



**Women's Budget Group Response to
'Choice for parents, the best start for children: a ten year strategy for
childcare'**

February 2005

About The Women's Budget Group

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

If you would like more information about the work of the WBG, or to join the group and contribute to our work, please contact the Project Officer, Erin Leigh, or visit our website.

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1. Introduction

1.1 The Women's Budget Group (WBG) welcomes the Government's commitment to ensuring that children receive the best start in life, and that parents are encouraged and supported to achieve work-life balance. We are pleased to have an opportunity to contribute to the consultation on their childcare strategy. High quality, universally accessible and affordable childcare is essential to ensuring children's development, and parents' ability to choose to lead full and fulfilling careers. Currently, women predominate in both paid and unpaid care as a result of continuing gender stereotypes about women's supposed 'natural' role as carers. Women's unpaid contributions go unrecognised, and paid caring work is undervalued and underpaid. A visionary childcare strategy which enables *both* women and men to combine care for their children at home with paid employment, including periods of paid leave and the right to return to well-paid employment (including paid care work), is essential to challenging the undervaluation of caring, and the perception that only women (not men) can care in the home and in the workplace. With this in mind, our comments are focused on the four pillars of the strategy, that is, choice and flexibility, availability, quality, and affordability (including looking more closely at employer supported childcare and local delivery), and how these can promote women and men's opportunities to care and to participate in the labour market.

2. Choice and flexibility

2.1 The WBG welcomes the extension of the rights of parents to take paid leave. However, allowing mothers to transfer part of their leave to their partners is unlikely to be as successful in persuading more fathers to take leave to look after their children as *paternity* leave to which fathers are entitled in their own right. The experience from Norway's 'Daddy Leave' suggests that basing it on the principle of 'use it or lose it' was important in persuading many fathers to take this leave.

2.2 Further, the rate at which maternity and related leaves are currently paid is too low to attract men, and indeed some women, to take it up. Because of existing wage inequalities, fathers frequently provide the majority of a family's income. Replacing that by just £106 per week will not be affordable for most families. In order that all children benefit from parents ability to make the choices that they believe to be in their children's best interests in the first year of their lives, we would recommend that all such leaves be paid on an earnings-related basis for longer than the current six weeks, and at whatever stage they move onto a flat rate payment that should be at least at minimum wage levels.

2.3 In addition it is clear from research in the latest Eurobarometer survey on the use of paternity leave across the EU that fathers (like mothers) want- and need- the level of the allowance to be very close to replacement of their earnings¹. The same study found that fathers taking leave also needed

¹ Christensen, Thomas. EUROBAROMETER 59.1: THE EURO AND PARENTAL LEAVE, MARCH-APRIL 2003 [Computer file]. ICPSR version. Brussels: European Opinion Research Group EEIG [producer], 2003. Cologne, Germany: Zentralarchiv fur Empirische

reassurance that they would not be disadvantaged in pay or career terms. If periods of paid leave become longer then it will become even more important that return to employment by fathers *and* mothers is supported by opportunities for re-training and acquiring relevant new skills. This is usually recognised in the case of men returning to civilian life following national or military service. Moreover it is not assumed that time spent out of the labour market for these reasons has a negative effect on human capital. The assumption that the experience of caring for young children contributes nothing to human capital needs challenging. If the minority of British fathers who, in the first instance, are likely to take leave see that they are disadvantaged in the same way as mothers currently are, then the proportion of fathers taking leave will remain low and the gender pay gap will remain high.

2.4 The first year of a child's life is not a time when any family should have to live on a reduced income. Many families have financial commitments that mean that they cannot afford to do so, and parents will continue to return to employment earlier than they would choose if leave is paid at too low a level. In addition, thought should be given to how best help can be given to those not in employment when they have a newborn child.

We recommend that paternity leave be provided independently from maternity leave; that both maternity and paternity leave be extended, and paid at wage replacement levels.

