

Childcare policy, maternal employment, and the UK policy debate: examining the evidence

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2 December 2016

Free childcare and parents' labour supply in England

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Childcare policy in England

- England is one of the highest spenders on early years and childcare services amongst OECD countries
- Several forms of public support for childcare, including entitlement to a free p/t nursery place for all 3- and 4-year olds and the 40% poorest 2-year olds
- Free entitlement to be extended from 15 to 30 hrs/wk (38 wks/yr) for working parents of 3- and 4-year olds from September 2017
 - Both parents (or sole parent in a lone parent family) must each earn a weekly minimum equivalent to 16 hrs at NMW or NLW and less than £100,000/yr

Aims of childcare policy in England

- Improve children's development, success in school and later in life
- Reduce socio-economic inequalities
- Help create more opportunities for parents who wish, or need, to work and raise children at the same time
- Recent extension from 15 to 30 hours aimed at helping parents with cost of living and increasing labour supply
 - *“The new entitlement to 30 hours of free childcare is intended to support working parents with the cost of childcare and enable them, where they wish, to return to work or to work additional hours.”* (Childcare Bill, Dec 2015)

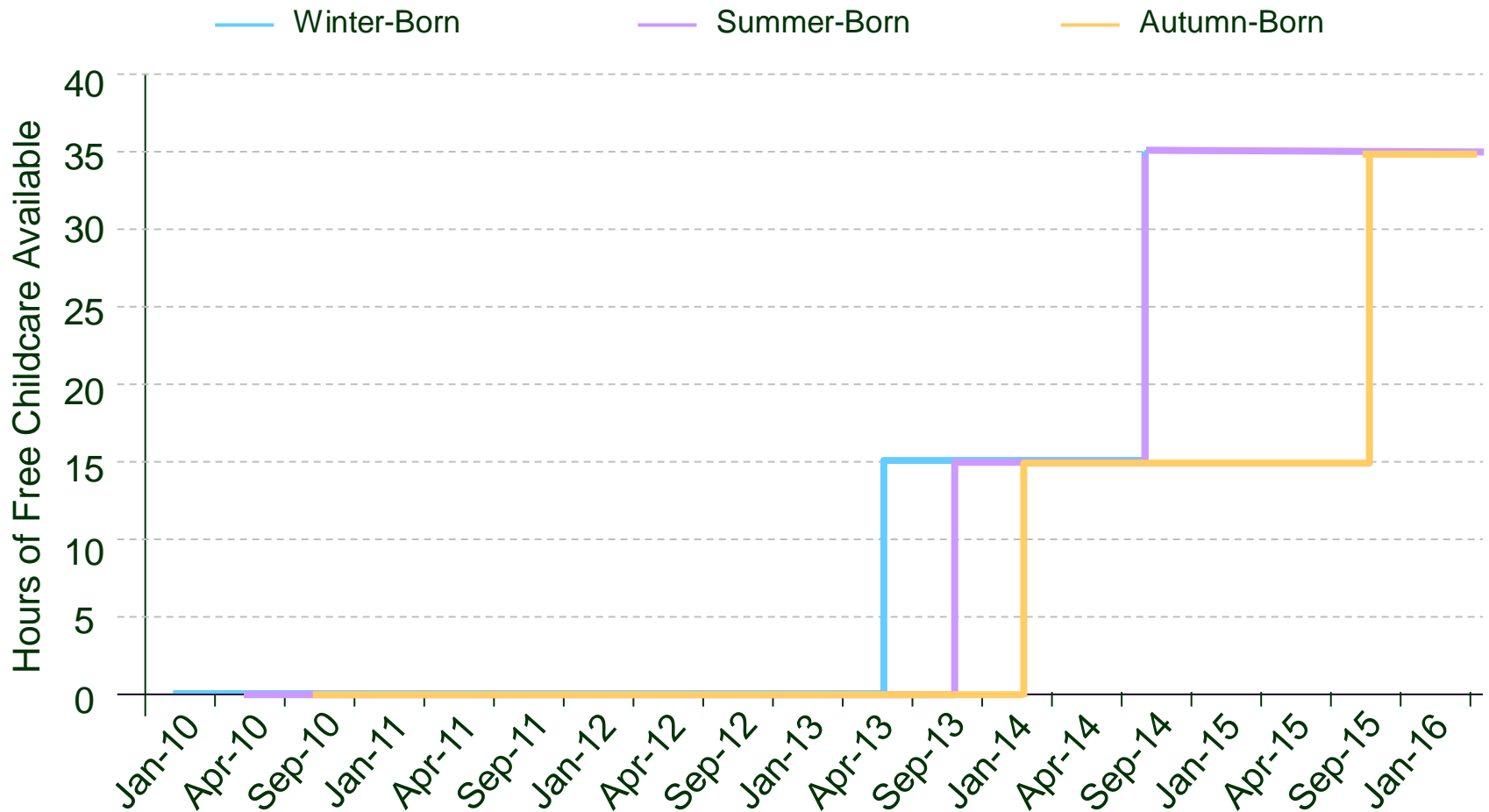
Does free childcare help parents work?

