

Westminster Hall Debate Relating to Funding and Affordability of Childcare

A Briefing from the UK Women's Budget Group

September 2021

Our childcare system is in crisis. Even prior to the pandemic it was not fit for purpose and was failing to meet the needs of children, parents, and the economy. Covid, and the Government's response has exacerbated these problems.

A system of high quality, free, universal childcare would deliver significant long-term benefits for children, parents, and the wider economy.

What were the key issues relating to childcare prior to Covid-19?

Availability: Prior to the pandemic, in England, 72% of local authorities reported that there was enough childcare for children under twoⁱ. Children with special educational needs or disability were particularly under-served, with only 19% of local authorities having enough childcare for themⁱⁱ.

Affordability: In 2020, the price of childcare rose between 4-6% for different age groups, well above the 1.4% inflation rateⁱⁱⁱ. The TUC found that for parents with a one-year-old child, the cost of their child's nursery provision has grown four times faster than their wages, and more than seven times faster in London (2008-2016)^{iv}.

Underfunding: In 2019, the cost of providing education and care for under-twos was underfunded by 37%, and for three- and four-year-olds it was underfunded by 20%^v. 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^{vi}. 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.

What has been the impact of Covid-19 on the childcare sector?

Loss of Providers: 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^{vii}. This decrease in places was largely driven by childminders leaving the market^{viii}. There were 64,173 fewer childcare places and 7,566 childcare providers left the sector in March 2021 compared to August 2020^{ix}.

Growing Inequality : The lack of formal childcare provision during Covid has had 'the biggest impact on the poorest in childcare' with lasting impacts on the attainment gap^x.

Women in the Workplace : 46% of mothers being made redundant said that lack of childcare was a factor in their selection for redundancy and 72% have worked fewer hours and cut their earnings due to lack of childcare^{xi}.

High Quality, Free Universal Childcare.

In the immediate term we recommend a system of free, universal childcare provision year-round and on a full-time basis, from the age of six months onwards. In the short term this would involve:

- 30 hours of free childcare
- High qualifications 45% staff with degree and 55% with Level 3
- Minimum pay at Real Living Wage for Level 3 workers and £13.18 for degree holders

The total annual spending required for England in 2021-22 : £15.5bn (0.8% of English GDP). An increase of around £10.4bn on current spending on free childcare hours and childcare tax credits.

In the longer term we recommend:

- Same requirements as recommendations for immediate term
- Higher wages (based on primary school teachers' rates, for corresponding qualifications)
- 35 hours offered rather than 30 hours.

The total annual spending required: £25.8bn (1.4% English GDP). An increase of £20.7bn above current spending in England.

How is it funded?

Despite the need for significant investment in the childcare sector, the costs required to offer good-quality, accessible and affordable childcare would pay for themselves. Like investment in physical infrastructure, this system can be funded by government borrowing.

Repayments would be spread over years, with the debt repaid by the revenue created by the investment. This can occur two ways:

The first is through short-term, additional revenue arising 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 fully implemented, factoring in initial building and training costs^{xii}.

The second sees investment costs recouped through higher tax revenue and reduced spending on means-tested benefits^{xiii}.

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ⁱ WBG (2021) Access to Childcare in Great Britain [Briefing-Childcare-FINAL-version.pdf \(wbq.org.uk\)](#)

ⁱⁱ Family and Childcare Trust (2020) Childcare Survey 2020 (<https://bit.ly/2MASdrg>)

ⁱⁱⁱ Coram Family and Childcare (2020) Childcare Survey 2020 (<https://bit.ly/2MASdrg>) p. 17

^{iv} TUC (2017) Press release: Cost of childcare has risen four times faster than wages since 2008, says TUC (<http://bit.ly/2iolvrs>)

^v Ceeda (2019) Counting the cost in spring 2019 (<https://bit.ly/2DD13Dz>)

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

^{vii} Ofsted Childcare providers and inspections Official Statistics (2021) Table 3: Movement in the childcare sector (<https://bit.ly/363S7S1>)

^{viii} Ibid

^{ix} Ibid

^x The Sutton Trust (Apr 2020) Social mobility and Covid-19 (<https://bit.ly/3iYmAGe>)

^{xi} Pregnant Then Screwed (2020) Covid, Childcare and Career (<https://bit.ly/3iUKu5p>)

^{xii} De Henau, J. (2019) WBG Commission on a Gender-Equal Economy, Early Childhood Education and Care (ECEC) policies. [Consultancy agreement \(short-form\) \(wbq.org.uk\)](#)

^{xiii} See WBG briefing on universal childcare: (<http://bit.ly/2lHHGeH>)