

Reforming childcare: a missed opportunity to tackle poverty

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An affordable, high-quality childcare system is an essential pillar in tackling poverty and disadvantage.



In the spring Budget, there was an unexpected £4 billion investment in early years childcare, meaning £4 in every £5 spent on childcare is now coming from the government. How does investment on this scale change the debate on childcare? What role does childcare play in changing life chances? And what would a better system look like?

We know that good early years childcare and education have the potential to tackle inequality in many different forms.

Childcare can reduce child poverty by enabling parents to work and raising family incomes; it can support working mothers, reducing the gender pay gap; and it can reduce the attainment gap that opens up before children even start school. There are, of course, limits to childcare's ability to tackle poverty – there must also be action to increase incomes through earnings and social security, and reduce costs, most notably housing. However, an affordable, high-quality childcare system is an essential pillar in tackling poverty and disadvantage.



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This potential is currently being wasted, with children from disadvantaged backgrounds starting school behind their peers, and parents struggling to afford and take up childcare. While two-thirds of children start school with a good level of development, this drops to just half of children eligible for free school meals. Coram Family and Childcare's Childcare Survey 2023¹ found that parents are facing a bill of £148 a week for just a part-time nursery place.

Childcare policy must deal with disadvantage

Against this backdrop, Coram Family and Childcare and the Joseph Rowntree Foundation have worked together to assess what is needed from childcare policy to tackle disadvantage, how well the current system achieves this, and to outline a reformed system that would be better able to take on these challenges. This builds on work that we first did together in 2016. We find that the government's plans to extend the 30 hours a week free childcare offer to children from the age of nine months will go some way to helping the affordability issues, but these plans risk exacerbating rather than tackling inequality because they miss out on the key pillars of what makes a system that truly tackles disadvantage. We are calling for:

- meaningful action to make childcare affordable for all;
- high-quality provision, consistently, to improve children's outcomes;
- thoughtful design of provision to maximise take-up and access;
- home learning built into the support offered;
- the integration of childcare into a wider landscape of support services.



High-quality early years childcare can reduce child poverty by enabling parents to work and raising family incomes; in particular, supporting working mothers and reducing the gender pay gap.

Affordability: unnecessarily complex

Affordability has been the most widely discussed problem with the childcare system in recent years, as parents find that they simply cannot afford to work, particularly in the pinch point between the end of maternity or parental leave and when they start receiving 'free childcare' when their child is two or three years old. The spring Budget's announcements to extend government funding for 'free childcare' to younger children in England, combined with changes to universal credit (UC), mark significant progress in making childcare affordable to working parents.

However, the complexity in the system could prevent a theoretically affordable system from working in practice for parents and families. Parents currently need to navigate eight different options for support to find what is right for them and their family. Financial gains do not rise predictably with the number of hours worked, so it is hard to work out the right number of hours to work to maximise the gains – and many will not have the option to negotiate for part-time hours. Even when accessing the full support available, the gains can be low. A mother with a working partner, both on minimum wage, will take home around £4 an hour once she has paid for childcare, even under this new system.



There are not many interventions that we know really make a difference to the achievement gap, but high-quality early years childcare is one of them. It can help children become ready to start school, reducing the pressure on the school system and improving results up to GCSE and beyond.

The UK government's latest childcare plans fail to address the other important role of childcare: to level developmental outcomes and give all children the best start in life.

Quality matters

The government's plans were curiously silent on the other important role of childcare – to level developmental outcomes and give all children the best start in life. There are not many interventions that we know really make a difference to the achievement gap, but high-quality early years childcare is one of them. It can help children become ready to start school, reducing the pressure on the school system and improving results up to GCSE and beyond. Yet childcare in England is not consistently high enough quality to make a real difference to children's outcomes. Private, voluntary and nonprofit settings are consistently lower quality, but maintained settings aren't much further ahead.

