
Where next for childcare?

Learning from the last ten years of childcare policy

Adam Butler with Duncan Lugton and Jill Rutter



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Executive Summary

The modern childcare system is best understood in the context of the government's late entry into childcare policy. Despite the strong post-war growth in maternal employment and the gradual evolution of early education provision, it was not until the 1990s that the government directly engaged with childcare policy, a move largely driven by growing demand for childcare from higher earning working mothers.

By the time the first tax reliefs for childcare were introduced in 1994, childcare in the UK consisted of a disjointed system of reception and nursery classes, nursery schools and sessional pre-schools, and a limited private market of nurseries and childminders. Policy and decision makers were faced with the challenge of building on this patchy system that had developed organically rather than strategically.

From 1994, government intervention in childcare greatly accelerated, much of this as a result of three government childcare strategies. The first of these, published in 1998, focused on a rapid expansion of childcare places and the creation of a national system of quality regulation. A subsequent 2002 Inter-departmental Childcare Review, continued the trend of investing in places and responded to strategic challenges such as creating sustainable provision in disadvantaged areas. Finally, the 2004 ten year childcare strategy was published six months before the May 2005 election and set the agenda for the next Parliament. The 2004 childcare strategy stands out because it was by far the most comprehensive strategy in its reach and the first to attempt to provide a unifying framework for childcare policy.

Assessing the 2004 childcare strategy and ten years of policy

The political and economic context in 2004 differs vastly from today, and it would be wrong to imply there has been consistency of policy over this last decade. Nonetheless, the Labour and coalition

governments have shared a common set of policy goals and pursued them through similar means. While the present government has been responsible for some significant divergences from the initial childcare strategy vision, the framework the 2004 strategy described continues to shape contemporary policy.

Evaluating a long term government strategy poses significant challenges. Based on the framework set out by Centre for Analysis of Social Exclusion, our approach has been to trace each chain of policy action initiated by the strategy and to consider what measurable outcomes were achieved. We have also made a more subjective assessment of progress against the four broad aims on the 2004 childcare strategy, which we set out below.

1. Choice and flexibility (parental employment)

Strategy goal: Parents to have greater choice about balancing work and family life

Key policy actions: The extension of paid maternity leave from 26 to 39 weeks from 2007, legislation giving mothers a right to transfer part of this leave to fathers as additional paternity leave; and the extension of flexible working legislation.

- Maternal employment has remained strong during the last decade, and perhaps surprisingly during the recession, as families compensate for falling real wages. The gap between the maternal employment rate and the single parent employment rate has also continued to close. Strong female employment has contributed to a falling gender pay gap. However, in recent years the growth rate of both maternal and single parent employment has stalled, as has the decline in the gender pay gap. Maternal employment in the UK also remains below many other European countries.

- Many parents with young children are still discouraged or prevented from working by a lack of suitable opportunities, the cost or availability of childcare and high marginal tax rates.
- Attitudes among employers to flexible working have regressed during the recession and in 2012, fewer employees reported access to flexitime, compressed hours, term time only working and job shares compared with 2007. The extension of paid maternity leave to 39 weeks in 2007 helped more working mothers to stay in their existing roles but had little impact on rates of return to work.
- Transferable parental leave and additional paternity leave had limited take-up due to the low rate at which parental leave is paid. Extending the flexibility of shared parental leave is a positive step but is likely to have a limited impact on employment patterns for the same reason.
- The key factors in providing choice for parents and supporting work-family balance are the availability of family-friendly work opportunities, the ability for parents to share caring responsibilities and meaningful financial incentives for 'second earners' to work. To make further progress in supporting families to meet work-life preferences and reduce disparities in employment outcomes for women, government must be more ambitious in each of these areas.

Recommendations:

- Create an initial month of 'use it or lose it' paternity leave paid at the same rate as maternity pay.
- Increase the level at which parental leave is paid rather than increasing the length of leave.
- Extend and renew the Modern Workplaces programme to strengthen flexible working entitlements.

- Improve marginal tax rates within Universal Credit through a more generous taper for second earners.

2. Availability

Strategy goal: For all families with children aged up to 14 who need it, an affordable, flexible, high quality childcare place that meets their circumstances.

Key policy actions: The Childcare Act 2006 placed a duty on local authorities to secure sufficient childcare for working parents; the out of school childcare initiative; and the extension of the universal early education offer from 33 to 38 weeks in 2010, and to the most disadvantaged two year-olds from 2013.

- There has been a large expansion of full daycare places but these places are often neither affordable nor flexible, limiting who has benefitted from investment in childcare. Flexible daycare places have grown slowest in the most deprived areas.
- The Childcare Act 2006 sufficiency duty has failed to provide a meaningful guarantee of childcare for working parents.
- The childcare system has a universal element through the early education offer but is far from universally inclusive. There are significant gaps in provision, with those often missing out including children with additional needs, families living in disadvantaged areas, parents from some minority ethnic communities, student parents, those with large families and parents making the transition into work.
- The regulated mixed market has not acted to fill gaps in provision.
- The current approach to childcare funding sustains a fragmented pattern of provision, with barriers between school, centre, nursery and home-based childcare. Many parents

compensate for the lack of integration through using multiple childcare providers.

Recommendations:

- Sufficient childcare should be a concrete parental entitlement that local government is funded to deliver.
- Central government should work with parents to hold to account those local authorities who fail to ensure sufficient provision.
- Greater funding is needed to provide sufficient childcare in disadvantaged areas.
- Childcare networks should be used to transition from fragmented provision to a coherent and integrated local childcare offer.

3. Quality

Strategy goal: High quality provision with a highly skilled childcare and early years workforce, among the best in the world.

Key policy actions: A series of funded initiatives to increase the number of graduates working in childcare, with the target that all settings should ultimately be led by a graduate; the creation of new qualifications and career structure; and the creation of the Early Years Foundation stage framework bringing together minimum standards and the learning and development curriculum.

The target that all settings should be professionally led was not met, but significant progress was made in improving the qualifications profile of the early years' workforce, with the proportion of daycare nursery managers holding a graduate qualification increasing to 28 per cent by 2011. The proportion of non-supervisory staff qualified to Level Three or above has also increased, but 27 per

cent of childminders had no Level Two qualifications in 2011.

- Early years' wages are poor, contributing to high staff turnover and difficulties in recruiting and retaining the most skilled and motivated workers. Wages for non-supervisory staff in daycare have remained just above the minimum wage, as they were in 2003, while wages for supervisory staff are around 73 per cent of the median national wage.
- Research shows that only high quality early education supports good social and educational outcomes and narrows the developmental gaps between the most disadvantaged children and their peers. But the potential of the free early education offer to improve outcomes for many children is currently limited by low standards. Only 44 per cent of children accessing the early education offer attend settings that are graduate-led.
- Gaps have developed in the regulatory and quality regime, with neither Ofsted nor local authorities helping providers improve their practice nor fully assessing important characteristics of quality. Local support for smaller providers and childminders is limited and fees can exclude those providers who would most benefit from support.

Recommendations:

- The government should implement the 2012 Nutbrown Review recommendations that all early years' staff should be qualified to Level Three and all setting should be professionally-led.
- The government should create a permanent workforce development fund to support improvements in staff qualifications.
- The government should use its funding of childcare places to lever up quality,

with providers' funding dependent on meeting quality standards.

- The government should clarify responsibility for quality improvement support and build local early years' quality networks to support providers.
- More schools should be encouraged to deliver early education, either through their own or 'linked' provision.

4. Affordability

Strategy goal: Families to be able to afford flexible, high quality childcare that is appropriate for their needs.

Key policy actions: A mixture of supply-side (provider) funding to deliver free early education and demand-side (parental) funding. The increase of the proportion of childcare costs that can be claimed under Working Tax Credit from 70 to 80 per cent from 2006, but a reduction in 2011; and the creation of the employer-supported childcare voucher scheme in 2005 (support under each of these schemes was subsequently scaled back from April 2011). Funding subsidies to be increased in 2015 and 2016 through a new £2,000 'voucher' and increased support through Universal Credit.

- In real terms, nursery costs in England for under-2s are approximately 20 per cent higher in 2014 than in 2004, and 23 per cent higher for over-2s. The impact of new support has been substantially reduced by price inflation: while the proportion of costs paid by families has reduced, the cost burden for many families has nonetheless increased.
- Less than a third of parents whose children are in formal childcare receive financial support outside of the early education offer, through tax credits or employer-supported childcare voucher schemes.
- For those parents who do receive support, the amount they receive

varies significantly and the support can be difficult to understand and administer. The system can disincentivise increasing hours of work. Not everyone has access to employer-supported vouchers; not all employers offer them; and not all childcare providers, particularly after-school clubs, accept them. Parents with similar characteristics may receive nothing or up to £1,866 of support each year, depending on whether one or both parents' employers offers access to the voucher scheme.

- Families who receive Working Tax Credit may receive nothing towards the cost of childcare, if one parent does not work; a relatively generous subsidy if there is no more than one child in the family; or a reduced subsidy if there are two or more children and full time childcare is required. This system causes particular problems for parents with young children making the transition back to work who may be studying or training, or taking short term work opportunities and moving into and out of employment.
- The proposed new £2,000 voucher to be introduced in 2015 childcare scheme will reach more parents but will disproportionately benefit those who need the least help. The extension of childcare support under Universal Credit is welcome but will ultimately make a relatively modest difference to families
- An increase in demand-side parental subsidies for childcare have been inflationary as providers, many of whom have tight profit margins, see this as an opportunity to put up prices. In the 18 months after 2003, reform in the tax credit system and increase in childcare tax credits support to cover a maximum of £94.40 childcare costs per week, there were big price rises. Nurseries for under twos went up

by 10 per cent, childminders by 11 per cent and after-school clubs saw the biggest hikes, going up 32 per cent over 18 months.

- In the UK parents pay out a higher proportion of their net income in childcare costs than in any other European country, except for Switzerland.

Recommendations:

- Simplify childcare funding based on a supply-side funding model to link investment in childcare to access and quality goals, prevent price inflation for parents, and better match the support parents receive with their use of, and ability to pay for, childcare.
- There are several viable options open to policy makers to reform childcare funding, drawing on the strengths of the existing system and successful international examples. As a first step, government should establish an independent review of childcare funding to examine options for reform and identify long term funding needs.

Learning from ten years of childcare policy: two steps towards reform

Both providers and governments can undoubtedly claim success in transforming childcare provision for the better. A great deal has been achieved from modest beginnings: there are far more childcare places and more people receive more help to meet the costs of childcare. Yet persisting access, quality and affordability problems temper this achievement. Many children continue to receive care in low quality settings, parents face frequent difficulties accessing childcare when it is needed, and childcare costs have not been brought under control.

At the heart of each of these challenges is our approach to funding childcare. A multitude of government funding streams has been set up at different times to meet different purposes and there has been insufficient thought about the impact of these on both providers and families. Complex funding mechanisms have also lead to disjointed policy making which dilutes the effectiveness of public funding investment in childcare. We have limited understanding of what the level of funding should be to best meet affordability, quality and access goals.

A number of lessons can be drawn from an assessment of recent childcare policy. Principle among these is the need for a coordinated national policy and vision. The 2004 childcare strategy identified the need to provide a unifying vision for childcare as a prerequisite for effective policy. Subsequent experience has demonstrated that the strategy, while successful in many respects, did not go far enough to realise this aim. The childcare system continues to reflect its past to a greater extent than it does the shared aspiration of reliable access to flexible, high quality care.

There is a danger that policy makers now think of childcare as 'about right' and momentum for reform stalls. There are significant challenges yet to be overcome in each area—quality, access and affordability—that matter to children and families. The task begun by government two decades ago is far from complete.

We want to see the government commit to a new childcare strategy. As part of this, it should set up an independent review of childcare funding that delivers the affordable and accessible childcare that parents need.

Introduction

From the end of the Second World War until the late 1990s, childcare was seen as a private matter for families. Some women could afford to employ nannies and childminders, but there were few nurseries or pre-schools. As late as 1990, there were just 59,000 nursery places in England and Wales, compared with near 1.8 million places today. Access to affordable childcare was extremely patchy, and as a consequence many women left the labour market when they had children. Until a Conservative Government created the first tax reliefs for childcare in 1994, the state's role in childcare was largely confined to a discretionary role for local authorities in providing pre-school education. Demographic and social pressure, alongside campaigning by Daycare Trust, a predecessor organisation of Family and Childcare Trust and others, forced a change in policy with all the mainstream political parties now recognising and acknowledging parents' needs for affordable and high quality childcare. The Nursery Education and Grant Maintained Schools Act 1996 put the system in place for an expansion of early education, a move which received a major boost in 1998, when the newly-elected Labour government published *Meeting the Childcare Challenge*, a green paper setting out a national childcare strategy (Department for Education and Employment, 1998).

While the 1998 strategy brought in many changes, *Choice for parents, the best start for children*, the Government's ten year childcare strategy published in 2004, was a more significant document in changing the direction of childcare policy. Its recommendations covered four areas (i) work-life balance (ii) childcare supply (iii) childcare quality and (iv) childcare affordability. To date, it is the most comprehensive childcare strategy in its

reach and ambition. The narrative the strategy described placing childcare squarely in the context of both child development and parental employment continue to define childcare policy to the present.

Since 2004 much progress has been made to increase parents' access to high quality, affordable childcare at the time of day that they need it. But many problems remain. Despite the obligations of the Childcare Act 2006 there are still significant gaps in provision – most acute for older children and those with disabilities. Too much provision is of poor quality and the regulated free market is not acting to lever up quality. Childcare is costly, particularly for the under-fives and its price has continued to rise in a period where wages have been stagnant. While there are sources of help with childcare costs – free part-time early education, Working Tax Credits and childcare vouchers – many parents still have to set aside a large part of their income to pay for childcare. In fact, British parents spend more than a quarter of their income on childcare, which is more than in any other European country except for Switzerland.

Today, childcare policy is a high profile issue. Both the Government and opposition parties have made new policy proposals that will be developed in the run up to the next election. The Family and Childcare Trust welcomes these measures, but believes that interventions need to be based on a robust evidence base, including an evaluation of past policy. *Learning from the Last Ten Years of Childcare Policy* provides this analysis, and we hope, a basis on which to build new policy.

Methodology and structure of the report

Evaluating a long-term government strategy poses challenges, exacerbated in this case by changes in government. The Centre for Analysis of Social Exclusion (2013) provides methodology for approaching this exercise, with its *Framework for Analysing the Effects of Social Policy* suggesting that such an analysis should comprise:

1. An identification of each chain of policy action initiated by governments
2. An examination of the resources committed to each action
3. Analysis of how these resources were used
4. An examination of the measurable outcomes that were achieved.

This is the broad approach we have taken. Whilst also making a more subjective assessment of progress against the four broad aims of the 2004 childcare strategy, *Learning from the Last Ten Years of Childcare Policy* is in seven sections. *Section Two* provides a background. It examines the legacy of policy in the years before the 2004 childcare review and summarises the changes since then. It is these post-2004 policy changes that we evaluate.

Section Three looks at choice and flexibility in childcare and evaluates the strategic goal for parents to have a greater choice about balancing work and family life.

Section Four examines the availability of childcare, looking at whether local authorities have fulfilled their obligation to ensure sufficient childcare.

Section Five analyses quality and considers regulation regimes and measures to improve the qualification profile of the early years and childcare workforce.

Section Six examines the remaining area covered by post-2004 policy, that of affordability. Finally, the conclusion draws together the analysis and make some recommendations about the future direction of childcare policy. We hope that *Learning from the Last Ten Years of Childcare Policy* will inform debate and make an argument for reform in childcare policy.

The Direction of Childcare Policy in England

Many of the developments in early education and childcare that have taken place over the last ten years are a consequence of previous social and economic change, particularly since the 1960s. The section sets the context to our review of childcare policy. It examines the legacy of policy in the years before the 2004 childcare review and summarises the changes since then. It is these post-2004 policy changes that we evaluate in the next sections of this report.

Throughout recent British history, the majority of families have used childcare. In Victorian times and in the 20th century wealthier families used governesses and in poorer families relatives provided informal care. *Family and Kinship in East London*, Young and Wilmott's 1957 study of life in one working class community provides many accounts of these informal support networks. After 1945 Government social policy assumed that families would be headed by a single male breadwinner and the Married Man's Tax Allowance subsidised women to stay at home to care for their children.

In the late 19th century, moves to improve compulsory education and develop the welfare state provided the drivers to look at early education. At this time provision mostly comprised a small number of state and voluntary sector nursery schools, although many three and four year olds also attended elementary schools. The proportion of children aged three to five on school registers reached 43.1 per cent in 1900/01 but had fallen back to 22.7 per cent by 1910/11 following advice from the Board of Education to local authorities discouraging the provision of schooling for pre-school children as an alternative to being looked after by the mother in the home (Blackstone, 1971). The Board of Education had responded to concerns about the suitability of schools, many of

which adopted strict teaching styles for large groups of children, but also a view that 'better parents' were responsible for the care of their children. Nursery places were expanded in 1914, to allow women to work in industries of strategic importance. Outside of wartime, the proportion of children not yet five in early education was not to rise again above a third until the late twentieth century.

In 1933, the advisory committee to the Board of Education, known as the Hadow Committee, published a report on infant and nursery schools that urged nursery provision 'in districts where the housing and general economic conditions are seriously below the average' but did not recommend that this should be mandated. Increased female employment during the Second World War and evacuation, however, created a rapid expansion of nursery provision. The resulting infrastructure and changed public expectations influenced the Education Act 1944, which provided for universal nursery schooling for children who were under five. The rising post-war birth rate, a shortage of teachers and the constraints imposed on public spending, however, meant that this provision of the Act was not implemented and for the next two decades, the proportion of children below five in nursery schools actually fell (Whitbread, 1972).

In 1969, the Central Advisory Council for Education (the Plowden Committee, a successor body to the advisory committee to the Board of Education) published the report *Children and their primary schools*, which addressed pre-school education and childcare. The Plowden Committee report estimated that 6.8 per cent of children under five were in schools or nurseries and, citing educational benefits, recommended that 'eventually there

should be nursery places for all children whose parents wish them to attend from the beginning of the school year after the age of three'. The report argued that consequently there 'should be a large expansion of nursery education and a start should be made as soon as possible' (Department for Education and Science, 1969). The report argued for the provision of full-time places for children whose mothers worked but also stated that 'Low priority should be given to full-time nursery education for children whose mothers cannot satisfy the authorities that they have exceptionally good reasons for working'.

The Plowden Committee reflected a growing emphasis on quality, recommending that the maximum number of places in each class should be 20, compared to the 40 suggested in the 1933 Howden Committee report, and that classes should be supervised by a qualified teacher at a ratio of one teacher to 60 children.

Innovative post-war examples of charitable provision and isolated local government initiatives helped to raise the profile of early education. The Urban Aid, or

Urban Programme, of the late 1960s and 1970s funded the first large scale centrally funded expansion of local authority nursery provision targeted at disadvantaged families. The playgroup movement of the 1970s, with its emphasis on involving parents in structured play with children, contributed to further growth in maintained provision. Pre-schools grew exponentially during the 1960s, through the leadership of the Pre-School Learning Alliance, with the number of places rising eightfold to 170,000 in 1971 (Blackstone, 1971).

