustain supply. And the fifth, often underestimated, is households' effective capacity to identify, apply for, and use the available benefits or services. The combination of these capacities helps explain why similar tools produce such different results across contexts.

**This institutional infrastructure is also necessary to monitor whether coverage expansion is generating internal segmentation within the system.** Instruments should be assessed not only by the number of places they create or finance, but also by their effects on the composition and stratification of supply: which families access each type of provider, what resources those providers receive, what profiles of educators they are able to attract and retain, and whether systematic quality gaps emerge across public, subsidized private, and unsubsidized private tracks. Without this monitoring, a policy may show aggregate coverage expansion while reproducing internal segmentation in which the most vulnerable households access services with lower quality, weaker operational stability, or more limited pedagogical capacity.

**This means that an important part of policy lies not only in choosing the instrument, but in building the institutional infrastructure that makes it operational.** Designing policy to promote private sector participation requires deciding not only how to finance, regulate, or delegate, but

also what information systems, contractual arrangements, provider registries, supervision routines, allocation mechanisms, and support mechanisms are needed to make those decisions work in practice. In many cases, the difference between a promising policy and an effective policy depends less on its nominal formulation than on the existence of this implementation capacity.

**Ultimately, the comparative evidence suggests that steering private sector participation is not equivalent to choosing an isolated tool, but to designing a viable institutional architecture.**

The first step is to identify which constraint is driving the problem. The second is to ask which instruments are appropriate for addressing it. The third is to assess, in light of frameworks such as Salamon's, what institutional and political requirements each option entails. And the fourth is to decide which capacities need to be built so that this architecture can be sustained over time. Seen in this way, policy is no longer simply about selecting an instrument, but about institutional design: how to combine tools, in what sequence, and under what conditions, so that private sector participation can effectively contribute to expanding access without undermining quality, deepening inequalities, or creating fiscally fragile arrangements.

## 6. Discussion and Conclusions

### 6.1 Implications for Latin America and the Caribbean

The evidence reviewed in this document comes largely from the United States, Canada, and Western Europe, with fewer studies from Latin America and the Caribbean. This geographic distribution does not invalidate the findings, but it does require interpreting them with caution. The mechanisms that explain how households, providers, and institutions respond to changes in incentives, prices, or rules tend to be relatively generalizable; by contrast, the magnitude of effects, the feasible sequence of reforms, and the conditions for implementation may vary considerably across contexts. The discussion in this section therefore focuses on what these results imply when read in light of the region's institutional, economic, and social characteristics.

**The first structural difference is the high level of labor informality and informality within the childcare provider market itself.** In many countries in the region, a significant share of childcare takes place through informal or semi-formal arrangements, outside public regulatory and financing systems. This reality limits the reach of instruments that depend on formal employment—such as employer mandates or certain tax incentives—and also conditions the effectiveness of regulatory mechanisms designed for more formalized markets. In contexts where a significant share of

childcare supply operates outside state registries, expanding access often requires instruments that combine financing with gradual formalization strategies and support for providers, rather than assuming that regulation or economic incentives alone will be enough to reorganize the market.

**A second relevant characteristic is the unequal territorial distribution of childcare supply.** In many LAC countries, the presence of formal centers is relatively high in some metropolitan areas and considerably lower in rural territories, urban peripheries, or intermediate cities. This uneven geography means that demand-side instruments, such as vouchers or portable subsidies, may produce very different effects depending on the territory. Where a provider network already exists, these instruments have the potential to expand service use and sustain part of the existing private supply. By contrast, in contexts where supply is scarce or nonexistent, demand-side financing is unlikely to generate the entry of new providers in the short term on its own, and generally requires complementary mechanisms aimed at sustaining or creating capacity.

**This suggests that, in the region, the question is not simply whether or not to expand supply, but where supply is lacking, where there is excess capacity, and which part of the existing supply is actually accessible to the households that need it most.** Falling fertility and smaller child cohorts do not eliminate the need for public policy in this area, but they do make uniform responses less appropriate. In some urban markets, excess installed capacity, vacancies, or even center closures may begin to appear; in others, supply deserts and waiting lists persist. The implication is that childcare policies need to be more selective and territorially differentiated: in some places the challenge will be to expand capacity; in others, to sustain and repurpose existing supply; and in others, to improve the quality and economic accessibility of services that are already available.

