

Childcare: how the cost of bringing up baby is bankrupting middle Britain ^[1]

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EXCERPTS:

Nicola Probert, 28, and her partner Tony Hodge, 30, have two boys: Finley, aged four, and six-month-old Bobby. Until last week, Nicola thought she had her childcare organised. She was about to return to work as a phlebotomist (taking blood samples) and a relative was going to look after Bobby. Now, the relative has found a job and childcare costs have become an issue.

"I've got to accept that I'll only be earning £3-£4 an hour because the other half of my pay will go on childcare," Probert says. "That's hard. I would work nights but sometimes Tony has to go to his job at 5am. I don't want to give up work because the hours, 9am to 3pm, suit Finley's school day and Bobby will eventually be in school too. We need the money and I don't want to be just another person who hasn't got a job."

The experience of Nicola and Tony is one repeated across Britain as the sums fail to add up balancing paid work and childcare. In Europe, parents spend an average of 13% of their salary on childcare (5% in Sweden); in the UK it is 27%. Twenty-five hours of nursery care per week for a child aged two or under, mostly provided by the private for-profit sector, costs on average £5,000 a year in England, rising to £6,000 in London (£15,000 and more at the top end).

Childcare costs have been an issue since the 1990s, with fees rising year after year, but the situation has reached crisis point. The cause is the combination of benefit cuts, wages flatlining and austerity pushing more people into part-time work. The result is that for the first time, as thinktank the Resolution Foundation reports on Wednesday, even those on low to middle incomes, defined as having two children in childcare and earning between £17,000 and £41,000, are little better off than those on poor incomes, once the nursery or childminder's fees are met. Paid work has become an activity that some parents can no longer afford.

This is at a time, when, according to the Resolution Foundation, it is vital that a million more women move into the labour market to restart social mobility, tackle poverty, improve living standards and reduce the benefits bill for taxpayers. "Daycare Trust hears from parents every day who are forced to make difficult decisions about their career and family life as a result of Britain's high childcare costs," says Anand Shukla, chief executive of the childcare charity, Daycare Trust. "If you want welfare reform to ensure that work does pay, you need high-quality provision that is affordable for all parents."

Good news isn't entirely absent from the childcare arena. According to Ofsted, standards are improving, with over three-quarters of providers rated as "good" or "outstanding" (although, shamefully, children in the poorest areas also receive the worst care). In addition, the free entitlement of 15 hours a week for all three- and four-year-olds, extending to two-year-olds in 2013 and beyond, has had a phenomenally high takeup rate (93%), and parents and carers report strong levels of satisfaction.

The bad news is that in almost every other respect - capacity, costing, funding, sustainability, information for parents and value for money - childcare in the UK is in an almighty mess. Childminders are melting away; dozens of nurseries are close to the brink; only 14% of the workforce is educated to graduate level and parents are buckling under the cost. So, what's to be done?

Anne Longfield is chief executive of the charity 4Children, and one of the forces behind the creation of children's centres, often at the hub of childcare services, and the spread of Sure Start, now suffering severe cutbacks. She, along with then Labour minister, Harriet Harman, worked hard to persuade Gordon Brown, Labour chancellor, to adopt a national childcare strategy. In 2003, he announced that childcare was at the "centre of our economic policy".

"It's easy to forget how barren the childcare landscape was before 1997 and the real gains achieved under Labour," Longfield says. "Childcare is now part of our national architecture but the task is far from finished with high costs, incomprehensible funding, inflexibility for parents working shifts, for instance, and still a lack of availability in the poorest areas."

Labour and the coalition have both established commissions into childcare. The coalition reports in a matter of weeks. Many in childcare say that they hope it has the answers to the mystery at the heart of Britain's childcare challenge: why does it cost so much and yet still not produce a Rolls Royce service? Parents may face crippling fees but they are not going to childminders, many of whom earn as little as £2.50 an hour. According to the Department for Education, the average profit for a nursery is £13,600 and many are faring much worse, as parents cut back on hours. Nursery staff wages often hover around the minimum. Even a graduate Early Years professional earns only half a teacher's salary.

Richard Conway is founder of childcare.co.uk, which matches parents to providers and has 700,000 visitors a month. "Going into nurseries isn't going to make a millionaire of anyone," he says drily.

Nannies fare better, as they cater for the high end of the market but, for much of the childcare industry staff pay dearly for their commitment. So it's a puzzle that the overall bill for government (and for taxpayers) for childcare and early years remains huge, at roughly £7bn a year, one of the highest in the EU. Except that this may not be an accurate estimate. According to work by Helen Penn, professor of early childhood, elements may have been included in that sum that are not strictly to do with childcare and early years.

Nevertheless, Elizabeth Truss, newly promoted education minister responsible for childcare, argues that costs are so much higher in Britain because of over-regulation and a higher ratios of adults to children. The minister would advocate that, instead of one childminder to three under-fives, for instance, the ratio could become one to five, making childcare cheaper. Truss, a supporter of mothers going out to work, favourably refers to the Dutch experience of deregulation.

Double Dutch, a report by the thinktank the IPPR, counters Truss's approval of deregulation of childminders in Holland. The report points out that in four years costs tripled (many of the newly registered childminders were grandparents previously working for nothing), while standards declined sharply. Holland is now reversing deregulation. Another element in the Dutch model is that employers meet a third of childcare costs, not emulated among the bosses of lower-paid industries in the UK. "And I can't see them ever understanding the business case that good childcare means you keep staff," says Vidhya Alakeson of the Resolution Foundation.

