



Family and Childcare Trust

Creating a family friendly UK

2014 London Childcare Report

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London is the wealthiest region in the UK, but almost a quarter of its children live in poverty, and maternal employment is 15 per cent lower than in the rest of the UK. At 28 per cent above the national average, high childcare costs are a barrier to work and prevent families from moving out of poverty.



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Executive summary

In London, the causes of parental unemployment are complex. However, it is becoming increasingly obvious that more must be done at a regional and local level. Schools are an obvious example where additional funding to provide wrap-around childcare could help thousands of parents enter the labour market or increase their hours. London Assembly, Economy Committee Inquiry into Parental Employment and Childcare, December 2013

London is a city of economic contradictions. It is the richest region in the UK, but nearly a quarter of its children live in poverty. Just 63.3 per cent of mothers with dependent children are employed in London in 2013, compared with 72.9 per cent in the rest of the UK. The state of childcare provision in the capital is a major cause of these economic paradoxes. Childcare for the under-fives is 28 per cent more expensive than the British average. There are also major gaps in provision for all types of childcare, but they are particularly acute for those who work outside normal office hours or irregularly.

Provision of affordable and flexible childcare is one of the most effective ways of reducing child poverty, as it enables parents to work or to extend their hours of work and move out of poverty. High quality early education and childcare is also an investment in children as it can boost the life chances of the most disadvantaged children and breakdown inter-generational patterns of poverty.

At the Family and Childcare Trust we have long been concerned about the state of childcare in the capital. In 2012 we published our first survey of childcare in London. The *2014 London Childcare Report* updates this work and examines the progress that has been made to fill gaps in provision and make childcare more affordable for parents.

London's different childcare needs

Some 1.6 million children aged 0-14 live in London. Parents use many different forms of childcare, with their choices dependent on factors that include family income, hours of work, local childcare availability and the age of their children. Families may use formal childcare: registered childminders, nurseries, part-time pre-schools, sessional creches, nursery schools and nursery classes in primary schools. Children of school age may attend out-of-school and holiday clubs, with older children going to arts, sports and leisure activities which function as surrogate forms of childcare for this age group.

Many families also rely on informal – unregulated – childcare, often provided by grandparents. This is often used by parents who work outside normal office hours or have irregular patterns of work, or in combination with formal provision.

While many of the childcare problems faced by London parents are experienced by families elsewhere in the UK, there are a number of demographic and socio-economic factors that are different in the capital and impact on childcare needs:

- ▶ High proportions of Londoners are migrants, both people who have moved to the capital from overseas, as well as from elsewhere in the UK. Moving home can often sever informal childcare arrangements, for example, those provided by grandparents. There is consequently a greater need for formal childcare in London, including that outside normal office hours.
- ▶ Some 10 per cent of all households in London are single parent households with dependent children. Working single parents tend to use more informal childcare than any other families. The absence of informal childcare networks in London may be one factor that accounts for the lower employment rate among single parents in London (57.5 per cent) compared with elsewhere in the UK (60 per cent).
- ▶ Some 1.4 million Londoners are employed in the retail, transport, hotel and catering, and health and social care sectors, where jobs frequently involve shift-work outside normal office hours, when childcare is difficult to find.
- ▶ Londoners spend the longest times commuting to work, with 16 per cent of all London workers travelling for more than an hour to reach their place of employment. This increases the demand for childcare, both early in the morning and after 6pm in the evening.

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Childcare supply in London

There was a rapid expansion of group-based childcare in the early years of the 21st century, although this has now slowed. Since the publication of the 2012 London Childcare Report there has been a net gain of 100 new nurseries in London and the creation of 13,000 new places for two year olds.

The numbers of childcare places in out-of-school and holiday clubs has remained constant over the last two years and places in pre-schools, sessional creches and with childminders have continued to decline. The Family and Childcare Trust is particularly concerned about a 13 per cent drop in childminder numbers since 2012. This decrease is significant in a city where many parents have atypical work patterns, as childminders can often meet a parent's request to provide extra hours of care at the beginning or end of the day.

The Childcare Act 2006 obliges local authorities to ensure sufficient childcare for working parents, those undertaking job-related training and to provide enough free early education places. There is good practice, but pressures on budgets and lack of guidance means that many local authorities have struggled to intervene in childcare markets. This expansion of places – effectively limited to nursery means that there has been little progress to fill gaps in provision that were present in 2012 and in some cases these have worsened. In 2014:

- ▶ 11 local authorities did not have enough childcare for working parents.
- ▶ 11 local authorities did not have enough childcare for under twos, a worse position than in 2012.
- ▶ 23 local authorities did not have enough places for two year olds who qualify for free early education
- ▶ 12 local authorities did not have enough childcare for three and four year olds, a worse position than in 2012.
- ▶ 9 local authorities did not have enough after-school childcare for 5–11 year olds, with another 14 local authorities not knowing if they had enough provision.
- ▶ 6 local authorities did not have enough holiday childcare, with another 16 local authorities not knowing if they had enough provision.
- ▶ 16 local authorities did not have sufficient activities for 12–14 year olds and a further 16 local authorities did not examine childcare supply for this age group.
- ▶ 15 local authorities did not have enough childcare for disabled children, and a further 8 did not know if they had enough childcare for this group of children, a position that has worsened since 2012.
- ▶ 29 local authorities did not have enough childcare for parents with atypical work patterns, or did not examine childcare supply for this group of families.

We recommend:

- ▶ Childcare should be an entitlement for parents enshrined in law, bringing childcare provision in line with an entitlement to a school place.
- ▶ Where local authorities are not fulfilling the obligations of the Childcare Act 2006 to provide sufficient childcare, the Department for Education should enforce this duty and support local authorities to fill gaps in provision.
- ▶ Central and local government should recognise that London parents have less access to informal childcare than families who live in other parts of Britain, and should make sure that suitable formal provision is available, particularly for parents with atypical work patterns.
- ▶ The Department for Education, local authorities and the new childminder agencies should take action to keep childminders in the profession, which might include offering small grants for equipment, free training and paying for childminders' registration with Ofsted or the new childminder agencies.
- ▶ Local authorities and the Education Funding Agency should encourage schools to make better use of their premises to provide breakfast-time, after-school and holiday childcare.
- ▶ The Mayor of London should champion the importance of school holiday activities for older children and work with local authorities, the Metropolitan Police, the Department for Education and the Department for Culture, Media and Sport to ensure there is a sufficient range of activities in all parts of London.
- ▶ The Department for Education should issue guidance on the compilation of annual childcare sufficiency reports. This guidance should provide a definition of 'sufficient childcare' and outline the areas to be covered in the reports' action plans.

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Childcare costs

London is the most expensive region or nation for all categories of under-fives childcare. Childminders in London cost an average of £136.40 per week for 25 hours of childcare which is 36 per cent more than the national average in 2014. A part-time (25 hours) nursery place for a child under two now costs an average of £140.12 per week in London, nearly 28 per cent more than the average price across Britain. Over the course of the year a London parent purchasing this care would pay £1,572 more than the average parent in Britain. Moreover, in recent years London nursery costs have increased at a higher rate than elsewhere in the UK. Since the publication of the 2012 London Childcare Report, nursery costs for an under five have gone up by 10.5 per cent in London, compared with the 7.7 per cent British average.

At an average of £49.04 per week after-school club costs in London are only two per cent above the British average. Holiday childcare is cheaper in London: in 2014 the average cost for of one week's full-time (50 hours) holiday childcare provision was £111.78 in London, compared with £114.51 in Britain. This is because a lot of out-of-school group childcare, particularly that run by schools and local authorities, receives direct subsidies or the free use of premises and equipment.

There are also large price variations in childcare costs between and within London local authorities, particularly for nursery provision and holiday childcare. These variations mean that parents in the same area have large differences in their childcare costs. In a typical inner London local authority the nursery costs for 25 hours childcare for a child under two ranged between £83 and £153 per week. Here over the course of year a family could expect to pay £3,606 more if using the most expensive nursery provision compared with the cheapest alternatives.

For some London parents the high cost of childcare is a barrier to work. This is partly why maternal employment is 15 per cent lower in London than in the rest of the UK. Other parents, particularly mothers, choose to work part-time to keep their childcare costs down. But there is often a 'motherhood penalty' associated with lower status part-time work. The high cost of childcare also forces some families to make lifestyle changes such as cutting back on food expenditure, days out and holidays. A Family and Childcare Trust survey in 2014 indicated that five per cent of families had gone into debt because of the high costs of holiday childcare.

Successive governments have acted to make childcare more affordable than it was in the early 1990s, but UK parents are still paying over a quarter of their net income on childcare.

The UK has chosen to subsidise parents' childcare costs through both supply-side funding to providers to deliver free early education and demand-side funding, though tax credits and vouchers. In 2016 parents' childcare costs will be subsidised through four main demand-side systems: Universal Credit or the new online voucher, as well as legacy Working Tax Credit and childcare voucher help. The potential for confusion is great and some parents may not know which scheme is most beneficial for their circumstances. Moreover, subsidies to parents have the capacity to be inflationary as hard-pressed providers see extra money in parents' pockets as an opportunity to put up prices. Many other countries channel the majority of their subsidies to providers, where funding can be made conditional on meeting quality criteria, thus leading to improvements in the quality of early education and childcare.

We would like to see a shift to funding providers directly and believe that the government should extend free early education to 48 weeks of the year and make it available for all two year olds. For these reasons we want the Government to set up an independent review of childcare funding that examines options for reform and how childcare can be made more affordable while improving its quality.

We recommend:

- ▶ Local authority Family Information Services should publicise the financial help that is available to parents to help with childcare costs.
- ▶ The Department for Education and Mayor of London should work to ensure school holiday dates are harmonised across London, so parents with children in different schools do not face additional childcare costs when local authorities lose their power to set term dates.
- ▶ The Government should extend free early education to cover 48 weeks of the year and for all two year olds.
- ▶ The Government should set up an independent review of childcare funding that examines options for reform and looks at how childcare can be made affordable.

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Childcare and children's development

As well as helping parents work, high quality early education and childcare also supports children's development and boosts the life chances of the most vulnerable children in society. This is particularly important in London where higher than average proportions of under-fives live in poverty or in households where little English is spoken.

In some parts of London there are large developmental gaps between the most deprived of London's five year olds and their more advantaged peers. These development gaps matter. It is much harder to address poor social skills and educational under-achievement as children get older. Children who fall behind at five are much less likely to secure good results in later examinations. It is for this reason that the Government is providing free part-time early education for all three and four year olds and has recently extended this to the 40 per cent most deprived two year olds. By September 2014, some 50,400 London two year olds will qualify for 570 hours of free early education, the equivalent of 15 hours every week over 38 weeks of the year.

There are significant challenges in London in ensuring that free early education benefits the most disadvantaged children. Many local authorities struggle to find sufficient places for qualifying two year olds. Although new providers are coming on board, only 46 per cent of the September 2013 target number of children had nursery places in January 2014. The closure of 22 nurseries based in London children's centres has also made finding places for two year olds more difficult.

There is also a variation in the uptake of free early education for three and four year olds. In 13 London local authorities more than one in ten of three and four year olds still missed out on free provision in 2013, although the uptake of free early education has increased slightly since 2012.

Another challenge in London is the quality of some nurseries, as it is only high quality provision that narrows developmental gaps and helps the most deprived children.

While Ofsted inspections suggest that 75 per cent of nursery and childminder provision was good or outstanding in London in 2014, 25 per cent do not reach this grade.

There are many different ways of defining and measuring quality, but staff qualifications and leadership skills have been shown to have the biggest

impact on it. In London over 37,500 three and four year olds are receiving their free early education in a setting where no staff has qualified teacher status or early years professional status. At the same time eight per cent of staff in London nurseries have no qualifications at all.

Ultimately, poor pay makes it difficult to recruit and retain well-qualified staff. Some childcare providers argue that tight profit margins prevent them from increasing the pay of staff. But our research shows that nurseries have business models that enable staff to be properly rewarded and that there is capacity within the childcare sector to ensure that qualified staff are paid at least the London Living Wage.

We recommend:

- ▶ The Government should implement the 2012 Nutbrown Review recommendations and that all early years' staff should be qualified to Level Three and all settings should be graduate-led. This should be supported by a permanent workforce development fund to enable these improvements to happen.
- ▶ The Department for Education should issue guidance that outlines good outreach including the sharing of personal data between health visitor teams, Family Information Services and children's centres.
- ▶ Local authorities should be allowed to place quality conditions on providers who receive funding to deliver free early education for two, three and four year olds.
- ▶ The Government should review funding of the two year old offer and provide financial incentives for schools to expand their nursery provision for two year olds, either on-site or in nearby linked provision.

Family friendly London

Research about parental employment highlights the importance of flexible work opportunities in helping parents arrange their childcare. Children may also benefit from this, as emerging evidence suggests flexible work arrangements have a positive impact on children's learning, as working parents can spend more time with their children. Flexible work opportunities also help businesses recruit and retain staff, as well as improve productivity and reduce absences.

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Successive governments have extended parental leave and given staff the right to ask their employer for flexible working. Despite this, the most recent government surveys show that a minority of workers have access to flexible work opportunities. Only a third (34 per cent) of workplaces allowed flexi-time working, where staff can vary their time of working outside core hours. When looking at individual employees, eight per cent of workers had no access to any flexible work arrangement, which rises to 19 per cent where staff have no qualifications. London's most disadvantaged working parents are much less likely to have access to flexible work opportunities, usually because they have less power in negotiations with employers.

Improving access to flexible work opportunities would make a big difference to those London workers who presently cannot or believe they cannot work flexibly. But there are other issues that need to be tackled, if workplaces are to become truly 'family friendly'. Where staff are obliged to work outside normal office hours or at irregular intervals, very few employers help them with their more difficult childcare arrangements.

There is still a stigma attached to flexible working in some organisations. Many part-time jobs are low status and rarely lead to promotion, thus parents who take up these opportunities face a career penalty. Employers need to take action to address this. Low pay, the excessive use of zero hours contracts, and shift changes at the last minute also make it difficult to balance work with family life.

We recommend:

- ▶ The Mayor of London should promote the business case for family friendly workplaces in his dealings with London employers and their representatives such as the Confederation of British Industry and Chambers of Commerce.
- ▶ The Mayor of London and local authorities should use their influence as employers and commissioners of services to support family friendly work. This should include flexible work opportunities, the minimal use of zero hours' contracts and paying staff London Living Wage.
- ▶ The Government should take stronger action against the abuse of zero hours contracts, with a minimum notice period of when work is made available or cancelled to enable parents to arrange childcare.
- ▶ The Mayor of London should work with schools to ensure that holiday dates are harmonised when local authorities lose their powers to set term dates.

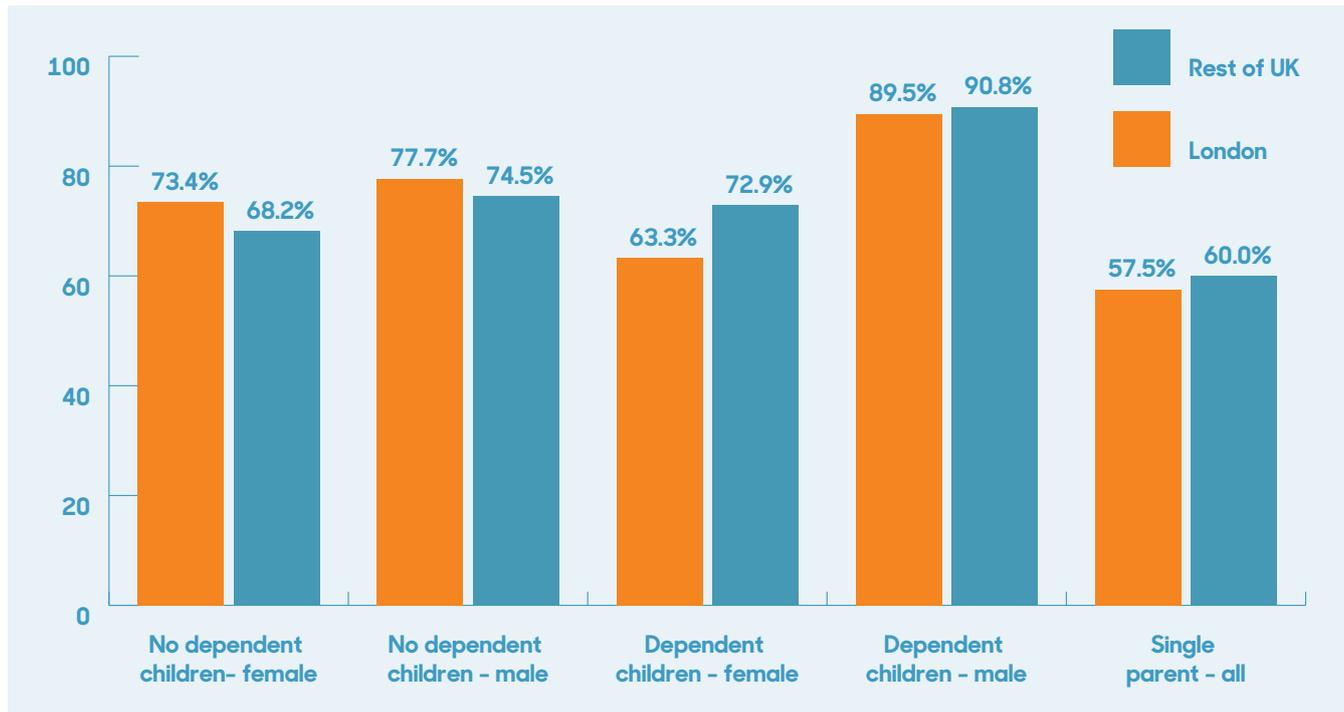
1. Introduction and policy context

"Until this year when the twins started nursery, I was unable to work, as our financial situation would not change but worsen when you had paid for the childcare. Now they are at a local nursery and getting their free hours I can work as we only pay half the fees."



Introduction

Figure 1.1: Employment rate by gender and parental status, London and UK, 2013



Source: ONS Labour Force Survey, Quarter One, 2013

London is a city of economic contradictions. It is the richest region in the UK, but 23 per cent of its children live in poverty, the highest proportion for any UK region or nation¹. While there are many thousands of job vacancies in London, nearly a quarter a million children (230,000) were living in workless households in 2013². The Family and Childcare Trust believes that the state of childcare provision in the capital is one of the major causes of these economic paradoxes. Overall, childcare in London is the most expensive of any region or nation in the UK. It now costs an average of £5.60 per hour for a nursery place for a child under two – a price that is 28 per cent more expensive than the average for Britain (Family and Childcare Trust, 2014). In a city where nearly 12 per cent of workers earn less than the London Living Wage of £8.80 per hour, the proportion

of some parents' wages that are spent on childcare is often high.

For some London families the high cost of childcare means that it does not pay to work. London has the lowest rate of maternal employment of any region or national of the UK, with just 63.3 per cent of mothers with dependent children in work in London in 2013, compared with 72.9 per cent in the rest of the UK (Figure 1.1). Despite increases in their employment rates over the last 15 years, single parents in London are more likely to be out of work than those living elsewhere in the UK. Parental unemployment has economic consequences for the city's economy as well as the UK as a whole. It is costly to maintain a family on social security benefits, tax revenue is lost as is the spending power of a working family. Parental unemployment also represents a loss of skills. Affordable childcare and family friendly workplaces, therefore, make economic sense.

High quality early education and childcare is also an investment in London's children. It boosts the life chances of the most disadvantaged children in society, narrows the achievement gaps between them and their peers. Children who go to nurseries prior to

1 Percentage of children living in households earning less than 60 per cent of median income after housing costs 2012/13, Department for Work and Pensions. This figure is before housing costs. Some 37 per cent of London children live in poverty after housing costs are taken into account.

2 Trust for London, 2013.

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starting compulsory education tend to be more 'school ready' at five. High quality early education also enables social and cognitive problems to be identified and addressed earlier. This reduces children's vulnerability to poverty – a policy goal of all recent governments.

At the Family and Childcare Trust we have long been concerned about the state of childcare in the capital. In 2012 we published our first survey of childcare in London. This report drew attention to the high costs of childcare in the capital and significant gaps in provision. The 2012 London Childcare Report also highlighted some of the distinctive features about London's economy and its population that impact on childcare needs. In particular, the report drew attention to the absence of formal and informal childcare for parents who are required to work outside normal office hours.

The 2012 London Childcare Report helped us make the case for childcare reform in London and to businesses, local authorities, the Mayor, the London Assembly as well as central Government. There have been a number of childcare policy initiatives since 2012, which include the introduction of free part-time early education for the most deprived two year olds and changes to local authority duties to assess childcare supply and demand. We are now updating our London report to map the changes in childcare provision since 2012. In particular we want to examine:

- ▶ How childcare costs have changed since 2012 and how this affects families
- ▶ What progress has been made in filling gaps in childcare provision in London, particularly for parents with atypical work patterns and for older children.
- ▶ Progress towards implementing the free early education offer for the poorest two year olds
- ▶ Progress towards making London workplaces more family friendly.
- ▶ How future changes in childcare policy might impact on London families.

In the 2012 report we outlined a number of recommendations for central government, the Mayor of London and local authorities. These focussed on improving childcare provision in five areas: affordability, filling gaps in provision, providing more childcare for parents with atypical work patterns, improving the quality of early education and supporting Family Information Services. The *2014 London Childcare Report* reviews progress towards these goals.

Methodology and contents

The London Childcare Report uses the terms 'childcare' but it is important to acknowledge the diversity of this form of provision which for the under-fives includes registered childminders, nannies, day nurseries, sessional crèches and pre-schools, as well as nurseries attached to primary schools, or stand-alone state nursery schools. When children reach school-age, many parents turn to breakfast, after-school and holiday clubs to look after their children. Parents of older children may also use arts, sports and leisure activities as surrogate forms of childcare, with these activities usually run by schools, local authority youth services, sports clubs and third sector organisations. Other families rely on informal childcare provided by grandparents, other relatives, friends and neighbours.

The *2014 London Childcare Report* examines all types of early education and childcare provision in London. It draws on a broad range of data which includes administrative data from the Department for Education, the Census and national surveys such as the Labour Force Survey, the Annual Survey of Hours and Earnings, the Childcare and Early Years Survey of Parents and the Childcare and Early Years Providers Survey. Another rich source of information about childcare in London are the childcare sufficiency reports that local authorities are obliged to prepare annually.

The report also drew on two datasets from the Family and Childcare Trust: the Annual Childcare Costs Survey and the Annual Holiday Childcare Survey. These are both compiled from data held by local authority Family Information Services (Family and Childcare Trust, 2014). As these surveys have been undertaken every year since 2002, they enable analysis of childcare provision over this time period.

The *2014 London Childcare Report* is divided into seven sections. The next part – *Section Two* – looks at the demographic and socio-economic that impact on families need for and use of childcare.

Section Three of the report examines the use and availability of childcare in London. It looks at the different types of childcare used by parents and changes in the number of providers since the 2012 report. While central and local government policy had focussed on under-fives provision, this section of the report looks at types of childcare that are neglected by policy makers: provision for school-age children, informal childcare and unregulated and semi-regulated forms of care offered by those outside family and friend networks.

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Section Four examines the costs of childcare in London. For the under-fives, prices in London are considerably more expensive than elsewhere in the UK. Moreover, there are large variations in cost between and within London local authorities, which means that parents face a childcare costs lottery. This part of the report also examines the reasons for these trends, their impact on families and how childcare might be made more affordable for families.

As well as helping parents remain in work, high quality early education and childcare support children's development and ensure that all children, not just those from affluent families, are well-prepared to start school at five. But in London a lower uptake of free nursery provision and its poor quality limit the potential of early education to improve children's outcomes. *Section Five* of the report examines childcare and child development challenges in London, looking at the quality and uptake of free early education, the skills and qualifications of the early years' workforce and the role of children's centres in improving children's outcomes.

Alongside proposals to improve childcare provision, all recent governments have made commitments to help parents balance work and family life. *Section Six* of the report argues that childcare needs to be seen in the context of a greater commitment to a family friendly society, in particular, family friendly work practices and transport. It reviews the extent to which London families have access to family friendly employment and argues that improvements are needed in large sectors of the London economy.

The final section of the reports summarises our findings and sets out a number of policy recommendations for the next two years. Overall, the *2014 London Childcare Report* paints a mixed picture. We welcome the recent attention given to childcare, by central government. Most London local authorities have also worked hard to ensure that the most disadvantaged families benefit from the free early education offer for two, three and four year olds. But more action is needed. Under-fives childcare is more expensive in London than elsewhere in the UK. In parts of London there are still gaps in provision with very little progress made to fill them.

The *2014 London Childcare Report* outlines the areas where improvement is needed. Many of our policy recommendations are the responsibility of central government. At a local level we have singled out two specific areas for action: improving the quality of early education and increasing the amount of childcare for parents who have atypical work arrangements such as

shift work. We hope that the information in the report will be used by new councillors elected this year, as well as policymakers in central and local government. We also intend that the report provides background information for campaigners in London, whether they are parent campaigners against Sure Start closures or the many organisations who are working to eradicate the high levels of poverty in the capital.

Throughout the report, we argue that access to good quality childcare makes London a better place to live and work. High quality early childhood education boosts the later educational achievement of children and narrows the gaps between the most disadvantaged children and the rest of society. Affordable childcare helps parents to remain in work and families to move out of poverty. Childcare helps London function as a global city – without it many skilled workers would be forced to leave the labour market. Investing in high quality and affordable childcare brings benefits for London children, their parents, employers and wider society,

Policy context

Childcare is essential for families in Britain. 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. From the end of the Second World War until the late 1990s, it was seen as a private matter for families. Some women could afford to employ nannies, and childminders looked after other children, but there were few nurseries. As late as 1990, there were just 59,000 nursery places in England and Wales, compared with over 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.

From the 1970s onwards, activists campaigned for affordable childcare. By the early 1990s, this demand was being heard and politicians across all the main parties began to acknowledge the need for childcare. Greater provision would enable more mothers to work and ensure that their skills could still be utilised after they had children. There would also be significant developmental benefits for children. The Government took steps to make childcare more affordable in 1994 when a childcare disregard to Family Credit was introduced. This meant that childcare costs of up to £40 per week could be disregarded in the income calculation for Family Credit. (The generosity of the disregard was increased at various stages until Family Credit was replaced by Working Families' Tax Credits in October 1999).

