



Wraparound care and the exclusion of mothers from the workplace

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This paper explores the nature and challenge of wraparound childcare including after school activities. It argues that the current high costs and poor provision of childcare including wraparound care leads to the exclusion of mothers from the workplace, and is a contributing factor to the gender pay gap. This chapter present a range of possible solutions including flexible working, financial support for, and direct provision of childcare.

Current support for childcare

A range of policies aimed at reducing the cost and increasing access to childcare in the UK do exist. These include:

- Childcare vouchers

Childcare vouchers of up to £243 per month can be bought by an employee through their employer. The part of a person's gross salary used to purchase them is tax-free and exempt from National Insurance contributions. This has the effect of reducing childcare costs by up to £933 per parent per year. However, as will be shown later in this chapter, this only a small proportion of the annual cost of childcare.

- Free childcare hours

All children aged 3 and 4 are eligible for 15 hours per week (570 hour per year) of free (government paid) childcare with a registered childcare provider. Parents who work can apply to receive up to a total of 30 hours per week (1,140 hours per year). Some 2 year olds are eligible for 15 hours free if their parents receive certain benefits.

Although a slightly more significant amount of support for those whose children are 3 and 4 years old (and a small number of parents with 2 year old children), this additional support is arguably not enough for mothers wishing to return full-time employment. In the meantime they would have to suffer 2 years of lost income, including pay increments, impacting their pay for the remainder of their career.

- Child Tax Credits

While not specifically designed to pay for childcare, Child Tax Credits provide additional financial support for working-poor families with children. The tax credit is only available to parents who work a minimum number of hours. It is designed to encourage parents into work by ensuring that they are better-off financially in work compared to out-of-work benefits.

Child Tax Credits can make a significant difference for families in low paid and/or part-time work. However, tax credits have significant administrative costs¹ and there have been a number of high profile examples of administrative errors which lead to overpayments. These were later clawed-back from recipients who were already struggling financially (Hill, 2016).

- Some support from employers

Some employers go above and beyond their minimum legal responsibilities and provide financial support towards, or direct provision of childcare for their employees. For example, JaguarLandrover have a purpose-built and subsidised Busy Bees nursery called 'Discoveryland' on their site in Solihull.

Unfortunately, due to increasing competitive and cost pressures many employers have closed down their own and on-site childcare provision in recent years.

