

# Women in the labour market

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**Boosting mothers' employment  
and earnings through accessible  
childcare**

October 2021

centre for  
**progressive  
policy**



## 2 Executive summary

---

3 Why is childcare failing working mums?

---

4 Addressing the childcare deficit

## 6 Introduction

# 1

## 8 Maternal work

---

10 The motherhood penalty

---

12 The benefits of childcare

# 2

## 14 Mothers' views on access to childcare and work

---

15 Underemployment and reduced opportunities

---

15 The high cost of childcare

---

16 Lack of wrap-around care

---

17 Low levels of awareness

---

18 Inflexible working arrangements

---

18 The cost of inadequate childcare

---

19 What mothers want

# 3

## 20 Provider problems

---

21 Barriers to access

---

22 Insufficient funding

---

23 The workforce crisis

---

24 Debt in the time of Covid-19

---

24 The need for change

# 4

## 26 Reforming care

---

27 Fairer funding for subsidised care

---

29 Bolstering capacity and the childcare sector

---

30 Improving working conditions in the childcare sector and beyond



# Executive summary



A failing childcare system is costing the UK billions in lost earnings. As part of the Centre for Progressive Policy's (CPP) Women in the Labour Market programme, this report explores how inadequacies in the childcare system act as a barrier to women's participation in the labour market. It provides estimates of the potential economic gains to be made in the short and medium term via an assessment of the lost earnings women face from lack of access to childcare. While there are certainly wider questions over the organisational challenges facing the childcare sector and its role in supporting child development, this report looks at the challenge through the prism of women in the labour market and how policy can ensure every mother has access to high-quality, affordable childcare. It calls for a wide range of reforms to increase funding, expand the capacity for provision, improve working conditions and guarantee greater flexibility for mothers in the workplace.

Women have made great strides in the labour market over the past few decades, but more must be done. Maternal employment rates had risen to record highs prior to the pandemic, with CPP estimating the economic contribution of working mothers increased from £514bn to £775bn between 2010 and 2019. However, gender gaps in pay and participation persist, harming the economic wellbeing and potential of women with children, their families and communities.

The childcare system can play a powerful role in supporting women in the labour market. There is a strong link between the availability of childcare and women's employment at the local level. Unfortunately, existing policy has proven inadequate at delivering a childcare system that works for working women. New survey evidence reveals that, among mothers across the UK, 46% claimed that they had "struggled to find suitable childcare". Among those who reported struggling with access to childcare, it was found that:

- 46% were prevented from taking on more hours at work (equating to 1.7 million women)
- 34% were prevented from taking a potential job (equating to 1.3 million women)
- 30% had to reduce the hours that they worked (equating to 1.1 million women)
- 15% had to quit their job (equating to 560,000 women)

Failings in the childcare system are adversely impacting women in the labour market. New analysis estimates that if women had access to adequate childcare services, and were able to work the hours they wanted, they would increase their earnings by between £7.6bn and £10.9bn per annum. This represents only the short-term gains of tackling under-employment. Greater economic gains would be realised through providing women with greater control over their working lives, expanding career opportunities and stimulating demand.

It is not just working mothers, but society paying a sharp economic price for inadequacies in childcare. The country cannot afford not to invest in an accessible, affordable, flexible, and high-quality childcare system that meets the needs of working mothers and their families.

## Why is childcare failing working mums?

Despite various initiatives aimed at improving access to childcare, inadequate funding and resourcing has left the sector struggling to meet demand, undermining the benefits of policies that are meant to help working mothers. Among advanced OECD economies, the UK spends the second least amount on childcare, less than 0.1% of GDP. For every child aged three or four who receives 15 hours of care each week, providers lose £335 a year due to discrepancies between the funding they receive and the cost of delivery. Efforts to curb costs have worsened working conditions, resulting in an average turnover rate of 24%. With the full impact of the Covid-19 pandemic yet to be felt, it is likely that the challenges facing providers will not improve in the near future.

It is vital that the capacity of the childcare sector is boosted and the economy as a whole adapts in order to meet the needs of working mothers. Polling reveals that mothers want more support for childcare, not only in terms of access to provision, but from their employers too. From a range of options, mothers opted for their top three ways in which the government could support them in employment, with:

- 54% prioritising extension of free childcare entitlements from 38 to 52 weeks
- 53% prioritising enhanced flexibility from employers for those with children aged under 10
- 49% prioritising greater availability of before and after school care

# Addressing the childcare deficit

Reflecting the needs and expectations of working mothers, this report puts forward a series of recommendations aimed at bolstering capacity, expanding entitlement and ensuring that every working mother is entitled to flexible working arrangements that improve access to childcare and support them in the workplace:

## 1

### Fair funding for subsidised care

- **Implement a new audit process to determine the cost of delivering subsidised care so that the government pays a fair price.** Ensuring that providers receive a payment that fairly reflects the cost of care will help reduce financial pressures and improve the capacity and resources of providers at a cost of between £509m and £801m.
- **Increase the amount of subsidised care for children aged three and four from 570 to 720 hours a year.** An additional 150 hours of care would mean 15 hours extra for ten weeks which would help parents access childcare through the holidays at an estimated cost of £700m.
- **Introduce a 720-hour subsidised care package for children during the first two years of their life.** Children under two have no access to subsidised care which can make the transition back into work for mothers a challenge. A funding package of £1.8bn should be made available to provide 720 hours of free care during the first two years of a child's life.

## 2

### Increasing capacity in the childcare sector

- **Establish a central government fund to invest in after-school activities and holiday care.** Building on previous CPP work, a £1.1bn fund should be used to invest in the creation of a million after-school and holiday childcare places.
- **Create a new 'What Works Centre' for childcare.** What Works Networks have a track record of investigating best practice across a wide range of policy areas, and one should be created with a specific focus on the childcare sector, evaluating evidence for how policy can improve outcomes for providers, parents and children.

## 3

### Improving working conditions in the childcare sector and beyond

- **Establish a new 'Skills for Childcare' organisation.** A dedicated, independent institution should be created to work in partnership with the Department for Education and childcare sector to collect information related to the quality and developmental needs of the childcare workforce.
- **Introduce a right to a 20-day trial period for workers who have requested flexible working arrangements.** While employees may have the right to request flexible working arrangements, this can become a right to reject among employers. We propose giving workers the right to trial their preferred arrangement, to provide clear evidence on whether flexible working requests are viable or not.



# Introduction



Despite the strides that women have made in the world of work during the past few decades, entrenched gender inequalities remain. The gender pay gap has declined but remained as high as 15.5% among all employees in 2020.<sup>1</sup> In 2020, three in four part-time workers were women.<sup>2</sup> Through the Covid-19 pandemic, sectors that employed more women than men were hit hardest, with greater job losses reported among women than men.<sup>3</sup> Persistent gender inequalities at work have had a detrimental impact on women and their families, and compromise the economic potential of entire communities.

Women with children can face unique and diverse challenges within the labour market. Women take on a disproportionate role in the provision of unpaid work, including childcare. Inequalities in the provision of unpaid, reproductive labour between men and women typically widen around the birth of the first child.<sup>4</sup> As a result, accommodating childcare responsibilities has had a historically disproportionate impact on women's participation in the labour market, leaving many either economically inactive or in lower-paid, part-time employment.

A lack of high-quality, affordable and accessible childcare options denies women full control over their working lives

Fewer opportunities for mothers to find or return to decent employment ultimately stems from the inadequate provision of childcare. A lack of high-quality, affordable and accessible childcare options denies women full control over their working lives. A reinvented childcare system would provide women with the opportunity to take on more hours, accept new job offers and pursue further training and education, should they so wish. Social and economic gains for both women and wider society could be realised.

As we recover from the Covid-19 pandemic, it is vital that we take action to reform our labour market to the benefit of everyone, and this starts by addressing the substantial inequalities that affect half of the workforce. This report is part of the CPP women in the labour market programme which explores the barriers facing women in the labour market and offers recommendations to realise the social and economic gains from greater gender equality in the workplace.

While the role of childcare is a critical issue in terms of child development, this report focuses exclusively on the role it can play in supporting maternal employment and the potential economic gains. Mothers, their families and their communities are adversely impacted by the lack of access to childcare. Through enhancing the control and choices women have over their professional lives, earnings, participation and output can be improved, generating substantial economic benefits for families and wider society. To this end, an accessible and affordable childcare system is essential.

#### The report is split into the following sections:

- 1 Maternal work:** exploring the state of maternal employment in the UK and the ways in which women with children are penalised within the labour market.
- 2 What mothers want:** using evidence from a bespoke representative survey of mothers conducted for this report, we identify the barriers they have faced in accessing childcare and the potential economic benefits of ensuring that every woman has access to high-quality, affordable childcare.
- 3 Provider problems:** analysing the challenges that childcare providers have faced both in the past and in the wake of the Covid-19 pandemic and how this has impacted on their capacity to deliver the childcare that working mothers need.
- 4 Taking care of childcare:** a series of recommendations aimed at expanding access, increasing funding, and bolstering the workforce so that the childcare sector is able to meet the needs of working mothers.

1 Office for National Statistics [ONS] (2020) Gender pay gap in the UK: 2020. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2020>

2 Office for National Statistics [ONS] (2020a) Earnings and hours worked, Annual Survey of Hours and Earnings (ASHE Table 1).

3 Stielow L, Carney T.S, Sridhar, D and Forsyth, O (2021) *Women in work 2021*. Price Waterhouse Cooper [PWC].

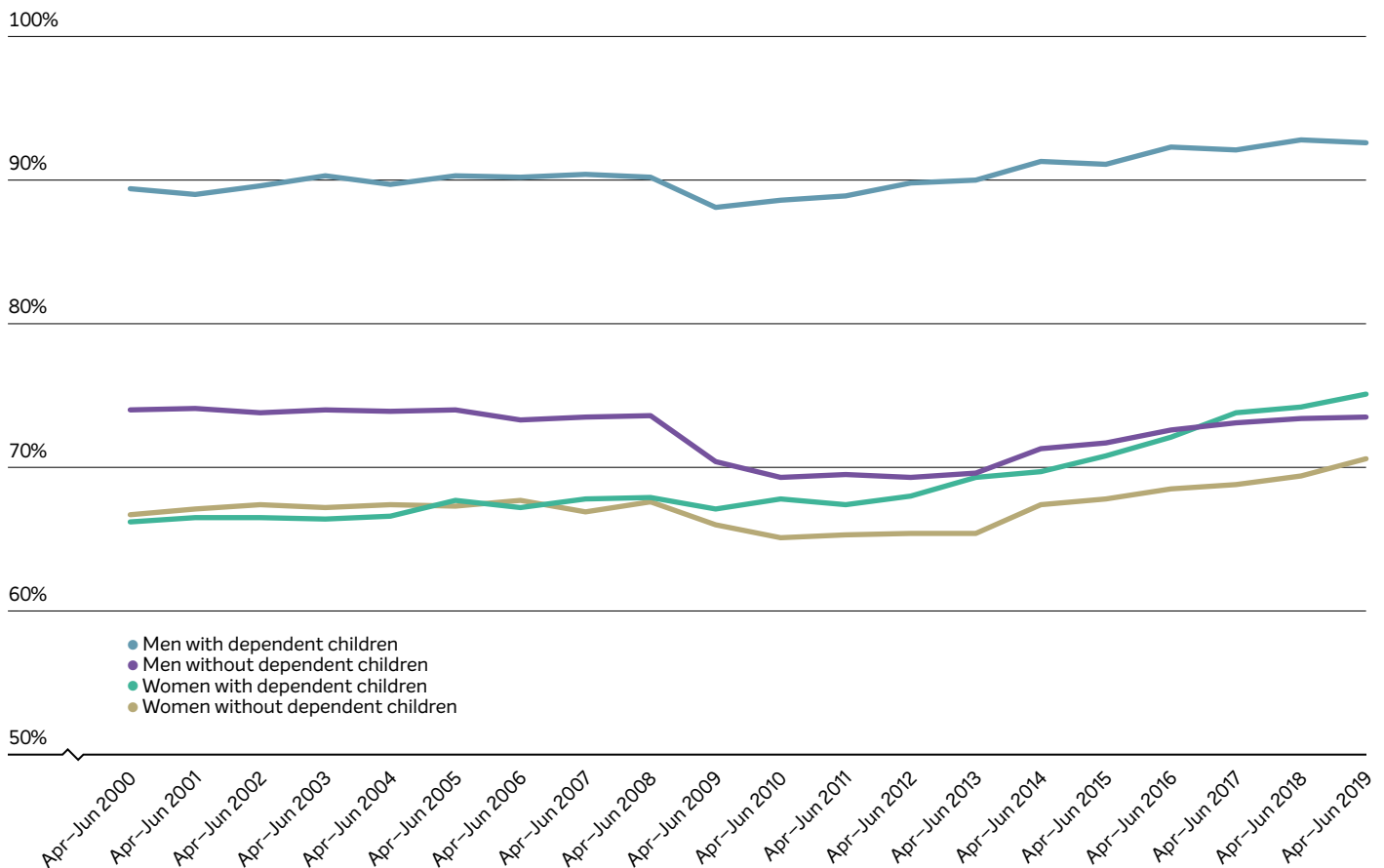
4 Neitzart E. (2020) *Spirals of inequality: how unpaid care is at the heart of gender inequalities*. Women's Budget Group. Available at: <https://wbg.org.uk/wp-content/uploads/2020/04/Accompanying-paper-FINAL.pdf>

