Better Childcare

Putting Families First

Connor MacDonald & Ruth Kelly

Foreword by Dame Rachel de Souza DBE

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Rt Hon. Ruth Kelly served as MP for Bolton West from 1997 until she stood down in 2010. During this period, she served as Secretary of State for Transport, Secretary of State for Communities and Local Government, Secretary of State for Education and Skills and Minister for Women and Equalities, as well as holding ministerial roles in HM Treasury. Since leaving Parliament, she has held roles at HSBC Global Asset Management and St Mary's University. She is Chair of Thames Freeport.

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There are also many stakeholders from a variety of industries who deserve a mention. We appreciate the administrators, regulators and front-line staff whose views helped shaped our contribution. We hope that, while wide-ranging, your thoughts have received some reflection in this report.

Of course, any errors or omissions are ours, and ours alone.

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Foreword

Dame Rachel de Souza DBE
Children's Commissioner for England

As Children's Commissioner, my role is to listen to children and put their needs at the heart of policy making, implementation and evaluation. I want England to be the best place to grow up in the world, and all children to be happy, healthy and get amazing support, quickly, when they need it.

I am delighted that Policy Exchange are focusing on tackling some of the big questions about how we can support families. It is vital we take seriously the need to think radically about how we improve children's experiences and outcomes. We must all be bold, ambitious, and reformist when considering how to do this. Placing children, their needs, happiness, wellbeing and outcomes at the heart of our thinking and ideas.

I am currently undertaking an Independent Review of the Family, which is exploring family life today, how families want to get support, what works well and what can be improved. I want us to start a national conversation about family- about how much families matter, and how we as a society can support all families to thrive. That's why I am so pleased to write a foreword to this Policy Exchange report, which explores ways in which the childcare system can be improved and how Government can support families with the cost of bringing up children- which is a particularly important topic given the rise in the cost of living. The report thoughtfully explores a wide range of policy areas, which is important as the interactions between childcare and families are multi-faceted and complex.

I am pleased to see Policy Exchange engaging in exploring complex and vital questions on family and childcare policy. Children, and families, must be a much higher priority in public policy debate, and I welcome this report's important contribution to that conversation.

Executive Summary

Childcare in the UK is too expensive, and the options available to parents are too limited. The cost-of-living crisis is a central challenge for the British Government, and this is exacerbated by the state of British childcare.

According to the OECD, between 2004 and 2021 and in every year measured, the UK has come top, or second place only to the US, in terms of the cost of childcare.[1] Childcare costs have also risen much faster than inflation. In real terms, the cost of a nursery has increased by £749 in the last decade.[2]

The high cost of childcare in the UK is not due to a lack of state generosity. The UK has a larger subsidy as a share of net household income than either the EU or the OECD.[3] Despite this, childcare remains significantly more expensive.[4]

The UK childcare market's core problem is a constrained market. Despite rising costs, the number of childcare spaces has barely increased since 2015, and the number of childminders has fallen dramatically.[5] The constrained supply of childcare has serious ramifications for families. The lack of childcare provision during the pandemic has impacted childhood development. The fertility gap is also larger in the UK than the OECD and European average.

Childcare is also intimately related to family policy, where again the UK is an international outlier. Unlike in many rich countries people in the UK are taxed as individuals. This means single earner households suffer disproportionately high tax rates and couples with young children pay proportionately more in tax than their equivalents in France and Germany.[6]

Childcare costs exacerbate these pressures further. Government has a compelling interest in reducing the cost of childcare by embracing regulatory reform and using the large sums of public money spent on childcare in ways that correspond with the wishes of parents. This is not happening at the moment. In a recent survey, 37% of working mothers of 0 to 4 olds says they would stay at home full-time if they could afford it, 60% of non-working mothers said they would work if they could find affordable childcare, and around two-thirds say they would work fewer hours.[7] The system seems to be pleasing no one.

This is because the balance is tilted against flexibility and choice. This is not ideal in the best of times; it is unsustainable in the midst of a cost-of-living crisis.

To address these challenges, this paper proposes:

1. OECD Data, *Childcare as a proportion of net household income.*
2. Family and Childcare Trust, *Childcare Surveys*
3. Farquharson, Christine. *Complicated, costly and constantly changing: the childcare system in England.* 13 September 2021. The IFS. Link.
4. Ibid.
5. Ofsted, *Childcare inspection statistics.*
6. See Policy Exchange's paper *Taxing Families Fairly*. August 2022.
7. DfE, *Childcare and Early Years Survey of Parents 2019.* Table 8.12

- **Taking strong measures to reverse the decline of childminders as a profession**. This means taking an outcomes-based approach to regulation, removing regulatory burdens and encouraging the creation of childminder agencies to oversee the sector.
- **Creating new 'childminder hubs' modelled after the French *maisons d'assistants maternels***. This will allow parents to have more control over their child's education and allow for greater community involvement in childcare. It can also be a vehicle for regulatory experimentation. They also help address problems of isolation and socialisation often found in the childminder profession.
- **Giving settings the freedom to flex ratios and vary other aspects of the EYFS regime, based on outcomes.** There is no conclusive evidence to suggest ideal ratios and regulatory standards in early childcare. What is clear is that higher ratios lead to higher costs and potentially push parents out of the market altogether. An approach that allows greater flexibility for high performing settings should be adopted, using childminder agencies and parental initiative as a start.
- **Allowing the Universal Credit Childcare entitlement to be used for settings not on the voluntary childcare register for children over 8**. Instead, bring in a system based on community certification and presence on Companies House and the Charities Register.
- **Increasing child benefit significantly for 0-4 year olds to create a 'Baby Boost'**. This would be funded by phasing out Tax-Free Childcare, which has failed in widening access to the market, and by reforming the child benefit system to frontload payments ensuring they better reflect the higher costs of children in the early years. These reforms would mean that the government could immediately double Child Benefit for new parents from £21.80 to £43.60 a week for the first child and from £14.45 to £28.90 for the second child. Child benefit could also be increased by 40% for children aged 3-4. This increase would give **a new family with a 2-year-old and a new-born an additional £1,885 per year.**

These policies are designed to be cost neutral. Where there are spending implications, they involve re-allocating existing resources and repurposing existing tax incentives.

There is a strong argument to say Government should go further still. In the recent parliamentary phase of the Conservative leadership race, candidates put forward a variety of proposals, including pledges to give parents more money directly for childcare. The discussions in this leadership race about family taxation and personalised childcare budgets are to be welcomed.

However, in order for such a system to work, the regulatory framework also has to be made more flexible. It is this flexibility that we consider most directly in our report on the childcare system, supplemented by a proposal to front-load child benefit.

Parents and their children are entitled to the best start in life; the cost-of-living crisis and the state of the UK childcare market undermine this. The measures Policy Exchange outlines in this paper address these challenges head on and will help young families everywhere get the help they need and the childcare they deserve.

Recommendations

Easing the Regulatory Burdens on Childminders

The number of practicing childminders has decreased precipitously. Government should take steps to examine how and where the regulatory burden currently falls on the profession, and how the current framework discourages childminding for minimal education benefit.

- **Recommendation 1: The Department of Education should undertake a review of the EYFS for childminders led by practitioners in the sector.** It should aim to create a specific EYFS framework for childminders that reduces the regulatory burden and accurately reflects childminder resources. This process should address burdens around the 'learning journey' and 'observations and assessments in particular. The outcome of this process should be an EYFS document meant specifically for childminders.
- **Recommendation 2: All childminders should be included on a new Childminder Register.** This will reduce barriers felt by childminders and the state and create a specific registry for an important profession. It would also marry the new EYFS document with the requisite register. Childminder agencies would be required to ensure that any Childminders without EYFS training would not be able to look after children for whom EYFS applies.

Supporting the Childminding Profession

One key challenge for the childminding profession is a lack of professional support and the restrictive conditions under which childminding can be carried out. Government should look to international best practice, especially the Netherlands and France, where Governments use childminder agencies to support the profession and where childminders can practice in a wider variety of settings.

- **Recommendation 3: Childminder Agencies should register all new childminders, and Ofsted should gradually withdraw from registering and inspecting Childminders.** A childminder register should be maintained and should include every childminder. Registration should be automatic via the agency process. The list should be maintained by Ofsted, but registrations are processed by the Childminder agencies.

- **Recommendation 4: Local authorities and schools should be able to register as childminder agencies.** Not all schools or local authorities would exercise this option, but it would ensure that some settings would be able to provide additional wrap-around care.
- **Recommendation 5: Current childminders should be given 5 years to register with agencies**. It should be expected that all Childminders will eventually be placed under the supervision of these organisations. Childminders registered with Ofsted who are judged to be 'requires improvement' or 'inadequate' should be required to register without delay with an agency to receive additional support and training. Ofsted should collect and make public on a regular basis the number of childminders registered with childminder agencies.
- **Recommendation 6: Government should redirect £100 million from the current Tax-Free Childcare underspend to incentivise and invest in childminder agency capabilities.** This should be structured as an incentive, so that for every new childminder recruited an agency would receive a set incentive from the state. Assuming a £1,000 subsidy per new childminder, Government could aim to recruit 10,000 new childminders a year. Furthermore, Government should review the feasibility of delivering 15- and 30-hour care directly through childminder agencies.
- **Recommendation 7: Childminder agencies judged effective by Ofsted should be able to work with Ofsted to flex childminder rules.** Childminder agencies offer a way to professionalise the childminder profession and are an opportunity to continually improve the regulatory framework.
- **Recommendation 8: Ofsted should maintain a role in inspection and maintenance of the new childminder register.** The 2014 Childcare regulations should be amended to ensure that childminder agencies notify Ofsted of decisions to cancel a childminder's registration. Ofsted should be permitted (but not required) to investigate and render a final decision. This would ensure the state always has an ability to monitor safeguarding issues.
- **Recommendation 9: Eliminate the 50%-time requirement for premises designated 'childminder hubs'.** This would allow childminders to operate from a wider variety of settings, and crucially create specific settings where the profession could be carried out. Childminder hubs would allow a maximum of 4 childminders on site, with a maximum of 4 children each. This could also be a site of regulatory flexibility, and Ofsted should review the potential of off-site spaces for changes in the EYFS related to childminders.

- **Recommendation 10: Change regulations regarding council housing to allow childminding to be conducted on social housing premises without exception, so long as they meet the required childcare criteria.** Government should also review whether a similar presumption should be included in private rented accommodation. This would in particular help communities where there is weaker provision, such as lower-income neighbourhoods and council estates.

Embracing Better Regulation

There is limited evidence that the current regulatory model in the United Kingdom produces the best outcomes. When other jurisdictions have examined the evidence, they have found limited support for low ratios and small class sizes. Government is right to examine this issue, and to proceed with raising the child-staff ratio to that currently used in Scotland. But Government can be more ambitious still and let settings with consistent records of success embrace regulatory flexibility.

- **Recommendation 11: England should move to expand ratios in line with those already in place in Scotland. This change would mean moving from a ratio of 1:4 to a ratio of 1:5 for two-year olds.** There is little evidence that this change has had an adverse effect.
- **Recommendation 12: Ratios should be allowed to be expanded further for Ofsted settings found to be Good or Outstanding.** In Good settings this should be subject to Ofsted approval. This could be accomplished by changing EYFS guidance to allow settings to relax their ratios not simply "in exceptional circumstances" but where there is "a legitimate educational or developmental aim".
- **Recommendation 13: In all settings, the children of the childminder or staff themselves should not be included in the overall ratio.** Further to this, childminders should be compensated for relatives who are not direct relations who make use of their services, if they count towards the ratios. At the moment, relatives of childminders are restricted in receiving early years and childcare funding for the care they receive from childminders. If this is the case, those children should be removed from the ratio under which the childminder works.
- **Recommendation 14: No longer make registration on the voluntary register necessary for settings for older children to be eligible for the Universal Credit childcare element.** This would ensure that more settings have access to childcare funding, and result in more parents having choice over wrap-around care.
- **Recommendation 15: Maintain the requirement that wrap-around and holiday settings continue to require a DBS check for providers to receive childcare funding.** This ensures safeguarding standards for children and mitigates risk in a variety of settings,

while reducing unnecessary regulation, like the voluntary register, which do little to ensure safeguarding standards are maintained.

- **Recommendation 16: Allow registered charities and companies registered with Companies House, in good standing for 2 years, to qualify for receiving the Universal Credit childcare element for older children.** This would ensure that families with older children would have a greater number of options, and there could be a significant improvement in UC childcare benefit uptake. For example, football clubs or an informal music school should be able to carry out wrap-around sessions without having to register with Ofsted.
- **Recommendation 17: To prevent fraud and error, require organisations looking to offer wrap-around care to receive written certification from a local public institution, such as a school, a local authority, further education college or university**. This would ensure that local institutions could help create an eco-system of wrap-around care, while minimising the regulatory burden. For example, if a swimming club is using university facilities, the university can verify the validity of the programme.
- **Recommendation 18: In the event of new activities which may serve an important wrap-around function but may be new, designated employees at DWP centres should be empowered to confirm via spot-check the activities being undertaken.** These reforms will expand access and provision, encourage organisations to come forward and expand the range of options available to children who may be eligible for Government support.
- **Recommendation 19: The new rules for Universal Credit should also apply for programmes to be eligible to be subsidised via the Tax-Free Childcare programme.** Tax-Free Childcare suffers from a similar gap between open and used TFC accounts in the older years. This could be rectified by increasing the number of settings eligible to receive care.

Helping Parents in the Early Years

Parents are struggling with the high cost of living, and young children in particular are very expensive. Child Benefit is paid out in equal amounts every year, yet the cost of children is higher when they are first born. Moreover, Tax-Free Childcare, in its current form, helps only a small number of children. Government should consider phasing out this programme, and Child Benefit could be reprofiled. This would help the youngest children most.

- **Recommendation 20: Child benefit should be increased to reflect the increased costs of parenting of young children.** This should be done by increasing the benefit for newly born children and halving their benefit during the ages 13-19. This proposal should not include children currently receiving child benefit but could commence with children born in the next fiscal year. Re-profiling Child Benefit in this way could deliver an additional £1,885 for a family with two children aged 0 and 2.

- **Recommendation 21: Tax-Free Childcare should be closed to new applicants, and over time the spending should be repurposed for an increased Child Benefit, and to encourage the recruitment of childminders via childminder agencies.** This should come with an immediate boost of £400 million to Child Benefit by re-allocating the current TFC underspend, followed by an additional £500 million boost for children aged 5-10 as the remaining TFC spending is phased out. This still leaves room to invest £100 million in childminder recruitment and maintaining TFC for families with disabled children.
- **Recommendation 22: Government should explore ways to make re-profiling Child Benefit feasible, even if only within existing Child Benefit spending limits**. Parents would receive a substantial increase in support in the early years even if Child Benefit is halved between the ages of 13-16 for parents who choose to take this option. This would help a large number of families.

Introduction

The Childcare sector operates within a framework that has been evolving since the 1990s. There has been a consistent effort to reduce costs over time, and Government has become gradually more involved both in regulation and in terms of funding support for the sector. However, these initiatives, while expanding subsidies, has not been successful at arresting the fast rising cost of childcare.

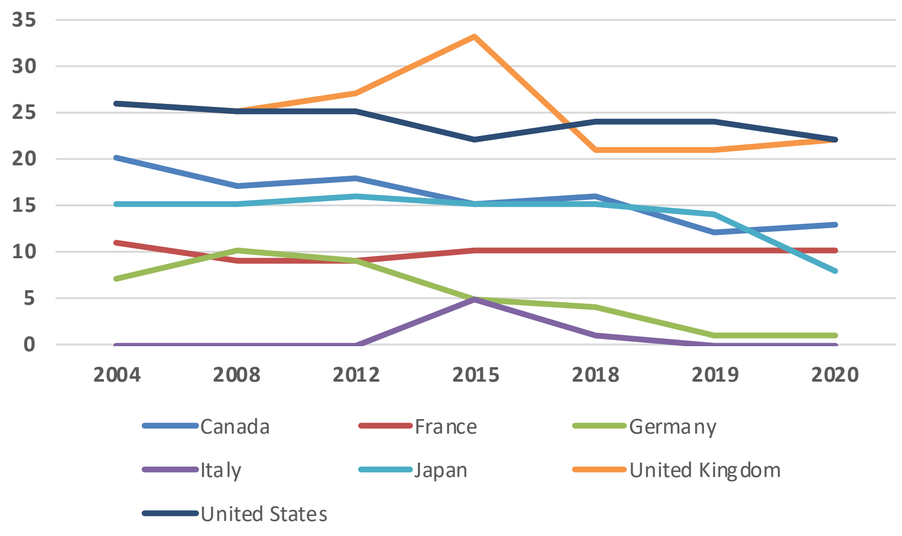
Addressing the High Cost of UK Childcare

The childcare market in the UK is highly regulated and takes up, proportionately, a much larger share of net household income than other economies.

Using OECD data, the United Kingdom has the third highest net childcare costs as a proportion of household income[8], behind only New Zealand and Switzerland.

This is not a new problem. In a spread of OECD data taken from 2004 to today, the UK was either first or second (and then only *just* behind the United States) in terms of the proportion of net household income which goes towards childcare costs. In fact, families in the UK more than double, proportionally, what they do in France, and more than three times what parents pay in Japan.[9]

Figure 1: Childcare Costs as a Percentage of Net Household Income - UK Compared to G7



Source: OECD Stats, Net childcare costs for parents using childcare facilities[10]

8. For a couple where one parent is making the average wage, and the other is making 67% of the average wage. Assumes 2 children aged 2 and 3.
9. OECD Stats, Net childcare costs for parents using childcare facilities, 2022. Link.
10. Ibid.

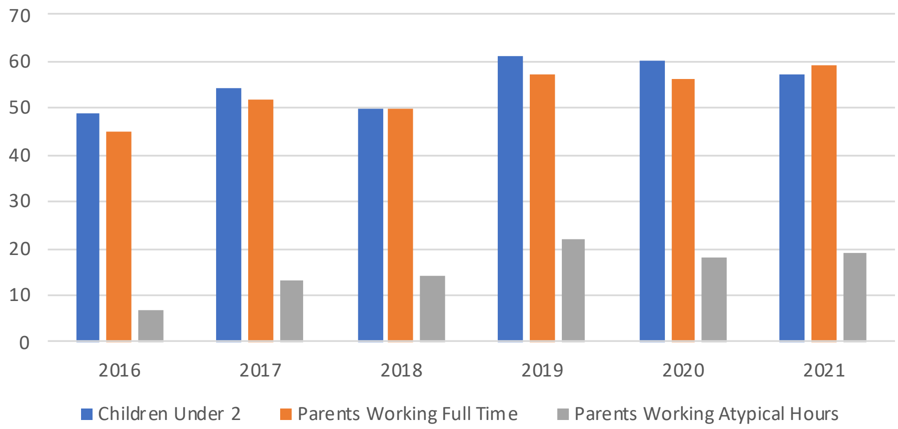
And this is not due to a poor subsidy regime. According to the IFS, the UK subsidises a larger proportion of a two-couple family on average wages than either the EU or the OECD average, yet childcare costs remain higher.[11]

Inadequate Provision

Local authorities are indicating that they are under consistent pressure when it comes to providing adequate care. Intimately related to increased costs are the strains currently experienced by the childcare sector in the UK. While there has been significant improvement since 2016, a large minority of local authorities are reporting that there is not sufficient provision for many families, and provision is particularly dismal for families working irregular hours.

