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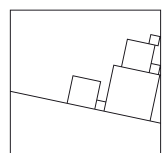
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# Are Taxes or User-Fees more Popular among Politicians? The Case of Childcare\*

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## Abstract

How shall publicly provided excludable goods be financed – by general taxation or user fees? Prominent applications are in education, notably universities and early childcare. The general conclusion of the existing literature is that exclusive tax financing is neither efficient nor desirable under widely shared distributive goals. A striking example is childcare because here fees are often made dependent on parents' income. Given the rather clear arguments in favor of user fees for formal childcare, it is surprising to notice that some German states with leftist governments have abolished user fees and replaced them with pure tax financing. It is the purpose of this research to investigate the attitudes of politicians towards user fees for publicly funded childcare and to explore the justifications given for these attitudes. This was done within face-to-face online interviews with an embedded survey with members of eight federal state legislatures. The survey results confirm the experience of real political decisions in that left-leaning politicians tend to oppose parental fees. They do so mainly with the justification that "education must be free for all". Right-leaning politicians tend to support fees and consider an abolition as helping mainly the rich and a problem for the quality of childcare. We discuss how these results can be reconciled with the redistributive goals of leftist parties.

**Keywords:** Childcare fees, legislators, Germany, survey

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# 1 Introduction

How shall publicly provided excludable goods be financed – by general taxation, user fees (uniform or income-dependent) or a combination of both? And how do politicians decide which of these modes of financing they choose for which type of service? Prominent applications are in education, notably tertiary (universities) and early childcare.

The literature has hitherto concentrated on three types of issues: a) efficiency: under quite general assumptions, user fees are more efficient because of incentives on the demand side (Economides, Philippopoulos, and Sakkas 2017; Economides and Philippopoulos 2020) b) equity: Economides and Philippopoulos (2012) show that user-fees are not necessarily regressive; c) political economy: Swope and Janeba (2005) show that the distribution of preferences is decisive for the choice of instruments.

The general conclusion of this literature is that exclusive tax financing is neither efficient nor desirable under widely shared distributive goals. Yet, in the field of education in many countries exclusive tax financing prevails. Moreover, modest user fees, which were designed to cover a small share of the costs of university education, were introduced in Germany in seven states with conservative governments in the period 2007-2012 but abolished everywhere by mostly leftist state parliaments thereafter.

In this paper we shall focus on another, even more striking example, namely childcare: While tuition fees in universities are typically uniform, childcare fees can be (and are often) made dependent on parents' income so that efficiency and equity goals do not have to be in conflict in this area.

In a recent paper, Koll et al. (2023) show in a dynamic structural model with heterogeneous households that, accounting for the beneficial effects of publicly funded childcare attendance for child development and human capital formation in particular of low income children, the marginal efficiency costs of redistribution within the childcare subsidy programme are lower than those of the income tax schedule. Therefore, it is efficient to shift some share of the desired redistribution from the income tax system to the system of childcare financing.

Moreover, as Huebener, Pape, et al. (2020) show, the abolition of parental fees for the last

year before school starting age in some states increased the labor supply of mothers only by a small margin and was thus an inefficient way to reach this goal.

Given these rather clear arguments in favor of (income-related) user fees for childcare, it is surprising to notice that some German states with leftist governments have abolished parental fees and replaced them with pure tax financing, although no attempt was made to raise additional (and perhaps progressive) taxes.<sup>1</sup> In other states,<sup>2</sup> leftist parties campaigned in recent elections with the promise to follow suit.

It is the purpose of this research to first, investigate the attitudes of politicians towards parental fees for childcare, including the reasons given by them for supporting or, for that matter, opposing parental fees for childcare, and second, to examine how the attitude towards these fees depends upon the politician's ideological position and his/her demographic characteristics. To answer our research questions, we employ face-to-face online interviews with an embedded survey with members of eight federal state legislatures. Our final sample consists of 535 legislators across the party spectrum and is largely representative in terms of age, gender and political experience.

We find that a narrow majority of our respondents advocates statewide abolition of childcare fees. Among the respondents who support fees, a clear majority favors income-dependent fees. Left-leaning politicians tend to be against childcare fees and indicate as a justification mainly that "education must be free for all". Right-leaning politicians tend to support fees and consider an abolition as helping mainly the rich and a problem for the quality of childcare.

This paper is structured as follows: Section 2 summarizes previous literature on the topic, and Section 3 provides some background information on the system of childcare financing in Germany. Section 4 we derive the theoretical hypotheses to be tested. In Section 5 we describe the survey as a whole and the questions relating to childcare fees. Section 6 is devoted to an analysis of the responses, and Section 7 to a discussion of the main findings. Finally, Section 8 concludes.

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<sup>1</sup>For details, see Section 3.

<sup>2</sup>Notably Baden-Württemberg in the state election campaign of 2021.

## 2 Previous Literature

To our knowledge, this is the first study which examines politicians' preferences on child-care financing. The literature which comes closest to our topic comprises studies on citizens' preferences on the same matter.

The first paper in this literature is Biel et al. (1997). In a survey of 1840 citizens of five Swedish municipalities they asked for their opinion on the fairness of the allocation of child-care places and of the mode of financing. The most interesting result related to our topic is summarized in the following statement (p.76): "Preference for the Conservative political party increased willingness to pay by fees and decreased willingness to pay by taxes, whereas preference for the socialist or liberal political parties increased willingness to pay by taxes and decreased willingness to pay by fees."

