Policy Brief
FINANCING CHILDCARE IN INDIA
A STATE RESPONSIBILITY
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This Policy brief is part of a series of seven policy briefs anchored by Forum for Creches and Childcare Services (FORCES) as an attempt to analyze the childcare ecosystem within the country. The aim is to build a strong case for universalization of childcare and strengthening of public provisioning. All the policy briefs can be accessed using the QR code:
Childcare is a child rights issue. All children are entitled to their own rights, including access to nutrition, education, protection, freedom, dignity and a range of care facilities, that can help them realise their full potential as noted in the Convention on the Rights of the Child by the General Assembly in 1989.

In the Universal Declaration of Human Rights, the United Nations has proclaimed that childhood is entitled to special care and assistance, and therefore, access to childcare is a human right. Feminists see childcare ‘not as a market commodity or need-based social programme but as a right’ (Dinner, 2010). Studies have shown that there is a direct correlation between access to childcare and women's labour force participation. According to a World Bank report, expansion of the childcare economy and building the childcare workforce can create up to 43 million new jobs and increase employment opportunities for women (Devercelli et al., 2020). A community-based day-care programme in Rajasthan has shown that the time spent by women on childcare reduced by 16 minutes a day, which increased the chances of their allocating more time to paid work (Nandi et al., 2020).

Scaling up families’ access to quality childcare also has the potential to build human capital, which is the foundation of a country’s economic growth and productivity. Every single dollar invested in quality early-childhood programmes can yield returns between dollar four and sixteen (Kundu et al., 2021), but in India it is estimated that this yield can result in an eight-dollar increase in the income of caregivers (O'Donnell et al., 2022).

In India, access to childcare is neither free nor universal. The importance of and need for a holistic childcare ecosystem have been strongly emphasised in various policy documents. Despite the many conventions, laws, and policies that have been put in place to ensure children's rights, millions of children continue to be deprived of their basic entitlements.

Currently, children under the age of six constitute, on average, 14% of India's total population. In absolute numbers, there are 165 million young children in the country (Census, 2011). The developmental needs of children in this age group are adequate healthcare and nutrition, play-based pre-school education, responsive care, and safety and security. While the provision of quality childcare services is important for all 0-6-year-old children, it is particularly crucial for the vulnerable section. According to a UNESCO Report (2019), 7.8 million children aged under 19 in India live with disabilities. Among the five-year-olds with disability, three-fourths do not go to any educational institution. As far as the disabled girl child is concerned, the probability of exclusion from the educational system is even higher. Given that children constitute the country’s future workforce and as such are central to economic growth, the lack of adequate education, nutrition, health, immunisation, and other amenities not only impacts their development but also the country’s future labour force. The cost of inaction is high and inevitably leads to economic setbacks. For instance, a study argued that in India, the cost of neglecting stunted physical growth is twice the amount of money that is currently being spent on health (Lopez-Boo, 2017). Early childcare interventions must be put in place to minimise these consequences and ensure the well-being of children and society as a whole.

As per the “State of the World’s Children 2016” report, around 30 million children in India are in need of care and protection (UNICEF, 2016). The COVID-19 pandemic has further exposed the inadequacies of our childcare provision and the sector’s vulnerability. Thus, childcare financing must be seen as the provisioning of services, rather than a welfare approach, with children as the end ‘beneficiaries’.
The cost of raising a child: high out-of-pocket expenditure

As a result of the financial incapacity and limited budgetary allocation, spending and utilization of funds in the social sector, the out-of-pocket expenditure for families on childcare services remains high. This creates a vicious cycle where lack of money leads to poor health, education, nutrition and protection measures for children, which in turn pushes families deeper into poverty.

The National Sample Survey (NSS) data indicates that for preschool education, a household spends, on average, Rs 1,030 per child per year in government institutions and as much as Rs 12,834 in private institutions. The out-of-pocket expenditure (OOPE) varies across states, income classes and places of residence (NSSO, 2018). Similarly, high OOPE is a major barrier to quality healthcare services. In India, maternal and child health problems resulting from financial incapacity prevent the uptake of child healthcare services (Yadav et al., 2021). In a study conducted in 2011 on universal health coverage, the authors highlighted the low per-person spending that results in high private out-of-pocket expenditure (Shiva Kumar et al., 2011). As per the NSS data, while the average out-of-pocket expenditure on healthcare in India is estimated to be Rs 14,660, the expenditure on children less than a year old was Rs 21,564 (Ranganadham & Yadav, 2020).
Government financing of childcare in India

The current childcare system in India is not only scattered but has an ad hoc approach to the provision of childcare. There are three providers of childcare services: government, non-governmental organisations (NGOs), and private entities. The government is the largest provider of childcare services, and the public provisioning of childcare is largely considered to be part of the social sector funding (Education, Health and Nutrition, Social Protection). Therefore, the total budgetary allocation for childcare covers the expenditure incurred by all the ministries/departments that work towards that end. These include the Ministry of Women and Child Development (MWCD), Ministry of Health and Family Welfare (MOHFW), Ministry of Education, Ministry of Jal Shakti, Ministry of Rural Development, Ministry of Public Works Department, Ministry of Social Justice and Empowerment, Ministry of Labour & Employment (MOLE), and the Ministry of Law and Justice at the union and state levels. The task of provisioning the key components of care — nutrition, health, learning and protection — lies with the respective departments conducting different social-welfare programmes.