**Differences in state capacity also strongly condition the transferability of instruments.** A substantial share of the international evidence comes from systems in which public agencies have relatively stable resources to supervise services, manage contracts with providers, and sustain complex information systems. In Latin America and the Caribbean, these capacities are more heterogeneous. In some countries or jurisdictions, robust supervision and monitoring systems exist; in others, the agencies responsible for the sector operate with limited resources and fragmented regulatory frameworks. This affects not only which instruments can be adopted, but also which instruments can be sustained over time. An instrument that requires intensive enforcement, high contractual capacity, or continuous subsidy administration may be technically attractive, but politically fragile or administratively unviable if those capacities do not exist or cannot be consolidated.

In practical terms, these differences change how instruments that appear especially promising in the international evidence should be read. Vouchers and portable subsidies, for example, generate positive private supply responses in contexts where there is already a relatively dense and formalized provider network. In LAC territories with low supply density or weak supervision capacity, the same instrument may reduce costs for some families, but it will not necessarily induce the

entry of new providers or ensure quality unless it is combined with measures aimed at creating, formalizing, or supporting supply. Similarly, employer mandates or incentives can be useful complements in formal segments of the labor market, but they have structurally limited reach where a significant share of women work informally or in small productive units. The transferability of instruments therefore depends not only on whether they have shown effects in other contexts, but on whether the conditions that made those effects possible are present—or can be built—in the implementation context.

**An additional constraint, often underestimated in comparative policy design, is the institutional fragmentation of care systems in the region.** In many LAC countries, early childhood services are distributed across sectors and levels of government with different mandates and intervention logics. In practice, this often translates into a separation between preschools regulated by the education sector, with a pedagogical and curricular focus, and childcare centers supervised by social development agencies, with different objectives and institutional arrangements. This fragmentation is not only administrative: it generates different regulatory frameworks, separate financing streams, information systems with limited interoperability, and quality standards that do not necessarily converge. In Argentina, for example, at least 31 early childhood development interventions have been identified at the federal level alone, reflecting the complexity of the coordination problem (Mosqueira and Alessandro, 2023). When this fragmentation is combined with instruments that mobilize or finance private supply, the risk is not only institutional lack of coordination, but also system segmentation: different provision tracks may end up serving different populations, with unequal levels of financing, staffing, staff qualifications, working conditions, and service quality. For this reason, expanding supply without explicit mechanisms for coordination, convergence of standards, and monitoring of enrollment composition may reinforce internal inequalities within the system rather than reduce them.

**Social norms are another constraint that the region cannot treat as marginal.** Demand for formal childcare does not depend only on price or service availability, but also on perceptions about who should care for young children and what social or emotional costs are attributed to maternal employment. Data for the region show that 57% of respondents agree or strongly agree with the statement that “a preschool child suffers if his or her mother works” (WVS, 2022). This pattern suggests that, in the region, decisions about using childcare services remain mediated by traditional social expectations regarding motherhood and care.

**These perceptions, moreover, are not evenly distributed.** In the same source, agreement with that statement is higher in rural than in urban areas—60.8% versus 55.8%—and increases markedly among people with lower levels of education, exceeding 64% among those with primary education or less, compared with considerably lower levels among those with postgraduate studies—39%— (WVS, 2022). Differences by gender exist, although they are more moderate: 56% of

men versus 58% of women agree. This pattern is consistent with the hypothesis that normative barriers to the use of childcare services may be especially relevant in segments that also tend to face greater access constraints for territorial, economic, or administrative reasons.

**This helps explain why instruments aimed at reducing access frictions and strengthening trust in services may be particularly relevant in LAC.** When families face not only economic constraints, but also administrative barriers, uncertainty about service quality, institutional distrust, or social norms that discourage the use of formal childcare, demand response may be much weaker than a view focused exclusively on prices and places would suggest. In these contexts, policies that simplify procedures, support families, organize available information, and build trust in and acceptance of formal childcare services play an important complementary role: they do not replace supply-side or financing instruments, but they can substantially increase their effectiveness.

**Demographic transition, for its part, does not eliminate the relevance of investing in childcare, but it does change the nature of the challenge.** Lower fertility does not automatically imply a lower need for public policy in this area. In contexts of low coverage, smaller cohorts can facilitate more orderly and higher-quality expansion, and may even make it possible to reach a much larger share of children using existing infrastructure and more limited increases in capacity. However, this conclusion should not be interpreted as an argument for expanding supply uniformly. The central question is not simply whether to grow or not to grow, but how to reorganize, sustain, and improve supply where it is most needed, avoiding both overcapacity in saturated markets and the persistence of deficits in underserved areas and social groups.

