

Choice for parents, the best start for children: a ten year strategy for childcare

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INTRODUCTION AND SUMMARY

Choice for parents, the best start for children

The Government's vision is to ensure that every child gets the best start in life and to give parents more choice about how to balance work and family life.

Choice and flexibility: parents to have greater choice about balancing work and family life

- a goal of twelve months paid maternity leave by the end of the next Parliament. As a first step this Pre-Budget Report announces the extension of the entitlement to nine months from April 2007;
- legislation to give mothers the right to transfer a proportion of this paid leave to the child's father by the end of the next Parliament; and
- every family to have easy access to integrated services through Children's Centres in their local community, offering information, health, family support, childcare and other services for parents and children. 2,500 Children's Centres will be in place by 2008 and 3,500 by 2010.

Availability: for all families with children aged up to 14 who need it, an affordable, flexible, high quality childcare place that meets their circumstances

- legislation for a new duty on local authorities in place by 2008 so that over time they will secure sufficient supply to meet the needs of families;
- a goal of 20 hours a week of free high quality care for 38 weeks for all 3 and 4 year olds with this Pre-Budget Report announcing a first step of 15 hours a week for 38 weeks a year reaching all children by 2010; and
- an out of school childcare place for all children aged 3-14 between the hours of 8am to 6pm each weekday by 2010.

Quality: high quality provision with a highly skilled childcare and early years workforce, among the best in the world

- all full daycare settings to be professionally led;
- this Pre-Budget Report announces a Transformation Fund of £125 million each year from April 2006 to invest in high quality, sustainable, affordable provision;
- radical reform of the workforce, with the Children's Workforce Development Council consulting on a new qualification and career structure in 2005; and
- reform of the regulation and inspection regime to improve standards and to give parents better information.

Affordability: families to be able to afford flexible, high quality childcare that is appropriate for their needs

- this Pre-Budget Report announces an increase in the limits of the childcare element of the Working Tax Credit to £300 a week (£175 for one child) from April 2005, and an increase in the maximum proportion of costs that can be claimed from 70 per cent to 80 per cent from April 2006;
- for a couple family on £34,000 a year with both parents working and typical childcare costs for two young children, these reforms reduce the proportion of childcare costs they pay from 85 per cent to 75 per cent, a saving to them of £700 per year. Building on this first step, the Government's long-term ambition is to reduce further the proportion of childcare costs paid by such families, making childcare increasingly affordable; and
- this Pre-Budget Report also announces £5 million from April 2006 for a pilot to work with the Greater London Authority to address childcare affordability issues in London.

1.1 Early childhood is a time of vital importance in children's development. It is widely known that the quality of care that children receive in their early years makes a real difference to their development and later outcomes. Today's parents face considerable challenges balancing their work and family commitments. The demands of work in an increasingly competitive world economy and the need to ensure that all children have a good start in life mean that families can find it ever harder to strike the right work-life balance for them and their children. The way that Government responds to these challenges affects families' quality of life and the country's economic prosperity.

1.2 These demands on family life not only present considerable challenges, but also offer new opportunities. More women are in paid employment, resulting in economic benefits for families, employers and the wider economy. More fathers are playing a greater role in their children's daily lives. There is also increased recognition of the importance of each stage of children's development, and in particular a greater understanding that from the earliest months of life children's experiences can have a profound long-term impact on their future life chances.

1.3 International evidence shows that there are significant differences in how governments help families balance work and family life. There are considerable variations in parental leave entitlements between different countries, in the range and quality of childcare services, and in how these are joined up into a coherent system for children, parents and employers. Despite significant improvements in many of these areas the UK lags well behind some other countries in the support that is offered to parents and in the range of choices that are available to them.

1.4 Three central principles have driven the formulation of the Government's ten year strategy:

- the importance of ensuring every child has the best possible start in life;
- the need to respond to changing patterns of employment and ensure that parents, particularly mothers, can work and progress their careers; and
- the legitimate expectations of families that they should be in control of the choices they make in balancing work and family life.

1.5 Parents want the best for their children, and parents have by far the biggest influence on children's lives. A modern welfare state should recognise this by helping mothers and fathers to spend time with their children and by ensuring that they can get access to a range of high quality services and support when they feel they need it. High quality childcare is just one of many services today's families need, alongside health services, information and advice, family support, employment and training advice and help for children with special needs. Bringing these services together in a more joined up way will help ensure that parents are able to make real choices about their work and family lives.

1.6 Parents are the best judges of their family's needs. The framework of support for families and children must therefore offer parents choices about how to balance work and family life. Parents use a wide range of support for their childcare needs, including grandparents, wider family members, friends, childminders, playgroups, after school clubs or nurseries. Each have a crucial role to play. The Government's role is to enable families to have greater access and choice. This may mean enabling children to benefit from services at a Sure Start Children's Centre, improving the quality of daycare in a nursery or joining up local services. All these choices will change over time as circumstances change, for example as the child gets older or if further children are born. Above all the Government sees childcare as playing a crucial role that complements family life.

1.7 Since 1998 the Government has invested heavily in the National Childcare Strategy and Sure Start to improve services for children and families. Working in partnership with local government and the private and voluntary sectors, the pattern of provision across the country has been transformed. As a result the number of childcare places has increased dramatically by 525,000. Government expenditure on childcare, early education and Sure Start has trebled since 1997. The Government has introduced an entitlement to 12.5 hours a week of free early education for all three to four year-olds and is also pioneering community based Sure Start Local Programmes offering joined up support to families with young children. In addition, parents have been given increased entitlements to maternity and paternity pay and leave, parental leave and the right to request flexible working arrangements when children are young.

1.8 This investment has built up a strong foundation of services and support for parents. The time is now right to take stock of what has been achieved, to outline the Government's long-term vision, and to set out its strategy. Despite all that has been achieved important challenges remain:

- many families still have difficulty finding childcare services that fit their circumstances and that adapt as their children grow;
- many parents still find childcare services hard to afford;
- the quality of childcare services can vary, which can undermine parents' confidence, and at its worst can have harmful impacts on children's development;
- services can be poorly joined up making them more difficult to access;
- parents would like flexible working arrangements to enable them to spend more time with their children;
- too many parents, especially mothers, who would like to stay in work and develop their careers after their children are born are not able to do so, which can have considerable costs to the family and to the wider economy;
- many parents would like more time with their children when they are very young; and
- childcare and family support could be used more effectively in helping families break out of the cycle of poverty and worklessness.

1.9 Meeting these challenges requires looking again at how the UK's childcare system works. The Government is determined to address these problems and develop a childcare system fit for the 21st century. This document sets out a ten year strategy to create a sustainable framework for childcare provision and support to balance work and family life. It builds on the Government's *Every Child Matters*¹ programme and contains a clear direction of travel and long-term goals. How far and fast progress towards these long-term goals can be made is dependent on the availability of resources, the increase in childcare demand, the speed of workforce change, improvements to delivery and the experience of local implementation. This document contains important next steps funded in the 2004 Pre-Budget Report to move closer towards these long-term goals.

¹ Department for Education and Skills, 2003.

I.10 The Government's vision is of a childcare system where:

- parents are better supported in the choices they make about their work and family responsibilities;
- childcare is available to all families and is flexible to meet their circumstances;
- childcare services are among the best quality in the world; and
- all families are able to afford high quality childcare services that are appropriate for their needs.

I.11 It is against these objectives of choice, availability, quality and affordability that the Government's vision is framed.

Choice I.12 Meeting the vision will mean creating more choice for fathers and mothers, to give them more control over how they balance time at work and time spent with their children. In order to achieve this, the Government needs to improve the arrangements for parents to take paid leave after the birth of a child and to work with employers to improve access to flexible working. There will also be a need to ensure that childcare services are better able to meet families' needs, and they are high quality, affordable and flexible. Other support and guidance services for families, including health, information and parenting advice, back to work support, and straightforward help in finding childcare will also need to be strengthened.

Availability I.13 The Government's vision is for childcare services to be available to all families who want to use them. Childcare services will not look the same everywhere. They will need to be shaped by parents' needs which will vary according to whether they live in a rural or urban area, whether their child is pre-school or school age and whether parents work full- or part-time. This will require a new approach to planning and delivering services. The role of the local authority will be crucial to ensure that services are developed according to local needs. Services will be locally accountable, within a national framework.

Quality I.14 Ensuring that pre-school childcare is of high quality will improve outcomes for children, particularly the youngest children, as well as creating wider benefits for families and society. Working with pre-school children should have as much status as a profession as teaching children in schools. Inspection is one lever for driving up quality. A first class workforce is also fundamental. This will mean reviewing the qualifications and career structure and investing in training and support in order to further develop a workforce fit to deliver the kinds of services children and parents expect in the 21st century.

Affordability I.15 Parents should not be expected to meet all the costs of high quality childcare services. Government support for childcare is based on the principle of progressive universalism, with some support for all and most support for those who need it most. Given that childcare benefits society as a whole, a modern childcare system should ensure that parents are not prevented from accessing high quality childcare provision on the grounds of cost. Availability of childcare plays an important role in tackling disadvantage and child poverty, and supporting social mobility and equality of opportunity. This strategy will not have succeeded if, along with its other achievements, it has not helped more of this generation and the next out of poverty and worklessness.

Devolution

I.16 This ten year strategy covers both reserved issues (for example tax credits and maternity leave) and devolved issues (for example the quality of childcare places). Responsibility for the delivery of the strategy in Scotland and Wales, and in Northern Ireland when devolution is restored, is therefore shared between the UK Government and the devolved administrations. The Government will involve all four countries of the UK in discussing its implementation.

2

CHILDREN, WORK AND CHOICE FOR PARENTS: POLICY RATIONALE

2.1 The previous chapter identified the three key principles informing the Government's ten year strategy:

- ensuring every child has the best possible start in life;
- the need to respond to changing patterns of employment and ensure that parents, particularly mothers, can work and progress their careers; and
- the legitimate expectations of families that they should be in control of the choices they make in balancing work and family life.

2.2 This chapter explores these principles in greater depth and considers the implications for policy. It sets out the rationale for Government action to meet the needs of children and to help parents achieve an appropriate balance between work and family life. Additional supporting evidence is provided in the annexes at the end of the document. It builds on the objectives of the 2003 Green Paper, *Every Child Matters*, putting children and childhood at the centre of policy making and delivery at the national and local levels.

INTRODUCTION

2.3 The Government's role is to support families and ensure that they have meaningful choices about how they live their lives. This means ensuring that parents are able to spend time with their children, particularly during the first year of life, enabling flexible working, providing joined up support and guidance services and increasing availability of high quality, affordable, flexible childcare provision. It also means making sure the poorest and most disadvantaged children and families have access to the support they need.

2.4 There are substantial public benefits to be gained from helping parents reconcile the demands of work and family life. These include expanding opportunities within and across generations, tackling disadvantage and increasing the productive capacity of the nation. At the same time, policy in this area faces considerable challenges. A policy that gives too much emphasis to helping parents to work could come at the expense of the needs of children, or of parents' desire to spend more time with their families. This may create short term economic gains, but at a social and economic cost in the future. On the other hand, supporting parents to enter and progress in work is critical to the economy and tackling child poverty. To be successful, the needs of children and families cannot be traded against the demands of the labour market, but must be advanced together.

2.5 Ensuring that every child gets the best start in life is not just a matter of fairness, but also the right foundation for continued economic prosperity. Removing the barriers to work extends opportunities, especially for women, but also creates economic gains by increasing the range of talents employed. These gains are realised not just by individuals, but also by employers and society as a whole.

2.6 If the ten year strategy can give families the support they need, there is likely to be a substantial dividend for all. It holds out the possibility of a country where childhood is valued and where children flourish while gaining a solid foundation for later life, where parenting and work are complementary activities, and where parents can make family and labour market decisions based on choice.

2.7 The chapter is structured as follows:

- giving children the best start in life: this section explores how the increasingly rich evidence base on child development can inform policy, the impacts of being raised in poverty on children's future prospects, and how childcare can play a role in breaking the cycle of disadvantage both directly through improving children's educational outcomes and indirectly through supporting parental employment;
- parents and the labour market: this section explores the evidence on parents and the labour market, considering comparative international evidence, trends in labour market participation in the UK, and the economic benefits that changes in working patterns have brought. It then considers the limits of the childcare market, and the case for government subsidising childcare; and
- offering families more control: this section considers the difficulties parents face in finding a balance between work and family life, and how government actions can help to give parents more control over their lives.

2.8 Together, this analysis demonstrates the case for further government support to childcare and for strengthening the framework of work-life balance entitlements.

The case for government support to childcare:

- **there are benefits not fully captured by the market** – the price of childcare may mean that an individual has a low financial gain from returning to work in the short term, but that does not reflect the potential longer term gains from continued attachment to the labour market. Government has a role to play in helping parents with the costs of childcare to ensure families and the wider economy can realise these benefits;
- **there are failures of information** – parents can lack the information to be certain of the quality of childcare provision or may not realise the long term gains that high quality childcare can bring;
- **there are problems with availability** – there are geographical variations in the availability of childcare provision and sustainability problems for providers in some rural and disadvantaged areas. Childcare may be unavailable, unsuited to working patterns, or available only at a cost that parents consider unaffordable; and
- **tackling poverty and worklessness** – access to good quality childcare can play a critical role in helping families break cycles of deprivation. Extending opportunities within and across generations brings significant long-term social and economic benefits for all.

2.9 The chapter concludes by identifying four themes that recur consistently throughout the analysis. Placing families and children at the centre, the government must offer support that:

- enhances parents' choice;
- ensures childcare is available to all parents when they need it;
- increases parents' confidence in the quality of childcare provision; and
- makes childcare more affordable.

GIVING CHILDREN THE BEST START IN LIFE

2.10 Parents want to secure the best for their children, and to see them fulfil their potential in later life. They will frequently make large personal sacrifices to ensure that this is the case. Parents are the best decision makers about the interests of their children. The role for government is to support parents in the choices they make.

2.11 Government has long recognised the collective interest in ensuring that children get a good start in life: it is in the nation's social and economic interests: children are the citizens, workers, parents and leaders of the future. It is in everyone's interests that children are given the opportunity to fulfil their potential. This is all the more important in the context of an ageing society, where current generations will depend more heavily on those who follow. It is also in everyone's collective interests because of the large costs of failure. Investment in children to ensure that they have opportunities and capabilities to contribute in positive ways throughout their lives is money well spent and it will reduce the costs of social failure.

2.12 This section reviews evidence on child development, including the impact of child poverty, and considers ways in which the government might play a role in supporting families consistent with this evidence.

Child development

2.13 There is an increasingly rich evidence base concerning the factors that influence child development and, in particular, on how the experience of a child in the early years can have life long consequences. A more complete summary of the evidence is set out in Annex A.

The importance of parenting

2.14 Parents and the home environment will always have the most important impact on a child's development. Where parents are actively engaged in activities with their children, they demonstrate better intellectual, social and behavioural development. Activities such as reading with children, teaching songs and nursery rhymes, drawing and playing with letters and numbers, all have a positive impact on children's intellectual and social development. The quality of these interactions between parents and their children is more significant for child outcomes than parental income or social background. However, evidence suggests that parents living in poverty are likely to face risk factors that make their role as parents harder, such as lack of material goods like toys and books, lack of space for play and school work, as well as a greater vulnerability to depression and anxiety¹.

The first year of a child's life

2.15 The evidence confirms the value of consistent one to one care in the first year of a child's life. In the early months there are health reasons, such as breastfeeding, that argue for a mother offering the best care. In addition, a number of studies suggest that full-time maternal employment during the very early stages of a child's life can have some small negative effects on the development of some children. However, these negative effects tend to be concentrated on full-time employment and can be avoided by high quality care from others and by an increased involvement of fathers.

¹ *Parenting in poor environments: stress, support and coping*, Ghate and Hazel, Jessica Kingsley Publishers, 2002.

Age 1-3 2.16 Evidence on child development between the ages of one to three shows that the impacts of childcare are mixed and sensitive to a variety of factors, the most important being the quality of care. Evidence from the National Institute for Child Health and Development (NICHD)² Early Child Care Research Network suggests that good quality care can boost cognitive skills and language. Evidence from the Effective Provision of Pre-school Education (EPPE)³ project shows an early start to pre-school can have significant positive effects on children's cognitive and social development. For example, every additional month of quality pre-school from the age of two improves cognitive performance at the start of school, a gain that remains to at least age seven. Those who started in a good quality pre-school at two or younger were up to 10 months ahead of those without pre-school. The EPPE evidence also shows that an early start in pre-school improves children's social skills at entry to school. However, the studies indicate that high levels of group care of poor quality below the age of three can have a small negative effect on behaviour for some children.

The impact of quality early education on 3-4 year olds 2.17 The evidence shows that involvement in high quality early years education from age two onwards can lead to better educational and social outcomes for all children. Any pre-school experience can have clear positive effects on children's social, emotional and cognitive development. Evidence from EEPE shows that the benefits are gained from regular part-time attendance through the week. Full-time attendance gives no better gains than part-time although EPPE suggests that pre-school experiences at all levels of quality and duration have positive effects on children's development compared with children who had no pre-school experience.

School age children 2.18 There is also evidence to suggest that childcare for school age children can produce improved outcomes for pupils and the wider community. Evidence from the evaluation of extended schools indicates that wrap-around childcare and services have the potential to improve educational attainment and behaviour and increase parental involvement.

Early education and childcare can help tackle disadvantage 2.19 Participation in high quality group early years settings from the age of two can help children from disadvantaged backgrounds make up ground with their peers. For example, evaluation from the Early Head Start programme from the USA, which targets young disadvantaged children, found significant positive effects of high quality childcare for both child development and parental well being. EPPE also shows the relative gain for disadvantaged children is greater as they are starting from a lower base. Children from disadvantaged backgrounds benefit particularly from care in groups made up of a wide range of children, suggesting that there are social gains from ensuring that children attending a group setting come from a range of backgrounds.

2.20 While not wholly eliminating the impact of disadvantage, quality pre-school education can provide children from lower income households with a better start at school. EPPE data suggest that while one in three children were 'at risk' of having special educational needs at the start of pre-school, that proportion fell to one in five by the time they started primary school, suggesting that pre-school can be an effective intervention for the reduction of special needs.

² *Early childcare and children's development prior to school entry: results from the NICHD study of early childcare.* Vandell, NICHD, 2002.

³ *The Effective Provision of Pre-School Education (EPPE) Project: Findings from the Pre-School Period, Summary of Findings,* Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., Taggart, B., Elliot, K. Institute for Education, 2003 DfES research brief RBX15-03.

Implications for policy **2.21** The evidence on child development has significant implications for policy. Most importantly it tells us that government involvement in childcare provision cannot be limited to securing adequate supply to support labour market participation. Government needs to care about the quality of childcare. The longer term benefits of getting the early years right will pay dividends both for individuals and for society as a whole as children grow to adulthood. More specifically the evidence suggests that:

- for the first year of a child's life the priority should be to create conditions that support consistent one to one care;
- for children aged one to three the priority for childcare must be high quality provision for those who choose to use it; and
- for children aged three and above regular participation in high quality group childcare can have a positive effect on cognitive, social and emotional development, and help support higher educational attainment in school.

Child poverty

2.22 From the 1980s child poverty rose so that by the late 1990s the UK had higher rates of child poverty than nearly all other industrialised nations. Over a period of 20 years, the proportion of children in relative low-income households more than doubled.

Eradicating child poverty by 2020 **2.23** In 1999 the Government set an ambitious long-term goal to halve child poverty by 2010 and eradicate it by 2020. Through a combination of financial support for children and success in helping parents into work, the previous trend of increasing levels of child poverty has been arrested and reversed. Between 1998-99 and 2002-03, the number of children in relative low-income households fell by around 500,000 and the Government is on track to achieve its target to reduce by a quarter the number of children in relative low-income households by 2004-05.

2.24 The Child Poverty Review outlined the next steps towards meeting the target to halve child poverty by 2010-11. Key strands are: supporting parents to provide the best support for their children; providing early years services to help poor children get the best start and close educational attainment gaps; and tackling barriers to employment, including the availability and affordability of childcare.

Lone parents and child poverty **2.25** A significant factor behind the increasing number of children living in poverty in the 1980s and early 1990s was the rise in the number of lone parent households, combined with a low employment rate for lone parents. To support its commitment to eradicate child poverty, the Government has set a target of a 70 per cent lone parent employment rate by 2010. Significant progress has been made toward this target. Between spring 1997 and spring 2004, the lone parent employment rate increased by 8 percentage points to over 54 per cent – the highest rate on record. There are now almost one million lone parents in employment, over 275,000 more than 1997 and an increase of nearly 50,000 in the past year. Many workless lone parents find it difficult to return to the labour market, and childcare can play an important part in facilitating their employment.

The impact of poverty on a child's future **2.26** As the summary of the child development evidence above confirmed, the quality of the interaction that parents have with their children can be as important as a parent's income or social background. Nonetheless, parents raising their children in poverty face particular challenges, and the impact of these challenges can be seen from early in a child's life. In one study⁴, differences between advantaged and disadvantaged children's social and cognitive

⁴ *Pre-School Educational Inequality: British Children in the 1970 Cohort*, L Feinstein, Centre for Economic Performance Discussion Paper 404, 1988.

development were identifiable as early as 22 months. Whereas the children of educated or wealthy parents who scored poorly in early assessments tended to catch up with their more successful peers in subsequent years, children from more disadvantaged backgrounds who scored poorly at a young age were extremely unlikely to catch up and were shown to be an at-risk group.

Children in workless households

2.27 There are obvious overlaps between the effects on children of being raised in poverty and households that are workless. There are around 1.8 million children living in workless households in the UK. This is approximately 15 per cent of all children. Approximately 40 per cent of children in lone parent households live in workless households, compared with five per cent of children in couple households.⁵ The Government is committed to reducing the proportion of children living in workless households by five per cent between spring 2005 and spring 2008.

2.28 Children growing up in households connected to the labour market are likely to have a better understanding of the link between educational attainment and its consequences for later life. Parental employment is also linked to improved performance in education when a child is older. For the adults involved, employment can bring benefits of increased self-esteem, extended social networks, a greater sense of control, and reduced mental health problems. These all can have positive consequences for children. By contrast, children from workless households are less likely to have home environments conducive to learning, and are more likely to fail to attain at school and to be workless in later life.

Implications for policy

2.29 The evidence above shows why providing more support to families is fundamental to Government objectives to end child poverty, and to expand opportunity across generations:

- parents with low incomes face more challenges in raising their children than most;
- good quality early years childcare can help redress the effects of disadvantage, and the evidence suggests that there are positive benefits for children as young as two;
- services for parents that support them in their parenting role from early on are crucial;
- growing up in poverty can have serious consequences that persist into adulthood. It is highly correlated with worklessness, which also has adverse implications for child outcomes. Work remains the best route out of poverty, and childcare provision can remove barriers to work for some parents; and
- lone parent families are more likely to be workless, and lone parents face particular obstacles moving into work. Childcare can help lone parents overcome barriers to work.

2.30 Ensuring parents with low earning power are able to access childcare and engage with the labour market, is critical to helping families break cycles of poverty and disadvantage, and promoting social mobility. There is therefore a particular case for subsidising childcare costs of parents with low earnings as it can support parents' links with the labour market as well as directly improving disadvantaged children's outcomes.

⁵Source: Labour Force Survey, Office for National Statistics.

FAMILIES AND WORK

2.31 This section explores the evidence on parents and the labour market. Against a backdrop of comparative international evidence, it considers:

- the significant changes in labour market participation in the UK over recent years;
- the impact of having children on the working lives of parents, particularly mothers; and
- the impact of lack of suitable childcare provision on parental employment.

Parents and the labour market

Changing household working patterns

2.32 There have been large changes in household working patterns of parents over the last generation. In general, work has become more polarised between households since 1975, with a growth in the proportion of ‘work rich’ households where all adults work mirroring a rise in the proportion of ‘work poor’ households where no one works. The number of households relying on a single breadwinner has fallen substantially over the same period. This period has also seen an increase in the number of lone parent families. Rates of worklessness among lone parent families are higher than for other families, although the number of lone parents in work has risen from 44 per cent to more than 54 per cent in the last decade.

Women are working more

2.33 Underlying these changes in the way households organise work are broader shifts in the labour market. Male employment rates have fallen from around 92 per cent in 1971 to less than 80 per cent today. Over the same period the number of women working has increased from 56 per cent to 70 per cent. Maternal employment has also increased, rising from 57 per cent in 1992 to 64 per cent in 2002.

2.34 By international standards, the UK’s female participation rate is relatively high. It is on a par with France and the US, although some way behind the Scandinavian countries which are at 80 per cent. A key difference is that in the Scandinavian countries, female participation is overwhelmingly full-time, whereas in the UK, around 40 per cent of women work part time. In this respect the UK is most similar to Australia, Switzerland, Germany and New Zealand.