Moreover, the pandemic has exacerbated these pressures. According to Coram's 2022 Childcare Survey, 14% of local authorities report that at least a quarter of their group providers are facing severe financial difficulties and in nearly 20% of local authorities at least a quarter of childminders have faced the same severe financial problems.[12]

Figure 2: Local Authorities Reporting Sufficient Childcare Provision for Different Contexts



Source: Family and Childcare Trust, Childcare Surveys 2015-2019

Addressing These Challenges

This report attempts to deal directly with the problems of high cost and inadequate provision which plague the childcare market in the UK. It examines the sector from a variety of different dimensions, including the current state of the childminding profession, the high levels of regulation across the sector, and ways in which the Government can provide more direct support to parents so that they can make the decisions they wish for them and their families.

- **Chapter 1** encompasses a description of the current challenges of childcare policy, short history of policy development within the

11. IFS, 2021.
12. Coleman et al. *Childcare Survey 2022*. Coram Family and Childcare Trust. Link.

sector, as well as a description of the current childcare offer, and the social implications arising from the current problems.

- **Chapter 2** examines in more detail the problems faced by the childminder profession, and ways the Government can make the profession more attractive, provide more support, and give childminders themselves more flexibility
- **Chapter 3** looks at the state of childcare regulation more generally. It finds that it is unclear whether the current regulatory environment is optimal from a child development perspective, but that it does costs for families. Additionally, this chapter examines ways some childcare subsidies, like the Universal Credit childcare element, can be used in a wider variety of settings.
- **Chapter 4** shows that the UK Government could help parents of young children immediately by giving them the ability to frontload their child benefit, and recommends the phase-out of Tax-Free Childcare, which is underused. Overall, this Chapter argues that unrestricted funding to parents is an excellent way to give parents choice and flexibility while helping them with their costs.

As this report demonstrates, there are concrete ways in which the childcare needs to change. The current framework is too expensive and denies too many families the optimal care for their children. Government can make changes now which can alleviate this problem, both in the short- and long-term.

Chapter 1: Childcare Policy in the UK Today: History and Challenges

Introduction

The severe challenges facing the UK childcare market, in respect of both regulation and lack of choice for parents, have been long-standing problems indelibly linked to how the state has organised childcare provision. Childcare support emerged first as a response to a greater number of mothers leaving the home to work. Childcare policy in the UK has therefore always uneasily balanced the policy objectives of encouraging work and ensuring the adequate developmental outcomes for children. This has led to a market which is unresponsive and restrictive.

Developing Childcare

Before 2001, local authorities were expected to keep registers for childcare purposes. This power was transferred to Ofsted in 2001, who maintained three separate regulatory frameworks,

- Birth to Three Matters
- Foundation Stage Curriculum (For 3-5-year-olds)
- National Standards for Under 8s

These three curricula were replaced by the Early Years Foundation Stage in 2008.

At the same time, this regulation operated alongside a funding mechanism over the last 20 years that has remained remarkably stable.

In 1996, the Conservative Government introduced a £1,100 voucher, to be used at any provider who was registered – the aim was to expand private provision of childcare. This scheme was controversial because

- It was accused of failing to account for varied childcare costs in different parts of the country
- The fact that the voucher could be topped-up meant that providers often treated the voucher as a discount on fees, rather than allowing a certain number of hours to be covered
- Settings not inspected by Ofsted would not be eligible for the voucher, even though local authorities could also register settings (who would not be eligible for the voucher)[13]

13. Waldegrave, Harriet. *Quality Childcare*. Policy Exchange. 2013. Link.

A Childcare Entitlement

The voucher scheme was quickly replaced by the incoming Labour government who imposed a requirement on local authorities to provide free childcare for 12.5 hours a week for 33 weeks a year for all 4-year-olds. This scheme was extended to three-year-olds in 2004, to 38 hours a week in 2008, and increased to 15 hours a week in 2010 by the Coalition Government.[14]

The UK Government also introduced childcare support via local authorities in the form of Sure Start. First announced in 1998, the programme provided support to families and mothers in Children's Centres. This programme was reduced significantly over the course of the 2010s, but they have returned in sorts via Family Hubs, to which the Government pledged £301 million in 2021.[15] These programmes function as external support and are not themselves designed to help parents with direct childcare needs. As such, they are not discussed heavily in this report, but an analogous system used in France is discussed in Chapter 2.

What is important to emphasise in this system is that it is predicated on the idea that funding should be tied to certain settings, regulated by the state. While parents may have 'choice', this choice is constrained by the state's ability to set rules and determine the market. Moreover, from 2001, even providers who were *not* receiving or administering the free entitlement were inspected by Ofsted. Childcare is a fundamentally state-led market in the United Kingdom, even if the majority of free-hours were accessed via private and voluntary establishments by 2003.[16]

The system was also designed to encourage mothers back into the workforce, as it did not give money directly to families to use for their own purposes. Funding was available so long as parents returned to the workforce and could put their children in institutional or childminder care. The result is support for payments skewed away from parental choice and flexible hours and towards parents being encouraged to take up full-time jobs.

Employer Vouchers and Tax-Free Childcare

Alongside these state-funded scheme has sat employer supported childcare. This was introduced in 1990, when the Government announced that benefits for nurseries or playschemes from employers would not be taxed. In 2005, employers were also able to receive tax and national insurance free vouchers for up to £50 a week. This form of support has since been phased out in favour of Tax-Free Childcare.

The benefits system is oriented in a similar way to the broader childcare package. The Working Tax Credit in 2003 included a provision to cover 80% of costs (£175 for one child, £300 for two or more), and reduced to 70% in 2010. The credit could only be redeemed with a registered provider. The Working Tax Credit was phased out gradually over the 2010s after Universal Credit was introduced in 2013.

Vouchers were replaced in 2016 by Tax-Free Childcare, a Government top-up scheme phased in from 2017. It provides up to £2,000 per child

14. Ibid.
15. DfE, *Family Hubs and Start for Life Package*. Link.
16. Waldegrave, 2013.

per year, and up to £4,000 for disabled children. The scheme relies on parents paying into a childcare account, and for every £8 put in, the Government tops up £2. The programme has struggled with take-up, explored in Chapter 4. TFC may only be used for providers registered with Ofsted.

Tax Credits and Universal Credit

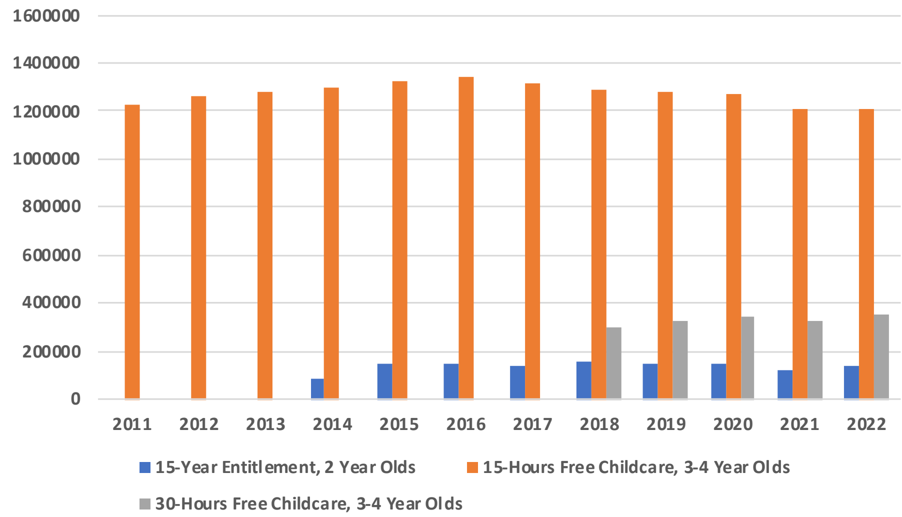
Universal Credit was introduced in 2013. It includes both a child element and a childcare element. The child element provides an additional £290 if the child was born before 6 April 2017, or £244.58 if they were born after 6 April 2017. Second children, and in some cases subsequent children (if not subject to the two-child cap), receive £244.58 a month.

The childcare element of Universal Credit allows the recipient to claim back 85% of childcare costs - £646.25 for one child, or £1,108.04 for two or more children. There are additional payments if the child is disabled. The childcare element can only be used for providers registered with Ofsted. Universal Credit is discussed in more detail in Chapter 3.

Expansion of the Childcare Offer

The Coalition Government continued the 15-hour childcare entitlement for 3–4-year-olds and introduced a 15-hour entitlement for disadvantaged two-year-olds in 2013. This was expanded and put on a stable footing in 2014. In 2017, the UK Government introduced 30-hours free childcare, which expanded the previous 15-hour offer.[17] Since 2018, this scheme has helped an additional 330,000 children a year.

Figure 3: Children Benefitting from Free Childcare Offer



Source: DfE, Education Provision: children under 5 years of age.

Clearly the Government has expended considerable resource and time in developing the UK's childcare system. In all cases, funding is attached to the Ofsted register, which, in the case of under 5s, imposes strict regulatory requirements, and limits parental flexibility. Indeed, the funding system

17. DfE, *30-hours free childcare launches.* 31 August 2017. Link.

generally, while giving parents choice in terms of providers, does not give parents support in models of childcare not based around regulated, institutional settings. It does not, for example, help parents stay at home with their children, nor encourage other family support. It also imposes significant costs on families and prevents a more functional market.

The UK's Current Childcare Offer

The UK's current childcare offer is varied and multifaceted, engaged the tax system (Tax-Free Childcare), Education, local authorities and the benefits system. There are a variety of different support mechanisms, outlined below.

The UK's Current Childcare Offer

Support	Entitlement
15-Hours a Week Free Childcare £2.26 billion[18] 1,212,234 children as of January 2022	All 3 to 4 year-olds in England are entitled to 570 hours of free childcare per year. This is usually 15 hours a week but may be spread over other time periods. This provision does not necessarily include meals, nappies or excursions.[19]
30-Hours a Week Free Childcare (Extended Entitlement) £841 million[20] 348,126 children as of January 2022	Parents are entitled to 30 hours free childcare if they have a child who is 3-4 years old and has not started reception. Parents must be in work or on sick/annual leave, and are receiving the National Living Wage. The earnings limit does not apply if you're self-employed.[21]
15-Hours a Week Extended Entitlement for Disadvantaged 2-year-olds £397 million[22] 135,410 as of January 2022	2-year-olds are entitled to free childcare if the parents receive some form of income benefit, such as Universal Credit, Income Support, or Jobseeker's Allowance, and household income is below certain thresholds.[23]
Universal Credit Childcare Element £39.5 million (February 2022) 119,900 households claiming (February 2022) Mean claim: £329 (February 2022)[24]	Any household on Universal Credit may be eligible to claim up to 85% of childcare costs to a maximum of £646 for one child or £1108 for two or more children. The only requirements are that the household must be in work or have a job offer. Children up to 16 qualify to receive this support.[25]
Tax-Free Childcare £411 million[26] 372,000 children using a TFC	Parents are entitled to receive up to £500 every 3 months (up to £2,000 a year) for each child, provided they pay into an online childcare account. The Government tops up what the parent pays in to a ratio of 1:4. For every £8 a household contributes, Government will top-up £2. If the child is disabled, the potential top-up increases from £2,000 to £4,000.[27] Tax-Free Childcare has been consistently under-subscribed. In the last fiscal year TFC cost £411 million, and had been projected to cost £1 billion.[28]

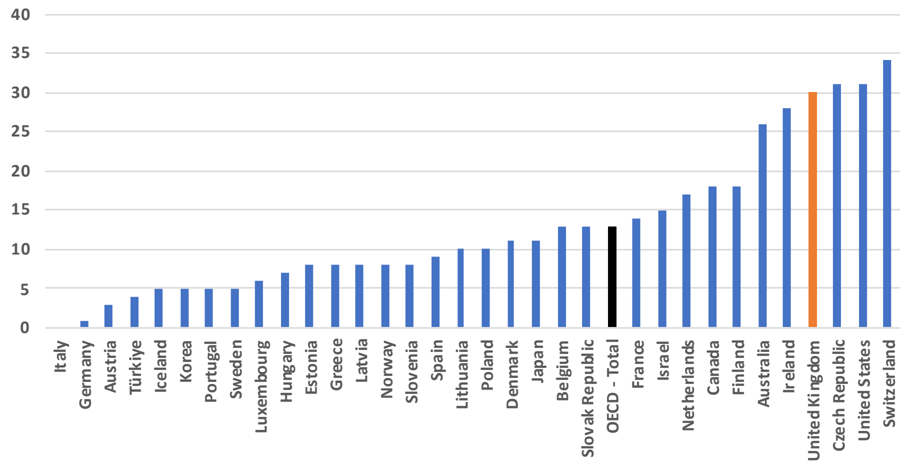
18. Education & Skills Funding Agency, *Dedicated schools grant (DSG): 2022 to 2023 financial year allocations*. Table 'Early_years_block'. 25 May 2022 Link.
19. Gov.uk, *15 hours free childcare for 3 and 4-year-olds*. Link.
20. Education and Skills Funding Agency, 25 May 2022.
21. Gov.uk, *30 hours free childcare*. Link.
22. Ibid.
23. Gov.uk, *Free education and childcare for 2-year-olds*. Link.
24. DWP, *Universal Credit claimants eligible for and receiving the childcare element between March 2021 to February 2022*. 29 June 2022. Link.
25. Gov.uk, *Universal credit and childcare*. Link.
26. HMRC, *Tax-Free Childcare Statistics, March 2022*. 25 May 2022. Link.
27. Gov.uk *Tax-Free Childcare*. Link.
28. See Chapter 3 and OBR 2017 forecasts.

High and Rising Prices

Even with the variety of programmes highlighted above, childcare in the UK is expensive by international standards.

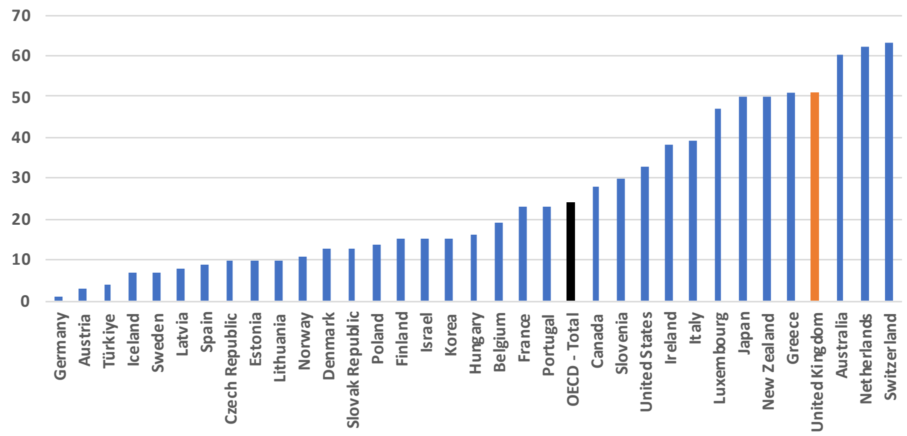
In terms of net childcare costs, in 2020 the UK had the fourth highest in the OECD. This is drive largely by the UK's very high gross fees – 51% of the average wage, again the fourth highest in the OECD.

Figure 4: Net Childcare Costs as a Percentage of Average Wage, 2020



Source: OECD[29]

Figure 5: Gross Fees as a Percentage of the Average Wage, 2020

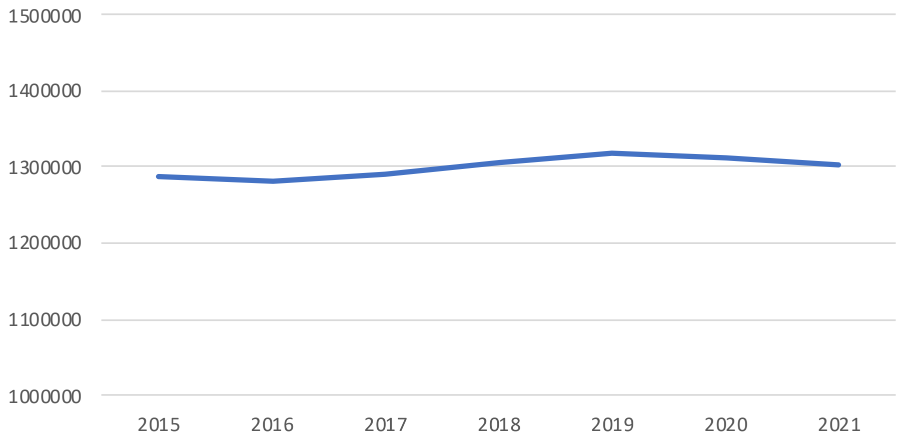


Source: OECD[30]

In the UK market, prices have continued to rise. The number of registered childcare places has increased slightly since August 2015, increasing only 1.1%, or by 14,116.

29. Net childcare costs as a percentage of the average wage. Link.
30. Gross Fees as a percentage of the average wage. Link.

Figure 6: Total Number of Childcare Places

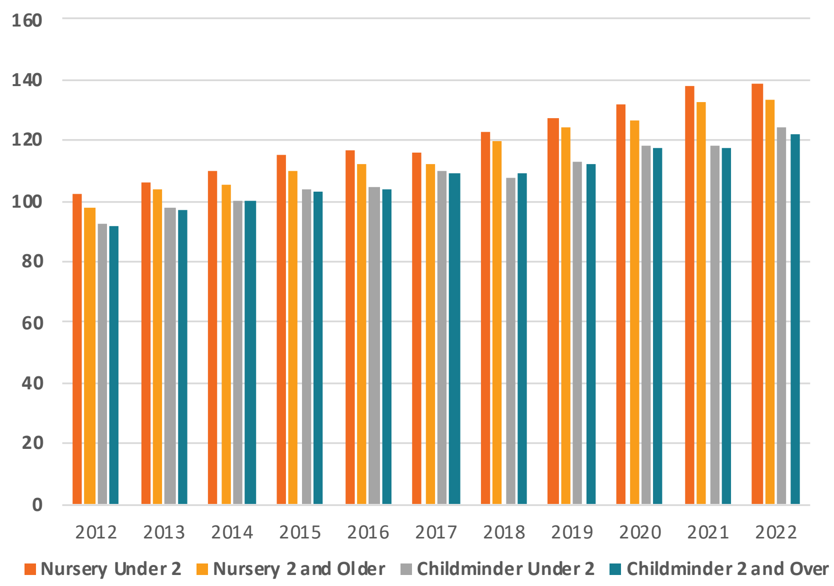


Source: Ofsted Inspection Statistics 2015-2021

Yet this increase has done nothing to arrest rising costs. For a nursery under 2, prices have increased by more than 20% since 2015, according to the Child and Family Trust (Coram).[31]

The figures are even worse if we consider the whole decade. Over the last 10 years, the weekly cost of a part-time nursery for under 2s has risen by £36.65 a week, or an additional £1,906 a year. Adjusted for inflation, parents are paying £14.40 a week, or £749 more a year in childcare in real terms. The same effect is present with childminders. The weekly cost of a childminder for a child under two is now £31.73 greater, with the result that parents are paying nearly £600 more per year in real terms.[32]

Figure 7: Weekly Cost of Childcare

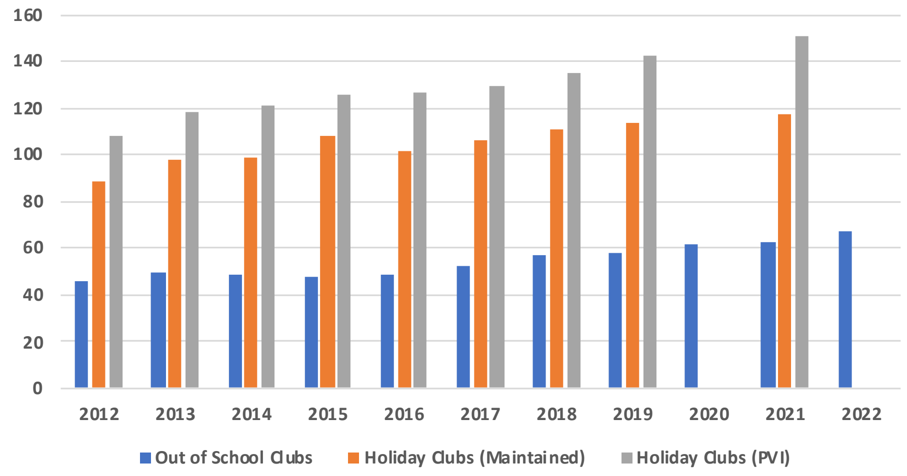


Source: Family and Childcare Trust

31. Childcare and Family Trust, *Childcare Surveys 2015-2019*
32. Author's calculations, based on Q1 CPI index in 2012 and 2022.