We recommend that measures be put in place to ensure that carers are not penalised in their future careers because of their caring responsibilities.

3. Availability

3.1 WBG is pleased to see the Government tackling the issue of availability of childcare. Despite good progress made since 1997 in creating new childcare places, demand for childcare still outstrips supply which is unevenly distributed across Britain. There is only one registered childcare place for every four children under the age of eight and the turnover of places is too high suggesting that sustainability is a major problem.

3.2 The Women's Budget Group therefore welcomes the Government's commitment to deliver 3,500 children's centres by 2010, connecting group-based and home-based care providers and wraparound childcare from 8am to 6pm all year round through the extended schools initiative.

3.3 However, further details on the coverage of the extra childcare places planned through the 10-year strategy will be needed. In particular, it appears that the pledge of 'a children's centre in every community' is now being interpreted as 3,500 children's centres or 'five in every constituency' some of

which might just coordinate rather than provide childcare. There are questions as to whether 3,500 children's centres will be sufficient to cover the early education and care needs of all children (particularly under 3s) and families and how they will coordinate with extended schools. The WBG is also concerned about whether the model of offering fewer services in centres in the less disadvantaged areas will succeed in reaching the almost half of poor children who live in these areas.

3.4 Moreover, the funding proposed for these new centres seems small: only a £1 billion more for a five-fold increase in provision. This suggests that the facilities envisaged for the 2,000 new centres will be far less extensive than for the existing 550 existing Sure Start centres, especially as this figure includes the cost of turning a third of schools into extended schools. It would be a mistake to destroy the good reputation of Sure Start as one of the big successes of this Government in providing support for children and their families, by claiming that similar provisions can be made for far less resources in other areas. Childcare and other children's services are expensive and will become even more so once the very welcome improvements in training and standards in childcare promised in this report are put into practice.

3.5 We welcome some acknowledgement in the childcare strategy of the contribution and the invaluable role played by informal care. Research shows that mothers' decisions about whether and when to return to employment can depend on the availability of informal childcare even where formal childcare is used as well. We welcome the announcement that informal carers will receive support through children's centres and drop-in facilities. However, the more successful the Government is in increasing older women's economic activity rates, particularly beyond the current retirement age of 60, the greater the opportunity costs incurred by older informal carers in general and grandmothers in particular. This may well reduce their availability to provide childcare (and informal care for adults) unless this is recognised and addressed, for example by developing employment and tax credit policies which address *their* 'work-life balance' issues. At the same time more child-friendly transport and environmental policies could increase the autonomy of older children thus reducing their dependence on parents and informal carers.

3.6 The WBG applauds the extension of the free part-time early education places for three and four year-olds from the current 12.5 hours a week for 33 weeks a year to 38 weeks a year from 2006 and to 15 hours a week starting from 2007 as well as the long term goal of extending it to 20 hours a week for 38 weeks a year. Parents have welcomed this initiative since it was introduced as demonstrated by the high take-up of free places. But more outreach is also required to ensure that children from hard to reach families take up the free early years education and care. For many parents 2 ½ hours a day is not sufficient to enable them to go back to work or training and the resulting complex mixture of childcare arrangements is often unsettling for both parents and children. The WBG therefore welcomes the extension of such universal entitlement and the increased flexibility in its use across a minimum of three days taking up to five free hours a day. Increasing the flexibility for parents to use these hours will be valuable for children and

parents. The WBG looks forward to further details on the timetable for the extension to 20 hours a week free education and care.

3.7 We are however concerned that the strategy does not tackle the issue of childcare provision for one and two year-olds, nor does it mention any follow up to and evaluation of the pilot scheme extending part-time early education places to 12, 000 two year-olds in disadvantaged areas around the country. Even with maximum take-up of both paid and unpaid maternity leave, there is still a two-year childcare gap between maternity leave and guaranteed early education during which time parents may lose their attachment to the labour market.