# Maternal work

1



Chart 1: UK employment rates by parental status<sup>5</sup>



There has been a surge in maternal employment over the past decade. Between 2000 and 2019, the employment rate for women with dependent children rose from 66.2% to 75.1%, surpassing both men and women without dependent children and rising at a faster rate than men with dependent children.

**Employment rates have risen more sharply for women with children than those without children and men with children.**

There are various explanations behind rising maternal employment that reflect wider shifts in policy, culture, and the economic environment. These include:

- **Delaying motherhood:** younger women are continuing in full-time employment for longer periods before living with a partner and starting a family. An estimated 31% of women born in 1975 had given birth to at least one child by age 25, compared to 60% of those women born in 1945.<sup>6</sup> Women with established careers and experience may find it easier to return to work following the birth of their child.

- **Shared parental leave:** in 2015, a new system of shared parental leave was introduced. The reforms allowed eligible parents to share up to 50 weeks' leave to care for a newborn child with up to 37 weeks of shared parental pay available.<sup>7</sup> More flexible arrangements for parents and greater equality can give women greater choice over deciding when to return to work.
- **Expanded childcare subsidies:** since 2010, various subsidies have been introduced and extended to allow for free early years education. A 15-hour allowance was expanded to 30 hours for eligible, working parents in 2016.<sup>8</sup> While there remain questions over the accessibility of such schemes (which this report discusses later), expanding subsidised childcare can help more women to participate in the labour market.
- **Changing social practices:** while women with children are far more likely to provide childcare and work part-time, there is evidence men are taking on more responsibilities. In 2016, the proportion of men with children aged three to four in part-time employment reached a record high of 8.1%.<sup>9</sup> Equal distribution of work between men and women when it comes to childcare remains a long way off, but there are signs of fledgling improvement.

5 Source: ONS Families and the Labour Market, UK: 2019. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/familiesandthelabourmarketengland/2019#employment-rates-for-parents-in-the-uk>  
 6 Roantree, B. and Vira, K. (2018) *The rise and rise of women's employment in the UK*. Institute for Fiscal Studies: Briefing Note. Available at: <https://ifs.org.uk/publications/12951>  
 7 Unison (2014) *Flexible working: making it work*. Available at: <https://www.unison.org.uk/content/uploads/2014/09/On-line-Catalogue225422.pdf>  
 8 Department for Education [DfE] (2015) *Childcare Bill: policy statement*. Available at: <https://www.gov.uk/government/publications/childcare-bill-policy-statement>  
 9 Office for National Statistics [ONS] (2017) *More mothers with young children working full-time*. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/moremotherswithyoungchildrenworkingfulltime/2017-09-26>

Rising employment rates have resulted in a significant increase in the economic output of women with children in the formal labour market.<sup>10</sup> Using data from the labour force survey, we estimate that the value of formal work performed by women with children has risen from £514bn in 2010 to £775bn as of 2019.<sup>11</sup> However, barriers facing women with children in the labour market persist and continue to undermine their economic potential at work.

## The motherhood penalty

While maternal employment rates have risen, structural inequalities persist. Women with children are far more likely to be in part-time, insecure, and low-paid work, with various barriers that can impact their progression through their career.

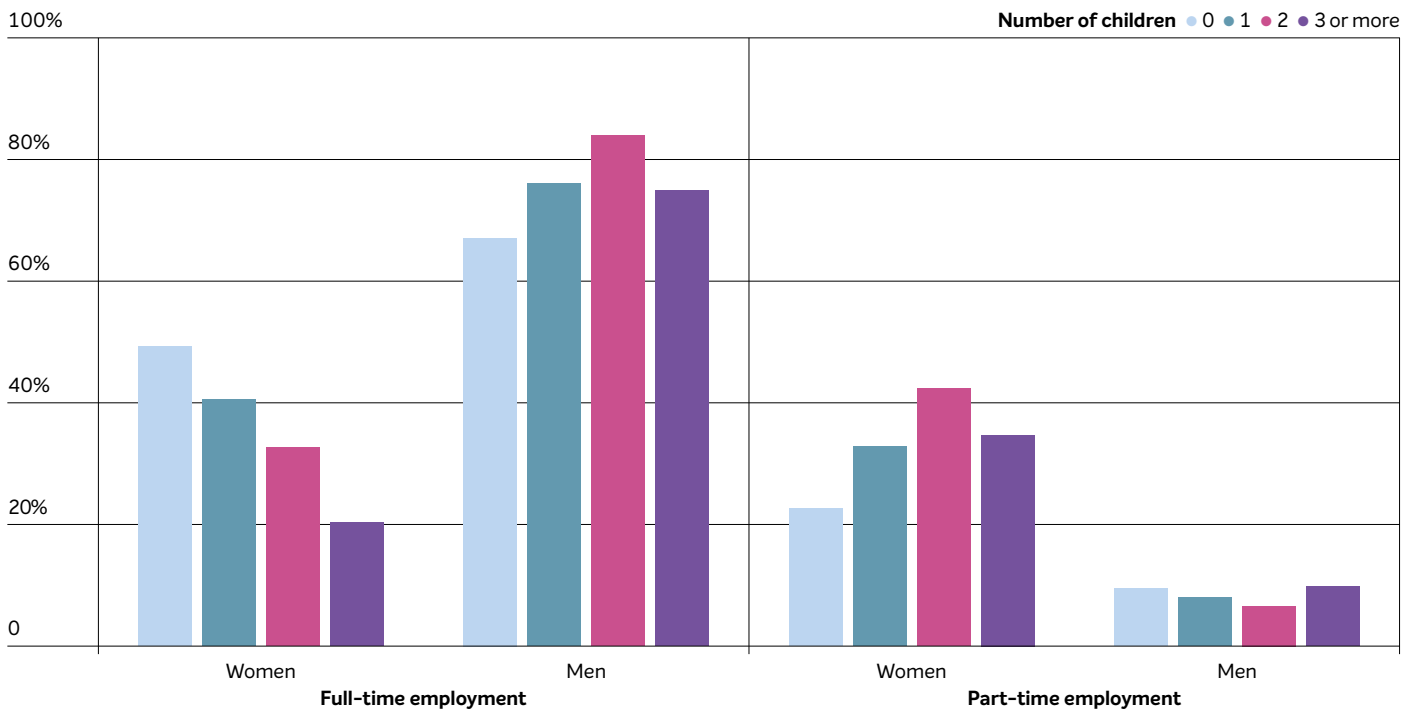
Part-time employment rates are significantly higher for women with children than men with children. Prior to the Covid-19 lockdown, just under 50% of women without children were in employment, while only 40.5% of those with one child worked full-time. The full-time employment rate fell even further for those with three or more children, with only one in five (20.3%) in full-time employment. In contrast, full-time employment rates for men with any number of children exceeded 70% and were higher than for men without any children. While less than 10% of men were in part-time employment, part-time employment rates exceeded 30% for all women with children.

**Full-time employment diminishes for women as the size of their family increases.**

There are notable variations in maternal employment rates by region. Employment rates for women with children almost reach 77% in both the South East and South West, with a substantial proportion in part-time employment. In London maternal employment rates did not exceed 65% prior to the Covid-19 pandemic, although a larger proportion of women were in full-time employment compared to those in the South East and South West. With only 29% in full-time employment, Yorkshire and the Humber have the lowest proportion of mothers in full-time roles. The common theme being low levels of full-time employment for women with children across the country.<sup>12</sup>

**The South East and South West have higher maternal employment rates than the rest of the country.**

**Chart 2: Proportion of working age (16–65) in full and part-time employment by gender and number of dependent children, October–December 2019<sup>13</sup>**