Female educational attainment has risen

2.35 The changes in female participation rates can be partly explained by the changes in levels of educational attainment, with women increasingly as highly qualified as men. Women’s qualifications represent a considerable personal investment in their careers, as well as investments by employers and government. Women are now gaining qualifications at a faster rate than men. As a result, women have almost closed the gap with men on qualification levels over the last decade.

The gender pay gap has shrunk by a third

2.36 As well as changes in the rates of female employment, the nature of women’s work has also changed. More women are moving into the professions and into senior positions in the private and public sectors. Data published by the Women and Equality Unit⁶ show that over the last 10 years there has been an increase in women in managerial and professional roles, and from approximately 25 per cent to 33 per cent. There has also been a fall in the number of women performing clerical and administrative roles. These are positive developments, but women are still over-represented in many of the lowest paying jobs. Around 70 per cent of the 1.5 million beneficiaries of the 2001 increase in the National Minimum Wage were women. Measured as a comparison between the average earnings of men and women in full time employment, the gender pay gap has fallen from 30 per cent in 1975 to 18.4 per cent today.

⁶Key indicators of women’s position in Britain, Women and Equality Unit, November 2002

More, better skilled women in the workplace and economic growth

2.37 There are significant measurable economic benefits to higher female employment, which extend far beyond the private gain of higher incomes for the women who work. Higher female employment rates enlarge the economy, increase tax revenues take and create a more dynamic economy by increasing the supply of skills in the labour market.

2.38 It has been estimated that 30 per cent of the considerable economic growth that took place in the UK between 1970 and 1990 was due to an increased contribution by women. 35 per cent of all new business start-ups and 26 per cent of all businesses are set up and run by women. In 1970 working women contributed 20 per cent to annual GDP and by 1990 they were contributing 29 per cent to annual GDP. Their contribution has remained at around 30 per cent since then. However this must be compared to Denmark and Sweden where women contribute around 40 per cent of annual GDP. It must be remembered that GDP based measures of national welfare greatly underestimate the contribution of women. GDP does not include unpaid work in the home, despite the enormous value of that labour.

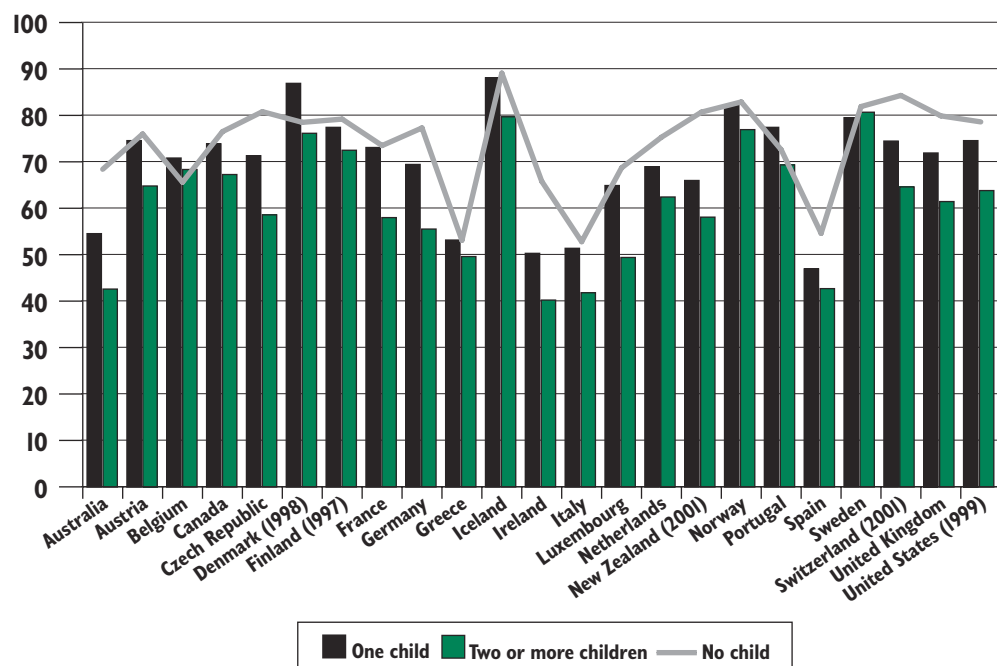
Men work more, women work less after becoming parents

2.39 If the relatively high rates of female labour market participation and part-time work are distinguishing features of the British labour market, another significant feature is the consequences for labour market participation of having children. Whereas fathers are more likely to be working than other men in the UK, mothers are less likely to work than other women and, where they do work, they are more likely to work part-time. These differences are accentuated when children are young.

Impact of motherhood on work greater in UK

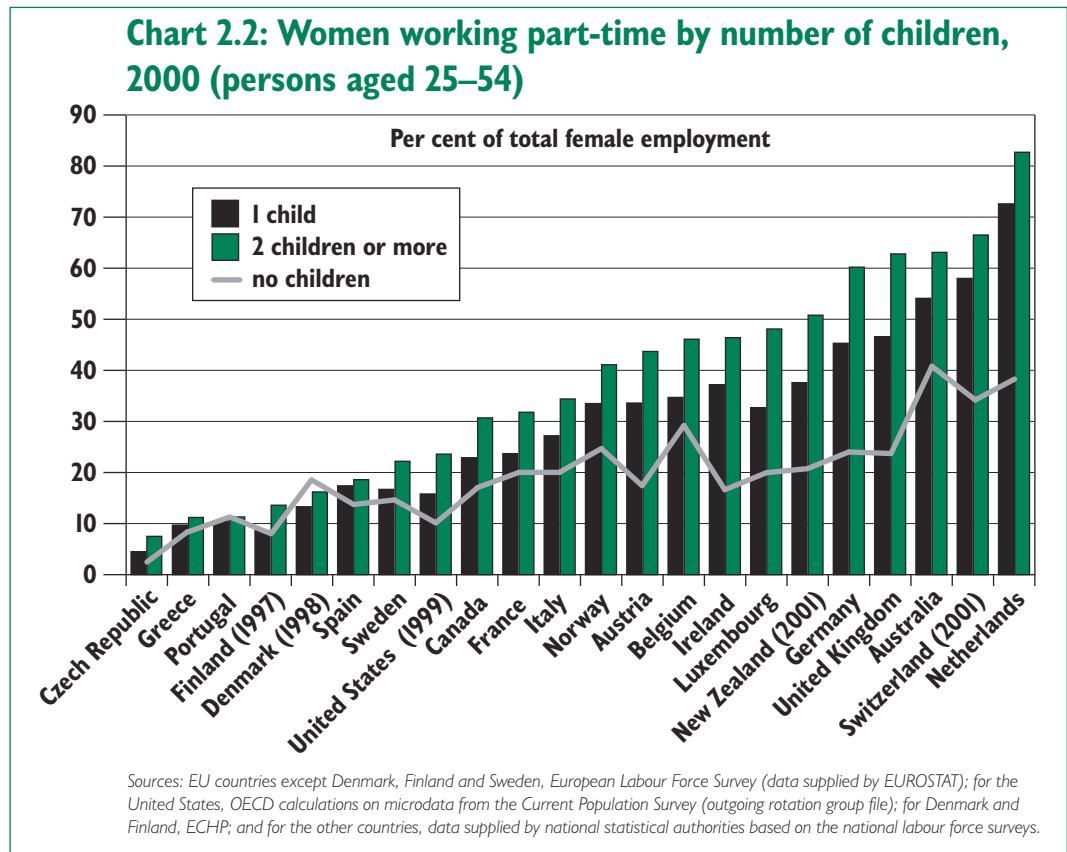
2.40 Comparing the situation with other OECD countries (Chart 2.1 below), two things stand out. First, the rate of labour market participation by women in the UK without dependent children is high relative to other comparable countries. Second, the reduction in female labour market participation in the UK once women become mothers is quite large, although it is falling. It is noticeable that many of the countries where motherhood makes little or no difference to labour market participation – like Denmark, Sweden, Finland, Norway, Belgium and France – are countries with well developed systems of childcare provision.

Chart 2.1: International comparison of women's employment rates depending on the number of children, 2000 (women aged 25 to 54)



Source: OECD (2002), *Employment Outlook*, OECD, Paris.

2.41 Finally, Chart 2.2 below shows how the relationship between having children and working part-time is stronger in Britain than in other OECD countries. This could be seen as reflecting a strength of the British economy in that it is able to accommodate large numbers of part-time workers, enabling many mothers to find the balance between labour market work and care that reflects their household needs. Alternatively, it could be seen as revealing the difficulties that mothers face when they want to work full-time, such as the availability or cost of childcare.



Implications for policy

2.42 The analysis suggests that while female labour market participation in the UK is relatively high by international standards, the impact of motherhood on working patterns is greater than in other countries with more developed childcare provision. To some significant extent this is a consequence of the more highly developed part-time labour market in the UK. But it may also reflect the fact that there are obstacles to mothers participating in the way that they would like. The next section examines the extent to which this is the case.

Balancing work and family life

2.43 For parents to work they need access to childcare services that are suitable for their desired working patterns and that meet the needs of their children while they are working. With most goods, the market will respond to meet demand. The childcare market can and does respond to the needs of some parents, but the experience of many parents is that the market does not work as effectively as it might, and for others it fails to work at all. This section explores the reasons for this.

Affordability 2.44 The costs of childcare can seem disproportionately high when set against the immediate benefits parents' gain from working. In a properly functioning market, this might act as a clear signal of whether or not a parent should work. However, in the case of childcare there is a case for believing that there are benefits that are not being captured by the market. This is for two reasons:

- parents do not receive all the benefits generated by their work, but they must meet all the costs of working: parents, as with all workers, capture some of the benefits generated by their work in wages, but the rest is shared with their employers and the rest of society in the form of higher economic growth. Employers may have some incentive to help parents with childcare costs, as if a parent is forced to give up work the employer loses their share of the benefits that were generated by the parent's work. However this incentive is likely to be weak unless the labour market is very tight, or the benefits generated by retaining a particular individual because of skills or experience are high;
- parents must meet the costs of childcare immediately, whereas the benefits from remaining attached to the labour market when their children are young may extend over many years. This is because spending time out of the labour market can have a substantial impact on lifetime earnings. One study showed that women returning to the labour market after a one year gap experienced a 16.1 per cent drop in earnings compared to their previous job, while men experienced a drop of 6.5 per cent.⁷ Another study estimated that each year in full-time employment increased hourly earnings by three per cent. By contrast, each year of part-time working was found to decrease hourly earnings by one per cent, in addition to losing out on the three per cent increase. Similarly, each year of interruption to employment for childcare and family care reduced hourly earnings by one per cent, again in addition to losing out on the three per cent increase from full-time employment. The cumulative effect of this can be large – 10 years as a part-time worker reduces hourly earnings by more than a third compared to someone working full-time for the same period.⁸

2.45 As discussed in the previous section, there are also long-term benefits to children from using high quality childcare, particularly for disadvantaged children, which are unrelated to a parent's ability to pay for it.

Regional variations in price 2.46 Childcare costs vary considerably by geographical location, and by age of child. Full-time childcare for a child under two in nursery in inner London is the most expensive, typically costing £168 per week according to some estimates. For a child over two, in the northwest, with a childminder, the typical cost is £97 a week. Wages and other costs are higher on average in London than elsewhere, but higher childcare costs are a greater barrier to labour market participation for low and middle-income families with young children in London than elsewhere.

Mistrust of quality 2.47 The Repeat Survey on Parents' Demand⁹ provides evidence on the factors influencing parents' choice of childcare provider, suggesting that perceptions of the quality of care are a vital part in parents' decision whether to use childcare. The key issues were around trust, affection towards the child, reliability and convenient location. Among parents who used

⁷ *The impact of unemployment and job loss on future earnings* in 'Persistent Poverty and Lifetime Inequality: The Evidence' Occasional Paper No. 10 HM Treasury, Gregg, Paul, 1998,

⁸ *Modelling Gender Pay Gaps* Working Paper Series No. 17, Equal Opportunities Commission, Olsen, and Walby, 2004.

⁹ *Repeat Study of Parents' Demand for Childcare*, Woodland, Miller and Tipping, National Centre for Social Research, 2002.

formal, group based care, key factors were training of staff and the educational opportunities offered to their child. The evidence would therefore suggest that perceptions of weaknesses in the quality of provision act as an obstacle to parents using formal childcare and may have an impact on decisions to participate in the labour market.

Reliability of provision 2.48 The turnover of childcare providers is high: 17.7 per cent of childcare providers closed during the last year. This can cause problems for families. Parents have to invest in finding and developing a trusting relationship with another provider, while children have to settle into a new environment with different carers. It can also make it hard for parents to be able to commit to an employer or hold down a job if childcare is not reliable. There can be particular problems with the sustainability of affordable centre based childcare provision in some rural and deprived areas where market demand is low. Providers may not have a sufficient client base on which to build a sustainable business. Improving supply is essential to ensure that childcare does not act as a barrier to work.

Patterns of provision constraining choice 2.49 Availability for work can be restricted by the limited availability of childcare provision. For example, some provision is limited to the school day or school year, or only available during normal working hours. Parents might want or need to work outside these times, but are unable to find provision that will make this a realistic possibility.

Implications for policy 2.50 Features of the UK's flexible labour market such as the availability of part-time work already provide parents with some opportunities to find a balance between work and family life that meets their families' needs. However, there is more that the Government could and should do to help parents with young children. There are strong reasons to believe that the limitations of existing childcare provision are restricting the labour market decisions of some parents, and especially mothers. Constraints on availability, reliability, quality and affordability all work against parents being able to choose the optimum balance between work and family life. The next section looks further at the issue of choice.

GIVING FAMILIES MORE CONTROL OVER THEIR LIVES

2.51 Parents need to be able to make the choices they believe are in the best interests of their families, confident in the knowledge that they will have access to the support they need. That is why the ten year strategy must put families at the centre. Rather than being prescriptive about the decisions families ought to take, the task is to find ways of delivering services that can support the diverse need of families.

Parents need real choices 2.52 Parents need real choices between attractive and viable alternatives. At present this is not always the case. For example:

- if a mother would like to return to work, her choice is not real if childcare is not available at the times she needs it, is not of sufficient quality to give her confidence that it will meet her children's needs, or is too expensive for her family to buy; or
- if a mother or father would like to spend time at home with a new baby, their choice is not real if the income loss from time out of the labour market would lead to financial difficulties.

2.53 Evidence from the Repeat Survey on Parents' Demand illustrates some of the frustration and dissatisfaction that parents feel about the choices open to them. The survey found that nearly two thirds (63 per cent) of non-working mothers would prefer to work or study if they had access to good quality, convenient, reliable and affordable childcare. Most mothers in work (85 per cent) said they would like to use some formal childcare if it was readily available and was affordable, but less than half of working mothers had used formal childcare in the previous year. The study also found that nearly two thirds (63 per cent) of mothers who were currently in employment wanted to work fewer hours and just under half (44 per cent) of working mothers would prefer to give up work and stay at home with their children if they could afford it.

2.54 Almost half of the parents surveyed felt that there was not enough childcare in their local area. However, findings from the survey suggest that a lack of suitable provision was not the most significant reason why parents were not using childcare services. Parents who did not use childcare were most likely to say that they preferred to care for their children themselves. A lack of appropriate childcare was a particular concern for certain groups. One survey of lone parents, found that 20 per cent of those surveyed said that a lack of access to childcare was the biggest barrier to work.¹⁰ Certain ethnic minorities, especially Pakistani and Bangladeshi communities, show an especially low use of formal childcare, preferring instead to use informal care.

2.55 Changes in family structures may also be evidence that people face constrained choices in balancing work and family life. If individuals decide that the challenges of combining work and family are too much, they may choose to have fewer children. In 2003 the fertility rate in the UK was 1.71 children per woman. Fertility rates have been relatively stable in the UK for the last twenty years. They remain below replacement rates (2.075 children per woman), having fallen from the peak of 2.95 children per woman in 1964.

2.56 Although fertility trends are relatively stable, the trend towards women having children later in life is continuing. The average age of a woman at the time of her first child has risen from 23.7 years in 1971 to 26.2 years in 2002. This trend is likely to have many causes, the most important of which is likely to be the rising education levels among women. It takes time to acquire higher qualification levels and, having spent this time in education, there is value in spending more time building a career that will repay this investment. Other factors are also important including cultural change and family preferences.

Implications for policy

2.57 Choices around work and family life are very often going to be a compromise. Not everyone is going to be able to find the perfect balance that works at every stage of their children's lives. Government should not pretend that it is in its gift to make this the case. However what Government should be able to do is to make sure, so far as it can, that the choice is not a crude trade-off between career and family, but that families have viable options between attractive alternatives, that they can make use of in a way that meets their individual circumstances and which supports the best interests of their child at different times in their lives.

¹⁰MORI/ODPM, NDC Baseline household survey, 2002.

CONCLUSIONS AND GUIDING THEMES

2.58 The analysis above sets out a clear framework for the ten year strategy. Four themes emerge consistently: choice and flexibility, quality, affordability and accessibility. These themes are important for ensuring:

- children get the best start in life;
- parents are able to reconcile work and family life; and
- families' expectations for control over their lives are met.

Choice and flexibility

2.59 Parents need to have real choices about the balance they strike between work and family life:

- children benefit from spending the first year of their life in consistent one-to-one care. Government needs to support families to spend that time with their child if they wish to do so, and to enable the father to play more of a role; and
- inflexibilities and failures in the childcare market and other services for families can act to constrain choice for parents. Government needs to take action to ensure childcare is sufficiently flexible to fit round parents' working patterns, and that provision can be joined up easily.

Availability

2.60 Families need easy access to the childcare and other services that meet their needs:

- despite the improvements in childcare provision since 1997, it remains the case that many families still struggle to find the childcare that would best suit their circumstances, and are either having to fit their lives around the provision available, or are choosing not to work when they would like to do so. Childcare should be available to parents when they need it.

Quality

2.61 To ensure children get the best possible start in life, childcare needs to be high quality:

- child development evidence tells us the importance and impact on future life chances of a child's experience from birth. Childcare services need to be high quality, and need to reflect a child's different needs throughout its life; and
- good quality early years provision can help redress the impact of growing up in poverty and disadvantage. Children from disadvantaged backgrounds should be able readily to access good quality childcare, and other forms of support.

Affordability

2.62 The high quality childcare and other services that families need should be affordable to them:

- affordability of childcare is an issue for many parents. Because of this parents may be working less than they otherwise would, and as a result the long term private and public benefits of greater labour market attachment are being lost. Government needs to ensure the price of childcare is not a barrier to its use and aims to make it more affordable for families; and
- parental labour market participation can be critical in helping families and children break out of the cycle of poverty and worklessness. Access to childcare is critical in supporting social mobility and equality of opportunity.

3

PROGRESS AND CHALLENGES

3.1 Significant progress has been made since 1997 towards the four principles of expanding choice for families, improving parents' confidence in the quality of childcare, guaranteeing availability of childcare places that fit the needs of parents and children and ensuring that these places are more affordable. Policy has aimed to increase choice by offering more childcare options for parents, but also by giving parents more flexibility over how they balance work and time spent caring for their own children. The changes have aimed to improve outcomes for all children, but with a particular focus on the most disadvantaged. This chapter sets out what has already been delivered. It assesses the achievements since 1997, and the challenges that remain. These challenges form the basis of the ten year strategy set out in the following chapters.

FLEXIBILITY AND CHOICE

Progress so far

3.2 Since 1997 the Government's early years, childcare and work-life balance policies have aimed to expand the range of choices available to families with children. Choices for parents have been improved through:

- financial support for families with children, whether or not they are in work (Box 3.1);
- increased entitlements to maternity and paternity pay and leave for parents with a new baby, and the right to request flexible working while children are young;
- increased help with the costs of childcare;
- increased numbers of registered childcare places and better information; and
- support for parents moving into work or training through welfare to work programmes.

Giving children the best start in life

3.3 The first years of a child's life are vital to long term well-being. Since 1997 the Government has pursued strategies to support families and children during these important early years, through substantial investment in new and enhanced services. Launched in 1998 as the Government's trailblazer programme for pre-school children, Sure Start Local Programmes provide a range of early years, health, parenting and family support to children and families in disadvantaged areas. There are now 524 Sure Start Local Programmes in England, offering services to over 400,000 children.

Childcare places

3.4 The National Childcare Strategy was launched in 1998 in England to increase the number of affordable, good quality childcare places. In total the Government has created 1.2 million childcare places since 1997 (an increase in the net number of places of 525,000), in a wide range of settings including in nurseries, with childminders and in before- and after-school clubs. These places have opened up more childcare options for parents wanting to move into work, education or training. Many of the new places are in disadvantaged areas where often there has been little or no childcare in the past. The Government has also introduced free part-time early education places for three and four year olds. In some places this has been integrated with childcare.

Box 3.1: Financial support for families with children

The Government has radically reformed the system of financial support for families since 1997. Based on the principle of progressive universalism – support for all but more help for those who need it most – it has made real progress on its targets to tackle child poverty. The Government has increased financial support for children through tax credits, Child Benefit and other benefits. Measures include:

- the introduction in April 2003 of the Child Tax Credit and Working Tax Credit, a single seamless system of income related support. 6.1 million families, including 10.5 million children are already benefiting from the new tax credits;
- increases in Child Benefit so that the rate for the first child is now 25 per cent higher in real terms than in 1997; and
- increases in the Sure Start Maternity Grant to £500 to help low income families with the costs of a new baby.

As a result of these reforms since 1997, in October 2004, in real terms:

- families with children were on average £1,350 per year better off, while those in the poorest fifth of the population were on average £3,000 per year better off;
- a single-earner family on half average earnings with two young children was on average £3,790 a year better off; and
- a single-earner family on average earnings with two young children was on average £285 a year better off.

Balancing work and family life

3.5 The Government has introduced a package of measures aimed at helping parents balance work and family life in ways that fit with the needs of employers. Paid maternity leave has been extended from 18 to 26 weeks, with the right to a further 26 weeks of unpaid leave after this. The level of Statutory Maternity Pay (SMP) and Maternity Allowance (MA) have been increased in stages to £106 per week from April 2005, with SMP paid at 90 per cent of earnings for the first six weeks. In 2002, around 350,000 mothers received SMP or MA. Paid paternity leave was introduced for the first time in 2003, with fathers being eligible for two weeks paid leave after the birth of their child. Parents who adopt a child have equivalent entitlements. These changes built on the new entitlement to 13 weeks of unpaid parental leave introduced in 1999 for all parents of children up to age six, or 18 if the child is disabled. In addition to these pay and leave entitlements, parents have new rights to request flexible working arrangements. Employers have a responsibility to consider these requests seriously, and to provide good business reasons if they are turned down. At the same time procedures were simplified to help employers better plan how they manage their employees' absence and return to work.

Supporting parents

3.6 Government support for parenting has been concentrated in provision delivered through Sure Start Local Programmes (SSLPs) and Sure Start Children's Centres, which offer a range of help to parents of young children living in their local area. Alongside this the Parenting Fund, Family Support Grant and Children's Fund include support to a range of voluntary and community sector bodies who focus on parenting support programmes.

Challenges ahead

3.7 The recent package of measures to support better work-life balance has given parents more flexibility in adjusting their working patterns to suit their families' needs. New childcare places have given more parents the option of accessing childcare which allows them to work or train. However, even after these changes many families feel that they are not left with sufficient choice about how to balance work and family life. This is particularly true for mothers, who still bear most of the responsibility for caring for children.

A child's first year **3.8** Paid maternity leave at present allows most mothers to take six months off work. The right to 26 weeks additional maternity leave allows mothers to retain the right to return to work for longer, but since there is no maternity pay for these six months it may not provide a real choice for those without another source of income, for example a partner in work, employer support or savings. This leaves many mothers feeling forced to return to work for financial reasons before they want to. At the same time, fathers want to play a greater role in caring for their children. The constraints of work often mean that they have to work through this period of a child's life. The introduction of paternity leave from 2003 gives fathers the option of taking two weeks paid leave when their child is born.

Right to request flexible working **3.9** The legal right for parents of children under six to request flexible working was introduced in 2003, and goes a long way to enabling these parents to make choices which will help achieve an appropriate work-life balance. Many employers offered greater flexibility to their employees in response to the flexible working law. In the year following its introduction, almost a quarter of parents with children under six requested to work flexibly. One million asked and almost 800,000 requests to work flexibly were accepted by employers either in full or in part. While the new measures have been extremely successful there remains an issue about parents of older children.

Part-time early education **3.10** Free part-time early education is now offering three and four year olds access to two years of high quality pre-school learning but this is not always joined up with childcare across the day. However, working parents would also welcome some flexibility in how the 12.5 hours is split across the week.