3.8 The WBG welcomes the initiative to provide school-based childcare for children between 5-14 years of age for 48 weeks a year and urges that any financial contribution by parents be set at truly affordable prices. We are however concerned that holiday provision is not part of the package for children under 5. We urge the Government to look into extending the free entitlement for free early education in the long term to 48 weeks a year.

3.9 Lack of affordable and appropriate childcare has a marked impact on specific groups of families particularly lone parents, parents of large families, parents of disabled children, and parents who work outside standard working hours. These lone parent households are more likely to live in poverty because they have to depend on one earner. Further, nine in ten lone parents are women and women's wages remain well below men's. Mothers of disabled children are less likely to be in employment and receiving the childcare tax credit (CCTC) than other mothers. In 2004 only 8% of those getting the disabled child tax credit were getting the CCTC compared with over half of lone mothers in receipt of WTC and 24% of all lone mothers. The Women's Budget Group therefore welcomes greater recognition in the childcare strategy that these groups experience specific barriers to accessing childcare. In particular, it welcomes the recognition of the need for local authorities to consult with disabled children and their families and the voluntary sector on the planning and delivery of services and monitor take-up of services by these families. However more needs to be done for families with 3 or more children and those from some minority ethnic groups, recognising that these groups may overlap considerably. The childcare workforce is predominantly White and female and many childcare settings are not sensitive to children for whom English is not their first language or who come from different cultures. This situation compounds the inadequacies of the CCTC for larger families, thus effectively excluding from childcare services many children from minority ethnic groups.

The WBG recommends that Government allocate further resources to funding a 'children's centre in every community'.

The WBG recommends greater provision of childcare than that set out in the strategy including provision for one to two year-olds, and holiday provision for school-based children.

4. Quality

4.1 The Women's Budget Group warmly welcomes the Government's vision to make childcare services in this country among the best in the world.

4.2 The quality of the workforce is crucial to address the questions of quality in provision. We welcome the acknowledgement in the ten-year strategy of the need for a radical reform of the early years and childcare workforce through a new qualification and pay structure and that the division between education and care needs to be eliminated.

4.3 Research shows that settings with well trained staff and led by a teacher or staff qualified at degree level are particularly effective and lead to the best outcomes for children. Yet, currently the childcare sector is characterised by a low level of qualifications, low pay and lack of a clear career ladder for the workforce. Currently, the workforce composition is almost exclusively female (86-98%), from a 'white' ethnic background (96-98%), mostly young, and less qualified and paid than, say, teachers.

4.4 This situation of poor pay and low status reinforces gender inequalities and if it continues, able and committed women-and men-will not be attracted to and retained within the childcare services, as it is not sustainable in the long-term. The Women's Budget Group welcomes the Government's long-term goal of ensuring that degree-qualified early years staff lead all full-time daycare settings, that more workers will be trained to degree level and that a single qualification and quality framework will be put in place together with greater opportunities for existing workers to increase their skills, including childminders and home carers. We also welcome the attention in the strategy to models for early years workers well established and highly valued in other countries such as the pedagogue model.

4.5 However, the effects of these policies both on current and potential workers in this field must be carefully managed. The training needs of current workers must be reviewed as well as those of potential recruits. Drop out rates among those taking childcare basic qualifications are currently high which is wasteful and likely to increase the time lag before sufficient numbers of qualified workers are available to cover this level of provision.. Again, the WBG urges an imaginative and flexible approach to generate a better gender balance in the childcare workforce and which gives existing staff the opportunity to upgrade their skills and be better rewarded for the important work they carry out. We also urge the Government to carefully assess the range and type of provision required and to ensure adequate support for training in areas of specialist care, such as for children with disabilities, special needs or challenging behaviour.

4.6 The Women's Budget Group welcomes the announcement for a consultation on the future of the workforce and urges the Government to look closely at pay and conditions of staff employed in the private sector where, according to the DfES 2002-03 Childcare and Early Years Workforce Survey, lower paid and lower qualified staff are concentrated. As this sector now

provides most of the childcare places in the day nursery sector this is essential.

