



Childcare Policy in the UK

Presentation to HMT / HMRC

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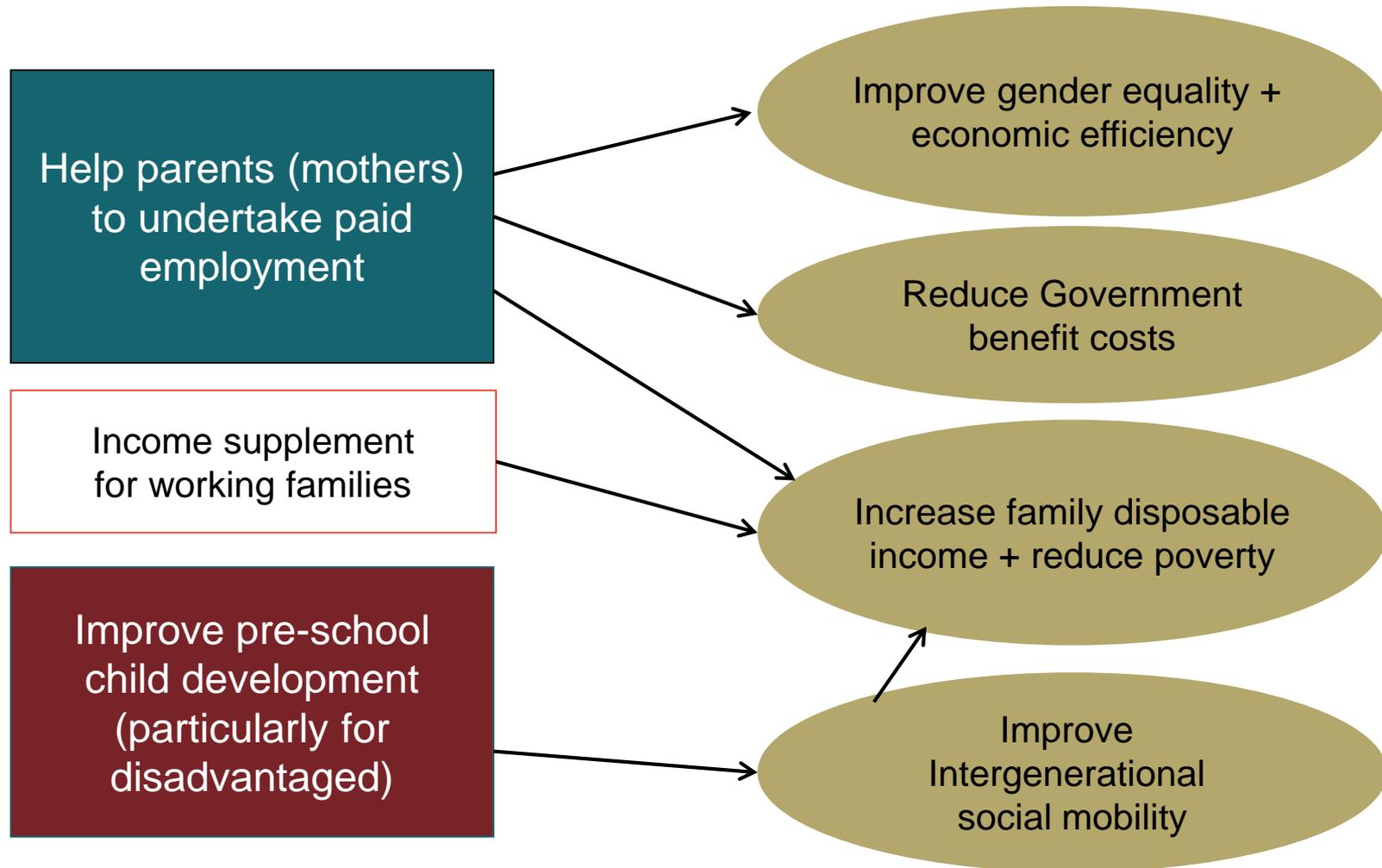
A whistle stop tour of childcare policy in the UK

- Begin with the objectives...
... and a brief history of policy in the UK
- What has it helped achieve for working mothers?...
... and for early childhood outcomes?
- A triplet of challenges...
... and some final thoughts

Childcare policy has multiple objectives

Basically a dual purpose...