Access to information and joined up services **3.11** Parents often lack easy access to information about what choices are available to them as they try to balance work and family life and about what services they can access for their children. In disadvantaged areas, SSLPs have fulfilled this role in providing a broad range of information about what childcare and other support for parents is available locally. SSLPs have also helped to co-ordinate services for young children and families locally and Children's Centres now extend this approach.

ENSURING AVAILABILITY

Progress so far

Childcare places 3.12 Parents need to be able to access childcare places which suit their needs, both in terms of location and in fitting with their work patterns and the ages and requirements of their children. The National Childcare Strategy has delivered an additional net 525,000 new registered childcare places in England since 1997, benefiting 1.1 million children. By 2008 the number of childcare places will have doubled since 1997. These places are in a wide range of settings.

3.13 The Neighbourhood Nurseries Initiative (NNI) aims to build new childcare services in the 20 per cent most disadvantaged communities. The Initiative intends to close the gap with more affluent areas, to ensure parents everywhere have opportunities to work, learn and train. NNI provides capital and revenue grants to support the costs of setting up childcare provision in disadvantaged areas. A total of 1,279 Neighbourhood Nurseries are now open, providing over 45,000 new childcare places in disadvantaged areas.

Free part-time early education places for three and four year olds 3.14 The Government has introduced free part-time early years education for all three and four year olds. The entitlement has been extremely popular, with virtually all parents choosing to take up the offer. Children aged three and four are entitled to five two and a half hour sessions of early education per week for 33 weeks per year. In practice children who take up a place in school receive a free entitlement equivalent to 38 weeks a year and four year olds in school reception classes receive free full-time education.

Childcare for school aged children 3.15 Out of school childcare is well established in many areas, often based in schools. Some schools have organised this childcare themselves, while others have worked together with voluntary groups, private sector providers or networks of local childminders. Out of school childcare has seen a major expansion since 1997, primarily due to Lottery Funding via the New Opportunities Fund (NOF). NOF grants of more than £218 million have been awarded, and the programme has created over 348,000 childcare places. The 2002 Spending Review introduced a new out of school childcare programme, with Government funding. Paid to local authorities through the new Sure Start Grant, it aims to create 95,000 out of school places by 2006, 40,000 of which will be in areas of disadvantage. Some out of school childcare is also available throughout the day during school holidays, although this is only available on a more limited basis at present. Parents are generally charged for the use of out of school and holiday childcare, with support available to help with the costs through the childcare element of the Working Tax Credit.

Childminders and home child carers 3.16 In addition to school-based provision, childminders and home child carers play a unique role in providing childcare and early education for children. Many parents choose to have their child cared for in a home environment, particularly when they are very young. These home based child carers can offer more flexibility than centre based care, can care for several siblings at once and can provide additional support for children with particular needs. Childminders currently provide around one third of total childcare places. In 1997 there were approximately 70,435 childminders and the number had been falling. Now there are 71,856 registered childminders caring for 320,291 children. This is a considerable achievement given the long term downward trend. Start up grants and childminder networks have contributed to this success. The new childcare approval scheme will provide opportunities for other home based carers (for example nannies) to be approved, increasing the range of options open to parents who prefer home based care.

Challenges ahead

3.17 Although the number of childcare places has increased significantly since 1997, some parents are still not able to find the childcare that they need. Places for pre-school children are more expensive than for school-age children, and places for school-age children are not always available in a way that fits conveniently with the school day and around parents' work patterns. Availability of places is patchy, especially in disadvantaged and particularly rural areas, and there is no guarantee to parents that they will be able to find a suitable childcare place.

Sustainability in disadvantaged areas

3.18 The rapid expansion in childcare places over the past few years has been accompanied by rising turnover rates among childcare providers. Closure rates are high in comparison with other small businesses, despite some providers receiving significant amounts of government support. The turnover rate for Office for Standards in Education (Ofsted) registered childcare providers for the year to September 2004 was 17.7 per cent, against an average small business turnover rate of 14 per cent.

3.19 The reasons for this high turnover rate are not clear-cut, and there is a significant amount of regional and local variation. From evidence gathered so far, sustainability seems to be a problem in disadvantaged areas with high concentrations of low income and workless families, in rural areas with dispersed populations, and in areas where it is difficult to recruit staff locally. By contrast, areas with high fees, low vacancy rates, and high concentrations of large-scale providers tend to have lower turnover.

Three and four year olds

3.20 Some parents face problems in co-ordinating different types of provision to fit with each other. For pre-school children, the most frequent problem is being unable to find a childcare place that 'wraps around' the free 12.5 hours per week of early education. Local authorities have an obligation to deliver the free early education places, but they do not have an obligation to provide childcare around this that would help parents who work or train. Too often parents are left to find what childcare provision they can.

School age children

3.21 Many parents face difficulties in organising childcare outside the school day. Many schools offer breakfast clubs and a range of after school activities such as art and music, but these may be term time only and might be cancelled at short notice. Some activities do not last a full term, and in some cases there are gaps between the end of the school day and the start of out of school activities during which time children need supervision.

Disabled children

3.22 The Government's vision is for a childcare sector that meets the needs of all families. Families with disabled children and children with special educational needs (SEN) may have problems finding appropriate childcare. They may have additional practical and learning needs which can mean that childcare can be hard to find and may be more expensive. For example, some disabled children require higher than average staff to child ratios or additional equipment, and staff may need additional skills or training. All of this means that suitable and convenient care for disabled children can be both expensive and hard to find.

Responsibility for local delivery

3.23 Finally, local delivery has been complex, with a number of separate initiatives and funding streams. Local authorities have overseen the rapid development of early years and childcare services, playing the driving role in securing nursery education for three and four year olds and achieving huge increases in the numbers of places available. They have pursued a partnership model, successfully engaging the private and voluntary sectors in delivery. The 2002 Childcare Review highlighted the importance of local leadership and since then many local authorities have adopted an approach that integrates children's services. There is now a need to confirm the importance of this area of work by clarifying local authority responsibilities, in particular to ensure that parents will be able to access childcare that meets

their needs. We also need to allow local authorities sufficient flexibility to develop appropriate services in their local area by further simplifying funding streams and agreeing outputs.

BUILDING IN QUALITY

Progress so far

3.24 Delivering real choices for families relies on parents having confidence in the quality of the childcare provision on offer for their children. If parents do not have this confidence in the quality of provision, it will be a source of stress and anxiety to them and they may not feel they can take up a job.

Free early education for three and four year olds

3.25 The introduction of free part-time early years education for all three and four year olds has ensured that all children have access to two years of high quality early education. Almost all parents have chosen to take up this entitlement, indicating that they have confidence in the quality of the educational experience being provided for their children. These places are delivered in a range of settings in the maintained, private and voluntary sectors. The Government is considering how to extend the benefits of high quality early education and childcare to younger children by a pilot for 12,000 two year olds living in disadvantaged areas.

3.26 The Foundation Stage curriculum was introduced in September 2000 as a distinct phase of education for children aged three to the end of the reception year, and represents the first stage of the National Curriculum. The Foundation Stage is a broad, balanced and purposeful curriculum, delivered through well-planned play. Through this supported play, children can explore, develop and use their curiosity and imagination to help them make sense of the world in a secure environment. They practice skills, build up ideas and concepts, think creatively and imaginatively and communicate with others as they investigate and solve problems.

Regulation and inspection

3.27 Regulation of childcare ensures that childcare providers operate in accordance with minimum quality standards to make sure that children are safe and well looked after. In 2001 responsibility for the regulatory functions and inspection were transferred from local authorities to the Office for Standards in Education (Ofsted). Together with national standards, having a national regulator as the registration authority has resulted in a much more consistent approach to childcare regulation across the country.

3.28 Since 2003 Ofsted has been linking the inspections of childcare providers with the inspection of nursery education, a function it has had since 1998. Legislation in the Education Bill currently before Parliament and associated regulations will support a more integrated early years inspection framework from 2005. Under this new framework Ofsted is planning to end prior notification of a forthcoming inspection for most group daycare providers, and will publish all early years education and childcare inspection reports on its website, including those on childminders. More information on quality in published reports will help parents make informed decisions and give them greater confidence in the providers they choose.

3.29 Investment in early years education and childcare services since 1997 has already provided a sound foundation of quality on which the Government can now build. Evidence from Ofsted shows that almost all childcare is at least satisfactory, with more than half of nurseries and playgroups providing good quality care. Most of the providers of free part-time early education for three and four year olds are ranked as good, and nearly a third of them as very good.

Challenges ahead

Importance of quality 3.30 There is strong international evidence that high quality early education provision and childcare provision gives better outcomes for children. Experiences in childcare should not just be about being safe and well looked after, but also about having opportunities for learning and development. This is particularly important for pre-school children.

Ensuring quality 3.31 There are three main ways to improve the quality of early education and childcare provision:

- a high quality workforce to raise the standards of provision and act as a guarantor of consistent quality;
- regulation and inspection which together ensure that minimum standards of provision are met, and that quality is objectively observed and assessed, and reported transparently; and
- the influence of parents. First, where parents have good information and a choice between providers they can use their market power to increase quality. Second, parents can influence quality more directly where their views are incorporated into the planning and delivery of services in a systematic way.

3.32 The challenge for the Government in this ten year strategy is to improve the effectiveness of each of these levers in delivering higher quality. The challenges in each case are set out below and explained further in Chapter 6, together with the next steps that will be taken.

Childcare workforce 3.33 Childcare is a labour intensive business, with around 70 per cent of providers' costs being staff costs. The quality of the workforce in a particular setting is a key predictor of the quality of that setting. Research shows that settings with well trained and appropriately qualified staff offering the right learning and development opportunities lead to the best outcomes for children. In particular, the quality of the leadership of a childcare setting has an important influence on the overall quality of care provided, with evidence showing the settings led by a teacher or another graduate are particularly effective.

3.34 The current skills and qualification levels of the workforce are variable, ranging from poorly paid unqualified staff to qualified teachers. The 2002-03 workforce survey¹ showed that lower qualified and lower paid staff are concentrated in private and voluntary sector provision. For these settings, pay rates are relatively low, staff turnover is higher and providers often face recruitment difficulties. The survey showed that around 30 per cent of staff in day nurseries were unqualified and that the staff turnover rate is around 20 per cent. The survey also shows that providers have a considerable way to go to meet the national daycare standard of all supervisory staff being qualified to at least NVQ Level 3 and all other staff being qualified to at least NVQ Level 2.

3.35 The Government is currently addressing these issues through local authorities, and local Learning and Skills Councils. In particular funding is being provided to develop qualifications for managers of settings, and to support the continuous professional development of the workforce. However, this still leaves a gap between the current situation and a childcare workforce that will give parents confidence that high quality care is being provided to their children. Reform of the qualifications, status and experience of the childcare workforce is needed if parents are to be assured that their children are receiving good quality care.

¹ 2002/2003 Childcare and Early Years Workforce Survey, DfES, 2004.

Regulation and inspection **3.36** There is a complex legal framework governing the regulation and inspection of childcare and education. There needs to be a balance between regulation using minimum standards to provide basic safeguards for children, inspection to assess other aspects of quality. Good quality is about much more than staff to child ratios and health and safety requirements. It is also about the nature of the interactions between adults and children in the setting, and between the children themselves. The high quality approach to learning and care set out in the *Birth to Three Matters* framework and the Foundation Stage curriculum guidance need to be reflected in practice. The challenge for Government is to create a regulatory and inspection system and supporting quality framework that are simple for providers and parents to understand, but which also reflects all aspects of what good quality is about.

Parents' choices about quality **3.37** Market forces alone are not sufficient to guarantee quality. Parents may not have sufficient accurate information about the quality of childcare they are buying. This may result in parents choosing childcare of lower quality simply because it has a lower price, or in parents having no assurance that higher priced childcare is in fact of a higher quality. In addition, there is evidence from analysis by the Institute for Fiscal Studies² from childcare purchasing decisions suggesting that parents may prioritise quantity over quality when given the choice. There may be many rational reasons why this is the case. For example, parents may be prioritising definite short term benefits to the family from higher household disposable income over the more uncertain and more distant benefits from higher quality childcare. For the reasons set out, government has an important role in raising quality.

SECURING AFFORDABILITY

Progress so far

3.38 Childcare is expensive to provide, particularly when it is of high quality. This is largely because of the high numbers of staff required to ensure that young children are safe and well looked after. The Government presently acts to make childcare more affordable through a combination of supply side payments made direct to providers, and on the demand side through subsidies to parents to help with the costs of childcare.

Supply side support **3.39** Examples of current supply side support in England include:

- 12.5 hours a week of free early years education for all three and four year olds;
- 45,000 Neighbourhood Nursery places providing good quality group based childcare to children and families in disadvantaged areas;
- 180 Sure Start Children's Centres, rising to 2,500 centres by 2008, providing integrated childcare, early education and family support services to under fives; and
- free before- and after-school provision in some areas.

3.40 This amounts to expenditure in 2004-05 of £3.8 billion on the supply side, planned to rise to £4.4 billion by 2007-08. This represents a step change in levels of investment, compared to the equivalent spend of £1.1 billion in 1996-97.

Demand side support **3.41** On the demand side, the introduction of the childcare tax credit in 1999 (as part of the Working Families' Tax Credit) and its replacement by the childcare element of the Working Tax Credit in 2003 have increased help with the costs of childcare for low and middle-income

² *Price and Quality in the UK Childcare Market*, Duncan, Paull and Taylor, 2001.

families. Box 3.2 sets out how the childcare element helps working families, including some examples of the support that is given.

3.42 The Government has also introduced measures to increase employer support for childcare, to both stimulate supply and increase affordability for employees. From April 2005, employers will be able to offer up to £50 per week of support for the costs of registered childcare free of tax and National Insurance Contributions. This exemption is open to all employers, as long as the offer of support for childcare costs is generally available to all their employees.

Challenges ahead

3.43 The increased supply side support for childcare places, free part-time early education and childcare and the financial support offered for childcare costs through the Working Tax Credit represent a significant step forward in improving affordability.

Affordability problems **3.44** However, for many families affordability of childcare remains a significant barrier to work or training. Analysis of childcare affordability suggests that there are a number of common characteristics of families who are particularly affected:

- families on low to moderate incomes who receive the full 70 per cent of their childcare costs through the Working Tax Credit may still struggle to afford the remaining 30 per cent;
- families with more children may have childcare costs that exceed the childcare element's weekly limits, meaning that they can only claim for part of their total costs;
- families living in high cost areas, for example London, may have weekly childcare costs above the limits;
- families with pre-school children face higher costs because of the higher staff costs for this age-group, and the longer hours needed; and
- second earners in couple households can often find that much of their income is used up in paying for childcare, leaving them with limited financial gains from working.

Box 3.2: Help for working families with childcare costs

The childcare element of the Working Tax Credit provides support with childcare costs for working parents. It improves the financial rewards from work and gives parents the financial flexibility to choose the childcare arrangements that are most appropriate for their families' needs. The childcare element is available for lone parents working 16 hours or more per week, or two parent families where both work 16 hours or more. Tax credits are based on a family's income and circumstances, so that support is focused on those who need it most. In addition the increased generosity of tax credits compared to Family Credit has not only made work pay but has improved substantially the financial position of couples on low or moderate incomes where one partner chooses to stay at home to look after their children.

The childcare element of the Working Tax Credit currently provides up to 70 per cent of the costs of eligible childcare, up to a limit of £135 a week for families with one child or £200 a week for families with two or more children. Reforms to the amount of support available are set out in Chapter 7. Both the level of support and the number of people currently benefiting from help with childcare costs are greater than ever before. By July 2004, 340,000 families were benefiting, compared to 180,000 under the Working Families' Tax Credit and 47,000 under the old Family Credit. Support is now worth over £700 million a year, representing a twelve-fold increase in spending since 1997 in real terms. Support is available for a wide range of quality childcare such as nurseries, childminders and school-based care.

The childcare element of the Working Tax Credit is providing real, substantial support for working families around the country. For example:

- a couple of with two children and higher childcare costs (£210 per week for two children) receive £73.84 per week in help with childcare costs, assuming that one works 35 hours per week at mean male earnings and the other works 16 hours per week at National Minimum Wage;
- a couple with one child and higher childcare costs (£120 per week for one child), receive £84 per week in help with childcare costs, assuming the man works 35 hours per week in a low paid job and the woman works 16 hours per week at National Minimum Wage; and
- a lone parent with one child and average childcare costs (£66 per week for one child) receives £46.20 per week in help with childcare costs, assuming he or she is working 16 hours per week at the National Minimum Wage.

CONCLUSIONS

3.45 Building on the analysis in Chapter 2, the evidence presented in this chapter reinforces the four themes that the Government needs to address over the next ten years:

- increasing the choices open to parents to help them balance work and family life, particularly when their children are very young;
- winning parents' confidence through improving the quality of childcare places across the board, so that improved child outcomes are guaranteed;
- ensuring that childcare places are available for parents and addressing the sustainability problems faced by childcare providers in disadvantaged areas; and
- making childcare more affordable particularly for low and middle-income families, so that more parents have a real choice about returning to work.

4

CHOICE AND FLEXIBILITY

The Government's vision

Parents to have greater choice about how to balance their work and family responsibilities, with one year's paid maternity leave, more flexible working, and a system of childcare they can rely on. In the Pre-Budget Report the Government is:

- **setting a goal of 12 months paid maternity leave by the end of the next Parliament, with the right for the mother to transfer a proportion of her maternity pay and leave to the father;**
- **as a step on the way, extending entitlement to paid maternity leave to nine months from April 2007;**
- **setting an ambition to increase the flat rate of Statutory Maternity Pay, Maternity Allowance, Statutory Adoption Pay and Statutory Paternity Pay over time;**
- **committing to consulting with employers on extending the right to request flexible working to parents of older children;**
- **rolling out Sure Start Children's Centres nationwide by 2010, so that every parent can easily access the joined-up parenting, health, early education, childcare and other support and guidance they need; and**
- **committing to consult with employers, parents and other key stakeholders on the details of the proposed measures.**

4.1 Meeting the vision will mean creating more choice for all parents. It will mean helping fathers and mothers better control the balance between work and time spent with children. In order to achieve this, the Government needs to work with employers to improve the arrangements for parents to take paid leave after the birth of a child and to extend rights to flexible working. The Government also needs to improve the availability of flexible childcare services which fit with parents' needs.

4.2 The Government will support families in the choices they make by providing a coherent, joined up and logical package of services and support, readily available and comprehensible, and responsive to the particular circumstances of the family.

Parental leave and flexible working

12 months paid leave

4.3 Evidence suggests that consistent one-to-one care is particularly beneficial during the first twelve months of a child's life when rapid development takes place (as set out in Annex A). While the Government has extended a mother's right to maternity leave to a full year and extended the statutory paid period to six months, the final six months of maternity leave is unpaid. As a result, many families find it hard to afford to make use of the full 12 months. Seventy five per cent of those mothers surveyed in 2002 who were entitled to Additional Maternity Leave but returned to work early said they did so for financial reasons. Only 11 per cent of mothers said they were ready or wanted to go back to work¹. Therefore to enable parents to take longer leave during the first year after the birth of their child, **the Government is setting a goal to extend paid maternity leave to 12 months by the end of the next Parliament.**

¹ *Maternity and Paternity Rights in Britain 2002: Survey of Parents*, Hudson et al, PSI, 2004

4.4 As a first step towards a full year of paid leave, **Statutory Maternity Pay, Statutory Adoption Pay and Maternity Allowance will be extended from April 2007 to 39 weeks at the flat rate.** Mothers who choose to take advantage of the 3 month extension of maternity pay will gain up to £1,378.

Transferring maternity pay and leave

4.5 There is growing demand from fathers to be more involved in caring for their children². Annex A sets out how paternal involvement acts as a positive factor in child development. To enable fathers to play a greater role in the crucial first year of a child's life, the Government intends to bring forward proposals, for consultation with employers, parents and unions, **to give the mother the right to transfer a proportion of her maternity pay and leave to the father by the end of the next Parliament.** The right for a mother to transfer some of her leave and pay would give parents more choice about how best to arrange parental care for a new baby. This would be on top of the existing entitlement to two weeks paid paternity leave.

Increasing the flat rate

4.6 As set out above, not being able to afford to take time off work after the birth of a child is a major constraint on parents' choices. However, it is not the only constraint. In particular take-up of leave can also be affected by cultural factors, such as parents' and employers' attitudes. The evidence is that attitudes are beginning to change and this should feed through into behaviour and increased take-up over time as the changes implemented in April 2003 bed in. **The Government will continue to monitor closely the take-up rates of Statutory Maternity, Paternity and Adoption Pay and leave and Maternity Allowance and its ambition is to increase the flat rate payments over time.** It will welcome views from interested parties on what the guiding principles should be for the level of pay and on the case it sees for increasing the percentage of earnings covered for those parents who earn less than the flat rate.

Tax credits and maternity and paternity pay

4.7 Parents on paid maternity, paternity or adoption leave retain their eligibility for Working Tax Credit and the childcare element of Working Tax Credit. This means they receive additional financial support and can continue to receive help with the costs of childcare during the first 6 months of paid leave. As the Government progresses towards 12 months of paid leave, any extension to the paid period will automatically benefit from this treatment. £100 a week of SMP, Statutory Paternity Pay (SPP) and Statutory Adoption Pay (SAP) is disregarded as income for tax credit purposes providing additional support from tax credits for eligible families.

Flexible working

4.8 The importance of parental contact for a child's development does not diminish after the first year. For many parents being able to resolve work and family commitments is an on-going challenge. Building on the existing right for parents of young and disabled children to request flexible working hours, **the Government will bring forward proposals, for discussion with employers, unions and others, for extending the right to request flexible working to parents of older children and carers of sick and disabled relatives.**

Employers

4.9 Improved work-life balance policies have been shown to be beneficial in staff retention and increasing the pool of skilled labour for employers. However, many employers, particularly small to medium sized enterprises, find coping with extended absences and accommodating flexible working patterns a practical challenge. The Government committed not to make legislative changes before 2006 to the work and parents laws it introduced in 2003. Conscious of the possible impact on business of proposed enhancements to parents' choices, **the Government will conduct a thorough review to minimise the burdens on business of the arrangements.** This will include in particular an assessment of notice periods. In addition, Government will review statutory payment mechanisms, including considering

² Guardian/ICM poll on family friendly policies, August 2004

the case for transferring payment of SMP, SAP, SPP and MA from employers to Her Majesty's Revenue and Customs, and will set out its conclusions in the 2005 Pre-Budget Report.

4.10 Some parents may choose to phase their return to the labour market after time spent at home caring for a child. The tax credit system requires parents to work at least 16 hours to be eligible for help with childcare through the Working Tax Credit. The 16 hour rule may be acting as a barrier to some mothers returning to the labour market. However, there are complex issues involved in reducing the requirement, including the impact on work incentives and benefits. **The Government will consider the case for extending entitlement to the childcare element of Working Tax Credit to parents who work less than 16 hours a week and would welcome views from interested parties.**

Information and advice

Information for parents

4.11 While the Government has already done much to improve the availability of information for parents, for example through the Children's Information Services, we know that many parents and carers would like more help and advice about childcare. There is too much inconsistency in the provision of information and it does not always meet parents' needs. A significant proportion (45 per cent) of parents and carers think there is too little information on early education and childcare services. As a consequence parents and carers are often unable to make informed choices on the childcare to suit their needs.

4.12 The Department for Education and Skills will continue to work with local authorities to improve the quality and accessibility of local advice and information about childcare. Its aim will be to:

- provide information to assist parents in making more informed childcare choices. This will include improving access to childcare quality indicators such as Ofsted reports, information on staff turnover, qualifications and any customer satisfaction feedback;
- link into other local support and advice on parenting;
- lead to the coherent joining-up and developing of existing local information sources; and
- use Sure Start Children's Centres as a focus for local advice and information by providing parents with the opportunity to discuss and explore the options with professional staff.

4.13 Jobcentre Plus will improve the childcare information available to its customers. It will work to ensure that comprehensive advice is available and accessible to help parents become 'informed consumers'. This will include promoting the financial incentives available to assist working parents in meeting childcare costs, as well as help to address issues of quality and trust.

Role of Sure Start Children's Centres in delivering choice

4.14 By 2010 all families will have access to a Sure Start Children's Centre offering a range of children's activities, information for parents about childcare options, access to other children and families' services, and support to other childcare providers. Children's Centres will be the focus of services for all communities, but will provide the most support in the most disadvantaged areas. Extended schools will increasingly play a similar role for families with older children. A full description of the role of Children's Centres is set out in Chapter 6.

