

BRIEFING | JULY 2021



Access to Childcare in Great Britain

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Childcare is the single most important driver of the gender pay and labour market participation gap. The current childcare system in the UK is expensive and formal provision is patchy.

Availability

Across Great Britain, the level of childcare available varies by region and the type of childcare required, heavily depending on the age of the child. For example, in England, 72% of local authorities report that there is enough childcare for children under two, and in Scotland 81% of local authorities have enough free-entitlement childcare for 3-4 year olds, but things are much harder for the parents of disabled children with only 25% of local authorities reporting sufficient childcare for disabled children. 41% of local authorities in Wales also report that there is not enough childcare for children of parents working atypical hours.

Affordability

Childcare is more expensive for younger children: part-time and full-time childcare for under 2-year-olds absorbs at least half of women's median earnings in Great Britain. State support for 3- and 4-year-olds makes a huge difference to affordability but childcare for this age group is still between a fifth and a quarter of women's salaries.

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< 2-year-olds (part-time)	£7,160	£11,324	63%
< 2-year-olds (full-time)	£13,718	£28,021	49%

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3-4-year-olds (full-time)	£5,282	£28,077	19%

Impact of Covid-19 and closures

Even before the Covid-19 pandemic, childcare reform was urgently needed. In the period August 2020-March 2021, Ofsted data showed a net loss of 4.4% of childcare providers and a net loss of 1.1% of childcare places in England. This decrease in places was largely driven by childminders leaving the market. There were 64,173 fewer childcare places and 7,566 childcare providers left the sector in March 2021 compared to August 2020.

Introduction

Establishment of a professional, high-quality childcare system is an essential part of a caring economy. Such a system helps to develop children's social, emotional and cognitive skills, and allows parents to take up or remain in paid employment, or undertake training or other activities, such as care for other relatives, or volunteering in the community, knowing their child is safe and well looked after. It also reduces social inequalities by helping disadvantaged children access high-quality support, as well as providing social networks and parenting support for their parents.¹ Accessible childcare can also go a long way to removing the barriers to employment for women, who are disproportionately responsible for unpaid care. Investing in high-quality childcare would also create jobs in a sector that exists in every town and city across the country, which also largely employs women.

However, the current underfunded childcare sector does not allow for these benefits to be fully realised. The coronavirus pandemic created further strain on an already weak and overly complex area of social infrastructure, which was already failing to meet the needs of children, parents, and the economy. Even going into the pandemic, childcare costs were more expensive in the United Kingdom than in any other developed country, according to figures reported in the 2020 Organisation for Economic Co-operation and Development (OECD) briefing². The childcare sector was already grappling with issues of low pay, insufficient training, high staff turnover and underfunding of subsidised hours. The pandemic has exacerbated these issues.

This briefing summarises some of the issues around access to childcare in Great Britain, namely how much childcare is available and how affordable it is, as well as analysing the impact of the coronavirus pandemic on the sector. Please note that this briefing analyses childcare in Great Britain (England, Scotland, and Wales). Northern Ireland is not analysed in the same way because the childcare funding system is very different, and this makes it difficult to draw direct comparisons. In this briefing, childcare includes early education, from birth to school age.

What are the main issues relating to access to childcare?

Availability

Across Great Britain, childcare provision is far from universal, and availability varies for different age groups, children with special needs, and parent employment patterns.³ Wherever there is a lack of childcare provision, the impact is likely to be heavily gendered as the need for this care does not go away and the gap is typically filled by mothers. This leaves mothers with difficult choices to make around entering or remaining in the labour market, and severely limits their options in terms of working hours or how far they are able to travel for work.

England

In its 2021 Childcare Survey, The Coram Childcare and Family Trust reported that in England, 72% of local authorities said that there was enough childcare in all areas for children aged under

¹ Creating a Caring Economy: A Call to Action, Final Report of the Women's Budget Group's Commission on a Gender-Equal Economy (<https://wbg.org.uk/commission/>)

² OECD (2020) Is Childcare Affordable? (<https://bit.ly/3w2ixyQ>)

³ Each nation in Great Britain has slightly different legal duties around which information they monitor regarding the sufficiency of childcare provision in each local authority, meaning it is not possible to make direct comparisons across all groups.

two.⁴ This is lower for older children, with just 26% of local authorities reporting enough childcare in all areas for children aged 5-11 years and only 13% reporting enough after-school childcare for 12-14 year-olds. Parents working atypical hours also see a big gap in the availability of childcare, with only 16% of local authorities reporting enough childcare in all areas for this group. Parents of disabled children in England face low rates of childcare provision across the country, with only 25% of local authorities reporting sufficient childcare for disabled children in all areas. Disabled children can require higher levels of care and attention and where there are gaps in available childcare, parents of disabled children will often have to fill them.