This trend is not just present in more formal forms of childcare. After school clubs have also seen a precipitous rise in costs. Between 2012 and 2022, the cost of out of school clubs has risen by 45% and between 2012 and 2021[33] holiday clubs increased weekly cost by 32% in maintained settings and 39% in private and voluntary settings.[34]

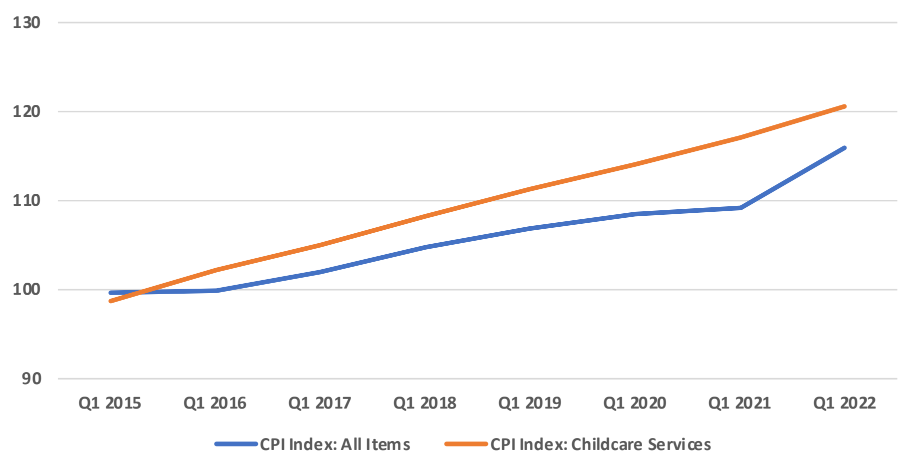
Figure 8: Weekly Cost of After-School Clubs - UK



Source: Family and Childcare Trust

The magnitude of rising prices are also picked up in the official CPI data. As shown in the chart below, the index for Childcare services has continuously outstripped general inflation since 2015.

Figure 9: General CPI vs Childcare Services CPI , 2015=100



Source: ONS, Annual Rate All Items, ONS CPI Index Childcare services

Childcare costs are rising, and rising fast. Moreover, the persistent and rising costs of childcare does not seem to be an impetus for generating more supply. Instead, the number of providers has dropped, and most glaringly the number of registered childminders has nearly halved since 2010. We have already seen that providers are finding it difficult to cater to

33. The Holiday Survey was not run in 2020 due to the COVID-19 pandemic and 2022 figures have not yet been released)
34. Family and Childcare Trust, *Childcare Surveys 2012-2022, Holiday Surveys 2012-2021.*

families with irregular hours, yet the providers most capable of addressing that need (childminders) are leaving the market .Clearly, this is a market where supply has been inadequate and inelastic.

Social Implications

The implications of the unaffordability of childcare are unavoidable, and indeed the impact of a lack of provision was felt acutely during the pandemic. We have all seen harrowing stories in the press about children unable to say their names or use the toilet when they arrive at school.[35] This is not just anecdote. A study examining the performance of children in reception after the pandemic found that the number of children who achieved a "Good Level of Development" fell by 13 percentage points.[36]

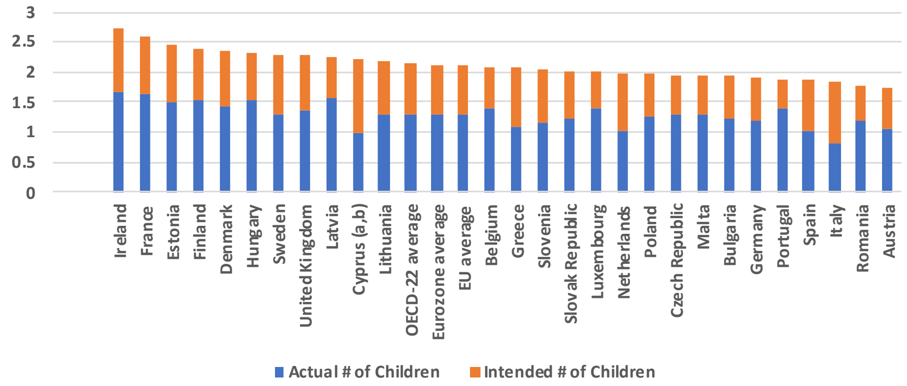
The pandemic has also caused significant declines in the uptake of childcare. While we do not know the full impact, by Autumn 2021 childcare attendance for 0-4 year olds was still only 90% of what would have been expected without COVID-19.[37] There are real fears that this gap will persist especially amongst disadvantaged students who are most likely to have missed out. The number of disadvantaged two-year-olds taking up the 15-hour offer falling by 7 percentage points.[38,39] We know that the pandemic disproportionately impacted disadvantaged families economically[40]. Given the latest 2019 parental survey figures indicate that 44% of the most disadvantaged families had difficulty paying for childcare[41], it is highly likely that these gaps will persist. Most worryingly, this is before the cost-of-living crisis that emerged most virulently this year. Supporting parents, especially disadvantaged parents, with young children is a pressing necessity.

The difficulty in accessing childcare also has significant implications for the labour market, and particularly so for women. According to the OECD, the financial disincentive to work when childcare costs are factored in amounts to 57% of earnings, compared an OECD average of 48%.[42] British families experience more of a penalty to enter the workforce than most. This is reflected in our labour market statistics, where many countries have either caught up to us or, like New Zealand and Germany, have surpassed the UK in terms of the female employment rate. In the latest Childhood and Early Years Parental Survey, "more affordable childcare" was cited as the most important change needed for parents to start using formal options.[43] Between 2010 and 2019, the proportion of parents indicating that they did not use childcare because of cost rose from 10% to 16%.[44]

The cost pressures on families also have implications in relation to the ability of young families to raise and have children. The 'fertility gap' in the UK, that is the difference between the number of children parents would *want* to have and the number of children they *actually* have is larger than the OECD and European averages. This is obviously sub-optimal and should be rectified.

35. May, Lizzie, *Some children arriving in primary education*. 13 June 2022. Link.
36. Tracey et al, *The impact of the COVID-19 pandemic on children's socio-emotional wellbeing and attainment during the Reception Year.*
37. La Valle et al. *Implications of COVID for Early Childhood Education and Care in England*. June 2022. Nuffield Foundation. Link.
38. Ibid.
39. Ibid.
40. Howes et al. *Poverty in the Pandemic: the impact of coronavirus on low-income families and children*. August 2020. Link.
41. DfE, *Childcare and Early Years Survey of Parents*, Table 4.3
42. OECD, *Financial disincentive to enter employment with childcare costs*. 2022. Link.
43. DfE, *Childcare and Early Years Survey of Parents 2019*, Table 5.19. Link.
44. Ibid.

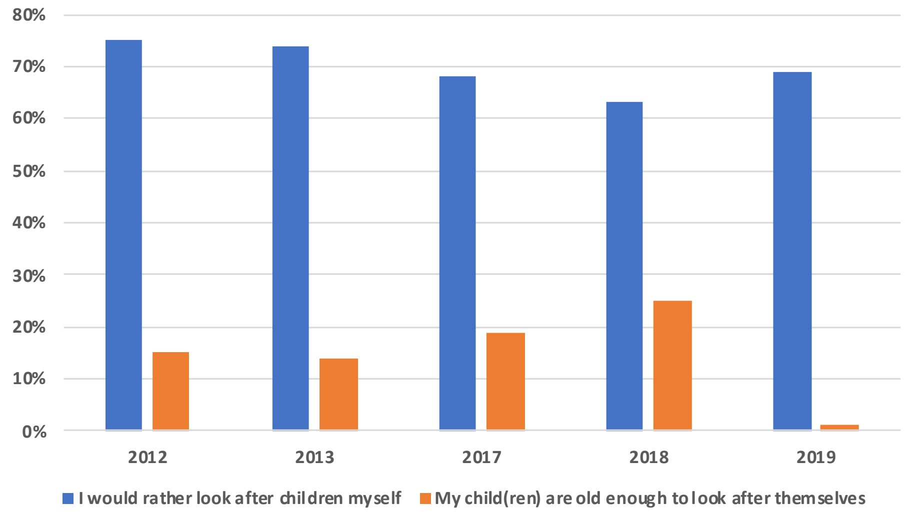
Figure 10: The Fertility Gap in OECD Countries



Source: OECD Family Database, SF2.2

Moreover, the way the United Kingdom delivers childcare support is not designed to support families directly. So, if parents are not able to find formal childcare, or it is too expensive, there are very few options. In fact, of those parents not using childcare, the overwhelming reason cited, across years, has been the desire to look after their own children, standing at 69% in the latest survey.

Figure 11: Reasons why No Childcare is Used, from Childcare and Early Years Survey of Parents



Source: Childcare and Early Years Survey of Parents

Most notably, the latest survey indicated that mothers are not being given an appropriate range of choices. Of working mothers, 65% agreed or strongly agreed with the statement that they would work fewer hours if they could afford it. Of non-working mothers, 60% agreed that they would prefer to go out to work if they found affordable childcare.[45] The revealing point here is that mothers clearly want flexibility in both directions – to be able to work outside the home, but to do so in ways that also give them time to look after children. The current system is clearly failing to

45. DfE, *Childcare and Early Years Survey of Parents 2019*. Table 8.1

deliver. In fact, the desire to work fewer hours has actually grown by 10 percentage points since the 2012 survey.[46]

In sum, childcare is too expensive, difficult to access, and ultimately the market has not been able to respond to the level of demand nor to the choices parents want. This is because childcare in the UK is

- Highly regulated
- Limits parental choice and involvement in formal settings
- Dependent on fragmented and prescriptive funding

These problems are not inherent to childcare markets; other countries manage quite well with lower costs. Yet the UK has consistently had a more expensive childcare market than Europe. In fact, England operates one of the most regulated and restrictive early childcare models in the developed world. As a result, a smart regulatory agenda can have a significant impact.

46. DfE, *Childcare and Early Years Survey of Parents 2012*. Table 9.14

Chapter 2: Childminders: An Underused Resource

Introduction

Childminders in the UK are a declining profession. In the last 10 years, the number of childminders has halved, and the number of places has fallen by more than a quarter. If childminder places had even just stayed constant over the last 10 years, there would be nearly 70,000 more childcare places in the early years market.[47]

The Government has been concerned about this trend and has tried direct incentives. For example, new childminders were eligible from 2013-2015 for a grant of £500 to kickstart their businesses. This had no discernible effect on improving childminder numbers. The number of childminders on the Early Years Register fell by nearly 9,000 between 2013 and 2016.

The lack of childminders is a serious problem, as childminders are usually more flexible and can meet changes in a parents' schedule more effectively. Coram attributes a loss of childminder places directly to a shortage of childcare for parents with atypical work patterns.[48]

This chapter sets out ways that childminders can be encouraged to stay in the profession, and how the Government can take steps to recruit more people into the profession. These include

- Varying the EYFS for the childminder profession
- Creating a Childminder register
- Embracing Childminder Agencies
- Ensuring greater flexibility for childminders to work outside the home, such as through the creation of childminder hubs.

47. Ofsted, *Early Years and Childcare Statistics, Childcare providers and inspections.* Taking data from 2009-2021. Link.
48. Rutter, Jill, *2016 Childcare Survey*, Family and Childcare Trust. 2016. Link.

What is a Childminder?
No. Registered in the UK: 31,200
Average Hourly Fee for a Child Under 2: £5.23[49]
Total Number of Registered Childcare Places: 193,000[50]
Childminders in the UK provide home-from-home childcare services for children. The legal definition is "a person who works with children for more than 2 hours a day in their own home for reward."[51]
To receive payment from the state, childminders must register with Ofsted in England and join one of two (or both) registers, the Early Years Register and/or the Childcare Register. The Early Years Register applies when a childminder is caring for children from birth to the 31st of August after their fifth birthday, and the Childcare Register is divided into two parts: the compulsory register for providers caring for children from 1 September after their 5th birthday until their 8th birthday, and a voluntary register to look after children 8 and older.[52]
Childminders can register directly with Ofsted, or register with an agency. The vast majority of childminders are registered directly with Ofsted at the moment.
Nearly three-quarters of childminders hold a level 3 qualification. 99% of childminders are female, and 39% were 50 or older.[53]
Cost of Registering and Training as a Childminder
Register on Ofsted: £35-£103
Criminal Record Check: £35
Checks for adults in home: £38 each
Criminal record check update service: £13/year
GP health declaration: c. £90
Training:£60-100

Key Challenges

There are a number of key challenges facing the childminder industry:

- **High levels of regulation that do not reflect the needs of the sector** This includes the EYFS, as well as the various challenges relating to the current registration system. Government has announced its intention to look at this issue, and this chapter explores ways the regulatory burden could be eased.
- **A lack of support and oversight** Childminders are often self-employed, and have to manage a large regulatory burden. Simultaneously, many receive only infrequent checks from Ofsted. Government should encourage childminders to join childminder agencies, which provide support and can ensure more oversight on a yearly basis.

49. DfE, *Childcare and early years providers survey: 2021*. LA Fees table, Table 1. Link.
50. DfE, *Survey of Childcare and Early Years Providers: Main Summary, England, 2021*. Link.
51. Childcare.co.uk, *What is a childminder*, Link.
52. Ofsted. *Childminders and childcare providers: register with Ofsted*. Link.
53. DfE, *Survey of Childcare and Early Years Providers: Main Summary*

- **A limited number of settings in which** childminders in the UK are restricted in where they can carry out work. This chapter looks at how another jurisdiction, France, has tackled this problem.

Addressing the EYFS for Childminders

The clearest burden in terms of regulation is the Early Years Foundation Stage (EYFS). This is a statutory framework designed to encourage "school readiness" and teaching and learning in early years. It is a highly structured framework against which all early years' providers are evaluated.

The EYFS is highly rigorous. It is to be implemented in all childcare early years' settings registered and assessed by Ofsted and is required in all settings receiving Government support via 15-hour and 30-hour free childcare. Institutions eligible to receive Tax-Free Childcare payments for children under 5 must follow the EYFS.

The EYFS makes the most sense for large institutional settings, especially in the context of the UK's relatively low qualification threshold to work in childcare settings. For example, to become a nursery worker in the UK, you need a level 3 NVQ in childcare and education, the equivalent of 2 A-levels. In many other European countries, nursey teachers must hold a minimum of a bachelor's degree in childcare and education.[54] In Poland and Portugal a master's degree is required to work in a nursery.[55]

The EYFS has also generated positive outcomes. Since the EYFS was introduced, developmental outcomes for children in childcare settings have improved[56], and it imposes strong standards on providers, which ensures a level playing field of quality.

However, the EYFS imposes a uniform standard in an undifferentiated way, meaning that the regulatory burden falls in acute ways on childminders. In a 2019 survey from the Early Years Alliance, 82% of childminders said they spent "too much" or "far too much" time on paperwork.[57] For childminders, more than 70% of professionals said that paperwork related to "observations and assessments" and "learning journeys" were over-burdensome, more than any other forms of childcare (although all forms of childcare found these elements over-burdensome).[58]

In a separate survey, the Family and Childcare Trust sought the views of childminders exiting the profession. Over half cited the increased paperwork as an "unreasonable burden".[59] Additionally, childminders found that they had seen a reduction of support from regulators. Some in particular cited Ofsted as being less responsive than local authorities (who had been the previous regulators). Another key point here was that, while childminders were expected to adhere to rigorous standards.

> *"there wasn't any support out there…and then [childminders] had to pay for training which was previously provided by the local authority" (former childminder).*[60]

This isn't to say that childminders don't want to adhere to some forms of regulation. In the majority of cases, the EYFS has helped guide professional practice and improved the experience of children. There

54. OECD, *Quality Childcare, Early Education Services*. 2019. Link.
55. Ibid.
56. Ofsted, *The Impact of the Early Years Foundation Stage*, 2011. Link.
57. Early Years Alliance, *Early Years Workload Survey 2019*. July 2019. Link.
58. Ibid.
59. Shorto, Sam and Landes, Alexandra, *Experiences of Former Childminders in London: Report for the Greater London Authority*, Family and Childcare Trust (Coram). Link.
60. Ibid.

is broad agreement that something like the EYFS should be kept. Most importantly, in our conversations with childminders, there was a belief that a strong regulatory framework ensured professional quality and gave childminders a strong framework through which to work.

However, these guidelines should reflect the resources and settings in which the care is carried out.

Recommendation 1: The Department of Education should undertake a review of the EYFS for childminders led by practitioners in the sector. It should aim to create a specific EYFS framework for childminders that reduces the regulatory burden and accurately reflects childminder resources. This process should address burdens around the 'learning journey' and 'observations and assessments in particular. The outcome of this process should be an EYFS document meant specifically for childminders.

Improving the Registration Process

Concurrently with problems related to the EYFS, the childminder registration process is needlessly complex. For a childminder to care for a child across ages, they have to complete three registration processes for the

- Early Years Register
- Childcare Register – Compulsory
- Childcare Register – Voluntary

Many of the requirements overlap. For example, the core childcare register requirement includes having a "a written child protection policy to safeguard the children you look after from abuse and neglect".[61] The EYFS states that "providers must have an implement a policy, and procedures, to safeguard children".[62] Similarly, the core requirements for the compulsory childcare register includes the need to "have a suitable place to prepare food, if you provide it: any food you provide must be properly prepared, wholesome and nutritious".[63] The EYFS states that "There must be an area which is adequately equipped to provide healthy meals, snacks and drinks for children as necessary".[64]

On top of this, the regulatory framework for childminders is inconsistent between the ages of 0 and 8. Childminders are inspected on both the compulsory childcare and the early years register. The only variation is that inspections for childminders on the compulsory register occur at random, or if there is a concern raised.[65] Thus, the minor variations between the registers neither justifies the regulatory fragmentation nor the maintenance of separate registers.

Recommendation 2: All childminders should be included on a new Childminder Register. This will reduce barriers felt by childminders and the state and create a specific registry for an important profession. It would also marry the new EYFS document with the requisite register. Childminder agencies would be required to ensure that any Childminders

61. Ofsted. *Childminders and childcare providers: register with Ofsted*. Link.
62. Department for Education, *Statutory Framework for the Early Years Foundation Stage*. 2021. Link.
63. Ofsted.
64. Department for Education.
65. Childminding UK, *Ofsted Registration*. Link.

without EYFS training would not be able to look after children for whom EYFS applies.

