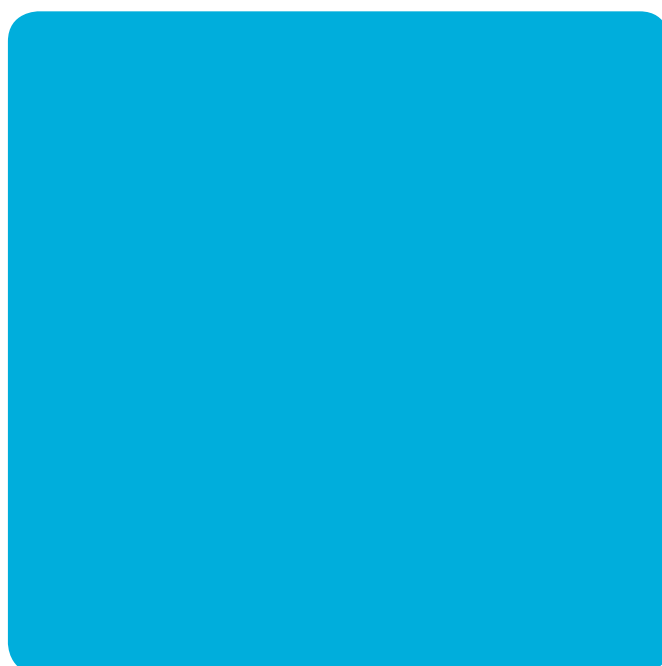


Family and Childcare Trust

The 2013 Scottish Childcare Report



ChildreninScotland
every child - every childhood

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Introduction

Access to high quality, affordable childcare is essential for parents, enabling them to return to or remain in work or to undergo training or education. Universally available, high quality childcare is also an investment in children's future as it supports educational achievement and helps narrow the gap between the most disadvantaged children and their more advantaged peers.¹ Over the last 15 years, much progress has been made to increase the availability and affordability of childcare in Scotland. The number of childcare places in nurseries and out-of-school clubs expanded after 1998 and parents on lower incomes have been given help with childcare costs through the childcare element of Working Tax Credit. Moreover, three and four year-olds are now entitled to some free early education in Scotland.

But despite these advances childcare costs still fall on families and for many parents this presents a barrier preventing them returning to work or training. Some parents still struggle to find childcare and in Scotland local authorities have no statutory duty to assess whether there is sufficient provision for families. Aware of these concerns, in early 2012 Children in Scotland partnered with the Family and Childcare Trust² to publish a report that reviewed the state of childcare provision in Scotland. This survey showed that parents in Scotland were paying more for childcare than their counterparts in northern England. It also highlighted significant gaps in provision in Scotland, with just a fifth (21 per cent) of local authorities reporting that they had enough childcare for working parents and only a quarter (25 per cent) had enough childcare for 5-11 year olds.

A significant development earlier this year was the First Minister, Alex Salmond's commitment to making childcare in Scotland the best in the world. Legislation has already been presented to the Scottish Parliament in 2013 and this



includes a legal guarantee of 600 hours of free nursery education per year for every aged child aged three and four from 2014 and similar provision for vulnerable two year old children who are looked after by local authorities under the provisions of child welfare legislation. While these proposals are welcome, both parents and civil society organisations are concerned that a commitment to childcare cannot be confined to the early years. The importance of out-of-school care cannot be underplayed. It helps create a stronger economy by increasing employment, particularly among women. Out-of-school care also provides high quality learning and development opportunities for school-age children, something of particular significance for those from the most deprived families. Given major gaps in educational attainment in Scotland, the role of out-of-school activities in addressing inequalities must not be overlooked.

Children in Scotland and the Family and Childcare Trust have now undertaken a second survey in order to understand changes since 2012 and to monitor progress towards better childcare provision in Scotland, particularly for the over fives.

¹ Children in Scotland, 2012

² Then Daycare Trust, the predecessor organisation of the Family and Childcare Trust

Key findings

Nursery costs

► Nursery costs for a child under two are now over £100 per week in Scotland or the equivalent of £4.06 per hour. A Scottish parent buying 50 hours of nursery care per week would face an annual bill of nearly £11,000 per year. The highest fees reported for a nursery in Scotland were £235 per week for an under two receiving 25 hours of childcare.

