

ORIGINAL ARTICLE OPEN ACCESS

The Local Politics of Social Investment Under Fiscal Constraints: The Case of Childcare Expansion in Germany

Erik Neimanns¹  | Björn Bremer² ¹Max Planck Institute for the Study of Societies, Cologne, Germany | ²Central European University, Vienna, Austria**Correspondence:** Erik Neimanns (neimanns@mpifg.de)**Received:** 21 May 2024 | **Revised:** 22 April 2025 | **Accepted:** 21 May 2025**Funding:** The authors received no specific funding for this work.**Keywords:** childcare | fiscal policy | local government | party politics | social investment

ABSTRACT

Governments in many of the advanced economies expanded childcare, an exemplary social investment policy, in recent years. Yet, considerable regional variation exists in expansion efforts, and often the supply of childcare still does not match demand. We explore the politics of this regional variation by studying Germany, a country that recently introduced a legal entitlement to childcare. Despite this legal entitlement, we argue that local political and economic factors (continue to) matter for childcare expansion and regional variation in coverage. We expect left-wing local political majorities to be associated with higher expansion and coverage rates. At the same time, tight local fiscal constraints should limit partisan room for maneuver and should slow down expansion. Analyzing local-level data on childcare coverage rates, socioeconomic context factors, and government partisanship, we find evidence of conditional effects between fiscal and partisan variables. We furthermore examine how local governments reconcile gaps in childcare provision with the legal entitlement and what distributive consequences this has.

1 | Introduction

Governments in many advanced economies rapidly expanded early childhood education and care (hereafter: childcare) in recent decades. As part of the social investment turn in social policy, they attempted to reap social and economic returns of expanding childcare, easing work-family reconciliation, and supporting children's cognitive and social development (Garrizmann et al. 2022; Heckman 2006; Hemerijck 2018; Morel et al. 2012). However, childcare supply continues to vary significantly both across and within countries, and often families from socially disadvantaged backgrounds are strongly underrepresented among the users of childcare (Schober 2020; Van Lancker and Ghysels 2016). This mismatch raises the question under which political, institutional, and economic conditions governments decide to invest resources to expand childcare provision.

In this paper, we examine the local-level determinants of childcare expansion in Germany since the mid-2000s. Germany is an ideal test case because, in 2008, its federal government enacted a legal entitlement to childcare for children between 1 and 3 years, which came into force in 2013, an institutional feature that has been identified as a central element bolstering childcare expansion and reducing social barriers to access (Van Lancker and Ghysels 2016). Nevertheless, childcare supply, which remains within the responsibility of municipal governments, continues to be insufficient, and large geographical variation exists in coverage rates and expansion dynamics (West et al. 2020; Schober 2020; Scholz et al. 2019). This variation is not only surprising, given Germany's cooperative fiscal system, but it also threatens to undermine the constitutional mandate to ensure equivalent living conditions across Germany (Art. 72, Basic Law). What explains such marked variation in the provision of childcare?

This is an open access article under the terms of the [Creative Commons Attribution](https://creativecommons.org/licenses/by/4.0/) License, which permits use, distribution and reproduction in any medium, provided the original work is properly cited.

© 2025 The Author(s). *Regulation & Governance* published by John Wiley & Sons Australia, Ltd.

Building on recent contributions on the subnational partisan politics of (social) investment in multilevel political systems (Bremer et al. 2023; Busemeyer and Seitzl 2018; Garritzmann et al. 2021; Jacques 2020), we argue that fiscal and political constraints (continue to) matter in shaping local trajectories of childcare expansion, despite the strong impetus for childcare expansion from the federal government. More specifically, due to ideational and distributive electoral appeals, we argue that left-wing local governments are more ambitious relative to right-wing governments in expanding childcare provision at the local level, leading to faster expansion and higher coverage rates. However, given widespread fiscal constraints among municipalities in Germany's fiscal federalism (Bremer et al. 2023; Kropp and Behnke 2016), partisan effects should be more muted, and overall childcare expansion and coverage rates should be lower in socioeconomically disadvantaged districts.

To test our expectations, we analyze the determinants of childcare expansion and coverage rates for children under 3 years at the level of Germany's districts (*Landkreise* and *kreisfreie Städte*) in West Germany between 2007 and 2019. We combine fine-grained data on coverage rates at the local level with information on the partisanship of local mayors and district administrators that we coded. In line with our expectations, we find that government partisanship and fiscal conditions continue to matter as determinants of current childcare coverage rates, despite the federal legal entitlement being announced (in 2008) and put in place (in 2013). Building on these findings, we zoom in on the role of childcare fees and examine how local governments may seek to reconcile oftentimes still insufficient coverage rates with the legal entitlement to childcare, and what consequences this may have for social inequality in access to childcare.

Our findings make several contributions to the research on the politics of childcare, welfare state realignment, and comparative federalism. First, by providing evidence of the local political and economic determinants of childcare expansion and coverage, they contribute to a better understanding of the (local) politics of childcare. Existing evidence is either at a higher level of territorial aggregation (Busemeyer and Seitzl 2018; Andronescu and Carnes 2015), cross-sectional (Mosimann and Giger 2008; Seils and Meyer 2013), uses other dependent variables (Goerres and Tepe 2013; Riedel et al. 2021), or focuses on different explanatory factors (Baskaran and Hessami 2023; Walenta-Bergmann 2023; Yamada 2024), thereby neglecting the interplay between fiscal and political explanatory factors. Our findings suggest that despite a legal entitlement being in place, partisan politics, local fiscal constraints, and broader regulatory frameworks continue to matter and have the potential to either slow down or boost childcare expansion. In particular, we highlight the role of childcare fees for local expansion dynamics. While allowing local governments to formally meet the legal entitlement, relatively high levels of parental fees have the potential to seriously undermine childcare expansion and the degree to which expansion may benefit families across different social classes.

Second, we show that, when concentrating on discretionary policies, partisanship matters even within highly constraining multilevel state structures. An established literature in political

science has long argued that due to the institutional structures and egalitarian norms of Germany's federalism (Braml and Felbermayr 2018), partisanship does not exert a significant effect on local policies (e.g., Wagschal 1996, 2018; Bogumil et al. 2014). Yet, we find that local government's partisanship affects childcare provision—one of the most important features of Germany's welfare state that is under the discretion of local governments. Despite cross-party consensus for childcare expansion at the federal level, the legacy of Germany's conservative welfare state appears to persist at the local level, with left-wing parties supporting the expansion of social investment more strongly than right-wing parties.

2 | Childcare Expansion in Multilevel Political Systems

Many of the recent contributions in social policy research expect clear social and economic payoffs from an expansion of childcare provision (Bonoli 2013; Hemerijck 2018; Morel et al. 2012). First, access to childcare allows parents, and mothers in particular, to reconcile work and family life, supporting gender equality and reducing career interruptions and associated income risks over the life course (Hemerijck 2018). Second, various studies demonstrate that educational investments in the early childhood years strengthen children's social and cognitive development, in particular among socioeconomically disadvantaged children, thereby generating strong social and economic returns (e.g., Heckman 2006).

Political pressure to better support families has increased in many Western democracies over the past decades due to socioeconomic developments such as increasing female labor market participation or demographic change (Fleckenstein and Seeleib-Kaiser 2011). While many citizens were skeptical of the extensive provision of care for the youngest children taking place outside of the family for much of the twentieth century (Morgan 2013), childcare expansion is now often an opportunity for governments to claim credit for a popular, cost-effective welfare domain in the postindustrial knowledge economy (Bonoli 2013).

Nevertheless, significant disparities in coverage rates and access persist both across and within countries, with institutional differences playing a critical role in shaping these outcomes. As Van Lancker and Ghysels (2016) highlight, higher public spending on childcare does not necessarily reduce social barriers to childcare use. In order for public spending to ensure improved access for all families, governments need to pay attention to regulatory factors (Lloyd and Penn 2012), including fee structures (Abrassart and Bonoli 2015; Goerres and Tepe 2013), spatial availability (Pennerstorfer and Pennerstorfer 2020), and social access criteria (Hogrebe 2016). Many of these policies fall under the discretion of local governments.

At the same time, various political factors exist that can impede reform ambitions. Electoral incentives to extend access to disadvantaged families may be limited, normative resistance to state interference in family matters may persist, and budgetary conflicts between different welfare beneficiary groups may arise (Bremer and Bürgisser 2023; Neimanns 2022b; Neimanns and Busemeyer 2021; Schwander 2018). Understanding the

political and fiscal determinants of childcare provision at the local level is thus essential to addressing persistent inequalities in access.

3 | The Role of Local Partisan Politics Under Fiscal Constraints

Given the possible dividing lines in public views on childcare expansion, it remains an open question how partisan politics shapes childcare expansion. Traditionally, left-wing parties have had the strongest incentives to expand childcare because this allowed them to attract new voter groups by strengthening redistributive government spending (Boix 1997; for more recent evidence, see Nelson and Giger (2019) and Abou-Chadi and Wagner (2019)). Moreover, left-wing parties were less constrained than the right by conservative social values that viewed the interference of the state in what used to be family matters more critically (Bonoli 2013; Neimanns 2022a).

The political incentives to expand childcare have increasingly also influenced right-wing parties: shifts in societal values and the rise in female labor force participation have weakened the electoral support of right-wing parties, particularly among women, prompting these parties to advocate for work–family reconciliation policies (Morgan 2013). Germany exemplifies this trend, with significant reform impetus put forward by a Grand Coalition between 2005 and 2009 under the Christian democratic family minister Von der Leyen.

However, the electoral incentives for left- and right-wing parties to expand childcare likely diverge across levels of government. As Busemeyer and Seitzl (2018) argue, vote-seeking incentives to target the median voter may be more pressing for national governments. Parties in subnational governments that are closer to their members and electoral base may continue to prioritize their core constituencies (cf. Gross and Jankowski 2020). Additionally, a higher share of female politicians—more common in left-wing parties including at the municipal level (Holtkamp et al. 2017, 12)—has been identified as a factor contributing to childcare expansion (Morgan 2013; Walenta-Bergmann 2023, 1168). Therefore, we still expect left-wing parties in local government to expand childcare more than right-wing parties (see also Mosimann and Giger 2008).

