

# How more public investment in childcare would benefit the whole country<sup>1</sup>.

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## Introduction

It is well established that the UK's childcare system is broken, failing to provide adequate quantities and quality of childcare that is affordable, locally available everywhere and covering the hours needed by parents. The most effective and efficient policy solution would be sufficient public investment in high quality, universally available, free childcare for all parents from the end of maternity/parental leave. It would cover not only pre-school-age children but also include the childcare needs of parents of at-school children in the hours before and after school and during school holidays, as well as those children with special educational needs.

This briefing outlines how such a policy benefits a range of national priorities including how it would:

- 1) Provide essential childcare infrastructure support to achieve a better functioning, more flexible and fairer economy.
- 2) Reduce the gender pay gap.
- 3) Increase family spending power and thus boost local economies.
- 4) Increase tax revenue and reduce welfare spending by enabling more parents to take up and remain in employment.
- 5) Enable more women to remain in full time better paid jobs.
- 6) Create more new jobs in the childcare industry sector than a similar investment in physical industry sectors.
- 7) Assure investment in better skills, qualifications and pay for childcare workers.
- 8) Make a significant contribution to increasing social mobility, reducing poverty and increasing health through giving children a better, more equal, start in life.
- 9) Contribute to the 'levelling-up' agenda with investment in every region, in towns, rural areas, villages and cities, be they north, south, east or west.
- 10) Contribute to the 'green' agenda by providing local low-carbon jobs.

## 1. A functioning, flexible and fairer economy

It is estimated that the proposed childcare investment would enable significant numbers of women across all industry sectors to increase both their paid working hours and their pay per hour and contribute significantly more to the UK economy. This is in addition to the direct benefits of investment in the childcare industry itself discussed below. These effects would not only add income tax to the Treasury they would also reduce the DWP welfare bill.

In addition to producing a better functioning economy, the economy would also be fairer as women's incomes would be higher and both the pay gap and poverty would be reduced. These issues particularly impact women from ethnic minorities.

- ONS ASHE data show that the gender pay gap increases dramatically as workers reach around 30 years old. A deeper analysis also shows that, at this age, women move from better paid jobs, either out of the labour market

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<sup>1</sup> This briefing is one of several in the campaign for a care-led economy and the drive for women's equality and rights. A similar briefing is available on the contribution of adult social care. We make no apology that many of the arguments are the same. The briefings are being sent to a wide range of politicians of all parties and to others who make, implement or fund policy.

altogether or into much lower-paid part-time jobs in much greater numbers than men do.

- Our analysis of 2019 ONS ASHE data shows that on average (mean), men and women younger than 30 have only a small gap in pay and weekly hours. If men and women older than 30 worked and earned the same per hour, the sum of all women's pay would increase by close to £2m per week.
- Qualitative research indicates that women would like both to work more hours and to retain their higher paid jobs and the reason they can't is because of the unavailability of quality, local and affordable childcare.

## 2. Childcare as infrastructure in the Industrial Strategy

The aim of the Industrial Strategy is to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure. Investment in universal childcare would further all these ambitions.

Even before the pandemic but more so now, the position of the childcare sector is that many providers are small private companies or social enterprises going out of business because the public investment is inadequate to cover costs and self-funders can't afford the cross-subsidy necessary to keep them viable. In addition, some big national or international companies are leaving the sector once they have milked their profits from their original investment. The result is a perfect storm, which requires public investment to halt.

Childcare workers are typically underpaid for the importance of the work they do in looking after and furthering the early years development of the country's children. Though a proportion are highly qualified many others have lower qualifications relevant to childcare with little or no access to childcare specific training.

As reported by the Education Policy Institute in January 2019<sup>2</sup>:

*High quality early years provision can have a positive and lasting impact on children's socioemotional and cognitive development. The evidence clearly indicates that a skilled and qualified workforce is a key driver of high quality provision. Yet this report finds that the skills and sustainability of the workforce are going in the wrong direction. If the government is committed to improving the quality of early years provision, it must provide the well-informed incentives for motivated workers to not only enter, but also remain, in the sector with opportunities to upskill, better wages and improved financial security. This requires a long-term strategy that places the early years workforce at the heart of both early years and social mobility policy.*

Increasing the numbers, status and pay of childcare workers would particularly benefit local economies as this is where they spend most.

- Childcare as infrastructure would boost productivity by enabling businesses to increase quality skilled employment not only in the childcare sector, but also in the retention of parents in full-time/flexible employment
- Investing in universal childcare inevitably means investment everywhere across the whole country, creating more widespread employment in every geographical area. Investment in physical infrastructure does not have the same geographical spread.

