
Childcare in England: a brief introduction

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Introduction

- Public support for childcare receiving increasing attention from policymakers as a potential tool to:
 - Promote child development
 - Encourage parents (particularly mothers) into or back to work
 - Reduce socio-economic inequalities
- Evidence on the effectiveness of early years interventions as a means of promoting child development has a long history
 - Though less evidence on what works for disadvantaged children
- But international evidence on the extent to which a significant *causal* relationship exists between childcare availability or use and mother's labour supply is mixed
 - Effects difficult to identify in the absence of policy variation

Aim of today is to provide you with . . .

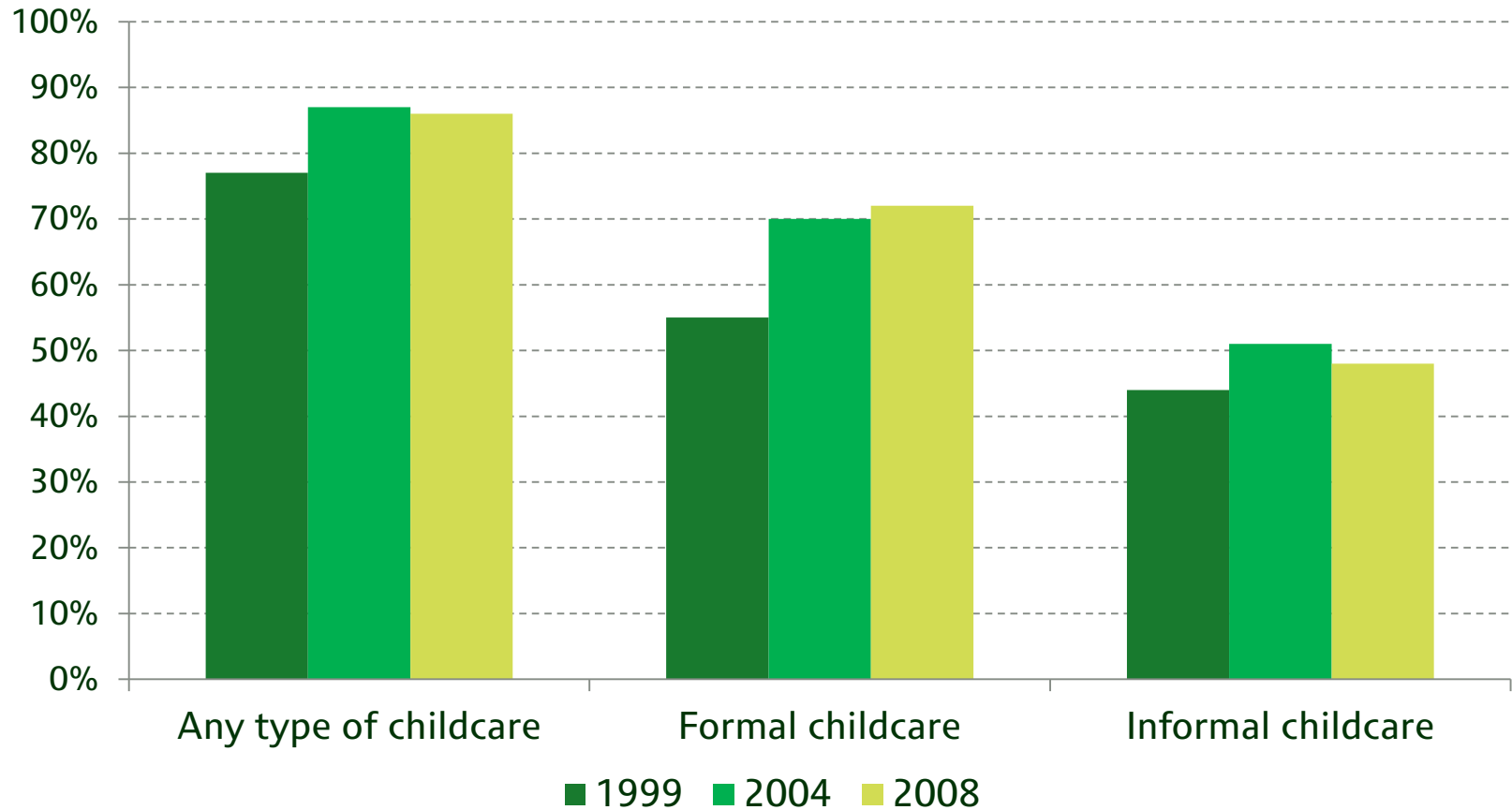
- A picture of how public support for childcare works in other countries and how this compares to the UK
- Some insight into the international evidence on childcare and its effects on child development and maternal labour supply
- An understanding of the challenges facing the UK in terms of childcare policy going forwards and some expert insight into the ways in which it might best face these challenges
- My introduction (focusing on 3-4 year olds in England):
 - How the government supports childcare/early education
 - Free early education for 3 and 4 year olds: take-up and effects of provision on child development and mother's labour supply
 - First stab at summarising challenges for UK policymakers