Neimanns and Busemeyer (2021) use data from the INVEDUC survey conducted in 2014 (see, Busemeyer, Garritzmann, et al. 2018), in which 8905 individuals in 8 European countries were asked for their preferences with respect to public provision of childcare services and parental fees. The results for Germany, which the authors characterize in 2014 as a country with low availability of childcare places and income-dependent fees, show that low-income groups support more public provision, whereas middle and high-income groups have strong preferences for lowering fees.

An even more closely related study is the one by Busemeyer and Goerres (2020), which is, however, geographically restricted to citizens of one particular town, Konstanz, who were invited in 2014 to participate in the following vignette exercise: Each vignette consisted of a description of a family with a two-year old child who was supposed to be attending childcare in Konstanz and which had a number of characteristics which could attain different values (family income, employment status of parents, religion and a few others). It also contained a monthly fee level for childcare. The respondents were then asked to rate the fee level for this particular family on a scale from -5 (unfairly too low) to +5 (unfairly too high). The more than 6.000 ratings of the 1255 participants were then analyzed by a regression model to determine the impact of the various given family characteristics on the fee level which is

considered “fair” by the average participant. The two most striking results are first that the mean “fair” fee level is 191€ per month, which is only slightly lower than the actual (uniform) fee prevailing in 2014, and secondly, that the “fair” fee is income dependent with a rather steep slope: 1000€ additional monthly income leads to a fee increase by 53€. Even more surprisingly, the “fair” fee level increases with respondents’ own income.<sup>3</sup>

In a survey among German parents of children in childcare facilities, Camehl et al. (2015) asked for the satisfaction with various aspects of these facilities as well as for their willingness to pay for childcare. It turned out that overall satisfaction with the quality of care was high, that low-income parents were not quite as satisfied with the costs of care and that high-income parents would have been willing to pay more than they actually did.

Given the observed widespread agreement among voters that parents should pay for childcare, it seems puzzling that state parliaments with leftist majorities in fact abolished them in recent years. To shed light on this puzzle, Neimanns (2022) examined the INVEDUC dataset mentioned above to examine the relationship between preferences for public childcare and vote intentions stated by the survey participants. His results show that preferences for increasing public childcare spending are positively connected to electoral support for the left and that this correlation is stronger in high-income groups. Thus it pays for leftist parties to cater to the interests of these groups by reducing or even abolishing income-dependent parental fees.

### **3 Some Facts on Childcare in Germany**

The utilization of public childcare facilities in Germany has greatly increased in the past decade, especially since the legal claim to a place in such an institution was extended in 2013 from the age range 3-6 years to all children 12 months or older. In the year 2021, 34 per cent of all children below the age of 3 and 92 per cent in the age range 3-6 years attended these facilities (Autorengruppe Bildungsberichterstattung 2022), and public childcare expenditures

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<sup>3</sup>Interestingly, the town of Konstanz has changed its fee structure from a uniform fee to income-dependent fees shortly after this study was published.

increased in the period 2010 to 2021 from 14.7 to 40.3 bill. Euro, i.e. by 174 per cent (Statistisches Bundesamt 2022), while parental fees covered only between 5 and 25 per cent of total costs, depending on the federal state (Dohmen 2016, p.10).

The procedures by which the structure and level of parental fees are determined are rather complicated and vary quite substantially among the 16 federal states (Geis-Thöne 2024, p.8). In 4 of these states, the fee schedule is determined by the service provider, while in most other cases it is set by the municipality. However, many states have passed state laws that enforce free childcare either for all children or for certain age groups or for a number of hours per day. As a consequence, in recent years the state and the municipality each provide approximately one-half of the public subsidies (Statistisches Bundesamt 2022, p.49).

In 2018 a federal law was passed that stipulated that parental fees have to be differentiated, but parents' income was mentioned only as one of several possible criteria besides the number of children and the duration of attendance. However, as was valid before, recipients of social assistance and similar transfers have to be exempt from fees. Moreover, the law determined that the federal government would grant 5.5 bill. Euros over the period 2019-2022 to the 16 states, which the latter could use either to enhance the quality of childcare facilities or to reduce parental fees (even to zero). As a consequence, Berlin and Mecklenburg-Vorpommern completely abolished user fees and Saarland decided to abolish them by 2027,<sup>4</sup> while the majority of the other states offer free childcare for the last (1, 2, 3 or 4) years before school starting age, and Hamburg and Hesse offer free childcare for all children for up to 5 or 6 hours a day, respectively (Geis-Thöne 2024, p.9).

Despite these additional funds and in contrast to the legal entitlement, places in childcare facilities are still scarce: According to the Bertelsmann Foundation, in 2023 there is a lack of 430,000 places.<sup>5</sup> The large gaps between demand and supply of these places for different age groups of children are documented in detail by (Huebener, Schmitz, et al. 2023).

The regulations with respect to the income-dependence of parental fees are even more

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<sup>4</sup>In these three states, the government was led by the SPD at the time of this decision. In Berlin and Mecklenburg-Vorpommern, the party DIE LINKE was part of the coalition.

<sup>5</sup><https://www.bertelsmann-stiftung.de/de/themen/aktuelle-meldungen/2023/november/mehr-plaetze-und-bessere-qualitaet-in-kitas-bis-2030-wenn-jetzt-entschlossen-gehandelt-wird>.



complicated. In some states, notably Hessen, fees are usually uniform except for subsidies to low-income families, whereas in other states (such as Bavaria and Baden-Württemberg), some municipalities have uniform fees and in others these depend on parental income (ibid., pp. 20ff.). In other states such as Hamburg, free childcare for the first 5 hours a day is combined with income-dependent fees for the additional hours.