Other scholars are more pessimistic about the influence of political parties on childcare expansion, given various political and economic constraints (Breunig and Busemeyer 2012; Ronchi 2018). Childcare investments usually occur under budgetary constraints. Rather than expanding childcare, governments may prioritize budget consolidation or other areas of public spending. Existing cross-sectional evidence documents that childcare coverage rates tend to be lower in economically disadvantaged areas (Scholz et al. 2019; Seils and Meyer 2013). We thus expect fiscal constraints to limit childcare expansion and explain local variation in childcare coverage rates.

Beyond direct effects, poor fiscal conditions likely also moderate the effect of government partisanship (cf. Bremer et al. 2023; Jacques 2020; Lipsmeyer 2011). Fiscal constraints should particularly constrain left-wing parties that have a first-order

preference to expand childcare. Requirements to consolidate the budget or to prioritize mandatory spending should reduce the effect of left-wing government on childcare provision. Right-wing governments, in contrast, typically prefer spending on other areas, such as physical public infrastructure (Bremer et al. 2023; Riedel et al. 2021). To cater to their voters, right-wing governments are also less willing to raise local taxes (Person 2021), further limiting the room for additional public spending on childcare. Given their lower relative preference for childcare spending, the impact of fiscal conditions should have less impact under right-wing local governments. Thus, fiscal constraints should particularly attenuate the effect of left-wing governments on childcare expansion.

When studying childcare provision, it is important to distinguish between temporal and regional dynamics. On the one hand, changes in partisanship and fiscal conditions should produce observable differences in the rate of *childcare expansion over time*. On the other hand, short-term policy decisions accumulate over time, eventually manifesting as regional disparities. This is particularly evident in fiscal conditions, where differences tend to be highly persistent. These enduring fiscal disparities shape local governments' administrative and planning capabilities—resources crucial for successful childcare expansion implementation (Bremer et al. 2023; Jehles 2023, 84; Suryanarayan 2024). Therefore, persistent differences in fiscal conditions and partisan composition should correlate with sustained differences in *childcare coverage rates across regions*. We thus expect the following:

Hypothesis 1. *Left-wing parties are associated with (a) faster childcare expansion and (b) higher coverage rates than right-wing parties.*

Hypothesis 2. *Fiscal constraints are associated with (a) slower childcare expansion and (b) lower childcare coverage rates.*

Hypothesis 3. *Fiscal constraints attenuate the effect of left-wing parties on (a) childcare expansion and (b) childcare coverage rates.*

The hypotheses leave open the question of how local governments manage to reconcile continuously insufficient coverage rates in contexts where a legal entitlement to childcare was introduced. A regulatory mechanism influencing parental demand for childcare is childcare fees: if fees are high, a certain share of families will be priced out and will refrain from using childcare (Abrassart and Bonoli 2015). Thus, deliberately or not, how local governments decide on the structure and level of childcare fees affects how easily the legal entitlement to childcare will be formally met also with a relatively low supply of places. In line with the hypotheses above, we expect childcare fees to be higher under right-wing governments and in a fiscally constrained context. High fees are likely to increase social stratification in childcare use, which would run counter to the ambitions of left-wing parties to broaden access to childcare. However, mirroring Hypothesis 3 above, under fiscal constraints left-wing local governments might rely more strongly on parental fees to reconcile childcare expansion with budgetary considerations.

In sum, we formulate the following additional hypotheses¹:

Hypothesis 4. *Left-wing parties are associated with lower fees for childcare than right-wing parties.*

Hypothesis 5. *Fiscal constraints are associated with higher childcare fees.*

Hypothesis 6. *Fiscal constraints attenuate the effect of left-wing parties on childcare fees.*

4 | Our Case: Childcare Expansion in Germany

We study the politics of childcare expansion by focusing on the case of Germany. Childcare provision in Germany was long characterized by the features of Germany's Christian democratic welfare state, which was oriented towards a male breadwinner, female caretaker model (Morgan 2013). Childcare coverage for children below three was very low, and for those aged three and above, coverage was mostly part-time. Things started to change in the mid-2000s. In 2004, the federal government enacted a law that distributed federal grants to the Länder and municipalities to expand childcare (*Tagesbetreuungsbaugesetz*). After various involved actors considered childcare provision to continue to be inadequate (Stöbe-Blossey 2012, 92), in 2008, the federal government under the Christian democratic family minister von der Leyen enacted a legal entitlement to childcare for children between 1 and 3 years, which came into effect in 2013 (*Kinderförderungsgesetz*). Subsequent legislation and federal programs increasingly aimed at also improving quality aspects. Between 2008 and 2020, subsequent federal governments initiated four investment programs that channeled €4.4 billion to local governments (Boettcher et al. 2021; Hubert et al. 2021). Revenues from value-added taxes were also shifted from the federal to the state governments so that state governments could better support municipalities with the running costs of extended childcare provision. The federal states had leeway in deciding how to channel these additional resources, which were not earmarked, to local-level governments (Stöbe-Blossey 2012).²

In terms of governance, childcare provision in Germany takes place in a federal system that features a high level of decentralization of administrative powers. While the federal government retains the main legislative powers, substantial administrative powers are assigned to the states and, through them, delegated to the local governments, which include administrations at the district (*Landkreise*) and municipal levels (Benz 1999). Local governments are thus given a large share of mandatory and discretionary policymaking tasks (e.g., the provision of social welfare, childcare, schooling, administrative services, or public investment). For the area of childcare, local governments are responsible for planning, organizing, and ensuring provision, including, for example, providing infrastructure, directly providing care, or acting as a supervisory body for private providers (Scholz et al. 2019, 46ff.; Stöbe-Blossey 2012).³ Local governments also have discretion about how to fund childcare and can make decisions about the levels and structure of parental fees.⁴ While parental fees are, on average, relatively low in international comparison (OECD 2023), substantial regional variation in levels and structure of fees (Ramboll 2020) implies that in

some regions, they are a relevant factor for parents not to use childcare (Faas et al. 2023, 175).

Even though the federal and state governments repeatedly provided grants to local authorities, these grants proved insufficient to fully compensate for the costs of expansion (Boettcher et al. 2021, 10). The new legal entitlement to childcare overwhelmed many municipalities that were struggling with high levels of debt and limited fiscal room for maneuver (Kropp and Behnke 2016). Consequently, there is still a large geographical variation in coverage rates and expansion dynamics, and despite the legal entitlement, childcare supply continues to be insufficient in many German municipalities (Rauschenbach et al. 2020; West et al. 2020; Schober 2020; Scholz et al. 2019).

These dynamics make Germany an important case to study the determinants of childcare provision. The existence of the legal entitlement to childcare could imply that political and economic factors have become negligible as determinants of childcare provision. However, as many municipalities are structurally underfunded and insufficiently compensated for the task of implementing the legal entitlement, political and economic factors can be expected to continue to matter for the local politics of childcare expansion and could help to explain continuing regional disparities and undersupply of childcare in many regions.

5 | Data and Methods

To test the expectations spelled out above, we compile data on childcare expansion, local government partisanship, and socioeconomic context factors from various sources at the level of Germany's 400 (as of 2024) NUTS 3-level districts (*Landkreise* and *kreisfreie Städte*). The time series for our regression analysis spans from 2007 to 2019. This is the longest possible period and the lowest level of spatial disaggregation for which data on the dependent and independent variables is available, and it implies that we avoid confounding effects of the COVID-19 pandemic on our variables of interest. We focus on West Germany and exclude 75 East German districts from the analysis because childcare coverage in East Germany has been traditionally high, and shortages are much less pronounced than in the West (Schober 2020). We also exclude the three city-states (Berlin, Hamburg, and Bremen), which do not contain any districts. Ideally, our level of analysis would allow us to also zoom in on non-district-free municipalities and districts of youth welfare offices (*Jugendamtsbezirke*) to account in greater detail for the distribution of competencies in governing and implementing childcare provision locally (Stöbe-Blossey 2012). Since this data is unavailable for the period of our investigation, we focus on the level of districts as a second best, given that political and economic conditions within districts are relatively homogenous.

Our main dependent variable is the ratio of children under three in childcare as a share of the total population of that age group (Table A.1 in Supporting Information provides details on the operationalization, and Table A.2 in Supporting Information provides summary statistics of all variables included in the analysis). Data comes from the INKAR (2023) database and includes care provided in public and private childcare centers and publicly funded childminders (*Kindertagespflege*). Data on childcare

ratios is available for the years 2006 to 2019 and is reported for a fixed date (March 1) of a given year. This implies that childcare ratios reflect political decisions taken at least a year earlier. For this reason, we lag all independent variables by 1 year. We acknowledge that childcare ratios only indirectly capture local governments' efforts to expand childcare. However, more fine-grained data on local governments' decision-making on childcare expansion is not available, and childcare ratios provide a reasonable proxy (cf. Seils and Meyer 2013; Yamada 2024), given that the supply of places is insufficient in many Western German regions (Rauschenbach et al. 2020). In addition, as we explain below, we control for factors related to parental demand for childcare to ensure that our measure reflects, as closely as possible, local governments' ambitions to expand childcare.⁵

One of our central explanatory variables is local government partisanship. We follow Bremer et al. (2023) and code information from the *Kommunales Wahllexikon* of the Konrad Adenauer Foundation to distinguish the partisanship of mayors (*Bürgermeister*) and district administrators (*Landräte*). We distinguish between left-wing local governments (SPD, Greens) and right-wing governments (CDU, CSU, FDP), with the latter serving as the reference category. Die Linke and the AfD did not lead any local governments in West German districts during our period of observation. The very low number of governments led by the Greens or the FDP (each constituting less than 1% of the total number of observations) prevents us from analyzing partisan effects at a more disaggregated level. We code governments led by regional voter associations as a separate category since these associations typically operate independently of national political parties. They are primarily focused on representing specific or local interests and cannot be categorized as either left or right. We treat these governments as a residual category because we have no clear theoretical expectations about their positioning on childcare expansion.