4.15 Most Children's Centres will provide early education and childcare. They will also act as a point of access to other providers, for example daycare, childminders or out of school childcare. For other services, for example health, family or parenting support some Children's Centres will deliver services themselves, while others will also act as a gateway pointing to other services locally. In less disadvantaged areas, Children's Centres will offer fewer additional services, but all centres will provide advice to parents on local childcare, enabling them to explore the options to find a care solution that meets their family's needs. All centres will also support childminders through networks, business and workforce support, including training for local staff caring for children.

Supporting parents

Parenting support 4.16 The Government recognises that parents have by far the biggest influence on children's lives and that it has a responsibility to support them in their parenting role. Support for parents and families is a key part of the *Every Child Matters: Change for Children* and the Department for Education and Skills is reviewing how parents can be better supported to secure improved outcomes for children and young people to inform better policy on parenting support.

Flexibility for parents 4.17 Families with children have diverse needs. Parents may be working full-time, part-time or not at all, and will need childcare arrangements that fit around these work and other commitments. They will have particular preferences about what kind of childcare is best for their child, and children may have particular childcare needs. The Government is committed to offering parents choices that respond to this diversity of needs and preferences, for example through offering a range of childcare options like group-based care, childminders, home childcare and after-school clubs.

4.18 There will be an extended free early education entitlement for all three and four year olds, integrated with high quality affordable childcare from 8am to 6pm all year round. More details of this extended entitlement are set out in Chapter 7. This entitlement will give parents additional flexibility to take up the free entitlement in a way that best suits their needs. At present free early years education is generally split into five 2.5 hour sessions per week. **Under the new entitlement, parents who want to will be able to take up the entitlement as three or four longer sessions.** This additional flexibility should give parents of three and four year olds more options in how to manage work around caring responsibilities. Over time, as we extend entitlement, the Government will consider further extending the flexibility available to parents to use this entitlement in a way that meets their families' and working needs.

The Government's vision

For all families with children aged up to 14 who need it, an affordable, flexible high quality childcare place that meets their circumstances.

- There will be a **Sure Start Children's Centre in every community by 2010**, co-ordinating a range of services for pre-school children. Children's Centres will connect to group-based and home-based care providers, linking all providers including those from the private and voluntary sectors, **and will provide information and advice to help parents find appropriate childcare places for children under 5.**
- On the way to delivering the vision for all children under 14, **parents of three and four year olds will be offered an extended free entitlement integrated with high quality, affordable childcare from 8am to 6pm all year round:**
 - **from 2006, for parents of three and four year olds the free entitlement to 12.5 hours a week of early education will be extended to 38 weeks for all places;**
 - **from 2007, this free entitlement will begin to be extended to 15 hours a week, with all children receiving 15 hours by 2010 on the way to the goal of 20 hours a week for 38 weeks; and**
 - **parents will have flexibility to use the free entitlement across a minimum of three days.**
- For 5-14 year olds, childcare will be available based in schools:
 - **by 2010 all parents with children aged 5-11 will be offered affordable school-based childcare on weekdays between the hours of 8am to 6pm, all year round.** Half of all parents will be able to enjoy this service well before then; and
 - **by 2010 all secondary schools will open on weekdays between the hours of 8am to 6pm, all year round** offering a range of activities such as music and sport. By 2008 at least a third of secondary schools will be making this offer, either by themselves or in partnership with the private and voluntary sector.
- To deliver this vision, **local authorities will have a new duty to secure sufficient provision to meet local childcare needs**, building on their current responsibilities in relation to the provision of nursery education. Subject to Parliamentary approval, the new legislation will be in place by 2008.
- To support investment by local authorities in high quality affordable and sustainable childcare provision, **this Pre-Budget Report creates a Transformation Fund of £125m a year from April 2006.**

Available, affordable, high quality childcare **5.1** Britain's childcare system should be open to all those who want to use it. However there is evidence that childcare services are not available to some groups of parents. This can be because they are not available in their locality, because they are unaffordable, or because they do not meet parents' needs. The Government's vision is that all families with children aged up to 14 will have an affordable, flexible, high quality childcare place for their child that meets their particular circumstances. In addition, support should be available for finding care outside these hours where necessary.

A new duty on local authorities **5.2** To meet our commitment **a new duty will be placed on local authorities who will be responsible for ensuring that local childcare needs are met, working with central government to make sure that services are both affordable and of a high quality standard wherever families live.**

Inclusion **5.3** In delivering this offer, local authorities must incorporate the needs and concerns of ethnic minority families and must also fully reflect the circumstances of families with disabled children, who can be poorly served by the current system.

The childcare vision

5.4 The Government's vision is that all families who need provision will have access to an affordable, flexible, high quality childcare place that meets their particular circumstances. The availability of childcare should not be an obstacle to participation in work, education or training. Parents should have support to make real choices about balancing their work and family responsibilities.

5.5 This will mean that:

- all parents should be able to access childcare; where the childcare available does not match their needs there should be a local system (usually through the Children's Centre or school) that alerts the local authority. Providers (including childminders) in local neighbourhoods will work together to ensure the best possible offer is available to parents. Local Authorities will ensure this happens;
- parents will have easy access to good information and advice about locally available childcare. The local Children's Centre will be the primary source of this advice for parents, with information about local childcare for all children under 5 and financial support, and will be able to help parents find an appropriate childcare place; all parents of 3-14 year olds will be able to ask their local school, Children's Centre or early years provider what arrangements have been made for additional childcare hours;
- parents should be better informed about the quality of provision through inspection results;
- parents will be expected to contribute to the cost of childcare, supported through the childcare element of the Working Tax Credit and any subsidy to the provider. The Government's commitments on affordability are set out in more detail in Chapter 7, together with some examples of what the immediate measures in this strategy will mean for typical families; and

- parents who want to work will receive information and advice from Jobcentre Plus that points to sources of childcare advice, or that is provided in partnership with the local Sure Start Children's Centre.

Delivering the vision

5.6 The childcare vision will be delivered through a clarified and extended statutory duty on local authorities. Local authorities' existing legal duties are relatively light given the extensive role they are already playing in early years and childcare supported by Early Years Development and Childcare Partnerships, and the even greater role they will play in the future in securing childcare for all children. The new duty will require local authorities to actively monitor the demands from families and to ensure that provision is responsive to their needs. Part of local authorities' new role will be to provide active help to providers to address the difficulties with sustainability that can affect current provision. This will complement existing responsibilities in relation to the provision of early years education and for school age children. Local authorities, increasingly through Children's Trusts, will do this through active management of the local market for childcare, and will act as strategic leaders in co-ordinating effective partnerships with the voluntary and private sectors in order to ensure the offer is available to all parents who need it.

5.7 The local authority role will also extend to working with local providers including childminders to drive up quality. This will include working with Children's Centres, developing more robust childminder networks, and ensuring the level of parenting support meets the needs of communities. In addition as part of the *Every Child Matters* programme, it will mean working with providers to further the integration of services. Chapter 8 explores in more detail the role of local authorities in delivering the childcare strategy.

Pre-school provision

5.8 To deliver the Government's vision there must be an increase in the availability of affordable, flexible, high quality childcare provision for pre-school children. As set out in Chapter 4, the Government wants to extend the choices available to parents. The Government will build a coherent early years service in every local area. This service will join up early education and childcare with integrated professional support and ensure families receive the help and support they want and need. Sure Start Children's Centres will bring the Sure Start approach to all communities and be a source of help for all families with young children. They are an important component of the Government's strategy to improve outcomes for children as set out in *Every Child Matters* and the *Choosing Health* White Paper. The centres will also help sustain affordable local childcare provision.

5.9 Investment in both home-based and group-based provision will be required to improve the availability of childcare for pre-school children. Local authorities will be responsible for ensuring that local childcare provision meets needs. The private and voluntary sectors will continue to play a key role in delivering services. By building on the Neighbourhood Nurseries Initiative local authorities will ensure that affordable, sustainable, high quality childcare continues to be available in the most disadvantaged communities. A new childcare partners model, building on childminder networks and childcare associates, will enable childminders and approved childcare to become partners with local Children's Centres, often providing places for babies and children under two years.

Sure Start Children's Centres **5.10** The Government has already committed funding to deliver 2,500 Children's Centres in England by 2008. The strategy extends this commitment to deliver 3,500 by 2010. This will ensure at least one Children's Centre in every community by 2010. Children's Centres are currently being developed in the most disadvantaged areas where needs are greatest. In most cases Children's Centres will offer early education and childcare but in some less disadvantaged areas, local authorities may need to develop a more flexible model. All centres will provide advice to parents on local childcare, enabling them to explore the options to find a care solution which meets their family's needs. They will also support childminders and other local childcare providers through business and workforce support, including training for local staff caring for children up to age 11. Some centres will be based in schools and linked to the continued support available to school age children through extended services around the school.

5.11 All Children's Centres will ensure that families with young children living in the area have easy access to these services. The services delivered at each centre will depend on local needs (for example the number of children in poor households) and existing service provision in the area. In disadvantaged areas all these services are likely to be offered at the Children's Centre. Where possible Children's Centres will be developed from existing settings, including day nurseries, schools (nursery, primary and secondary) and family centres, as well as other early years settings which have benefited from the Government's recent significant investment such as Sure Start Local Programmes, Early Excellence Centres and Neighbourhood Nurseries. Adaptations to buildings may be required where additional services are essential to meet local needs.

Box 5.1: Sure Start Children's Centres

Children's Centres are one-stop shops joining up services for young children and their families, including childcare integrated with early learning. Children's Centres build on the lessons learnt from Sure Start Local Programmes in being community based, responsive to local needs and focussed on tackling early disadvantage. Most Children's Centres will offer some childcare and even where they do not, centre staff will help parents access other local childcare. Centre staff will also help parents access other services their family needs either by offering services at the centre or linking parents with other providers in the local area. This will include:

- **early education and childcare places that fit with families' needs, whether in group settings, with childminders, or at home;**
- **parenting and family support;**
- **health advice, including health visiting and midwifery;**
- **preventative services to support children with additional needs early in a child's life, including outreach into communities; and**
- **support and help for parents to move into training and work.**

Home-based care 5.12 Many parents prefer to use home-based care, such as childminders and nannies, especially when their children are young. Home-based care will play an important role in helping to deliver childcare availability. Chapter 6 sets out the Government's plans to reform childminder networks to ensure that home-based provision works closely with Children's Centres and group-based provision. The Government's vision is for home-based carers to be linked to Children's Centres and extended schools, ensuring a more coherent package of childcare for parents.

Informal care 5.13 The Government wants to support parents in their choices of childcare. Almost all families use informal care in some form, either alongside formal care or instead of it. In order to support informal carers, Children's Centres will be able to provide support and drop-in facilities. Informal care is a popular and valuable form of care for many parents. The reasons seem to be a mixture of choice and necessity. Grandparents provide the bulk of informal care. Informal care is often valued for the high levels of trust and the levels of flexibility that it provides. People also use informal care for non-work related reasons, such as baby-sitting. Many parents also rely on informal networks for emergency cover, for example in times of sickness. Informal care is frequently the 'glue' that holds different childcare arrangements together, for example a grandparent picking children up after school and looking after them until parents come home from work.

5.14 The Government recognises the huge contribution that informal care makes to family life. However it is not the Government's role to offer financial support for care that is freely given within families and it would also be extremely intrusive to make appropriate checks for payments between family members or friends.

Three and four year olds 5.15 The current minimum entitlement for free early education for three and four year olds is five 2.5 hour sessions a week for 33 weeks a year. Although many families benefit from additional hours, often through full time reception class places, at least 60 per cent of places for three year olds are provided on a sessional basis only. For parents who work this means they have to make their own arrangements to organise childcare across the working day. This can be complex, expensive and involve the child travelling between different childcare providers.

5.16 The Government's proposals to increase the free entitlement to 15 hours a week, with 20 hours as a long term goal, for 38 weeks a year, will result in:

- better choices for parents who need all day, all year round childcare;
- a strong role for childminders;
- guaranteed quality for children;
- improved affordability for parents; and
- more sustainable income for providers.

Delivering on the commitment 5.17 The Government will ensure that private and voluntary day care providers receive the funding they need so that from 2006, children in private and voluntary sector provision will have 38 weeks of early education, rather than the current 33. In addition from 2007, as set out in Chapter 4, parents will be able to use their entitlement more flexibly, taking up to five free hours a day. Local authorities will be able to provide support and help, including funding, for providers, including schools and playgroups, presently offering stand alone early education places. This will enable them to adapt their provision to deliver extended hours, greater flexibility and wrap around care. Many settings will also want to be able to offer increased flexibility so that parents have the option of using the free entitlement across three or more days.

Childminders and approved child carers **5.18** Childminders and approved child carers will be key to securing the offer to families through links with local providers through the childcare partner model. Home based childcarers will work with childcare providers, providing wrap around places in partnership either on a contractual basis or as employees. This offer will usually be co-ordinated through the local Children's Centre.

5.19 It will be the responsibility of local authorities to ensure that provision serves the best interest of children, and that sufficient flexibility exists to meet parental demand within their areas. The code of practice on nursery education gives local authorities advice on arrangements for securing the nursery education offer. The Government will shortly consult on a revised code for April 2005. This will set out the next steps to secure the enhanced offer to children and parents. Over time, we would expect to bring guidance to local authorities on free entitlement and on childcare together in one place.

School age childcare

Childcare to fit around the school day **5.20** Some working parents currently face difficulties organising childcare around the school day. Although a large number of schools offer breakfast clubs and a range of after school activities such as art and music, parents cannot always rely on them to support their work needs. These activities may be term time only or might be cancelled at short notice. In some cases there are gaps between the end of the school day and the start of out of school activities. Parents need to be able to access reliable, affordable childcare that wraps around the school day and school year. The Government wants to extend this offer, so that all parents can benefit from a more flexible school day, and all children can benefit from high quality childcare. The Government will be providing local authorities with capital and revenue funding to support schools and providers to create this offer.

5.21 By 2010 all families will have access to year round affordable school based childcare for all children aged 5-11. Half of all families will be able to enjoy this provision by 2008 or before. The childcare offer will either be based in the local primary school, or in a neighbouring one, or on a different site provided in partnership with voluntary and private sector providers. This partnership may also include local childminders. Parents who choose to use this childcare will be able to book the hours they need and will have to contribute towards the cost. Many children will continue to attend the range of before and after school activities that are currently offered by schools either free of charge or for small nominal charges.

Children aged 11-14 **5.22** By 2010 all secondary schools will be open from 8am to 6pm on weekdays all year round, offering a range of activities such as music, sport and holiday activities. By 2008 our aim is for at least a third of secondary schools to be making this offer, delivering it either themselves or in partnership with private and voluntary sector providers. The nature of the activities will vary in different school communities and depending on the age of the child. Parents will be expected to pay for some of them, but many will be eligible for childcare help through the childcare element of the Working Tax Credit. The forthcoming Youth Green Paper will set out proposals for broadening the range of activities and places to go suitable for all teenagers. The Government will be exploring how the childcare guarantee, the expansion of extended school activities, and the youth offer can be co-ordinated.

5.23 For 11-14 year olds there may be parental demand for a formalised childcare guarantee between 8am and 6pm on weekdays during term time and holidays. The Government plans to test demand for these services with a small group of schools.

Holiday provision 5.24 Working parents of school-age children need access to reliable childcare all year round, not just during term time. The Government's commitment for school-age childcare will extend to cover the school holidays, from 8am to 6pm on weekdays. Holiday provision will often be developed across clusters of schools or by working in partnership with providers in the voluntary and community sectors. Local authorities will be expected to take a lead role in ensuring these types of holiday schemes are available, often brokering partnership arrangements between schools and providers where necessary. Holiday provision will provide an exciting range of things for children to do, including sport, arts, music and cultural activities as well as opportunities for rest, play and socialising with peer groups.

Workforce implications 5.25 The Government will develop this offer as part of the national school workforce agreement. The proposal is not about teachers working 8am to 6pm to deliver childcare, but may be about schools working in partnership with the voluntary and private sectors to deliver the offer. Schools and local authorities will also wish to consult with other school staff who may be interested in taking up additional opportunities. The Government will develop a change programme and communications strategy for all schools to demonstrate the benefits which creating childcare and wider extended school opportunities will deliver for schools and their pupils. There will be training and support opportunities for headteachers, governors, bursars and other school staff. This will also support the agenda of schools offering a wide range of services to their pupils and the local community such as parental learning, health and social care services, in partnership with the voluntary sector and with other services.

Social inclusion

5.26 One of the key aims of the strategy is to ensure that all children can benefit from early years support and childcare. This means ensuring it will work to meet the particular needs of different groups including families with disabled children and those from ethnic minority communities. In implementing the strategy we will consult widely to ensure that the needs of all children and families are being reflected as policy develops.

Disabled children 5.27 Families with disabled children are more likely to have low incomes, with mothers of disabled children less likely to be in paid employment than other mothers. A lack of local, suitable and affordable childcare can play a part in this. As with children without disabilities, support in the early years can have a positive effect in terms of promoting development. Some early years services have failed in the past to include disabled children because of problems with physical access, a lack of trained staff or necessary equipment.

5.28 The Government already provides £25 million a year to local authorities to help meet the additional costs of childcare for disabled children. We will build on the Early Support Programme which is aiming to achieve better services for disabled children under three. The introduction of key workers and Family Service Plans will help facilitate both earlier discussions with parents about their childcare needs and the provision of information, so they can access the childcare arrangements and early years support that meet their particular needs.

5.29 For many disabled children and their parents, the new opportunities for all day, year round childcare linked into schools will be particularly welcome. This will provide opportunities for disabled children to socialise with peers and make friends within an environment where their needs are supported. Local authorities and schools, with health and social services counterparts, should consider how best to provide multi-agency support services, including access to providers of aids and equipment. The development of the 8am-6pm childcare offer should take into account the special role of the voluntary sector in supporting disabled children.

5.30 In order to meet the needs of families of disabled children local authorities will need to consult with disabled children and their families and the voluntary sector on the planning and delivery of services, and monitor take-up of services by disabled families.

Ethnic minority children 5.31 Research shows that that some ethnic minority families suffer disproportionately high rates of poverty, and experience significant barriers to accessing affordable and appropriate childcare. As a consequence, take-up amongst some ethnic minority communities tends to be low.

5.32 The report *Sure Start for Everyone*¹ published in October 2004 set out the results of four Inclusion Pilot Projects that investigated barriers faced by ethnic minority communities in accessing early years and childcare services. The practical suggestions to improve local policy and practice will underpin the implementation of this strategy. In particular, local authorities will need to support recruitment of ethnic minority members of staff to reflect their local population, as well as consulting with and monitoring the take-up of services by families from ethnic minorities. Through inspection and monitoring of the implementation of this strategy, we will ensure that local authorities are meeting the needs of all areas of the community.

5.33 A key challenge for Government and for local authorities in delivering the vision will be securing sufficient supply to meet parental needs in areas where the market struggles to support affordable, good quality provision. This is particularly the case in some rural and disadvantaged areas.

Securing sustainable supply

5.34 Recent policies have resulted in the creation of a large number of new childcare places in a relatively short time. However Government programmes and local authorities have been less successful in securing the sustainability of those places. Childcare providers also need to develop more effective business planning skills.

5.35 The Government will ensure a more sustainable approach to investment in childcare. **As a first step the Pre-Budget Report creates a Transformation Fund of £125 million a year from April 2006. This fund will support investment by local authorities in high quality, flexible, affordable and sustainable childcare provision.** Chapter 6 outlines the work programme of a joint DfES and HM Treasury review of international and domestic experience in transforming childcare provision. In addition the Government will:

- develop a stronger infrastructure, building on Children's Centres and schools, through working with the private and voluntary sectors, and through childminders linked to centre based providers;
- refocus existing local authority budgets for place creation on sustainability;
- allow local authorities to consider how provision in areas with low demand (rural areas, low employment areas) can be supported to ensure the childcare offer is maintained;
- use better information and advice for parents to drive up demand for better quality childcare; and
- improve support for providers with business planning.

¹ www.surestart.gov.uk.

- Local Authority VAT exemption 5.36** Local authorities are refunded the VAT paid on goods and services purchased for their VAT exempt business activities, such as childcare, up to a limit of 5 per cent of their total annual VAT bill. Some have raised concerns that the limit presents a constraint on authorities' ability to extend childcare provision. The Government is aware of these concerns and is reviewing the matter. Her Majesty's Revenue and Customs will be reporting their findings to Ministers in consideration of the wider context of all the VAT risks for public authorities.
- Co-ordinating supply for parents 5.37** Children's Centres and extended schools will play a key role in the delivery of the childcare vision. They will act as a key point of information about and access to childcare for parents, will hold lists of approved local providers and help parents find the provision that best suits them. They will also be able to provide information on the availability of financial support to help meet childcare costs through tax credits, or from other agencies for children with particular needs. Children's Centres and extended schools will also be crucial sources of market information for local authorities to help them manage the market effectively.

The Government's vision

Childcare in this country among the best in the world, with a better qualified workforce, with more workers trained to professional level including all those leading full daycare provision. Greater parental involvement in the planning and delivery of services will be encouraged. The regulatory and inspection systems will be reformed and quality assurance will be strengthened. The Pre-Budget Report announces:

- **a commitment to radical reform of the early years and childcare workforce through a new qualification and career structure.** Proposals will be published for consultation in early 2005 as part of the children's pay and workforce strategy. The Children's Workforce Development Council will play the lead role in taking forward the long-term programme of reform;
- **an allocation of £125 million for a Transformation Fund to come on stream from April 2006 to support implementation of the recommendations of a joint Department for Education and Skills and HM Treasury Taskforce on how to raise the quality and sustainability of affordable childcare provision while ensuring value for money and without compromising affordability for parents;**
- **childminders and other home-based childcarers will be able to access professional support and continuous professional development through Sure Start Children's Centres and other childcare providers. A new childcare partners model will be introduced, building on both childminder networks and associate models, enabling childminders and approved childcarers to become partners with local centre based providers, providing places on their behalf;**
- **a reformed regulatory framework and inspection regime, creating a single system for all early years and childcare services to be in place by 2008; and**
- **local authorities and Sure Start Children's Centres to work in partnership with childcare providers to support continued improvement.**

6.1 The summary of the evidence on child development in Chapter 2 showed that childcare provision must be of good quality if it is to improve child outcomes. At the same time, to be able to work, parents must have confidence that the services on offer will provide the best possible environment for their children, a safe and secure setting in which their children will flourish. To meet this objective, the Government's vision is that childcare services in this country will be among the best quality in the world.

What quality means **6.2** To meet the Government's vision, childcare must become part of a partnership with parents to meet the cognitive, social, emotional and physical needs of children. For too long there has been a false distinction between 'education' and 'care' in early years services that is reflected in different qualifications and regulatory systems. For children, such a distinction has no meaning. Children need a safe and stimulating environment at all times, whether this is provided in their own home, in a nursery school, a day nursery or a childminder's home. A modern childcare system should deliver high quality services for children that enable them to learn, develop social and emotional skills, and explore through play. Working with pre-school children should have the same status as working with those of school age.

Key elements of the approach **6.3** Chapter 3 set out three main levers that can help improve the quality of childcare provision:

- a high quality workforce;
- a robust regulation and inspection regime to enforce standards and inform the choices parents make; and
- informed parental choice about the services they use, and input into how those services are delivered.

6.4 The ten year strategy will seek to raise standards across all childcare settings. The key elements of this approach will be:

- a long-term workforce reform strategy to ensure childcare is delivered by professional staff with the skills and expertise to provide the quality that children need, including developing the role of the early years professional and reforming and increasing childminding networks;
- a financial package that will create incentives for providers from all sectors to increase the quality of their provision, without compromising the affordability for parents;
- using parents' influence over the services they rely on through improved information to support their choices, and by more direct input into the way services are planned, structured and run;
- a single framework for childcare and learning from birth to five, focused on providing excellent developmental opportunities; and
- a system of regulation and inspection which takes a more integrated approach to care and education, and focuses on what really matters to the quality of children's experiences.

WORKFORCE REFORM

6.5 The single biggest factor that determines the quality of childcare is the workforce. The current childcare workforce includes many capable and dedicated people. However, as Chapter 3 shows, qualification levels are generally low. This becomes most apparent when compared against international standards. Many providers are finding it difficult to recruit staff and are experiencing high levels of staff turnover. Comparatively low levels of pay and the absence of a clear career ladder for those working in the sector are compounding recruitment and retention problems.

6.6 The Government has already invested significantly in raising the qualification levels of the workforce and in a recruitment campaign to increase and broaden the range of people entering the sector. But if the system is to develop into one that is among the best quality in the world, a step-change is needed in the quality and stability of the workforce. Working with pre-school children should have as much status as a profession as teaching children in schools.