► There is a great deal of variation in nursery costs between local authorities in Scotland, to a much greater extent than between local authorities within English regions. The average cost for 25 hours care for a child under two is 80 per cent more costly in the most expensive local authority than it is in the cheapest. This is indicative of gaps in supply and a childcare lottery for parents.



Over fives

► Childcare costs for the over fives see parents paying an average of £50.46 per week for an after-school club in Scotland, compared with £49.71 in England and £48.46 in Wales. The costs of after-school childcare have also increased by 3.9 per cent in Scotland over the last year, a level greater than the rate of inflation.

► Based on full time attendance a parent with two children of primary school age would face a bill of £4,000 per year for after-school care during term time. If parent were to purchase four weeks of holiday childcare on top of after-school childcare, their average childcare costs would typically be £5,600 per year.

► As with nursery care, there are considerable differences in the cost of after-school clubs between local authorities in Scotland. The average cost of an after-school club in the most expensive local authority is 92 per cent higher than in the cheapest local authority.

► The high costs of out-of-school childcare in Scotland are caused by a number of factors which include the higher costs of delivering childcare in rural areas and different rates of subsidy in different local authorities.

Childcare supply

► There are fewer childcare places per 100 children in Scotland (19.7 per 100 children) than in England (24.4 places per 100 children).

► Some 40 per cent of local authorities in Scotland did not know if they had sufficient childcare for working parents. There is presently no legal duty on local authorities in Scotland to assess if they have sufficient childcare.

► Of the local authorities that had some knowledge about the supply of childcare in their local area, there was a particular shortage of childcare for older children, disabled children and parents who work full-time.

Background

Working parents with young children use many different forms of childcare with their choices influenced by many factors including family income, childcare availability, parental employment patterns and the age of children.

Many parents of young use **day nurseries** to care for their children. There were 2,440 day nurseries in Scotland at the end of 2011, with the greatest proportion of them (44 per cent) run by local authorities³. Other families use **childminders** and there were 5,705 working childminders at the end of 2011 in Scotland⁴. Some families, particularly where parents are studying or working part time, may also use sessional crèches, with 104 of them in operation at the end of 2011⁵.

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. In 2011 there were at least 988 active out-of-school clubs in Scotland in 2011. Families may also use **holiday childcare**, particularly during half-term periods and over the summer holidays, with at least 595 of these clubs running in 2011⁶. Parents of older children may also turn to after-school and holiday arts, sports

and leisure activities as surrogate forms of childcare, with these activities usually run by schools, local authority sports clubs and not-for-profit organisations.

While most out-of-school childcare is delivered by the private and not-for-profit sector, there is an additional complexity in Scotland that over 50 per cent of out-of school care provision is provided by parents for parents via voluntary sector committees – a hidden contribution and provision completely separate from the school even if the school provides the base from which it is delivered.

Both Westminster and the Scottish Government rely on a regulated mixed market to deliver childcare places. In Scotland, as elsewhere in Britain, childcare provision is delivered by the private, not-for-profit and maintained (public) sectors. But there are some differences between the Scottish childcare market and that of England and Wales as Table 1 shows. In particular, there is less involvement by private sector providers in nursery care in Scotland. Few of the larger nursery chains that offer provision in England are operating in Scotland. There are also differences in the ownership of out-of-school and holiday childcare, with a much greater involvement of the not-for-profit sector in Scotland.

Table 1: Ownership of childcare provision as proportion of total providers, Scotland and England, 2011

	Scotland private	England private	Scotland not-for-profit	England not-for-profit	Scotland maintained (public)	England maintained (public)
Daycare	29%	61%	27%	31%	45%	8%
Daycare in children's centres	6%	16%	34%	16%	61%	69%
Sessional crèches and playgroups	33%	34%	35%	60%	33%	6%
Out-of-school childcare	34%	43%	53%	24%	13%	32%
Holiday childcare	11%	50%	61%	25%	29%	25%

Sources: Care Inspectorate Childcare Statistics, 2011 (Scotland); Childcare and Early Years Providers Survey 2011 (England)

