

An anti-poverty strategy for the UK: Creating an anti-poverty childcare system ^[1]

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AVAILABILITY

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Executive summary

Around 2.3 million children in the UK are living below the Child Poverty Act 2010 relative poverty threshold, representing one-fifth of all children. By the same measure, eight million working age adults and, overall, over one-fifth of the UK population live in poverty. Following a long-term trend of falling poverty since the mid-1990s, these figures are predicted to rise significantly as planned cuts to welfare budgets deepen.

Reducing poverty is a complex undertaking to which there is no easy answer. A robust body of evidence suggests that publicly funded childcare can help reduce poverty in two key ways:

- high quality early education and effective early intervention can act as protective factors for children against the negative effects of poverty, improving long-term developmental and employment outcomes;
- access to flexible, affordable childcare can reduce pressures on family income and help parents to participate in work, education or training, reducing a family's short and long-term poverty risks.

Measured against these aims, the UK childcare system currently falls short of fulfilling its potential to help reduce poverty:

Children often do not have access to childcare of the standard needed to improve developmental outcomes.

The difference between pre-school programmes that make a difference to children's outcomes and those that do not is quality. The UK has successfully established funding and regulatory arrangements that mean that poor quality care is rare. However, to improve outcomes, care must meet an extremely high standard that includes: well-qualified, experienced staff able to identify and respond to children's needs; a good social mix of children; a proactive approach to supporting home learning; and strong links with early intervention services.

UK policy, funding and regulatory frameworks for childcare do not deliver this standard of care to most of those children who are at risk of falling behind: many children – particularly those aged under three – do not receive graduate-led care, whilst settings of all types often lack a good social mix of children, an active approach to supporting home learning or strong links with local family and child support services (which themselves are under severe funding pressures). Low wages remain a systemic constraint on quality in the early years.

Families in areas of low parental employment are less likely to have access to flexible childcare.

Childcare access is shaped by a market that is less favourable to families in less prosperous areas. As a result, childcare in the least affluent areas is dominated by maintained providers in schools, the majority of which do not offer daycare, supported by a limited patchwork of voluntary services and childminders. Families therefore often lack access to year-round, flexible daycare. This market particularly fails to meet the needs of parents who work atypical hours. A lack of access to flexible childcare can force parents to choose low quality part-time jobs, trade down roles or leave work altogether, and makes it more difficult for parents at risk of poverty to address skills or education deficits.

Support with childcare costs does not work well for, or provide adequate help to, parents with low incomes.

More help with childcare costs for parents with low incomes will be provided through the government's planned extension of free childcare to 30 hours a week for three- and four-year-olds, and the increase in support to 85 per cent of costs from April 2016 for families eligible for Universal Credit. However, the proposed system of delivering this support is bureaucratic, difficult to navigate for parents and will fail to properly address basic affordability challenges such as deposits and up-front fees. Moreover, Universal Credit will not provide meaningful support or work incentives for many parents – particularly second earners with childcare costs – and there remain significant gaps in support with childcare costs for parents who are jobseeking or building skills through education and training.

An anti-poverty childcare system

The UK has made great strides in the last 20 years in extending access to formal pre-school childcare and creating a universally free early education offer. However, successive UK governments have failed to develop a coherent vision and strategy for pre-school childcare and persistent problems holding back the childcare system have not been addressed. Two principles should be at the heart of an anti-poverty childcare system:

- maximising the potential of high quality childcare to act as a protective factor and improving long-term outcomes for children living in, or at risk of, poverty;
- removing barriers to participation for parents, especially to employment, training and education, created by childcare access or affordability problems.

Our recommendations seek to set out practical and achievable steps towards meeting these goals through a long-term strategy of reform and investment. The proposals seek to transform the UK's current fragmented childcare market into an integrated system that delivers high quality, affordable and flexible care. Our key recommendations are:

1. Funding a decisive shift towards high quality childcare by:

- moving to a fully qualified, graduate-led workforce and equalising wages across private, voluntary and maintained settings, in line with a national pay scale, to support professionalisation of the workforce;
- investing in early intervention through child and family support services and creating direct links between childcare providers and children's centres in order to clarify responsibilities and remove gaps in the early years early intervention framework;
- strengthening requirements within regulatory frameworks that impact on children's development, such as support for home learning; and
- introducing an age-appropriate developmental assessment for children on entry and exit from early education to support children's development.

2. Addressing access and flexibility challenges and creating a truly universal childcare system by:

- replacing the ineffective Childcare Act 2006 'sufficiency duty' with a properly funded entitlement to childcare for pre-school children from age one extending across a full day and for 48 weeks of the year;
- introducing a transparent statutory admissions code of practice for centre-based childcare providers;
- extending the free childcare offer to all two-year-olds at an appropriate pace to deliver high quality places;
- extending properly funded childminder networks offering brokerage and support to childminders; and
- creating an ambitious business development programme to support social enterprises and foster those business models that are most successful in offering high quality care to diverse communities.

3. Extending support with childcare costs for families in or at risk of poverty by:

- removing the parental contribution to childcare fees altogether for families with an income below the relative poverty threshold;
- extending support with childcare costs to jobseeking and work preparation activities, including education and training; and
- establishing a mechanism to pay the deposit and first month of childcare fees up front for parents moving into work.

Our proposals are underpinned by a shift to supply-side funding for pre-school childcare services. The government's approach to childcare funding is not on the right track. Following the roll-out of the tax-free childcare scheme, the 30-hour offer and extended support under Universal Credit, public funding will account for the majority of income for most early years childcare providers, whether they are under public, charitable or private ownership. Yet the childcare funding system is excessively complex, delivers poor value for money and does not offer the means to effectively influence service provision.

International evidence and the best examples of high quality provision in the UK suggest that the most effective approach to funding pre-school childcare is supply-side funding, where investment is made directly in services. This approach provides the means to offer universal access to services and effectively shape quality, affordability and flexibility. Whilst we set out 'second best' options, such as increasing investment in the childcare element of Universal Credit, demand-side subsidies do not offer the same means to achieve integration and deliver improvements in services. The case for supply-funded childcare is simple: it is the most effective means of delivering reliable access to affordable, flexible and high quality childcare regardless of parents' ability to pay.

Our proposals seek to deliver a universal pre-school childcare system; that is, a system that delivers guaranteed access to high quality childcare at a price parents can afford. We have not recommended a universal free childcare system. The state cannot, in the near future, afford to subsidise both generous free entitlements for all families and meet pressing antipoverty investment priorities. An excessive focus on free childcare risks locking the UK into a low quality funding model, distracts policy-makers from investment in early intervention services and will not address fundamental access and flexibility challenges. Whilst targeted increases in free provision can be justified, large extensions to universal free childcare are likely to undermine rather than support anti-poverty policy goals.

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