

The Scottish Childcare Lottery



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A report on the cost and availability of childcare in Scotland

A joint report by Daycare Trust and Children in Scotland

Key Findings

- ▶ There are very significant gaps in the availability of childcare in Scotland. Only a fifth (21 per cent) of Scottish local authorities report that they have enough childcare for working parents and only one in ten local authorities have enough childcare for parents who work outside normal office hours. Scottish local authorities also report that there is insufficient childcare for older children, families in rural areas and those with disabled children.
- ▶ Scottish parents face a childcare lottery. Parents in some areas are able to access affordable childcare, but in many parts of Scotland they are not.
- ▶ Childcare costs for parents in Scotland are among the highest in Britain. Some parents pay nearly as much for a nursery as do parents in southern England, where incomes are higher, which means a high proportion of income is spent on childcare in Scotland. The average cost of after-school childcare – at £48.55 per week – is higher than England and Wales.
- ▶ The highest fees for a nursery in Scotland are £233.75 per week for a child under two receiving 25 hours of childcare. A working parent purchasing 25 hours care in this nursery over 50 weeks of the year would face a bill of £11,688 every year for childcare.
- ▶ In England and Wales the childcare fees in local authority sector nurseries have converged with those in the private and not-for-profit sectors. This is not the case in Scotland, with fees in private and not-for-profit sector nurseries being nearly £25 more per week than a nursery in the maintained sector.
- ▶ There is greater geographic variation in childcare costs in Scotland than in any other part of Britain. Out-of-school clubs in the most expensive local authority are 94 per cent more expensive than in the area with the lowest costs.
- ▶ The high cost of childcare in some areas, the big variations in costs between private or non-profit and local authority sectors, as well as significant gaps in supply, indicate failures in managing the childcare market. The Scottish Government and its local authorities are failing to meet the policies set by the 2008 Early Years Framework.
- ▶ Local authorities in Scotland need to invest time and resources into meeting the intentions of the Early Years Framework and better manage and intervene in the childcare market.
- ▶ The Scottish Government needs to ensure that all Scottish parents, not just the lucky few, have access to high quality, accessible and affordable childcare.

Introduction

Access to high quality, affordable childcare is essential for parents, enabling them to return to or remain in work. 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.

Over the last 15 years, much progress has been made to increase the availability and affordability of childcare in the nations of the UK. 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, England and Wales. In Scotland three and four year-olds are entitled to a minimum of 475 hours of pre-school education per year, from the term following the child's third birthday. This is equivalent to 12.5 hours a week, compared with an entitlement to 15 hours in England. In Scotland free childcare for 'looked after' two-year-olds has recently been announced; in England two-year olds from the most 'disadvantaged' backgrounds will become eligible for free early education, with the aim of covering 40 per cent of two year-olds from 2014. It should be noted that childcare in Scotland is partially controlled by funding mechanisms determined by Westminster, an issue that is discussed in more detail in a 2011 report by Children in Scotland (2011).

Despite these advances, and despite the public good to be gained from investing in high quality childcare, the majority of costs fall on families. Childcare fees take a high proportion of working parents' income and there are still significant gaps in provision across Britain. Daycare Trust monitors the costs and availability of childcare through two surveys. Every year since 2002, Daycare Trust has published an Annual Childcare Costs Survey and a Holiday Childcare Costs Survey, both of which analyse childcare costs and sufficiency trends in England, Scotland and Wales. In recent years, however, Daycare Trust has become aware that there are a number of childcare issues that are specific to Scotland – for example, a large variation in childcare costs in different parts of the country. This year, Daycare Trust and Children in Scotland have worked together to produce detailed analysis of childcare costs and availability in Scotland, to be published alongside Daycare Trust's Childcare Costs Survey 2012. We hope that that this analysis will highlight gaps in provision and help move to a situation where all parents in Scotland have access to high quality, affordable childcare.

This report refers to childcare in its broadest sense. It encompasses all age ranges, being simply time when children are not in statutory education but need to be looked after while parents work, attend training or education or simply have time to themselves. In the early years this is referred to as 'early childhood education and care' (ECEC) in recognition of the fact that young children's care and learning are intertwined. School-age children attend out-of-school care, which includes breakfast clubs, holiday clubs or after-school clubs.

Methodology

In November 2011 Daycare Trust asked all local authority Childcare Information Services in Scotland and all Family Information Services in England and Wales to complete a short survey about the availability and average costs of childcare in their area. Questions were asked about the costs of nursery care, childminders and out-of-school childcare. The survey also made a distinction between local authority providers and the private and non-profit sector.

The survey also asked local authorities if they had enough childcare for certain groups of families, including those living in rural areas and those with disabled children. Daycare Trust worked with Children in Scotland to design and deliver the survey.

