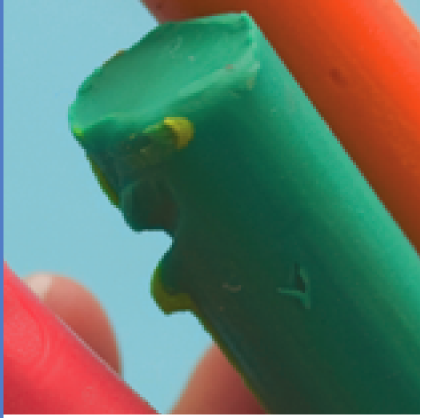
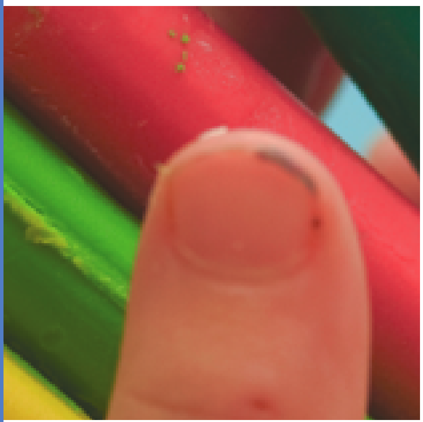
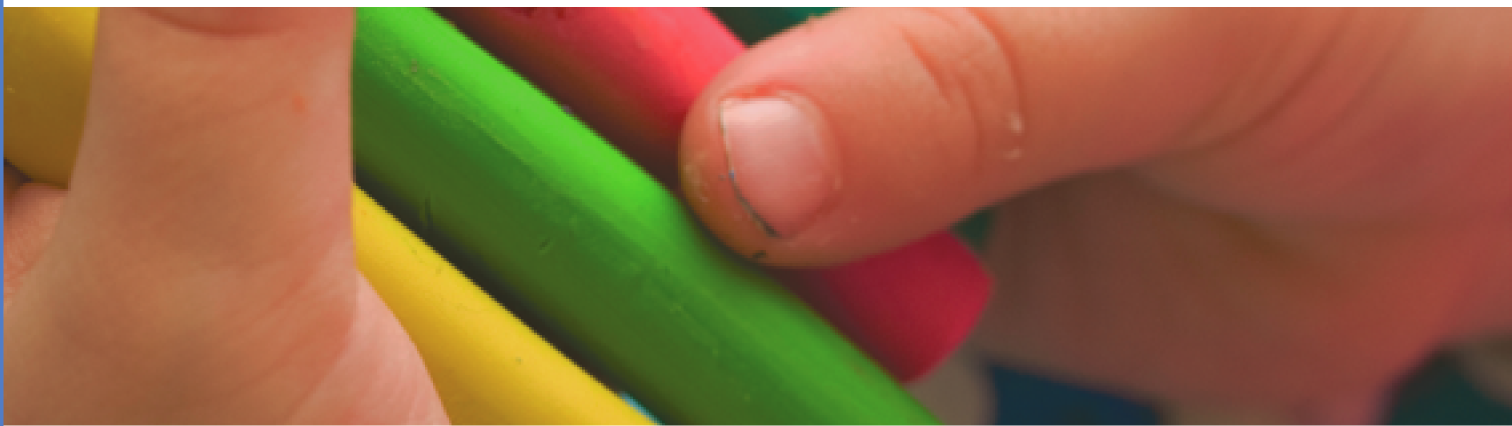




Little Britons: Financing Childcare Choice



Catherine Hakim, Karen Bradley, Emily Price and Louisa Mitchell

policy exchange

Little Britons: Financing Childcare Choice

Catherine Hakim, Karen Bradley, Emily Price and Louisa Mitchell

This report was compiled by Emily Price and Louisa Mitchell of Policy Exchange with Dr Catherine Hakim and Karen Bradley as consultants.

Dr Catherine Hakim is Senior Research Fellow in the London School of Economics. An internationally recognised expert on women's employment, social and family policy, and labour market trends, she is a frequent contributor to media debates on family policy, women's position in society and gender equality issues. Her publications include over 70 papers published in social science journals and edited collections. Recent books include *Models of the Family in Modern Societies* (Ashgate Press), *Work-Lifestyle Choices in the 21st Century* (Oxford University Press), and *Key Issues in Women's Work* (Glasshouse Press).

Karen Bradley is a Chartered Accountant and Chartered Tax Adviser with 15 years experience advising clients in the City of London. She has also worked in the Conservative Research Department advising on economic and fiscal issues and in the Conservative Policy Unit in the run up to the 2005 General Election when she worked on the development and costing of a broad range of policies. She has a degree in Mathematics from Imperial College, London

Emily Price has been involved in a number of Policy Exchange projects. This is her first on the childcare sector. Emily does much voluntary work and has trained as a documentary maker for a London based charity that supports projects in Ghana. She read PPE at Oxford University, before spending a year working in Thailand and a year working in China with pre-school children and studying Mandarin.

Louisa Mitchell is a Senior Fellow of Policy Exchange. She recently published a report on building a culture of philanthropy in the financial services industry and this is her first in the childcare sector. Before joining Policy Exchange she wrote for the *Financial Times*, was Director of two non-profit organisations in the environment sector and spent eight years as an investment banker. She read Chinese at Cambridge University.

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The views expressed in this report are not necessarily those of the people we interviewed and acknowledge above, but are those of the people who researched and compiled this report.

Foreword

What do families want when it comes to childcare? That is a question whose answer seems to be considered all too rarely in so much of the discussion – and heated debate – about childcare policy. Evidence about developmental benefits of good quality childcare and developmental risks associated with extensive time spent in childcare is often selectively cited in policy-related discussions to advance causes that would in all likelihood be advocated even without putatively supportive evidence. This is not surprising because children, families and childcare are issues that are heavily shaped by attitudes, values and ideology – probably just as they should be.

What *Little Britons: Financing Childcare Choice* makes clear is that in Britain, just as in America, attitudes, values and ideology not only inform analysis of family and childcare policies, but most importantly family decision-making about who will care for their children (for example, nannies, childminders, nurseries), for how long (part-time, full-time), beginning when (aged 6 months, 18 months, 36 months) and in what locations (at home, childminder's house, childcare centre). Yet, as the report also makes clear, for many families decision-making on a topic where, perhaps, real choice should reign supreme is determined by many factors other than simple preference, not least what childcare is available, at what cost parents can afford and, most notably with regard to this report, what options government policies subsidise.

Were one to ask a very young child: "What do you want?" the answer would be clear: "Someone to care for me well, to love me irrationally and to do so for many years on end." Even though the report never explicitly addresses this "children's question", it concludes that it is parents who are in the best position to know what is best for their children; and thus it is parents who should have maximum power in determining who will provide care for their children. How can anyone really argue with that? Even if we must acknowledge that there exist households in which parents lack the ability to act in the best interests of their children because they all too often fail to act in their own best interests, such exceptions should not shape the rules for all. Yet all too often they seem to. Why else, the authors of this report implicitly ask, does so much childcare policy seem to support only certain parenting, employment and childcare choices? If parents do know best – on average, most of the time, and in most cases – shouldn't State resources be given directly to them so that they can decide how the nation's youngest citizens are cared for? Why should some choices – for the parent to be employed and for the family to use registered care rather than relatives – be more highly valued, or at least subsidised, than others?

Despite the rhetorical nature of the two preceding questions which might seem to imply that there is no counter argument to be made here, I am not naïve to the real and fundamental disagreements that exist regarding the role that the family and the State should play in deciding how taxpayer funds are spent on childcare for very young children. However much I endorse much of this report's central plea for letting parents choose how tax money is spent on the care of children in their first three years of life, I simultaneously embrace the view that children do not belong only to their families. As any country's most basic and important natural resource, it is indisputably the responsibility of the Government to ensure that children are cared for reasonably well, most especially when State funds are to be used toward that end.

More perhaps than anything else, what I most applaud about this report is that it seeks to expand debate on how the State should fulfil this responsibility. For too long in my opinion, "what children want", as best, even if imperfectly reflected in "what parents want" has not figured as centrally in policy-making, as the authors of this report also think it should. As the report makes clear, many parents do not have careers but have jobs. And thus for many parents being employed outside the home does not provide the intellectual and psychological nourishment that it does for those of us fortunate enough to have careers. As a result, for many such parents, it is clear that were they given greater choice than economic and even ideological circumstances often afford, they would opt to spend more time caring for their very young children rather than arranging for others to do so.

Not all will agree with this analysis, nor should they. And certainly not all will embrace the proposal advanced in this report of redirecting already committed childcare funds to pay parents for caring for their own children – or for selecting the childcare of their choice – through a Parental Care Allowance (PCA), similar to those implemented in Norway, Finland and France. So let the expanded debate begin with regard to how, in the diverse, globalised, 21st century Britain in which we live, the needs of children, families and society can more generally best be met. Let increased consideration be given to what parents really want in the case of childcare and to increasing their power, by means of a PCA, to exercise real choice. The authors of this report have provided a thoughtful analysis of childcare research, policy, family employment patterns and parental preferences, leading them to propose a policy based centrally on parental choice, while estimating financial costs and even potential sources of funding. As a result, there is much grist for the intellectual mill. Perhaps some minds might even be changed.

Jay Belsky
Professor and Director, Institute for the Study of Children, Families and Social Issues, Birkbeck University of London

Executive Summary

Childcare requirements are most intensive during the first three years of a child's life and these years are the focus of this report. We assess research on parental preferences and review how State childcare is currently funded, how it supports individual families and its impact on the private and voluntary sectors. We conclude that present arrangements, although a great improvement on the past, are not flexible enough to meet the needs of today's varied family structures and working hours.

Despite a decade of intensive reform and total spending of £17 billion from 1997 to 2006[1] on services for young children, parents in Britain still pay 70 per cent of their childcare costs compared to the European average of 30 per cent.[2] Our recommendations would mean increased government spending, but above all they would mean different spending – rather than funding institutions directly (the supply side) we believe that the money should follow the child (the demand side).

The Government's two principal financing streams for institutions are Sure Start and the Early Years Entitlement. Sure Start has been changed so often in its short life that, despite its name, people are unsure what it stands for. When first established it was intended to provide integrated family support services and promote social inclusion, especially in the most disadvantaged areas. However there is now a general perception that it exists primarily to provide centre-based daycare. Some Sure Start Children's Centres do supply childcare, some have partnerships with private and voluntary sector nurseries, but others do not. A cost-benefit analysis of its different services seems impossible due to the lack of measurable outputs. Although it is hard to argue against Sure Start's latest goal of a national network of Children's Centres offering integrated services for children, there is considerable scepticism about whether such ambitions will be adequately funded and that poorly subsidised State provision will damage the market as a whole. The National Audit Office has commented that millions of pounds of public money are being invested to start up childcare services that may later collapse.[3]

The Early Years Entitlement is a payment to nurseries for 3-4 year old children to provide each child with 12-and-a-half hours a week of pre-school in a registered nursery, 33 weeks a year. As this report focuses on children up to 3 years and on childcare prior to pre-school education, we have not analysed it in detail. However, the creation of the Department for Children, Schools and Families (DCSF) – formerly the Department for Education and Skills (DfES) – may bring the childcare and pre-school education budgets together and our recommendations for funding childcare for 0-3 year olds would be simple to extend to 3-4 year olds.

The two financing streams for parents are the childcare element of the Working Tax Credit (WTC) and an electronic voucher scheme. A snapshot of the number of the families claiming the childcare element of the WTC in December 2007 shows that £1.4 billion was being distributed through it.[4] Although payments are made directly to parents, the underlying policy aim of linking tax credits to childcare is to encourage lone mothers back into work as a way of addressing child poverty. However, in 2005 only 223,800 out of over one million eligible single parents claimed it.[5] The electronic vouchers allow for childcare payments to registered providers to be deducted from gross income so that parents can save tax and National Insurance contributions on them. However, take-up is extremely limited because so few employers operate the

1 Stanley K, Bellamy K and Cooke G (2006), *Equal Access? Appropriate and affordable childcare for every child,* Institute for Public Policy Research

2 Daycare Trust (2007) *Childcare costs continue to rise beyond parents reach* http://www.daycaretrust.org.uk/article.php?sid=292

3 National Audit Office (2006), *Sure Start Children's Centres*

4 HMRC Child and Working Tax Credit Statistics – Provisional Awards at snapshot dates. http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm

5 Skinner C (2006) *How can childcare help to end child poverty?* for the Joseph Rowntree Foundation, University of York

scheme – it is estimated that only one in 50 eligible uses it.[6]

Eligibility is the key problem with the WTC payments, as well as uncertainty regarding incorrect payments and reclaims. The work requirements are restrictive and families must use formal (Ofsted registered) care, which limits parental choice. Moreover, income cut-offs are very low as the tax credit is largely designed to assist lone parents. Our analysis of individual families illustrates that a low income couple working full time receive only 13 per cent of their childcare costs per year for their child under two, compared to a low income couple with one parent working part time and therefore requiring fewer hours of childcare who receive 55 per cent of their costs and compared to an average income lone parent who receives 40 per cent of their costs. The Institute for Fiscal studies reported in 2005 that, as a consequence, there were 50,000 more single mothers in work – and 13,000 fewer mothers from two-parent households.[7] In December 2007, just 145,000 (35 per cent) of the total 427,600 families claiming the childcare element of the WTC were couple families where both parents were working.[8]

The Government's own research reveals that parents' views about the care of their very young children vary greatly. However, a substantial proportion of first-time mothers want to look after them themselves: in 2005 a study found that 80 per cent preferred them to be cared for in the home until their first birthday, dropping to 57 per cent by their third birthday.[9] This preference conflicts with the Government's strategy to encourage mothers back into paid work.

Proposals for reform

We propose that funding support for childcare should no longer be linked to employment, so that parents have genuine choice over whether to work or not, rather than when and how to work. In addition it should no longer be linked to formal, registered care so that those parents who prefer informal care (grandparents, childminders) or to look after their babies and toddlers themselves, are also supported.

We propose scrapping the childcare element of the Working Tax Credit, the electronic vouchers and the one-off Sure Start Maternity Grant and providing instead a universal Parental Care Allowance to parents with children of 0-3 years as follows:

- *£50-60 per week paid direct to all parents with children of 0-3*
  This is in line with parental allowances in other European countries at around 15-20 per cent of GDP per capita and is equivalent to around 40 per cent of average income of the average part-time job;
- *Payable from birth or after maternity pay has ceased until the child starts to use early years services in the first term after the third birthday*
  Those receiving a maternity package are already financially supported and the PCA should not commence until that support ceases, either through returning to work or electing to stay at home to look after the child. All 3 year olds are eligible for Early Years Entitlement which, with a target of 20 hours per week, provides childcare as well as educational development. If successful for the 0-3 group, the PCA could become the principal non-schooling payment before compulsory education begins and could be extended to 3-4 year olds in place of EYE, which currently funds institutions on their behalf;
- *Not tapered, meaning that the same amount is paid to each child no matter how many children are in the family*
  Tapering adds complexity. In addition, few families have more than one child between 0 and 39 months (average time a child starts to benefit from the Early Years Entitlement) and fewer between 9

6 See research carried out by Childcare Choice, a childcare voucher specialist, at www.childcarechoice.co.uk/documents/Parentscantbebothered010507AH.pdf

7 Brewer M, Duncan A, Shephard A and Suárez M (2005), *Did Working Families' Tax Credit work? The final evaluation of the impact of in-work support on parents' labour supply and take-up behaviour in the UK*, Institute for Fiscal Studies; www.ifs.org.uk/publications.php?publication_id=3379

8 HMRC, *Child and Working Tax Credit Statistics*, December 2007

9 Houston D and Marks G (2005), "Working, caring and sharing: work-life dilemmas in early motherhood" in Houston D (ed), *Work-life Balance in the 21st Century*, Houndmills and Palgrave Macmillan

months (average time Maternity Pay ceases) and 39 months;

- *Not taxed*
  Although taxing the PCA sounds progressive and makes it a more attractive proposal to Government as it is a form of means testing, it may act as a deterrent to work for the second and third lowest income deciles;
- *Administered through Child Benefit*
  The administration mechanisms are in place already making this payment easy to distribute. At £55, this payment, in addition to child benefit which is now £18.80 for the first child (£12.10 for the second), would mean a total weekly, universal, non-taxed cash payment to parents of children under 3 of £73.80.

The key strengths of the proposal are that it is:

- Simple to administer;
- Certain in terms of delivery;
- Flexible in supporting parents who stay at home to look after their young child or supporting them to select the childcare of their choice;
- Provides main carers with supplemental income if they give up work;
- Gives parents greater choice.

Information provision and education on parenting are critical to this recommendation. Sure Start would provide information and support for parenting and would perform a vital role in ensuring that the neediest parents use the PCA to the best advantage. Targeted outreach services to the neediest families and Nurse Family Partnerships should be further explored.

How to pay for it

Of course the ideal would be if government increased spending on children to 1.5 per cent of GDP, in line with Scandinavian countries, in which case it could easily cover the cost of this policy recommendation. Leaving that aside and assuming 100 per cent take-up of the PCA, this is a £5.4 billion proposal if it is untaxed, £4.1 billion if it is taxed.[10] This is significantly more than is currently paid out through the childcare element of the Working Tax Credit, the electronic vouchers and Sure Start Maternity Grant, which total approximately £1.5 billion. However, if these policies were successful they would be costing the Government significantly more than they do now and ending them will save on administration (in 2005-06 the total administrative costs of the tax credit system were £587 million[11]).

We also suggest a closer evaluation of Sure Start, especially the precise amount spent on childcare provision. Research shows private day nurseries to be the most effective providers of pre-school education, supplying the largest educational gains at relatively modest cost,[12] but competition from more expensive state-funded institutions has been squeezing them hard. Tapering away the family element of the Child Tax Credit at a figure more in line with average family earnings and reassessing whether Child Benefit should be paid to 16-18 year olds are other areas where savings might be made.

The main aims behind the PCA are to increase choice for parents and their children in their first three years regarding care and development, improve the parent's child-raising experience and keep the benefit simple to ensure high take-up and reduce administration costs. By being paid directly to the principal carer, it would provide much needed flexibility, reduce the social pressure on mothers to return to work quickly and recognise the role of parents who stay at home to care for their children.

10 Figures supplied by the Institute for Fiscal Studies

11 Cooke G and Lawton K (2007) *Working out of poverty: A study of the low-paid and the 'working poor'*, Institute of Public Policy Research

12 Sylva K, Melhuish E, Sammons P, Siraj-Blatchford I and Taggart B (2006) *Effective Provision of Pre-School Education*, London: Institute of Education

Introduction

Policy Context

Before Labour came to power the family was regarded as being largely outside the scope of the State and childcare arrangements were the responsibility of individual families. Parents of very young children who required nursery care generally had to turn to the private or voluntary sectors. Since 1997 the situation has been transformed; but it is not easy to discern any simple pattern or underlying philosophy in the changes – one initiative has followed another in dizzying succession, without the Government even waiting for the results of its own impact assessments. At first it seemed that child development was to be the pre-eminent goal, then encouraging mothers back into paid work in order to reduce child poverty became a central objective. The emphasis has also swung from universal provision to targeted provision for the most disadvantaged – and back again. Therefore, it is fair to say that the government's childcare strategy has never had a single coherent aim.

Nowhere has the confusion been greater than that surrounding the Government's flagship policy, Sure Start, launched in 1998. Sure Start's services for children aged from 0 to 3 formed the core of the National Childcare Strategy[1] and in just ten years have encompassed Early Excellence Centres, Sure Start Local Programmes, the Neighbourhood Nurseries Initiative and, most recently, Children's Centres. Despite a general perception that Sure Start exists primarily to provide centre-based daycare, this is not the case: only some centres provide such care and some of those only on a small scale. It is easiest to understand Sure Start as an umbrella term for the Government's projects that aim to improve opportunities for very young children through a mixture of early education, childcare, healthcare and family support. Sure Start, the research evidence that lies behind it, its policy switches and other associated issues of childcare provision are discussed in detail in Chapter 2.

As well as Sure Start, the National Childcare Strategy introduced the Early Years Education Entitlement (EYE) – a free pre-school education place in a registered centre for every 3-4 year old for 12-and-a-half hours a week.[2] The principal aim behind this initiative which began in 2004, was seen to be child development. Meanwhile the Working Families' Tax Credit which was introduced in 1999 and subsequently restructured to its current form, the childcare element of the Working Tax Credit (WTC) and Child Tax Credit, was clearly part of Labour's welfare-to-work agenda and its bold pledge to end child poverty by 2020.[3] An electronic voucher scheme for daycare administered by employers was also added. The impact of the childcare element of the WTC and electronic vouchers are analysed in Chapter 3 with the aid of five model families of different sizes and incomes, and Appendix B explains the calculations behind the WTC.

In 2003 the Government published a Green Paper with a renewed focus on child development, *Every Child Matters*.[4] It informed the Ten-Year Strategy for Childcare of the following year, which proposed a target of 3,500 Sure Start Children's Centres by 2010 and an extension of the free Early Years Education Entitlement from 33 to 38 weeks and to all 3 year olds as well as 4 year olds, with an ultimate goal of increasing the weekly entitlement to 20 hours a week. However, a recent proposal to provide free Early Years places for 20,000 two year olds living in disadvantaged areas may well take precedence.[5] Many in the field are sceptical that enough money will be made available to maintain such expansion. Details of current spending, and comparisons with other

1 The National Childcare Strategy emerged from the 1998 Green Paper, *Meeting the Childcare Challenge*. For more detail on the strategy see fact sheet at www.pm.gov.uk/ output/page1430.asp. The Executive Summary of *Meeting the Childcare Challenge* can be found at www.surestart.gov.uk/_doc/P0000994.doc

2 Because this report focuses on childcare for children of 0-3 years we have not reviewed the EYE grant which currently supports the educational development of 3-4 year olds

3 See Tony Blair's 1999 Beveridge Lecture: http://news.bbc.co.uk/1/hi/uk_politics/298745.stm

4 See www.everychildmatters.gov.uk /_files/EBE7EEAC90382663E0D5BBF24C99A7AC.pdf

5 See reports at, for example, http://education.guardian.co.uk/earlyyears/story/0,,2224259,00.html and "Ed Balls launches plan for children" press release, 11 December 2007, at www.dcsf.gov.uk/pns/DisplayPN.cgi?pn_id=2007_0235

OECD countries, can be found in Appendix A.

The most recent expansion of Sure Start required local authorities to have a wider executive role in planning and implementing Children's Centres. The 2006 Childcare Act formalised this and gives local authorities in England and Wales "a duty to improve the well-being of children and reduce inequalities". Local authorities have become the principal co-ordinating body for the childcare sector: they are supposed to work with both public and private sectors and consider parents' views to ensure provision of the highest possible standards.[6]

This will not be easy. Globalisation, immigration and affluence are increasing cultural and social diversity. Flexible working arrangements have become routine, even essential, in many industries and atypical jobs have become the norm. In most public services now the focus is on the consumer and on leaving people free to make their own decisions as to how, where and when they receive services. But this is not the case for families and their young children. Despite the Government's many policy initiatives, choice remains limited and ignores parents' varied needs and preferences when it comes to looking after their very young children. It is to those all-important preferences that we turn in Chapter 1.

Finally, in Chapter 4, we put forward our proposals for reform. Specifically we suggest a Parental Care Allowance (PCA), similar to schemes that have proved very successful in Norway, Finland and France. The figures we present on its cost under different constraints were prepared for Policy Exchange by the Institute for Fiscal Studies. The methodology is set out in Appendix C.

6 For details of the Childcare Act 2006 see www.surestart.gov.uk/_doc/P0002262.doc

1

Parent Power

Democratic systems are supposed to pay heed to the preferences and views of citizens. But even though the Government claims to offer evidence-based policies, which implies greater attention to delivering what parents want, there is plenty of research evidence on parents' preferences and views about the care and education of young children that it has generally disregarded.

Parental preferences have frequently played second fiddle to ideologically driven policies that focus on women's employment as a contributor to economic growth and gender equality more often than on children's needs. Women ministers have been quoted in the press expressing views that were openly dismissive of women who chose to be full-time mothers; Patricia Hewitt, the former Health Secretary, once described mothers who did not return to work in their child's first two years as a "real problem" (Manne, 2005: 230). However, these arguments fail to distinguish between policy for pre-school and young children, who need continuous care from one main carer, and policy for older children who are at school and already establishing independent identities. Different family set-ups further cloud the issue: there are as many differences between lone parents as there are between couple parents. If there is one constant, it is the lack of homogeneity in families.

Government rhetoric generally supports private sector provision of services on the grounds that they are usually more efficient and better meet consumers' and users' needs: "Giving people a choice about the service they can have and who provides it helps ensure that services are designed around their customers. An element of contestability between alternative suppliers can also drive up standards and empower customers locked into a poor service from their traditional suppliers," (The Prime Minister's Office of Public Services Reform, 2002, quoted in Himmelweit and Land, 2007: 46-47). In some areas – notably healthcare, public utilities and the postal service – there has been a consistent drive towards opening up markets, increasing competition and choice. Childcare and women's roles have been treated differently however, and have been particular victims of the nanny state, with the Government routinely making consumer choices subordinate to politicians' and professionals' decisions. Childcare policies have been complicated by a focus on female employment and the promotion of expensive local authority childcare services over the development of a fully free market encompassing home-based family care as well as centre-based group care.

1970s patterns of childcare and parental preferences

Earlier patterns of childcare, and preferences regarding childcare, can be found in the first major Government interview survey that looked at women's lives in the round and in some detail – the 1980 *Women and Employment Survey* (Martin and Roberts, 1984: 36-40). In the 1970s, flexible working hours were still a novelty, and a rarity, even for women. The great majority of full-time workers, even those with pre-school children, had a standard working day starting before 10am and finishing after 4pm. Most part-time workers had a single shift – a morning, midday or evening shift, and these fixed shifts were just as popular among women without children as among mothers with children under 16 years.

Individual care in their own home, or someone else's home, was the norm for children, partly due to the relative absence of nurseries and childcare centres. Among those using childcare, the vast majority (94 per cent) relied on family care, sometimes exclusively, and this typically meant their husband or the child's grandmother. One-quarter used a nanny or childminder. Tiny numbers used other options: a neighbour or friend, sometimes on an exchange basis (3 per cent), a private nursery or school (2 per cent) or a playgroup (3 per cent). Overall, only 9 per cent of mothers used centres providing collective childcare: a tiny 1 per cent used their employer's nursery, 2 per cent used private nurseries and 6 per cent used state nurseries. So very few mothers were paying for their childcare.

Although flexible working hours were still a novelty in the 1970s, most employers were prepared to accommodate mothers' needs informally, it appears. The vast majority of mothers (90 per cent) said they could easily get time off work to cover sick children or other family problems, and a small minority would use annual leave when necessary. Part-time workers reported greater flexibility of this sort than did full-time workers.

These patterns of childcare were routinely interpreted as due to the paucity of nurseries: by availability problems, rather than by parents' preferences for family care and informal individual childcare. However, more recent evidence indicates that parental preferences are just as important as questions of nursery availability. Indeed, the limited supply of collective childcare until very recently seems largely to be a response to limited parental demand for such services.

1990s patterns of childcare and women's preferences

Two decades later, in 1998 and 1999, the Cabinet Office's Women's Unit organised a major research programme entitled *Listening to Women*. The research used focus groups, social attitude surveys and opinion polls to collect information on women's values and priorities, what women saw as the policy priorities and women's perceptions of the main barriers to achieving their goals, including the difficulties of combining paid work and family life. The timing of the research coincided with the launch of Sure Start and the introduction of the Working Families' Tax Credit. However its findings did not straightforwardly support the broad government policy of encouraging mothers into work, so they were used very selectively.