Table 1.1: Registered childcare places 1969-91

	1969	1980	1991	% change 1969-91
Maintained infant and nursery classes in schools (including nursery schools)	275097	336670	450041	63.6
Maintained day nurseries	22030	28437	27039	22.7
Private and voluntary nurseries and playgroups	196100	389885	507449	158.8
Private and voluntary nurseries		22017	79029	258.9 (1980-91)
Private and voluntary playgroups		367868	428420	16.5 (1980-91)
Childminders	69055	98495	233258	237.9

Sources: Whitbread, N. (1972) *The Evolution of the Nursery-Infant School*, Routledge, p. 133; RSA (1994) *Start Right: The importance of early learning*

The emergence of national childcare policy

The 1960s saw the model of the single male breadwinner and female housewife decline and increasing demands by activists for gender equality. Census data reflects rising female employment, with the percentage of married women economically active rising from 24.8 per cent to 48.9 between 1951 and 1971 (national data on women with children in employment was not collected for this period). Subsequent Labour Force Survey data shows this trend continuing, rising to 71.7 per cent in 1991.¹ The amount of work undertaken by women also increased, with the proportion of hours worked by women as a percentage of the hours worked by men rising from 35 per cent in 1971 to 53 per cent in 1991.²

Legislation to discourage workplace discrimination followed, including the Equal Pay Act 1970 and the Sex Discrimination Act 1975. A maternity allowance had been introduced in 1948 and was complemented by Statutory Maternity Pay from 1987 following the Social Security Act 1986. Nevertheless, an expansion in nursery provision did not follow. Attitudes were an important factor in this policy inertia, both in relation to gender equality and the wellbeing of children. Successive governments were reluctant to broach the question of whether mothers with young children should be encouraged to work, while past experience of poor quality schooling for working class children, whose mothers were most likely to work, cast a long shadow over any potential expansion of nursery provision. A 1977 report of the Civil Service College, *Low Cost Day Provision for the Under Fives*, is illustrative of this period, warning of the dangers of

emotional deprivation of children in daycare.

There was nevertheless a growing early years sector constituted of professional groups such as the Pre-school Playgroups Association (now the Pre-school Learning Alliance) and the National Childminding Association (now PACEY) formed respectively in 1962 and 1977; campaigning organisations such as the National Childcare Campaign set up in 1980 (subsequently Daycare Trust and the Family and Childcare Trust) and not-for-profit groups such as the Kids' Club Network established in 1985 (now 4children).

Research organisations such as the Thomas Coram Foundation also encouraged and hosted a growing number of academics specialising in early years policy. These groups produced an increasing volume of research and publications, often drawing sharp contrasts with international practices and the limited early education provision in the UK. Whilst as late as the early 1990s childcare continued to be presented by government primarily as a private matter, this position was becoming difficult to sustain.

In 1989, Kenneth Baker, the Secretary of State for the then Department of Education and Science, asked junior minister Angela Rumbold, to chair an inquiry into education for three and four year olds. The 1990 Rumbold Report *Starting with Quality* concluded that quality needed to be improved in a good deal of existing nursery provision and confirmed that demand for childcare significantly outstripped supply.³ The

¹ Labour Force Survey

² ONS note

³ Starting with Quality

report's response to these problems was to recommend an expansion of high quality nursery provision. Intervention in childcare under the Thatcher government was in fact limited to the 1989 Children Act, which strengthened regulatory standards, and the creation in 1990 of the first tax exemption for workplace nurseries through the Finance Act 1990.

Campaigning by groups such as Daycare Trust, alongside demographic and social change, pushed childcare up the political agenda in the 1990s. In response the government took concrete steps to meet the recommendations of the Rumbold Report. In 1994 a childcare allowance of £40 was introduced as part of the Family Credit for low income families. The Nursery Education and Grant Maintained Schools Act 1996 put in place a system to provide funding for local authorities to increase provision. A voucher scheme to create a universal childcare entitlement was announced in 1995 and was to provide £1,100 for parents to purchase a nursery or reception class place for four year old children, but in the event was ended before its planned start in September 1997 by new Education Secretary David Blunkett and replaced by the direct grant funded early education scheme still in place.

The 1998 childcare strategy

The 1998 Labour government was elected on a manifesto commitment to support families by creating the first national childcare strategy. One of its first acts was to set up a Social Exclusion Unit which, alongside a Treasury-led review of early years (0 to 7) spending, established a road map for the roll out from 1998 of the early Sure Start programme and the replacement of family credit by working families tax credit, including a specific and increased childcare tax credit. When the government published *Meeting the*

Childcare Challenge: the 1998 National Childcare Strategy, these steps were complemented by pledges to provide every four year old with a free early education place, effectively replacing the Conservative voucher scheme, a commitment to create an early years qualifications and career framework, and funding for an expansion of out of school childcare.

The 1998 childcare strategy also instigated the process of regulatory reform that culminated in the Care Standards Act 2000 and Ofsted registration for formal childcare providers. The Better Regulation Task Force on Early Education and Daycare reported shortly after the 1998 childcare strategy was published and recommended that regulatory requirements should be set nationally and overseen by a national advisory body. The Task Force actually recommended that this regulator should not be Ofsted because, the taskforce argued, a schools regulator does not have early childhood expertise and would not be able to develop sufficient local knowledge to fully replace the local authority role.

The 1998 strategy paper also initiated changes to the Children Act 1989, which had introduced a general duty for local authorities to provide daycare for preschool and other children 'as is appropriate' and to review provision periodically. The School Standards and Framework Act 1998 introduced the principle that local authorities should as far as possible provide 'sufficient' childcare in order to better match supply with demand. The latter Act also introduced a duty on local authorities to produce annual Early Years Development Plans which set out how the sufficiency duty would be met and were approved by the Secretary of State.

The 1998 strategy, then, put in place the broad shape of the modern childcare offer: support for low income working families through tax credits, a universal early education offer, the beginning of a major expansion of 'wraparound' school childcare and the commitment to a national regulatory and qualifications framework.

In parallel with the 1998 childcare strategy, two programmes developed during this period the lottery funded expansion of out of school care and the Neighbourhood Nurseries Initiative have influenced the current pattern of formal childcare provision. From 1998, the New Opportunities Fund (now the Big Lottery Fund) committed £170million over a five year period, alongside £130million from government, to create new out of school and holiday childcare places. In 2002, a further £198.5million of lottery funding was made available to extend the programme to 2005. This seed funding alongside revenue funding incorporated in local authority childcare grants increased the number of registered holiday and wraparound school childcare providers from around 8,000 in 1997 to approximately 18,000 today.

In 2000, the government created the Neighbourhood Nurseries Initiative, which was designed to create childcare places in disadvantaged areas. £203million of revenue funding and up to £100million in capital funding was allocated to create 45,000 new places by 2004. This target was met by 2004 and the programme ultimately ran until 2007, by which time funding had been subsumed into the Sure Start programme. The evaluation of the NNI programme found its impact to be broadly positive. However, the sustainability of provision without continuing subsidy was limited in areas where private providers were themselves not sustainable.

The Sure Start programme

The 1998 HM Treasury Cross-Departmental Review of Services for Young Children recommended that diverse local services for young children should be delivered through a new coordinated model. The Review also argued that these services should be delivered on an area basis and be universally accessible (rather than targeted and means tested). The same year, the Sure Start programme was initiated by the Treasury in the form of Sure Start Local Programmes (SSLPs), which were to be introduced in the 20 per cent most deprived neighbourhoods, encompassing half of all children in families in poverty (measured as 60 per cent of the national median income).

Whilst 250 SSLPs were initially planned, in 2000 an expansion of the programme was announced and this version of Sure Start ultimately extended to 524 programmes by 2003.

The core aim of Sure Start was to enhance the life chances of children in disadvantaged areas. Sure Start Local Programmes did not have any one model, but local programmes were to bring together and extend services to improve the health, wellbeing and ability to thrive in school of all children in their catchment area. The early of Sure Start Local Programmes model differed from later versions of the programme in that programmes were intended to be community initiatives with local boards containing parents, voluntary and local authority representatives, sitting outside local authority control.

Alongside the Sure Start programme, the National Early Excellence Centre Pilot Programme began in 1998. The government funded 25 Early Excellence Centre pilot sites aimed to identify

models of integrated early childhood and parenting services, as well as to raise the quality of early education and childcare, both through direct provision and by acting as a training hub for local childcare professionals.

Early evaluations of SSLPs highlighted the low quality of much of Sure Start Local Programmes early education provision. The emerging findings of the Effective Provision of Pre-School Education (EPPE) Project also substantiated the characteristics of early education needed to positively influence outcomes for children, such as teacher-led care and socially mixed settings. This evidence prompted the government to place a greater emphasis on childcare as part of the core Sure Start offer, and on the quality of this provision.

To fit within this new vision, Sure Start had to become local authority-led and to serve as a hub for a roster of coordinated services across health and social care, 'employability' and early education and parenting support. From 2004, the government funded a national roll out of Sure Start children's centres, with year round full daycare as part of each centre's core offer. Roll out was divided into three phases, with phase one and two extending 2,500 centres to the most disadvantaged 30% of areas and a final phase creating 1,000 further centres located at the discretion of local authorities. Daycare was initially mandated for phase one and two centres but in 2011 guidance for children's centres was revised and these centres were only required to provide childcare if there is an 'identifiable need'.

Childcare provision in children's centres peaked in 2009 when 1000 centres were offering full daycare compared to 550 in 2011. Children's centres may offer other forms of childcare such as sessional care

and after school clubs, although the number of centres offering these services has also declined. (Childcare and Early Years Providers Survey 2011). Early Years Census data suggest a relatively stable number of private and voluntary nursery providers delivering the free offer from children's centres, with 410 providers doing so in both 2009 and 2013 (Department for Education statistical release: Provision for children under 5 years of age in England: January 2013, Main tables spreadsheet, table 7). However, the number of local authority maintained nurseries delivering the offer, which tend to be located in disadvantaged areas and may be located in children's centres, has fallen from 470 in 2009 to 370 in 2013. Nursery care in children's centres and maintained nurseries represent a relatively small proportion of childcare provision, delivering the early education offer to 1.7% of three and four year olds receiving the offer.

The 2002 Inter-Departmental Childcare Review

The 2002 spending review and the government's continued ambition to utilise childcare in meeting its early years, poverty and social exclusion policy goals prompted a further policy review, the conclusions of which were set out in a 2002 inter-departmental childcare review: *Delivering for Children and Families*. The review aimed to unify potentially fragmented early years initiatives and give direction to a planned doubling of the early years budget by 2005/06. It confirmed the government's existing targets to increase the number of childcare places, expanding the target from one million to 1.25 million. While less high profile than either the 1998 or 2004 childcare strategies, the 2002 review initiated a series of notable changes.

The first of these was the inclusion of childcare as a core requirement of children's centre in deprived areas, part of the expansion of the Sure Start programme. This decision meant that in future there would be many potential full daycare childcare providers: private and voluntary sector nurseries, those established under the Neighbourhood Nurseries Initiative, those in children's centres and nursery or reception classes in schools.

The review argued that existing local delivery and accountability mechanisms in the form of Early Years Development and Childcare Partnership (EYDCP) were not working effectively. The review found a lack of performance management and confusion over responsibility and delivery, and highlighted that local authorities were best placed to manage early years programmes but were not empowered to do so. To address these problems, local authorities were given overall responsibility for strategic planning and delivery, in consultation rather than partnership with local stakeholders. Local authorities would, however, be subject to a performance management framework through Ofsted's role in the planned Comprehensive Performance Assessments.

Finally, the review concluded that childcare funding arrangements needed to be simplified because the plethora of national and local funding streams were causing disjointed investment. The result was that many of these streams were brought together into a £1.5 billion fund overseen by a new central inter-departmental unit, led initially by Baroness Ashton, responsible for the delivery of Sure Start, early years and childcare policy.

The 2004 childcare strategy

A central unit driving policy and the willingness of the government to continue to invest additional funding in the early years prompted a new comprehensive strategy document in 2004. The strategy, which was published in December 2004, must also be seen in the context of the May 2005 general election. Alongside the employer-supported childcare voucher scheme announced in the 2004 Budget, the strategy promised a significant expansion of parental leave rights, the early education offer and childcare support under working tax credits.

The 2004 childcare strategy was organised under three principles:

- the importance of ensuring every child has the best possible start in life;
- the need to respond to changing patterns of employment and ensure that parents, particularly mothers, can work and progress in their careers; and
- the legitimate expectations of families that they should be in control of the choices they make in balancing work and family life.

The strategy translated these central principles into four categories:

1. Choice and flexibility: Parents to have greater choice about balancing work and family life

- a goal of twelve months paid maternity leave by the end of the next Parliament. As a first step this Pre-Budget Report announces the extension of the entitlement to nine months from April 2007
- legislation to give mothers the right to transfer a proportion of this paid leave to

the child's father by the end of the next Parliament

- every family to have easy access to integrated services through Children's Centres in their local community, offering information, health, family support, childcare and other services for parents and children. 2,500 Children's Centres will be in place by 2008 and 3,500 by 2010.

2. Availability: For all families with children up to 14 who need it, an affordable, flexible, high quality childcare place that meets their circumstances

- legislation for a new duty on local authorities in place by 2008 so that over time they will secure sufficient supply to meet the needs of families
- a goal of 20 hours a week of free high quality care for 38 weeks for all three and four year olds with this Pre-Budget Report announcing a first step of 15 hours a week for 38 weeks a year reaching all children by 2010
- an out of school childcare place for all children aged 3-14 between the hours of 8am to 6pm each weekday by 2010.

3. Quality: High quality provision with a highly skilled childcare and early years workforce, among the best in the world

- all full daycare settings to be professionally led
- this Pre-Budget Report announces a Transformation Fund of £125 million each year from April 2006 to invest in high quality, sustainable, affordable provision
- radical reform of the workforce, with the Children's Workforce Development Council consulting on a new qualification

and career structure in 2005

- reform of the regulation and inspection regime to improve standards and to give parents better information

4. Affordability: Families to be able to afford flexible, high quality childcare that is appropriate for their needs

- an increase in the limits of the childcare element of the Working Tax Credit to £300 a week (£175 for one child) from April 2005, and an increase in the maximum proportion of costs that can be claimed from 70 per cent to 80 per cent from April 2006
- for a couple family on £34,000 a year with both parents working and typical childcare costs for two young children, these reforms reduce the proportion of childcare costs they pay from 85 per cent to 75 per cent, a saving to them of £700 per year. Building on this first step, the Government's long-term ambition is to reduce further the proportion of childcare costs paid by such families, making childcare increasingly affordable
- this Pre-Budget Report also announces £5 million from April 2006 for a pilot to work with the Greater London Authority to address childcare affordability issues in London

The 2004 strategy paved the way for the Childcare Act 2006. The impact of this legislation is analysed in greater detail later in this report, but its main sections – and its attached statutory guidance – oblige councils in England and Wales to regulate local childcare markets. Local authorities are obliged to ensure that there is sufficient childcare for working parents and those undertaking training or education with the intention of returning to work. The Childcare Act 2006 also requires that local authorities

assess childcare supply and demand and take action to fill gaps in provision.

A further key policy change was the introduction of the Early Years Foundation Stage guidance introduced in 2008 and bringing all early years providers into the same regulatory framework. Ofsted inspects against this framework which covers all daycare, school reception classes, childminder care, sessional crèches and pre-schools. The Early Years Foundation Stage guidance outlines the early years curriculum, gives an assessment framework and provides statutory guidance on child welfare.

In 2009, the government conducted a review of progress made against the strategy and published *Next steps for early learning and childcare: Building on the ten year strategy*. In advance of this review, the Department for Education had asked the Early Years Stakeholder Group set up in 2007 to report on the strategy's success in meeting the needs of parents. The Group's 2008 report made twenty four recommendations, prominent among which were proposals for the government to extend free offer beyond three to four year olds and explore the potential for a cap on charges for childcare. Noting the changed financial context, the government's response was relatively modest, instigating a series of low cost changes such as increasing the flexibility of the free offer and creating a national price comparison website. The most high profile initiative announced through the review was the plan to extend the free offer to the most disadvantaged two year olds, funded by withdrawing the employer childcare voucher scheme.

However, a reversal followed as parents reacted against this withdrawal of financial support. Ultimately, a

compromise was made in which tax relief on childcare vouchers for higher rate taxpayers was limited to the basic rate, and implementation of the two year old offer was accordingly delayed.

This strategy review was the Labour government's final contribution to childcare policy to date. Whilst the strategy review marked achievements such as the successful roll out of a widely used free offer, it also suggested some of the challenges emerging from the childcare strategy. For example, the review noted the sufficiency duty set out in the Childcare Act was failing to effectively drive efforts by local authorities to reduce gaps in childcare.

The 2004 childcare strategy may best be described as a 'unifying narrative'. The assumptions underlying the strategy were of a mixed market, with both demand and supply side state funding, where pump priming and targeted local investment would shape responsive local childcare provision. Quality would be supported by the dual system of regulation by Ofsted and local authority quality support, complemented by a new early years curriculum and national investment in graduate training. Affordability would be achieved through a number of distinct schemes targeted at different groups.

The coalition government's childcare policy

Neither the coalition agreement nor the respective manifestos of the

Conservative and Liberal Democrat parties contained any childcare commitments. There was as a result a degree of trepidation within the early years sector about how the coalition's spending plans and policy agenda would affect the substantial expansion of early

years services seen under the Labour government. Coalition policy has been characterised by a continuation of investment and the policy framework established by the childcare strategy, with some significant divergences.

The 2010 Spending Review confirmed that the government would take forward the plan to create a free childcare offer for the most disadvantaged two year olds but reduced the childcare element of working tax credits to 70% from 80% of childcare costs (from April 2011). The Field Review on Poverty and Life Chances and the

Independent Review of Early Intervention led by Graham Allen MP helped bolster the position of childcare and the foundation years in coalition policy making. The Field Review recommended that resources should be redistributed towards the most disadvantaged children and that all disadvantaged children 'should have access to affordable full-time graduate-led childcare from age two.' (7) The first Allen report similarly advocated for access to graduate-led childcare and recommended a new workforce development strategy to improve the capability of the early years workforce. (p. xix)

While these specific recommendations were not acted on, in tandem with the localism and social mobility agenda promoted by coalition ministers, these reviews shaped a new local government funding framework in which a variety of funding streams established under the last government such as the Sure Start Grant were brought together into a new Early Intervention Grant. The Local Government Association has argued that the combination of budget reductions and the introduction of the two year old offer (which local authorities must offer

and is funded through the EIG) means that there has been a substantial reduction in resources that will lead to a reduction in early intervention services. In childcare, this means there has both been an expansion of investment in the universal early education offer whilst funding pressures have manifested themselves in the closure of local authority-subsidised nurseries and sessional childcare.