We use a range of variables to capture districts' fiscal situations. We include local business tax revenue (*Gewerbesteuer*, per capita) as an indicator for the revenue side. It constitutes the most important local tax for which local governments have discretion in setting tax rates. As an indicator of the overall fiscal situation, we include liquidity loans (*Kassenkredite*, per capita). Liquidity loans, originally intended to serve short-term funding needs, are commonly considered an important indicator of structural funding shortages (Junkernheinrich 2019).⁶ On the expenditure side, we control for social security expenditure per capita because most of this expenditure is mandatory for local government in Germany (e.g., unemployment benefits) due to federal or state-level provisions of social security laws. Higher levels of social security spending could thus intensify resource conflicts with discretionary spending on childcare expansion.⁷

We control for the female employment rate (INKAR 2023) as a proxy of the demand for childcare.⁸ To ensure that the effects on changes in childcare ratios are driven by changes in childcare supply rather than in the number of children, we control for the population under three (Regionalstatistik 2023).⁹ While these measures capture childcare demand only incompletely, we consider them good proxies, given that more fine-grained measures are unavailable for the temporal and spatial scope of our analysis. We use logarithmic transformations of all continuous

variables (except the ones measured as ratios) to avoid an excessive influence of outlying values. This applies to business tax revenues, liquidity loans, social security expenditure, and the population aged below three.

To test our hypotheses, we estimate time-series and cross-sectional models. For the time-series models, we estimate two-way fixed effects models including district and year fixed effects with standard errors clustered by district and control for lagged childcare ratios.¹⁰ The district fixed effects imply that we assess within-district variation over time, ruling out the influence of time-constant confounding factors at the district level to test Hypotheses 1a–3a. The year fixed effects control for time trends that are common to all districts.

We complement the longitudinal analysis with pooled cross-sectional models that do not include district fixed effects. This allows us to test Hypotheses 1b–3b, assessing to what extent structural differences in fiscal conditions and partisan strength (rather than their short-term fluctuation) can explain continuing regional variation in childcare coverage. To be able to identify the effects of between-district variation, in this part of the analysis, we calculate multiyear averages of our independent variables to estimate district-level childcare coverage rates in 2019. We calculate averages for the period 2006–2018, which corresponds to the years included for our fixed effects models described above, and for 2013–2018, which more narrowly captures the period in which the legal entitlement has already been in place. Splitting the time period into a pre- and post-legal entitlement period allows us to assess to what extent the determinants of childcare coverage rates differ between the two periods.¹¹ In these models, we additionally control for the time-constant variables of whether the unit of observation is a district-free city, and for the federal states to hold constant the confounding influence of multilevel governance. To ease interpretation, we present the results of the interactive models in marginal effect plots (Brambor et al. 2006; Hainmueller et al. 2019).

In the third step of the analysis, we examine to what extent fees may constitute an instrument for local governments to meet the legal entitlement to childcare by, deliberately or not, lowering parental demand. Municipalities in Germany have discretion in deciding on childcare fees, subject to federal and state-level legislation (Hubert et al. 2021). Unfortunately, comparative data on local childcare fees is hardly available. Data has been collected only for small samples of municipalities at specific time points (Geis-Thöne 2018; Meiner 2014; Ramboll 2020). To address this gap, we manually collected data for 47 of the largest cities in Germany's most populated state, North Rhine-Westphalia (see Appendix B in Supporting Information for further details and summary statistics). We coded data for children in the youngest age group (children aged 1 year) for different income ranges at two time points (current fees in 2023 and fees around the date of the enactment of the legal entitlement in 2008). This approach allows us to assess how local governments decided on the level and structure of fees in light of the need to expand places to fulfill the legal entitlement. Focusing on municipalities in one federal state has the advantage that it eliminates the considerable variation in state-level legislation concerning funding and governance of childcare. Examining current fee levels (as of 2023) allows us to assess to what extent fees still matter as an

instrument in childcare policy after the 2019 federal childcare reform introduced considerable exemptions from requirements to pay fees, in particular for low-income families.

6 | Results

To begin, we briefly discuss the temporal and regional variation in childcare coverage in the Western German districts. On average, childcare provision increased strongly in Germany's districts between 2008 (when the legal entitlement was enacted) and 2019 (the most recent year of our time series).¹² In 2008, 11.7% of children under three used childcare; in 2019, this share had increased to 29.2%. However, despite this increase, and despite the legal entitlement being in place since 2013, childcare supply continues to be highly insufficient in many Western regions (Rauschenbach et al. 2020; West et al. 2020; Schober 2020).

Figure 1 reveals a complex pattern of regional variation in childcare ratios that cannot be readily explained by existing accounts that highlight the role of urban–rural divides and associated differences in female employment rates and gender role attitudes (e.g., Morgan 2013, 97). In 2008, we observe the highest childcare ratios in mid-Western districts in Rhineland-Palatinate, Saarland, and Hesse, and in some of the large metropolitan areas throughout Germany. On average, in 2008, coverage in the more urban, district-free cities was about two percentage points above the level of the more rural districts (13.3% vs. 11.2%).

The variation across districts in 2019 reveals both continuity and change compared to the previous time point. On the one hand, many of the districts that had above-average childcare

ratios in 2008 are also at above-average levels in 2019 (the bivariate correlation is $r=0.65$, $p=0.00$; see Figure A.1 in Supporting Information). On the other hand, the role of urban–rural divides has become less pronounced and even reversed to a certain extent. By 2019, some of the more rural districts, in particular in Northern Germany and in Northern Bavaria, have caught up. On average, the childcare ratios in the districts now even exceeded the levels of district-free cities (29.3 vs. 28.9), whereas in 2008 it was still the reverse. To better understand the underlying reasons for the continuity and change in local variation in childcare coverage, we turn to the results from the regression analysis.

6.1 | Determinants of Childcare Expansion, 2007–2019

Table 1 shows the results from our fixed effects regression models. The models include district and year fixed effects, which implies that the coefficients estimate the within-district effects of variation in the variables over time. Model 1 shows the main effects; Models 2 and 3 add interaction terms between our partisan and fiscal variables to test our hypothesis on constrained partisanship (Hypothesis 3a).

The results in Model 1 indicate that, as hypothesized, left-government partisanship is associated with stronger childcare expansion (Hypothesis 1a). The average difference between a left- and a right-wing government for the childcare ratio in the subsequent year is 0.27 percentage points, which is a sizeable effect for an individual year. The coefficient of regional voter associations is statistically insignificant. These findings echo

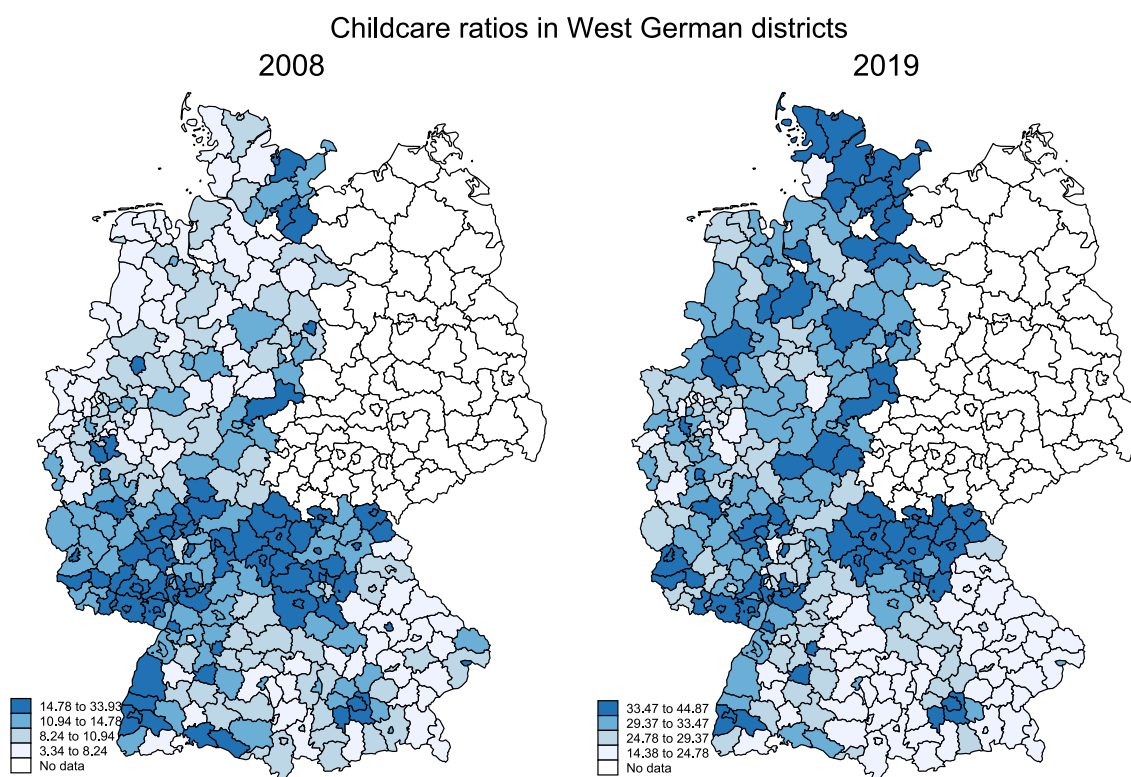


FIGURE 1 | Childcare ratios in Western Germany in 2008 and 2019. The figure shows childcare ratios for children below three in Western German districts in 2008 (with an average childcare ratio of 11.7%) and 2019 (average childcare ratio of 29.2%).

TABLE 1 | Determinants of childcare ratios in West German districts, 2007–2019.