Over recent years, there has been significant progress in ending very poor-quality childcare, but we are not yet pushing up quality to the desired level. Higher funding, better pay and qualifications, and stronger quality requirements are needed to make a step change here. Fortunately there's good practice, like Scotland's professionalisation of the early years workforce, from which we can learn.

Addressing inequalities

Childcare can only make this difference for disadvantaged children if they are actually able to take up the places. Disadvantaged two year olds and all three and four year olds are entitled to 15 hours a week of free early education, but inequalities in who takes up childcare remain. For example, children who speak English as an additional language are nearly three times as likely not to take up their full early education entitlement compared to children with English as their first language, and there are widespread shortages of childcare for children with special educational needs and disabilities (SEND). There is a lack of evidence and understanding about why and how to change this. Families face a range of barriers to taking up early education, including misunderstanding a complex system and the availability of places that meet their needs.

Strengthening links to home and families

Children will always spend more time at home with parents and carers than in childcare. In order to make the biggest difference for children, it is vital to consider the role that childcare can play in supporting children's learning and development outside as well as inside the setting. There is strong evidence of the importance of a positive home learning environment and programmes that successfully enable parents to improve their ability to support their children's learning. But the role of childcare professionals in working collaboratively with parents to support children's development has not yet been fully understood or achieved. Childcare professionals and parents each know a child's learning and personality inside out and can support each other to support the child's development. This should include being able to draw on and facilitate a wider support system. To fully support children's outcomes, childcare must be a fully integrated part of a wider support system, joining up to identify and address any additional needs early.

Complete system reform

Effective childcare policy balances the two priorities of enabling parents to work and supporting children's outcomes. It is entirely possible to design a system that does both, but recent policy changes are tipping the scales further and further towards childcare for working parents at the expense of children's outcomes, pushing problems further down the line into school and beyond.

The UK government has signalled an appetite for much higher public investment in the formal early years childcare sector, but the proposed changes do not tackle disadvantage, and risk worsening outcomes for disadvantaged children. The current proposals to expand childcare to working parents prioritise better-off families and leave the poorest behind. Funding is spread too thinly to enable the step change in quality that is needed.





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Complete system reform is needed so that childcare policy can achieve its potential to tackle disadvantage. The system we propose rebalances the childcare system to one that both supports children’s outcomes and supports parents to work. It would target funding more fairly towards disadvantaged children, moving from a regressive to a progressive system. Supply side funding should be used to enable a relentless focus on quality, including raising qualification levels and pay for childcare professionals enabled through higher funding rates and higher quality requirements.

Our proposed childcare system would provide a universal free hours offer to support childcare development: 15 hours a week for all two year olds and 30 hours a week for all three and four year olds. This would benefit more disadvantaged families, who are less likely to meet the work criteria for the current free hours offer, rather than better-off parents of very young children, which the government’s proposals focus on. The number of free hours could be increased as public finances allow.

Rather than spreading government funding too thinly by expanding 30 free hours of childcare to all very young children, our system would introduce a co-payment model so that parents make a contribution towards their childcare costs outside of the free hours. Rather than the current complex systems, there would be one means-tested system, so that parents would only ever face a bill that was affordable for them. Families in poverty would not pay anything towards their childcare.

It would also introduce a childcare entitlement, so that every child and family would be guaranteed

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access to a childcare place that would meet their needs. This is particularly important for children with SEND who too often struggle to find a childcare place.

Childcare should be part of a fully integrated family learning and support system, able to recognise and meet the needs of families holistically. Childcare professionals, wider support services and parents should be working together to support children’s development.

This reformed system would better meet the needs of all families, but the gains would be most clearly experienced by disadvantaged families. Further work is needed to co-design the mechanics of how the system would work, what costs would be affordable for different families and to estimate the

costs to the public purse. However, this system lays out the principles of what is needed to rebalance childcare policy to achieve its potential for all children and families.

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Footnote

1.M Jarvie, S Shorto, L Kunwar Deer and E Goddard, *Childcare Survey 2023*, Coram Family and Childcare, available at familyandchildcaretrust.org/childcare-survey-2023-report-landing-page.