Embracing Childminder Agencies

These changes would make it significantly easier to be a childminder. However, it would not be enough to revive the sector in a way that balances regulatory oversight and flexibility. It is currently difficult to weigh these two imperatives in practice because there is a lack of institutional support.

For example, in other childcare settings, like daycare, childcare or after-school services, childcare workers operate within institutionalised settings with professional opportunities and colleague support. For many childminders who operate independently, no such support is forthcoming. Furthermore, the relatively intermittent Ofsted inspection process (once every three years in early years settings) makes it more difficult to ensure continuous improvements.

Moreover, a broader institutional network can provide much needed moral and emotional support to the profession, in a profession where a lack of support and isolation has been a major barrier. Childminder agencies can also be a way of defraying high childminder fees. Currently, a childminder can expect to pay £500-£1,000 to register as a childminder when they do so directly with Ofsted. This is due to the cost of GP, Ofsted, and criminal record checks, as well as first aid courses and childcare training that are required.

It is difficult to offer these services at scale, since each childminder registers separately. If a broader institutional framework could allow regular training, as well as streamlined services for completing checks, the childminder profession would be both easier to enter and it would ensure childminders stayed in the market.

The solution to both the problem of institutional support and streamlining entry is **to enhance the current system of childminder agencies**, which can encourage and support individuals in the profession, and which can provide regular professional opportunities to their sub-contractors.

This model has been very successful in the Netherlands, where childminder (*gastouder*) numbers have increased substantially in the last 15 years. Childminder ratios in the Netherlands are broadly similar to those in the UK[66], but childminders operate through agencies where they are required to be registered.[67]

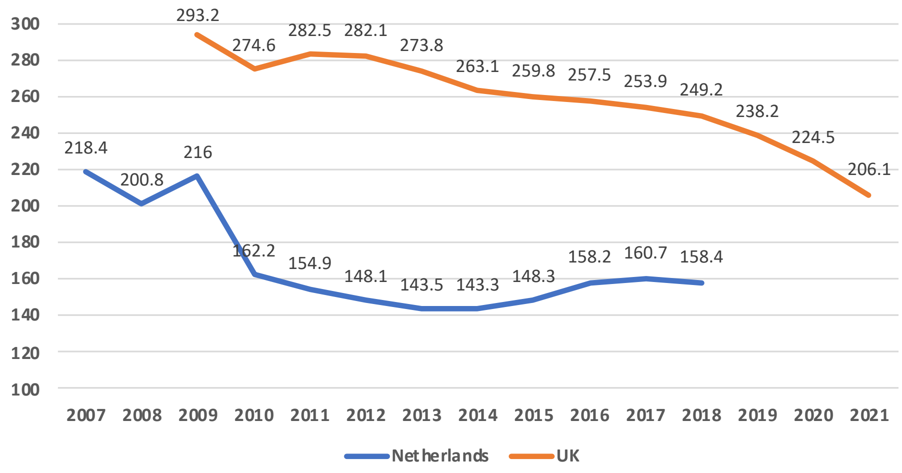
In the Netherlands, agencies provide basic supplies, manage payments, and mediate between parents and the childminder.[68] Childcare agencies employ *childcare mediators* who monitor conditions and ensure quality on behalf of the authorities. The state pays the agencies, and not the childminders directly. Agencies are also responsible for recruiting childminders and keeping them in business.

One apparent failing of the Dutch system is a fall in the number of childminders, from about 46,000 to 22,336 in 2021, or a fall of more than half. This would seem worse than the United Kingdom.

66. Business.gov.nl, *Requirements for childminders*. 2022. Link.
67. Ibid.
68. Queiroz, Catarina. *Childcare Options in the Netherlands: The Gastouder*. 2022. Link.

However, this is largely a result of education requirements introduced in 2010, as well as grandparents being removed from the system.[69] Indeed, the number of childminder places between 2010 and 2018 stayed roughly constant.[70] By comparison, the number of childminder places in the UK has fallen by nearly a fifth, or 68,500, between 2010 and 2021[71]. The side-by-side comparison is stark.

Figure 12: Number of Children In Receipt of Childcare Benefit Using Childminders, The Netherlands, vs the Number of Registered Childminder Places, UK



Source: CBS, Ofsted[72]

The UK also has childminder agencies, but they have a very limited role in the market. Ofsted statistics do not record how many childminders are registered with agencies, but we have rough figures. The CEO of @Home Childcare, and member of the Organisation for Childminding Agencies indicated there were about 524 childminders were registered or about to register in 2019, or 1.3% of all childminders.[73] As of the last inspection, there are 5 agencies with childminders on Ofsted's books in England.[74] Ofsted inspects Childminding agencies directly, who regularly supervise childminders. By comparison, there are 7 agencies alone in The Hague.[75]

69. Noordzij, Frida. *Gastouderopvang needs a "Deltaplan" for the future*. Gastouderbureau Via-Viela. 28.9.2021. Link.
70. CBS, *Reimbursement of childcare allowance increases in 2019*. Link.
71. Ofsted, *Early Years and Childcare Statistics, Childcare providers and inspections*. Taking data from 2009-2021
72. CBS, *Reimbursement of childcare allowance increases in 2019*. Link.
73. Oliver-Mighten, Yvette. *We are doing our bit to increase childminder numbers with our childminder agency*. 26 June 2019 Link.
74. Ofsted, *Official Statistics: Childcare providers and inspections as at 31 August 2021*, 30 November 2021. Link.
75. Rijksoverheid, *Zoek een kinderopvang*, Selected Soort: Gastouderbureau, Gemeente: 's-Gravenhage, and Status: Geregistreerd. 2022. Link.

The Dutch Model of Childminder Agencies
Number of Childminder Locations in 2017: 33,585[76]
Childminder agencies in the Netherlands are central to the childminding profession in that country. Childminder agencies are expected to regularly check in on childminders, ensure that childminders are following the correct protocols, and perform a cashier function, meaning that they process payments on behalf of the childminder.
Childcare in the Netherlands is funded by parents, the state, and by employers, unlike the British system.
There were significant problems with the creation of childminder agencies. In particular, after the 2005 reforms, many childminders were simply grandparents taking advantage of new subsidies, which created huge deadweight cost.[77] The subsidy model continues in the form of *kinderopvangtoeslag* – funding follows the child. Childminders may work in other premises.
Another failure was that childminder agencies were used as a form of deregulation without necessarily the right amount of oversight, with the number of providers judged unsatisfactory rising to 49% by 2008.[78]
Childminders in the Netherlands are required to have a diploma, but this can be from a whole range of professions and includes secondary vocational qualifications. The Dutch Government lists over 100 qualifications that are included as training.[79]
In the Netherlands, childminders are now inspected by the GGD (Municipal Health Service).[80] Childminder agency inspections occur annually.

Currently, the agency model in the UK suffers from

- No clear policy rationale and no dedicated funding streams
- Overlapping responsibility with Ofsted

Childminder agencies in the UK do not receive Government funding and are ultimately not required to deliver any specific set of training or professional development responsibilities. However, they do fulfil important functions:

- Childminders need help with paperwork, administration, and the ancillary costs of running a business, and registering to be a childminder. Agencies assist in these responsibilities and in some cases can expedite the process
- Loneliness and isolation have been cited as key challenges for childminders. PACEY notes that "some find the lack of adult contact can leave them feeling isolated, which negatively affects their wellbeing."[81]
- Childminders assist in recruiting and training childminders, and currently interact more frequently than Ofsted with Childminders. For example, Tiney visits every childminder in their care at least once a year.[82]

81. PACEY, *Lone Ranger*, 2017. Link.
82. Tiney, *Why choose a tiney childminder*, 2022. Link.
76. Nederlands Jeugdinstituut, *Figures about childminder care*. 2022. Link.
77. Lewis et al. *"Learning from others": English proposals for early years' education and care reform and policy transfer from France and the Netherlands, 2010-2015*. 2017. Link.
78. Cooke, Graham and Henehan, Kathleen. *Double Dutch: The case against deregulation and demand-led funding in childcare*. 2012. Link.
79. At Eurydice, *Lijst van kawlificerende opleidingen voor het beroep van gastouder*. 2022. Link.
80. Business.gov.nl. *Municipal health service GGD inspection of childcare facilities*. 2022. Link.

- Agencies are able to set company-wide policies, which can ensure similar standards.
- Can intervene to support weaker childminders – this is included in samples when inspected by Ofsted[83]

Yet, despite these benefits, agencies are undercut by Ofsted, who charge a £35 flat fee for childminders to register directly with Ofsted. Because childminder agencies offer a spectrum of support, up-front fees may be higher, providing a huge disincentive to registration thanks to state-sponsored competition. This direct route renders childminder agencies a "nice-to-have" rather than a key part of the landscape.

Childminder agencies should instead be viewed as essential to improve the working conditions for childminders and to expanding the childminder workforce. Because they see childminders more regularly than Ofsted, they can also be the vehicle for more flexible childcare ratios and arrangements. Tiney, a leading childminding agency, for example, sees each childminder at least once a year, along with two professional development days.

Moreover, the state should fund childminder agencies to recruit more people into the profession. In particular, Government should re-purpose some of the money from the Tax-Free Childcare underspend (discussed in Chapter 4), and fund childminder agencies to defray the cost of registering new childminders. Government has already stated that it wants to defray the cost of registering for childminders, and to encourage the growth of Childminder agencies.[84] By funding childminder agencies directly, Government could defray the agency registration costs, and expand this part of the sector. An initial £100 million over 2-3 years, with a subsidy of £1,000 per childminder recruited by an agency to defray costs, could attract thousands of additional childminders to the profession.

The Government should also explore using childminder agencies to deliver the current 15- and 30-hour funding formulas for childminders, which currently operate through Local Authorities. This would further support childminder agencies and would mirror the system currently used in the Netherlands.

Childminder agencies are a way to professionalise a key part of the childcare market. Through this professionalisation there is the opportunity to enhance regulatory flexibility.

Recommendation 3: Childminder Agencies should register all new childminders, and Ofsted should gradually withdraw from registering and inspecting Childminders. A childminder register should be maintained and should include every childminder. Registration should be automatic via the agency process. The list should be maintained by Ofsted, but registrations are processed by the Childminder agencies.

Recommendation 4: Local authorities and schools should be able to register as childminder agencies. Not all schools or local authorities would exercise this option, but it would ensure that some settings would be able to provide additional wrap-around care.

Recommendation 5: Current childminders should be given 5 years

83. Ofsted, *Childminder Agencies: inspection guidance*. 17 June 2021. Link.
84. DfE, *Drive to reduce the cost of childcare for parents*. 4 July 2022. Link.

to register with agencies. It should be expected that all Childminders will eventually be placed under the supervision of these organisations. Childminders registered with Ofsted who are judged to be 'requires improvement' or 'inadequate' should be required to register without delay with an agency to receive additional support and training. Ofsted should collect and make public on a regular basis the number of childminders registered with childminder agencies.

Recommendation 6: Government should redirect £100 million from the current Tax-Free Childcare underspend to incentivise and invest in childminder agency capabilities. This should be structured as an incentive, so that for every new childminder recruited an agency would receive a set incentive from the state. Assuming a £1,000 subsidy per new childminder, Government could aim to recruit 10,000 new childminders a year. Furthermore, Government should review the feasibility of delivering 15- and 30-hour care directly through childminder agencies.

Recommendation 7: Childminder agencies judged effective by Ofsted should be able to work with Ofsted to flex childminder rules. Childminder agencies offer a way to professionalise the childminder profession and are an opportunity to continually improve the regulatory framework.

Ensuring Quality Within Agencies

One problem a move to childminder agencies should seek to avoid is to lower standards in the childminder professional precipitously. This occurred after the Netherlands completely reformed the childcare market in 2005.[85]

What should not be allowed to happen is a situation where childminder agencies are self-regulated to such an extent that they 'mark their own homework' on safety and suitability checks on an ongoing basis. 97% of childminders were judged Good or Outstanding in the latest published inspection round[86], and this should not be jeopardised.

At the same time, the fact that striking someone off the register could very well deprive them of a livelihood can invite significant legal challenge and imposes a judicial review cost burden which may not be borne by a private entity. As such, childminder agencies would have an in-built incentive to avoid striking off underperforming, unsafe or profoundly inadequate providers.

As a result, Ofsted should continue to maintain a role in the registration regime and should retain the final authority to strike off providers from the childminder registry. Under the Childcare (Childminder Agencies) (Cancellation etc.) Regulations 2014, childminder agencies currently have the power to cancel the registration of a childminder. This should continue, but the agency should be required to notify Ofsted, and allow the possibility of an Ofsted investigation should the childminder facing cancellation request one.

Recommendation 8: Ofsted should maintain a role in inspection and maintenance of the new childminder register. The 2014 Childcare

85. Cooke and Henehan, 2012.
86. Ofsted, *Main findings: childcare providers and inspections as at 31 March 2022*. 29 June 2022. Link.

regulations should be amended to ensure that childminder agencies notify Ofsted of decisions to cancel a childminder's registration. Ofsted should be permitted (but not required) to investigate and render a final decision. This would ensure the state always has an ability to monitor safeguarding issues.

Greater Flexibility for Childminders

The final element of the childminder profession that should be examined is how childminding is carried out.

In the UK, childminding must be carried out on domestic premises, with three or fewer adults.[87] If there are more than 3 adults, childminders must either register with a childminder agency or perform "childcare on domestic premises", which is effectively a "mini-nursery".[88] Childminders are able to vary the location, but it can only be on non-domestic premises for at most 50% of the time. This is not necessarily the case in other countries – and in particular the French model offers a way to childmind in more settings and bring regulatory flexibility.

Being a Childminder in France

Total Number of *Assistants Maternels*, 2019: 256,000[89]

Assistants maternels is the direct translation of childminder into French, however, in terms of flexibility and how a childminder might work, it is not a direct equivalent.

As in the UK, Assistants maternels do not necessarily require a childcare qualification a qualification, but do have to undergo training. To become an *assistant*, a candidate must under 120 hours of training. This training is delivered in two stages. The first 80 hours occurs over 6 months, after which an *assistant* can look after children. The following 40 hours are completed in the next three years, once the childminder is able to welcome children.[90] This requirement is waived with an early childhood aptitude certificate.[91]

In Britain, training is delivered by the local council and can vary. However, there is similarly no formal requirement. In Britain, the childcare ratio is at maximum six children, with variations in relation to age. In France the ratio is usually set at four children, rising to six in some cases.[92]Where childminders and *assistants maternels* are distinctly different is that *assistants* can work outside the home, in specific centres known as *maisons d'assistants maternels*. Unlike any common arrangement in the United Kingdom, in these centres parents pay the childminders directly. In effect, they might be an equivalent to a parent run nursery in the UK, but where the childminders are paid as self-employed people by the parents. In the French context, parents are expected to pay according to the *Convention collective nationale des assistants maternels*.[93]

Childminders are further supported in the French context by *relais d'assistants maternels* (RAMs), or what are now called *relais de petites enfances* (RPEs). These function in a similar way to what was sure start or the new baby hubs – providing an opportunity for childminders and other child caregivers to compare notes and share best practice. There are around 3,000 around the country.[94]

As such, MAMs deliver maximum flexibility to parents, by letting them employ directly in a nursery-like setting, and flexibility to childminders, who are no longer confined to one premises.

87. Ofsted, *Childminders and childcare providers: register with Ofsted*. 4 April 2022.
88. PACEY, *Childcare on domestic premises – England only*. Link.
89. ACOSS, *Le Recul de l'Emploi Direct des Particuliers Employeurs Continue en 2019*. December 2020. Link.
90. Service-Public.fr, *Comment avoir l'agrément pour devenir assistante maternelle?*. 15 January 2022. Link.
91. *Certificate 'daptitude professionelle 'Accompagnement éducatife petite enfance.*
92. Légifrance, *Code de l'action sociale et des familles*. 24 June 2022. Link.
93. Partnaire, *L'assistante maternelle*. 2022. Link.
94. Monenfant.fr, *Les relais petite enfance*. 2022. Link.

MAMs are designed as places where childminders (*assistants maternels*)[95] can practice their profession outside the home, and were created by law on the 9th of June 2010.[96]

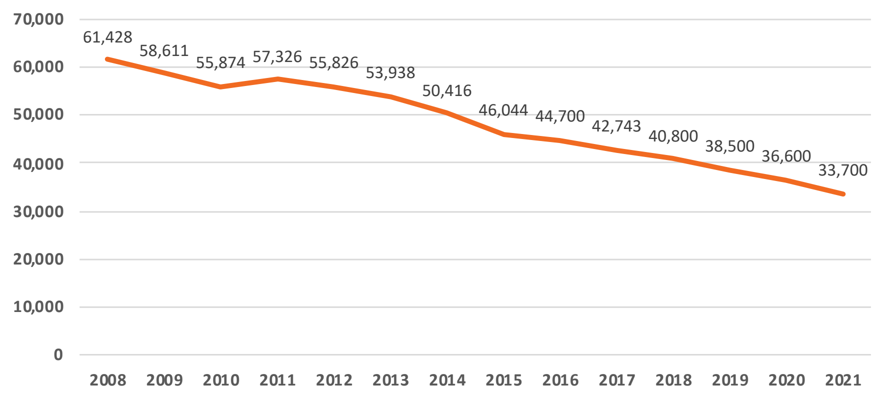
Childminders in France are entitled to join together in groups of at most four childminders under the same terms as of the childminder was at home, to a maximum of four children. Childminders are employed directly by parents, rather than by the crèche or nursery. To ensure flexibility, childminders can share responsibility for children by written agreement.[97]

The ministerial guidance for MAMs list three policy reasons for their adoption:

- To allow childminders to avoid the isolation they can feel when they exercise their duties at home
- Gives childminders the possibility to continue working when their domestic arrangements might not be compatible with welcoming young children into their home
- Make up for a lack of suitable childcare options in a region or neighbourhood[98] [99]

Remarkably, these policy reasons line up very well with the evidence that childminders in the UK themselves have submitted. As stated previously, childminders cite lack of support, isolation and no institutional networks as key challenges.[100] However, the only contexts where, currently, childminders can operate consistently are on domestic premises, and if more than 3 childminders wish to operate together, they automatically fall under 'childcare on domestic premises', a much more restrictive classification.

Figure 13: Registered Childminders in the UK



Source: Ofsted[101]

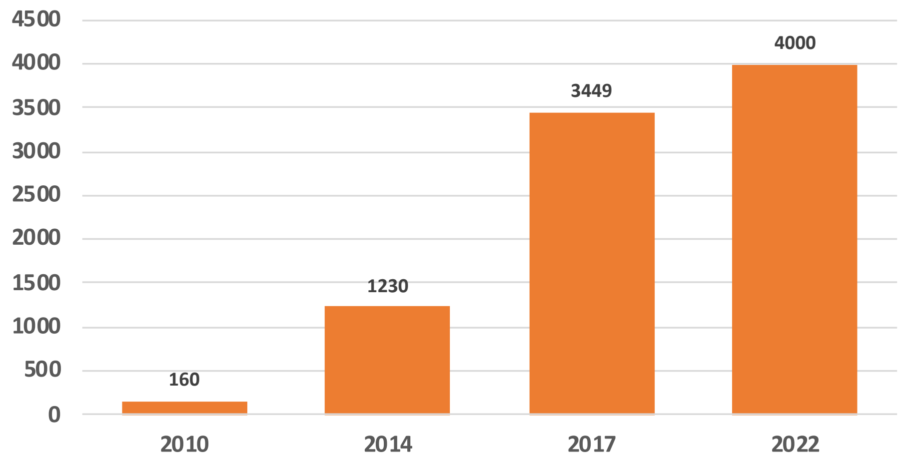
In the French case, the increased flexibility in the childminder sector has been hugely helpful and in fact there has been a far smaller reduction in numbers, proportionally in the number of childminders than the UK.