	(1)	(2)	(3)
Childcare ratio _{<i>t</i>-1}	0.741*** (0.015)	0.741*** (0.015)	0.741*** (0.015)
Party: Left _{<i>t</i>-1} (Ref.: Right _{<i>t</i>-1})	0.274* (0.112)	1.026 (1.051)	0.349 (0.181)
Party: Regional voter association _{<i>t</i>-1} (Ref.: Right _{<i>t</i>-1})	0.195 (0.150)	-0.543 (1.540)	0.180 (0.168)
Business tax revenue (log) _{<i>t</i>-1}	-0.162 (0.138)	-0.128 (0.167)	-0.163 (0.138)
Liquidity loans (log) _{<i>t</i>-1}	0.010 (0.026)	0.010 (0.026)	0.015 (0.029)
Social security expenditure (log) _{<i>t</i>-1}	0.212 (0.132)	0.212 (0.132)	0.212 (0.132)
Female labor force participation _{<i>t</i>-1}	0.052* (0.024)	0.052* (0.023)	0.052* (0.024)
Population under three (log) _{<i>t</i>-1}	-0.676 (0.891)	-0.591 (0.896)	-0.696 (0.891)
Party: Left _{<i>t</i>-1} # Business tax revenue (log) _{<i>t</i>-1}		-0.124 (0.172)	
Party: Regional voter association _{<i>t</i>-1} # Business tax revenue (log) _{<i>t</i>-1}		0.129 (0.263)	
Party: Left _{<i>t</i>-1} # Liquidity loans (log) _{<i>t</i>-1}			-0.017 (0.029)
Party: Regional voter association _{<i>t</i>-1} # Liquidity loans (log) _{<i>t</i>-1}			0.004 (0.046)
District fixed effects	Included	Included	Included
Year fixed effects	Included	Included	Included
Constant	5.215 (7.871)	4.341 (8.014)	5.376 (7.879)
Observations	4067	4067	4067
<i>r</i> ²	0.957	0.957	0.957
<i>F</i>	2277.063	2064.276	2128.164

Note: Linear regression coefficients, standard errors clustered by districts in parentheses.

p* < 0.05; *p* < 0.01; ****p* < 0.001.

evidence from Bremer et al. (2023) on local government effects on physical investment spending, who argue that right-wing governments should prioritize physical investment that is more attractive to local business communities, whereas left-wing

governments should prioritize social and education spending (Bremer et al. 2023, 1017–1018; see also Riedel et al. 2021).¹³

Contrary to our expectations (Hypothesis 2a), changes in fiscal conditions are not significantly related to childcare expansion. The coefficients for business tax revenue and liquidity loans are statistically insignificant. When adding interactions between partisanship and business tax revenue (Model 2), and liquidity debt (Model 3), the interaction terms are statistically insignificant (Hypothesis 3a). Thus, short-term fluctuations in fiscal conditions have no immediate effects on childcare expansion, neither directly nor in interaction with partisanship. Looking at the control variables reveals that changes in female employment are positively associated with childcare expansion in Model 1. This likely implies that functional pressures to support dual-earner models, besides partisanship, translate into stronger expansion.

We run a series of alternative model specifications to assess the robustness of the results. We use panel-corrected standard errors (Table A.3 in Supporting Information, Models 1–3), a first-differenced operationalization of our dependent variable (Table A.3 in Supporting Information, Models 4–6), and a transformed operationalization of the dependent variable that expresses childcare spots per inhabitant (Table A.4 in Supporting Information). The results remain unchanged in these alternative model specifications.

The absence of fiscal effects contradicts to some extent earlier cross-sectional evidence that identified a positive association between the local economic situation and childcare coverage rates (Seils and Meyer 2013, 278). One possible explanation for this discrepancy is that short-term fluctuations in the fiscal indicators may not be sufficient to substantially change the room for maneuver of local governments, given the structural persistence of fiscal imbalances (Junkernheinrich 2019). We assess this possibility in the next step where we focus on the variation between districts.

6.2 | Determinants of Current Regional Variation in Childcare Coverage

While an advantage of the two-way fixed effects in Table 1 is that they account for the influence of time-constant unobserved confounders, they use only the within-district variation of the variables included in the models. To examine to what extent cross-district differences in economic context conditions (cf. Seils and Meyer 2013), as well as the cumulative effects of local government partisanship (instead of government turnover), may continue to matter for childcare coverage rates in the more recent time period, we run cross-sectional regression models. Specifically, we run models that use the averages of the independent variables for the full period of observation from 2007 to 2018 (Models 1–3) and for the period from 2013 to 2018, when the legal entitlement was already in place (Models 4–6).¹⁴ The dependent variable is from 2019, the most recent year of observation in our previous analyses. The coefficients now reflect how between-district variation in the explanatory variables relates to differences in current childcare coverage ratios, allowing us to

TABLE 2 | Determinants of childcare ratios in West German districts, 2019.

	(1)	(2)	(3)	(4)	(5)	(6)
	Dependent variable: childcare ratio, 2019			Dependent variable: childcare ratio, 2019		
	Independent variables: averages 2006–2018			Independent variables: averages 2013–2018		
Party: Left (Ref.: Right)	1.331 (1.030)	−22.531 (11.760)	4.900* (2.333)	1.360 (0.935)	−25.341* (12.732)	5.215** (1.867)
Party: Regional voter association (Ref.: Right)	0.175 (1.183)	14.362 (16.827)	0.429 (2.221)	−0.524 (0.970)	2.605 (17.412)	0.633 (1.771)
Business tax revenue (log)	2.385 (1.289)	0.816 (1.629)	1.893 (1.261)	2.157 (1.347)	0.084 (1.918)	1.691 (1.359)
Liquidity loans (log)	−0.850*** (0.247)	−0.847*** (0.245)	−0.559 (0.304)	−0.713** (0.245)	−0.665** (0.245)	−0.327 (0.289)
Social security expenditure (log)	−0.346 (1.318)	−0.359 (1.290)	−0.370 (1.289)	−0.672 (1.364)	−0.487 (1.340)	−0.541 (1.319)
Female labor force participation	0.011 (0.207)	−0.002 (0.213)	−0.002 (0.208)	0.057 (0.204)	0.042 (0.207)	0.050 (0.204)
Population under three (ratio)	−5.546** (1.792)	−5.502** (1.782)	−4.974** (1.811)	−5.244** (1.696)	−5.371** (1.660)	−4.952** (1.679)
District-free city	−0.839 (1.237)	−0.997 (1.229)	−0.925 (1.223)	−0.265 (1.223)	−0.558 (1.228)	−0.544 (1.219)
Party: Left # Business tax revenue (log)		4.080* (2.020)			4.439* (2.131)	
Party: Regional voter association # Business tax revenue (log)		−2.457 (2.907)			−0.527 (2.930)	
Party: Left # Liquidity loans (log)			−0.736 (0.374)			−0.837** (0.295)
Party: Regional voter association # Liquidity loans (log)			−0.037 (0.481)			−0.340 (0.380)
State fixed effects	Included	Included	Included	Included	Included	Included
Constant	29.538 (19.047)	39.490 (21.106)	31.133 (18.857)	27.998 (20.150)	40.847 (22.084)	28.797 (19.945)
Observations	320	320	320	320	320	320
r^2	0.191	0.209	0.204	0.188	0.208	0.210
F	6.690	6.643	6.210	6.337	6.523	6.470

Note: Linear regression coefficients, robust standard errors in parentheses.

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

test Hypotheses 1b–3b. Models 1 and 4 show the main effects; Models 2, 3, 5, and 6 include interactions between the partisan and the fiscal variables.

Focusing on between-district variation, the main effects in Model 1, Table 2 show a negative and significant effect of

liquidity debt. A level of liquidity debt per capita twice as high (which corresponds to 0.38 standard deviations) is associated with a lower coverage ratio by 0.85 percentage points. The coefficient for business tax revenue is positive but statistically insignificant. The same holds for our measure of left partisanship, which now indicates the share of years between 2006 and 2018

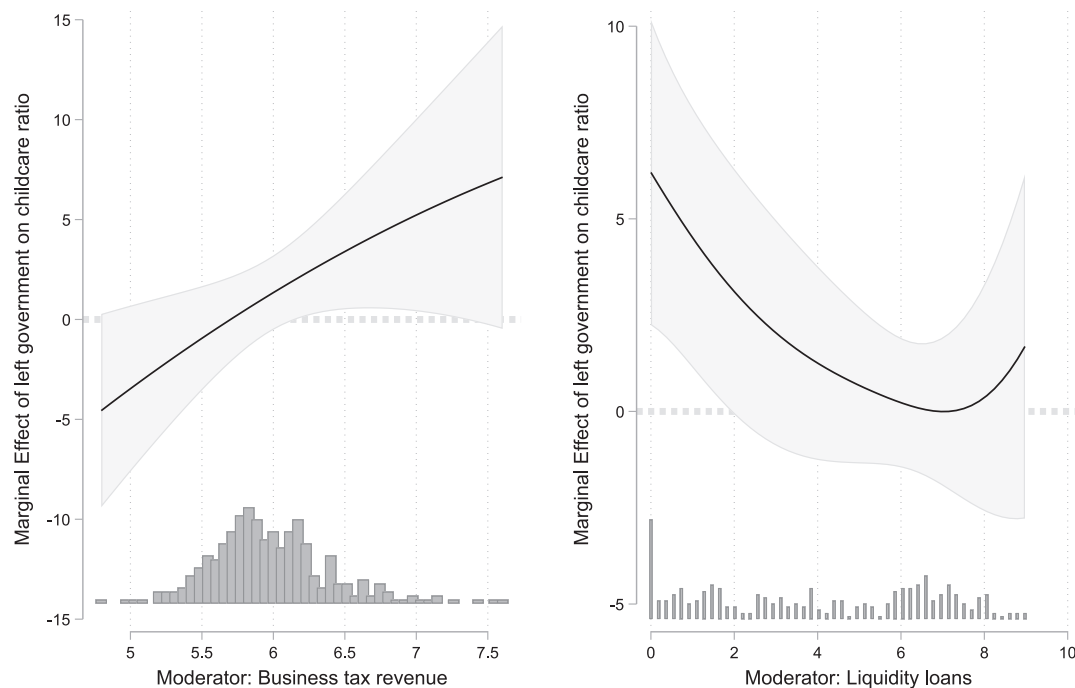


FIGURE 2 | Average marginal effects of partisanship on childcare ratios in 2019 at different levels of fiscal constraints. The figure is based on regression models that include an interaction between left-wing partisanship (average values, 2013–2018) and business tax revenue (left panel; average values, 2013–2018) and liquidity loans (right panel; average values, 2013–2018), respectively. The marginal effects are calculated based on Table 2, Models 5 and 6. Bars at the bottom show the distribution of underlying observations. Figures based on data from the full period of observation starting in 2006 are shown in Figure A.2 in Supporting Information.

with a left-wing local government. Unlike our finding in Table 1 on the effect of changes in partisanship on childcare expansion, long-term averages of government partisanship are not related to childcare coverage. The negative and significant coefficient for the share of children below three suggests that it is more difficult for districts with a higher share of children to reach higher coverage ratios due to higher levels of demand.