Comparing the Coram 2021 survey results with the previous years', there has been an increase in the availability of childcare in England reported for all groups apart from school-age childcare and for parents working atypical hours. This is likely to be a result of a decrease in demand for childcare in response to the pandemic, rather than an increase in the provision of childcare. In some areas, demand for childcare for parents working atypical hours may have increased if key workers started to use more formal childcare arrangements. Childcare for school-aged children was hard hit as operating within schools became very challenging or impossible due to new restrictions.⁵

Scotland⁶

Coram report that 81% of local authorities in Scotland say that there was sufficient childcare for 3-and-4-year-old 600-hour entitlement in all areas (equivalent to England's 15-hour per week entitlement). This is a significant decrease since last year, when 92% of local authorities reported sufficient childcare for this group in all areas. Not all local authorities in Scotland have fully rolled out the 1140-hour entitlement (equivalent to the 30-hour per week entitlement) so it is difficult to compare provision for this group with the rest of Great Britain.

When compared with Coram's survey of the previous year, sufficiency in childcare provision in Scotland has decreased for most recorded groups. There has however been an increase in sufficiency for disabled children, school-age children, and for parents working full time. It is possible that the impact of lockdown measures and school closures for those who are not the children of key workers went some way to decreasing the demand for childcare provision in these categories.

Wales

In Wales, Coram report significant childcare provision shortages for disabled children and for children of parents working atypical hours, with 38% and 41% of local authorities reporting that there is not enough childcare respectively. Parents working full time also don't fare much better, with only 41% of Welsh local authorities reporting sufficiency in all areas for this group. Significantly, only around half of local authorities in Wales reported in the Coram Family and Childcare Survey that there is enough childcare for free early education entitlements.

When compared with Coram's 2020 survey, reported sufficiency of childcare in Wales has increased for most categories.⁷ Despite this, childcare sufficiency for disabled children in all

⁴ Coram Family and Childcare Trust (2021) Survey 2021 (<https://bit.ly/2Ue4Tv1>)

⁵ Coram Family and Childcare Trust (2020) Childcare Survey: early release on the impact of Covid-19 on childcare in England (<https://bit.ly/3qzBisn>)

⁶ Local authorities in Scotland hold less data than their English counterparts on the rates of childcare provision outside of the free entitlements because statutory requirements in Scotland vary slightly, making it difficult to compare the availability of childcare in Scotland in the same level of detail we have been able to in the English context.

⁷ It is noted in the Coram survey that Wales has relatively few (22) local authorities, so changes in reporting from a small number of authorities can have a large effect on the statistics. It is also likely that any increases in sufficiency are related to

areas in Wales decreased significantly from 31% in 2020 to 19% in 2021, as well as provision for children of parents working atypical hours, from 21% in 2020 to just 6% in 2021.

Northern Ireland

The childcare system in Northern Ireland is funded in a different way which makes it difficult to draw comparisons as different data is collected. There is not comparable data on childcare availability for Northern Ireland.

Affordability

Even where it is available, childcare in Great Britain is increasingly expensive. Since women are still largely expected to be the primary carers of their children, the unaffordability of childcare provision has a direct negative impact on women’s career progression and earnings, severely limiting the choices they can make within the labour market. Where childcare provision is available, it is simply not affordable for most women in Great Britain.

Most parents receive some support through the tax-free childcare or benefits system to help them pay some of these costs, but new data from the Early Years Alliance shows that the funding rates paid to local authorities for the so-called ‘free childcare’ offer are just two thirds of what the UK Government itself estimated would be needed to fully fund the scheme that so many parents depend on.⁸ This forces providers to cross-subsidise the gap from the parent-paid hours, increasing the cost for younger children and extra hours for 3- and 4-year-olds.

Childcare for under two-year-olds

Overall, across Great Britain, Women’s Budget Group analysis shows that women are expected to spend a significant proportion of their earnings on childcare costs as shown in Table 1. Although childcare costs should be treated as a household expense, evidence suggests that mothers tend to pay for childcare from their own incomes and childcare decisions within families are weighed against women’s salaries and whether it is financially ‘worth it’ for the mother to remain in the labour market.⁹

Table 1: Percentage of women’s median earnings absorbed by childcare costs for children under 2 years, Great Britain, 2021

Childcare costs in Great Britain for children in Nursery (per year)		Women's Median earnings (per year)	% of women’s earnings absorbed by childcare
< 2-year-olds (part-time)	£7,160	£11,324	63%
< 2-year-olds (full-time)	£13,718	£28,021	49%

Source: Women’s Budget Group calculations using Coram’s Annual Childcare Survey 2021 and the Annual Survey of Hours and Earnings (ASHE), table 3.71

more local authorities reporting in line with new statutory requirements, and not only attributed to an increase in the supply of childcare provision

⁸ New data shows ministers knew early years was underfunded (<https://bit.ly/3w1h8Zb>)

⁹ Women’s Budget Group (2018), *The Female Face of Poverty* (<http://bit.ly/2CRix8N>)

Coram's survey reports that the average price of a part-time childcare place (25 hours) a week for a child under two in a nursery costs £137.69 across Great Britain, which amounts to £7,160 a year. However, the survey also shows there are substantial regional variations across Great Britain. England has the highest cost for both nurseries and childminders. The average cost in England for a part-time place for a child under two is £7,325 per year, £6,099 in Scotland and £5,968 in Wales.

