

Childcare 'key to reducing inequality' ^[1]

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EXCERPTS

Improved childcare has been identified as the single policy that could do most to reduce income inequality, in research at Heriot-Watt University.

That could be allied to closing the gap between women's and men's pay, and finding ways to help families remain together.

Raising the minimum wage and linking benefits to inflation is seen as effective.

A boost to the regions and nations of Britain would also have an impact.

This would, according to the research, spread prosperity more evenly around the UK.

However, the Edinburgh research found that increases in part-time pay, encouragement to take up unclaimed benefits, and efforts to increase housing supply had less effect on inequality.

The research helps explain ways to reduce the inequality gaps highlighted in a week-long series of reports for BBC Scotland news.

They show that Scotland's income inequality is not as extreme as portrayed in some political debate. Much of Britain's inequality comes from the boost to earnings and wealth for the most prosperous 1%, concentrated in London and south-east England.

By international standards, income inequality in Scotland is mid-range.

However, there remain wide differences between the earning power of those at the high earning end of the scale and those at the bottom.

The most recent figures show the top 1% of earners received more than 9% of the nation's total pay packet.

Economists avoid the extremes of earnings to measure inequality, and often compare the person whose income was just ahead of the lowest-earning 10% of Scots with the person whose income was just below the top earning 10% of Scots.

The 2014-15 statistics show that came to £264 and £881 per week.

The findings of the Heriot-Watt research point to support for women at the lower-paid end of the workforce being particularly effective in addressing inequality. That reflects the fact that poor households are often female-headed.

'No single magic bullet'

Figures issued last month showed the pay gap for median hourly earnings has narrowed from 7.7% in 2015 to 6.2%. The gap for the UK as a whole, at 9.4%, was wider, and the narrowing much slower since 2015.

The Heriot-Watt research was led by Prof Glen Bramley.

He said: "The report looks at around 40 individual policy or contextual scenarios as well as combined packages. Most of these make some difference, but in quite a number of cases this is small or ambiguous in terms of effects on different poverty outcomes.

"A smaller number of policies make a sizeable difference. There is no single magic bullet, and to make large inroads into poverty would require concerted action on a number of fronts."

Improved access to more affordable housing was found to have unexpected and sometimes negative effects, as it can encourage people on the margins of poverty to move out of homes shared with other family members - that way tipping the new householder into poverty.

Encouragement for people to take up benefits was found to be ineffective because many of those who are not taking up benefits are not the ones who need them most.

The effect of an increase in part-time pay would often reach households where the part-time worker is bringing in the second income, putting the household into a higher income bracket.

Childcare was found to have the biggest impact of any single policy because it would enable parents to work or to work longer hours. That is apart from the impact that quality childcare can have on helping children develop.

"A further positive element would be measures - counselling, mediation, mental health, substance treatment, offender rehabilitation - which led to a reduced rate of relationship breakdown," according to Prof Bramley.

Casual work

Jim McCormick, Scottish director of the Joseph Rowntree Foundation and an expert in studying poverty, told the BBC of his priorities for reducing income inequality: "Short term, it's about attending to the pay and conditions people face when they're in low paid, casual and temporary work, we need to stack the odds in their favour so that people can progress.

"Longer term, the big challenge for inequality is to reduce the gender pay gap, which is about pay, hours, childcare - and within that, to attend to inequalities like ethnicity and disability, because we could reduce poverty, but still have gaping inequalities for new Scots, who have newly arrived, and those with disabilities, who have poor employment prospects."

A Scottish government spokeswoman said high quality early learning and childcare plays a vital role in narrowing the attainment gap.

She added: "This government has gone further than any other in our commitment to expanding free entitlement. In addition to the educational benefits for children, free provision can help parents and carers to return to work, training or education.

"Increasing the number of funded hours for all three and four year olds and eligible two year olds from 600 hours to 1,140 hours is our most transformative infrastructure project.

"No other policy has such potential to change the lives of children and their families while improving the prospects of Scotland's economy in the short and long term."

'Much more to do'

A UK government spokesman said: "We've (the UK government) cut income tax so people keep more of the money they earn, given the lowest paid a pay rise through our National Living Wage, increased the State Pension to give people greater security in retirement and are helping parents with childcare.

"The Scottish Parliament is also getting unprecedented new tax and welfare powers which will mean, for the first time, Holyrood will be able to shape the welfare system in Scotland.

"There is still much more to do though, with housing costs too high, too many households stuck on the most expensive energy tariff and not enough parents having access to good-quality childcare. We're going to act in their interests and deliver a better deal for them."

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