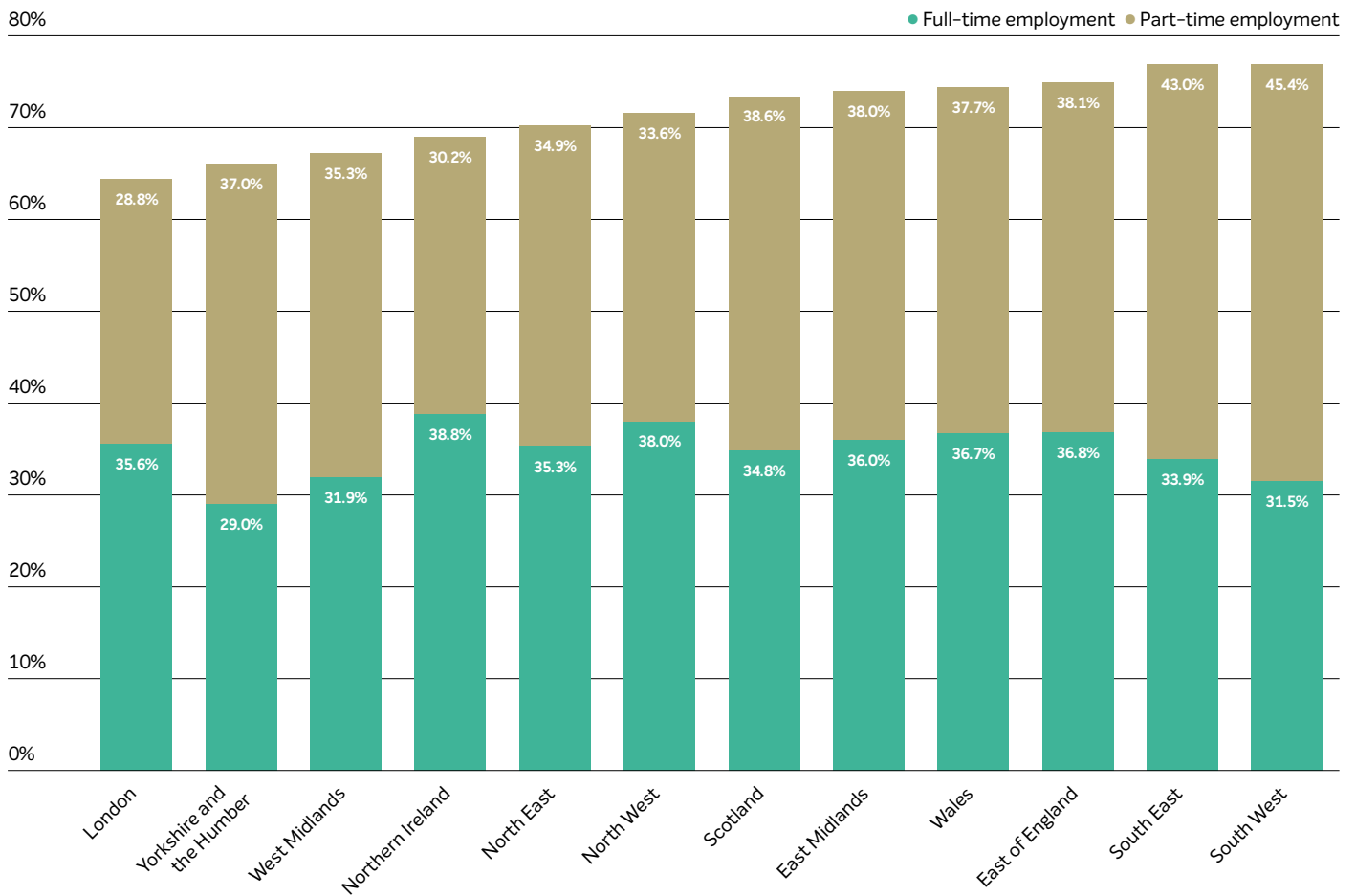
<sup>10</sup> It should be noted that women with children have made and continue to make substantial contributions to the economy through the amount of unpaid, informal labour they provide.

<sup>11</sup> Calculated using the Labour Force Survey (Q4 2010 and Q4 2019) and Office for National Statistics [ONS] Labour Productivity by Industry Division.

<sup>12</sup> Hochlaf, D. (2021) *Women in the labour market: the full-time deficit*. Centre for Progressive Policy [CPP]. Available at: [https://www.progressive-policy.net/downloads/files/CPP\\_Women-in-the-labour-market\\_The-full-time-deficit.pdf](https://www.progressive-policy.net/downloads/files/CPP_Women-in-the-labour-market_The-full-time-deficit.pdf)

<sup>13</sup> Source: Quarterly Labour Force Survey (2019) October–December.

**Chart 3: Maternal employment rates for working-age women with children by region, October–December 2019<sup>14</sup>**



Part-time employment has helped improve maternal participation in the labour market, but part-time roles can often fail to deliver the same benefits as full-time employment. This is most notable in terms of pay. In 2019, the gross average annual earnings for women in part-time work were just over £12,600. However, among those in the bottom 10% of earners, average earnings were just £3,564 across the country, falling as low as £3,105 in the West Midlands and £3,288 in Yorkshire and the Humber. Consequentially, the inequalities facing mothers in the workplace fuel wider regional disparities.

The inequalities facing mothers in the workplace fuel wider regional disparities

Part-time employment is also associated with greater levels of insecurity. It has been estimated that part-time workers are 2.2 times more likely to be on a zero-hours contract and 1.7 times more likely to experience a cut in their weekly hours compared to full-time workers.<sup>15</sup> Zero-hours contracts can be especially burdensome for women with children, as there are fewer rights. Those on zero-hours contracts are not entitled to maternity or shared paternal leave, the right to request flexible working or protection against unfair dismissal.<sup>16</sup> In addition, the earnings trigger for automatic enrolment is £192 per week, so many low-paid, part-time workers will not be able to benefit from pension contributions. For expectant and new mothers, insecure contracts can exacerbate precarity and make it more difficult to maintain employment.

<sup>14</sup> Source: Quarterly Labour Force Survey (2019) October–December.

<sup>15</sup> Felstead, A., Gallie, D., Green, F., and Henseke, G. (2020) *Unpredictable times: the extent, characteristics and correlates of insecure hours of work in Britain*. *Industrial Relations Journal*, 51(1–2), pp.34–57. Available at: <https://onlinelibrary.wiley.com/doi/pdfdirect/10.1111/irj.12279>

<sup>16</sup> Trades Union Congress [TUC] (2020) *Pregnant and precarious: new and expectant mums experiences of work during Covid-19*. Available at: <https://www.tuc.org.uk/research-analysis/reports/pregnant-and-precarious-new-and-expectant-mums-experiences-work-during?page=3>



The proliferation of part-time employment among mothers has coincided with the marked rise of in-work poverty among single parents. There are an estimated 1.8 million lone parent families in the UK, 88% of which are single mothers.<sup>17</sup> The rapidly rising cost of housing, stagnant wages and the benefit freeze have all contributed to rising in-work poverty, but it is among single parents where the growth of in-work poverty has been sharpest, rising from just under 20% in 2010/11 to 40% by 2019/20.<sup>18</sup> Low wages and the reliance on part-time work make escaping from in-work poverty a challenging task for low-paid mothers.

The persistent labour market challenges noted above have been exacerbated by the Covid-19 pandemic for mothers in work. Survey evidence collected by the Trades Union Congress suggested that 90% of mothers said their mental health had been adversely affected and 25% claimed they were worried they would lose their job. Furthermore, the systems that were set up to support working people failed to meet the needs of those with pressing childcare responsibilities, with 7 in 10 requests for furlough made by working mothers turned down.<sup>19</sup> Lack of flexibility and security at work intensified the hardships experienced by working mothers.

## The benefits of childcare

Decent, affordable, and accessible childcare can make it easier for women to take on opportunities within the workplace. Greater provision of childcare is associated with higher rates of employment for women in England. Local authority data demonstrates a negative correlation between the ratio of children to early years places and women's employment rates. On average, employment rates for women in the ten unitary local authorities with the most early years childcare provision, adjusted for early year's population, were 75.9%, more than 11 percentage points higher than in the ten local authorities with the lowest provision of early year's places. Controlling for a range of factors, CPP analysis finds that a 1% increase in the number of childcare spaces available, is associated with a 2.5% increase in women's employment (see appendix for more details).

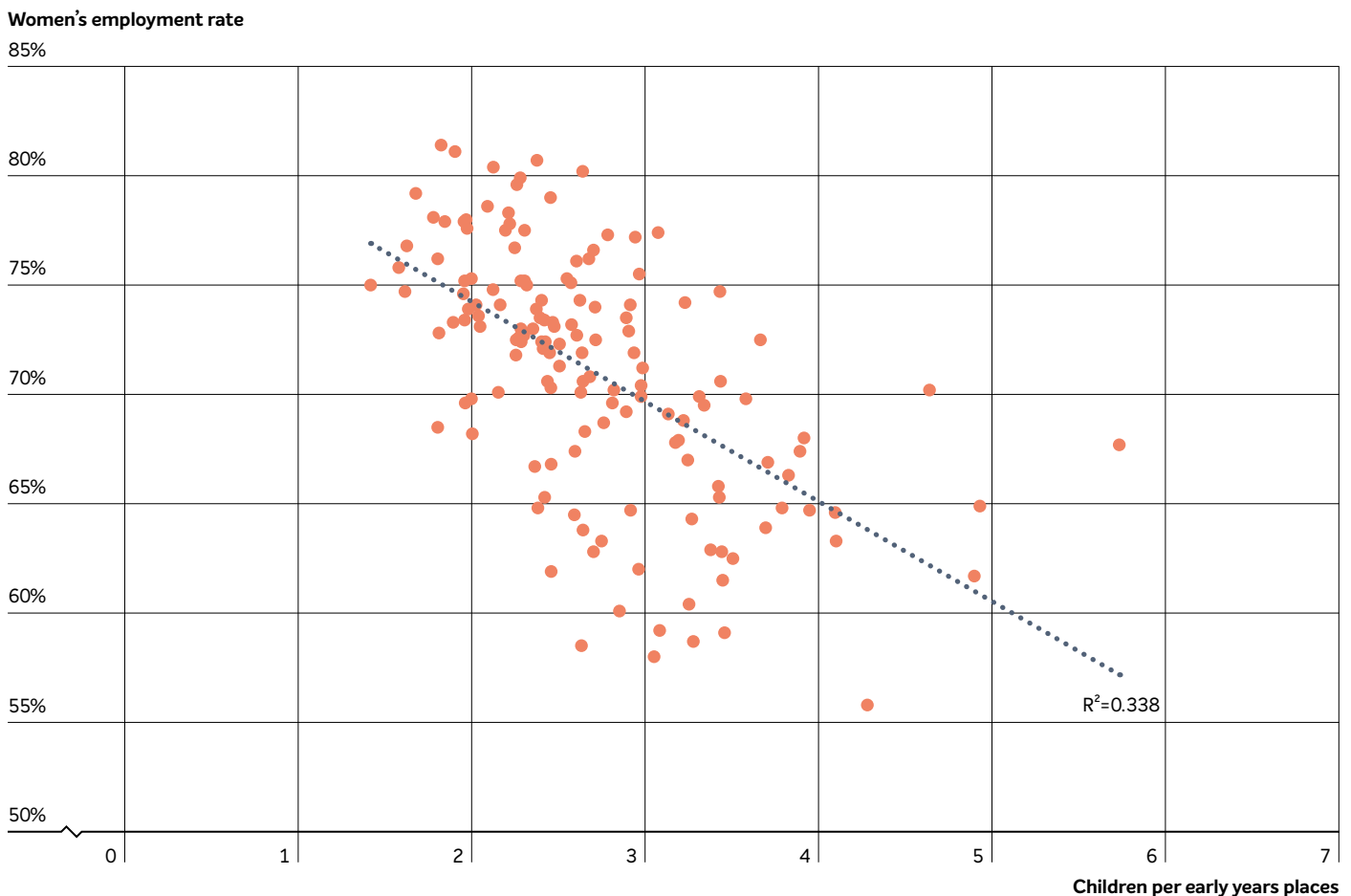
**There is a strong negative relationship between the ratio of children to early years places and women's employment rates in English local authorities.**

<sup>17</sup> Office for National Statistics [ONS] (2021) *Families and Households*. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds/familiesandhouseholds>

<sup>18</sup> McNeil, C., and Parkes, H. (2021) *No longer 'managing': The rise of working poverty and fixing Britain's broken social settlement*. London: Institute for Public Policy Research. Available at: <https://www.ippr.org/files/2021-05/no-longer-managing-may21.pdf>

<sup>19</sup> Trades Union Congress (2021) *Working mums: paying the price*. Available at: <https://www.tuc.org.uk/workingparents>

**Chart 4: Women's employment rates against the ratio of children to early years places, 2019**



The relationship between childcare places and women's employment echoes the large body of research demonstrating that access to affordable childcare can improve maternal employment rates. A recent, extensive literature review found that reduced out-of-pocket costs and increased availability of care for early year's care and education had positive impacts on maternal participation in the labour market.<sup>20</sup>

However, there are also reports that the scope for increasing the labour supply can be limited if there are already high levels of participation in the labour market or if access to formal childcare replaces existing informal arrangements.<sup>21</sup> Nevertheless, expanding access to childcare could still generate substantial economic gains, through tackling the persistent problem of underemployment among working mothers, which has a significant impact on their opportunities at work and career trajectory.