The research provided a rich portrait of the diversity of women's views on jobs, children and family policy (Bryson et al, 1999; Worcester et al, 1999). For example, the studies found that one-third of women believed home and family were women's main focus in life and that women should not try to combine a career and children. Even in the youngest age group of women who had not yet had children, one-fifth still believed women cannot combine a career and children. On the other hand two-thirds of women also agreed with the statement "Having a job is the best way for a woman to be an independent person". More women were attracted to the idea of having a job (possibly part-time) than to the idea of a career, because most women are secondary earners in their households (Hakim, 2000: 68-82). Women were evenly divided on whether being a housewife is just as fulfilling as working for pay.

Many women with paid jobs did not see themselves as career women. Rather, they felt obliged to contribute to household finances because of housing costs and the riskiness of relying on a single breadwinner, given job insecurity. Paid work was often regarded as an unfortunate financial necessity or insurance policy, while being eagerly welcomed as an avenue for self-development and independence by others.

Women were clear that the role of the full-time mother is undervalued by society nowadays, and that all the social pressures are towards mothers returning to work quickly, and certainly after children start school.

> *"People always say 'Oh, how do you cope staying at home?'…You shouldn't be made to feel guilty, but I think sometimes you are, as though you're a cabbage because you're at home."*
>
> (Mother not in paid work)

> *"I've found since my youngest started school that the pressure's been there from everybody around, you know: 'Now both of yours are at school, what are you doing with all these hours?'"*
>
> (Mother not in paid work)

Women noted that some families valued material possessions, or career development, more than their children:

> *"I find it strange when people want to have a family and have two or three children and then leave them forever with a nanny. Why have them? It defeats the object."*
>
> (Young woman without children)

The study found that, in the absence of financial need, only 5 per cent of mothers would choose to work full-time hours, three-quarters would prefer a part-time job, and one-fifth would prefer not to work at all. These results are in line with European Union surveys showing that, across all countries, the majority of mothers would ideally prefer not to work at all or part-time only, while they had pre-school children at home (Hakim, 2000: 90). Full-time mothers insisted that childcare problems were not important; the reason they were at home full time was because motherhood and parenting took a central place in their lives until their children had grown up and left home. One in ten said they themselves would not do paid work or use childcare in any circumstances.

Only one-third of women (and one-quarter of mothers) thought employers should have to offer special arrangements to help women combine jobs and childcare. The most popular family-friendly arrangement was special leave for sick children (paid or unpaid), but women were evenly divided as to whether employers should have to offer such a scheme or not. Otherwise, the most popular family-friendly policies were those offering time flexibility, which was generally maximised in part-time jobs.

The *Listening to Women* research programme concluded that we should stop thinking of women as a homogeneous group; that women want choices in their lives; that most women have jobs rather than careers; that full-time mothers want their role as mother to be valued and respected; that most women were prepared to take any job that fitted in with their family and childcare commitments; that women thought greater societal value should be attached to the role of housewife; and that married women saw themselves as secondary earners, with male partners regarded as having ultimate responsibility for household income. One-quarter of men and women still thought complete role segregation in the family worked best.

The diversity of women's perspectives is highlighted by the contrasting comments received. For example there was recognition that the social pressures had changed over time:

> *"I know from my mum's point of view, when she had children there was some kind of social stigma about having to send your wife out to work – people didn't. But now lots of wives work, don't they, and I think it's the other way round, isn't it? You're very lucky if you can afford to be at home full time. Whereas I think we managed on a lot less perhaps and we want a lot more now."*
>
> (Mother in paid work)

Some mothers were clear that they were happier in a job, and as a result their families were also:

> *"I also feel that it's good for the mother to have an outside interest, because the time that the family has together is much better quality time…you have more to talk about. I think for myself. I'm a much better person when I'm out working than when I'm at home all the time."*
>
> (Older mother not in paid work)

> *"I think some children are better off being looked after by someone else. A lot of people haven't got the patience or the life skills to look after their children."*
>
> (Older middle-class woman)

Other mothers were clear that they themselves could never have left their children with other carers:

> *"The thought of somebody else looking after my babies – I couldn't have coped. I have to say I would have found it very difficult to miss all of that – they're only little for such a short time, and to miss that – you can't go back and get that."*
>
> (Mother in paid work)

Overall, mothers were clear that a choice usually had to be made; competing life interests were too stressful:

> *"I mean something's got to give in the end, hasn't it? Either you, work, or the family and the home."*
>
> (Mother not in paid work)

> *"It seems to me you have either got to keep the career going and not have kids, or have the kids and lose your career, and you have got to make a choice."*
>
> (Young middle-class woman)

> *"I had quite a good job in a local authority and I felt I was ready to be promoted to a decent position. But it was a choice between a decent position or looking after my baby and I chose my baby."*
>
> (Older middle-class woman)

The general consensus was that women now have choices and opportunities:

> *"I think if a woman puts her mind to doing something she can do it. Nothing's impossible now."*
>
> (Older woman)

> *"It is important for women to work if they want to. I think there should be a choice. If they want to stay at home with their children, then I think they should be able to."*
>
> (Older working-class mother)

Younger women consciously planned their careers around family life:

> *"It is really important to me to have a family. I am only 19, I know, but even when I was at school the decision I made to be a teacher was partly because it was important for me to have children, and what with the holidays being the same, and everything, you know…I think it does greatly influence you, children."*
>
> (Young working-class woman)

Occupations that would be treated as a career by men were often regarded as short-term jobs by women:

> *"I knew from a very young age that I was going to get married and have children, that was my career in life. It was purely a job. I went to work in a bank for four or five years. And I always knew it was just a job until I had children."*
> (Older middle-class woman)

Some women looked enviously at policies supporting mothers in Scandinavian countries:

> *"In several of the Scandinavian countries, including Finland, mothers do get paid a low salary for being at home with their children. It is a poorly paid job, bringing up children, but it is paid."*
> (Older middle-class woman)

Women: a varied group and a policy challenge

The studies revealed more diversity of values and complexity of opinion than was useful, so the Government did not take due notice of the results of the *Listening to Women* research programme. Instead it used the findings selectively to support predetermined policy positions – in particular policies promoting paid work as women's central life activity. In the summaries published in an October 1999 magazine-style report the emphasis is on education and training, access to paid work, job segregation, the pay gap, and childcare services for working mothers (*Voices: turning listening into action, 1999*). There is virtually no mention of full-time homemakers and full-time parents, and there are no policies listed to support this group which featured so strongly in the research results.

Even in modern societies, women's views are still often overlooked or disregarded. An additional difficulty is that women display increasing diversity in their lifestyle preferences, so that policy development requires more imagination and skill than in the past (Hakim, 2000).

> " The studies revealed more diversity of values and complexity of opinion than was useful, so the Government did not take due notice of the results "

Today, ten years on, we see in the continued shift of Sure Start away from the development of disadvantaged children towards custodial childcare for working mothers, that the focus is on female employment to facilitate economic growth rather than women's divergent needs.

Is the problem childcare availability?

Received wisdom, reinforced by government reports and feminist scholars alike, is that the key problem is the lack of decent and affordable childcare services. The Department for Education and Skills (DfES) – now the Department for Children, Schools and Families (DCSF) –commissioned a series of studies on parents' demand for childcare over the last two decades.[1] These looked at existing patterns of childcare, but also asked about parents' (usually mothers') ideal preferences. All the studies appear to show a large unmet demand for more and better formal childcare outside and beyond the informal care provided by family and friends. A recent review of the results of these surveys by the Daycare Trust (2007) reiterates this conclusion that more and better childcare is needed. Yet a careful reading of these survey reports shows this is a one-sided interpretation of the results.

Methods adopted influenced reported results

There are several problems with these surveys, but possibly the most important are the biased samples and the regular use of leading questions that automatically get majorities of respondents agreeing to them. Asking

1 The Parents' Childcare Survey series started in 1999, with repeat surveys in 2001, 2004 and 2007. The survey will be run annually from 2007 onwards. In 2004, around 8,000 parents were interviewed, typically the mother. Among the mothers, 25 per cent were in full-time jobs, 37 per cent were in part-time jobs, and 38 per cent were full-time mothers. The Childcare Providers' Survey series started in 1998, with repeat surveys in 2001, 2003, 2005 and 2006. The surveys are now carried out annually. Information is collected through telephone interviews with senior managers from a nationally representative sample of childcare providers in England

"Would you like more and better childcare?" is a loaded question. Of course we would. More objective and less loaded questions, questions that invite people to prioritise several options or assign a financial value to policy options, generally obtain quite different answers. The surveys cover families with children under 15, and often focus on those who are already using childcare, thus excluding the substantial numbers of families with a full-time parent at home, whose views become invisible and uncounted. This restriction of the sample is lost from sight when results are reported, so that the views of parents who have already chosen to use childcare are routinely reported as the views of all parents regarding childcare. Technicalities of survey procedure thus contribute to a seriously biased and one-sided account of what parents want.

The reports tend to group together all families when reporting responses, with inadequate detail on parents' preferences regarding pre-school children, those already attending primary school and older children. Many of the surveys also classify childcare into just two types: informal (meaning family and friends, generally not paid for) and formal care, which is usually paid for: childminders, playgroups, nurseries, crèches and so on. However for many purposes other distinctions are more important, such as that between individual care and group or collective care, and care in the child's own home (or a childminder's home) versus institutional care. As noted in Chapter 2, it is centre-based care, institutional and collective care on which the debate around damage to young children is focused, not formal (i.e. paid for) care generally (Belsky, 2001). It is curious that the distinctions applied in these government surveys do not take into account the relevant research on childcare and child development.

To a large extent, these government studies take the form of market research for government policy – evaluating how successful policies have been, assessing just how much parents will pay for childcare, how costs might affect their choices and how to sell government policies to the general public. The surveys are also structured to provide sound bite key "facts" to support a predetermined course of action. All the emphasis in the reports is on users of formal childcare – a minority of parents.

As will be discussed in Chapter 2, government policy for pre-school education, through the Sure Start programme in particular, has been diverted away from the goal of promoting children's development and education to providing custodial care for children to enable their mothers to return to paid jobs. Government surveys were thus commissioned to provide the evidence showing that more women would return to work, and would return earlier, if only good quality affordable childcare were available.

Three models of the family for non-homogenous women: The real policy challenge

The diversity of preferences displayed clearly in the *Listening to Women* studies a decade ago is a permanent feature of family life, not a temporary phenomenon (as the Scandinavians have already recognised in their model of the family and childcare). More and more mothers hold jobs, part-time or full-time, but perspectives on family roles and the needs of children are not changing to any fundamental degree.

The three enduring models of the family, and of women's role within it, were identified first from a comprehensive review of recent research on affluent modern societies and then from new surveys in Britain and other European countries (Hakim, 2000, 2003, 2007). Hakim labels the three groups of women as work-centred and family-centred, with an in-between group of adaptives.

Work-centred people (men and women) are focused on competitive activities in the public sphere – in careers, sport, politics, or the arts. Family life is fitted around their work and a high proportion of these women remain childless, even when married. Home-centred or family-centred women prefer not to work after they marry and have children; they give priority to home and family life and tend to have larger families. Adaptive people (mostly women but also some men) seek to combine employment and family life without giving a fixed priority to either. They gravitate quickly to part-time jobs and other forms of flexible working that offer good work-life balance, or alternate between spells of full-time family work and full-time employment. Survey estimates for Britain indicate that the three groups account for one-quarter, one-quarter and half of all women respectively, with the adaptive group roughly twice as large as the other two. However the three groups are found in all social classes, income groups and at all educational levels (Hakim, 2000, 2007). The three groups are also found among lone parents as well as among women with partners (Bell and La Valle, 2004).

This pattern of preferences explains why studies repeatedly come up with diversity in perspectives on family life, childcare and policy options. This diversity also explains why there is always scope for people to identify research results that confirm their view of the model of the good life, or the good family – there are substantial numbers of all three types.

The three groups espouse three different value systems and three different models of family life, each with its own ideological perspectives on appropriate family roles and norms about child rearing. All recent studies have observed the enormous importance of values and attitudes in influencing parents' use of childcare, if any. Women who fail to take up childcare places, or childcare subsidies, who are often among the most disadvantaged social groups, could be acting on fixed preferences and firm values, rather than out of ignorance of the supposed benefits.

The Government talks about providing choice for women, but in practice its policy is designed to encourage mothers to choose paid work in preference to full-time motherhood, even if that is what they prefer. At present, employment policy trumps family policy and women's interests are given priority over children's interests – an easy thing to do when feminists campaign for women's interests but there are few pressure groups campaigning for children's interests (especially at European Union level). This pattern is illustrated by the development of the Sure Start programme. Originally, the scheme was designed for children, to promote their development and health. Sure Start centres did not provide childcare and mothers in Sure Start areas were generally not interested in jobs until all their children were in primary school. Subsequently, the programme was diverted into providing custodial childcare for working mothers, and the key policy targets were changed to include raising the employability of mothers (Meadows and Garbers and the NESS team, 2004).

Parental preferences and childcare use

The surveys commissioned by the DfES show that use of childcare has increased slightly. Between 2001 and 2004, any use of formal childcare rose from 31 per cent to 41 per cent, and any use of informal childcare rose from 36 per cent to 42 per cent (Bryson, Kazimirski and Southwood, 2006: 4). However the reports fail to underline the three key findings: informal care is still used far more often and more widely than formal care; the majority of parents (59 per cent) still never use formal care at all for children aged 0-14 years; and parents who refuse to use formal childcare have strong preferences for parental care. Users of formal childcare remain a minority, and there are no important differences between lone parents and couple families.

A 2001 survey of parents' demand for childcare carried out for the DfES failed to get mothers to give the desired answers, despite several leading questions (Woodland, Miller and Tipping, 2002). When parents of children aged 0-14 years were presented with the statement "There should be more childcare places for pre-school children", three-quarters cheerfully agreed with the idea. However, when they were asked what they themselves would prefer to do, and how better childcare services would improve their employment options, responses showed parental care was the dominant preference.

Mothers with jobs were asked what they would ideally prefer: to work more hours if they had access to good quality, convenient, reliable and affordable childcare; to reduce their working hours in order to spend more time with their children if they could afford to do so; or to give up work to stay at home to look after their children. Given a real choice, half of working mothers with one or more children under 15 years said they would prefer to give up their jobs to stay at home full time with their children. Notably, the great majority of women working full-time hours said they would prefer to work fewer hours. Similarly, the majority of part-time workers did not seek or prefer longer hours even if good childcare were available. Overall, a two-thirds majority of working mothers of pre-school and school-age children would prefer to work fewer hours or not at all, even if better childcare were available. Given the choice, what mothers prefer is to be at home with their children, not more and better childcare (Table 1.1).

Similar findings emerge from another government survey on childcare and early years provision (Bryson, Kazimirski and Southwood, 2006). Only half of parents without a paid job said they would choose to return to work if they had the ideal childcare of their choice. In the real world where ideal childcare is not always possible, clearly far less than half would get a job. The great majority of parents without a job and not using childcare said they were content with their situation. Leading questions with a "work ethic" bias failed to alter responses in most cases. Parents of pre-school children are most likely to say they prefer to care for their children themselves.

When asked why they refused to use childcare, the most important single reason was simply preference, not cost or convenience or other considerations. The majority of mothers give priority to looking after

Table 1.1: Working mothers' preferred working arrangement

	MOTHERS IN TWO-PARENT FAMILY		LONE MOTHERS		Total
	Part-time	Full-time	Part-time	Full-time	
	%	%	%	%	%
Work more hours	28	12	46	18	24
Work fewer hours	52	76	58	85	63
Give up work	44	43	46	46	44
Weighted base	1387	894	297	223	2802
Unweighted base	1626	1087	363	287	3363

Base: All working mothers
Note: Answers were not mutually exclusive therefore percentages add up to more than 100

Source: Table 10.11 in Woodland S, Miller M and Tipping S (2002) *Repeat Study of Parents' Demand for Childcare*, Research Report 348, HMSO for the DfES their children themselves. Those with pre-school children were especially likely to say they wanted to raise their children themselves. Parental care is an active and positive choice for most mothers (Table 1.2). These results are not broadcast in the media.

A further analysis of these government surveys by the Daycare Trust underlines the conclusion that a two-thirds majority of non-working parents would ideally prefer parental care for children up to the age of 15 years. The study also pointed out that lack of suitable childcare was becoming unimportant as a barrier to mothers getting a job; that there was a substantial decline in the proportion of mothers who said they would prefer to work or study if suitable childcare were available. This preference for parental care of children conflicts with the Government's strategy to encourage women into paid work and may explain why there was no increase at all in maternal employment in the decade up to 2004. The only change was a small shift from jobs with fewer than 16 hours a week to jobs with more than 16 hours a week, probably to comply with requirements for the Working Families' Tax Credits (Daycare Trust, 2007: 56-62).

Most parents use the halfway house of informal childcare providers: grandparents, other relatives, neighbours and friends, in preference to centre-based care. The most important reason for this choice is the trust factor: a relationship of trust with the carer was crucial for the parents' confidence in the child's well-being. Centre-based care in nurseries was understood to have more educational and developmental benefits for the child, but trust in the carer was the overriding factor – not cost as is popularly argued (Table1.3). Other studies also find trust and flexibility to be the two factors that trump informal care over formal childcare (Vincent and Ball, 2006: 36-38).

Table 1.2: Childcare-related reasons why the respondent is not working

Childcare-related reasons why the respondent is not working	%
I want to stay with my child(ren)	50
My child(ren) is/are too young	27
My child(ren) would suffer if I went out to work	21
None of these	19
I cannot find childcare which would make working worthwhile	15
I cannot afford quality childcare	10
Child(ren) has/have a long term illness/disability/special needs and need(s) a lot of attention	10
I cannot find childcare for the hours/days I need	6
I cannot find good quality childcare	5
I cannot find reliable childcare	4
I cannot find childcare near where I live	4
Other	3
Unweighted base:	2774

Base: Families where the respondent is not working + <0.5 per cent

Source: Table 6.60 in Bryson C, Kazimirski A and Southwood H (2006) *Childcare and Early Years Provision: A Study of Parents' Use, Views and Experience*, Research Report 273, London: HMSO for the DfES

Table 1.3: Reason for using main informal providers, by provider type

Reason for using main informal providers, by provider type	Grandparent(s)	All informal providers
	%	%
I could trust this person/these people	69	66
I could not afford to pay for formal childcare	7	7
I wanted someone who would show my child affection	6	6
I knew they would bring up my child the same way I would	4	4
It was low cost	2	2
I wanted reliable arrangements	2	2
No other choices available to me	2	2
So that my child and a relative could spend time together	1	2
I wanted my child to be looked after at home	1	1
It is easy to get to	1	1
I wanted my child to mix with other children	1	1
His/her brother(s)/sister(s) went there	+	1
It fitted in with my/my husband/wife/partner's working hours	1	1
I wanted my child to be educated while being looked after	1	+
It has a good reputation	+	
The person is family	+	1
No other choices available to me	2	2
Other reason(s)	2	3
Unweighted base	302	414

Base: All families with a pre-school age "selected" child, who only used an informal provider for this child in the last week, plus those parents who did have a formal provider but identified an informal provider as their main provider + <0.5 per cent

Source: Table 7.9 in Bryson C, Kazimirski A and Southwood H (2006) *Childcare and Early Years Provision: A Study of Parents' Use, Views and Experience*, Research Report 273, London: HMSO for the DfES

The relatively low importance of childcare costs, compared with an active preference for parental care, is shown in Table 1.4. The most important reasons given for not returning to paid work are that parents prefer to stay with their children, regard their children as too young to be placed in childcare, or feel the children would suffer if the parent went out to work. Cost factors were mentioned less often, especially in families with pre-school children. When parents were asked why they did not use any childcare at all in the last year (formal or informal), the main reason is again an active preference for raising children at home, not cost factors. This active preference is strongest in relation to pre-school children, but is still the main reason even for school-age children (Table 1.4).

Independent studies carried out by academics address quite different questions, and paint a rather different picture from government sponsored surveys. They are concerned with establishing parents' preferences and goals, where children are happiest, what is in the child's best interests, what works for parents and children alike, and how having and raising children fits into people's wider lives and value systems. There is no attempt to support (or question) government policy. At the same time, academics may have their own predilections. For example feminist scholars invariably conclude that children are happy in nurseries

Table 1.4: Childcare related reasons for not working and reasons for not using childcare in the last year by presence of pre-school age children in the family

Childcare related reasons for not working, by presence of pre-school age children in the family	Pre-school children present %	School age present children %
I want to stay with my child(ren)	**58**	**48**
My child(ren) is/are too young	**42**	**24**
My child(ren) would suffer if I went out to work	**23**	**22**
I cannot find free/cheap childcare which would make working worthwhile	**18**	**13**
I cannot find good quality childcare	6	5
I cannot afford good quality childcare	12	10
I cannot find reliable childcare	4	5
I cannot find childcare for the hours/days I need for work	6	7
I cannot find childcare near where I live	4	3
My child(ren) has/have a long term illness/disability/special need	6	11
Other reason(s)	3	3
None of these	11	20
Base (unweighted)= 100 per cent	1643	2317
Reasons for not using childcare in the last year by presence of pre-school age or school age children in the family		
I'd rather look after my child(ren) myself	**70**	**57**
I rarely need to be away from my children	**14**	**22**
I cannot afford childcare	**20**	**10**
There are no childcare providers available that I could trust	6	5
The quality of childcare is not good enough	2	1
My child(ren) are old enough to look after themselves	2	24
My child(ren) need special care	5	3
I have had bad experience using childcare in the past	1	1
I would have transport difficulties in getting to a provider	1	1
Other reasons	17	8
My/partner's work hours or conditions fit around children	3	7
Base (unweighted)= 100 per cent	183	791

Note: Because some families have both pre-school and school age children present, some families may be represented twice

Source: Tables 6.64 and 6.56 in Bryson C, Kazimirski A and Southwood H (2006) *Childcare and Early Years Provision: A Study of Parents' Use, Views and Experience*, Research Report 273, London: HMSO for the DfES

because their focus is on promoting high female employment and the type of gender equality defined by spouses with equal earned incomes and symmetrical family roles. Research has demonstrated that feminists are unwilling to address the conflict of interests between mothers and children, and across Europe, feminist women are least likely to value children generally (Jones and Brayfield, 1997: 1260).

What the academic studies show is that affordability of childcare is rarely the main problem for parents. People find the money for the things they regard as important. The crucial factor is parental values, which are sometimes presented as psychological factors because values and attitudes are most often studied by social psychologists.

Ideology and values in two areas are important: family roles and child development and discipline. Together, these values structure parents' use and choice of childcare. This has been found both in Britain and America, so is likely to be a very solid finding indeed. The crucial importance of values as determinants of childcare usage emerged early on in the National Institute of Child Health and Development study in the US and is also very clear in the recent British Families, Children and Childcare Study (FCCC). Both these studies are described in Chapter 2.

The NICHD study is the most important longitudinal study of the impact of early childcare on children that has ever been mounted. Set up in 1987, it is following the progress of the sample of 1,364 children into late adolescence and early adulthood, and is the basis for Belsky's research reports on the damaging impact of long hours of care from an early age. The FCCC study is modelled on the American study and uses many of the same measurements and scales so as to permit comparisons between the two countries. Led by Penelope Leach, an internationally renowned expert in child development and parenting, it followed a sample of 1,200 infants from birth (around the year 2000) up to age 4.5 years – with the possibility of further follow-ups in future. Both studies looked at mothers' beliefs about the consequences of maternal employment (i.e. maternal absence) for children, and they also collected information on parental perspectives on child development, which were labelled as traditional (e.g. children should obey teachers) or progressive (e.g. children can learn by themselves).

In the US, these attitudes and values were strong predictors of parents' decision to use childcare or not. In Britain, these values again emerged as important predictors of the decision to use any childcare, how many hours of care were used and the choice of family-based care versus nursery-based care. Of course, a family's financial situation and other practical matters also influenced decisions. But parental values and ideology regarding child development, and the maternal role were crucially important factors in both countries (Sylva and others, 2007).

Leach's study also shows that parents' criteria for assessing childcare quality differ from those of educationists – and this clearly affects their choice of carer (Barnes and others, 2006). Affordability was never the over-riding criterion, as so often implied by media debates on childcare. For mothers, a warm and loving carer was the top priority, plus a relationship of trust and good communication between the carer and parent. Dependability of the arrangements was also valued, and clearly cost was a factor, but never the over-riding one. The education and training of the carer was thus a much lower priority for parents than it might be for a policy analyst or policy-maker. This explains why mothers of children under 3 years generally prefer family care or in-home care to centre-based care, and why childminders were preferred to nurseries. Ethnic minority mothers were especially likely to prefer informal childcare arrangements.

Overall, satisfaction with childcare was highest for family-based care and lowest for nursery care. Nurseries, and centre-based care generally, were disliked because it was much harder for mothers to establish a relationship with one particular carer with whom they could discuss the child's needs and have an ongoing relationship.

Parents feel the need to have some continuing control over their young child's life, and nursery care is not seen as providing this because it involves a much large number of staff and, frequently, high staff turnover or lack of continuity for other reasons.

What is often overlooked in debates about childcare is that parents generally (mothers in particular) are making choices about their own lifestyles as well as, and usually before, making decisions about childcare (if any). It is these lifestyle preferences that make values and ideology the most important factor predicting whether any childcare is used, and what type. Another longitudinal study of 400 first-time mothers in England carried out by Diane Houston (2005) shows clearly how mothers' thinking regarding sex-roles and family roles meshes with their attitudes to and use of childcare. Overall, mothers are able to find the childcare of their choice and return to work after the birth if they want to. The most important predictor of their decisions is their own lifestyle preferences.

In Houston's study, during pregnancy, only one-quarter of new mothers planned to return to full-time work, and half planned to return to part-time work. One-fifth had decided not to work at all after the birth and look after the infant themselves. A slightly larger one-third of new mothers planned to stop work completely, or seriously reduce their hours as soon as the second child arrived. These plans were broadly met. At the baby's first birthday, half of the mothers were in part-time work, one-fifth were in full-time jobs, and one-quarter were at home full-time with their infant.

In line with the results of all other studies, childcare preferences at the time of the infant's first birthday overwhelmingly favoured family care over nursery care, private nurseries over state nurseries, individual care over centre-based care (Table 1.5).

Table 1.5: Childcare preferences at the child's first birthday

Child's father	38
Grandparents	30
Nanny/childminder	12
Employer nursery	9
Private nursery	8
State nursery	3
Total	100%

Source: Houston and Marks (2005) p 89

By the time of the child's third birthday, childcare preferences had changed, with around 40 per cent favouring nurseries and the same proportion using nurseries. But the clear majority still favour, and use, family-based care over centre-based care, and individual care over collective care. Working mothers chose childminders and nannies almost as often as nurseries when care by their spouse/partner did not materialise (Table 1.6).

Table 1.6: Childcare at the child's third birthday

	Preference	Working mothers' actual use
Father	27	6
Grandparents	17	18
Nanny/childminder	13	29
Nursery – private	27	
Nursery – state	6	42
Nursery – any	6	
Friends/other family	4	5

Source: Houston and Marks (2005) pp 92-93

Non-centre care remains the majority preference. Informal arrangements with friends and family were still used by almost one-third. Home-based care, with a nanny, childminder, partner, grandparent or friend was by far the most common (57 per cent).

In line with the FCCC study, mothers had many reasons for disliking nursery care, which they regarded as "institutional" care and very inflexible. For example one mother noted the nursery's inflexible approach to food and children's preferences. Others noted that children in nurseries passed on every bug going, so that children were ill more often, leading to more problems with one parent having to take time off work, often at impossibly short notice with some disruption to work plans and obligations. Many parents actively believed that parental care, or a close equivalent, was essential for small children, so that the mother would have stopped work if this had proved impossible to arrange. Mothers who were at home full-time reported the most content and happy children; working mothers reported more fractious and difficult children and more psychological distress. Overall, the mothers themselves were all equally happy with the choice they had made. As other researchers have also discovered, mothers are happy if there is a good match between their personal preference and the actual outcome (Hakim, 2000: 183).

The unique contribution of Houston's study is that it explored the way women's preferences for their own activities (paid work and/or family work) mesh together with their perspective on child development and preferences regarding childcare. It answers the question "Which should take priority – women's needs or the child's needs?" and shows that there is no single solution to the potential conflict. On the contrary, there are three dominant solutions, all equally successful for the mothers who choose them.