The introduction of the Early Years Foundation Stage (EYFS) framework in 2008 had been accompanied by a pledge to review the framework within four years and in 2010 ministers asked Dame Clare Tickell to lead a review of the EYFS framework (the Tickell Review). The Department for Education also instigated a review of early years qualifications led by Cathy Nutbrown (the Nutbrown Review).

In 2012, a cross-departmental childcare commission was established by ministers in response to the continued profile of the cost of childcare. Two papers published in 2013, *More great childcare* and *More affordable childcare*, set out a series of deregulatory steps as a response to the challenge of promoting affordable childcare, notably proposals to relax staff-to-child ratios, end mandatory childminder registration with Ofsted, remove quality and EYFS requirements for wraparound school childcare, and limit the local authority role in local market management and quality support. The ratio proposals were vetoed by Liberal Democrat members of the coalition, and changes to the role of local authorities were watered down somewhat following consultation. Nevertheless, many of the measures announced through these papers are proceeding and likely to be implemented before the next potential change in

government and overall policy direction in 2015.

Alongside these two papers, in March 2013 the coalition announced a new 'tax free' childcare scheme and an extension of childcare support under Universal Credit. Through the tax free childcare scheme, proposed to be rolled out from September 2015, parents would have access to a childcare account to which 20 per cent would be added to funds they deposited, up to £2,000 per year per child. The government has also proposed that the childcare element of Universal Credit would be increased from 70 per cent to 85 per cent from April 2016. For both schemes both partners (or a single parent) must be in 'meaningful employment' and for the latter scheme both partners in a couple (or a single parent) must pay income tax.

Reactions to the schemes have been mixed. The impact of the tax free scheme on specific families will be variable, with some parents standing to benefit significantly whilst others will find that they are ineligible due to work requirements that do not apply to the current employer-supported childcare voucher scheme. There has also been criticism from poverty campaigners that the tax free childcare scheme represents a significant new investment in support for relatively wealthy families when substantial barriers to work due to childcare costs still remain for low to middle income families.

Summary

Until the mid-1990s, the UK did not have a childcare system as such nor national childcare policy. Government had periodically recognised the benefits of nursery education, but no government had been able to invest in an early years infrastructure to match that of primary education, limiting investment in early

education to patchy reception class provision and sessional playgroups. Attitudes to working mothers dampened political interest in childcare provision designed to help parents to work. The childcare needs of the growing number of working mothers were met largely by childminders and a limited private nursery sector.

Rising female employment and the activity of early education campaign groups contributed to the first concrete steps to incorporate childcare into national social policy. In 1994, the Major government created the first tax breaks for childcare costs and piloted a universal early education offer for four year olds through a voucher scheme. The New Labour government made childcare and the early years central to its policy agenda and through its 1998 childcare strategy created the first national vision for childcare. From this point, investment in childcare rose steadily and two further strategy documents followed to shape this sustained spending. The 2004 childcare strategy was the culmination of the New Labour government's efforts to provide a unifying vision for childcare and coherence to diverse strands of policy.

One: Choice and flexibility

(parental employment)

Strategy vision: parents to have greater choice about balancing work and family life

i. What does choice look like for parents?

Rather than target parental or maternal employment, the 2004 childcare strategy set out an aim to improve choice and parents' ability to balance work and family life. This approach avoided the potentially contentious question of whether government should encourage all parents with young children to work. Parental preferences are nevertheless generally well aligned with the evidence of what is best for families and children.

The most recent comprehensive study of the attitudes of parents in the UK can be found in *Work and Care: A study of modern parents*, where a minority of parents (29 per cent) believed that childcare is the primary responsibility of the mother (Equality and Human Rights Commission, 2009). Only 38 per cent of parents supported a single male breadwinner family model. Some 56 per cent of fathers of children under one and 47 per cent with children between one and six years believe they spend too much time at work. Nearly a third of women (31 per cent) also believe they spend too much time at work. Over half of parents (53 per cent) believe that their own working arrangements are by necessity rather than choice and only a third feel that parents have a choice whether to spend time at work or with the children. Overall, parental attitudes do not appear to be well matched with the existing choice of working arrangements. Parents are forced to optimise choices within the framework available to them rather than according to their caring preferences.

Further evidence on parental attitudes to work can be found in a recent government

survey on families' work decisions (Department for Work and Pensions, 2013).

A majority of families with young children want to combine work and family. However, views on whether parents should work full time and whether both parents should work in couple families are nuanced. Some 49 per cent of couple parents and 52 per cent of single parents not already working full-time wanted to find work or work longer hours. This preference strengthened as family income fell: 58 per cent of those with a household income of between £13,000 and £22,000 a year wanted to increase work compared to the average across incomes of 49 per cent. The preference for increasing work is weakest—43 per cent—among couple families where one parent works full-time and one parent part time, and in single parent families where the parent works part time (the same figure), suggesting that full time work is not desired by many parents with young children (Table 3.1).

Table 2.1: Unmet demand for work among parents

Do you or your partner want to find work or work longer hours? (Base: families where both parents do not work full time.)

	Yes	No
One FT, one not in work	48	52
One FT, one PT	43	57
Both PT	59	41
One PT, one not in work	56	44
Both not in work	59	41
Lone parent PT	43	57
Lone parent not in work	59	41
Total	49	51

Source: Department for Work and Pensions (2013) *A survey of childcare decisions among families with children, working paper 114*

Table 2.2: Gender distribution of paid work

Country	Male breadw.	Male breadw. plus partner part time	Both partners work full time	Both partners work part time	Female breadw. plus partner part time	Female breadw.
UK	14.9	28.3	36.4	13.4	2.2	4.8
EU-27 average	16.5	22.7	46.3	6.7	2.6	5.2
Germany	12.8	38.5	38.8	5.7	1.4	2.8
Austria	14.3	37	37.7	5.8	1.5	3.7
France	11.9	18.2	59.2	4.3	3	3.4
Denmark	9.5	16.8	59.6	5	4.2	4.9
Norway	7.5	24.4	54.7	7.2	2.6	3.5
Netherlands	14.4	53.2	19.7	8.1	3.1	1.4
Sweden	14.1	19.5	50.4	5	4.2	6.8

Source: Fifth European Working Conditions Survey (2010)

There is separate evidence that families struggle to combine work with family life. The 2013 Childcare and Early Years Survey of Parents found that a significant minority of mothers – 35 per cent – in paid work would prefer to give up work to stay at home and look after their children, while a majority of mothers in paid employment – 56 per cent – would reduce their hours to spend more time looking after their children if they could afford to do so. It is likely that the apparent contradictions between surveys, with parents in work wanting to work less and parents out of work wanting to work more, are explained by the opposite 'direction' of the questions and differences between parents' ideal working arrangements and those open to them in practice. In combination, these two surveys suggest many more mothers than are able to would like to work, as long as they are able to successfully combine work and family life, and that mothers already in work are often frustrated that their jobs do not allow them to do so.

Fathers express a similar desire for flexible working arrangements, but are generally more comfortable with long working hours. These preferences are likely to be related to a strengthening preference among fathers for an active parenting role. There has been a dramatic change in fathers' involvement in the lives of young children between the 1970s and 2000s, with the time

fathers spend engaged in parenting activities rising eightfold (Fisher et al, 1999). However, this change has not been accompanied by an equivalent change in working patterns. Much of the increased time spent by fathers with their children occurs outside of working hours or during weekends.

These preferences are well aligned with the evidence of what is best for children. On average, the most beneficial working arrangement is one in which parents are both present in the household but also in paid work. As long as childcare – whether provided informally or formally – is of high quality, working parents can expect their children to achieve the same level of development as the children of parents who do not work. A 2005 Equal Opportunities Commission (now Equality and Human Rights Commission) report commented:

There is some evidence that the British pragmatic solution of a 1.5 dual earning couple, typically with mother working part-time, serves to protect child welfare, particularly in the first 18 months of children's life but at a cost to women's economic advancement.

Family preferences suggest there is a strong appetite for other solutions that similarly protect child welfare and support

strong families, but which also support equitable economic outcomes for women.

ii. Parental leave policy and its impact since 2004

The 2004 childcare strategy incorporated the government's parallel programme of parental leave reform. The Employment Relations Act 1999 had extended maternity leave from 14 to 18 weeks and introduced the right to three months unpaid parental leave. The Employment Act 2002 further extended from 2003 maternity leave, Statutory Maternity Pay (SMP) and Maternity Allowance (MA) from 18 to 26 weeks and introduced the right for fathers to two weeks paid Paternity Leave. Subsequently in 2006, the Work and Families Act extended SMP and MA to 39 weeks and extended the right to maternity leave itself to a full year (all from April 2007).

The level of maternity pay was also increased between 1997 and 2003 from 19 per cent of the average female weekly wage to 25 per cent, which is around where the rate has remained since. The combination of increased maternity pay and the length of statutory parental leave increased spending on parental leave entitlements from £700 million in 1997/98 to £2.4 billion in 2009/10 (Stewart, 2013).

Further amendments to parental leave entitlements were made through the Work and Families Act 2006, which extended the paid period of maternity leave to 39 weeks from April 2007 and the potential length of maternity leave to 52 weeks. To qualify for statutory maternity leave and pay, a mother must have been working continuously for the same employer for 26 weeks, and to be earning enough to make National Insurance Contributions (£109 a week in 2013/14).

Paternity leave remains limited to the two weeks established by the Employment Rights Act 1996, paid at 90 per cent of an employee's average wage or £138.18 (in 2013/14), whichever is higher. The Work and Families Act 2006 provided the framework for shared parental leave and after long-running consultation and a change in government, the right to

'Additional Paternity Leave' for fathers and partners was implemented in 2011. This can be taken from 20 weeks after birth (or adoption) and is paid at the same rate as paternity leave.

The childcare strategy did not specifically address flexible working. The Employment Act 2002 gave parents with children aged below six or a child with a disability aged up to 18 the right to request flexible working. This is not an unqualified right—it allows employees to request flexible working without fear of detriment and imposes a duty on employers to consider the request reasonably. Employers may still decline a request if they consider that it is not reasonable, for example if the cost to the business of the arrangement outweighs its benefits.

The right to request flexible working was subsequently extended through the 2006 Work and Families Act to those with children aged up to 18 and those who care for adults. The Children and Families Act included provisions to further extend the right to request flexible working to all employees. This is designed to provide more employees with the flexibility to manage work around family life and reduce any stigma associated with family friendly working.

The Government's Maternity and Paternity Rights and Women Returners Survey 2009/10 notes that while the Work and Families Act did successfully increase the length of maternity leave mothers were able to take, the legislation was not successful in increasing the return to work for mothers. This is consistent with recent research, which suggests that beyond a length of approximately three months, further maternity leave does not improve return to work rates and can actually reduce returns (Dahl et al, 2013). Stewart (2013) supports the assertion that paid parental leave has not improved rates of return to work:

Among women who gave birth in 2006, 76 per cent had returned to work 12–18 months after the birth, while 77 per cent of those who gave birth in 2008 (and were entitled to the

longer period of paid leave) had done so. The figure for 2002 was 80 per cent. There must be factors other than the length of leave which are leading one fifth of women to break their labour market attachment after having a child – strong preference for being at home during a child's early years, the birth of a sibling, or the cost and perceived quality of childcare options. On the other hand [the Government] points to a "dramatic decline" in the proportion of mothers not returning to the same job with the same employer – down from 41 per in 2002 to 14 per cent in 2007.

There has been no change in statutory paternity leave and pay since the two week entitlement was introduced. Approximately two thirds (66 per cent) of fathers take paternity leave, but only 19 per cent take five days or more⁴. A survey undertaken by the TUC in 2013 suggested that just 0.6 per cent of new fathers took additional paternity leave. Separately, the Maternity and Paternity Rights and Women Returners Survey 2009/10 notes "a majority of fathers who did not take up any paternity leave or who did not take their full entitlement cited being unable to afford this as the main reason."

iv. Key learning: closing the gap

Research on the effect of having a child on paid work for mothers suggests that the influence on employment and wage growth are multi-faceted. Long and repeated gaps in employment reduce pay and progression and the likelihood of continuing long term employment. Long maternity entitlements are associated with the same negative consequences.⁵ There are also 'in work'

⁴ *Maternity and Paternity Rights and Women Returners Survey 2009/10*

⁵ *The 2013 OECD paper 'Drivers of female labour force participation in the OECD' (Thévenon) notes that cross-national evidence suggests that extending the duration of paid maternity leave is associated with lower rates of return to work, and the 2013 National Bureau of Economic Research paper 'What is the case for paid maternity leave?' (Dahl et al) similarly notes*

factors that affect pay and progression, including the increased likelihood for working mothers of changing roles with an increased frequency and moving to a part-time position (Paull, 2006).

Birth and school entry are the critical times for maternal work participation and wage growth. First, work participation drops when women have children. Mothers who then do return to work immediately or later are then more likely to downgrade positions or to be employed in a part time role. Work participation gradually rises as children reach school age but a second critical period occurs once children start school. For many parents, the challenge of participating in work and caring for children actually increases at this point because the school day removes flexibility around childcare and work arrangements.

Four factors are therefore primarily responsible for the maternity gap and low wage growth for mothers with young children:

1. prolonged absences from work following childbirth;
2. the increased likelihood of changes in employment, particularly when children are very young and in primary school;
3. increases in the proportions of women working part-time, and
4. the increased likelihood of a move within the same employer, or a change of employment, to more flexible but lower status or lower skilled work (Brewer and Paull, 2006).

The prevalence of low quality part-time work amongst mothers in particular has a number of negative consequences. Part-time workers are less likely to have access to training and development opportunities in work, so many need a high degree of motivation to improve their knowledge and

extensions in the length of maternity leave appear to have little impact on employment participation.

skill-set to progress in work. High marginal tax rates and childcare costs mean that for many mothers there are significant financial and time barriers to pursuing higher skilled full-time employment. It can also be difficult for part time workers with children to access opportunities to train whilst working, as for many there is little financial support available to manage extra childcare requirements. Many women who work part-time are voluntarily trading off earnings and career prospects for family friendly working arrangements. This trade-off seems for many if not most to be deliberate and accepted, reflecting low expectations of compatibility between a professional career and family life.

For women already in employment, the maternity gap is largely the result of a choice mothers are forced to make to 'soft peddle' their career or downgrade their role in order to retain the ability to balance work and family life. A recent survey of part-time workers commissioned by the Timewise Foundation (2013) found that 41 per cent had 'traded down' for their current position and 77 per cent felt trapped in their current role due to the perceived lack of good quality part-time roles to move into. The damage to women's career prospects is done during the years that they are forced to compromise between a career and their family and many describe an experience of 'backsliding'.

The effect of flexible working entitlements on employer attitudes appears to have been modest. The Department for Business, Innovation and Skills has funded a series of employment relations surveys since 1980. The most recent survey in 2011 notes that:

There was no general increase in employers' provision of flexible working practices between 2004 [the year of the previous survey] and 2011. Moreover, the proportion of workplace managers who think it is up to employees to balance their work and family responsibilities has increased (Workplace Employer Relations Survey First Findings).

In contrast, there has been a small increase in take-up amongst employees with access to flexible working arrangements. In 2011, 68 per cent of employees who had access to flexible working arrangements were actually working flexibly compared to 62 per cent in 2006 (ibid). The overall picture, then, is of some retrenchment in attitudes to flexible working amongst employers but continued demand from employees where flexible working is available.

The Chartered Institute for Personnel and Development separately conducted a survey in 2011, which provides additional insight because it asked both employers and employees about the availability of flexible working. The difference between the two resulting figures—90 per cent of employers said that they offered flexible working of some kind while 51 per cent of employees said their employer offered flexible working (CIPD, 2012). The reasons for the difference between employer and employee perceptions are likely to relate to flexible working only being available in certain roles or failures to communicate about the availability of flexible working. Separately, Maternity and Paternity Rights and Women Returners Survey 2009/10 notes that fathers and mothers report different levels of availability of family friendly working arrangements, reflecting both employment patterns that differ for men and women and greater awareness of family friendly working for women.

The 2010 European Survey on Working Conditions provides evidence that there is significant scope for UK employers to improve access to and take-up of flexible working arrangements. Table 2.3 shows that access to flexible working in the UK was similar to the EU-27 average and on a par with Germany and France but use of flexible working options significantly lagged the highest performers.

Table 2.3: Setting of working time arrangement

Country	Hours set by employer,	Employer set- but adaptable within limits (flexitime)	Entirely determined by employee
UK	58.3	16.5	15.3
EU-27 average	59.2	15.8	17.8
Germany	54.7	21.6	14.1
Austria	52.7	21.7	16.2
France	61.3	14	15.9
Denmark	40.8	35.4	16.8
Norway	46.9	39.8	6.7
Netherlands	35.1	34.9	19.8
Sweden	37.9	39.5	16.6

Source: Fifth European Working Conditions Survey (2010).

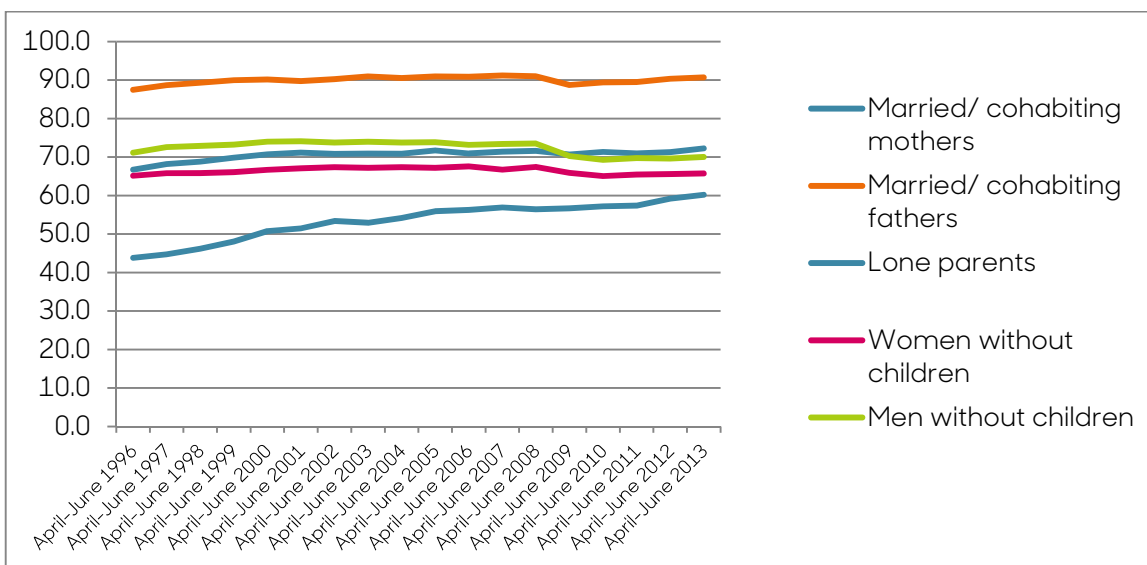
iii. The maternal employment gap

The simple policy targets set by the 2004 childcare strategy do not indicate how successful these policies were in influencing outcomes. The gap between the maternal employment rate or wages and the equivalent rate for women who have not had children indicates that progress in eliminating this choice gap and increasing parental employment has been limited since 2004. While the maternal employment gap has decreased, most of this change can be accounted for by the falling female employment rate during the recession.