Overview

Public support for childcare in England

Type of support	For whom?	Details of entitlement	Estimated cost (p.a.)
Direct provision	Universal	15 hrs/wk of free early education for 3 and 4 yr olds. Can in principle be taken 7am-7pm over a min. of 2 days/wk, up to 52 wks/yr, but relies on providers offering flexibility.	£1.9 billion (NAO,2012)
	Means-tested	From Sept 2013: entitlement extended to 20% most deprived 2 yr olds (looked after children or those entitled to free school meals); to be extended to 40% most deprived in Sept 2014.	£341 million (DfE, 2012b)
Financial support	Universal	(Though must work for a participating employer.) No income tax or employee/employer NICs on first £55/wk (£2,860/yr) of employer-provided childcare vouchers for basic rate taxpayers (£28/wk for higher rate taxpayers).	£800 million (HMRC, 2013)
	Means-tested	Working tax credit recipients (families where each parent works 16 or more hours per week) can claim up to 70% of spending on formal childcare up to a cap of £175/wk for one child or £300/wk for more than one child.	£1.3 billion (HMRC, 2012-13)

Percentage of working families using different types of childcare for pre-school children over time



Source: Table 3.9 of Bryson et al. (2012)

Key questions

- To what extent does support for childcare in general increase take-up of formal childcare, childcare overall and parental (especially maternal) labour supply?
- Are some policies or methods of finance more effective than others at achieving these aims?
- To what extent does universal provision offer value for money?
 - Could similar take-up be achieved amongst children from disadvantaged backgrounds using means-tested provision only?
- Evidence suggests that access to high quality provision is what matters: to what extent can the government further incentivise the supply of and demand for high quality provision?

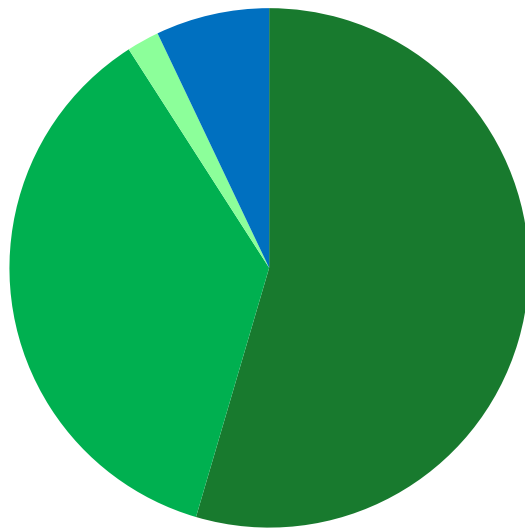
Free early education for 3 and 4 year olds

Routes through which entitlement can be taken

Type of care	Providers	Ages catered for	Hrs/wk	Wks/yr	Cost of other care
Formal	Schools	4 year olds: Nursery classes Reception classes	p/t f/t	Term-time (approx. 38 wks/yr)	Free
	State-run nurseries	3-4 year olds	f/t or p/t	Term-time	Free
	Sure Start Children's Centres	0-4 year olds	f/t or p/t	Year round	Means-tested fees
	Private/voluntary-run nurseries	0-4 year olds	f/t or p/t	Year round	Fees
	Childminders	0-4 year olds	f/t	Year round	Fees