The effect estimates are highly similar when focusing on the average values of the independent variables for the period 2013 to 2018 when the legal entitlement to childcare was in place (Model 4). With respect to the role of liquidity debt, this implies that the role of structural fiscal disadvantage for regional variation in childcare coverage was highly persistent over time and that it did not change, despite the legal entitlement being in place since 2013. Importantly, Models 1 and 4 both suggest that districts with a higher number of years of left-wing governments are not related to higher levels of childcare coverage (contrary to Hypothesis 1b), even though left-wing governments expand childcare more than right-wing governments, as shown in Table 1. This may be partly driven by fiscal factors, as some of the left's strongholds in Germany are in structurally underfunded regions. We turn to the interaction effects to examine this possibility.

To test to what extent the associations with our partisan and fiscal measures may be conditional upon one another, we specify interactions between partisanship and business tax revenue (Models 2 and 5), and liquidity debt (Models 3 and 6), respectively. The interaction terms between left partisanship and business tax revenue are statistically significant in both models, whereas the interactive effect with liquidity debt is only

significant for averages of the independent variables between 2013 and 2018 (Model 6).

To be better able to assess the magnitude and statistical significance of these interactive effects (cf. Brambor et al. 2006; Hainmueller et al. 2019), Figure 2 plots the interactive marginal effects between left government partisanship and business tax revenue (left-hand plot) and liquidity debt (right-hand plot) based on Models 5 and 6 in Table 2. We focus on the period 2013–2018 in the following, because it gives us a more precise picture of the importance of partisan and fiscal context factors during the time when the legal entitlement was already in place. We report the results for the period 2006–2018 in Supporting Information (Figure A.2).

The results show that for both fiscal variables, the association between left-wing government and higher childcare coverage rates is conditional on the district's fiscal situation. With relatively high business tax revenue and absent liquidity debt, left-wing local government partisanship in the preceding 6 years is associated with a higher childcare coverage ratio by roughly 5 percentage points. In contrast, under more unfavorable fiscal conditions, the marginal effect of left government becomes insignificant and approaches zero.

Once again, the findings in Table 2 are robust to alternative model specifications. We replicate the models from Table 1 as pooled cross-sectional models in which we drop the district fixed effects (Table A.8 in Supporting Information); we again use a transformed operationalization of the dependent variable that expresses childcare spots per inhabitant (Table A.9 in Supporting Information), and we additionally control for the

number of children below three living in a district (Table A.10 in [Supporting Information](#)). The results remain unchanged in these alternative model specifications.

A potential objection to our evidence of the continuing importance of partisan and fiscal factors could be the issue of staff shortages. The increasing difficulties for childcare providers to find qualified staff (Rauschenbach et al. 2020) could imply that fiscal and partisan factors have become less decisive as determinants of childcare supply. In additional analyses, we examine child–staff ratios as a proxy measure of potential bottlenecks in the availability of childcare staff (the results and a more detailed discussion are included in Appendix C in [Supporting Information](#)). We find higher child–staff ratios to be associated with higher childcare coverage rates, which suggests that childcare expansion could face limits due to increasing difficulties in finding staff (Table C.1 in [Supporting Information](#), Models 1 and 2). However, accounting for the conditional impact of fiscal conditions shows that this association is driven mostly by municipalities in adverse fiscal conditions (Figure C.1 in [Supporting Information](#)). Under favorable local fiscal conditions, child–staff ratios are insensitive to overall coverage rates. We conclude that staff shortages are unlikely to constitute a purely secular phenomenon, but are, at least to some extent, a reflection of local-level fiscal conditions.

Overall, the results in these first two parts of the analysis show that despite the legal entitlement to childcare, both local government partisanship and fiscal conditions continue to matter for regional variation in childcare provision. Specifically, turnovers from right-wing to left-wing local governments are associated with a more pronounced expansion of childcare (Table 1), while long-term fiscal conditions are correlated with regional variation in coverage rates (Table 2).¹⁵ While left-wing governments expanded childcare more aggressively on average during our observation period, this partisan effect was insufficient to overcome the persistent disadvantages faced by fiscally constrained districts.

6.3 | How Do Local Governments Reconcile the Legal Entitlement for Childcare With Shortages in Childcare Supply?

Our findings above indicate a high level of continuity in local variation in childcare ratios. This raises the question of how local governments meet the requirements for the legal entitlement for care places, particularly if they are located in economically disadvantaged regions or are ideologically leaning to the right, as both factors are associated with lower childcare coverage rates. In this context, local childcare fees constitute an instrument affecting the balance between demand for and supply of childcare. Local governments have discretion over parental fees and by deciding on levels and structure of fees, they deliberately or not modify parents' demand for childcare. In this step of the analysis, we thus aim to test whether local government partisanship, local fiscal conditions, and their interaction matter for levels of childcare fees (Hypotheses 4–6).

In the following, we present associations between childcare fees, local government partisanship, and local fiscal conditions for 47

municipalities from North Rhine-Westphalia. We report fees around 2008, that is, when the legal entitlement was announced, and how they have changed between 2008 and the current period (2023). We focus our discussion on fees for low-income families (€30,000 of gross annual household, cf. Geis-Thöne 2018) because fees in the lower income brackets can be expected to be particularly decisive for access to childcare (Abrassart and Bonoli 2015). We report the results for high-income fees in [Supporting Information](#). For our fiscal variables, we report pre-COVID-19 lagged multiyear averages to avoid bias from short-term fluctuations in fiscal conditions (see Appendix B in [Supporting Information](#) for further explanation). Due to the low number of observations, this step of our analysis is more explorative and relies on bivariate correlations and scatterplots.

Around 2008, on average, there were no direct associations between low-income fees and local government partisanship (Hypothesis 4) and the fiscal variables (Hypothesis 5), respectively. Bivariate correlations are statistically insignificant (Table B.3 in [Supporting Information](#)). However, once again, clearer associations exist when considering the conditional relationship between partisanship and fiscal conditions (Hypothesis 6): municipalities with a left-wing mayor opted for lower fees, the higher their revenue from business taxes was in the preceding years (dashed regression line in the upper-right plot in Figure 3; $r = -0.36$; $p = 0.08$).

Municipalities' fiscal conditions became more relevant for how low-income fees developed in the period 2008–2023 (lower plots in Figure 3). On average, fees declined from €103 to €69 during this time period. The decline in fees primarily took place in municipalities with lower debt ($r = 0.33$; $p = 0.02$) and higher tax revenue ($r = -0.29$; $p = 0.05$), providing support for Hypothesis 5. For cities in poor fiscal conditions, fees were more likely to remain unchanged. Again, direct associations with partisanship are absent, contrary to Hypothesis 4 (Table B.3 in [Supporting Information](#)). However, we find evidence of the consequences of government partisanship being conditional on the local fiscal situation (Hypothesis 6). There is no association between fees and fiscal conditions for cities with more right-wing governments (dotted regression lines), but there is a significant association between business tax revenue and changes in fees for cities with more left-wing governments (dashed regression line in the lower-right plot; $r = -0.55$; $p = 0.01$).

The pattern in the lower plots in Figure 3 suggests that municipalities in poorer fiscal conditions are more in need of raising revenue via childcare fees to finance childcare expansion. However, strikingly, the pattern identified in Figure 3 for low-income fees is absent for high-income fees (Figure B.1 in [Supporting Information](#)). Thus, it is *not* the case that municipalities in poorer fiscal conditions would increase fees for families with high incomes more strongly to meet financing demands.¹⁶

The discrepancy between fiscal conditions and fees for families with low and high incomes suggests that local governments might in fact anticipate the effects of fees on families' demand for childcare. To examine this possibility in more detail, we plot the associations between changes in low-income fees and childcare ratios in 2023 in Figure 4, which shows a negative

association ($r = -0.25$; $p = 0.09$). Municipalities that lowered their fees more strongly since the announcement of the legal entitlement realized higher childcare coverage ratios in 2023. On average, a decrease in fees by €100 is associated with a higher

childcare ratio of 2.58 percentage points, as indicated by the estimated bivariate regression line. This association is absent for changes in fee levels both for families with middle incomes ($r = -0.01$; $p = 0.94$) and it is even positive for fees for families

