

Commission on a Gender-Equal Economy

PAPER 2

Early Childhood Education and Care (ECEC) policies

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Disclaimer: This paper was written by a Women's Budget Group management committee member to inform the Commission on a Gender-Equal Economy and should not be taken to represent the views of the Commission on a Gender-Equal Economy.

Summary

- Professional childcare of high quality is fundamental to a child's development and can help reduce gender inequality by fostering mothers' lifetime earnings
- The childcare system in the UK still suffers from lack of accessibility, affordability and quality that many other European countries have managed to address, making it one of the most expensive systems in Europe. This is the case for both pre-school childcare and wrap-around childcare for children of school age
- Existing funding channels are complex, inadequate and inconsistent, which contributes to low progress in addressing the needs of parents and children
- Effective childcare should be integrated with parental leave systems and with the school education system, as it would foster children's social and cognitive best development. It should be affordable, flexible and available for a significant number of hours, with professional staff who are well-qualified and well-paid.
- Some of the best-practice European countries offer a legal entitlement to a childcare place at affordable fees directly after maternity/parental leave, and have invested in their staff's qualifications and pay.
- A radical proposal to overhaul the systems in the UK nations consists of free universal full-time childcare available to all children from the age of six months to primary school, year-round, with highly qualified and well-paid staff in sufficient numbers.
- Such a proposal would require the equivalent of about 3% of GDP in annual investment (factoring in initial training and building costs) but would pay for itself over time, even by narrowly calculating fiscal revenue stemming from mothers' increased earnings alone.

Background: why is childcare important for gender equality?

The rationale for public investment in childcare services can be summarised in three main policy objectives:

- developing the child's social, emotional and cognitive skills and preparing them for social interactions
- allowing parents to take up or remain in employment, or undertake training or other activities, including care for other relatives, knowing their child is safe and welllooked-after

- reducing social inequalities by helping disadvantaged children access high quality support but also support for their parents (social networks and parenting support)

Indirectly, childcare can help promote gender equality if it allows more mothers to obtain an adequate independent income from employment. However, by itself it does not change the gendered division of care work. Even in countries with the most developed formal childcare systems such as Norway, Denmark, Sweden and Iceland, the overwhelming majority of childcare workers are women.¹

Childcare services need to be considered along with other work-care balancing measures, including reduced full-time working week and parental leaves. Given that other policy briefings for the Commission on a Gender-Equal Economy have developed the arguments on the balance of paid and unpaid care and work for parents², this briefing will focus on the funding and provision of childcare and early education services to children before they enter compulsory education (and briefly discuss wrap-around school childcare).

What would a childcare system in a gender-equal economy look like?

An effective and sustainable childcare system that works for children, parents and society at large should have the following features:

- **Integrated** with parental leave schemes and school education (wrap-around childcare), available from a very young age, ideally from six months onwards to overlap slightly with adequate parental leave and to ensure a smooth transition, all the way to entry into primary school (and around primary school schedules), with a gradual developmental approach tailored to the needs of each child.
- **High-quality**: Professional training of childcare workers and equivalent pay to that found in compulsory education. Facilities should offer a safe and stimulating environment, fostering play-based learning with a mixture of child-initiated and practitioner-initiated activities. The quality of childcare is both structural (safety, staffing) and in the process of care-giving (the quality of the relationship between the carer and the child is one of the most important factors of such success). High qualifications of staff and low child/staff ratios are important factors in achieving high quality.
- **Flexible** without being too individualistic: a good number of hours per week (30 hours is not detrimental to children's social, cognitive and emotional development provided it is of high quality)
- **Affordable**: Childcare should be free at the point of use, or at the very least, attract very low fees, even for higher-income families. Free childcare would enable more take-up by lower-income families who are often least likely to rely on non-parental childcare, even when subsidised, as it would overcome administrative burdens, including social stigma in having to go through a form of means-testing.
- **Tax-funded**: given that childcare, like school education, benefits society at large, not just the children or their parents, the state should use its general funding means (taxation) in the same way as it does for school education. The 'progressivity' of contributions towards childcare costs is achieved through the