³ Care Inspectorate Childcare Statistics, 2011

⁴ *ibid*

⁵ *ibid*

⁶ *ibid*

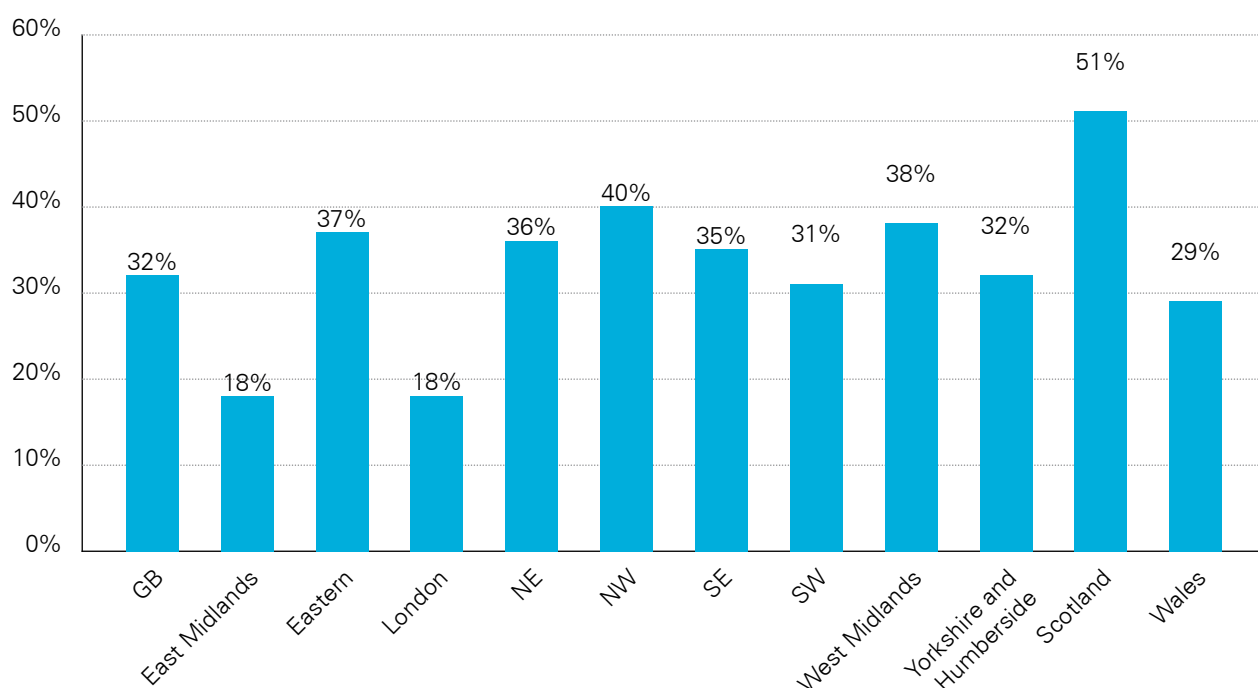
In addition to formal childcare, many families also use informal childcare, usually offered by grandparents. Research from the Family and Childcare Trust has shown that families in Scotland are more likely to use **grandparent care** than families in other parts of Britain with research (Figure 2) showing that over half (51 per cent) of Scottish families had used this form of childcare in the last six months, compared to just 32 per cent across Britain.

Informal childcare is 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). The higher than average use of informal childcare in Scotland reflects both demographic patterns in Scotland where families are better able to benefit from the family relationships enabled by living close to each other. The shortage of affordable formal childcare is another factor leading to increased use of informal childcare.

Childcare is clearly essential for families in Scotland. It is an investment in the future of children, and also in parents who need affordable childcare in order to return to or remain in work or training. But until the late 1990s many parents found it difficult to find affordable childcare and as a consequence mothers often left the labour market when they had children. The ability of many families to escape from poverty was therefore constrained. But by the mid-1990s, as a result of campaigning, the demand for childcare was being heard and politicians across all the main political parties acknowledged this need.