4.7 The WBG questions the capacity of all childcare employers to deliver training for the qualifications required: a new type of qualification is proposed, but the childcare market is very diverse. How will the Government make the connection between the funds and the employers who are actually providing or supporting the training? There is little evidence in the proposed policies that either the Government or employers fully recognise that trainees not only need time off to study but also supervision by experienced and qualified staff in their place of work. This requires higher staffing levels which may be difficult for the smaller single owner nurseries to provide.

4.8 We also urge the Government to ensure that the composition of the Children's Workforce Development Council for England, which will take forward the outcome of the consultation, is fully representative of the sector. The involvement of the workforce and trade unions, along with training bodies and employers, in planning and agreeing the right level of qualifications will be vital.

4.9 We welcome the announcement of a Transformation Fund of £125 million a year from April 2006 to support investment by local authorities in high quality, affordable, flexible and sustainable childcare provision. While investment in a transformation fund is welcome, we urge the Government to recognise that public investment in childcare will need to grow continually, at least as fast as - and in the short-term faster than - earnings in the economy as a whole. This is because childcare is a personal service which cannot expect to keep up with other occupations in raising productivity. Indeed in childcare, as in other caring occupations, increased productivity (reduced adult/child ratios) is synonymous with reduced quality. This means that costs will inevitably rise in line with average earnings, unless the childcare workforce is prevented from sharing in the benefits of rising prosperity by their wages increasingly falling behind those of other occupations.

- a) Childcare is currently badly paid and this is causing recruitment and retention problems. These problems are recognised elsewhere in this report; tackling them will not be a one-off expense but will require continued and rising investment, at a faster rate than average earnings, if wages in the caring workforce are to catch up with those elsewhere in the economy, as they will need to in order to improve recruitment and retention. Without this investment wages in the caring workforce will not catch up at all with those elsewhere in the economy and recruitment and retention problems will remain.
- b) As is also recognised elsewhere in this report, training standards are low in childcare in the UK. To rectify this will require not only investment in training but higher pay for more qualified staff. Improving the quality of the workforce is another reason why investment in childcare will have to grow faster than average earnings if standards of childcare are to improve.

4.10 To achieve a bold vision of universal good quality childcare and early education, sustainable, long-term funding is necessary. The WBG welcomes the allocation of an extra £600 million a year, including (we assume) the £125 million Transformation Fund to the current spending on early years, though as noted above to keep provision sustainable this figure should be increased year on year at least as fast as earnings. However, we note that, according to calculations by PricewaterhouseCoopers², Britain currently spends 0.8% of GDP on early years services, compared to 2-2.5% in Sweden and Denmark³. We welcome the recognition in the 10-year strategy for an enhanced role of supply-side funding in driving up quality and ensuring sustainability; but in order to achieve a truly bold vision for childcare and early years, a significant rise in public funding will be necessary.

Based on the above, we make the following recommendations:

The WBG urges an imaginative and flexible approach to generate a better gender balance in the childcare workforce and which gives existing staff the opportunity to upgrade their skills and be better rewarded for the important work they carry out.

We also urge the Government to carefully assess the range and type of provision required and to ensure adequate support for areas of specialist care, such as for children with special needs or challenging behaviour.

We recommend that the Government set aside additional funds to the Transformation fund to adequately meet the needs that will accompany the enhancement of the childcare workforce.

5. Affordability

5.1 The cost of childcare is a major concern to many families and a crucial barrier for many women wanting to return to work. Lone mothers in particular find that the rising cost of childcare stops them from getting a job and staying in paid work. Seventy-eight % of non-working lone mothers (and 63 % of non-working mothers) say they would go out to work or study if they had access to good quality, reliable and affordable childcare.⁴

In 2004, the typical cost of a nursery place for a child under two is £134 a week, almost £7,000 a year. Despite increased financial help from the Government, the main contributors to the cost of childcare remain parents, who, in 2002-03, paid in the region of £3 billion a year.