¹ See Workforce profiles in ECEC in Europe at <http://www.seepro.eu/English/Home.htm>

² See Martin, A and E. Scurrah (2019) Reclaiming Women's Time: Achieving Gender-Equality in a World with Less Work. New Economics Foundation <https://wbg.org.uk/wp-content/uploads/2019/08/Reclaiming-Womens-Time-paper.pdf> and Fisher, D. (2019) Caring inequality in UK politics and policy <https://wbg.org.uk/wp-content/uploads/2019/08/Inequality-in-caring-Duncan-Fisher.pdf>

progressivity of the income tax system, rather than by creating complicated reduced fees for children of low-income parents.

The problems in the current system of childcare in the UK

The childcare systems in all four nations of the UK suffer the same broad problems of affordability, accessibility and quality with large local variations.

Starting with **affordability**, childcare costs are among the highest in the OECD, even after public subsidies, except for some lone mothers on low-income.³ As a result, most places are taken up on a part-time basis with parents in the UK – along with those in the Netherlands and Ireland – using formal childcare settings for the shortest hours per week in Europe⁴. In 2019, average full-time (50 hours per week) childcare fees in Great Britain were about £230 for a two-year old (and more than £300 in London). For after-school clubs (at about 15 hours per week), the average was £57 per week during the school term.⁵

Public subsidies are patchy and complex. Three funding channels are available: the first two are demand-side oriented (cash support to parents) and the third is supply-side oriented (direct subsidies to providers):

- **Childcare element in Universal Credit** (formerly childcare element of the Working Tax Credit): Families on a low income who are eligible for childcare support can receive up to 85% of a maximum weekly childcare fee. The subsidy is limited to two children and the maximum fees per week that are eligible have remained the same in nominal terms for the last 15 years (£175 for one child and £300 for two children) despite childcare fees rising faster than inflation. More generally, this form of means-tested benefits creates a perverse effect of disincentivising mothers in a couple to work full-time.
- **Tax-Free Childcare** (replaces the system of employer vouchers). The government pays £2 for every £8 paid by the family per child, for fees up to £10,000 per year. It is not available to those claiming Universal Credit (UC) (or Working Tax Credit (WTC)) and parents need to earn the equivalent of the minimum wage (National Living Wage) for at least 16 hours per week. It's not available to children where one parent earns above £100,000. As it is a relatively new system that started in April 2017, it is still early days to know about its impact, but by design it was always going to be a token amount to help with childcare costs (in effect, a maximum of 20% of costs).
- **Free childcare hours**: state subsidies (in England) to providers to offer 15 hours of free childcare to all children aged 3 and 4 and to the 40% most disadvantaged 2-year olds. On top of that, since September 2018, 15 additional hours of free childcare have been offered to children aged 3 and 4 whose parents are in employment (and earn a minimum amount). The issue here is mainly that the subsidy to providers is too low to cover adequate childcare, meaning some providers compensate by charging more on the rest of the time or for younger children. The problem is compounded with 30 hours that have to be offered for free. The logic of the policy is also unclear. The first 15 hours of free universal childcare are deemed to be for developmental/ educational purposes with an aim to prepare all children for school. The additional 15 hours are clearly for ‘care’ of children while their parents are at work (since it is not available to those whose parents are not in employment). Therefore, it is not clear why this ‘care’ supplement is offered for free for this age bracket only and not to younger children too. It also creates issues with respect to what constitutes employment (as those looking for jobs – who could benefit

³ OECD (2017), Starting Strong 2017, Key OECD Indicators on Early Childhood Education and Care (<https://bit.ly/2PShj7X>)

⁴ Eurostat database – EU-SILC data on childcare use by parents (2017) <https://ec.europa.eu/eurostat/data/database>)

⁵ According to the Childcare Costs Survey 2019 by the Families and Childcare Trust (<https://bit.ly/2NAzqvD>)

greatly from childcare while going to interviews and applying for jobs – are excluded). The free offer is also limited to 38 weeks per year (during the school term – although fewer hours per week can be taken over a larger number of weeks) which limits the scope for a truly ‘care-taking’ approach while parents are unavailable. In Scotland the free childcare is 16 hours per week for 3 and 4 year-olds and for about 25% of 2 year-olds. From 2020-21, the free entitlement in Scotland will be for 30 hours for all 3 and 4 year-olds (not just those with working parents). Wales offers 10 hours per week free to all 3 and 4 year-olds and is piloting an extension to 30 hours (48 weeks) but only for children of that age with working parents.