Table 2.4 shows that maternal employment itself was 0.5 per higher in 2010 than at the end of 2004.

In 2012, the employment rate of cohabiting and married mothers was 72 per cent, slightly below the male employment rate of 76 per cent. However, the employment rate for single mothers was much lower at 60 per cent. In contrast, men with children are slightly more likely to work than men without children.

Table 2.4 Maternal employment table



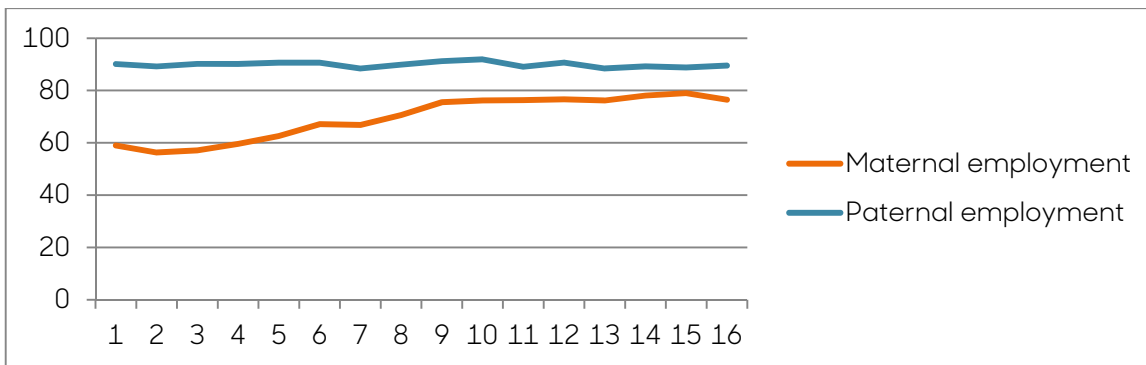
Source: Labour Force Survey

Table 2.5 Parental employment by age of youngest child, 2003 to 2013

Age	0 to 3	4 to 10	11 to 18
2003	52.2	69.0	77.7
2004	53.2	69.6	76.7
2005	55.9	69.0	78.0
2006	55.9	69.5	76.3
2007	56.1	69.8	77.7
2008	56.8	69.1	78.5
2009	55.3	68.1	78.7
2010	57.5	68.4	78.4
2011	58.7	67.5	77.3
2012	57.9	69.9	77.5
2013	59.9	71.1	78.3

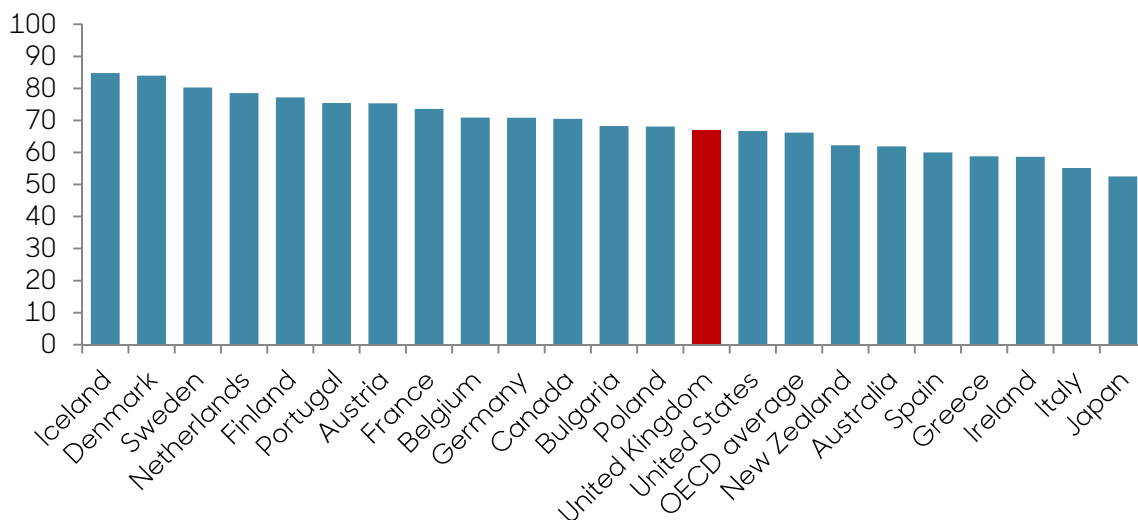
Source: ONS, Labour Force Survey household datasets (not seasonally adjusted)

Table 2.6 Parental employment by age of youngest child, 2012



Source: Labour Force Survey data cited in Department for Work and Pensions Statistical Release (2013) Maternal and paternal employment rates by age of youngest dependent child in the family unit, April-June 2012

Table 2.7 Maternal employment across the OECD



Source: OECD Family database

OECD data shows that whilst the UK has a maternal employment rate (67.1 per cent in 2009) slightly above the average of OECD states (66.2 per cent), it lags a number of comparable European states and the highest European performers by ten to twenty percentage points. Some of this gap can, however, be accounted for by higher overall employment.

While women on average now tend to outperform men in education and the early stages of a professional career, for many motherhood entails a long term career and pay penalty. Additionally, women who do not pursue higher education and become mothers face high barriers to leaving low skilled and low paid roles. These two trends contribute to a persisting gender pay gap in the UK of approximately 15.7 per cent, slightly above the most recent available

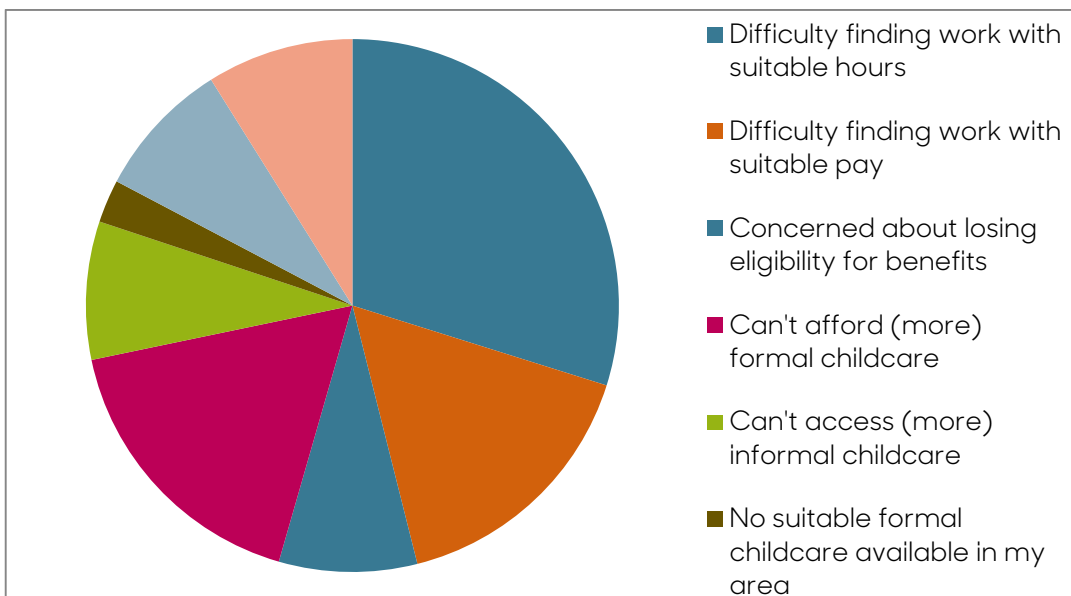
OECD average figure of 15.2 per cent in 2011. More optimistically, OECD figures show that the gender pay gap in the UK has declined over the last decade; from 25.6 per cent in 2001 to 17.8 per cent in 2012. Much of this progress was achieved before 2008, with recent figures suggest a levelling off, most likely due to declining public sector employment among women.

iv. Key learning: closing the gap

A recent OECD paper estimated that by reducing the gap between male and female labour force participation by 50 per cent by 2030, UK GDP could be increased by 5.1 per cent or approximately £156 billion each year. If the gap were to close by 100 per cent, the gain is estimated at 10.3 per cent or £313 billion (Thévenon, et al, 2012).

Table 2.8: Barriers to work for parents with children

Why do you or your partner not currently work or work part time? (Base: Families where both parents are not in work)



Source: Department for Work and Pensions (2013) A survey of childcare decisions among families with children, working paper 114

Mothers missing from the labour market tend to be younger, to not yet have acquired professional skills or attended tertiary education and single parents. Analysis of the Labour Force Survey suggests that maternal employment for

older mothers who cohabit or are married is comparable to female employment and for the latter group on average actually exceeds male employment. The wage gap, however, persists across these groups due to the prevalence of part time work. Whilst

higher skilled women are able to remain attached to the labour market, work interruptions and more subtle gender and parenthood penalties nevertheless result in long term pay penalties.

Lone parents in particular face the highest barriers to employment and progression (Department for Work and Pensions, 2012). Single parents with pre-school children tend to be younger and may lack higher level skills and qualifications. These parents may have more limited social and professional networks and weak links to employment, having never worked or worked for relatively brief periods. Entering or returning to work often means accepting low skilled, low paid roles with little scope for progression. Childcare poses additional challenges because lone parents often have more limited informal care networks.

But the task of closing the maternal employment and pay gap is not straightforward. Parental preferences suggest there is significant unmet demand for work, but also that parents trade off quality of work for family wellbeing and many parents wish to work flexibly. Simply encouraging or compelling more parents to work without also addressing the aspects of work that parents find problematic is unlikely to prove successful. An effective strategy that utilises family-friendly levers to reduce the gender employment gap must enable families to meet caring and working preferences by:

- supporting shared parenting through the extension of parental leave rights for fathers and over time increasing the level at which parental leave is paid; and
- creating a more meaningful extension of flexible working, particularly in full time roles and bringing more high quality jobs into flexible working arrangements.

International evidence suggests that low take up of paternity leave is due to the low rate at which paternity leave is paid (Moss, 2013; OECD, 2011). States have experienced success in improving take up by introducing 'use it or lose it' father's quotas and increasing the level at which

paternity leave is paid. For example, Norway has a three month father's quota (paid at 100 or 80 per cent of earnings, depending on the length of parental leave taken by both parents) which around 89 per cent of fathers use some proportion of their leave (Moss, 2013). Research also suggests that take up of paternity leave of two weeks or more is associated with increased involvement of fathers and improved child development (Carmen Huerta et al, 2013).

Rather than increase the value of parental leave or reserve an entitlement for fathers, the UK's approach has to date been to extend the length of parental leave, and most recently to make it available to both parents. The UK now has among the longest periods of paid maternity leave among comparable states, but lags in relation to the value of paid leave. This may in part be related to demands of employers and the structure of the UK labour market, but also the high costs of childcare for the youngest children. In the UK the greatest and most costly caring pressures fall on parents before their child reaches the age of three. This creates pressure on policy makers to use parental leave to offset such problems. Extending parental leave is an attractive option to help to fill this gap, but may not help parents meet working preferences and encourage longer absences from employment that could have potential long term negative consequences.

International learning suggests that realistic but strong flexible working rights are needed to change this pattern. Austrian parents, for example, are entitled to work part time until the child's school entry if they are working in companies with more than 20 employees and if they have been continuously employed with their present employer for at least three years (Moss, 2013). Recent research posits this approach as one explanation for greater work participation among mothers in Austria, alongside Austrian marginal tax rates that provide stronger incentives to work for second earners (Dearing et al, 2007). Other countries have pursued different approaches. Denmark has used limits on working time and extensive childcare support to achieve high levels of

maternal employment with few rights to flexible or part time working (ibid). These are approaches that UK policy makers could consider.

The 2006 Women and Work Commission recommended, amongst other steps, that the government should establish a part-time work 'change initiative'. The government responded by setting up the Quality Part-time Work Fund, which funded twelve pilot projects running for up to two years between 2007 and 2009 (2010). The evaluation of the pilots highlighted that flexible roles need to be advertised more widely as such to be filled on that basis and that advertisements need to explicitly offer the position as a job share or similar, rather than expect applicants to pursue the job in the hope that it may be possible to negotiate part time hours (Lyonette et al, 2010).

The UK's low level of parental leave pay and paternity leave entitlement have left the pattern of primary maternal responsibility for care beyond the first six months after birth intact, with women taking the role of primary carer even as they are expected to participate in the labour market. A more equal distribution of care would both support common parenting preferences and help to change negative employer attitudes to family friendly working. Evidence suggests that creating a reserved leave entitlement for fathers and moving over the long term to increase the value of parental leave are most likely to change parenting patterns and increase shared parenting. However, this approach may only be satisfactory for families if accompanied by behaviour change amongst employers and more effective childcare support. Government policy measures in the process of being implemented, including shared parental leave and the extension of the right to request flexible working to all employees, are by the government's own assessment unlikely to significantly increase family friendly working.

Policy makers must also be mindful of the specific challenges for mothers in low income families that will not be substantially addressed through such changes. The

Maternity and Paternity Rights and Women Returners Survey 2009/10 noted that the rate of return to work was 90 per cent among mothers who received a combination of Statutory Maternity Pay and employer funded maternity benefits), compared with 38 per cent among those who received no maternity pay. The same survey found that 51 per cent of mothers in temporary pre-birth employment went back to work, compared with 80 per cent of mothers in a permanent position, and that there was a strong correlation between length of employment pre-birth and the likelihood of returning to work.

In making decisions about work, low income earners appear to be most sensitive to their partner's earnings and marginal tax rates. This may be one reason maternal employment did not fall during the recent recession, as in the lowest income families both parents needed more than ever to work. An important part of an effective strategy to improve maternal employment outcomes is to create more equitable financial incentives for second earners. One important way this can be achieved is by separating childcare support from tapered income support. That possibility is discussed further in this paper.

There is evidence that occupational segregation remains high in countries such as those in Scandinavia that have higher maternal employment than the UK (Ellingsæter, 2013). There must therefore be caution about how far the goal of increasing maternal employment itself will contribute to gender equality unless policy also supports shared parenting and improved work opportunities for women. In addition to greater flexibility in higher skilled occupations and senior positions, a broader strategy involving education and aspiration is required to reduce inequalities for those in employment. Without such strategies, increased maternal employment would be likely to be accompanied by continued gender segregation in the workforce and the potential creation of new poverty traps.

Overall since 2004 there has been significant progress towards helping parent to balance work and family life. But maternal employment in the UK remains

below many other European countries and there remains a life time 'mother penalty' in relation to earnings. Too few fathers take up additional parental leave, which further reinforces gendered caring roles and mothers' career progression. Moreover, attitudes among employers to flexible working have regressed during the recession.

Given these findings we recommend that the Government:

- Create an initial month of 'use it or lose it' paternity leave paid at the same rate as maternity pay.
- Parental leave should be paid at the minimum wage.

- Allow the second earner in a household to keep an additional £50 a month of earnings before their income from universal credit is reduced.
- Government to put in place an information campaign for parents on their rights and entitlements at work.
- Government to work with partners to ensure all business have access to information and case studies of how to implement flexible working practices.

Two: Availability

Strategy vision: For all families with children aged up to 14 who need it, an affordable, flexible, high quality childcare place that meets their circumstances.

i. Childcare demand: What do families use and need?

A lack of clarity as to what flexible access to childcare means for parents needs constrains current policy making. There are comprehensive surveys on childcare demand and supply, notably the Department for Education's *Childcare and early years survey of parents* and *Childcare and early years survey of providers*, but no agreed definition of what good access to childcare looks like.

The childcare needs of families reflect a combination of factors: what parents think is best for their children's development needs and what parents need for work. These factors are not necessarily aligned and there can be tensions between each. Parents themselves do not generally have an ideal model of childcare arrangements and make childcare decisions based on

many different factors including affordability, proximity to work or home and availability at the time of day that it is needed (Ellison et al, 2009).

Recent research evidence confirms the patterns of care that are desirable in respect to the development and wellbeing of children. These studies suggest:

- Full daycare for the youngest children needs be of a high quality, with low staff-child ratios and stable care from qualified, nurturing staff. For all children, long hours in low-quality childcare increases the risk of behavioural problems, particularly for the most disadvantaged children. There is conflicting evidence on the effect of long hours (more than 30 hours) in good quality childcare, with evidence of both modest negative and positive impacts.
- High quality formal childcare has benefits beginning from around 18 months for language development, particularly for the most disadvantaged children. Children benefit from care in

small group settings led by staff specialised in care for infants and toddlers.

- For children aged three to five, formal group care with graduate pedagogical leaders supports learning and development, and again has particular benefits for the most disadvantaged children.
- The duration of childcare over time is more important than the number of hours of childcare used each week, with little difference in outcomes for children accessing formal childcare beyond 15 hours, but positive associations with care over a longer duration of months.

This section examines the question of whether childcare in England is of sufficient supply, but there are considerations that relate to access and quality. Where childcare is in short supply, parents may have less scope for choosing high quality childcare. Market mechanisms, therefore, may not necessarily drive up quality. Parents may also struggle to reconcile their children's development needs with their own needs as employees for particular forms of childcare at certain times of the days.

Data from the 2013 Childcare and Early Years Survey of Parents suggest that in England some 78 per cent of families with children under 15 years used childcare with ten per cent of them using a day nursery. A further five per cent of families sent their children to sessional pre-schools, which offer part-time provision. Some ten per cent of families sent their children to nurseries attached to primary schools, or nursery schools. This public sector provision is mostly for children over the age of three, where they usually receive 15 free hours of early education funded by the Government. Another five per cent of families use

registered childminders to care for their children.

When children reach school-age, many parents use breakfast and after-school clubs to look after their children before and after the school day which usually ends at about 3.30pm. Nearly half (43 per cent) of this form of childcare is run by private organisations, although 32 per cent is run by schools or local authorities. In England in 2013, some six per cent of families with children under 15 were using breakfast clubs and 36 per cent were using after-school clubs. Other families use childminders to pick up their children after-school, with five per cent of families with children aged between five and seven using this form of childcare. Families may also use holiday childcare, particularly during half-term periods and over the summer holidays (Family and Childcare Trust, 2013b). Parents of older children may also use after-school and holiday arts, sports and leisure activities as surrogate forms of childcare, with these activities usually run by schools, local authorities, sports clubs and third sector organisations.

Other families rely on informal – unregulated – childcare, with over a quarter of families (27 per cent) using grandparents to provide childcare during term-time, four per cent using older siblings, six per cent using other relatives and six per cent using friends and neighbours. While not a form of childcare, 'shift-parenting' is another family caring strategy, where parents work at different times, although this is not an option for many single parents. Informal childcare and shift-parenting are frequently used where parents have 'atypical' work patterns such as shift-work or irregular work patterns, as formal childcare may be difficult to find (Rutter and Evans, 2011). Parents with the youngest children use the least childcare but even at this age a substantial proportion (38 per cent) are using formal childcare.