In 1998 the Scottish Office launched *A Childcare Strategy* for Scotland. Published at the same time as the *National Childcare Strategy*⁷ (covering England and Wales) it committed government to increasing the availability and affordability of early childhood education and childcare. Since then successive governments, at Westminster and in Edinburgh, have acted

Figure 2: Percentage of parents using grandparent childcare use in last six months by nation and region



N=1,413

Source: Rutter and Evans, 2012

⁷ Department for Education and Employment and Department for Social Security, 1998.

to make childcare more affordable for working parents. This infrastructure of support includes the subsidy of parents' childcare costs through the childcare element of Working Tax Credit, administered by the Department for Work and Pensions, with levels of support determined by Westminster.

Currently working parents on low incomes can receive up to 70 per cent of their childcare costs up to a maximum of £175 per week for one child in childcare and £300 per week for two or more children. From April 2013 tax credits will be gradually merged into the single Universal Credit, but the structure of childcare support will remain broadly similar to Working Tax Credit.

There are potentially some positive developments for some parents when the Universal Credit is implemented. Parents working less than 16 hours per week will be able to receive help with their childcare costs, removing the benefits 'cliff edge'. Maximum childcare costs will be calculated monthly, which will enable greater flexibility for parents whose childcare costs fluctuate from week to week. The Government has announced that parents receiving help with childcare costs through Universal Credit (or still receiving Work Tax Credit) will get help with up to 85 per cent of their childcare costs after 2016, providing all parents in a household are paying income tax⁸.

It is extremely worrying that this stipulation will exclude 730,000 of the poorest working households⁹ whose incomes are below the income tax threshold. Additionally, parents will receive a percentage of their childcare costs up to a weekly maximum which is likely to remain at £175 per week for one child, or £300 for two or more children, a cap which has remained the same since 2005 and has not taken account of the rise in childcare costs across Scotland

Initiatives have also aimed to increase employer support for childcare. The most commonly used form of employer support is childcare vouchers,

either as an additional benefit on top of their salary or as a salary sacrifice. Those receiving childcare vouchers can save up to £55 per week if they are basic rate taxpayers and higher rate taxpayers who joined a voucher scheme before 5 April 2011. Childcare vouchers can also be saved up over time and used at a time when childcare costs may be particularly high, for example, during school holidays.

However, the Westminster Government has announced that it may phase out childcare voucher support and instead offer parents up to £1,200 per year towards their childcare costs. It is planned that this payment will be administered online and available after 2015 to working parents with children who are under five.¹⁰ At a later date this support may be extended to families with children over five. However, families receiving help with childcare costs through the Universal Credit (or still on Working Tax Credit) will not be entitled to this help. As a consequence just 47 per cent of families will be entitled to the £1,200 voucher, two thirds of whom are in the top 40 per cent income bracket¹¹.

Parents also receive help with childcare costs through free part-time pre-school education. In Scotland all three and four year old children are entitled to receive 475 free hours per year, the equivalent of 12.5 free hours per week for 38 weeks of the year. This pre-school education is delivered in local authority nurseries and in private and not-for-profit provision that receive funding via local authorities (known as partnership funded pre-school education). The Scottish Government has announced that it will extend this entitlement to 600 hours free early years education per year and that they will seek to secure greater flexibility to suit the needs of parents.

As well as moves to increase the affordability of childcare, governments have intervened to ensure that gaps in provision are filled. In England and Wales, the 1998 strategy eventually led to the Childcare Act 2006, which

⁸ Written Ministerial Statement: the Economic Secretary to the treasury (Sajid Javid) 19 March 2013

⁹ Resolution Foundation Statistics

¹⁰ Written Ministerial Statement: the Economic Secretary to the treasury (Sajid Javid) 19 March 2013

¹¹ Resolution Foundation statistics

obliges local authorities to ensure there is sufficient childcare for working parents and those studying with the intention of returning to work. There has been no equivalent legislation in Scotland on childcare to date. However, the Early Years' Framework (2008) requires that local authorities have '*a strategic view of childcare accessibility*' and has a longer-term objective that families have '*access to integrated pre-school and childcare services in every community matched to an assessment of local demand*'.

As a result of these interventions the number of childcare places has expanded since the 1990s. But surveys show that securing affordable childcare still remains a barrier to work for many parents, particularly those on low and modest incomes. The survey undertaken by Children in Scotland in 2012 showed significant gaps in the availability of childcare in Scotland with just a fifth (21 per cent) of local authorities reporting that they had enough childcare for working parents and only a quarter (25 per cent) had enough childcare for 5-11 year olds. The survey also highlighted the big variations in childcare costs across Scotland, with out-of-school childcare in the most expensive local authority some 94 per cent more expensive than in the area with the lowest costs.