6.7 Childcare workers already have a wealth of relevant knowledge and skills acquired through education, training, work and personal experience. The Government wants to build on the best practice in Britain today to ensure that all workers in the early years and childcare sector have high levels of understanding of child development for children of all ages and are able to work constructively with parents and with other relevant professionals. To achieve this, there will be:

- clearer and more accessible progression routes for the existing workforce. This requires a career framework that encourages the existing workforce to remain in the sector and to make progress through enhanced qualifications and accreditation of experience. It should allow people in the childcare workforce to move into other areas of the children's workforce to gain wider experience and to be able to move back into childcare as opportunities arise. It should encourage people to enter the workforce at various ages and with varying levels of qualifications and experience;
- recruitment and retention of enough workers to support the continuing growth of the sector. Reducing turnover levels will help to reduce provider costs and increase the quality of services to children through the retention of more experienced, more trusted workers; and
- promotion of diversity in the workforce, which should be drawn from a much more representative section of society than at present. There is a particular need to increase the proportion of the workforce who are men and who are members of ethnic minority groups.

**Reforming the
childcare
workforce**

6.8 The Government is committed to radical reform of the early years and childcare workforce. We will work with leading bodies in the sector to achieve the long-term vision which is to:

- ensure that all full daycare settings are led by graduate qualified early years professionals. This will build on the example being set by children's centres, whose leaders are expected to attend the one year integrated leadership programme (currently being piloted);
- improve the qualifications and status of early years and childcare workers. More will be trained to degree-level. There will be a single qualifications framework and greater opportunities for existing workers to increase their skills. The role of the early years' professional will be strengthened and home-based care will become more integrated with group provision; and
- put in place training opportunities for childminders and other home-based carers which enable more to achieve level 3 qualifications, work in partnership with other providers and develop long-term careers as part of the children's workforce.

An early years professional 6.9 Research shows that the skills and qualifications of staff are strongly linked to developmental outcomes for children, with a strong impact when practice is led by a qualified teacher. Other countries such as Spain, Denmark, Sweden and New Zealand have made major efforts to increase the professional capacity and skills of their early years workforce through a number of different approaches.

6.10 Drawing on international experience the two models for an early years professional are:

- an early years qualified teacher: there is an established flow of teachers into early years, particularly since the Foundation Stage became part of the National Curriculum. Training routes are also well established, with teachers taking undergraduate and postgraduate routes to qualified teacher status and some employment-based routes also exist; and
- a new profession combining learning with care, along the lines of the continental 'pedagogue' model: with no tradition in this country for such a model, more work would be necessary to establish new training. With this model, however, there would be the opportunity to develop it to suit the early years framework set out in the strategy, and give 'pedagogues' the flexibility to exist alongside teachers in the school system.

6.11 It will be important that there is a common understanding of the challenges of developing, recruiting and retaining better qualified people to work in early years and childcare. That understanding and commitment must also fit within the wider challenge of developing, recruiting and retaining better qualified people in all children's services, to deliver the outcomes set out in *Every Child Matters*. The Department for Education and Skills and HM Treasury have collaborated closely on the analysis of the workforce underpinning this strategy. They will work together to ensure that the Government's children's services' pay and workforce strategy, due to be published in January 2005, fully reflect this analysis in the consultation proposals on childcare workforce issues. The consultation will cover:

- a single qualification framework for childcare which includes a degree level qualification;
- how best to support and promote skill acquisition and career progression; and
- plans for developing both group and home-based care.

6.12 The Children's Workforce Development Council (CWDC) for England, which is set to go live in April 2005, will play the lead role in taking forward the outcome of this consultation working within a framework set by DfES and HM Treasury. The Council is composed of employers, employer-interest organisations, trade unions, local government and other bodies with an interest in strengthening the children's workforce in England. The early years and childcare sector is strongly represented on its Board. Its principal functions of developing qualification and training frameworks, promoting career pathways and staff retention mean that it is best placed to lead on the reform of the childcare workforce. The Government will ask the Council to make childcare workforce issues one of its early priorities, working closely with the Teacher Training Agency to increase the supply of qualified teachers. DfES and HM Treasury will agree a firm work programme with the Council for the implementation of the early years and childcare workforce reform strategy in the light of the outcome of the consultation.

Home-based childcare 6.13 Childminders and approved childcarers will play an important role in ensuring local, flexible childcare is available for parents. The Government's vision is for home-based carers to have strong links to Children's Centres and Extended Schools via childminding networks. This will ensure a more coherent package of childcare for parents, providing opportunities for home-based carers to continue their professional development with support from graduate level childcare professionals. While Children's Centres and Extended Schools will remain as the hub of the system, other providers will also be encouraged to link to home-based carers providing places on their behalf to give parents greater choice and flexibility. The childcare workforce strategy will set out how to increase the base-level qualifications of home-based carers.

6.14 Local authorities through Children's Trusts will need to monitor the supply of childminders in local neighbourhoods taking action to increase provision where necessary. This might include offering incentives for prospective childminders where new places are needed but also ongoing business support for existing childminders. At a national level the Government will work with local authorities through Children's Trusts and the National Childminding Association to grow the childminding network model with childminders and approved childcarers linked to (or even employed by) centre based providers.

INVOLVEMENT OF PARENTS

6.15 Parents can influence the quality of provision in three ways:

- as consumers in the market place they can make informed choices between providers, rewarding providers who meet their expectations of quality at a price they can afford;
- as service users they can observe the quality a provider offers over time, and through their input they can put pressure on providers to improve services; and
- and parents should be involved in key decisions on what is on offer in childcare settings, both for children and for themselves. The engagement of parents in service design has been a hallmark of quality in Sure Start programmes and other early years services.

6.16 Chapter 5 sets out the steps the Government is taking to offer parents more and better childcare options. This will strengthen the power that parents will have as consumers to influence quality and sustainability. The joint DfES and Treasury review of investment in quality (see paragraphs 6.31 below) will consider how the voices of parents can be incorporated more consistently into decisions about how services they need are planned, structured and run.

REGULATORY REFORM

6.17 Effective regulation and inspection play a vital part in ensuring that providers meet acceptable standards in the delivery of services. The Government has taken a number of steps in recent years to create a stronger national framework for the regulation and inspection of early years services in which Ofsted plays a key role.

Complex regulatory landscape

6.18 The current regulatory landscape is complex and involves a number of different agencies:

- Ofsted registers childcare providers;
- the DfES sets the standards and detailed regulations for childcare registration and jointly with the Qualifications and Curriculum Authority is responsible for producing guidance on the foundation stage of the National Curriculum; and
- there is a separate registration scheme for independent schools, many of which offer early years services.

Inspection arrangements

6.19 Inspection arrangements are less fragmented as the functions are predominantly Ofsted's responsibility and fall within the new children's services inspection framework required under the Children Act 2004. Further legislation in the Education Bill and associated regulations are being considered by Parliament during the current session. Along with new inspection arrangements being piloted by Ofsted for introduction in 2005, this legislation will enable better integration of early years inspections, and allow inspections of education and childcare to be carried out in one visit with the results of the combined inspection in a single report. However, integration can only be taken so far under the current separate legislation for the childcare and education sectors, since Ofsted inspectors have to draw distinctions between childcare and education when they grade quality.

A new legal framework

6.20 **The Government proposes to introduce a new legal framework for the regulation and inspection of early education and childcare services.** The new legal framework, together with an integrated quality framework, will bring together the requirements for education and childcare in a coherent way. It will reduce unnecessary burdens on early years settings and schools.

Scope of regulation

6.21 **The Government will also review the scope of regulation to make sure that different types of setting are each subject to appropriate standards.** In particular, it will look at the regulation of school clubs and activities outside the normal school day, temporary crèche arrangements, open access schemes and other provision which operate on a short term basis or only takes children for short periods. It will ensure regulation is proportionate, while at the same time ensuring that parents can be confident that wherever and whenever their children are cared for, they will be safe and well looked after.

Timetable for review

6.22 The Government will consult on detailed proposals during 2005, with legislation following as soon as possible after that. The Government will work with Ofsted, local authorities, schools, early years services providers and those who represent their interests at national level to secure a smooth transition to the new arrangements.

Quality frameworks

A new quality framework **6.23** The Government proposes to create a single quality framework for services for children from birth to five. The new framework will take an integrated approach to care and education, reflecting the reality of the way childcare services operate. It will be underpinned by a play-based approach to promoting children's development and learning, building on children's experiences to help them extend their skills and develop their understanding and confidence.

6.24 The new framework will strengthen the links between *Birth to Three Matters* and the Foundation Stage, and incorporate elements of the national standards for daycare and childminding for under eights. It will ensure a consistent approach to care, learning and development from birth to the end of the Foundation Stage, helping to raise quality and reduce the number of changes that children and families experience. The framework will help practitioners plan learning and development activities for children based on observation of their progress, so ensuring that care and learning is right for each child at each stage of their development.

6.25 The new birth to five framework will help with earlier identification of particular needs, leading to earlier referral, for example to speech and language therapists and other specialists. This in turn will support wider integration of services, bringing together services naturally associated with young children such as health visitors, and supporting wider dissemination of the principles of Children's Centres.

6.26 The Government will bring forward proposals in 2006, and will consult widely with practitioners and experts in the early years and childcare field in developing the new framework to ensure that proposals are based on a clear understanding of what works in practice. This will be carried out alongside the reform of the regulatory and inspection arrangements proposed above so that the new system is fully informed by the content of the birth to five framework.

Role of quality assurance **6.27** New inspection arrangements will be complemented by quality assurance schemes that support practitioners in their daily work, helping them to improve services through self-evaluation, reflective practice, mentoring and advice. The DfES's Investors in Children endorsement scheme brings together the most effective elements of existing schemes and endorses those that offer the highest quality. As the new quality framework is developed, the role of Investors in Children will be evaluated as appropriate.

Role of Children's Centres and LAs **6.28** Local authorities and Children's Centres will play a key role in raising the quality of affordable local childcare. For example, they will offer training and business support to local providers of childcare, help disseminate best practice and other innovative ideas, provide a base for local childminders and other forms of home-based care to work with other childcare professionals, and forge partnerships between group-based and home-based providers.

INVESTING IN QUALITY – THE TRANSFORMATION FUND

6.29 The Government's long-term ambition requires a transformation of the childcare infrastructure to secure high quality, sustainable, affordable childcare places. Paragraphs 5.23 to 5.26 set out the Government's ambitions for sustainability. Quality also requires a strategic approach to investment. A better qualified workforce will mean rising levels of pay which will raise the overall cost of childcare. Other improvements to quality, such as higher regulatory standards, may also have cost implications for providers. To ensure that the Government's determination to increase quality standards does not compromise efforts to make childcare more affordable, the Government will invest additional resources to meet the costs of improvements, so that parents will not face higher costs.

6.30 The Pre-Budget Report creates a "Transformation Fund" of £125 million a year from April 2006. As already outlined in paragraphs 5.34 to 5.36, **this fund will support investment by local authorities in high quality, affordable, flexible and sustainable childcare provision.**

6.31 There is much to learn from other countries' experience in investing to transform childcare provision. New Zealand, for example, has just embarked on an ambitious reform programme built around incentive payments for providers based on the quality of services. Building on existing evidence and experience, the DfES and HMT will jointly review the domestic and international experience of investing to support the quality of childcare without compromising price. The lessons learned will be used to inform decisions about the Transformation Fund and the next spending review. Issues the review will consider are:

- incentives to encourage providers to train and develop their staff;
- support for business planning to improve efficiency and quality;
- how better information for parents about the quality of services can be used to drive change;
- how parents' voices can be more effectively incorporated into decisions about the way services are planned, structured and run;
- giving local authorities and Children's Trusts a greater role in achieving quality improvements; and
- the role for regulation and inspection in raising standards.

The Government's vision

Families will be able to afford flexible, high quality childcare services that are appropriate for their needs:

- **The Pre-Budget Report announces a package of new measures to improve affordability;**
- **in order to help low and middle income families with high childcare costs, this Pre-Budget Report announces that from April 2005 the maximum eligible childcare costs that the Working Tax Credit will cover will increase from £135 to £175 a week for one child and from £200 to £300 for two or more children. This will benefit families with pre-school children, larger families, families in London and those needing full-time childcare;**
- **the Pre-Budget Report also allocates resources to help low and middle income families with their childcare costs by raising the maximum proportion of childcare costs covered by the childcare element of the Working Tax Credit from 70 per cent to 80 per cent from April 2006;**
- **for a couple family on £34,000 a year with both parents working and typical childcare costs for two children, these reforms reduce the proportion of costs they pay from 85 per cent to 75 per cent, a saving to them of £700 per year. Building on this first step, the Government's long-term ambition is to reduce further the proportion of childcare costs paid by such families, making childcare increasingly affordable;**
- **ensuring that all three and four year olds get a full 38 weeks of free early education and childcare from 2006;**
- **an extension of the 12.5 hours of free childcare for all three and four year olds to 15 hours for 38 weeks a year for every three and four year old by 2010, on the way to the vision of 20 hours a week for 38 weeks a year; and**
- **working with the Greater London Authority, the Government will pilot methods of targeting provision of childcare places for children of working parents on lower incomes to ensure accessibility and affordability in London, starting in 2005.**

7.1 The principle underlying the Government's vision for childcare is progressive universalism: help for all and additional support targeted on those who need it most.

7.2 Chapter 2 set out the economic case for the government subsidising childcare in order that the economic and social benefits of parents working and child development are fully realised. Every family should be able to afford high quality childcare services that are appropriate for their needs. What an individual family views as 'affordable childcare' will however vary according to a range of factors, for example income, ages of children, work patterns and personal preferences. The price parents face for childcare will also be affected by regional and local differences and by the differing quality and pricing structures of providers.

7.3 Today 40 per cent of the overall costs of spending on early years and childcare are paid directly by parents. Some parents contribute significantly less, especially those in receipt of the childcare element of the Working Tax Credit (WTC). Many parents have to contribute more, particularly if they have young children.

Supply and demand side funding

7.4 As Chapter 3 explains, in common with other countries the Government invests in childcare on both the supply side and the demand side. On the supply side payments are made direct to the provider to support and procure provision. On the demand side, payments are made to parents to help with the cost of childcare, acknowledging that all countries expect parents to make some contribution towards the costs of childcare, with parents normally contributing according to their income.

7.5 In addition to providing the universal free part-time early education for three and four year olds, the Government sees an enhanced role for supply side subsidies in driving up quality and ensuring sustainability. The Government also sees a continuing and enhanced role for the childcare element of WTC in helping to make childcare more affordable for families. The advantage of this demand side system is that it maximises the choice for parents, minimises income assessments (since the calculation of the childcare element is done through the general assessment of tax credit entitlements), and avoids the additional burden that providers would face if they had to administer the system.

7.6 The Government is aware of the case made for more use of supply side subsidies on the grounds that it might increase the security of income for providers, increase government leverage over quality and price and reduce the price offered by providers to parents. The Government believes it is currently striking an appropriate balance between demand and supply side funding. However, within the framework of progressive universalism – help for all families and more help for those who need it most – the Government will continue to consider proposals about the best long-term balance between supply side and demand side subsidies.

Three and four year olds

7.7 Three and four years olds are currently entitled to 12.5 hours of early years education a week for 33 weeks a year. Building on the existing offer, the Government is **extending this to 15 hours for 38 weeks a year for every three year old, and at least as much for every four year old. This is a step on the way towards the vision of 20 hours a week for 38 weeks a year for all three and four year olds. The extension will be integrated with the offer of high quality, affordable childcare from 8 am to 6 pm on weekdays all year round.** This improved offer will tackle affordability by reducing overall costs and allowing parents to make use of greater flexibility so that funded hours can more closely match parents' working hours. The details of the offer are:

- parents having flexibility to use the free entitlement across three days a week or more;
- from 2006 all three and four year olds receiving the free entitlement for 38 weeks;
- from 2007 three and four year olds will begin to receive an enhanced free entitlement of 15 hours per week for 38 weeks with all three and four year olds benefiting by 2010; and
- parents being able to buy additional hours of childcare either from their early years provider directly, or through a linked childminder or approved childcarer.

7.8 The proposals to increase the free entitlement to 15 hours per week, 38 weeks a year coupled with the increased flexibility over the free entitlement will make childcare more affordable for parents, and improve the options for parents who need all day, year round childcare.

7.9 The proposals to increase the free entitlement to 15 hours per week for 38 weeks a year, coupled with the increased flexibility for parents over how they use the free entitlement, will improve the options for parents who need all day, year round childcare. Many parents will find that most or all of their childcare will be covered by the free early years entitlement. Even where the free entitlement does not cover all of a family's childcare needs the increased more flexible arrangements will reduce the hours for which parents have to pay.

The childcare element of Working Tax Credit

7.10 The childcare element of the Working Tax Credit (WTC) currently provides help for working parents with up to 70 per cent of the costs of registered and approved childcare, up to a maximum weekly cost of £200 per week (£135 for families with one child). In total 340,000 families benefit from the help it provides. The childcare element was introduced in April 2003, replacing the childcare tax credit which was part of Working Families' Tax Credit (WFTC). The childcare element is broadly similar to childcare tax credit, but can respond more rapidly to changes in parents' needs.

Increased limits, increased support

7.11 This Pre-Budget Report announces that from April 2005, the maximum eligible costs in the childcare element of WTC will be increased to £300 per week for families with two or more children, and £175 per week for families with one child. Increasing these limits on the maximum eligible costs by 30 per cent for families with one child and 50 per cent for families with two or more children will ease affordability problems for those with the highest childcare costs. Around 20,000 working families will benefit straight away and many more over time. Families with pre-school children, those with several children, families needing full-time care and those living in London and the South East are among those most likely to benefit from extra help because they can face especially high costs.

7.12 This Pre-Budget Report announces that the maximum proportion of costs covered by the childcare element of WTC will be increased from 70 to 80 per cent from April 2006. This will increase the help provided to the 340,000 families benefiting from the childcare element, making their childcare costs more affordable while retaining an incentive for them to manage their use of childcare. This change improves gains to work for parents who use childcare, enables more parents to use formal childcare and increases the range of family income where help is available.

7.13 Together these reforms to the childcare element of WTC will produce a step change in the extent of support for childcare costs for working families on low to middle incomes. These reforms will enable more lone parents and second earners in couples to afford childcare and move into work. Recent research suggests that there was a positive labour supply impact for lone parents from the introduction of WFTC. Of this a substantial proportion was attributable to the childcare tax credit.¹

¹ *The consequences of 'in work' benefit reform in Britain: new evidence from panel data*, Francesconi, M. and Van der Klaauw, W., University of Essex, 2004, *The Labour Market Impact of the Working Families' Tax Credit*, Blundell et al, Fiscal Studies, 2000, Volume 21

7.14 With these changes, the maximum weekly support available through the childcare element of WTC will rise from £94.50 per week for a family with one child to £140 per week; for a family with two children maximum support will increase from £140 per week to £240 per week. The average amount of tax credits paid to help with childcare costs for existing beneficiaries will rise by around £350 to over £2,900 a year. These increases build on the earlier reforms to the support provided through tax credits for childcare costs. Together with these reforms the total value of support is set to rise to around £1 billion per year by 2007-08, a fifteen-fold real terms increase in the value of help compared with 1997-98.

7.15 For a couple family on £34,000 a year with both parents working and typical childcare costs for two children, these reforms reduce the proportion of costs they pay from 85 per cent to 75 per cent, a saving to them of £700 per year. Building on this first step, the Government's long-term ambition is to reduce the proportion of childcare costs paid by such families, making childcare increasingly affordable.

Help with short periods out of work **7.16** The objective of WTC is to make work pay for households with low to moderate earnings. As part of WTC, the childcare element is only available to parents in work. This means that if a parent loses a job, they also lose their help with childcare costs. This can mean the loss of a childcare place, which disrupts the continuity of care for their child, and may make it more difficult for the parent to move back to work. In some cases, Jobcentre Plus can offer assistance with childcare costs for parents looking for work. WTC payments already continue for those who start a new job within seven days of ending a previous job **and the Government will now consult on whether to extend this period.**

Housing Benefit **7.17** Lower income working families who rent their homes are entitled to receive extra help with childcare costs through the disregard of costs in Housing Benefit and Council Tax Benefit. From April 2005 **the definition of eligible childcare will be aligned with tax credits and the maximum amount of costs that can be disregarded will be raised in line with the new maximum eligible costs in WTC.** This will ensure that families in receipt of Housing Benefit and Council Tax Benefit receive the full benefit of tax credit support with their childcare costs.

Making price visible **7.18** Although the childcare element can offer a substantial reduction in childcare costs, parents are often unaware of the net cost they face. The Government will therefore work with providers to help parents understand the help available and therefore make the net cost more transparent.

Childcare approval scheme **7.19** To ensure choice and affordability for parents, the Government is keen to ensure that good quality childcare is eligible for financial support, such as the childcare element of WTC. Tax credit support is available for a wide range of good quality childcare including nurseries, playgroups, childminders and wrap-around care within schools. To ensure that quality care in a child's home is eligible for financial support the Government is introducing **a voluntary childcare approval scheme in England to complement existing registered childcare, to be launched in April 2005.**

Employer supported childcare **7.20** The Government has also introduced measures to increase employer support for childcare, stimulating supply and increasing affordability for employees. The Government announced in the 2003 Pre-Budget Report that from April 2005 where an employer offers childcare vouchers or childcare provision the first £50 a week will be free of tax and National Insurance Contributions. This exemption is subject to the benefit being offered to all employees and for childcare that is registered or approved. The £50 a week exemption applies to the cost to the employer of providing the childcare benefit. For childcare vouchers, this cost

is normally the face value of the voucher plus associated administration charges. **The Pre-Budget Report announces that the £50 a week limit will apply to the face value of childcare vouchers and that associated administration costs and service charges will also be exempt from tax and NICs from April 2005.**

Affordability in London **7.21** From 2005-06 the Department for Education and Skills, working with the Greater London Authority, will test a range of approaches aimed at improving the accessibility and affordability of good quality childcare for parents on lower incomes. A range of pilots will provide affordable childcare places across London through supply side subsidies based on bids from providers supported by their local authorities. The pilots should benefit more than 10,000 families. Local authorities covering the 30 per cent most disadvantaged areas of London, based on the 2004 Index of Multiple Deprivation, will be invited to submit proposals to run pilots. There will be ongoing evaluation to ensure lessons are learned to address wider affordability and sustainability issues in London.

Impact of new measures **7.22** The reforms to the childcare element of WTC, coupled with the increased number of free hours of early education for three and four year olds announced in this Pre-Budget Report, will create a step change in the value of Government support for childcare for working families with young children. Building on the existing system of financial support, the reforms will give more support to families with lower incomes and higher childcare costs, offering more support to those who need it most, when they need it most.

7.23 The tables below show how the reforms will provide increased support for families with two young children with high childcare costs, for full-time and part-time care. Although families with one young child may well find childcare expensive, the examples below focus on families with two children for whom affordability is much more likely to constrain parental choice.²

Families with two young children, full-time childcare				
Total childcare cost (per week)	£320		£320	
Per week	Maximum support (income up to £24,000)		Partial support (income of £37,500)	
	Current system	Reformed system	Current system	Reformed system
Early years entitlement (3s and 4s for 12.5 hours)	£50	—	£50	—
Early years entitlement (3s and 4s for 15 hours)	—	£60	—	£60
Childcare element	£140	£208	£44	£112
Total Govt contribution	£190	£268	£94	£172
Parental contribution (% of total costs)	£130 (41%)	£52 (16%)	£225 (70%)	£148 (46%)

²In the examples, the families are assumed to have one child aged one to two years and another aged three to four years. This second child is therefore eligible for the early years education offer. Full-time care is assumed to be 40 hours per week. Part-time care is assumed to be 20 hours per week. Throughout the examples it is assumed that childcare costs are £4 per hour and early education is valued at £4 per hour. In 2004-05 the great majority (86 per cent) of lone parents with two children under five have annual pre-tax incomes of below £24,000 and are therefore entitled to maximum support through the tax credit system for their eligible childcare costs. About 40 per cent of dual earner couples with two children under five have incomes up to £37,500 per year.

Families with two young children, part-time childcare				
Total childcare cost (per week)	£160		£160	
Per week	Maximum support (income up to £24,000)		Partial support (income of £37,500)	
	Current system	Reformed system	Current system	Reformed system
Early years entitlement (3s and 4s for 12.5 hours)	£50	—	£50	—
Early years entitlement (3s and 4s for 15 hours)	—	£60	—	£60
Childcare element	£77	£80	£0	£0
Total Govt contribution	£127	£140	£50	£60
Parental contribution (% of total costs)	£33 (41%)	£20 (13%)	£110 (69%)	£100 (63%)

Delivering the Government's vision

Local authorities will be responsible for securing childcare and early years provision which is accessible, joined up and meets the needs of local children and their families. They will be supported by central government, and will need to work closely with their partners in the planning, commissioning and delivery of services, increasingly working through Children's Trusts.

