

An assessment of the English childcare system

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What are the functions of childcare and childcare policy?

To help parents to work and promote gender equality

To improve children's school readiness and long term development

To narrow socio-economic gaps

To support families financially (and possibly psychologically)

Several potential market failures:

- Families are credit constrained
- Families make decisions about investments in children, not the children themselves
- The value of these investments aren't well understood
- The benefits accrue to wider society

In an ideal world the Government's objective is to maximise the cost benefit ratio - where the costs are those on taxpayers and the benefits accrue throughout society.

How well does the English system perform?

Mother's employment:

- 30 hours a week does help women to work, but effects are not transformative
- International literature indicates that the effects of subsidies is probably small

Improving school readiness:

- Early investment has been shown to make a big difference but is 3 too late?
- My own research shows small benefits from the free entitlement.
- Quality is crucial here, we don't know as much about it as we should.

Narrowing socio-economic gaps:

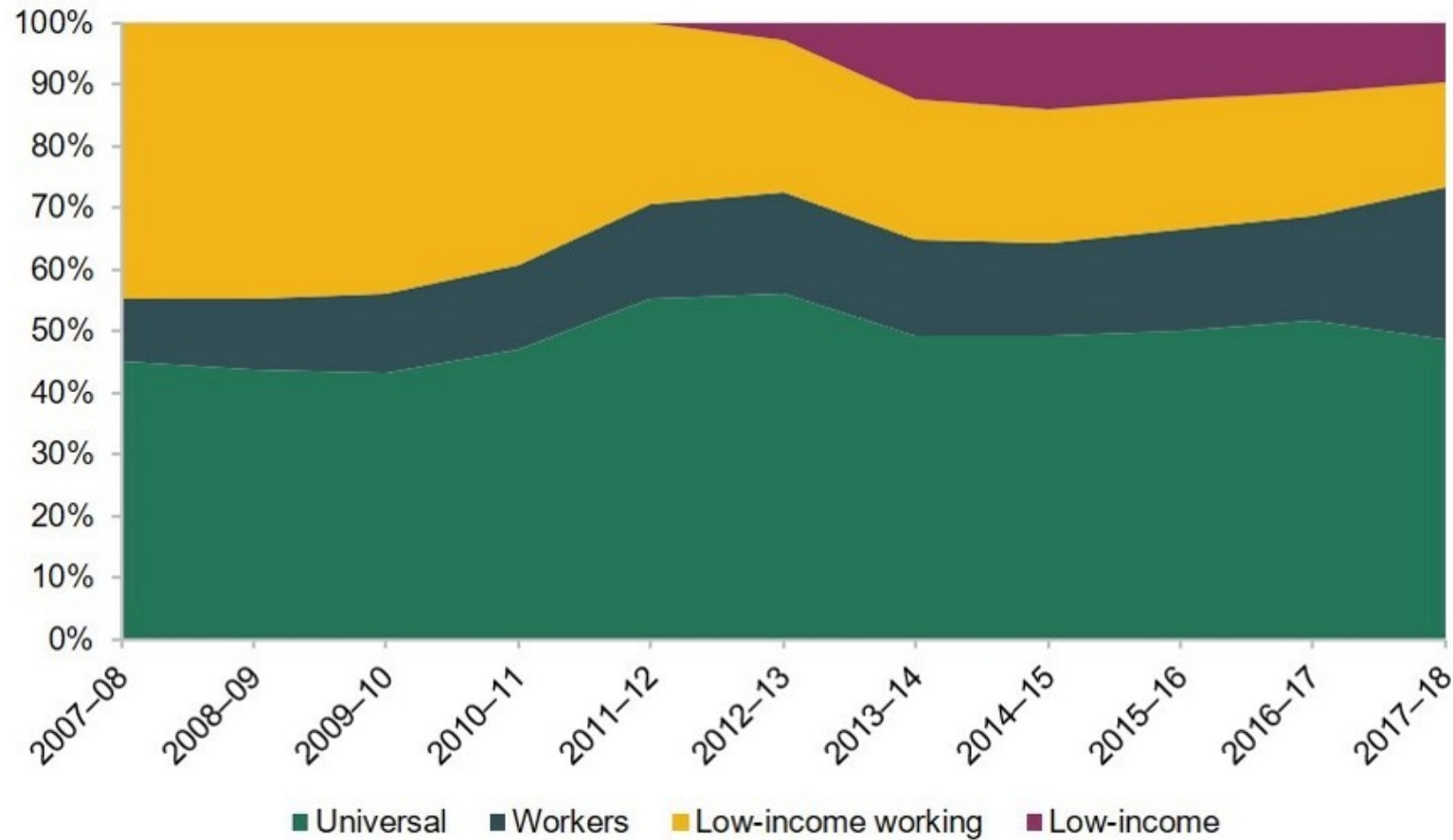
- Some evidence that attendance is especially beneficial for those with English as an additional language.
- The disadvantage gap has been narrowing, but seems to have levelled off according to EPI analysis.
- Recent policies have focused resources on better-off children.