... with several potential benefits...



Problem that objectives can create conflicts

Help parents (mothers) to undertake paid employment



Improve pre-school child development (particularly for disadvantaged)

Affordable (cheap)

COST vs
QUALITY

High quality (expensive)

Flexible / convenient
(choice of setting type, year round)

High quality type settings
(fixed sessions, term time)

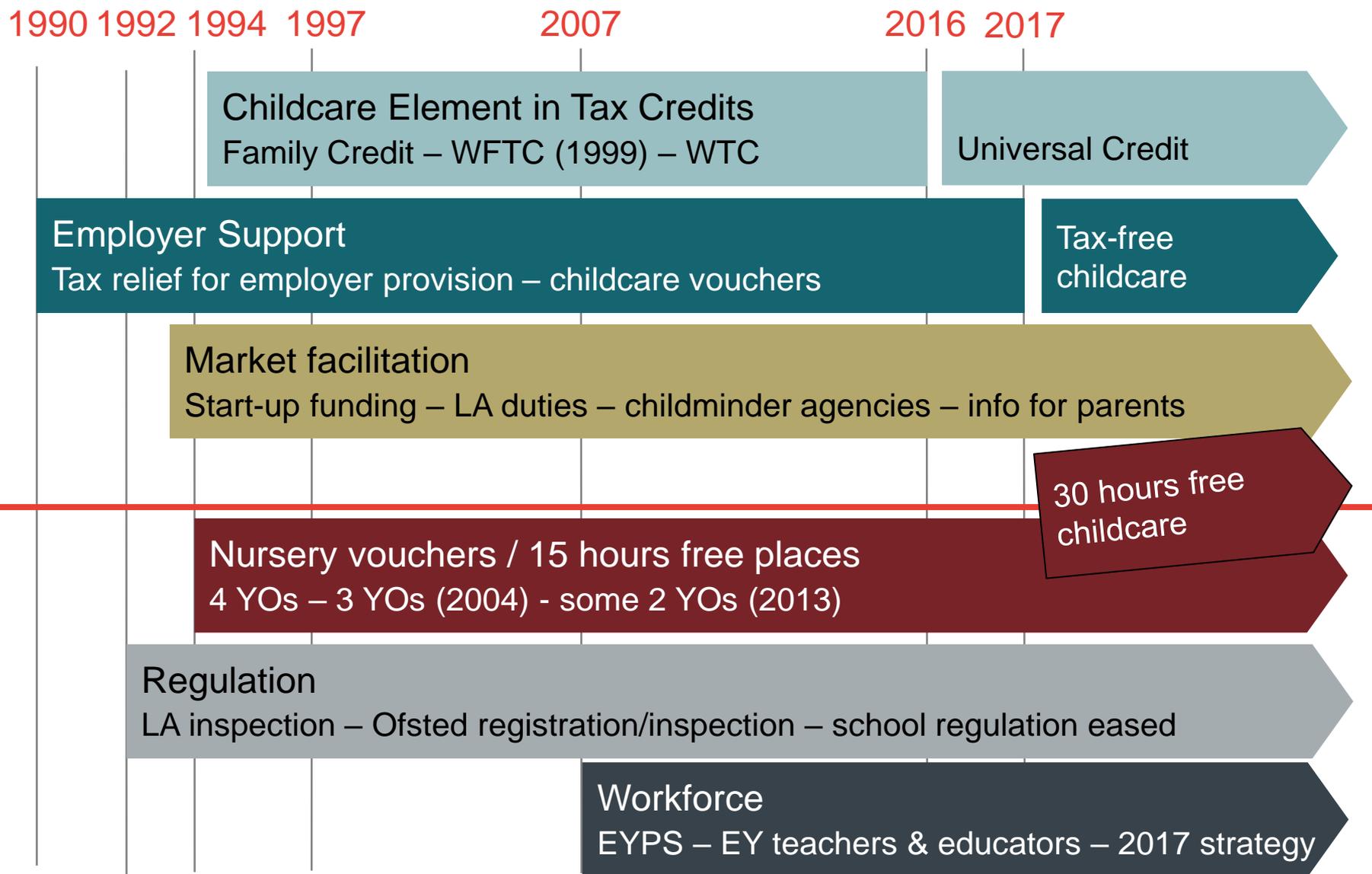
Longer days and weekly hours

Shorter days and weekly hours

Work requirement for eligibility

Targeted to disadvantaged

A brief history (and future) of childcare policy in the UK



Tax free childcare

Previous offer (employer-supported childcare):

- Allows tax and National Insurance relief for employer vouchers for childcare or childcare contracted by or provided by employers for registered and approved forms of childcare.
- Worth up to just over £900 per year (on costs of £2,916) for each parent in work and in the scheme.
- Only available to employees working for an employer offering the scheme
- No requirement for all parents to be in work.

Tax-free childcare:

- 20% government top-up to childcare accounts paying for registered and approved forms of childcare.
- Worth up to £2,000 per year (on costs of £10,000) for each child under age 12 (or under age 17 if disabled).
- Available to all employees and self-employed
- All parents must be in work, earning the equivalent to working 16 hours each week at the national minimum or living wage and less than £100,000 per year.

History of tax free childcare

1990: Tax relief for employer-provided workplace childcare

2005: Childcare vouchers for tax relief on maximum of £50 costs per week

2006: Maximum costs raised to £55 per week

2011: Eligible costs reduced for higher rate taxpayers