95. We recognise that the majority of *assistants maternels* are women. However, Policy Exchange uses the masculine gender consistently in this text for ease of conjugation, and because some texts employ the feminine gender in relation to the profession. We have decided to use the masculine gender for uniformity only.
96. Reves de Libellule, *Maisons d'assistants maternels (MAM): what is it?*. Link.
97. Monenfant.fr. *Maison d'assistants maternels (MAM)*, 7 February 2019. Link.
98. Translation completed by Connor MacDonald (author).
99. Ministère des familles, de l'enfance et des droits des femmes. *Guide Ministériel: Maisons d'assistants maternels.* March 2016. Link. pg. 12.
100. See Chapter 2: Childminders
101. Ofsted, *Early Years and childcare statistics.* Link. August numbers used for years after 2014. September used from 2009-2014. December numbers used for 2008.

Between 2008 and 2019, the number of assistant maternels has fallen by 30,000 or 10%, compared to a 40% drop in the UK over that period. Moreover, in 2019 France had more childminder hours than in 2008, despite a reduction in the number of AMs.[102]

MAMs have also proved exceptionally popular. From 160 venues in 160, by 2014 this had increased nearly 10-fold to 1230.[103] By 2017 this had risen to 3449[104] and by 2022 there were 4000 sites in France.[105] This explosive growth is not surprising. The regulatory regime is light; the French Senate calling it "light and supple" and an "innovative solution".[106] This is not surprising, MAMs were tested before their full introduction in 2010, with a 4 year pilot period prior.[107] While letting childminders work completely out of non-domestic premises may be radical in the UK, it is not in France, and is in fact very popular.

Figure 14: Number of Maisons d'Assistants Maternels in France



Source: Various

Another problem that occurs in the UK, which has been raised by childminders and professionals when speaking to us, is that many individuals currently live in domestic premises that do not allow them to be childminders. For example, there are some councils where it is prohibited to run a business from a council estate or subsidised housing. This includes childminding businesses. As a result, there are reports of communities in lower-income areas being deprived of local, personal childminder services. More flexibility in how this work can be carried out – both at home and in hubs, is necessary.

102. ACOSS, *Le recul de l'emploi direct des particuliers employeurs continue en 2019*. December 2020. Link.

103. Ministère de Santé et de la prevention, *Guide relative aux maisons d'assistants maternels à l'usage des PMIs et des assistant maternels.* 23 August 2016. Link.

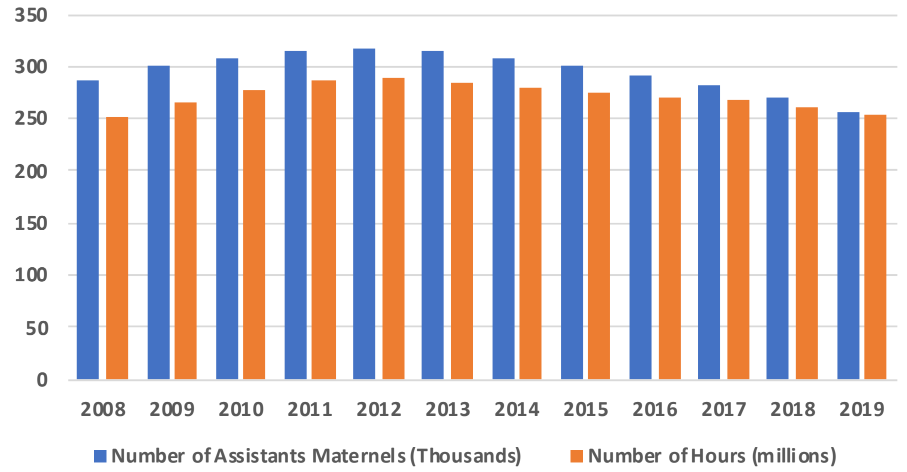
104. Petitenfance, *Les Maisons d'assistants maternels: l'age de raison!* 2017. Link.

105. Delhon, Laetitia, *Vers un nouveau référentiel pour les MAM en septembre*. L'assmat. 24 June 2022. Link.

106. Sénat, *Les maisons d'assistants maternels: une solution innovante pour un accueil de proximité et de qualité*. Link.

107. Sénat, 2022.

Figure 15: Number of Assistants Maternels and their Hours, France



Source: ACOSS[108]

An important point raised by the French example too is that there could be ways to bring more childminders into the workforce if the options for delivering care are expanded. Currently, there are many people, especially women, who, for whatever reason, don't live in the personal circumstances to allow children into their home. This shouldn't bar them from being able to operate as childminders and for parents to use their services. Bringing MAMs to England would be an excellent way to allow more childminders into the workforce.

It would also, as already mentioned, help encourage childminders already working to stay in their profession. By allowing for childminders to operate off-site, together, networks could be build alongside the new networks being created by strengthened childminder agencies.

Furthermore, the environment offers a middle-point between institutionalised care and care in the home. When the French Senate examined this issue, it noted that offers an "adapted and secure space… more personalised than an establishment where an adult can see five to eight children. At the same time, MAMs help socialise children…".[109] The Senate Commission examining MAMs noted that helped diffuse best practice, a lack of administrative hierarchy, and its small cost relative to other forms of institutionalised care.[110]

Most importantly, the creation of off-site childminder centres would give parents more choice, allowing them to group together with other parents and be involved in the care of their own children, while supported by government funding. Currently, parents are very limited in the kinds of institutionalised care currently subsidised by England's childcare offer. Moreover, because of the relatively limited parental involvement in many childcare arrangements, there is limited scope to flexibly loosen regulations in ways that fully involve parents in decision-making. Because the MAM model involves parents directly employing the childminders, but off-site, there is substantial scope to respond directly to parental needs. In particular, one of the definite benefits cited for MAMs is that they can be

108. ACOSS, *Le recul de l'emploi direct des particuliers employeurs continue en 2019*. December 2022.

109. Sénat, *Les maisons d'assistants maternels: une solution innovante pour un accueil de proximité et de qualité*, Remarks of Senator Michelle Meunier, Co-Rapporteur of the Commission of Examination. 8 June 2016. Link.

110. Ibid.

open very early in the morning, starting at 0400h.[111]

In short, MAMs offer

- Better networks for childminders in the local community, encouraging recruitment and retention
- Opportunities for children to balance individualised and community learning
- The potential for regulatory flexibility with full parental involvement

The lack of a similar option in the UK is an excellent demonstration of the inflexibility inherent in the UK's regulatory framework. Moving away would make a significant difference.

Recommendation 9: Eliminate the 50%-time requirement for premises designated 'childminder hubs'. This would allow childminders to operate from a wider variety of settings, and crucially create specific settings where the profession could be carried out. Childminder hubs would allow a maximum of 4 childminders on site, with a maximum of 4 children each. This could also be a site of regulatory flexibility, and Ofsted should review the potential of off-site spaces for changes in the EYFS related to childminders.

Recommendation 10: Change regulations regarding council housing to allow childminding to be conducted on social housing premises without exception, so long as they meet the required childcare criteria. Government should also review whether a similar presumption should be included in private rented accommodation. This would in particular help communities where there is weaker provision, such as lower-income neighbourhoods and council estates.

111. Airnounou, *Les avantages et inconvénients de la Maison d'Assistants Maternels?* 24 March 2022. Link.

Chapter 3: Expanding Childcare Access Across the Board

Introduction

Addressing the childminder challenge will not, on its own, fix the current challenge in the childcare market. There are also serious regulatory barriers increasing the cost and hindering the take-up of childcare programmes. This is particularly the case at the lower end of the income distribution. Government should address questions around ratios, and make it easier to access support for wrap-around care.

This Chapter examines these questions by

- Surveying evidence related to childcare ratios and educational outcomes
- Ways to reduce the regulatory burden while ensuring quality and maintaining child safeguarding
- Finding ways to give older children more opportunity in the current system, and making Tax-Free Childcare more accessible for older children

The Current Childcare Regulatory Regime in England		
Setting	**Ratios**	**Staff Qualifications**
Non-Domestic Premises (Nurseries and Daycares)	**Age 0-1** 1:3 **Age 2** 1:4 **Age 3+ where one member of staff working with children has a Level 6 qualification:** 1:13 **Age 3+ where there is no staff member with a level 6 qualification:** 1:8	**Nursery Assistant or equivalent:** Level 2 Certificate **Nursery Supervisor, Deputy Manager or Equivalent:** Level 3 **Nursery Manager or Nursery Owner:** Level 4/5 **Senior Roles:** Level 6 (Graduate/Degree qualification)[112] Staff are required to a paediatric first aid certificate and DBS check.[113]
Childminders	1:6 But only 3 may be below 5 There should be only 1 child below the age of 1.	Must take a course to care for children. No formal qualification. First aid course, enhanced DBS check[114]

112. PACEY, *Qualifications and Career Progression.* Link.
113. DfE, Guidance: Early Years Qualifications and Ratios
114. Gov.uk, *Become a childminder or nanny (England).* Link.

Balancing Ratio Reform with Outcomes

A key aspect of where changes need to be made is in terms of childcare staff-child ratios. The UK is an outlier in this regard.

The policy rationale for change is clear. A major meta-study of childcare ratios in the United States found "few, if any, relationships between child-staff ratios in preschool ECEC programs and children's developmental outcomes".[115]

Indeed, this is reflected in official reports from other Governments who have looked at childcare closely. For example, the Government of Canada, which has recently introduced a national childcare scheme has stated in its analysis that "research cannot provide a sound empirical basis for recommending universally appropriate group sizes or optimal child-staff ratios."[116]

Similarly, the Australian Productivity Commission has noted that "…it is impossible to tell whether they have been set at appropriate levels. This is because there is limited evidence to support specific settings for these requirements or to reliably quantify their benefits."[117] When Australia was designing a national childcare inspection framework, it noted that "the optimal standard for these variables and the quantitative difference in educational outcomes associated with different levels is unclear."[118]

There is also empirical evidence from the United States relating to the cost of childcare ratios and other 'structural' forms of regulation on the sector. One study found that a one-infant increase in the child-staff ratio reduced costs of care between £850-$1890 (between 9% and 20%), while being less effective in improving quality.[119] The effect was also present for four-year-olds, although here the cost reduction is only between 2% and 4.7%.

In a broader sense, the effectiveness of strong regulatory regimes should be considered when it comes to cost. As mentioned, Australia adopted a unified national framework in 2009-2010. In some cases, this reduced ratios from 1:10 to 1:5[120] for a 2-3 year old child. This imposed significant new regulatory burdens. These burdens were highlighted in a 2018 Senate Report, who noted in evidence that these changes "resulted in many services charging higher fees for this age group…the resulting reduction in the availability of affordable childcare places in the under 3 age group does not appear to have been considered."[121]

Compare this to Canada, which continues to have a very strong record in terms of closing the developmental gap. In 2011, the Ofsted Early Years Annual Report found that the UK had a developmental gap almost twice as large between the poorest and richest students as Canada.[122] Yet, unlike Australia and the UK, Canada operates a light-touch regime. There is no national framework. For example, settings under five children in Ontario, Canada's largest province, need not be inspected.[123] Furthermore, Ontario's rough equivalent to the EYFS, the 'Pedagogy for the Early Years' is framed as a "professional learning resource guide", rather than a document on which centres will be inspected.[124] Ratios are higher, with Ontario operating a ratio of 3:10 for infants, of which only one adult has

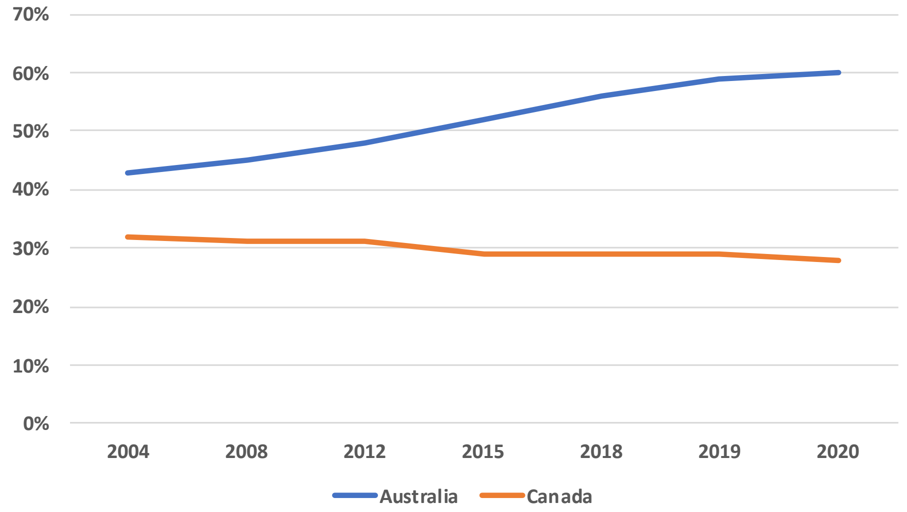
115. Perlman et al, *Child-Staff Ratios in Early Childhood Education and Care Settings and Child Outcomes: A Systematic Revie and Meta-analysis*. 2017. *PLoS One*, 12(1): e0170256. Link.
116. Government of Canada, *Defining and measuring the quality of Early Learning and Child Care: A literature review*. 2019. Link.
117. Productivity Commission, *Childcare and Early Childhood Learning*. Productivity Commission Inquiry Report Volume 2. 31 October 2014. Link.
118. COAG, *Regulation Impact Statement for Early Childhood Education and Care Quality Reforms*, COAG Decision RIS December 2009. Link.
119. Thomas, Diana and Gorry, Devon. *Regulation and the Cost of Child Care*. Mercatus Center, George Mason University. August 2015. Link.
120. Ibid, compared to current Australian regulation.
121. Select Committee on Red Tape, *Effect of red tape on child care*, Senate of Australia. August 2018. Link.
122. Ofsted, *The report of Her Majesty's Chief Inspector of Education, Children's Services and Skills*. 2011. Link.
123. Government of Ontario, *Types of child care*. 2022. Link.
124. Government of Ontario, *How Does Learning Happen? Ontario's Pedagogy for the Early Years*. 2014. Link.

to be qualified.[125] In Quebec, Canada's province with the longest running state childcare programme, the allowed ratio of children under seventeen months is 1:5.[126]

So over the last 10 years, Canada and Australia have had strong early years education, but with very different regulatory approaches. What has happened to cost? Here, the winner is undeniable.

As seen in the figure below, costs as a percentage of income have fallen significantly in Canada and risen dramatically in Australia. Embracing a more rigid regulatory approach likely directly impacted costs, whereas Canada's flexible approach has helped keep costs down. This bodes well for the UK – regulatory reform can have an impact on price.

Figure 16: Gross Fees of Childcare Facilities as a Percentage of the Average Wage



Source: OECD[127]

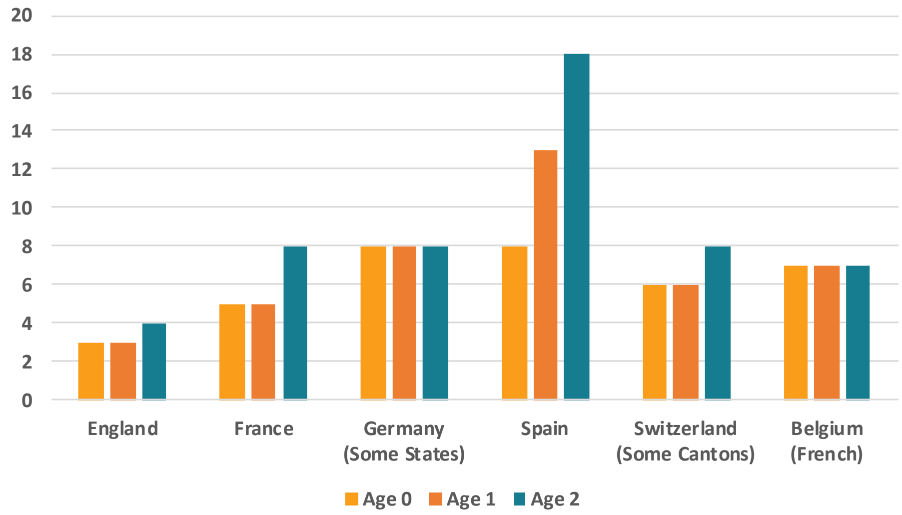
As we have said from the beginning, the UK has long had a relatively regulated childcare market, and this is marked when it comes to ratios. Annex 2 shows the extent to which the UK, and England in particular remains an outlier, but the below figure includes just a few countries that have similar educational outcomes.

125. Government of Ontario, *Child Care Centre Licensing Manual*. 2019. Link.

126. Finding Quality Childcare, *Quebec*. 2022. Link.

127. Gross fees as a percentage of the average wage. Link.

Figure 17: Staff-Child Ratios - Select European Countries



Source: Eurydice[128]

Scotland has also recently moved to a ratio of staff to two-year-olds of 1:5. There appears to be no evidence that this has had a negative impact. At the very least, this should post serious questions for England.

In short

- There is a clear rationale to loosen staff-child ratios in the UK, due to the impact on cost and because there is unclear evidence as to their educational and developmental impact
- Regulation can significantly impact childcare costs, as shown in the Canadian and Australian examples

Ensuring Quality

There is however one caveat to this argument, which is related to educational qualifications. In many European countries with looser ratios, a bachelor's degree in childcare and education is required to enter the ECEC profession.[129] In Norway, Estonia, Denmark, Belgium and Germany a bachelor's degree level qualification is required to become an early years educator; in France and Finland, Portugal and Poland a master degree is required in institutional settings.[130] As such, a higher degree of qualification can often empower larger and more relaxed ratios, as educators are better equipped to handle larger groups of children.

In this sense, the UK has made a different policy trade-off. Strict inspection and regulatory requirements are balanced against relatively few qualification requirements. As such, it is not that other countries have fully de-regulated, it is rather that in many cases institutional settings rely on a more highly qualified workforce. This is not true in all settings. As stated in the previous chapter, childminders in France do not require any degree qualifications, nor do they in the Netherlands. In those specific instances, though, parents have a greater degree of oversight, as parents

128. Eurydice, *Key Data on Early Childhood Education and Care in Europe*, 2019 Edition. Link.

129. OECD, *Quality of Care and Early Education Services*, 4 link

130. Ibid

contract with childminder agencies or the childminders directly.

Finally, it is not necessarily the case that there are many childcare settings in England that are chomping at the bit to deregulate. According to the latest survey of Early Childhood Providers, there were numerous reports where settings were set up to be more generous than the minimum:

- 11% reported a staff-child ratio of less than 1:3 for under twos
- 22% had a ratio of less than 1:4 for 2 year olds
- 39% reported a ratio of less than 1:8 for three and four year olds
- 33% of school based settings reported smaller than 1:8 ratios for 3 and four year olds.[131]

Especially for 3-4 year olds, it is therefore unclear what impact ratios alone might have on the sector in the context of general deregulation. Moreover, in our discussions with childcare providers and others involved in regulating the sector, there were specific worries that low-performing settings, particularly in deprived areas, might relax ratios in ways that impact the quality and equity of provision. Ratio expansion should not be used to support underperforming establishments.