The Government intends to clarify and strengthen local authorities' legal responsibilities with a new duty to secure sufficient provision to meet local need. The Government will work with local authorities and other stakeholders on implementation next year and will legislate at the earliest opportunity.

In order to make a reality of the Government's commitment, it will be important that there is strong local leadership and that the needs of particular communities are reflected in the pattern of local provision. Local authorities will need to ensure that there are robust arrangements in place for consultation, planning and intervention in order to secure the delivery of sufficient quality childcare places.

8.1 Local authorities are already the key agents for co-ordinating, supporting and delivering childcare services. Many have worked with their partners to lead the rapid development of early years and childcare services since 1997, and in some cases long before.

8.2 Childcare and early years services form a critical element of delivering on the *Every Child Matters* agenda and will be a priority for the new Directors of Children's Services. Early education and childcare should be seen as a key component of children's services. Working with their partners through Children's Trusts, local authorities will be the principal commissioners of local provision and responsible for intervening in the local market to ensure that supply meets the needs of the local population.

8.3 The Government will legislate for a new duty that will require local authorities to work actively with providers to secure childcare provision, meet quality standards and respond to the needs of the community.

8.4 The Government will support delivery through capacity building and workforce development, and by ensuring that childcare provision is embedded in the *Every Child Matters* framework of legislation, funding and performance management of children's services provision.

Box 8.1: Children's Trusts

As strategic leaders in their area, local authorities will be responsible for bringing together their partners including local communities, Jobcentre Plus, schools, health agencies, youth offender teams, voluntary sector and private providers to form Children's Trusts. Children's Trusts will be essential to ensure that all partners are working together to deliver integrated front line services, to improve outcomes for children. Childcare provision which meets the needs of local children and families will be an important aspect of this.

The role of local authorities

8.5 As democratically accountable strategic leaders, local authorities are best placed to understand and respond to local needs. The four main roles of local authorities in delivering the ten year strategy will be:

- joining up services for families;
- addressing access and sustainability;
- raising quality and ensuring inclusion; and
- overseeing partnership working.

Joining up services for families

8.6 Local authorities have a pivotal role in co-ordinating the various elements necessary to deliver integrated services for families. Working with their partners in Children's Trusts, local authorities will listen to the needs of parents, assess gaps in current provision and commission services as required. They will use the network of Children's Centres and extended schools to provide coherence in local delivery. From the perspective of parents, Children's Centres and extended schools will in many cases be the single access point to the range of services.

Box 8.2: Case study – Leeds City Council

Leeds City Council has been awarded Beacon status for the quality of its integrated early education, childcare and family support services. The early years service is an important part of the larger Learning and Leisure Department and is well integrated into wider council programmes, leading on strategies to combat social exclusion and child poverty. The eight integrated Sure Start Children's Centres in Leeds are engaged in an ongoing process of support to local families, which include:

- family support services and family workers in disadvantaged communities who ensure these services are responsive to parents' needs and culturally sensitive, and who support parents in accessing them;
- integrated early education and childcare services, including two offering nursery provision for 2-5 year olds with multiple learning difficulties, which promote the well-being of children and provide affordable childcare enabling parents to access training, job placements or employment.

Addressing affordability and sustainability

8.7 To ensure that childcare services are accessible for parents and sustainable for providers, local authorities will need a thorough understanding of their local childcare markets. This will mean understanding the childcare preferences of local parents, areas of unmet demand and local barriers to childcare use. It will require active engagement with partners who have local knowledge, such as Jobcentre Plus and others. It will also require an understanding of the specific problems faced by local providers, and offering support to help overcome them. Many local authorities have gained substantial experience in supporting local childcare markets and providing business assistance to help providers run more efficiently.

Raising quality and ensuring inclusion

8.8 As the evidence in Chapter 2 makes clear, the quality of childcare provision has important impacts on outcomes for children. Drawing on the Birth to Three Matters and Foundation Stage guidance¹, several factors can improve the quality of provision. These include participating in a quality assurance scheme, employing well trained staff, reducing

¹ www.surestart.gov.uk

² *Every Child Matters: Change for Children*, Department for Education and Skills, 2004.

staff turnover and providing effective leadership. Through Children's Trusts, local authorities will engage with childcare providers and local Learning and Skills Councils to ensure that childcare workers receive training and support. By regularly monitoring, consulting with parents and providing training and support for workers, local authorities can help to make childcare services more inclusive and accessible to all.

Brokerage and partnership working **8.9** Engagement of local partners, support for partnership delivery of services, and multi-agency working will be crucial. Authorities, working through Children's Trusts, will work with local partners at the strategic level to establish a shared strategy for responding to local need and will support statutory, private and voluntary sector providers in brokering partnership arrangements.

The national framework

8.10 *Every Child Matters: Change for Children*² set out how the five outcomes for children have been developed into a framework which can inform policy development, assessment, inspection and delivery at the national and local level. The Government will support efforts to build the capacity necessary to improve childcare services. It will act to ensure that the planning and delivery are properly embedded in the wider framework for delivery, funding and performance management of children's services. To ensure effective delivery of this strategy the Government will:

- support local capacity development;
- clarify responsibilities and expectations; and
- promote local flexibility supported by effective performance management.

Supporting capacity building **8.11** The Government will work with the Local Government Association (LGA), the Improvement and Development Agency (IDeA) and others to ensure that local strategic leaders have the skills and capacity to deliver the move to more integrated children's services. The Director of Children's Services Network will support the development of Directors of Children's Services who will drive forward this agenda.

8.12 The Government will continue to support local authorities in developing their early years' workforces and to ensure that training is available to meet the Level 2 and Level 3 requirements of the daycare standards. Work is in progress to extend development opportunities to political leaders at the local level, and to new Directors of Children's Services. National qualifications for those leading integrated services are in development, alongside a clear framework to enable managers and practitioners to gain the necessary knowledge and skills. The Government will ensure that the objectives and demands of the ten year childcare strategy are fully reflected in this framework and are addressed in the wider pay and workforce strategy for the children's sector that the Department for Education and Skills will publish in January 2005.

8.13 The Sure Start regional teams and the Sure Start Taskforce are already focused on supporting delivery at local level. In partnership with local government, the Government will develop:

- model strategies which local authorities can adopt to ensure that new childcare places are sustainable;
- a range of tools to help local authorities develop their capacity to offer business support and training to providers;
- training for operational managers in local authorities; and
- peer support between local authorities.

Clarifying responsibilities: a new statutory duty

8.14 Local authorities' existing legal duties have not kept pace with the extensive role they are already playing in early years and childcare. To clarify the responsibilities of local authorities and underpin their future role in delivering affordable, accessible high quality childcare for all families, the Government intends to introduce legislation at the earliest opportunity to give local authorities a duty to secure sufficient provision of childcare to meet local need. This will complement existing duties in relation to the provision of early education. The Government will work with local government and other stakeholders in developing this legislation. Subject to Parliamentary approval, the new legislative framework will be in place by 2008.

8.15 The new duty will ensure that early years and childcare becomes a mainstream part of the wider framework for the delivery of children's services which is being put in place as a result of the Children Act 2004 and the wider *Every Child Matters* agenda. The Government will provide further guidance through regulations and a revised Code of Practice setting out expectations of local authorities in relation to the provision of both early years education and childcare services.

Performance management and local flexibility

8.16 The framework being put in place as a result of *Every Child Matters* and the Children Act 2004 will provide a more effective way of promoting local flexibility while monitoring and assessing local performance across the range of services for children against locally agreed measures. This will be achieved through a range of mechanisms, including:

- Joint Area Reviews;
- annual performance assessment of children's services;
- self-assessment by local authorities;
- Children and Young People's Plans; and
- annual priority setting conversations.

8.17 As part of the conversation about children's services between central and local government and their partners, the Government will agree a set of priorities for each local area based around desired outcomes. Where local authorities and Children's Trusts are not delivering on their childcare commitments the Government would expect them to make this a priority.

8.18 Where necessary, the Government will intervene to tackle under-performance. Statutory powers of direction are currently available to the Secretary of State in respect of all an authority's powers and duties in its role as a local education authority. These include powers relating to childcare and early years provision. The Children Act 2004 extends these powers to cover local authorities' social services functions where they relate to children. The Government will ensure that new responsibilities around childcare are also covered. The Government will consider use of these powers where it has independent evidence of serious failure.

NEXT STEPS AND CONSULTATION

9.1 This strategy sets out a ten year vision which will make the provision of early years and childcare services a permanent part of the Welfare State. The Government has set out its long term aims of enabling families to have access to affordable, flexible and high quality childcare which will give all children the best start in life. The Government has also committed itself to a series of milestones, listed at the end of this chapter, showing the steps on the way to realising this vision.

9.2 The Government will work in partnership with all those with an interest in childcare services as we take the Strategy forward. The Government wants to be sure that the Strategy fully reflects the needs and priorities of families and is practical and deliverable in its approach.

9.3 The publication of this report marks the beginning of a consultation process with all stakeholders. The Government welcomes their input and expects the ten year strategy to be shaped by their views and ideas.

9.4 A copy of this strategy can be accessed on line at www.hm-treasury.gov.uk.

Consultation on this strategy

9.5 There will be a number of other opportunities for stakeholders to register their views and ideas:

- a series of structured discussions through local forums will be held with parents up and down the country early in 2005;
- the Department for Education and Skills (DfES) will arrange a series of consultation events with key stakeholders, including providers and local authorities;
- following up on the seminar held at No 11 Downing Street on 13 October 2004 to inform the development of this strategy, a further seminar will be held for representative groups and other experts to debate the strategy;
- young people will be involved through the *Every Child Matters* Youth Board; and
- an Advisory Group of key stakeholders including academics, providers, childcare experts and representatives of parenting organisations will be established to work closely with the Government on the implementation of the strategy.

Further consultations and reviews on the detail of the strategy

9.6 The document sets out further work by Government, in the form of consultations and reviews, to develop the detail of the strategy over the coming months. Each of these reviews will actively seek comments and input from interested parties:

- DTI will publish a further paper on parental leave and work-life balance in early 2005;
- The consultation by the Children's Workforce Development Council on a reformed career and qualification structure will take place in spring 2005;
- DfES will work with local authorities and other stakeholders to take forward the new statutory duty;
- DfES and Treasury will together review the domestic and international experience of using subsidies to secure higher quality and secure affordable supply;
- DfES and Ofsted will consult on detailed proposals on a new legal framework for the regulation and inspection of early years education and childcare services during 2005; and
- DfES will bring forward proposals for a single quality framework for services with children from birth to five in 2006, and will consult widely with practitioners and experts in the early years and childcare field in developing the new framework.

9.7 The Government is keen to hear views about the vision for childcare set out in this document. Responses must reach the Treasury by 24 February 2005 either by post to Childcare Strategy, HM Treasury, 1 Horse Guards Road, London SW1P 2HQ or by email to childcare.consultation@hm-treasury.gov.uk.

MILESTONES

9.8 2005

- increase in the childcare element of Working Tax Credit eligible childcare cost limits to £300 a week (or £175 a week for one child);
- consultation on maternity pay and flexible leave;
- publication of revised Code of Practice for nursery education following consultation;
- consultation on early years and childcare workforce issues as part of Children's Pay and Workforce Strategy followed by final proposals;
- consultation on proposals for reform of the regulation and inspection framework; and
- work with the Greater London Authority to pilot methods of improving childcare affordability in London.

9.9 2006

- increase in the maximum proportion of eligible childcare costs covered by the childcare element of Working Tax Credit to 80 per cent;
- entitlement to 12.5 hours free early education and childcare to increase to 38 weeks a year for all three and four year olds;
- £125 million "Transformation Fund" to come on stream;

- most local authorities to have Directors of Children's Services and Children's Trusts in place; and
- consultation on proposals for a new quality framework for the care and education of children from birth to five.

9.10 2007

- paid maternity leave extended to 39 weeks; and
- entitlement to free early education and childcare for three and four year olds extended to 15 hours a week for first cohort of children.

9.11 2008

- Children's Centres in 2,500 communities;
- half of all families to have access to school based care for 5-11 year olds;
- one third of secondary schools open from 8am to 6pm offering extended services;
- new legal framework for local authorities to be in place;
- reformed regulation and inspection system for early years and childcare to be in place, supported by new Birth to Three quality framework; and
- all local authorities have Directors of Children's Services and Children's Trusts.

9.12 2010

- all parents of three and four year olds offered access to wrap around childcare linked to the early education offer and available all year round from 8am to 6pm weekdays;
- all parents of children aged 5-11 to have access to childcare from 8am to 6pm weekdays all year round, based in their school or early education provider, or nearby with supervised transfer arrangements;
- all secondary schools open from 8am to 6pm weekdays providing extended services;
- Children's Centres in 3,500 communities; and
- goal of twelve months paid maternity leave, transferable to the father (by the end of the next Parliament).

A

CHILD DEVELOPMENT

A.1 What happens in the early years of a child's life is critical for later life development. Poverty, low income, social class and parental education all impact on children's life chances from very early in life. Good quality childcare and early education can have a positive effect on child outcomes, boosting cognitive development and improving social skills and confidence. Recent evidence from the UK suggests that those who started in pre-school at two were 10-12 months ahead of those who had not attended pre-school. There is some evidence that suggests that long periods of group-based care of poor quality before age two can produce slight negative effects on some children. This chapter looks at some of the factors that impact on child development, including early years education, childcare, employment and parenting.

A.2 As set out in this strategy, the Government aims to eliminate the distinction between "early education" and "childcare", focusing on high quality integrated services for children that develop personal, social, emotional and learning skills, within a caring environment. However, this Annex focuses on the two areas separately, as this is how the bulk of evidence on early years has been structured. The evidence that is available on the effects of integrated education and care is very positive.

Early education

A.3 Pre-school early education refers primarily to nursery, playgroup and reception class provision for three and four year olds. A substantial body of evidence shows that pre-school education makes a difference in improving outcomes for children, especially for those who are disadvantaged. Quality pre-school experiences can have clear positive effects on children's social, emotional and cognitive development, though the effectiveness of early pre-school education varies according to what is offered. In comparison with children having no pre-school, all levels of quality and duration showed a significant positive effect compared to none.

A.4 The evidence shows that early exposure to quality pre-school is more effective:

- the earlier the exposure from age 24 months onwards;
- the higher quality the education provided; and
- for children among disadvantaged groups.

A.5 The main source of analysis of the impact of pre-school provision on child development in the UK is the Effective Provision of Pre-School Education Project (EPPE) project, which is a major longitudinal research study funded by the Department for Education and Skills.¹ EPPE is gathering data on over 2,800 children attending pre-school centres across England. The dataset includes evidence on family background, on type and quality of pre-school provision and on social, behavioural and intellectual development.

A.6 The detailed nature of the EPPE dataset means that the impact of particular variables on child outcomes can be isolated and assessed. This section looks at the evidence available on the key pre-school variables that impact on child development.

¹ For example see *The Effective Provision of Pre-School Education (EPPE) Project: Findings from the Pre-School Period, Summary of Findings*, Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., Taggart, B., Elliot, K. Institute for Education, 2003 DfES research brief RBX15-03 and *Effective Provision of Pre-School Education Technical Paper 8a: Measuring the impact of Pre-School on Children's Cognitive Progress over the Pre-School Period*, Sammons, P., Sylva, K., Melhuish, E., Siraj-Blatchford, I., Taggart, B., Elliot, K. Institute for Education and Department for Education and Skills, 2002.

A.7 The duration of the pre-school experience makes a significant difference to child development, with a positive correlation between a higher number of terms of early education and improved child outcomes. EPPE suggests that every additional month of pre-school from two years of age upwards improves cognitive performance at the start of school. The age of two is an average, and the age at which a child will benefit from this setting is likely to vary, perhaps between 18 and 30 months. An early start at pre-school after age two is linked to better performance across the range of child outcomes, with links to positive intellectual development and improved independence, concentration and sociability. Importantly full time attendance leads to no better gains than part time attendance. What is important is that attendance is regular and sustained over time. Evidence suggests that these benefits persist over time, though to a smaller degree. EPPE also suggests that in comparison with children having no pre-school, all levels of quality and duration show a significant positive effect compared with none.

The importance of quality

A.8 The quality of pre-school experiences is directly related to the intellectual, social and behavioural development in children. After taking into account the impact of child, family and home environment characteristics, evidence shows significant links between higher quality and better child outcomes, with children from high quality pre-schools possessing higher reading attainment and showing fewer conduct problems.²

A.9 It is difficult to derive exact information about the size of the effect of quality on child development. However, evidence suggests that the effects can be substantial. EPPE analysis indicates that the difference in child development between having pre-school and not having pre-school is 4-6 months of development. For the highest quality integrated centres, the difference can be as much as nine months. This is a substantial difference given that it occurs over just two years. The combination of high quality provision and high duration shows a particularly strong effect.

Box A.1: What increases the quality of provision?

The quality of early years experience, both in childcare and early education is directly related to better outcomes for children. The better the quality, the better for the child's development. EPPE conclude that good quality provision can be found across all types of pre-school settings but is higher overall in integrated learning and childcare centres, nursery schools and nursery classes. Better quality pre-school centres are associated with better outcomes, with key explanatory factors being:

- staff with higher qualifications, staff with leadership skills and long-serving staff;
- trained teachers working alongside and supporting less qualified staff;
- staff with a good understanding of child development and learning; and
- strong parental involvement.

Other evidence suggests that the settings that view cognitive and social development as complementary achieve the best all round outcomes.

² EPPE findings on quality are consistent with other large-scale longitudinal research including the NICHD (National Institute of Child Health and Development) and CQO (Childcare Quality and Outcomes) studies in the USA.

Childcare and very young children

A.10 While quality pre-school early education can have positive impacts on development, for very young children the evidence of the impacts of childcare is more mixed and sensitive to a variety of factors. At the early stages of a child's life the evidence stresses the value of consistent one-to-one care. For the general population the effects of early childcare on child development are mixed across a range of outcomes: educational attainment, attachment, behaviour and health outcomes.

A.11 On the relation between childcare and child attachment and behaviour, some of the key sources are from the NICHD Early Child Care Research Network³ and EPPE, which suggest that high levels of group care below the age of two can have a limited negative effect on behaviour. However as with pre-school early education, the quality of care makes a big difference. A literature survey by Melhuish for the NAO⁴ notes the importance of quality to outcomes such as cognitive and language development. The Scandinavian experience also suggests that high quality care has positive impacts, though this is not uniform and must be taken in light of different social and economic contexts.

Awareness of quality **A.12** Although the quality of the childcare experience is vital to child outcomes, there is evidence to suggest that parents do not accurately observe the quality of the childcare they use. Given that parents do not usually attend childcare settings and that the children are not old enough to give reliable comparative information, this is not surprising. A recent study⁵, which examined data from 400 childcare centres in different parts of the USA, demonstrates that parents can misjudge the quality of childcare on offer. Its findings suggested that parents significantly overestimate quality, do not use all available information when judging quality, and incorrectly believe that certain observable characteristics are indicative of non-observable quality.

A.13 Analysis of the operation of the UK childcare market demonstrates that parents may undervalue quality, and trade it off against price. Findings from an Institute of Fiscal Studies analysis of the UK childcare market suggests that price is negatively related to quality, so that parents effectively compromise on quality as childcare becomes more expensive.⁶ These studies would suggest that the childcare market is not working to drive down price and drive up quality. This may indicate that parents do not have sufficient information to be able to form a full judgement of the quality of the care on offer, despite the high levels of satisfaction with childcare recorded in survey evidence.⁷

A.14 In summary, the evidence for the early stages of a child's life suggests that consistent one-to-one care is very important, and that long hours of group childcare for very young children can have mixed impacts on a child's development, depending on the quality of care.

³ *Early Child Care and Children's Development Prior to School Entry: Results from the NICHD Study of Early Child Care* Vandell, National Institute of Child Health and Human Development, 2002.

⁴ *A Literature Review of the Impact of Early Years Provision on Young Children, with Emphasis given to Children from Disadvantaged Background*. Edward C Melhuish, prepared for the National Audit Office, 2003.

⁵ *The Market for Childcare* Mocan, National Bureau of Economic Research 2002.

⁶ *Price and Quality in the UK Childcare Market* Duncan, Paull and Taylor, 2001.

⁷ *Repeat Study of Parents' Demand for Childcare*, Woodland, Miller and Tipping, National Centre for Social Research, 2002.

Impacts of parental employment

A.15 Employment is the best route out of poverty and disadvantage. While young children generally benefit from parental care, it is also important that they do not grow up in poverty. Parental employment can also have a range of other direct and indirect benefits in addition to providing an income for a family. For example, parental employment while a child is young can foster a better understanding of the link between educational achievement and fulfilment in later life.⁸ It is also linked to improved educational attainment when a child is older.

A.16 Parental employment is the key route out of poverty and disadvantage. Growing up in a workless household and/or in poverty can have a significant negative effect on a child's development. Differences between advantaged and disadvantaged children's social and cognitive development are evident as early as 22 months.⁹ Parental employment can bring benefits to the adults involved through increased self-esteem, extended social networks and a greater sense of control and reduced mental health problems all resulting in knock-on benefits for children.¹⁰ Maternal employment in particular can be an important protection against future hardship.

A.17 Children who grow up in low-income or workless households are more likely than others to achieve less at school and these achievement gaps between children in high and low-income families emerge from a very early stage. Using data from major longitudinal studies of 1958 and 1970, a drop in family income of £150 per week was estimated to produce a 16 per cent increase in the probability of leaving school with no 'O' levels.¹¹ Children growing up in poverty are more likely to become economically inactive and thus are at greater risk of experiencing poverty into adulthood. This finding was strongest when the child experienced poverty in pre-school years or in adolescence.

A.18 In addition to being good for the parent and child, there are also benefits to the whole economy from parents remaining engaged with the labour market. Mothers returning to the workplace leads to important economic benefits, impacting on productivity and gender equality.

A.19 Evidence would suggest that there is a case for enabling mothers to stay at home when their child is very young, if they wish to do so. Maternity leave is the key mechanism to achieve this. Evidence suggests that paid maternity leave is associated with a range of significant benefits, such as lower maternal depression, lower infant mortality (four per cent reduction when leave is extended 10 weeks), fewer low birthweight babies, more breastfeeding and more use of preventative health care.¹² Unpaid leave does not have the same protective effects. However, it helps keep mothers engaged with the labour market, which is important for child development and wider economic reasons. The evidence would suggest that there is a balance to be reached between the need for high levels of parental care when a child is very young, and the benefits associated with mothers working. For those mothers who want to return to work soon after the birth of a child, it is important for them to be able to access high quality, appropriate childcare.

⁸ *Making a Difference to Disadvantaged Families* A report for the Social Exclusion Unit, 2004.

⁹ *Pre-School Educational Inequality: British Children in the 1970 Cohort*, L Feinstein, Centre for Economic Performance Discussion Paper 404, 1988.

¹⁰ *Mental Health and Social Exclusion*, Social Exclusion Unit, June 2004.

¹¹ *Family Income and Children's Educational Attainment*, Blander et al Working Paper, 2001.

¹² *Does the Length of Maternity Leave affect Maternal Health?*, Chatterji and Markowitz, NBER Working Papers 10206, National Bureau of Economic Research, 2004. Also, *Parental Leave and Child Health across OECD Countries*, Tanaka, Columbia University, 2004.

Tackling disadvantage

A.20 Evidence suggests that disadvantaged children in particular can benefit significantly from good quality pre-school experiences. While not eliminating the impact of disadvantage, quality pre-school can provide children from lower income households with a better start to school. EPPE data suggests that one in three children were ‘at risk’ of developing learning difficulties at the start of pre-school. The proportion fell to one in five by the time they started primary school, suggesting that pre-school can be an effective intervention for the reduction of special education needs. Also, disadvantaged children are more likely to have adverse social profiles at age three and school entry, and the increased risk of anti-social or worried behaviour can be reduced by high quality pre-school.

A.21 Disadvantaged children do better in settings with a mixture of children from different social backgrounds rather than in settings containing largely disadvantaged groups. This has implications for the location of centres and the allocation of places or funding for providers. However, care still needs to be delivered locally, within ‘pram-pushing’ distance, which can act as a constraint to ensuring children from different social backgrounds can mix in childcare settings.

Family support programmes for disadvantaged children

A.22 There is substantial evidence that high quality childcare can be effective in reducing risk for very young disadvantaged children. This is especially true when accompanied by a programme of home visits to support the family. For example, the Early Head Start programme targeted families in disadvantaged communities across the US.¹³ A randomised trial involving 3,000 children found modest but significant effects on children (e.g. cognitive, behaviour and health) and parents (e.g. warmth, stimulus of children, work). Centre based care plus home visits had the most positive impact in this case. However, it is important to note that low quality childcare produces either no benefits or negative effects.