Table 3.1 shows that the age of children, work status and family type are associated with higher formal childcare use, with working couple parents and working single parents with pre-school children the highest users overall.

relatively high use of formal childcare among parents who do not work. Here, their children may be using free early education, but non-working parents also use formal childcare when they are looking for employment, undertaking training and to cover household chores.

One notable feature of Table 3.1 is the

Table 3.1: Childcare use by work status

Days	Couple (both working)	Couple (one working)	Couple (neither working)	Single parent in work	Single parent not working
1	7	17	6	2	13
2	14	14	11	10	9
3	22	16	16	11	20
4	19	13	6	13	10
5	34	36	57	47	39
6	3	3	1	12	6
7	1	0	3	5	3
Median hrs/day 0 to 2	8.1	3.8	3.3	8	4.2
Median hrs/day 3 to 4	6.5	4	3	7.4	5

Source: Childcare and Early Years survey of parents 2013

Table 3.2: Median hours of childcare used each week by age

	0 to 2	3 to 4	5 to 7	8 to 11	12 to 14
Formal	16	18	5	3	3.2
Informal	10	8	5.5	6	6
Any childcare	18	23.8	7.5	5.5	5

Source: Childcare and early years survey of parents 2013

For pre-school children, part-time hours of childcare are most common but there is significant variation in the number of hours used for pre-school children, which probably reflects the different needs of families where all parents work.

formal childcare. In 2004 57 per cent of families used formal childcare, rising to 64 per cent in 2013. This change may reflect a greater availability of childcare, with increased supply leading to increased uptake.

Childcare use among families has changed over time. The Government's Childcare and early years survey of parents suggests a greater proportion of parents are now using

Perhaps the two clearest features of childcare use is the absence of a single pattern and that parents tend to use

packages of different childcare. Many different factors determine childcare use including personal preference, work arrangements, children’s age, local childcare affordability and access to informal childcare. Common patterns emerge among different family types, but there is not one prevalent arrangement. The key lesson of this evidence is therefore that flexibility is an important characteristic of a successful childcare system.

ii. Childcare supply; Childcare provision 2004-14

Beginning with the 1998 childcare strategy, government has shaped childcare provision through a mixture of demand (parents) and supply-side (to providers or local authorities) funding. Table 3.3 sets out the main forms of public investment in childcare since 2004.

Table 3.3: Sources of childcare funding 2004-2014

Supply-side	Demand-side
Universal early education offer for 3 and 4 year olds	Childcare element of Working Tax Credits
Free early education offer for 2 year olds	Childcare study grants
Capital funding grants	Job Centre Plus grants
Sure Start grant (Early Intervention Grant)	Employer-supported childcare vouchers
Out of School Childcare Grants (now in Dedicated Schools Grant)	Workplace nursery tax relief
Neighbourhood Nurseries Initiative – to support nursery growth in deprived areas	
Transformation Grant	

Stimulated by a mixture of supply-side and demand-side funding overall childcare places have grown since 2004, although this growth has not been even across all types of childcare. Table 3.4 sets out recent trends in nursery provision. The number of daycare providers has grown strongly and supply-side and demand-side funding may have contributed to this growth. Notably, the recent recession appears to have had relatively little effect on the growth of daycare provision, likely a reflection of sustained maternal employment over this period. Provision of infant, nursery and reception classes in schools, which tend to

offer 25 hours of care each week, has remained relatively stable.

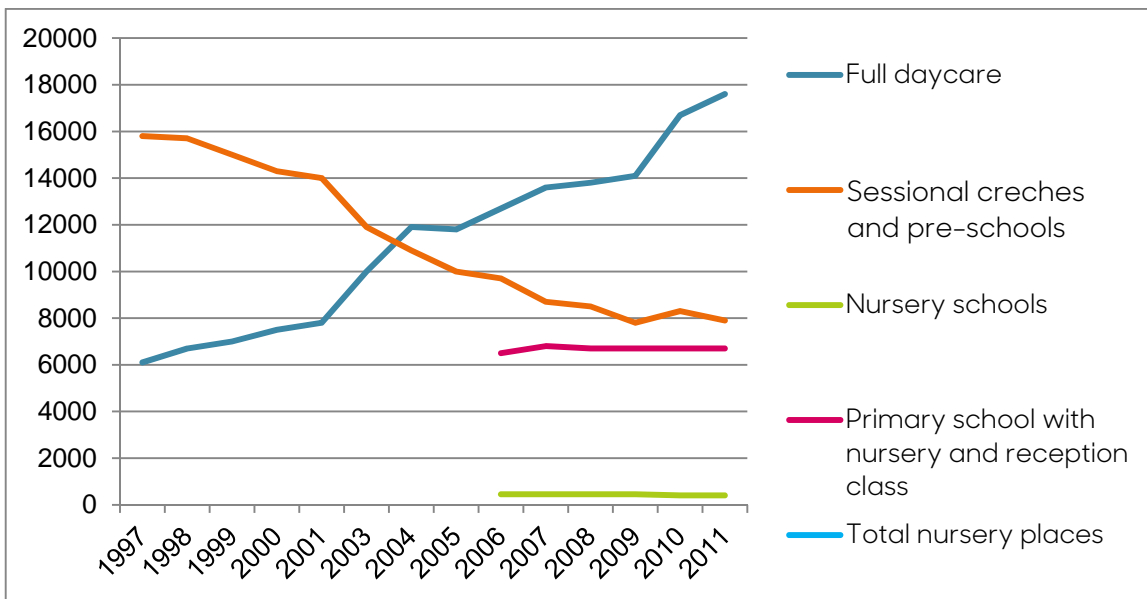
In 2004, the universal early education offer was available for three and four year-olds for 12.5 hours each week, 33 weeks each year. From September 2006, the offer was increased to 15 hours each week for 38 weeks each year (412.5 hours each year to 570 hours). The offer has been effective at extending access to early education, with Department for Education statistics showing the average take up across England of 96 per cent for the three and four year old population in January 2013. However, there

are specific areas where take up falls to 80-90 per cent, including parts of London and other urban areas such as Birmingham and Manchester.

Sessional and pre-school provision has declined significantly but this trend should be interpreted carefully. Many sessional providers have not closed but converted to full daycare and there are both positive and

negative consequences of this. The provision of full daycare has increased, offering more parents access to sufficient childcare to work, but full daycare also tends to be relatively rigid, requiring parents to block book sessions or days, often with minimum requirements. This means that, alongside the decline in the number of childminders, access to the most flexible forms of childcare may be declining.

Table 3.4: Childcare providers by type 1997-2014



Sources: Childcare and Early Years Workforce Survey 2002-03; Childcare and early years providers surveys 2005 to 2011; DfEE Statistical First Releases SFR 28/1999, SFR 32/2000 and SFR 33/2001; Ofsted registration data

Table 3.5 shows the relative proportion of childcare providers in areas categorised by relative deprivation from 2005 to 2011 (using the Index of Multiple Deprivation at the small area level). As provision has increased significantly over this period, there are more providers in all areas with the exception of childminders. The data also shows that provision of daycare and out of school childcare has grown faster in the least deprived areas. This means that historical patterns of provision, where childcare in urban areas is heavily weighted towards maintained services whilst provision in middle income areas is weighted towards private provision, have

been slower to erode in disadvantage areas. This has positive consequences - as discussed in section three, the most deprived children are more likely to access early education in a maintained setting with a graduate - but also contributes to a deficit of full daycare in other areas.

The evaluation of the Neighbourhood Nurseries Initiative, which ran from 2001 to 2005, offers insight into the difficulties of establishing sustainable daycare provision that is accessible to low income families (Smith et al, 2007).

Table 3.5: Proportion of childcare provision by area deprivation

	2005		2011		per cent change 2005 to 2011
	30 per cent most deprived	70 per cent least deprived	30 per cent most deprived	70 least deprived	
Full daycare	35	65	25	75	-10
Sessional	19	81	20	80	-1
After school clubs	33	67	26	74	-7
Childminders	18	82	19	81	-1

Sources: Childcare and early years providers surveys 2005 and 2011

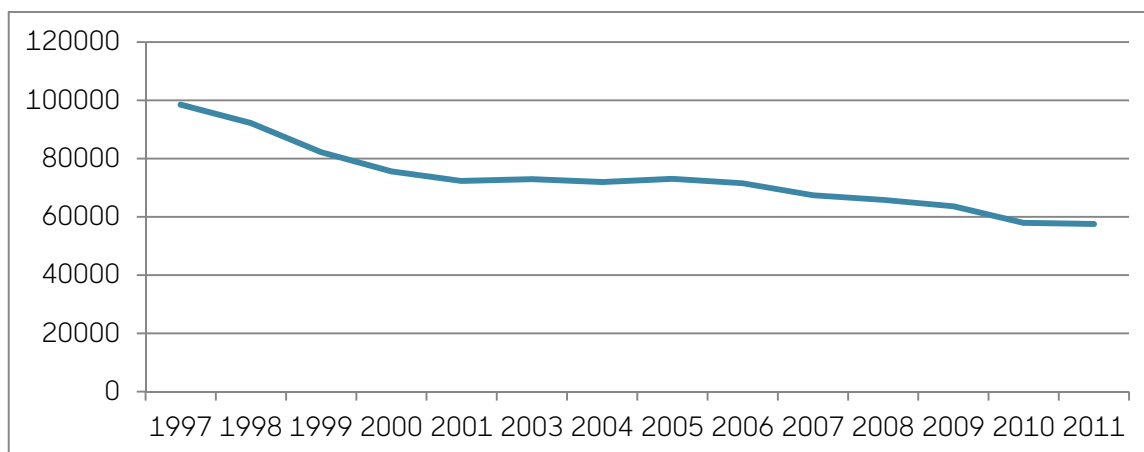
The scheme was funded through a combination of capital funding from the lottery (£128million) and tapered revenue funding over three years from the Department for Education (£240million).

The programme helped to fund 1,400 nurseries, 74 per cent of which were located in the 30 per cent most disadvantaged areas. Alongside the expanding children's centre programme, neighbourhood nurseries helped to close the gap in childcare access between the most and least disadvantaged areas (National Audit Office, 2004). However, over time and as subsidies were withdrawn, sustainability proved to be a challenge for these nurseries, borne out by the closure rate of nurseries in children's centres when subsidies have become financially unsustainable for local authorities. Establishing sustainable full daycare nursery provision in areas with low employment is likely to require sustained subsidy and mechanisms to ensure responsive supply.

Another important pattern is that there is a long term trend of decline in the number of registered childminders. The principle reason for this decline is that the market for childminders has shrunk as access to affordable nursery provision has grown. The number of working childminders peaked in the early 1990s when maternal employment had risen close to current

levels but alternative forms of childcare were far more limited than is currently the case. Childminders leaving the profession may well be moving into more stable jobs in centre-based childcare. It is also likely that strong female employment alongside low earnings for childminders and competition from other sectors for skilled professionals has reduced the pool of people who might consider working as childminders.

Table 3.6 : Registered childminder numbers



Sources: Childcare and early years providers surveys 2005 and 2011

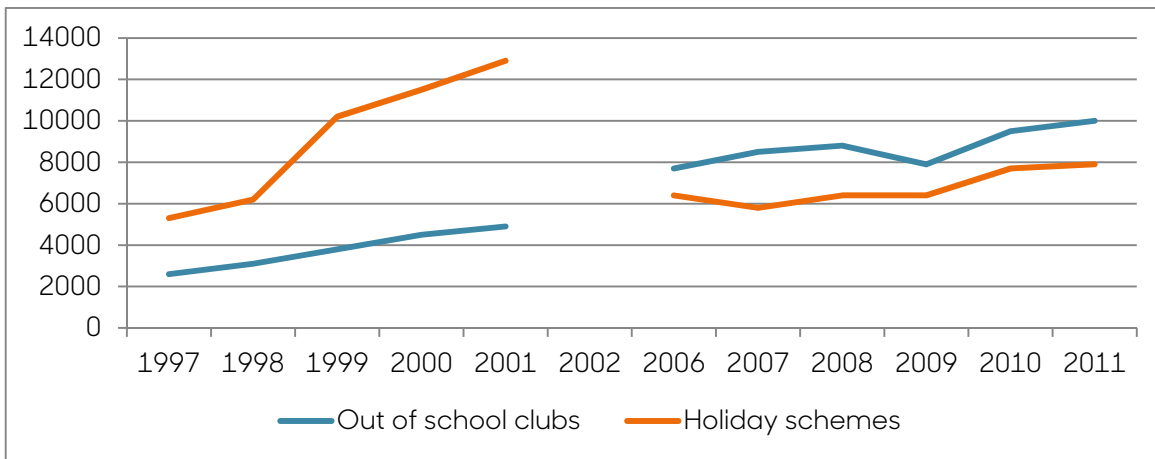
For older children, there was a rapid expansion of out-of-school and holiday childcare facilitated by lottery and central government funding. The 1998 childcare strategy committed £300 million over a five year period – £170 million of which was lottery funding – to create new and sustainable out of school hours childcare places. In 2002, a further £198.5 million of lottery funding was made available to extend the programme to 2005.

The 2004 childcare strategy set out the aim of creating an out of school childcare place for all children aged three to 14 between 8am and 6pm, known as the out of school childcare initiative. Schools were asked to provide of high quality affordable 'wraparound' childcare on the school site or through other local providers, with supervised transfer arrangements where appropriate, available 8am to 6pm all year round (Department for Education and Skills, 2005). Funding was committed through the Extended Schools Sustainability Grant and the Extended Schools Subsidy Grant, which stood at £356million in 2010/11, the final year before these grants were incorporated into the Dedicated Schools Grant. A 2010 evaluation of this programme suggested that the out-of-school childcare was being provided in 98 per cent of schools (Cited in House of Common Library,

2014). The lack of clarity about what acceptable out of school 'childcare' amounts to means that this figure should be interpreted carefully.

Table 3.7 draws from two different datasets. Data to 2002 was compiled by the Department of Education using information from local authorities, which were then responsible for the registration of formal childcare. This included many holiday childcare providers who would not subsequently be required to register with Ofsted, which took over responsibility for registering childcare providers from 2001. The sharp fall in holiday providers visible in the chart therefore reflects the removal of many providers from the data rather than a rapid decline in provision.

Table 3.7: Holiday and out of school clubs 1997-2001 and 2006-2011



Sources: Department for Education and Ofsted provided numbers

Overall, the number of registered childcare places (excluding reception classes) rose from 1.25 million in 2003 to 1.9 million in 2011. This growth has not been evenly spread. While there has been an increase in the numbers of places offered by the

private and voluntary sectors in England, there has been a small decline in the proportion of maintained providers, except for school-based provision.

Table 3.8: Ownership of provision by per cent of overall providers

	2005			2011		
	Private	Voluntary	Maintained	Private	Voluntary	Maintained
Daycare	60	20	13	61	31	8
Sessional	30	60	9	34	60	6
After school clubs	36	39	24	43	24	32

Sources: Childcare and early years survey providers' surveys 2005 to 2011

iii. The Childcare Act 2006 sufficiency duty

We have reviewed patterns of use of childcare among parents and changes to its supply since 2004. Over the last 25 years, government policy has tried to balance supply and demand. Sections 18 and 19 of the Children Act 1989 introduced a general duty for local authorities to provide daycare for pre-school and other children 'as is appropriate' and to review provision periodically. In 1997, the government created new Early Years Development and Childcare Partnerships (EYDCPs) (building on Early Years Development Partnerships) that were intended to act as forums for local authorities, providers, parents and

other local stakeholders to plan and support the large expansion of childcare places. The existing Children Act 1989 duty was revised through the School Standards and Framework Act 1998, which introduced the principle that local authorities should provide 'sufficient' childcare in order to better match supply with demand (section 118). This legislation also introduced a duty on local authorities to produce Early Years Development Plans which set out how the sufficiency duty would be met and were approved by the Secretary of State. Regulations stipulated that each partnership was to submit a plan to the

Department for Education and Employment for the 1998 financial year and each year subsequently. The 1998 childcare strategy committed about £80,000 to each local authority to support the partnership and conduct annual childcare audits.

From 2002, the government began to fund local authorities to support an expansion of the childcare market through sustainability grants and start-up capital. To guide this funding, the Education Act 2002 placed a greater emphasis on a local authority's proposed actions to meet current and projected demand. However, the 2002 Inter-Departmental Childcare Review and a series of case studies commissioned by the Children's Society highlighted flaws in the operation of EYDCPs, including a lack of leadership, capacity and long term planning. The government responded to these assessments through the 2004 childcare strategy, which committed to a 'new duty on local authorities in place by 2008 so that over time they will secure sufficient supply to meet the needs of families.' The 2004 strategy deliberately strengthened the existing duty:

[P. 1] The Government intends to clarify and strengthen local authorities' legal responsibilities with a new duty to secure sufficient provision to meet local need. ... In order to make a reality of the Government's commitment, it will be important that there is strong local leadership and that the needs of particular communities are reflected in the pattern of local provision. Local authorities will need to ensure that there are robust arrangements in place for consultation, planning and intervention in order to secure the delivery of sufficient quality childcare places.

[P. 57] A key challenge for Government and for local authorities in delivering the vision will be securing sufficient supply to meet parental needs in areas where the market struggles to support affordable, good quality provision. This is particularly the case in some rural and disadvantaged areas.

This commitment was implemented through the Childcare Act 2006, which placed a duty on local authorities to provide sufficient childcare for working parents, those undertaking work-related training and for disabled children 'as far as practicable'. Section 11 of this legislation also required local authorities to produce, every three years, a childcare sufficiency assessment. The stronger legislative language, focus on working parents and detailed regulations were all intended to prompt progress in addressing gaps in childcare provision. However, the format of these sufficiency assessments has been criticised. Not every report has an action plan attached to it and types of childcare need – for older children and for parents who work outside normal office hours – are not analysed in all sufficiency assessments (Rutter and Stocker, 2014). A government-commissioned evaluation of sufficiency reports recommended that the Government should:

- establish a single definition of childcare demand;
- compile a list of data sources to help local authorities best map current and future childcare demand;
- identify and publish good practice; and
- organise workshops to enable local authorities to discuss the challenges and solutions of assessing childcare (Office for Public Management, 2008).

The desire to lessen the administrative burden on local authorities led to the Government changing the obligation for English local authorities to carry out a three-yearly childcare sufficiency duty, plus annual updates through changes to statutory guidance and in the Children and Families Act 2014. Local authorities are now required to produce a shorter annual report and action plan to explain how they are ensuring sufficient childcare in their area, although there is emerging evidence that not all local authorities are doing this (Rutter and Lugton, 2014, forthcoming).