2017: Tax-free childcare to replace childcare vouchers: worth up to 20% of costs or £10,000 per year per child for children aged under 12

Free early education entitlement / 30 hours free childcare

Free early education entitlement in England:

- Children eligible in the term after their second (some deprived families) or third birthday (all other) until start school.
- Provides 570 hours of childcare per year, usually offered as 15 weekly hour for 38 weeks, but can be stretched across the year.
- Can be delivered by all provider types including maintained, private centre-based care and childminders.
- Central funding from DfE to LAs which varies across LAs and LAs have the discretion to pay different rates to different providers.
- Providers not permitted to charge “top-up fees” to parents.

30 hours free childcare:

- Additional 570 hours for three and four year old children with working parents, most likely to be offered as 30 weekly hours for 38 weeks.
- Working parent defined as in TFC: earning the equivalent to working 16 hours each week at the national minimum or living wage and less than £100,000 per year.

History of the free nursery / early education entitlement / 30 hours free childcare

1997: Nursery Education Voucher scheme of £1,100 per year for 4 year-olds

1998: Free nursery places of 12.5 hours over 5 days for 33 weeks a year for 4 year-olds

2001: Neighbourhood Nurseries Initiative (NNI)

2004: Free places extended to 3 year olds.

2006: Free places extended to 38 weeks a year

2010: Free places extended to 15 hours over 3-5 days

2012: Longer days for free places over 2-5 days

September 2013: Free places extended to 20% most disadvantaged 2 year-olds

September 2014: Free places extended to 40% most disadvantaged 2 year-olds

September 2017: 30 hours free childcare for three and four year olds of working parents.