In 2023-24, the total outlay for children by all these relevant union ministries stands at Rs 1,03,791 crore, which constitutes 0.34% of the country’s gross domestic product (GDP) and 2.3% of the total Union Budget. This is way below the recommended share of 5% of the Union Budget that was specified in the National Plan of Action for Children, 2016.

Mission Saksham Anganwadi and Poshan 2.0 (a revised version of Integrated Child Development Services) is the most prominent government intervention that caters to the health, nutrition, pre-school education, care and protection of children of 0-6 years. The Mission has a total financial implication of Rs 1,81,703 crore, which comprises Rs 1,02,031 crore as the Central share and Rs 79,672 crore as the State share for the 15th Finance Commission period (2021-2026). Against this commitment, the Union government has released 55% of the total central share in the first three years of the 15th FC period.

Pre-school education under the Samagra Shiksha Abhiyan (SSA) is recognised as a crucial means of upgrading the lives of children in the 3-6 years age group. With the support of the MWCD, this literacy programme can be implemented either through co-location of Anganwadi centres in primary schools wherever feasible, or through a pre-school section in primary schools. In 2023-24, Rs 37,453 crore was allocated for SSA. However, the details of the share of the pre-school budget in the total Samagra budget are not available in the public domain. In 2020-21, the total approved outlay for pre-school education under SSA was Rs 315 crore. This shows that the policy priority for universalising early childhood education, as envisaged in the National Education Policy 2020, is not supported by the budget.

Mission Vatsalya constitutes the largest part of the union government’s resource envelope for child protection. The low levels of budgetary outlay for Mission Vatsalya have remained a source of concern over the years. The newly launched Mission has a total financial implication of Rs 10,916 crore (central share of Rs 6,928 crore and state share of Rs 3,988 crore) for the 15th FC period. Against this commitment, the Union government has released 55% of the total central share in the first three years of the 15th FC period.

MoHFW’s intervention in child health largely operates through the Reproductive and Child Health (RCH) programme (which includes the Routine Immunization Programme, Pulse Polio Immunization Programme, and National Iodine Deficiency Disorders Control Programme) running under the National Rural Health Mission (NRHM) Flexible Pool. In 2019-20, Rs 3175 crore was spent on child health. However, in the
A 2020-21 study shows that the total budgetary provision for a holistic early childhood education for three-to-six-year-olds in India was around Rs 25,000 crore, which is about 0.1% of the GDP. In contrast, the average spending by the Organization for Economic Cooperation and Development (OECD) member countries was about 0.7% of their GDP. The resource envelope was as high as 1.6% of the GDP of Sweden and 1.1% of the GDP of Finland (Kundu et al., 2021).

Post-pandemic period, when there is a greater need for child health support, MoHFW has been allocated only Rs 3187 crore in 2023-24, which is only 10% more than the pre-covid allocation.

Around 30 million children in India are in need of care and protection (UNICEF, 2016). The COVID-19 pandemic has further exposed the inadequacies of our childcare provision and the sector’s vulnerability.
Palna is the key centrally sponsored schemes designed to provide daycare facilities to children of working mothers. As part of Mission Shakti, the scheme aims to establish 170 standalone creches and 17000 Anganwadi-cum-creches by 2025-26 (as per the Mission Shakti Dashboard). However, between 2018-19 and 2022-23, the number of creches shrunk from 18,040 to 2695. The budgetary allocation under the scheme also witnessed a 41% cut in this period. In 2022-23, out of the Rs 75 crore allocation, the expenditure remained only Rs 9 crore. However, over time, states have taken initiatives to support childcare services. This year, the Karnataka government announced the opening of childcare centres across 4,000 Gram Panchayats under the Koosina Mane scheme (Kalia, 2023). Women who had children between six months and six years of age and were employed under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) would be the scheme's beneficiaries.