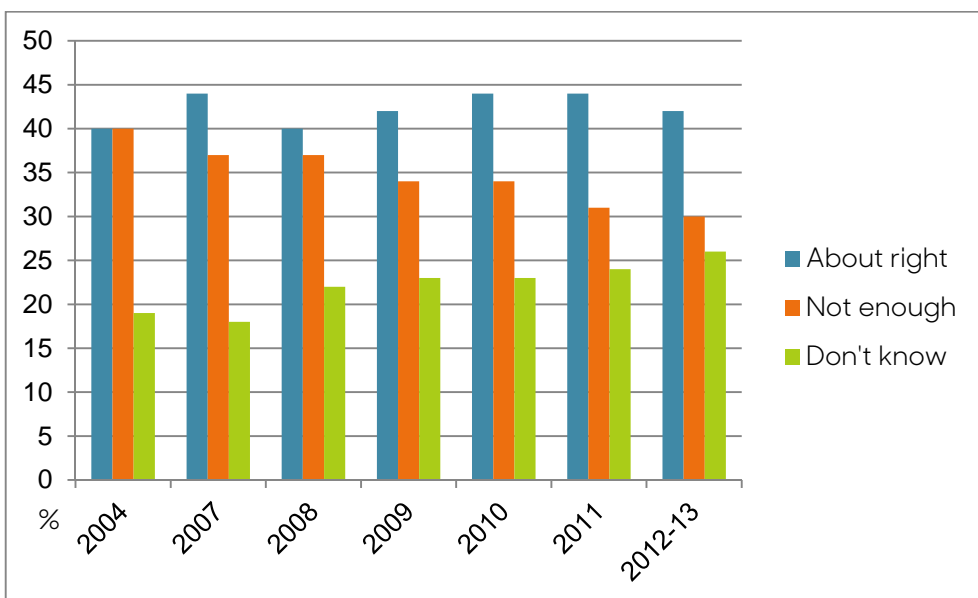
iv. What is the evidence of gaps in childcare access?

Quantifying gaps and unmet demand in childcare is challenging. In a market, not all parents will be served well and childcare remains a market with no admissions procedures or guarantee of access. On the other hand, various features of the childcare system in England reflect the goal of responsive, affordable provision, most notably the Childcare Act 2006 sufficiency

duty. For an economist, unmet demand does not mean that someone cannot find a childcare place they can afford. In public policy, unmet demand means that there is an identified optimum level of childcare access to support certain child or family outcomes that is not being achieved. It is this latter notion of unmet demand that is discussed here.

Data from the Childcare and Early Years Survey of Parents suggests that a substantial proportion of parents using childcare have negative perceptions of childcare availability (Table 3.9). The proportion of parents who believe that there are not enough childcare places has declined by 10 per cent since 2004, but positive perceptions have increased relatively little. A high proportion of parents are unable to answer this question.

Table 3.9: Perceptions of availability of local childcare places 2004 to 2012-13



Source: Childcare and early years survey of parents 2012-13, figure 6.2

The same survey asks several further questions which help verify the problems parents may face. Of parents with young children who are not using formal childcare, a small but significant number have not been able find an open place (ten per cent). The Childcare and early years survey of providers suggests that some parents may approach providers and find that they do not have a place available. In 2011 this survey showed that 17 per cent of daycare providers report a 100 per cent occupancy rate as do 28 per cent of sessional providers, 16 per cent of after school clubs, 17 per cent of holiday clubs and 35 per cent of childminders.

A second reason parents may feel that there are not enough places locally is a lack of flexibility in childcare provision. In the 2013 *Childcare and early years survey of parents*, 22 per cent of parents agreed that they had 'problems finding childcare that is flexible enough to fit my needs' (this included both formal and informal childcare). Examples of childcare that may pose challenges for parents include:

- sessional provision that is limited to two and a half hour morning and afternoon sessions;
- nursery and reception classes operating school hours without wraparound care; or
- full daycare providers or childminders with prohibitive minimum booking requirements.

Many providers have good reasons for operating models that can be problematic for parents. As described earlier in this paper, a large proportion of sessional and school-based childcare has its roots in early educational models that are intended to complement rather than replace family care. Many schools and sessional providers continue to see their principle purpose as providing learning and development opportunities for children rather than

flexible childcare. Some providers deliberately limit how often children can attend in order to provide access to as wide a group of children as possible. For many providers, both for-profit and not-for-profit, there may be physical barriers to expanding premises designed for short sessions so that it is suitable for longer periods of care. Finally, it simply may not be financially viable for a provider to remain open for longer hours when the number of children attending falls.

Since 2011, the Family and Childcare Trust's annual childcare costs survey has asked local authorities for their assessment of childcare sufficiency in their area. These figures are inevitably a 'broad brush' indication of access because the concept of sufficient childcare may be interpreted in different ways. Nevertheless, the Childcare Act 2006 sufficiency duty provides a common definition and local authority family information services, which have statutory duties to maintain up to date information on local childcare providers and provide advice and information to parents, are well-placed to assess the extent to which parents face gaps in childcare access.

However, access itself is a lesser challenge than affordability: eight per cent of parents with pre-school children who are not working cite the absence of suitable formal childcare compared to 43 per cent (with children aged three to four) and 50 per cent (0 to two) who cite an inability to afford more formal childcare (Department for Work and Pensions, 2013b).

Table 3.10: Percentage of local authorities reporting sufficient provision 2011–2014

	2011 (England and Wales)	2012 (England)	2013 (England)	2014 (England)
0 to 2	36	35	20	35.4
3 to 4	42	50	53	49.6
5 to 11	28	29	31	29.2
12 to 14	14	21	16	20.5
Disabled children and children with special educational needs	11	12	14	11.6
Children of working parents	44	46	40	46.4
Children of parents working atypical hours (shift work etc)	12	12	9	12.4

Some childcare ‘gaps’ are difficult to measure. From age three, the most common package of childcare is a mix of parental and formal care or a mix of parental, family (or other informal) and formal care. This reflects a preference for early education as part of childcare arrangements and the complex logistics of family life, particularly where parents work and have more than one child. ‘Coordination points’ are therefore an important feature of childcare arrangements, but are not easy to measure. Nursery and reception classes in schools may cover five hours each day, whilst sessional providers typically offer morning and afternoon sessions, which means that a second provider may be needed, particularly for working parents. Children of different ages are also often placed at different providers so parents may need help to collect and transport children. Childminders have played an important role in linking childcare, as increasingly do extended schools. However, it seems likely that one important reason for dissatisfaction with childcare arrangements is the lack of integrated local provision.

Perhaps the most important reason there has been little progress in addressing gaps in childcare is that little funding is available

to do so. The sufficiency duty itself was not directly funded but was intended to guide how local authorities used resources provided through the Sure Start grant, the Extended Schools grant and the time-limited Childcare Transformation Fund. These resources were initially largely committed to the expansion of Sure Start, the out of school childcare initiative and, in the case of the transformation fund, quality improvement. These funding streams have since been merged into the current Early Intervention Grant and Dedicated Schools Grant and seen a reduction in their level of funding.

The Childcare Act 2006 assumes that local authorities are the provider of last resort and should only provide childcare themselves where there is no other private or voluntary sector provider to fill the gap. But the regulated free market is not functioning. The childcare market is bound by rules to determine its quality. These requirements, rightly, set a fixed minimum cost for providers. Most for-profit childcare providers operate on low profit margins that are highly sensitive to small changes in income or outgoings. Not-for-profit providers experience similar sensitivities. Economies of scale can help providers reduce costs, and this can be achieved by

both local authorities and large 'chain' nurseries, the latter having a large market presence in England.

A local community might almost reach market saturation for childcare, or there might be services that meet mainstream needs, but investment in additional childcare places for particular types of need – for example, disabled children or in sparsely-populated rural-areas is unlikely to be delivered in a free market. The current economic climate and difficulties securing credit may put off new investors or entrepreneurs.

These market failures are why local authorities are expected to intervene, and why knowledge about childcare demand and the limits of market supply are necessary.

In addition to funding and the operation or failure of market, there are two additional process reasons the sufficiency duty is unlikely to succeed: the absence of an effective assessment process, and the lack of performance management and accountability. We have already discussed some of the shortcomings of childcare sufficiency assessments. But even where there is an effective sufficiency assessment, the information obtained may not instigate effective steps to reduce gaps in childcare provision.

A second problem undermining the effectiveness of the sufficiency duty is the failure to implement any performance management process. Local authorities' performance against the sufficiency duty was initially monitored by Ofsted through the Joint Area Review (JAR), which took account of the standard of the assessment process alongside other information such as parental queries and complaints about access. The Childcare Act 2006 therefore passed performance monitoring of the sufficiency duty from the Department for Education, to which local authorities

submitted childcare audits, to Ofsted. The JAR was replaced by Comprehensive Area Assessments in 2009 but these were abolished in 2010, removing the chain of accountability for performance against the sufficiency duty. In 2014, the coalition government also removed the Childcare Act 2006 duty and, as above, replaced it with new guidance.

This series of steps means that the childcare sufficiency duty is now largely a discretionary local matter. The childcare sufficiency duty rested on the premise that targeted local authority interventions could offset the natural tendency of a market to serve the interests of particular groups. This has not proved to be the case: there remain significant gaps in childcare access and these gaps are those a market would not naturally address – full daycare in areas where parental income is lower; childcare during atypical working hours, where occupancy rates are low; and childcare for children with additional needs, which often demands increased staffing and specialist skills. The 'hands off' approach embodied by the sufficiency duty is ill-suited to the ambition of reliable access to childcare.

v. Key learning: achieving reliable access to flexible high quality childcare

While the number of childcare providers and places has increased significantly over the last ten years, parents' experience of accessing childcare has improved little and childcare supply remains a constraint on parental employment. It is important to examine the reasons this may be the case.

Modern work patterns mean that childcare provision that successfully meets the needs of families must be flexible to enable parents to work. These requirements conflict with the characteristics of the current childcare system. Access varies significantly from area to area, provision is fragmented rather than integrated and

parents must adapt their routines to inflexible nursery hours and sessions. Capacity in the childcare system has increased dramatically but there has been little planning or organisation to the type of places that are created, nor how new places are linked.

Informal care is an important source of childcare for a significant proportion of families, but it cannot be assumed that it will be available when it is needed. To be effective in meeting demand, the formal childcare offer the government seeks to achieve should therefore operate on the assumption that informal care will not be available. At the same time, informal care must continue to be recognised as an integral part of family life and taken into account in early years support.

It is difficult to see the Childcare Act 2006 sufficiency duty as a success. The duty was targeted at removing barriers to work or training for parents, but those barriers are still in evidence. There is little doubt why this is the case: the tools that accompany the duty are too limited to allow local authorities to successfully meet the duty and central government is increasingly unwilling to intervene. Local authorities require greater funding and stronger powers of intervention to shape provision that meets the aspiration of reliable access to affordable, flexible and high quality childcare for working parents.

Moving forward from these current unsatisfactory arrangements presents a challenge. As discussed elsewhere in this paper, there are several approaches to childcare funding reform and each would have different implications for the best way to achieve effective access to childcare for parents. We can draw one important lesson from an overview of trends in childcare access over the last decade, which is that a childcare system that serves the interests of all families must empower families who are poorly served by a market. The best way to

achieve this is through generous subsidies at the low end of the income spectrum that equalise the purchasing power of families in order to attract providers to disadvantaged areas; and through both seed and ongoing revenue subsidies for providers willing to establish flexible provision in such areas.

Funding reform must be accompanied by steps to integrate local childcare provision and move forward from past fragmentation of provision. This could be achieved through creating local childcare networks in which all registered providers that benefit from public funding must participate. The benefits to such networks could be considerable; providers could, for example, be asked to accept minimum requirements such as fair admissions procedures and flexible hours of operation, whilst basic data collection would drastically improve the local childcare information offer. Parents could be an integral part of such local networks, challenging and shaping provision in the interests of local communities. With these conclusions, we recommend

- Sufficient childcare should be a legal right for parents.
- Central government should work with parents to hold to account those local authorities who fail to ensure sufficient provision.
- Central government must provide more capital and revenue funding to ensure sufficient and high quality childcare in disadvantaged areas.

Three: Quality

Strategy vision: high quality provision with a highly skilled childcare and early years workforce, among the best in the world

i. Context

As successive governments have had a longer involvement in early education than in childcare, there is a longer history of intervention in this area. The Nurseries and Childminders Regulation Act 1948 formalised the registration of early education that was provided outside of schools 'for reward' and laid down minimum standards. Responsibility for registration and enforcement initially lay with the local health authority but was later passed to local authorities. By the time of the Children Act 1989, most forms of childcare in the UK were regulated and subject to minimum standards. This system was, however, fragmented, with variation in the registration requirements and standards applied by individual local authorities and for different types of provider. A national early years' curriculum was created in 1996 to guide delivery of the aborted universal voucher scheme for four year olds, but otherwise no statutory early years' curriculum existed. Workforce qualification is the factor most strongly associated with quality and at the start of the 1990s few childcare workers outside of schools were qualified above GCSE (NVQ level two) level and many childminders had no formal qualifications at all.

The 1998 childcare strategy set out actions in a number of areas and brought in:

- an early years qualification framework;
- a single regulatory system under Ofsted;
- a new early years curriculum; and
- measures to increase the number of qualified childcare workers through the New Deal workforce programme.

These foundations nevertheless left a number of challenges unaddressed. The new early years curriculum was non-statutory except for providers delivering the universal free early education offer, cementing an undesirable

education/childcare divide. There was also a daunting gap between the qualifications profile of the early years workforce and the pay levels needed to attract the brightest and best into the profession. The 2004 childcare strategy set out a number of steps in the light of these challenges:

- set a target that all full daycare settings should be graduate-led;
- committed to a new long-term workforce reform strategy to improve the status and opportunities for progression in the early years workforce;
- committed to the creation of a single learning and development framework for childcare and learning from birth to five; and
- instigated a review of registration and inspection arrangements to inform a new legal regulatory framework.

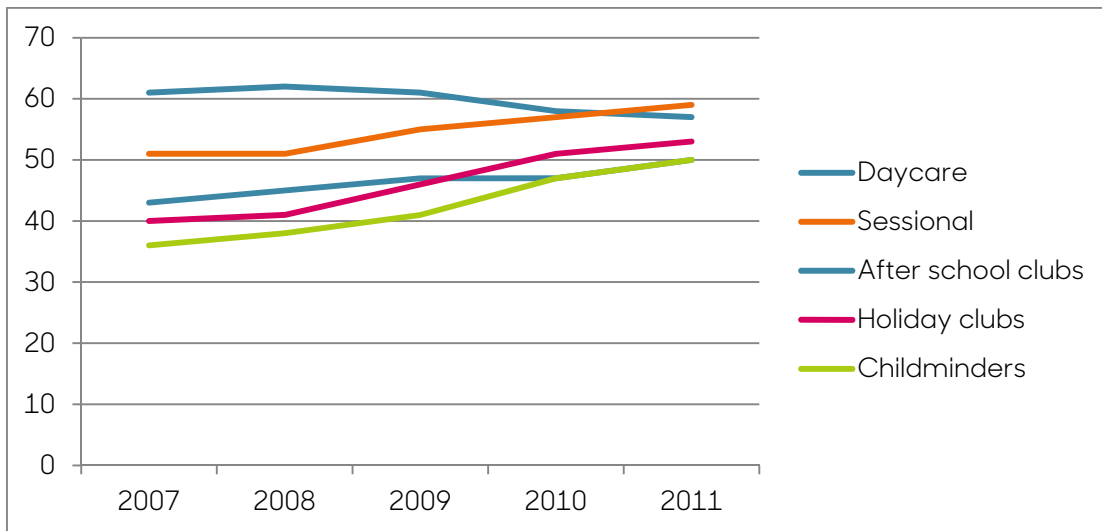
The 2004 strategy committed funding to implement these steps, including the Graduate Leader Fund of £305million which ran between 2008 and 2011. These funding streams have now ceased and local authorities are asked to support the private and voluntary sector workforce through the Early Intervention Grant.

The 2004 childcare strategy was followed by the Children's Workforce Strategy and the creation of the Children's Workforce Development Council in 2005. It brought in a single early years graduate qualification – which aimed to be comparable with Qualified Teacher Status. In 2008, the government published the 2020 Workforce Strategy, reaffirming the commitment that early years' settings should become graduate-led. More recently, the coalition government responded to the 2012 Nutbrown Review of early years qualifications by proposing a new Level Three qualification: the Early Years Professional. Nutbrown recommended that all early years staff should ultimately be qualified to Level Three and expressed strong support for the principle that all early years settings should be graduate-led.

Tables 4.1 and 4.2 show that some progress has been made towards the childcare strategy goal of a graduate-led workforce. Alongside this there has been an increase in the proportion of non-supervisory staff with both Level Three and graduate level qualifications in all settings, with private and voluntary settings seeing the largest increases, although from a lower base. It is likely that the momentum of this increase owes in great part to the Transformation Grant (2006-08) and subsequently the

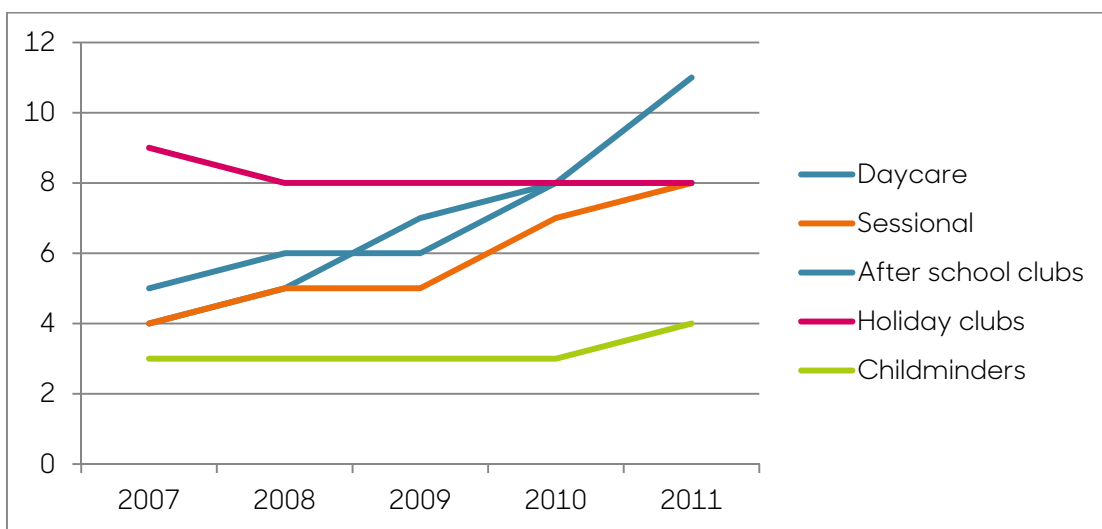
Graduate Leader Fund (2008-11). Due to the nature of these funding streams, which provided incentives for providers to support staff to gain graduate-level qualifications or employ staff qualified to graduate level, it is likely that the rapid increase in graduate staff seen in recent years will slow in future years if this workforce development funding is not replaced. And compared with other developed countries there is a much lower proportion of graduates in both supervisory and non-supervisory roles in early years.

Table 4.1: Early years staff qualified to level 3 2007 to 2011



Sources: *Childcare and Early Years Providers Survey 2011*

Table 4.2: Early years staff qualified to graduate level 2007 to 2011 (%)



Sources: *Childcare and Early Years Providers Survey 2011*

The role of graduates is to provide model skills and good practice and to mentor staff.