Where they (still) exist, parental fees can be quite sizable: According to a survey in 2019 (Hubert et al. 2021, p.25) median fees for below-3 year old children in the states of Northrhine-Westphalia and Sarre amounted to 400 Euros, while in six other states they were at 300 Euros or more. However, childcare costs are to a large extent (i.e., two-thirds up to a maximum of 4,000 Euros per child per year) deductible from the income tax.

Given the institutional structure of decision-making, it is justified to conclude that the crucial decisions on the existence and scope of parental fees are mostly taken on the state level. Thus it seems appropriate to focus on state representatives when choosing which type of politicians to include in our survey study.

## 4 Deriving theoretical hypotheses

What would economic/political theory predict about the (stated) attitudes of politicians with respect to the use and structure of childcare fees? The answer to this question depends on whether politicians view themselves as advocates of the “common good”, which can be identified with efficiency and/or equity goals, or as maximizing their own or their party’s utility, which means that they support policies that are popular with the electorate. Within both the “common good” framework and the vote-maximizer framework, the goals and strategies may differ by political ideology and party affiliation.

Starting with the goal of efficiency of the tax-transfer system, it seems justified to conclude that parental fees can be used as a means of containing distortionary income taxes. Efficiency goals should in principle be universally shared. From this insight we derive the following hypothesis:

**H1:** Independent of political ideology, the share of politicians who support parental

fees is higher than the share of politicians who oppose parental fees.

There are several reasons to expect that more right-leaning politicians are more in favour of parental fees than more left-leaning politicians. First, the relative importance of efficiency goals, as derived for our first hypothesis, when compared with equity goals should be larger for more conservative politicians. Another reason to expect more support for parental fees from conservative politicians is adherence to the “benefit principle” of taxation, which is popular among conservative and liberal economists: if the state provides private goods (or public goods which benefit some parts of the population more than others), then the taxes or fees levied to finance these services should be proportional to these benefits.<sup>6</sup> In the case of childcare, fees that are roughly proportional to parents’ wages are in line with the benefit principle because they reflect the opportunity costs of caring for their children at home.

In contrast, more left-leaning politicians often subscribe to the goal of reducing overall economic inequality in society and therefore favor redistribution through the tax system, including redistribution between parents and non-parents.

Furthermore, there is an additional rationale for politicians of the left to oppose parental fees: they consider childcare facilities as an important part of the education system of a country and maintain that education is one of the key fields of government responsibility. According to this view, free and unlimited access, potentially even with mandatory enrolment at least for the last year before school starting age, is more important than income redistribution using fees as an instrument, in particular given that the revenue from these fees covers only a small part of costs anyway. Furthermore, it would be hard to explain why the attendance to childcare should come with sizable costs to the parents, while the immediately following primary school education is completely free of charge. This difference in fees could be justified only if public childcare facilities were not fully considered as part of the education system, but their function of caring for the children was emphasized. This, e.g., may be the rationale of providing a limited number of hours per day (“the education time”) free of charge while levying fees for the additional “caring time”, as is the case in the state of Hamburg.

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<sup>6</sup>A popular example is a tax on wealth to finance police services that protect citizens against burglary.

Finally, if income-dependent fees constituted a sizeable share of the revenues of childcare facilities, there would be the danger that facilities in high-income neighborhoods could provide higher quality than those in poor areas so that – similar to school districts in the U.S. – the neighborhood would have an undesirably strong impact on child development. Based on these considerations on the role of political ideology for support for parental fees for childcare, we formulate the following hypothesis:

**H2:** Politicians who place themselves to the left on the ideology scale are less likely to support parental fees than politicians on the right on the ideology scale.

Among the left-leaning politicians who do support parental fees, we would expect that they support a fee structure that is beneficial for lower-income parents. We thus formulate the following hypothesis:

**H3:** Among politicians who accept parental fees, left-leaning politicians are more likely than right-leaning politicians supports income-dependent fees rather than uniform fees.

For conceptional completeness, we now turn to the last model, the one of vote-maximizing politicians. However, our data does not allow us to distinguish the predictions of this model empirically, so that we do not list them as formal hypotheses. Within the model of vote-maximizing politicians, we can distinguish a more general and a more specific justification for the (exclusive) tax financing of the childcare sector: this is the typical example of government activity where the beneficiaries (parents of children in the age range 1 to 6 years) are a relatively small and well-defined group, whereas the costs of providing these services are dispersed over the universe of tax-payers (Schumacher et al. 2017).

The difference between the general and the specific justifications depends on the intensity of the support of voters with young children for the respective party, which leads to the following predictions: First, politicians support the abolition of parental fees for childcare service because they want to attract the votes of young parents, while taxpayers are not aware of the additional costs for them. Second, derived from the results in Neimanns (2022), the

abolition of income-dependent parental fees is advocated by leftist politicians because they are most likely to attract the votes of young parents with above-average income.

## 5 Methods and data

### 5.1 Survey Participants

This study was conducted as part of a project in which politicians were extensively interviewed with the purpose of studying the determinants of their information processing and actions with regard to policy areas which are relevant for inequality among citizens. Apart from childcare financing, these areas were university tuition fees, retirement benefits and inheritance taxes. We conducted online interviews with members of eight federal state legislatures<sup>7</sup> between February 2021 and March 2022. All politicians who were members of the respective parliament at the time of data collection were asked to participate.<sup>8</sup> Participating politicians completed a survey that contained closed questions and afterwards answered a set of open-ended questions. Interviews were conducted by the core research team as well as by a team of student assistants that received group as well as individual interview-trainings. With the invitation to participate, politicians were informed that the interview consisted of a mainly closed-ended questionnaire about how they perceive social changes and the perceptions of citizens thereof as well as a subsequent open-ended questions part.