5.2 The Women's Budget Group welcomes the announcement in the Pre-Budget Report of an increase in the maximum eligible childcare costs covered

² Daycare Trust, (2004), Universal Early Education and Care in 2020: costs, benefits and funding options.

³ *ibid*

⁴ Woodland, S., Miller, M., Tiping, S. (2002) Repeat Study of Parents' Demand of Childcare. DfES Research Report.

by the childcare element of the Working Tax Credit from the current £135 per week for one child to £175 per week and from £ 200 to £300 for two or more children. We particularly welcome the increase in the proportion of costs covered by the childcare element of the Working Tax Credit from 70 % to 80 % from April 2006. This should help considerable numbers of women who cannot currently bridge the gap between high childcare costs and low women's earnings, particularly in London. Attention to gender inequalities in pay would be another way to cope with that gap, since it is largely women's earnings that are used in families' calculations as to whether childcare is affordable, and when it is not, it is almost invariably women's labour force participation that suffers.

5.3 However, we are concerned that the limit for the childcare element for the Working Tax Credit is not proportional to the number of children. Many families have children of different ages using different types of childcare, and even where siblings are with the same childcare provider, there are few, if any, economies of scale in childcare costs in the formal sector. Not raising the limit for third and subsequent children must therefore reflect an opinion that it would be too expensive to spend more than £300 per week on enabling on a parent to be employed. If this is the reason, it should be made explicit and justified by a cost benefit analysis that takes account of the long-term effects of a parent that wishes to be employed losing their attachment to the labour market, including the likelihood that they will end up on means-tested benefits (as a lone parent, or if their partner loses his job). Further restricting help in this way to the parents of large families will make reaching child poverty targets harder.

5.4 Currently half of all children in poverty are to be found in families with three or more children, although only a third of all children live in these larger families⁵. It is essential that they have access to affordable childcare, so that it is possible for mothers in these families to take up paid employment in order to help lift their families out of poverty. In some minority ethnic groups there are higher proportions of large families and these groups are over-represented among those living in poverty. They need childcare which is not only affordable but also sensitive to their needs. This requires a more diverse workforce as well as appropriate practices and policies to involve these families⁶

5.5 We welcome the voluntary childcare approval scheme which will allow parents to claim financial support through tax credits. This initiative is very important as it particularly benefits parents who work atypical hours or families with children with special needs. We are however concerned that through such a scheme childcarers will not have to register with Ofsted and will not have to meet the National Standards.

⁵ Department for Work and Pensions (2003) Opportunity for All.

⁶ Cameron, C. (2004) 'Building an Integrated Workforce for a Long-term Vision of Universal Early Education and Care', Daycare Trust Policy Paper No.3.

We recommend that the childcare element of the Working Tax Credit (WTC) should be proportional to the number of children in the family, rather than being the same for two or more children. As well, the WTC should be increased in line with earnings, or at a slightly greater rate.

The WBG recommends that in the plans to improve the quality of the childcare workforce attention is paid to increasing its diversity with respect to ethnicity as well as to gender.

6. Employer supported childcare

6.1 The most important way in which the Government could change employers' work practices to help parents and other carers is by strengthening the law governing the right to request leave and to work shorter hours. We welcome the extension of these rights to carers and would like to see it extended to parents of children over 6 years. In this context we regret the Government's decision to continue the opt-out to the EU Working Time Directive. The Directive, which facilitates a long-hours working culture, contradicts Government support for flexible employment and work-life balance.

6.2 Few employers provide workplace nurseries but where they do they are highly valued by their employees. It would be regrettable if these were replaced by vouchers, which are much cheaper to employers, for this would result in an overall loss of childcare places.

6.3 Employer supported childcare vouchers cost employers very little beyond administrative costs—they are not *funded* by employers. However the interaction of these vouchers on employees' entitlements to tax credits and statutory benefits including sick pay, maternity and paternity pay, as well as in the long term their state pension, may be detrimental to many who take up these vouchers. The regulations governing childcare vouchers make no mention of the lower earnings limit, and that in taking up this offer of employer supported vouchers, a person could take their earnings below the LEL.