These findings need to be seen against a backdrop of public spending cuts and stagnant wage growth. From 2014, the annual increases in all the components of Universal Credit, including the support for those in work, will be capped at one per cent, whatever the rate of inflation. At the same time research has shown that reductions in local authority

budgets have resulted in fewer subsidies to out-of-school childcare, at least in England (Family and Parenting Institute, 2012). While we have no overall picture of the impact of public spending cuts on out-of-school childcare in Scotland, evidence from a small number of local authorities shows some reductions here. This year's survey provides an analysis of the impact of these changes on childcare provision in Scotland.



Methodology

As Daycare Trust, we have carried out an annual survey of childcare costs and sufficiency since 2002. In December 2012 a survey was sent to Children's Information Services in Scotland. Details were requested about the costs and availability of different types of childcare. The same information has been collected since 2002, enabling time series analysis to take place.

Local authorities were asked to provide costs for 25 hours and 50 hours of childcare, provided by nurseries or childminders. The former figure – 25 hours – is the typical amount of childcare that a parent who works part-time might purchase. We also asked for the average price for 15 hours childcare in an after-school club or from a childminder. This year, however, we asked some additional questions about the availability of childcare for school-age children, as we have become increasingly concerned about reports of price increases in after-school childcare, as well as significant and continuing gaps in provision across all parts of Britain.

It is also important to note that the figures given below are average costs. This means that significant numbers of parents face higher costs than are implied in this survey and some may also pay extra for additional services.

We also asked local authorities if they had sufficient childcare for particular groups of children. The Childcare Act 2006 and its associated statutory guidance obliges local authorities in England and Wales to assess whether they have sufficient childcare through annual childcare sufficiency audits. However, there is no legal obligation for local authorities in Scotland to assess whether they have sufficient childcare and nearly 40 per cent of local authorities in Scotland were unable to provide us with information about childcare sufficiency in 2013.

In order to ensure an adequate response rate in all the regions and nations of Britain, Freedom of Information Act requests were used to collect the information where the survey methodology had failed. Responses were received from 28 of the 32 local authorities in Scotland.

Childcare costs in Scotland

Under fives

Nursery costs for a child under two are now over £100 per week in Scotland or the equivalent of £4.06 per hour (Table 3). A Scottish parent buying 50 hours of nursery care per week would face an annual bill of nearly £11,000 per year.

The highest fees reported for a nursery in Scotland were £235 per week for an under two receiving 25 hours of childcare.

Childcare provided by a registered childminder is generally a little less expensive than nursery

care. In Scotland for a child under two, childminder fees are an average of £93.22 per week for 25 hours care, with childminder costs in Scotland comparable with northern England.

There is also a considerable variation in nursery costs between local authorities in Scotland and to a much greater extent between local authorities within English regions. The average cost for 25 hours care for a child under two is 80 per cent more costly in the most expensive local authority than it is in the cheapest. In neighbouring local authorities in North East England the intra-regional variation in nursery costs for a child under two is just 47 per cent between the cheapest and most costly local authority.

Table 3: Childcare costs by nation and England region, 2013

Nation or region	Nursery 25 hours (under 2)	Nursery 25 hours (2 and over)	Childminder 25 hours (under 2)	Childminder 25 hours (2 and over)	After school club 15 hours	Childminder after-school pick up
Scotland	£101.19	£94.35	£93.22	£92.92	£50.46	£79.63
England	£108.51	£106.52	£98.98	£97.27	£49.71	£72.79
Wales	£92.36	£90.49	£95.61	£95.02	£48.46	£68
Britain average of nations and regions	£106.38	£103.96	£98.15	£96.67	£49.67	£72.98
East of England	£106.55	£104.60	£106.90	£105.90	£50.74	£66.53
East Midlands	£104.91	£103.50	£86.40	£85.67	£56.51	£49.24
London	£133.17	£124.73	£131.08	£128.34	£48.06	£92.86
North East	£101.61	£96.00	£92.80	£90.34	£47.57	£47.63
North West	£92.22	£89.81	£84.13	£82.52	£46.60	£55.63
South East	£125.16	£131.34	£112.76	£111.73	£52.65	£84.09
South West	£113.32	£110.77	£98.96	£98.85	£44.11	£57.41
West Midlands	£96.92	£98.26	£91.64	£86.98	£49.86	£73.48
Yorkshire and Humberside	£102.71	£99.63	£86.11	£85.10	£53.29	£72.57

