

**Women's Budget Group submission
to the House of Commons Work and Pensions Committee
inquiry:**

***How can suitable, affordable childcare be provided for all
parents who need it to enable them to work?***

The Women's Budget Group (WBG) is an independent UK organisation bringing together academics and people from non-governmental organisations and trades unions to form a network of experts to promote gender equality through appropriate economic policy.

If you would like to follow up this submission or more information about the work of the WBG, please contact the Project Officer:

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Key Recommendations

- High quality childcare should be considered as a good in itself for all children rather than a good only for those children whose parents are in employment.
- Calculations of the cost of childcare (and hence the level of childcare subsidies) should always consider, in addition to the direct costs of formal childcare, payments for picking up children and transport costs. Urgent consideration should be given to ways of helping parents with the payments made to informal carers.
- An additional childcare subsidy should be made available to low earners that is independent of household income (i.e. outside the tax credit system) and the maximum subsidy available should be increased to 100% of costs.
- A system of subsidy for job seekers should be introduced so that childcare can be organised before a job starts and retained if a parent loses a job while seeking another one.
- The Government should review the rate at which the childcare element of the WTC will be paid, including the maximum percentage of total costs payable. It should monitor closely if the rates are high enough to cover high quality nursery care and appropriate care in the child's own home for each child in a family and in all areas.
- Larger families and lone parents with more than one child are disadvantaged in the tax credit system. The level of support for second and subsequent children should be raised and the consequences for larger families should be monitored.
- The Government is not providing enough support to mothers who wish to return to paid employment via education. This is particularly the case for those wishing to become health care professionals. The government should support those willing to invest in their human capital. Training courses should provide childcare wherever possible and where they do not, participants should be eligible for 100% childcare subsidies.
- The gap between the full cost of childcare and what parents can afford means that some providers, including non-profit organisations, are making a loss. Sustainable services in all areas of the country will only flourish if direct subsidies are extended beyond the most deprived areas.
- Children's Centres and Early Excellence Centres should be extended beyond the most deprived areas.
- The problem of the recruitment and retention of childcare workers is a major obstacle to the much needed expansion of formal childcare services of all kinds. The disparities between levels of pay, qualifications and opportunities of childcare workers and teachers must be tackled by heavily investing in the education and training of the former and developing an integrated service.
- The current tax regime does not encourage employers to think imaginatively about assisting their employees to meet their childcare needs. It should be reviewed.

1. We welcome the interest of the Select Committee in childcare services, reflecting a recognition that without adequate affordable childcare, the government will neither achieve a substantial reduction in child poverty nor a sustainable increase in economic activity rates among mothers, especially lone mothers.
2. However we regret that, due to its remit, the committee focuses only on childcare for the children of parents in employment or moving into employment, and does not consider that high quality childcare is a good in itself for all children. This is in contrast to the welcome expansion of pre-school education which is offered free to all parents who wish their three or four year olds to have it. This is funded out of general taxation. We shall argue below that the divisions between the staffing, funding and organisation of the care and education of young children is a major constraint on the growth of good quality childcare provision.
3. The committee does not mention the childcare needs of parents in full-time education despite the evidence that many lone mothers are keen to return to paid employment having first improved their qualifications and skills.

Tax credits and childcare subsidies

4. Currently the childcare tax credit (CCTC) is used by 13% of parents in receipt of the working families tax credit (WFTC) and 90% of the recipients are lone parents.¹ This is not surprising as the majority of couples claiming the WFTC are single earner and therefore are not eligible for the CCTC. In other words the tax credit scheme is only reaching a minority of families who incur formal childcare costs. Even successful claimants still have to find on average 40% of their costs and this may be restricting their availability to work more hours. This is a particular problem for women who are most likely to have primary responsibility for childcare and earn only 80% of average full-time male hourly earnings.²
5. The fact that a third of after-school schemes, including those run by local authority and not-for-profit organisations, are operating at a loss suggests that the fee levels that the market will bear are too low to sustain the service. If the tax credit system cannot pay a higher proportion of childcare costs then the services should be directly subsidised. This is recognised in some of the childcare programmes targeted on the most deprived areas. However the majority of the poorest families do not live in these areas.
6. Despite the existence of the CCTC the high cost of childcare continues to affect the participation rate and working hours of women whose household income is above WFTC levels. While the CCTC seems to be effective in helping lone parents with a single child into employment (particularly where the interaction with housing benefit is not too severe), there are two groups that it is not helping, or helping insufficiently, to take employment: mothers