Expanding access to childcare could still generate substantial economic gains through tackling the persistent problem of underemployment among working mothers, which has a significant impact on their opportunities at work and career trajectory

20 Morrissey, T.W. (2017) Child care and parent labor force participation: a review of the research literature. *Review of Economics of the Household*, 15(1), pp.1–24.

21 Vuri, D. (2016) *Do childcare policies increase maternal employment?* Institute of Labour Economics: Available at: <https://wol.iza.org/uploads/articles/241/pdfs/do-childcare-policies-increase-maternal-employment.pdf>

# Mothers' views on access to childcare and work

# 2



Using new survey evidence of over 2,000 mothers commissioned for this report,<sup>22</sup> this chapter investigates the extent to which inadequacies in access to professional childcare have affected the working lives of mothers and the adverse economic consequences for both mothers and wider society. It also reflects on the barriers that mothers face today within the childcare system and the changes they would like to see, to better support them manage childcare responsibilities.

## Underemployment and reduced opportunities

Improving access to childcare would greatly support labour market participation for women in the UK. A bespoke survey of women with children conducted for this report found that almost half (46%) had “struggled to find suitable childcare” since becoming a parent. Among those that had struggled:

- 46% were prevented from working more hours (equating to 1.7 million women)
- 34% were prevented from taking a job (equating to 1.3 million women)
- 30% had to reduce their hours at work (equating to 1.1 million women)
- 15% had to quit their job (equating to 560,000 women)

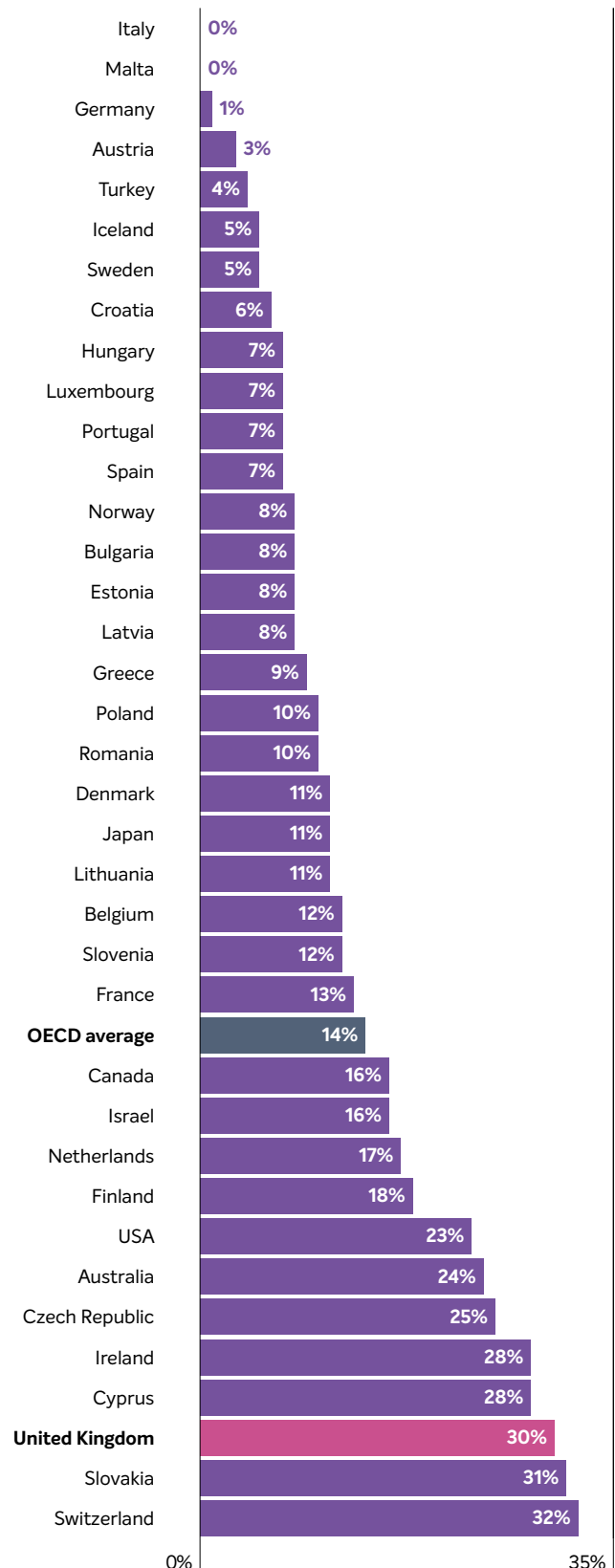
It is clear that opportunities in the labour market for women with children have been negatively impacted by the lack of accessible childcare. This has resulted in substantial costs for women, their families and the wider economy.

## The high cost of childcare

Childcare is comparatively expensive in the UK. In 2020, it was reported that the average cost of childcare for a child under two stood at £131.61 per week or 27.5% of median average earnings. For those with older children, after school clubs cost on average £60.99 per week, which amounts to £2,317 over the course of the school year.<sup>23</sup> The UK has the third highest childcare costs in the OECD, at 30% of the average earnings among couples, more than twice the OECD average of 14%. High costs can make childcare inaccessible to many who do not receive government support but can also inhibit those reliant on subsidies to access the full level of care they may need.

**The average cost of childcare in the UK is over twice the OECD average.**

**Chart 5: Net childcare costs, average couple earnings, 2020<sup>24</sup>**



<sup>22</sup> Yonder surveyed a representative sample of 2,029 UK women with children under the age of 16. Quotas were placed on household income and employment status. The survey was conducted online between 23–28 August 2021. Full results can be found: <https://yonderconsulting.com/poll/women-childcare-research/>

<sup>23</sup> Coleman, L., Dali-Chaouch, M., and Harding, C. (2020) *Childcare Survey 2020*. Coram Family and Childcare. Available at: <https://www.familyandchildcaretrust.org/childcare-survey-2020>

<sup>24</sup> OECD (2020) Net Childcare Costs. Available at: <https://data.oecd.org/benwage/net-childcare-costs.htm>

High costs are reportedly discouraging a large proportion of mothers from accessing more professional childcare. Our bespoke survey found that 58% of mothers ranked lower hourly costs as one of their top three factors that would encourage them to access more professional childcare. Crucially, the appeal of lower hourly costs resonated across the income spectrum. The only groups where lower costs were less of a priority when it came to accessing formal care, were those households with very low incomes, where paid-for childcare is likely too high an expense, and the very highest income households. Fewer than 50% of those households with incomes below £7,000 per annum and those with incomes above £90,000 per annum cited lower costs as one of the top three factors that would encourage them to access more professional childcare.

# 58%

**Our survey found that 58% of mothers ranked lower hourly costs as one of their top three factors that would encourage them to access more professional childcare**

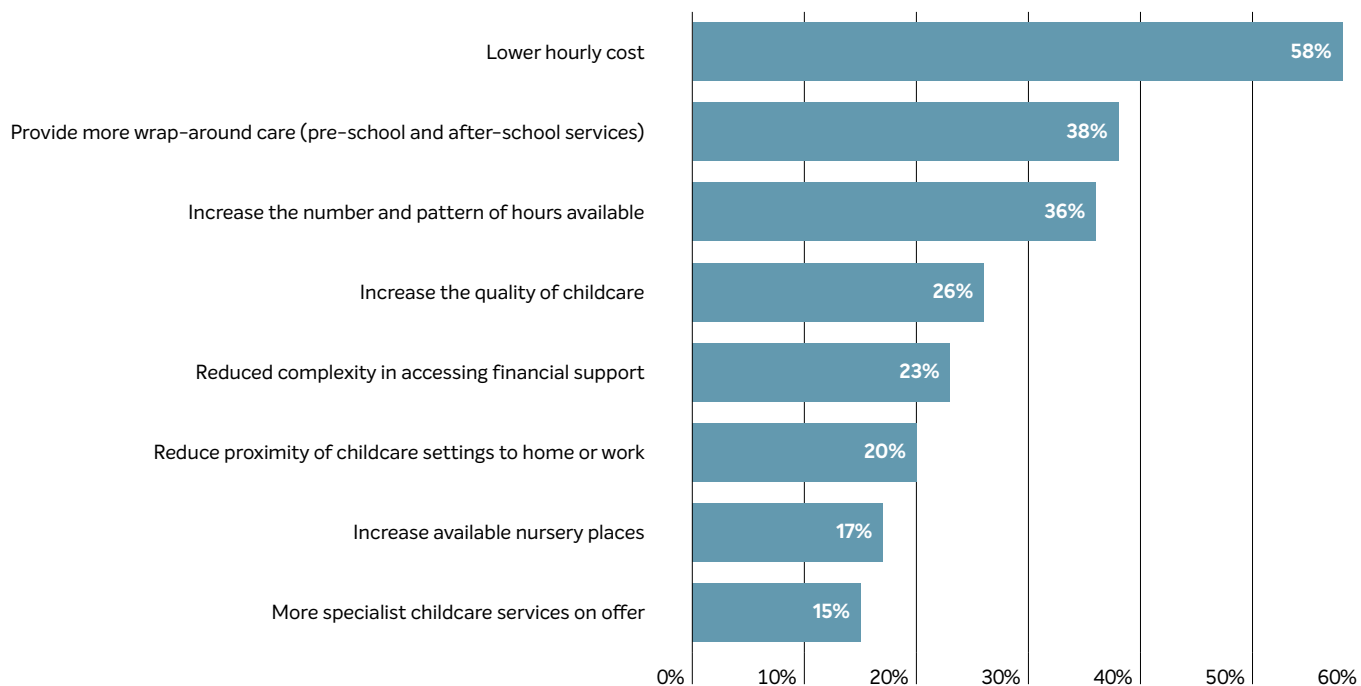
## Lack of wrap-around care

There is an insufficient amount of care for school-aged children that fits around the working day. There have long been questions over the availability of wrap-around care, care provided before and after school hours. It was estimated that in England, fewer than one in five local authorities had enough childcare available for children aged 12 to 14 for those in need of after school care.<sup>25</sup> The cost of such care is estimated to be £2,400 a year to cover term time.<sup>26</sup> Without specific subsidies for school-aged children and barriers around access and affordability, many parents must adapt their working patterns around the school day.

Inadequate provision of wrap-around care is a key concern among mothers. Our survey revealed 38% of mothers felt greater provision of wrap-around care would encourage them to access more professional childcare, the second highest ranked factor. An estimated 25% of mothers with children aged 11 to 15 claimed that the availability of childcare had decreased in the past two years, while 26% of mothers with primary school children said the same. In contrast only 8% of those with school-aged children (aged 5 to 15) said that the availability of childcare had increased. Improving access to care for school-aged children is critical to delivering a care system that reflects the working demands placed on women.