While London and southern England have the most expensive childcare, the costs of nurseries in Scotland remain higher than in northern England. However, Scottish families with children under five have seen their childcare costs remain stable over the last year, with no increase in price (Table 4). As noted above, in Scotland a greater proportion of nursery care is delivered by the public sector. Evidence from Scottish local authorities suggests that some of them have decided not to put up nursery fees at a time when many parents face escalating costs of living and reductions in benefits.

Over fives

Childcare costs for the over fives are more expensive in Scotland than in England and Wales, with parents now paying an average of £50.46 per week for an after-school club in Scotland, compared with £49.71 in England and £48.46 in Wales. The costs of after-school childcare have also increased by 3.9 per cent in Scotland over the last year, a level greater than the rate of inflation.

An after-school pick-up by a childminder costs an average of £79.63 per week and is also more expensive in Scotland than in England and Wales (Table 4).

The higher costs of after-school clubs in Scotland, compared with most English regions and Wales are indicative of a number of factors which include the higher costs of delivering out-

of-school childcare in rural areas. There are also real gaps in provision in some areas and this lack of supply can act to push up prices. There are also different policies to public subsidies for out-of-school childcare across local authorities, for example, by offering rent free premises, grants or by subsidising staff costs and this can account for higher prices in some areas than others: the average cost of an after-school club in the most expensive local authority is 92 per cent higher than in the cheapest local authority.

Based on full-time attendance a parent with two children of primary school age would face a bill of £4,000 per year for after-school care during term time. If parent were to purchase four weeks of holiday childcare on top of after-school childcare, their average childcare costs would typically be £5,600 per year. While there has been much media focus on the costs of childcare for the under-fives there has been much less debate about the affordability of childcare for older children. Yet annual costs of £4,000 or £5,000 are a considerable financial outlay for a family who may receive little help through tax credit support. As noted above, the Westminster government has recently announced support of up to £1,200 per year for childcare. This will be available after 2015 when childcare vouchers will be phased out. However, it will not be initially available to parents of children over five, leaving them without financial support.

Table 4: Changes in childcare costs in 12 months December 2011 to December 2012

Region/Nation	Nursery 25 hours (under 2)	Nursery 25 hours (2 and over)	Childminder 25 hours (under 2)	Childminder (2 and over)	After- school club 15 hours
Scotland	0%	0%	0.10%	0.10%	3.90%
England	5.20%	7.90%	6.90%	5.90%	8.50%
Wales	0%	1.30%	2.90%	3.20%	21%
Britain change: average across regions and nations 2012-2013	4.20%	6.60%	5.90%	5.20%	9%

Childcare supply in Scotland

In Scotland this year, parents in nearly a third (28 per cent) of local authorities voiced a lack of childcare to their children's information services. This is indicative of continued lack of supply in

parts of Scotland. Where local authorities had data on the sufficiency of provision, there were gaps for all types of childcare (Table 5).

National data on childcare places in Scotland also highlights shortages in childcare supply. This shows fewer places per 100 children than in most English regions (Table 6).

Table 5: Childcare supply for particular groups of children 2012

Group	Percentage of local authorities reporting sufficient supply in all parts of local authority, Scotland	Percentage of local authorities reporting sufficient supply in all parts of local authority, England	Percentage of local authorities reporting no data on childcare supply, Scotland	Percentage of local authorities reporting no data on childcare supply, England
Children aged 2 and under	20%	20%	36%	4%
3-4s	24%	53%	32%	3%
5-11s	22%	31%	40%	5%
12-14s	13%	16%	52%	16%
Disabled children	16%	14%	44%	9%
Parents who work full-time	13%	40%	32%	6%
Parents who work atypical hours	8%	9%	46%	5%