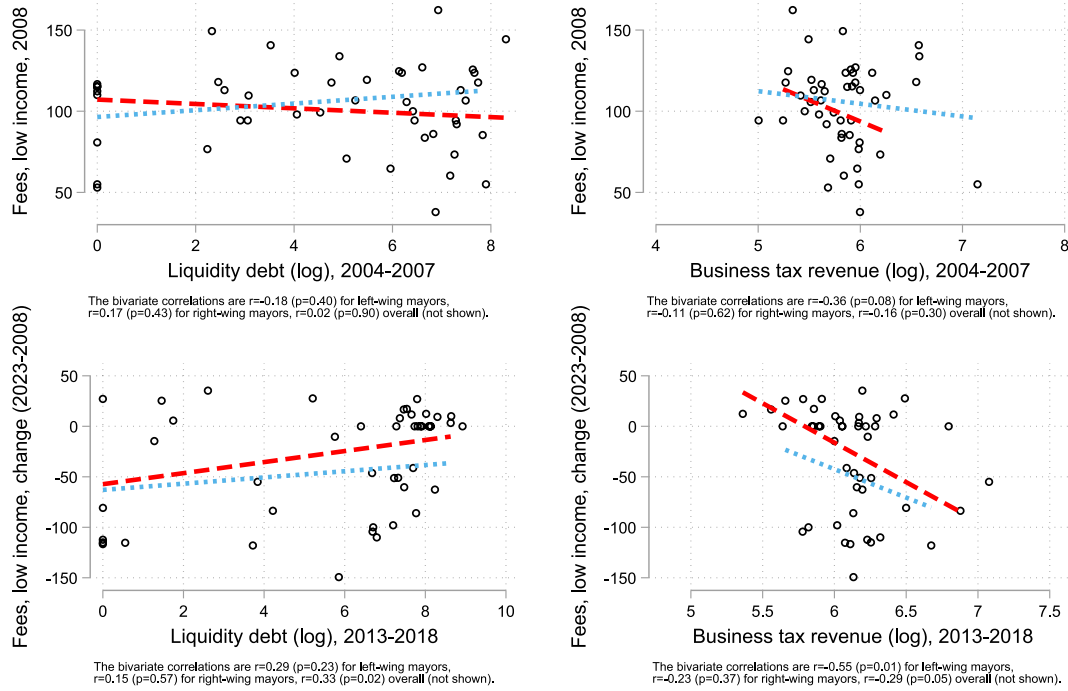


FIGURE 3 | Associations between district-level childcare fees for parents with low incomes and liquidity debt and business tax revenue, respectively. The figure is based on data for 47 North Rhine-Westphalian municipalities. Fees are monthly fees (in euros) at an annual income of €30,000. The upper row reports fee levels in 2008; the lower row reports changes in fees between 2008 and 2023. See Table B.1 in Supporting Information for the exact years for which data on fees were collected. Values for liquidity debt and business tax revenues are multiyear averages for the years 2004–2007 (upper row) and 2013–2018 (lower row), respectively. The lines represent bivariate regression lines for municipalities with a left-wing (dashed lines) and non-left-wing mayor (dotted lines) in 2008 (upper plots) and for municipalities with values below and above the median number of years with a left-wing mayor since 2009 (lower plots).

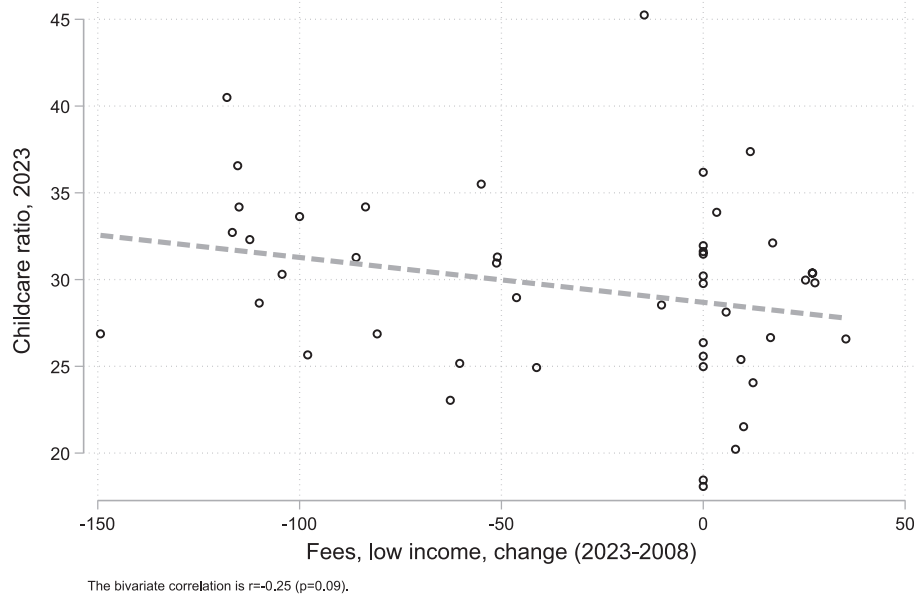


FIGURE 4 | District-level childcare fees for parents with low incomes and childcare coverage. The figure is based on data for 47 North Rhine-Westphalian municipalities. Changes in fees are the change between 2008 and 2023 in monthly fees (in euro) at an annual income of €30,000. See Table B.1 in Supporting Information for the exact years for which data on fees were collected.

with high incomes ($r=0.29$; $p=0.05$), respectively (Table B.4 in Supporting Information).¹⁷

Taken together, the associations discussed above suggest that the interplay between local partisanship and fiscal conditions matters for levels of parental childcare fees (cf. Hypotheses 4–6). The discrepancy in the associations between fiscal conditions and fees for low- and high-income families, furthermore, suggests that fees appear not only to constitute a revenue stream for local governments but that local governments could also consider them as an instrument to steer demand for childcare. Combined with survey evidence that fees are a relevant factor influencing parents' decision to use childcare (Faas et al. 2023, 175), these additional results illustrate how local governments and fiscal conditions are decisive in shaping childcare expansion at the local level. As the differences in the associations between low- and high-income fees and coverage rates suggest, relatively high fees for families with low incomes are likely to intensify social inequalities in access to childcare.

7 | Conclusion

In line with the rising prominence of a social investment paradigm in social policy research, various countries have significantly expanded early childhood education and care in recent years. Advocates of childcare expansion expect strong social and economic returns, benefiting children's social and cognitive development and work-family reconciliation. Nevertheless, scholars identified a continued relevance of political, economic, and institutional context factors that in many places inhibited an expansion of access to childcare (Busemeyer and Seitzl 2018; Ronchi 2018). In this context, a legal entitlement to childcare has been highlighted as a central policy element that should help to extend access to childcare also to disadvantaged families (Van Lancker and Ghysels 2016).

In this paper, we studied the local dynamics of childcare expansion in West Germany between 2007 and 2019. Germany is an ideal test case because its federal government recently introduced a legal entitlement to childcare. This entitlement, however, is implemented at the local level, which is characterized by large variations in political, economic, and fiscal conditions. Analyzing childcare expansion and coverage in Germany thus allowed us to assess to what extent the identified context factors continue to matter, despite a formal legal entitlement being in place.

We find local partisan politics and fiscal conditions to continue to be relevant for regional variation in childcare coverage. Expansion is weaker under right-wing local governments. While expansion rates do not respond to short-term fluctuations in liquidity debt and business tax revenue, coverage rates continue to be lower in socioeconomically disadvantaged areas. In these areas, the structural persistence of fiscal disadvantage leads to underinvestment in childcare, despite the existence of the legal entitlement. Correspondingly, the associations between government partisanship and childcare coverage rates are conditional on the long-term local fiscal situation. Our results clearly show

that in fiscally disadvantaged regions, left-wing government partisanship has been insufficient to raise childcare coverage rates to the levels found in fiscally better-endowed regions.

In more explorative steps of the analysis, we examine how local governments in fiscally constrained contexts might nevertheless aim to meet the legal obligation to provide childcare. Focusing on the role of parental fees, our results for 47 large cities in the German state of North Rhine-Westphalia suggest that levels and structure of fees matter for childcare use and availability. Fees for families with low income, in particular, remain at higher levels, if local fiscal constraints are more severe. At the same time, a stronger decrease in fees for low-income families in the years since the enactment of the legal entitlement is associated with higher childcare coverage rates. In contrast, associations are absent for fees in the middle- and high-income brackets. Thus, if local governments set fees for low-income families at a relatively high level, they appear to lower demand for childcare, but at the cost of intensified social inequalities in access to childcare.

Our results provide important insights into the prospect of further childcare expansion in the context of Germany's fiscal federalism. First, despite constraining federal- and state-level regulatory frameworks, local elections and local political majorities do make a difference, as left-wing and right-wing parties differ in their ambitions devoted to expanding childcare. Second, various studies over the recent years have highlighted that municipalities' funding to finance childcare provision is insufficient and that indebted and socioeconomically disadvantaged municipalities would require additional support to make their financial situation more sustainable (e.g., Boettcher et al. 2021; Junkernheinrich 2019). Our results confirm that the structural underfunding of municipalities constitutes a significant obstacle to removing remaining barriers in access to childcare. In addition, our supplementary analyses suggest that potentially the biggest barrier to further childcare expansion, the lack of qualified staff, is unlikely to reflect a secular development related to demographic change, but one that is at least partly an expression of local fiscal constraints.

Our results are furthermore relevant for the study of the politics of childcare beyond the case of Germany. Local-level fiscal austerity has been identified as an obstacle to adequate childcare provision in countries such as England (West et al. 2020, 686), Denmark, or Sweden (de la Porte et al. 2023). At the same time, the debate in cross-national comparative research is ongoing about the conditions under which partisan effects should be expected for childcare expansion (Abou-Chadi and Wagner 2019; Garritzmann et al. 2022; Morgan 2013; Nelson and Giger 2019; Schwander 2018). As Garritzmann et al. (2022, 3) argue “there is not *one* type of social investment” (emphasis in original) but many, and each comes with a distinct distributive profile backed by different underlying political coalitions. We see merit in this perspective and expect our framework about the interplay between partisan political and fiscal factors and the associated consequences for access to and funding of childcare to be also applicable in other country contexts.

We also see various avenues for future research to build upon our findings and to address some limitations of our analysis. First, while we identified an effect of left-wing local

government partisanship on childcare expansion, recent studies highlighted the importance of female representation in city councils (Walenta-Bergmann 2023; Yamada 2024). While data limitations did not allow us to test for the role of female political representation, it remains to be seen to what extent this factor may moderate our finding of partisan effects. Second, our analysis provided insights into the statistical associations between characteristics of childcare provision and political and fiscal factors. To shed light on the exact mechanisms of how local fiscal and political conditions affect local-level childcare governance, we see merit in further qualitative research on this issue (e.g., Jehles 2023). Whereas, due to data limitations, our analysis relied on (changes in) childcare ratios as a proxy measure of childcare supply, more fine-grained analyses could identify more clearly demand- and supply-side related factors and capture more directly local governments' concrete policy choices to expand childcare. Third, given the discrepancy in the effect estimates between our long-term and short-term fiscal indicators, it appears worthwhile to examine the role of local administrative capacities, how they depend on local structural fiscal conditions, and how they affect local governments' abilities to implement the expansion of childcare places (Beramendi et al. 2015; Bremer et al. 2023). Finally, instead of assessing differences between left- and right-wing government partisanship, our analysis could be extended by taking into account that party competition may take place in a multidimensional policy space (Beramendi et al. 2015; Schwander 2018). Data limitations prevented us from exploring the impact of potential differences in partisan positioning along a socioeconomic or a sociocultural dimension of party competition. Examining this could help to understand the local politics of childcare expansion even better.

