

# Editorial: Time to fix the broken economics of childcare <sup>[1]</sup>

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## EXCERPTS:

Amid the freezes, squeezes and outright cuts assailing so much of Britain's economic life, the Chancellor hopes to sweeten his Budget later this month with some much-needed relief on the high cost of childcare. Given that nursery fees routinely swallow anything up to a third of family income, any moves to defray the expense can only be welcome. But it will take more than a little tinkering around the edges to solve one of the more far-reaching social issues facing policy-makers today.

If George Osborne needed further evidence of the need for government action, the latest research from the Daycare Trust more than provides it. According to the charity, childcare costs have shot up at more than twice the rate of inflation over the past year. The average annual bill for a full-time nursery place for a child under two is now a staggering £11,000; for an older toddler, it is even higher. Childminder fees and charges for before- and after-school care are also sharply rising. Nor is the problem new: costs have ballooned by more than three-quarters over the past decade, even as the economy has sunk and salaries stagnated.

The result? An estimated one million people "missing" from the labour market - the vast majority of them women - because it makes more financial sense to stay at home and look after the children than to pay someone else to do so. That means swathes of households missing out on an extra wage. It means children missing out on vital early-years education. It means gender inequalities reinforced by mothers' stop-start careers and smaller pension pots. It means economic potential wasted and less tax rolling into the coffers of the state. In short, the status quo is bad for everyone.

Government efforts to tackle the issue are, then, to be welcomed. Some tweaks have already been made. Thanks largely to Nick Clegg, the entitlement to 15 hours of free nursery care each week has been extended, the system has been made more flexible to accommodate the working day, and the ratio of children to carers has been increased.

Now, ahead of the Budget, the aim is to address the issue of cost directly. Coalition negotiations pit the Chancellor's long-held desire for childcare to be made tax deductible, against the Deputy Prime Minister's preference for extra help for low-earners. Either way, however, the proposals are only making up for losses elsewhere - in Mr Osborne's case the crimp on child benefit for higher-income households, in Mr Clegg's the tightening of tax credits and other benefits payments. Neither are sufficient to bring Britain into line with other European countries against which, on this measure at least, we score so poorly.

Take Denmark, for example. More than nine in 10 young children have full-time nursery care and more than four out of five mothers work. Here, the proportion is only slightly higher than 60 per cent. The big difference? Danish families pay a maximum of 25 per cent of the cost of childcare - some of them nothing at all - and the government picks up the rest of the tab.

In the current climate of relentless fiscal austerity, the case for extra state spending is tricky to make. But the social and economic gains from putting an end to Britain's ill-conceived, patchy and anachronistic childcare arrangements can hardly be overstated. And there is much that can be done, even within the Chancellor's deficit-reduction targets. Calling time on perks for wealthy pensioners would be a start; and money earmarked for child benefit would be better channelled into the provision of services rather than handed out as cash. None of the solutions are easy. But a few minor adjustments will not suffice.

-reprinted from the Independent

**Region:** Europe <sup>[2]</sup>

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