<sup>2</sup> [https://epi.org.uk/wp-content/uploads/2019/01/The-early-years-workforce-in-England\\_EPI.pdf](https://epi.org.uk/wp-content/uploads/2019/01/The-early-years-workforce-in-England_EPI.pdf)

- Investing in worker qualifications and pay would also have the effect of raising local pay rates more generally through competition for workers.

### 3. The Green New Deal

In addition, investment in the childcare industry is investment in the 'green' economy. There has been little focus until very recently on how the transition to a just, green economy will further women's equality. The Women's Budget Group together with the Women's Environmental Network are in the process of a two-year consultation and analysis of how intersectional and gender inequalities will be addressed in a Green New Deal. Critical to this analysis are:

- Inclusive employment practices furthering equality in New Deal Opportunities.
- Greening care.
- Making automation and high-tech work for everyone.
- Democratising community involvement in decision making at a local level.
- Providing childcare that enables women to train in highly skilled work in green technologies; this will begin to address the imbalance that men are over-represented in new technologies including green technologies.

The success of these strategies is strongly dependent on investment in childcare as infrastructure, which supports the rest of the economy at least as much as physical infrastructure such as roads.

- Eurostat found that jobs in care are 30% less polluting and jobs in education 62% less polluting than those in construction.
- A 2% investment in care produces double the number of jobs for women and almost as many jobs for men as the same investment in construction. Investment in free universal childcare especially, returns almost all its initial investment.
- Being local, childcare jobs require less travel so cause less carbon emission.

### 4. The Levelling-up agenda

- Levelling up is needed in more disadvantaged neighbourhoods and communities. Investment in local high quality childcare in these areas would enable parents to access better employment skills and training, evidenced by the success of Sure Start Centres, over 1000 of which were lost during the coalition government and beyond. Provision of publicly funded childcare in such areas would simultaneously increase employment rates, reduce poverty and reduce racial inequalities.
- Disparity between communities reduces leading to less social unrest and less political and economic disruption.
- The multiplier effect increases the labour availability in other sectors locally, encouraging further investment from companies looking to expand.
- Health improves (mental and physical) putting less strain on other services such as the NHS.
- There is evidence that parents want childcare to be culturally sensitive as well as local, high quality and affordable. There is also evidence that women in ethnic minorities, in particular, would welcome training and employment in

local childcare settings, often currently poorly provided in areas of high unemployment.

## 5. The Social Mobility agenda

- Most women who would be enabled to do paid work or work more paid hours are more skilled and qualified than the jobs they currently do, which is underutilising the investment in their education and training, a valuable resource for potential investors.
- Investment in childcare is good for the economy and people's well-being in the short to medium term, it has benefits in the longer term too. Primary schools are saying that many children are starting school already behind in social skills and under-developed in language and other learning. It is known that good quality childcare settings and child-minders give children a better start in life, particularly those of disadvantaged parents in poverty.
- Evidence from the Sure Start scheme before it was scrapped (or restricted to address specific agendas) showed promise that the combination of development for children and support for families would lead to better long-term outcomes. Better outcomes for children lead to better outcomes for the whole of society.
- As the children move into the workforce, they are better educated, can access better paid jobs, pay more taxes, support the income of pensioners, require less social security, and contribute to economic growth.

As reported by the Education Institute<sup>3</sup>:

*The attainment gap between affluent and poor children is estimated at 4.3 months by age five and is considerably larger when measured for specific language development outcomes. For example, by the time children start school, there is already a 19-month gap in the vocabulary development between the two groups, a gap that research has shown could be reduced with early language interventions. What is clear from the evidence is that quality matters and that the workforce is a key driver of quality provision.*

## Conclusion

As the Women's Budget Group say in the forward to their report of the Commission on a gender equal economy<sup>4</sup>:

"... an economy which has the wellbeing of individuals, communities and the planet at its centre; an economy which values care, both paid and unpaid, as the activity that nurtures us all; an economy which ensures that no-one faces discrimination, violence, or poverty, and in which no-one is left behind, or pushed behind. This new economy is a **caring economy**."

<sup>3</sup> [https://epi.org.uk/wp-content/uploads/2019/01/The-early-years-workforce-in-England\\_EPI.pdf](https://epi.org.uk/wp-content/uploads/2019/01/The-early-years-workforce-in-England_EPI.pdf)

<sup>4</sup> <https://wbg.org.uk/analysis/creating-a-caring-economy-a-call-to-action-2/>