A.23 There appear to be clear benefits from family support programmes that provide wide ranging support in an integrated way from pregnancy to the start of school. Such programmes may include home visits providing parental support before, during and after pregnancy. Outcomes appear to be greatest when centre-based pre-school provision is combined with support for parental involvement and home learning¹⁴ and when childcare for disadvantaged children is combined with targeted home visiting.¹⁵ Initiatives have been especially effective that target outreach work at non-working parents. Some of the key features in successful programmes appear to be:

- starting in pregnancy or very early in child’s life;
- combining centre based provision with home visiting and outreach and working with parents and children;
- being community based; and
- being inclusive and non-stigmatising.

A.24 The recent Sure Start evaluation has identified the importance of home visiting and outreach in the initial engagement of disadvantaged families and as a route into other services, including centre based services.¹⁶

¹³ *A Literature Review of the Impact of Early Years Provision on Young Children, with Emphasis given to Children from Disadvantaged Background.* Edward C Melhuish, prepared for the National Audit Office.

¹⁴ *The Effective Provision of Pre-School Education (EPPE) Project: Findings from the Pre-School Period, Summary of Findings.* Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., Taggart, B., Elliot, K. Institute for Education, 2003 DfES research brief RBX15-03.

¹⁵ *A Literature Review of the Impact of Early Years Provision on Young Children, with Emphasis given to Children from Disadvantaged Background.* Edward C Melhuish, prepared for the National Audit Office.

¹⁶ *Towards Understanding Sure Start local programmes.* Sure Start Unit, June 2004.

School age children and childcare

A.25 Evidence suggests that childcare for school age children is associated with improved outcomes for pupils and the wider community. The main evidence focuses on extended schools, which have the potential¹⁷ to generate benefits for pupils, families and communities. These can include improved pupil attainment – particularly at GCSE and Key Stage 3, attendance, behaviour and parental involvement. Co-location of services in schools is particularly important in rural areas,¹⁸ where creative ways of delivering services through schools and post offices can make a huge difference to those living in rural communities. International evidence¹⁹ also shows benefits for children as a result of extended services.

Role of parenting

A.26 The primary responsibility for bringing up child must lie with parents. However, government can have a role in providing parents with support where they want it. The quality of the home learning environment makes a strong difference to children's pre-school intellectual and social development. Where parents and carers are actively engaged in activities with children, irrespective of social class, children do better in relation to intellectual, social and behaviour development.²⁰ Activities such as reading with children, teaching songs and nursery rhymes, playing with letters and numbers all have a positive impact on children's development.

Parental involvement

A.27 Parental interest in children's learning has a key role in children's educational attainment. Research evidence shows that a child's risk of educational failure is increased by a lack of parental interest in school; and that parental involvement between the ages of seven and 16 has a greater impact than family background, size of family and level of parental education.²¹ Parents' self-esteem is also important in this, influencing long term outcomes for both themselves and their children. Children's Centres and Sure Start Local Programmes can play an important role here, providing parents with access to integrated services and family support.

Fathers

A.28 Fathers can play an important part in their child's development from birth through to adolescence. Gregg et al²² focus on this as an important issue. They argue that it is one of the factors mitigating the impact of full-time maternal employment. When mothers work more hours, fathers play a greater role in child-rearing, with strongly positive educational effects later on. Evidence also suggests that the father's involvement in children's development has particular benefits for children's academic attainment, with involvement at age seven predicting higher educational attainment by age 20 in both boys and girls.²³

¹⁷ DfES evaluations of pathfinder extended schools and extended school demonstration projects. The Department has an evaluation in progress of full service extended schools which will produce more robust evidence on outcomes.

¹⁸ Countryside Agency/ NCH report in UK, and Salant and Waller in US.

¹⁹ For example, evaluations of New York Community Schools, US Full Service Schools, US Extended Service Schools, and Healthy Start in California.

²⁰ *The Effective Provision of Pre-School Education (EPPE) Project: Findings from the Pre-School Period, Summary of Findings*, Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., Taggart, B., Elliot, K. Institute for Education, 2003 DfES research brief RBX15-03.

²¹ *Childhood experience and the risk of social exclusion in adulthood*. Hobcraft, CASE Briefing 1998.

²² *The Effects of Early Maternal Employment on Child Development in the UK* Gregg et al, CMPO Working Paper Series No. 03/070, May 2003.

²³ *Childhood experience and the risk of social exclusion in adulthood*. Hobcraft, J, CASE Briefing Nov 1998.

Policy implications

A.29 The evidence suggests that:

- during the first year of a child's life, in the majority of cases it is good for the child to receive consistent one-to-one care. For health reasons (e.g. breast-feeding) mothers should have a genuine choice to be the main carer in the early months of a child's life. There are also child development benefits that derive from close parental contact in the early years;
- early education before a child starts school has a very positive effect on child development;
- the quality of early years and childcare provision is directly related to child outcomes. High quality care after the age of two can produce a range of benefits relating to the social, emotional and cognitive development of the child;
- disadvantaged children benefit particularly from high quality early years provision;
- children will benefit in the short and long run from at least one parent working and from not growing up in poverty. Parents need to strike a balance between the demands of work and home life. Growing up in a workless, low-income family can significantly damage children's long-term outcomes; and
- the quality of the home learning environment makes a strong difference to children's pre-school intellectual and social development.

B

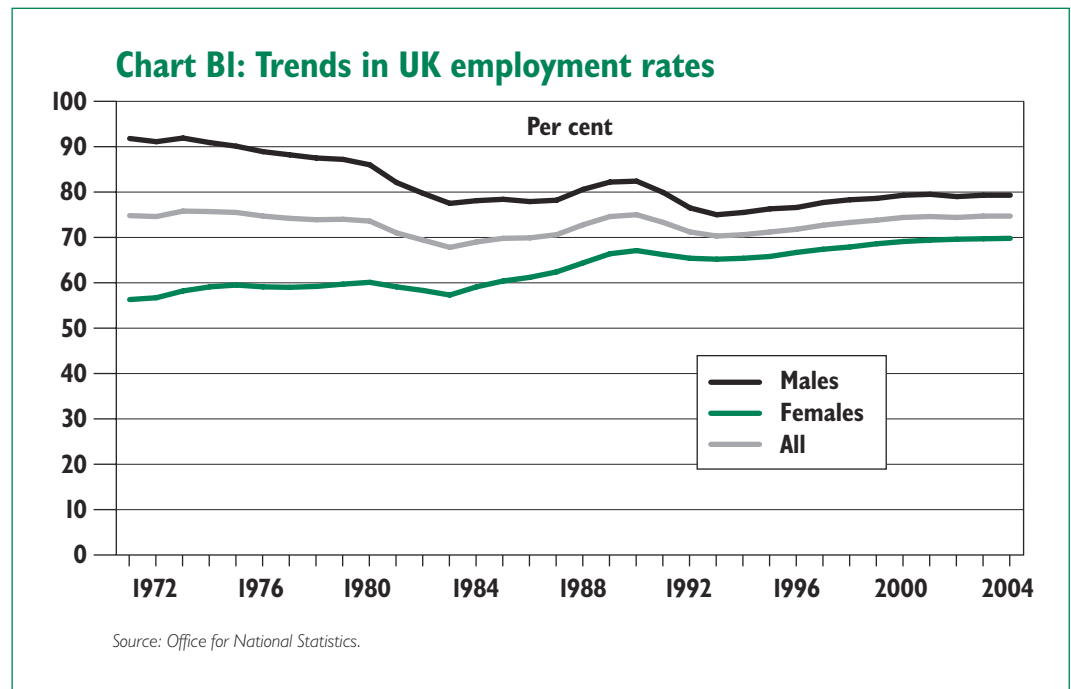
LABOUR MARKET

Introduction B.1 This annex presents evidence on female participation in the labour market, including the effects of having children on patterns of work. It considers:

- changes in female employment rates and working patterns;
- the effects of having children on female employment rates and working patterns; and
- relationships between patterns of maternal employment and work-life balance policies.

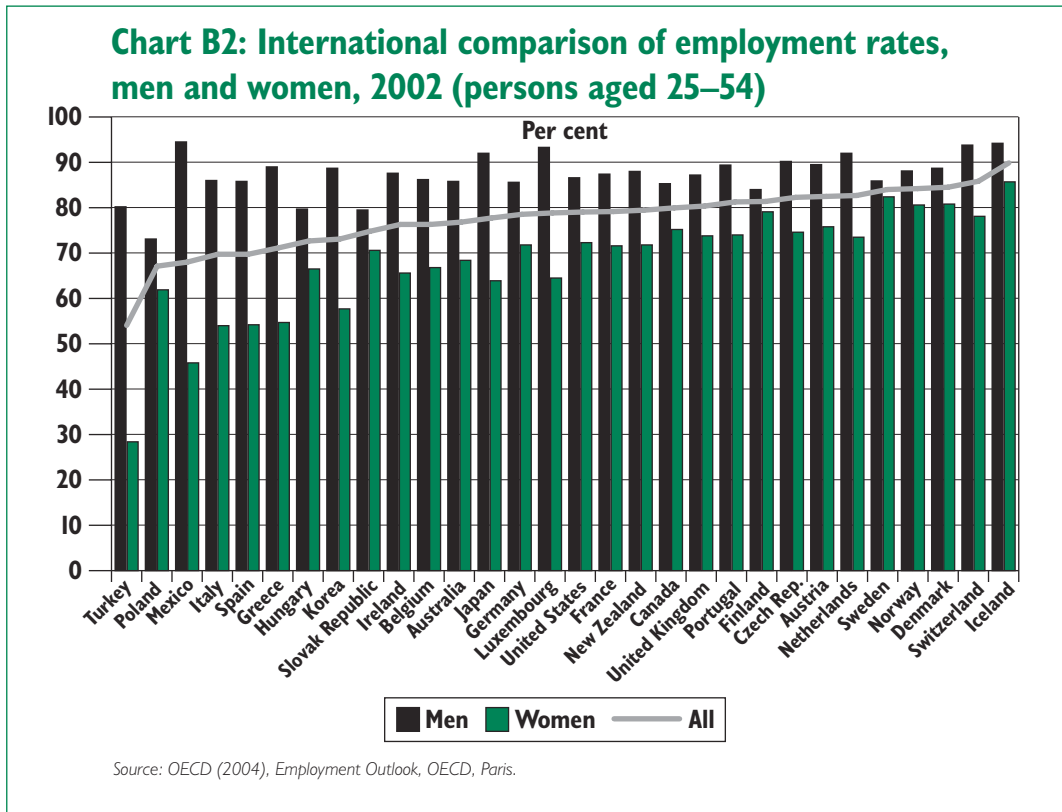
FEMALE EMPLOYMENT TRENDS

More women working B.2 There have been substantial changes in female labour market participation over the last generation. Since 1971, male employment rates have fallen from 92 per cent to less than 80 per cent today, while female employment rates have risen from 56 per cent to 70 per cent.



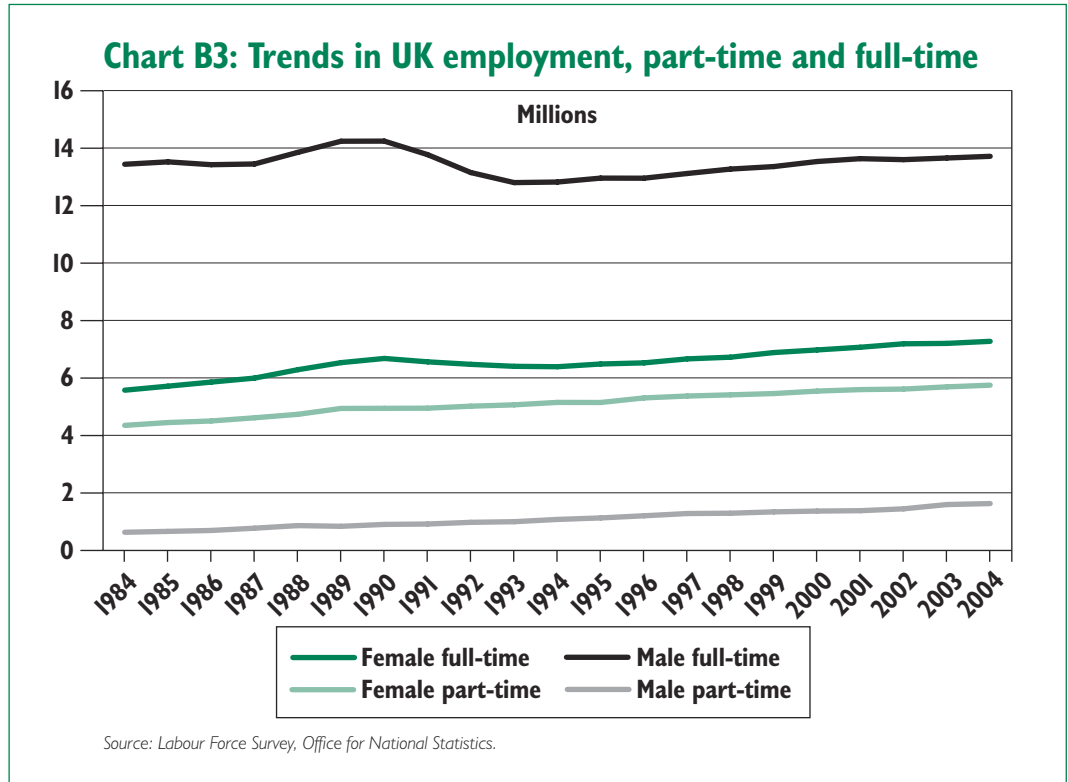
Women's employment high compared with other countries

B.3 By international standards the rate of female employment in the UK is now relatively high. As Chart B2 below shows, only Canada, Austria, Switzerland, the Scandinavian countries and Iceland have higher employment rates among women aged between 25 and 54.



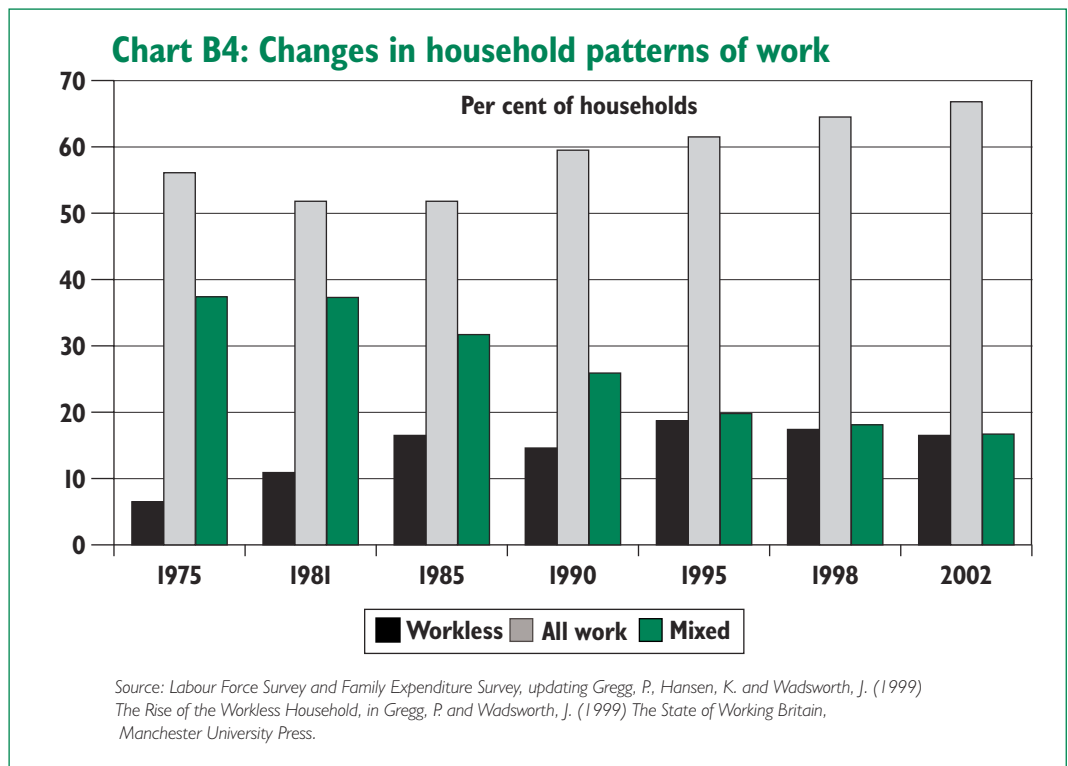
Women dominate part time working

B.4 The closing gap between male and female employment rates in the UK does not tell the full story. Women in the UK are much more likely to work part-time than men (Chart B3). Of men in the labour market, only around 10 per cent work part-time, compared with an equivalent figure of more than 44 per cent for women. The proportion of women working part-time has fallen slightly since 1984 while the proportion of men has increased over the same period. Despite these changes the overall picture of male labour market participation dominated by full time work, with female participation more mixed, has remained unchanged over the last two decades.



Changes in household working patterns

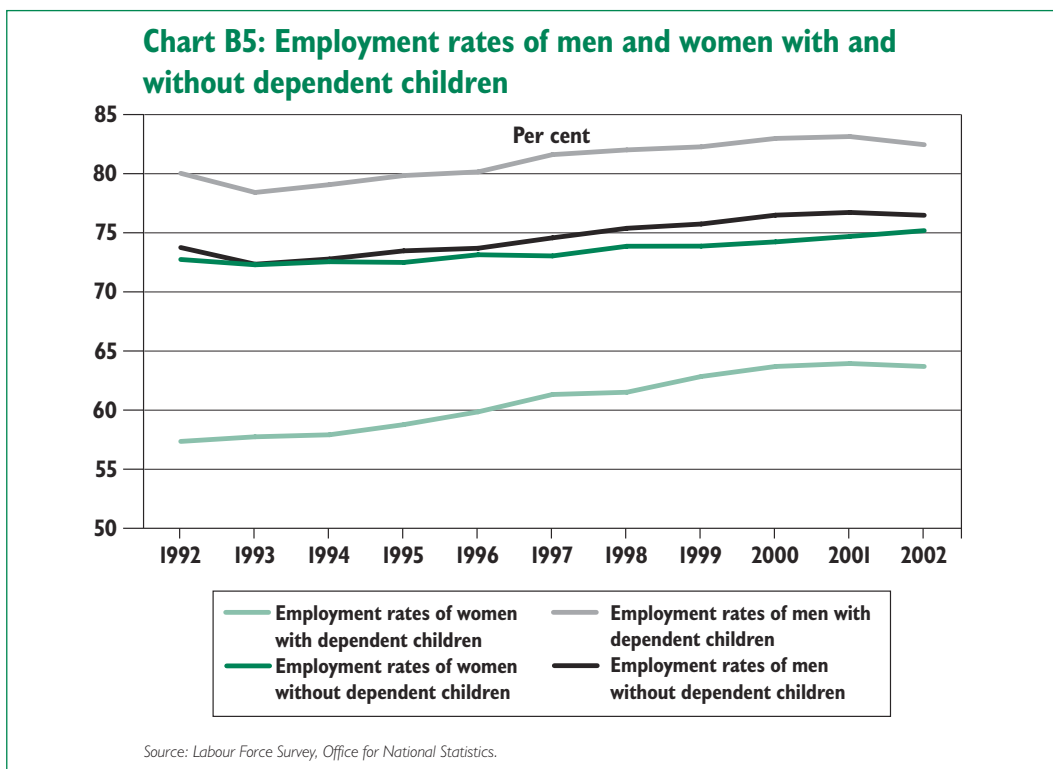
B.5 The trends in female employment are reflected in the distribution of employment within households. Chart B4 shows how households have become more polarised over the last three decades, with an increase in both the proportion of households where all adults work and the proportion of workless households. By contrast, the proportion of ‘mixed’ households has fallen substantially, reflecting a fall in the number of couple households that rely on a single breadwinner.



MOTHERS AND EMPLOYMENT

Mothers' employment rates

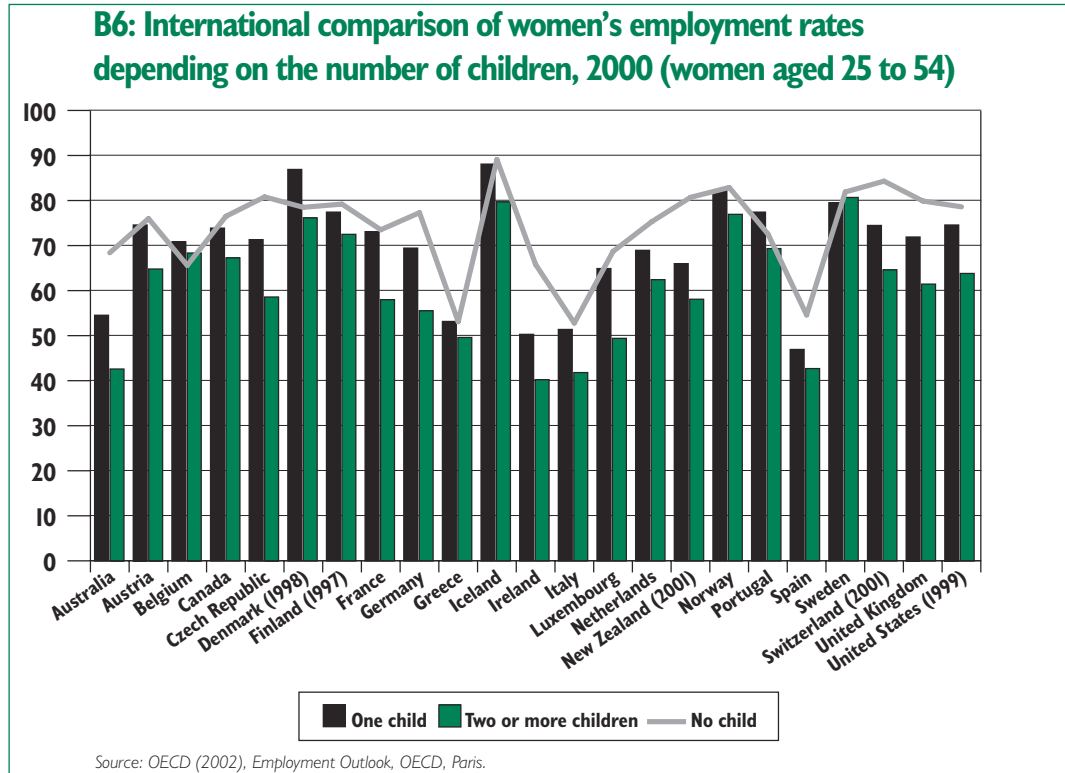
B.6 Within the overall rise in female participation in the labour market the contribution of mothers to that trend can be analysed separately. Chart B5 shows the effect that having children has on the employment rates of men and women. Whereas fathers are more likely to be working than other men (82 per cent compared with 76 per cent), mothers are less likely to work than other women (64 per cent compared with 75 per cent). However, this picture is changing. Over the last decade, the employment rates of women with dependent children have increased the most, by seven percentage points from 57 per cent in 1992 to 64 per cent in 2002.



Effects of motherhood on employment larger in the UK

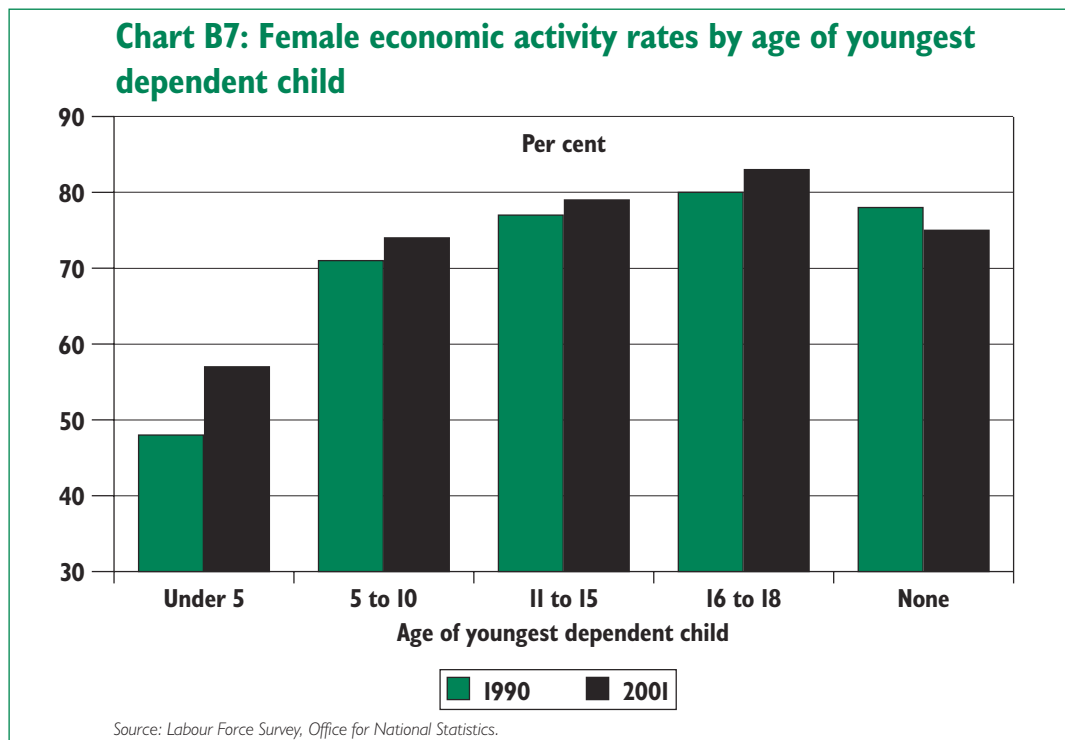
B.7 Despite the rising trend in maternal employment, Chart B6 shows that the difference in employment rates for mothers compared with other women aged 25 to 54 is bigger in the UK than in other countries who are part of the Organisation for Economic Cooperation and Development (OECD). Compared with women without children of the same age, employment rates in the UK are seven percentage points lower for mothers with one child, and 18 percentage points lower for women with two or more children. Of 22 other countries shown, only six – Australia, Czech Republic, Germany, Ireland, New Zealand and Switzerland – show bigger percentage rate differences in employment rates for mothers compared with other similar aged women. Chart B6 chart shows that, while mothers typically have lower employment rates than other women, this is by no means inevitable. In Belgium and Denmark, mothers are employed at higher rates than other women aged 25 to 54.

