Early education and childcare in the UK and beyond: Key challenges and lessons [1]

A two-part briefing from the Women's Budget Group exploring key challenges facing the UK's early education and childcare alongside lessons from international examples, with a summary of both
Author: Women's Budget Group
Source: Women's Budget Group
Format: Report
Publication Date: 4 Sep 2023

AVAILABILITY
Access online [2]
Access online [PDF]: Early education and childcare in the UK and beyond: Key challenges and lessons (summary) [3]
Access online [PDF]: Key challenges for early education and childcare in the UK [4]
Access online [PDF]: Global insights into early education and childcare [5]

Attachment	Size
Early education and childcare in the UK and beyond: Key challenges and lessons (summary) [6]	431.36 KB
Key challenges for early education and childcare in the UK [7]	730.89 KB
Global insights into early education and childcare [8]	1.04 MB

Introduction

The plans for expanding the state-funded hours of childcare announced in the 2023 Spring Budget brought this essential service to the political fore. It also brought to light the significant challenges our early education and childcare (EEC) system faces. Across the world, several countries have recently been trying to tackle similar challenges and implementing different solutions towards making EEC work for children, parents and the economy.

This two-part briefing analyses the key challenges facing the UK's early education and childcare alongside exploring some international examples of progressive solutions for funding and improving the quality of early education and care. It examines approaches taken by Canada, Denmark, France, New Zealand, and Portugal. Each country has implemented unique strategies to address issues of affordability, availability, underfunding, and/or quality in their EEC systems. The briefing highlights lessons that the United Kingdom can learn from these models to enhance our own EEC system, emphasising the importance of investing in early education, prioritising fair wages for the sector's workforce, and adopting supply-side funding models to improve quality and ensure financial sustainability of the early years sector.

By examining both the UK's shortcomings and international models, these papers complement each other, providing a comprehensive understanding of the childcare landscape and offering potential solutions for a more accessible and effective system in the UK.

Key Challenges for EEC in the UK

- **Unaffordability:** Since there is currently no free provision of childcare for children under 3-years-old in England (with some exceptions for disadvantaged 2-year-olds), costs for younger ages are particularly high. EEC costs can absorb around 50% of women's median earnings.
- **Unavailability:** In 2023, according to Coram's annual survey, only 48% of local authorities in England stated that they had enough childcare available for children of parents who work full-time. In 2021, this figure stood at 68%.
- **Underfunding:** The hourly rates paid to providers are insufficient, leading to financial unsustainability in the early education and childcare sector. While the government has allocated additional resources to raise the rates, they still fall short particularly for the older ages.
- **Retention and recruitment crisis:** The lack of adequate funding and recognition means that salaries in the sector are low. Approximately 1 in 4 early-years workers, aged 25 and above, working in group-based providers, receive wages at or below the National Living Wage.
- **Impact on women's careers and the wider economy:** A recent survey by the Centre for Progressive Policy shows that the lack of suitable childcare prevented 46% of mothers from increasing their working hours. An equivalent of 1.5 million mothers is willing to work more hours if there was access to suitable childcare. These additional hours would result in £9.4bn of additional earnings per

year, increasing UK's GDP by around 1% (between £27bn and £38bn per year).

Key international lessons for the UK

- **Canada's Nationwide and Affordable Childcare System:** Canada's federal government has recently made significant investments in EEC through a $30 billion 5-year national childcare program. This is inspired by the province of Quebec, a successful subsidised model that provides affordable childcare for children up to five years old, leading to socioeconomic benefits such as increased women's labour market participation and reduced poverty rates among single mothers. Challenges around the lack of available high-quality places remain, illustrating the importance of decent pay and conditions for the workforce.
- **Denmark's Supply-Side Funding Model:** Denmark provides significant funding directly to EEC providers through a supply-side funding model. This approach allows the government to fund actual costs of provision ensuring the financial sustainability of the sector while maintaining EEC affordable to all parents. It also allows for the state to influence the availability, accessibility, and quality of early education and childcare services by setting and enforcing standards and quality criteria.
- **France's Universal Income-Based Subsidies:** France has a comprehensive EEC system with a universal progressive subsidy for families with children under the age of 3. The subsidy is income-based, providing higher support to low-income families. France also offers tax credits for childcare and state-funded crèche places for children from two months old. However, the decentralised model has resulted in regional differences in support, illustrating the importance of setting national minimum standards.
- **New Zealand's Quality-Based State Funding:** New Zealand has prioritised driving quality up through conditional state funding. Its funding model is based on "quality funding bands" that reward providers with qualified teachers, encouraging better quality of care and education. However, initial ambitious qualification targets had to be revised to ensure enough time to upskill workers, illustrating the importance of a carefully planned expansion, coordinated with the sector.
- **Portugal's Universal Free Access Rollout:** Portugal is currently expanding free childcare to all children, prioritising low-income families. The government aims to achieve full coverage of free universal EEC by 2024. However, the ambitious rollout may present challenges in providing enough spaces while maintaining quality, showing the importance of coordinating the expansion with the sector and ensuring funding cover actual costs.

WBG's approach and long-term vision: Investing in universal free and high-quality early education and childcare. While short-term reforms are important to consider and implement, we must work towards a bold vision of early education and care that recognises the essential nature of this service for children's life chances, mothers' financial autonomy, and the consequent returns to the wider economy. We propose a rescue and reform approach. In the short term, policies should focus on addressing the crisis in the sector by increasing funding and improving pay and working conditions. Our early education and childcare sector is in a very fragile state. Any additional pressures (e.g. expanding the demand and continued underfunding) could lead it to collapse, as providers close and workers continue to leave the sector.

A rescue plan is needed to ensure a minimum level of sustainability and security in terms of resources. In the long term, we propose moving to a model of universal and high-quality childcare, free at the point of use for every child aged 6 months to 4.5 years, recognising the importance of EEC for children, parents and the wider economy. Under different scenarios for take-up rates and payment levels for the workforce in the sector, we estimate a net annual funding requirement of 0.3%-0.8% of GDP. This would cover 28-39% of the costs, with the rest covered by the policy itself. This investment would increase employment (directly and indirectly) and tax revenues for the government, and reduce social security spending, which would pay for the rest of the investment.

Related link: Early years spending update: Budget reforms and beyond [9]
19th international review on leave policies and related research 2023 [10]
Region: International [11]
Tags: access [12]
comparative studies [13]
funding [14]
quality [15]
universal [16]