Overall, the survey had a 77 per cent response rate. We received responses from 26 local authorities in Scotland, out of a total of 32, representing an 81 per cent response rate. Two Scottish local authorities stated that they did not collect data on childcare costs and sufficiency.

Childcare costs in Scotland

Nursery costs for a child under two years old are over £100 per week in Scotland. On average, parents in Scotland can expect to spend £101.49 per week for 25 hours of nursery care for a child under two years old (Table 1). The same amount of nursery care for a child aged two or over costs an average of £94.52 per week. Childminders in Scotland cost an average of £93.10 per week for a child under two. Out-of-school clubs, attended by many primary school children, cost an average £48.55 per week in Scotland.

The highest fees reported for a nursery in Scotland are £233.75 per week for an under two receiving 25 hours of childcare. A working parent purchasing 25 hours care in this nursery over 50 weeks of the year would face a bill of £11,688 every year for childcare.

Importantly, too, there is a strong link in Scotland between an inconsistent supply of childcare and varied and high costs. Our survey showed a strong correlation between high costs and gaps in supply. For local authorities that had higher than average childcare costs for children under two, just two local authorities were able to state that they had enough childcare for this group of children. For the nine local authorities that had higher than average costs for out-of-school clubs, only one local authority was able to state that it had enough childcare for 5-to-11 year-old children.

Our survey shows that childcare costs in Scotland are among the highest in Britain. Childminder costs for a child under two are higher than in England and Wales, as are out-of-school clubs. The average cost of out-of-school childcare is higher than in England and Wales. Overall, parents in Scotland pay nearly as much for childcare as do parents in Southern England, but this is a substantially higher proportion of their income .

Table 1: Childcare Costs by nation and English region, 2012

Nation or region	Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club (15 hours)
Scotland Average	£101.49	£94.52	£93.10	£92.04	£48.55
England Average	£103.19	£98.75	£92.61	£91.83	£45.81
Wales Average	£92.35	£89.33	£92.96	£92.06	£40.05
Britain Average	£102.05	£97.51	£92.68	£91.87	£45.53
East Midlands	£97.59	£96.24	£79.61	£79.73	£36.71
East of England	£103.73	£97.77	£90.69	£87.63	£43.96
London	£126.80	£112.24	£129.59	£129.02	£47.48
North East	£95.96	£94.61	£88.93	£87.72	£55.50
North West	£91.85	£90.58	£80.81	£80.33	£47.08
South East	£119.21	£110.88	£103.10	£101.76	£47.89
South West	£106.95	£105.78	£93.26	£93.26	£46.02
West Midlands	£91.04	£86.32	£84.12	£83.67	£42.99
Yorks & Humber	£95.54	£94.38	£83.35	£83.35	£44.61

Costs over time

The costs of some types of childcare have also increased in Scotland over the last year, albeit at a rate less than in England (Table 2). In particular childminder costs have increased. This may be due to the increased food prices – typically

childminders provide cooked meals for the small numbers of children for whom they care. As small businesses childminders cannot make economies of scale or buy in bulk, which are options open to larger nurseries.

Table 2: Changes in childcare prices, 2011-2012

Nation or region	Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club (15 hours)
Scotland average	1.9%	-3.1%	3.8%	5.0%	-1.9%
England regional average	6.7%	5.1%	3.1%	3.9%	1.7%
Wales average	1.7%	0.0%	3.1%	2.7%	2.1%

Previous surveys undertaken by Daycare Trust show that there were very major price increases in 2009 and 2010 in all forms of childcare in Scotland. In 2009 nursery costs for an under two increased by 12 per cent and in 2010 the increase was 6.3 per cent.

Although price increases have now slowed it should be noted that parents in many parts of Scotland are still paying more for childcare at a time when wages are virtually stagnant and financial support for childcare through Working Tax Credit has been cut. The maximum amount that parents can claim towards their childcare costs through the childcare element of Working Tax Credit was reduced from 80 per cent to 70 per cent of costs in April 2011. Data from HM Revenue and Customs suggests that this represents an average cut of £531 per year for families in Scotland.

Variations in childcare costs

Over the last 10 years in England the costs of childcare in local authority nurseries have converged with those in the private and non-profit sectors. Although for-profit nurseries tend to be a little more expensive in England, the gap between them and local authority nurseries is not large.

This is not the case in Scotland, with the costs of a private or non-profit nursery being nearly £25 more per week – for 25 hours care – than a local authority nursery. Table 3 shows the difference in price between these sectors in England and Scotland.

Across Scotland there are also very significant geographic variations in the costs of childcare. While there are also variations in costs across English regions and England and Wales as a whole, the range of prices for childcare varies much more across Scotland. In Scotland out-of-school clubs in the most expensive local authority are 94 per cent more expensive than in the area with the lowest costs. Childminder prices are 73 per cent higher in the most expensive local authority than in the area with the lowest costs in Scotland.