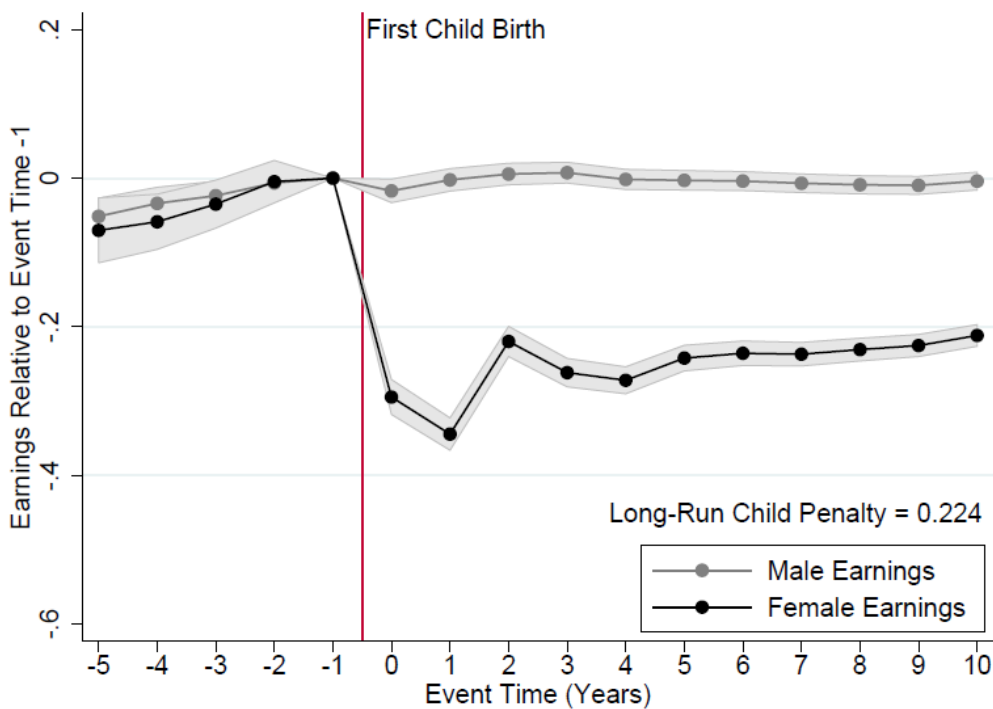
The Policy Problem

Research in Denmark² by Kleven, Landais and Sjøgaard (2017) found that the arrival of children creates a gender pay gap in earnings for women of around 20% in the long run. This is driven in equal parts by reductions in labour force participation, hours of work and wage rates. They also found that the fraction of gender inequality caused by these 'child penalties' has increased dramatically over time, from roughly 40% in 1980 to 80% in 2013. As can be seen in Graph 1, the arrival of a child often has a dramatic negative effect on the earnings of women. Men's earnings in comparison are relatively unaffected. This is because women are expected to still fulfil the main caring role within the family, to the detriment of their career.

¹ Tax credits are administered by HMRC. There have also been issues reported by the self-employed, especially when income has been higher than expected. Again, unexpected overpayments have had to be repaid by recipients placing them under financial pressure in subsequent years.

² Which supports existing research across industrialised countries

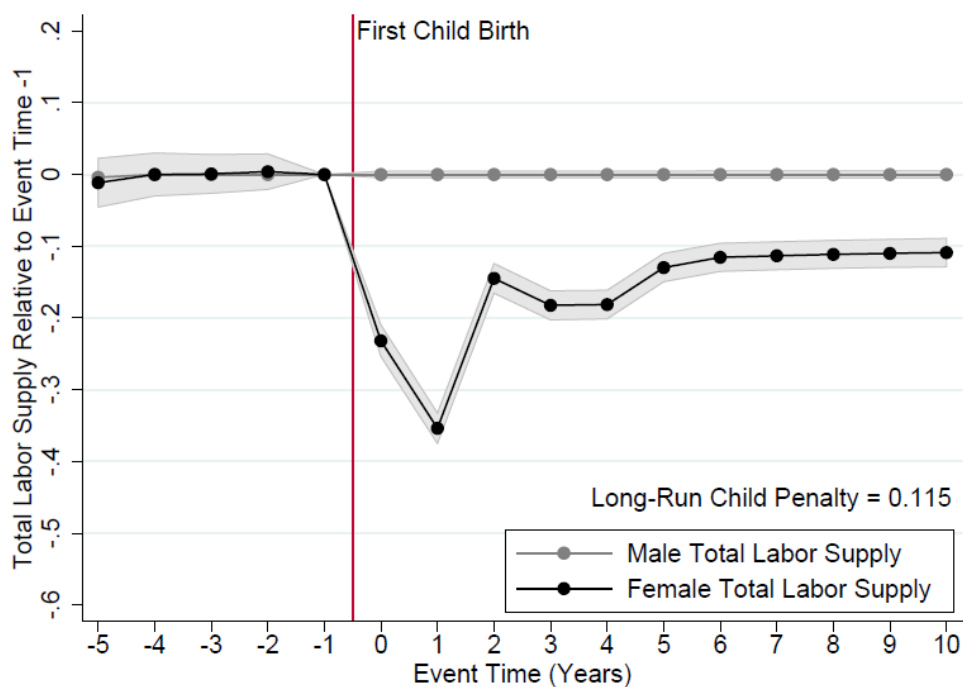
Graph 1: Median impacts of children on earnings



Source: Kleven, Landais and Sogaard (2017), p. 51.

Graph 2 below demonstrates a similar profound impact on the labour force participation of women. This effect is most profound before children reach the age of 5 and are able to attend school. However, there is still an effect after this period due to women retaining responsibility for dropping off and picking up children before and after school.

Graph 2: Impact of children on total labour supply (labour force participation)



Source: Kleven, Landais and Sogaard (2017), p. 51.

Despite this profound effect on earnings and labour market participation driven by the women starting a family, the majority of local authorities in England report that there is not enough childcare available for two year olds who are entitled to free childcare, for after-school care, for disabled children, or for children whose parents work anti-social hours such as shift workers (Family and Child Trust, 2017). In Scotland only 25% of Councils reported enough childcare for every parent that worked full time, and Wales this figure was down to 20% of Councils (*ibid*, 2017).

In terms of the cost of childcare, as can be seen in table 1 below, the average cost of 25 hours of childcare per week for a child under 2 is £116 at a nursery or £110 for a childminder. Even after-school clubs, which bridge the gap between the end of the school day and the end of parents' work day, cost an average of £52.58 per week. It should be noted that there are significant regional variations with this cost increasing to £154.08 in Inner London and £142.24 in Outer London.