At their child's third birthday, Houston asked the new mothers what their ideal lifestyle arrangement would be. From a

Table 1.7: Ideal world choices for family division of labour at child's third birthday

Ideal world choices for family division of labour at child's third birthday	All new mothers	No paid job	Working part-time	Working full-time
1. Father works full-time Mother cares full-time	30	53	21	9
2. Father works full-time Mother works part-time plus childcare	31	17	39	36
3. Both parents work part-time and share care	38	29	40	49
4. Both parents work full-time and use childcare	1	1	0	6
Total (per cent)	100	100	100	100

Source: Table 5.1 Houston and Marks (2005) much longer list of possible options, only four were chosen, and only three attracted substantial interest (Table 1.7).

The mothers divided roughly into three groups: one-third ideally preferred to be a full-time homemaker and mother, supported by the father working full-time; one third preferred to work part-time, and use some childcare; one third ideally preferred both spouses or partners to work part-time hours and share all the childcare between them. It is notable that by the time their child was three years old almost none of the mothers chose the Government's favoured model of both parents remaining in full-time jobs with centre-based childcare for the children. Even among women in full-time work, only 6 per cent, one in 17, said this would be their preferred option. At the time of the child's third birthday, employment patterns corresponded roughly with lifestyle preferences.

Houston's study is unusual in exploring fully mothers' preferences regarding employment, childcare and parental care after a birth and up to the child's third birthday. Her results show that, in an ideal world, only one-third of mothers in Britain would use any childcare at all before the child's third birthday, and even then only part-time childcare would be used. However, her survey was based on a small sample of 400 first-time mothers and an ideal world is not an attainable goal. More mothers use childcare before their child's third birthday than they might like because of financial necessity, or pressure of expectancy from colleagues or family that they will continue to work, or because they believe that taking three years off work will make their eventual return to the workplace more difficult.

Houston's findings also dovetail neatly with the results of the Millennium Cohort Study on mothers' employment patterns during pregnancy and in the first three years after a birth (Dex and Ward, 2007).[2] Only one-third of mothers were in continuous employment (apart from using maternity leave). One-third of mothers were not working at all in these three to four years, before and after a birth. Another one-third had intermittent spells of work after the birth, mostly part-time, including a few who only got a job as their child approached 3 years of age. When the child was age 3, only half of mothers had a job, 18 per cent working full-time and 37 per cent part-time. Half were full-time mothers at home, including a few who were taking courses, or had started to look for a job. Only a one-third minority of mothers used any formal childcare at all. Most commonly, mothers relied on partners and grandparents for substitute care.

> “Results show that, in an ideal world, only one-third of mothers in Britain would use any childcare at all before the child's third birthday”

Finally, these findings are reinforced by yet another major government survey series, the Families and Children Surveys (FACS) funded by the Department for Work and Pensions. FACS collects information from parents in a representative cross-section of families across Britain, with annual interviews. FACS also shows that among families with a working mother, the majority used informal or family-based childcare (57 per cent of those with pre-school children and 73 per cent of those with school-age children) – with grandparent care a dominant choice. A minority of families with a working mother used registered formal care (nursery, crèche or childminder): 39 per cent of those with pre-school children and 21 per cent of those with school-age children. And of course, many women choose to be full-time mothers (Vegeris, 2004).

2 This is a large national study that follows the progress of over 16,000 mothers with babies born in 2001. It is co-funded by the Economic and Social Research Council, the Office of National Statistics and relevant government departments

Addressing the challenge of the three models: recognising paid and family work

Designing policies that are neutral between the three dominant family models but that address values-based decisions is difficult. This is particularly the case in Britain where families vary so much in structure, women choose very different lifestyles and parents have wildly differing views on parenting and raising children. It is harder to design policies and schemes that work with different family models and lifestyle choices without discriminating against or favouring one of them than it is to target one particular group. However, parental carer allowances and equivalent schemes can achieve this difficult balancing feat.

Parental Education Allowances and equivalent schemes

In some countries, a caring allowance is paid to one parent for his or her role as carer-educator. As a relatively new benefit, it remains the least well-known of family policies. The Parental Education Allowance (PEA) as it is usually known, pays one parent –typically the mother – financial compensation for the job she does. The PEA is given to families who do not use state-subsidised childcare services, thus ensuring parity between users and non-users. The money can be regarded as a wage for childcare at home, as a partial replacement for earnings forgone, or it can be used as a subsidy for purchased childcare services that enable the parent to return to work, full-time or part-time.

The key advantage of the PEA is that it can be used for the childcare of choice, including grandparents, close neighbours or friends to whom the parent is happy to entrust their child. It can also be used to subsidise the cost of private crèche or nursery care. It has proved a popular alternative to state nurseries because it allows parents to choose their own timetables and childcare, and is thus far more flexible than any institutional care can ever be. Arrangements can be altered from week to week, or mixed and matched according to local options and opportunities. The parent remains in control. The PEA has proved popular in Finland, Norway and France, in part because of this flexibility (Hakim, 2000: 232-3). It is difficult (and expensive) for formal childcare providers to offer real flexibility and cover non-standard hours (Daycare Trust, 2007).

Finland's Homecare Leave Allowance (Hoitovapaa)

In Finland (and Norway) the scheme is called the Homecare Leave Allowance (HLA), and has been hugely successful, with high take-up rates. Finnish policy had previously prioritised public daycare services and lengthening maternity leave plus earnings-related benefits that allowed mothers to stay at home during the first year after childbirth, similar to the Swedish model (Ilmakunnas, 1997). But in the late 1980s, Finland introduced a new policy that gave parents the right to choose between publicly provided childcare services and a cash benefit for childcare at home. The new allowance is paid to all families who do not use the public daycare services, effectively providing a subsidy to fund one parent at home full-time or to help pay for private childcare services.[3]

In addition to the basic state benefit for one child, there are 20 per cent supplements for each additional sibling under school age. Some municipalities (including all the big cities) provide their own additional allowances, in addition to the statutory, nationwide scheme, because the homecare allowance still costs half as much as a nursery place. For example in Helsinki, the municipal addition is worth about €50 a week or €2,600 a year (OECD, 2005: 33). The income is taxable.

3 The Finnish HCA is a complex benefit, which is fully described by Ilmakunnas (1997). A simplified picture is presented here

Finnish labour law provides job-protected parental leave until a child is three years old, so with closely-spaced children, quite long periods of absence from work are possible. The scheme was introduced when demand for labour was strong; it was never designed as a solution to high unemployment.

Funding is generous. The exact value of the allowance varies according to family and local circumstances, as noted above. The maximum allowance for one child is equivalent to about 40 per cent of the average monthly earnings of female employees in Finland. In 2006, the basic allowance was worth about €300 a month for the first child, with another €100 a month for each additional child under three years, and €50 a month for each child over three but under school age. In addition to the basic allowance, the family may receive an income-related supplement, up to a maximum of €170 a month, and there is also a supplement for those who use private childcare (OECD, 2005:33).

The scheme is popular and successful. From the start, two-thirds of all mothers with a child under three used the scheme. By the mid-1990s, three-quarters used the scheme in preference to the high quality public daycare services. Mothers with several pre-school children were most likely to use the scheme and usage is twice as high among mothers with low earnings as among higher-paid women. A fall in workrates among women aged 20-39 immediately reflected its popularity (Ilmakunnas, 1997). By 2002, only half of mothers of children aged 0-3 years were in work; over one-third of Finnish mothers remain on leave in order to use the allowance for the full three years (OECD, 2005: Table 1.1, pp 190-1).

Norway's cash for care scheme (Kontantstotte)

A similar scheme was introduced in Norway in mid-1998, again offering a parental education allowance to mothers (or fathers) who did not use public daycare nurseries (Ronsen, 2001). The Norwegian foreign minister, Janne Matlary, described the underlying philosophy as "giving freedom of choice, nothing more, nothing less", and giving equity between parents at home and those at work (Manne, 2005: 309). The allowance is not taxable, is worth about £300-£400 a month, over £3,000 a year, and at present it is payable for children up to the age of two. Again, the logic of the scheme is that it expands choice, and offers an equivalent cash subsidy to parents who choose not to use public nurseries, but it still prompted a fierce debate in Norway. One expected consequence is that mothers' employment patterns will become more polarised. [4]

France's APE (Allocation Parentale d'Education, Complément de libre choix d'activité and Complément optionnel de libre choix d'activité)

A similarly generous French scheme, introduced in 1986 and expanded in 1994, has also proved popular with mothers. The *Allocation Parentale d'Education* (APE) was initially a pro-natalist measure, offered only to parents with at least three children and acted as an inducement to have a third child. When introduced in 1986, APE was a flat-rate benefit of about £300 a month, not means-tested and not taxable, which was paid for three years, until the youngest child's third birthday. It was paid only if the mother had worked for at least two years in the previous decade and if she stopped working completely, so it was originally dependent on having an employment record. The scope of the scheme was widened in 1994, and the APE is now paid from the birth of a second child. The value remained at around £300 a month in the 1990s (Hakim, 2000: 233).

From 1994, mothers caring full-time for two children received a monthly benefit of around £350 during the three years following the second birth. APE was so popular and

4 The ethnic minority population has recently been growing in the Nordic countries, and this seems to have prompted a diversification of policies and an expansion of choice, according to some commentators

successful that it resulted in a visible decline of around 10 percentage points in employment rates for mothers aged 20-38 years, and was thus criticised by feminist scholars for supporting sex-role differentiation and gender inequality (Fagnani, 1998; Hakim, 2000: 233-45; Lanquetin, Laufer and Letablier, 2000; Dixon and Margo, 2006: 38).

By 1997, the scheme had surpassed all other childcare subsidies and services. About one-third of mothers stopped working at the birth of their second child. It contributed to a sharp drop in workrates among mothers of young children and also helped to keep down unemployment rates. The popularity of the APE scheme, and of two others (known by the acronyms AGED and AFEAMA) that provide subsidies for individualised childcare in the child's own home or in a childminder's home, can be seen in part as a criticism of public daycare services which, even in France, are not flexible enough to meet the needs of working parents. A 1987 national survey found that, given a choice, 80 per cent of French adults preferred a policy of financial incentives for mothers to leave the workforce temporarily to care for their children over an improvement in childcare services and facilities for mothers of young children who continue working (Hakim, 2000: 234). It is clear that public policy can sometimes be wildly out of sympathy with the preferences of parents and citizens. APE and similar schemes for individualised home-based childcare are successful because they fit the preferences of adaptive women as well as home-centred women, rather than being targeted on a single group.

The *Allocation Parentale d'Education* had its origin in the long-standing pro-natalist French policies that prioritise families with three or more children, giving them larger benefits than for families with only one or two children. For example, French families with three or more children are entitled to free train travel throughout the country for the whole family until the youngest child reaches 18 years. A supplement for free choice of working time (CLCA) replaced APE for children born in and after January 2004. In 2005, the French Government announced a new scheme of financial incentives to encourage higher-paid middle class women to have a third child. At a conference on family life, the Prime Minister announced that the Government proposed to pay up to €1,000 (£700) a month, double the current maximum and close to the €1,200 minimum wage, to women who have a third child, in an attempt to encourage highly paid and professional women to have larger families (Randall 2005). An optional supplement for free choice of working time (COLCA) was made available for parents of children born in and after July 2006 and is paid to families with at least three children and if one of the parents stops working completely. The latter benefit is higher than CLCA but it is paid for a shorter time.[5] The French scheme pays a salary to parents (in practice, mothers) who stay at home to look after their children – raising the total allowances to around €1,000 a month on top of family allowances (child benefits) (Randall, 2005; Dixon and Margo, 2006: 37). This new scheme builds on the success of the APE.

It is notable that the *Allocation Parentale d'Education* was introduced, and is popular, in a country that already had an excellent system of *écoles maternelles* (nursery schools or kindergartens) attended by almost all children aged 3-5 years, and treated as part of the educational system (Plaisance, 1986). The contemporary misperception is that the *écoles maternelles* are a service provided for working mothers. In fact, they were introduced after the French Revolution as part of a wider policy of converting a Catholic country into a secular State by eliminating religion from the education system. The idea of the *écoles maternelles* was to extend this secular education

5 More information on this and other aspects of the French social security system are available at www.cleiss.fr/docs/regimes/regime_france/an_3.htm

down to the earliest years, thus counteracting the influence of religious parents, most especially devout Catholic mothers. Thus the service was never dependent on or linked to women's employment. If anything, it was aimed primarily at the children of non-working mothers, whose ideological influence would be strongest in the family and the home setting.

The PEA: Recognising family work and creating choice

The Parental Education Allowance pays full-time mothers (or fathers) a small salary for their work raising children at home. It is thus different in nature from the more common policy of offering families with children tax rebates, or tax credits. Tax allowances help to defray the additional costs of children, but do not actually reward the caregiver directly and visibly for their work. One reason for its success is that it gives a public status and public recognition to the job done, invisibly, in the home. It follows that people in receipt of the PEA could be classified in national statistics as being employed, just like women on maternity leave who are also at home full-time with their baby or others who spend years on parental leave. Several studies have shown the substantial distorting effect this latter practice already has on Scandinavian workforce statistics, and on cross-national comparisons of female employment (Jonung and Persson, 1993). This would address the main objection to the Parental Education Allowance, which is that it causes a slight fall in female employment rates.

The PEA and equivalent schemes are routinely ignored or criticised in social policy and population policy reports (Fagnani, 1998; Lanquetin, Laufer and Letablier, 2000; Dixon and Margo, 2006: 38). Feminists dislike the allowance because it recompenses and validates full-time motherhood and family work. For example Heitlinger (1991) rejects all subsidies for full-time mothers as sexist, and only endorses family policies that keep mothers in the labour market throughout their lives.[6] Since these schemes are available to whichever parent stays at home, the schemes are not sexist. They are especially attractive to family-centred men as well as women, and there is no doubt that some fathers would want to use them. Almost all policies will vary in their attractiveness to family-centred, work-centred and adaptive men and women anyway.

People who choose to become parents in modern countries are an increasingly self-selected group with a particular interest in children. Time-budget studies show that parents' investment of time in childrearing activities is increasing in the long-term. However non-employed mothers are a particularly self-selected minority, and their investment of time in their children's development has risen more sharply over the past three decades than that of fathers and employed mothers (Gauthier et al, 2004). Similarly, studies of the Finnish homecare allowance have found that women using the scheme are more family-oriented in their values and goals, and are more likely to have a third child (Vikat, 2004).

In 1998, the European Commission asked respondents in one of its Eurobarometer surveys whether they preferred better childcare services or financial compensation for the mother who was not working while taking care of the child herself. In Finland, where there was concrete experience of a PEA scheme, a 70 per cent majority preferred compensation. In France and Sweden over half preferred the compensation to better childcare services. Given that these are supposedly countries with the very best childcare money can buy, this seems a conclusive vote in favour of the PEA as the better option. The EC has never repeated this survey question.

6 Feminists reject any division of labour in the family as sexist and disadvantageous to women. However economists have pointed out that even a minor (female) advantage in childrearing, or a minor (male) advantage in earnings, would lead to a rational division of labour in the family (Ermisch, 2003)

The EU policy context challenge: work-friendly versus family friendly

In the European Union, policy has given priority to the labour market over the family and children, essentially because family and social policy are matters for national governments, whereas an integrated and competitive labour market has always been central to economic activities and goals in Brussels. Similarly, EU gender equality policy has focused primarily on women's position in the labour market, so that childcare is treated exclusively as a benefit for working mothers (a bias that bedevilled the 1986-1996 EU Childcare Network which attempted to focus on childcare as an educational benefit for children), and non-working women remain invisible and disregarded. This labour market bias is enshrined in agreements such as the Lisbon Strategy, agreed by all EU members, which sets the objective of 70 per cent overall employment rates throughout the EU.

It is thus not surprising that the EU's concept of policies to promote work-life balance is essentially about work-friendly, not family-friendly, programmes. True, EU gender equality policy has now shifted from the pay gap and job segregation towards an emphasis on the "reconciliation of work and family life", but here, too, the perspective is that of the labour market analyst. The "demographic challenge" of declining fertility in Europe, an ageing population and an ageing workforce may prompt the European Commission into more concerted action to raise fertility rates and strengthen support for families to promote "demographic renewal". But so far it has only reiterated gender equality and work-friendly policies: extended parental leave and childcare services to enable women and men to remain in continuous lifelong employment (European Commission, 2006, 2007).

As yet, the EU has not responded to the evidence from its own research studies showing that, for the great majority of women, a job (however welcome) is only a job and not a career, and that most mothers prefer to be at home with their young children instead of back at work. To the extent that the EU exerts any pressure on the social policies of national governments, it has been to prioritise work-friendly policies at the expense of families and children.

A similar tug of war between the interests of babies and children and the interests of working mothers, between pedagogical concerns for children's development and gender equality concerns for women's lifelong employment, are reflected in the OECD's two competing reports *Babies and Bosses* (2002-2005) and *Starting Strong* (2001-2006), the first produced for its employment, labour and social affairs committee and the second for its education committee. The problem with this conflict is that (working) women have a voice, but infants and babies do not. For this and many other reasons, European societies are currently biased towards policies for working women. The views of parents who are full-time carers, babies and children are rarely heard, and even then, often disregarded, at the international level just as at the national level.

Choice gives parents power

In the 1970s, the standard working week was still the norm, and the 1980 *Women and Employment Survey* results reflected that situation. Today, a two-thirds majority of working families have one or both partners working non-standard hours to some extent. Shift work, overtime and part-time work are far more common than in the past. To these are added jobs with early starts, late finishes, weekend working and a host of new arrangements: on-call jobs, annual hours contracts and other forms of flexible working that spread out beyond the confines of the 9 to 5, Monday to Friday job. The results of Penelope Leach's and Diane Houston's studies reflect these new working patterns. A recent study concluded that less than one-fifth of working couples never or rarely work non-standard hours (La Valle et al, 2006). The Daycare Trust (2007: 64) estimates that 71 per cent of households and 87 per cent of working households sometimes or usually work atypical hours. Nurseries and schools with rigid standard hours are increasingly out of sync with working lives and family life.

In a society that provides individuals with the freedom to choose their own lifestyle, instead of conforming to a single common model of the good life, parents want and need flexibility. State nursery care, with its fixed daytime hours and weekdays-only service cannot provide the flexibility that people now seek. Even in Finland and France, two countries that are often held up as the models to follow as regards childcare services, most parents, especially with children under three years, still prefer to do the job themselves and are paid a small salary for it.

Policies designed around encouraging all mothers into jobs and their children into nurseries conflict with the diversity in the preferences and values of citizens that research has found. Paradoxically, Britain seems to have embarked on this strategy just when other European countries are pulling back from the idea of universal crèches for all children from a young age.

> “In a society that provides individuals with the freedom to choose their own lifestyle, instead of conforming to a single common model of the good life, parents want and need flexibility”

Today, many nurseries report vacant places, suggesting over-supply. One study estimated that occupancy rates in day nurseries fell from 95 per cent in 2002 to 79 per cent in 2007, well below the sustainable (and profitable) level (Daycare Trust, 2007: 48-50).[7] Without permanent government subsidies, the childcare services created with pump-prime funding from Sure Start and the previous associated initiatives are unlikely to be sustainable and will collapse (Dickens and La Valle, 2004). As the National Audit Office has noted, millions of pounds of public money are being invested to start up childcare services that later collapse.

7 The catchment area for nurseries is, of course, very local, so there may be a problem of matching supply and demand at neighbourhood level, and also at different times of the day or week

2

Sure Start

Sure Start, the new Labour Government's flagship social policy, was launched in 1998 and over the last decade it has become one of the most debated policies. Discussion is fuelled in part by the £20 million evaluation research programme, the National Evaluation of Sure Start (NESS) that periodically yields reports on the policy's results and impacts.[1] Its original aims – to break the cycle of disadvantage for young children in deprived areas and to promote social inclusion – were the practical policy complement of its social exclusion research programme at the London School of Economics that was funded by the ESRC (Economic and Social Research Council) and various government departments from October 1997 to December 2007. But it had a long and distinguished pedigree.

In the 1970s, Sir Keith Joseph invited the Social Science Research Council (SSRC), the ESRC's predecessor, to develop a large research initiative to clarify the processes involved in transmitted deprivation from one family to the next generation, which had persisted despite the welfare state and the opportunities opened up by the educational system (Berthoud, 1983; Brown and Madge, 1982). The SSRC mounted a substantial programme of research to inform policy interventions that might reduce obstacles to high achievement for children from disadvantaged families. That work was recently extended and repeated in the ESRC research programme on Social Exclusion, and also by the EU's broader attempts to address social exclusion as a modern problem. Also in the 1970s, Community Development Programmes were developed by central government to strengthen the social and economic structures of deprived areas in Britain, and to improve life chances for their residents.

However, the Government cited Head Start, the American project that has been running for 40 years, as its most immediate inspiration along with other US initiatives like the Perry Pre-School scheme, on what works in early years intervention (Glass, 1999, 2006). American schemes have continued to provide examples of services for young children given the relatively large number of genuinely experimental studies and demonstration projects there (Melhuish, 2004). However, these are early education projects and there were significant differences between (Glass, 1999, 2006).

There are significant differences between Head Start's and Sure Start's designs and stated goals. Head Start is an early education, centre-based project that "promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social and other services to enrolled children and families".[2] In contrast, Sure Start began as an area-based programme (as opposed to Head Start's centre-based approach) that was to address social exclusion of disadvantaged children in deprived areas and improve their life chances. The childcare component was added later and is still not a central component of Sure Start's services. According to Norman Glass: "Sure Start

1 A team at the Institute for the Study of Children, Families and Social Issues, Birkbeck University of London started the evaluation in January 2001 and is scheduled to complete its work in 2008

2 See US Health and Human Services website: www.acf.hhs.gov/opa/fact_sheets/headstart_factsheet.html

set out to work with parents-to-be, parents and children to promote the physical, intellectual and social development of babies and young children – particularly those who are disadvantaged – so that they can flourish at home and when they get to school, and thereby break the cycle of disadvantage for the current generation of young children." (Glass, 2006: 55).

Sure Start began with 29 pilot Early Excellence Centres, launched in 1997. These centres were supposed to transform the patchwork of early childhood education, care and family support services into an accessible, affordable and integrated system that was open to all in the area. The goal was to extend the number of centres to 100 by 2004, and at their peak there were 107. But in 1999, in the first of numerous changes, the Government introduced Sure Start Local Programmes (SSLPs). They were to bring together early education as well as childcare, health and family support for children up to 3 and were targeted at families living in disadvantaged areas. By 2004, 524 Sure Start Local Programmes had been established and were estimated to be offering services to around 400,000 young children, including a third of children under 4 who were living in poverty (NESS, 2005). They have been used to monitor and address a series of social problems, such as ante and post-natal violence and depression. A host of targets were set out – for example, reducing the number of mothers who smoke during pregnancy by 10 per cent (met by 2004), the number of 0-3 year olds with speech and language problems requiring specialist intervention by 5 percentage points (could not be assessed) and the number of 0-3 year olds living in workless households by 12 per cent (still not met).[3]

To avoid stigmatising families, the programmes targeted particular deprived areas and everyone living there could access all the services offered. (Areas were sometimes defined clumsily at first, so that people on one side of a street could access all services, while families on the opposite side of the street could not. This was later rectified.) The original SSLPs were generally well received and popular, in part because mothers had a large say in how they were run. Some areas hired local staff, thus investing Sure Start funds in the neighbourhood and local labour market as well. But there was no standardisation in the services offered or how they were delivered and local variation could be extreme, making it difficult to measure the success of SSLPs.

Expenditure also varied. At first SSLPs were relatively unregulated when it came to services and spending, and it was not until 2003-04 that the Sure Start Unit finance system ensured that all programmes produced standard information. Spending of funds was monitored by regional teams attached to the Department for Education and Skills (DfES) – now the Department for Children, Schools and Families (DCSF) – which paid a grant directly to SSLPs. The average expenditure per child in SSLPs that had been operational for three years was £900 at 1999-2000 prices (NESS report 15).[4]

In 2001, the focus of Sure Start started to shift to formal childcare when the Neighbourhood Nursery Initiative (NNI) was introduced. Its goals were to establish 45,000 new full-day care places for under 5 year olds and to narrow the gap in childcare provision between the most disadvantaged areas of England and more affluent areas. Care was to be high quality, accessible and affordable.[5] A capital investment of nearly £128 million was provided by the national lottery and the DfES and £240 million from the DfES for the running costs of the NNI for three years. Glass points out that Sure Start's aims had been recast to increase "the availability of childcare for all children…supporting parents as parents and in their aspirations towards employment" (Glass, 2006: 55). Yet daycare was a long

3 A list of targets and their status is in National Audit Office (2006) *Sure Start Children's Centres*

4 This ranged from a low of £350 to a high of £2,500

5 Information on the Neighbourhood Nurseries Initiative is available at www.surestart.gov.uk/surestartservices/settings/neighbourhoodnurseries/

way down the list of priorities for parents in deprived families and Sure Start evaluations also show that formal childcare was actively rejected as inappropriate in most areas (Meadows, Garber and the NESS team, 2004). The change of emphasis effectively made the main customer the working mother rather than the child and transformed the program from one focused on individual, family and community development into an adjunct to labour market and gender equality policies.

> “Research in the US indicates that universal schemes achieve better outcomes. But this is primarily due to the tendency for middle-class families to access available services more fully and effectively than poorer families”

Targeted versus universal schemes

In 2004 these changes were consolidated in the Government's Ten-Year Strategy for Childcare, which placed emphasis on child development but through formal care. Most Early Excellence Centres, Sure Start Local Programmes and Neighbourhood Nursery Initiatives have become or are in the process of becoming Sure Start Children's Centres, which are being rolled out in three phases. The first was from 2004 until March 2006 and was targeted at the 30 per cent most disadvantaged areas in England. By the end, in 2010, there are planned to be 3,500 Children's Centres covering the whole country and reaching all children under 5.

However, as the 2006 National Audit Office (NAO) report found: “These new responsibilities present a substantial challenge. For children's centres, local authorities require the capacity and expertise to assess local needs across a range of services, some delivered by organisations they have little experience of working with. They need to negotiate integrated services, ensure that local partnerships are working smoothly, and establish effective performance monitoring and evaluation”.

A locally based assessment of needs should be the most capable means of determining relevant solutions for local markets and conditions, however, in practice standards and implementation have varied enormously. The same NAO report found that local authorities were sometimes not doing an adequate job of analysing existing provision: “The local authorities we examined had not all developed effective partnerships with health and employment services (18 of the [30] centres we visited reported problems working with health services, and six with Jobcentre Plus). As local authorities plan and establish new centres in less disadvantaged areas where there are higher levels of existing provision, for example through private providers, they will need to undertake assessments of need in order to inform decisions on the most appropriate allocation of resources and services across their whole area. Over half of local authorities we examined were not carrying out any active performance monitoring.”

It is hard to argue against the idea of a national network of Children's Centres offering integrated services. A universal scheme has benefits that targeted schemes cannot offer: it becomes so well-established, well-known and accessible that it can achieve close to 100 per cent take-up rates because almost everbody knows exactly what is on offer and how it works in every area. Research in the US indicates that universal schemes achieve better outcomes (Barnett and Ackerman, 2006; Ludwig and others, 2007). But this is primarily due to the tendency for middle-class families to access available services more fully and effectively than poorer families, and far better than the most deprived families. Children from middle-class families post greater gains and raise the average scores on all evaluation measures due to peer effects that change the culture of kindergarten classes. Some studies show that those at the bottom of the ability range gain most. In addition, children from poorer families also benefit from the culturally and socially richer mix of children using the services.