Table 3: Variations in costs between private/non-profit and local authority nurseries, 2012

Gap between average private/non-profit and local authority costs				
	Nursery costs for 25 hours of care for child under 2	Nursery costs for 25 hours of care for child aged 2 and over	Nursery costs for 50 hours of care for child under 2	Nursery costs for 50 hours of care for child aged 2 and over
Scotland	£24.72	£20.93	£23.74	£21.78
England	£9.15	£10.15	£5.32	£7.75

Not enough childcare available

Over the last 15 years, administrations in all parts of the UK 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), local authorities are expected to follow the Early Years Framework (2008), 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 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”, with local authorities in England presently required to undertake three-yearly Childcare Sufficiency Assessments, supplemented by annual updates. Similar guidance also obliges local authorities in Wales to undertake Childcare Sufficiency Assessments. There is, however, much less explicit guidance in Scotland about assessing the childcare supply.

As previous research by Daycare Trust 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 very 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. One local authority in Scotland followed a similar process to local authorities in England and Wales, with a three-yearly assessment followed by short annual updates.

A major issue of concern is that at least eight local authorities in Scotland – six that responded to our survey and two that stated they did not collect data – did not appear to collect data on childcare supply. Five of the six local authorities that did not collect such data had higher than average childcare costs. We believe that a failure to understand even basic childcare supply and demand means that local authorities are not equipped with the evidence to intervene in childcare markets, as demanded by the Early Years Framework’s call for local authorities to ‘start addressing gaps’. These local authorities are far from achieving the aspiration to provide ‘integrated pre-school and childcare services in every community matched to an assessment of local demand’.

As a consequence of a lack of sufficiency data in some local authorities, we had sufficiency statistics from just 20 local authorities in Scotland. The results of our analysis are presented in Table 4.

Table 4: Do you have sufficient childcare in all parts of your local authority for the following groups?

Group	England and Wales	Scotland
Children aged 2 and under	34%	25%
3-4s	47%	37%
5-11s	26%	25%
12-14s	18%	15%
Disabled children	10%	15%
Parents who work full-time	42%	20%
Parents who work atypical hours	11%	11%
Parents who live in rural areas	10%	10%

Source: Daycare Trust's Childcare Costs Survey 2012

Just a quarter of local authorities in Scotland knew they had enough childcare for the under-twos and children aged between 5 and 11. Fewer still – just four who replied to our survey – had sufficient childcare for working parents. Parents of older children, those with disabled children, those who work atypical hours and parents who live in rural areas are least likely to have access to sufficient childcare, although this is a problem in all parts of Britain.

We also asked local authorities if parents had reported a lack of childcare over the last 12 months, with the results given in Table 5. Here fewer local authorities in Scotland reported a lack of childcare supply, but it should be noted that only 18 Scottish local authorities had data on this aspect of childcare supply.

Table 5: Have parents reported a lack of childcare in the last twelve months?

	Yes	No
Scotland	44%	66%
England and Wales	54%	46%

Source: Daycare Trust's Childcare Costs Survey 2012

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. 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.

The link between supply and costs in Scotland

On the whole, our research is indicative of a lack of childcare in some parts of Scotland. Childcare in 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.

There is little evidence to suggest that childcare provision in Scotland is expanding to fill the obvious gaps. For example, Childcare Statistics 2010 published by the Care Inspectorate indicates a drop in the number of some types of childcare provider since 2006 (Table 6). Over the same period the number of childcare providers has continued to increase in England and Wales.

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 Scotland.

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 involved.

Table 6: Childcare providers in Scotland, 2006-2010

Provider	Number of providers, 2006	Number of providers, 2010
Childminders	6,050	6,066
Nurseries	2,415	2,450
Local authority or partnership pre-school providers	2,763	2,615
Out-of-school clubs	763	719
Sessional creches	168	136
Children's centres	125	108
Holiday play schemes	93	67
Sitter services	0	17

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 pay. 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 neglected childcare provision. 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.

Recommendations

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 supporting parenting, improving education and reducing inequalities.

Specifically, we recommend:

The Scottish Government should:

- ▶ Recognise the central part that childcare, from early childhood through to out-of-school care, plays in supporting parents’ ability to parent well, in drafting the proposed parenting strategy.
- ▶ Take the lead on implementation of the Early Years Framework by legislating for an entitlement to a place in early childhood education and care, and/or out-of-school care for all babies and children, to be introduced across the nation in phases.
- ▶ Lead by example, by integrating the collection of data about childcare centrally and introduce surveys of families to ascertain better the daily lives and circumstances of children in childcare and the impact on families.
- ▶ Require local authorities to gather better data on the supply, quality and marketing of childcare provision locally, through regular surveys and public reporting in line with the Early Years Framework.
- ▶ Introduce, in phases, a charging policy for childcare that caps the financial contribution of parents on an equitable basis, as currently exists and works well in other countries providing care as part of a mixed economy.
- ▶ Introduce, as part of a charging policy, income-related charges that dovetails with and enhances the fairness of the much-reduced Westminster-driven Tax Credit system.