The evaluation of the Graduate Leader Fund suggested that graduate leadership in

a setting had an evidenced positive impact on quality, including staff-child interactions (Mathers et al, 2011). Graduates have less impact on structural aspects of a setting, the physical environment and links with parents. Because graduates tended not to work in rooms with children aged 0-30 months, there is little evidence of a positive impact on care on the youngest children.

Low pay levels in the sector act as a barrier to attracting and retaining the most skilled

staff. But progress in improving early years wages has been less strong. Wages for non-supervisory staff in daycare have remained just above the minimum wage, as they were in 2003, while wages for supervisory staff are around 73 per cent of the median national wage, compared to 62 per cent in 2003 (Tables 4.3 and 4.4). It is likely that the modest rise in the wages of supervisory staff reflects increased qualification levels.

Table 4.3: Average early years pay for non-supervisory staff

	2003 (NMW: £4.50)	2011 (NMW: £6.08)
Full daycare	£5	£6.60
Playgroups	£4.80	£6.80
Out of school clubs	£5.30	£6.90
Nursery schools	£6.30	£8.80
Primary school with nursery and reception class	£6.00	£8.80
Primary school with reception class	£5.90	£9

Sources: 2002/03 Childcare and Early Years Workforce Survey, Childcare and Early Years Providers Survey 2011

Table 4.4: Average early years pay for supervisory staff

	2003 (median national hourly wage: £8.85)	2011 (median national hourly wage: £11.07)
Full daycare	£5.50	£8.10
Playgroups	£5.60	£7.90
Out of school clubs	£5.90	£8.20
Nursery schools	£7.50	£11.50
Primary school with nursery and reception class	£7.50	£10.70
Primary school with reception class	£6.90	£10.10

Sources: 2002/03 Childcare and Early Years Workforce Survey, Childcare and Early Years Providers Survey 2011, Annual Survey of Hours and Earnings

Recent years have seen a steady improvement in qualification levels in childcare but there remains some considerable distance between the aspiration of a professional graduate-led workforce and the current qualifications profile of the early years' sector.

iii. Early years' regulation and the role of Ofsted and local authorities

When Ofsted was established as the early years' regulator, its role was primarily to guarantee minimum standards. The Better Regulation Task Force on Early Education and Daycare reported shortly after the 1998 childcare strategy was published and recommended that regulatory requirements should be set nationally and overseen by a national advisory body. However, the taskforce also argued that it should not be the role of Ofsted to promote best practice. This influenced the subsequent balance of responsibility between Ofsted and local authorities, with the latter being given responsibility for providing advice, training and support to providers. These responsibilities were reiterated in Childcare Act 2006 which also made clear local authorities' role in monitoring quality and, where appropriate, imposing quality requirements in return for public funding.

But the childcare regulatory system has become characterised by ambiguity about responsibility for quality support and improvement. This may in part be due to the development of the Early Years Foundation Stage framework, which linked best practice learning and development standards to inspection outcomes and blurred the line between Ofsted's role and that of local authorities. This has given rise to some frustration amongst providers that they are subject to dual quality regimes, with both Ofsted and local authorities monitoring the same areas of quality. The coalition government has been sympathetic to this argument and has amended the Childcare Act 2006 to restrict the powers of local authorities to impose quality requirements on providers. However, in the current funding environment this has given rise to concerns that valuable quality support has been withdrawn.

The early sector differs from schools and many early years providers do not have the resources to operate continuing quality monitoring and improvement programmes. The sector is dominated by smaller providers that may struggle to put in place adequate quality arrangements. Childminders particularly have limited capacity as individuals to fund and access training, peer support and mentoring and depend on local childminding support networks. Moreover, Ofsted has taken an increasingly proactive approach to identifying quality failures in the early years. This is a welcome step but can be problematic for providers as Ofsted does not have the remit or funding to help providers to address their failures. Local authorities have been discouraged from imposing 'bureaucratic' quality monitoring systems or from holding back early years funding for central services. The result is a confused combination of aggressive action against low quality providers by Ofsted and an increasingly hands-off approach to quality by local government.

Despite this, Ofsted inspection data shows the number of early years providers achieving 'outstanding' or 'good' grades rose approximately 13 per cent between 2009 and 2013 (Ofsted, 2014). However, under Ofsted's recent tougher inspection standards 67 per cent of providers inspected in the most recent academic year (2012/13) were judged 'good' or 'outstanding'. Average performance across Ofsted grades also masks a 'churn' in grades: for example, a quarter of 'outstanding' providers declined a grade to 'good' over the period 2008 to 2012 (Ofsted, 2012). This turnover in grades suggests some degree of instability in early years quality and highlights the potential for a more effective childcare system to improve standards through levers such as workforce development funding and quality support.

A further concern about early years' quality regulation is that Ofsted assessments remain poorly aligned with other indicators of quality. Research has compared Ofsted grades with internationally recognised early years' ratings scales – ECERS and ITERS – that assess 'process quality'. Both ECERS and ITERS capture areas of quality that

Ofsted assessments do not cover. Both provide a more detailed assessment of leadership and staff interacted with children. The research suggested that there was a correlation between ECERS/ITERS and Ofsted grades, but settings that had achieved good Ofsted grades often did not do well on the ITERS ratings that applied to the youngest children (Mathers et al, 2012). This is consistent with concerns that the youngest, least qualified staff tend to also be those most likely to care for infants, which was highlighted by the 2011 Tickell Review of the Early Years Foundation Stage (EYFS). More recently, Mathers and Smees (2014) also noted inconsistencies between Ofsted grades and early years quality. All this research suggests there is clearly scope to improve Ofsted inspections and to ensure the procedures used by Ofsted are aligned with the characteristics of care that are most important to outcomes for children.

iv. The Early Years Foundation Stage (EYFS) framework

The EYFS arose from a 2004 childcare strategy commitment to create a single system for all early years and childcare services to be in place by 2008:

Good quality is about much more than staff to child ratios and health and safety requirements. It is also about the nature of the interactions between adults and children in the setting, and between the children themselves. The high quality approach to learning and care set out in the Birth to Three Matters framework and the Foundation Stage curriculum guidance need to be reflected in practice. The challenge for Government is to create a regulatory and inspection system and supporting quality framework that are simple for providers and parents to understand, but which also reflects all aspects of what good quality is about (HM Treasury).

The EYFS draws together the previous three documents: the national standards, *Curriculum guidance* and *Birth to three*

matters. The EYFS did not radically change care and pedagogical expectations and was not a 'zero base' review of the evidence on child development and teaching. The impact of the document is that it clarified and unified expectations for all providers, raising the bar for childminders not traditionally associated with nursery education.

The Labour government had committed to reviewing the EYFS within four years of its introduction. The coalition government brought forward this review to 2010 as ministers were concerned that the EYFS framework was too rigid and burdensome and may divert staff from spending time with children. The subsequent review led by Clare Tickell led to a number of changes to the EYFS, the most notable of which were:

- The six areas of learning and development were revised to three 'prime' areas (communication and language; physical development; and personal, social and emotional development) and four specific areas (literacy; mathematics; understanding the world; and expressive arts and design).
- The EYFS Profile assessment goals carried out in nurseries or reception classes were simplified and reduced from 69 to 17.
- Introduction of a requirement for providers to review all children's progress when a child is aged between two and three.
- EYFS requirements do not need to be delivered in full when children spend limited amounts of time in a setting (for wraparound and holiday childcare).
- Providers must give staff opportunities for coaching and training, mutual support, teamwork, continuous improvement and confidential discussion of sensitive issues.
- The requirement for childminders to complete training in the EYFS has been strengthened. Childminders are

required to complete the training before they register with Ofsted.

The Department for Education also funded the British Association for Early Childhood Education to develop guidance on implementing the statutory requirements of the EYFS, which was published as *Development Matters* in 2012. But in 2013 the document was withdrawn from the Department of Education’s website, prompting concerns about the Government’s commitment to the importance of play. But there is broad support for the EYFS, even among the childminder profession who were previously concerned about its administrative burdens and a single unified regulatory system should be seen as a policy success.

v. Quality and the universal free early education offer

The universal early education offer has been effective at extending access to early education, with average take up across England of 96 per cent for the three and four year old population in 2013. However, there are specific areas where take up falls to 80-90 per cent, including London and some urban areas such as Birmingham and Manchester. Some groups are over-represented among those who do not use their free provision including those in low income groups, families without access to a car and among some minority ethnic groups. In 2010, research showed 87 per cent of children in the most disadvantaged families taking up the offer compared to 97 per cent in the least disadvantaged (Speight et al, 2010).

The potential of the free early education offer to improve outcomes for children is currently also limited by the poor quality of much provision. There is a strong body of evidence on the characteristics of early education that is effective in supporting good social and educational outcomes, including regular direct contact between children and graduate early years professionals and workforce awareness of the best early years’ pedagogy. Given the absence of these characteristics in a significant proportion of settings delivering the free offer, it is unsurprising that

evaluations of the impact of the free early education offer have to date been relatively disappointing (National Audit Office, 2012).

The proportion of children accessing high quality settings varies considerably between local authorities. But children from the most disadvantaged areas are more likely to attend a setting with a graduate because such children overwhelmingly attend in schools and maintained settings (Gambaro et al 2013). However, disadvantaged children who attend childcare in voluntary and private settings are more likely to attend a setting that is not graduate-led. Moreover, Ofsted ratings are on average lower in the most disadvantaged areas. This creates a dilemma for parents living in disadvantaged areas: children can attend in a high quality school setting which is likely to offer only fixed part-time hours, or they can use more flexible childcare in a nursery or with a childminder that may be lower quality. A recent analysis of early years quality using the ECERS ratings scales also suggests that private and voluntary settings in the most disadvantaged areas are not only lower in quality overall, but differences in quality are particularly acute in the learning and development areas most relevant to closing the achievement gap between the most and least disadvantaged children (Mathers and Smees, 2014).

Table 4.5: Children benefitting from a funded early education place delivered by private and voluntary providers with staff with Qualified Teacher Status or Early Years Professional Status who working directly with three and four year olds.

Year	2009	2010	2011	2012	2013
%	34	34	37	41	44

Source: Department for Education statistical release SFR 23/2013, Provision for children under five years of age in England: January 2013

The characteristics of high quality settings notably a high proportion of staff qualified to Level Three and early years’ graduates leading care – are ultimately a question of

funding to enable those offering free early education to employ the brightest and best graduates and to enable earlier progress to be continued.

vi. Is childcare helping to narrow the achievement gap?

EYFS profile results have improved since the introduction of the EYFS. In 2012, 64 per cent of children achieved a good level of development compared to 46 per cent in 2007. Moreover, the gap between the most disadvantaged children and their peers has reduced: the gap between the median results of all children and the mean of the lowest 20 per cent (a measure chosen by the Department for Education) declined 7.1 per cent to 30.1 per cent over the same period. With the introduction of the revised EYFS in 2012, a new profile framework was introduced and the number of children achieving a good level of development declined to 52 per cent.

These positive developments must be considered alongside evidence that the variation in development outcomes between children remains large. Among children entitled to free school meals there is a large variation between local authorities of children achieving 'a good level of development' (18 per cent in Warrington compared with 60 per cent in Greenwich). Ofsted noted in its most recent annual early years review that:

Between 2006/07 and the introduction of a new standard in 2012 for a 'good level of development', there has been improvement in the outcomes measured for both pupils eligible for free school meals and those not eligible. What has not substantially changed is the gap in outcomes between the children from low income families and their better off peers. Though some reduction in the gap was seen in the four years from 2007, this reduction was small and the past two years have seen the gap widen slightly. There are local authorities now²⁷ where the gap between pupils eligible for free school meals and all others is as low

as five percentage points, compared with over 30 in other local authorities (Ofsted, 2014).

vii. Key learning: 'Among the best in the world'?

The last ten years represent significant progress on quality in childcare. The qualifications profile of the workforce has improved and there is a single regulatory framework (EYFS). There is substantial goodwill and commitment among early years workers, with a great many managers and staff making compromises to work in a profession they value, but staff are often under-paid and under-supported.

But the proportions of staff with graduate qualifications remains lower in England than many other developed countries and outside schools, childcare provision is still some way off the aspiration of the 2004 strategy of being 'among the best in the world'.

Improvements in qualifications have also come in fits and starts. The end of the Graduate Leader Fund means that progress in improving the proportion of graduates in early years' settings is likely to slow and, because wages remain low, potentially stall. Creating a new workforce development fund is an urgent priority. To date, policy makers have largely avoided the problem of persistent low wages in the early years. One important benefit of supply-side funding reform would be the ability to exert leverage on early years' wages over time. A long term target should be to achieve pay parity with workers in primary education.

There are also important unresolved challenges in achieving a fit-for-purpose regulatory and quality support system for the early years. The current situation is confused, with Ofsted taking a justifiably strong approach to identifying quality problems in the early years, but a lack of means and support at a local level for providers to achieve higher quality standards. Resolving this confusion would have significant benefits for providers and children. The logical way to do so is to end the ambiguity about the role of local

authorities and establish local quality networks to which providers should belong. Such networks should not duplicate the role of Ofsted through assessment but provide light touch monitoring, support and mentoring. Given these comments, we recommend:

- The government should implement the 2012 Nutbrown Review recommendations that all early years' staff should be qualified to Level Three and all settings should be graduate-led.
- The government should create a permanent workforce development fund to support improvements in staff qualifications.
- The government should use its funding of free early education places to lever up quality, with providers' funding linked to achieving quality standards.
- Local government should be responsible for quality improvement in their area and build local early years' quality networks to support providers.
- More schools should be encouraged to deliver early education, either through their own or 'linked' provision.

Four: Affordability

Strategy goal: Families to be able to afford flexible, high quality childcare that is appropriate for their needs.

i. Government support for childcare from 2004

There have been three main areas of government action to promote affordable childcare since 2004: the expansion of universal early education provision, the introduction of employer-supported childcare vouchers and changes to Working Tax Credit. The first is a supply-side subsidy going to providers, while vouchers are demand-side subsidies to parents.

The provision of free early years' places predates the ten year strategy but since 2004 there has been an expansion of this free provision in terms of the length of the free education offer, and in terms of the children entitled to it. From 1998, all local authorities had to provide a free place for all four year olds for 12.5 hours a week for 33 weeks a year. In 2004, the entitlement to free early education was extended to all three year olds; in 2008 the entitlement to free provision was increased from 33 weeks to 38 weeks; and in 2010 the number of hours available was increased from 12.5 to 15 hours a week. In 2013 the entitlement

was made available to the 20 per cent most disadvantaged two year olds; by September 2014 the 40 per cent most income disadvantaged two year-olds 2014 will qualify for it, along with small numbers of other specified groups of vulnerable children.

Employer-supported childcare vouchers were introduced in 2005 and allowed employers to provide childcare vouchers of up to £50 per week to their employees free from Income Tax and National Insurance Contributions through salary sacrifice. Employers are exempted from their employer National Insurance contribution on the value of the vouchers and this money can be used to administer the scheme or to pay another company to do so. In 2006, the maximum value of vouchers that could be provided by an employer was increased from £50 to £55 per week, which means a maximum £933 of support per year per parent with access to the scheme. In 2009 the government announced a plan to phase out the voucher scheme in order to pay for the introduction of universal early education for the most disadvantaged two year olds. Under public pressure, ministers chose instead to limit the benefit of the scheme to the basic rate of tax, that is to say higher rate taxpayers using the scheme

would only receive tax relief up to the basic rate of tax.

In 2004 the childcare element of Working Tax Credit covered up to 70 per cent of eligible childcare costs up to a maximum of £135 per week for one child or £200 for two or more children. This support is available to families where both adults are in work (more than 16 hours a week), or where one is in work and the other unable to work due to illness. Childcare costs are also disregarded in Housing Benefit and (until recently) Council Tax Benefit, meaning that up to 96 per cent of childcare costs could theoretically be covered by these arrangements. In 2005, the maximum value of childcare costs covered by the childcare element was raised to £175 and £300 a week respectively, and in 2006 the percentage of costs covered by the childcare element was increased to 80 per cent. From 2011, this percentage was reduced to 70 per cent.

While support with childcare costs through working tax credits is targeted at families on low incomes, subsidies are withdrawn at a relatively sharp pace once families increase their working hours. This creates high marginal taxes for second earners and means that many second earners on low wages can still expect to earn extremely low sums once childcare costs are taken into account (Alakeson and Hurrell, 2012).

There are a number of other small, demand-side subsidies such as those for students in further and higher education and Job Centre Plus discretionary grants which are mostly used to pay the up-front childcare costs of parents taking up a new job.

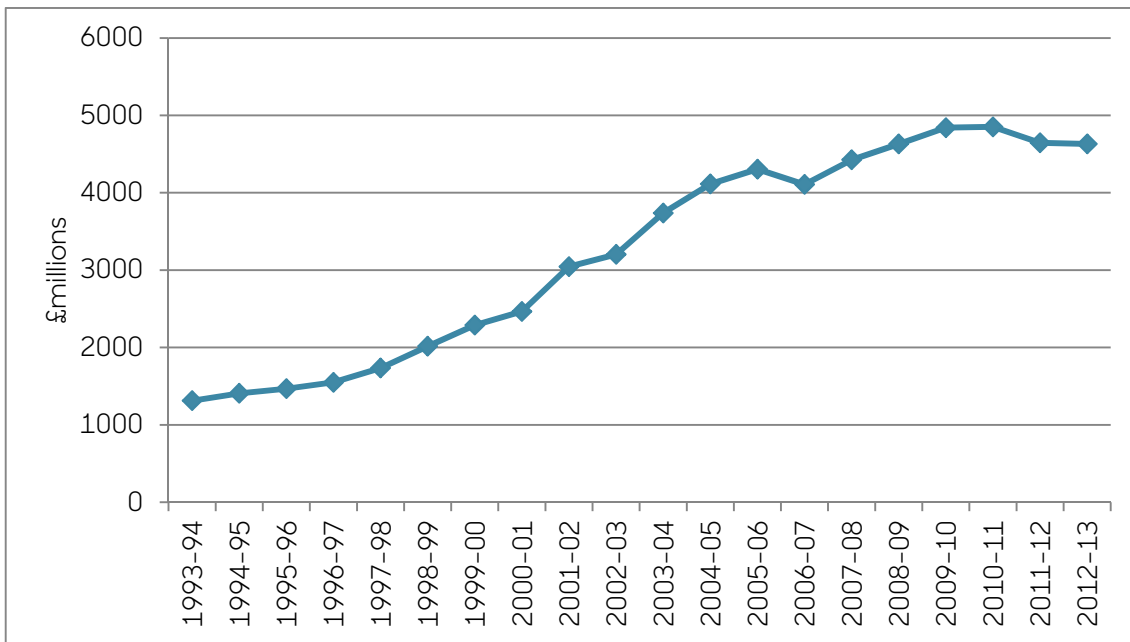
ii. How much has been spent on childcare?