Overall, however, it is widely believed that universal schemes increase social and economic polarisation in the long run, partly because communities tend to be socially homogeneous and partly because funding levels are not usually increased sufficiently: the additional gains may not materialise at all or be greatly reduced. Sure Start appears to be following this pattern. The average expenditure per child in SSLPs that had been operational for three years was £900 at 1999-2000 prices (NESS report 15),[6] whereas we estimate that the funding per child per Children's Centre has dropped to around £420 a year.[7] This is higher than other estimates such as £250 per child a year that have been cited in the press.[8]

Integrated services for children

Integrated services for children are one of the most popular and effective elements of the original Sure Start programme because they simplify life for poorer parents who have difficulty accessing resources. Integrated children's centres have long been advocated by child development specialists such as Penelope Leach (1994, 2008). In London, the Thomas Coram Institute has been running a model centre for years and there are other examples around Britain, run by enthusiasts and volunteers.

Professor Peter Moss has been the strongest advocate of integrated child-centred services for children, including services for pre-school children (early years services for 3-4 year olds). He also offers the strongest critique of the childcare discourse that has emerged since 1998 (Moss, 2006). As Moss points out, discourses make assumptions and values invisible, turn subjective perspectives and understandings into apparently objective truths, and determine that some things are self-evident and realistic while others are dubious and impractical, even inconceivable. The British childcare discourse claims that the rationale for providing childcare services is first and foremost to enable parental employment (Moss, 2006: 6). In contrast, he points to the pedagogical framework applied in France and the Nordic countries, where access to early years education and playcentres is regarded as a child's right, irrespective of whether parents are in work or not. Moss advocates integrated Children's Centres run along similar lines to the Nordic models, with children regarded as a public good, and a greatly increased investment in their education. In this truly pedagogical system of education, parental employment becomes an irrelevance (Moss, 2006).

The switch to Sure Start Children's Centres nominally retains this integrated services principle, but is likely to be weakened in practice. Health services are formally separate from local authorities, so the integration of health and other services may not materialise when control passes to them. The one-stop-shop idea could also be weakened by a shift in emphasis towards services for working mothers instead of child-centred services as Moss advocates, a change of focus towards wrap-around childcare as the primary service offered rather than services for families and parents who are full-time carers. A core goal of SSLPs in the more deprived areas was to contact those most difficult to reach. Reach-out programmes are crucial in helping mothers in families that prefer informal care or are poor to discover desirable alternatives, such as getting a job or sending their child to pre-school education classes. Subsequent government evaluations have, however, found that outreach to these families has been failing.

6 This ranged from a low of £350 to a high of £2,500

7 This £420 is calculated by taking the £1.18 billion earmarked for spending on Children's Centres in 2010-11, dividing it by the target number of 3,500 centres due that year, and dividing again by the average number of 800 five year olds that each centre is meant to cover. We have not included any capital costs as all centres are meant to be up and running by 2010-11 and we have not included the allocation of £251,651,081 for Sure Start Local Programmes as we are unclear how these will run alongside Children's Centres. If this allocation is included in the amount earmarked, the amount per child increases to around £510. However, this calculation implies coverage of 2.8 million children (3,500 centres x 800 children) and according to the August 2007 child benefit quarterly statistics there were over 2.9 million under 5s in receipt of child benefit in England (based on child's age at 31 May 2007)

8 For example, Jill Kirby, Director of the Centre for Policy Studies, mentions "about £250 per child, compared with £1,300 per child in the 2004 version of Sure Start" in an article in The *Sunday Times* in March 2006; www.timesonline.co.uk/article/0,,2092-2069657_1,00.html

Does Sure Start work?

Sure Start Local Programmes had funding guaranteed for ten years, and the evaluation research was planned to take as long. However the Government did not to wait to assess the results before expanding the scheme into the nationwide system of Children's Centres. As a result, there is almost no aspect of the Sure Start scheme that is so well established as to be unquestioned. Does the package provide appropriate parenting support and access to family and childcare services?

Sure Start was unusual in claiming to be an evidence-based policy (Roberts and Hall, 2000). Much of that evidence came from the USA, although not always from directly comparable projects. Evidence from the USA was used partly because genuinely experimental studies are more common in the USA than in Britain, and these provide the most rigorous tests of scheme impacts, and partly because the USA offers a larger number of demonstration projects and 'models of best practice' programmes which demonstrate what can be achieved, at best, with substantial funding and enthusiastic staff in small model preschool schemes. Head Start and the Perry Pre-School schemes in the USA provided the main source of the research evidence on 'what works' in early years interventions and learning when the Treasury team conducted a policy and spending review on services for children in 1997/98 (Glass, 1999, 2006). This was the review that 'informed' Sure Start, but what evolved was different to the USA schemes which were focused on early education through centre-based intervention, in that Sure Start was focused on social inclusion through area-based facilities.

Also attractive to the Government was the further research evidence from the USA that was said to show that preschool education helped poor children to become 'ready to learn', so they achieved better results in school, were less likely to drop out of school, more likely to attend college, were less likely to become involved in crime, and less likely to become welfare dependent. The claimed benefits thus included positive outcomes (such as higher aspirations and motivation, better school performance) but also weaker negative outcomes (less criminal activity, less obesity and ill-health, less likely to end up dependent on welfare). However, the evidence from USA schemes and interventions is more equivocal and mixed than these optimistic accounts admit. Too often, research reports underlined the best and most positive results from complex and multifaceted evaluations using at least four different ways of measuring the impact of an intervention, leaving the negative results and failures almost invisible, often relegated to footnotes.

Head Start has been providing preschool programmes for children aged 3 to 5 in deprived areas. It is very popular – only two-thirds of applicants can be offered places – hence the benefits of associating Sure Start with Head Start. However early evaluations showed only limited impacts and no further rigorous assessment was carried out until quite recently. Unfortunately this evaluation (Puma and others, 2005) also found only small short-term impacts: only 0.20-0.30 of a standard deviation for measures of cognitive and social-emotional development. The most disadvantaged children, especially black children, gain the least and the gains fade quickly. Scholars repeatedly note that benefits attributed to Head Start are actually found only in other, far more expensive demonstration projects (Currie, 2001; Currie and Thomas, 1995). Thus the US evidence is more equivocal than the optimistic accounts admit.

Alternative measures of policy impacts

There are three different methods of measuring the impact of a public policy.

Statistical significance

The conventional test used in academic journals is the test of statistical significance. The problem is that this test is virtually meaningless in a policy context (Hakim, 2000: 7). If the study sample is large enough, all findings will be statistically significant. Most of the time, the test simply reflects the size of the study sample. For policy purposes, it is the size and strength of any effect that is important, plus the robustness of the results. It is not much use showing that a particular scheme has good results if it works only with a unique and small social group rather than with the general population. A great many statistically significant research results reported in academic papers are so small as to be negligible in the real world.

Effect sizes

Policy research reports are more likely to present the magnitude or "effect size" of the policy's impact. These are usually presented as a proportion of a statistical indicator called the Standard Deviation (SD) measured on a control group, and can vary from 0.00 (zero impact) to 1.00 (large impact). The convention is that effect sizes from 0.00 to 0.30 are interpreted as small and anything over 0.80 is treated as large (Ludwig and Phillips, 2007). Table 2.1 reports some effect sizes from the Effective Provision of Pre-School Education (EPPE) project: virtually all are small or even non-existent.

A more useful way of measuring policy impacts is to report effect sizes compared to some other well-known factor. For example, the effect of high-quality childcare compared to high-quality parental care. But this method is rarely used.

Cost-benefit analysis

Finally, policy researchers often use cost-benefit analysis to compare the overall costs of a policy intervention with the financial benefits achieved. In this test, very small effects may be shown to be worthwhile nonetheless. For example, if a policy produces only a tiny reduction in the numbers who get arrested and imprisoned in adult life, this could still represent a saving of hundreds of thousands of pounds to the criminal justice system and the prison service, quite apart from the "saving" of the victims' misery. Ludwig and Phillips (2007) use this method to argue that the small impacts of Head Start and other, richer, pre-school programmes in the US bought substantial benefits in the long term.

Given the wide range of measures and tests of the effects of pre-school education and family support, it is not surprising that research reports offer apparently contradictory or inconsistent conclusions, especially as some studies focus on the short-term impact, in primary school, while others look at long-term impact on early adult lives. It also explains why scholars' accounts of the effects of early childcare can differ so markedly – from claiming wide-ranging benefits to reporting no important effects or negative impacts.

Evaluation problems

It has been difficult to assess the impact of Sure Start schemes. Some of the research findings on the effects of the original Sure Start model may be of little relevance to its more recent forms. For instance, because the SSLPs targeted disadvantaged neighbourhoods their evaluation can tell us little about impacts of such a programme on average families. However early findings indicate little to no impact in the short term across all families in SSLP areas, or adverse effects for the most disadvantaged families but beneficial effects on other families in those areas (Belsky, Barnes and Melhuish, 2007). The NESS Report 13 (November 2005) found children in non-SSLP areas actually did better than their counterparts in SSLP areas.

> “Private day nurseries emerge as the most cost effective providers of pre-school group education and care because they register the largest educational gains at relatively modest cost”

Schemes that built on pre-existing services, such as health visitors, were the most effective. A study by researchers at Durham University has shown that, as yet, the expansion of nursery education and schemes in deprived areas have had no discernible impact on measured abilities and skills of four year olds starting school in Britain. Between 2001 and 2006 there was a large increase in nursery attendance, however there was no discernible narrowing of the skills gap between poor children and others (Merrell, Tymms and Jones, 2007).

Because of the large variations between Sure Start Local Programmes in the services they offer, and the lack of measurable outputs, cost-benefit analysis of the programme is impossible (Belsky et al, 2006; Belsky, Barnes and Melhuish, 2007; Melhuish et al, 2007). What is clear is that the average expenditure per child in a SSLP that had been operational for three years was about £900 per year; that about one-quarter of SSLP funds went on overheads – because small schemes generally do have disproportionate overheads; and that other related local funding and subsidies substantially increased the total annual spending per child (Meadows and NESS, 2006). Sure Start Local Programmes were very much cheaper than Head Start, which cost around $7,000 per child on average in 2006 (Ludwig and Phillips, 2007: 3).[9]

Finally, the Effective Provision of Preschool Education (EPPE) project, a longitudinal study that examines the effects of preschool education and care on the development of children aged 3-7 years provides a rough measure of the value added by each type of non-family group care, in terms of the child's cognitive development, after taking account of family background and income. Private day nurseries emerge as the

Table 2.1: Formal childcare costs and benefits (children aged 3-7 years)

	Average cost per child £ per annum	Cost per session £	Ratio of costs per session	Effects sizes in language development	Effects sizes in pre-reading	Effect sizes in early number concepts
Playgroups	922	4.73	1	0.18	0.06	0.18
Private day nurseries	4183	8.71	1.84	0.21	0.26	0.17
Nursery classes	2875	14.74	3.12	0.14	0.23	0.02
Nursery schools	2294	11.76	2.49	0.17	0.19	0.24
LA day nurseries	6205	12.93	2.73	(ref)	(ref)	(ref)
Integrated centres	6880	17.37	3.67	0.28	0.24	0.40

Local authority nurseries are used as the reference group for measures of effects on language development because they achieve the smallest benefits of all, despite being one of the most expensive providers.
Source: Appendix B in Sylva et al (2006)

9 Head Start expenditure per child costs half that of the higher quality American interventions, such as Perry Pre-School. But according to Ludwig and Phillips (2007) the hidden costs of Head Start (policy administration and review, local costs, evaluation costs etc) probably double the total costs of the Head Start scheme

most cost effective providers of pre-school group education and care because they register the largest educational gains at relatively modest cost. Local authority day nurseries, nursery classes and Sure Start Children's Centres (currently still rare) are by far the most expensive providers, with the smallest educational gains in the case of local authority nurseries and nursery classes (Table 2.1).

Value for money?

Figures for reach and take-up are unclear and are based on estimates that each centre provides for a community of 800 children, although actual numbers of children using centres and take-up rates are not certain. What is known, however, is that between April 1997 and March 2006 £2.1 billion was spent on Sure Start Local Programmes and Children's Centres, and a further £1.8 billion will be spent up until 2008 (House of Commons Public Accounts Committee 2007, see Table 2.2).

The investment of increasing sums of public money requires greater financial accountability. The 2006 NAO report, Sure Start Children's Centres, discussed some of the failings of Sure Start and noted that the relationship between centres' expenditure and the number of children and families they reached was unclear, meaning that outcomes and benefits from the Sure Start programme were difficult to evaluate or determine. The topic was consequently followed up by the Committee of Public Accounts in 2007.

Does Sure Start damage existing childcare services?

Evaluations of the Sure Start Local Programmes have assessed the effects on local communities as well as on the families and children using the services. Although results have been mixed, generally schemes do appear to have affected existing services. The National Audit Office warned in its 2006 report that not all local authorities have yet developed effective partnerships with health and employment services, or any performance monitoring. They did not necessarily carry out assessments of need before setting up Local Programmes and Neighbourhood Nursery Initiatives, and the result has been overprovision. A survey of day nursery providers in 2005 found that 71 per cent

Table 2.2: Sure Start expenditure for the period from 1997-98 to 2005-06

	97-98	98-99	99-2000	2000-01	01-02	02-03	03-04	04-05	05-06	Total
Total Sure Start current and capital expenditure (£ millions)	4*	179	213	367	467	680	720	928	1,240	4,798
Of which SSLPs/ Children's Centres (£ millions)	0	0	7	56	134	216	365	568	746**	2,092

Total expenditure includes Sure Start Local Programmes (SSLPs), childcare and some nursery education funding. From 2003-04, SSLP/Children's Centres expenditure starts to include funding for Sure Start Children's Centres

*1997-98 saw the withdrawal of the nursery education voucher and a move towards universal nursery education funding for all four year olds. Free early education provision for all three year olds came in from 2004.
**Provisional figure.
Source: House of Commons Committee of Public Accounts, 2007

of respondents reported local authorities were not yet involving them in the delivery of local Children's Centres and 47 per cent felt that a local Children's Centre or school had launched childcare services, aimed specifically at the under-fives, which directly competed with and duplicated their own services (National Day Nurseries Association 2005).

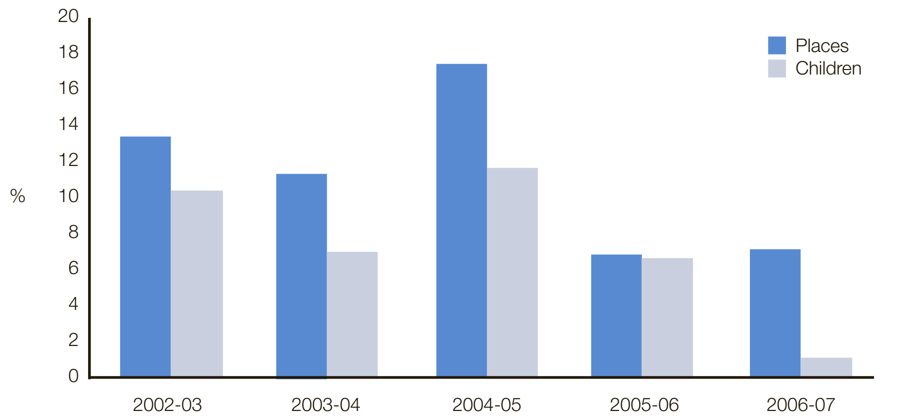
In some areas provision has been duplicated and the non-maintained sector (private and voluntary initiatives not receiving state support) has been scaled back. At the same time, concerns persist about the financial sustainability of the maintained sector once government "pump-priming" subsidies end. The long-term effect may be greater instability in the childcare market and a weakening of the non-maintained sector, rather than reliable, affordable childcare for all, as intended. In addition, the substantial funds available to the new schemes have meant that they could afford to employ significant numbers of the limited local supply of skilled staff.

The accepted rule of thumb is that, in order to be profitable, nurseries must fill 90 per cent of their places.[10] Recently it has been noted that "the private sector has experienced turmoil, as occupancy rates have fallen to an average of 60 per cent, and the sector has become unprofitable" (Penn 2007). Some private nurseries have had to increase their fees and rein in expansion plans; others have had to close (see Figure 2.1). In 2006, childcare costs rose by 6 per cent: fees reached as much as £21,000 a year and averaged £152 a week for a full-time daycare nursery place for a child up to 2 years old (Daycare Trust, 2007). In 2007 they rose by almost another 5 per cent: fees averaged £159 a week for a full-time daycare nursery place for a child up to 2 years old and the most expensive nurseries were £22,000 a year (Daycare Trust 2008).

Competition

The overwhelming majority of 4 year olds (79 per cent) and a substantial proportion of three year olds (38 per cent) attend a maintained nursery school offering free places.[11] Public sector provision for 3 and 4 year olds is often in the form of part-time education/care attached to schools, which strictly-speaking does not compete with full-time (private sector) care services catering for working parents, but it has a knock-on effect on the childcare sector as a whole. Tight regulation of centre-based

Figure 2.1: Growth in private sector places and children attending, 2003-2007



Source: Laing and Buisson, 2007 Children's Nurseries Conference (Penn, 2007)

10 Laing and Buisson quoted in Penn, 2007

11 See "Provision for Children Under Five Years of Age In England: Jan 2006 (Provisional)" 27 April 2006, SFR 17/2006; www.dcsf.gov.uk/rsgateway/DB/SFR/s000652/SFR17-2006.pdf

care affects costs, fees and provision of all childcare. An increase of the Early Years Education Entitlement for 3 and 4 year olds from 12-and-a-half hours to 20 hours a week will also increase access to public sector provision.

From ages 3 to 8 the legally required staff-to-child ratio is 1:8, compared with 1:4 for 2 year olds and 1:3 for under 2s. The need for more staff means childcare is more costly to provide for children under 3. However, in maintained nurseries the staff-to-child ratios are lower because "the presence of a qualified teacher permits nursery classes to operate with 1:13 ratios for children of three and four years old".[12] This means it is cheaper for them to provide nursery education than it is for private and voluntary institutions which are unlikely to have a qualified teacher present. Furthermore, maintained nursery schools do not have to pay rent on their buildings because they are incorporated within the local authority school system, unlike the non-maintained nurseries, which must provide their own accommodation. Childcare is more costly to provide for the under 3s because of the lower staff ratios, the impact of which is exacerbated by the drift of 3 and 4 year olds to the maintained sector – it becomes harder for non-maintained settings to spread costs evenly from birth to 4 if their nurseries are heavily dominated by children under 3 years old. Maintained nurseries that are attached to primary schools also attract 3 and 4 year olds because parents believe they will more likely later to get a place at the school.

Another issue is the dual role of local government: they provide public sector childcare in their areas, and they also commission childcare from the private sector, so there can potentially be a conflict of interests. One commentator concluded: "Nursery education funding (NEF) for both private and voluntary and maintained settings is distributed from the central government to local authorities as part of the Dedicated Schools Grant (DSG) for all 0-16 education funding. Local schools forums then decide how much of the DSG is actually allocated for NEF. This allows the local authority to decide how much it wishes to give private and voluntary settings, and the remainder is usually redirected into schools [including maintained nurseries]. This has led to vastly different rates of NEF reaching private and voluntary providers from authority to authority." (Pre-School Learning Alliance, 2007)

The Government's goal of providing free nursery classes for all 3 and 4 year olds has been a tremendous step forward in providing equal access to early years education for young children. However, these part-time educational services are not integrated with working parents' need for full-time childcare services for pre-school children. The free early years' education services are of most benefit to families with a full-time carer at home as the restricted hours rarely dovetail neatly with part-time jobs. The recent proposal to extend free early years education to 2 year olds in disadvantaged areas hints of a return to a targeted rather than universal policy and may delay the increase in hours for three and four year olds. This will delay the day when childcare and education can usefully be brought together to benefit families and simplify government spending. The 20 hours a week would be of far greater value to parents as a childcare tool than the current 12-and-a-half hours whereas the extension of the free provision to two year olds reopens the debate about the impact of centre-based group care and education on toddlers.

The private and voluntary sectors supply the majority of nursery childcare for the under threes, helping parents to work, train for work or have respite. If 3 and 4 year olds are siphoned off from these nurseries into maintained nurseries based in schools once they reach 3, this will distort the market and make the care they provide

12 Pre-School Learning Alliance, *Conservative Party Childcare Consultation: Pre-school Learning Alliance Response*, (2007) www.pre-school.org.uk/news/policy/pdf/Final%20Conservative%20Party%20Childcare%20Consultation.pdf

more expensive. If the public sector could provide enough high quality, accessible, affordable childcare for families the demise of the non-maintained sector would be of little concern – except to those whose livelihoods and careers were directly affected. But the maintained sector's future looks uncertain and many think that its ambitious plans to provide universal affordable childcare and integrate children's health, education and social services are underfunded." Norman Glass has been quoted as saying of Sure Start: "It's all smoke and mirrors. It doesn't all add up in the amount of money available."[13]

Financial viability?

In August 2007 the Government allocated a further £4 billion for Sure Start for 2009-11 but it still leaves the system underfunded.[14] For the year 2010-11 the Government has earmarked around £1.18 billion to be spent on Children's Centres, "sufficiency and access" and "outcomes, quality and inclusion".[15] If targets are met there will be 3,500 centres by 2010. Each is meant to serve 800 under 5 year olds and so, based on this allocation, spending per child in Sure Start Children's Centre areas will be around £420 per year.[16] But this amount is for all services provided by Children's Centres, including increasing the availability of childcare, improving health and emotional development and supporting parents in parenting and work, while also covering the costs of staff, administration and overheads.

We conducted an informal survey of 20 Sure Start Children's Centres and found confusion within the system. One centre claimed it was moving away from the Sure Start name and another said that its funding came from the Pre-School Learning Alliance rather than Sure Start. The cost of childcare provision ranged from free to £3.30 an hour, or in cases where provided on a daily rather than hourly basis, £47 per day (for children aged over 2). Despite Sure Start being a national scheme, the source of funding and the amount parents have to pay for childcare remains unclear and inconsistent, even to those working in the centres.

The expansion of the maintained sector has also had a detrimental effect on the supply of informal childminding services which are extremely popular.[17] The number of registered childminders has declined from 98,500 in 1997 to 68,348 in 2007.[18] Some were sucked into the emerging maintained sector, but others were unable to respond to the progressive regulation of the industry and simply ceased to provide a service. It is still the case that many women who decide to offer childminding services do so on a relatively informal basis, even when they are paid for their services. Many childminders do not regard their work as a job in the normal sense of the word, not only because they have the autonomy of the self-employed rather than employees, but also because the service can be very personal in nature and can lead to genuinely loving relationships with the children they care for so that it is not a purely commercial sale of services (Kay, 1984). Regulation of the industry has thus alienated many of these workers, reducing the level of flexible, personal and local childcare.

Group care: who benefits?

The evidence from the USA which informed the implementation of the Sure Start policy package was at best equivocal on the proven effectiveness of specific interventions with pre-school children. It was from America, not Europe, and it was from early education programmes through nurseries rather than social inclusion programmes through multi-faceted centres targeted at deprived areas. Given the large differences between America and Britain, in culture, values, access to welfare state

13 As reported by David Batty in *Society Guardian* on 6 January 2005; www.guardian.co.uk/ society/2005/jan/06/childrensservices.earlyyearseducation

14 £1.7 million has since been added, so the exact figure is £4,102,933,482. The August announcement was made in order to allow local authorities to plan their budgets

15 The Government Sure Start spending breakdown is available at http://www.surestart.gov.uk/_doc/P0002473.xls

16 See footnote 7 on page 37 for a detailed explanation of this calculation

17 Mooney A, Knight A, Moss P, Owen C (2001) *Who Care? Childminding in the 1990s*

18 The Guardian, October 2007, "Case of the disappearing carers" at http://education.guardian.co.uk/earlyyears/story/0,,2191736,00.html

services (especially health services), income spreads, and community functioning, not to mention the different structures and goals of the UK and USA projects, there was never any guarantee that schemes and interventions found to be effective in the USA context would necessarily have the same impacts (positive or negative) in Britain.

Some scholars have confidently concluded from their literature reviews that early learning produced measurable improvements in school attainment (Sylva, 1994). Others have underlined the fact that few interventions have been rigorously evaluated; that few evaluations were scientifically rigorous and also followed children for a long enough period to identify longer-term effects and outcomes; that unanticipated (and unwelcome) outcomes were sometimes overlooked or not recorded; that outcomes can often be hard to measure; that the benefits of small schemes staffed by enthusiastic staff can be lost entirely when a scheme is standardised, institutionalised and rolled out on a large scale with staff who may not share the original pioneering vision; and that what is labelled a positive outcome can sometimes depend on the values of the observer, which may differ from the values of the families involved. Jay Belsky has often reminded us that the evidence that some interventions can work, in the long run, slid into statements that all interventions do work – and have no downside.

A review for the National Audit Office pointed out that there are at best mixed results on the effects of childcare in a child's first three years, with damaging effects reported just as often as positive results (Melhuish, 2004). Recent research on brain development in babies shows that the social environment can be a crucial factor in the first three to four years, and it is already well established that continuous care by a principal carer is important for babies' emotional and social development – the attachment theory (Biddulph, 2005; Manne, 2005; Bowlby, 2007). When people point to the Scandinavian model as the one to emulate, they regularly overlook the fact that in Sweden public collective daycare is concentrated among children aged 3 to 7 years; and babies under 18 months are rarely put into daycare because long parental leaves allow one parent to stay at home with small children (Meadows, 2000).

In America, many parents put their babies into full-time childcare a few months (or even weeks) after birth, so evaluation studies cover children 0-3 years as well as aged 3-6 years.[19] In Britain, full-time childcare for children under 3 is not as common as in the US; part-time and family-based care are more common, including nannies who work in the child's own home, childminders who take in toddlers of different ages, and care by neighbours and grandparents in their own homes. Thus the quantity, character and quality of childcare varies a good deal between the two countries, with group or centre-based care less common in Britain, although on the rise.

Summarising research available up to 2004, Melhuish found that family influences were twice as important as childcare influences. Childcare for under-3s sometimes had noxious effects, especially group care. Childcare by relatives generally improved social development. For children over 3, part-time childcare contributed just as much as full-time care to their educational and social development. Local authority day nurseries produced the worst results. Pre-school programmes for disadvantaged children could show positive effects in cognitive development in the short term. However these generally faded, so there were no permanent or long-term benefits. In effect, a programme could push children forward in their development, but everyone caught up eventually. The lasting benefit appeared to be in chil-

19 Until 1993, there was no statutory maternity leave in the US, although some employers provided such leave, sometimes paid for, on a voluntary basis. The 1993 Family and Medical Leave Act requires public and private employers to offer job-protected family or medical leave of up to 12 weeks for workers who meet certain conditions. However the leave is unpaid and mothers often return to work well before the 12 weeks is up

dren's social and emotional development, their motivation and aspirations (Melhuish, 2004).

Subsequent reports on American schemes confirm this overall picture (Loeb et al, 2005; Puma et al, 2005; NICHD, 2005, 2006; Barnett and Ackerman, 2006; Belsky et al, 2007; Ludwig and Phillips, 2007). Social and emotional effects tend to be very small, but longer lasting, while educational effects wash out fairly quickly. Many studies find that long hours of childcare increase behaviour problems and aggression, while improving language development. No lasting effects on IQ have ever been found. In the US, one important benefit is a decrease in adult crime rates and special education needs. Repeatedly, reviews conclude that the academic benefits of pre-school centre-based childcare are bought at the price of increased behaviour problems (Loeb and others, 2007). Barnett and Ackerman (2006) argue that local adaptation and control of schemes can produce inferior schemes; that targeting the poor can be an economically inefficient strategy; and that the community effects of schemes are greatly exaggerated. For example, they calculate that providing completely free childcare services would raise maternal employment rates by only 10 per cent.

Perhaps the best evaluation of Head Start's long-term effects relied on the Panel Study of Income Dynamics PSID, a very long-running longitudinal study of American households. It looked at outcomes for people aged 18-30 years in 1995 and compared those with Head Start experience to those who had been in other preschool programmes. This definitive study found that disadvantaged whites achieved better educational outcomes , but there was no effect on adult earnings, and all effects were small. For disadvantaged blacks, the only tangible gain was lower arrest rates by early adulthood (Garces, Thomas and Currie, 2002).