- New research “*Free childcare and parents’ labour supply: is more better?*” (IFS WP16/22)
- First evaluation of two policies for all parents in England:
 - Provision of free p/t care for all 3-year olds (15hrs/wk)
 - Provision of free f/t education for all 4-year olds (30-35hrs/wk)
- We assess impacts of initially offering free half-day care and then expanding this offer to cover the full day
- Provides insight into potential impact of extension of the free entitlement, though policies are different

Methodology

- Exploits date of birth cut-off rules governing free care eligibility
 - Part-time free childcare: 3- and 4- year olds entitled to a free p/t nursery place **from the term after they turn 3** (since 2004)
 - Full-time free childcare: most children start f/t education in **September after they turn four**
- ➔ These rules allow us to compare the labour supply of parents whose children are the same age but don't have the same entitlement to free childcare because of different date of birth

Illustration of date of birth cut-off rules



Data

- **Part I: Impact of free childcare on use of childcare**
 - Data from the Family Resources Survey (FRS)
 - Use data collected between 2005 and 2013
- **Part II: Impact of free childcare on parents' labour supply**
 - Data from the UK Labour Force Survey (LFS)
 - Use data collected between 2000 and 2013

Impact on patterns of childcare use

	(1)	(2)	(3)	(4)	(5)
	Subsidisable care			Any childcare	Informal care
	Any use	Weekly hours	Weekly spend	Weekly hours	Weekly hours
Impact of 3 rd term of free part-time care relative to no free care	+16.9ppts	+3.3hrs	-£4.30	+1.6hrs	-3.6hrs
Impact of 3 rd term of free full-time care relative to 3 rd term of free part-time care	+11.6ppts	+2.4hrs	-£9.40	+2.8hrs	+1.5hrs
<i>Average amongst 2yr olds</i>	<i>48%</i>	<i>6 hrs</i>	<i>£25</i>	<i>14 hrs</i>	<i>6hrs</i>
<i>Average amongst 3yr olds</i>	<i>71%</i>	<i>11 hrs</i>	<i>£22</i>	<i>18 hrs</i>	<i>5hrs</i>

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Impact on mothers' working patterns

	(1)	(2)	(3)
	In labour force	In work	Weekly hours
<i>Average in the sample</i>	<i>61%</i>	<i>57%</i>	<i>14hrs</i>
	Impact of 3 rd term of free p/t care relative to no free care		
All mothers	-0.4ppts	-0.2ppts	+0.0hrs
Mothers whose youngest child is eligible	+2.1ppts	+0.7ppts	+0.0hrs
	Impact of 3 rd term of free f/t care relative to 3 rd term of p/t free care		
All mothers	+0.3ppts	+0.5ppts	-0.0hrs
Mothers whose youngest child is eligible	+5.7ppts	+3.5ppts	+0.8hrs

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Summary of findings

- Small increase on LFP, but no effect on employment for mothers whose youngest child becomes entitled to free p/t care
- Slightly larger effect on LFP, employment and hours when youngest child becomes eligible for f/t care
 - Equivalent to around 12,000 more mothers in paid work each year
- No effect on fathers nor on mothers with younger children
- Stronger effects for lone than partnered mothers
- Stronger effects in later time-period when free entitlement to p/t place became more generous & flexible

Discussion

- Free f/t childcare is more effective at increasing maternal labour supply than free p/t childcare, but impact remains modest
- Offering parents free childcare had small impacts on the amount of childcare being used by parents
- The offer may not have been sufficiently generous or flexible to enable parents to work
 - For 6-6.5 hours/day only during term time

Conclusion

- Research suggests that planned extension of the free entitlement could boost maternal labour supply slightly
- There are reasons why it could have greater or smaller impacts than those of providing full-time schooling:
 - Extension will offer more flexibility than provision of full-time school
 - Maternal employment rate today is higher than during the 2000s
- Extension will reduce parents' spending on childcare costs

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