Financial and well-being support to parents:

- Focus has switched to this, but concerns about redistribution.

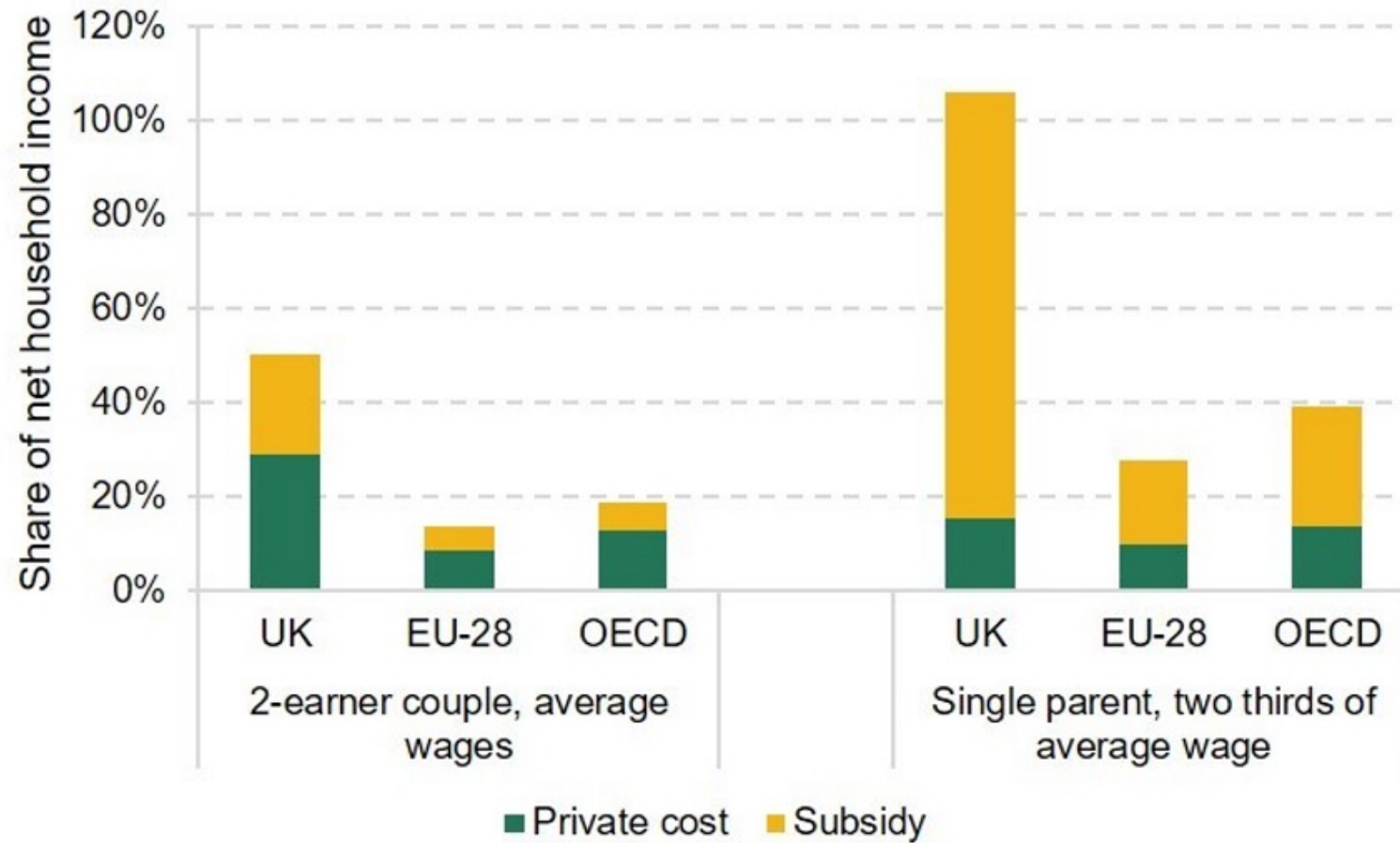
Funding has become less redistributive

Share of childcare subsidies targeted at different groups



Source: IFS Observation by Christine Farquharson, Sept 2021

Good value for money?



Source: IFS Observation by Christine Farquharson, Sept 2021