¹ Inland Revenue, *Working Families Tax Credit Quarterly Enquiry UK*, May 2002

² EOC Briefing, 'Women and Men in Britain: Pay and Income', 2003

with partners in employment and lone parents with more than one child.

7. In the current situation, where a lack of affordable and acceptable childcare means that some partnered mothers leave employment or are forced to reduce their hours or work in jobs where their skills are underused: valuable skills are lost to the economy; these mothers' future employment prospects and earning power are eroded; a significant proportion of these mothers will be lone parents at some point in the future and their ability to support their families in such circumstances will be compromised.
8. Himmelweit and Sigala³ have found that in couples, whether childcare was considered 'affordable' and thus whether the family gains enough to make a mother's employment worthwhile was found universally to be assessed against the woman's earnings, with childcare and associated costs all seen as costs of her employment. In some more egalitarian couples this was sometimes put in terms of the lower of the two earnings, but in practice, especially among low to middle income households, these were almost always the woman's. This left lower paid women, including some with valuable skills, such as nurses and nursery nurses, often working reduced hours to fit around 'free' childcare. In many cases this involved giving up the job for which they had been trained to take unskilled part-time work whose shifts fitted in with the times that husbands and other family members could look after children.
9. They found that the costs of having children cared for are not only formal childcare costs. Transport costs and other expenses are significant factors entering into calculations as to whether it is worth a mother staying in employment and the hours that she should work. Such costs could be particularly high for those using informal childcare, such as care by grandparents or other relatives, (and such informal provision was itself often paid for.) Lack of childcare provision within walking distance combined with poor public transport also meant that many mothers in employment using formal childcare said that they could only manage the necessary journeys by running a car. The expense of doing so then becomes another factor entering into the calculation of whether a mother's employment is worthwhile
10. The childcare element of the WFTC is effective and appreciated by lone parents and has enabled some to take employment for whom it would not have previously been financially viable. However some problems remain. Lone parents may have additional costs through not being able to rely on the physical, financial or time contributions of partners. Himmelweit and Sigala⁴ also found that for many lone parents with more than one child the help provided by WFTC was insufficient to tip the balance towards employment. This was because there are few economies of scale in formal childcare and because the extra time involved in arranging and

³ Himmelweit, S. & Sigala, M., (2003) 'Internal and External Constraints on Mothers' Employment: Some Implications for Policy', Working Paper 27, *ESRC Future Work Programme*, ISSN 1469-1531

⁴ *ibid*

using childcare for more than one child made a marginal increase in income less attractive to their parents.

11. Mothers have difficulty re-entering the labour market because childcare subsidies are not available while looking for employment. For those requiring subsidy, it is therefore essential, but extremely difficult, to start childcare and employment on the same day. This is so difficult to arrange it discourages some from seeking employment. It is also stressful for both mother and child not being able to settle the child into childcare before taking up her new job.
12. A couple will not receive the childcare element of WTC if one parent becomes a full-time student in further education (FE) or higher education (HE). Within FE they may get support from the funds now ring-fenced for childcare. These have grown very significantly in the past 5 years. However in the HE sector these students will not be eligible for the new HE childcare grant either. We can see no reason for excluding them from both sources of support.
13. Students of nursing and other professions allied to medicine find that their NHS bursary is treated as equivalent to a wage and therefore cannot apply for Access funds or the HE childcare grant. On the other hand they cannot apply for the childcare element of WTC because they are not counted as being in employment. The NHS is developing a system of support for student nurses with pre-school children only. This is a deterrent to mature students with older children, especially to lone mothers, who want to enter one of the health professions. There is a shortage of nurses and other health care professionals and many lone mothers are attracted to training in the NHS. It makes no sense to exclude these groups from assistance with the cost of their childcare. We are pleased that they will be eligible for the new child tax credit but this is paid for the maintenance of their children not for their care.
14. Parents with more than two children find the level of the CCTC too low. Formal childcare, especially in the private for profit sector, does not normally offer discounts to siblings and never to the extent suggested by the childcare tax credit structure. In any case the children may be using different services depending on their ages. In the last 10 years state support for children has been allocated more on the basis of the age rather than the number of the children. The level of support for second and subsequent children should be raised and the consequences for larger families should be monitored. The most recent Department for Work and Pensions Opportunity for All report indicated that large families are at particularly high risk of poverty. If childcare was made affordable for large families, their mother's paid employment could reduce that risk of poverty.