In terms of **accessibility**, although opening hours can be flexible and extend to atypical patterns or long weeks, the main issue is the number of centres or childminders available to look after children. This remains below demand despite claims that creating a quasi-market in childcare at the turn of the century would make the system more efficient, with new providers responding to demand adequately. In 2019, only about 57% of local authorities had enough childcare places for parents working full-time and just one in four had enough spots for wrap-around-school childcare for those aged 5-11 or children with disabilities. Supply has improved but remains inadequate.⁶

The third challenge is **quality**: staff pay and qualifications are low compared to other developed childcare systems⁷, and this doesn’t compensate for good child/staff ratios. As Butler and Rutter (2016) explain, childcare provision in maintained, public facilities (within the state school system) perform better, especially for disadvantaged children (a majority of whom attend state-maintained facilities) but quality for voluntary (non-profit) and commercial (for-profit) settings has a significant wealth gradient, with such facilities in poorer areas performing much worse.⁸ Moreover, as evidenced by Lloyd and Potter (2014), Ofsted ratings do not capture well the indicators that matter to successful child development so that, despite a majority of childcare centres being rated by Ofsted as ‘good’ or ‘outstanding’, deeper scrutiny of the actual quality of care and development activities (using more detailed measures) showed that virtually none of the ‘good’ and ‘outstanding’ centres achieved minimum quality standards.⁹

An overview of different childcare models¹⁰

In order to ease access to childcare during intermediary years between end of parental leave and primary education, some countries have implemented a legal entitlement to early childhood education and care (ECEC), often to help with pre-primary school development and therefore targeting older preschool children, usually from the age of 3 onwards, accompanied with free places for between 20-29 hours per week (some, like the UK, opt for an earlier age of entry into the school system, for example). However, eight European countries have implemented a legal entitlement to formal childcare from an earlier age, directly after the end of the paid parental leave available. These are: Denmark (from 6 months old), Slovenia (from 11 months old), Sweden, Finland, Norway and Germany (all from one year old), and Estonia and Latvia (from 18 months old).

⁶ Figures from the Childcare Survey 2019 (<https://bit.ly/2NAzqvD>)

⁷ See Workforce profiles in ECEC in Europe at <http://www.seepro.eu/English/Home.htm>

⁸ Butler, A. And Rutter, J. (2016) ‘Creating and anti-poverty childcare system’, report for the Joseph Rowntree Foundation, January (<https://bit.ly/1nxG08q>)

⁹ Lloyd and Potter (2014), cited in Butler and Rutter (2016), *ibid*.

¹⁰ Data in this section mostly comes from the 2019 Eurydice report on Key Data on Early childhood Education and Care in Europe (<https://bit.ly/2NDHBb3>)

Most families have to pay fees for ECEC in most countries, though a significant number of countries offer free places for all children aged 3 or above for a significant number of hours (mostly 25-30 hours). In the earlier years, fees are often subsidised by level of income. Latvia is the only country that offers a legal entitlement to childcare (from 18 months of age) that is also free of charge. Ireland, the Netherlands, the UK and Switzerland are the countries which charge the most expensive fees to parents of young pre-school children, although some subsidies are available for low-income parents.