Table 1: headline weekly childcare costs in England, Scotland and Wales

| | 25 hours of care in a nursery | | 25 hours of care from a childminder | | Care after-school for a child aged 5-11 | |
|----------|-------------------------------|-----------------|-------------------------------------|------------------|---|-------------------|
| | For under 2s | For 2 year olds | For under 2s | For 2+ year olds | Child-minder | After-school club |
| Scotland | £111.37 | £106.16 | £105.25 | £104.53 | £62.22 | £55.71 |
| Wales | £101.42 | £102.30 | £101.03 | £101.03 | £55.43 | £43.13 |
| England | £117.43 | £113.43 | £110.68 | £110.11 | £68.12 | £52.80 |
| Britain | £116.25 | £112.38 | £109.84 | £109.29 | £67.11 | £52.58 |

Source: Family and Childcare Trust (2017), *Childcare survey 2017*. p. 3.

The consequence of limited childcare provision and high costs is that a family working full-time can end up spending up to 45% of their disposable income on childcare (Family and Child Trust, 2017). For many, unaffordable childcare leads to them being excluded from the labour market altogether, or restricted to only flexible and part-time employment (Lloyd *et al*, 2008). Indeed, the high cost and limited availability of childcare is a recurring theme across social policy research into welfare-to-work policies and employment more broadly (Hill, 2016).

Policy implications

To address the limited provision and high cost of childcare in the UK and its consequent impact on women's earnings and labour market participation, this section proposes a range of policy solutions for private organisations, local and national government.

1. Direct provision of childcare by employers

Although perhaps the most expensive of the possible options, this option allows employers to directly support their workforce. This option has been delivered by many Universities and Further Education Colleges as they have the physical estate, administrative systems and regulatory permissions already in place. However, as already mentioned, some employers such as Jaguar Landrover are going above and beyond in terms of direct provision at their worksites.

2. Employer subsidy of childcare

In a similar but perhaps more cost-effective way to support employees it for employers to directly subsidise the cost of childcare. This could be through direct subsidy to childcare providers or through employer-specific childcare voucher schemes.

3. Flexible and home working

Given that none of the government-funded childcare schemes offer support equivalent to full time employment (35 to 40 hours per week) many women are forced to work part-time. This lack of support for full to employment could perhaps be overcome by employers increasing their support for flexible and/or home working.

4. Government subsidy of childcare through vouchers

Already delivered through the Childcare Voucher scheme the current scheme will only save parents a maximum of £933 per parent per year (equivalent to 9 weeks of childcare for a child under 2 years of age).

The government's subsidy of childcare could be extended further through direct subsidy to approved childcare providers or extending the extent to which childcare is tax free. The government could go so far as to make childcare 100% tax deductible.

5. Direct provision of childcare by central government

A perhaps more dramatic step would be the government to extend its direct provision of free education to pre-school. This solution is un-costed but would be arguably the most expensive as local authorities and academies would have to invest in new classrooms and train new childcare professionals without knowing the exact level of demand. This is in sharp contrast to secondary schools and FE colleges who have many years to see demographic troughs and peaks approaching.

However, despite the challenges this approach could pay off on an invest-to-save basis. Dramatically reducing the cost of childcare would increase labour force participation, increasing tax revenues and reducing benefit payments.

6. Subsidy or direct provision of childcare by local government

Although not legally mandated, there is no reason why local authorities could not in some way subsidise, or even directly provide childcare to families within their district.

7. Formation of childcare cooperatives

In the 19th century when faced with the near impossibility of gaining credit to buy or build a house, groups of industrial workers would pool their savings together to form what became Building Societies. This allowed a small group of the members to be able to buy or build a

house with money from the pool which they then paid back. Such mutual and similarly cooperative societies may again provide the solution to groups of parents wishing to have affordable childcare. Indeed, the Busy Bees nursery chain was formed by three families, who were already involved in care and education, who had become frustrated by the lack of quality childcare available for their children.

8. De-regulation of childcare provision

The final policy proposal is for the de-regulation of childcare provision. This could include increasing the ratios of children to adults, thus lower the cost of childcare per child.

Conclusion

In conclusion, this paper has shown that the lack of affordable childcare has a profound negative impact on mothers. It affects not on their ability to return to work in the short run, but their ability to work full-time and their long-term earnings. The lack of affordable childcare is, therefore, a key contributing factor to the gender pay gap.

This paper proposes a range of policy solutions ranging from subsidy, direct provision, to solutions driven by the private and third sector. It can clearly be seen that without a dramatic change in policy, women with children are likely to face continued disadvantage in the UK labour market.

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