**Wrap-around care comes second only to lower hourly costs in the top three factors that would encourage women to seek more formal care.**

**Chart 6: “Which, if any, of the following factors would encourage you to access more hours of professional childcare?” Top three mentions, by proportion of respondents<sup>27</sup>**

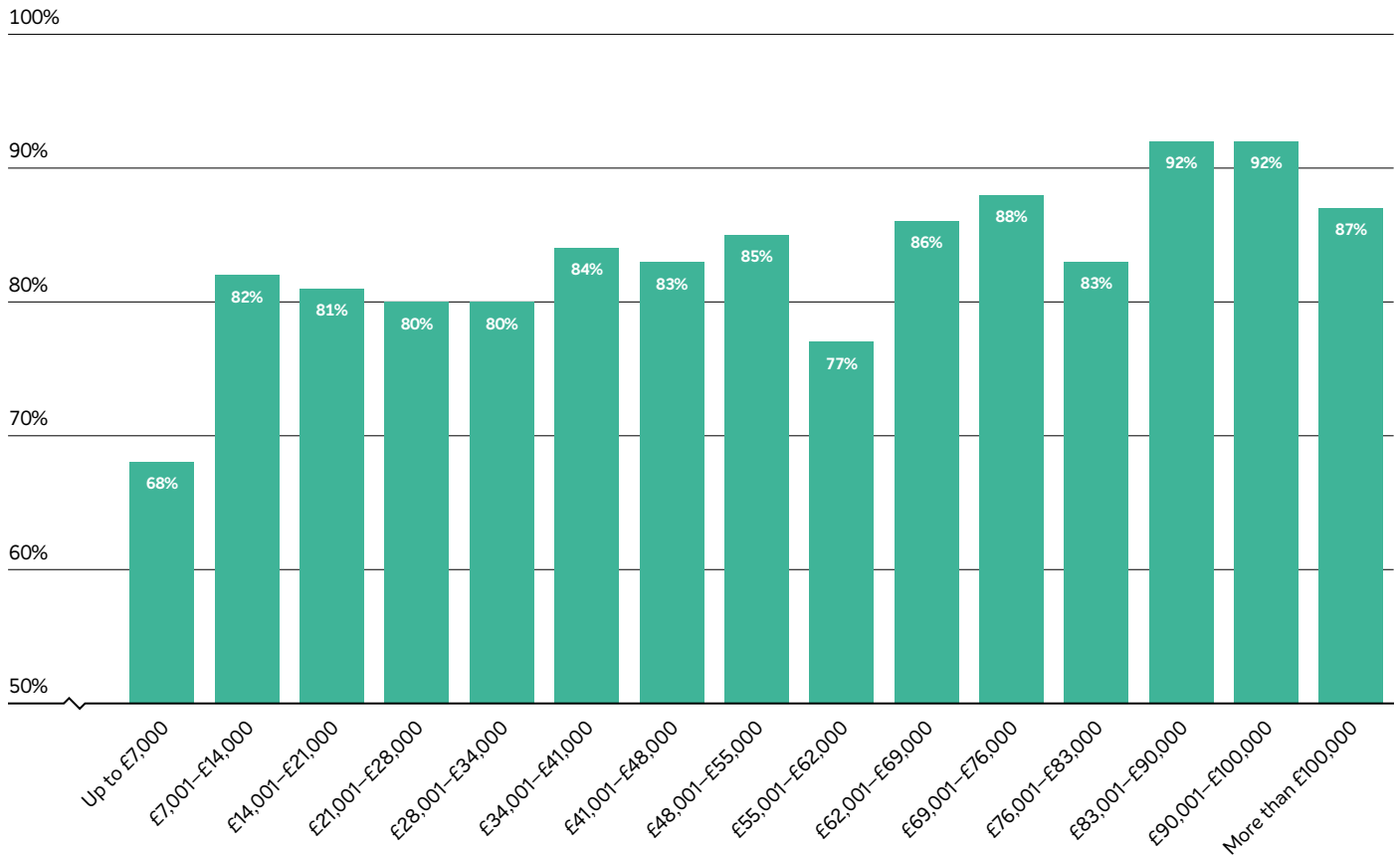


<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Source: Populus bespoke polling. 10% responded to this question with “none of the above” while 12% responded with “not applicable”.

**Chart 7: “The government offers 570 hours of free childcare a year for three to four-year-olds in England. It is usually taken as 15 hours a week for 38 weeks a year. Were you aware of this before today? (yes or no)” Proportion of respondents aware, by annual household income<sup>28</sup>**



## Low levels of awareness

While there are various subsidies available for childcare, not every parent is aware of their entitlement. Over a decade ago it was found that low awareness of entitlements was a “particular barrier for...highly disadvantaged families” with 50% of those with children in this group unaware of this entitlement compared to 26% among less or non-disadvantaged families.<sup>29</sup>

# 32%

Almost one in three mothers whose household incomes were less than £7,000 per annum were unaware of the 570 hours of free childcare for three and four-year-olds

There have been improvements in awareness, but those with lower household incomes are still likely to be less aware of entitlements than those with higher incomes. This can contribute to a two-tier childcare system, with those most in need being the least likely to access their entitlements. Almost one in three (32%) mothers whose household incomes were less than £7,000 per annum were unaware of the 570 hours of free childcare for three to four-year-olds. Meanwhile just under 20% of those whose incomes ranged from £7,000 to £34,000 were also unaware of the entitlement, compared to just 8% among those whose household incomes ranged from £83,000 to £100,000 per annum. More efforts are needed to ensure those with the lowest incomes are aware of and can access subsidised childcare entitlements.

**Lower income households are typically less aware of their childcare entitlement than the wealthiest households.**

<sup>28</sup> Source: Populus bespoke polling.

<sup>29</sup> Speight, S. and Smith, R. (2010) *Towards universal early years provision*. Department for Education [DfE]. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/182023/DFE-RR066-WEB.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/182023/DFE-RR066-WEB.pdf)

## Inflexible working arrangements

Flexible employment can give parents a greater degree of control over work and childcare responsibilities. However, there are inequalities when it comes to flexible working arrangements. Previous survey evidence found that during the first Covid-19 lockdown 44% of the lowest paid workers were working from home while 83% of the highest paid did the same.<sup>30</sup> Further, over one in ten (11%) of parents have claimed that they plan on requesting more autonomy over their flexible hours so they can better manage their childcare responsibilities.<sup>31</sup>

While flexible working is widespread, there are still some groups who do not benefit from comprehensive arrangements. Our survey evidence shows that 85% of mothers have access to some form of flexibility, but only 46% have a 'good' level of flexibility. There are substantial gaps between high- and low-income households when it comes to 'good' flexibility at work. 59% of working mothers in households with income in excess of £100,000 claimed to have good flexibility at work, as opposed to just 39% among working mothers where household income is between £7,001 and £14,000. This may reflect wider disparities in working conditions between higher and lower earning women, which exacerbates the challenge of accessing childcare for low-income mothers.

## The cost of inadequate childcare

Barriers to accessing high-quality and appropriate childcare are having a substantial and negative economic impact. Using our survey evidence, CPP estimates that almost one in five (19.2%) mothers would increase their hours in work if they had access to adequate childcare. This represents an estimated 1.6 million women, who are willing to work more but cannot, because of poor access to childcare.

The provision of adequate childcare to allow women to work the hours they want could generate significant economic benefits. Using information collected on the sectors that women work in and average wages, we estimate that a further 461m to 659m hours could be worked each year, with the potential gain in earnings for women ranging between £7.6bn and £10.9bn per annum. The total economic value calculated using GVA<sup>32</sup>, could range between £19.7bn and £28.2bn per annum (see appendix for details). These values represent the upper and lower bound estimates should every woman who wants to find additional hours find suitable work. Crucially, these are just the potential short-term gains, with the improvement to lifetime earnings and productivity likely to far exceed these immediate benefits.

In addition, various other economic benefits would likely accrue if mothers were able to work more:

- **Increased tax revenue:** additional earnings would translate into greater tax revenue for the government.
- **Lower benefit spending:** supporting women to work more would help boost incomes, helping women and their families to move to a level of earnings which reduces their need for in-work support from Universal Credit.
- **Stimulating economic activity:** many women who stand to benefit from increased hours will likely use their additional earnings within their local community, stimulating demand and helping to improve local economic growth.
- **Reducing poverty:** higher earnings will improve living standards and reduce poverty, which is associated with substantial long-term costs, especially for children whose development can be harmed by conditions of deprivation.
- **Improving gender equality in the workplace:** giving women greater control over their hours means they are free to take on more opportunities, pursue training and development and even move to new sectors. Decent childcare is essential for tackling archaic gender gaps in participation, pay and pensions.

Lost earning potential is a significant blow to women and the wider economy. Lack of decent childcare is contributing to a serious underemployment problem. Reforming the childcare system to meet the needs of working mothers is imperative to achieve the substantial short-term gains and promote the long-term economic interests of women and their families.

30 Working Families (2020) *Covid-19 and flexible working: the perspective from working parents and carers*. Available at: <https://workingfamilies.org.uk/wp-content/uploads/2020/06/June-2020-FlextheUK-survey-briefing-Covid-19-and-flexible-working.pdf>

31 Ibid.

32 Gross Value Added.

## What mothers want

It is important to understand exactly what support mothers want when it comes to childcare. Our polling put forward six potential policies to determine how mothers felt the government could better help them in employment. The most popular policy was extending the amount of currently available free childcare provision from 38 weeks to 52 weeks, covering the whole year including holidays, with 54% putting this in their top three choices. This reflects established challenges finding childcare during the holidays.

It is important to have a childcare system that considers the working lives of mothers and not just school terms.

# 54%

**Over half of our polling respondents chose extending the amount of currently available free childcare provision from 38 weeks to 52 weeks in their top three choices**

Mothers also want more support providing wrap-around care to accommodate for hours outside of school. 49% of mothers ranked greater availability of before- and after-school care in their top three choices for government support. This rose to 66% among mothers aged 45–54, reflecting the fact that 95% of this age group said that they had a child of primary school age (5 to 10) in their household. Existing subsidies for free care are targeted predominantly at younger children below school age, but it is just as important to ensure that there is available capacity for older children within the sector.

# 66%

**Two thirds of mothers aged 45–54 ranked greater availability of before- and after-school care in their top three choices for government support**

# 42%

**Our polling suggests that mothers would most prefer fully flexible working arrangements, with 42% claiming that they would like to work their full hours, but whenever suits them best during the day**

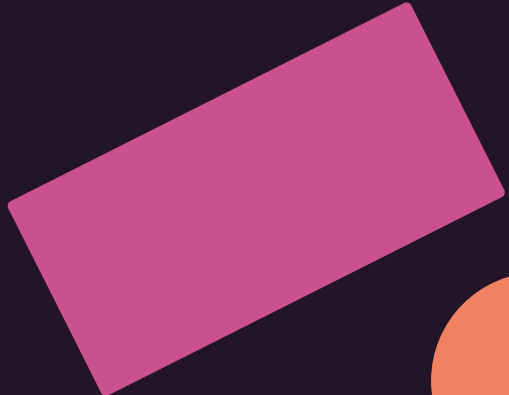
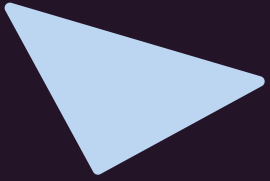
Finally, supporting women with childcare also requires employers to make suitable adjustments. The second most popular top-three choice in our survey was an enhanced duty for employers to offer flexibility to mothers with young children (aged under 10) with 53% saying that this would help support them with childcare. Further, our evidence suggests that mothers would most prefer fully flexible working arrangements, with 42% claiming that they would like to work their full hours, but whenever suits them best during the day. A further 26% said that they would like a flexi-hour start, allowing them to begin an hour later or leave an hour earlier, while 16% said they wanted greater provision for home working. It is clear that there is a great appetite for ensuring that the world of work adapts to the needs of working mothers and it is vital that this occurs alongside reforms to the childcare system.

We need to understand what has limited the childcare sector in its ability to provide accessible and affordable care

However, for reform to meet the needs of working mothers and to generate the substantial economic benefits that a reduction in underemployment would entail, we need to understand what has limited the childcare sector in its ability to provide accessible and affordable care, despite a wave of policies in recent years aimed at increasing the availability of subsidised care.