Truss's approval of deregulation is unpopular with much of the childcare workforce and many parents. Neil Leitch is chief executive of the Pre-School Learning Alliance, which supports 800,000 children and families and runs nurseries, many in deprived areas. "Some parts of Europe have lower ratios because the staff are more highly qualified," he says. "But when a child falls over you still need a pair of arms to give comfort and that's about numbers of staff, not qualifications."

Penn has examined comparative statistics, crude as they are, and says that British childcare is not over-regulated: regulations and ratios are about average for Europe. Nevertheless, she concludes, the £7bn (or possibly less) price tag on childcare and early learning, which incorporates a tangle of benefits and credits, amounts to poor value for money.

Alakeson agrees. "We have a system in which a woman may be given £13,000 in tax credits and benefits to earn £16,000 in a low-paid job to pay another woman the minimum wage to look after her child. That's bananas," she says.

Beverley Hughes, now frontbench spokesperson for Labour on education and childcare in the Lords, was children's minister from 2005 to 2009 when Sure Start, Children's Centres, nurseries and extended schools were rolling out. The main thrust was to put money in the hands of parents, she says, via working tax credits and benefits (including, for instance, a childcare element in housing benefit), rather than investing in services. The belief was that parental demand could build the childcare market.

Speaking in a personal capacity, she now says that approach "was probably wrong. We were so keen to stimulate demand from parents but in retrospect that was such a mammoth task. We ought to have focused on the supply side, supporting providers, then we could have done more and quicker. Labour needs to think about a real change, a national guarantee of a free place for all one to fives."

A national guarantee of a place is at the heart of the Danish system. All children from six months to six years have high-quality, mostly full-time childcare. Poorer families pay nothing; other families pay 10% of their income. In researching Double Dutch, co-written with Kathleen Henehan, Graeme Cooke visited Copenhagen with Liam Byrne, a member of Labour's childcare commission. "Block grants and taxation give sustainability to a diversity of childcare providers and there are no childcare tax credits. Employers pay their share. This is investment in the demand side of childcare, marginalised by Labour and invested in poorly by the coalition but, arguably, the way forward.

"It's fiscally sustainable and politically viable," Cooke says. "But to fund it Labour would have to make some tough decisions on what to cut elsewhere. What it can't do is critique what the coalition is doing but fail to come up with any big ideas itself."

More trouble may lie ahead. In 2011/12, the government commendably spent £1.9bn on providing free entitlement to 15 hours of childcare for 800,000 three- to four-year-olds to support children's development, targeting children in deprived areas in particular. Money was given to local authorities and not ring-fenced, to pay local providers. A report by the National Audit Office found that funding varied from £2.78 to £5.18 an hour, leaving some providers up to £500 a year short. "What that can mean is that one set of parents is paying more to subsidise another set of parents on a free entitlement. That's dishonest," Leitch says.

Deprived children had the lowest level of takeup and some nurseries have wrongly demanded "topups" from parents for extra hours before free hours are provided. The House of Commons committee of public accounts, the most powerful public spending watchdog, held an inquiry in April and said that the government had "limited understanding of how the funding it provides for early education is spent". Expansion of free entitlement to two-year-olds, beginning next year, faces further challenges of underfunding and a chronic lack of capacity.

Neither Labour's co-operative childcare vision nor the coalition's idea of "walking vouchers", putting parents in charge of where the money goes, will address the challenge facing the childcare market or ease the pain in parental pockets. "We aren't naive. We know there aren't huge amounts of money available," says Purnima Tanuku, chief executive of the National Day Nurseries Association. "So let's begin with an audit. What's spent where and why? Let's have transparency, clarity and simplified funding streams. Let's have investment in providers and sustainability, so we can make it work properly for parents, children and providers."

In 2009, the Daycare Trust calculated what it would cost for a premier childcare system. The figure was then £9bn, not so far off the current disputed £7bn. Universal free or low-cost quality childcare could be funded from changes to pension relief, say, or measures such

as means testing winter fuel allowance. But asking the older generation (with votes) to forfeit for those starting out is a risk many politicians won't take.

Professor Cathy Nutbrown was asked by government to conduct an independent review into improving childcare standards and qualifications vital for children's development. Her report awaits a government response. She concludes: "Change will take time and will not always be easy but it is necessary and it can be done." What it needs is political will.

Louise Sweeney, 30, works three days a week in the voluntary sector. She lives in Bristol with her partner, 32, who is training to be a doctor; they have a daughter, Alexa, three.

"We met at university and, at 25, I was the first of my friends to get pregnant, so I was very naive about childcare. When Alexa was four months old I started to look for a full-time place and there were waiting lists of up to a year. My partner's university eventually had childcare provision, but we didn't qualify because I was working. And I didn't qualify for the childcare element of working tax credit because he was a student. We ended up paying £750 a month for a nursery, more than our mortgage.

"It was terrifying. I was the main breadwinner, we had no family nearby to help with childcare, and what with council tax and living costs we quickly got into trouble trying to meet the childcare bills.

"We took out a loan, we had a mortgage break for six months, we used our credit cards. I was working four long days to save one day of childcare costs and still making a loss each month. We'd got into such trouble that if I stopped work, sold the flat and we rented, we wouldn't have been much better off."

Once Alexa was three, the family were eligible for 15 hours free nursery care so the monthly bill has gone down to £280 per month. Louise was so stressed that she reduced work to three days. "Free childcare is a huge help," she says. "But the cost of childcare is going to impact on us for five or 10 years. We've got a small, two-bedroom flat and won't be able to move to a house with a garden.

"I'm 30 and we can't afford a second child. We don't have much of a life because we are still paying off childcare debts. I had no idea how much we'd have to struggle."

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