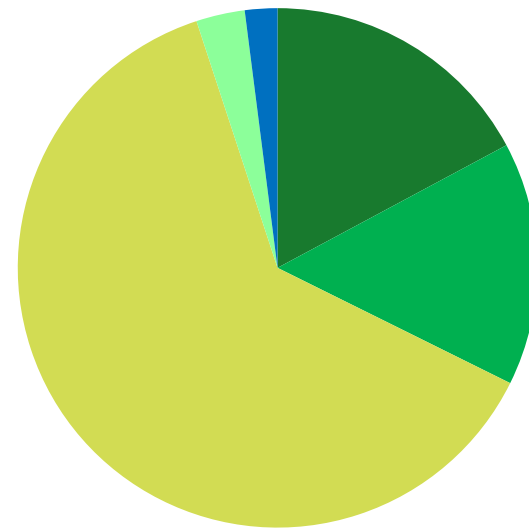
What proportion of 3 and 4 year olds take up their free entitlement and where?

3 year olds



- Private and voluntary providers
- Nursery schools and nursery classes
- Infant classes in primary school
- Private schools
- Not benefitting from free early education

4 year olds



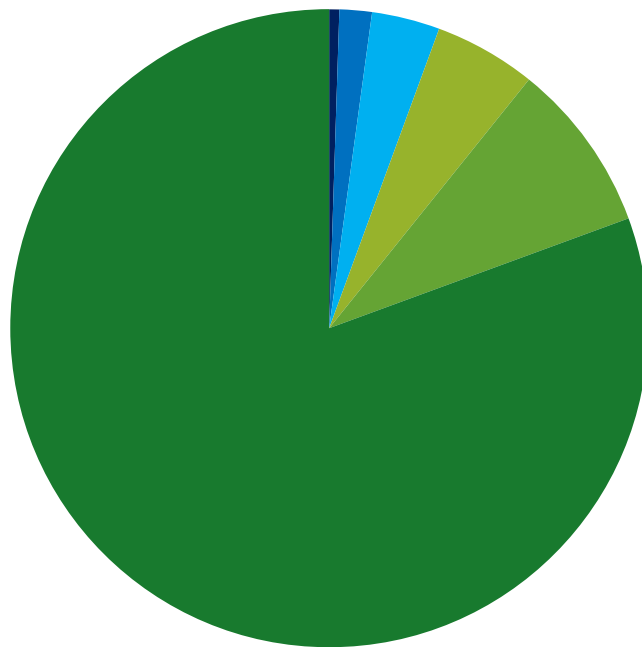
- Private and voluntary providers
- Nursery schools and nursery classes
- Infant classes in primary school
- Private schools
- Not benefitting from free early education

93% of 3 year olds and **98%** of 4 year olds benefitted from some free early education in 2012

Source: DfE (2012a)

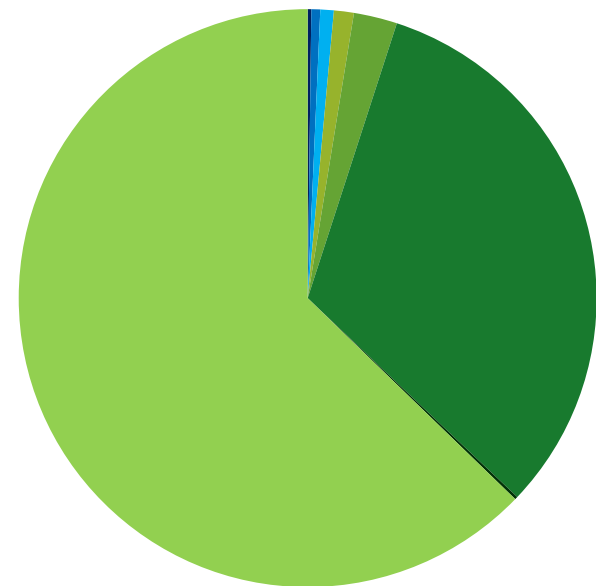
But not all children take up their full entitlement . . .