The average cost of a full-time childcare place (50 hours) for a child under two in Great Britain in a nursery is £13,718 per year. In England, the average cost is the highest at £13,939 per year, £11,937 per year in Wales and £11,863 in Scotland.

Some families will be able to receive support with childcare costs through Universal Credit or Tax Credits. However, for most families the cost of childcare will exceed the support that is available. Coram reports that in 9% of local authorities, the maximum limit per child under Universal Credit of £175 per week does not cover even a part-time place in childcare for a child under two. This figure goes up to 99% of local authorities for a full-time place. If the costs of a family's childcare exceed these maximum limits, they will not receive any additional financial support to cover these costs. This can mean that they pay more in childcare costs than they are earning, and so are worse off financially for working more hours. If women are in a situation where it does not make economic sense for them to work if they have a child, then they are much less likely to enter or remain in the labour market. The percentage of women who do not work because of looking after the family or home remains the single biggest reason why women are economically inactive (26.2%).¹⁰

Even prior to the pandemic, childcare costs in the UK were more expensive than in any other OECD member country. A quarter of middle-income households and 1 in 5 low-income households reported that they would like access to more childcare but could not afford it.¹¹ The UK is also exceptional within Europe in the extent to which childcare is provided by for-profit companies. 84% of childcare is delivered by for-profit providers, as opposed to 3% in Germany or 4% in France.¹²

Childcare for 3- and 4-year-olds

In England, Scotland and Wales, all 3- and 4-year-old children are entitled to some free early education until they start school, meaning parents will only need to pay for some of the hours of childcare that they need. This free entitlement is significant support which reduces childcare costs to the equivalent of around a fifth of women's earnings, as can be seen in Table 2.

¹⁰ Office for National Statistics [ONS] (2021) Table INAC01: Economic inactivity: Women aged 16 to 64 by reasons for inactivity (seasonally adjusted).

¹¹ OECD (2020) Is Childcare Affordable? (<https://bit.ly/3w2ixyQ>)

¹² Barrett-Evans, Dominic and Birlean, Diana (2018) Childcare UK Market Report; Fifteenth Edition, London: Laing and Buisson

Table 2: Percentage of women’s median earnings absorbed by childcare costs, by child age group, England, 2021

Childcare costs in England for children in Nursery (per year)		Women's Median earnings (per year)	% of women’s earnings absorbed by childcare
3-4-year-olds (part-time)	£2,727	£11,226	24%
3-4-year-olds (full-time)	£5,282	£28,077	19%

Source: Women’s Budget Group calculations using Coram’s Annual Childcare Survey 2021 and the Annual Survey of Hours and Earnings (ASHE), table 3.71

Calculations from the Women’s Budget Group found that women in Great Britain with 3- and 4-year-olds spend a quarter (24%) of their earnings on part-time childcare, after accounting for the free childcare entitlements. The same type of childcare for under three-year-olds absorbs nearly two-thirds (63%) of their income. The significant difference reflects the importance of the free entitlements that only kick in for most children after age 3.

Northern Ireland

Employers for Childcare carried out a survey on childcare in Northern Ireland in 2020 which explored the views of parents and childcare providers. The survey found that in Northern Ireland, the average cost of a full-time childcare place in nursery is £181 per week, or £9,412 per year, and that one third of parents said that childcare is their largest monthly outgoing, exceeding their mortgage or rent payment.¹³ In Northern Ireland, 3- and 4-year-olds are only entitled to 12.5 hours/week of free childcare, with more rigid rules of provision than in the rest of the UK.

Impact of Coronavirus and childcare closures

The impacts of Covid-19 on the childcare sector vary significantly between areas depending on the structure of the childcare market and the local effects of Covid-19. In its 2021 survey, The Coram Childcare and Family Trust reported that childcare usage had dropped in most local authority areas and 35% of local authorities in England reported an increase in the number of providers permanently closing.¹⁴

In the period between August 2020-March 2021, Ofsted data showed a net loss of 4.4% of childcare providers and a net loss of 1.1% of childcare places in England. This means 3,292 fewer childcare providers and 14,385 fewer childcare places in March 2021 compared to August 2020. 7,566 providers closed during this period, and 64,173 places were lost. This decrease in providers and places was largely driven by childminders leaving the market, with Ofsted data showing a 5.1% decrease in childcare places provided by registered childminders.¹⁵