The survey did not rely on any deception and did not affect political processes in any way. Participation in the survey was not incentivized and politicians were free to leave any question unanswered. Politicians were informed when asked to participate and reminded at the beginning of the survey that their responses would be used solely for scientific purposes

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<sup>7</sup>The participating federal states encompassed Bavaria, Baden-Württemberg, Thuringia, Berlin, Schleswig-Holstein, Hesse, North Rhine-Westphalia and Saarland.

<sup>8</sup>The initial invitation to the interview was made via a formal email. In the email, we explained the goal of the project and the mode of the interview (online with a survey and an open question part. We indicated that the interview would take about 30 minutes in total. In the weeks after the email, we followed up several times via phone and mail until either an interview was arranged, there was a definite refusal or very low expectation of acceptance. In case of acceptance, the survey link was sent to the legislator one week before the interview. The link was protected by a passcode to ensure that it could only be completed by the legislators themselves during the interview. The passcode was only provided at the start of the interview.

and that no inferences on the individual level would be made. We also affirmed participants that we would not use their party affiliation in the data analysis. Instead, we included a self-rated position on an 11-point left-right scale. While politicians completed the survey, the interviewers were available online to answer clarifying questions. The study was granted IRB approval from the Ethics Commission of the University of Konstanz (IRB statement 45/2021). Overall, we collected 535 independent observations.<sup>9</sup> This reflects a participation rate of 47.8 per cent. Descriptive statistics of the politicians are summarized in Table A1 and A2 in the Appendix.

## 5.2 Survey Questions Regarding Childcare Fees

We asked participants three basic and two follow-up questions regarding parental fees for fulltime daycare of children under the age of 6. The basic questions asked about the mode of fee regulation, support for income dependence of fees and support of fee abolition. Specifically, we first asked: “*How should childcare fees be regulated in your federal state?*” (“Regulation”), with the answer options “*in a uniform statewide schedule*”, or “*in each municipality separately*”. Second, we asked: “*Should childcare fees depend on parents’ income?*” (“Income dependence”), with the answer options “No”, “*Only recipients of social assistance should be exempt*”, or “Yes”. Last, we asked: “*Should childcare fees be abolished statewide?*” (“Abolition”), with the answer options “Yes” or “No”.

The follow-up questions were intended to understand the reasons why the politicians are against or in favour of a statewide fee abolition. We here provided several answer options as well as the option to insert another reason in an open text field. Respondents could indicate agreement with more than one reason. The predefined answer options in favour of fee abolition were “*Education must be free for all*” (“Access to all”), and “*The abolition strengthens distributive justice*” (“Distributive justice”). The predefined answer options against fee abolition were “*The abolition would benefit only those parents who do pay fees, and these are not the poorest ones*” (“Benefits the rich”) and “*There are more worthwhile ways to spend taxpayers’*

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<sup>9</sup>One data point had to be dropped as the respondent was contacted and had taken part in the survey twice. Only the first response was kept.

money” (“Tax money”).

To classify the open answers, we employed the following method: Three independent raters read the answers and decided, first, whether the meaning of an open answer is congruent with one of the reasons provided in closed form. Second, they created new categories for reasons that appeared repeatedly and did not fall into the categories provided in closed form.<sup>10</sup> In the subsequent analysis, agreement to “Access to all”, “Distributive justice”, “Benefits the rich”, “Tax money” comprises the respondents that indicated their agreement in the closed form question as well as respondents that indicated their agreement in the open text field. As a reason in favor of abolition, we added “Support for families” as a new category. As a reason against abolition, we added “maintenance or improvement of childcare quality (“Quality”) as well as the argument that childcare is a service that deserves payment (“Service valuation”) as new categories.

## 6 Results

### 6.1 General Attitudes Towards Childcare Fees

We first turn to the crucial question of support for or rejection of parental fees altogether. Figure 1a shows that a narrow majority of 50:47 per cent advocated statewide abolition of childcare fees. A Chi-squared test shows that the distribution of the variable “Abolition” is not significantly different from 50:50 ( $p = 0.4025$ ). We thus reject hypothesis H1 that the share of politicians who support parental fees is higher than the share of politicians who oppose parental fees.

To gauge the support for income dependent fees, we first combine the two answer options that indicate support for some sort of income dependence, i.e. the answer options “*Only recipients of social assistance should be exempt*” and “Yes”. Figure 1b shows that almost 85 per cent of respondents who indicated that they supported fees favored income-dependent fees.<sup>11</sup>