¹ Individual Incomes of Men and Women 1996/97 to 2002/03, Women and Equality Unit, Department of Trade and Industry (2004).



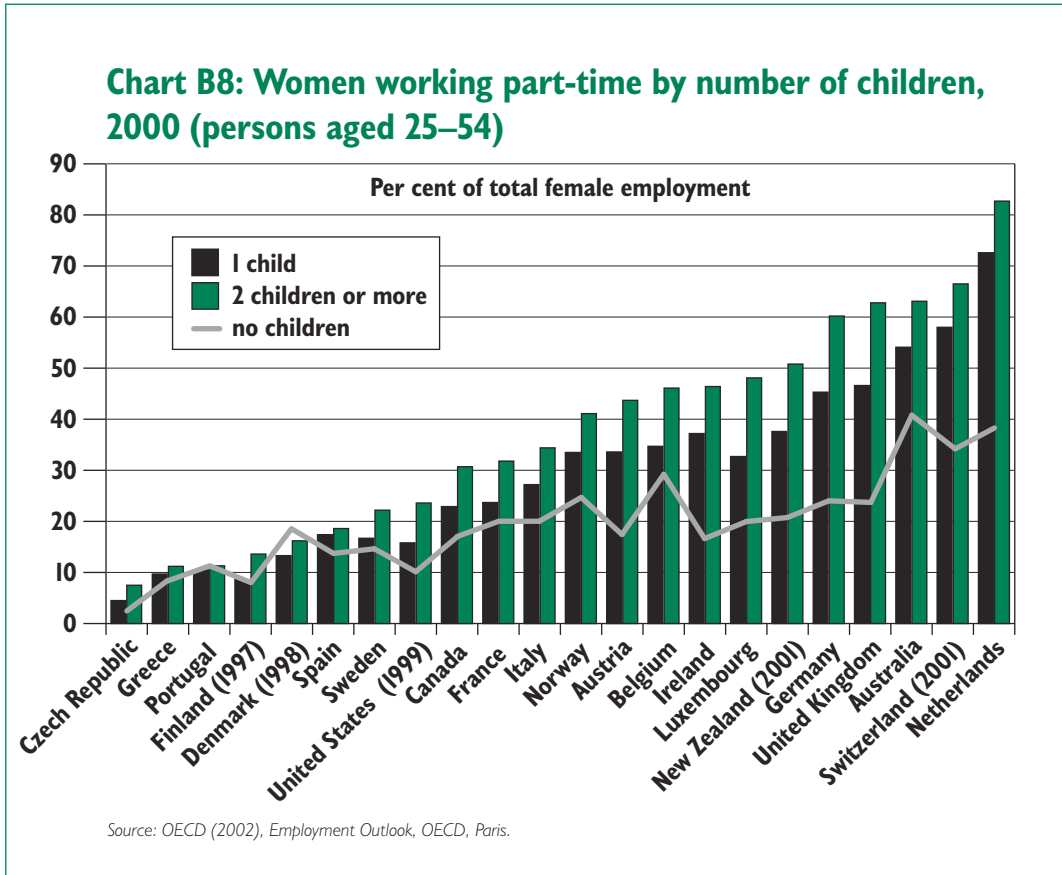
Child ages have large effects on maternal employment in the UK

B.8 Within the overall figures on maternal employment in the UK there are significant differences between the employment rates of mothers depending on the age of their youngest child. Put simply, the younger the child, the lower the likelihood that a mother is employed. Female employment is over 20 percentage points higher for mothers whose youngest child is between 11-15 years than for mothers whose youngest child is under 5 years. Chart B7 confirms the trend towards increased employment by mothers over recent years while showing that employment rates of mothers are strongly associated with the age of their youngest child. The chart also shows that this relationship has not changed significantly over time.

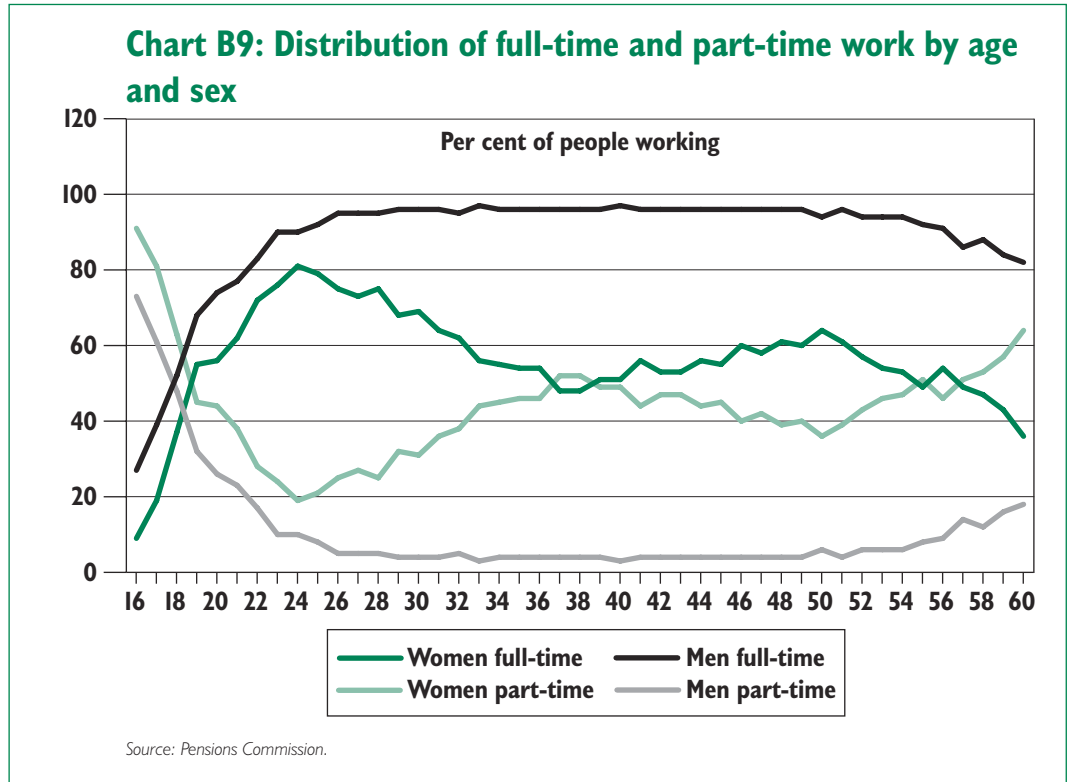


Mothers more likely to work part-time

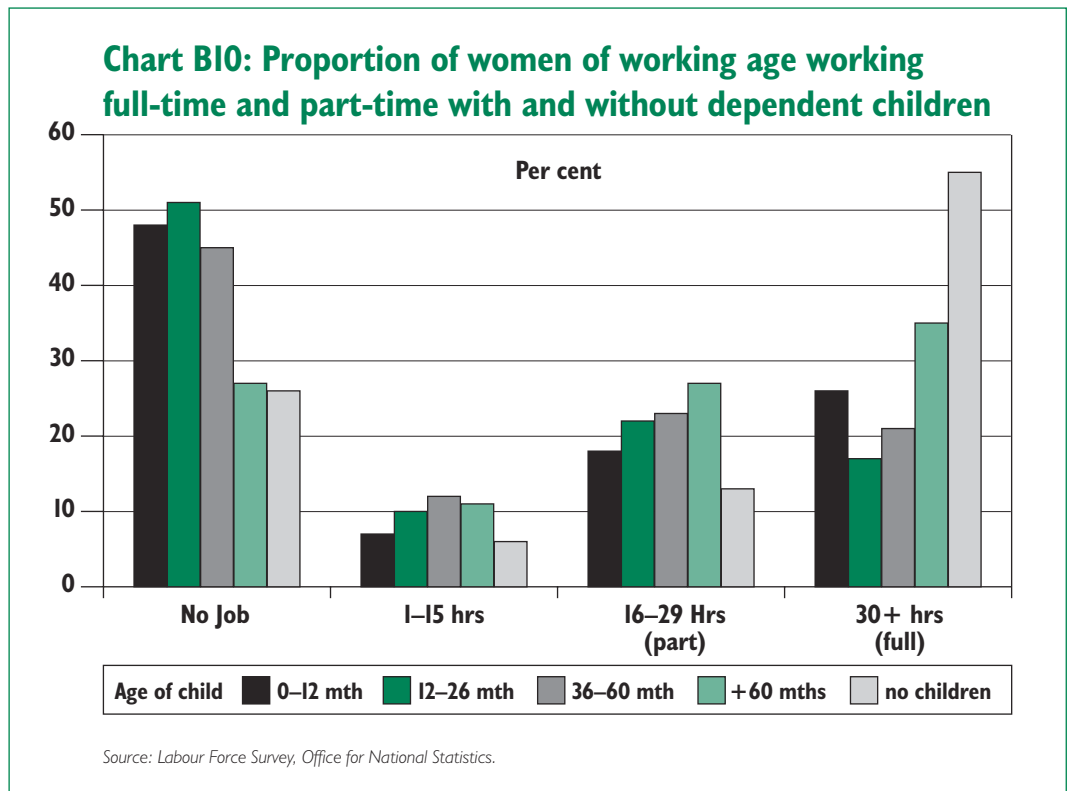
B.9 Where mothers are working, they are far more likely to work part-time compared with other women. The trend towards part-time work increases as women have more children. Chart B8 shows that only 24 per cent of working women in the UK aged 25 to 54 who did not have dependent children worked part-time in 2000, compared with 47 per cent of working mothers with one child, and 63 per cent of working mothers with two or more children. The chart shows that the relationship between motherhood and part-time work is much stronger in the UK than in most other OECD countries.



B.10 The impact of motherhood on working patterns over a lifetime can be seen clearly from Chart B9. For men aged between the mid-20s and the early 50s, the proportions working full- and part-time remain constant, with full-time work dominating at every age. By comparison, the likelihood of a woman working full- or part-time varies considerably by age. The chart does not distinguish between mothers and other women, but it does show the substantial shift towards part-time work by women from their mid-20s until age 40, which correlates with the period when most women have children.



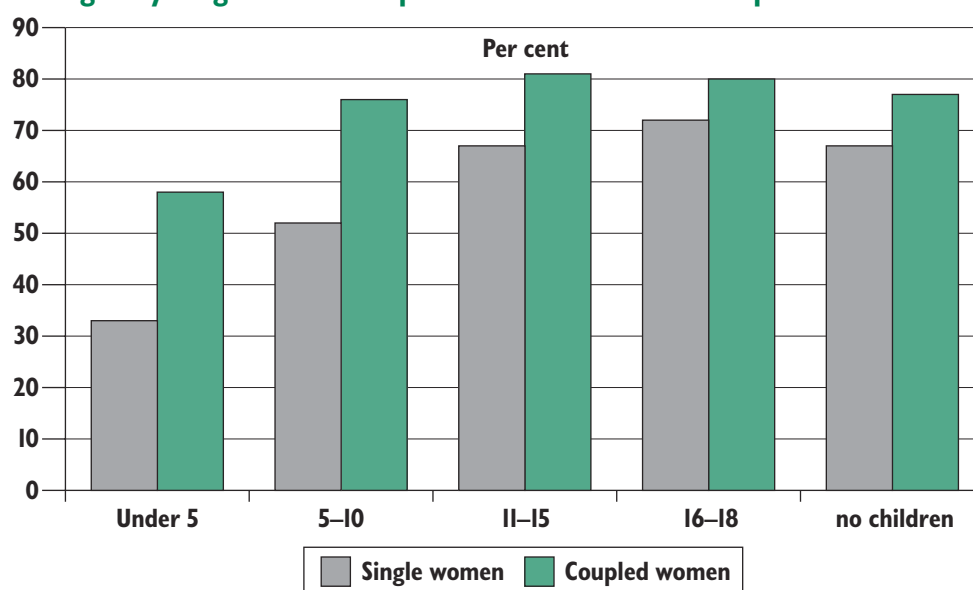
B.II Chart B10 shows that there is a positive relationship between the ages of dependent children and the working hours of mothers.



Working patterns of mothers in couples

B.12 There are also differences in the working patterns of women according to household structure. Mothers in couples are much more likely to work than lone parents, especially when their children are young. 58 per cent of mothers in couples with children under five now work, compared with only 33 per cent of lone parents. The gap in activity rates between mothers in couples and lone mothers closes as children get older, so that when their youngest dependent children are aged between 16 and 18, the difference in employment rates has fallen to eight percentage points. When children have reached this age range, 80 per cent of mothers in couples work compared with 72 per cent of lone parents. These employment rates are higher than the equivalent rates for women without children, which are 77 per cent for women in couples and 67 per cent for single women.

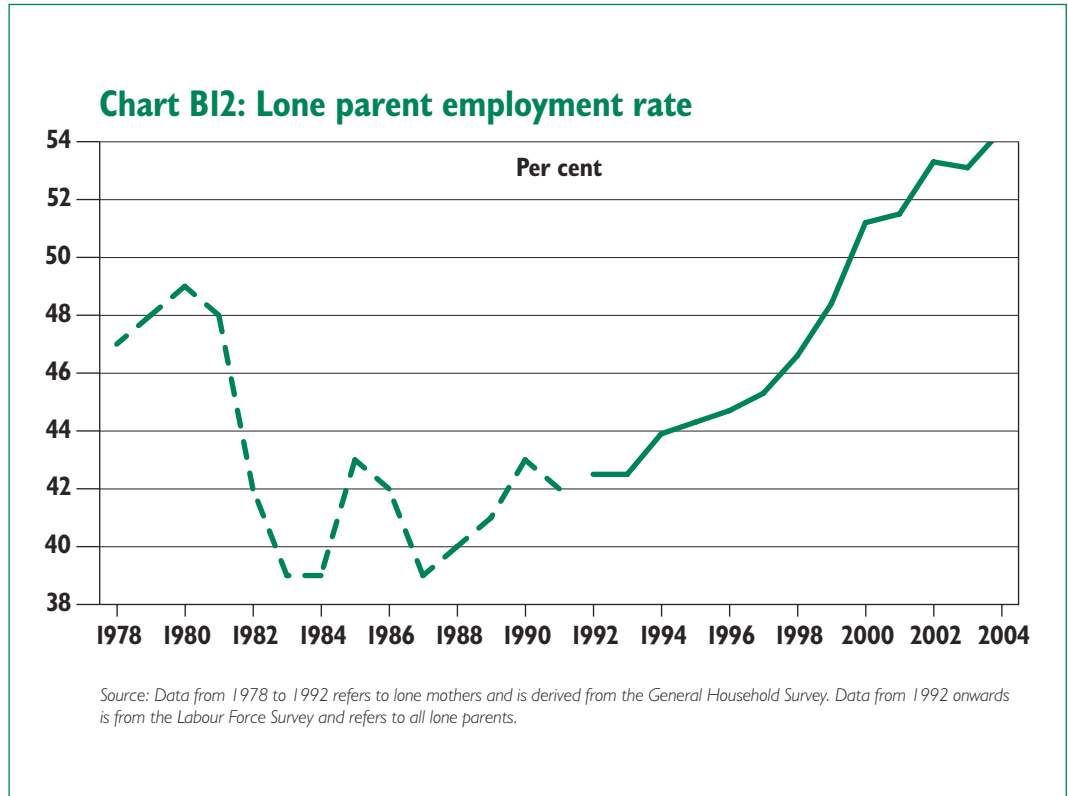
Chart BII: Employment rates of couple mothers and lone mothers by age of youngest child compared to women with no dependent children



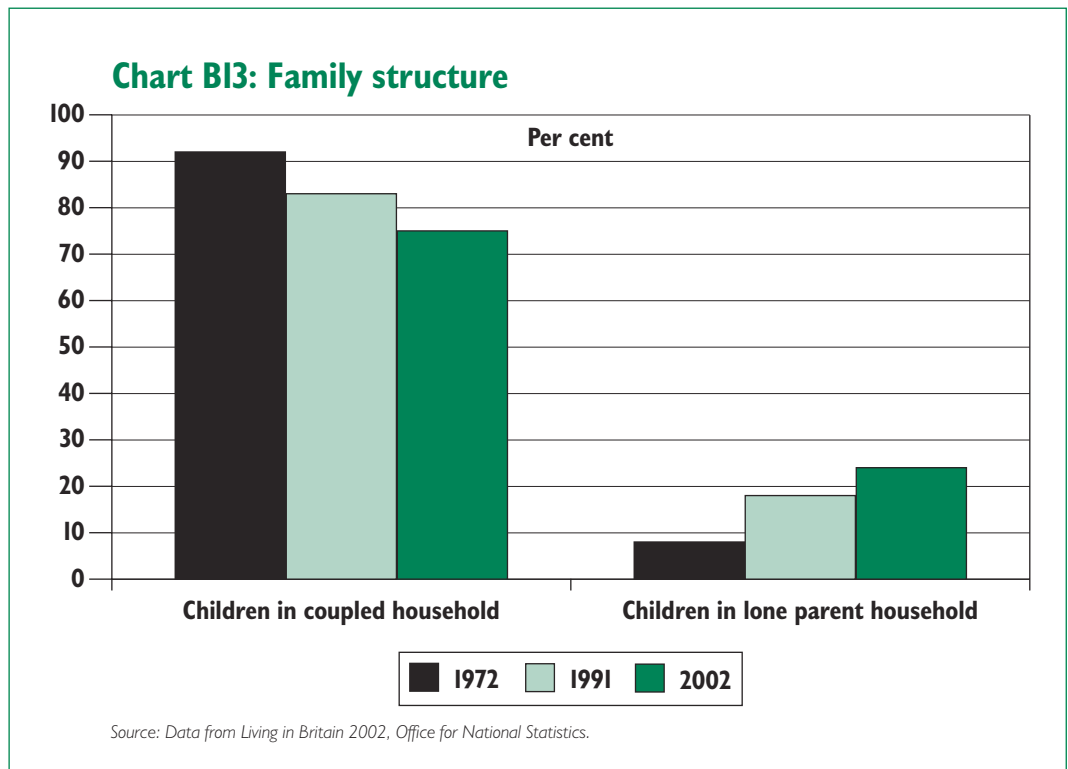
Source: Labour Force Survey, Office for National Statistics.

Lone parents

B.13 Since 1997 there has been an increase of eight percentage points in the proportion of lone parents working. Latest figures show this trend is continuing, with 54 per cent of lone parents now in work.

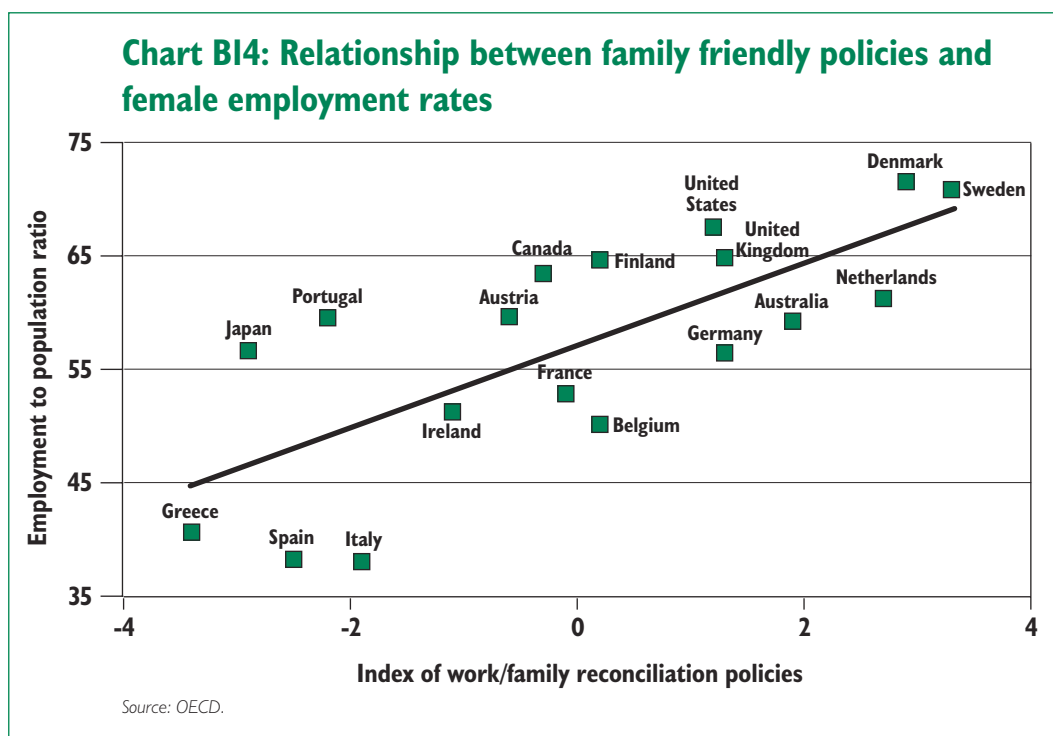


B.14 The Chart B13 below shows how there has been an increase over the past thirty years in the number of children living in lone parent households. Over this period there has been a correlated decline in the number of children in couple households. There are currently around two million lone parent families in the UK and 6.9 million couple families.



Maternal employment and work-life balance policies

B.15 Comparing across countries, OECD data suggests that there is a positive relationship between government policies that help parents to balance work and family, and employment rates of women. This relationship is shown in Chart B14. The OECD’s ‘index of family reconciliation policies’ is made up of a number of factors, including childcare provided for children aged under three, maternity pay entitlement, extent of flexible working and voluntary family leave provided in firms.



Maternity leave B.16 Denmark and Sweden are examples of countries that have both high levels of female participation and a number of policies to help parents balance work and family life. At the other end of the spectrum, Greece and Spain have some of the lowest female participation rates and relatively few family friendly policies. Overall the levels of UK female participation are relatively high in comparison to other countries (namely continental Europe) and are still increasing. The UK is also shown to have a relatively high number of family friendly policies. Of the OECD countries only Denmark, Sweden, Australia and the Netherlands have policies considered more effective at helping parents balance work and family life.

B.17 While the UK compares favourably internationally on female participation in the labour market, there is more to do. Chapter 3 sets out the Government’s progress since 1997 in helping parents balance work and family life. This includes the increase and extension of maternity pay and leave, the introduction of paternity and adoption pay and leave, and the introduction of a right for parents of children up to age six (or 18 if a child is disabled) to request flexible working and for employers to take these requests seriously. The National Childcare Strategy has delivered a net increase of 525,000 registered childcare places in England since 1997, benefiting over 1.1 million children. By 2008 there will be twice the number of childcare places there were in 1997.

B.18 Working women who become pregnant are entitled to 6 months Ordinary Maternity Leave. Women who have worked for the same employer for more than a year are also entitled to a further 6 months Additional Maternity Leave (AML). Whether women who are entitled to AML actually take this leave is strongly associated with being in a higher paid job during pregnancy. One 2002 study found that only 10 per cent of women who earned less than £5 per hour took their full entitlement to AML (at that time 40 weeks), compared with 22 per cent of women earning more than £8 per hour. Full take up was also associated with other employee characteristics such as longer service, being aged over 35, and having an employed partner, as well as employer characteristics such as better work-life balance policies and larger firm size.²

² *Maternity and Paternity Rights in Britain 2002: Survey of Parents A Report by the Policy Studies Institute for the Department for Work and Pensions and the Department of Trade and Industry*, by Maria Hudson, Stephen Lissenburgh and Melahat Sahin-Dikmen 2004.

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