The pace at which childcare places are being lost seems to be increasing. While in the period March-August 2020, Ofsted data showed a net loss of 0.3% of childcare providers and a net loss

¹³ Employers for Childcare (2020) Northern Ireland Childcare Survey 2020 (<https://bit.ly/2UG10zi>)

¹⁴ Coram Family and Childcare Trust (2021) Survey 2021, p25

¹⁵ Ofsted Childcare providers and inspections Official Statistics (2021) Table 3: Movement in the childcare sector (<https://bit.ly/363S7SI>)

of 0.2% of childcare places in England¹⁶, in the latest period Aug-Mar 20/21 we are seeing a net loss of 4.4% of childcare providers and net loss of 1.1% of childcare places.

These figures are reversing a trend of increase in childcare places in the years before the pandemic. In both 2019¹⁷ and 2018¹⁸, Ofsted showed similar levels of net losses of childcare providers (0.5% and 0.9% respectively) but net gains in places (0.7% in 2019 and 0.9% in 2018).

With demand for places predicted to increase as the economy reopens over the summer and the furlough scheme ending in the autumn, there is uncertainty about the ability of the childcare sector to cope. It is also important to note that the loss of childcare places being driven by childminders leaving the market may make things more difficult for families as childminders generally cost less than nurseries. These closures and place losses have not led to significant changes in the availability of childcare, but this is thought to be due to the decrease in the use of childcare since last year. It is yet to be seen whether there will be a decrease in the availability of childcare if/when demand returns to pre-pandemic levels. However, the Coram report does express concern around possible increasing gaps for children with Special Educational Need and Disability (SEND) and school-age children, two groups who already faced persistent shortages. As childcare providers struggle to remain sustainable, with 61% of local authorities in England reporting childcare providers making staff redundant and 48% reporting decreased staff ratios, many providers have had to adjust their business model to remain open.¹⁹

Conclusion

Even before the Covid-19 pandemic, childcare reform was urgently needed. The current system provides a limited amount of free childcare for children aged 2-4 with varying amounts between 12.5 hours and 30 hours per week, depending on the age of the child, the socio-economic status and employment status of the parents, and where they live in the UK. There is no free provision for all children under two or for school-age children, although further support is available to some parents in the form of Tax-Free Childcare and the childcare element in Universal Credit. Norma Cohen succinctly summarises in her essay on Women in the Labour Market that “the UK was no great bastion of affordable childcare before the pandemic, but without reform and investment, it risks becoming a true pariah afterwards.”²⁰ Investment in high-quality affordable childcare is crucial for increasing families’ spending power, easing the burden on families living in poverty and improving children’s life chances, as well as removing significant barriers to women’s equal participation in the labour market.

What should the government do?

Urgently – fully fund the free entitlement hours

An immediate first step must be for the government to fund the free entitlement hours to cover the full costs of provision. Given that the average cost of a government-funded early years place

¹⁶ Ibid

¹⁷ Ibid

¹⁸ Ibid

¹⁹ Coram Family and Childcare (2021) Childcare costs rise by 4% over the last year as providers struggle to remain sustainable during the pandemic (<https://bit.ly/3w8TSbD>)

²⁰ Cohen, N. (2021) Women in the Labour Market: Why childcare can drive an economic recovery (<https://bit.ly/35Z3f39>)

for 3- and 4-year-olds was calculated by the government itself to cost £7.49 per hour, the average rate of just £4.89 paid to local authorities for this offer has contributed to the underfunding that has driven up the cost of parent-paid hours, as providers try to cross-subsidise the funding shortfall of free hours from parent-paid fees. Free entitlement hours that at least cover the cost of provision is the bare minimum of state support that should be provided.

Moving in the right direction – Universal free childcare

The UK Women’s Budget advocates for the introduction of **free, universal childcare provision year-round and on a full-time basis**, from the age of six months onwards, including for older children, through comprehensive extended school activities before and after school, and throughout school holidays. We recommend an **increase in staff qualification levels and pay** in line with primary education levels to improve retention, job satisfaction and therefore quality of care to children for whom stability of the carer-child relationship is paramount. We also think it is important for the Government to **allow for a diversity of childcare providers** (voluntary, state, or commercial), all subject to the same standards and in receipt of public funding, although aiming to expand provision that is part of the state education system. Importantly, this proposed system does not necessarily imply raising additional taxes, as the initial investment is nearly fully recouped in increased tax revenue from more jobs created across the economy, savings on welfare benefits and longer-term savings from better education and life chances for a greater number of children.²¹

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²¹ De Henau, J. (2019). Employment and fiscal effects of investing in universal childcare: a macro-micro simulation analysis for the UK. IKD Working Paper No. 83 (<https://bit.ly/2C8E8vQ>)