

Childcare and work: The parents missing from the labour market

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Author: Family and Childcare Trust & Parental Choice

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[Full report PDF](#) [2]

[Press release](#) [3]

The Family and Childcare Trust believes that all parents who want to work should be able to do so, to provide for their families, to give children the best possible start in life and to contribute to the nation's tax income. Yet too many parents in the UK struggle to work because the cost of childcare is prohibitive. When even part-time childcare for the average family costs more than a mortgage, the price of childcare has become a disincentive to work. Working with Government and business, we think we can change that.

Parental employment

While the vast majority of parents work in the UK, there are significant numbers of families where one or both parents are not working.

In the UK there are nearly 13 million adults who are parents with dependent children – children under 16 years old or aged 16-18 and in full-time education.

The last census, undertaken in 2011, provided a detailed analysis of employment patterns in families with dependent children. The 2011 census showed that across the UK, 66 per cent of adults with dependent children lived in households where both parents worked, or were working single parents themselves. But this leaves over 4.4 million parents (34 per cent of all parents with dependent children) living a household where one or both parents are not working.

These figures can be broken down by local authority. In South Gloucestershire, Rutland and Leicestershire 76 per cent of adults with dependent children lived in households where both parents worked, or were working single parents.

At the other end of the scale in Tower Hamlets, just 31 per cent of adults with dependent children lived in households where both parents worked, or were working single parents themselves. In Newham and Westminster, also in London, 42 per cent of adults with dependent children lived in households where both parents worked, or were working single parents.

Childcare costs

A number of factors affect parental employment rates. These include parents' own skills and qualifications and the work that is available in a particular area. Caring responsibilities also impact on parents' ability to work. Although many parents share caring responsibilities, or use informal childcare from family and friends, nearly 60 per cent of UK families with dependent children pay for formal childcare, most frequently a nursery, afterschool club or registered childminder.

The average price for a part-time nursery price was £6,000 per year in 2015 and an after-school club cost £1,800 annually, but there are significant differences in the price of childcare within and between local authorities. Nursery prices were 32 per cent more expensive in London in 2015, amounting to £1,900 extra paid for a part-time nursery places every year. Outside of London, childcare is also expensive in the south east and a number of other urban areas.

The price and availability of childcare affects parents' ability to work. The Government acknowledges this and helps families with their childcare costs through tax credits, childcare vouchers and free part-time early education (Table One).

- 49 per cent of parents in families where all parents do not work full-time say they would like to find work or work more hours.
- 23 per cent of mothers who are not in paid employment cite childcare issues as a reason they are not able to work.
- Parents in the UK pay a quarter of their income on childcare costs, more than any other country in the EU except Switzerland.

Childcare shortages

Another factor that can drive up prices are shortages of childcare. Only 43 per cent of local authorities in England and 18 per cent in Wales report that they have enough childcare for working parents.

These figures fall to 14 per cent and 0 per cent respectively for parents who work atypical hours.

This year, nursery costs for part-time provision for a child under two were 7.4 per cent higher in areas with insufficient childcare than those that had enough.

Within a regulated free market increased demand is meant to increase supply and help keep prices competitive and therefore affordable. However, new entrants are not setting up to meet this unmet demand.

Key findings

Family and Childcare Trust found a strong relationship between the costs of childcare and parental employment. Using census data on the employment of parents with dependent children and data from the Family and Childcare Trust's annual costs survey for that year, we found a negative correlation (Pearson -0.3) between the price of a part-time nursery place and levels of parental employment.

Put simply, there is lower parental employment in areas where childcare costs are highest.

Cost has huge implications on parents' intentions to work. Over the last 10 Labour Force Surveys, statistics have consistently shown that about 40 per cent of economically inactive mothers with dependent children wanted a job.

The most recent Childcare and Early Years Survey of Parents (Department for Education, 2013) showed that among mothers who had returned to work in the last two years, the decision to return had been influenced by the cost of childcare.

Some 27 per cent of mothers had returned to work because free or cheap childcare had become available, rising to 32 per cent among lone mothers. Five per cent of mothers had returned to work because they were entitled to tax credits and two per cent because of financial help with childcare vouchers.

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[3] <https://www.familyandchildcaretrust.org/>

[4] <https://childcarecanada.org/category/region/europe>

[5] <https://childcarecanada.org/category/tags/accessibility>

[6] <https://childcarecanada.org/category/tags/availability>

[7] <https://childcarecanada.org/category/tags/workforce-participation>