Only seven countries have no ‘childcare gap’, that is, the time difference between the end of parental leave (including maternity or paternity leave) and the start of the period of childcare entitlement (subsidised though not necessarily free). These are Denmark, Germany, Estonia, Finland, Norway, Sweden, and Slovenia. Latvia has also no childcare gap but the parental leave is less well compensated. Table A1 in the appendix summarises the main features of these countries’ systems as good practice examples (including Latvia and Iceland but not Finland). Finland is an exception. It offers a choice for parents between formal childcare (a legally entitled place) and a fairly generous home care allowance (mostly taken up by the mother) for up to three years.¹¹ As a result, the enrolment of young children in formal childcare is not particularly high compared to the other countries that don’t have any childcare gap. We therefore exclude Finland from this analysis as the focus is on those countries that have successfully managed to enrol a significant number of children under 3 in non-parental formal ECEC provision. We have also added Iceland because despite a lack of legal entitlement to childcare after parental leave, *de facto* most children attend a publicly subsidised (low-fee) childcare place shortly after it.

Figure 1 shows the enrolment rate in childcare by age of the child in selected countries that offer generous provision, i.e. those examined in more detail in the appendix table, as well as Scotland (representative of the UK as the only nation for which data was available by year of age), and Flanders (a region in Belgium). Flanders offers highly subsidised childcare provision from an early age (directly after a short maternity leave of about three months), though no guarantee until the age of 2.5 years from which childcare becomes free (and education-related), with about 30 hours per week. Belgium as a whole offers an example of a two-tier system based on age, with subsidised (but not free) ‘care-focused’ places for younger preschool children (often with working parents), followed by free ‘education-focused’ kindergartens for all (from 3 years onwards). This type of system is also found in France, Spain, Italy and a few other countries.

Overall, the ‘best practice’ countries detailed in the appendix share similar characteristics:

- highly affordable provision with highly subsidised costs (often capped fees) and reduced fees for children in low-income families and/or subsequent children;
- high qualification levels of a significant proportion of staff;
- an integrated approach to childcare and education with a unitary system that doesn’t vary with the age of the child (eg same ministry in charge, unlike two-tier systems);
- centralised funding and supervision but implementation and organisation tailored to local needs.
- importance of content of developmental activities with civic teaching, fighting gender stereotypes, etc. (explicitly so in Sweden).

However, challenges also persist, mainly to do with staffing. Most countries struggle to recruit and pay adequately sufficient numbers of qualified teachers. This adds pressure to maintain low child/staff ratios, which is particularly bad in Latvia, Slovenia and Estonia. Despite universal entitlement, demand still exceeds supply (though most parents manage to find an affordable place after a while).

¹¹ This ties in with its parental leave system so the discussion is covered in Fisher (2019)

Pressure on fee subsidies depends on economic cycles but most systems invest politically and have stabilised generous provision in recent years.