Additional Funding and the Supply of Childcare

15. Additional funding is necessary but not sufficient to increase the supply of childcare. Last year the number of childcare places only increased by 2%. However to meet the government's targets by 2006 the numbers must increase by 6% each year.⁵

⁵ Strategy Unit, *Delivering for Children and Families*, November 2002

16. Market failures in the supply of childcare limit opportunities for employment. Limited supply of childcare means that there are unacceptably long waiting lists at most nurseries, many requiring deposits to secure places, and childminders are hard to find, especially ones sufficiently close to home to ease transport problems. This has serious consequences for mothers' wishing to return to employment.⁶
17. Further, the geographical spread of childcare providers is uneven. Location is an important consideration for childcare but Himmelweit and Sigala⁷ found in their recent study that even within the relatively well provided city of Milton Keynes, some areas were poorly served. In particular, even though Milton Keynes is a relatively affluent city, there were pockets of deprivation within which there was practically no formal childcare provision. However these areas were not eligible for Sure Start funding.
18. The problem is simply that supply is not adequate to meet demand. Greater supply would ease the pressure of finding a place, force providers to offer greater flexibility and reduce the problems that waiting lists cause for those seeking employment.
19. This is a medium-term problem, not a short-term one, for the demand for childcare is likely to continue to grow. Analysis of the British Household Panel Study, a longitudinal study of British households conducted annually since 1991, shows that as the proportion of mothers with children in pre-school increased over the 1990s, new mothers' attitudes to employment changed.⁸ Thus more mothers want employment and more want full-time employment now than in the early 1990s. This trend is likely to be self-reinforcing and continue for the foreseeable future. While it continues, supply left to the market will always lag behind demand. There is therefore good reason to augment market provided supply by some public or subsidised provision, particularly in less affluent areas. Because the need for such provision is not a purely short-term one, it is unlikely to be met by providing short-term grants to providers who are expected to be financially self-supporting in three years. While there may come a time in which an adequate supply childcare can be self-supporting, this is likely not to be the case in the medium term.
20. One of the most important obstacles to further expansion are the problems providers face in recruiting and retaining staff. In addition the numbers of childminders have fallen by a third in 5 years. Workers in the childcare workforce, in common with the social care sector in general (in which the vast majority of employees are women) are amongst the lowest paid of all workers. Compared with those in early year's education, their pay and career prospects are poor. The pool of young women, who traditionally went into

⁶ Himmelweit, S. & Sigala, M., (2003) 'Internal and External Constraints on Mothers' Employment: Some Implications for Policy', Working Paper 27, *ESRC Future Work Programme*, ISSN 1469-1531

⁷ Ibid

⁸ Himmelweit, S. (2002) 'Attitudes and caring behaviour: a model with positive feedback', Working paper 26, *ESRC Future of Work Programme*, ISSN 1469-1531

childcare work until they married and had children, is dwindling as girls leave school with higher qualifications and aspirations. Teaching, healthcare and social work professions are competing for them. Childminders, who on average are at least 10 years older than nursery nurses, also find there is better paid work available, even if it is just stacking shelves in the local supermarket.