Acknowledgments

Previous versions of this manuscript were presented at the 29th International Conference of Europeanists of the Council for European Studies in Reykjavik (June 2023), at the Forschungsverbund DJI/TU Dortmund (October 2023), and at the German Institute for Interdisciplinary Social Policy Research (May and June 2024). We thank the participants as well as Olivier Jacques, Thomas Rauschenbach, Christiane Meiner-Teubner, three anonymous reviewers, and the editor for very helpful comments and suggestions. Nils Blossey, Antonella Faggin, Robin Hetzel, and Simon Schnirzer provided valuable research assistance. Open Access funding enabled and organized by Projekt DEAL.

Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

Endnotes

¹ Similar to Hypotheses 1–3, we expect the effects to manifest over time and in terms of regional variation. However, for the case of childcare fees, data limitations do not allow us to test our hypotheses in time series analyses. This is why, at this stage, we focus on regional variation only.

² More recent legislation that also came with additional funding falls after our main period of investigation (including the *Gute-Kita-Gesetz* from 2019 and its successor the *Kita-Qualitätsgesetz* from 2023).

³ Youth welfare offices (*Jugendämter*) are the central regulatory bodies with respect to childcare. They are mostly located at the level of districts and district-free cities, but some larger non-district-free municipalities also run their own youth welfare office (Scholz et al. 2019; Stöbe-Blossey 2012).

⁴ For children below three, for the years and districts in our sample, all Länder allowed their municipalities to charge fees (Hubert et al. 2021, 14).

⁵ As a robustness check, we use a transformed operationalization of our dependent variable, allowing us to measure childcare slots per inhabitant (cf. Baskaran and Hessami 2023). The results remain unchanged.

⁶ These liquidity loans are not meant to finance long-term investment in Germany; instead, municipalities use them to cover short-term cash flow gaps in their operational budgets. A heavy reliance on these loans indicates that a municipality struggles to meet its day-to-day expenses, that is, that its revenues are insufficient to cover its costs. Given that liquidity loans are disproportionately concentrated in economically weaker regions, they are useful to distinguish between municipalities experiencing different levels of fiscal stress.

⁷ Levels of social security spending are likely related to our two fiscal variables of business tax revenue and liquidity debt and might control away parts of the effect size of these variables. We run additional models where we exclude social security spending (Tables A.6 and A.11 in Supporting Information) and additionally control for GDP growth to account for economic fluctuations (Table A.7 in Supporting Information). The results remain unchanged.

⁸ In additional models, we additionally control for unemployment rates to capture how local labor market conditions may intervene in demand for and supply of childcare (Tables A.15 and A.16 in Supporting Information).

⁹ In the regression models that do not include district fixed effects, we divide the number of children below three by total population size. This is to ensure that population size does not confound our measure with which we intend to control for the demand of childcare. We add population size as a control in additional robustness models. In the district fixed effects models, the fixed effects hold constant the influence of differences in population numbers across municipalities.

¹⁰ Unit root tests show that all variables included in the analysis are stationary, indicating that non-stationarity of the time series, which could threaten the validity of the analysis, cannot be detected. Our inclusion of year dummies provides an additional safeguard against non-stationarity in the time series (Beck and Katz 2011). Additional models using panel corrected standard errors with first-order autocorrelation, and using first differences of the dependent variable lead to highly similar results (Table A.3 in Supporting Information).

¹¹ We are unable to split the time period for the fixed effects models because the number of years would become too low.

¹² The patterns discussed in this section are similar when looking at childcare expansion until 2023, the most recent year for which data on childcare coverage rates are available. See note in Figure A.1 in Supporting Information.

¹³ Adding physical investment as a control variable does not alter the findings from Table 1 (see Tables A.5 and A.12 in Supporting Information).

¹⁴ We include models for the time period before the legal entitlement (2007–2012) in Supporting Information (Table A.14).

¹⁵ To further examine the implications of the diverging findings within and between districts, we run additional fixed effects models including interaction terms between our annual measures of

partisanship and our fiscal measures averaged across the observation period (Giesselmann and Schmidt-Catran 2022). The results for these interactive models are statistically insignificant (Table A.13 in Supporting Information). The different interaction effects in Table 2 and Table A.13 in Supporting Information could be explained by two possible explanations: first, moderate catch-up effects in childcare expansion in districts with initially low coverage rates (cf. Figure A.1 in Supporting Information); or second, the fact that fixed effects models capture only within-district variation of partisan effects, whereas the between-district models also capture partisan effects of districts without government turnover.

¹⁶ This finding is even more striking because the recent federal childcare reform in 2019 (*Gute-Kita-Gesetz*), exempted various welfare recipient groups from paying fees. This policy has led to a decrease in the revenue generated based on fee payments from lower-income families.

¹⁷ The city of Dülmen emerges as a major outlier for these associations. Being the second smallest city in the sample in terms of number of children below three and being in a relatively sound fiscal condition (only six cities in the sample had lower liquidity debt per capita), with 45% it had by far the highest childcare coverage rate in 2023. Dropping Dülmen from the sample strengthens the negative association between childcare coverage rates and changes in low-income fees to $r=0.31$, $p=0.04$, and weakens the association with changes in high-income fees to $r=0.25$, $p=0.09$.

References

- Abou-Chadi, T., and M. Wagner. 2019. "The Electoral Appeal of Party Strategies in Postindustrial Societies: When Can the Mainstream Left Succeed?" *Journal of Politics* 81, no. 4: 1405–1419.
- Abrassart, A., and G. Bonoli. 2015. "Availability, Cost or Culture? Obstacles to Childcare Services for Low Income Families." *Journal of Social Policy* 44, no. 4: 787–806.
- Andronesco, C. G., and M. E. Carnes. 2015. "Value Coalitions and Policy Change: The Impact of Gendered Patterns of Work, Religion and Partisanship on Childcare Policy Across German States." *Journal of European Social Policy* 25, no. 2: 159–174.
- Baskaran, T., and Z. Hessami. 2023. "Women in Political Bodies as Policymakers." *Review of Economics and Statistics* 2023: 1–46.
- Beck, N., and J. N. Katz. 2011. "Modeling Dynamics in Time-Series-Cross-Section Political Economy Data." *Annual Review of Political Science* 14: 331–352.
- Benz, A. 1999. "From Unitary to Asymmetric Federalism in Germany: Taking Stock After 50 Years." *Publius: The Journal of Federalism* 29, no. 4: 55–78.
- Beramendi, P., S. Häusermann, H. Kitschelt, and H. Kriesi, eds. 2015. *The Politics of Advanced Capitalism*. Cambridge University Press.
- Boettcher, F., R. Freier, and R. Geißler. 2021. *Bertelsmann Kommunalen Finanzreport A*. Bertelsmann Stiftung.
- Bogumil, J., L. Holtkamp, M. Junkernheinrich, and U. Wagschal. 2014. "Ursachen Kommunaler Haushaltsdefizite." *Politische Vierteljahresschrift* 55: 614–647.
- Boix, C. 1997. "Political Parties and the Supply Side of the Economy: The Provision of Physical and Human Capital in Advanced Economies, 1960–90." *American Journal of Political Science* 41, no. 3: 814–845.
- Bonoli, G. 2013. *The Origins of Active Social Policy: Labour Market and Childcare Policies in a Comparative Perspective*. Oxford University Press.
- Brambor, T., W. R. Clark, and M. Golder. 2006. "Understanding Interaction Models: Improving Empirical Analyses." *Political Analysis* 14, no. 1: 63–82.
- Braml, M., and G. Felbermayr. 2018. "Regionale Ungleichheit in Deutschland und der Eu: Was Sagen Die Daten?" *Ifo Schnelldienst* 71, no. 7: 37–49.
- Bremer, B., and R. Bürgisser. 2023. "Public Opinion on Welfare State Recalibration in Times of Austerity: Evidence From Survey Experiments." *Political Science Research and Methods* 11, no. 1: 34–52.
- Bremer, B., D. Di Carlo, and L. Wansleben. 2023. "The Constrained Politics of Local Public Investment Under Cooperative Federalism." *Socio-Economic Review* 21, no. 2: 1007–1034.
- Breunig, C., and M. R. Busemeyer. 2012. "Fiscal Austerity and the Trade-Off Between Public Investment and Social Spending." *Journal of European Public Policy* 19, no. 6: 921–938.
- Busemeyer, M. R., and L. Seitzl. 2018. "The Partisan Politics of Early Childhood Education in the German Länder." *Journal of Public Policy* 38, no. 2: 243–274.
- de la Porte, C., T. P. Larsen, and Å. Lundqvist. 2023. "Still a Poster Child for Social Investment? Changing Regulatory Dynamics of Early Childhood Education and Care in Denmark and Sweden." *Regulation & Governance* 17: 628–643.
- Faas, S., K. Kluczniok, and S. Stöbe-Blossey. 2023. "Evaluationsstudie zur Umsetzung des Gesetzes zur Weiterentwicklung der Qualität und zur Verbesserung der Teilhabe in Tageseinrichtungen und in der Kindertagespflege (Kiqutg)." Duisburg, Berlin, Schwäbisch-Gmünd.
- Fleckenstein, T., and M. Seeleib-Kaiser. 2011. "Business, Skills and the Welfare State: The Political Economy of Employment-Oriented Family Policy in Britain and Germany." *Journal of European Social Policy* 21, no. 2: 136–149.
- Garrizmann, J. L., S. Häusermann, and B. Palier. 2022. *The World Politics of Social Investment: Volume I: Welfare States in the Knowledge Economy*. Oxford University Press.
- Garrizmann, J. L., L. Röth, and H. Kleider. 2021. "Policy-Making in Multi-Level Systems: Ideology, Authority, and Education." *Comparative Political Studies* 54, no. 12: 2155–2190.
- Geis-Thöne, W. 2018. *Familien Müssen Für Die Gleiche Betreuung in Der Kita Unterschiedlich Viel Geld Bezahlen*. IW-Report 50/18. Institut der Deutschen Wirtschaft.
- Giesselmann, M., and A. W. Schmidt-Catran. 2022. "Interactions in Fixed Effects Regression Models." *Sociological Methods & Research* 51, no. 3: 1100–1127.
- Goerres, A., and M. Tepe. 2013. "Für Die Kleinen Ist Uns Nichts Zu Teuer – Kindergartengebühren Und Ihre Determinanten in Deutschlands." *Dms – der Moderne Staat – Zeitschrift für Public Policy, Recht und Management* 6, no. 1: 169–190.
- Gross, M., and M. Jankowski. 2020. "Dimensions of Political Conflict and Party Positions in Multi-Level Democracies: Evidence From the Local Manifesto Project." *West European Politics* 43, no. 1: 74–101.
- Hainmueller, J., J. Mummolo, and Y. Xu. 2019. "How Much Should We Trust Estimates From Multiplicative Interaction Models? Simple Tools to Improve Empirical Practice." *Political Analysis* 27, no. 2: 163–192.
- Heckman, J. J. 2006. "Skill Formation and the Economics of Investing in Disadvantaged Children." *Science* 312: 1900–1902.
- Hemerijck, A. 2018. "Social Investment as a Policy Paradigm." *Journal of European Public Policy* 25, no. 6: 810–827.
- Hogbe, N. 2016. *Choice and Equal Access in Early Childhood Education and Care: The Case of Germany*. ICMEC International Seminar Series Working Paper No. 1, International Centre for the Study of the Mixed Economy of Childcare. UEL's Cass School of Education and Communities.
- Holtkamp, L., E. Wiechmann, and M. Buß. 2017. *Genderranking Deutscher Großstädte 2017*. Böll.brief Demokratiereform #3. Heinrich Böll Stiftung.

