

How can childcare help to end child poverty?

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The purpose of this note is to examine the contribution that childcare might make to ending child poverty. It focuses on childcare policy specifically in England, as Scotland, Wales and Northern Ireland have separate strategies, despite sharing key aspects with the English model. Childcare provision has an indirect impact on child poverty through enabling parental employment; there may also be longer-term benefits in breaking the cycle of poverty and deprivation.

The childcare strategy

In 1998 the first ever National Childcare Strategy was introduced by the Labour government (DfEE 1998). It aimed to improve the availability, affordability and quality of childcare and formed part of the government's strategy to tackle child poverty through expanding childcare to enable more parents (mainly mothers) to take up employment.

Hitherto, childcare was a neglected area of family policy as it was seen as a private family matter. Consequently, provision was inadequate and research repeatedly demonstrated that it was a major barrier to employment among low-income families, especially lone parents. The inadequacy had to be addressed as the Labour government was promoting paid work as the best route out of poverty. Yet childcare provision does not have a direct impact on poverty; it can only free up parents' time (mainly mothers) to enable them to participate in employment. Research suggests that paid work is a means of alleviating income poverty and material deprivation (Berthoud et al 2004) and formal childcare can make a contribution. However, it is no simple matter to demonstrate the extent of this contribution to ending child poverty, partly because of the tricky business of making childcare services available as well as affordable in relation to earnings. The ideal situation to help tackle child poverty would be to ensure that childcare is universally available and affordable to all low-income families by 2020. The question is how will childcare provision reach this ideal?

Progress

Childcare policy has come a long way since 1998, but it has proceeded by small incremental changes. By 2005, 582,000 new childcare and early education places had been created (HM

Treasury 2005a: 15). This was achieved by supporting a mixed economy of provision through complex supply-side and demand-led funding packages. Supply-side funding paid mainly for early education; some £5.9 billion of the £8.2 billion total (Strategy Unit 2002: 10). On the demand side, a new childcare subsidy had been created for low-income families through work-based tax credits¹, worth £700 million per year in 2004 (HM Treasury 2004: 28).

However, a number of persistent problems remained:

- provision was patchy across local authority areas ranging from 11 to 58 places per 100 school-aged children;
- there were insufficient places for disabled children, for children from minority ethnic groups and for disadvantaged children; and,
- some services were not sustainable when pump-prime funding ran out (NAO 2004).

The childcare subsidy was also not particularly successful; in 2005 only 223,800 lone parents claimed it out of 1.06 million who could have potentially done so as they were in receipt of Working Tax Credit. Also, the average amount paid out to all parents was low, at £51 per week in April 2005 (National Statistics 2005: 14). Parents in the UK still paid the bulk of their childcare costs, 75% compared to an average of 25-30% in the Organisation for Economic Co-operation and Development (OECD) (Daycare Trust 2004). The result is that work may not pay, with estimates suggesting that 54% of lone parents working a 30-hour week for the minimum wage would be worse off if their childcare costs were equivalent to the maximum amount available under the childcare subsidy (then £135/week for one child) (HC 2003: 24). Nevertheless, the lone parent employment rate is at the highest level ever; up from 46% in 1997 to 56% in 2005². Around half of this gain is said to be due to government policies such as the New Deal for Lone Parents and Tax Credits, but the contribution of childcare was not estimated (HM Treasury 2005b: 89).

¹ The subsidy was originally called the Childcare Tax Credit but was renamed the 'childcare element' of Working Tax Credit in changes made to tax credits in April 2003.

² Although this is still below the employment rate for lone parents in most OECD countries (HM Treasury 2005b: 90) and below the 70% target in employment by 2010.

In response to these problems, the government set out a new 10-year strategy for childcare (HM Treasury 2004). After seven years of implementation the new proposals still represent “the first step in the process of turning early years and childcare policy commitments into fully implemented practice – through legislation and beyond” (DfES 2005: 4).

Future plans

The 10-year strategy represents a ‘vision’ for childcare until 2010 ‘and beyond’ :

The Government’s vision is that all families who need provision will have access to an affordable, flexible, high quality childcare place that meets their particular circumstances. The availability of childcare should not be an obstacle to participation in work, education or training. (HM Treasury 2004: 34)

Lack of childcare still presents a barrier to employment and a key component of the strategy is to place a new legal duty on local authorities to ensure there are ‘sufficient places in the community’. Local authorities are to facilitate the private and voluntary sector childcare market and, where needed, can provide services directly themselves. This is an additional responsibility to their previous duty of convening partnerships to deliver childcare and has been enshrined in the first ever UK Childcare Bill (2005). It represents the first move towards universal childcare and a move away from centrally set targets for the expansion of childcare places in England as a whole.

The other main elements of the vision for 2010 are shown in Table 1. Children’s Centres (CCs), which are planned to expand to 3,500, will provide multiple services of childcare, health and family support and will act as a hub in local communities for the provision of information about childcare services. The government believes this number will be enough to provide one in ‘every community’ by 2010, allowing all families access at least to childcare information (HM Treasury 2004: 36). However, it is hard to tell how many of these Centres will be new provision, since existing services can be rebranded as CCs if they offer multiple services. Early education services will expand their hours of operation up to 20 hours per week (already universally available for children aged three and four

years for 12.5 hours per week). For primary school-aged children (aged 5-11 years), childcare wrapped around the school day (from 8am to 6pm) will be provided by schools or by private/voluntary sector partnerships all year round. The childcare subsidy is also being uprated to help make childcare more affordable. The maximum limit of eligible childcare costs will be increased to £200 for one child and £300 for two or more children (up from £135 and £175 respectively) and parents will be able to reclaim 80% of the costs up to that limit, rather than 70% previously. Quality will improve with new workforce training schemes, the raising of minimum standards and better regulation and inspection frameworks that will take account of the child well-being outcomes as set out in the *Every Child Matters* agenda.