Tax credits and other childcare policies

History of childcare subsidies in tax credits
1994: £40 weekly childcare disregard in Family Credit for working parents
1996: weekly disregard raised to £60
1998: weekly disregard raised to £100
1999: 70% childcare tax credit for maximum costs of £100/£150 per week in WFTC for working parents
2003: Tax credits transferred to childcare element of the Working Tax Credit
2005: Tax credit raised to maximum of £175/£300 per week
2006: Tax credit raised to 80% of costs
2011: Tax credit reduced to 70% of costs
2013: Tax credit extended to parents working less than 16 hours in Universal Credit
Spring 2016: Childcare element raised to 85% of costs in Universal Credit

Regulation:

- 1992: Local Authority inspection of daycare
- 2001: Ofsted registration and inspection of daycare and childminding
- 2008: EYFS child development standards
- 2011: reduced regulation in maintained schools
- 2012: revised EYFS framework
- 2013: role of Ofsted enhanced

Market facilitation:

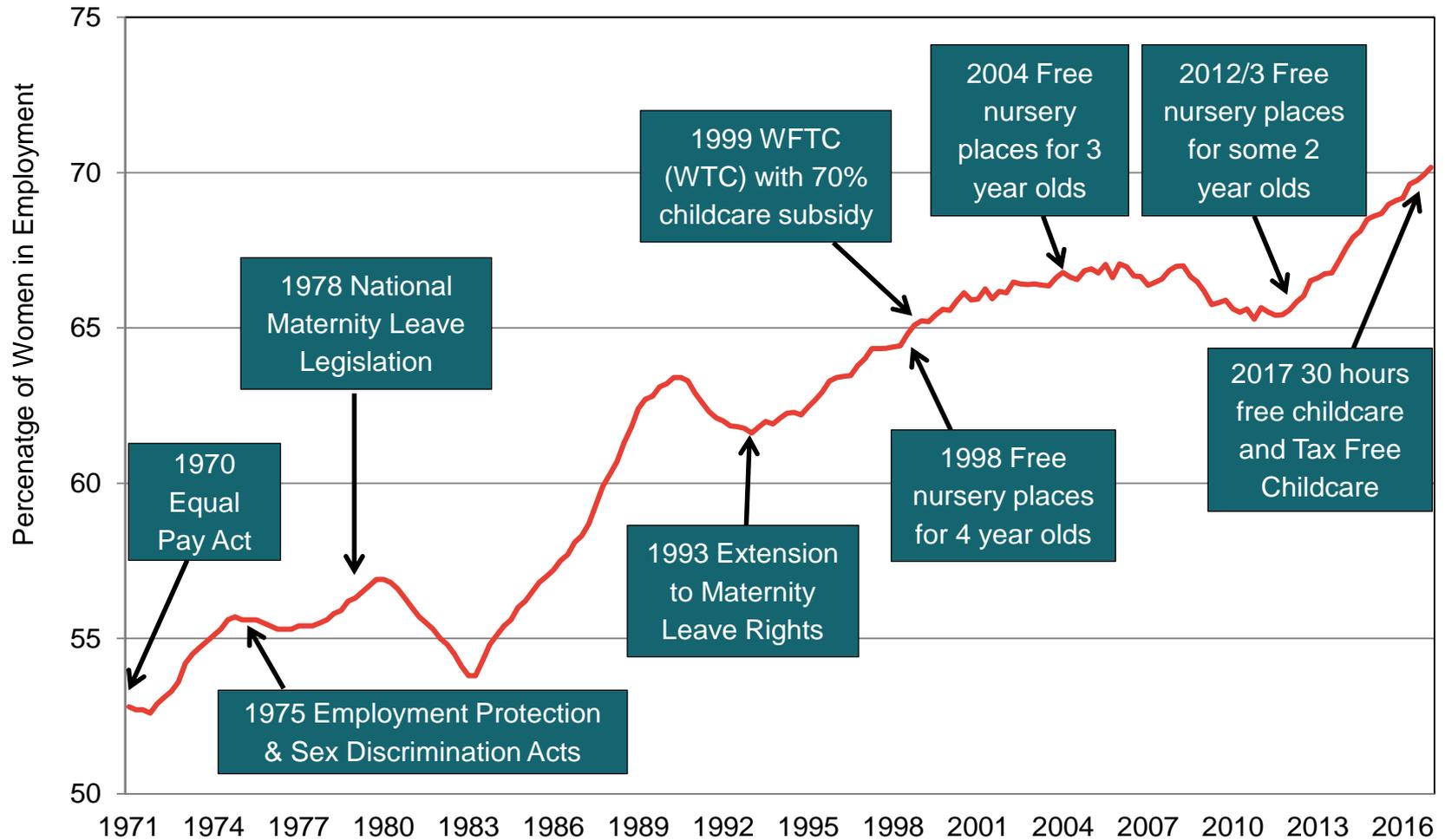
- 1993: Out-of-School Initiative start-up funding
- 1998: Start-up funding mainly for out-of-school facilities
- 2006: Legal duties for LAs to ensure sufficient childcare for working parents
- 2013: Childcare agencies; assistance for new childcare businesses