- ▶ Put pressure on the Westminster government to amend regulations to ensure that self-employed parents can claim childcare vouchers.
- ▶ Promote the business case for supporting working parents with their childcare in dealings with employers in Scotland and their representatives such as the CBI Scotland, or the Scottish Chambers of Commerce. This should include offering childcare vouchers, flexible working patterns to accommodate childcare arrangements, and signposting to information sources about childcare.

Local authorities should:

- ▶ Assess their local knowledge and understanding of childcare and identify where improvements need to be made in light of this report.
- ▶ Share practice and be prepared to learn from local authorities which are better informed and able to intervene in local childcare markets.
- ▶ Implement the Early Years Framework.
- ▶ Encourage all childcare providers, including out-of-school clubs, to accept childcare vouchers.

And we urge:

- ▶ Voters in the forthcoming local elections to ask prospective candidates what they are going to do to improve the supply and cost of childcare locally.
- ▶ Prospective local councillors to consider their responsibility for achieving the policy set out in the Early Years Framework and agreed to by the Convention of Scottish Local Authorities intended to improve the lives and life chances of all children.

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Computershare Voucher Services is the UK's largest dedicated childcare voucher provider responsible for the administration, management and development of childcare vouchers which help working parents pay for registered childcare. Computershare Voucher Services is a founder member of the Childcare Voucher Providers Association (CVPA), the industry body launched to represent childcare voucher providers and promote best practice within the sector.

Endnotes

- ▶ Children in Scotland, (2010) Working for Inclusion, series of publications www.childreninscotland.org.uk/wfi and Children in Scotland (2012) Briefing Paper 8: Universal entitlements: how investment in the early years should be informed by research evidence about universal approaches
- ▶ Children in Scotland (2011) Early Childhood Education and Care: developing a fully integrated early years system, Edinburgh, 2011 http://www.childreninscotland.org.uk/docs/CIS_ECECSpecialReport2_001.pdf
- ▶ The 2011 Annual Survey of Hours and Earnings suggested that gross weekly earnings were £490.50 in Scotland, compared to £610.20 in London and £554.40 in South East England.
- ▶ ONS data suggest that wage growth was 2 per cent in the year to October 2011.
- ▶ Explanation of Performance and Single Outcome Agreements <http://www.scotland.gov.uk/Topics/Government/local-government/delperf/SOA>
- ▶ Scottish Government, Early Years Framework, 2008 <http://www.scotland.gov.uk/Publications/2009/01/13095148/0>
- ▶ Department for Children, Schools and Families (DCSF) (2010) Childcare Sufficiency and Assessment Guidance: Statutory guidance for local authorities in carrying out their childcare sufficiency duties, London: DCSF
- ▶ The requirement for a three-yearly Childcare Sufficiency Assessment may change in England as a consequence of a 2011 consultation, but local authorities will still have some duties to assess childcare supply and demand.
- ▶ Welsh Government (2008) Guidance to Local Authorities – Childcare Act 2006, Cardiff: Welsh Government
- ▶ Blackburn, P. (2011) Children's Nurseries: UK Market Report 2011, London: Laing and Buisson
- ▶ For example, see a survey by the Scottish Out of School Care Network <http://www.soscn.org/SOSCN%20OSC%20Workforce%20Survey%202011.pdf>

Daycare Trust is the national childcare charity. We campaign for quality, accessible and affordable childcare for all.

We lead the national childcare campaign by developing credible policy recommendations based on high quality research.

Our advice and information on childcare assists parents and carers, providers, employers, trade unions and policy makers.

Daycare Trust has recently merged with National Association of Family Information Services (NAFIS) and now works to support families through local Family Information Services.

Daycare Trust offers a range of services, including:

- ▶ Consultancy and research
- ▶ In-house training
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- ▶ Support for Family Information Services

Parents wanting information on childcare issues can contact us at: info@daycaretrust.org.uk

Parents can also contact their local Family Information Service to get more detailed information about childcare available in your area. To find your nearest FIS, [click here](#).

To find out more about our work visit **www.daycaretrust.org.uk**

Daycare Trust
2nd floor 73-81 Southwark Bridge Road
London SE1 0NQ
Tel: 0845 872 6260 or 020 7940 7510
www.daycaretrust.org.uk

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