Recommendation 11: England should move to expand ratios in line with those already in place in Scotland. This change would mean moving from a ratio of 1:4 to a ratio of 1:5 for two-year olds. There is little evidence that this change has had an adverse effect.

Recommendation 12: Ratios should be allowed to be expanded further for Ofsted settings found to be Good or Outstanding. In Good settings this should be subject to Ofsted approval. This could be accomplished by changing EYFS guidance to allow settings to relax their ratios not simply "in exceptional circumstances" but where there is "a legitimate educational or developmental aim".

Recommendation 13: In all settings, the children of the childminder or staff themselves should not be included in the overall ratio. Further to this, childminders should be compensated for relatives who are not direct relations who make use of their services, if they count towards the ratios. At the moment, relatives of childminders are restricted in receiving early years and childcare funding for the care they receive from childminders. If this is the case, those children should be removed from the ratio under which the childminder works.

Giving Older Children More Opportunity

A final piece of the puzzle relates to the opportunities children have for holiday and wrap-around care. This is especially true of older children. While there are no childcare offers like the 15- and 30- hour offers in the UK context, many families can still receive support for childcare costs via the Universal Credit Childcare Element.

However, there are significant limits to how effective this intervention is for the poorest families, mostly because many programs are not actually eligible for the Universal Credit childcare element, and more broadly the

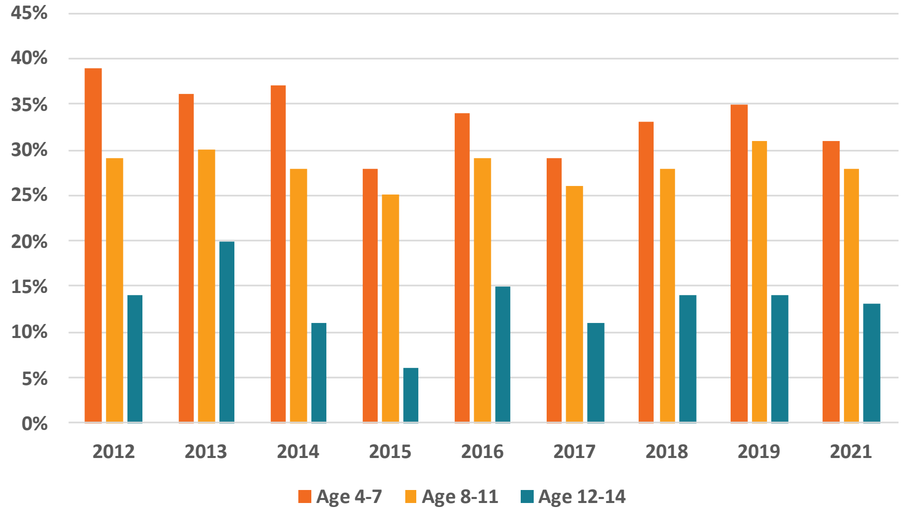
131. DfE, *Survey of Childcare and Early Years Providers: Main Summary, England, 2021*

lack of provision in this area.

We saw in the introduction how holiday and after-school provision has risen significantly in cost.[132] The cost of holiday provision has risen 39% in the last 11 years, and after-school provision has increased by 45%. Despite these large increases, there remains wholly inadequate provision.

For example, in the latest Family and Childcare Trust Holiday Childcare survey, only 31% of local authorities indicated that they had adequate provision in all areas for 4-7 year olds in holidays, falling to 13% for children 12-14.[133] Incredibly, a large proportion – sometimes a majority depending on the category – of local authorities did not know if they had adequate provision or not.[134]

Figure 18: Sufficiency of Provision - Holiday Childcare in England, Survey of Local Authorities



Source: Family and Childcare Trust

Over the past decade, the situation has not budged, and provision continues to be weak, especially for older children. This is also reflected in regular childcare during the year. In terms of after-school provision, in both 2021 and 2022, only 26% of local authorities indicated they had sufficient after school provision for 5-11 year olds, and only 13% indicated they had sufficient provision for 12-14 year olds.[135]

What is most difficult in relation to the lack of sufficiency is the fact that registers for these sorts of provision are fragmented or not useful. This is because there is no centralised list for after-school childcare, especially for children older than 8. This is because the voluntary register covers many of these activities. For the purposes of wrap-around care, the voluntary register covers

132. See Figures 4 and 5.

133. Shorto et al, *Holiday Childcare Survey 2021*. Link.

134. ibid

135. Coleman et al, *Childcare Survey 2022*. 2022. Link.

- Children at least 3 years old if the club or group tutor, coach or run a club with activities such as sports, performing arts, arts and crafts and school study
- Children under 8 if the club or groups looks after children for 14 days or less each or year for 4 hours or less each day
- Children who are 8 or more and the club only looks after children who are 8 or more and is are not covered by another kind of childcare provider[136]

But because the register is voluntary, it is highly likely that many settings are not covered. The voluntary register costs £114 a year to join, and at least one person caring for the children on the premises must have

- A paediatric first-aid certificate
- Training in 'common core skills' or a level 2 childcare qualification

In many circumstances, such as, for example, a violin club or chess club, there would be very little justification for a professional to register in these contexts. As such, there are likely many providers not known to the authorities.

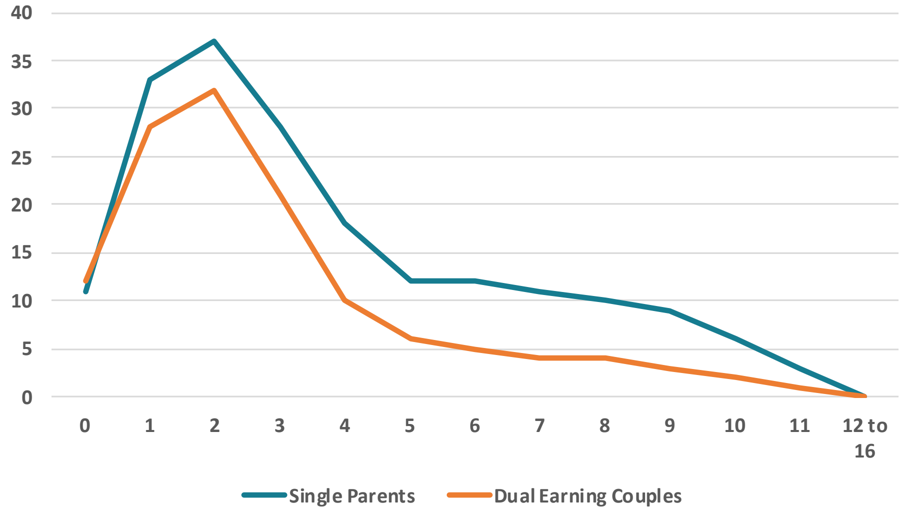
This is a significant problem for the many children from disadvantaged backgrounds who might very well be able to qualify for the childcare element of Universal Credit but are unable to. Being on the childcare register is necessary for parents to claim the childcare element of Universal Credit. But as a result of the ad hoc nature of the voluntary register, it is likely that many parents are not able to take advantage.

The shift from the compulsory Early Years Register to the voluntary system is likely part of the reason why childcare element claims decline precipitously as children get older.

In the latest Universal Credit statistics, the proportion of dual earner households with children where the youngest child is aged 6 receiving the childcare element was 5%, compared to 32% when the child was aged 2. The figure below gives the full picture, which is stark.

136. Ofsted, *Guidance: Qualifying for the voluntary part of the Childcare Register*. Link.

Figure 19: Proportion of Households Being Paid Childcare Element of Universal Credit, February 2022



Source: DWP[137]

This decline suggests that there are many parents who might be able to use the UC childcare element but are unable to due to the lack of provision and places on the voluntary register. It's clear that provision is not adequate to begin with and requiring registration on the voluntary or schools register does not give parents the options they deserve.

There are many organisations, such as football clubs, conservatories, neighbourhood organisations and charities and other similar organisations that could and should be eligible for the childcare element of Universal Credit. Given that these are in many cases community endeavours and initiatives, and do not necessarily fulfil a straightforwardly 'educational' purpose in the way schools or nurseries do, it is not clear why Ofsted should be the gatekeeper for supporting families in terms of after-school and holiday clubs.

Instead, child safeguarding – of paramount importance – can be continued by the presence of DBS checks. Additionally, local institutions, like schools or local councils should vouch for the validity and safety of the programmes in question. Failing that, DWP should be able to take a role in verifying programmes, as they are ultimately paying out the benefit.

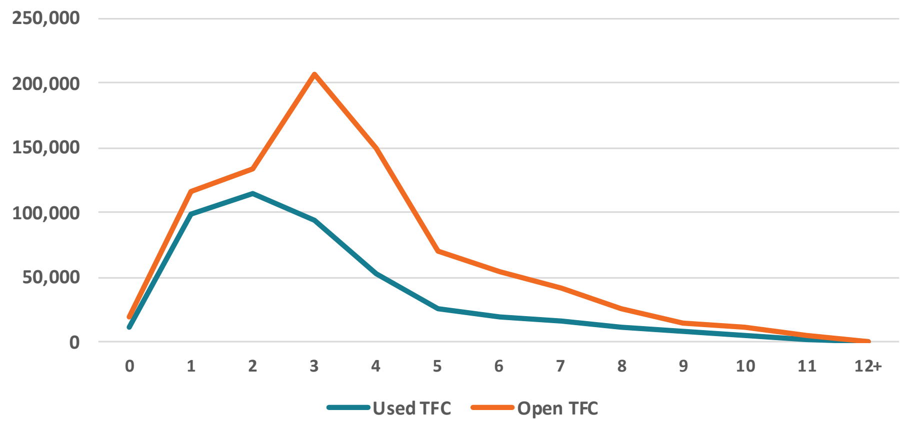
Making Tax Free Childcare More Accessible

While this paper advocates for the phasing out of Tax-Free Childcare (see Chapter 4), the same principles could be applied to Tax-Free Childcare.

Tax-Free Childcare is another programme where its users are overwhelmingly parents with young children. While the number of open and used Tax-Free Childcare accounts track with each other between the ages of 0-2, there is a significant gap between the ages of 3-9.

137. DWP, *Universal Credit Claimants eligible for and receiving the childcare element between March 2021 and February 2022.* 29 June 2022. Link.

Figure 20: Open and Used TFC Account by Age of Child



Source: DWP[138]

While at ages 3-4 the gap is likely due to the use of the free childcare offer, by age 5 the gap between used and open childcare is nearly 46,000 children. If this gap between open and used TFC accounts was halved for children aged 5-9, an additional 65,000 children in March would have received some degree of top up from their used Tax-Free Childcare account.[139]

While this is a small number of children overall – which feeds into the wider case of why Tax-Free Childcare would be better phased out – if Government did not take this route, there is a case to apply the same new eligibility rules for the childcare element of UC for older children to Tax-Free Childcare. Government has already stated that it wishes to expand access to this scheme – relieving the access burdens for families would help achieve that goal.[140]

In any case, the social benefits of afterschool clubs are well documented[141,142]. By making the registration process easier, not only would the most disadvantaged children be able to take advantage of the childcare element, it would expand access and increase provision for all children.

Recommendation 14: No longer make registration on the voluntary register necessary for settings for older children to be eligible for the Universal Credit childcare element. This would ensure that more settings have access to childcare funding, and result in more parents having choice over wrap-around care.

Recommendation 15: Maintain the requirement that wrap-around and holiday settings continue to require a DBS check for providers to receive childcare funding. This ensures safeguarding standards for children and mitigates risk in a variety of settings, while reducing unnecessary regulation, like the voluntary register, which do little to ensure safeguarding standards are maintained.

Recommendation 16: Allow registered charities and companies registered with Companies House, in good standing for 2 years, to qualify for receiving the Universal Credit childcare element for older

138. DWP, *Tax Free Childcare Statistics*, March 2022. Link.
139. Ibid, author's calculations.
140. DfE, *Drive to reduce the cost of childcare for parents*. 4 July 2022. Link.
141. Callanan et al., *The value of after school clubs for disadvantaged children*. Newcastle University. Link.
142. Salway et al., *The association of school-related active travel and active after-school clubs with children's physical activity*. International Journal of Behavioural Nutrition and Physical Activity. 2019. Link.

children. This would ensure that families with older children would have a greater number of options, and there could be a significant improvement in UC childcare benefit uptake. For example, football clubs or an informal music school should be able to carry out wrap-around sessions without having to register with Ofsted.

Recommendation 17: To prevent fraud and error, require organisations looking to offer wrap-around care to receive written certification from a local public institution, such as a school, a local authority, further education college or university. This would ensure that local institutions could help create an eco-system of wrap-around care, while minimising the regulatory burden. For example, if a swimming club is using university facilities, the university can verify the validity of the programme.

Recommendation 18: In the event of new activities which may serve an important wrap-around function but may be new, designated employees at DWP centres should be empowered to confirm via spot-check the activities being undertaken. These reforms will expand access and provision, encourage organisations to come forward and expand the range of options available to children who may be eligible for Government support.

Recommendation 19: The new rules for Universal Credit should also apply for programmes to be eligible to be subsidised via the Tax-Free Childcare programme. Tax-Free Childcare suffers from a similar gap between open and used TFC accounts in the older years. This could be rectified by increasing the number of settings eligible to receive care.

This will have an immediate impact for families. After school clubs currently cost £66.75 a week according to the Family and Childcare Trust. Assuming the full 85% of costs can be covered, a household on universal credit could up to £56.70 a week, or £2,211 a year if they were to claim their entire benefit for one child every week of the school year. This would bring relief to many of the UK's most disadvantaged families.

Chapter 4: A Better, More Responsive Child Benefit

Introduction

The UK can also go further when it comes to giving direct payments to parents. For parents not on benefits, the primary mechanism to support parents is via the 15-hour free entitlement and the 30-hour free entitlement for parents in work. A limited number of families receive support via Tax-Free childcare. The IFS estimates that, in total, the British state spent around £5.2 billion on childcare via the benefits system, taxes and the free entitlement, of which the free entitlement amounted to £3.8 billion.[143]

The UK has a small direct Child Benefit and a highly regulated regime to pay for childcare. This means that many parents do not fully take up the childcare offer, and indeed many more are required to put their children in care because they have few other options. This should change. Governments should trust parents to make the right decisions for their children, and this means both deregulating the childcare market, as we have set out in the previous chapter, and expanding direct payments to parents. This will mean that parents, not the state, have more power over their children's educational decisions in the early years.

Policy Exchange proposes a set of changes that will help parents directly. This chapter considers ways to

- **Reprofile child benefit to help young parents:** This can be done by moving money around from the later years, when child costs are lower.
- **Repurpose Tax-Free Childcare:** Currently Tax-Free Childcare suffers from low take-out and a recurrent underspend. This should be rectified, and Government should re-purpose Tax-Free childcare to Child Benefit. This chapter also:
  - Set out the calculations
  - Examines the ways
- **Sets out the calculations for a Baby Boost with a bigger Child Benefit:** An increased Child Benefit for a family with two children aged 0 and 2 could provide them an additional £1,885 a year.
- **Examining ways to create a system based on choice:** There are many ways that Government could allow parents to draw on more Child Benefit when they are older. However, if the reprofiling is not going to apply to every parents, there are logistical constraints that need to be tackled.

143. IFS, *Education spending – early years.* 2021. Link.

The Importance of Child Benefit

Child Benefit should be increased. Child Benefit is one of the most universal elements of direct support to parents. DWP projects that it will cost £11.6 billion in 2022-2023.[144]

Child Benefit is a straightforward programme. Any child[145] is entitled to a weekly rate payment, which is paid every 4 weeks. The benefit continues so long as the parent is responsible for the child up to the age of 16, or to the age of 20 if the children are dependent and in approved forms of education (such as sixth form, Scottish Highers T Levels or traineeships).

The rate of Child Benefit is set as follows:

First child	£21.80 per week
Second child and/or additional children	£14.45 per week

Child Benefit has widespread take-up. As at August 2021, DWP found that 12,308,870 children[146] were receiving child benefit, or nearly 75% of those between the ages of 0-20 86% of families with children receive child benefit.[147] It is one of the most universal aspects of the British welfare state.

The programme is easy to administer, easy to deliver and, most importantly, easy to understand. Yet, it has one crucial flaw that should be addressed when considering childcare costs: it does not do a very good job of funding the needs of parents equally throughout their child's life. As a result, the options that parents in the first few years of their child's life are more limited than they should be. Many parents are forced to make choices about how they raise their children based solely on cost, and not around judgements about optimal development for their child.

Indeed, in the early years parents and relatives already take a leading role in looking after their children, as shown by the chart below. This should be celebrated – mothers and fathers spending time with their children at the earliest stages of life is good for social bonds and familial relationships. By increasing Child Benefit, these informal relationships can be better rewarded and give parents real choice in how they choose to raise their children.

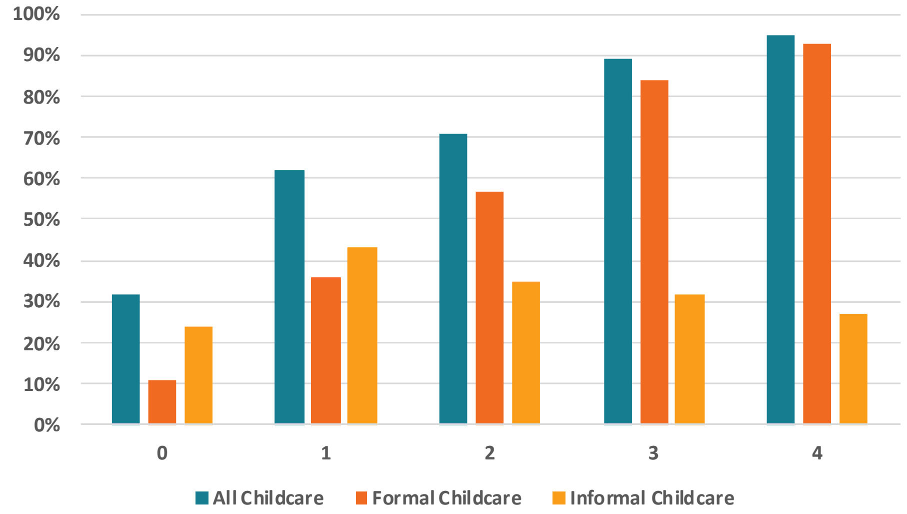
144. DWP, *Benefit expenditure and caseload tables 2022*. Link.

145. Except if their parents are immigrants and attached to their condition of leave is "No Recourse to Public Funds". The Benefit Cap can also have implications in this regard.

146. HMRC, *Child Benefit Statistics: annual release, August 2021*. 18 March 2022. Link.

147. Author's calculations based on mid-year 2020 ONS data.

Figure 21: Use of Childcare Providers by Children (by Age of Child)



Source: Childcare and Early Years Survey of Parents

Currently, Child Benefit is delivered in monthly instalments based on a flat weekly rate, yet the costs of children and childcare in the first few years are significantly greater than they are for a child later in life. In the UK, the cost of a child falls as children get older. The Child Poverty Action Group, on which the calculation above are based find that the weekly cost of child when they are 1 is more than double that when they are 10, and more than three times the cost of when they are 16.[148] Similarly, other studies have found that between the ages of 0-4, a child costs £14,944 a year, and only £7,885 a year between the ages of 11 to 17.[149] Most importantly, CPAG data indicates that while childcare costs have risen nearly a third for a 1 year old between 2012 and 2021, they have risen less than 1% for a child aged 11.[150]

As a result, Child Benefit covers a relatively smaller amount of the cost of children in the early years when child costs are highest. These are years where the economic and social impact of support is greatest. Knudsen et al. noted in the American context that investing significantly in children in the early years carries higher returns on investment compared to other ages.[151] There is also evidence that giving more money to lower-income, at-risk families generate substantially higher returns on investment than spending on other groups.[152] As families age, parents are also more likely to have higher incomes, especially as their children enter school.[153]

Child Benefit does not currently reflect these changes. For example, if you take two children, two years apart born to the same family, the ratio of cost per child compared to child benefit is stark. Currently, child benefit covers only 7.4% of costs when a child is 0, rising to 19.2% when one child is 16 and the other is 14.