The importance of parenting

The most significant study of the long-term effects of early childcare is the US National Institute of Child Health and Human Development (NICHD) *Study of Early Childcare and Youth Development*. Starting in 1991, this has looked at outcomes up to age 12, with the intention that people in the study sample will eventually be followed up to age 15, then age 18 years. The NICHD study has so far cost $150 million over 15 years, far more than similar British studies. This study shows the importance of parenting quality (which is often ignored in other studies) on a child's cognitive development and also on social development, but notes that these positive impacts may be due in part to factors other than parenting quality and cannot be attributed only to parenting quality. The NICHD study articulates clear, independent effects of centre-based childcare and family care whereby both types of care can be additive in different situations. Children receiving poor quality parenting can benefit, at least with respect to cognitive development, from high quality centre-based care, for example.

The NICHD study confirms, once again, that most effects of childcare dissipate over time and have vanished by the end of primary school. The only continuing effects relate to reading skills and problem behaviour, which arose primarily from centre-based and group care (Belsky, 2001; NICHD Network, 2006; Belsky et al, 2007). Further research on the effects on classroom composition and culture of even small numbers of schoolchildren with behaviour problems suggest that particular children who have experienced long hours of group childcare can later affect many other children in their classrooms and schools (Dmitrieva, Steinberg and Belsky, 2008; Belsky, forthcoming). The overall conclusion was that the NICHD results provide support for policies that reduce the amount of time children spend in childcare (NICHD, 2006: 114).

In Britain, the Families, Children and Child Care (FCCC) project is replicating the American NICHD study. Starting in 2000, it has studied children from birth to 4.5 years. Several preliminary reports are available, but full findings have yet to be published (Sylva and others, 2006; Leach and others, 2007). The effects of childcare in Britain differ, but only in the detail of findings rather than the overall drift of results. Centre care and nurseries came out the worst as regards a personal relationship between parents and carer; a relationship of trust was important to parents. However nurseries achieved the best educational outcomes. Parenting quality varies a good deal, being highest among aspirational parents. Mothers' ideology and values regarding child development and family roles were the primary determinant of what childcare was used, if any. There is slightly less evidence of the behaviour problems associated with childcare in the US, possibly because it is fairly rare for children to be put into 40 hours a week centre care soon after birth, given that mothers are entitled to up to 39 weeks of paid leave and a further 13 weeks of unpaid leave, compared with a three-month unpaid leave in America. However babies who spent long hours in childcare in their first year were reported to be less adaptable and more fussy and difficult than those who did not.

The EPPE project, a longitudinal study of children aged 3-7 years, compares different types of childcare without looking at parental care in the same detail. Here the results on assessments of childcare quality to children's development show that any positive effects washed out quickly, even by the age of 7. It, too, showed that early daycare produces antisocial behaviour in children aged 4-7 years; once again, parenting quality was noted to be hugely important (Sylva et al, 2004, 2006). An analysis based on the EPPE data produced for the Treasury in 2003 attempted to address this issue. One of the most well established research findings is that family income is a strong predictor of a child's attainment, in reading vocabulary and maths. Although many parents involved in the EPPE project refused to provide information on their earnings and others gave only rough estimates within bands, analysis showed that some pre-school contributed positively to cognitive outcomes, in some cases less and in some cases more than parental income did (Sylva et al, 2006: Appendix B).

> “One of the most well established research findings is that family income is a strong predictor of a child's attainment, in reading vocabulary and maths”

Childcare, especially formal childcare, is most commonly used by highly educated and higher-earning parents in Britain, women who are most likely to return to work quickly but are also most likely to provide high-quality parenting. Conversely, parental care is most commonly provided by less-educated mothers with limited or no employment experience, low pay when in work, low family incomes, and sometimes lower quality parenting. This makes it difficult, perhaps impossible, to tease out the impact of centre-based care within an "average" family context.

Conclusions

Sure Start began as an evidence-based policy, but it was evidence from schemes in the US that cannot be directly transplanted. Unlike the David Olds Nurse-Family Partnership research programme, which is a true example of evidence-based policy-making, taking years to gather data and analyse impacts (see Box), the rapid roll out and frequent changes to Sure Start suggest a policy whose goals are constantly changing.

The David Olds Nurse-Family Partnership supports 20,000 first-time mothers, often teenagers, from low income families from the early weeks of pregnancy through to the child's second birthday. The parents agree to sign up to the full programme and the specially trained nurses who visit them adhere to detailed guidelines on the care they are to provide. The aim is to establish health and parenting skills before bad habits set in. David Olds has spent thirty years refining the programme based on evidence gleaned from constant, careful evaluation and with an absolute refusal to compromise on any aspect of design, cost or implementation. It sounds simple but has been carefully designed to ensure maximum impact. The programme is staffed only by nurses since mothers trust them to know about both pregnancy and baby care; when a pilot was conducted with paraprofessionals instead it was simply not effective (Goodman, 2006).

Since 2006 the Family Nurse Partnership Programme (a joint Department for Health and DCSF project) has replicated the scheme in ten pilot areas (Slough, Somerset, Tower Hamlets, Southwark, Southend, Derby, Barnsley, Co Durham, Walsall and Manchester). So far 90 per cent of families offered the scheme have agreed to take part. The initial phase from 2006 to 2008 had a budget of £7 million and a further £30 million has been allocated for 2008 to 2011.[20] Recently, Beverly Hughes MP, Minister of State for Children, Young People and Families, announced details of 20 more new sites which will test the scheme.[21] Some of the successes from the US experience that are hoped to be repeated are improved school readiness, fewer subsequent pregnancies, better pre-natal health, reductions of 50 to 70 per cent in child injuries, neglect and abuse and an increase in father's involvement. Like Sure Start, this project will be evaluated by the Institute for the Study of Children, Families and Social Issues at Birkbeck University of London.

First, the emphasis was switched from child development and support for the most disadvantaged to providing centre-based care for working mothers. This was reinforced with the decision to proceed with a national network of Children's Centres, but also changed it from a scheme targeted on deprived areas to an element in a universal childcare strategy. The transfer of responsibility to local government recognised that central government cannot micromanage a national childcare/early years education programme on this scale. However, research shows that local authority nurseries are the worst option for children in terms of educational attainments and relative costs and private day nurseries are the best (see Table 2.1).

Second, research published since 2004 confirms that long hours of daycare for the under threes can produce behavioural problems that persist. For children aged 3 and over, the results are different, and group care can be beneficial in terms of social and emotional development, but part-time care can yield benefits just as great as full-time care. The Government's recent proposal to roll out the Early Years Educational Entitlement to targeted two year olds does not take this research into account and is rather designed to help parents get back to work.

Third, even the generously funded Sure Start schemes receive much less than Head Start and only about one-quarter of investment that the very best American pre-school programmes receive. This alone suggests that any educational impacts will be far more limited in Britain.

20 This breaks down as £5 million for 2008-09, £10 million for 2009-10 and £15 million for 2010-11 £5 million for 2008-09, £10 million for 2009-10 and £15 million for 2010-11. See announcement by the Department of Health (October 2007) at www.gnn.gov.uk/environment/fullDetail.asp?ReleaseID=327164&NewsAreaID=2&NavigatedFromDepartment=True

21 See Department of Health news releases at www.gnn.gov.uk/environment/dh

3

Funding for Families

Childcare funding distributed directly to parents rather than to service providers is called demand-side funding. On the supply side, Sure Start Local Programmes and Children's Centres calculate spending on childcare combined with "learning and play" and there is no public data available which breaks down the spending on these activities, nor, as we understand it, a formal process in place that would facilitate this type of financial analysis. However, on the demand side, the funding streams to parents are more clearly defined. In this section we analyse how much parents are receiving directly from the State for childcare and in what form. We also look at the effectiveness and wider impact on the childcare market of these demand-side funding streams.

There are two sources of funds directed to parents: the childcare element of the Working Tax Credit (WTC) and electronic childcare vouchers. Figure 2 in Appendix A shows the annual amount spent on each of these streams: in 2005-06, £858 million was distributed through the childcare element of the WTC.[1] A snapshot of the number of families claiming it in April 2006 shows that £972 million was being distributed this way over the course of the year and in December 2007 it was £1.4 billion.[2] There was £20 million distributed through childcare vouchers in 2005-06.[3]

Other streams of funding available directly to parents that are related to children though not specifically for childcare, are the Working Tax Credit (WTC), the Child Tax Credit (CTC), Child Benefit and Maternity Pay. Except for maternity pay, these demand-side benefits are available to all parents with children. The focus of this study is families with intensive childcare needs for children under 3, before universal pre-schooling begins in the first term after the third birthday. At that stage, a child receives 12-and-a-half hours a week of free early years education and the Government aims to increase this to 20 hours a week. Once they reach Key Stage 1 children receive a recommended 21 hours a week of education, increasing to 23-and-a-half hours recommended for Key Stage 2.[4] For families with children under 3, there is no such universal pre-schooling or universal support either to assist with childcare costs or to assist parents who are not in paid work and remain at home to care for their child.

In 2005-06, the Government distributed £23.2 billion to families with children of all ages through demand-side funding, of which the vast majority was the Child Tax Credit and Child Benefit; £1.9 billion was distributed to families through specifically childcare related streams (Table 3.1).

Table 3.1

Funding Source[5]	Funding £bn
Working Tax Credit – childcare element	**0.9**
Voucher Scheme	**<0.1**
Child Tax Credit	8.5
Working Tax Credit – non-childcare element	4.0
Child Benefit	9.8
Total	23.2

1 HMRC Child and Working Tax Credit Statistics – Finalised Awards – 2005-06 Table 2.3; www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm

2 HMRC Child and Working Tax Credit Statistics – Provisional Awards at snapshot dates; www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm

3 HMRC Impact Assessments; www.hmrc.gov.uk/ria/emp-supp-childcare.pdf

4 See www.teachernet.gov.uk/management/atoz/l/lengthofschoolday/

5 Child Benefit: Table T1.3, Monthly and quarterly Child and Working Tax Credits and Child Benefit net payments; www.hmrc.gov.uk/stats/tax_receipts/table1-3b.pdf; Child Tax Credit: Table 1.1 Child and Working Tax Credits Statistics Finalised Annual Awards 2005-06; www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-annual-0506.pdf; Working Tax Credit (non-childcare): Table 1.1 Child and Working Tax Credits Statistics Finalised Annual Awards 2005-06; www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-annual-0506.pdf; Working Tax Credit (childcare): Table 2.4, Child and Working Tax Credits Statistics Finalised Annual Awards 2005-06; www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-annual-0506.pdf; Voucher Scheme: Table A2, Budget 2005 Full Report, Chapter A Budget Policy Decisions; www.hm-treasury.gov.uk/media/E/2/bud04_cha_190.pdf

Despite a decade of reform childcare is more expensive and inflexible than ever. The cost has risen by nearly 30 per cent since 2000 and the Childcare Survey of Great Britain (2006) found that 62 per cent of the working mothers questioned constantly worried about the cost of childcare.[6] In this section we analyse the costs and benefits of the childcare element of the WTC and the electronic childcare vouchers. (We do not include the maternity-related payments granted to pregnant women and new mothers who are taking time off work.)

The childcare element of the working tax credit

Tax credits are a means tested benefit, paid to families and low-income workers without children, who meet certain criteria. They are supposed to tackle child poverty, provide support to low and middle-income families and encourage people away from traditional forms of welfare and back into work, but have been much criticised for the administrative complexities that have resulted in low-income families having to pay back money they have already spent.

The childcare element of the WTC is available to working parents to help them towards childcare costs in approved settings, that is, Ofsted registered providers.[7] Up to 80 per cent of a maximum £175 per week for one child or £300 per week for two or more children can be reimbursed (ie up to £140 per week for one child and £240 per week for two or more children). The maximum is available only to those with very low earnings. The calculation is complex because it is dependent upon the overall amount of Working Tax Credit that a family is entitled to. (See the Appendix B for more details of the stages involved in the calculation.)

To be eligible parents must pass the work test, the income test and the childcare test. The work test requires all adults in a family to work at least 16 hours a week, the income test restricts the eligible earnings per family and the childcare test requires an approved care setting (sometimes referred to as formal setting) to be used. These eligibility criteria are very restrictive and inhibit the reach of the benefit, significantly reducing its impact. In 2003, the Work and Pensions Select Committee looked at the restrictions of its predecessor, the Childcare Tax Credit, which was based on the same eligibility conditions. The committee observed:

> *"What it does not do is provide a subsidy across the majority of families with children because it has got this fairly aggressive means test and this work requirement and this requirement that you use formal childcare. There are three hurdles [you] have to jump over in order to claim the credit: you have to have all the parents in the household working, you have to earn sufficiently low amounts and you have to use formal childcare, and not many families pass those three hurdles. It is good at helping low earning families with their formal childcare costs. It is just that there are not very many of those families, that is, low-income families who work."* [8]

The work test

To qualify for the childcare element of the WTC in a two-parent family, both parents have to work at least 16 hours a week,[9] unless one parent is unable due to incapacity, hospitalisation or imprisonment (such families constitute 5,000, or just 1 per cent, of the total number of families claiming).[10] Families where both parents regularly work 16 hours a week or more and meet the "aggressive means test" are small in number. In December 2007, 427,600 families were claiming the childcare element of the WTC of which 145,700 were couple families where both parents were working, just 35 per cent of the total number of families that received the credit.[11]

6 The Guardian, October 16 2006, *One in three working mothers unhappy with nurseries*

7 The childcare element was first introduced as the Childcare Tax Credit which was part of the then Working Families Tax Credit

8 House of Commons Work and Pensions Committee – Childcare for Working Parents (Fifth Report of Session 2002-03), page 24

9 This criterion has not changed since the introduction of Childcare Tax Credit in 1999

10 HMRC Child and Working Tax Credit Statistics, December 2007, Table 4.4. The December 2007 statistics show 5,100 families where one partner was incapacitated, in hospital or imprisoned

11 HMRC Child and Working Tax Credit Statistics, December 2007

Table 3.2: Changes in maternal employment 1999-2004

	In employment (%)		In full time employment (%)		Working <16 hours (%)		Working 16-29 hours (%)		Base (unweighted)	
	1999	2004	1999	2004	1999	2004	1999	2004	1999	2004
All	60	62	23	25	12	9	24	28	4779	7694
Couple	65	66	24	26	13	11	25	29	3661	5890
Lone parent	45	49	18	20	7	4	17	24	1118	1804
Pre-school age child	48	48	16	16	10	9	17	22	2202	3529

Source: Butt S, Goddard K, La Valle I and Hill M (2007)

The 16 hours' work requirement does not allow for any initial periods of training, retraining or interviewing for jobs. A Job Grant might be made available, but given the complexity and inflexibility of the childcare element of the WTC, some parents find it difficult to determine whether they will do any better by coming off benefits and going back to work:

> *"Lone parents looking for work spoke of their fear of entering the paid workforce and of the risks they associated with leaving the security of benefits. This is exacerbated by what they see as the high costs of childcare and the lack of affordable places. Some parents don't think it would be worth their while to accept a poorly paid job because, after paying for childcare, their family would be no better off financially."* [12]

More fundamentally, some parents may not wish to commit to a 16-hour working week when they have small children; but if they elect to work, say, 12 hours a week, they miss out on this childcare support. They may find themselves increasing their work hours beyond their desired amount simply to qualify. A report by the Daycare Trust (2007) found that between 1999 and 2004 "there was little change in the proportion of mothers in employment over this period (62 per cent in 2004, compared with 60 per cent in 1999)," but the main change was the statistically significant increase in the proportion of mothers working longer hours (see Table 3.2). "In 2004, 52 per cent of mothers were working 16 hours or more, compared with 46 per cent in 1999." The report suggests that "these findings appear to indicate that the WTC and its childcare element, which can only be claimed if (both) parents work at least 16 hours a week, could partly explain this increase in maternal working hours."[13]

A policy that requires parents to be in the workplace for a minimum of 16 hours a week restricts parents' freedom to decide how much time they wish to spend working relative to caring for their child and does not provide adequate flexibility for individual family situations.

The income test

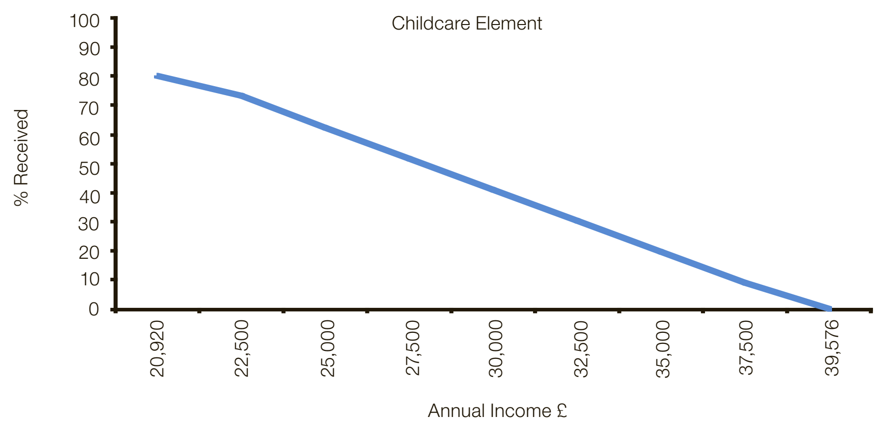
Average individual earnings in the year to April 2007 were £26,300 according to the latest survey of earnings published by the Office for National Statistics on 7 November 2007.[14] Families with one child that have an annual income of up to £20,920 and families with two children

12 Findings from *Listening to Families* research Daycare Trust, 2007: www.daycaretrust.org.uk/mod/fileman/files/Listening_to_Families_Research_findings_workstrand_1.pdf

13 Butt S, Goddard K, La Valle I and Hill M (2007), *Childcare nation? Progress on the childcare strategy and priorities for the future*, Daycare Trust

14 Annual Survey of Hours and Earnings (ASHE), First Release, 7 Nov 2007

Figure 3.1: Families with one child

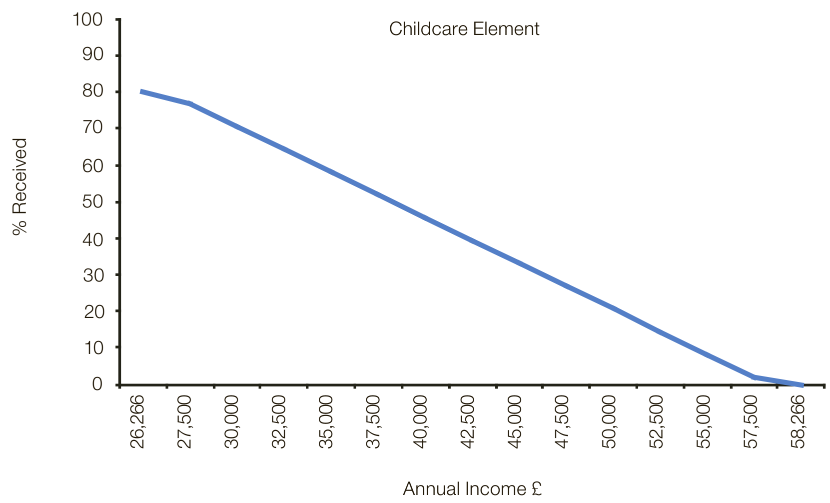


that have an annual income up to £26,266 are eligible for the maximum 80 per cent reimbursement of childcare costs.[15] Figures 3.1 and 3.2 illustrate the declining proportion of the childcare element of the WTC reimbursed to parents as their salaries increase, based on parents spending the maximum amount on childcare allowed.[16]

Families with one child can claim a proportion of the childcare element of the WTC to support the costs of formal childcare where annual income is less than £39,576, rising to annual income of £58,266 for families with two children. The actual amount of childcare costs that can be claimed depends both on the annual family income as illustrated, but also on the actual family spending on formal childcare up to the maximum amounts of £175 for one child and £300 for two children.

Although the aim of the childcare element of the WTC is to support families in poverty, in practice this may not be the case. To show just how much the sums can vary according to circumstances we drew up five model families, with different structures and working patterns as well as income:

Figure 3.2: Families with two children



15 Figures supplied by the Institute for Fiscal Studies

16 Figures supplied by the Institute for Fiscal Studies

Table 1.3

Family	Income level	Family status	Parent one working hours	Parent two working hours	Use of nursery care	Number of children
1	Low	Couple	FT	FT	FT	1
2	Low	Single	FT	n/a	FT	1
3	Low	Couple	FT	PT	PT	1
4	Ave	Single	FT	n/a	FT	1
5	Ave	Couple	FT	FT	FT	2

FT: Full Time, PT: Part Time

- Family 1 – Low-income couple[17], both parents working full time, one child (aged one) in full-time nursery care[18]
- Family 2 – Low-income single parent, working full time, one child (aged one) in full-time nursery care
- Family 3 – Low-income couple, one parent working full time the other part time (16 hours a week), one child (aged one) in part-time nursery care
- Family 4 – Average-income[19] single parent, working full time, one child (aged one) in full-time nursery care
- Family 5 – Average-income couple, both parents working full time, two children (aged 0 and two) in full- time nursery care

Family 1 in which there are two low-income adults working full time does not receive much financial support for childcare. It receives support for only 13 per cent of its total childcare costs through the childcare element of the WTC.

However, a single parent in the same situation (working a 39-hour week on a low income with one child under 3) would

Family 1[20]

Type	Hours worked	Hourly pay	Annual household income	Weekly hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	CCE support	CCE as % of childcare spend
Couple	39.4	£6.80	£27,863.68	40	£3.04	£121.60	£6,323.20	£817.69	13
	39.4	£6.80							

Family 2

Type	Hours worked	Hourly pay	Annual household income	Weekly hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	CCE support	CCE as % of childcare spend
Single	39.4	£6.80	£13,931.84	40	£3.04	£121.60	£6,323.20	£5,044.77	80

17 Low income is calculated as 60 per cent of median income (standard measure www.poverty.org.uk/01/index.shtml) on an individual basis. We use 60 per cent of the median individual income in order to compare the actual income difference of single and couple parent families. Median individual income assumptions are based on the results of the Office for National Statistics Annual Survey of Hours and Earnings (ASHE), First Release, 7 Nov 2007. Median hourly earnings for all employees (adult rates, pay unaffected by absence) is £11.34 per hour. The mean amount of paid hours per week (adult rates, pay unaffected by absence) is 39.4 hours

18 Cost of nursery care is calculated on the basis of a full time place at 40 hours and a part time place at 20 hours with the average hourly rate for a child under 2 at £3.04 and for a child over 2 at £2.80. These hourly rates are calculated based on Daycare Trust weekly averages for 50 hour weeks (Daycare Trust, 2007). Nursery costs differ markedly across the sector as do operations – some nurseries operate in blocks of morning and afternoon sessions, others allow payment by the hour, but in many cases it is unlikely that parents can use the exact hours that correspond to their working hours. Modelling all scenarios was impossible so we took averages that would just about cover a full-time job or a part-time job

19 Average income is calculated at the median hourly earnings for all employees (adult rates, pay unaffected by absence) of £11.34 per hour in accordance with the Office for National Statistics Annual Survey of Hours and Earnings (ASHE), First Release, 7 Nov 2007

20 CC is an abbreviation for childcare, CCE for childcare element of WTC

qualify for substantially more support, 80 per cent of childcare costs, as is demonstrated by Family 2.

Although we are not comparing like-with-like in the sense that the total gross household income for the couple family is essentially double that of the single parent (pre-tax and benefit payments), it illustrates how difficult it is for a low-income, two-parent family to receive support with childcare costs if they are both working full time.

"These examples demonstrate that a two-parent family with one child, in which both parents work full time earning a low wage, would be earning too much to qualify for meaningful childcare support"

Frank Field's wider work on tax credits has highlighted the problems faced by families with two working parents when it comes to receiving government assistance:

> *"In 2006, a lone parent with two children under 11, working 16 hours a week on the minimum wage, gained a total net income of £487 a week, largely due to tax credits. In order to attain the same weekly income, an equivalent two-parent household needed to work 116 hours a week; an extraordinary 100 hours more than the single parent."* [21]

However, unlike Family 1, a two-parent family where only one parent works full time and the other part time (at the 16-hour threshold), both on a low income, is also eligible for substantial support through the childcare element of the WTC as illustrated by Family 3.[22]

These examples demonstrate that a two-parent family with one child, in which both parents work full time earning a low wage, would be earning too much to qualify for meaningful childcare support. To receive a more substantial amount of help a two-parent family would have to have a job paid significantly below the median hourly rate, or one of the parents would have to work part-time (but at least 16 hours a week). Family 1 used 40 hours per week of childcare, and yet received just 13 per cent of their childcare costs through the childcare element. On the other hand, even though Family 3 uses only half as much childcare (20 hours a week) this family is eligible for much more support, 55 per cent of childcare costs, because of the effect that working fewer hours has on their overall income. Parents receive more for working less and receive very little for working full-time in the lowest paid jobs.

Because the structure of the childcare element of the WTC favours single parents, even a single parent on an average income qualifies for disproportionately more childcare assistance (40 per cent of the cost) than Family 1 (13 per cent of the cost). Family 4 demonstrates this.

Family 3

Type	Hours worked	Hourly pay	Annual household income	Weekly hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	CCE support	CCE as % of childcare spend
Couple	39.4	£6.80	£18,524.48	20	£3.04	£60.80	£3,161.60	£1,741.38	55
	16	£5.52							

21 Field F and Cackett B (2007), *Welfare Isn't Working* for Reform. Taken from House of Commons Library Note, 16 May 2007, p4

22 Part-time rates have been set at the 16-hour minimum needed to qualify for the childcare element of the Working Tax Credit and the pay at £5.52 (minimum wage www.hmrc.gov.uk/nmw/) because 60 per cent of the median hourly part time earnings (our usual calculation) would be below minimum wage. Median hourly part time earnings based on the results of the Office for National Statistics Annual Survey of Hours and Earnings (ASHE), First Release, 7 Nov 2007 are £7.27; 60 per cent of £7.27 is £4.36 which is below minimum wage

Family 4

Type	Hours worked	Hourly pay	Annual household income	Weekly Hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	CCE support	CCE as % of childcare spend
Single	39.4	£11.34	£23,233.39	40	£3.04	£121.60	£6,323.20	£2,526.23	40

The income test tries to address the problems faced by a single parent who works full time and has to place her child in full-time care. A perverse consequence is that a two-parent family in which one of the adults works full time and the other part time will receive increased support even though they need less childcare because one parent will be at home more often. And the lone parent earning an average wage, still receives much more support than a couple family where both parents are on very low income.

The Institute for Fiscal Studies has also highlighted this unintended consequence of the childcare element of the WTC and reported that "the tax and benefit reforms between April 2000 and April 2003 increased the labour supply of lone mothers by 3.38 percentage points", which corresponds to "around 50,000 extra lone mothers in work". Participation of mothers in couples was reduced by 0.35 percentage points, "or 13,000 fewer individuals" and the reforms were found to "favour the formation of single-earner couples (a 1.15 percentage point increase)". Overall "the changes in labour market participation arise because some workless couples move to being single-earner couples and some two-earner couples move to being single-earner couples", and "the new tax credits are predicted to encourage parents in work, on average, to reduce their desired hours of work".[23]

This point is further emphasised by our fifth family. In Family 4, the single parent on average income is eligible for financial support for childcare, but Family 5 is made up of two full-time working parents on an average income who do not receive any financial assistance through the childcare element of the WTC. This family reaches a household income above the average of £32,342 in 2006, but individually the adults are both on average hourly incomes and with annual childcare costs for two children of £12,147, they may ultimately change their working patterns so as to avoid such high childcare bills.[24]

23 Brewer M, Duncan A, Shephard A and Suárez M, (2005) *Did Working Families' Tax Credit work? The final evaluation of the impact of in-work support on parents' labour supply and take-up behaviour in the UK*, Institute for Fiscal Studies; www.ifs.org.uk/publications.php?publication_id=3379

24 In 2006 the average UK household income was £32,342 www.denbighshire.gov.uk/EN/EnvDirec.nsf/0fe70aef12d2674a80256763004d8527/ab69c47e8ab4346980256d2000313627/$FILE/Average%20Household%20Income%202006.pdf. We calculate our model family incomes based on median individual earnings rather than average household earnings: see footnote 17 in this chapter

Family 5

Type	Hours worked	Hourly pay	Annual household income	Weekly hours of CC used child 1	Hourly CC cost child 1	Weekly hours of CC used child 2	Hourly CC cost child 2	Weekly CC costs	Annual CC costs	CCE support	CCE as % of childcare spend
Couple	39	£11.34	£46,466.78	40	£3.04	40	£2.80	£233.60	£12,147.20	0	0
	39	£11.34									

The childcare test

The childcare element of the WTC can only be claimed for costs incurred at an approved setting (often called a 'formal setting' or 'formal childcare') which is an Ofsted registered setting. Informal networks of care such as relatives, neighbours, baby sitters and childminders that have not registered with Ofsted do not count as approved settings. This is a particular hurdle for the very families at which the childcare element is aimed. Low income, two-parent families (often where at least one parent works part-time) and single parents more often prefer and use informal care than formal care, as shown in Table 3.3 and discussed in Chapter 1.