Source: Family and Childcare Trust's Childcare Costs Survey 2013

Table 6: Childcare places per 100 children aged 0 – 15 inclusive 2011 data¹²

	Childcare places per 100 children aged 0 – 15 inclusive
Scotland	19.7
England	24.4
Wales	13.7
East of England	23.5
East Midlands	24
London	25.4
North East and Yorkshire and Humberside	18.4
North West	28.1
South East	21.3
South West	22.2
West Midlands	25.3

Sources: ONS Population Estimates for England and Wales, Mid 2011 (Census Based), Care Inspectorate Childcare Statistics, 2011 (Scotland), Childcare and Early Years Providers Survey, 2011, Care and Social Services Inspectorate Wales statistics, 2011

¹² Childcare places are those offered by nurseries, sessional crèches and pre-schools, registered childminders, out-of-school and holiday childcare

While there are still gaps in provision across all parts of the Britain, all levels of government have acted to increase the supply of childcare. In England and Wales, duties outlined in the Childcare Act 2006 oblige local authorities to secure enough childcare for working parents and those studying with the intention of returning to work. This legislation accepts that the market by itself is unable to ensure that supply follows demand. While there is no primary childcare legislation in Scotland, Scottish policy has a similar understanding. Under the conditions of the Single Outcome Agreement (2008)¹³, local authorities are expected to follow the Early Years Framework (2008)¹⁴, which has a medium-term objective requiring *'a strategic view of childcare accessibility'* and a longer-term objective that families have *'access to integrated pre-school and childcare services in every community matched to an assessment of local demand.'*

Interventions in local childcare markets require that local authorities have knowledge of gaps in provision. Statutory guidance attached to the Childcare Act 2006 obliges local authorities in England and Wales to assess 'childcare sufficiency'¹⁵. There is, however, much less explicit guidance in Scotland about assessing the childcare supply.

As previous research has highlighted a lack of childcare in parts of Scotland, we wanted to explore this issue in more detail. We asked local authorities if they knew whether there was enough childcare in their areas for particular types of family. We also asked how local authorities assessed whether there was enough childcare and how often they carried out this exercise.

Our survey revealed a very wide range of practices in relation to assessing the local demand for childcare, ranging from frequent and meticulous analyses of sufficiency to a total absence of analysis. Some local authorities in Scotland were carrying out rigorous assessments of childcare supply and demand, for example, analysing enquiry, vacancy and waiting list data at regular intervals in the year, supplemented by a full three yearly sufficiency assessment. Some local authorities carried out short annual assessments of childcare supply and demand. But a major concern was that 40 per cent of local authorities in Scotland did not know if they had sufficient childcare for working parents. A more detailed understanding at a local level of supply and demand is clearly required if national aspirations for improved childcare are to be realised.

Of course, assessing the supply of and demand for childcare is complex. Many parents may not have considered formal childcare as an option, preferring to rely on informal childcare provided by family and friends. And many families will have made an assessment about what childcare is available and then changed their working lives to suit that – often limited – availability. Increasing numbers of women not returning to paid employment may not be captured on surveys of childcare sufficiency. The Childcare Sufficiency Assessments carried out by local authorities in England and Wales were of varied quality: some failed to map gaps in demand and many of them did not have detailed action plans attached to them. However, a lack of even basic knowledge about demands for childcare, mapped alongside current supply, makes local authority intervention in the childcare market more difficult.

¹³ Explanation of Performance and Single Outcome Agreements <http://www.scotland.gov.uk/Topics/Government/local-government/delperf/SOA>

¹⁴ Scottish Government, 2008

¹⁵ Department for Education, 2012

The links between childcare costs and supply

While London and southern England have the most expensive childcare, the costs of nurseries, childminders and out-of-school childcare in Scotland is higher than in nearby local authorities in northern England. A number of factors contribute to higher costs in Scotland and one major factor is its greater rurality.

This survey also suggests a lack of supply in some areas which can also push up costs. Childcare in Scotland, as in the rest of the UK operates on a regulated free-market principle. Increased demand is meant to increase supply and help keep prices competitive and therefore affordable. If prices are higher in the childcare market, the implication is that supply is lower than demand but that new entrants are not setting up to meet this unmet demand – a symptom of market failure. At present there is little evidence to suggest that all sectors of childcare provision in Scotland is expanding to fill the obvious gaps.