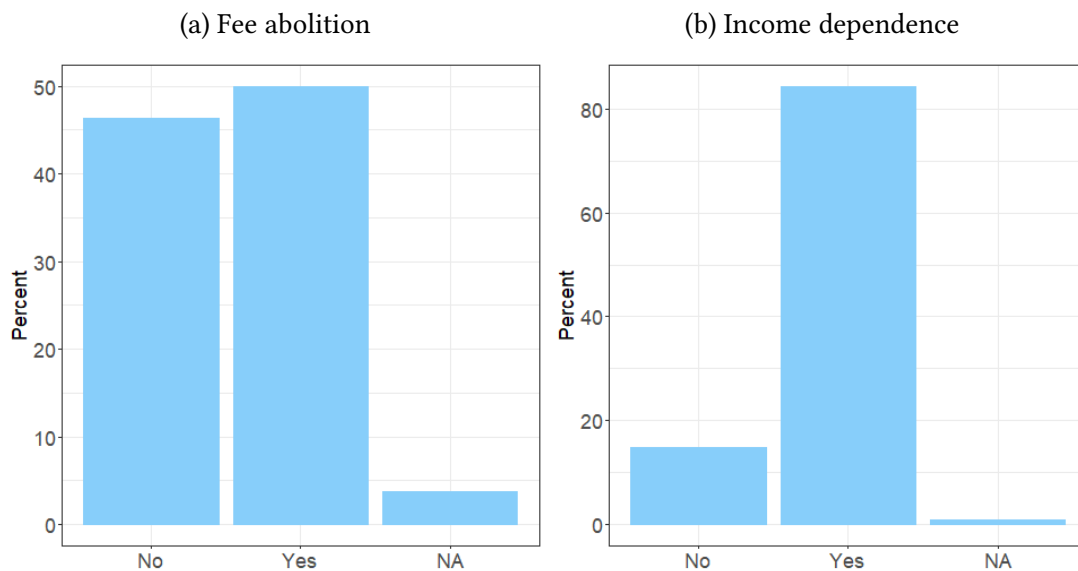
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<sup>10</sup>In case there was no majority for one category, we decided ourselves which was the more plausible category.

<sup>11</sup>While the question on income dependence of fees was asked to all respondents, the answers of respondents that are against fees altogether are not substantially helping us to understand politicians’ preferences on the topic.

Of those, around 22 per cent think that only recipients of social assistance should be exempt. Only 14 per cent voted for the same fee level irrespective of parents' income. With respect to the mode of regulation, about two thirds of all participants voted for statewide uniform fees and one third favored decision making by the municipality (see Figure A1 in the Appendix).

Figure 1: Attitudes towards childcare fees.



Notes: The left panel shows the answer to the question “Should childcare fees be abolished statewide?”. The right panel shows answers to the question “Should childcare fees depend on parents’ income?”.

How do these attitudes towards childcare fees differ according to the general political orientation of the respondents on a left-right scale? On this matter, Table 1 comprises descriptives with respect to the political orientation, where we make the split at the median of this variable in our sample. It turns out that leftist politicians favor the abolition of fees by a margin of over 2:1, while among their right-wing colleagues, the split is almost exactly opposite. Moreover, fee supporters who place themselves on the right of the median favor income-dependent fees by a margin of slightly over 2:1, while among those on the left of the political spectrum, nearly everyone is in favor of income dependent fees. Finally, politicians who place themselves to the left of the median are strong proponents of a uniform regulation (by a margin of more than 4:1), while more right-wing politicians split almost evenly on the question.

These observations are confirmed by estimating a linear probability model on the dummy

variables “abolition”, “income dependence” and “differing fees by municipality” using the characteristics of the respondents as regressors (Table 2).<sup>12</sup> Column (1) and (2) show that left-leaning increases support for statewide abolition of fees by 0.35 percentage points. We thus confirm hypothesis H2 that politicians who place themselves to the left on the ideology scale are less likely to support parental fees.

Table 1: Descriptives by political orientation

Pol. orientation	Abolition		Income dep.		Regulation	
	No	Yes	No	Yes	Uni.	Diff.
Left	79	186	2	77	221	49
Right	165	79	33	130	131	118

*Notes:* The table shows the number of respondents that agreed with the respective statements by political orientation. Respondents are categorized as “Left” if their political self-placement is below or equal to the median self-placement.

Columns (3) and (4) show that left-leaning increases support for income dependence among those who support fees. We thus also confirm hypothesis H3 that among politicians who accept parental fees, left-leaning politicians are more likely than right-leaning politicians supports income-dependent fees rather than uniform fees.

Furthermore, the table shows that left-leaning increases support for statewide uniform fees. While age and sex do not seem to play a substantive role, having some tertiary education decreases the likelihood to reject parental fees by 14 percentage points. With respect to differences between states, it turns out that relative to the omitted state Baden-Württemberg, politicians in five other states (Saarland, Hestia, Thuringia, Northrhine-Westphalia and Schleswig-Holstein) are considerably stronger in favor of fee abolition, whereas those in Bavaria and Berlin do not differ significantly from Baden-Württemberg (see Table A3).<sup>13</sup>

<sup>12</sup>In the regression models, the sociodemographic variables we use as control variables are coded as binary variables. The variable “*Young*” equals 1 if the legislator is below median age and 0 otherwise. “*Tertiary*” equals one if the legislator has tertiary education and 0 otherwise. “*Female*” equals 1 if the legislator declares herself a woman and 0 otherwise.

<sup>13</sup>Adding the state of Berlin to the sample was a choice made after the initial design of the survey in order to reach the planned sample size. The fact that Berlin had recently abolished fees might have led respondents from the capital to choose a different answer if they reasoned that fees cannot be abolished again where they are no longer levied.