The high costs of approved care are prohibitive. Day nursery places in approved settings cost an average of £152 per week in England for 50 hours of care (Daycare Trust, 2007). A single parent working a 39-hour week on low income, as in Family 2, earns just under £268 a week. If she were spending the average £152 per week on approved childcare for 50 hours in a formal setting, around 57 per cent of her gross income (pre-benefit) would go on childcare. Although this would come down once childcare element tax credit payments had been made, the initial payments would create daunting cash flow problems. Financial worries would be likely to persist, particularly given the recent administrative chaos of tax credit payments and reclaims.

Even with support from the childcare element of the WTC, parents still have to finance at least 20 per cent of formal childcare costs themselves, which alone can be unaffordable. If the average cost of a full-time day nursery place for children under two in England is £152 per week (Daycare Trust, 2007a), then 20 per cent of this would be around £30 a week or £120 a month. The average payment for the childcare element of the WTC is £61 which is equivalent to 80 per cent of £76.25, the full payment. This means that the 20 per cent payment on top of the £61 is £15.25, or almost £70 a month.[25] These figures remain dauntingly high and mean many low-income parents who would benefit from assistance with their childcare costs simply cannot afford to make up the required 20 per cent of costs at approved providers.

The Daycare Trust argues that "the childcare element of Working Tax Credit should be extended to meet 100 per cent of childcare costs".[26] The reason for requiring parents to pay a proportion of the

Table 3.3: Use of childcare in the last week, by family yearly income

	Under £10,000 %	£10,000-£19,999 %	£20,000-£31,999 %	£32,000+ %
Used any childcare	56	60	68	73
Used formal care	31	36	43	52
Used both formal and informal care	**14**	**17**	**22**	**25**
Used formal care only	**17**	**18**	**21**	**26**
Used informal care only	**23**	**23**	**24**	**20**
Base: All families				
Unweighted base	1202	2202	1880	1965

Source: Bryson C, Kazimirski A and Southwood H (2006), *Childcare and Early Years Provision: A Study of Parents' Use, Views and Experience*, Research Report 273, London. HMSO for the DfES

25 According to the Family Resources Survey 2005-06, 1.4 million families paid for childcare in the UK, amounting to total spending on childcare of £3.9 billion a year. Of the 1.4 million, 644,000 have children under 3 and spend an average of £70.24 per week on childcare – this is total spending on childcare by families with at least one child under 3, not necessarily spending on the under 3s alone; 965,000 families have at least one child under 5 and spend an average of £66.60 per week on childcare. This compares with the 413,700 families that claim the childcare element of £85.06 per week which gives an average weekly childcare element entitlement of £61.26. Source, Table 4.4, HMRC Child and Working Tax Credit Statistics – April 2007. The average weekly childcare element entitlement in December 2007 given in Child and Working Tax Credit Statistics – December 2007 showed 427,600 families at the average claim of £88.74 a week leading to an average weekly entitlement of £64.19 a week

26 Daycare Trust's 21 point plan, (2007), www.daycaretrust.org.uk/mod/fileman/files/Daycare_Trust_21_point_plan.pdf

Table 3.4: Reasons for not using childcare in last year, by yearly family income

	Under £10,000 %	£10,000-£19,999 %	£20,000-£31,999 %	£32,000+ %
I'd rather look after my child(ren) myself	**67**	**61**	**46**	**48**
I cannot afford childcare	**17**	**10**	**12**	**5**
I rarely need to be away from my children	25	19	24	19
There are no childcare providers available that I could trust	8	5	5	5
Quality of childcare is not good enough	+	1	3	2
My child(ren) are old enough to look after themselves	10	24	25	35
My child(ren) need special care	4	3	1	0
I have had bad experience using childcare in the past	1	+	0	0
I would have transport difficulties getting to a provider	1	2	1	0
Other reasons	8	7	12	12
My / partner's work hours or conditions fit around children	3	4	14	14
Unweighted base:	207	274	165	120

Base: All families who did not use childcare in the last year
+ denotes <0.5%
Source: Bryson C, Kazimirski A and Southwood H (2006), *Childcare and Early Years Provision: A Study of Parents' Use, Views and Experience*, Research Report 273, London. HMSO for the DfES

costs, according to Revenue & Customs, is to ensure that a "shopping incentive" remains to avoid the risk of increasing childcare cost inflation.[27] As long as this philosophy remains it is unlikely to alter the 80:20 structure.

Since eligibility barriers are high and many parents cannot afford formal care and anyway prefer to use informal care that is more flexible, it is unsurprising that very few take up the childcare element of the WTC.

Table 3.3 shows that the majority of low-income families do not use formal care, and Table 3.4 shows that a clear majority prefer to look after their children themselves.

Low-income families who need childcare choose informal rather than formal provision and this cannot be explained solely by cost and affordability, social and cultural factors are also involved. Vincent and Ball (2006) point to Duncan's work (2005), which "analyses how women's choices around paid work and children are 'socially and culturally created' through various factors such as the extent to which parents share domestic labour and through the development of normative views in social networks." Choices become social moralities. In a study by Jordan et al (1992) on an Exeter council estate in the late 1980s, respondents saw paid care as inappropriate and unaffordable, and using

27 Source: communication with HM Revenue and Customs

family members or close friends was almost always preferable. By contrast the middle-class respondents that Vincent and Ball interviewed used largely formal care, including qualified nannies, registered childminders and private day nurseries.

Affordability of formal care is often not the main concern regarding choice of childcare, the preference for informal care across all income groups tends to be based on the softer elements of the relationship with the carer, such as trust and flexibility. As Table 3.5 shows, 66 per cent of parents use informal childcare because they trust the person to look after their child. Despite the trained and qualified professionals that are available at centre-based care, these parents prefer informal care when it comes to trust. Yet parents who make their childcare decisions based on trust in this way are penalised financially as they fail the childcare test for the childcare element of the WTC.

Table 3.5: Main reason for using main informal provider by yearly family income

	Under £10,000	£10,000-£19,999	£20,000-£31,999	£32,000+	Total
	%	%	%	%	%
I could trust this person/ these people	59	62	68	75	66
I knew they would bring up my child the same way I would	6	7	2	3	4
The person is family	4	0	0	0	1
So that my child and a relative could spend time together	6	5	0	0	2
It was low cost	0	2	2	1	1
I could not afford to pay for formal childcare	8	10	8	4	8
It is easy to get to	0	0	2	1	1
I wanted someone who would show my child affection	6	5	7	10	7
I wanted reliable arrangements	3	2	3	1	2
No other choices available to me	2	2	5	2	2
I wanted my child to be looked after at home	2	0	1	1	1
I wanted my child to mix with other children	0	0	+	2	1
It fitted in with my own/husband/ wife/partner's working hours	4	0	0	0	1
Other reasons	4	2	4	1	3
Unweighted base	80	115	120	82	397

Base: All families with a pre-school aged "selected" child who only used an informal provider for this child in the last week, plus those parents who did have a formal provider but identified an informal provider as their main provider
+ denotes <0.5%
Note: The following reasons have not been included in this table due to low percentages: the child's siblings went there, they would be educated while being looked after, a good reputation
Source: Bryson C, Kazimirski A and Southwood H (2006), *Childcare and Early Years Provision: A Study of Parents' Use, Views and Experience*, Research Report 273, London. HMSO for the DfES

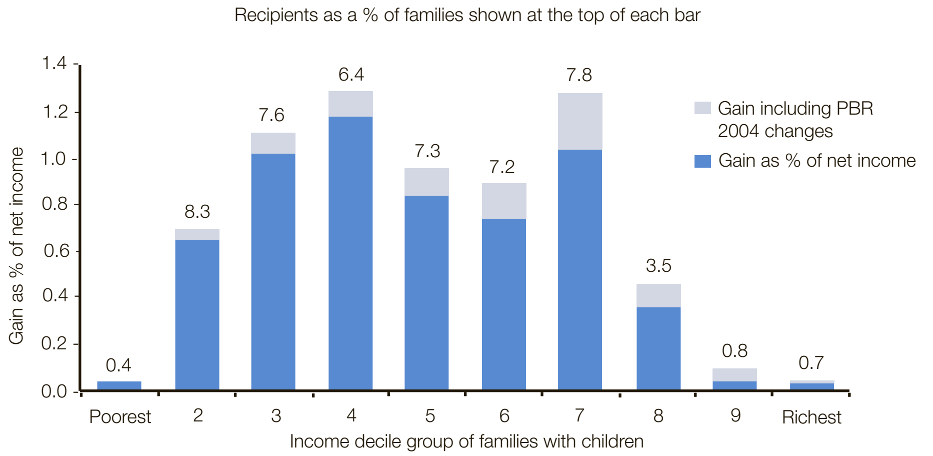
Regardless of whether the choice of childcare decision is informed by cost, social norms or some combination of the two, few families in the lowest income decile use the approved childcare that would make them eligible for the childcare element of the WTC. This form of care is generally used by "families [that] tend not to be the poorest in society" and "the beneficiaries…are mostly in the middle of the income distribution".[28]

Impact on families

Figure 3.3 shows that the childcare element of the WTC offers very little support to those in the lowest income decile because this group is predominantly made up of people who do not meet the 16 hours a week work test. Data prepared by the Institute for Fiscal Studies shows that the fourth and seventh income deciles also benefit significantly more than the second or third income deciles. This is most probably due to the former using more formal care and passing the childcare test. The fourth decile has just the right income spread to be eligible for support and therefore be able to use some proportion of formal care. The seventh decile would be at the high end of the spectrum for meaningful support, but would be able to use such high amounts of formal care that it would benefit from significant support in terms of the maximum value of the 80 per cent of £175 for one child or £300 for two children or more. The slightly lower proportional impact of the fifth and sixth deciles is likely to be an effect of these groups earning too much to be eligible for significant support, but not enough to afford much formal care. As a result, as a percentage of net income, the seventh decile has a larger proportion of beneficiaries than any other income group, and a larger proportion of families in the richest decile benefit than do in the poorest decile.

No detailed review of the number of eligible families claiming the childcare element of the WTC has been undertaken because the data on the number of families who pass the work and income

Figure 3.3: The distributional impact of the childcare element of the working tax credit



Note: Deciles are of families with children only; there are around 700,000 families with children in each decile. Results assume full take-up of tax credits. The graph does not show impact of childcare disregards in means-tested benefits, which will disproportionately benefit low-income families. PBR is the Pre-Budget Report – in 2004 the limit that could be claimed for one child was £175 per week and for two children £300 per week

Source: Institute for Fiscal Studies, Reforms to Childcare Policy, from the Green Budget, January 2005

28 Brewer M, Crawford C and Dearden L, (2005) *Reforms to Childcare Policy*, Institute for Fiscal Studies; www.ifs.org.uk/budgets/gb2005/05chap9.pdf

tests but not the childcare test is not available. However, a snapshot shows that in December 2007 a total of 427,600 families benefited from the childcare element of the WTC.[29] This amounts to 26 per cent of the 1.65 million families claiming the WTC,[30] but only 30 per cent of all of the 1.4 million families with children paying childcare costs.[31] These statistics show that few families benefit from the childcare element of the WTC and, as shown by Figure 3.3, of those who do benefit, not many are likely to come from the worst off.

> “It is not uncommon for parents to register their child for a place at an approved childcare provider, claim the childcare element of the WTC, but not take up the place as registered since they prefer not to use formal care”

Impact on the wider childcare market

We collected anecdotal evidence from private nursery providers regarding the impact of the childcare element of the WTC on their operations. We heard that it has at times resulted in outstanding debts and empty places at nurseries. It is not uncommon for parents to register their child for a place at an approved childcare provider, claim the childcare element of the WTC, but not take up the place as registered since they prefer not to use formal care. When a child takes a place, there is a cost incurred for providing the correct child to carer ratio that remains even if the child does not turn up. We have heard of private nurseries recently employing debt collectors for the first time to collect unpaid fees for places held for children who never used them.

“We have had cases when parents do turn up once or twice for a place they say they want in order to claim the childcare element of the WTC, but then never appear again. This is a flaw with the tax credits, not only for that child, but for the financial viability of the nursery holding the place”

(Jonathan Bell, Director, Just Learning)

Electronic childcare vouchers

Employers often offer salary sacrifice benefits to employees in the form of medical cover, insurance, shopping vouchers or other services. In these arrangements, an employee usually agrees to exchange a portion of his salary for a benefit that the employer can obtain at a lower price – often through bulk buying – than the employee. As these types of employee benefits arrangements became more common, the government saw them as a way to encourage employers to support childcare for employees. In the 2003 Pre-Budget Report and 2004 Budget, Gordon Brown announced that employer-supported nursery vouchers would be exempt from tax and National Insurance from April 2005. This arrangement allows employees to sacrifice a maximum of £243 of monthly gross salary and receive instead £243 of nursery vouchers. They can then use the vouchers to pay for approved childcare at a nursery that accepts the vouchers.

The saving for the employee can be worth up to £99 a month of tax and National Insurance contributions for higher-rate taxpayers, and £80 per month for basic-rate taxpayers. The benefit can be doubled for families in which both parents work for employers who offer the scheme. Employers benefit because they can waive the application of Class 1 Secondary National Insurance Contributions at 12.8 per cent to the salary sacrificed in favour of vouchers. The total cost to the Treasury (the lost tax and National Insurance) of the nursery voucher scheme was £20 million in 2005-06, rising to £25 million in 2006-07.[32]

29 HMRC Child and Working Tax Credit Statistics, December 2007, www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-dec07.pdf, Table 4.4

30 HMRC Child and Working Tax Credit Statistics, December 2007, www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-dec07.pdf, Table 1.1

31 Figures supplied by the Institute for Fiscal Studies

32 HM Treasury “Financial Statement and Budget Report, Budget 2004” Table A2; www.hm-treasury.gov.uk/budget/budget_04/budget_report/bud_bud04_repindex.cfm

Family 5-b

Type	Hours worked	Hourly pay	Weekly pay	Annual household income	Weekly CC cost	Annual CC cost	Weekly voucher value	Annual voucher value	Annual voucher saving	Annual CC cost minus voucher saving	Voucher saving as % of CC cost
Couple	39.4	£11.34	£446.80	£46,466.78	£233.60	£12,147.20	£55	£2,860	£943.80	£10,259.60	16
	39.4	£11.34	£446.80				£55	£2,860	£943.80		
							£110	£5,720	£1,887.60		

Family 5 showed that, for a two-parent family of average income with both parents working full time, there was no financial support via the childcare element of the WTC. However, if they both work for employers who provide electronic childcare vouchers, these are of value to the family as shown in Family 5b.

A family wishing to take advantage of the electronic childcare vouchers relies on the participation of at least one of the parent's employer. These tend to be larger companies, such as Pricewaterhouse Coopers, Shell and Sony, because the administration is a significant burden for smaller employers.

The voucher scheme works against single-parent families because the assistance is linked to each working adult in a household, rather than to the number of children or the number of hours of childcare used. A two-parent family can receive a childcare voucher worth up to £110 a week, but the maximum that a single-parent family can receive is £55 a week. In the adaptation of Family 4, called Family 4b, an extra child has been added to the family so that the childcare costs are directly comparable with the assistance provided by the voucher scheme for Family 5b.

Confusingly, the vouchers work against the childcare element of the WTC: if childcare is paid for with vouchers then it cannot be claimed as a childcare expense for the purpose of childcare element of WTC payments. This means parents are not automatically better off using the vouchers and could even find themselves worse off by using them. The Revenue & Customs website informs parents: "Your family will generally be worse off or, at best, no better off accepting childcare vouchers in return for a salary sacrifice if you can answer "yes" to both of the following: you are receiving tax credits of more than £545 per year (or £1,090 per year if you have a baby aged under one) and you are claiming for your childcare costs [or]

Family 4-b

Type	Hours worked	Hourly pay	Weekly pay	Annual household income	Weekly CC cost	Annual CC cost	Weekly voucher value	Annual voucher value	Annual voucher saving	Annual CC cost minus voucher saving	Voucher saving as % of CC cost
Single	39.4	£11.34	£446.80	£23,233.39	£233.60	£12,147.20	£55	£2,860	£943.80	£11,203.40	8

your eligible childcare costs are no more than £175 per week if you have one child or £300 per week if you have two or more children." It adds: "These are only general pointers and there can be exceptions to these rules."[33]

In 2005, the chairman of the Low Incomes Tax Reform Group commented that many families could make the wrong decision through no fault of their own because "the Inland Revenue has done little so far to explain the complexities for 'the man in the street…it will be the lower paid and middle income employees that will need to be most careful."[34]

> "Take-up is low because of the lack of choice and flexibility the payments currently provide and because of confusion and concern about the way payments are made"

The onus is on the parents to navigate this maze. Not only do they have to establish which childcare setting is best for their child, but they then have to work out which form of support they should use to assist with the costs. It is not surprising that even where the scheme is available, working parents seem reluctant to take advantage of it. According to research carried out by the voucher specialist, Childcare Choice, only one in 50 eligible working parents uses the scheme.[35] The reasons cited for the low take-up include parents' beliefs that applying for the scheme would be too difficult or time consuming.

Deciphering just how much the family will, or will not benefit from using childcare vouchers is further complicated by the possibility that the salary sacrifice may affect pension rights or maternity and paternity pay.[36]

The two state childcare funding streams for parents, the childcare element of the WTC and the electronic vouchers, give parents no choice about the type of care they use and little choice about whether to work or remain at home caring for their children. Take-up is low because of the lack of choice and flexibility the payments currently provide and because of confusion and concern about the way payments are made.

London Childcare Affordability Programme

To help those in the lowest income decile the London Development Agency (LDA) set up the Childcare Affordability Programme (CAP) in 2005, with funding for three years from the Sure Start Unit (£11 million from the DfES – now the DCSF – and £22 million from LDA). Childcare places at day nurseries in London frequently cost more than the maximum £175 a week per child threshold of support, so the CAP subsidises them by up to £30 a week with the aim of bringing the cost of the place down to £175 a week. This enables the parents to benefit from the maximum childcare element of the WTC and only pay the 20 per cent top-up over and above the support. Additionally there is a flexible-hours scheme through which parents can receive a subsidy of up to £68 a week to help with costs of care outside of typical working hours. However, in some cases money has been given directly to providers of places and it was some time before families took advantage of the places.

> *"CAP has had very limited take up in the areas where our nurseries operate. There are three main reasons: first, even though local authorities have the money there is little incentive for them to encourage people to take up the places. Secondly, some people see it as stigmatising; and, thirdly, when it is taken up, it's used for respite care and the forms*

33 For more details see HM Revenue & Customs website at www.hmrc.gov.uk/childcare/index.htm

34 See Phillip Inman in The Guardian, 16 April 2005; www.guardian.co.uk/money/2005/apr/16/childcare.familyfinance

35 See research by Childcare Choice, a childcare voucher specialist at www.childcarechoice.co.uk/documents/Parentscantbebothered010507AH.pdf

36 Lewis Hymanson Small, August 2007 www.lhs-solicitors.com/news/archive/08_07/1_090807_1.htm

required bring a huge administration problem"

(Carole Edmond, Managing Director, Teddies Nurseries)

Perhaps these situations could have been avoided with better information and promotion of the scheme, but it is still unclear whether this scheme could meet the needs of today's parents given its dependence on the childcare element of the WTC. Even with a top-up, fees at centre-based care settings are unlikely to be able to compete with informal networks of care. Nonetheless, the Chancellor announced plans to extend CAP to other areas in the UK in the recent 2008 budget.

A 2007 report recommended that a childcare affordability forum should be set up to lobby and do further research into "long-term measures, integrated measures to underpin the affordability and sustainability of childcare".[37] It suggested that it might explore the idea for a childcare credit card for low paid workers that would subsidise childcare in place of the Working Tax Credit. Denise Burke, Head of Childcare at the London Development Agency calls it "the virtual cash method of simplifying the way childcare is funded". She explains it as follows: "Reforming tax credits – removing the childcare element and putting it on an oyster debit card along with the early education grant and the employer supported childcare contribution. The debits would then be redeemable at registered child carers giving more parental choice as well as providing sustainability for childcare providers."

The current forms of demand-side funding impose severe restrictions on choice of childcare and inflexibility on working hours and family structures. Even the more creative projects such as the London CAP, specifically designed to increase access to funding and to nursery places, are too complicated. It still requires parents to use registered providers when the preference, or requirement for flexibility favours informal care.

37 London Councils, London Development Agency, Children's Workforce Development Council and Learning and Skills Council (2007), *Solving the quality/cost conundrum for London's childcare workforce*, http://213.86.122.139 /docs/childcare_report.pdf

4

Proposals for reform - family choice and flexibility

Childcare policy for the 0-3s has moved in the opposite direction to the rest of our public services, which are increasingly consumer-led. In Britain individual and home-based childcare is popular, including the use of nannies, live-in au-pairs, and childminders who go to family homes or look after just a few children in their own homes. The Government has partially addressed this preference with the decision to impose longer periods of maternity leave on employers, but subsidies for childcare after maternity leave do not support informal or home-based care at all. There is a widespread failure to acknowledge that parents generally prefer their children to be cared for in the home in the first three years of life rather than relying on centre-based childcare. When it comes to working families the Government assumes that they only want (or need) to use formal care during standard working hours.

> “We agree with Penelope Leach, the child development specialist, that the money should follow the child”

Sure Start and childcare

Contrary to the impression of a vast, centralised system often conveyed in the media, childcare is not Sure Start's principal purpose although some of the Children's Centres are meant to provide it. We conducted an informal telephone survey of 20 Sure Start Children's Centres and discovered that those centres which had on-site childcare provision had anywhere from 12 to 70 places available for under five year olds – in communities where there are an average of 800 children in that age group. Unsurprisingly, all but two of the centres we surveyed had a waiting list. The majority of the 20 centres refer parents to an external provider who may or may not be officially affiliated with Sure Start. The centres can play an important role in helping new parents and providing family services within local communities, but they do not have the financial means to provide childcare.

Many publications reviewing social policy and its effects conclude by calling for increased public spending – a larger slice of the cake for the particular service in question. Spend more is always the easiest recommendation and it is very common in reviews of care work (Himmelweit and Land, 2007). Although the core recommendations from this study would require the Government to spend more, its principal message is that it should spend differently and to greater effect. We agree with Penelope Leach, the child development specialist, that the money should follow the child.

Proposals for reform

A childcare policy with funding that follows the child should:

- increase choice for parents and their children in their first three years;
- improve child development and the parent's child-raising experience;
- keep policy simple to ensure reliability and high take-up and reduce administration costs.

Instead of assuming that work is the key objective and designing childcare policy around it, the aim of our proposed reform is to provide main carers with choice and flexibility about whether and when to work and what childcare provision to use.

A cash payment direct to parents

We propose the introduction of a Parental Care Allowance (PCA) in the form of a direct, universal cash payment of approximately £50-60 per week. This would replace the childcare element of the Working Tax Credit and the electronic voucher payments administered by employers, breaking the link with work and with registered childcare. It would be paid in addition to Child Benefit, but a simple way of administering the PCA, which would also link it to a secure benefit, would be via the existing Child Benefit system. The Government estimates that 98 per cent of all eligible parents claim Child Benefit, demonstrating that a universal benefit that is both simple to administer and to claim reaches its target market effectively.[1] It would remove the fear of being sucked into a worryingly complex benefit system that has been bedevilled by overpayment and reclaim, since a direct PCA payment could not be reclaimed at a later date.

An independent payment of this type for parents could be considered either as help with childcare costs, or supplementary income to make up for loss of earnings incurred while caring for a child. It would be paid for each child to the parent caring for the child and would be similar to the Parental Education Allowances (PEA) paid in other countries, such as the *Complément de libre choix d'activité (CLCA)* in France or Homecare Allowance in Finland and Norway. It allows parents more freedom to choose whether or not to work (and if so how much to work) and whether to spend this money on formal or informal care.

> *"A direct cash payment would be a great improvement. It would go some way to replacing the regular salary I forgo by choosing to care for my children myself and it would also avoid the agonising paper work and phone calls that claiming Tax Credits always seem to involve. And because it would go to all parents, not just earners, it would send a clear message that bringing up children is vital work, worthy of recompense by the Government and society."*
>
> (Juliet Chalk, full-time mother and member of Full Time Mothers network, who supplements her husband's income by freelance writing and editing when her children are sleeping)

Full Time Mothers (FTM) is a campaigning group founded in 1991 to counter social and economic pressure on mothers to return to work.

FTM acts as a voice for the many parents who want to be at home to bring up their children and campaigns for changes to tax and employment policy that would allow more mothers – and fathers – a real choice to be full-time carers. It wants to improve the status of parents who stay at home and highlight children's developmental needs, especially the benefits of consistent loving care.

FTM is a non-profit membership organisation run by volunteers. For more details on FTM's work or to join see www.fulltimemothers.org

1 House of Commons Hansard, written answers 7 March 2006, col 1296W; http://www.publications.parliament.uk/pa/cm200506/cmhansrd/vo060307/text/60307w18.htm#60307w18.html_sbhd0

Information, information, information

Parents would need detailed local knowledge in order to make the best decisions for their children. Structured educational programmes, such as the David Olds Nurse Partnership and the similar pilot being tested in Britain, which are run by qualified professionals, are excellent for particular vulnerable groups such as teenage first-time mothers. A recent YouGov poll conducted in association with the Family and Parenting Institute shows that 83 per cent of parents want support and advice in the home. The Health Visitor programme is especially appropriate for this work, but the institute has highlighted how much it varies from area to area.[2] Sure Start Children's Centres could have a critical role to play here, particularly in the most disadvantaged areas where families have to be sought out rather than being expected to come into centres.

Flexibility

The Parental Care Allowance would support any family set-up as it has no requirements attached to it and no restrictions. It would support mothers or fathers who decide to stay at home full time to care for their child in the first three years before the Early Years Entitlement begins. For the mother and/or father who decided to return to work it would help them to secure the most appropriate childcare available – family or other home-based care, child minding or nursery-based care. For mothers and fathers on shift work who share the child raising role between them, it would allow them the flexibility that current arrangements cannot offer.