Workforce training:

- 2007: Early Years Professional Status (EYPS) qualification
- 2013: Early Years Teacher Training
- 2014: Early Years Educator qualification
- 2017: Workforce Strategy announced

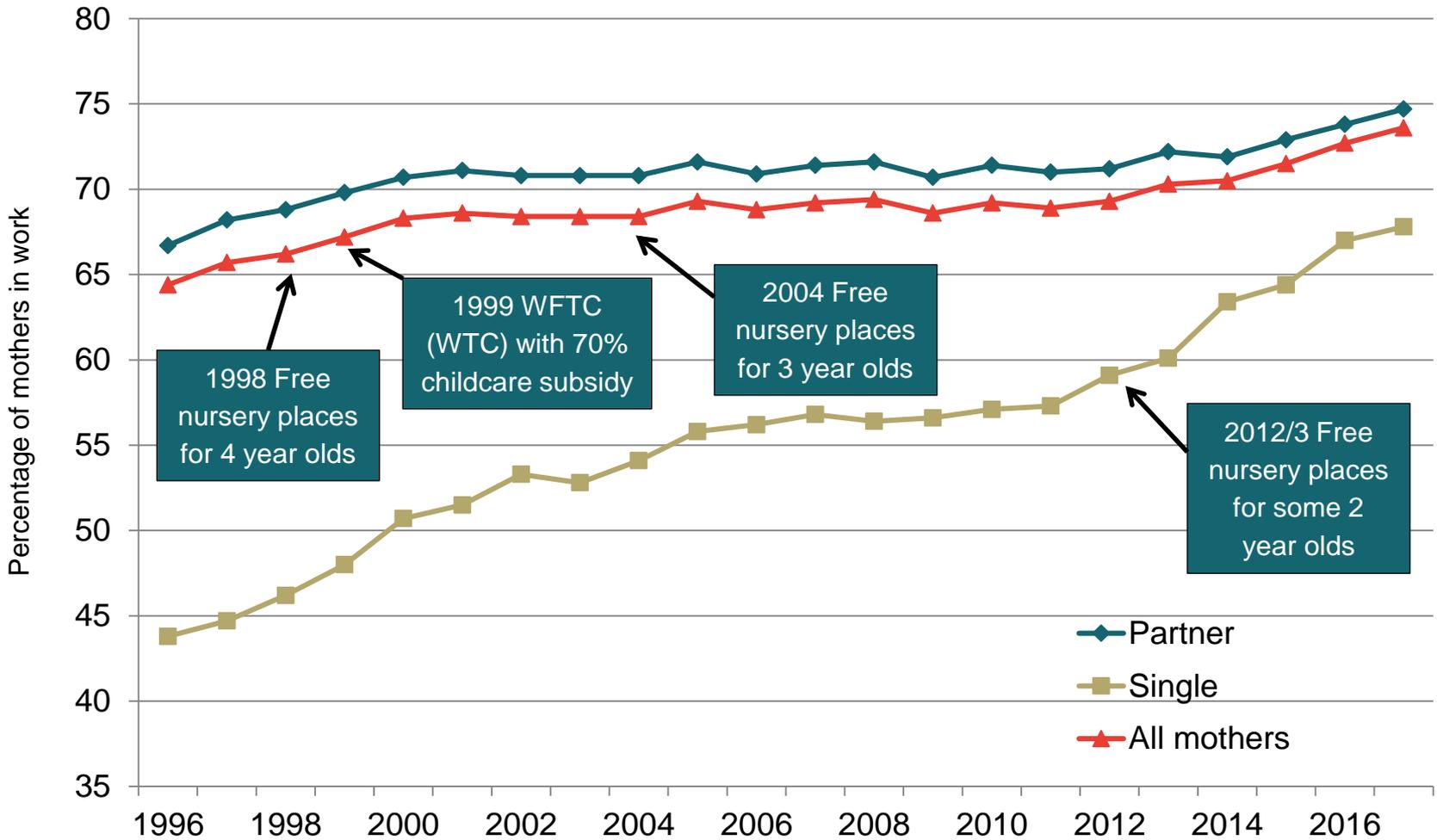
Are more women in work?