3 year olds



■ 0-2.5 hours ■ 3-5 hours
■ 5.5-7.5 hours ■ 8-10 hours
■ 10.5-12.5 hours ■ 13-15 hours

4 year olds



■ 0-2.5 hours ■ 3-5 hours
■ 5.5-7.5 hours ■ 8-10 hours
■ 10.5-12.5 hours ■ 13-15 hours
■ 15.5-22.5 hours ■ 23-25 hours

89% of PTE places for 3 year olds and **93%** of PTE places for 4 year olds were filled in 2012

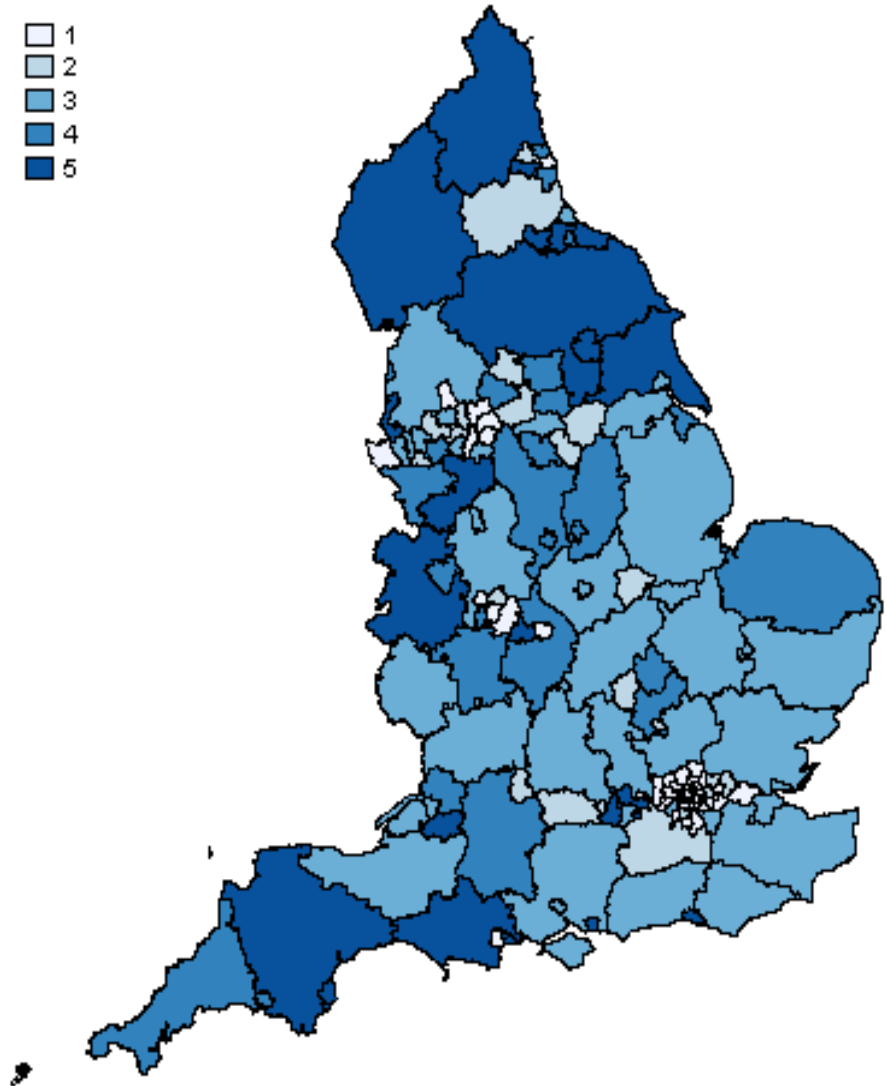
Source: DfE (2012a)

Further details of funding model for entitlement

- Funding for free early education places provided to LAs via the Dedicated Schools Grant (DSG), but not ring-fenced
 - % of DSG spent on early education varies from 3.5% to 9.8%
- LAs determine their own funding formulae:
 - Must reward providers catering for disadvantaged pupils
 - Can additionally reward quality and flexibility
 - Variation in inclusion/exclusion of these factors and weights attached
- NAO (2012): some evidence that deprived areas and those with higher local wages spent more of their DSG on early education
 - But none that higher spending is related to higher take-up/quality

How does 3 year old take-up vary by area?