# Provider problems

3



This chapter explores in greater detail the challenges that childcare providers must overcome if they are to meet the needs and expectations of those with children, and contains references to a series of in-depth interviews conducted with childcare providers representing different services within the system on the challenges they have faced and anticipate as we emerge from the Covid-19 pandemic.

A comprehensive and accessible childcare system could help generate significant economic and social gains, but the current system is failing to meet the needs of working mothers. Long-standing issues concerning funding and the workforce have been exacerbated by the Covid-19 pandemic. In addition, the pandemic has upended working patterns and may have long-term implications for the nature of employment, which in turn will influence the expectations and demands of those looking for and working in childcare. Reforming childcare is a priority. However, it is crucial to first understand the broad challenges facing the childcare sector.

The childcare sector is shaped by the many diverse providers that are available. There are also two distinct provider models:

- 1 The private, voluntary, and independent sector; and
- 2 The maintained sector.

Within these models, there are several distinct types of providers including:

- **Childminders:** Ofsted registered professionals who provide care within their own home, offering a more personal and flexible service adapting to the needs of different families.
- **Nannies:** carers who provide care within the family home of the child.
- **Day nurseries:** tend to be open from early morning to early evening all year round. Providing care for groups of children and registered with Ofsted. Nurseries are subject to regular inspection.
- **Sessional pre-schools:** tend to operate in line with school terms and open mornings and/or afternoons in line with school opening and closing times.
- **Maintained nursery schools (pre-schools):** attached to primary schools and offering full or part-time early years education, often during the school day.

In addition, there are private schools and nurseries independently run, as well as out of school and activity clubs. However, despite the variety in terms of providers, excessive costs, insufficient places, and other barriers limit the potential choices of parents when it comes to access.

## Barriers to access

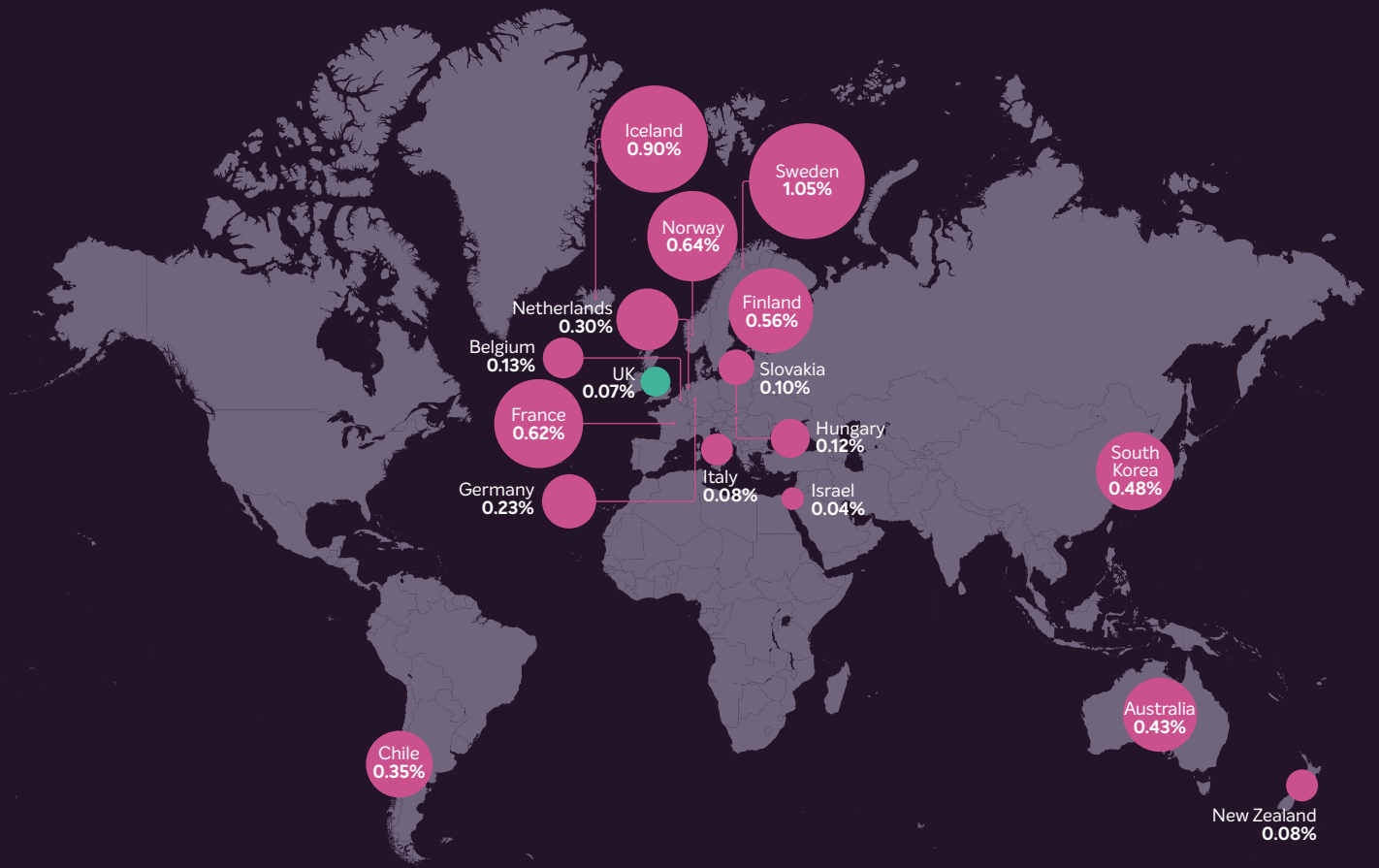
Previous efforts to ensure that parents have access to childcare have involved the creation of various subsidies and support schemes. While such initiatives are a devolved matter, there are some similarities in the approach taken across the different nations of the UK, most notably with the commitment to eliminate costs for children aged three and four and targeting support at those who receive benefits.

Unfortunately, many of the policies aimed at widening access to childcare have placed additional pressures on the childcare sector. Inadequate funding and resourcing has limited the capacity of providers to meet demand, even for subsidised entitlements, undermining their potential to support women in work.

**Table 1: Current childcare policies and subsidies**

Policy	Description
<b>15-hours free childcare for three to four-year-olds (England only)</b>	A universal offer, worth 570 hours per year, typically taken as 15 hours per week over 38 weeks of the year (term-time). In Scotland, there are 600 hours, or 16 hours per week during 38 weeks of the year available.
<b>15-hours free childcare for two-year-olds (England only)</b>	Support targeted at 40% of disadvantaged children. This offer is only available to those parents receiving Universal Credit or other legacy benefits to supplement low incomes.
<b>30 hours free childcare for three to four-year-olds (England only)</b>	An additional 15 hours a week over 38 weeks of the year providing a parent (and their partner if they have one) are in work, earning the National Minimum Wage for 16 hours a week and not earning more than £100,000 per year.
<b>Tax Free Childcare</b>	A tax break for working parents, where the government provides £2 for every £8 spent on childcare, up a value of £500 every three months (or £2,000 per year).
<b>Universal Credit support</b>	Those receiving Universal Credit are entitled to support to cover up to 85% of childcare costs (£175 per week for one child, £300 per week for two or more children).
<b>Working Tax Credits</b>	Those on Working Tax Credits are entitled to support for up to 70% of childcare costs, up to the same threshold as those receiving Universal Credit.
<b>Early years pupil premium (EYPP) for three to four-year-olds</b>	For parents who are eligible for 15 hours free childcare for two-year-olds, a premium payment of up to £302 can be paid directly to providers to help cover care costs.
<b>Maintained Nursery Schools (MNS) supplementary funding</b>	£60m has been made available to support MNS with allocations to local authorities based on the uptake of the universal 15 hours offer.

Chart 8: Public spending on early childhood care, percentage of GDP, 2017 or latest available data<sup>33</sup>



## Insufficient funding

Public spending on childcare in the UK is significantly lower than other advanced economies. The latest OECD data shows that the total UK spend on early years childcare and pre-primary education is 0.6% of GDP, slightly below that OECD average of 0.7% and far below the Nordic countries of Iceland, Sweden and Norway who spend between 1.4% and 1.8% of GDP on early years care and education. However, public funding specifically for childcare is less than 0.1% in the UK. This is the second lowest amount out of countries which distinguish between childcare and pre-primary education.

# 0.07%

With public funding specifically for childcare at less than 0.1% of GDP, the UK is the second lowest of countries which distinguish between childcare and pre-primary education

**The UK has the second lowest public spend on childcare among OECD economies.**

33 Source: OECD.

Lack of public funding has created challenges for providers to deliver subsidised care to eligible parents. In response to a freedom of information request from the Early Year's Alliance, the Department for Education (DfE) estimated that government funded places for three and four-year-olds in England "would cost an average of £7.49 per hour in 2020/21". However, the average payment made to cover these entitlements was only £4.89 on average.<sup>34</sup> Expectations to deliver subsidised care without adequate compensation leaves many providers facing financial losses.

“It is not free, we are paying for it. It is free to the parent, but it is not free to us...we are having to put a charge on it otherwise we can't sustain it”

Large childcare provider

Without an appropriate funding settlement, childcare providers are placed in a difficult position that results in distortions to what they offer. Survey evidence has shown over one in four (26%) local authorities have seen prices rise for three and four-year-olds outside the funded entitlements (i.e. for children who receive hours in addition to their 15 or 30 hours a week), while 14% claimed that prices had risen for those aged two and under.<sup>35</sup> Providers are incentivised to prioritise places in order to maximise revenue, with empirical evidence suggesting a trade-off between delivering care to disadvantaged two-year-olds or providing free 30 hours of care for three and four-year olds in England,<sup>36</sup> as there are only a limited number of places and providers need to determine how best to use them to maximise their receipt of government subsidies.

As a result, many providers have had to take steps to limit access to subsidised childcare entitlements. It has been estimated that 48% of providers have had to restrict when free hours could be used, while 56% have had to charge for additional services.<sup>37</sup> This can create challenges for women who are denied flexible working arrangements and can mean higher costs to access suitable care services. Unless funding matches the cost of delivering free care, it is very likely that providers will continue to make difficult decisions over who can and cannot access free childcare.

## The workforce crisis

Insufficient funding has eroded working conditions within the childcare sector, which has become reliant on low-paid and insecure labour. It has been estimated that the average wage across the early years workforce is just £7.42 an hour in England, compared to £12.57 among the general population.<sup>38</sup> Low wages have resulted in an estimated 45% of the workforce reliant on in-work benefits, with other childcare workers having to take on second jobs to make ends meet.<sup>39</sup> Given that the workforce is predominantly composed of women, this demonstrates yet another way in which women have been let down by the lack of funding made available for childcare.

Adverse working conditions have long undermined the stability of the childcare workforce. Prior to the Covid-19 pandemic, survey evidence suggested that nurseries struggled to retain staff, with a turnover rate of 24%, significantly higher than the UK average of 15% to 18%. However, replacing staff had proven difficult with a vacancy rate of 7.6% for nurseries, while 77% reported serious issues employing appropriately trained staff.<sup>40</sup> Further evidence has shown that early years workers are more likely to remain with the same employer for shorter periods compared to other occupational groups, with many leaving the sector for better paid and more appealing occupations in the retail and hospitality sectors.<sup>41</sup> This has left the sector in a difficult position where raising wages intensifies funding pressures, but low-wages are creating a worker shortage.