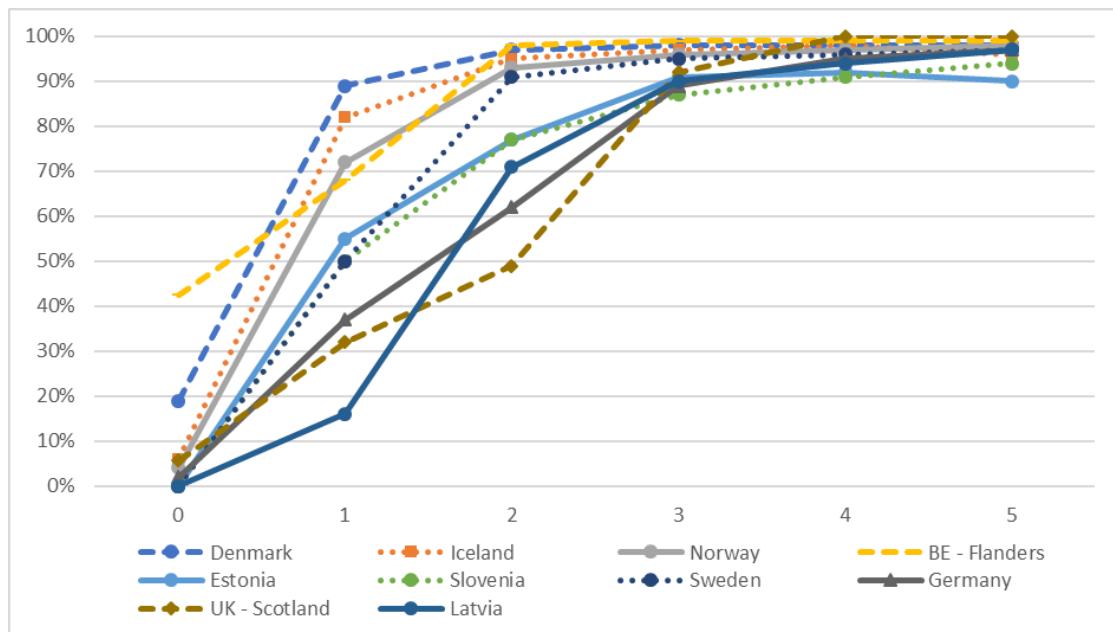


Figure 1 Enrolment rates in formal ECEC provision (centre-based and childminders) by age of child in years

Source: Eurydice (2019) and own calculations

Recommendations for policy changes in the UK

To come closer to the systems of the best-practice countries reviewed in the previous section, childcare provision in the four nations of the UK needs a radical overhaul. Provision of universal childcare of high quality should be pursued with directly subsidised places made affordable for all children after the end of their parents' leave for a significant number of hours per week, at least 30. Ideally, the system should aim for free universal access in the same way as schools, and not be limited to working parents or parents on a low income. This diverges from the practice observed in some of the Scandinavian countries but is in line with the principle of extending free education to earlier ages. Moreover, avoiding means-testing (in fee structures) would be more effective in reaching families whose children would benefit most from professional childcare services.

De Henau (2019) details a proposal of such a universal system, including significant investment in training and building of new facilities.¹² The main features are as follows:

- Free childcare offered year-round and on a full-time basis (De Henau models it on 40 hours but this is flexible), from the age of six months onwards.
- Staff qualification levels should increase so that about half of practitioners in direct contact with children have a Bachelor's degree level or equivalent in ECEC training, with the remainder at ECEC A-level or equivalent (to match the structure in best-practice countries).

¹² See 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, March (<https://bit.ly/2C8E8vQ>)

- Staff pay should increase towards 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.
- Demand-side subsidies would be abolished given the free universal full-time provision
- A diversity of providers could still exist (voluntary, state or commercial) though the premise is one of publicly funded, universal provision

Despite significant public annual investment needed, to the tune of dozens of billions of pounds (around 3% of GDP annually), the system would not necessarily require raising additional taxes. In a similar way to how other public investment is funded, such as physical infrastructure, this system could be funded by government borrowing, with repayments spread over future years, during which time sufficient fiscal revenue stemming from the investment will also materialise to repay the debt. This can occur through two main channels.

The first channel consists of relatively short-term (contemporaneous) fiscal effects. Additional fiscal revenue arises from increased employment in the childcare sector itself, as well as indirect and induced employment from multiplier effects. Calculations show a potential revenue recouping 75-79% of the annual gross investment when the system is in a steady state (fully implemented), factoring in initial building and training costs.

The second is a more traditional channel of looking at the longer-term effects of childcare on children's and their parents' additional earnings (and thus extra tax revenue), including other financial benefits from reduced social spending as a result of a better cared for population. Even if only considering improvements in mothers' lifetime earnings¹³, our calculations show that it would take between 8 and 13 years to recoup the investment in childcare (for a typical mother of two children on potential average earnings), well within the remaining working life span of first-time mothers.

This means that a free universal high-quality childcare system not only addresses all the problems experts have been agonising about, it is also self-funding.

Conclusion

The UK childcare system needs a radical overhaul, as it is neither affordable nor accessible, and issues of low quality have remained problematic despite increased public investment in the sector over the last two decades. This short paper has shown how this can be achieved, given the relatively wide consensus on what constitutes an adequate system of childcare for preschool children. A brief overview of good practice countries has highlighted similar features needed that are being increasingly adopted by EU countries. As the nations of the UK are gradually moving towards expanding the free hours of childcare offered, in line with other European countries, this paper shows how a radical proposal of offering free universal childcare to all children from the age of six months, despite requiring significant public funding, would actually be self-funding over time.