Table 1: Main elements of the 10-year childcare strategy (2004) and Childcare Bill (2005)

Key proposals	Target date for achievement
New legal duty on local authorities to ensure 'sufficient' services to meet local demands ^a	2008
Expansion of CCs providing multiple and integrated services	2,500 CCs by 2008 3,500 CCs by 2010
Expansion of free early education provision from 12.5 hours a week to 15 hours and eventually 20 hours ^b	15 hours/week by 2010
Extend early education provision throughout the school year from 33 to 38 weeks.	2006
Out-of-school childcare place for <i>all</i> children aged 3-14 years between the hours of 8am to 6pm weekdays, mainly through extended schools	2010
Reform of legal regulation and inspection framework into a unified service covering both education and childcare	2008
Increasing the maximum limit of the childcare costs eligible for the subsidy in Working Tax Credit from £135 to £175 a week for one child and from £200 to £300 for two or more children	April 2005
Increase the proportion of childcare costs reclaimable under the Working Tax Credit	April 2006

childcare subsidy from 70 to 80%	
Develop a new quality 'Early Development and Learning Framework' to ensure all providers meet minimum standards and to ensure child welfare outcomes as in the <i>Every Child Matters</i> agenda	2008
Children's workforce development consulting on new qualifications and career structures	2005

^a The test for 'sufficiency' will be where the local childcare market allows parents to make a choice about working (DfES 2005: 7).

^b Greater flexibility is also offered allowing parents to lump the hours together over three days; currently the maximum offered is 2.5 hours per day over five days.

Contribution of childcare policy to end child poverty

Despite the proposed improvements, it remains extremely difficult to assess the direct impact childcare provision will have on tackling child poverty. The proposals go some way to providing universal childcare through the legal duty imposed on all local authorities to meet parental needs and the provision of one CC in every community. But this duty refers to adequacy at the 'community' not the individual level, and universal access to CCs refers to information about childcare and not the childcare provided by them. Therefore, there is no obligation to meet the needs of all families on an individual basis to enable employment. Also, while there may be one CC in every community, it has been estimated that even 10,000 CCs would only be capable of providing about 500,000 full-time places for a population of around 2.8 million children aged 1-4 years (Daycare Trust 2004: 16). In addition, the legal duty on local authorities will not be implemented until 2008. Therefore, there is unlikely to be any major impact on child poverty by 2010, and by 2020 the proposals will still suffer from these limitations. Success in enabling employment will depend on local authority level initiatives tailored to parental employment needs.

On the other hand, the plan to extend free early education provision to 20 hours per week for all children aged three to four years of age may have more of an impact. Effectively this reduces the age at which children start education, since full-time compulsory education is provided currently for about 30 hours per week for those who have reached primary school age. This means that parents with pre-school-aged children can be freed up to take

employment of at least 16 hours per week which will enable them to claim work-based tax credits to supplement low incomes while having no, or minimal, childcare requirements.

Apart from the early education proposals, the other approach to tackling the problem of affordability is to increase the amounts of the childcare subsidy rather than extend it. Yet the government recognises that this will only have a modest impact with around 20,000 families gaining immediately (HM Treasury 2004: 28). Moreover, Gregg and Harkness (2006) estimate that the overall improvements provided by the 10-year strategy may add one percentage point to the lone parent employment rate – but also note that this is a very unreliable estimate. Other research from the US suggests that a cash subsidy is not only successful in encouraging employment, but also allows low-income families to coordinate work and childcare needs more effectively, helping to sustain their employment (Press et al 2004). Evidence in the UK shows that coordination of work and childcare hours can be a difficult barrier to overcome, especially for lone parents (Skinner 2003, 2005; Bell et al 2005), and the subsidy therefore may have additional benefits in enabling employment. But others have argued that to sustain long-term provision the focus should be on supply-side funding rather than demand-led via a childcare subsidy (Daycare Trust 2004). It is also possible that the childcare subsidy produces a perverse incentive for providers to raise costs in line with the subsidy and fuel price inflation (Penn and Randall 2005: 86). Certainly, childcare costs have risen by 27% in the last five years outstripping inflation by 20% (Daycare Trust 2006). In pursuing their promotion of a universal childcare service, the Daycare Trust have estimated that funding needs to rise from current levels of 0.84% of GDP to between 2-2.5% by 2020 if provision is to match the successful universal models provided in Sweden and Denmark (Daycare Trust 2004). Parents also need to pay proportionally less of the childcare costs; currently their contribution has been estimated at 0.30% of GDP (Daycare Trust 2004: 14).

What remains unknown is the best balance between supply-side and demand-led funding in achieving two key aims: first, increasing employment rates among low-income families and, second, making the childcare subsidy sufficient in relation to earnings to help lift children out of poverty. It remains unclear, therefore, what impact the new childcare proposals will have on increasing

parental employment and thereby tackling child poverty by 2010 or 2020.

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