“A shortage of workers has always been a challenge, it is low-paid and physical hard work”

Large childcare provider

34 Foster, D (2021) Early Years Funding (England), House of Commons Library. Available at: <https://researchbriefings.files.parliament.uk/documents/CBP-8052/CBP-8052.pdf>

35 Coleman, L. and Cottell, J. (2019) *Childcare survey 2019*. Coram Family and Childcare Trust. Available at: [https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Childcare%20Survey%202019\\_Coram%20Family%20and%20Childcare.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Childcare%20Survey%202019_Coram%20Family%20and%20Childcare.pdf)

36 Akhal, A. (2019) *The impact of recent government policies on early years provision*. Education Policy Institute. Available at: [https://epi.org.uk/wp-content/uploads/2019/01/Early-years-take-up\\_-EPL.pdf](https://epi.org.uk/wp-content/uploads/2019/01/Early-years-take-up_-EPL.pdf)

37 Early Years Alliance [EYA] (2020) *The funding crisis in the early years*. Available at: [https://www.eyalliance.org.uk/sites/default/files/early\\_years\\_funding\\_crisis\\_pdf.pdf](https://www.eyalliance.org.uk/sites/default/files/early_years_funding_crisis_pdf.pdf)

38 Early Years Workforce Commission (2021) *A workforce in crisis: saving our early years*. Available at: <https://www.cache.org.uk/media/1863/a-workforce-in-crisis-saving-our-early-years.pdf>

39 Ibid.

40 National Day Nurseries Association [NDNA] (2019) *Nursery workforce surveys and reports*. Available at: [https://www.ndna.org.uk/NDNA/News/Reports\\_and\\_surveys/Workforce\\_survey/nursery\\_workforce\\_survey\\_2019.aspx](https://www.ndna.org.uk/NDNA/News/Reports_and_surveys/Workforce_survey/nursery_workforce_survey_2019.aspx)

41 Social Mobility Commission (2020) *The stability of the early years workforce in England*. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/906906/The\\_stability\\_of\\_the\\_early\\_years\\_workforce\\_in\\_England.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/906906/The_stability_of_the_early_years_workforce_in_England.pdf)

Retention and recruitment issues have made it more challenging for the sector to train and develop a workforce capable of delivering high-quality care. Even before the pandemic it was found that the “push to achieve graduate leaders in all settings had stalled” and that the “numbers accessing...training routes” were “erratic” and had “not grown significantly” in recent years. This has been attributed to a general lack of investment which has hindered the sector’s ability to attract and retain appropriately qualified staff.<sup>42</sup> Not only does this limit capacity for providers and availability of care for parents, it compromises the potential quality of care which can undermine trust and discourage parents from accessing care.

Existing challenges have been exacerbated by the Covid-19 pandemic, which has and continues to significantly distort the labour market. Depressed demand during the first lockdown led to a loss of skilled staff that will be difficult and expensive to replace. It has also been found that those with fewer qualifications have been more likely to have been adversely impacted by the pandemic, with more losing hours or being furloughed, ultimately resulting in those with lower-level qualifications more likely to “have voluntarily terminated their contracts”.<sup>43</sup> Without action, the sector will push away those who are set to become its future workforce, which will lead to a persistent inability to deliver the childcare that mothers want and need.

## Debt in the time of Covid-19

The childcare sector has experienced a fall in places since the start of the pandemic. While almost 4,000 providers left the sector, just over 2,100 joined, which meant there were still over 72,000 providers as of March 2021. Almost 59,000 of these providers offered early years care for younger children. At present however, the number of early years places has only fallen by just over 14,000 to just under 1.3 million.<sup>44</sup> The relatively small fall in early years places should come as welcome relief to policy makers and parents given the scale of the pandemic, but it is unlikely that many providers will be continuing to operate at the same capacity over the coming months.

Many providers have suffered a shock which has had an immense impact on demand and finances, and it is likely that the full effects of the pandemic will be realised as government support is rescinded. Many providers were unable to operate as normal throughout the prolonged lockdown, which in turn adversely impacted finances.

Estimates of the impact of Covid-19 suggest that a quarter of private nurseries would have generated substantial deficits during this period, while almost “30% of childminders were earning less than £4 of income for every £5 of costs”.<sup>45</sup> While many providers have resorted to government grants and support to stay afloat, upcoming repayments may nudge many into financial hardship.

“I took some of the grants because I thought at least it will keep us going...but now I have got the backlash of putting those grants back into HMRC”

Childminder

Financial troubles are disproportionately harming providers in the most deprived areas of the country. Throughout the pandemic, providers in deprived communities were more than “twice as likely to have needed a business rates holiday compared to the least deprived” while also being more likely to access grants for small businesses. As a consequence, over a third of early years settings in deprived areas have claimed that they would be “unlikely operating next year”.<sup>46</sup> If there is an exodus of providers from deprived communities, this can make it even more challenging for women within those areas to access high-quality childcare, which will not only compromise their ability to work but the wellbeing of disadvantaged children.

## The need for change

These broad challenges have diminished the potential of the sector to support women in work. It is estimated that only around half of local authorities have enough childcare for full-time parents.<sup>47</sup> At least four in five local authorities do not have enough childcare for older children who need after-school care in England.<sup>48</sup> Costs have risen to excessive levels, especially in inner-London, where the weekly cost of a childminder has risen to £114.69 a week.<sup>49</sup> For the sake of a more vibrant labour market, where the potential economic gains outlined in the previous chapter can be realised, it is essential that action is taken to bolster the sector, expand capacity and improve access.

42 Pascal, C., Bertram, T., Cullinane, C., and Holt-White, E. (2020) *Covid-19 and social mobility, impact brief 4*. Early Years, The Sutton Trust. Available at: <https://www.suttontrust.com/wp-content/uploads/2020/06/Early-Years-Impact-Brief.pdf>

43 Cottell, J. and Bonetti, S. (2021) *The Covid-19 pandemic and the early years workforce*. British Educational Research Association [BERA].

44 Ofsted (2020) *Childcare providers and inspections as at 31 March 2021: main findings*: op sit.

45 Blanden, J., et al. (2020) *Challenges for the childcare market: the implications of Covid-19 for childcare providers in England*. op sit.

46 Pascal, C., Bertram, T., Cullinane, C., and Holt-White, E. (2020) *Covid-19 and social mobility, impact brief 4*. Early Years, The Sutton Trust. Available at: <https://www.suttontrust.com/wp-content/uploads/2020/06/Early-Years-Impact-Brief.pdf>

47 Coleman, L., Dali-Chaouch, M., and Harding, C. (2020) *Childcare Survey 2020*. Coram Family and Childcare. Available at: <https://www.familyandchildcaretrust.org/childcare-survey-2020>

48 Ibid.

49 Ibid.



# Reforming care

4

The background is a dark, almost black, color. It is filled with various abstract geometric shapes in a variety of colors including purple, pink, light blue, teal, orange, and yellow. The shapes include squares, rectangles, triangles, circles, and semi-circles, some of which are partially cut off by the edges of the frame. The overall effect is a vibrant, abstract pattern.

# 1

## Fairer funding for subsidised care

Funding pressures have prevented the childcare sector from delivering subsidised care and boosting capacity to support those who are not entitled for such schemes. The sector is in desperate need of a funding package that allows it to meet its legal obligations in terms of providing subsidised care, as well as expanding capacity in a way that allows every family to access adequate and affordable care.

### Implement a new audit process to determine the cost of delivering subsidised care and match that via funding

The existing funding formula for subsidised care fails to meet the costs of delivering subsidised care. As a consequence, providers face substantial losses and financial pressures to deliver care the government expects them to provide. Efforts to curb these losses have seen additional and excessive costs pushed onto parents, making childcare inaccessible, especially for low-income families and those from deprived communities.

It was estimated that in 2020/21, the funding rates for disadvantaged two-year-olds and free care for three to four-year-olds were £5.55 and £4.93 per hour, respectively. However, the latest evaluation of delivery costs has suggested that care for two-year-olds required £7.22 per hour and for three and four-year-olds it was £5.36.<sup>50</sup> This suggests an annual funding shortfall of £1,302 for two-year-olds and between £335 and £671 for three and four-year-olds receiving 15- and 30-hours care.

**We recommend that the existing funding formula should be replaced with an audit system conducted by local authorities to determine a more accurate cost of hourly care for subsidised places, that can be met by the government.**

Local authorities are already tasked with auditing eligibility codes to determine the number of children entitled to free care within their community.<sup>51</sup> Responsibilities should be expanded, so that local authorities can work with childcare providers to establish the hourly cost of care for groups entitled to free care. Estimated costs should then be submitted to the central government to establish the annual funding amount. Costs should be compared against the regional average to determine any outliers which will prompt a secondary investigation from the National Audit Office.

Too many women have been denied the opportunity to take control over their working lives because of inaccessible childcare. From excessively high costs to restrictions on free care entitlements, women are simultaneously expected to provide a disproportionate level of unpaid childcare, while also participating in the labour market to avoid poverty. Women deserve a decent childcare system, so that every woman can have the freedom to choose when and how they work, regardless of the size of their family. This report shows this could have substantial wider economic benefits and boost the earnings of women by between £7.6bn and £10.9bn.

To address structural gender inequalities in the workplace, we need to overhaul the faltering childcare system. Insufficient funding for existing entitlements has undermined their universality, resulting in restricted access, higher costs for those who need additional hours of care and fewer resources available for non-eligible children. Meanwhile, capacity has been further eroded by the reliance on systemically poor working conditions and cost-cutting efforts to save on operational costs. Ultimately, the sector is clinging on, unable to meet the needs of working mothers and their families, compromising the long-term sustainability of many providers.

As we emerge from the Covid-19 pandemic, it is urgent that we take action to properly fund childcare and expand its availability. Achieving gender equality in the workplace will only be achieved if women are no longer expected to view childcare responsibilities and work as competing priorities, and instead can make decisions that are suitable for themselves and their children. To this end, we put forward a series of recommendations that aim to guarantee access to childcare and to bolster the capacity of the sector in the future.

Giving women freedom to choose when and how they work, regardless of the size of their family could have substantial wider economic benefits and boost the earnings of women by between £7.6bn and £10.9bn

50 Ceeda (2019) Counting the cost in Spring 2019. Available at: <https://www.aboutearlyyears.co.uk/media/1401/ceeda-aey-spinrg-2019-childcare-delivery-cost-bulletin-issued-1.pdf>

51 Department for Education [DfE] (2018) *Early years entitlements: operational guidance*. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/718181/Early\\_years\\_entitlements-operational\\_guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718181/Early_years_entitlements-operational_guidance.pdf)

This will require additional investment in the childcare sector via the existing mechanism which covers subsidised care. To meet the costs of covering the 40% of disadvantaged two-year-olds entitled to 15 hours free care, we estimate a further £216m is required. Additional funding to cover three to four-year-olds would range between £292m and £585m<sup>52</sup> depending on how many would be entitled to and opt for the 30 hours of available care, should every adult in the house work. This amounts to a total additional investment of anywhere between £509m and £801m to ensure that the costs of subsidised care are fully met and to provide financial relief to the many providers who have struggled to deliver basic entitlements.

## Increase the amount of subsidised care that children aged three and four are entitled to so that subsidised care can be provided through the holidays

While a proper funding settlement is necessary to cover the existing commitment to free childcare, it should be recognised that the entitlement does not necessarily meet the needs of families. The 15 and 30-hours free care only cover 38 weeks of the year, or school term time. However, few workers receive as many as 14 weeks off per year. The average number of paid annual leave days amounts to 28 days, or four weeks. This can create challenges for working mothers as they juggle employment with holiday care. If the purpose of free childcare is to support parents in work, then it should reflect the typical workplace schedule.