6.4 The counter-productive complexity of the various methods of support for childcare is illustrated by the interaction of the £50 addition to tax free earnings resulting in reduction of WTC and in NI benefits. Resources would be better spent on supply side measures

6.5 These are matters of great concern to the WBG, particularly as the majority of those using the vouchers will be women. We would like to see a review of the take up and impact of these vouchers on mothers' and fathers' tax credit and benefit entitlements at the end of the first 3 years.

6.6 While we recognise that the announced increases in the support available through tax credits and the help through the employer-supported childcare will be a valuable help for families, the Women's Budget Group believes that the current demand-side approach of providing help to low-income families presents fundamental problems.

6.7 First, while the uptake of the childcare element has doubled since 2002, eligibility is still too limited and only 15% of couple families receiving the Working Tax Credit and 24% of lone-parent families get the childcare element of the tax credit. According to a survey conducted by the National Audit Office⁷, 20% of low-income parents still pay all costs of childcare themselves.

6.8 Second, despite the increases announced, the system of financial support remains too biased towards the first child and smaller families. Half of all poor children are found in families with three or more children and some ethnic minority groups are over-represented among them.

6.9 Third, financial support remains too tightly tied to employment and household status. Mothers should be supported with the childcare costs while training and when looking for work. The Women's Budget Group strongly supports extending the entitlement to parents who work less than the current 16 hours a week as well as initiatives to extend Working Tax Credits payments to gaps between jobs lasting for more than the current seven days.

6.10 Finally, the current demand side approach, by not taking into account the failures of the childcare market, does not ensure sustainability of provision. Such an approach is likely to leave out the very groups that the Government is trying to reach through its anti-poverty policies. Moreover this problem will grow as the quality and therefore the cost of the childcare workforce increases. Countries with successful universal provision of early years services, such as Sweden and Denmark, have opted for a supply-side approach and a focus on public investment and a maximum level for parental contribution.

6.11 We welcome the recognition in the 10-year strategy for an enhanced role of supply-side funding in driving up quality and ensuring sustainability but in order to achieve a truly bold vision for childcare and early years, a significant rise in public funding will be necessary. Good quality childcare is an investment in *children* and their present and future welfare as well as a means of achieving 'work-life balance for their parents. It is therefore important to take a long-term view of the costs and benefits of childcare provision.

The WBG recommends that Government monitor the take up and impact of employer supported childcare vouchers.

The WBG recommends that for the Government to achieve universal provision it focus on the supply-side approach to childcare, public investment, and setting a maximum level for parental contribution.

7. Local Delivery

7.1 The Women's Budget Group welcomes the announcement of a new statutory duty, which will require local authorities to work actively with

⁷ National Audit Office (2004), Early Years Progress in Developing High Quality Childcare and Early Education Accessible to All. The Stationary Office. London

providers to secure childcare provision, meet quality standards and respond to the needs of the community.

7.2 In order to put in place integrated services that are effective and that respond to the needs of the community, it is important that work is truly participatory and partnership-based with a strong involvement of parents from all sections of that community

7.3 We anticipate the details on the content of the statutory duty and we urge the Government to provide local authorities with the necessary funds to achieve the objectives set in the strategy.

7.4 We also welcome the announcement that local authorities will need to support the recruitment of ethnic minority members of staff to reflect their local population as well as consulting with and monitoring the take up of services by families from ethnic minorities.

7.5 The Women's Budget Group urges the Government to ensure that such requirements on local authorities are clearly included in the new statutory duty placed on local authorities to ensure that local childcare needs are met and that such requirements are fully implemented.

The WBG urges Government to allocate sufficient funds to local authorities to meet the upcoming statutory duty, and to incorporate workforce diversity within the duty.