- Hubert, S., A. Jähnert, U. Hegemann, and S. Kuger. 2021. *Elternbeiträge in Der Kindertagesbetreuung: Ungleichheiten, Teilhabe, Verbesserungen*. Deutsches Jugendinstitut eV.
- INKAR. 2023. *Inkar Database*. Bundesinstitut für Bau-, Stadt- und Raumforschung (BBSR).
- Jacques, O. 2020. "Partisan Priorities Under Fiscal Constraints in Canadian Provinces." *Canadian Public Policy* 46, no. 4: 458–473.
- Jehles, N. 2023. "(K)eine Kita für Alle ?!" Kommunale Einflussmöglichkeiten Auf Die Reproduktion Sozialer Ungleichheit im Frühkindlichen Bildungssystem." In *Bildungskommunen. Bedeutung und Wandel kommunaler Politik und Verwaltung im Bildungswesen*, edited by C. Brüggemann, B. Hermstein, and R. Nikolai, 72–90. Beltz Juventa.
- Junkernheinrich, M. 2019. "Gleichwertigkeit der Lebensverhältnisse und Die Kommunal Finanzen." *Wirtschaftsdienst* 99: 36–43.
- Kropp, S., and N. Behnke. 2016. "Marble Cake Dreaming of Layer Cake: The Merits and Pitfalls of Disentanglement in German Federalism Reform." *Regional & Federal Studies* 26, no. 5: 667–686.
- Lipsmeyer, C. S. 2011. "Booms and Busts: How Parliamentary Governments and Economic Context Influence Welfare Policy." *International Studies Quarterly* 55, no. 4: 959–980.
- Lloyd, E., and H. Penn. 2012. *Childcare Markets: Can They Deliver an Equitable Service?* Policy Press.
- Meiner, C. 2014. *Jeder Nach Seinen Möglichkeiten. Zur finanziell Ungleichen Belastung Von Familien Durch Kindertagesbetreuung in Nordrhein-Westfalen*. Forschungsverbund DJI/TU Dortmund.
- Morel, N., B. Palier, and J. Palme. 2012. *Towards a Social Investment Welfare State?* Policy Press.
- Morgan, K. J. 2013. "Path Shifting of the Welfare State: Electoral Competition and the Expansion of Work-Family Policies in Western Europe." *World Politics* 65, no. 1: 73–115.
- Mosimann, A., and N. Giger. 2008. "Zwischen Parteipolitik und Gesellschaftlicher Notwendigkeit. Familienergänzende Kinderbetreuung Auf Kommunal Ebene." *Soziale Welt* 59, no. 3: 227–246.
- Neimanns, E. 2022a. "Making Mothers Stay at Home? Analyzing the Impact of Partisan Cueing on Attitudes Toward Maternal Employment." *Social Politics* 29, no. 3: 831–855.
- Neimanns, E. 2022b. "Preferences, Vote Choice, and the Politics of Social Investment: Addressing the Puzzle of Unequal Benefits of Childcare Provision." *Journal of Social Policy* 51, no. 4: 945–964.
- Neimanns, E., and M. R. Busemeyer. 2021. "Class Politics in the Sandbox? An Analysis of the Socio-Economic Determinants of Preferences Towards Public Spending and Parental Fees for Childcare." *Social Policy & Administration* 55, no. 1: 226–241.
- Nelson, M., and N. Giger. 2019. "Social Investment by Popular Demand? The Electoral Politics of Employment-Centered Family Policy." *Comparative European Politics* 17, no. 3: 426–446.
- OECD. 2023. *Family Database*. OECD.
- Pennerstorfer, A., and D. Pennerstorfer. 2020. "Inequalities in Spatial Accessibility of Childcare: The Role of Non-Profit Providers." *Journal of Social Policy* 50: 122–126.
- Person, C. 2021. "Determinanten der Kommunalen Steuerpolitik." *Zeitschrift für Politikwissenschaft* 31: 359–391.
- Ramboll. 2020. *Studie Zur Ausgestaltung Der Eltern- Beiträge in Deutschland*. Ramboll Management Consulting GmbH, im Auftrag des Bundesministerium für Familie, Senioren, Frauen und Jugend.
- Rauschenbach, T., C. Meiner-Teubner, M. Böwig-Schmalenbrock, and N. Olszenka. 2020. *Plätze. Personal. Finanzen. Bedarfsorientierte Vorausberechnung für Die Kindertages- und Grundschulbetreuung Bis 2030. Teil 1: Kinder Vor Dem Schuleintritt*. Forschungsverbund DJI/TU Dortmund.
- Regionalstatistik. 2023. *12411-02-03-4: Bevölkerung Nach Geschlecht Und Altersgruppen (17) – Stichtag 31.12. – Regionale Tiefe: Kreise Und Krfr. Städte*. Destatis.
- Riedel, N., M. Simmler, and C. Wittrock. 2021. "Do Political Parties Matter? Evidence From German Municipalities." *German Economic Review* 22, no. 2: 153–198.
- Ronchi, S. 2018. "Which Roads (If Any) to Social Investment? The Recalibration of Eu Welfare States at the Crisis Crossroads (2000–2014)." *Journal of Social Policy* 47, no. 3: 459–478.
- Schober, P. S. 2020. "Going Regional: Local Childcare Provision and Parental Work–Care Choices in Germany." In *Palgrave Handbook of Family Policy*, edited by R. Nieuwenhuis and W. Van Lancker, 485–509. Palgrave Macmillan.
- Scholz, A., K. Erhard, S. Hahn, and D. Harring. 2019. *Inequalities in Access to Early Childhood Education and Care in Germany*. Working Paper 2, International Centre Early Childhood Education and Care.
- Schwander, H. 2018. "Electoral Demand, Party Competition, and Family Policy: The Politics of a New Policy Field." In *Welfare Democracies and Party Politics: Explaining Electoral Dynamics in Times of Changing Welfare Capitalism*, edited by P. Manow, B. Palier, and H. Schwander, 197–224. Oxford University Press.
- Seils, E., and D. Meyer. 2013. "Bestimmungsgründe Der Öffentlichen Kleinkinderbetreuung Im Regionalen Vergleich." *WSI-Mitteilungen* 66, no. 4: 273–280.
- Stöbe-Blossey, S. 2012. "Governance Und Qualität in Der Elementarbildung." In *Governance Von Schul- und Elementarbildung: Vergleichende Betrachtungen Und Ansätze Der Vernetzung*, edited by M. Ratermann and S. Stöbe-Blossey, 81–120. Springer.
- Suryanarayan, P. 2024. "Endogenous State Capacity." *Annual Review of Political Science* 27: 223–243.
- Van Lancker, W., and J. Ghysels. 2016. "Explaining Patterns of Inequality in Childcare Service Use Across 31 Developed Economies: A Welfare State Perspective." *International Journal of Comparative Sociology* 57, no. 5: 310–337.
- Wagschal, U. 1996. "Der Einfluss Von Parteien und Wahlen Auf Die Staatsverschuldung." *Swiss Political Science Review* 2, no. 4: 1–26.
- Wagschal, U. 2018. "Parteipolitik Und Haushaltskonsolidierung in Den Bundesländern (1992–2016)." *Zeitschrift für Vergleichende Politikwissenschaft* 12, no. 4: 703–723.
- Walenta-Bergmann, C. 2023. "Does Local Political Representation Affect the Childcare Coverage Rate in Austrian Municipalities?" *Social Politics: International Studies in Gender, State & Society* 30, no. 4: 1162–1185.
- West, A., A. Blome, and J. Lewis. 2020. "What Characteristics of Funding, Provision and Regulation Are Associated With Effective Social Investment in Ecec in England, France and Germany?" *Journal of Social Policy* 49, no. 4: 681–704.
- Yamada, A. 2024. "Gender Representation and Policy Implementation: Is It Women or the Left Wing That Increases the Childcare Supply?" *Social Politics: International Studies in Gender, State and Society* 31, no. 3: 558–585.

Supporting Information

Additional supporting information can be found online in the Supporting Information section.