The childcare market is bound by rules to determine its quality. A high quality, well-regulated system requires a well-paid labour force, appropriate premises and good relationships with a local community. These requirements set a high fixed minimum cost for providers. Most for-profit childcare providers operate on very low profit margins that are highly sensitive to small changes in income or outgoings. Not-for-profit providers experience similar sensitivity. 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 higher market presence in England and Wales. The current economic climate, difficulties securing credit and uncertainty about the direction of childcare policy may put off new investors or entrepreneurs, and some large England-based chains have expressed hesitation at investing in Scotland¹⁶.



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 or in sparsely-populated rural areas is unlikely to be delivered in a free market. These market failures are why and when local authorities are expected to intervene, and why knowledge about unmet (and even unvoiced) demand and the limits of market supply are necessary.

The high cost of childcare in Scotland suggests a failure in the supply. Equally, the reasons suggested for this supply failure demonstrate that childcare is an inappropriate service to be left to the market alone. Local authorities and national government need to be informed and more involved.

¹⁶ Blackburn, 2011

Conclusions

High quality, accessible, affordable childcare is essential for Scottish families. It supports children's social development and learning and enables their parents to work or study. Failing to ensure affordable childcare drives parents out of the labour market and on to benefits and pushes more children into poverty. Where childcare is unaffordable or unavailable, children may suffer, families remain in poverty, and often it is women's skills that are lost as they stay out of the job market for longer. Retaining a skilled workforce is a key issue for Scotland's future economic prosperity.

Our survey highlights the high cost of childcare in Scotland and shows that parents in Scotland are facing a childcare lottery in terms of both cost and accessibility. Parents in some areas are able to find affordable childcare, but in many places they are not. There are very significant variations in the cost of childcare in Scotland, particularly between private or non-profit providers and local authority-run services, and there are also very significant gaps in childcare supply. Only five local authorities reported that they have enough childcare for working parents.

High quality childcare is not, and should not be, cheap. Scotland has moved towards a graduate-led workforce, many of whom are working for low pay¹⁷. Children are entitled to a high quality environment, good food and plentiful resources and the workforce is entitled to proper remuneration. But if parents are to return to work, childcare also has to be affordable.

Some local authorities in Scotland have worked hard to ensure sufficient childcare for parents, but too large a number have not prioritised childcare provision, particularly out-of-school childcare, which is not a statutory service. The high costs of childcare in some areas, the big variations in costs, as well as significant gaps in provision, indicate failures by some local authorities to manage their childcare markets.

A significant number of local authorities are not keeping data on whether there is enough childcare. National policies are in place, but without practical leadership and national requirements, local authorities are failing to implement policy to ensure sufficient affordable provision.

The economic situation, the reduction in help with childcare through tax credits and wider welfare reforms (such as frozen Child Benefit and changes to housing and disability benefits) are likely to be already increasing the number of children living in poverty, and the number of unemployed parents; with the effect of further diminishing childcare infrastructure. Now, more than ever, Scotland needs a vision and a practical plan for creating a system of integrated, universal, high quality, and affordable childcare.

We need immediate action to remedy the inequalities set out in this report. But action needs to be part of a bigger vision for a childcare system in Scotland that *'matches the best in Europe'*, and is integrated with policies for growing the economy, supporting children's learning and development, supporting parenting, and reducing inequalities.

¹⁷ For example, see a survey by the Scottish Out of School Care Network <http://www.soscn.org/SOSCN%20OSC%20Workforce%20Survey%202012.pdf>

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About the Family and Childcare Trust

The Family and Childcare Trust was formed in 2013 as a result of the merger of the Family and Parenting Institute and Daycare Trust. Collectively, both organisations have almost 40 years' experience of policy and campaigning on issues affecting families.

The Family and Childcare Trust aims to relieve the pressures on family life through work in three main areas:

- ▶ **Insight** – carrying out research to understand family life and childcare
- ▶ **Influence** – campaigning for change in policy and businesses to make life easier for families with children
- ▶ **Information and innovation** – providing information and advice to parents and finding innovative ways of supporting families, for example through its peer-to-peer Parent Champion programme.

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