The policy priorities of the social sector include building robust supply-side services that are adjusted to inflation and can meet the demands of all citizens. However, the policy demands are not translating into budgetary allocations; hence, despite the intention, the social sector is not witnessing the desired outcomes.
It is imperative that the social sector policies support the parents, as they are the ones who directly give care and support to the child. From the public policy perspective, there are conflicting opinions on whether universalisation of childcare is rational. Of course, not all parents need childcare support. Some parents might prefer alternative childcare arrangements, such as caring for their children at home. However, the government is responsible for ensuring that families have meaningful choices available to keep their children safe and well provided for.

Studies have shown that granting longer maternity leaves or parental leaves can be an effective way to ensure that parents have financial support while caring for their children at home instead of sending them to childcare centres. For example, Romania and Estonia have the longest leave available for new mothers, while Japan and Korea have the longest leave reserved for new fathers (Gromada & Richardson, 2021).

Colombia supports local women in running childcare centres in their community as state-subsidised entrepreneurs. Some countries incentivise families to promote childcare. For example, specific family allowances are available in France for placing children in centrally run crèches. In Hungary, if a child of very poor and less-educated parents regularly attends preschool for at least 6 hours, a special allowance is granted to the family twice a year. In Portugal, all socio-economically disadvantaged children and students attending public education institutions are entitled to an additional allowance, either in kind or cash.

In India, some states are working towards creating an enabling environment for childcare. For example, by incorporating a clause in the Maternity Benefit Act of 2018, the Karnataka government mandated that every establishment with fifty or more employees must provide a crèche for children below six years of age. Single-parent male government employees in the state are also entitled to childcare leave for 180 days. Haryana, Kerala and Maharashtra have also prepared drafts related to crèche facilities in the workplace. Recently, the Madras High Court highlighted the need for paternity legislation in India and emphasised the duty of the State to make provision for dignified prenatal and postnatal care (Chander, 2023).

“Studies have shown that granting longer maternity leaves or parental leaves can be an effective way to ensure that parents have financial support while caring for their children at home instead of sending them to childcare centres.”
Financing childcare: Challenges and opportunities

While it is true that the system needs more resources, the process of financing childcare and its related components requires identifying and addressing the demand-supply gap at the outset.

Addressing the data gap
Financing childcare requires relevant data to gauge the demand and to provide subsidies and incentives to the needful. Requisite information, such as how many children need care and protection, how many are enrolled in preschools, how many are under foster care or receive sponsorship, how many benefit from the schemes, and what are the human resources available, remains unknown. The paucity of data makes it difficult for policymakers to effectively design the programmes and administer and support the current financing models.

Prioritising recruitment of professionally qualified workforce
A high child-to-staff ratio is key to delivering quality childcare services. There should be specific norms related to the child-staff ratio under the different government programmes. For example, Finland has a 4:1 child-staff ratio for children under three years and 7:1 for older children. No such aggregated figure is available in India. However, the number of human resources in different government schemes clearly indicates an acute staff shortage in India. For example, there is one Anganwadi worker for every 22 children under Saksham Anganwadi and Poshan 2.0, and one District Child Protection Officer for every 69 children under Mission Vatsalya. The ratio clearly reflects how overburdened India’s childcare support system is. Moreover, the employees are underpaid, and in some states the honorarium is even below the minimum wage.

A quality childcare model should also focus on developing the personal, emotional, social and language skills of children. Therefore, the system needs a range of professional specialists, including special educators, psychologists, and social workers. A study conducted by Cleaveland and Krashinsky (2003) noted that improving the qualifications and skills of childcare workers is a more effective way of utilising funds than improving staff-child ratios. In many European countries, care staff for younger children, especially those responsible for pre-primary education, hold a bachelor’s degree at the least. In Portugal and Turkey, teaching staff for younger children must have at least tertiary education. However, in India, the professional qualification of care workers varies, and this directly impacts the quality of the services they provide. Therefore, investing in trained human resources is instrumental in providing the requisite care and support to children.

Need to strengthen autonomous institutions and implementing agencies
Public provisioning of high-quality childcare services needs strong institutional mechanisms, including administration, training, and monitoring. Institutions and implementing agencies like the National Council for Protection of Child Rights, National Council of Educational Research and Training, National Institute of Public Cooperation and Child Development, District Child Protection Unit, School Management Committee, and Village Health, Sanitation and Nutrition Committee are the crucial pillars of the childcare ecosystem. Many of these institutions are performing at optimal levels because of the constant need for more human and financial resources. Strengthening the childcare system is not possible without strengthening these institutions.

Ensuring inclusivity in the policy design
While India has a strong policy focus on the care and development of children from various socio-economic backgrounds and castes, a robust policy ensuring provision of services for disabled children remains absent. Also, the need for inclusivity must be considered in the policy
design to ensure multidimensional benefits for disabled children as well as gender minorities.