Significant resources have been devoted to each of the programmes outlined above. According to recent analysis, the UK spent around 0.19 per cent of GDP on the main sources of childcare support from 1994 to 1998. This rose in the following years, reaching around 0.33 per cent of GDP in 2003-4, and 0.42 per cent in 2007-8. This support peaked at 0.48 per cent of GDP in 2009-10, and has declined since. The vast

majority of this support was focused on services for the under fives, with the next largest section being the childcare element of Working Tax Credit (and its predecessors), followed by employer-supported childcare vouchers (Brewer, 2014). The provision of free early years places to three and four year olds is estimated to cost £1.9 billion a year whilst the government has set aside a further £755 million to provide free places for two year olds in 2014-15.

Before 2011, there was no consistent approach to funding providers of free spaces to eligible children: the maintained sector was funded according to the number of places the provider had, whereas private and voluntary providers were funded based on the number of children enrolled. In 2011 a unified approach, the Early Years Single Funding Formula, was introduced. The formula provides a unit cost (set by the local authority) per child per hour to any provider providing free spaces to children. This unit cost could be varied to take into account features of the provision in different settings: for instance it could be responsive to factors such as quality, deprivation and flexibility.

Table 5.1 Estimated expenditure on under-fives 1993 to 2013



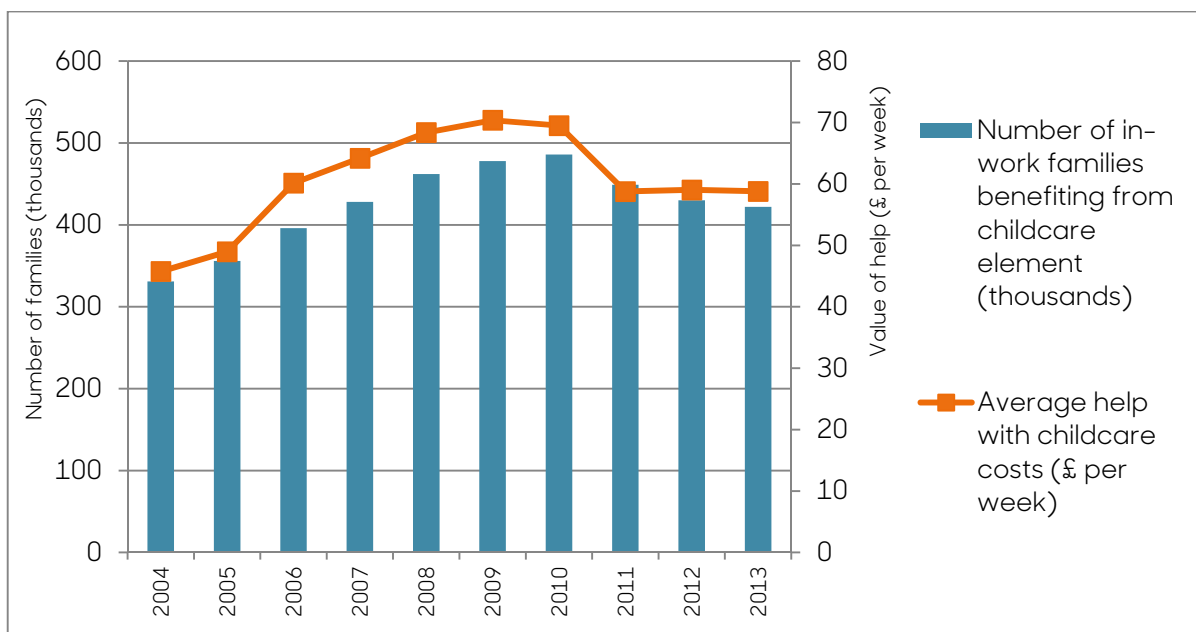
Sources: HM Treasury (2013), Public Expenditure Statistical Analyses 2013; HM Treasury (2009), Public Expenditure Statistical Analyses 2009; HM Treasury (2004), Public Expenditure Statistical Analyses 2004; HM Treasury (1999), Public Expenditure Statistical Analyses 1999-2000

Support to families with childcare costs through Working Tax Credit had an estimated annual cost of £1.3 billion in 2012-13 whilst HMRC estimates that the employer-supported childcare voucher scheme cost £640 million in the same year. This is a marked increase on previous levels of support: by comparison, in the late 1990s, around £52 million was spent each year on childcare tax reliefs.

iii. Who benefits from childcare support?

In 2012-13, around 540,000 parents accessed the employer-supported childcare voucher scheme, claiming an average of £900 per year. Parents claim individually for the scheme and may do so whether or not they have a working partner. In 2012-13 422,000 families were benefiting from the childcare element of Working Tax Credit, and these families were receiving an average of £59 per week help with their childcare costs. Recent figures suggest that 52,000 recipients of Working Tax Credit who are eligible for the childcare element do not claim for it, which could reflect either a lack of awareness of the childcare element or that the application process is unduly complex (Waldegrave, 2013).

Table 5.2: Number of in-work families receiving support through childcare element of Working Tax Credit, and average weekly help with childcare costs



Source: HM Revenue and Customs, Child and Working Tax Credits Statistics December 2013

The number of three and four year olds benefitting from at least some of their free early years entitlement in January 2013 was 1,283,500 or 96 per cent of the three and four year olds. This percentage has remained relatively stable for the last five years. The percentage of children benefitting from the maximum number of available hours is 1,164,570, or 89 per cent. Figures suggest that income has an important impact on levels of uptake of the free entitlement. Research in 2010 found that families with an income under £10,000 had an uptake rate of 77 per cent compared to 92 per cent for families with incomes over £45,000.

There is perhaps a perception that most parents using formal childcare receive support with costs. In fact, as few as one third of families paying for formal childcare receive support through either the employer-supported childcare voucher scheme or Working Tax Credit (this excludes families using formal childcare but not paying for it). Approximately 2.3million families both use and pay for formal childcare, and around 740,000 families receives support through either scheme (estimates using the *Childcare and early years survey of providers 2011* and HMRC statistics cited here).

iv. Is affordability improving?

A major aim of both the 2004 childcare strategy and of coalition policy has been to try and make childcare more affordable for parents. Directly comparing the costs of childcare to parents in 2004 and 2014 is the simplest way of comparing affordability, but there are limitations to this approach. By this measure, the change in the last ten years is clear: in real terms, nursery costs in England for under-tuos are approximately 20 per cent higher in 2014 than in 2004, and 23 per cent higher for over-tuos. This is consistent with a long term trend of increasing real terms childcare costs at least as far back as 1995, the earliest year for which comparable data are available (Brewer and Shaw, 2003). However, it is important to bear in mind that headline cost figures do not take into account support that parents may be receiving from the government or direct subsidies to providers.

Case study: Comparing real world childcare costs 2005 to 2013

2005

Rebecca is a single parent with a two year old child. She is a senior care worker and team leader in a day centre and works for

four days (28 hours) every week. She earns £15,750 a year. On the days she is working she has to pay for childcare, which costs £100 per week or £5,200 every year. Rebecca receives help with 70 per cent of her childcare costs through Working Tax Credit – the equivalent of £3,640 every year. This leaves her with £1,560 to pay out of her own salary, and her childcare costs amount to nearly ten per cent of her income.

2014

Jane is also a single parent of a two year old child who is in childcare when she works. Salaries have increased by 21 per cent but nursery care for a two year old has gone up by 64 per cent since 2005. Jane earns £19,057 for a 28 hour week and pays £164 per week for childcare, or £8,528 every year. Jane earns too much to enable her to qualify for free part-time early education for two year olds, but she is entitled to some help with her childcare costs through Working Tax Credit. This support amounts to £4,723 every year which means that Jane has to pay £3,805 of her own money for childcare every year, or 20 per cent of her salary – doubled that of her friend in 2005.

Childcare price increases in the case studies are based on the Family and Childcare Trust's annual childcare costs surveys and income data are from the Annual Survey of Hours and Earnings. Tax credit support has been calculated using HMRC modelling.

One further, if subjective way, to gauge the affordability of childcare is to measure the experiences of parents. The Childcare and Early Years Survey of Parents, conducted by the Department for Education, gives an idea of the overall experience of parents in paying for childcare. In 2007, 18 per cent of families found it difficult or very difficult to pay for childcare and in 2012-13 this figure had risen to 26 per cent. Over the same period, the proportion of families who found it easy or very easy, to pay for childcare fell from 54 per cent to 49 per cent. These are figures for all families and parents experience of affordability varies significantly depending on circumstances, with lone parents, parents with low incomes

and parents with more than one child more likely to have difficulties meeting childcare costs (after financial support is taken into account). The recession and continued pressures on real wages have doubtless contributed to the difficulty parents are experiencing with childcare affordability. Still, the figures give an idea of an overall direction of travel regarding affordability in recent years.

The 2004 childcare strategy set objectives for childcare affordability. It did not set a specific headline target but contained several explicit goals relating to the extension of free early years provision and changes to Working Tax Credit. The strategy also includes the aspiration to see a reduction in the proportion of childcare costs paid by parents (for at least some groups of families).

There has been considerable progress regarding this first objective. Since 2004, free provision has been extended and at present about 96 per cent of three and four year olds benefit from some free early years provision. This amounts to considerable progress on initial take up rates below 80 per cent. The free offer is not, however, a panacea when it comes to securing affordable childcare. As highlighted, uptake is low among families with the lowest incomes. The hours and weeks available to parents through providers do not cover all the times that parents will be working and need childcare, meaning that that parents still have to pay for childcare at some times of the day and outside the 38 funded weeks. In addition, the free hours may not be available at a time or place that is required, with many providers only offering free provision on specific days or time slots. Indeed, for many parents additional hours of childcare purchased on top of those available for free are often purchased at an inflated price and in effect parents cross-subsidise the provision of free hours.

The universal early education offer only covers a narrow age range of children. While need for childcare drops considerably when children enter formal education, and the associated financial strains change considerably, there remains

a need for childcare for children who are both younger and older than three and four.

Working Tax Credit has helped low income families and the 2004 strategy committed to "an increase in the limits of the childcare element of the Working Tax Credit to £300 a week (£175 for one child) from April 2005, and an increase in the maximum proportion of costs that can be claimed from 70 per cent to 80 per cent from April 2006". In 2004 and 2006, these proposed increases came into effect but in 2010 the taper was changed and in 2011 the percentage of childcare costs that could be covered was reduced back to 70 per cent. This resulted in an average loss of £10.47 per week for families, or £544 per year (HMRC, 2011a; HMRC, 2011b). This reduction is significant for low income families struggling to make ends meet.

Despite high childcare costs, the uptake of the childcare element of Working Tax Credit is lower than the Treasury anticipated. This lower uptake may be a consequence of the changing structure of the labour market, with a greater number of families having variable hours of work, as freelancers, agency workers or as a result of zero hours contracts. The tax credit system does not work well for parents whose childcare costs vary from week to week. Rutter and Evans (2012) argue that the complexity of making a claim may deter some people and negative past experiences of tax credit over-payment may also act to limit the uptake of the childcare element of Working Tax Credit.

The employer-supported childcare voucher scheme has also suffered from some important limitations that hinder its ability to improve affordability. Access to the scheme is inconsistent: while benefitting a wider age range of children than the free early years provision, self-employed people are unable to take advantage of the voucher scheme. Not all employers offer them and not all childcare providers – particularly out-of-school clubs – accept them. Their interaction with tax credit support was also complicated and many parents lacked the information to know whether to opt for tax credit support or vouchers. A large proportion – approximately a third – of the

total amount spent on the scheme is spent on overheads by virtue of the way the scheme is organised, suggesting that resources invested in the scheme could have been more effectively channelled to help with childcare costs. Critics also argued that employer-supported vouchers did not target those who needed most help in paying for childcare and were expensive type of public subsidy.

Looking at these schemes collectively, a key issue has been their complexity, which can lead to artificially low rates of uptake, parents finding it hard to understand what kind of support they should pursue, and parents finding it hard to calculate the relative financial advantages of different combinations of employment/childcare choices. This complexity also has consequences for the time and resources needed to administer the scheme. Efforts to improve the affordability of childcare seem likely to be more effective with a simplified system.

v. The challenge of funding childcare effectively

The last ten years have made clear there is a cross-party consensus on the need for a world class childcare system. While the early years has not been immune to the impact of public spending reductions, it is striking that the childcare system is almost certain to emerge in the next Parliament with additional spending commitments. This commitment is, however, masking fundamental problems with the way childcare is funded.

There is a poor alignment between current support and the needs of families. Childcare costs are a key factor in parents' decisions about work, and particularly in the journey that parents with young children make during the transition back to work. Yet the system of support with childcare costs is complicated and capricious, adding an unnecessary layer of challenge for parents. As discussed elsewhere in this paper, the means of funding childcare is also key to addressing access and quality problems.

There are ready examples of approaches to childcare funding that better reconcile

the aspirations of universal access to high quality, flexible and affordable care with the UK's inheritance of a mixed childcare market and strong public expectations of choice. New Zealand and Norway both have diverse childcare markets of public, private and voluntary providers but each also fund childcare through supply-side mechanisms. New Zealand combines a free early education offer with seed funding to providers in disadvantaged areas and negotiated hourly rates for providers based on high quality standards. Norway also uses a fee framework, supervised by local government, in which providers accessing public funding must participate. This requires participation in an admissions framework and balances fair access and local coordination of integrated services with choice for parents. Neither of these approaches is necessarily perfect—they inevitably involve trade-offs in all publicly funded systems—but high rates of take up, lower fees for parents and high standards of care in both countries reflect a more cogent use of public investment than the UK's relatively confused approach.

There are serious challenges in identifying an achievable route for childcare funding reform. Currently, multiple funding streams managed by a number of different

government departments converge on a market that is extremely complex, whilst parents' demand for childcare does not fit any 'one size fits all' model. There are also a number of competing priorities for investment. It would also be vital that there was a degree of political consensus around any significant reform. For these reasons, an independent review of childcare funding with the means to deal with these challenges is the best way of plotting a viable route forward.

Recommendations:

- The government should simplify the childcare funding model with more money going to settings or local authorities rather than directly to parents. The model should also link investment in childcare to improving access and quality and preventing price inflation for parents. The support for parents should be linked to their ability to pay for childcare.
- The government should establish an independent review of childcare funding to examine options for reform and identify long term funding needs for childcare.

Conclusion

The 2004 childcare strategy was an ambitious document, setting out a programme of work that aimed to improve parents' access to affordable and flexible childcare – enabling families to work and thus move out of poverty. The strategy also aimed to make sure that all children had access high quality early education, so as to improve outcomes for children and narrow the development gap between the most disadvantaged children and their more affluent peers. While the present government has made some departures from the 2004 strategy, its vision and aims continue to shape policy today.

The 2004 strategy and subsequent childcare policy have focused on four

areas: work-life balance, childcare availability, quality and affordability. Although great strides have been made on maternity leave and pay and also rights to flexible working, we are still lagging behind on paternity leave and pay, maternal employment rates and pay and implementation and enforcement of parents' rights at work. Too many parents still facing an uphill struggle to balance work and caring commitments.

Looking back over the last ten years, both childcare providers and governments can claim success in transforming childcare provision for the better. A great deal has been achieved from modest beginnings: there are far more childcare places and

many more people receive help to meet the costs of childcare. Yet persisting access, quality and affordability problems temper this achievement. Many children continue to receive care in low quality settings, parents face significant difficulties accessing childcare when it is needed, and childcare costs have not been brought under control.

Today, using formal childcare is the norm, partly helped along by the introduction of the free early education offers. We have seen the type of childcare used change with much more nursery provision and fewer childminders. Despite an expansion in the number of nursery, out-of-school and holiday childcare places, there are some significant gaps in provision, particularly for school-aged children, disabled children, for families who live in rural areas and for parents who work outside normal office hours. The Childcare Act 2006 requires local authorities to fill gaps in provision, but the Family and Childcare Trust is concerned that they are not taking action to make sure there is sufficient supply. Nor is the Government holding local authorities to account for failing to implement the Childcare Act 2006. This is one of the most serious childcare policy failures.

Important progress has been made in the last decade to improve workforce qualifications, as has the introduction of a single and simple regulatory framework that applies to all early years providers. But the progress that has been made is now at risk of stalling and too many children are still attending poor quality settings.

One of the biggest challenges faced by all governments in developed countries is reconciling childcare quality with affordability. To ensure affordability and quality requires state subsidies, and in the UK the Government has pursued a dual approach of supply-side subsidies to

providers and demand-side subsidies to parents. Despite very significant extra investment in childcare support – through the free early education offer, tax credits and employer vouchers parents in England still pay the highest prices for childcare in Europe and, on average spend more than a quarter of their income on childcare. The funding system is too complex, and it does not provide the best value for money. Increasing demand-side subsidies to parents may lead to an inflationary rise in childcare prices, as the extra money in the system leads hard-pressed providers to put up their fees. Childcare affordability is the area that post-2004 policy has made least progress in improving.

We hope that our review of the last ten years of childcare policy helps provide a basis on which to build new policy. The biggest challenge is to ensure a simple and cost-efficient funding system that guarantees both affordability and quality. We believe that there are strong arguments for shifting a greater proportion of funding towards the supply-side – to providers and local authorities. Such a system has the advantage of being able to link funding to quality standards and similar models are already in place in countries as diverse as Norway and New Zealand. We want to see the Government commit to a new childcare strategy and to prioritise an independent review of childcare funding that delivers the affordable and accessible childcare that providers, parents and children need.

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About the authors

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About the authors

Adam Butler is a Policy Officer at the Family and Childcare Trust, specialising in early years' policy. Prior to joining the Family and Childcare Trust, Adam worked from 2007 at the Department of Health in the Ministerial Business and Parliamentary Accountability unit supporting ministers. Adam has also worked in the policy and research team at Rethink Mental Illness and has voluntary experience at the Refugee Council, in the constituency and Parliamentary offices of MPs and in a local hospice. Adam has a BA in English Literature and Philosophy from the University of East Anglia and an International Relations MA from Warwick University.

Duncan Lugton is a policy and research assistant at the Family and Childcare Trust. He recently graduated with an MA in Philosophy from Brandeis University in America and has a BA in Philosophy, Politics and Economics from Oxford University. Before working at the Family and Childcare Trust, Duncan was Policy and Campaigns Intern at Sue Ryder.

Jill Rutter is head of policy and research at the Family and Childcare Trust. Over the last two years she has led a major international study on informal childcare and the organisation's annual childcare costs surveys. Previously Jill was a senior research fellow in migration at the Institute for Public Policy Research. Jill has also lectured in education at London Metropolitan University and worked in as a policy advisor at the Refugee Council.

About the Family and Childcare Trust

The Family and Childcare Trust works to make the UK a family friendly society where all parents and children have the resources they need to thrive. The charity was forced in 2013 as a result of a merger between Daycare Trust and the Family and Parenting Institute. Collectively both organisations have almost 40 years' experience of policy and campaigning on issues affecting families. The Family and Childcare Trust undertakes research and policy advocacy. It also works with parents, businesses and government in order to serve families better.

Family and Childcare Trust

T 020 7940 7520

E policy@familyandchildcaretrust.org

The Bridge
81 Southwark Bridge Road
London, SE1 0NQ

familyandchildcaretrust.org

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