Structuring a Parental Care Allowance

Amount

We have assessed the amount provided by similar schemes in France, Norway and Finland (see Table 4.1) as well as at the current average spend on childcare in the UK.[3]

The range of funding as a percentage of GDP per capita for a child in our international comparisons is 15-19 per cent. If parents in the UK were provided with a similar range of between 15-20 per cent of per capita GDP for each child under 39 months, this would equate to a payment of between £45 and £60 a child a week.[4]

Arriving at a PCA amount that it is enough to provide parents with choice but realistic for government spending is a challenge. If set too low, it will not provide real choice regarding work versus home care or the type of childcare; if too high the policy will be ruled out of consideration. Ultimately, the PCA should be viewed within the Government's overall childcare policy. For example, since local authority nurseries are more expensive to run than private nurseries, yet less effective, does the allowance offer better value than government funding directed to institutions? In Finland, women are said to have come under pressure to take the parental allowance rather than a more

Table 4.1

Country	Monthly payment (£)	Yearly payment (£)	Weekly payment (£)	GDP per capita (£) (2004)	Funding as % of GDP/capita/child
France	182.20	2,186.48	42.05	14,210.93	15%
Norway	296.24	3,554.88	68.36	18,650.76	19%
Finland	211.72	2,540.64	48.86	14,526.66	17%

2 Gimson S, *Why Campaign for Health Visitors?*, (2007) the Family and Parenting Institute www.familyandparenting.org/Filestore/Documents/publications/FPI_Health_Visitors5.pdf

3 All information is from the International Leave Network webpage: www.sfi.dk/sw46603.asp

4 Based on the 2004 UK per capita GDP, which was £14,948.62

expensive state-provided childcare place. Such pressure needs to be avoided. If it is not, or if the allowance is set too high, some women who want to work may be deterred from doing so.

According to the Family Resources Survey there are 644,000 families paying for childcare for under 3s, spending an average of £70.24 a child a week.[5] In Europe parents pay 30 per cent of childcare costs on average; in Britain they pay 70 per cent.[6] A PCA of about £50 per week constitutes approximately 70 per cent of the average £70.24, bringing the parental contribution to childcare into line with other European countries.

The PCA would place value on the role of parents, particularly women, who want to stay at home to raise their children and reduce the social pressure on them to go out to work. Of those mothers who do work, a clear majority work part-time and it is important to consider the value of the PCA in this context. The median earnings of working women with pre-school children in 2005-06 were £173.[7] However, the average part-time job pays around £140 per week.[8] A PCA in the region of £50 to £60 would equate to around 31 per cent of the median earnings for working women with pre-school children and around 40 per cent of earnings for the average part-time job. This is broadly in line with the value of the Homecare Allowance in Finland which is equivalent to 40 per cent of average female monthly earnings of employees, albeit for full-time jobs which are more common than part-time jobs, and has had significant take up (Ilmakunnas, 1997).

> *"Living on one teacher's salary instead of two has never been easy, but we always knew that when we had children we would look after them at home. Paying someone else to look after my children while I look after other people's goes completely against maternal instinct and made no financial sense for us. I believe that babies need the security of their own home and the love of a constant carer. Given this commonly accepted fact, why does current policy pay someone else to care for my child but does not support me in doing it myself? Aside from the negative message that this sends out to parents looking after their own children at home, we could really use even a small amount of money to help with the basics for the family during what has been an anxious time financially."*
>
> (Jessica Renison , full-time mother of two boys under 3, FTM Network)

When should the PCA start?

We propose that the Parental Care Allowance should be payable for children from 0-3 years, meaning from after they are born to when they start pre-school. Specifically this means post-birth until the term after the third birthday that the child becomes eligible for Early Years Entitlement at a registered nursery place. "Post-birth" triggers the question of whether the payment should commence at birth or after maternity pay has ceased. In countries where a PCA or similar scheme has been introduced the timing of the allowance varies. In Norway it runs from when a child is born until aged 2, in France it is available for one year during the period from birth to 3 and in Finland it runs from the end of maternity leave until 3.

Parents in the UK are able to receive maternity pay through either Statutory Maternity Pay (SMP) or the Maternity Allowance (MA) from the 11th week before their baby is due, for a maximum of 39 weeks. The amount paid is related to earnings, but is not more than £112.75 per week. Mothers who are not eligible for either the SMP or MA might be entitled to the Sure Start Maternity Grant, a one-off payment of £500.[9] The PCA should not be considered supplementary to SMP or MA

5 Figures supplied by the Institute for Fiscal Studies

6 Daycare Trust, Childcare Costs Survey (2007), www.daycaretrust.org.uk/article.php?sid=292

7 Figures supplied by the Institute for Fiscal Studies

8 From the Office for National Statistics Annual Survey of Hours and Earnings (ASHE), First Release, 7 Nov 2007. Part-time median weekly earnings are £144 per week

9 In 2005-6 237,510 women claimed the Sure Start Maternity Grant at a total cost of £118,755,000

as it is not part of a maternity leave package. However, parents who return to work before 39 weeks are receiving neither maternity pay, nor childcare assistance and should be eligible to claim the PCA.

Therefore, we propose that, as in Finland, the PCA should be available from birth, but not while parents are claiming any other form of child-related leave benefit (including Statutory Paternity Pay). However, we would recommend replacing the Sure Start Maternity Grant with the PCA, so that parents need claim only the one benefit.

We propose that, at first, the PCA should cease when a child begins to use the Early Years Entitlement: at the beginning of the school term after the child's third birthday. For our analysis we have used an average of 39 months. The extension of the EYE from 12-and-a-half hours a week to 20 hours a week will subsidise both childcare and an early education service: the extension will often enable a parent to take the average part-time job of 16 hours a week. Currently the hours provided by EYE are not enough to constitute a childcare place and the focus is on this being a child development initiative. The extension of the EYE may help to integrate childcare and early education, which have historically been separately funded.

If adopted and successful, the PCA could be considered as the principle non-schooling payment before compulsory schooling, which would mean extending it from 0-3 years to include 3-4 years. We have not analysed the EYE in detail but despite its popularity, it does undermine private and voluntary nurseries causing 3-4 year olds to drift to maintained settings, as we discuss in Chapter 2. A Parental Care Allowance that gives parents the freedom to choose which nursery to use may remove some of these difficulties.

Should the PCA be tapered?

In 2005-06 there were just under 1.4 million children aged 12-36 months in the UK and of these 49,875 are in a family where there is at least one other child in the same age group.[10] Since our proposed PCA would commence after maternity pay and since about two-thirds of women work during pregnancy with the majority back in work by the time the baby is nine months old (Dex and Ward, 2007), many parents will not claim a PCA until then. Given the low number of children with siblings in the 12-36 month bracket, and therefore the likely low number within the 9-39 months bracket (data we could not find), the complications associated with introducing a taper for second or later children are unlikely to justify the cost saving to the Government. It would be a disadvantage too for working families for whom childcare costs generally increase in line with the number of children they have (not the case for those using a nanny or au pair who looks after more than one child); in general large families have greater costs and are more likely to fall into poverty.[11]

Should the PCA be taxable?

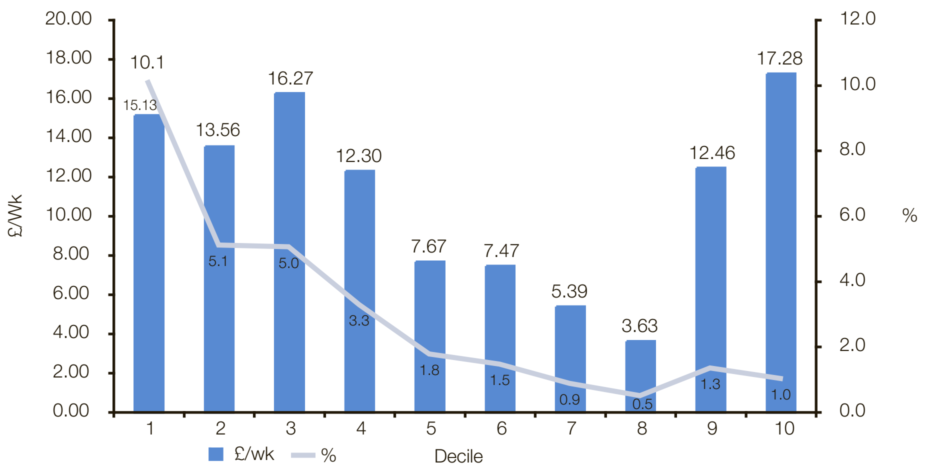
One consequence of a universal benefit that is not taxed is that the wealthiest benefit in absolute terms as much as the poorest. However, a simple and easy to administer scheme is critical to the success of the policy. Means-tested benefits are often not taken up by those who qualify and they increase the risk of families falling into the poverty trap (Bradshaw et al 2006, for the Joseph Rowntree Foundation). Universal payments, unlike means-tested ones, are not progressive because they do not weight payments according to need. Instead of targeting the few, the money is spread wider; if they took it up, those at the lower end of the income scale would not benefit as much from a universal as from a means-tested PCA.

The two graphs below show who would benefit from a PCA that was taxed and who would benefit from a PCA that was not taxed. Both take into account the loss of the childcare element of the Working Tax Credit. The impact of abolishing the electronic

10 Figures supplied by the Institute for Fiscal Studies and taken as a direct estimate from the Family Resources Study. The exact number of children aged 12-36 months is 1,383,000

11 See for instance Child Poverty Action Group campaign to Make Child Benefit Count at cpag.org.uk and www.makechildbenefitcount.org/

Figure 4.1: Impact of a PCA if neither taxed nor counted as income for tax credit purposes



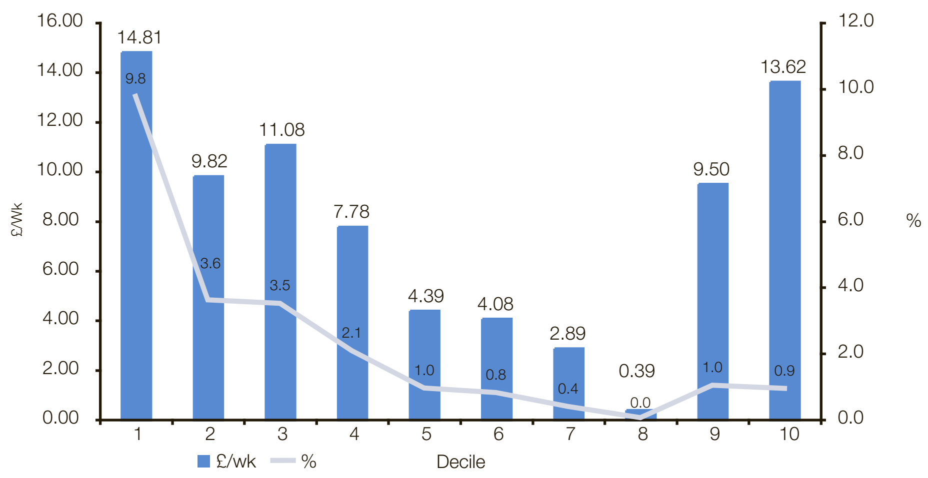
Source: Figures supplied by the Institute for Fiscal Studies

voucher scheme is generally negligible because the sums involved are so small. The income groups that would benefit least from a PCA payment in terms of absolute value – the middle-income deciles – are those that currently benefit most from the childcare element of the WTC (Figure 3.3 in Chapter 3).

The first graph shows the distributional impact in weekly income in both absolute and percentage terms for the families that would be eligible for a £55 weekly PCA that is not taxed. This is the impact across 7,000,000 families; some have children under 2 years old and some do not, hence the average increase in income across all families is well below the £55 payment that a family with one child under 2 years old would receive.

In both cases the families in the lowest 10 per cent gain most: their income would increase by over 9 per cent on average. If the PCA were taxed, and assuming that decile one is largely made up of non-employed parents, it is the second and third income deciles

Figure 4.2: Impact of a PCA if taxed and counted as income for tax credit purposes



Source: Figures supplied by the Institute for Fiscal Studies that would be hard hit once they started to earn taxable income. This could deter them from getting work, but even if it did not, working households are not necessarily able to lift themselves out of poverty, as a recent report from the Institute of Public Policy Research has highlighted. Its analysis shows that the number of poor, workless households with children has declined by 300,000 since 1997, but the number of poor working households has increased by 200,000 and those with children face twice the risk of poverty as those without (Cooke and Lawton, 2007). For such families the PCA would provide far more security for covering the childcare costs associated with working than the childcare element of the WTC.

Taxing the PCA would also hit the highest income decile because of their higher tax band. But as they are unlikely to receive the Working Tax Credit now, their weekly income is not reduced as much as that of families lower down the income scale who are receiving the childcare element of the WTC. If the PCA were taxed and non-transferable, then high-income families that could already support one non-working parent would receive more help than families where both parents needed to work as a matter of financial necessity. However, as with Child Benefit and any universal payment, the number of these people is small enough to balance the advantages of a simple and certain allowance for the rest of the eligible population.

Child Benefit is paid to the main carer and has proved highly successful. We propose that like Child Benefit, the Parental Care Allowance is paid to the main carer and is non-transferable between partners. This means that those carers who choose to reduce their working hours (or stop working completely) will be able to treat it as their own income, increasing their financial security and recognising their role as a carer.

"I could not do without my child benefit money as it is money which helps me fund some of my own general expenses and that of the children, including essential items of clothing and special outings we couldn't otherwise afford, particularly school trips. It also helps pay for things we'd never budgeted for including, for example, dental treatment and bus fares to school. My husband's rate of tax does not reflect the fact that as well as supporting growing children, he also has to meet the needs of another adult (me) as I have effectively been an unwaged carer for the best part of 14 years and we will always feel the effects of that period without a second wage. Although I have very recently gone back to part time school-hours, term-time work I find it very difficult as there is no help from extended family to step in when one of the children is off school for whatever reason. My income is negligible as I have had to take a low-paid flexible hours job as a freelancer and I do not even earn as much as the single person's allowance. The children have to come first. There is no married couples' allowance and no transferable tax allowance or income splitting as I understand exists in other countries and which recognise the responsibilities of caring. The latter would really enable us to keep more of our earned income as a couple raising children. It goes without saying that I would be delighted for some long overdue recognition of the work mums do, 24/7. It is not an easy job and I have put my own financial security, independence and future pension at risk in order to provide for the children, yet I feel as if I have been invisible and have not made any contribution at all."

(Marie Peacock, mother of four children aged between 5 and 14 years old. Volunteer for the family charity Home Start and member of FTM Network)

The graphs demonstrate the impact on families in each income decile not what

Family 1 with PCA

Type	Hours worked	Hourly pay	Annual household income	Hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	Annual value of PCA	PCA as % of CC costs	Annual CCE payment
Couple	39.4	£6.80	£27,863.68	40	£3.04	£121.60	£6,323.20	£2,860	45	£817.69
	39.4	**£6.80**								

Family 2 with PCA

Type	Hours worked	Hourly pay	Annual household income	Hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	Annual value of PCA	PCA as % of CC costs	Annual CCE payment
Single	39.4	£6.80	£13,931.84	40	£3.04	£121.60	£6,323.20	£2,860	45	£5,044.77

Family 3 with PCA

Type	Hours worked	Hourly pay	Annual household income	Hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	Annual value of PCA	PCA as % of CC costs	Annual CCE payment
Couple	39.4	£6.80	£18,524.48	20	£3.04	£60.80	£3,161.60	£2,860	90	£1,741.38
	16	£5.52								

Family 4 with PCA

Type	Hours worked	Hourly pay	Annual household income	Hours of CC used	Hourly CC cost	Weekly CC costs	Annual CC costs	Annual value of PCA	PCA as % of CC costs	Annual CCE payment
Single	39	£11.30	£23,233.39	40	£3.04	£121.60	£6,323.20	£2,860	45	£2,526.23

happens in individual cases. They reflect families with the average number of children in each decile, the average claims for tax credits of all varieties, the average claims for other welfare benefits, the average marginal tax payment rates of mothers/main carers in each income band, average spending on childcare and average levels of support received. In order to assess the impact of the PCA at an individual level we have examined the cases of the five families introduced in Chapter 3.

Under the childcare element of the WTC Family 1, in which both parents work full time for low pay, receives very little help, but the low-income one-parent Family 2 receives substantially more because total household income is lower. With the PCA, Families 1, 2 and 3 (the low-income couple with one parent working full time and one part time) would all receive the same amount because they all have one child and the money follows the child. Families 1 and 3 will be better off than Family 2 because, with both parents in employment, their total household income is higher. However, as discussed in Chapter 3, take-up of the childcare element of the WTC is low, even among single-parent families; we would expect more families to take up the PCA than currently benefit from the childcare element of the WTC.

Under the childcare element of the WTC, Family 3 is substantially worse off than Family 4, the single parent on average income. The Parental Care Allowance would treat these two families equally because both have one child. Both will be better off under the PCA, but the lower income Family 3 receives a larger increase in the percentage of costs supported. Again, this presents a fairer deal for all families as the money follows the child rather than favouring or discriminating against family types.

Remove childcare element of Working Tax Credit

The following table summarises the difference in percentage of childcare costs covered that the PCA offers over the childcare element of the WTC for our five model families.

We conclude that, overall, the complications and inflexibility associated with a means-tested benefit linked to the welfare-to-work agenda cannot provide parents with adequate flexibility and choice over their decisions with regards to work and childcare. Although the childcare element of the WTC is available for families with children of any age and our proposal is for children of 0-3 years, use of childcare is most intensive in these first years befor pre-school and school. They are also the years where parents have the choice to care for their children themselves.

"I have worked out that we get my husband's tax back, pretty much to the penny, in tax credits so it would make more sense to remove the expenses involved in paperwork and just give us a direct cash allowance; £50/£60 would make life much easier, particularly if it

Table 4.2

Family	Income	Annual childcare cost	Annual household income	% of childcare covered with childcare element of working tax credit	% of childcare covered with our PCA proposal
Full time couple, 1 child	Low income	£6,323	£27,864	13	45
Full time single, 1 child	Low income	£6,323	£13,932	80	45
Full/part time couple, 1 child	Low income	£3,162	£18,524	55	90
Full time single, 1 child	Average income	£6,323	£23,233	40	45
Full time couple, 2 children	Average income	£12,147	£46,467	0	24

Family 5-b

Type	Hours worked	Hourly pay	Weekly pay	Annual Household Income	Weekly CC costs	Annual CC costs	Annual voucher saving	Voucher saving as % of CC costs	Annual value of the PCA	PCA as % of CC costs
Couple	39.4	£11.34	£446.80	£46,466.78	£233.60	£12,147.20	£943.80	16	£2,860	24
	39.4	£11.34	£446.80				£943.80			
							£1,887.60			

removed the stress of dealing with tax credits and all they entail. For example, wondering if, through no fault of our own, we have been overpaid and will be landed with a demand for the money back in the future. Mistakes have been made a number of times with our claim and it is only through our own diligence that they have been rectified."
(Mairead Sheerin, mother of two under 5s, self-employed but caring for her children full-time, FTM Network)

Withdraw electronic voucher scheme

Although voucher schemes provide funds that follow the child, they depend on paid employment and can be used only for registered childcare. They offer a significant financial benefit to parents lucky enough to work for employers that use the scheme, but these are few due to cumbersome administration and the economies of scale required. We propose that the electronic voucher scheme is withdrawn and replaced with a universal PCA.

We have used Family 5b to compare the gain from vouchers with the gain from the PCA. The allowance removes any assumption that the parents work, but if both parents did work then this family would be better off with a payment of £55 for each child, rather than with a voucher of £55 for a parent.

Another proposal that has been put forward to address the problems with the voucher system and the childcare element of the WTC is the idea of a debit card in the style of the "oyster card" used for public transport in London. Denise Burke, head of childcare for the London Development Agency proposes this, explaining that it puts the choice and decision in the hands of parents over when and which nursery to use. Under this proposal, the money follows the child and provides parent choice over the provider. However, it might be administratively expensive and complex, and as it is linked to a nursery place it provides choice to parents only over which nursery to use and when, it does not provide choice about whether to use informal care or to use the money to support parents' own care of their child.

Financing the PCA

A simple, direct payment to a child's parent could attract a similar take-up to Child Benefit (98 per cent).[12] If our proposed £50-60 a week PCA achieved 100 per cent take-up for children aged 9-39 months, it would cost £5.4 billion.[13] Taxing it and making it count as income for tax credit purposes, reduces that cost to £4.1 billion.[14] These costs are based on current numbers of children in the 0-4 years age range and extrapolated to reflect our policy covering post-maternity to pre-Early Years Entitlement. However, in October 2007, the Office for National Statistics released figures for projected populations that showed a larger increase in child population than previously anticipated – a

12 House of Commons Hansard, Written Answers 7 March 2006, col 1296W, www.publications.parliament.uk/pa/cm200506/cmhansrd/vo060307/text/60307w18.htm#60307w18.html_sbhd0

13 For total cost, we have used £55 per child as the mean of the £50-60 proposed range. There are 1,383,000 children aged between 12 and 36 months. Extrapolating this number, gives 1,729,000 children aged between 9 and 39 months. If a third of children aged 0-9 months have mothers who are not entitled to maternity pay/maternity allowance, the total number of children who might benefit from this could be around 1,902,000. Figures supplied by the Institute for Fiscal Studies

14 The saving to the Government of making the payment taxable is approximately 10 per cent and the saving by making the payment eligible income for tax credit purposes is 25 per cent. So the total if the payment is both taxable and eligible income for tax credit purposes is £4.1bn. If it is taxable only, it is £4.9bn and if it is only eligible income for tax credit purposes the total is £4.6bn. Figures supplied by the Institute for Fiscal Studies

14 per cent increase in 0-4 year olds in the next ten years.[15]

The latest statistics for the childcare element of the WTC from December 2007 show that 427,600 families claim it, at an average weekly entitlement of £64.19 per week, or just over £1.4 billion in total annually. This sum would be saved under our proposal, together with the (unquantified) costs of administering this part of the scheme. In 2005-06 the total administrative costs of the tax credit system were £587 million (Cooke and Lawton, 2007). Electronic vouchers cost approximately £20 million per year and this would also be saved.

Replacing these two schemes with the PCA provides only £1.4 billion for a £5.4 billion proposal if not taxed, £4.1 billion if taxed. Adding the Sure Start Maternity Grant provides an extra £119 million, taking the total to just over £1.5 billion. The PCA would cost the Government more than parents are currently claiming for childcare because it is likely to be a successful and popular policy. Less money would be spent on bureaucracy and administration and more on the real target: very young children. We make some brief suggestions for further analysis which could determine sources of funding for the PCA.

Suggestions for additional funding to support the PCA

1. Child Tax Credit for Higher Income Families

Because of the way it is calculated, the Child Tax Credit is available to families earning up to about £58,000 or £66,000 in the year of a child's birth, for 2008/9, significantly higher than average annual household income of £32,342.[16] In addition, although we could not find income statistics for average families with pre-school children, the average male earnings per week of £498[17] and the average weekly earnings of a mother of pre-school children at £173 per week[18] suggest an average annual income for a family with pre-school children where both parents work is in the region of £35,000.[19] If the family element of the CTC were tapered away at a figure more in line with average family earnings, for example £30,000, £900 million would be released from current CTC payments – assuming that they are being paid out to 100 per cent of eligible families.

2. Childcare in Sure Start Children's Centres

Information is not available to determine how much of the Sure Start grant is spent on childcare provision, so we cannot calculate how much would be saved if Children's Centres ceased to provide daycare places and focused instead on providing family support and links to private, voluntary and independent sector childcare. The £4 billion for Sure Start for the next three years that was announced in August 2007 will probably be required to make good the shortcomings in outreach to the most disadvantaged. The challenging target numbers set for new centres suggest that any proposal to reduce its budget will fall on deaf ears. But the lack of data and breakdowns of expenditure, coupled with the results of our informal survey that showed just how confused staff are over their funding and their governance, prompts us to suggest a closer look at the finances, particularly related to Sure Start childcare provision.

3. Child Benefit for over 16s

We have identified that £1.4 billion is currently spent on Child Benefit for young adults aged 16 and over.[20] Although we have not conducted any analysis on the impact of Child Benefit to families with children over 16 years, we suggest that it would be useful to do so. In Finland the equivalent payment is paid up to each child's 17th birthday. The Government's plans for increasing the normal school leaving age from 16 to 18 may be a significant factor affecting Child Benefit for this age group and the impact of lowering the age limit for this payment requires detailed analysis.

15 See Office for National Statistics projected populations at www.gad.gov.uk/Demography.Data/Population/2006/england/weng065y.xls

16 In 2006 the average UK household income was £32,342; www.denbighshire.gov.uk/EN/EnvDirec.nsf/0fe70aef12d2674a80256763004d8527/ab69c47e8ab4346980256d2000313627/$FILE/Average%20Household%20Income%202006.pdf

17 Annual Survey of Hours and Earnings (ASHE), first release, 7 Nov 2007

18 Figures supplied by the Institute for Fiscal Studies

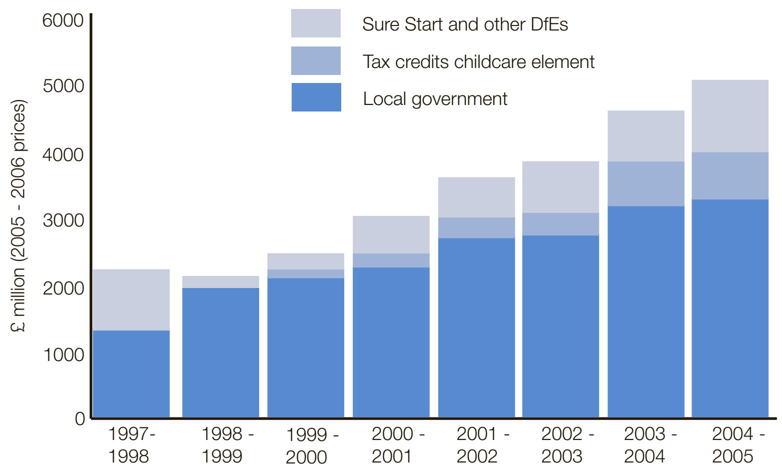
19 Figures supplied by the Institute for Fiscal Studies

20 See Child Benefit Quarterly Statistics on the HM Revenue & Customs website at www.hmrc.gov.uk/stats/child_benefit/quarterly.htm

Appendix A

Between 1997 an 2006 the Government has spent £17 billion on childcare and early years services, including pre-school education, parenting help and support, childcare workforce investment, tax credits and employer-administered electronic vouchers (Figure 1). For the year 2007-08 spending is predicted to be £5.5 billion (Stanley, Bellamy and Cooke 2006). *Sure Start*, has received £4.8 billion in funding since 1997 (see Table 1). The Sure Start Grant, paid by the Department for Children, Schools and Families (DCSF) to local authorities or other lead agencies, was estimated to be over £1.5 billion for the year 2006-07.[1] In August 2007, it was announced that the budget for the Sure Start grant from 2009 to 2011

Figure 1: Government Expenditure on Early Years Services 1997 - 2005



Source: DfEs, HM Treasury and HM Revenue and Customs

Table 1: Sure Start expenditure for the period from 1997-98 to 2005-06

	97-98	98-99	99-2000	2000-01	01-02	02-03	03-04	04-05	05-06	Total
Total Sure Start current and capital expenditure (£ millions)	4*	179	213	367	467	680	720	928	1,240	**4,798**
Of which: SSLPs/ Children's Centres (£ millions)	0	0	7	56	134	216	365	568	746**	**2,092**

Total expenditure includes Sure Start Local Programmes (SSLPs), childcare and some nursery education funding. From 2003-04, SSLP/Children's Centres expenditure starts to include funding for Sure Start Children's Centres

*1997-98 saw the withdrawal of the nursery education voucher and a move towards universal nursery education funding for all four year olds. Free early education provision for all three year olds came in from 2004.
**Provisional figure.
Source: House of Commons Committee of Public Accounts, 2007

1 Correspondence with the Department for Education and Skills (DfES), now the Department for Children, Schools and Families (DCSF)

would be £4 billion, providing an average of £1.3 billion per year.[2]

The Early Years Education Entitlement (*EYE*) began in 2004 and in 2005-06 the total spending on it was £2.9 billion.[3] Currently EYE provides 3-4 year olds with 12-and-a-half hours a week of nursery time. If, as stated as a goal in the Ten-Year Strategy, it is increased to 20 hours a week, it would be equal to a part-time childcare place (if we consider part-time work to at least match the 16 hours per week of work required to qualify for the childcare element of the working tax credit) and would be of more value to working parents.