**Viewed this way, falling fertility may open an opportunity to shift the focus from across-the-board expansion toward quality, sustainability, and territorial equity.** If demographic pressure declines, childcare policy can concentrate less on undifferentiated coverage expansion and more on raising standards, correcting inequalities in access, and ensuring financially sustainable operating models for providers that perform a public function. This is especially important in a sector where supply stability depends heavily on predictable rules, sufficient financing, and state capacity to support and supervise. Demographic transition does not make childcare policy irrelevant; rather, it requires planning it better and refining the design of interventions according to specific territories and segments within each country.

**Read from this perspective, the findings of this document do not point to a single model of private sector participation in childcare.** Rather, they suggest that the available instruments offer different ways of addressing specific system constraints, and that their effectiveness depends largely on how they are combined with each country's institutional, economic, territorial, and social conditions. In Latin America and the Caribbean, where these conditions vary considerably across and even within countries, the central question is not which instrument to adopt in the abstract,

but how to design institutional arrangements capable of expanding access to childcare without sacrificing quality, equity, or fiscal sustainability. That, ultimately, is the main criterion through which the comparative lessons presented in this note should be read.

## 6.2 Conclusions

### What we know with sufficient confidence

The review identifies a limited set of findings with sufficient causal support to inform policy decisions. First, well-designed vouchers and portable subsidies generate a consistent shift from informal to formal childcare, expansion of private supply, and positive effects on maternal employment, with high supply elasticity in markets with sufficient provider density (Lee et al., 2025; Tekin, 2005). Second, structural supply-side subsidies are the instrument with the greatest documented capacity to close coverage gaps at scale in contexts where families cannot afford cost-covering fees, although with the risk of generating quality heterogeneity and fiscal dependency (Baker et al., 2008; Ángeles et al., 2011). Third, in-service training with pedagogical coaching consistently improves process quality when dosage is sufficient and design is integrated, with moderate to large effects on teaching practice in experimental studies (Leyva et al., 2014; Schachter et al., 2025). Fourth, administrative simplification and active support for families have experimental evidence showing that they can substantially reduce socioeconomic gaps in access without requiring additional monetary transfers, although their reach is limited when the bottleneck is not administrative but supply-related (Hermes et al., 2025). Fifth, employer mandates consistently show low compliance in contexts of weak enforcement and adverse distributional effects when the activation threshold is defined by the number of female workers (Prada et al., 2015).

### What we do not know: the most relevant evidence gaps

What the evidence does not show is as important as what it does show. Seven gaps deserve to be stated explicitly.

**First, almost all causal evidence on demand-side subsidies comes from markets with pre-existing private supply density** (the United States, Finland, Luxembourg). We do not know with precision how elastic private supply is in contexts of low initial coverage, which is precisely the predominant situation in LAC for children under age three. If supply does not respond, vouchers may operate mainly as transfers to families who were already using formal childcare—a valuable redistributive effect, but different from expanding access.

**Second, there are very few evaluations of combinations of instruments.** Most studies evaluate policies in isolation; interaction effects—for example, vouchers plus friction reduction, or supply-side subsidies plus in-service training—are scarcely documented. This limits the capacity of the evidence to guide decisions about the architecture of mixed systems, which is precisely what countries in the region need most.

**Third, little is known about the long-term sustainability of private supply once public financing changes or is withdrawn.** The evidence measures short-term effects on entry, prices, and places relatively well, but there are almost no studies that follow private markets over time to assess whether policy-induced expansion is sustained. The Mexican case illustrates the risk of rapid contraction in response to design changes, but descriptively and without causal identification. This gap is especially relevant for LAC, where budget stability is often a challenge.

**Fourth, there is not enough evidence to systematically compare the performance of different types of private providers in Latin America and the Caribbean.** In the region, the literature often groups civil society organizations, for-profit firms, churches, community cooperatives, and other non-state providers under a single category, even though their incentives, management capacities, financing sources, populations served, and operating logics may differ substantially. The available international evidence does not fill this gap either: although one systematic review finds that non-profit private providers tend to show quality outcomes that are better than, or comparable to, those of for-profit providers, the empirical base is limited, comes mostly from high-income countries, and cannot be mechanically transferred to LAC's mixed systems (Brogaard and Petersen, 2022). This lack of comparative evidence by provider type limits the ability to design differentiated policies to expand coverage with quality, especially in contexts where providers with very different organizational logics coexist.

**Fifth, there are no evaluations that make it possible to identify with sufficient clarity which institutional coordination arrangements effectively reduce fragmentation in the region's care systems.** The distribution of services across sectors and levels of government with different mandates and intervention logics is a structural feature of LAC (Mosqueira and Alessandro, 2023). In practice, this often translates into segmented institutional tracks and poorly connected care pathways. However, evidence remains scarce on which interinstitutional coordination mechanisms succeed in reducing that segmentation and improving equity of access, quality, and continuity of care.