Nursery places also increased in the mid-1990s, but progress was initially slow. In 1996 new legislation was passed: the Nursery Education and Grant Maintained Schools Act 1996 put the system in place for an expansion of early education. This expansion 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). The strategy had the dual objectives of improving children's outcomes through the greater provision of high quality early education, and supporting parents to remain in employment, and therefore reduce child poverty. Over the next five years the Government worked to improve the availability of childcare and make it more affordable.

A further ten-year childcare strategy was published in 2004. Choice for parents, the best start for children had four broad aims (i) helping parents balance work and family life by extending parental leave (ii) increasing the availability of childcare (iii) improving the quality of provision, and (iv) making childcare more affordable

(HM Treasury, 2004). While the political and economic context in 2004 differs from today, the aims of the 2004 childcare strategy continue to shape current policy.

The 2004 childcare strategy paved the way for the Childcare Act 2006. This legislation obliges local authorities in England and Wales to ensure there is sufficient childcare for working parents and those undertaking training or education with the intention of returning to work. It also requires that local authorities assess childcare supply and demand and take action to fill gaps in provision, although the 2012 London Childcare Report showed that not all local authorities are doing this.

Successive governments have also aimed to make childcare more affordable. In the years since the 1998 strategy a number of initiatives have helped make childcare more affordable. In England all three and four year olds and the 40 per cent most deprived two year olds get 570 hours of free early education (the equivalent of 15 hours per week over 38 weeks of the year). An estimated 50,400 London two year olds will qualify for this provision under the income criteria by September 2014, with this initiative helping parents as well as their children.

The current infrastructure of support also includes help with childcare costs through the childcare element of Working Tax Credit. About eight per cent of UK families benefit from this type of help, but in London the uptake of the childcare element of Working Tax Credit is lower with just 6.8 per cent of families (52,300) getting this assistance in April 2014 (HMRC, 2014).

At present working parents on low incomes can receive up to 70 per cent of their childcare costs through tax credits, up to a maximum cost of £175 per week for one child in childcare and £300 per week for two or more children. This means that a family can receive up to £122.50 help with childcare costs for one child and up to £210 for two or more children, although for almost all families the amount of help is much lower. These levels were set in 2005 and have not been updated since then, despite big increases in childcare costs over this period – and higher prices in London. Moreover, it is only the most deprived working families that receive this type of help, as the childcare payment starts to taper off steeply if the first earner in a household earns more than £15,910 per year before tax and National Insurance are deducted.

The tax credit system is now being merged into the single Universal Credit, with 2017 being the target date for its full implementation. Within Universal Credit the

Policy context

overall maximum support levels will remain, although these will be now calculated monthly. Universal Credit will also be administered online and these two changes will enable greater flexibility for parents whose childcare costs fluctuate from week to week. This is particularly important for parents who face a big increase in childcare costs during the school holidays.

Parents who work less than 16 hours per week will qualify for help with childcare costs through Universal Credit, a move that eliminates some of the benefit 'cliff edges' that can disincentivise moving back into work. In March 2013 the Government announced that it intends to increase the level of childcare support through Universal Credit to 85 per cent of costs, up from 70 per cent that parents receive today. This will be implemented in April 2016.

At present parents not in receipt of tax credits are entitled to help with their childcare costs through employer-supported schemes which include vouchers and the provision of workplace nurseries. An estimated 540,000 UK parents received help with their childcare costs through childcare vouchers, either as an additional benefit on top of their salary or as a salary sacrifice before they pay tax (House of Commons Library, 2014). Those receiving childcare vouchers can save up to £55 per week if they are basic rate taxpayers or higher rate taxpayers who joined a voucher scheme before 5 April 2011. Childcare vouchers can also be 'banked' and used at a time when childcare costs may be particularly high, for example, during the school holidays. The advantage of employer supported childcare vouchers is that they often lead to further action to promote family friendly work practices, by initiating a conversation about childcare responsibilities. The disadvantages of childcare vouchers are that only five per cent of employers offer them and not all childcare providers, particularly out-of-school clubs, accept them. About 33 per cent of the costs of a scheme are administrative costs (ibid). They are also not well-targeted at those families that most need financial support, for example, those just above the threshold for receiving help through Working Tax Credits. The 2013 Childcare and Early Years Survey of Parents suggested that 79 per cent of families that received help from their employer with childcare costs had an annual income of over £45,000. Costing the Government £800 million a year in 2013, critics have long argued that employer supported vouchers do not represent value for money.

In 2013 the Government has announced that it will phase out the present employer-supported childcare

voucher scheme and replace it with a tax free 'voucher' in 2015. This will be an online system where parents bank their payments. For each £8 a parent pays in, the Government will add an additional £2 up to a maximum of £2,000 per year per child. In the 2014 Budget it was confirmed that this source of help would be open to all families with children under 12. This support will be available to all families outside the tax credit/Universal Credit system where parents work and whose household income is less than £300,000 per year (or £150,000 for a single parent).

This new help with childcare costs is welcome, although there are concerns about these changes. Overwhelmingly it will be families in the top half of the income distribution who will benefit from the new tax free 'voucher'. There will also be many families who may not know if they will be better off receiving tax credits or opting for the tax free voucher and decisions about which support system to use will be more difficult in families whose childcare costs or income vary from week to week through factors such as overtime, freelancing, agency work or zero hour contracts. There are also worries that that where there is insufficient childcare, the emphasis on demand-side funding to parents could push up costs, as providers see the extra money in parents' pockets as an opportunity to increase their fees (Ben-Galim, 2014).

London initiatives

While many of the decisions about childcare policy rest with central government, the Mayor and local government also have power to determine the direction of childcare policy. Between 2009 and 2011 the Mayor ran a pilot Childcare Affordability Programme that piloted ways of helping London parents with their childcare costs as they moved from unemployment back into work. This £12 million scheme provided 2,000 parents with extra help on top of tax credits. The London Assembly has also run two inquiries about childcare, which served to highlight some of the issues that are more acute in London (London Assembly Economy Committee, 2013; London Assembly Health and Public Services Committee, 2012). As a consequence of these inquiries and lobbying by local authorities the Government made an extra £8 million available to expand free early education provision in London in 2013.

The Childcare Act 2006 places responsibilities on local authorities to ensure sufficient childcare provision. While our 2012 and 2014 London Childcare Reports

Policy context

suggest that not all London local authorities are discharging this duty and filling gaps in provision, there are examples of good practice in London. For example, Brent Council has recently set up an 'at-home' childcare project for parents who work outside normal office hours, who were identified as a group whose childcare needs were not being met. Merton Council used its children's centres to provide 240 places it needed for two year olds who qualify for free early education. Each of these centres was given a start-up grant which the children's centre used to take on extra staff, run training and buy additional equipment. There are many more examples of good practice in London local authorities and where appropriate these need to be replicated more widely across the capital.

Looking back over the last 15 years, childcare providers, local authorities and central government can claim success in transforming childcare provision for the better. A great deal has been achieved in London: there are many more nursery and out-of school childcare places and more parents receive help with their childcare costs. Yet persistent problems remain which include gaps in provision, the absence of formal childcare for parents with atypical work patterns, poor quality nurseries and low uptake of free early education in specific areas and among particular social groups. We hope that *2014 London Childcare Report* will enable these issues to be addressed and for parents, providers and government to work for better childcare in London.

2. London's children and their families

"In London they should definitely do out-of-hours childcare because if you look at London as a city there is a lot of people that don't come from London. People come from a different place or a different country. They don't have family near them like if you've been brought up in London."



London's population

Table 2.1 Population estimates for London local authorities, 2013

	Mid-Year population estimate, 2013	0-4 population estimate, 2013	5-14 population estimate, 2013	% of population aged 0-14, 2013	Population change, 2012-2013
Barking and Dagenham	194,400	19,600	29,900	24.5%	2%
Barnet	369,100	27,300	46,300	19.9%	1.4%
Bexley	236,700	15,700	29,800	19.2%	1%
Brent	317,300	23,700	37,800	19.4%	0.8%
Bromley	317,200	21,100	37,800	18.5%	1.2%
Camden	229,700	14,100	22,600	16%	2.1%
City	7,600	300	400	9.6%	0.6%
Croydon	372,800	28,700	48,300	20.7%	1.1%
Ealing	342,500	26,400	41,400	19.8%	0.5%
Enfield	320,500	25,000	43,200	21.3%	1%
Greenwich	264,000	21,800	32,800	20.7%	1.5%
Hackney	257,400	20,100	30,700	19.3%	2.1%
Hammersmith and Fulham	178,700	11,900	17,100	16.3%	-0.7%
Haringey	263,400	18,500	31,400	18.9%	1.7%
Harrow	243,400	17,000	29,400	19.1%	0.4%
Havering	242,100	14,900	28,100	17.7%	1%
Hillingdon	286,900	21,700	35,400	19.9%	1.8%
Hounslow	262,400	21,100	30,600	19.7%	1.3%
Islington	215,700	13,000	19,800	15.2%	2.2%
Kensington and Chelsea	155,600	9,100	14,800	15.4%	-0.2%
Kingston	166,800	11,600	18,800	18.2%	1.8%
Lambeth	314,200	21,000	32,900	17%	1.3%
Lewisham	286,200	22,800	33,700	19.3%	1.6%
Merton	203,200	15,800	22,900	19.1%	0.5%
Newham	318,200	27,400	41,800	21.7%	1.3%
Redbridge	288,300	22,600	39,200	21.4%	1.3%
Richmond	191,400	14,500	37,200	19.4%	1.2%
Southwark	298,500	21,800	33,000	17.7%	1.7%
Sutton	195,900	13,700	23,500	19%	1.2%
Tower Hamlets	272,900	21,200	31,300	19.2%	3.8%
Waltham Forest	265,800	21,800	33,000	20.6%	1.2%
Wandsworth	310,500	22,700	33,000	16.5%	0.7%
Westminster	226,800	13,700	20,200	15%	1.3%
London	8,416,500	621,300	986,700	19.1%	1.3%
England and Wales	56,958,200	3,573,200	6,430,200	17.6%	1.2%

Source: ONS Mid-year population estimates, 2013

London's population

Mid-year population estimates for 2013 suggest that there were 1.6 million children aged 0-14 years living in London out of a total population of 8.4 million. London's population has a younger age structure than elsewhere in the UK and has a higher proportion of children. Overall, in England and Wales, 17.6 per cent of the population was estimated to be under 15 years old in 2013, but in London this figure was 19.1 per cent. This means that demand for childcare, in terms of places per head of population, is higher in London than elsewhere in the UK.

Factors such as age structure and population growth, however, are not even across London and Table 2.1 provides a breakdown by local authority. It can be seen that in most outer London local authorities there are higher proportions of children aged 0-14 than in inner London. This reflects internal migration patterns in the UK, in particular the tendency of families with young children to move from the inner city to the suburbs. Within London, the demand for childcare differs between local authorities.

Table 2.1 also shows that the population of most London local authorities is growing. This trend has been evident since the 1980s, as a consequence of internal and international migration into the capital, as well as a natural increase due to London's younger age structure. This growth is forecast to continue, with London's 0-14 population projected to grow to 1.8 million by 2020.

A number of further demographic factors impact on childcare in London. London is a city of migrants, both people who have moved to the capital from overseas, as well as elsewhere in the UK. Internal migration flows have always been larger than international migration and in the year December 2012 –December 2013 some 558,000 people moved to London from elsewhere in the UK, while at the same time 612,000 people left London. Moving home, whether from overseas or elsewhere in the UK, often severs informal childcare arrangements, for example, those provided by grandparents. There is consequently a greater need for formal childcare in London.

Some 36 per cent of London's population was born overseas, compared with 13 per cent for the whole of the UK. In 2012 some 57 per cent of live births in London were to mothers born outside the UK. As a consequence of international migration, children in London are more likely to grow up in households where English is not frequently spoken. In January 2014 some 48 per cent of London primary school children speak

a language other than English at home, up from 45 per cent in 2011 (Department for Education, 2014b). Many of these children grow up speaking English alongside other languages, but a small proportion of London families speak little or no English at home. Census 2011 indicated that 4.1 per cent of Londoners aged three or over did not speak English well or at all, although in some local authorities this was higher. For children who speak little English at home, free early education is particularly important, as it enables them to start school at five with an understanding of English. However, rates of uptake of free early education among some migrant and minority ethnic groups are lower than the overall population – an issue explored in greater detail in Section Five.

Within the capital families are more mobile than in many other places in the UK. Families with young children are one group who move home frequently. Such mobility may be beneficial to them, for example, it enables parents to change jobs or a family move to a larger house. But not all residential mobility is desirable or voluntary. Factors such as relationship breakdown or eviction can force families to move. This may disrupt children's education and continuity of care. High levels of mobility can be difficult to manage in nurseries and schools. Early years staff have to invest time in helping children settle in and in areas of high residential mobility, the financial sustainability of nurseries can be compromised by vacancies when children move on.

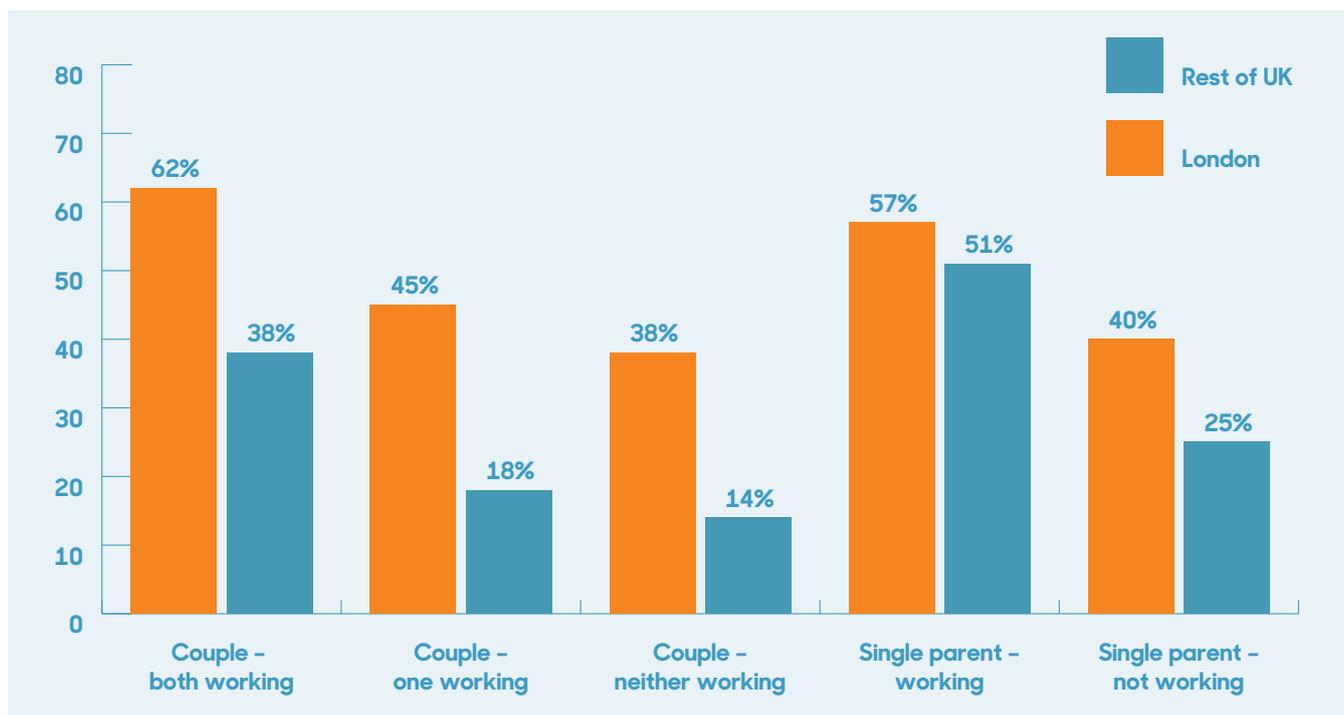
It is likely that housing market and welfare changes have caused residential mobility to increase in London over the last five years, although there are few accurate measures of this aspect of population movement at a local level. (Office for National Statistics data from the Annual Population Survey cannot be refined down to a local authority level). There have been major changes in housing tenure patterns over the last ten years, with proportionally more people living in the private rental sector where tenants are much more likely to move than those who are owner occupiers or social tenants. In 2013 one in five families with dependent children were private renters, this was one in ten in 2007 (Shelter, 2013). Benefit changes have also forced greater residential mobility among the most disadvantaged families, through the benefit cap and changes to the Local Housing Allowance.

A further demographic factor that impacts on childcare is household structure. London's population has proportionally more single parent households than many other regions and nations of the UK (Figure 2.3). Figure 2.2 shows that at a national level single parents

London's population

who are working tend to use more informal childcare than any other families, to cover times when nurseries are closed or at 'coordination points' at the beginning and end of the nursery or school day. The absence of informal childcare networks in London may be one factor that accounts for the lower employment rate among single parents in London (57.5 per cent) compared with elsewhere in the UK (60 per cent). Local authorities need to be aware that single parents who lack informal childcare support networks will need formal provision if they are to work.

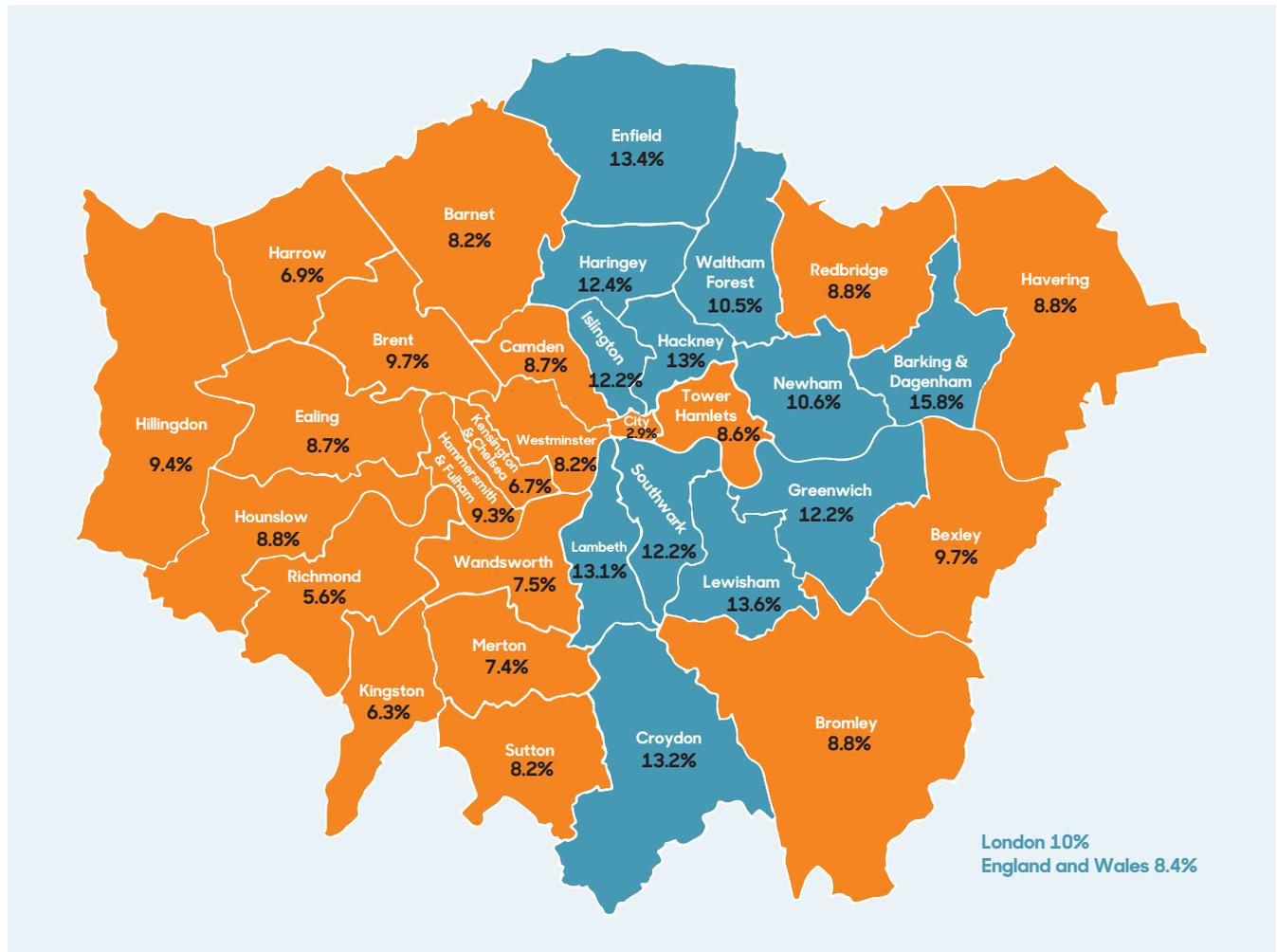
Figure 2.2: Percentage of parents using childcare by household composition and work status, 2012-2013



Source: Childcare and Early Years Survey of Parents, 2012-2013

London's population

Figure 2.3 Percentage of all households that comprise single parents with dependent children, Census 2011



Source: Census 2011

Child poverty

London is a city of wealth inequality and inner London is the most unequal sub-region of Britain. The capital also has the highest level of child poverty of any region or nation of the UK.

Central government uses a number of measures of child poverty, but the most commonly cited defines child poverty as the proportion living in families in receipt of out of work benefits or in receipt of in-work tax credits where their reported income is less than 60 per cent of median income before housing costs. Using this measure and 2012 data some 23 per cent of children in London were living in poverty in that year. However, this indicator under-estimates child poverty in London as it excludes housing costs which are higher in the capital than elsewhere in Britain. When housing costs are taken into account, 36 per cent of children in London live in poverty.

At the start of the 2000s there were around 630,000 children in poverty in London, a figure that has fallen slightly to 600,000 in 2013. There have been some changes to the child poverty profile of London since the publication of the 2012 London Childcare Report. Previously, London's poor children were more likely to be living in workless households than elsewhere in the UK. Since then many more children in poverty (370,000) are living in households where at least one adult is working (370,000) and fewer (230,000) are in workless families (Trust for London, 2013). The proportion of workers earning less than the London Living Wage of £8.80 per hour has increased from 17.7 per cent of London workers in 2013 to 18.8 per cent in 2013³.

Figure 2.4 gives a breakdown of child poverty by local authority, highlighting some of the spatial inequalities in London.

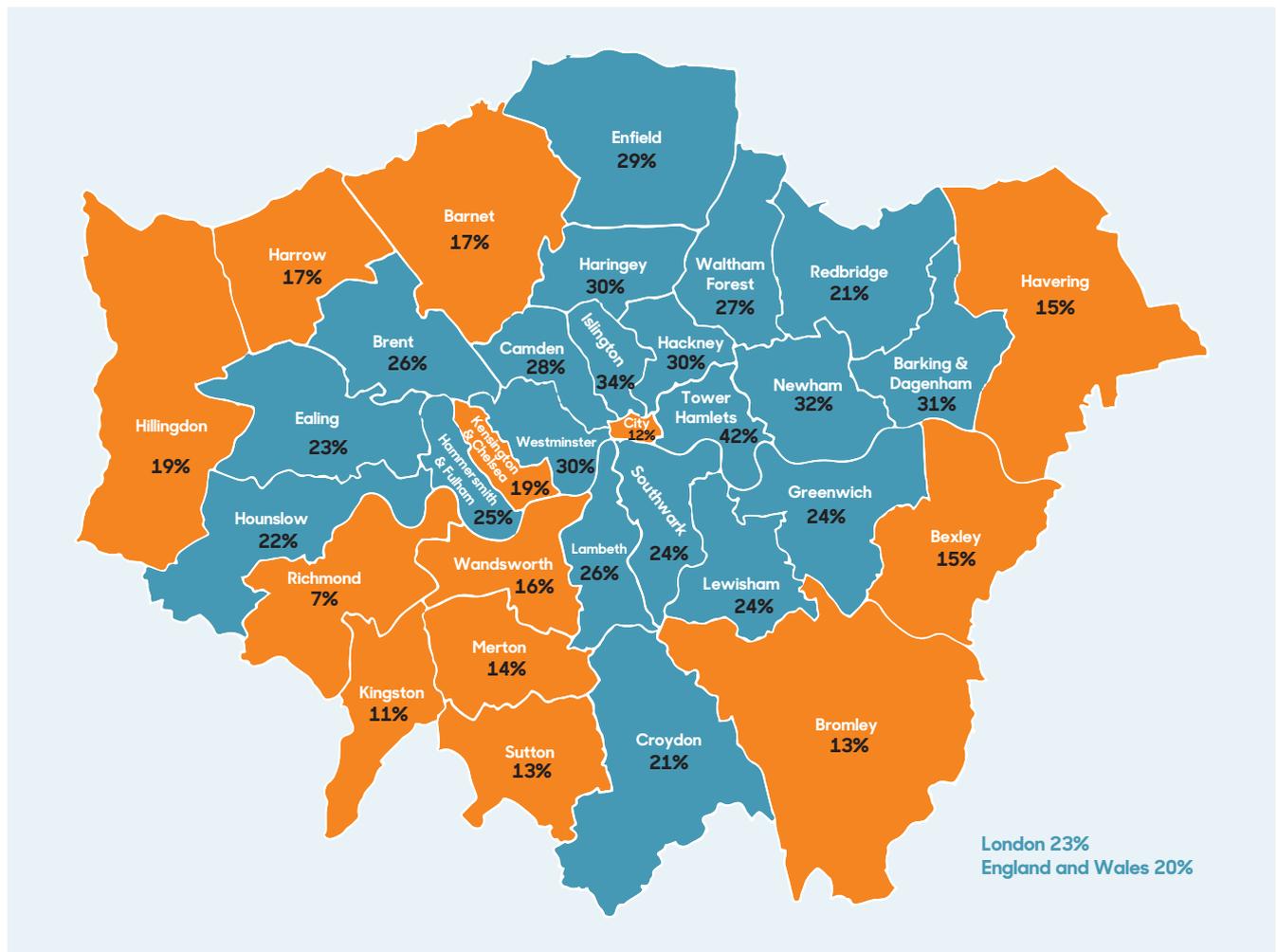
While London women are the best qualified of any UK region or nation, maternal employment in London is the highest of any region or nation. Among working age adults who are economically inactive in London, 31 per cent were economically inactive because they were looking after the family or home, compared with 25.6 per cent nationally⁴. The Family and Childcare Trust believes that the provision of affordable and flexible childcare is one of the most effective ways of reducing child poverty, as it enables parents to work or to extend their hours of work and move out of poverty. High quality early education and childcare can boost the life chances of the most vulnerable children in society and breakdown inter-generation patterns of poverty (Melhuish, 2004).

3 Office for National Statistics Annual Survey of Hours and Earnings data 2012 and 2013.

4 NOMIS local labour market indicators July 2014.

Child poverty

Figure 2.4: Proportions of children living in poverty in 2012 by local authority – before housing costs



Source: Households Below Average Income data, 2012 cited by End Child Poverty

Material deprivation

In addition to income-based poverty levels, other measures of material deprivation need to be taken into account when understanding the experiences of London families. Poor quality housing and lack of access to open spaces for play can pose significant barriers to child development. An overcrowded home environment can be stressful to live in, changing the quality of interactions between the people living there. Overcrowding has been linked to problems in physical and mental health, delayed cognitive development, the ability to learn at school and study at home and

greater absence from school due to illnesses (Shelter 2006; Sutton Trust 2010).

Some 24 per cent of all children in London live in overcrowded homes, with the figure rising to 43 per cent in the social rented sector (Trust for London, 2013). Census 2011 measured overcrowding, through occupancy rates with a score of -1 meaning that a household had one fewer room than is needed. This data showed that overcrowding is more prevalent in London than across England as a whole (21.6 per cent compared to 8.7 per cent). Moreover, it had worsened since Census 2001, when 17 per cent

Child poverty

of London households were living in overcrowded accommodation. Out of all the London Boroughs, Newham had the highest level of overcrowding, with 25 per cent of households being overcrowded, and no borough had below 4 per cent of houses overcrowded.

Census 2011 indicated that 50 per cent of London households live in flats, proportionally more than any other region or nation of the UK. London children are thus more likely to live in homes without gardens than children elsewhere in the UK. Access to high quality early education and childcare is particularly important for children who live in overcrowded homes or who do not have easy access to outdoor play space. For them, outdoor play received through formal childcare has significant physical benefits. The Family and Childcare Trust is concerned that about a quarter of nurseries in London lack outdoor play space, compared with about eight per cent in England⁵. This is an unsatisfactory situation as it limits the amount of outdoor play for children in such nurseries, even where there is nearby open space.

⁵ Helen Penn, Evidence to the London Assembly Economy Committee Inquiry on Parental Employment, October 2013.

The London labour market and childcare

London's labour market poses some unique challenges for childcare. The retail, transport, hotel and catering, and health and social care industries all employ large numbers of Londoners. These are all sectors that involve over-time or shift-work outside normal office hours. Additionally, most jobs in these four sectors are not well-paid, so workers cannot meet their 'atypical' childcare needs by employing a nanny who is able to provide childcare outside normal office hours.

Census 2011 indicated that 35 per cent of all jobs – employing 1.4 million Londoners – were in the retail, transport, hotel and catering and health and social care sectors. In some areas high proportions of jobs involve work outside normal office hours and the local authorities with the highest proportions of workers in these sectors were Newham (45.2 per cent of workers), Hounslow (43.7 per cent), Barking and Dagenham (43.4 per cent), Hillingdon (42.8 per cent) and Brent (40.9 per cent). Some of these 'atypical hours hot spots' are given below and Figure 2.5 shows the total number of residents in each London local authorities who work in the retail, transport, hotel and catering and health and social care sectors. Many of the retail 'hotspots' are close to large shopping centres, while high proportions of residents in Ealing, Hillingdon and Hounslow work at Heathrow Airport.

Wholesale and retail hotspots, 2011

Barnet	24,820 or 15.2 per cent of residents work in this sector
Brent	25,100 or 17 per cent of residents work in this sector
Croydon	25,200 or 14.6 per cent of residents work in this sector
Newham	22,700 or 17.1 per cent of residents work in this sector

Transport hotspots, 2011

Ealing	12,000 or 7.3 per cent of residents work in this sector
Hillingdon	14,200 or 10.9 per cent of residents work in this sector
Hounslow	14,800 or 11.6 per cent of residents work in this sector
Newham	8,000 or 6 per cent of residents work in this sector

Hotel and catering hotspots, 2011

Brent	11,600 or 7.9 per cent of residents work in this sector
Haringey	10,600 or 8.5 per cent of residents work in this sector
Newham	15,700 or 11.8 per cent of residents work in this sector
Tower Hamlets	11,800 or 9.8 per cent of residents work in this sector

Health and social care hotspots, 2011

Croydon	22,300 or 12.9 per cent of residents work in this sector
Lambeth	17,800 or 10.7 per cent of residents work in this sector
Lewisham	17,400 or 12.8 per cent of residents work in this sector
Southwark	18,400 or 12.5 per cent of residents work in this sector

The London labour market and childcare

Figure 2.5 Number of adults working in retail, transport, hotel and catering, and health and social care by local authority, and percentage of employees in these sectors, Census 2011

	% of employees	Number of jobs
Barking and Dagenham	43.4%	32,600
Barnet	35.7%	61,000
Bexley	35.4%	39,000
Brent	40.9%	60,200
Bromley	31.3%	47,300
Camden	28.6%	31,100
City of London	16.1%	800
Croydon	37.9%	65,500
Ealing	38.2%	63,000
Enfield	39.8%	54,800
Greenwich	35.9%	42,200
Hackney	31.9%	38,000
Hammersmith and Fulham	30%	30,000
Haringey	34.9%	43,300
Harrow	38.3%	43,600
Havering	35.3%	39,900
Hillingdon	42.8%	55,700
Hounslow	43.7%	55,500
Islington	27.8%	29,600
Kensington and Chelsea	23.8%	19,400
Kingston	34.5%	28,200
Lambeth	31.9%	52,900
Lewisham	35.5%	48,300
Merton	34.5%	36,200
Newham	45.2%	60,000
Redbridge	37.1%	46,300
Richmond	27%	26,700
Southwark	34.3%	50,500
Sutton	37%	36,100
Tower Hamlets	32.3%	39,000
Waltham Forest	38.2%	46,200
Wandsworth	28.4%	50,800
Westminster	26.2%	29,200

Irregular hours of work can also make formal childcare difficult to arrange as most childcare providers require that parents commit to regular hours of use. Those who are self-employed, agency workers and those on zero-hours contracts are groups whose work patterns are more likely to be irregular. Regional labour market statistics for the year to March 2014 estimate 705,000 self-employed workers in London, of whom 229,000 are women. Some 217,000 London workers have temporary contracts in the same year. There is no reliable data on the number of Londoners who have zero hours' contracts that do not guarantee minimum hours of work. However, analysis from the Office for National Statistics (2014) suggests that zero hours contracts are more prevalent among women and in the hotel and catering and health and social care sectors.

Londoners also work the longest hours of any UK region or nation. The average hours of work for a full-time female worker were 29.2 in the year to March 2014 and for a male worker this was 37.9 hours. Moreover, for both full-time and part-time workers their hours at work have increased since the financial crash in 2008. Since the publication of 2012 London Childcare Report women with full-time jobs are working an extra 24 minutes per week.

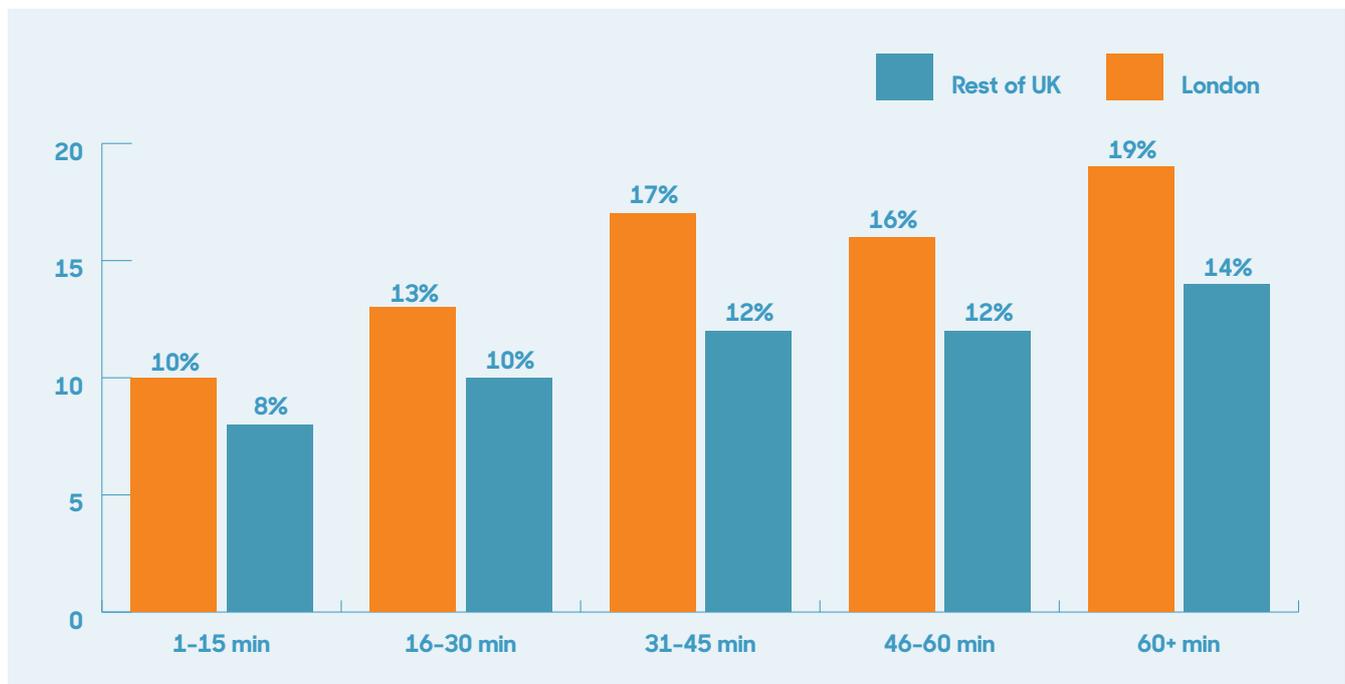
The London labour market and childcare

Commuting times

As well as during their hours of work, parents need childcare to cover the time they spend travelling to and from their place of employment. Londoners spend the longest times commuting to work, with 16 per cent of all London workers travelling for more than an hour to reach their place of employment (Figure 2.6). Long commutes increase the demand for childcare early in

the morning and after 6pm in the early evening. Those living in outer London boroughs who travel to work in central London tend to have the longest journey times. For this reason some of these local authorities have worked with childcare providers to increase the amount of provision that opens before 8am or after 6pm. This has sometimes involved providing a start-up grant to cover staff time while the market for extended hours is tested.

Figure 2.6: Duration of commute to work, 2009



Source: ONS Labour Force Survey analysis, 2009

3. Childcare provision in London and gaps in supply

"Finding suitable activities for mid-teens is difficult. They are too young to be left for a long time on their own, but too old for childminders."



Types of childcare

Working parents use many different forms of childcare and their choices depend on many factors including family income, hours of work, local childcare availability and the age of their children. In London in 2013 just under half of parents (49 per cent) with children under 15 years used formal childcare with 10 per cent of them using a **day nursery**, most of which are run by private or voluntary sector (not-for-profit) organisations. Parents may also use **pre-schools** or **sessional creches**, which offer part-time provision. Families may also send their children to **nurseries attached to primary schools, or nursery schools**. This is usually public sector provision and is mostly for children aged three and four.

When children reach school-age, many parents use **breakfast and after-school clubs** before and after the school day. In England in 2013, some 6 per cent of families with children under 15 were using breakfast clubs and 36 per cent were using after-school clubs. Families may also use **holiday childcare**, particularly during half-term periods and over the summer holidays (Family and Childcare Trust, 2014). Older children may attend after-school and holiday arts, sports and leisure activities which functions as a surrogate form of childcare.

Many thousands of families use home-based childcare, sometimes in combination with formal group provision. Parents may use **registered childminders**, to care for under-fives or to pick up and care for their children after-school. Other families may employ or share a nanny to look after under-fives in their own home. Nannies also care for children at the end the school day and over school vacations.

Other families rely on informal – unregulated – childcare, turning to grandparents, other relatives, friends, neighbours, babysitters and au pairs to provide childcare. **Informal childcare** is often used by parents who work outside normal office hours or have irregular patterns of work as formal childcare may be difficult to find (Rutter and Evans, 2011).

Many parents, too, use 'packages' of childcare, combining different forms of care. It is common for families to use nursery provision alongside care from a grandparent in order to keep costs down. Another common combination is to use an after-school club during term-time, but get help from grandparents over school holidays.

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 some single parents. Shift-parenting is another strategy where parents have 'atypical' work patterns such as shift-work or irregular work patterns.

There are some significant differences in childcare use among London families compared with other parts of the UK. London families are slightly less likely to use formal (regulated) childcare provided by nurseries, pre-schools, crèches and registered childminders compared with parents in other parts of the UK. The 2013 Childcare and Early Years Survey of Parents, covering England, indicated that 49 per cent of London parents used formal childcare, compared with 53 per cent in the whole of England (Department for Education, 2014). This lower use of formal childcare can be largely attributed to the overall lower rates of maternal employment in the capital, compared with elsewhere in the UK. Where London parents do use formal childcare, they tend to use it for longer hours than parents outside the capital. This is because London parents spend longer commuting to work that do parents elsewhere in the UK (see Part Two of this report). Additionally, a higher proportion of London women (65 per cent of all those in work) are in full-time employment than the UK average of 56 per cent⁶.

London parents are much less likely to use informal childcare provided by relatives or close friends, compared with parents outside the capital. The 2013 Childcare and Early Years Survey of Parents indicated that 31 per cent of parents in England had used informal childcare in the reference week of the survey, but in London this figure was 11 per cent. The lower use of informal childcare in London is an outcome of population movement into the capital, with high proportions of London's population being international migrants or internal migrants from elsewhere in the UK, with the process of migration often severing informal childcare support networks.

Grandparents and other informal carers are often able to provide childcare outside normal office hours or over the weekend. Where parents do not have informal childcare support networks, their employment opportunities may be restricted, although families with higher incomes may hire a nanny. Analysis of local authority childcare sufficiency data indicates that an

⁶ ONS live labour market statistics, year to September 2013

Formal childcare providers in London

average of six per cent of London families use nannies or a nanny share in London compared with one per cent of parents elsewhere in the UK.

Childcare in London is a mixed economy, with services provided by the public, private and not-for-profit sectors. Local authority and Ofsted data indicate that in London at the end of 2013 there were:

- ▶ 8,585 registered childminders caring for 40,000 children
- ▶ 2,500 nurseries providing full daycare to the under-fives, of which 61 per cent are private sector providers, 31 per cent are voluntary (not-for-profit) providers and 8 per cent are from the public sector.
- ▶ 180 nurseries based in Sure Start children's centres that provide full daycare to the under-fives
- ▶ 700 sessional crèches and pre-schools, providing childcare for part of the day
- ▶ 80 nursery schools run by local authorities, most of which take children aged two or above and usually run for 38 weeks of the year.
- ▶ 1,300 primary schools with nursery classes attached to them, many of which provide part-time provision over 38 weeks of the year.
- ▶ 900 after-school clubs providing childcare at the end of the school day, of which about 40 per cent are run by private providers, 25 per cent by the voluntary sector, 27 per cent by schools and 5 per cent by local authority.
- ▶ 300 breakfast clubs
- ▶ 740 holiday clubs
- ▶ An estimated 30,000 nannies offering childcare in the family home

Ownership patterns

As noted above, most nursery care in the UK is provided by private and the voluntary (not-for-profit) sectors, although the ownership patterns of providers vary from local authority to local authority. Voluntary sector nursery provision includes charitable organisations as well as companies working on a not-for-profit basis such as co-operatives and employee-owned mutuals.

Over half (56 per cent) of the for-profit sector nursery provision in the UK is delivered by private companies, with the remainder offered by sole traders or partnerships who may operate from one or two sites. This pattern of ownership is reflected in London's nursery provision. The size of private companies varies considerably, from those who own a small number of nurseries to the large nursery chains such as Busy Bees and Bright Horizons who between them own over 300 nurseries in the UK. Five years ago there was quite rapid consolidation of nursery ownership into these big chains, but this trend has slowed due to difficult financing conditions and tight profit margins.

Five years ago a higher proportion of nursery care in London was provided by public sector organisations than in many other parts of the UK, with this provision including nurseries in state schools, local authority owned and operated childcare, usually in children's centres, as well as nurseries based in colleges and hospitals. Since the 2012 report, the proportion public sector nursery care in London has fallen, largely because a number of colleges and children's centres have put their provision out to tender in order to cut their costs.

Formal childcare providers in London

Table 3.1: Changes in the number of childcare providers and places between 2010 and 2012

Provider	Change in the number of providers and places
Childminders	Childminder numbers down by 13 per cent and places down by 18 per cent
Nannies	No data available on nanny numbers in London
Nurseries providing full daycare	Significant provider churn. There has been a net gain of new 100 providers but 13,000 new places created many of which are with existing providers
Nurseries in children's centres	At least 22 nurseries closed over last four years
Pre-schools	Continued loss of pre-school provision
Sessional childcare	Continued loss of sessional childcare provision
Local authority nursery schools	Provider numbers and places are constant, although some nursery schools are now taking two year olds who qualify for free early education
Nurseries and reception classes in primary schools	Some 27 Free Schools with nursery and/or reception classes have opened since 2012. However a few nursery classes in primary schools have closed to make space for expanded reception classes
Breakfast clubs	Loss of some local authority and school breakfast clubs.
After-school clubs	Small decrease in provision
Holiday childcare	Decrease in provider numbers in 1 in 5 London local authorities

Childminders

Childminder numbers have fallen by 13 per cent since the 2012 *London Childcare Report* and the numbers of children looked after in this form of care has fallen by 18 per cent. There has been a year-on-year fall in the number of childminders since 2000, but Ofsted statistics indicate that the decrease in registered childminders had accelerated since 2012. There are a number of reasons for this; significantly increasing proportions of parents now favour group childcare for older children over childminders, as nurseries are felt to offer a more stimulating environment and all staff are supervised (Vincent and Ball, 2006). Childminder numbers include a disproportionately large proportion of women in their fifties who are now starting to leave the labour market. Additionally, childminder incomes are low: an average of £11,400 in the 2011 Childcare and Early Years Survey of Parents. This salary level works out to be £5.48 per hour if a childminder works part-time, much less than the National Minimum Wage. A childminder also bears all the economic risks if her places are unfilled. Low wages and high risks have made other jobs more attractive and childminders have moved to work in nurseries and as classroom assistants in schools. The expansion of nursery provision caused by the introduction of free part-time early education for two year olds has undoubtedly pushed

some childminders from running their own businesses towards working in nurseries.

The accelerated loss of childminders is a serious and significant trend in London, a city where many parents have atypical work patterns. Childminders, as with nannies, are usually more flexible in the time of day that they offer care and can often meet a parent's request to provide extra hours of care at the beginning or end of the day. The loss of childminder places since 2012 means that there is less childcare for parents with atypical work patterns. The Family and Childcare Trust is calling on central government, local authorities and the new childminder agencies to take action to keep childminders in the profession. In the short-term local authorities should consider offering grants for equipment, free training and paying for childminder's registration with Ofsted or the new childminder agencies

Nurseries

The number of nurseries offering full daycare has increased in London since 2000, although the greatest increase in provider numbers was between 2000 and 2007. After 2007 until 2012, increases the number of new providers slowed to a halt. This was a consequence of difficulties financing new nursery

Formal childcare providers in London

provision as well as falling demand from families, with rates of female employment falling during the recession (Blackburn, 2012). Since 2012 there has been a small increase in the number of nursery providers in London, mostly driven by the Government's decision to offer free part-time early education to the 40 per cent most deprived two year olds. Ofsted registration data suggests a net gain of 100 new nurseries in London since March 2012. Some 13,000 new nursery places for two year olds have been created since the end of 2012, but most are with existing providers.

A further trend in nursery provision is the high rate of business churn in the for-profit sector. While an estimated 280 new nurseries have been set up and there has been a net gain of 100 nurseries since the 2012 London Childcare Report, Ofsted deregistration data suggests that there have been 180 nursery closures over the same period. Over the last two years about 5 per cent of London's nurseries are opening or closing every year. This is a lower turnover rate than elsewhere in England, but it can represent a disruption for families who will have to find other forms of childcare if their nursery closes. The Family and Childcare Trust still has concerns about the financial sustainability of some private nursery provision in London, an issue highlighted in the 2012 London Childcare Report. Fee arrears, increases in business rates and insufficient funding to deliver free early education are some of the reasons that nurseries cease to break even and may close down. A new threat to their financial sustainability has been the move to introduce a single primary school admissions date in London local authorities. Before 2012, primary schools enrolled children into reception classes in September and January. Since 2012, schools have had a single enrolment date in September, which means that nurseries lose all their older children in August then have many vacancies over the autumn months with an attendant drop in income.

Some of the nursery closures have been those that are run from children's centres. In 2011 69 per cent of this provision was run local authorities, with the remainder run under contract by private and voluntary sector organisations. Until 2010 all Phase One children's centres⁷ were obliged to provide full daycare (defined as at least 40 hours nursery provision per week over 48 weeks of the year) as part of their core offer. There was also an expectation that some Phase Two children's

centres should provide full daycare, if they were in a deprived areas. In November 2010 this obligation was removed and since then, some local authorities have closed nursery provision in children's centres in order to cut costs. In other cases local authorities have put council-run nurseries in children's centres out to tender to private and not-for-profit organisations as part of restructuring and spending cuts.

Nurseries located in children's centres have always had a lower occupancy rate than those located elsewhere, because they tend to be located in deprived areas where there is usually demand for childcare. But the Family and Childcare Trust believes that the extension of free early education to cover the 40 most deprived two year olds would have reversed this position and made children centre nurseries more sustainable. Given that most London local authorities are struggling to find enough places for two year olds, the closure of nurseries located in children's centres seems short-sighted. The Family and Childcare Trust believes that local authorities should make better use of nurseries in children's centres to provide early education for two year olds.

Pre-schools and sessional creches

The 2012 London Childcare Report noted a loss of sessional crèches and pre-school provision in London. This has been a year-on-year trend since 2000. Evidence from individual local authorities shows that loss of pre-schools has continued, albeit at a less rapid pace than previously.

Pre-schools offer part-time early education and may run for part of the day, usually in the morning. Many are run by the not-for-profit sector and the Pre-School Learning Alliance is the biggest provider of pre-school education. Most pre-schools are funded to offer free early education to three and four year olds and increasing numbers are delivering free education to two year olds. But their popularity is declining as working parents increasingly need full-time provision. Some pre-schools also struggle to break even as the money they receive from local authorities to provide free education does not cover their costs (Rutter et al, 2012).

There has also been a loss of sessional crèche provision. This is often located in colleges and universities for their students, or in children's centres and community centres and is usually used by parents who are undertaking training courses or have a short-term need for childcare. Many sessional crèches are

7 Those set up before 2006 and located on the most deprived areas

Formal childcare providers in London

subsidised by college, local authorities or charities because sessional childcare is more costly to provide than full-time nursery provision. In the last four years, pressure on their budgets have a reduction in subsidies for sessional crèches and as a consequence some of them have closed. This has affected parents who are undertaking training courses particularly badly.

State nursery schools, nursery and reception classes in schools

There has been no increase in the number of stand-alone state nursery schools since the 2012 London Childcare Report, although some of these schools are now taking two year old children who qualify for free early education. There has been an expansion of nursery and reception places in primary schools with 27 new Free Schools with nursery and/or reception classes opening since 2012.

At present it is a government priority to increase the placement of two year olds in school nurseries. The Family and Childcare Trust supports this position. Nursery provision in schools is generally of higher quality than that offered by private and voluntary sector providers. If free early education for two year olds is to achieve its aim of improving the outcomes of England's poorest children, it is essential that the provision they receive is of high quality. Poor quality nursery education will not narrow development gaps (Melhuish, 2004; Mathers et al, 2014). However, in London many primary schools lack the space to expand their nurseries to take in two year olds. The Family and Childcare Trust believes that a solution for this is for schools to set up linked nurseries, where they take over suitable space nearby and use this as nursery provision. Such expansions are already taking place in London, although capital funding has been necessary for such developments. The Family and Childcare Trust is calling on the Department for Education to make capital funding available to enable more London schools to develop linked nursery provision.

Informal Childcare in London

One of the factors that prompted the Family and Childcare Trust to undertake work to improve childcare in London, is that there are some significant differences in childcare use in the capital, compared with other parts of the UK. Figure 3.2 shows that London has the lowest level of informal childcare use of any part of Britain, a factor that can limit the type of work that parents can undertake.

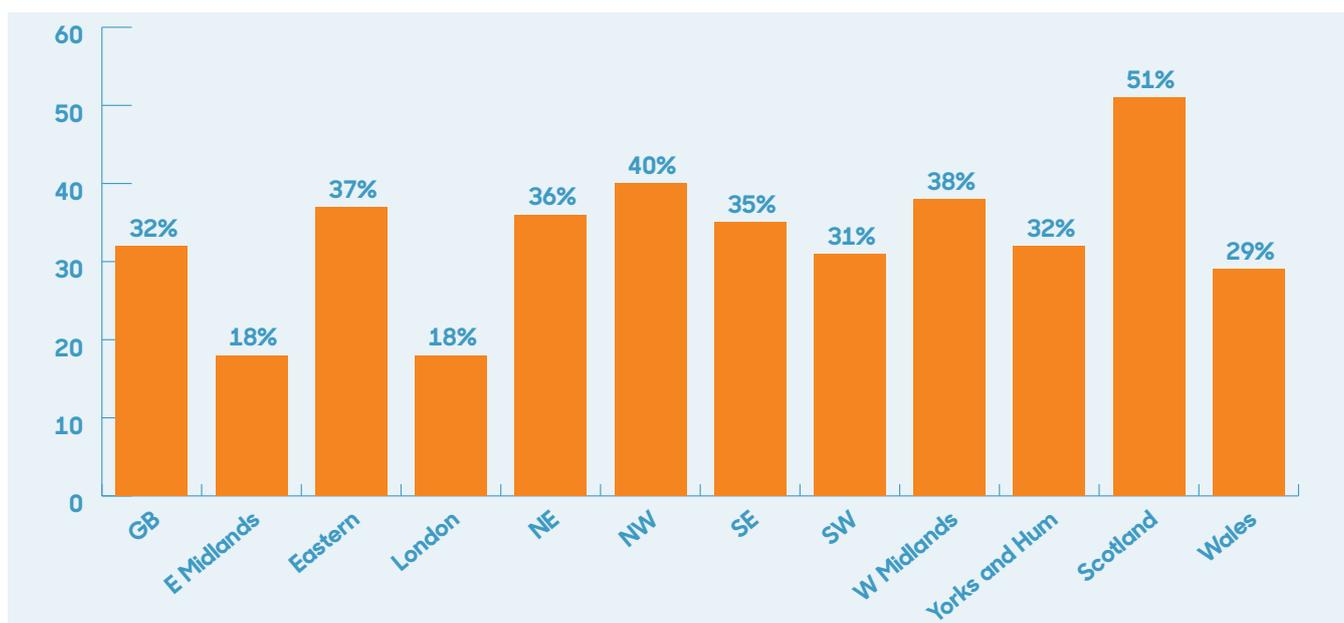
The Family and Childcare Trust defines informal childcare as care that is *'unregulated by the state for quality control, child protection or taxation purposes'*. In the UK most informal childcare is provided by grandparents, although some parents also use other relatives, neighbours, friends and babysitters to look after their children (Rutter and Evans, 2012b). Family and Childcare Trust research found that informal childcare was frequently used by parents who worked outside office hours, to care for children in the evening, overnight or at the weekend, when formal care was not available (ibid).

But London parents are less likely use informal childcare from grandparents or other close relatives. This is because London's population comprises high proportions of internal and international migrants.

Moving, whether from overseas or elsewhere in the UK, often severs these childcare support networks. This raises important policy issues. In the previous section of the report we have looked at the nature of the London labour market which has high proportions of jobs in the retail, transport, hotel and catering and health and social care sector, all of them industrial sectors which involve work outside normal office hours. Family and Childcare Trust research shows that those who work outside normal office hours or have other atypical work patterns often turn to friends and relatives to provide informal childcare (Singler, 2012). Where this is not available parents may be faced with a stark option – to turn down work.

The Family and Childcare Trust believes that it is essential that London local authorities are aware that parents in the capital have less access to informal childcare than elsewhere in Britain. Yet few childcare sufficiency reports acknowledge this issue. The Family and Childcare Trust is calling for the Department for Education to issue guidance on the compilation of annual childcare sufficiency reports and for this guidance to oblige local authorities to consider parents' access to informal childcare in childcare sufficiency reports.

Figure 3.2: Percentage of parents using grandparent childcare use in last six months by GB region and nation



N = 1,413 parents with sole or joint responsibility for childcare decisions
Source: Rutter and Evans, 2012b

Nannies, au pairs and migrant domestic workers

Nannies, au pairs and migrant domestic workers span the boundary between formal and informal childcare. Their work is regulated to some extent through taxation or by immigration rules. Some nannies may be registered with Ofsted, enabling the families that use them to claim help with childcare costs through tax credits. But neither nannies nor au pairs have to follow the Early Years Foundation Stage Guidance, nor do they have to have first aid certificates, background checks or insurance.

Childcare provided by nannies, au pairs and migrant domestic workers is important for many London families, more so than outside the capital. These carers are usually more flexible than nurseries and are often able to provide childcare outside normal office hours. Indeed some nannies and domestic workers are employed specifically to provide childcare at these times. London parents with atypical work patterns but who lack close relatives who can provide childcare may employ a nanny or domestic worker if they can afford it, or use an au pair.

Nannies provide childcare in the family home and are employed by a family or group of families on a live-in or live out basis. They may also provide childcare after school, during school holidays, overnight or at weekends. There is little robust data on the size of the nanny workforce in the UK. Research commissioned by the Children's Workforce Development Council estimated that there were 30,000 nannies working in England in 2009 (SIRC, 2009). Bertram and Pascal (2000) give a higher estimate of 100,000 nannies working across the UK, although their analysis was conducted in 1999 and before the expansion of nursery places. The 2013 Childcare and Early Years Survey of Parents suggests that one per cent of parents used a nanny or au pair to care for children in the reference week of the survey. However, analysis of local authority childcare sufficiency reports suggested that higher proportions of London families use nannies than elsewhere in Britain, reaching 25 per cent in prosperous areas. Overall, about six per cent of London families use a nanny.

For a family with two or more young children, a nanny will cost about the same price or be a little cheaper than paying for full-time childcare in a nursery. The Family and Childcare Trust's annual childcare costs survey shows an average London price of £23,380 per year for a child under two and one over two receiving 40 hours childcare every week in a nursery. A full-time live-out nanny will cost a parent about £28,000 – £30,000 per year in London, including an employer's

National Insurance contribution. (Nannies with highly respected qualifications or relevant experience may cost more than this).

Some London families employ au pairs, nannies and domestic workers from outside the UK. Although au pairs often perform similar work to domestic workers and nannies, the au pair experience is marketed as a cultural exchange for young people who want to improve their English, whereas domestic workers and nannies are seen as people undertaking work. Carers who come from other EU countries (excluding Croatia) are free to work in the UK, but the rules relating to nannies, au pairs and domestic workers from outside the EU are strict. Immigration rules stipulate that au pair visas, part of the Tier 5 Youth mobility scheme, can only be issued to nationals of specific countries, mostly in Europe and for a maximum period of two years. Only diplomats or work visas migrants coming to the UK to work may bring domestic staff with them. Nevertheless, Home Office statistics indicate that 16,528 pre-entry visas were issued to migrant domestic workers in 2013.

Despite their importance to some London families, there has been little research about nannies, au pairs and other domestic workers who undertake childcare. Nor do many local authorities give them consideration in their childcare sufficiency reports. This is a knowledge gap that needs filling.

Unregistered childminders

The Family and Childcare Trust believes that there is evidence to suggest that in some parts of London the high costs of formal childcare is forcing some parents to use unregistered childminders. This practice has the potential to put children at risk. Unregistered childminders may lack the skills to promote children's development or to look after them safely. In 2002 a baby choked to death in North London while in the care of an unregistered childminder who was mentally ill.

Childminders caring for children under the age of eight are required by law to register with Ofsted. Those who care for the under-fives are obliged to follow the Early Years Foundation Stage guidance and are subject to inspection by Ofsted against the criteria outlined in this guidance. There are some exceptions to these rules and in England, a person may look after children without registration with Ofsted for up to two hours per day if it is before six o'clock in the evening. This stipulation is in the process of being extended for three hours per day in a move that aims to help parents who do 'childcare swaps' where each takes turns in looking after their children.

Outside these exceptions, Family and Childcare Trust research suggests that some London parents use unregistered childminders. In interviews undertaken in 2013, a group of parents talked about registered childminders and 'local' childminders, with the term 'local' used to distinguish those who were not registered and who took cash-in-hand payments.

We can always use the local childminders and they are cheaper... My boy went to one, but he couldn't continue there because she'd got 14 or 15 cats in her home and it was really unhygienic like and he kept getting bellyache.

Brown and Dench's (2004) study of informal childcare also highlights the use of this form of childcare, used because it was cheaper than that provided by registered childminders. In recent years there have been about 800 complaints about unregistered childminding to Ofsted every year. It appears to be more prevalent in deprived areas and among parents who needed childcare in emergencies or for short or irregular periods of time, for example, to cover welfare-to-work training or because they have zero hours contracts (ibid). As well as cost considerations this suggests that there is a further and equally important reason for using this form of childcare – its

flexibility in cases where parents have no other flexible childcare options. We believe that if local authorities and central government wish to reduce the incidence of unregistered child minding, they need to develop greater amounts of flexible and affordable for parents. This means more sessional childcare, registered home-based childcare and out-of-hours childminding.

Formal childcare supply in London

The Childcare Act 2006 and its statutory guidance obliges all local authorities in England to provide enough childcare for working parents, those undertaking training or education with the intention of returning to work and for children who qualify for free early education. It also requires that there is enough childcare for disabled children where 'practicable'. In order to meet this duty, local authorities need to know about gaps in childcare provision, so they can intervene in the market. The Childcare Act 2006 and its statutory guidance also require local authorities to assess childcare sufficiency. In England, the legal obligation to assess childcare supply and demand has recently been amended, first in statutory guidance and now in the Children and Families Act 2014. Local authorities are now required to produce an annual report on childcare supply and demand, alongside an action plan to explain how they intend to fill gaps in provision:

*"Report annually to elected council members on how they are meeting their duty to secure sufficient childcare, and make this report available and accessible to parents".
(Department for Education, 2012c)*

The Family and Childcare Trust's 2014 Annual Childcare Costs Survey indicated that in nearly half of London's local authorities (44 per cent) parents had reported a lack of childcare over the last six months. Eleven local authorities did not have enough childcare for working parents, despite the legal obligation to provide it for this group. While childcare provision in London expanded in the early years of the 21st century, our research shows that demand for childcare exceeds supply and in some cases these childcare shortages have worsened since the publication of the 2012 London Childcare Report. These gaps may include:

- ▶ **Geographic gaps in supply** – shortages in particular wards or areas
- ▶ **Specific need gaps** – where there is a shortage of suitable places for children with specific needs, for example, disabled children
- ▶ **Time and flexibility gaps** – where there is a shortage of childcare at a time that parents would wish to use childcare, such as holiday and after-school provision or childcare outside normal office hours
- ▶ **Age gaps** – where there is a shortage of childcare

suitable for children of specific ages, for example 5-11 year olds

- ▶ **Type gaps** – where there is a shortage in particular types of childcare, for example, sessional crèches.

We have used data from the Family and Childcare Trust's Annual Childcare Cost survey and local authority childcare sufficiency reports to map specific gaps in provision in London.

Table 3.3 gives the overall number of full-time childcare places for children under five – excluding state nursery schools and nursery and reception classes in primary schools. It shows that there are fewer under-fives childcare places in London, than the average across the UK. Table 3.3 also shows that the overall number of childcare places varies between local authorities. It shows that there is an association between childcare places and wealth, as many of the local authorities with the lowest number of places are less prosperous areas, for example, Barking and Dagenham, Brent and Newham. This is a national trend, as private childcare providers are less likely to operate in areas where there is less demand – due to lower parental employment – and where it is harder to break even. As discussed later, this impacts on local authorities ability to place disadvantaged two year old children who qualify for free early education. It can also set in place a vicious circle, where parents in deprived areas who want to return to work cannot do so because they are unable to find childcare. In turn, this compounds patterns of poverty.

Formal childcare supply in London

Table 3.3 Full-time childcare places per 100 children under five, 2014

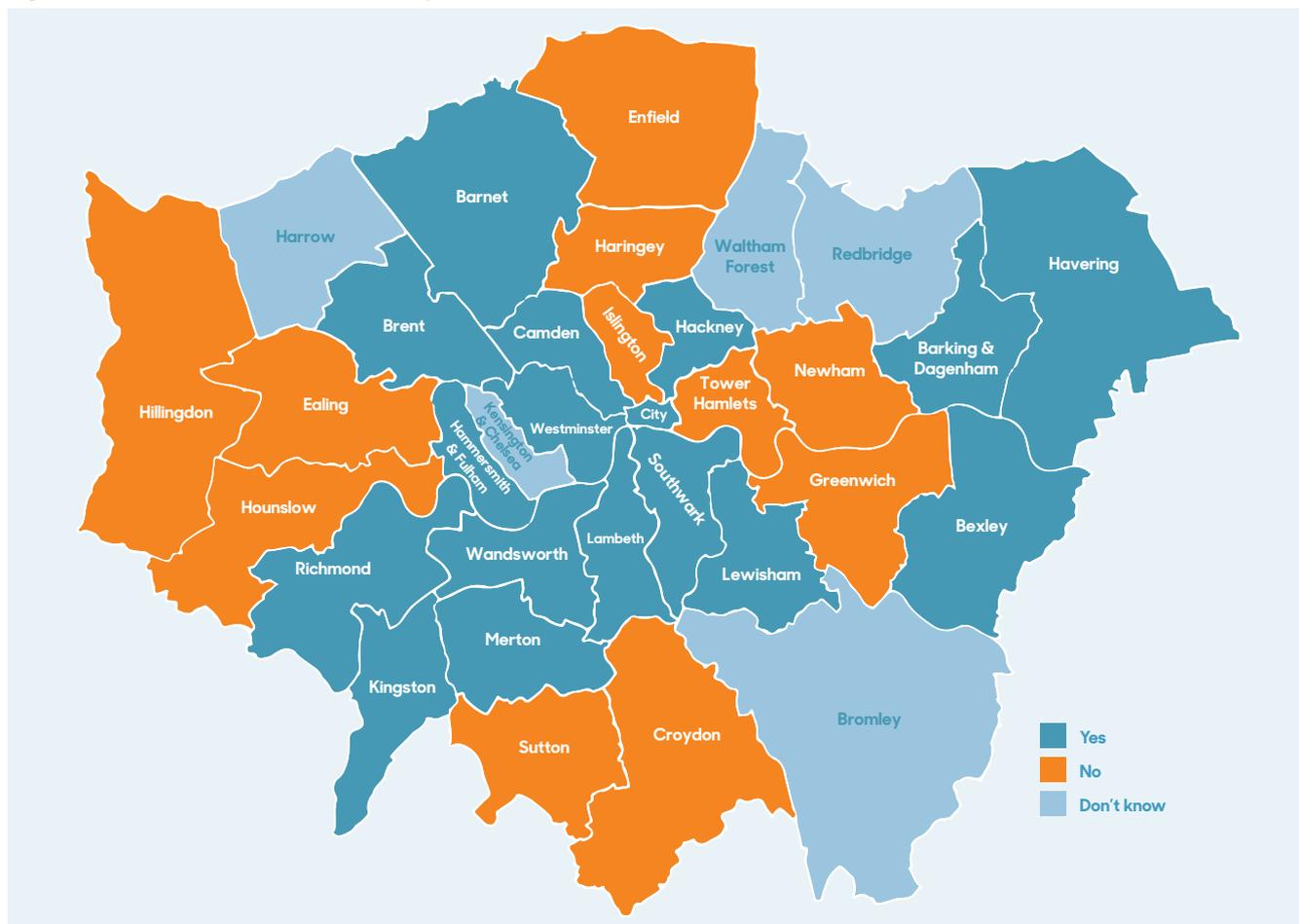
	Total childminder places for children under 5	Childcare places in group provision, excluding nursery classes in primary schools and state nursery schools	Full-time childcare places per 100 children under five, 2014
Barking and Dagenham	788	3,376	21
Barnet	1,817	7,310	33
Bexley	1,950	3,955	38
Brent	1,081	4,767	25
Bromley	2,966	7,979	52
Camden	668	4,609	37
City	9	297	102
Croydon	2,203	8,279	37
Ealing	1,738	6,466	31
Enfield	1,635	5,417	28
Greenwich	1,917	4,866	31
Hackney	802	4,281	25
Hammersmith and Fulham	519	3,998	40
Haringey	1,179	3,688	26
Harrow	981	4,349	31
Havering	1,240	4,346	38
Hillingdon	1,865	5,272	33
Hounslow	1,040	4,525	26
Islington	846	3,778	36
Kensington and Chelsea	222	3,285	39
Kingston	1,432	3,096	39
Lambeth	1,232	5,451	32
Lewisham	2,156	5,632	34
Merton	1,488	4,245	36
Newham	1,170	3,645	18
Redbridge	1,399	5,394	30
Richmond	1,526	6,329	54
Southwark	1,714	5,686	34
Sutton	1,450	3,532	36
Tower Hamlets	579	3,724	20
Waltham Forest	1,176	5,440	30
Wandsworth	1,202	6,709	35
Westminster	437	3,628	30
London	42,504	156,656	32
England	265,366	156,656	39

Formal childcare supply in London

Childcare for children aged 0-2 years

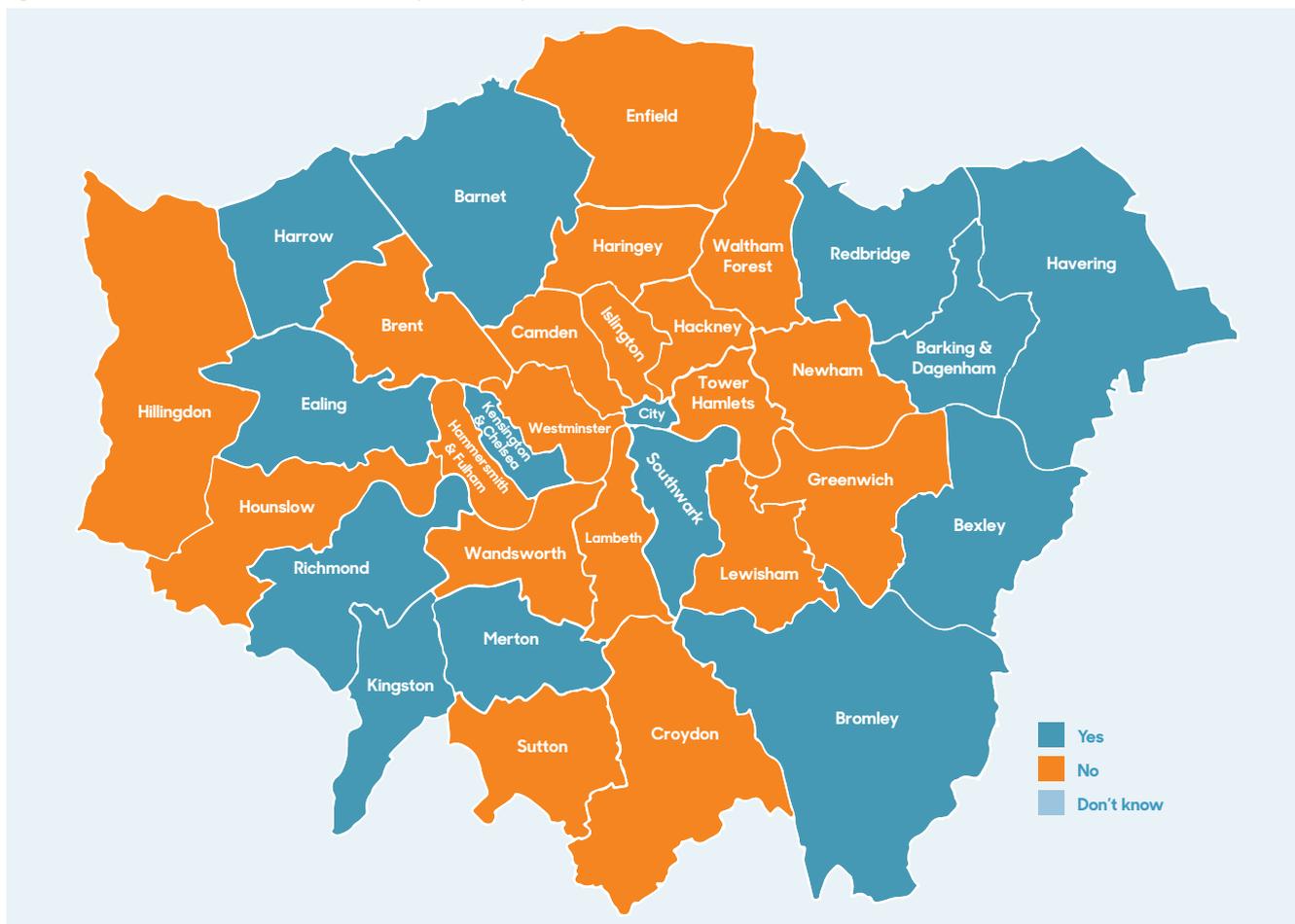
In 2014 there were 11 local authorities that did not have enough childcare for the under twos and a further 5 who had no recent data on the sufficiency of childcare. This is a worse position than in 2012 when just nine local authorities did not have enough childcare for this group and all had conducted recent childcare sufficiency analysis. The requirement on local authorities to find enough childcare for two year olds who qualify for free early education may have affected the supply of childcare for the under twos.

Figure 3.4: Current childcare sufficiency for under twos



Formal childcare supply in London

Figure 3.5: Current childcare sufficiency for two year olds



Childcare for two year olds who qualify for free early education

Throughout Britain some disadvantaged two year olds now qualify for free early education. In England, the Department of Education funds 570 hours of early education annually for this group - amounting to 15 hours per week over 38 weeks of the year. Over the last two years this provision has been extended to take in more children and by September 2014 this will be offered to children in the 40 per cent most income disadvantaged families as well as those looked after by the local authority, those who have left care and children with special educational needs and disabilities. It is estimated that 50,400 London two year olds will qualify for this provision under income criteria by September 2014 (a breakdown of these figures is given in Section Five).

The Department of Education offers £5.09 per hour to local authorities to deliver free early education (this figure is adjusted to using a formula, giving local authorities in London and the South East more money to compensate for their increased running costs). Local authorities then distribute the money to providers. To further local authorities and providers create new nursery places for two year olds, the Government made an additional £22 million capital funding available to London local authorities in 2012, part of a larger settlement of £100 million. A further £8 million capital funding was announced in December 2013, this time only for London. It has also funded a small team of advisers to work with local authorities to help them expand provision.

Free early education for two year olds is an ambitious programme that has the potential to make a real

Formal childcare supply in London

difference to the lives of England's most deprived children, supporting their development and enabling parents to move back into work or undertake training. But from the start, many London local authorities have struggled to find enough places for children who qualify (Rutter et al, 2012). Because of high rates of poverty in parts of the capital, some London local authorities have had to find a large number of places and Figure 3.4 shows that many are still struggling to do so.

Data from the Department for Education's *Provision for Under Fives* survey showed that just 46 per cent of eligible two year olds were placed with providers in January 2014 (see table 5.2). London had the lowest proportion of two year olds who were placed of any region in England. At this time some 20 London local authorities did not have sufficient childcare for two year olds who qualified for free provision.

There are a number of reasons why London local authorities are struggling to place children. Some parents have decided not to take up the offer. But in many areas providers have decided not to take part in the programme. Overall 41 per cent of nurseries and pre-schools in London have opted not to offer places for eligible two year olds – nearly 1,300 providers in total. They have complained that the hourly funding rate is not financially sustainable. Many nurseries operate complex cross-subsidy mechanisms; they rely on working parents of three and four year old children to purchase extra hours on top of their existing 15 hours of free provision. However, fewer parents of two year olds who qualify for free provision will be working, so they will not purchase extra hours (Rutter et al, 2012). This means there is no cross-subsidy to cover costs. A child receiving a 15 hours early education every week can block a full-time place if providers cannot find another child who to take the remaining hours.

Some providers also feel that children who qualify for free provision have too many additional needs and have declined to take them (ibid). In many urban areas, particularly London, there is not sufficient space to expand existing provision. There is also a spatial mismatch between supply and demand. There has always been less nursery provision in deprived areas, as this there is less demand here (see Table 3.3). So local authorities have had to find provision in areas where there is already less provision. This problem has worsened with 22 nurseries based in London children's centres – disproportionately located in poor areas – closing or not being commissioned (House of Commons Education Select Committee, 2013).

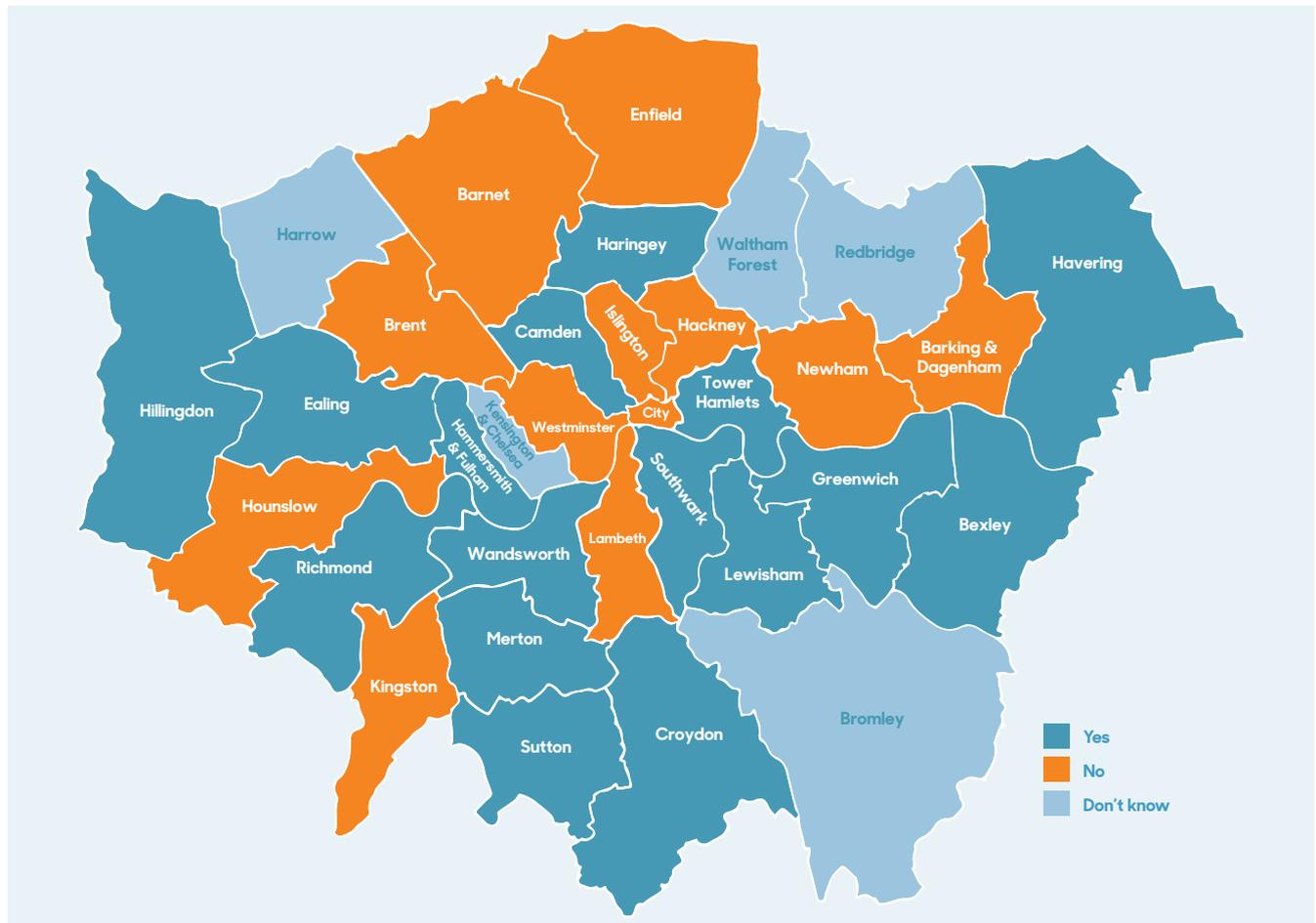
By September 2014 London local authorities will be expected to find an estimated 50,400 places for two year olds (excluding children in need and children with special educational needs and disabilities). The Family and Childcare Trust's survey suggests it is likely that many local authorities will miss this target and some of the capital's poorest children will not benefit from early education. The Government could respond by offering additional revenue and capital funding to providers. This would enable more schools to offer linked nursery provision. An alternative approach would be to extend free early education for two year olds to universal provision. This would cost an additional £400-£450 million a year to deliver in England, although there would be efficiency savings to local authorities in reduced administration costs. Universal provision would result in a market driven expansion of supply: providers could operate the cross-subsidy systems that they use for three and four year olds, where working parents purchase extra hours on top of their free allocation. Such an expansion would also benefit parents, enabling them to return to work and preventing long periods of time spent out of the labour market.

Formal childcare supply in London

Childcare for three and four year olds

In 2014 there were 12 local authorities that did not have enough childcare for three and four year olds. This is a worse position than in 2012 when eight London local authorities did not have sufficient childcare. The requirement on local authorities to find enough childcare for two year olds who qualify for free early education may have affected the supply of childcare for three and four year olds.

Figure 3.6: Childcare sufficiency for children aged 3-4



Formal childcare supply in London

Childcare for 5-11 year olds during term-time

Childcare for school aged children is a major gap in provision in London. Nine London local authorities did not have enough breakfast and after-school provision for 5-11 year olds in 2014 (Figure 3.7). In some respects this is an improvement since 2012 when 15 local authorities did not have enough childcare for 5-11 year olds during term time. However, a further 14 London local authorities did not know if they had enough childcare for 5-11 year olds. Some of them failed to carry out a childcare sufficiency report – despite the legal obligation to do so. Another trend that is emerging is that some local authorities are only assessing childcare sufficiency for the under-fives (see for example, the 2012 childcare sufficient report for the London borough of Lewisham).

There is evidence that some after-school clubs have closed over the last two years.

Breakfast clubs

Many secondary schools have open access breakfast bars where children can spend time over a breakfast snack. It is more common for primary schools to have breakfast clubs which may open between 7.30am and 8.00am. Breakfast clubs meet a number of social needs, providing childcare and also a meal at the start of the day. Most charge a nominal fee – usually £10 – £20 per week, but they are much cheaper than the alternative which is using a childminder to escort children to school. Breakfast clubs are particularly important in London where longer commuting times means that many working parents have an early start to the day. About six per cent of primary school children attend breakfast clubs, but there is evidence

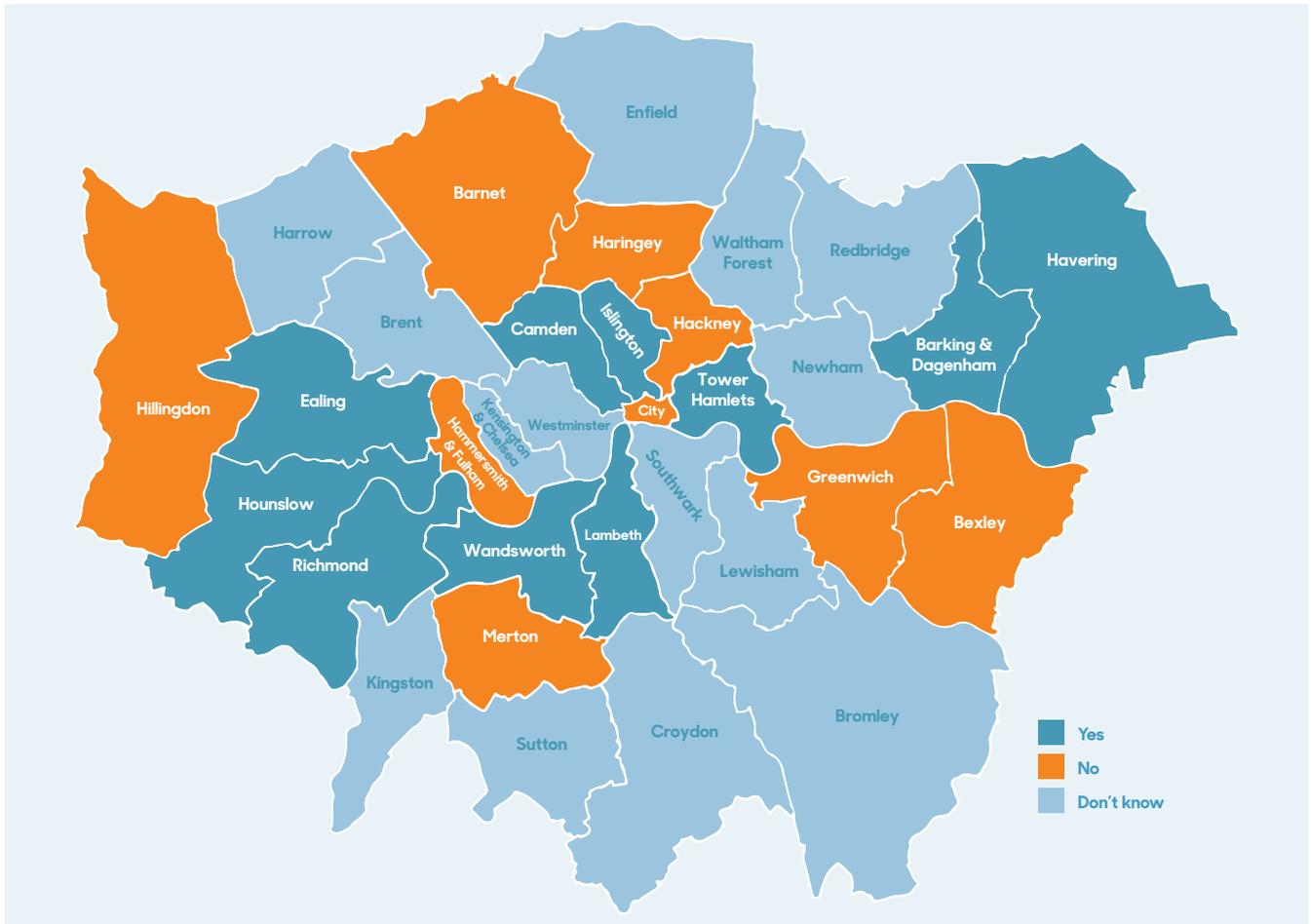
to suggest that in the last two years a number have closed as they have struggled to cover their costs. Where this has happened children whose parents need to leave early for work may be left to make their own journey to school or are dropped in the playground, sometimes without breakfast.

In the last year there has been much greater attention paid to after-school childcare, with the Government has changed regulations to make it easier for schools to bring in external childcare providers to run after-school clubs without having to go through a cumbersome registration process. The Labour Party has a manifesto commitment to give parents with children in primary schools a guaranteed place in an after-school club. But breakfast clubs have been overlooked by policy makers and also by local authorities. Many childcare sufficiency reports do not mention them in their analysis, which is a particularly significant omission in London. The Family and Childcare Trust is calling for the Department for Education to issue guidance on carrying out childcare sufficiency reports to ensure that breakfast clubs are not forgotten.

"The after-school club enables me to work. Working part-time and finishing at 3.30pm would not be an option and a part-time salary would not cover the cost of my rent and outgoings. If the club wasn't there I would have to go on benefits, it's as simple as that."

Formal childcare supply in London

Figure 3.7: Childcare sufficiency for children 5-11 year olds



Formal childcare supply in London

36 per cent⁸. In many parts of London there has been a reduction in the activities that function as de facto childcare for older children. For some, this means that they are left unsupervised for protracted periods of time. The Family and Childcare Trust believes that youth service budgets that pay for open access play schemes, holiday sports and cultural activities that act as a de facto childcare and supervision for older children should now be protected.

We simply do not know how many London children are unsupervised while their parents work, but research from the United States suggested that every day 77 per

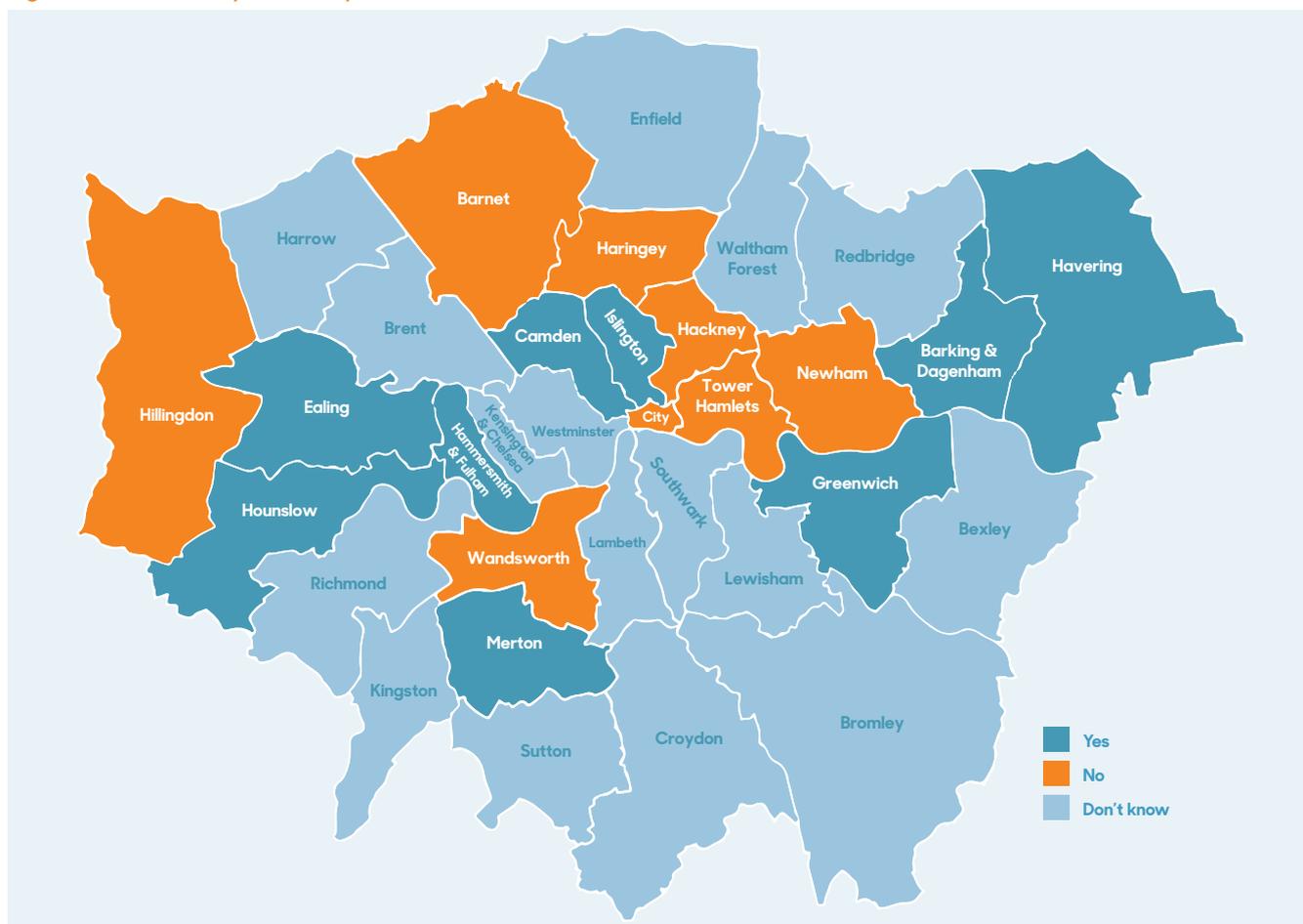
cent of all teenagers return home to an empty house, where 'latch key kids' are at greater risk of depression, loneliness, alcohol and drug abuse, early sexual activity and smoking (Belle, 1999). The same research suggests that children in single parents households are most likely to be left unsupervised for protracted periods of time.

It is essential that all local authorities account for older children in their childcare sufficiency analysis and fill gaps where they exist. Over the last six years the Mayor of London has championed issues affecting young people. The Family and Childcare Trust would like to see the Mayor take on the issue of activities for older children and use his influence with local authorities to ensure there is a sufficient range of provision that functions as de facto childcare in all parts of London.

8 <http://www.bbc.co.uk/news/uk-26714184>

Holiday Childcare

Figure 3.9: Sufficiency of holiday childcare, 2014



Formal childcare supply in London

Holiday Childcare

School holidays, particularly the long summer holidays, present challenges to working parents. Schools and some nurseries are closed and working parents have to find childcare during the day. Parents resort to many different strategies to find childcare in the holidays. A lucky few have employers who support flexible working, for example, term-time only contracts. Many parents also resort to 'shift parenting' where they split their own annual leave and take it in turns to look after their children. Informal childcare from relatives and friends is also important (Rutter and Evans, 2012b). But not all parents can rely on these approaches and over the school holidays about one in five parents of children under 15 use formal childcare provided by holiday clubs or play schemes (Department for Education, 2013a). In 2014, six London local authorities did not have enough holiday childcare, with another 16 local authorities not knowing of they had enough provision (Figure 3.9). Shortages of holiday childcare were most acute for older children and those with disabilities.

The Family and Childcare Trust believes that better use could be made of school premises to provide holiday childcare and fill gaps in provision. There are many advantages in this approach as during the holidays schools have premises and equipment that can be used by holiday childcare providers, whether they are schools, local authorities or private and voluntary sector providers who are operating from school premises. Potentially, too, the use of school premises to provide holiday childcare has the potential to bring down costs to parents as the operator may not need to pay rent or purchase equipment.

Shortages in holiday childcare also need to be seen in the context of cuts to youth, arts and sports provision, discussed above and also policy changes to the arrangement of the school year. In England local authorities will lose the power to set term dates in 2015, affording all schools the powers that academies, free schools, voluntary aided and foundation schools already have over holiday dates, although the school year will still have to have a minimum 190 days of term time. Already, some schools have announced that they intend to cut the summer holidays back to four weeks in order to help parents who struggle with childcare. However, some educational leaders are suggesting that this move may increase parents' childcare difficulties by introducing big variations in holiday dates within same area. (It is for this reason that the Welsh Government has just passed legislation harmonising holiday dates across Wales). The Family and Childcare Trust would like to see the harmonised holiday dates across Greater London and calls on the Mayor of London to provide the leadership to ensure this happens.

Childcare for parents with atypical work patterns

means that goodwill alone is not enough. Effective solutions depend on a wide range of factors, including training and qualifications, local information and access services, the network of specialist support to help providers and families, and the financial means to provide equal access. In some cases this means extra funding to providers, but not always. But the Family and Childcare Trust believes that children and their families benefit from this investment. Families of disabled children are disproportionately more likely to live in poverty than the overall population of families (Contact a Family, 2014). Ensuring that parents of disabled children can work helps these families become self-sufficient tax payers. It also benefits children, enabling them to socialise with friends.

Childcare for parents with atypical work patterns

exceed £30,000 a year in London. Families with lower incomes are usually unable to afford the latter option and consequently have to rely on shift parenting, informal childcare, or where available, other forms of formal provision. Such flexible formal provision includes:

- ▶ Nurseries, breakfast clubs and holiday childcare that are open by 7.30am and stay open until 7pm where there is demand.
- ▶ Workplace nurseries in places that employ a large number of staff who work outside normal office hours, for example, hospitals and airports.
- ▶ Sessional crèche provision for parents with irregular work patterns.
- ▶ Childminders, as they are often more flexible than nurseries and can often work outside normal office hours if needed.
- ▶ Home-based childcare provided by registered carers.

In some parts of the UK, private childcare providers and some public sector organisations run registered 'at home' childcare services. Here, registered childminders or other groups of people who regularly work with young children provide childcare in the child's own home. The difference between them and nannies is that the carers are registered with Ofsted, so low income parents are able to apply for the childcare element of Working Tax Credit to pay for them. The organisation that runs the service – a private company, hospital or local authority – brokers the relationship between parent and the carer. Such services do have start-up costs, albeit small ones, as well as on-going administrative costs. In London, Brent Council has recently set up such a scheme. The Family and Childcare Trust would like to see this example extended more broadly across London.

In London, where so much work is of an irregular nature or involves working outside normal office hours, access to flexible formal childcare can often make the difference between employment and poverty:

If they offer me a job and it says like 'work on a Saturday' or 'work to six', I can't do it because the nursery only operates in the week and only to six in the evening and I need time to travel...I went for an interview yesterday and there were loads of people, but I got down to the last eight. But then when they found I couldn't work till six o'clock, I just lost the job there and then

The 2012 London Childcare Report put childcare for parents with atypical work patterns as a priority issue in London. We made recommendations to the Mayor of London, to local authorities and employers. These were reiterated in 2013 when the Family and Childcare Trust gave evidence to the London Assembly. Although we think our concerns on this aspect of childcare have been heard by the Minister for Childcare, these messages have not reached either employers or local authorities. That only four London local authorities had enough childcare appropriate for parents with atypical work patterns is evidence of a lack of action by local authorities in this area. Because of this inaction and the structure of the London labour market we are again making this type of childcare a priority area for action. The Family and Childcare Trust would like to see childcare sufficiency reports acknowledge that London parents have less access to informal childcare than families who live elsewhere in the UK. Local authorities should prioritise improving childcare for parents with atypical work patterns. Measures that they can take include setting up registered at home childcare services, having enough sessional crèche provision and taking action to keep childminders in the profession.

Employers, too, have an important role to play and the Family and Childcare Trust believes that where they require their staff to work outside normal office hours, there should be a legal obligation on them to ensure that their staff have access to suitable childcare. Some employers already do this, for example, Stansted Airport has a workplace nursery that is open late into the evening. But far too few employers have followed these positive examples and this is why we believe that there should be such a legal obligation for employers. To support them and also local authorities, central government should set aside a small grant to develop childcare provision for parents with atypical work patterns, which may cover the costs of setting up a workplace nursery or an at-home childcare service.

Filling the gaps

The above analysis shows that there are large gaps in childcare provision in some parts of London and for all types of childcare. In terms of the numbers of families affected, these gaps appear most serious for families with school-aged children and where parents have atypical work patterns. While the Childcare Act 2006 obliges local authorities to ensure sufficient childcare for working parents, those undertaking job-related training and to provide enough free early education places, the above analysis shows that this is not happening. Moreover, since the 2012 London Childcare Report, no progress has been made to increase the provision of childcare for parents with atypical work patterns and childcare shortages have worsened for some groups of children.

There are a number of reasons why gaps in provision are not being filled. First, not all London local authorities are undertaking childcare sufficiency reports, despite a legal obligation to do so. Second, local authority interventions in childcare markets require that they understand what sufficiency means and that they are able to pinpoint gaps in provision. But there is no agreed definition of sufficiency in law or statutory guidance (Office for Public Management, 2008). This means that there is no consistent reference point that local authorities can use to decide whether they have enough childcare or not. Third, as discussed above, not all childcare sufficiency reports examine the supply and demand for all types of childcare. In London an increasing number of local authorities are only undertaking childcare sufficiency analysis for under-fives provision and ignoring the needs of school-age children. Nanny and sessional crèche provision is another area that is overlooked in many childcare sufficiency reports. If potential providers have no access to information about gaps in provision, they cannot step in and fill them. This is a particular issue for childcare outside normal office hours. Very few childcare sufficiency reports include any information about potential local markets for 'at home' childcare services, sessional provision or extended hours in nurseries and clubs.

A further shortcoming of childcare sufficiency reports is that not all of them have effective action plans attached to them. Previous guidance on the conduct of childcare sufficiency analysis was withdrawn in 2012 and replaced by a shorter and much less specific set of obligations (Department for Education, 2012c). This new statutory guidance requires that an annual childcare sufficiency report includes "details about how any gaps in childcare provision will be addressed"

(*ibid*). But central government has given no indication of the actions that local government should consider in order to fill gaps in provision. This lack of leadership has meant that many childcare sufficiency reports include no effective plans outlining the measures that could be taken to fill gaps.

But there are other, more deep-rooted reasons that gaps in childcare provision are not filled. Successive governments have relied on the regulated free market to fill gaps in provision. The Childcare Act 2006 only allows a local authority to be a provider of last resort where no other organisation fills that gap. Yet there may be many situations where private and voluntary sector providers do not step in to fill gaps. The childcare market is bound by rules to determine its quality. These requirements, rightly, set a fixed minimum cost for providers. But most for-profit childcare providers operate on low profit margins that are highly sensitive to small changes in income or outgoings (Department for Education, 2012b). Not-for-profit providers experience similar sensitivity as they need to break even. In some cases, it does not make sense from a business perspective to expand into a new area.

A local community might almost reach market saturation for childcare, or there might be services that meet mainstream needs, but private sector providers may not see extended hours, sessional provision or 'at home' services as being insufficiently profitable to justify offering these services. These market failures are why local authorities need to intervene.

Difficulties securing capital funding and credit may also put off new investors and prevent existing providers from increasing their places. There was previously some capital funding for expanding childcare places through the Neighbourhood Nurseries Initiative which targeted deprived areas and ran from 2000 to 2007, after which it was absorbed in Sure Start funding. Big Lottery and government funding was also made available to create new out-of-school and holiday childcare places between 1998 and 2005. More recently, in 2013 the government made £31 million capital funding available for London early years providers to expand places for two year olds who qualify for free early education. Notionally, school capital funding streams are also available to expand early years' places within the maintained sector. But at present there is no earmarked capital funding or start-up grants available for out-of-school and holiday childcare. Outside the two year old offer it is also difficult for childminders, private and not-for-profit providers to access capital funding or start-up grants.

Filling the gaps

Given this, the Family and Childcare Trust recommends that the Department for Education should make some capital funding available to enable providers to expand provision.

But perhaps the most important reason there has been little progress in addressing gaps in provision is that it is not a priority for local authorities. There is little political will to fulfil the legal obligations of the Childcare Act 2006. There are no sanctions for local authorities if childcare is in short supply. This is an unsatisfactory situation and the Family and Childcare Trust is calling on the Department for Education to enforce the sufficiency duty outlined in the Childcare Act 2006 and support local authorities to fill gaps in provision. This may require capital and revenue funding from government. But the impact of parents leaving the labour market because childcare is not available represents a loss in tax revenue and skills, often set alongside increased benefit payments. Thompson and Ben-Galim (2014) calculate that even a one per cent increase in maternal employment would result in a net gain to the exchequer of £200 million per year. This is a powerful argument for investing in childcare provision.

4. Childcare Costs

"My partner had to give up his full-time job to care for our two children. The childcare costs averaged what he was bringing home each year. He now works evenings throughout the week, bringing home barely £80. We have lost near £20,000 from our income and it has affected our family life and the children rarely get to see us together."



Childcare costs

The cost of nurseries and childminders in London are significantly higher than the Britain average. London is the most expensive region or nation for all categories of early years' childcare, followed by the South East. The Family and Childcare Trust's 2014 Annual Childcare Costs Survey indicated that a part-time (25 hours) nursery place for a child under two now costs an average of £140.12 per week in London, nearly 28 per

cent more than the average price across Britain (Table 4.1). Over the course of the year a London parent purchasing 25 hours of nursery care every week for a child under two would expect to pay £7,286. This is £1,572 more than the average parent in Britain, although for some families these extra costs can be offset by higher wages in the capital.

Table 4.1: Comparative weekly childcare costs for the under- fives, London, South East and Britain, 2014

	Nursery 25 hours (under 2) 2014	Nursery 25 hours (2 and over) 2014	Childminder 25 hours (under 2) 2014	Childminder 25 hours (2 and over) 2014
Inner London	£159.52	£144.24	£145.80	£143.93
Outer London	£133.09	£124.43	£137.74	£133.28
Average Greater London	£140.12	£136.93	£136.40	£138.77
South East	£130.08	£121.58	£110.32	£115.86
Britain average	£109.89	£105.52	£99.77	£100.52

Source: Family and Childcare Trust Annual Childcare Costs Survey 2014.

The most expensive nursery in London charges £494 per week. Over the course of the year, even part-time childcare (25 hours) in this nursery would cost £25,700. As this suggests, there is a considerable variation in childcare costs within London, an issue discussed in greater detail below.

On top of fees, London parents may have to pay a registration charge, deposits and upfront fees in advance (Bartholomeou, 2009). The Department for Education's Childcare and Early Years Providers Survey showed that one third (33 per cent) of nursery providers charged a registration fee, averaging £35 per child. On top of this is the requirement by most childcare providers to pay one month's fee in advance. London parents could typically be asked to pay between £650 and £1,000 before they receive their first pay packets. This may present an insurmountable barrier to some parents wishing to return to work. There are Job Centre Plus grants to help parents with their upfront childcare costs, but these are only available at the discretion of local advisers and for unemployed

parents, rather than those going back to their old job after parental leave.

Childminder costs are generally a little lower than nursery costs, as childminders have lower overheads. But as with nursery care, childminders are more expensive in London than elsewhere in Britain, with London parents paying 36 per cent more than the national average (Table 4.1). Over the course of one year, a London family using part-time care from a childminder would expect to pay £1,905 more per year than the average parent in Britain.

In recent years nursery costs have increased at a higher rate in London than elsewhere in Britain. Since the publication of the 2012 London Childcare Report, a part-time nursery place for an under-two has increased by 10.5 per cent in London, compared with a 7.7 per cent average in Britain. In 2014 London parents are paying £693 more per year for this form of childcare than they were in 2012, at a time when wage growth has been stagnant.

Childcare costs for the over fives

Table 4.2: Changes in childcare costs for the under-fives, 2012-2014

Region/Nation	Nursery 25 hours (under 2)	Nursery 25 hours (2 and over)	Childminder 25 hours (under 2)	Childminder (2 and over)
London price increase 2012-14	10.5%	22%	5.2%	7.6%
Britain price increase since 2012-14: average across regions and nations 2012-14	7.7%	8.2%	7.6%	9.4%

Source: Family and Childcare Trust Annual Childcare Costs Surveys 2012 and 2014

About a third of London parents use after-school clubs to care for their children during term-time. Overall, about 40 per cent of group-based out-of-school childcare is run by private sector organisations in London and another 25 per cent by the voluntary (not-for-profit) sector. The remainder is mostly run by schools and local authorities. But patterns of ownership are different across London with some local authorities having large amounts of maintained sector (school and local authority provision) and others very little or none at all.

In 2014 an after-school club now costs an average of £49.04 per week in London. This is two per cent more expensive than the average across Britain (Table 4.3).

Not all out-of-school childcare is provided in group settings. Instead some families use childminders, either after-school or during holiday periods to pick up their children from school. This is often a favoured arrangement if parents work after six o'clock; childminders can be more flexible than after-school clubs and can often provide extra hours of care. However, this type of childcare arrangement is more

expensive than an after-school club and the average costs for a week's after-school childcare is now £93.83 in London, 31 per cent more than the average costs in Britain (Table 4.3). The costs of this form of childcare are highest in inner London.

During the school holidays about one in five parents use group-based childcare provided by clubs or play schemes. In 2014 the average cost for of one week's full-time (50 hours) holiday childcare provision was £111.78 in London, compared with £114.51 in Britain.

One reason that group-based out-of-school childcare is not more expensive in London – despite higher wage costs – is that local authorities and schools sometimes subsidise their out-of-school childcare, whether it is run by them or by voluntary sector organisations. This subsidy can take the form of a grant from the local authority to the club, or an indirect subsidy through free use of school premises and equipment. Some local authorities also provide funding to after-school and holiday clubs to enable them to offer free places to vulnerable children.

Table 4.3: Comparative weekly childcare costs for the over fives, London, South East and Britain, 2014

	After-school club 15 hours 2014	Childminder after-school pick-up 2014	Holiday childcare weekly cost 2014
Inner London	£34.90	£116.06	£92.17
Outer London	£56.43	£97.24	£133.74
London	£49.04	£93.83	£112.11
South East	£47.07	£65.15	£140.88
Britain average	£48.19	£65.08	£114.51

Source: Family and Childcare Trust Annual Childcare Survey 2014 and Holiday Childcare Survey 2014

Childcare for the over-fives has increased in price since the publication of the 2012 London Childcare Report (Table 4.4). An after-school club is 3.3 per cent more expensive in 2014 than it was in 2012, when the average price of a London after-school club was

£47.48 per week. Holiday childcare has also increased in price and costs 20.4 per cent more in 2014 than it did in 2012, when the price of a week's childcare was £90.95

Why is childcare expensive?

While childcare is expensive for parents, it is inaccurate to argue that these high costs are merely the result of childcare providers charging high fees to hard-pressed parents. The reality is more complex. Much of the high costs of childcare are due to wages, with recent Government research suggesting that 77 per cent of group based (nursery and club) childcare costs were staff costs (Department for Education, 2012b). Regulations stipulate staffing ratios for children under eight. For example, in nurseries there must be one member of staff for every three children aged under two. In nurseries, too, the manager must have a relevant level three qualification – equivalent of an A-Level. While salaries for nursery workers are not high, the need to maintain safe supervision levels and high quality childcare does, inevitably, mean that childcare cannot – and should not – be provided cheaply.

There is also a link between childcare supply and its cost. Childcare in Britain operates on a regulated free-market principle. Increased demand is meant to increase supply and help keep prices competitive and therefore affordable. If prices increase, the implication is that supply is lower than demand and that new entrants are not setting up to meet this unmet demand. This is a symptom of market failure in our childcare system.

But there are other reasons that childcare is expensive. As previously noted, over half (54 per cent) of nursery provision in London is delivered by the private sector and a further 27 per cent by the voluntary and independent sectors. Most private and not-for-profit providers are required to pay business rates and many pay rent for their premises. Bank loans for expansion need to be serviced. Government research suggested that seven per cent of the childcare costs of group settings could be accounted for by rent or mortgage payments (Department for Education, 2012b). Private sector childcare providers also aim to make a profit, and the voluntary (not-for-profit) sector aims to accumulate cash reserves to cover expansion or unforeseen circumstances. Public sector childcare usually does not have the additional costs of rent, rates and servicing debts as well as profits. Generally, public sector provision is cheaper than that provided by the private and voluntary sectors, even though public sector provision may have higher staffing costs.

In London 25 hours nursery care for a child under two is at £147.58 every week some 24 per cent more expensive in the private and voluntary sector than in the public sector where the same provision costs an average of £119.40 per week. At £124.34 per week,

holiday childcare that is delivered by private and voluntary sector organisations costs 44 per cent more every week than public sector provision at £86.20 per week in London.

The reliance on the private and voluntary sector to deliver childcare raises some important questions for policy makers. While it might be desirable that more childcare is offered by public sector provision, increasing the amount of subsidised public sector childcare risks undercutting local private and voluntary sector provision and worsening shortages. More fundamentally there has been no mature debate about how much profit is reasonable where private sector providers are delivering a public service. This contrasts with countries outside the UK where these discussions do take place (Ellingsaeter, 2014). In Norway, for example, where about 45 per cent of childcare providers are private sector organisations there is a cap on profits that is fixed in an annual debate in parliament.

Subsidies and the cost of childcare

Much childcare attracts public subsidies. This can take the form of direct government funding to offer free early education, or direct funding from a local authority to offer out-of-school childcare to specific groups of disadvantaged children. Some schools subsidise the costs of running breakfast or after-school clubs. Early education and childcare provision such as after-school clubs may also receive indirect subsidies through the free use of premises and equipment. Many schools subsidise their breakfast and after-school childcare, although as already noted, levels of subsidy vary from area to area – causing variations in price (Figure Two). This means that some parents have more costly provision than others.

Central government gives money to providers to deliver free early education to two, three and four year olds. This money is distributed via local authorities and the rates that they receive are partly determined by Schools Forum. Many nursery providers in London argue that the money made available to them to deliver free early education for two, three and four year olds does not cover their costs. Certainly, there is a variation between local authorities in the funding received by providers to deliver free provision, which in London varied between £3.68 and £6.27 per hour (Figure 4.4). This price variation – £2.59 per hour – will result in an annual £1,476 difference in the amount of money they get to deliver 570 hours of free provision.

Why is childcare expensive?

Where the money nurseries receive from local authorities does not cover costs, nurseries often rely on working parents of three and four year old children to purchase extra hours on top of their existing free provision, and at a higher price, in order to cover costs. This can make childcare expensive and accounts for price variations for nursery provision.

While these variations in funding rates make a

difference to providers, and to parents, the Government has taken some action to smooth out these variations. It has introduced the Early Years Single Funding Formula which has helped set a more equal, and equitable rate of funding for providers. While large differences in free early education funding rates still exist, the variations are less than before the Early Years Single Funding Formula.

Figure 4.4 Planned spend on 3 and 4 year olds - average rate per hour, 2013-2014



Early years providers in some areas also operate other cross-subsidy systems, with the parents of three and four years olds cross-subsidising childcare for babies, where higher staffing requirements can make childcare too expensive for local markets to sustain.

Price variations within London

The Family and Childcare Trust's annual childcare surveys have long shown that London is the most expensive region for under-fives childcare, followed by the South East of England where in 2014 some 25 hours of nursery care for a child under two was 11 per cent more expensive than the average in Britain. There is also a difference in prices between inner London and outer London; in 2014 nursery care for an under-two in the inner London boroughs was 20 per cent more expensive than in outer London (Table 4.1).

Broadly, childcare gets cheaper the greater the distance from inner London. This broad trend can be explained through differences in the cost of labour. In 2013, average hourly earnings for full-time workers were 23 per cent more expensive in London than the UK average⁹ and these inter-regional differences in pay will push up nursery prices. Although rent and business rates account for a smaller proportion of the costs of running a nursery, these, too, are higher in London and the South East and again push up the price of childcare.

The higher than average costs of childcare for the under-fives can be offset, to a certain extent, by higher parental earnings. But a more detailed examination indicates that even within the inner London-outer London-South East gradient of prices there are large price differences both between and within similar local authorities in the costs of childcare. These differences in process apply to after-school and holiday childcare. There are also large variations in the price of childcare for the under-fives. In Greater London in 2014 the average cost for 25 hours care for a child under two is 134 per cent per cent more costly in the most expensive local authority (at £228 per week) than it is in the cheapest (at £97.25 per week). Every year for this amount of childcare, a parent in the most expensive local authority would pay £6,799 more for childcare than in the cheapest local authority.

Table 4.5 shows the extent of price differences between London local authorities for 25 hours nursery provision for a child under two. The table gives the price difference for the average nursery in that local authority compared with the average in its cheapest neighbour. For example, average nursery prices in Barnet are £40 more expensive for 25 hours childcare per week than its cheapest neighbour. Those local authorities such as Barking and Dagenham which have

negative values have cheaper average prices than the cluster of local authorities that surround Barking and Dagenham. It can be seen from Table 4.5 that in some parts of London there are considerable price differences between neighbouring local authorities.

9 Annual Survey of Hours and Earnings, 2013

Price variations within London

Table 4.5 Price difference between local authority and its cheapest neighbour for 25 hours nursery care per week for an under two

Local authority	Price difference between local authority and its cheapest neighbour for 25 hours nursery care per week for an under two	Price difference over one year between local authority and its cheapest neighbour for 25 hours nursery care per week for an under two
Barking and Dagenham	-£10.62	£552
Barnet	£40	£2,080
Bexley	£7.75	£403
Brent	£136.54	£7,100
Bromley	£76.30	£3,962
Camden	£114.98	£5,979
City	£53.60	£2,787
Croydon	£31	£1,612
Ealing	£49.55	£2,577
Enfield	£28.50	£1,482
Greenwich	£9.25	£481
Hackney	£5.67	£294
Hammersmith and Fulham	£75.27	£3,914
Haringey	£3.80	£197.60
Harrow	£36.30	£1,888
Havering	£13.37	£695
Hillingdon	-£1.30	-£67.60
Hounslow	£44.30	£2,303
Islington	£69.79	£3,629
Kensington and Chelsea	£16	£832
Kingston	£18	£936
Lambeth	-£16.60	-£863
Lewisham	£5.50	£286
Merton	£16.60	£863
Newham	£9.42	£490
Redbridge	£13.37	£695
Richmond	£85	£4,420
Southwark	£53.60	£2,787
Sutton	-£9	-£468
Tower Hamlets	-£5.67	-£295
Waltham Forest	£28.50	£1,482
Wandsworth	£40.60	£2,111
Westminster	£167.14	£8,691

Price variations within London

There are slightly smaller price variations for childminders between London local authorities. The price variations in after-school provision are small in London. But there are large variations in the cost of holiday childcare between different local authorities in London. In 2014, the costs of holiday childcare varied between an average of £60 per week in the cheapest local authority and £280 per week in the most expensive. This is because some local authorities have a large amount of subsidised holiday childcare, while others do not.

There are also significant variations in prices within local authorities. In one typical outer London local authority childminder costs varied between £3 and £7 per hour. In the same local authority the nursery costs for 25 hours childcare for a child under two ranged between £75 and £225 per week. Over the course of one year a family buying 25 hours childcare per week could expect to pay £5,200 more in the most expensive childminder provision and £7,800 more if using the most expensive nursery provision compared with the cheapest alternatives.

In a typical inner London local authority the nursery costs for 25 hours childcare for a child under two ranged between £83 and £153 per week. Over the course of year a family buying 25 hours childcare per week could expect to pay £3,606 if using the most expensive nursery provision compared with the cheapest alternatives.

The difference in the cost of after-school care within London local authorities is small. But there are large differences within local authorities in the price of holiday childcare. In London there is an average difference between the cheapest and most expensive local authority of £145.78 per week for holiday childcare. The local authority with the largest variation in prices was one where the cheapest holiday provision (for paying parents) cost £20 per week and the most expensive provision cost £290.

These differences in childcare costs between and within London local authorities are caused by factors that have been outlined in the previous section. These include differences in price between private and voluntary sector provision and that offered by the public sector which may receive greater subsidies and does not have to account for rent, rates, mortgages, bank loans and profits. There is more subsidised public sector provision in some local authorities than in others. This, too, accounts for some variations in prices. Complex cross-subsidy mechanisms may vary from

nursery to nursery and also account for differences in prices. As Figure 4.4 shows, variations in levels of funding to deliver free early education can also lead to price variations.

There is also a link between childcare supply and price variations, with providers able to charge higher prices where particular forms of childcare are in short supply.

These variations in costs are important and matter to families because they mean that parents have large differences in their childcare costs that cannot be offset by differences in wages. Some families are much better off than others due to these differences in prices. This is indicative of a postcode lottery and a system that is not working for parents.

The differences in costs also matters to the Government who subsidise the childcare costs of low income families through Working Tax Credit. This means the Government is subsidising extra childcare costs that are emerging from differences in provider business models, local childcare policy, and market failure. This is money that could be saved and invested in childcare or other services. It also shows the childcare system is not working and is an argument for childcare reform and a move to supply-side funding: a greater channelling of state subsidies directly to providers.

The impact of high childcare costs on London families

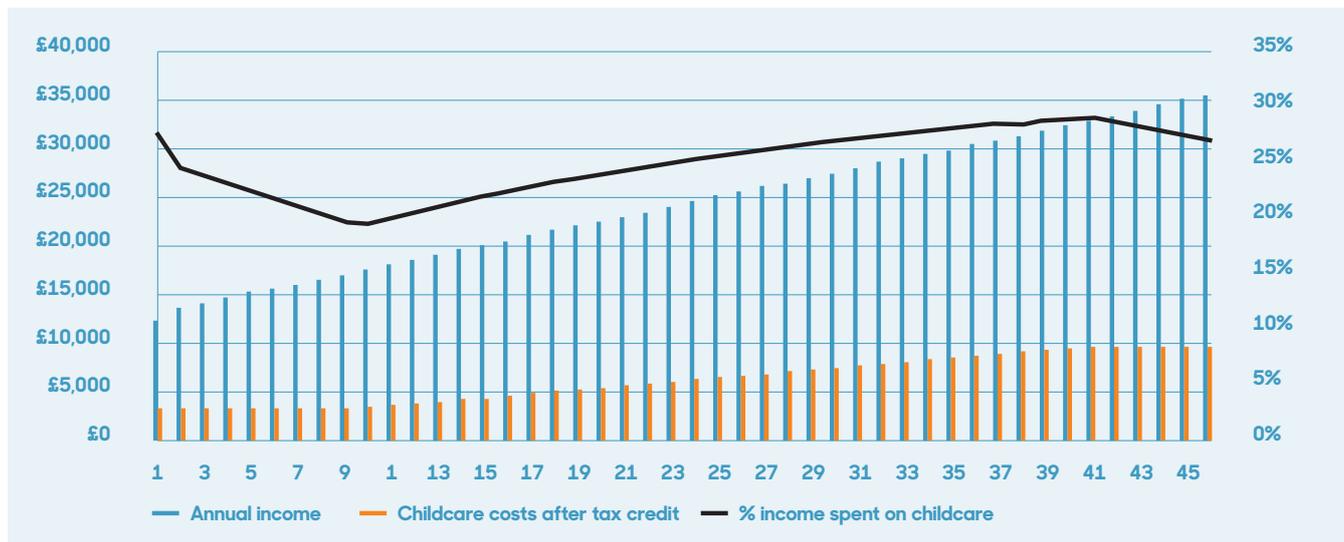
Childcare is a significant outlay for working parents. Its high price also needs to be seen in context of the limited financial assistance that is offered by the Government to help families with their childcare costs. As already noted, parents of all three and four year olds and some two year olds qualify for some free early education and others may receive help through the childcare element of Working Tax Credit or employer supported childcare vouchers.

About eight per cent of London families receive help with their childcare costs through Working Tax Credit, although the amount of help tapers off sharply after if the first earner in a couple household earns more than £15,910 per year before tax and National Insurance are deducted. Figure 4.6 shows the impact of this taper on a single parent who works part-time and spends £190 every week or £9,880 per year on childcare. Earning the National Minimum Wage a parent would still have to be expected to contribute £3,510 or 28.1 per cent of their gross income. Help with childcare costs tapers off if the single parent earns more than £17,000 per year.

Even at this income, the parent is spending more than a fifth (20.6 per cent) of her income on childcare. This is because tax credit regulations set a maximum level of help with costs of £175 per week for one child. The survey shows that there is not a single local authority in Britain where this would buy full-time childcare for a child aged two or under and there are five London where this would not even purchase 25 hours of childcare for a child aged two or under.

The average salary for a nurse in Britain is £31,000 per year. At this income a parent in the Figure 4.6 model would only receive £994 help with her childcare costs through Working Tax Credit and would be expected to contribute £8,886 or 28.7 per cent of gross income to pay for childcare. A teacher earning £36,000 would receive no help with childcare costs and would be expected to pay all £9,880. A single parent working for 37 hours and needing to buy 42 hours of childcare would have to earn more than £49,400 to be paying less than 20 per cent of her income on childcare.

Figure 4.6: Tax credit support with childcare costs by income



Source: HMRC Tax Calculator

As already noted, parents who do not receive tax credits may receive help with their childcare costs through childcare vouchers, with about nine per cent of UK parents getting this type of help. This scheme will be phased out after September 2015 and replaced by a universal online 'voucher' that will pay 20 per cent of childcare costs up to a maximum £2,000 per year. All children in England qualify for part-time free early

education in the term after their third birthday. The 570 free hours that they receive every year can help with childcare costs. By September 2014 this help will be extended to the 40 per cent most income deprived two year olds, who will also be entitled to 570 hours free early education, starting in the term after their second birthday. However, the maximum annual income threshold to qualify for this support is £16,190 per year.

The impact of high childcare costs on London families

This excludes many families and discriminates against London parents as salaries for comparable jobs tend to be higher in the capital.

While this help makes a difference, some parents are still paying out a substantial part of their income to cover childcare costs. Families of children aged two or under who need to purchase full-time or nearly full-time childcare are one group that is badly affected by high childcare costs. Another group are families who might be described as 'squeezed middle' who receive

little or no help with their childcare costs through tax credits, but whose incomes are still modest. Such families are typically in the £25,000 - £40,000 income bracket. Many more families are in the position of paying 10 - 20 per cent of their income on childcare and Table 4.7 shows the proportion of family income that five typical London families would pay out in childcare costs, based on average London childcare prices. Even with extra Universal Credit help in 2016, Family Two will still be paying out nearly 25 per cent of its income on childcare costs.

Table 4.7 Proportions of family income spent on childcare for different model families in London

Household composition	Gross annual household income	Childcare use	Annual childcare costs 2014	Proportion of salary spent on childcare, after free hours	Extra help after 2016
One Single parent, one child aged 24 months	£12,000	25 hours nursery care per week	£2,186 (30% of total costs with tax credit help)	18%, although this parent would receive other Working Tax Credit help	Costs reduced to £1,092 through extra Universal Credit help
Two Two parents, one child aged 24 months, one child aged five years	£30,000	25 hours nursery care, after-school club and 2 weeks of holiday childcare	£7,753 after help with the childcare element of Working Tax Credit	26%	Costs reduced to £7,406 through extra Universal Credit help
Three Two parents, one child aged 24 months, one child aged five years	£40,000	25 hours nursery care, after-school club and 2 weeks of holiday childcare	£9,374	23%	£2,000 'voucher', reducing annual costs to £7,374 at present prices
Four Two parents, one child aged three and one child aged six	£50,000	30 hours nursery care, after school club and 2 week of holiday childcare	£7,510	15%	£1,876 'voucher', reducing annual costs to £5,634 at present prices
Five Two parents, two children aged six and eight	£50,000	After school clubs and four weeks of holiday childcare	£4,621	9%	£1,155 reducing childcare costs to £3,466 at current levels

High childcare costs impact on family life in different ways. For some parents, usually mothers, it is a barrier to work and they leave the labour market when they have children. This is why the maternal employment rates (63.3 per cent in London in 2013) is lower than overall working-age female employment rates (73.4 per cent in London in 2013). Mothers with the fewest

qualifications are most likely to stop paid employment when they have children (Stewart, 2011). Leaving a job to look after children has short-term and long-term consequences for a woman's career and the wider family. Household income will be reduced and a mother's career progression may be halted. Over a longer period of time there is a 'motherhood penalty'

The impact of high childcare costs on London families

associated with interrupted employment. This wage disadvantage is proportionally higher for better qualified women, but Stewart (2011) suggests that even for women who had GCSE level qualifications or below (Level Two or below) and controlling other factors, these women's average hourly wages were 14 per cent lower if they had moved in and out of work after having children than if they had a stable career trajectory.

Part-time employment is another strategy that parents – disproportionately mothers – adopt to keep down their childcare costs. But in many organisations part-time jobs are often of a lower status than full-time employment and are less likely to lead to promotion (Grant et al, 2005). In research by the Timewise Foundation (2013) just 3 per cent of part-time jobs advertised in March 2012 paid a salary of more than £20,000 per year full-time equivalent. The same study indicated that in a sample of 1,000 part-time workers some 41 per cent had 'traded down' to a job below their skills and experience because of childcare obligations.

The high cost of childcare has other impacts on parents' careers. In a poll of 1,587 parents undertaken for the Family and Childcare Trust in May 2014, the costs of holiday childcare had led to 17 per cent of parents taking days off sick to cover for childcare. This risks impacting on parents' career prospects, too.

The high cost of childcare means that some families set up complex arrangements in order to keep costs down. They may use a mixture of shift-parenting, informal and formal provision. 'Julia' one parent we interviewed used a childminder for her youngest child, because this was cheapest and a nursery for her middle child where she received free early education. Her oldest child was at school. Julia worked compressed hours from 9.30 to 2pm without a lunch break and her husband worked a late shift as a bus driver. The family had three different pick-up and drop-off points. They spent little time together as a whole family, as shift parenting arrangements meant that Julia and her husband had little time together. Shift parenting and complex childcare arrangements may affect the quality and stability of family relationships

The high cost of childcare also leads parents to change their purchasing patterns. Changing food shopping patterns and cutting back on holidays and days out are frequent strategies among those working families who qualify for little or no help with their childcare costs (Family and Parenting Institute, 2013). In more extreme cases, some families go into debt because of childcare costs. Some 5 per cent had done so in a 2014 poll for the Family and Childcare Trust (Family and Childcare Trust, 2014).

We went to Skegness last year for was it three days or something like that, we just... but like I had to pay the childminder the day we were going. We just went with minimal kind of money because I owed her money. I think there was about £400 in the bank and I had to pay the childminder £150 before we even left home. This kind of thing has an effect on us.

Food and clothing matter to families, but so does quality time together. The Family and Childcare Trust is concerned that high childcare costs have the potential to impact negatively on the quality of family relationships. From a child wellbeing perspective it is not desirable for parents to split up due to financial worries, or because they simply are not spending time together.

Making childcare more affordable for London parents

The *2014 London Childcare Report* has already described how successive governments have moved to make childcare more affordable. This has been achieved through both supply-side subsidies (to providers) to deliver free early education, as well as demand-side subsidies to parents. The latter include help with children costs through the childcare element of Working Tax Credit and employer supported childcare vouchers. Over the next two years demand-side subsidies will be changed through the introduction of the new online voucher and increased Universal Credit help with childcare costs.

There are also a number of smaller schemes to help specific groups of parents. Extra help with childcare costs is available to families receiving housing benefit, although this will not be there under the new Universal Credit. The Care to Learn grant helps young parents with childcare costs and is available for parents under 20 at school or college. There are also a number of schemes for students in further and higher education.

While childcare is more affordable than it was in the 1990s in that it accounts for a lower proportion of family income, parents in the UK still spend more of their income on childcare than do families in most other OECD countries. In 2012 only Swiss parents contributed a higher percentage of their earnings for childcare. French parents pay 10.4 per cent of their net income for childcare, in Germany it is 11.1 per cent while UK parents pay 26.6 per cent¹⁰.

The impact of high childcare prices on London families has already been discussed. Some campaigners have argued that tax credits and Universal Credit support should have a London weighting to reflect higher childcare costs in the capital. There is some precedence for regionally-weighted childcare support. The Care to Learn scheme for young parents offers more money in London than in the rest of the country. The Family and Childcare Trust is sympathetic to arguments for a London weighting. However, there are also legitimate concerns about how such a scheme would be administered, boundary issues, and fairness issues for families elsewhere in the country who also face high childcare costs (for example, because of local under-supply). Where overall welfare spending is now capped, a London weighting would also reduce spending for other claimants.

The need for reform

Successive governments have generally been responsive to parents' concerns about the high costs of childcare. Policy changes have generally – but not always – been in the direction of making childcare more affordable. While recent extra investment in childcare through the new online voucher and increased tax credit support is welcome, there are still a number of problems in the childcare funding system that mean that government funding is not as effective as it could be.

The UK has chosen to subsidise childcare costs through both supply-side and demand-side funding. This contrasts with practice in other rich countries, where the majority of funding goes to providers. Channeling subsidies to providers has less potential to be inflationary, whereas demand-side funding to parents is more likely to push up childcare prices (Ben-Galim, 2014). In such circumstances hard-pressed providers see extra money in parents' pockets as an opportunity to put up prices.

There are particular problems associated with present demand-side support. Despite high childcare costs, the uptake of tax credits, including the childcare element of Working Tax Credit, is lower in London than might be expected from parents' income. Low uptake may be partly due to the nature of the London labour market, as the tax credit system does not work well for parents with intermittent or unpredictable employment. The complexity of making a Working Tax Credit claim may be a barrier to uptake for parents with low levels of literacy or limited fluency in English. Negative past experiences of tax credit over-payment may also act to limit uptake of the childcare element of Working Tax Credit.

The disadvantages of childcare vouchers are that only five per cent of employers offer them and not all childcare providers, particularly out-of-school clubs, accept them.

In 2016 parents' childcare costs will be subsidised through four main demand-side systems, as well as smaller schemes such as Care to Learn. They will be able to receive help through Universal Credit or the new online voucher, as well as legacy Working Tax Credit and childcare voucher help. The potential for confusion is great and some parents may not know which scheme is most beneficial. Parents whose income varies from week to week and those in the £25,000 – £40,000 income bracket are most likely to be affected by this uncertainty. It is essential that parents

10 OECD Family Database live tables.

Making childcare more affordable for London parents

know which form of support is best for them. Here, local authority Family Information Services have an essential role to play in getting consumer information out to them.

In the long-term, the Family and Childcare Trust believes that major reform of the childcare subsidy system is needed, if public funding is to be used most effectively. International evidence suggests that 'supply-side' funding where money goes to providers is generally more cost efficient than directing funding to parents (Lloyd, 2012; Penn, 2012). Provider funding can also be made conditional on meeting quality criteria, thus leading to improvements in the quality of early education and childcare. We would like a shift to supply-side funding in the UK and believe that extending free early education to 48 or 50 weeks of the year and to cover all two year olds should be an aim of government policy. This would have advantages for providers, in the form of more consistent and simpler funding streams. It would also benefit parents and the wider economy. As already noted even small increases in maternal employment have the capacity to result in a net gain to the exchequer through higher tax revenues and a lower welfare bill. For these reasons we believe that the Government should set up an independent review of childcare funding that examines options for reform and how childcare can be made more affordable while maintaining its quality.

5. Childcare, child development and parenting in London

"He has grown up and become so much more social since he started the nursery. Before he was not very good at playing with other children and sharing his toys. Now he is so much better. He's got more friends and I've made friends with other parents and feel less isolated."



Child development in London

London children are more likely to live in overcrowded accommodation without easy access to open green space. Higher proportions of London children also live in households that speak little English. Child poverty in London is higher than elsewhere in the UK. These social factors all impact on child development and mean that there are social and cognitive development gaps between the most deprived of London's children and their more advantaged peers.

Table 5.1 shows the extent of these gaps. It gives results from the Early Years Foundation Stage (EYFS) profile, which measure children's progress at five years, usually at the end of their reception class. The data shows the proportions of children who have been assessed as having a 'good' level of development, which they achieve by securing a minimum number of points in the EYFS profile (Department for Education, 2014b).

Just over half (53 per cent) of London children secured a good level of development in 2013, much the same as the average for England (52 per cent in 2013). As the structure of the EYFS profile changed in September 2012, it is not possible to compare the 2013 results with previous years, although before 2012 there have been year-on-year improvements. But there still are significant child development gaps between and within London local authorities.

In 2013 the two best performing local authorities were Greenwich and Lewisham where 69 per cent and 68 per cent of children secured a good level of development, respectively. The gaps between the most disadvantaged children and their peers were also small in these two local authorities. But Table 5.1 shows there were 14 London local authorities where less than half of children achieved a good level of development in 2013, including some with affluent populations.

Table 5.1 also highlights the size of the development gaps between the poorest children, entitled to free school meals, and their peers. Overall, children eligible for free school meals secure EYFS assessment outcomes that are 14 per cent lower than average in London. But in some London local authorities, this gap is much higher, and it is particularly large in a number of prosperous outer London local authorities such as Bromley, Kingston and Richmond. Moreover, the development gap is getting larger in eight local authorities. These figures remind us that the overall rates of child development in a local authority fail to capture the significant variations that exist within each area and remind us that for a significant number of children the picture is bleaker than the overall rates of development suggest.

These early development gaps matter. It is much harder to address poor social skills and educational under-achievement as children get older. Children who fall behind at five are much less likely to secure good results in their GCSE examinations. Save the Children (2013) estimate that the UK's gross domestic product would be 1.8 per cent or £30 billion higher if education gave a fair chance to all children, regardless of their family background.

Overall, the picture of child development in London is one of inequality between different social groups and between and within London's local authorities. But this is not a cause for defeatism – the figures in Table 5.1 also show that these gaps are not inevitable and that it is possible for them to be narrowed. Some of London's poorest local authorities – Hackney and Newham – have closed the gap between the poorest children receiving free school meals and their peers. Ensuring that two, three and four year olds have access to high quality early education is one way to give children the best start in life.

Child development in London

Table 5.1 Childcare development levels in the Early Years Foundation Stage Profile, 2013

Local authority	Percentage of children achieving a good level of development at age five (in the EYFS profile, 2013)	Percentage gap between pupils eligible for free school meals and the rest achieving a good level of development, 2013
Barking and Dagenham	46%	12%
Barnet	60%	16%
Bexley	64%	20%
Brent	56%	4%
Bromley	61%	25%
Camden	47%	19%
City	64%	25%
Croydon	46%	15%
Ealing	56%	9%
Enfield	49%	11%
Greenwich	69%	12%
Hackney	57%	3%
Hammersmith and Fulham	53%	18%
Haringey	50%	13%
Harrow	45%	16%
Havering	59%	23%
Hillingdon	41%	16%
Hounslow	40%	14%
Islington	44%	14%
Kensington and Chelsea	48%	12%
Kingston	57%	22%
Lambeth	46%	14%
Lewisham	68%	11%
Merton	46%	15%
Newham	55%	2%
Redbridge	60%	14%
Richmond	43%	24%
Southwark	60%	10%
Sutton	41%	17%
Tower Hamlets	46%	5%
Waltham Forest	56%	5%
Wandsworth	54%	18%
Westminster	50%	12%
London average (median)	53%	14%
England average (median)	51%	20%

Source: Department for Education Foundation Years Benchmarking Tool.

Free early education for two, three and four year olds

High quality early education helps working parents, as it means that they have a significant proportion of their childcare costs covered. It also supports children's learning and social development and means they are better prepared to start school at five. Free early education is particularly important in London where a significant proportion of children come from homes where little English is spoken. Early contact with teachers and nursery nurses also enables the earlier identification of special educational needs or other problems. Importantly, in a city such as London, high quality early education has been shown to narrow the developmental gap between the poorest children and their peers (Mathers et al, 2014; Melhuish, 2004). The size of this development gap is shown in Table 5.1.

The benefits of early education have prompted successive governments to provide free part-time nursery education to all children. Today, all three and four year olds receive 570 hours of free early education every year, which amounts to 15 hours per week over 38 weeks of the year. Free part-time early education has also been extended to the 40 per cent most deprived two year olds plus some other vulnerable groups. By September 2014, some 50,400 London children will qualify for this programme, with the numbers who qualify in each borough given in Table 5.2.

Despite these benefits, there are some significant challenges in London in ensuring that free early education benefits the most disadvantaged children. As mentioned in Section Three, many local authorities are finding it very difficult to find sufficient places for two year old children and there are still shortages of places for three and four year olds in some local authorities.

Not all working parents are offered free provision at the times they need it. There are also concerns that some nurseries still charge top-up fees to parents who qualify for free provision, although regulations bar this practice.

As Table 5.2 shows there is a variation in the uptake of free early education within and between local authorities. It is still too early to draw conclusions about the uptake of free early education for two year olds.

It is still too early to draw conclusions about the uptake of free early education for deprived two year olds, but in January 2014 in London just 46 per cent of the September 2013 cohort (the 20 per cent most income deprived) was receiving free early education, compared with 67 per cent of eligible two years olds nationally (Table 5.2). There are many reasons that this figure is lower, including shortages of provision, poor publicity about the programme, as well as families not wishing to take up free early education.

In 13 London local authorities more than one in ten of three and four year olds miss out on free provision, although the uptake of free early education has increased in London since 2011 (Table 5.2).

Some sectors of the population are particularly at risk from missing out on free early education and they include children with special educational needs, those from families where mothers have no qualifications, children in low income families, children from large families, children from some minority ethnic groups.

Table 5.2 Free early education provision for two, three and four year olds

	Numbers of 2 year olds qualifying for free early education on income criteria, September 2013 (20% target)	Percentage of eligible 2 year olds receiving free early education in January 2014, based on September 2013 target	Numbers of 2 year olds qualifying for free early education on income criteria, September 2014 (40% target)	Percentage eligible 3 and 4 year olds benefiting from free early education, 2014	Change in percentage of eligible 3 and 4 year olds benefiting from free early education 2010-2014
Barking and Dagenham	1,144	59%	2,055	90%	+11%
Barnet	878	56%	2,014	86%	+1%
Bexley	727	56%	1,166	99%	+2%
Brent	1,011	33%	2,345	92%	+11%
Bromley	749	53%	1,254	100%	+6%
Camden	619	39%	1,043	81%	-4%
City	6	0%	8	108%	n/a ¹¹
Croydon	1,354	36%	2,441	88%	-1%
Ealing	974	44%	2,186	94%	+3%
Enfield	1,410	52%	2,716	87%	+4%
Greenwich	1,036	38%	1,709	91%	+2%
Hackney	1,024	45%	2,304	98%	+11%
Hammersmith and Fulham	473	40%	738	90%	-3%
Haringey	891	37%	1,790	90%	+7%
Harrow	476	71%	1,241	90%	+9%
Havering	716	59%	1,128	102%	+7%
Hillingdon	832	47%	1,589	101%	+6%
Hounslow	791	44%	1,539	89%	+9%
Islington	781	38%	1,117	96%	+3%
Kensington and Chelsea	259	62%	403	79%	+2%
Kingston	260	65%	556	93%	+3%
Lambeth	1,103	36%	1,822	92%	+6%
Lewisham	1,208	36%	2,074	85%	+4%
Merton	454	57%	1,008	95%	+1%
Newham	1,159	46%	2,894	100%	+8%
Redbridge	718	58%	1,671	96%	+3%
Richmond	223	72%	377	99%	+3%
Southwark	1,164	51%	1,920	88%	-1%
Sutton	429	44%	835	93%	+4%
Tower Hamlets	1,176	23%	2,146	94%	+4%
Waltham Forest	994	44%	2,066	93%	+5%
Wandsworth	694	53%	1,332	90%	-3%
Westminster	532	43%	886	77%	-10%
London	26,265	46%	50,373	92%	+4%

Source: Department for Education Provision for Children Under Five statistics, 2014

11 There were just 80 three and four year olds living in the City of London in 2013, some of whom travel outside the local authority to receive free early education

Free early education for two, three and four year olds

Table 5.3: Uptake of the free early education offer by child and family characteristic, 2008–2009

Characteristic	Percentage of 3 and 4 year olds receiving free early education hours	Percentage of 3 and 4 year olds not receiving any early education
All three and four year olds	86%	8%
Three year olds	77%	13%
Child with illness or disability	87%	8%
Child with special educational needs	81%	11%
Child of single parent	88%	3%
Household income <£10,000	77%	13%
Household income £20,000–£29,999	89%	7%
Household income >£45,000	92%	5%
No driving licence or access to car	78%	13%
Mother with no educational qualifications	76%	16%
Mother has degree	93%	4%
More than 5 children in family	76%	19%
Mother of white British ethnicity	89%	7%
Mother of Indian ethnicity	91%	5%
Mother of black Caribbean ethnicity	74%	6%
Mother of black African ethnicity	71%	16%
Mother of Pakistani ethnicity	72%	20%
Family lives in 20 per cent most deprived area	77%	13%

Source: 2008 and 2009 Childcare and Early Years Survey of Parents cited in Speight et al, 2010.

Clearly, there are significant numbers of children in London who are not benefiting from free early education. Getting these children into early education is a priority. For this to happen, local authorities need to understand why uptake is low and use this knowledge to develop outreach strategies. Some London local authorities have secured a high uptake, even among deprived families by offering taster sessions in nurseries or using 'parent champions' – volunteers who offer face-to-face encouragement to parents. However, the Family and Childcare Trust is concerned that outreach that aims to get parents to take up free early education offer is being cut in many London local authorities (Family and Childcare Trust, 2014).

Often such outreach is run by Family Information Services. These information teams typically provide a wide range of essential information about childcare, children's centres, play, sports and arts activities for children, youth clubs, parenting classes and other services for children and their carers. Statutory guidance obliges local

authorities to provide this information and during the last two years many Family Information Services have played an important role in placing two year old children who qualify for free provision in nurseries.

As well as the peer-to-peer information projects described above, Family Information Services may contact families through health visitors, doorstep and street contacting or by running stalls at events. Family Information Services may also run information sessions and events in children's centres, schools and other places frequented by families. However, a survey undertaken by the Family and Childcare Trust in late 2013 showed 53 per cent of local authorities in England have cut their outreach since 2012 and in London this figure was higher (65 per cent) (Family and Childcare Trust, 2014). The Family and Childcare Trust believes that all local authorities should provide high quality information and outreach about free early education and have a strategy to ensure that disadvantaged families know what is available.

The quality of early education in London

Free early education has the potential to improve children's outcomes, but this will only be achieved if children use it and it is of high quality. Poor quality early education does little to improve children's developmental outcomes or narrow the gap between the most disadvantaged children and their peers (Mathers et al, 2014; Melhuish, 2004). While there have previously been a number of initiatives to improve the quality of early education in London, the Family and Childcare Trust believes that progress to improve quality has now stalled. This is reflected in the results of Ofsted inspections in London, where the proportion of settings being judged as outstanding has not increased since the publication of the 2012 London Childcare Report (Table 5.4).

Quality in early education is multi-dimensional and there are many different ways of defining and measuring it. It can be seen as a process, where the direct experiences of children in early years' settings are examined. Process quality, for example, looks at the ways that educational activities are implemented and the interactions between staff and children. Some measures of quality look at structural factors which include adult-to-child ratios, staff qualifications and staff turnover. Outcome measures of quality look at children's outcomes, for example, their achievement in the EYFS profile. Of all the measures of quality, staff qualifications and the leadership skills of managers are the factors most strongly associated with good development outcomes in children (Sylva et al, 2004).

Both Ofsted and local authorities have responsibilities for ensuring quality. Ofsted inspects all formal early years' provision and its inspection guidance includes measures of process, structural and outcome quality. Part of the inspection process involves staff making judgments against the criteria outlined in the Early Years Foundation Stage (EYFS) guidance. The EYFS was introduced in 2008 and revised guidance was issued in 2012. It applies to all formal early education providers, including childminders. The EYFS outlines the early years' curriculum, assessment processes and regulations to ensure children's welfare and safety. It specifies that in group settings - nurseries, sessional crèches and pre-schools - the manager must hold at least a relevant Level Three qualification, equivalent to an A-Level. Additionally at least half of all other staff must hold at least a full and relevant Level Two qualification, which is the equivalent of a GCSE.

The introduction of the EYFS is just one of a number of initiatives that have aimed to improve the quality of early education. Some of the initiatives to improve the level of staff qualifications are discussed below. Most recently, the government commissioned the 2012 Nutbrown Review of Early Years Qualifications. This recommended that all early years' staff should hold relevant Level Three qualifications and that all years settings be led by a graduate (Nutbrown, 2012).

In the past, local authorities had a role in helping early years' settings improve their quality. Many of them employed staff whose role was to work with private and voluntary sector nurseries to help them improve the quality of their provision. This work has been greatly reduced over the last five years, as local authorities have been forced to cut expenditure. Additionally, changes to policy mean that local authorities can no longer impose quality preconditions on providers who receive funding for providing free early education for three and four year olds. (Two year olds who qualify for free early education should only be placed in good or outstanding provision, although this does not always happen). Today, local authorities are mostly working with providers who are judged by Ofsted to be inadequate or in need of improvement.

Quality data for London

In the years immediately after the 2004 childcare strategy there were some improvements in the quality of early education in London. But over the last five years this progress has slowed. This is reflected in the results of Ofsted inspections in London, where the proportion of settings being judged as outstanding has not increased since publication of the 2012 London Childcare Report (Table 5.4).

The quality of early education in London

Table 5.4: Ofsted early years' inspection grades awarded during inspection years to 31 December 2011 and 31 December 2013

	Outstanding providers 2013 (2011 figures in brackets)	Good providers 2013 (2011 figures in brackets)	Satisfactory/in need of improvement providers 2013 (2011 figures in brackets)	Inadequate 2013 (2011 figures in brackets)
England	12% of all providers (12%)	66% (62%)	21% (25%)	2% (1%)
London	11% (11%)	64% (60%)	23% (25%)	2% (<1%)

Source: Ofsted database

Figure 5.5 Percentage of two year olds who are accessing free early education in provision judged to be inadequate or requiring improvement, 2014



Source: Department for Education Provision for Children Under Five statistics, 2014

The quality of early education in London

Although guidance requires that two year old children who qualify for free early education are meant to be placed in nurseries that are judged by Ofsted to be good or outstanding, in January 2014 some 12 per cent of placements did not reach this grade. Some 1,510 London two year olds were placed in provision that had failed its Ofsted inspection or was judged to be in need of improvement. Figure 5.5 shows that in some local authorities this figure is higher, with a third of deprived two year olds in Lewisham placed in the lowest quality provision. Such provision is much less likely to benefit these children and narrow developmental gaps between them and their more advantaged peers.

The proportion of children accessing high quality settings varies considerably between local authorities. As noted above, staff qualifications and the leadership skills of managers are the factors most strongly associated with the quality of early education settings (Sylva et al, 2004). Table 5.5 provides a proxy measure of this, as it gives the proportions and numbers of three and four year old children who are taught by at least one person who has Qualified Teacher Status (QTS) or Early Years Professional Status (EYPS). The EYPS award was introduced in 2008 was meant to put graduates working in early years on par with teachers who are awarded Qualified Teacher Status. Children who receive their free early education in schools will have someone with QTS or EYPS with them for at least part of the day. This is not the case for all children who attend nurseries in the private and voluntary sector. Table 5.5 shows that nearly one in five (17.6 per cent) of London three and four years olds receiving free early education do not have any anyone with QTS or EYFS working with them at any time.

Children from disadvantaged families are more likely to receive their free early education from a setting with graduate staff, because these children largely receive their free in schools and children's centres (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 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. Overall, in London, 37,500 three and four year olds are receiving free early education in a setting that has no staff with Qualified Teacher Status or Early Years Professional Status .

Even fewer two year olds will be receiving their free provision in a setting with a graduate – this is because less of this provision is offered by schools, with very few of them having appropriate places for children under two. However, the Department for Education is now trying to encourage more schools to offer free provision for two year olds.

Table 5.6 Children receiving free provision in settings that have no staff with Qualified Teacher Status (QTS) or Early Years Professional Status (EYPS)

	Estimated number of 3 and 4 year olds taking up free early education, 2013	Percentage of 3 and four year olds receiving the free early education entitlement in the maintained sector	Percentage of 3 and four year olds receiving the free early education entitlement in the private and voluntary (PVI) sector	Number of children receiving free early education in PVI sector	Percentage of 3 and 4 year olds who receive their free education in the PVI sector, but without someone with QTS or EYPS working with them	Numbers of 3 and 4 year old children receiving their free early education in the PVI sector but without someone with QTS or EYPS working with them
Barking and Dagenham	6,690	77%	22%	1,471	66%	971
Barnet	8,890	70%	30%	2,667	51%	1,360
Bexley	6,080	63%	35%	2,128	60%	1,277
Brent	7,730	66%	32%	2,473	46%	1,138
Bromley	8,110	39%	61%	4,947	58%	2,869
Camden	4,090	55%	44%	1,800	36%	648
City	100	51%	44%	44	100%	44
Croydon	9,780	60%	39%	3,814	77%	2,937
Ealing	9,400	74%	24%	2,256	48%	1,083
Enfield	8,620	63%	36%	3,103	51%	1,583
Greenwich	7,330	79%	21%	1,539	59%	908
Hackney	6,970	61%	39%	2,718	70%	1,903
Hammersmith and Fulham	4,130	60%	39%	1,611	52%	828
Haringey	6,240	78%	21%	1,310	52%	681
Harrow	5,680	56%	43%	2,442	62%	1,514
Havering	5,750	49%	50%	2,875	62%	1,783
Hillingdon	7,990	75%	23%	1,828	60%	1,103
Hounslow	6,750	71%	27%	1,823	55%	1,002
Islington	4,540	71%	28%	1,271	35%	445
Kensington and Chelsea	2,730	57%	43%	1,174	35%	411
Kingston	4,220	66%	34%	1,435	49%	703
Lambeth	7,150	69%	31%	2,217	48%	1,064
Lewisham	7,450	71%	26%	1,937	58%	1,123
Merton	5,750	80%	19%	1,093	55%	601
Newham	9,750	83%	16%	1,560	71%	1,107
Redbridge	8,340	63%	35%	2,919	65%	1,897
Richmond	5,460	48%	52%	2,839	33%	937
Southwark	6,970	76%	22%	1,255	44%	552
Sutton	4,810	68%	32%	1,539	73%	1,124
Tower Hamlets	6,780	82%	18%	1,220	72%	879
Waltham Forest	7,410	72%	24%	1,778	55%	978
Wandsworth	7,470	58%	41%	3,063	38%	1,164
Westminster	3,810	62%	35%	1,333	65%	866
London	212,970	66%	32%	68,150	55%	37,480

Source: Department for Education Foundation years Benchmarking Tool

The quality of early education in London

Improving the quality of early education in London is challenging in the present fiscal environment. There are a number of policy changes that would improve quality, but ultimately, many of them will require funding. In particular, the Family and Childcare Trust believes that if we are to attract and retain the best staff, the Government and providers need to improve the pay of staff who work in early education. The Family and Childcare Trust would also like to see the recommendations of the 2012 Nutbrown Review of Qualifications implemented and the role of local authorities in improving quality to be restored. It believes that local authorities should be properly funded for quality improvement work. They should also be allowed to link providers' funding for free early education places to achieving quality standards.

Additionally, the Family and Childcare Trust recommends:

- ▶ 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 graduate-led.
- ▶ The Government should provide financial incentives for schools to expand their nursery provision for two year olds, either on-site or in nearby linked provision that is under the management of schools.
- ▶ Local authorities should maintain their nursery provision in children's centres, as this is usually of high quality.

The early years' workforce and quality

Overall, the childcare workforce numbers at least 75,000 paid members of staff in London in 2013:

- ▶ 30,000 staff work in full daycare, either in stand alone nurseries or in nurseries based in children's centres
- ▶ 9,700 childminders
- ▶ 8,500 staff in sessional crèches or pre-schools
- ▶ 1,500 staff work in stand alone nurseries
- ▶ 14,000 staff work in nursery classes based in primary schools
- ▶ 9,400 staff working in after-school clubs
- ▶ 10,200 staff working in holiday clubs and playschemes¹²
- ▶ 20,000 nannies¹³.

In addition to paid staff there are about 10,000 unpaid staff working in childcare in London. This group mostly comprises students.

The overall numbers of those working in childcare in London has grown significantly over the last ten years. Most of the increase has been in staff working in day nurseries and after-school clubs and the numbers working in sessional pre-schools¹⁴ and as childminders has decreased over the last five years.

The childcare workforce is predominantly female. This is most marked in early years provisions where just two per cent of the workforce is male. Higher proportions of men work in after-school clubs and holiday childcare, as this sector of the childcare market draws from those with youth work qualifications.

Most of those who lead the childcare sector agree that the employment of greater proportions of men in childcare is desirable. This would provide greater positive role models for young boys, as well as challenge stereotypes about childcare being a 'female' responsibility (Owen, 2003). There have been a number of initiatives to increase the proportions of

men working in childcare in particular 2005 Children's Workforce Strategy. Despite these interventions there has been very little change in the proportions of men employed in early years. Poor pay and prejudice from both parents and co-workers appear to be factors in deterring men from working in this sector.

The childcare workforce in Britain is also characterised by low levels of qualifications, although there have been improvements in recent years. Table 5.6 gives the most recent Department for Education data on the qualification levels of the childcare workforce.

12 Source: Childcare and Early Years Providers Survey 2011 and Labour Force Survey 2012. There is some overlap of staff working in after-school clubs and holiday clubs as individuals may work in both types of provision.

13 Rutter and Evans, 2011. We estimate that about a third of the UK's nanny workforce is in Greater London.

14 Childcare and Early Years Providers Survey 2011

The early years' workforce and quality

Table 5.7: Highest relevant qualification held by all paid childcare staff, 2011¹⁵

	Full daycare	Full daycare in children's centres	Sessional crèches and pre-schools	Childminders	Nursery schools	Nursery classes attached to primary schools	After-school clubs	Holiday clubs
Level 1	<1%	<1%	1%	11%	1%	1%	1%	1%
Level 2	8%	5%	12%	8%	8%	8%	15%	3%
Level 3	57%	47%	58%	50%	44%	36%	50%	53%
Level 4	10%	12%	8%	4%	4%	2%	7%	9%
Level 5	6%	10%	3%	2%	5%	5%	4%	4%
Level 6	10%	17%	7%	2%	20%	29%	7%	7%
Level 7	1%	5%	1%	2%	13%	12%	1%	2%
Level 8	<1%	<1%	<1%	0%	<1%	<1%	0%	<1%
No qual	6%	2%	9%	16%	3%	5%	3%	9%
Don't know/other	1%	2%	1%	7%	1%	1%	11%	2%

Source: Childcare and Early Years Providers Survey 2011

While Table 5.6 gives national data on qualifications, in London the picture is worse. Some 8 per cent of staff in nurseries offering full daycare have no qualifications in London, as do 18 per cent of staff working in after clubs and 21 per cent of childminders.

The Government has recognised that poor pay and low levels of qualifications are trends that affect the childcare sector and over the last 15 years there have been a number of policy interventions that have focused on workforce development. The 1998 and 2004 childcare strategies committed the government to improving pay, status and qualifications in early education and childcare with the aim of moving to a graduate-led workforce and a streamlined qualifications framework (Department for Education and Employment, 1998; HM Treasury, 2004). In 2005 the Government published a children's workforce strategy and the following year allocated monies to the Transformation Fund which allowed local authorities and childcare providers to supplement salaries of graduates working in private and voluntary sector nurseries, with the aim of developing a graduate-led workforce (Cooke and Lawton, 2008). At the same time, the Government introduced the new 'Early Years Professional Status' (EYPS) award, that was meant

to put graduate working in early years on par with teachers who are awarded Qualified Teacher Status. It also required that all early years settings must be managed by someone with a Level Three qualification, the equivalent of an A-Level.

In 2007 the Transformation Fund was replaced by the ring-fenced Graduate Leader Fund of £305 million. This ran between between 2008 and 2011. After it ended the Government commissioned a review of early years qualifications - the Nutbrown Review - in 2012. Many of the recommendations of the Nutbrown Review were accepted in 2013 when the Department for Education published More Great Childcare in 2013 (Department for Education, 2013a). This has proposed replacing the Early Years Professional Status with a teaching route leading to Qualified Teacher Status with an early years' specialism, as well as a new Level Three qualification called the Early Years Educator. All those who wish to train as qualified early years' teacher or as an Early Years Educator will also need a GCSE in English language and maths at a grade C or above.

¹⁵ Level 2 is equivalent to GCSEs, Level 3 is an A-Level or equivalent and Level 6 is a bachelors degree.

The early years' workforce and quality

While these moves are welcome, they do nothing to address the persistent poor pay of those who work in childcare, which means that it is difficult to recruit and retain high calibre staff. In the UK pay in childcare sector is low in relation to other professions and lower than other comparative countries in western Europe (Department for Education, 2013a). In 2011 the average wage for a childminder in England was £11,400. In the same year, the average pay for non-supervisory staff in nurseries offering full daycare was £6.60 per hour (Department for Education, 2012a). The National Minimum Wage was £6.19 per hour in 2011 and the London Living Wage was £8.30 per hour.

Some childcare providers argue that tight profit margins prevent them from increasing the pay of staff. As staff costs make up about 77 per cent of the costs of childcare¹⁶, it is argued that better pay for staff would only result in an increase in childcare costs for parents. But our analysis of the Department for Education's 2011 Childcare and Early Years' Providers Survey shows a more complex picture in relation to staff pay in London. Figures 5.7 and 5.8 give the pay levels for non-supervisory early years' staff some 41 per cent were earning more than £10.01 per hour in 2011. That pay for childcare workers varies significantly is a trend that is confirmed by analysis of job advertisements in London that shows that some childcare providers are able to pay salaries above the London Living Wage. This suggests that some providers have business models that enable staff to be properly rewarded and that there is capacity within the childcare sector to ensure that qualified staff are paid at least the London Living Wage.

In London, some local authorities still offer training to childcare providers in business sustainability. We recommend that such training involves scrutiny of staff salaries. There is also scope for London local authorities to use contract compliance mechanisms to ensure that childcare providers that receive funding to deliver the free early education offer or other local authority funding pay qualified staff the London Living Wage.

Figure 5.8: Pay levels for non-supervisory early years staff in London, excluding qualified nursery nurses, 2011



Source: Childcare and Early Years Providers Survey, 2011

Figure 5.9: Pay levels for non-supervisory qualified nursery nurses, 2011



Source: Childcare and Early Years Providers Survey, 2011

Sure Start children's centres and early education

Sure Start children's centres provide a range of integrated services for families with young children. Although the services that they offer vary from centre to centre, many children's centres have midwifery and health visitor clinics, parenting support on issues such as behaviour and nutrition, services for children with disabilities and special educational needs and drop-in stay and play and other educational activities for children. Some children's centres also offer advice and assistance for parents who want to return to work, for example, basic skills training and Job Centre Plus advice sessions.

Children's centres have an important role to play in promoting quality early years provision. About 180 of London's 500 children's centres have on-site nurseries. These centres are disproportionately located in deprived areas where there is greatest demand for places for two year olds who qualify for free early education. Moreover, nursery provision in children's centres, as in schools, tends to be of higher quality than in the private and voluntary sectors. (The most recent data from the Department for Education indicated that deprived areas some 22 per cent of children's centre nursery staff hold degree-level qualifications, compared with 10 per cent in nurseries in the private and voluntary sectors (Department for Education, 2012a).

Other children's centres offer sessional childcare that can often be booked at short notice, for anything from one-off sessions to a few days per week. Sessional childcare is often used by parents who are looking for work, studying or undertaking job-related training, as childminders and nurseries are often unwilling to care for children for short or irregular periods of time. Sessional crèches are often oversubscribed and data from the Department for Education's Childcare and Early Years Providers Surveys shows that sessional provision has the highest occupancy rate of any form of childcare.

The aims of children's centres is to help families move out of poverty, as well as improve the development outcomes of children. Much of the early work to plan the first children's centres took place in 1997 and 1998, through the Government's Cross-departmental Review of Services for Young Children. Led by the Treasury, the review argued that many services for young children, particularly the poorest among them, were badly coordinated and delivered in isolation from each other. The review drew on the work of Head Start, an integrated programme for deprived under-fives set up in the United States in the 1960s, as well as provision in integrated family centres run by charities such as Action for Children and Barnardos (Eisenstadt, 2011).

In 1998 the Government made £450 million available for the first 250 Sure Start Local Programmes. In 2000 the decision was taken to open 500, all of which were located in deprived areas, as well as to broaden the aims of children's centres to include employment targets. Children's centres had to help parents move into work through the provision of employment advice and training, as well as through the delivery of childcare. There were further changes to the Sure Start children's centres programme after the 2004 Childcare Strategy (HM Treasury, 2004). This brought them directly under local authority control. At the same time there was a commitment from the Government to increase the number of children's centres and to ensure that there was one in every community. Between 2004 and 2010, children's centre provision was expanded in three phases:

- ▶ **Phase One** (2004 – 2006) where centres would be located in the 20 per cent most deprived wards in England. Throughout England 1,109 centres were commissioned through Phase One, of which 187 were in London and often incorporating those from the earlier Sure Start Local Programme (1998–2004).
- ▶ **Phase Two** (2006–2008) extended provision to the 30 per cent most deprived wards then extended the centres into less deprived areas. Some 1,742 centres were set up in Phase Two of which 270 were in London.
- ▶ **Phase Three** (2008–2010) extended children's centres into the remaining parts of England. In London 108 centres were commissioned in this phase.

The extension of children's centres to every community was controversial, with some experts feeling that resources and funding would be spread too thinly to make a difference to the most deprived families (Eisenstadt, 2011). The debate about whether children's centre provision should be a targeted or universal service has continued to this day. But as the numbers of centres expanded, it became clear that they were popular with many parents.

Since 2010 there have been cuts to public spending. While school funding and healthcare were exempt from this, other children's services were not. In London most local authorities have managed to protect children's centres, although many have restructured or reorganised services. The number of registered centres fell from 565 in April 2010, to 504 in January 2014, although few centres have closed entirely.

Sure Start children's centres and early education

Rather, some local authorities have restructured their services, maintaining a hub as a registered children's centre, and outreach centres in the buildings that were previously separate children's centres. In most London local authorities services have been reduced, particularly those services that are open to all families. A further area for cuts has been in nursery provision, as in November 2010 the Department of Education amended statutory guidance, removing the obligation of Phase One and Phase Two centres to provide full-time daycare. The Family and Childcare Trust believes that 22 nurseries based in London children's centres closed between November 2010 and January 2014.

Improvements needed

While children's centres often provide essential support for families, the service has not been without its critics. There is a wide variation in the services that are offered in children's centres. In a survey undertaken by the Family and Childcare Trust at the end of 2013, 47 per cent of children's centres in our sample offered antenatal care services, with provision lasting between one hour and 23.5 hours per week. Despite the obligation in current and previous statutory guidance to provide child health services some 39 per cent of London children's centres did not offer health visitor services.

Department for Education (2013c) guidance requires that Job Centre Plus be involved in children's centres, but our survey of services showed that just 17 per cent of London children's centres offered Job Centre Plus advice sessions or job-related training. While Job Centre Plus and further education providers do not have the resources to work in every children's centre, there is no strategy from the Department for Work and Pensions and from the Department for Business, Innovation and Skills (for further education) to help these services prioritise where to work.

Since its inception one of the central aims of children's centres has been to help the most disadvantaged families. Current statutory guidance as well as the Department for Education's articulation of Sure Start's core purpose highlights the importance of reaching out to these families who may be at risk of under-utilising children's centre services (Department for Education, 2013c). The importance of outreach as a key activity is also reinforced in Ofsted's new inspection framework for children's centres, with a third of the inspection now focussing on access to services and outreach (Ofsted, 2014). Despite the recognition of outreach practice

by the Department for Education and by Ofsted, the record of children's centres in reaching out to the most disadvantaged families is patchy: some centres have been successful while others have not.

Until 2011 local authorities were obliged to report data about the reach of children's centres to the Department for Education. Local authorities recorded a baseline number of children, the numbers of those registered with children's centres, usually by health visitors and the numbers of children who had direct contact with children's centres. This data provided information about the use of children's centres by groups such as single parents, workless households and teenage parents. However, while the statistics record contact between children's centres and families, they do not enumerate the extent of this contact.

Analysis of outreach data across England shows a registration rate of 60 – 70 per cent among local authorities, with a few scoring higher. Usually it is local authorities that have the best links between health visitors and children's centres that achieve the highest registration rates (House of Commons Children, Schools and Families Committee, 2010). But only 40–50 per cent of families go on to use children's centre services. Among disadvantaged groups this figure may be lower; in the London borough of Sutton, for example, 27 per cent of children in workless households had contact with children's centres in 2011, with this figure falling to 20 per cent in the poorest part of the local authority (London borough of Sutton, 2011).

Outreach data highlighted the varied level of success of children's centres in reaching disadvantaged groups or those less likely to use services. This trend is confirmed in Ofsted's inspection reports on access and outreach in children's centres. In the period September 2011 to August 2012 some 12 per cent of children's centres were judged to be 'outstanding' by Ofsted. However, when the inspection data was broken down into categories, no children's centre was judged to have outstanding access and outreach practice (Ofsted, 2012).

The House of Commons Children, Schools and Families Select Committee (now the Education Select Committee) (2010) has also noted that there is very little guidance from central government on outreach practice. As a consequence there is little common understanding among children's centre managers about initiatives that can increase the uptake of children's centre services.

Sure Start children's centres and early education

There are actions that local authorities can take to improve outreach and the uptake of services. As already noted, children's centres that employ high proportions of healthcare staff have tend to have higher registration and contact with families. However, not all health visiting teams and children's centres regularly share data on families. The Family and Childcare Trust would like to see the Department of Education issue detailed guidance that outlines good outreach practice.

Spending cuts have reduced services, including nurseries. Over the next 12 months there will be further pressures on local authorities to cut children's centre services. The Family and Childcare Trust believes that a further round of cuts to children's centres risks jeopardising some of the Government's flagship programmes for families. Children's centres are the places where most parenting support is delivered, so reducing the number of centres and staff reduces the infrastructure needed to deliver parenting help and early intervention programmes for troubled families.

In most local authorities, children's centres are playing an important role in delivering free early education for two year olds. Their nurseries, located in more deprived areas, have vacancies that can be filled by these two year olds. The loss of nursery provision in children's centres is impacting on local authorities' ability to find sufficient places for two year old children who qualify for free early education.

Some local authorities have also cut their support to childminders which has usually been based in children's centres. Here, local authorities give advice and training to childminders on improving the quality of their early education. Improving the quality of early education is a priority issue for the Government, but reducing improvement support for childminders risks jeopardising this.

A new vision for children's centres is needed. The Family and Childcare Trust is calling on the Government to outline what services it wants and how children's centres might better reach families who under-utilise children's centres. We would like to see a requirement for all children centres in deprived areas to offer full time and sessional childcare for the families that need it.

6. Family friendly London

"I was granted unpaid leave this summer and last summer. But each year I worry until it is actually confirmed to me. I don't know how I would cope with childcare over the holidays if I was stopped from taking leave. Also, full time workers are always saying to me 'off we go again'. These comments are so unfair, as most of my time off is unpaid."



Who has access to flexible work?

Almost all research about parental employment highlights the importance of flexible work opportunities in helping parents arrange their childcare. Children may also benefit, as emerging evidence suggests flexible work arrangements have a positive impact on children's learning, as working parents can spend more time with their children. Flexible employment may also help businesses recruit and retain staff, as well as improve productivity and reduce absence (Institute of Leadership and Management, 2013). There are also wider societal benefits. Flexible working can help reduce child poverty as it enables low income households to utilise the earning power of both parents. It also helps single parents return to work or extend their hours (HM Government, 2011). But across the London economy many workers have no real access to flexible work practices. For many of them, this offer is in name only, and in practice parents report that they find it difficult to balance their work with their childcare arrangements.

Successive governments have, to a certain extent, recognised that family friendly work opportunities are almost as important as affordable childcare in helping parents return to work after having children. Parental leave has been extended over the last 15 years. Paid parental leave now stands at 39 weeks, with a mother or father now able to take an additional 13 weeks of unpaid leave. Moreover, the Work and Families Act 2006 and most recently the Children and Families Act 2014 has enabled a greater sharing of parental leave between mothers and fathers. From April 2015 parents will be able to share 50 weeks leave between them, of which 37 can be paid. If an employer agrees to it, this leave can be taken in up to three blocks, to enable greater flexibility.

Since 2002 parents have also had the right to ask for flexible working, initially if they had a child under six or a disabled child. The Work and Families Act 2006 extended this to all parents with children under 18. In 2014 this right was given to all employees to enable them to balance work and family life and reduce any stigma associated with family friendly working.

Despite this legislation, a minority of employees have access to flexible work opportunities which are usually taken to include part-time working, flexi-time, term-time working, job shares, temporary reduced hours, annualised hours, compressed hours and opportunities to regularly work from home. Data from the 2011 Workplace Employment Relations Survey showed that only a third (34 per cent) of workplaces allowed flexi-time working, where staff could vary their time at work outside core hours. In the previous survey in 2004 some 35 per cent of workplaces had these arrangements available.

In the same 2011 survey 30 per cent of workplaces allowed staff to work from home, 16 per cent allowed term-time only contracts, 19 per cent allowed compressed hours and 19 per cent allowed job shares, down from 31 per cent in 2004. Part-time work was the most frequent flexible work option, with 56 per cent of workplaces offering this in 2011.

There are also some groups of workers who have less access to flexible work practices, as Table 6.1 shows. This gives the percentage of employees who have perceived access to different types of flexible work arrangement broken down by various characteristics. Highly-qualified staff tend to have greater access to flexible work opportunities, usually because they often have more negotiating power in discussions with their employers. Those who have least access to flexible work opportunities include the least well-qualified, those who work in male-dominated workplaces, or small businesses as well as those who work manufacturing industry and construction.

Who has access to flexible work?

Table 6.1 Perceived access to flexible work opportunities

	No flexible work opportunities perceived to be available	3 or more types of flexible work opportunities perceived to be available
All employees	8%	66%
Women	3%	73%
Men	12%	
No qualifications	19%	49%
Level 3 qualifications	7%	67%
Degree level	4%	75%
Household income £25,000 – £34,999	10%	62%
Household income £35,000 – £44,999	12%	62%
Household income over £45,000	6%	75%
Managerial and professional occupations	4%	77%
Intermediate occupations	7%	64%
Routine and manual occupations	11%	54%
Public sector	3%	80%
Private sector	9%	60%
Manufacturing	16%	41%
Construction	23%	48%
Retail and hotel and catering	7%	61%
Financial services	3%	75%
Public administration, education and health	4%	76%
Single site organisation employing 1–9 workers	10%	72%
Part of larger organisation employing 1–9 workers	11%	58%
Single site organisation employing 250+ workers	1%	
Part of larger organisation employing 250+ workers	4%	73%
Workforce mostly women	3%	73%
Workforce mostly men	18%	50%
Workforce with gender balance	4%	73%

Source: 2011 Work-life Balance Employee Survey cited in Tipping et al, 2012

From flexible to family friendly

The data cited in Table 6.1 indicates that there are significant numbers of London parents who have no access to flexible work opportunities. These parents are disproportionately likely to have few qualifications and be on a low income. The 2011 Work-life Balance Employee Survey also indicates that 14 per cent of London workers have had a request for changes to their work arrangements turned down in the last two years.

Improving access to flexible work opportunities would make a big difference to those London workers who presently cannot or believe they cannot work flexibly. If this is to happen, the debate about 'family friendly' working needs to change. At present family friendly working is mostly associated with the opportunity for part-time work or flexi-time. This emphasis skirts over other actions that employers could take to help parents balance work with family life. Simply knowing about their employees' caring responsibilities is very important. Informing staff about sources of financial help with childcare costs is also important. Emergency childcare services or workplace nurseries may be appropriate for particular businesses.

There needs to be a clearer business case for flexible working, particularly in sectors of the economy such as manufacturing industry where workers have less access to flexible work opportunities. The business case needs to be tailored towards particularly industrial sectors. While the increased retention of skilled workers is often cited as being a major benefit of flexible work opportunities, this argument will not be convincing to businesses where there is little staff turnover or where it is easy to recruit.

The business case for flexible working also needs to acknowledge the constraints to flexible working in particular industrial sectors. For example, in hospitals and the emergency services a proportion of staff will need to work outside normal office hours. But within these there is much that organisations can do to help their staff arrange childcare, for example, giving employees sufficient notice of their future shifts to enable them to arrange childcare in advance.

The Family and Childcare Trust would like to see employers help staff with their childcare arrangements if they require them to work outside normal office hours. This already happens in some hospitals (Singler, 2011).

Here childcare coordinators ensure that there are local childminders and nurseries that take children outside normal office hours. Some hospitals also retain the services of emergency childcare providers who can give care at short notice. This good practice could be more widely adapted outside the healthcare sector.

Reducing stigma

In some workplaces there is also a stigma attached to flexible working. Part-time work is the most popular form of flexible work, but in many organisations part-time jobs are often of a lower status than full-time employment and are less likely to lead to promotion (Grant et al, 2005). This may impact negatively on women's career prospects, leading to the 'motherhood penalty'.

Workers who request parental leave or flexible work are sometimes seen as being less committed, with a third of respondents (31 per cent) in a 2013 survey reporting that they have heard derogatory remarks made about flexible work in their workplaces (Institute of Leadership and Management, 2013). The same survey showed that fewer than 10 per cent of new fathers take over two weeks paternity leave, with the majority (58 per cent) feeling that their organisations did not support men taking time away from work after the birth of a child (ibid). This gendered practice reinforces cultural expectations in some organisations that women have the primary responsibility for childcare and they are the ones who take extended periods away from work to bring up children. In turn this, too, impacts on women's career progression.

There is much that employers can do to minimize this stigma. Research shows that where flexible working is promoted from the highest level in the organisation – the chief executive – there is less stigma attached to it. Businesses need to make a particular effort to reach out to men and encourage them to take parental leave or to work flexibility. There are concerns that as employer supported childcare vouchers are phased out, there will be fewer opportunities in the workplace to have conversations about childcare and work-life balance.

From flexible to family friendly

Making work family friendly

While flexible work opportunities do much to help parents with their childcare arrangements and balance their work with family life, there are other work practices that make childcare and family life more difficult. There is a culture of long hours, with workers in the UK working longer than their peers in most EU countries. In the year to March 2014, an estimated 30.5 per cent of London men and 14.8 per cent of women worked more than 45 hours per week¹⁷. Long hours at work make childcare expensive and also impact on the quality of family life. For some workers long hours at work are unavoidable, but what needs to be addressed is the attitude that those who are unable or unwilling to work longer than their contracted hours are uncommitted.

Low pay also impacts on childcare and family life. Even at the National Minimum Wage and with maximum tax credit support, parents still have to find some of their childcare costs – currently 30 per cent. For two parents on the National Minimum Wage, one working 35 hours and the other working 20 hours per week, their gross annual income will be £18,046 per year, but they will still have to find over £2,000 in London to pay for part-time nursery care.

Table 6.1 shows the percentage of employee jobs on London boroughs earning less than the London Living Wage. Increasing numbers of London local authorities are supporting the London Living Wage – currently set at £8.80 per hour over the National Minimum Wage, now set at £6.31 per hour. It was parents who initiated this campaign: the Living Wage campaign was launched in 2001 by families in East London, who were frustrated that on the National Minimum Wage they had to work many overtime hours that gave them little time with their children. In-work poverty puts pressure on parents by restricting what they can buy (Lexmond et al, 2011). Financial pressure also negatively impacts on parenting style. For these reasons, the Family and Childcare Trust supports the London Living Wage and sees it as an integral part of family friendly employment.

17 ONS data from the Labour Force Survey.

From flexible to family friendly

Table 6.1: Percentage of employee jobs on London boroughs earning less than the London Living Wage

	Percentage of employee jobs earning less than the LLW in 2012	Percentage of employee jobs earning less than the LLW in 2013
Barking and Dagenham	16.9%	17.4%
Barnet	20%	22.9%
Bexley	35.5%	37.6%
Brent	29.9%	32.4%
Bromley	25.7%	26.9%
Camden	10.8%	11.8%
City	5.1%	5.6%
Croydon	25.5%	27.5%
Ealing	27.1%	28.5%
Enfield	28.4%	31.3%
Greenwich	18.9%	20.7%
Hackney	20.5%	21.7%
Hammersmith and Fulham	17.4%	19.3%
Haringey	19%	19.8%
Harrow	35.5%	39%
Havering	26.4%	27.9%
Hillingdon	16.3%	17.8%
Hounslow	23.3%	24.6%
Islington	9.7%	10.5%
Kensington and Chelsea	16.3%	17.8%
Kingston	25.1%	27.3%
Lambeth	15.8%	16.8%
Lewisham	22.3%	24.5%
Merton	26.4%	29.1%
Newham	29.2%	30.8%
Redbridge	27.9%	30%
Richmond	19.7%	21%
Southwark	13.2%	14.1%
Sutton	22.7%	25%
Tower Hamlets	7.3%	8%
Waltham Forest	32.7%	34.6%
Wandsworth	23.2%	24.5%
Westminster	15.2%	16.1%
London	17.5%	18.8%

From flexible to family friendly

Some 1.4 million UK workers are employed on zero hours' contracts. There is no reliable regional data on the number of Londoners employed on such terms, but analysis from the Office for National Statistics suggests that zero hours contracts are more prevalent among women and in the hotel and catering and health and social care sectors (Office for National Statistics, 2014). Zero hours contracts make childcare particularly difficult to arrange, as work is often allocated at too short notice to arrange formal childcare. Managing tax credit help with childcare costs is more difficult where working hours – and childcare costs – vary from week to week. The Family and Childcare Trust would like to see stronger action to against the abuse of zero hours' contracts. There are arguments in some industrial sectors for retaining a proportion of staff on zero hours' contracts to cope with changing demand, but the core labour force of an organisation should never be employed on such contracts. There should be a minimum notice period of when work is made available or cancelled to enable parents to arrange childcare. The Mayor of London and local authorities should use their influence as employers and commissioners of services to promote secure and well-paid employment. Local government should use their procurement arrangements to deter the use of zero-hours contracts in contracted out services, by ensuring that outsourced services are adequately funded and that commissioning contracts are not designed to encourage insecure work and poor pay.

7. Conclusions

We set out to review childcare provision in London and look at the progress made towards addressing some of the problems we highlighted in the 2012 London Childcare Report. In this we identified the higher costs of childcare in the capital compared with elsewhere in the UK. There are also significant gaps in provision in many places, and most acutely for parents who have 'atypical' employment patterns such as shift-work. Where these parents are not able to 'shift-parent' or use informal childcare support networks, the absence of formal childcare may limit their work options.

Since the publication of the 2012 London Childcare Report there have been some welcome developments at a national and London-wide level. The cost of childcare has risen up the political agenda and as a result of this debate parents will receive extra help with their childcare costs in 2015 through a new voucher scheme and in 2016 through Universal Credit. London local authorities and providers have created many new nursery places for two year olds who qualify for free early education. But at the same time a part-time nursery place for a child under-two costs 28 per cent more than the British average. There are also some serious gaps in provision which, in some cases, have worsened since 2012. Gaps in provision for the under twos and disabled children have worsened in the last two years. Moreover, there has been little progress to provide formal childcare for parents with atypical work patterns or a wider range of activities for 12-14 year olds.

There are other childcare challenges in London. Despite much hard work, some local authorities have had difficulties finding sufficient places for two year old children who qualify for free early education. There is also a variation in the uptake of free early education. In 13 London local authorities more than one in ten of three and four year olds missed out on free provision in 2013. Another challenge in London is the quality of some nurseries, as it is only high quality provision that narrows developmental gaps and helps the most deprived children. Staff qualifications are strongly associated with quality and too many London children attend nurseries where no staff member is a graduate.

Almost all research about parental employment highlights the importance of flexible and family friendly working in helping parents arrange their childcare. Legislation now gives workers the right to request flexible work, but for many London workers this right is in name only. The Government's most recent Work-life Balance Employee Survey indicated that just a third of workplaces allowed flexi-time where staff could vary their time at work outside core hours. The same survey showed that 8 per cent of workers had no access to any flexible work arrangement, which rises to 19 per cent where staff have no qualifications. London's most disadvantaged working parents are much less likely to have access to flexible work opportunities, usually because they have less power in negotiations with employers.

This year's report made a number of policy recommendations that address childcare affordability, available and quality, as well as ensuring parents have access to family friendly employment. These are outlined in the report and its executive summary. We would like to see providers, London local authorities, the Mayor and national government prioritise childcare for parents with atypical work patterns. Another priority is to ensure that other gaps in provision are filled.

One of the most pressing recommendations of the *2014 London Childcare Report* is for reform to the childcare funding system, which comprises a mixture of supply-side subsidies to providers, mostly to deliver free early education, and demand-side subsidies to parents in the form of tax credits and voucher support. International evidence suggests that 'supply-side' funding where money goes to providers is generally more cost effective than directing funding to parents, as provider funding can be made conditional on meeting quality criteria, thus leading to improvements on early education and childcare. Channeling subsidies to providers has less potential to be inflationary, whereas demand-side funding to parents is more likely to push up childcare prices, as hard-pressed providers see extra money in parents' pockets as an opportunity to put up prices.

The Family and Childcare Trust would like to see the Government set up an independent review of childcare funding that examines all options for funding reform, including a shift to supply-side funding.

Conclusions

Throughout the report, we argue that access to good quality childcare makes London a better place to live and work. High quality early childhood education boosts the later educational achievement of children and narrows the gaps between the most disadvantaged children and the rest of society. Affordable childcare helps parents to remain in work and families to move out of poverty. Childcare helps London function as a global city – without it many skilled workers would be forced to leave the labour market. Investing in high quality and affordable childcare brings benefits for London children, their parents, employers and wider society.

Ultimately, many of our recommendations will require financial investment from the Government. But we believe that this will pay off. Even a one per cent increase in maternal employment would result in a net gain to the exchequer of £200 million per year. This is a powerful argument for investing in childcare provision.

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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 formed in 2013 as a result of a merger between Daycare Trust and the Family and Parenting Institute. It undertakes research and policy advocacy and also works with parents, businesses and government in order to serve families better.

Over the last 25 years both organisations have carried out significant amounts of work in London. Today the Family and Childcare Trust works with a number of London local authorities to deliver peer-to-peer Parent Champion schemes where parents are recruited to provide advice and to encourage other parents to take up help such as the free early education offer. It also offers support to local authority Family Information Services in London through the membership body, the National Association of Family Information Services. The Family and Childcare Trust is also growing its links with London businesses to develop family-friendly work practices.

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