Figure 1: Percentage of women in employment 1971-2017



Are more mothers in work?

Figure 2: Percentage of mothers in work 1996 - 2017



Evidence suggests small impacts (if at all): examples

➤ Proportion of mothers in work:

- 100% childcare subsidy → 4 percentage point rise for lone mothers (Jenkins & Symons (2001)).
- 50% childcare subsidy → 6 percentage point rise for married mothers with preschool children (Viitanen (20015))
- Free 15 hour places for three year olds → 2 percentage point rise for mothers with a youngest child aged three in third term of eligibility (Brewer et al (2016))
- Extended (30 hours) places → indications of supporting work retention (Paull & La Valle (2017))

➤ Mothers' work hours :

- Free 15 hour places for three year olds → no statistically significant effect (Brewer et al (2016))
- Extended (30 hours) places → indications that one quarter of working mothers increased their work hours (Paull & La Valle (2017))

➤ Review of UK and international evidence in Hathaway et al (2015).

Jenkins, S. P. and Symons, E. J., (2001), "Child Care Costs and Lone Mothers' Employment Rates: UK Evidence", *The Manchester School*, vol. 69, issue 2, March

Viitanen, T. K., (2005), "Cost of Childcare and Female Employment in the UK", *Labour*, 19 (special issue), 149-179