**Need for specific interventions**
The one-size-fits-all approach does not benefit children and their families, especially in India where they come from varied socio-cultural backgrounds. The programmes and interventions must be designed to maximise benefits over costs (Cleaveland & Krashinsky, 2003). It is also vital to monitor, preferably through a cost-benefit analysis, the effects of these interventions on childcare. Along with the increase in public spending on childcare, the government needs to introduce specific interventions to contain costs, improve the efficacy of spending, increase accountability, and monitor the effects of expenditures on childcare.
The universalisation of childcare provision requires substantial investment. An ILO estimate for 82 countries shows that extending universal childcare would require an additional annual investment of 1.5% of the GDP by 2035, over and above the current public spending that amounts to 0.3% of the GDP (Henau, 2022). Due to the paucity of disaggregated physical and financial data, it is difficult to estimate the resource requirement for universalising childcare services in India. From time to time, attempts have been made to gauge the cost of expanding the childcare system. A study by Mobile Creches estimates that an annual budget of Rs 30.36 billion would be needed for upgrading one lakh AWCs to Anganwadi-cum-creche centres (Mobile Creches, 2020). Another study by CBGA and Save the Children shows that the provision of quality and holistic early childhood education for all children in the 3-6 years age group through stand-alone preschool-cum-daycare centres would cost the government 1.6% - 2.5% of GDP (Kundu et al., 2021).

The government needs to invest mainly in two areas in order to establish a sustainable quality childcare system: firstly, improving the nutrition, health, protection and education outcomes of young children, and secondly, creating an enabling environment for parents, especially mothers working in the informal sector. This requires the government to prepare a well-thought-out plan and a financial roadmap to execute the same.

The most sustainable way to finance childcare services is by increasing allocation from the gross budgetary support, especially in the social sector. However, this is more of a long-term strategy as it requires a higher direct tax-to-GDP ratio or financing deficits in the sector through borrowing. As a short-term measure, some of the possible avenues to source funding could be the following:

The 15th Finance Commission (FC) grants can be used to strengthen the childcare system:

The 15th FC has recommended a 41% share of the states in the central taxes for the 2021-26 period. As this fund is flexible in nature, the states can channel a part of this fund towards strengthening the childcare system. The Commission also recommended a grant of Rs 4800 crore for incentivising the states to enhance educational outcomes. As NIPUN Bharat is already on the government’s priority agenda, this sector-specific grant can be used to plug the gaps that the Anganwadi centres face while providing holistic early childhood education. The 15th FC has earmarked Rs 70,051 crore as health sector grants to local bodies. The resources could be used in improving reproductive and child health through primary health care services, especially at the 'cutting edge' level (Finance Commission, 2021).

An unutilised cess fund or part of it retained in the Consolidated Fund of India can be used for financing childcare

Under the Building and Other Construction Workers’ Welfare (BOCW) Cess Act 1996, state governments could levy and collect a cess at the rate of 1% of the cost of construction incurred by employers. Earlier, the money collected through cess was meant to undertake social security schemes and welfare measures for building and other construction workers, including their children. However, under the newly proposed Labour Code, the BOCW Act has been repealed under the Social Security Bill. This could cease all the benefits specified for the construction workers. As the Ministry of Labour & Employment reported, the States and Union Territories collected around Rs 87479 crore under construction cess and have spent Rs 49269 crore up to the 1st of November 2022. This shows that over 45% of the collected money for this particular purpose remained unutilised (Rajya Sabha, 2023). Therefore, before
implementing the new labour code, using the available cess for the specific needs of construction workers and their children should be prioritised.

Another report from the Comptroller and Auditor General (CAG) in 2020 showed that a staggering Rs 3.59 lakh crore unutilised balance from cesses collected between 2015 and 2020 was lying in the Consolidated Fund of India, which includes money from health and education cess (CAG, 2020). This unutilised money can strengthen the health and education services for young children.

The Corporate Social Responsibility fund can help in expanding the quality and coverage of childcare

Education is one of the highest priorities in the Corporate Social Responsibility (CSR) activities, but only 17% of the funds is directed towards early childhood education. Following the Mission Saksham Anganwadi and Poshan 2.0 guidelines, state governments are using CSR funds to construct AWCs. A greater commitment from CSR communities can help in enhancing the quality and coverage of childcare through CSR-funded Anganwadi-cum-creche centres.

"The most sustainable way to finance childcare services is by increasing allocation from the gross budgetary support."
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Forum for Creches and Childcare Services (FORCES) is a national network of organizations, trade unions, academia, state chapters and individual experts who are committed to working on the issues of overlapping rights of young children and their mothers/primary caregivers; especially focusing on children and women who live in multiple forms of poverty and deprivation. FORCES has its presence in 11 states of India.