21. The division between the care and education of young children has a long history in Britain, resulting in major disparities in levels of pay, qualifications, opportunities and status. Very different models of child development and welfare often underpin their practices.⁹ High levels of co-ordination or better still, integration of early years care and education require a common training and ethos together with a working environment which facilitates collaboration. We welcome the government's commitment to establishing Children's Centres in the poorest areas, and urge them to push ahead with these plans, for these can be a location and model for integrated training and practice. The Early Excellence Centres also provide models of good practice and inter-professional working. There are also many excellent models in the children's services in many countries in Continental Europe. We hope the government will extend Children's Centres so they become a universal service and therefore reach all children. The Childcare Review Team's proposal to use the spare capacity of schools to develop more childcare provision is a step in the right direction. However not all schools have spare capacity so this may not address the problem of the very uneven distribution of childcare places. It will not reduce the barriers between education and care unless the government actively and constructively seeks to dismantle them at every level. This will require resources.
22. The government is beginning to develop a framework of qualifications for childcare, many of which can be achieved by studying part-time. The New Modern Apprenticeship scheme is attracting many enrolments but the completion rates within the social care schemes are low at 20%. Lone mothers whose time and money budgets are very tight may find it very hard to combine their family responsibilities with employment *and* training or studying unless given paid time off from work. Altogether in 2002, 79% of childcare workers and their supervisors have a NVQ level 3 qualification, or equivalent. Only half of nurseries had a training budget and these were more likely to be found in the local authority sector where 78% had a dedicated training budget. The voluntary sector provided the most training, 11 days annually compared with 5 days in the private sector. On average nursery childcare workers (including supervisors) were getting 7 days training a year.¹⁰ Four out of five nurseries are now found in the private sector so this is where most nursery nurses are employed. The private-for profit sector offers new workers experience but little paid time off for study. They may not offer adequate supervision by qualified staff either.

⁹ Penn, H., 'Policy and Practice in Childcare and Nursery Education', *Journal of Social Policy* 29 (1), 2000, pp 37-54

¹⁰ Department for Education and Skills, *Childcare Workforce Surveys*, April 2002

23. There is therefore a big gap to be filled if childcare workers are to have qualifications comparable with those working in education and health. The government is spending £70 million on training in this sector.¹¹ However more money, together with a strategy to bring the professions involved in the care and education of young children together is needed if sufficient workers are to be recruited and retained.
24. High quality childcare requires well-trained staff. They will expect higher rates of pay than the current average hourly rate of £4.48 for childcare workers and £5.52 for their supervisors.¹² This will make childcare services more costly. It is unrealistic to expect parents in Britain who already pay more for their childcare than any other EU country¹³, to bear this cost individually. The government has accepted that we should collectively share with parents the maintenance costs of children by introducing the new child tax credit alongside universal child benefit (formerly family allowance). This support is not confined to poor families. Greater recognition of a collective responsibility for the care, as well as the financial support of all children is urgent.

Employer support for childcare

25. Very few employers provide workplace nurseries. Others provide childcare vouchers. The current tax regime does not encourage employers to think imaginatively about meeting their employees' childcare needs beyond the provision of workplace nurseries and by offering a small incentive to vouchers by making them National Insurance contributions deductible. Workplace nurseries tend to be vastly over-subscribed and they do not address the needs of older children. Places are often too expensive for all employees, are sometimes allocated to employees thought most valuable to their employers rather than those with greatest need. Nevertheless, workplace nurseries are not necessarily easy for the employer to provide
26. The tax treatment of other forms of support for employee childcare costs should be reviewed and the employer's contribution to the costs of supporting childcare should be tax deductible. This could be contingent on the employer making such support open to all workers, attempting to meet the needs of those working non-standard hours and offering support for childcare from the first day of employment. If such support was available from the first day of employment the recruitment of non-working parents, especially lone parents, would be encouraged.
27. The government is already encouraging the development of family friendly employment practices. Employer contributions to their employees' childcare costs should be on both trade union and employers' bargaining agendas. A more supportive tax regime would encourage both parties to take the issue more seriously.

¹¹ Ibid

¹² Ibid

¹³ Cameron C. & Moss P, *Casework: Current Understandings and Future Directions in Europe*, Thomas Coram Research Unit, 2002