Tax credits attempt to make childcare more affordable for low-income working parents. The underlying policy goals are to encourage women, particularly single mothers, back into the workplace and to make work pay, that is, to ease the shift from unemployment benefits into work. Since 1997, almost £80 billion has been spent on tax credits.[4] In 2005-06, £858 million was distributed through the childcare element of the WTC.[5] A snapshot of the number of families claiming it in April 2006 shows that £972 million was being distributed over the course of a year; in December 2007 it was £1.4 billion.[6]

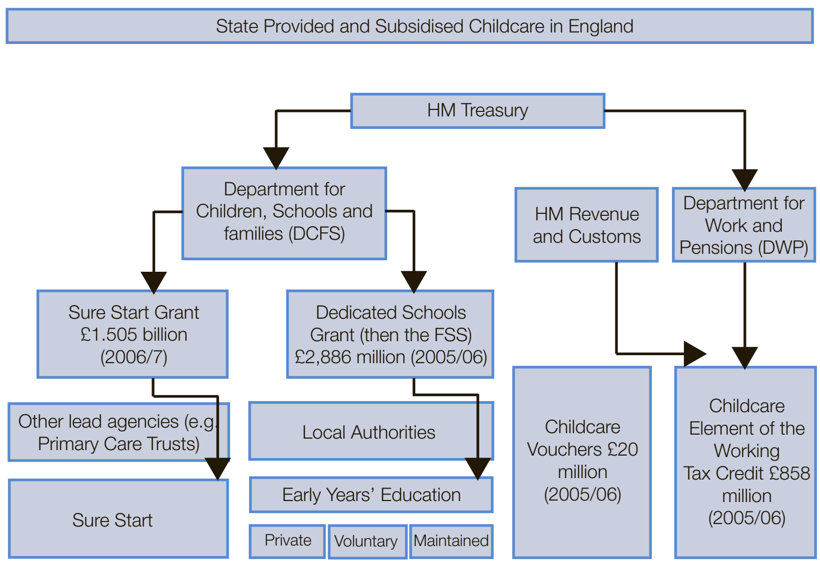
Electronic vouchers allow parents to save tax and National Insurance contributions on childcare payments through a salary sacrifice scheme. They began in 2005, and £20 million was set aside for the scheme by HM Revenue & Customs in 2005-06 rising to £25 million in 2006-07.[7] At first vouchers were worth £50 a week in return for a salary sacrifice of the same amount; in April 2006 this was increased to £55 a week.

The flow of the various funding streams is displayed in Figure 2.[8]

Comparisons with other countries

The UK currently spends around 0.5 per cent of its GDP on education and care for 0-6 year olds, much less than Denmark, Sweden and Norway (see Figure 3). A report published by the Daycare Trust,

Figure 2: Childcare Funding Streams



2 See reports at http://society.guardian.co.uk/children/story/0,,2140325,00.html

3 Correspondence with the Department for Education and Skills (DfES), now the Department for Children, Schools and Families (DCSF). The exact stated expenditure was £2,886 million

4 Public Expenditure Statistical Analyses (2005 and 2007). www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa05.cfm. Note that tax credits include Working Tax Credits, Stakeholder Pension Credits, and from 2003-4 Child Tax Credits previously included as child allowances in Income Support and Jobseekers' Allowance

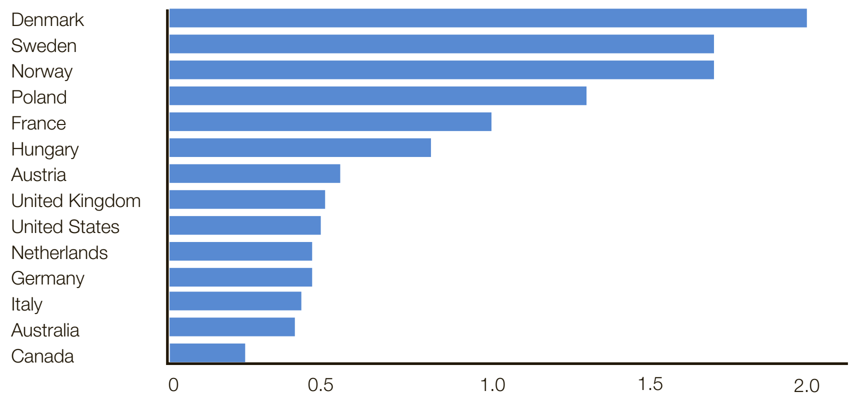
5 HMRC Child and Working Tax Credit Statistics – Finalised Awards – 2005-06 Table 2.3; www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm

6 HMRC Child and Working Tax Credit Statistics – Provisional Awards at snapshot dates. www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm

7 HM Treasury "Financial Statement and Budget Report, Budget 2004" Table A2; www.hm-treasury.gov.uk/budget/budget_04/budget_report/bud_bud04_repindex.cfm

8 Both Sure Start Grant and Dedicated Schools Grant figures came from correspondence with the Department for Education and Skills (DfES), now the Department for Children, Schools and Families (DCSF). For the Sure Start Grant there was no breakdown provided for 2005-06, the allocation for 2004-06 was £1.172 billion. Voucher spending came from www.hmrc.gov.uk/ria/emp-supp-childcare.pdf .The childcare element of the WTC came from HMRC Child and Working Tax Credit Statistics – Finalised Awards – 2005-06 Table 2.3; www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm. Tax credits are operated by HMRC but are the responsibility of the Department for Work and Pensions. The money itself is not part of the Departmental Expenditure Limits (DEL) in the public accounts and does not go through either department. It comes direct from the Treasury as part of Annual Managed Expenditure (AME). We understand that HMRC makes the actual payments so the funding stream is effectively funnelled through HMRC despite being the responsibility of DWP. We therefore show lines from both HMRC and DWP to the childcare element of the WTC box on our diagram

Figure 3: Public expenditure on early childhood education and care services (0-6 years) in selected OECD countries (%)



Note: This graph is comprised of expenditure estimates, based on replies provided by country authorities to an OECD survey in 2004. The figures suggest that Denmark spends 2 per cent of GDP on early childhood services for 0-6 year olds, and Sweden 1.7 per cent. These countries – and Finland – also allocate an additional 0.3 per cent to pre-school classes for children aged 6 to 7 years.

Source: OECD (2001-2006) Starting Strong: Early Childhood Education and Care, Vols 1-2, Paris: OECD

the Social Market Foundation and Pricewaterhouse Coopers costed an extensive package of care at about 2.6 per cent of GDP, and that assumed a parental contribution of about 30 per cent.[9] The package for all two, three and four year olds, comprised 20 hours a week of free early years education and "wrap-around" education and care from 8am to 6pm, as well as either extended paid maternity leave (for 18 months) or an allowance paid to parents who stay at home when their child is aged 12 to 24 months, plus income-related subsidies to pay for education and care. This package required more than four times the 0.5 per cent of GDP that existing government spending constitutes.

9 Daycare Trust, Social Market Foundation and PricewaterhouseCoopers (224), *Universal Early Education and Care in 2020: Costs, benefits and funding options*, (2004) www.daycaretrust.org.uk/mod/fileman/files/costs_benefits_and_funding_options_final.pdf

Appendix B

Calculating Tax Credits

There are currently two types of tax credit: Child Tax Credit (CTC) and Working Tax Credit (WTC).

CTC is available to low and middle-income families with children. WTC is a payment to "top up the earnings of low paid working people (whether employed or self-employed, including those who do not have children)".[1] WTC also has a childcare element that is paid directly to the main carer to support the payment of childcare costs at a registered provider for pre-school children.

Calculating Tax Credits

Stage 1 – establish the award period and the entitlement period(s)

The award period runs from the "effective date" of the claim to the end of the tax year in which the claim is made or the date on which tax credit eligibility ceases if that is earlier. Renewal claims run for the whole of the tax year, assuming, again, that the claimant continues to be eligible throughout the tax year.

The "effective date" of the claim is not necessarily the date that the claim form is completed or when it is received by the tax credits department. The HMRC *Manual on Tax Credits* gives the following example of when the effective date might begin:

> *"For example, in the three months prior to receipt of the claim the claimant started a new job (or changed their hours of work) and ceased claiming a benefit. In this case the effective date of the WTC claim will be the date the claimant first started qualifying remunerative work, or first satisfied the entitlement criteria for WTC, within the three month period."* [2]

The entitlement period (or periods) is the period within the award period when different tax credit eligibility applies. For example, an individual may be eligible for tax credits throughout the tax year, and hence the tax year (6 April to the following 5 April) is the award period, but in that tax year the individual's income may change or they may have a child who turns 16 during, thus altering the tax credits for which they are eligible.

Stage 2 – calculate the maximum tax credit entitlement for the entitlement period(s)

This is done in two steps: first the non-childcare elements of WTC and CTC and then the childcare element.

For each entitlement period within the award period, a calculation is performed to determine the maximum tax credits, excluding the childcare element, to which the claimant is entitled before considering any taper or reduction for income above the maximum level. This is the maximum entitlement excluding the childcare element. Once calculated, this maximum is divided by the number of days in the award period, rounded up to the nearest penny and then multiplied by the number of days in the entitlement period(s). Due to the rounding up of the daily rate, where a claim is for a full year, the maximum entitlement will be higher than the annual rates of tax credits published by HM Revenue & Customs.

The maximum childcare element for the entitlement period is calculated by taking the weekly rate of childcare costs, multiplying that by 52 to give an annual rate and then dividing that number by the number of days in the award period to give a daily rate which is multiplied by the number of days in the entitlement period. This is then compared to the maximum childcare costs of £175 and £300 per week, by dividing these weekly amounts by seven, rounding that up to the nearest penny and then multiplying by the number of days in the entitlement period.

1 HM Revenue & Customs booklet, WTC2 – *Child Tax Credit and Working Tax Credit – A Guide*

2 *Tax Credits Manual* at www.hmrc.gov.uk/manuals/ntcmanual/glossary/effectivedate.htm

Where the actual costs, prorata, are higher than the weekly limits, the weekly limits are used, otherwise the actual costs are taken. Once these calculations have been performed, all possible elements are added up to arrive at a maximum possible entitlement.

Stage 3 – income adjustments (tapering)

The first step in this stage is to determine the need for any tapering. Claimants who are also entitled to Income Support, Jobseekers' Allowance (Income Based) or Pension Credit do not have to taper their income and can move straight on to Stage 4.

Where the claimant is not entitled to any of the above, total family income is compared to the "initial taper start point", which is currently set at £5,220 for WTC and £14,495 for CTC, and broadly the WTC and CTC individual elements are reduced by 37p for every £1 that total family income is over and above the initial taper start point. The taper rate for the family element of CTC is 6.67 per cent.

Tax credits are based on total family income in the current year. However, that can be difficult to calculate when making a claim, so initial awards are based on the total family income in the prior year. Tax credit awards are only finalised after the end of the year when current year income is finally known.

Where current year income is less than prior year income, current year income is used in the final calculation as this results in a higher claim for tax credits. Where however, current year income exceeds prior year income, a further figure, called the Income Increase Allowance (IIA) is used to determine whether current year or prior year income should be used in the final calculation. If current year income is within the range of prior year income plus the IIA, Then prior year income is used, where it is higher, the figure to be used is current year income less the IIA (currently set at £25,000).

Annual income is then calculated for each entitlement period. This is done by dividing annual income by the number of days in the tax year, rounding down to the nearest penny and then multiplying by the number of days in the entitlement period.

The initial taper start point is also divided by the number of days in the tax year, rounded up to the nearest penny and then multiplied by the number of days in the entitlement period. Pro-rata annual income is compared to the pro-rata initial taper start point for the relevant type of tax credit and a taper is applied to the maximum tax credit entitlement for the entitlement period for every £1 that pro-rata annual income exceeds the pro-rata initial taper start point. The taper is, as stated above, 37p for WTC and the individual elements of CTC and 6.67p for the family element of CTC. So, for example, if the entitlement period were a full year and the claimant had annual income of £10,000 after dividing, rounding and multiplying and were entitled to WTC, the WTC entitlement would be reduced by, roughly, £1,769, or 37 per cent of £10,000 less the initial taper start point of £5,220.[3] Where income is less than the initial taper start point, no tapering is required and the claimant will receive his or her full entitlement of tax credits.

Each element of the entitlement is tapered in turn, starting with the non childcare elements of WTC, then the childcare element, followed by the individual elements of CTC and finally the family element of CTC.

Stage 4 – calculate the total of each tax credit award

The final stage is to add up all tax credits awarded to calculate the total award for the period.

3 This is not an exact calculation as no rounding has been applied to the figures

Appendix C

The Institute for Fiscal Studies (IFS) costed the proposal for a Parental Care Allowance (PCA), analysed some properties of the existing childcare element of the Working Tax Credit (WTC) and estimated current spending on childcare by families with pre-school children at Policy Exchange's request.[1] This analysis appears throughout the report. The methodology employed is set out below.

1. Parental Care Allowance for families with pre-school children

This is worth £55 per week for a child aged 9-39 months, or from birth to 39 months if the mother is not entitled to Maternity Pay or Sure Start Maternity Allowance.

A direct estimate from the FRS suggests that there were about 1,383,000 children between 12 to 36 months in the UK in 2005/6.[2] Of these, 49,875 live in a family where there is at least one other child aged between 12 and 36 months. A simple extrapolation indicates that there were about 1,729,000 children aged 9-39 months. If a third of children aged 0-9 months have mothers who are not entitled to Maternity Pay or Sure Start Maternity Allowance, the total number of children who benefit from the PCA could be about 1,902,000.

A universal payment of £55 a week payable in respect of all these children would have a gross cost about £5.4bn a year, assuming full take-up (£55 x 1,902,000 x 52). The sum of £55 is close to a third of the median earnings of working women with pre-school children (£173 a week in 2005-6). Using the IFS tax and benefit simulation model (TAXBEN), we have estimated the net cost if this payment were a) treated as the mother's taxable income; b) treated as income for child tax credit, working tax credit and housing benefit/council tax benefit; c) treated as both of these.

We assumed that children who would be entitled to this policy can be represented by children aged 12-36 months, and then scaled the numbers up so that 1,902,000 children benefited. The results shown in Table 1. Treating the payment as the mother's taxable income would reduce the cost by about 10 per cent; treating it as income for child tax credit, working tax credit and housing benefit/council tax benefit would reduce the cost by about 15 per cent; and treating the payment as both the mother's taxable income and as income for child tax credit, working tax credit and housing benefit/council tax benefit would reduce the cost by about 25 per cent.

Table 1

Gross cost	£5.4bn
Cost if treated as the mother's taxable income	£4.9bn
Cost if treated as income for CTC, WTC, HB/CTB	£4.6bn
Cost if treated as the mother's taxable income and as income for CTC, WTC, HB/CTB	£4.1bn
Number of beneficiaries (children)	1,902,000

The impact of two variants of the policy on the distribution of income is shown in Table 2. This also shows the estimated impact if the childcare element of the Working Tax Credit were abolished at the same time.[3] The gains are shown averaged over all families with children (i.e. not over all families with eligible children). The beneficiaries of the childcare element of WTC tend to be located in the middle to top of the income distribution, and so abolishing it does not

1 All calculations and estimates used the Family Resources Survey, 2005-6. The FRS is Crown Copyright and was provided to IFS by the Department for Work and Pensions. It is also available from the UK Data Archive. Some calculations make use of TAXBEN, the IFS Tax and Benefit microsimulation model

2 We use this phrase as a shorthand for children who are at least 12 months old but not yet 36 months old

3 Box 9.4 in http://www.ifs.org.uk/budgets/gb2005/05chap9.pdf explains how the estimates are made of the impact of abolishing the childcare element of the WTC, given the discrepancy between childcare use recorded in the FRS and HMRC's data on beneficiaries of the childcare element of the WTC

Table 2

Mean gain to families with children, £/wk	Payment not taxable, does not count as income for CTC, WTC, HB/CTB	Payment not taxable does not count as income for CTC, WTC, HB/CTB	Payment taxable, does count as income for CTC, WTC, HB/CTB	Payment taxable does count as income for CTC, WTC, HB/CTB
Income decile	Childcare element of WTC not abolished	Childcare element of WTC abolished	Childcare element of WTC not abolished	Childcare element of WTC abolished
1	15.13	15.13	14.81	14.81
2	13.56	13.56	9.82	9.82
3	16.58	16.27	11.39	11.08
4	14.53	12.30	10.01	7.78
5	11.52	7.67	8.24	4.39
6	13.56	7.47	10.17	4.08
7	13.33	5.39	10.83	2.89
8	14.32	3.63	11.08	0.39
9	15.16	12.46	12.20	9.50
10	17.28	17.28	13.62	13.62
All	14.36	10.88	10.81	7.33
Total cost	£5.4bn/yr	£4.1bn/yr	£4.1bn/yr	£2.8bn/yr

Table 3

Gain as % net income amongst families with children, £/wk	Payment not taxable, does not count as income for CTC, WTC, HB/CTB	Payment not taxable does not count as income for CTC, WTC, HB/CTB	Payment taxable, does count as income for CTC, WTC, HB/CTB	Payment taxable does count as income for CTC, WTC, HB/CTB
Income decile	Childcare element of WTC not abolished	Childcare element of WTC abolished	Childcare element of WTC not abolished	Childcare element of WTC abolished
1	10.1	10.1	9.8	9.8
2	5.1	5.1	3.6	3.6
3	5.1	5.0	3.5	3.5
4	3.9	3.3	2.7	2.1
5	2.6	1.8	1.9	1.0
6	2.6	1.5	2.0	0.8
7	2.2	0.9	1.7	0.4
8	2.0	0.5	1.5	0.0
9	1.6	1.3	1.3	1.0
10	1.0	1.0	0.8	0.9

affect the average gain for families at the bottom of the income distribution (such families probably do not meet the work test for the childcare element of WTC) –nor does it affect the average gain for families at the top of the income distribution very much (most will be too rich to be entitled to it) – see Table 3.

Table 4

	Full subsidy (i.e. 80% up to the ceiling)	Subsidy of between 0% and 80% of eligible spending (up to the ceiling)	No subsidy
1 child families	Family income below about £20,920	Family income between £20,920 and £39,576	Family income above £39,57
2 child families	Family income below about £26,266	Family income between £26,266 and £58,266	Family income above £58,266
3 child families	Family income below about £31,612	Family income between £31,612 and £63,612	Family income above £63,612

2. The operation of the childcare element of the WTC

The operation of the childcare element of the WTC is analysed in a chapter in the 2005 IFS Green Budget. In particular, Table 9.1 and Figure 9.3 show how the subsidy varies with income, spending on childcare and the number of children. Its distributional impact is shown in Figure 9.2 of the same chapter.[4]

In principle, families who spend money on registered childcare and who are eligible to the working tax credit are entitled to an 80 per cent subsidy on their spending, subject to ceilings (£300 a week if they have two or more children, £175 a week for families with one child). This basic entitlement is then means-tested against family income, but the size of the subsidy received depends upon the number of children in the family (because the childcare subsidy is in effect not tapered away until the per-child elements of the CTC have been tapered away). Table 4 estimates some of the key income cut-offs for the childcare element of the WTC from April 2008.[5]

3. Parents' spending on childcare

Previous work from IFS researchers has compared estimates of parents' spending on childcare derived from large-scale household surveys.[6] An updated analysis of the Family Resources Survey in 2005-6 shows that 1.4 million families with children in the UK pay pay a median of £31.46 a week and a mean of £53.14 towards childcare; 644,000 families with children under 3 pay spend a mean of £70.24 a week; 965,000 families with children under 5 spend a mean of £66.60 a week. These figures are the total family spending on childcare across all their children, not just the spending on the young children.

Mike Brewer
Institute for Fiscal Studies

4 See: www.ifs.org.uk/budgets/gb2005/05chap9.pdf

5 The calculations assume that the family is not eligible for the 30-hour premium in WTC and that it is not receiving any extra tax credits that are conditional on disability; if either of these were the case, then all of the income cut-offs below would be higher. Note that families with an income just below the second cut-off (say, about £39,000 for a one-child family) would only receive a very small subsidy and only if they were spending at or close to the ceiling of £175 a week or £300 a week)

6 Brewer M and Shaw J, (2004) *Childcare use and mothers' employment: a review of British data sources*, DWP Working Paper 14; www.dwp.gov.uk/asd/asd5/wpaper16.asp

Glossary

10 Year Childcare Strategy Introduced by the Labour Party in December 2004 following the Every Child Matters Green Paper. Among other things, this outlined target of 3,500 Sure Start Children's Centres by 2010 and an extension of free early years education from 33 to 38 weeks per year.

Birth to Three Matters A framework designed to provide support, information and guidance for those with responsibility for the care and education of babies and children aged from birth up to three years old.

CAP Childcare Affordability Programme. A London Development Agency scheme introduced in 2005 to support low income families with childcare costs in the capital.

Childcare Grant The Childcare Grant helps full-time students with the cost of childcare during term times and holidays. As it is a grant any money given does not have to be paid back. The amount awarded depends on income and the income of dependants (i.e. spouse or partner) and the costs of the childcare used. The maximum available amount for one child is £148.75 per week and for two or more children it is £255 per week (85% of actual costs up to £175 a week).

CWDC Childcare Workforce Development Council.

Daycare Trust A national childcare charity established in the 1980s to promote high quality, affordable childcare for all. Their campaigning work focuses on childcare affordability, listening to parents and focusing on children themselves.

DCSF Department for Children Schools and Families, formerly the DfES.

Demand side funding Financial support available from the Government for families.

DfES Department for Education and Skills, now the DCSF.

DHSS Department for Health and Social Security. In 1988 this was split into two departments – the Department for Health and the Department for Social Security (DSS). In 2001 the DSS became the Department for Work and Pensions (DWP).

DSG Dedicated Schools Grant which is provided to local authorities by the government to support the free early years entitlement for all 3 and 4 year olds. Introduced in 2006/07, the DSG replaced the Nursery Education Grant (NEG) which had been consolidated within the general Education Formula Spending arrangements and is based largely on an authority's previous spending, covering only the schools block, not LEA central functions.

EYE - Early Years Entitlement Twelve and a half hours of free early years education each week, for 38 weeks a year, for all three and four year olds. The Government aims to extend the entitlement over the next few years with a target of fifteen hours by 2010. A wide range of providers in the maintained, private and voluntary sectors are registered to deliver free early education in each area. While some children attend a setting only for the funded hours, others will attend for longer sessions, or more weeks per year, with parents paying for any non-funded hours.

Every Child Matters 2003 Green Paper that informed the 2004 10 Year Childcare Strategy.

EYDCPs Early Years Development and Childcare Partnerships. The 1998 Green paper, Meeting the Childcare Challenge, proposed that the National Childcare Strategy should be planned and delivered in each local authority area by expanded local partnerships made up of relevant early years and childcare interests. The statutory basis for these partnerships is contained in the School Standards and Framework Act 1998.

FCCC Families, Children and Childcare study. This is a longitudinal study of 1,200 children and their families led by Prof. Kathy Sylva, Prof. Alan Stein and Dr Penelope Leach. It was funded by the Tedworth Charitable Trust and the Glass-House Trust.

Formal Childcare Usually refers to a childcare setting that has been registered or approved by Ofsted, including nurseries, childminders and nannies.

Foundation Stage The first phase of the National Curriculum, covering children from age 3 to 5. (From 2008, this will be replaced by a new single integrated Early Years Foundation Stage that brings together the current Birth to Three Matters and Foundation Stage frameworks.)

Informal Childcare Usually refers to a childcare setting that is not registered or approved by Ofsted, such as childcare provided by neighbours, friends and family members.

National Childcare Strategy The National Childcare Strategy was launched by the government in 1998 with the Green Paper, Meeting the Childcare Challenge (Department for Education and Employment). Its aim was to ensure that affordable, accessible, quality childcare for children aged 0 to14 (16 for those with disabilities or special needs) was available in every neighbourhood.

NCMA National Childminding Association. A charity and professional association that promotes quality, home-based care, play and learning for the benefit of children, families and communities.

NDNA National Day Nurseries Association is a national charity which aims to enhance the development and education of children in their early years, through the provision of support services to its members. It is dedicated to the provision, support and promotion of high-quality care and education for the benefit of children, families and communities.

NEG Nursery Education Grant. The NEG scheme ended in March 2003. With effect from April 2003, all funding for free early education places, including those delivered by private providers, was consolidated within the general Education Formula Spending arrangements.

NESS National Evaluation of Sure Start. The national evaluation of the Sure Start programme is a long-term, wide ranging study designed to evaluate the efficacy and cost-effectiveness of Sure Start. The first phase of the national evaluation runs from 2001 to 2008 and is being undertaken by a consortium of academics and practitioners, led by Professor Edward Melhuish of Birkbeck College, University of London.

NNI Neighbourhood Nurseries Initiative. A government funded initiative that aimed to create 45,000 new childcare places by 2004 to provide high quality childcare services in disadvantaged areas. This target was reached in August 2004. The programme had £246 million revenue funding from DfES and £100 million capital funding from the New Opportunities Fund (now the Big Lottery Fund), through local authorities.

NOF New Opportunities Fund. Funding generated by the sale of National Lottery tickets with a number of funding streams including childcare and out of school provision. On June 1 2004, NOF merged with the Community Fund to create the Big Lottery Fund.

Nursery places Full-time place: a childcare place that covers the maximum amount of hours that a nursery is open – for example, five days a week, 7.30am – 6.00pm. Part-time place: a place that is not full-time but may vary. For example, a part-time place could mean two and a half days, one full day, or three full days.

Sessional place Use of this term varies by nursery. Some nurseries divide the day into early, morning, afternoon, and late sessions; others into morning and afternoon sessions. Parents may use these sessions to cover a particular shift or working pattern. Some nurseries may use this term to mean sessional care covering the core early education place (two and a half hours, five times a week, in term-time only). Other nurseries use it as a 'billing term': for example, a child may be charged per session if use varies week to week.

Nursery sector Refers to the sector that is responsible for the day-to-day running and management of the nursery. A private sector nursery is one run by private individuals or private sector companies; a voluntary nursery is managed by a voluntary organisation; a maintained nursery is run by the public sector and managed by the education arm of the local authority; and a joint sector nursery is the result of close cooperation between two or more sectors.

Ofsted Office for Standards in Education. In 2001 Ofsted became responsible for the regulation, registration and inspection of early years childcare and education settings, including childminders.

Pre-School Learning Alliance is an educational charity specialising in the early years. It provides practical support to over 15,000 early years settings and contributes to the care and education of over 800,000 young children and their families each year.

Supply side funding Financial support available from the government for childcare providers.

Sure Start Maternity Grant A Sure Start Maternity Grant is intended to help low income parents pay for the immediate needs of a new baby. It is paid from the Social Fund as a lump sum, and as a grant it does not need to be repaid. The grant is £500 for each baby.

Transformation Fund The Transformation Fund provides additional money for workforce development to non-maintained places in the nursery sector and is distributed by local authorities. The aim of this fund is to significantly increase the qualification levels, skills, quality of provision and outcomes for children. The fund provides £250m for the period from April 2006 until August 2008.

Wraparound care Care that is 'wrapped around' other provision, for example, early education sessions, or care provided before or after the normal school day.

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Despite a decade of intensive reform on services for young children, parents in Britain still pay 70 per cent of their childcare costs compared to the European average of 30 per cent. The cost of a full time nursery place has risen above the rate of inflation every year for the last five years. Although Government spending has increased significantly since 1997, it is still lower than in many other European countries. Above all, State funds are largely targeted to institutions not families and the financial support that is available for families in the form of tax credits does not support parental choice and is difficult to access.

Cultural and social diversity are increasing in twenty first century Britain. Flexible working arrangements have become routine, even essential in many industries and atypical jobs have become the norm. In most public services now the focus is on the consumer and on leaving people free to make their own decisions as to how, where and when they receive services. But this is not the case for families with children. Despite Government's many policy initiatives and increased spending, choice remains limited and ignores parents varied needs and preferences when it comes to looking after their very young children.

This report assesses whether spending differently, by shifting the balance of funds from institutions to children, as well as spending more, would better meet twenty-first century family needs. We assess research on parental preferences and review how State childcare is currently funded, how it supports individual families and its impact on the private and voluntary sectors. We conclude that money should follow the child to provide families with real choice regarding childcare in the first three year's of a child's life before pre-school commences and make policy recommendations based on that conclusion.

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