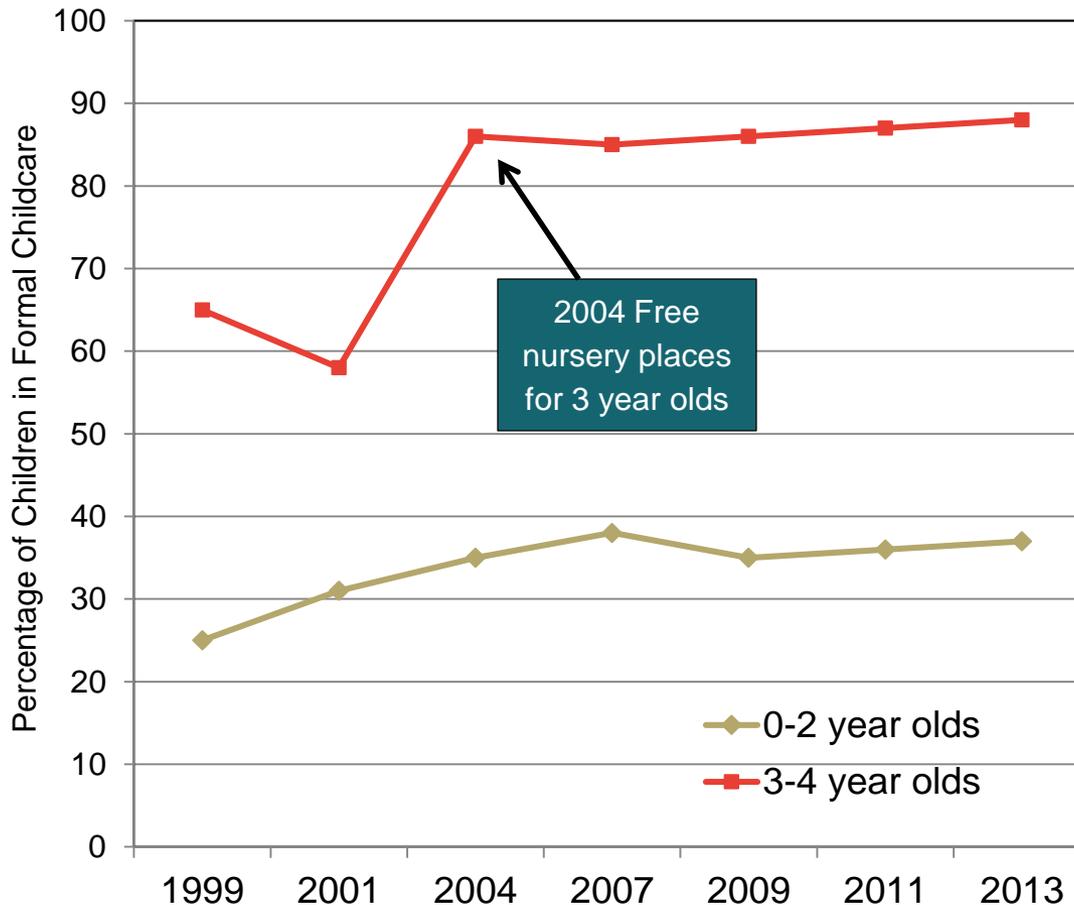
Brewer, M., Catton, S., Crawford, C., and Rabe, B., (2016), *Free childcare and parents' labour supply: is more better?*, Institute for Fiscal Studies Working Paper W16/22, November

Paull, G. and La Valle, I., (2017), *Evaluation of Early Implementation of 30 Hours Free Childcare*, Department for Education Research Report DFE-RR708, July

Hathaway, I., Leicester, A. and Paull, G., (2016), *Feasibility study into evaluating the labour and childcare market impacts of Tax-Free Childcare and the Free Early Education Entitlement*, HMRC Research Report 406, February

Are children benefiting from free early education?

Figure 3: Percentage of children in formal childcare



Example study: impact of free places for 3 year olds:

- Small beneficial effects on school outcomes at age 5
- Very small effects at age 7 and no benefits at age 11

Why?

- 3 out of 4 free places crowded out ones already paid for by parents
- All new places were in the private sector – fewer qualified teachers and lower quality

Blanden, J., Del Bono, E., McNally, S. and Rabe, B., (2016), "Universal pre-school education: the case of public funding with private provision", *Economic Journal*, 126 (May), 682-723

Triple whammy for designing good childcare policy

1

Lack of agreement on objective(s)

2

Complex and competing policies

3

Weak evidence on success of current policy

How much does it matter?

Policy	Annual cost in 2015	Annual cost by 2019/20
Free early education places	£2.9 billion	£3.7 billion (?)
Childcare element in tax credits	£1.5 billion	£2.1 billion (?)
Employer support / Tax Free Childcare	£0.8 billion	£1.4 billion (?)
Total	£5.2 billion	£7.2 billion (??)

Final thoughts – key questions for childcare policy

- What does childcare policy want to achieve?
 - Broad support for all objectives
 - Society (taxpayers) willing to pay to achieve them
- Which policies will achieve these objectives at least cost (value for money)?
 - Can childcare policies consistently support multiple goals?
 - Is childcare policy the best approach?
- How much do we really understand what childcare policies have achieved to date?
 - What more do we need to know?



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