Table 2: Linear regressions: main outcomes

	<i>Dependent variable:</i>					
	Abolition: Yes		Income dep: Yes		Regulation: Diff	
	(1)	(2)	(3)	(4)	(5)	(6)
Left	0.35*** (0.04)	0.36*** (0.04)	0.19*** (0.05)	0.18*** (0.05)	-0.26*** (0.04)	-0.27*** (0.04)
Young		-0.03 (0.04)		-0.01 (0.05)		-0.02 (0.04)
Tertiary		-0.13* (0.06)		0.04 (0.08)		0.06 (0.06)
Female		-0.02 (0.04)		0.06 (0.05)		-0.01 (0.04)
Constant	0.16*** (0.04)	0.29*** (0.07)	0.79*** (0.04)	0.75*** (0.09)	1.62*** (0.04)	1.59*** (0.07)
State fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	509	488	242	238	519	499
R <sup>2</sup>	0.25	0.25	0.09	0.11	0.22	0.23
Adjusted R <sup>2</sup>	0.23	0.23	0.06	0.06	0.21	0.21

*Note:* Linear regression models. Dependent variables: Columns (1) and (2): Binary outcome indicating a preference for not abolishing the fees nationally (0) vs abolishing the fees nationally (1). Columns (3) and (4): Binary outcome indicating a preference for fees that do not depend on the parents' income (0) vs fees that depend on the parents' income (1), restricted to the respondents that indicated that they are in favour of fees. Columns (5) and (6): Binary outcome indicating a preference for fees that are uniform on the state level (0) vs vary on the municipality level (1). Robust standard errors in parentheses, where \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

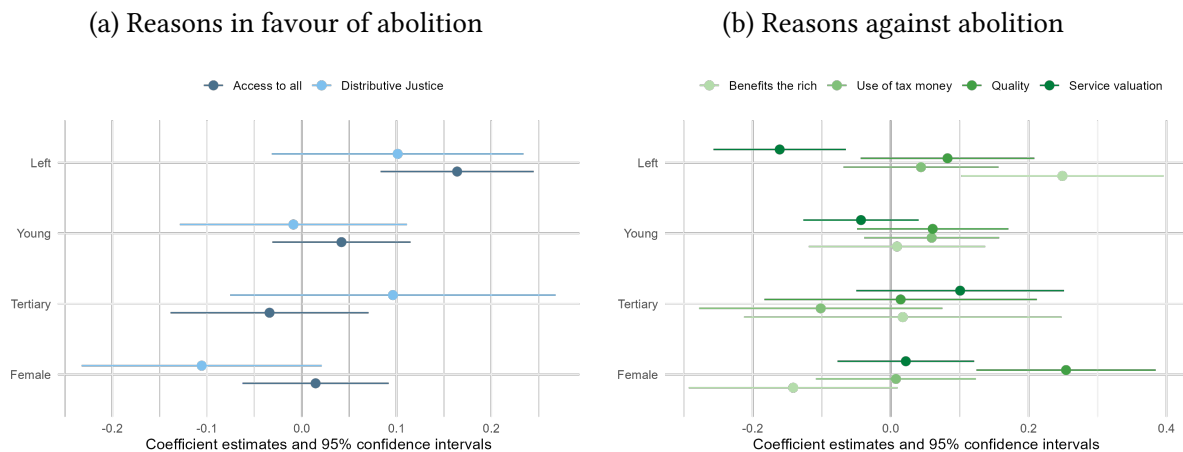
## 6.2 Reasons for support or rejection of fee abolition

As described above, respondents who indicated that they are against or in favor of a fee abolition were then asked to state their reasons. Of the 267 respondents who indicated that they wanted to abolish the fees, 91.4% (244 respondents) agreed with the argument that “*Education must be accessible to all*” and 32.2% (86 respondents) stated that “*Abolition strengthens distributive justice*”. Another topic that was mentioned in the answers provided in the open text field was fee abolition as support for families. As it was mentioned by only 13 participants we will not analyze this reason further.

Examining which politicians subscribe to the frequently mentioned reasons for favoring the abolition of childcare fees (see Figure 2a and Table A4), the only significant result is that

left-leaning persons have a stronger propensity (by 15 percentage points) than all others to accept the principle that “education should be accessible to all”. Other characteristics of the respondents such as age, gender and education do not seem to play a role.

Figure 2: Coefficient plot: Reasons in favour or against fee abolition



Notes: Point estimates based on linear regression models. Dependent variables are binary variables indicating agreement with the respective statement. See Table A4 and Table A5 for the corresponding regression tables.

Of the 248 who did not want to abolish the fees, 46.4% (115 respondents) agreed with the argument that “Only those families who pay day-care fees will benefit from abolition, and these are not the poorest”. 17.3% (43 respondents) stated that “There are more sensible uses for taxpayers’ money”, 26.6% (66 respondents) saw fees as necessary for the “Maintenance or improvement of childcare quality”, and 13.7% (34 respondents) saw fees as a way to express “Service valuation”. Another topic that was occasionally mentioned was that the abolition is not financially feasible for the municipality or federal states. Again, as this topic was mentioned by only 17 people, we will not analyze it further.

Turning to reasons for rejecting the abolition of parental fees (see Figure 2b and Table A5), it is not surprising to observe that left-leaning politicians accept the argument that an abolition would mainly benefit the rich by a significantly higher percentage than right-leaning ones. Of the remaining reasons, right-leaning politicians are more likely to accept the argument that “fees are justified as a compensation for the utilization of the service” (by 16 percentage points more than left-leaning ones). The argument that fees are necessary to sustain service quality is supported significantly more by right-leaning than by left-leaning politicians. The

effect does not persist, however, when additional sociodemographic variables are included. Instead, we see that the argument of quality is mainly supported by female politicians, which might point to women having to bear the consequences of low-quality childcare more than men.