- Take-up is lowest (70-90%) in urban areas, especially London, Manchester and Birmingham
- Partly composition: ethnic minorities and those from more deprived backgrounds are less likely to take up their places
- Possibly also supply constraints



Source: DfE (2012a)

Which pupils have access to high quality care?

- Nursery schools tend to be of highest quality:
 - 96% rated as good or outstanding by Ofsted compared to 75-80% of nursery classes and private/voluntary/independent providers
- Children from more deprived backgrounds more likely to attend nursery schools, hence can access high quality care via this route
 - But attend lower quality schools on average than those from less deprived backgrounds (Gambaro, Stewart and Waldfogel, 2013)
- And average quality of providers is higher in less deprived areas (though not by much)

What is the effect of this policy likely to be on child development and mothers' labour supply

- Could increase use of formal childcare but lead to an equivalent reduction in informal care → no overall change in total childcare
 - Might affect child development but unlikely to affect labour supply
- Could increase use of formal childcare and result in a smaller reduction in informal care → overall increase in childcare
 - Might affect child development and mothers' labour supply (positively or negatively)

Effects on child development

- No evidence of effect of this specific policy on child outcomes
- But plenty of evidence that using formal childcare (especially high quality care) is good for children's attainment and wider skills
 - e.g. EPPE study continues to show positive effects of care and especially high quality care on educational attainment at age 14
 - Goodman & Sianesi (2005) showed that effects persist into adulthood
 - Increases educational attainment and likelihood of being employed
 - 3-4% wage gain amongst those in work at age 33

Effects on mothers' labour supply

- Children become eligible for free provision in term after turn three
- Means children born just before the start of term become eligible for nursery four months earlier than children born just after
- Brewer & Crawford (2010) use this variation to identify effects of eligibility for nursery on labour supply of low income lone parents
- Find some evidence of a small but significant positive effect
 - Lone parents whose youngest child is eligible for free early education are 1.7 percentage points (around 10%) more likely to be off benefit

Ongoing work will feed into this debate (1)

- Joint work between IFS, ISER and CLS will:
 - Extend this analysis to consider the labour supply of other parents too
 - Investigate whether differential access to nursery education arising from these discontinuities affects subsequent educational attainment
- In addition it will:
 - Use geographical variation in access to nursery places in the 1990s to investigate effects on child development and mothers' labour supply
 - Investigate similar effects of eligibility for childcare element of WTC
- For more details, see:
 - <https://www.iser.essex.ac.uk/projects/the-effect-of-free-childcare-on-maternal-labour-supply-and-child-development>
 - <http://www.cls.ioe.ac.uk/page.aspx?&sitesectionid=1199&sitesectiontitle=Evaluating+the+impact+of+nursery+attendance+on+children%E2%80%99s+outcomes>

Ongoing work will feed into this debate (2)

- Other ongoing work at IFS will also feed into this debate, e.g.
 - Impact of access to Sure Start Children's Centres on educational attainment using administrative data
 - Impact of access to high quality provision (relative to no provision and low quality provision) on Key Stage 4 attainment; use to make formal assessment of value for money of (high quality) nursery provision
- This package of work should help to address important questions:
 - Impact of universal entitlement to nursery education on child development and mothers' labour supply, and how does it vary?
 - What is the effectiveness of direct provision vs. financial support?
 - How important is quality?

Summary

- Big expansion in spending on and access to formal childcare
- Take up and quality still at least somewhat variable
- Funding system complex and expensive
- Surprisingly little good evidence on effectiveness in promoting employment

Ongoing challenges

- Policy challenges:
 - Improve and simplify funding system
 - Clarify objectives
 - Ensure take up and access to high quality provision
- Evidence challenges:
 - What are most (cost) effective funding systems?
 - Balance between supply and demand subsidies
 - Impact of different policies on:
 - Parental labour supply
 - Quality of provision and long-term child outcomes

References

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