

The future of childcare in London: Devolving funding for greater affordability, access and equality ^[1]

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AVAILABILITY

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Summary

Across the UK, local authorities (LAs) face the challenge of ensuring there is enough high quality, flexible childcare to meet the needs of families. London's unique characteristics further complicate the picture, with high inequality, cultural diversity, high operating costs for childcare providers and a complex labour market creating a particular set of unmet challenges:

- **Affordability:** Childcare costs in London are a third higher than the UK average, locking low earners out of work and suppressing household incomes.
- **Inequity:** Children from disadvantaged families are being left behind, often in poorer quality childcare or receiving no early education at all, and those with specialist needs are underserved with only half of London boroughs having sufficient childcare for them.
- **Undersupply:** At 32 places per 100 children under five, London has the second lowest number of places per child of any English region after the North East and 70 per cent of London's boroughs do not have enough childcare for working parents.

As a result of these factors, London's maternal employment is the lowest of any region in the UK.

Forty per cent of mothers who are unemployed say that childcare is a key barrier to getting a job. This impacts negatively on London's families. Low maternal employment is a key driver of child poverty with its associated impact on the development, health and wellbeing of children. When mothers are locked out of work, this also suppresses regional and national economic growth. If the maternal employment rate in London rose to meet the current UK average (moving from 61 to 69 per cent of mothers in work), 80,000 more mothers would be in work. Modelling by IPPR shows that this would result in a net gain of £90 million to the Exchequer, due to net savings from increased tax receipts and reduced benefit spending. Furthermore, 2,200 households in the capital would be lifted out of poverty.

As well as reducing poverty and benefitting the public finances, increasing the maternal employment rate in London would contribute significantly to economic growth. If London improved rates of female employment and also increased the number of hours worked by women already in work as quickly as the best performing regions in the UK, the capital would see potential increases in annual GVA of £21.5 billion by 2025 (4.6 per cent).

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