## 7 Discussion

In an attempt to make sense of the results of the survey in the light of the theoretical considerations discussed in the Introduction, we can distinguish between two narratives on the equity implications of the childcare financing system and in particular the use of parental fees as an important financing instrument:

Narrative 1 (pro user fees) departs from the observation that public funds are always scarce and in particular there are limits to government revenues from income taxation. Therefore it is desirable to have additional instruments for redistribution such as income-dependent user fees for childcare, university education and potentially even more public services such as transport.<sup>14</sup> In the case of childcare, user fees can also be justified by the fact that public childcare facilities enable parents of young children to participate in the labor market, earn incomes and maintain their human capital. From this point of view, it seems only fair that they bear a share of the costs of these facilities, where this share should increase in the “value” of their services to the parents, which can be measured by their earnings. Two further arguments for these fees are potentially more controversial: First, as public funds are always scarce, user fees can help maintain a high quality of these facilities, and the fact that the parents of the children are “paying customers” of the childcare institutions gives them a stronger justification to have a say in the pedagogic programme of the facility or in other aspects such as opening hours.

Narrative 2 (contra user fees) considers childcare facilities as an important part of the education system of a country and maintains that education is one of the key fields of gov-

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<sup>14</sup>In many countries with market economies, there exist large programmes of providing public housing to poor families at subsidized rents, and we are not aware of political parties proposing to extend these programmes to the total population.

ernment responsibility. According to this view, free and unlimited access, potentially even with mandatory enrolment at least for the last year before school starting age, is more important than income redistribution using fees as an instrument, in particular given that the revenue from these fees covers only a small part of costs anyway. Furthermore, the last two pro arguments can also be interpreted as contra arguments: If income-dependent fees constituted a sizeable share of the revenues of childcare facilities, there would be the danger that facilities in high-income neighborhoods could provide higher quality than those in poor areas so that – similar to school districts in the U.S. – the neighborhood would have an undesirably strong impact on child development. In addition, it would be highly problematic if high-income parents would infer from their higher financing share a stronger justification for influencing pedagogical decisions than low-income parents within the same facility.

The results of our survey suggest that left-leaning politicians have a stronger tendency to subscribe to the second narrative, whereas more conservative politicians tend to the views described by the first narrative.

In 2013, Germany introduced a legal entitlement to a place in a childcare facility starting with the first birthday, but even 10 years after this date, places in childcare facilities are still scarce, and not every child whose parents demand a place can get one. This fact is especially worrying as a recent study (Hermes et al. 2023) shows that children from disadvantaged families (notably those with a migration background) tend to be discriminated against in the allocation process. Similarly, Huebener, Schmitz, et al. (2023) provide survey results that show that low-income families are disadvantaged at the allocation of scarce places.

If the scarcity of places were at least partly caused by an insufficient financial endowment of the facilities and the levying of user fees could alleviate this problem, leftist governments might want to reconsider their rejection of these fees.

## **8 Concluding remarks**

The topic of user fees for educational services offered by governments, notably childcare and universities, turns out to be an interesting object for studying the political economy of fiscal

policy, in particular the difference between the normative and the positive view of political decision-making on these matters. From the normative point of view, leftist politicians who tend to deplore rising inequality of disposable incomes in society should seize every opportunity to lower inequality by raising income-dependent user fees for these facilities. The positive view, in contrast, states that politicians compete for office and thus have to cater for the interests of clearly defined voter groups such as university students and parents of young children – with the result that more redistributive modes of financing will not survive once they get into the focus of an election battle.

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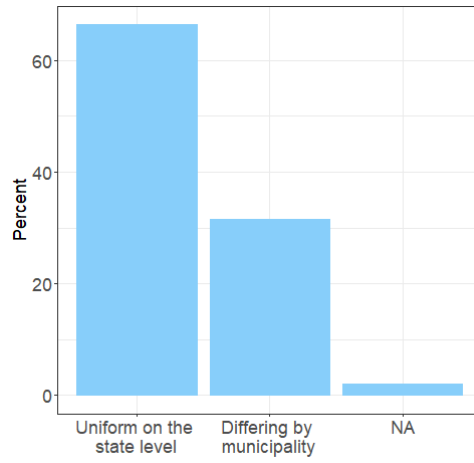
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# Appendix

## A Additional Figures

Figure A1: How should childcare fees be regulated in your federal state?





## A.1 Additional tables

### A.1.1 Sample

Table A1: Representativity of MPs who participated in comparison to MPs contacted

	Participated (N=535)	Contacted (N=1119)
Female	174 (33%)	346 (31%)
Year of birth (SD)	1968 (12)	1968 (11)
Newcomer	293 (55%)	545 (49%)
Political experience in years (SD)	7.0 (6.3)	7.9 (6.9)

*Notes:* The table shows sample characteristics along the dimensions of gender, age, and experience in comparison to the contacted population. Newcomer is a dummy variable that takes the value 1 if the MP is part of parliament for the first time. Political experience indicates the years since first membership in parliament, irrespective of eventual breaks.

Table A2: Party affiliation of MPs who participated in comparison to MPs contacted

Party	Participated (N=535)	Contacted (N=1119)
CDU/CSU	23%	31.6%
SPD	24.1%	20.7%
GRÜNE	20.2%	17.2%
AfD	9.7%	10.5%
FDP	9.9%	8.7%
LINKE	9.0%	6.3%

*Notes:* The table shows party affiliation for the main parties represented in the different federal states. Not shown are independent parliamentarians and members of small parties that only exist in the specific state.

