

Study finds free childcare reform has 'little benefit' to poorer families ^[1]

The Institute for Fiscal Studies said the measures announced in the Budget fail to prioritise inequalities in children's development.

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Excerpts

The poorest families will see no direct benefit from the expansion of free childcare, a study has found, as the Government is accused of failing to prioritise inequalities in children's development.

Changes announced by Jeremy Hunt in the March Budget represented an unprecedented expansion of free childcare, but the focus on parents who work rather than universal services or targeted support for low-income families means the biggest benefit will be felt in more affluent households, according to the Institute for Fiscal Studies (IFS).

Under the changes, by 2025 working families will be able to access up to 30 hours a week of funded term-time care for all children from the age of nine months until they reach school age. Currently, funded 30-hour places are available only for children aged three and four in working families.

Meanwhile, the research found the share of disadvantaged two-year-olds eligible for a funded childcare place fell from nearly 40% in 2015 to just over a quarter in 2022-23.

This is due to eligibility for two-year-olds being largely determined by whether families receive certain other benefits.

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The IFS found the impact of the new Budget entitlements for families with a child aged nine months to two years differs dramatically across the income distribution.

Based on patterns of childcare use in 2019, a fifth of families earning less than £20,000 a year would be covered by the new entitlements compared with four-fifths of households with incomes above £45,000.

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"But these new entitlements are another big step towards an early years system focused on helping parents to work – with much less to say about reducing inequalities in children's development."
[Christine Farquharson, IFS associate director and an author of the report]

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Therefore, per-hour resources for three and four-year-olds will remain 11% lower on this measure in 2024-25 than in 2012-13.

The IFS said getting these funding rates right is crucial to ensuring plans are "deliverable and maintain the quality of childcare", with the Government potentially paying for 80% of formal pre-school childcare in England once the new entitlements are rolled out in full.

Josh Hillman, director of education at the Nuffield Foundation, which funded the research, said:

"This report demonstrates the huge scale of government funding required to deliver the new childcare entitlements." "While the new money announced in the Budget is welcome, it is disappointing to see the analysis confirm a significant drop in the number of disadvantaged two-year-olds that will be eligible for free childcare."

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