**We recommend that the number of available hours for free childcare for three to four-year-olds should rise from 570 hours per year to 720 hours per year allowing for the 15 hours per week during 48 weeks of the year.**

This would help alleviate the pressures of paying for care during school holidays. Given that the hours are provided as a lump entitlement which can be divided in various ways, this would also increase the power and control of working mothers over when and how they would use their entitlement. With additional funding, it may also help stimulate much needed demand and income for the childcare sector. We estimate that given our call for additional funding that this would require a minimum additional spend of just over £700m.

## Expand childcare subsidies to cover children under the age of two

The introduction of subsidies has not been extended to children under the age of two. This is a crucially important part of a child's life and parents to new-born children face substantial costs, with estimates suggesting that nurseries for children aged two and under cost more than £7,000 a year for 25 hours a week care.<sup>53</sup> Furthermore, full-time nursery costs for children aged under two at the local level are almost universally higher than the full support available for those on universal credit or accessing other forms of benefits.<sup>54</sup> This can deny mothers, especially those on low incomes, access to childcare support for very young children.

**We recommend introducing a further subsidy to cover 760 hours of care during the first two years of a child's life.**

Greater support to access childcare for parents with newborn children could help ease the transition back into work. 760 hours would amount to 10 hours per week during 38 weeks of the year, however, parents should be given flexibility over how they use these hours to fit around maternity and paternity leave. Assuming a take up-rate of 70% we estimate that the annual cost should amount to £1.8bn, with further funding necessary to boost capacity of providers to deliver care to under two-year-olds. Funding should be allocated to local authorities to distribute to providers that best reflect the needs and demands of the local community.

52 Based on assumption of an uptake of 64%, in line with the uptake of formal childcare in the most recent available data: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/853358/CEYSP\\_2019\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853358/CEYSP_2019_Report.pdf)

53 Parlett, H. (2021) *The early years must be at the heart of the pandemic recovery*. Coram Family and Childcare Trust. Available at: <https://www.familyandchildcaretrust.org/childcare-survey-blog-2021>

54 Ibid.

# 2

## Bolstering capacity and the childcare sector

Lack of capacity is a source of concern for parents and providers. Subsidising care is only meaningful if providers can meet demand. To this end, we need action specifically targeted at boosting places in communities with inadequate levels of childcare, improving the supply of childcare options for older children and fostering better practices to improve efficiency and capacity.

### Improve the availability of after-school and holiday care for older children

Despite the importance of wrap-around care supporting parents in-work, there are notable capacity issues. It has been estimated that there was an 11-percentage point gap between demand for after-school childcare and what schools offered. Schools have long cited lack of funding, with 60% of primary schools and 75% of secondary schools previously citing this as a major issue. Beyond funding, lack of staffing capacity and facilities are also common reasons why schools often struggle to meet parents' care demands after school hours.<sup>55</sup>

**We recommend the establishment of a central government fund to invest in after-school and holiday clubs for children to pursue extra-curricular activities.**

It has been found that extended school activities can help support student development, with pupils gaining an extra two months of progress from extended school hours.<sup>56</sup> CPP has previously estimated that an additional one million after-school places could be created with an investment of £270m. Further funding should be made available to support the creation of holiday care places. It was estimated by Coram Family and Childcare that the average cost of holiday childcare was £138 a week.<sup>57</sup> A million places could be funded for 6 weeks of holiday per year at a cost of £828m. The starting fund should be worth £1.1bn in order to deliver an extra million places worth of after-school and holiday care.

## Coordinate action across the childcare sector to better develop and disseminate good practice and increase the capacity of local provision

The childcare sector is extremely large and disjointed across England. An estimated 72,000 providers were registered with Ofsted as of March 2021, including 34,800 childminders, 27,200 providers on non-domestic premises and 9,800 home childcarers.<sup>58</sup> However, intense competition has not helped to improve the quality of the sector. Nursery care is expensive, the workforce is poorly treated and “debt-fuelled expansion” has left many providers at “risk of collapse” with those in the poorest communities most at risk of closure.<sup>59</sup> We need action to create a healthier environment for the sector to flourish, promoting good practice and helping to identify areas for improvement.

**We recommend the creation of a What Works Network for childcare, with a focus on investigating good practice and supporting the creation of more childcare places.**

What Works Networks are initiatives aimed at specific policy areas, such as local economic growth and early years interventions, that seek to bring together relevant members to evaluate evidence on the effectiveness of policies and practice, commission new trials and evaluations and helping stakeholders use such findings to improve policy decisions.

We should establish a What Works Centre to focus on childcare provision. The centre would be tasked with reviewing best practice, trialling interventions aimed at boosting capacity, and working across the sector to help implementing measures that will improve the availability and accessibility of childcare. The centre would work in partnership with the Department for Education and should be led by an organisation which has a prominent role in the existing framework of childcare provision.

55 Diss, O. and Jarvie, M. (2016) *Unfinished business, where next for extended schools?* Child Poverty Action Group [CPAG]. Available at: [https://cpag.org.uk/sites/default/files/Extended%20Schools\\_web.pdf](https://cpag.org.uk/sites/default/files/Extended%20Schools_web.pdf)

56 Educational Endowment Foundation (2019) op sit.

57 Coram Family and Childcare (2019). Available at: <https://www.coram.org.uk/news/new-coram-family-and-childcare-report-finds-working-parents-facing-holiday-childcare-bill-%C2%A3800>

58 Ofsted (2021) Main findings: childcare providers and inspections as at 31 March 2021. Available at: <https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-march-2021/main-findings-childcare-providers-and-inspections-as-at-31-march-2021>

59 Hall, M. and Stephens, L. (2020) *Quality childcare for all*. New Economics Foundation [NEF]. Available at: [https://neweconomics.org/uploads/files/Quality-childcare\\_NEF.pdf](https://neweconomics.org/uploads/files/Quality-childcare_NEF.pdf)

# 3

## Improving working conditions in the childcare sector and beyond

Improving working conditions is essential, both for the childcare sector and ensuring it can attract, retain, and develop a dedicated workforce and for the wider world of work so that it can meet the needs of working parents.

### Establish a body responsible for monitoring the quality of skills within the childcare workforce

Developing the workforce is essential for maintaining the long-term sustainability of the childcare sector. As of 2018, only 14.9% of childcare workers were studying towards a higher qualification, down from 22.7% a decade prior. An estimated 25.7% of the workforce held a National Vocational Qualification at levels 1 or 2 as their highest qualification. An ageing workforce and lack of development will likely exacerbate concerns over the quality and qualifications of the workforce in the future.<sup>60</sup> Action is required to better understand the skills needs of the workforce and employers and to advocate for the training and development of the workforce.

**We recommend that a new organisation, Skills for Childcare, be established with a remit to monitor the state of the childcare workforce and coordinate action to support staff development at every level.**

An organisation dedicated to boosting and understanding the state of skills in the childcare sector would have benefits for employers, education providers and policy makers, allowing for targeted interventions. Skills for Care, an independent charity which has a heavy focus on the adult social care workforce, serves as a useful model. The organisation serves as a rich source of data collected from providers, works as a delivery partner with the Department for Health and Social Care and provides practical support to help those in the sector to recruit, develop and lead their staff.<sup>61</sup>

Skills for Childcare should serve as a similarly independent organisation, tasked with collecting relevant data for the childcare workforce for public use and in-depth analysis to inform policymakers. It would act as a delivery partner for the Department for Education and could liaise with childcare providers to develop their workforce, identifying opportunities for training and offering support to workers looking to improve their skills and gain higher qualifications.

### Expand support and entitlements surrounding flexible working and ensure that workers and employers can pursue mutually beneficial arrangements

The Covid-19 pandemic has created new opportunities for flexible working. Wider evidence has shown that the proportion of parents and carers with opportunities to work flexibly has risen from 65% to 84% since the onset of the pandemic, with women more likely than their male partners to report a change in their working hours. Almost half have said that they planned to make changes to work more flexibly after lockdown.<sup>62</sup> This presents a major opportunity to enhance access to flexible working that gives parents greater control over childcare responsibilities.

Action to identify how to better support flexible working is already underway, with the Flexible Working Task Force reconvened earlier this year. The taskforce has been charged with identifying the benefits, barriers and opportunities associated with flexible working.<sup>63</sup> Existing legislation only allows employees who have been working for 26 continuous weeks to request flexible work arrangements, that employers are obliged to consider in a reasonable manner, although there are proposals to allow workers to request flexibility from day one, which would be a welcome improvement. However, a right to request can also mean a right to reject, and so more must be done to expand the right to flexible working across the workforce.

**We recommend that every worker who requests a flexible working arrangement should be entitled to a 20-day trial to establish feasibility.**

60 Bonetti, S. (2019) *The early years workforce in England*. Education Policy Institute [EPI]. Available at: [https://epi.org.uk/wp-content/uploads/2019/01/The-early-years-workforce-in-England\\_EPI.pdf](https://epi.org.uk/wp-content/uploads/2019/01/The-early-years-workforce-in-England_EPI.pdf)

61 As noted by Skills for Care: <https://www.skillsforcare.org.uk/About/About-us.aspx>

62 Working Families (2020) Covid-19 and flexible working: the perspective from working parents and carers. Available at: <https://workingfamilies.org.uk/wp-content/uploads/2020/06/June-2020-FlextheUK-survey-briefing-Covid-19-and-flexible-working.pdf>

63 As reported by the taskforce co-chair organisation, the CIPD: <https://www.cipd.co.uk/news-views/policy-engagement/flexible-working#gref>

Existing legislation allows workers with fixed-hour contracts to request a flexible working arrangement after 26 weeks continuous work with their employer. However, not only does this deny the opportunity for every worker to make a valid request for flexible arrangements, but it also provides the employer a disproportionate level of power to turn down requests.

The introduction of a 20-working day trial period will help give workers the opportunity to prove that a flexible arrangement can be beneficial to both themselves and employers without compromising their output in the workplace. This eliminates any arbitrariness or uncertainty over the potential impact of flexible working. If there remain concerns after the end of 20 working days, then the employer has valid and confirmed reasons for rejecting the request. If the trial is a success, then it will prove a more effective arrangement can be made that accommodates the needs of workers.

To demonstrate the effectiveness of flexible working trials, the public sector should demonstrate leadership. Almost 4 million women were working in public sector occupations in 2020, double the number of men in the sector.<sup>64</sup> The public sector is obligated to assess the social value of their practices and consider community benefits. Working with staff, the sector can help develop new ways of trialing flexible work patterns for the benefit of their workforce

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64 Office for National Statistics [2020] Earnings and hours worked, public and private sector: ASHE Table 13. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/publicandprivatesectorashtable13>



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### **About the Women in the Labour Market project**

This is a new CPP programme of work exploring the policy measures necessary to close the labour force participation and pay gap between men and women. Over the coming months we will explore issues from childcare to adult social care, maternity and paternity pay and adult education to identify what needs to be done to address longstanding barriers and boost economic activity in the process.

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All errors and omissions in the report are the responsibility of the authors.

## About the Centre for Progressive Policy

The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national and local partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK.

Inclusive growth is one of the most urgent questions facing advanced economies where stagnant real wages are squeezing living standards and wealth is increasingly concentrated. CPP believes that a new approach to growth is needed, harnessing the best of central and local government to shape the national economic environment and build on the assets and opportunities of place. The Centre for Progressive Policy is funded by Lord Sainsbury and host of the Inclusive Growth Network.

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