## A.1.2 Main outcomes - State fixed effects

Table A3: Linear regressions: main outcomes - state fixed effects

	<i>Dependent variable:</i>					
	Abolition: Yes		Income dep: Yes		Regulation: Diff	
	(1)	(2)	(3)	(4)	(5)	(6)
Bavaria	0.03 (0.06)	0.03 (0.06)	-0.05 (0.06)	-0.05 (0.06)	0.03 (0.06)	0.03 (0.06)
Berlin	0.11 (0.07)	0.12 (0.07)	0.10 (0.08)	0.11 (0.08)	-0.43*** (0.07)	-0.43*** (0.07)
Hessia	0.30*** (0.07)	0.31*** (0.07)	-0.10 (0.09)	-0.09 (0.09)	-0.15* (0.07)	-0.15* (0.07)
NRW	0.36*** (0.06)	0.36*** (0.06)	0.10 (0.08)	0.11 (0.08)	-0.28*** (0.06)	-0.28*** (0.06)
SL	0.52*** (0.12)	0.50*** (0.12)	-0.29 (0.24)	-0.31 (0.25)	-0.35** (0.11)	-0.35** (0.11)
SH	0.22** (0.08)	0.24** (0.08)	0.05 (0.09)	0.04 (0.09)	-0.34*** (0.08)	-0.35*** (0.08)
Thuringia	0.36*** (0.07)	0.31*** (0.09)	-0.06 (0.10)	-0.14 (0.12)	-0.29*** (0.07)	-0.22** (0.08)
Constant	0.16*** (0.04)	0.29*** (0.07)	0.79*** (0.04)	0.75*** (0.09)	1.62*** (0.04)	1.59*** (0.07)
Observations	509	488	242	238	519	499
R <sup>2</sup>	0.25	0.25	0.09	0.11	0.22	0.23
Adjusted R <sup>2</sup>	0.23	0.23	0.06	0.06	0.21	0.21

*Note:* Linear regression models. Dependent variables: Columns (1) and (2): Binary outcome indicating a preference for not abolishing the fees nationally (0) vs abolishing the fees nationally (1). Columns (3) and (4): Binary outcome indicating a preference for fees that do not depend on the parents' income (0) vs fees that depend on the parents' income (1), restricted to the respondents that indicated that they are in favour of fees. Columns (5) and (6): Binary outcome indicating a preference for fees that are uniform on the state level (0) vs vary on the municipality level (1). Columns (1), (3) and (5) include a dummy indicating political ideology. Columns (2), (4) and (6) additionally control for sociodemographic variables. Robust standard errors in parentheses, where \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.

Table A4: Linear regressions - Reasons in favour of fee abolition

	<i>Dependent variable:</i>			
	Access to all		Distributive Justice	
	(1)	(2)	(3)	(4)
Left	0.15*** (0.04)	0.16*** (0.04)	0.08 (0.06)	0.10 (0.07)
Young		0.04 (0.04)		-0.01 (0.06)
Tertiary		-0.03 (0.05)		0.10 (0.09)
Female		0.01 (0.04)		-0.11 (0.06)
Constant	0.74*** (0.05)	0.74*** (0.07)	0.45*** (0.09)	0.38*** (0.11)
State fixed effects	Yes	Yes	Yes	Yes
Observations	265	248	265	248
Adjusted R <sup>2</sup>	0.05	0.05	0.02	0.02

*Note:* Linear regression models. Sample restricted to respondents who are in favour of fee abolition. Dependent variables: Columns (1) and (2): Binary outcome, 1 in case of agreement with the statement “Education must be accessible to all” and 0 otherwise. Columns (3) and (4): Binary outcome, 1 in case of agreement with the statement “Abolition strengthens distributive justice” and 0 otherwise. Robust standard errors in parentheses, where \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

Table A5: Linear regressions - Reasons against fee abolition

	<i>Dependent variable:</i>							
	Benefits the rich		Use of tax money		Quality		Service valuation	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Left	0.21** (0.07)	0.25*** (0.07)	0.05 (0.05)	0.04 (0.06)	0.16* (0.06)	0.08 (0.06)	-0.17*** (0.05)	-0.16*** (0.05)
Young		0.01 (0.06)		0.06 (0.05)		0.06 (0.06)		-0.04 (0.04)
Tertiary		0.02 (0.12)		-0.10 (0.09)		0.01 (0.10)		0.10 (0.08)
Female		-0.14 (0.08)		0.01 (0.06)		0.25*** (0.07)		0.02 (0.05)
Constant	0.31*** (0.06)	0.32* (0.13)	0.15*** (0.04)	0.21* (0.10)	0.32*** (0.05)	0.22* (0.11)	0.09* (0.04)	0.01 (0.08)
State fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	244	240	244	240	244	240	244	240
Adjusted R <sup>2</sup>	0.03	0.03	-0.02	-0.02	0.03	0.11	0.10	0.08

*Note:* Linear regression models. Sample restricted to respondents who are against fee abolition. Dependent variables: Columns (1) and (2): Binary outcome, 1 in case of agreement with the statement “ Only those families who pay day-care fees will benefit from abolition, and these are not the poorest” and 0 otherwise. Columns (3) and (4): Binary outcome, 1 in case of agreement with the statement “ There are more sensible uses for taxpayers’ money” and 0 otherwise. Columns (5) and (6): Binary outcome, 1 in case of stating that fees are important for “ Quality” and 0 otherwise. Columns (7) and (8): Binary outcome, 1 in case of stating that fees represent “Service valuation” and 0 otherwise. Robust standard errors in parentheses, where \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .