

## Treasury Select Committee Childcare Inquiry Evidence from the Family and Childcare Trust

Over the last 25 years, successive governments have made significant investment in childcare to both support children's outcomes and enable parents to work, with over 5 million children now in paid for childcare every week in the UK and parents receive more support with childcare cost than ever before.

These changes have been welcomed by parents and employers alike and the impact has been seen in higher rates of maternal employment and improved child development. The support, however, have come in the shape of a mishmash of initiatives creating a complex system that parents struggle to navigate. Some parents are still worse off in work once they have paid for childcare, particularly larger families or families with young children, leading to a loss for employers of skills and experience, increase benefit payments and decreased tax intake.

Our response outlines the areas where childcare policy is not currently working for families:

1. **Cost:** some families are not better off working, or are only seeing very marginal gains from work, as a result of the cost of childcare. A single parent with one year old twins could be £75 better off not working than working full time as a result of high childcare costs.
2. **Complexity:** parents face a confusing picture of seven different childcare support mechanisms available, leaving them at risk of missing out on their entitlements.
3. **Availability:** only half of local areas have enough childcare for working parents, and the shortages are even more acute for parents working atypical hours.
4. **Disabled children:** parents of disabled children are often frozen out of work by the higher costs and lower availability of childcare for disabled children.
5. **Difficult to access childcare for training:** meaning that parents struggle to improve their skills and employability.
6. **Parents moving into work:** parents can be prevented from moving into work by upfront childcare fees and deposits that they need to pay before they are paid from work – often these costs will be around £500 for a part time place.
7. **School age childcare:** there are significant shortages in the availability of school age childcare, particularly during school holidays when only one in four local areas have enough childcare.
8. **Gains for the next generation:** the quality of childcare is not consistently high enough to boost children's outcomes and narrow the gap between disadvantaged children and their peers.

This inquiry provides the welcome opportunity to consider the whole childcare system and whether the time has come for reform. The Family and Childcare Trust recommend replacing the current myriad of support with one **simplified, progressive funding system** that makes sure that all parents are better off working. This funding should be paid directly to childcare providers, rather than to parents, to provide Government with greater control over the quality of provision and reduce the risk of rapid inflation in childcare prices.

In lieu of wholesale reform, improvements can be made to the current system to make it work better for families. The Government can improve the current system by:

- Increasing the maximum amount of childcare support available through universal credit to reflect current childcare prices.

- Finding a solution within universal credit to enable families to better manage advance and fluctuating childcare costs including moving to upfront payments.
- Providing start up grants to childcare providers, targeting areas where there is not enough childcare or particular groups that are poorly served such as disabled children and parents working atypical hours.
- Working with schools and other childcare providers to improve the supply of school age childcare, including strengthening the right to request wraparound and holiday childcare or introducing a duty.
- Improving access to early education for disadvantaged children by doubling the early years pupil premium.

### **The role of childcare in supporting the economy**

A well-functioning childcare system benefits the economy in a number of different ways:

- it allows parents to work, raising family incomes, which benefits public finances by reducing benefit payments and increasing tax receipts, as well as reducing child poverty and the associated costs to the public purse.
- it provides employers with a reliable parent workforce, helping them to retain the skills and experience of staff.
- high quality childcare can boost children's learning, setting them up to achieve at school and develop the skills they need for life, helping to narrow the gap between poorer children and their more affluent peers.

The value of childcare to the economy can be seen through the growing interest from businesses in childcare policy. Many employers now include childcare incentives in the employee benefits package, often as part of a strategy to attract and retain parents and the skills they bring to the workplace. Both the British Chamber of Commerce and the Confederation of British Industry have called on Government to make further investment in childcare to ease the burden between the end of parental leave and when children start school.

The gender pay gap is inextricably linked to parenthood: whereas men's earnings continue to rise after the birth of their first child, women's stagnate meaning the gap widens when they have children, and continues to widen until children are in secondary school (IFS, Wage progression and the gender wage gap, 2018).

The costs and availability of childcare can constrain parents' choices about working patterns, particularly pushing parents towards part time rather than full time work or with working hours that match childcare availability. High quality part time or flexible jobs are hard to find: less than 10 per cent of jobs advertised are high quality and part time or flexible (Timewise Flexible Jobs Index, 2017). Mothers are more likely than fathers to reduce their working hours and this contributes to the gender wage gap (IFS Wage progression and the gender wage gap, 2018), and often also their hourly pay.

This means that women are stuck in jobs which pay below what they could earn, and which do not make the best possible use of their skills. This can have a long term effect on women's financial well-being as it can reduce their earnings throughout their career and reduced pension contributions can also impact their retirement. Improving access to childcare will provide parents – and mothers in particular – with real choices about how to balance work and care.

## 1. The cost of childcare – are parents better off working?

Recent additional investment in childcare – notably the 30 hours of free childcare and tax free childcare – have made a real difference in helping to make sure that parents are better off working. However, high childcare costs are still making it hard for some parents to afford to work. Childcare costs tend to be highest when children are youngest and government funded hours are not available. The period between the end of maternity or shared parental leave and the start of free childcare when children turn two or three tends to be when families struggle the most with costs, particularly when they have more than one child. The two examples below show that some families will only see small gains from increasing their work intensity, and that the gains from work can vary significantly for two mothers working on minimum wage depending on whether or not they have a partner.<sup>1</sup>

### ***Couple family***

A couple with two children aged 2 and 5 where one parent earns median wage could see minimal gains from the second parent moving into work at national minimum wage. Once they have paid for housing and childcare, they will take home less than £12 for each additional day worked, equivalent to £1.70 per hour or less. The mother with a working partner will see modest but consistent financial gains from moving into work: her income will increase by around £12 per additional day worked each week.

### ***Single parent***

A lone parent with children the same age will see greater gains from moving into work for a small number of hours at national minimum wage, but the hourly gains reduce as she works more hours. She will see a gain of £46 per week from moving into work for just one day, but will be just £5.98 better off working five days compared to working four days – an equivalent hourly rate of 85p.

Families with short gaps between children or who have multiple births are likely to face the highest costs and smallest gains from working.

### ***Single parent with young twins***

A single parent earning the national minimum wage with one year old twins will find that her high childcare costs could mean that she is not better off working. While she can be a maximum of £50 per week better off from working three days a week, once she moves to working more hours her childcare costs are so high that she ends up paying to work, and in fact loses £2.92 per hour worked on her fifth day, meaning that she is £75 per week better off not working than working 5 days per week.

Universal credit will only support childcare costs up to a maximum of £300 per week for two or more children and £175 for one child. The average cost of a full time nursery place for a one year old is £225 per week, far higher than these limits. These maximum amounts have not been updated in a decade and so have fallen significantly behind childcare costs.

- *Recommendation: The Government should immediately increase the maximum amount of childcare support available through universal credit to reflect current childcare prices.*

<sup>1</sup> Note on calculations: we have assumed that families are paying average childcare costs and £573 per month in rent. We have based calculations on parents working a 7 hour day, and requiring 10 hours of childcare per day to allow for travel to work and lunch break.

## 2. Complexity – the need for high quality information

The examples above also highlight the acute complexity of the current childcare system. It can be very hard for parents to know what support they can access to help them pay for childcare and how many hours they would be best working for.

There are seven different ways that families might be able to get childcare support: working tax credits, universal credit, childcare vouchers, tax free childcare and free childcare entitlements for two, three and four year olds. In order to make the best choices about work, parents will need to understand all these different forms of support in order to know which would be best for them.

The childcare calculator on the Childcare Choices website is helpful for enabling families to work out which schemes are best for them under specific circumstances. But in reality, family circumstances are more dynamic than this: children get older and there may be the opportunity for parents to change their working hours and earnings. There is no tool that enables parents to look at how their disposable income would change for working different hours.

In order to make informed decisions about childcare, it is important that parents are able to access high quality information about the childcare that is available and support to help pay for it. In most local authorities, local information on childcare is provided by a Family Information Service (FIS) who also work with childcare providers to improve the supply of childcare. Many FISs also manage their Local Offer and Early Help services. For parents, carers and providers to be able to access high quality information, the role of Family Information Services must be higher valued. However, the role of FISs varies considerably between different local areas.

*'Our FIS thrives because we take responsibility for communicating all services for children and young people in our area, not just childcare.'* Family Information Service staff member

*'The value of the service provided by FIS, and the perception of its usefulness, internally and externally has been reduced and marginalised.'* Family Information Service staff member

The rollout of the new childcare schemes has caused confusion among some parents. In our survey of FISs, one third of responders shared that it was easy to use the Childcare Choices website to find out about financial support for childcare. However, almost half of respondents said it was difficult for parents to apply for financial support on the Childcare Choices website.

*'I think the website is a good resource, clearly laid out that helps parents navigate what may be a complex system. However, the issues arise when parents try to use the Childcare Service to apply for Tax Free Childcare, 30 hours of free childcare or both.'* Family Information Service staff member

Consequently, the need for high quality local information – and for local authorities to be supported in delivering this - is more important than ever in order to support local families and providers, particularly as there has not been a national campaign on the new childcare offers. In order for the new investment to achieve its potential in enabling more parents to move into work and reduce child poverty, there needs to be an outreach and information campaign disadvantaged families to raise awareness of the childcare offer and help them move into work.

### 3. Availability of childcare

Even if parents can afford childcare, they may struggle to find provision that meets their needs. Only 54 per cent of local authorities say they have enough childcare for children under 2, falling to just 33 per cent for primary school age children after school (Family and Childcare Trust, Childcare Survey 2017).

Parents who work outside of the 'standard' pattern of nine to five on weekdays face particular challenges: only 13 per cent of local authorities say they have enough childcare available for this group. Nurseries tend to be open from 8am to 6pm at best, and the number of childminders - who are sometimes able to offer more flexible care - is falling (Ofsted Early Years Register 2017). For parents who work unpredictable hours, including those on zero hours contracts, arranging childcare is close to impossible - most providers require that sessions are booked in advance and are the same every week. Fifty per cent of non-working mothers say they would go back to work if more convenient, reliable and affordable childcare was available (Department for Education Survey of Parents 2017).

- *Recommendation: Provide start up grants to childcare providers, targeting areas where there is not enough childcare or particular groups that are poorly served such as disabled children and parents working atypical hours*

### 4. Childcare for disabled children

*'Childcare for children with a disability is a consistent problem and there has been little attempt nationally to resolve this.'* Family Information Service staff member

Far too often, parents of disabled children find that childcare is not available to suit the needs of their child, or that the childcare which is available is inflexible, meaning that they are unable to work. In a parent carer survey as part of the Parliamentary Inquiry into Childcare for Disabled Children, 92 per cent of respondents said that finding childcare for disabled children is more difficult than for non-disabled children. Only 35 per cent of parents with a disabled child believe that 'childcare providers in my area that can cater for my child's illness/disability' (Department for Education, as above). Only 18 per cent of local authorities in England and Scotland have enough childcare for disabled children, and none in Wales (Family and Childcare Trust, Childcare Survey 2017). Childcare for disabled children is often more expensive than care for their non-disabled peers.

*'Additional funding is insufficient to support a childminder caring for one SEND child at the expense of taking other children.'* Family Information Service staff member

Early education for disabled children is frequently delivered in maintained nurseries or specialist voluntary providers. This is often of high quality but less flexible, often only offering three or six hour sessions during term time rather than full days year round which support parents to work. For school-age children, access to breakfast clubs and after school or holiday care can be very difficult to find, and may only be available for certain days of the week or weeks of the holiday. This makes it very difficult for parents of disabled children to work – their skills and talents are lost to the economy, and families with a disabled child are more likely to be living in poverty than other families (Households Below Average Income dataset). Only 16 per cent of mothers with disabled children work, compared to 61 per cent of other mothers ([Contact](#)).

Schools and standalone nurseries are bound by the Admissions Code, which allows local authorities to place a more rigorous duty on them to admit disabled children, although in the early years this does not confer an automatic right to a place. While there is additional

funding available to meet the needs of disabled children, providers tell us that the process of determining that the child needs support and then getting the agreed support in place can be very slow and bureaucratic, taking up a lot of staff time. This leaves childcare providers to meet these costs from other income in the interim if they can: in some cases, specialist equipment which has been ordered for a nursery only arrives when the child has left to start school.

- *Recommendation: Government should improve access to early education for disadvantaged children by doubling the early years pupil premium.*

## **5. Difficult to access childcare for training**

Better training and qualifications are one of the key routes to better labour market productivity. This can be particularly significant for mothers who have been out of the workforce for some time and struggle to re-enter the workplace without training or volunteering to help them build their skills and confidence. Childcare support for training can help parents to improve their skills, but it can be hard to access.

Reasonably generous provision is available for student parents under the end age of 20, and for full time university undergraduates, but outside of these groups support is very limited: students are reliant on the Further Education Discretionary Learner Support Fund and the Advanced Learner Loan Bursary Fund, both of which are locally administered by a college, with no guarantee of eligibility or how much you will get, and usually no possibility of determining whether childcare will be available before applying for a place.

The Flexible Support Fund is available through the benefits system and can be used to help with childcare costs in training, but this is very limited: the scheme spent less than £1.5m on childcare support for people in training in 2012/13 (House of Commons Briefing Paper, 2016) - the equivalent of part time childcare for a year for just 250 children.

Since April 2017, single parents with a youngest child aged three or over have been expected to actively seek work in order to be eligible for benefits. Government have recognised that training can play an important role in the journey into work for this group and they can undertake training for up to a year if this will improve their job prospects, compared to just 10 weeks for other claimants. However, they may struggle to find and afford childcare that enables them to undertake this training. Extending the 30 hours provision to parents undertaking training would enable more parents to build their skills and then enter high quality work.

- *Recommendation: Extend eligibility for 30 hours of free childcare for three and four year olds with working parents to parents undertaking training.*

## **6. Parents moving into work**

Parents looking to start work can find that upfront childcare costs make this difficult or impossible. Childcare providers commonly ask for fees to be in advance as well as asking for a deposit or retainer, but parents are likely to be paid earnings and benefits in arrears, making it hard to manage these upfront costs.

There is a patchwork of different possible options for support for upfront childcare costs through universal credit, the flexible support fund and employer led schemes, but no clear pathway for parents to access support to meet upfront childcare costs when they move into paid work. It is particularly urgent that a solution is found for low and middle income families claiming universal credit who are most likely to struggle with the costs.

Support to help parents move into paid work must acknowledge the need for parents to be able to bridge the gap between payment of upfront childcare fees and reimbursement through universal credit payments and earnings.

This is also an issue for families with fluctuating childcare costs and very common for school age children who require more expensive full time care during school holidays.

- *Recommendation: Flexible Support Fund and Universal Credit advances should be reformed to offer a reliable source of funding for upfront and fluctuating childcare costs.*

## 7. School age childcare

Childcare costs are lower once children reach school, but there are significant problems around whether there is enough childcare to meet demand. Families will typically need to use different childcare providers to cover before and after school and school holidays. Shortages of childcare are even more acute for school age children: only 24 per cent of local authorities have enough holiday childcare for parents working full time and 33 per cent have enough childcare for primary school children during term time.

*'Many providers care for children up to the age of 12 but many parents still require all day holiday care for children just above that age group.'* Family Information Service staff member

Although costs are lower for school age childcare, some families are still likely to struggle to pay. Average costs double between term time and holidays which can throw off carefully managed family budgets. The new tax free childcare system can help parents to manage this fluctuation as parents can 'bank' money in their account during term time and draw on it during the school holidays. Under universal credit, however, support is paid in arrears, so parents will not receive any additional support for their costs until after they have been incurred and often also have to have been paid.

Some families might also find that they are unable to claim any financial support for school age childcare: childcare has to be Ofsted registered in order to be eligible for childcare support, but childcare providers only looking after children over 8 do not have to register with Ofsted.

- *Recommendation: Government should work with schools and other childcare providers to improve the supply of school age childcare, including strengthening the right to request wraparound and holiday childcare or introducing a duty.*

## 8. Gains for the next generation

High quality early education before the age of five has an impact now and for the next generation: it is central to improving children's outcomes so they do better in their education and eventually in employment. It can help to close the attainment gap between deprived children and their peers, reducing the vast loss to the economy and society that comes from poor children achieving below their potential. The effects of early education continue to GCSEs and beyond - children who attend a high quality nursery go on to do better by the equivalent of eight grades in their GCSEs. (Taggart et al, Effective Pre-school, Primary and Secondary Education Project, 2015) There are also significant benefits to social and emotional wellbeing - children who attend high quality nursery are better at sharing with their peers, communicating about their feelings, and regulating their behaviour. (Melhuish et al, Study of Early Education and Development (SEED), 2017).

### **About Family and Childcare Trust**

We want to see a society where the quality of family life is not determined by where you live, your income or being disabled. All parents and children will be set up to thrive now and in the future through:

- Investment in families, and the services and support they need
- Building a high quality childcare system that boosts children's development and supports parents to work
- Parents having the opportunity to work and care flexibly

Our annual childcare surveys, now in their seventeenth year, are the definitive source of information on childcare costs and availability for early years and school age children. They are used by local and national governments, the OECD, employer organisations, trade unions and the voluntary sector. Our findings are used to calculate the Living Wage and secure extensive media coverage in national and regional TV, radio and the press. Our research is parent-led and family focused, seeking to understand how policy affects families' experiences.

Our award winning parent led programmes reach thousands of disadvantaged families each year. Parent Champions are parent volunteers who give a few hours a week to talk to other parents about local services. Last year, the Parent Champions programme supported over 400 parent volunteers in 44 schemes across England. They engaged with more than 10,000 disadvantaged families to encourage take up of free early years' provision, childcare and family services. Of 1000 parents surveyed, 66 percent took up an early years place following contact with a Parent Champion. Our Young Dads Collective (YDC) worked with 500 professionals to make their practice and services more inclusive of young dads.

We host the National Association of Family Information Services (NAFIS), which is a national membership organisation meeting the needs of local Family Information Services. In order to help with our response to this inquiry we asked all Family Information Services in England to respond to an optional survey, that would inform parts of the response to this inquiry. We had over 50 responses to this survey and quotes from the responders have been used throughout this inquiry response.

Combining learning from our research and work with families we identify opportunities for policy change to better meet needs. Working closely with civil servants and elected officials we build support for these changes and enable action. Providing the secretariat to the APPG for Families in the Early Years, chaired by Lucy Powell MP, supports our strong relationships with parliamentarians and enables relevant issues to be raised in parliament.

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