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# Public financing for pre-school places pays off: a cost and benefit analysis<sup>2</sup>

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## Summary

- Countrywide statistics suggest that the long-term shortage of places in state pre-school institutions (kindergartens) has become gradually less severe over the past few years thanks to population decline, and that in future there will be sufficient places available at pre-schools. Nevertheless at a local level demand is still far outstripping supply in many places, and this is unlikely to change as internal migration and other demographic changes continue.
- Our analysis of financial costs and benefits reveals that the shortage of places in pre-schools in the past decade has led to an undeniable net loss for the public budget. Our analysis demonstrates that the net gain to the public budget from every additional place in pre-school is on average 10,000 crowns per year. Public financial support for pre-schools would not result in a loss even under very conservative estimates. On the contrary, the net gains are in fact far higher if the indirect and long-term consequences of supporting further places in pre-schools are taken into account.
- If we include families' private gains in the form of higher income, both as an immediate effect and into the future, the improvement of quality of life, young people's greater willingness to have children given the relative ease of combining

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parenting with a professional career, and the benefits of pre-schooling for children from socially disadvantaged backgrounds in terms of socialisation and preparation for school, then public funding for pre-school places proves decidedly profitable.

- One of the causes of pre-school shortage at a local level is that these gains to the public budget are diverse in character and are therefore not as clearly visible as the direct costs involved. A significant proportion of the gains are made from mothers' increased income, via the tax and other contributions they then pay throughout their working lives. Another cause of the current problem is that while most costs associated with publicly funded pre-school places are managed by local authorities, the benefits are primarily felt at the level of the national budget and within families themselves.
- The present-day division of powers and responsibilities between central government and local authorities makes effective coordination difficult. The shortage of pre-school places is further complicated by a lack of accurate information about the gap between supply and demand at a local level, and by the fact that local authorities are unable to reliably predict future fluctuation in demand. Changes to the regulatory processes in these areas would be desirable.