¹³ Assuming fathers' income doesn't change as shown in Kleven H. et al. (2019) 'Child Penalties Across Countries: Evidence and Explanations', NBER (<https://www.nber.org/papers/w25524>)

Table A.1 Overview of childcare systems in selected EU countries

	Entitlement before 3y	Costs / fees	Typical duration	Staff qualification	Child/staff ratios (for under 3)	Type of setting
Denmark	Subsidised place from 6 months	Capped at 25% of provision cost; average payment is 9% of parental income	Mostly full-time full-day (about 67% of children 0-2y)	60% staff are pedagogues (3.5y university) and rest are assistants (secondary vocational)	No national regulation but average 3-4 children per staff	Mostly publicly provided – majority in kindergartens (age-integrated) but younger children in family day care (about a third)
Sweden	Subsidised place from 1y since 2000; free 15h per week from 3y since 2010	Capped at 3% of parents' income for 1 st child, 2% for 2 nd and 1% for 3 rd and free for low-income; average parental contribution is 7% of cost	Preschools open 7-8 to 17-18:00 but most parents pick up children around 15-16:00. Average duration is 33h per week	Play-based learning and core civic values. Staff 50-50 preschool teachers with 3y university and nursery nurses with upper secondary	No national regulation about 4:1 in 2016	Age-integrated full-day full-year public preschool centre (only 3% in family day care)
Norway	Subsidised place from 1y	Capped at 6% of parent's income and reduced for low-income	Full days about 41+ hours per week for 95% children in ECEC (from 57% in 2000)	One qualified teacher per 7-9 children under 3 (3y university) – qualified teachers about 32% of staff	4 children per staff	Integrated full-time daycare centre, 50-50 subsidised private and public
Iceland	No legal entitlement but most covered by 2y	Varies by municipality but parents pay max 25% of costs	Vast majority full-day (in both FDC and DC); average 37h per week	32% pre-primary school teachers (5y master); 52% unskilled staff (secondary school)	Average 3.2 children per staff	Mostly public preschool from 2y and gap for 1y olds (25% use FDC)

Germany	Subsidised place from 1y	Variation in subsidies by local area / average costs by lander vary from 2% in Berlin to 9% in Schleswig-Holstein (plan for free day care nationally)	Mostly full-day (about 28% spent 25-35h per week and 54% more than 35h); longer hours in East than West.	About two-third of staff are lead practitioners, with a 3y vocational technical college degree	Large variations. Average 6:1 in East Germany and 3.6 :1 in West	33% public ECEC centres and 64% publicly subsidised (50-50 church and non-church) private centres. Family day care not frequent (15% of 1-2y olds in ECEC)
Slovenia	Subsidised place from 11 months	0-80% of fees, depending on income, 30% of fee for 2 nd child and free for 3 ^{rd+} child: fee for 1 st child up to 500 EUR per month (parents pay about 33% of fee on average)	Full-day programmes usually 6 to 9h per day (but open 6am to 5pm). Average 36h per week	About 50-50 between qualified (teachers) and less qualified (assistants). Teachers have 3y university education	Around 6 children per staff	Full-time public preschool integrated from age 1 to 6 is dominant
Estonia	Subsidised place from 18 months	Maximum fee cannot exceed 20% of minimum wage. Low-income families exempted	Majority (85%) for more than 30h per week; average is 35h	Mix of qualified (university) and auxiliary staff	7 children per staff	90+% are age-integrated public preschool centres
Latvia	Free place from 18 months	Free but parents pay for meals	Average 39h per week		Not found - varies	95% public preschool centre

Sources: Workforce Profiles in ECEC (<http://www.seepro.eu/English/Home.htm>); Eurydice (2019) Key data on ECEC (<https://bit.ly/2NDHBb3>); Scottish Government (2013) ECEC provision: International review of policy, delivery and funding (<https://bit.ly/2oQUPZS>)