**Sixth, little is known about whether interventions aimed at social norms can modify effective use of formal childcare.** The literature on women's labor force participation documents that norms around motherhood shape women's decisions, and recent experimental evidence for LAC shows that informational interventions can correct misperceptions about social support for maternal employment (Boltz et al., 2026). However, there are no evaluations measuring whether this type of

intervention specifically changes the use of formal childcare services. This is a relevant gap for the region, where norms about who should care for young children may operate as a barrier independent of supply and price.

**Seventh, the evidence generated in LAC on the instruments analyzed remains limited and fragmented.** There are valuable cases —teacher training in Chile and Colombia, supervision in Uruguay and São Paulo, friction reduction in Uruguay— but most correspond to descriptive or quasi-experimental evidence of limited scope, and studies with rigorous causal identification are exceptional. What the region needs is not only more impact evaluations of final outcomes —effects on markets, families, and child development— but also systematic evidence on implementation: how these initiatives scale, where operational bottlenecks emerge, what institutional conditions allow them to be sustained, and how they are adapted when implementation falters. Embedding this research agenda in ongoing reforms is one of the investments with the highest potential return for policy design in the region.

A natural next step would be to turn this evidence synthesis into an applied roadmap for Latin America and the Caribbean, combining country-level or subnational diagnostics on the density and composition of private supply, service costs and quality, economic and non-economic access barriers, supervision and contracting capacities, institutional fragmentation, and demand scenarios associated with demographic transition. Such an exercise would require incorporating regional administrative, qualitative, and implementation evidence in greater depth, even when it does not always allow causal inference, in order to understand how mixed provision arrangements, subsidies, agreements, and quality assurance mechanisms operate in practice in contexts of high informality and territorial heterogeneity.

### Three design questions for countries in Latin America and the Caribbean

The findings of this note do not point to a single model. Rather, they suggest that the central question for policy design in LAC is not which instrument to adopt in the abstract, but how to design institutional arrangements capable of expanding access without sacrificing quality, equity, or fiscal sustainability. To guide that discussion, the evidence suggests three questions that any design process should ask explicitly.

First: **what is the dominant bottleneck in this context?** If the main problem is insufficient supply —the most frequent case in LAC for children under age three— demand-side instruments are unlikely to be enough on their own. If the problem is affordability in the presence of available supply, vouchers and portable subsidies are the most appropriate tool. If the problem is that eligible families do not access services even though supply and financing exist, friction reduction is the

most effective marginal instrument. These three diagnoses are not mutually exclusive; they may coexist within the same system. But prioritizing them correctly is a precondition for choosing the right instruments.

Second: **what state capacities does the country have to sustain each instrument?** The instruments with the strongest evidence of impact —vouchers at scale, purchase of places, delegated management— are also those that impose the greatest institutional requirements: provider registries, payment systems, contracts, supervision, and control. An instrument designed for a state with high contractual capacity may produce very different results when operated by a state with limited capacity. Demographic transition may offer a window of opportunity here: in contexts of low fertility and insufficient coverage, the pressure to expand is reduced and there is greater room to invest in institutional capacities before scaling.

Third: **what combination of instruments is coherent with the system's starting point?** The evidence suggests that systems that achieve greater coverage, quality, and stability do not rely on a single tool, but on arrangements in which financing, regulation, access mechanisms, and quality assurance interact. But sequencing matters: raising quality requirements without ensuring financing can contract supply; expanding supply without addressing access barriers can leave capacity underused. More traditional social norms, reflected in the persistence of preferences for family care in many LAC contexts, are an additional constraint that no single instrument can resolve: they may moderate demand response even when supply and price are favorable. The main contribution of the comparative evidence is not to offer a recipe, but a disciplined approach to design: diagnose the problem well, build the capacities needed to sustain the intervention, and generate regional evidence on which combinations work.

The private sector can play a complementary, and in some contexts significant, role in expanding access to early childhood care in Latin America and the Caribbean, especially where direct public capacity is insufficient to close existing gaps or where infrastructure, organizational capacity, or non-state provision experience already exist and can be harnessed for public objectives. But private sector participation does not deliver strong results on its own: it requires clear rules, sustainable financing, state capacity to enforce standards, and mechanisms that ensure that expansion reaches those who need it most. The evidence reviewed does not justify either uncritical enthusiasm for the market or uniform skepticism toward private participation. It justifies, instead, a pragmatic view of well-designed mixed systems: systems capable of combining the scale, installed capacity, and potential flexibility of non-state actors with the public steering needed to ensure that expansion is inclusive, high-quality, and oriented toward the long term.

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