148. Hirsch, Donald and Lee, Tom. *The Cost of a Child in 2021*, Child Poverty Action Group, December 2021. Link.

149. LV=, *Raising a child more expensive than buying a house*. 15 February 2016. Link.

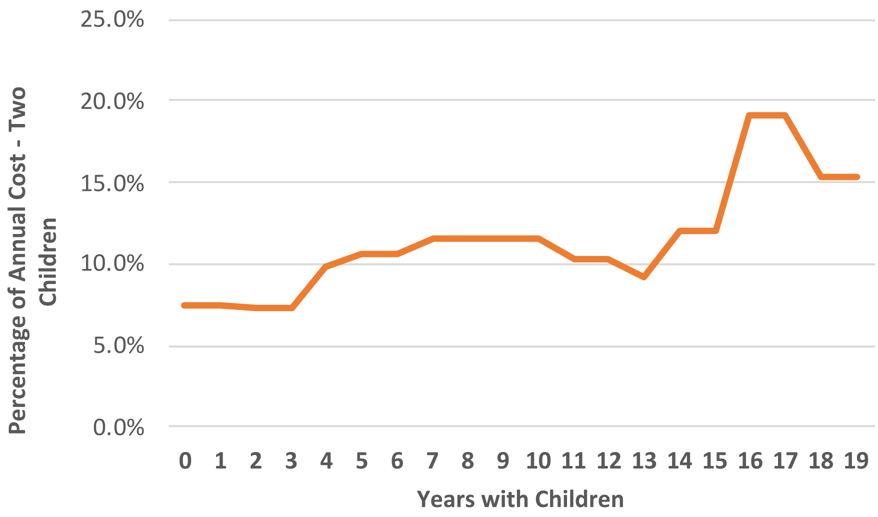
150. Author's calculations comparing *The Cost of a Child* reports 2012 and 2021.

151. Knudsen et al., *Economic, neurobiological and behavioural perspectives on building America's future workforce*. July 5 2006. Link.

152. Center for High Impact Philanthropy, *High Return on Investment*. University of Pennsylvania. Link.

153. Traub et al, *The Parent Trap: The Economic Insecurity of Families with Young Children*. 13 December 2016. Link.

Figure 22: Proportion of Cost Covered by Benefit



Source: Author's calculations[154]

On top of this, the only programme designed to help with childcare in years 0-2, Tax-Free Childcare, suffers from a chronic underspend and rigid rules. Many parents choose not to apply at all. Below is a discussion on how we can better repurpose Tax-Free Childcare money, followed by Policy Exchange's full proposal to deliver a 'Baby Boost' by re-purposing the Tax-Free Childcare underspend and re-profiling existing child benefit to help the early years.

Repurposing Tax-Free Childcare

Tax-Free Childcare was first introduced in 2017 and has had a troubled history. Projections at that time suggested that it would cost £3.4 billion between 2017-2018 and 2022-2023.[155] The programme was designed to assist parents with childcare costs, by 'topping up' payments they made into a childcare account for spending on approved childcare. For every £8 paid into the account, the Government would contribute £2. The maximum top-up is £2,000 from the Government (or an £8,000 contribution from parents) or a maximum of £4,000 if the child is disabled.

In order to access the programme, parents must be working and making at least the minimum wage over 16 hours, and neither parent can be making over £100,000 adjusted net income.[156]

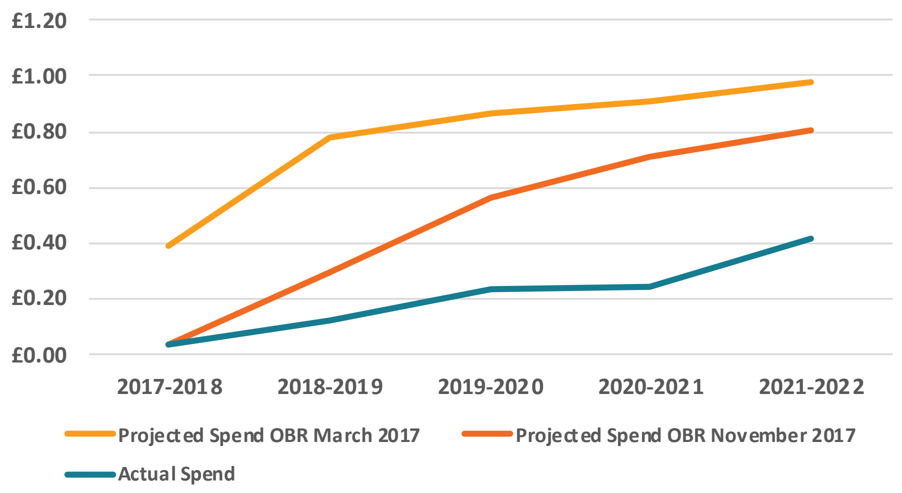
Since the creation of the programme, spending has consistently undershot expectations. Since 2017, depending on using the March 2017 or the November 2017 OBR Forecasts, Government has underspent by between £1.3 and £2.9 billion. In this year alone, the underspend was £570 million. We have assumed, conservatively, an underspend of £400 million to re-allocate, since TFC is likely to increase further next year.

154. Author's calculations, based on a new child benefit and the latest figures from the Child Poverty Action Group. Based on a couple with two children, born two years apart, and assuming both children leave home for education at 18.

155. Office for Budget Responsibility, *Economic and Fiscal Outlook: November 2017*. November 2017. Link.

156. Gov.uk, *Tax-Free Childcare*. Link.

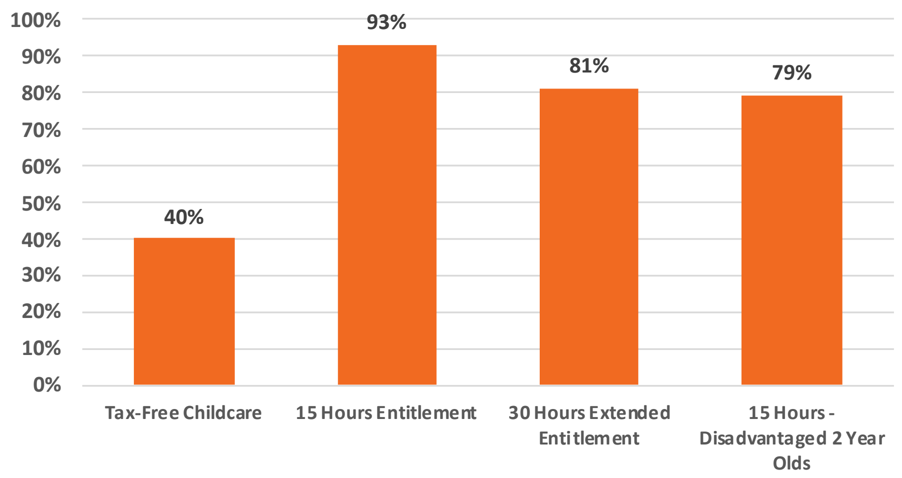
Figure 23: Tax-Free Childcare: Projected vs Actual Spend (£bns)



Source: OBR Projections vs actual spend, March 2017 and November 2017

This is a huge amount that isn't going to parents, and it is not clear that the funding has been repurposed properly for other childcare. In terms of public outreach, the programme has been a failure. In the latest Child and Early Years Survey, 40% of parents were not aware of the programme. This is far less than every other major childcare offer, as shown the table below.

Figure 24: Awareness of Government Supported Childcare Programmes

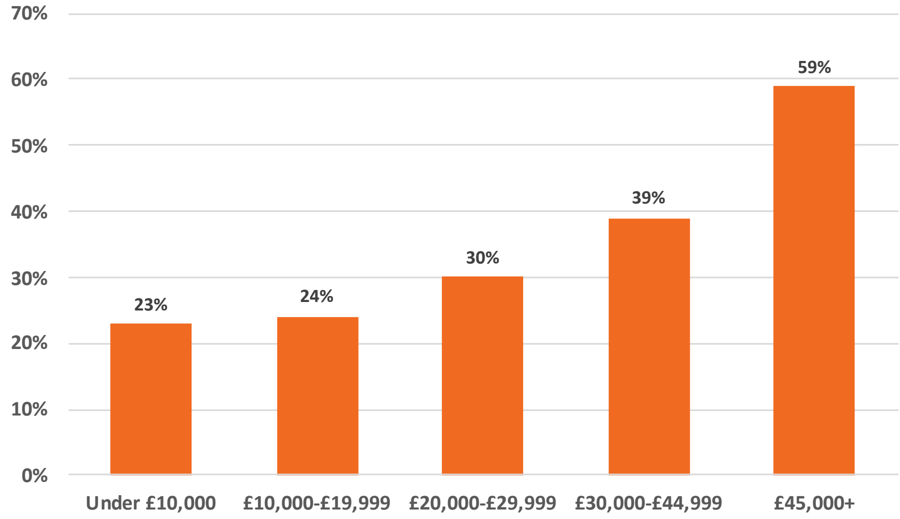


Source: Childcare and Early Years Survey of Parents 2019

Even more concerning, the programme is much better known to wealthier families. Only 39% of families with incomes between £30,000-£44,999 knew about the programme, while 59% of families earning above £45,000 had heard about the Tax-Free Childcare offer. This is a significant discrepancy, and one that does not help ensure that the UK's programmes in relation to childcare are progressive.

More than a third of families with children aged 0-4 were aware of Tax-Free Childcare but hadn't applied for it.[157] This is actually a greater proportion than in 2018, where 26% of families knew about but had not applied for TFC.[158] The Institute for Fiscal Studies' calculations that, of those eligible for the programme, nearly 40% will not apply.[159]

Figure 25: Awareness of Tax-Free Childcare Based on Family Annual Income

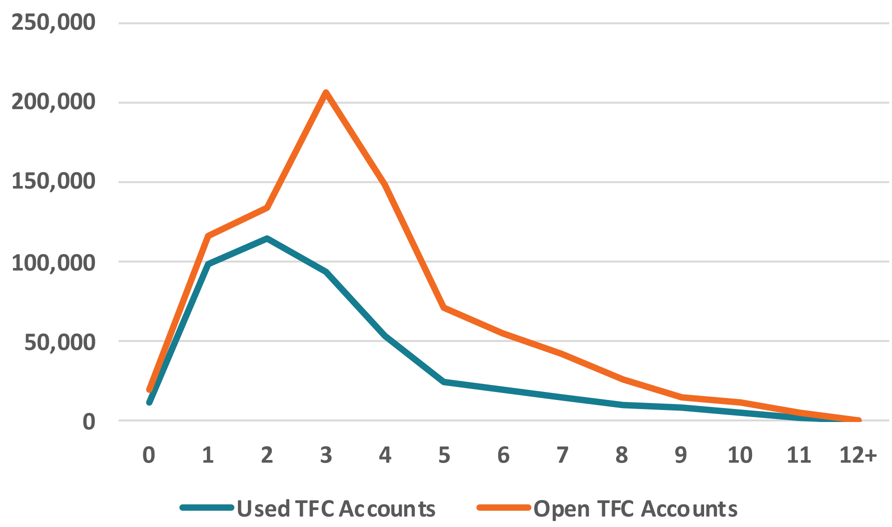


Source: Childcare and Early Years Survey of Parents 2019

Finally, Tax-Free Childcare has a significant gap between those who have used the benefit and those who have opened an account, as shown in Figure 24. After the age of 2, less than half of the open TFC accounts are used, and this has been a consistent trend. Moreover, even in the years when it is used, more heavily, between the ages of 0-2, it does not help the majority of parents. For example, in March 2022, 114,460[160] two-year-olds had used Tax-Free Childcare accounts. This is only 15% of 2-year-olds in the United Kingdom. Only 1.6% of 0-year-olds had an account in March 2022.[161]

157. CEYSP 2019, Table 5.17
158. CEYSP 2018, Table 5.3
159. Farquharson, Christine & Olorenshaw, Harriet. *The Changing Cost of Childcare*, Institute for Fiscal Studies, 2022. Link.
160. HMRC Tax Free Childcare Statistics, May 2022
161. Using Tax-Free Childcare Statistics compared to the ONS mid-year 2020 estimates (latest published).

Figure 26: TFC Accounts Open and Used March 2022



Source: Tax-Free Childcare Statistics, HMRC

The chronic underspend and persistent lack of awareness suggests that money allocated for Tax-Free Childcare is better spent in programmes that can help parents directly or more easily. To that end, Tax-Free Childcare in its current form should close to new applicants, except for families with disabled children, who receive a more generous top-up and have specific needs.

Families with disabled children also take up a very small proportion of the total programme, making up less than 0.8% of all accounts. There are special considerations here and Government should keep the programme open pending a fuller review. It is notable that the latest Childcare and Early Years Survey of Parents did not specifically query families with disabled children in questions regarding Tax-Free Childcare. The Government should endeavour to include questions touching on their use of the programme in future iterations of the survey.

For the majority of children, though, the Government should re-purpose Tax-Free Childcare to directly help young parents struggling with childcare costs and the costs associated with children. This can be done easily by topping up child benefit. Policy Exchange's proposal to deliver a 'baby boost' is set out below.

Recommendation 23: Tax-Free Childcare should remain open for families with disabled children, pending a review of the effectiveness of the programme for this cohort.

Policy Exchange's Proposal for a Baby Boost

Policy Exchange's proposal would give an immediate baby boost to parents claiming child benefit for the first time. It would change child benefit in the following ways:

- It would re-profile half of current child benefit spending between the ages of 13-19 to early years.
- Because of the particular increased costs in ages 0-2, a significant amount of this reprofiled funding would flow to those years, with a smaller top-up for years 3-4.
- This reprofiling would be supplemented by re-purposing Tax-Free Childcare. This would occur in phases. Firstly, it would take a significant portion of the current TFC underspend, totalling £400 million, and spread this out over years 0-4. As the remaining child benefit is phased out, the resulting approx. £500 million could be used to offer further support to parents with young children as the rest of the programme is phased out.
- This diversion would **not affect current child benefit payments**. It would be unfair to reduce benefit for those expecting the current benefit who would otherwise have it reduced. The new child benefit system should instead be introduced for new parents starting next year. **While it would cost more up-front for an increased child benefit, the system is ultimately cost neutral over a child's life**.
- This policy would give a family of two children, one aged 0 and the other aged 2, **£1885 more a year.**

The full calculations are set out in Annex 1.

By re-profiling child benefit away from the older years and towards the early years, and by re-allocating the Tax-Free Childcare underspend immediately, the UK could double Child Benefit for 0-2 year-olds from £21.80 to £43.60 for the first child and from £14.45 to £28.90 for the second.

This proposal would improve child benefit in three key ways from a social policy perspective. It would

- Give parents more **choice and flexibility** in what childcare provision they seek for their children.
- **Immediately** help with the cost-of-living pressures families are current experiencing up and down the country.
- Increase Child Benefit to a level where a **substantial portion of weekly childcare costs** are covered by the benefit.

The Impact of a Baby Boost

By front-loading child benefit, and by re-allocating the Tax-Free Childcare £400 million underspend, the UK could double Child Benefit for 0-2-year-olds from £21.80 to £43.60 a week for the first child and increase benefit for children aged 3-4 from £21.80 to £30.52. For the second child, the benefit would increase by £14.45 in years 0-2 and by £5.78 in years 3-4.

These figures do not includes a potential further re-purposing of £500 million into Tax-Free Childcare. Since this phase out is provisional and inherently subject the pace of a phaseout, we have not included this additional potential funding in our calculations.

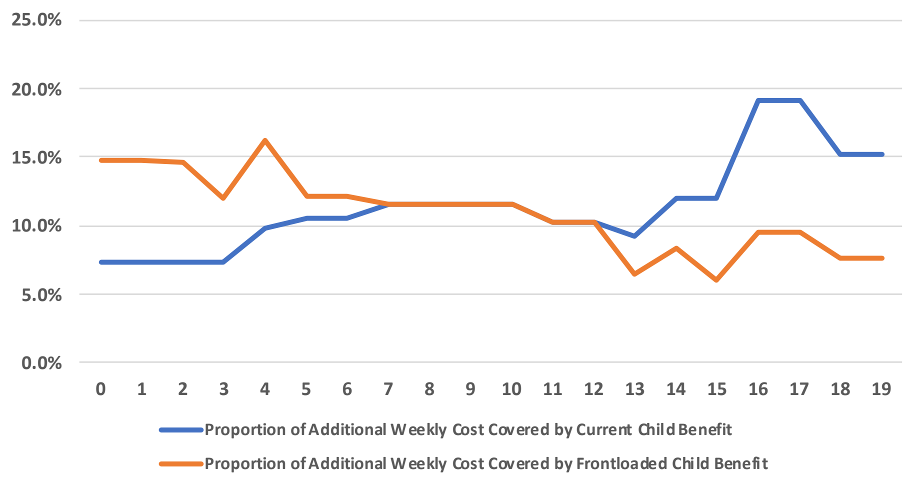
This proposal would improve child benefit in three key ways from a social policy perspective. It would

- Give parents more **choice and flexibility** in what childcare provision they seek for their children.
- **Immediately** help with the cost-of-living pressures families are current experiencing up and down the country.
- Increase Child Benefit to a level where a **substantial portion of weekly childcare costs** are covered by the benefit.

Policy Exchange's proposal covers far more of the cost of young children and would result in parents having 25% of their first child's cost in year 2, compared to 13% currently. When considering two children born two years apart (see Figure 21), over 10% of additional child costs are covered between the ages of 0-10 of both children.

These changes **do not** include the remaining Tax-Free Childcare pending phase-out.

Figure 27: Proportion of Additional Cost of a Child Covered by Benefit - Policy Exchange Proposal vs Current



Source: Author's Calculations[162]

In concrete terms, this proposal would also specifically help young families with childcare costs for children between the ages of 0-2. There is currently no Government programme (other than Tax-Free Childcare) which provides any direct Government support for childcare in those years. An increase in Child Benefit would help with these costs.

This proposal is similar in substance to those put forward by Lord Farmer in his Front-loaded Child Benefit Bill.[163] Indeed, a similar proposal to front-load child benefit was proposed by Policy Exchange more than a decade ago and was cited by Lord Farmer.[164] Where the current Policy Exchange proposal differs is that it does not propose a sliding scale on which parents can draw at will. While this would maximise parental

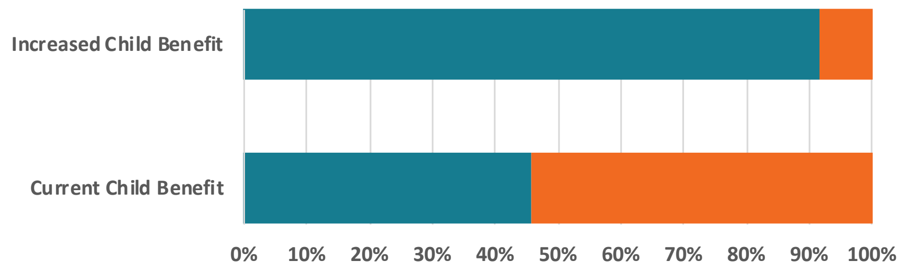
162. Author's calculations, based on a new child benefit and the latest figures from the Child Poverty Action Group. Based on a couple with two children, born two years apart, and assuming both children leave home for education at 18.
163. UK Parliament, *Front-loaded child benefit bill [HL]*. Hansard Volume 823: debated on Friday 8 July 2022. Link.
164. Saunders, Peter. *Reforming the UK Family Tax and Benefits System*. June 9 2009. Link.

choice, and is an admirable proposal, in the immediate future it may be technically unfeasible. The other potential concern, raised by those speaking in the House of Lords Debate recently[165], was that some parents might over-draw, leaving little in the way for later years. By doubling benefit in the early years and halving the rate in later years, our proposal ensures a stable level of income, while also recognising the increased cost of children in the early years.

According to the 2019 Childcare and Early Years Survey of Parents 2019[166], the median weekly payment per child is £45, and the mean is £82.80. Adjusted to the ONS CPI for Childcare services, the cost in 2022 would be at £47.61 and £87.60 respectively.

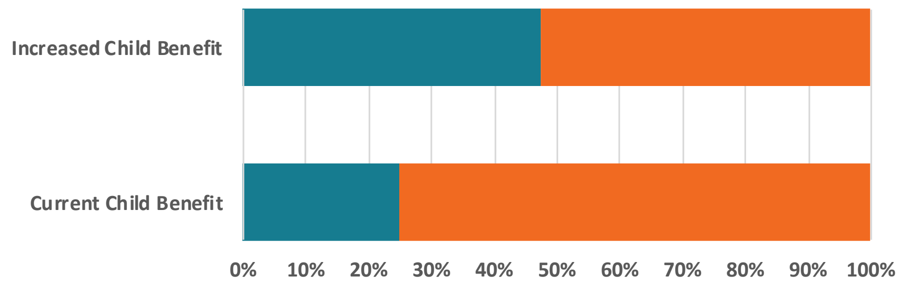
An increased child benefit for the first child would cover 92% of median weekly childcare costs and half of mean weekly childcare costs. This alone would give parents many more options when it comes to choosing childcare and would also provide an immediate cost-of-living boost. Over one year, a family with their first child would receive an additional £3370 between the ages of 0-2, and a total increase of £4,277 between the ages of 0-4.

Figure 28: Child Benefit as a Percentage of Median Weekly Childcare Costs



Source: Author's calculations[167]

Figure 29: Child Benefit as a Percentage of Mean Weekly Childcare Costs



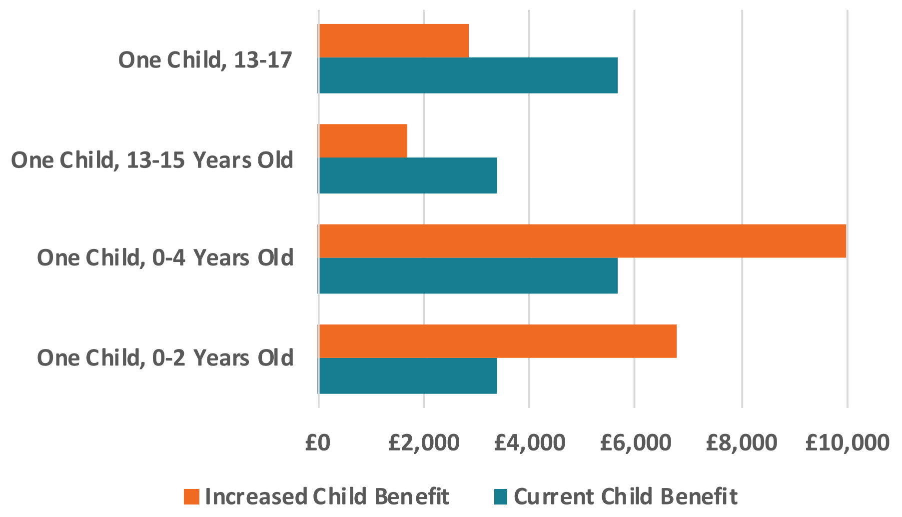
Source: Author's Calculations[168]

As that family's children get older, with a 13-year-old child (when child benefit is halved under the Policy Exchange proposal) would see their Child Benefit fall by £1,700.40 between the ages of 13-15, and a fall of

165. See in particular contributions from Baroness Berridge and the Lord Kennedy of Southwark. Hansard, 8 July 2022.
166. The latest year of release
167. Childcare costs taken from the Childcare and Early Years Survey of Parents 2019.
168. Ibid.

£2,834 over the ages of 13-17 (assuming the child remains eligible by staying in full-time education past 16.)

Figure 30: Impact of Increased Child Benefit - First Child



Source: Author's Calculations[169]

Recommendation 20: Child benefit should be increased to reflect the increased costs of parenting of young children. This should be done by increasing the benefit for newly born children and halving their benefit during the ages 13-19. This proposal should not include children currently receiving child benefit but could commence with children born in the next fiscal year. Re-profiling Child Benefit in this way could deliver an additional £1,885 for a family with two children aged 0 and 2.

Recommendation 21: Tax-Free Childcare should be closed to new applicants, and over time the spending should be repurposed for an increased Child Benefit, and to encourage the recruitment of childminders via childminder agencies. This should come with an immediate boost of £400 million to Child Benefit by re-allocating the current TFC underspend, followed by an additional £500 million boost for children aged 5-10 as the remaining TFC spending is phased out. This still leaves room to invest £100 million in childminder recruitment and maintaining TFC for families with disabled children.

Policy Exchange's proposal covers far more of the cost of young children and would result in parents having 25% of their child's costs covered in year 2. More importantly, it would better use Tax-Free Childcare funds, which have targeted only a small number of children and helps even fewer.

Other Ways of Delivering a Child Benefit Boost

Our calculations for delivering a Child Benefit boost rely partly on re-purposing the Tax-Free Childcare underspend, and a gradual phase-out of the programme.

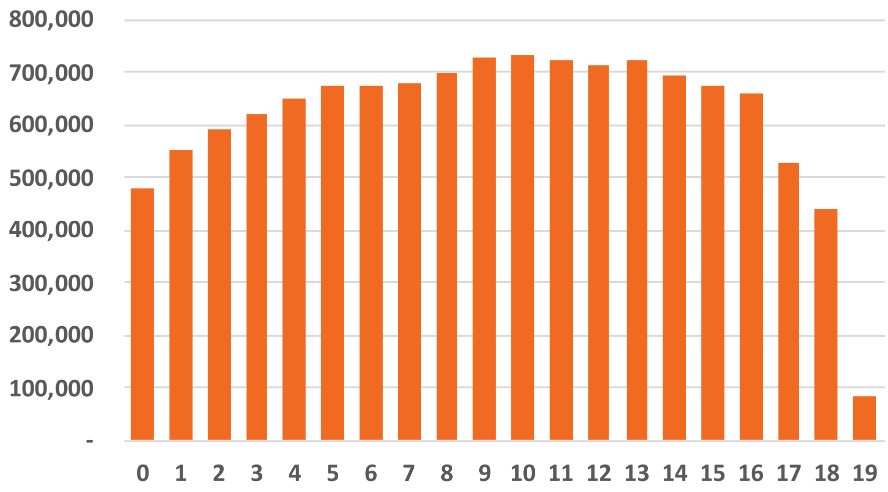
However, this is not necessary to deliver a Child Benefit uplift in the early years. If Government did not want to phase out Tax-Free Childcare,

169. Author's calculations.

it would still be possible to reprofile funding simply from the existing Child Benefit budget.

Parents could be offered a choice if they wanted to have a re-profiled Child Benefit, or Child Benefit would be re-profiled for all parents. The benefit of re-profiling for all parents is that the full cost of Child Benefit can be re-profiled without worrying about whether families are or are not going to use Child Benefit after the age of 16, at which point the number of children in receipt drops precipitously. As shown in Annex 1, re-profiling the benefit for everyone means that all the spending implications can be accounted for, including the fact that fewer children receive Child Benefit after the age of 16.

Figure 31: Child Benefit Receipts by Age of Child



Source: DWP[170]

If parents are able to choose whether they receive a Child Benefit boost, this could still be accomplished by halving Child Benefit, but this should only apply in the years prior to 17. This way, parents would not be able to double their child benefit when their child is 1 only to not receive what would otherwise been a halved benefit when their child is 19.

In this scenario, if parents were able to halve their benefit in years 13-6 and spend this in the early years, this would still give a first child an additional £2,267 in the early years, and a second child would receive £1,504.

In any case, re-profiling Child Benefit is eminently feasible, with or without re-purposed Tax-Free Childcare funds, and could deliver substantial benefits for families.

Recommendation 22: Government should explore ways to make re-profiling Child Benefit feasible, even if only within existing Child Benefit spending limits. Parents would receive a substantial increase in support in the early years even if Child Benefit is halved between the ages of 13-16 for parents who choose to take this option. This would help a large number of families.

170. DWP, *Child Benefit statistic annual release.* Link.

Conclusion

Childcare in Britain is at an inflection point. The pressures on the sector are acute. The costs on parents are rising quickly, and the future of our children is at stake.

The childcare system in the UK is too unresponsive to those who use it: families. That is not to say that those in the sector are not delivering important outcomes. Far from it. The pandemic has given us a trenchant lesson on vital good childcare is for the development of the next generation.

But the current government framework denies too many children opportunities and forces too many families to pay too much for too few childcare choices.

The policies outlined in this report will go some way to address these questions; balancing the need for parental autonomy with the responsibility to ensure every child gets an adequate, equitable childcare experience.

We have also put forward ways for the Government to immediately empower parents, by frontloading child benefit, and making it easier to claim the childcare element of Universal Credit for a wider range of activities. These are concrete ways that, without spending a penny more, parental autonomy can be enhanced. That is not to say that more should not be done. Our colleague Philip Booth has recently published a paper looking at how the UK tax system can better support families[171], whatever their childcare choices. Together, hopefully our two papers can spark a vital discussion about the perennial challenge of supporting families.

Indeed, the measures proposed in this paper are not revolutionary. The two key institutional innovations, childminder agencies and childminder hubs, are already well-used in the Netherlands and France respectively. They are key parts of those countries' childcare landscapes. There is no reason why the United Kingdom can't adopt those policy innovations in ways that encourage innovation and provide more families and children more options and more control.

There is also no reason why we can't use the current framework to offer more families support and opportunities. Our proposals for ratio reform rest clearly on making sure existing providers have strong track records of success and can be trusted by parents to modify their settings to reduce costs and maintain strong outcomes. Likewise, the reforms outlined here for after-school and holiday childcare provision can give more families access to the existing Universal Credit childcare offer. These steps won't break the public purse, but they will support the families who need it most.

The cost-of-living crisis is pressing and real. Many families are feeling

171. See Policy Exchange's paper *Taxing Families Fairly*. August 2022.

the squeeze. Tackling childcare head-on through a supply-side reforms and stronger payments can make sure parents continue to have choice and flexibility. More importantly, it can make sure children have the best possible start in life. When the stakes are that high, there is not a moment to waste.

Annex 1: Childcare Benefit Calculations

This annex is written to demonstrate how we have costed our policy to increase Child Benefit. Policy Exchange's Child Benefit uplift is based on redistributing current funding as well as re-purposing part of the Tax-Free Childcare underspend (estimated this year to be in the region of £590 million using the OBR estimates).

To calculate the current spend on different age groups, this report assumes a proportional spend across ages. This is a reasonable assumption, given spending is the same for every child. It also assumes, for the purposes of determining what number of children receive the higher and lower rate, that 58% of children receive the higher rate, and 42% receive the lower rate.

One limitation to these calculations is that it does not take into account the High Income Child Benefit Charge (HICBC). This charge is more likely to apply to younger children, and as such there are probably parents who, over the course of their lives, will pay less HICBC when the Child Benefit itself is halved when their children are teens. This should be offset, though, against the lack of indexation for the HICBC, which has resulted in many families losing some of their benefit.[172] In any case, the High Income Benefit Charge should be reviewed, as it detracts from the universality of the Child Benefit and it can have perverse effects on which families are and are not able to access the benefit.[173]

These are also lifetime figures

Key Figures:

- **Current Total Child Benefit Spend:** £11,500,000[174]
- **Number of Children in Receipt of Child Benefit In Total**: 12,308,870[175]
- **Number of Children in Receipt of Child Benefit Aged 0-2:** 1,619,770[176]
- **Number of Children in Receipt of Child Benefit Aged 3-4:** 1,265,935
- **Number of Children in Receipt of Child Benefit Aged 0-4:** 2,885,705[177]
- **Number of Children in Receipt of Child Benefit Aged 16-19:** 1,713,460

172. Seely, Antony. *The High Income Child Benefit Charge*. House of Commons Library. Link.
173. Ibid.
174. DWP, *Benefit Expenditure and Caseload tables 2022*, Table "UK_welfare, 2020-2021 Outturn.Link.
175. DWP, *Child Benefit Statistics: Annual Release, data at August 2021*
176. Ibid.
177. Ibid.

Age	Number of Children in Receipt of Child Benefit	Number of Children as a Proportion of the Total	Hypothetical Current Spend per age group (Total Child Benefit Spend * Proportion of Children)	Hypothetical Current Spend Halved
13-15	2,090,405	17.0%	£1,953,035,291	£976,517,645
16-19	1,713,460	13.9%	£1,600,861,005	£800,430,503
13-19	3,803,865	30.9%	£3,553,896,296	£1,776,948,148
Tax-Free Childcare	NA	NA	£400,000,000	NA
Total	NA	NA		£2,176,948,148

Policy Exchange's proposal involves halving the amount of Child Benefit given between the ages of 13-19, doubling benefit for children aged 0-2, and raising it by 40% for children aged 3-4. As shown here, assuming current spend on Child Benefit is proportional to the number of children, which is likely, this means that there is an additional £1.8 billion to frontload benefit.

This is supplemented by an assumed £400 million re-directed from the Tax-Free Childcare programme. This is not money that has already been spent, but money which has gone unspent. In total, then, there is a budget of just under £2.2 billion to redistribute to a larger Child Benefit.

Calculating A Child Benefit Increase

One of the key challenges in calculating the doubling of child benefit is knowing how many children receive the higher rate, and how many receive the lower rate. Using Child Benefit statistics from this year, we have estimated that 58% of children receive the higher rate (indicating they are a first child). 42% of children receive the lower rate. This is calculated based on extrapolating the number of first-born children from the number of families in the Child Benefit statistics. Since every family will have a first child, we can infer the number of first children relative to the proportion of all children. The total cost of doubling is calculated in the table below – using the ratios described above for the age 0-2. The total cost of increase the benefit by 40% for ages 3-4 is included as well for ages 3-4. A 40% increase would amount to an additional £8.72 per week for the first child and an additional £5.78 per week for additional children.

Age	Total Number of Children	Receiving Higher Rate	Receiving Lower Rate	Cost of Higher Rate Doubling (659,246*21.80*52)	Cost of Lower Rate Increase (960,524*14.45*52)	Total Cost of Increase
A0-2	1,619,770	939,467	680,303	£1,064,979,791	£511,179,674	£1,576,159,464

Age	Total Number of Children	Receiving Higher Rate	Receiving Lower Rate	Cost of Higher Rate Increasing (659,246*8.72*52)	Cost of Lower Rate Increase (960,524*5.78*52)	Total Cost of Increase
3-4	1,265,935	734,242	531,693	£332,934,692	£159,805,648	£492,740,340

The totally spend for doubling Child Benefit for children aged 0-2 and increasing it by 40% for children aged 3-4 is £2.07 billion. This means that there is just over £100 million left in the budget. This could be used to invest in childminder agencies.

Under the new proposals, the schedule of Child Benefit payments would be as follows:

Age	Base Rate (First Child)	Proposed Increase	Proposed Base Amount
0	£21.80	£21.80	£43.60
1	£21.80	£21.80	£43.60
2	£21.80	£21.80	£43.60
3	£21.80	8.72	£30.52
4	£21.80	8.72	£30.52
5	£21.80	£0	£21.80
6	£21.80	£0	£21.80
7	£21.80	£0	£21.80
8	£21.80	£0	£21.80
9	£21.80	£0	£21.80
10	£21.80	£0	£21.80
11	£21.80	£0	£21.80
12	£21.80	£0	£21.80
13	£21.80	-£10.90	£10.90
14	£21.80	-£10.90	£10.90
15	£21.80	-£10.90	£10.90
16	£21.80	-£10.90	£10.90
17	£21.80	-£10.90	£10.90
18	£21.80	-£10.90	£10.90
19	£21.80	-£10.90	£10.90

Age	Base Rate (Second and Subsequent Children)	Proposed Increase	Proposed Base Amount
0	£14.45	£14.45	£28.90
1	£14.45	£14.45	£28.90
2	£14.45	£14.45	£28.90
3	£14.45	£5.78	£20.23
4	£14.45	£5.78	£20.23

5	£14.45	£0	£14.45
6	£14.45	£0	£14.45
7	£14.45	£0	£14.45
8	£14.45	£0	£14.45
9	£14.45	£0	£14.45
10	£14.45	£0	£14.45
11	£14.45	£0	£14.45
12	£14.45	£0	£14.45
13	£14.45	-£7.23	£7.22
14	£14.45	-£7.23	£7.22
15	£14.45	-£7.23	£7.22
16	£14.45	-£7.23	£7.22
17	£14.45	-£7.23	£7.22
18	£14.45	-£7.23	£7.22
19	£14.45	-£7.23	£7.22

Annex 2: Childcare Ratios in Europe[178,179]

Age	Belgium (fr)	Belgium (German)	Belgium (Dutch)	Bulgaria	Czechia	Denmark	Germany	Estonia
0	7	6	9	9	NA	No regulations	4-8	NA
1	7	6	9	9	8	No regulations	4-8	8
2	7	6	9	9	8	No regulations	4-8	8
3	20	10	No regulations	9	12	No regulations	4-8	12
4	20	10	No regulations	23	24	No regulations	9-20	12
5	20	10	No regulations	23	24	No regulations	9-20	12
	Ireland	Greece	Spain	France	Croatia	Italy	Cyprus	Latvia
0	3	4	8	5	5	No regulation	6	6
1	5	4	13	5	8	No regulation	6	10
2	6	4	18	8	14	No regulation	16	15
3	8	12	25	No regulation	18	26	25	20
4	8	25	25	No regulation	20	26	25	20
5	8	25	25	No regulation	23	26	25	20
	Lithuania	Hungary	Malta	Netherlands	Austria	Poland	Portugal	Romania
0	6	4	3	3	4-5	5	5	4
1	6	4	5	5	4-8	8	7	5
2	8	4	6	8	4-8	8	9	6
3	10	8	14	8	10-13	25	13	20
4	24	8	19	No regulations	10-13	25	13	20
5	24	8	NA	No regulations	10-13	25	13	20
	Slovenia	Slovakia	Finland	Sweden	UK-Eng	UK-Wales	UK-NI	UK-SCT
0	6	5	4	NA	3	3	3	3
1	6	5	4	No regulations	3	3	3	3
2	6	5	4	No regulations	4	4	4	5

178. Eurydice, *Key data on early childhood education and care in Europe*. Annex A, pg. 154

179. NA indicates early years education not provided for in the formal sense. No regulations indicate that that there are no statutory limits set out in law or regulation.

3	9	20	8	No regulations	13	13	13	8
4	11	21	8	No regulations	30	30	NA	8
5	11	22	8	No regulations	NA	NA	NA	NA

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