

## Supporting working parents

### FRONTIER EVALUATES RECENT CHILDCARE POLICY DEVELOPMENTS



Successive UK governments have invested growing sums in early childhood education and care (ECEC) over the past 20 years. International evidence suggests that such investments can help parents to participate in the labour markets and strengthen the foundation for future learning for pre-school children. But there is considerable debate whether the policy approaches and the nature of ECEC in the UK have generated substantial benefits.

Over the past decade, Frontier Economics has been involved in a wide range of projects assessing the costs and benefits of childcare policy and early education in the UK. This brief provides an overview of recent policy developments and discusses Frontier's role in the government's latest flagship programme – the provision nationwide of 30 hours free childcare.

Dr Gillian Paull from Frontier Economics will deliver a keynote address on the first year of the scheme at the [Childcare Works National Progress Sharing](#) conference on Tuesday 20<sup>th</sup> March.

#### Childcare matters

UK and international evidence suggests that childcare and early education policies can play a role in promoting two objectives:

- **Increasing employment:** Government subsidies which reduce childcare costs paid by working parents can encourage mothers, particularly single mothers, to get a job or work more hours.<sup>1</sup>
- **Improving children's development:** High quality pre-school early education for three- and four-year-olds can help foster cognitive and social development, especially in the case of children from socially disadvantaged backgrounds.<sup>2</sup>

Pursuing these dual outcomes may bring significant social and financial benefits. Encouraging mothers to maintain and develop their careers can promote gender equality, increase family disposable income and benefit the public purse through higher tax revenues and lower benefit spending. Giving disadvantaged children a helping hand can boost intergenerational social mobility and help to reduce inequality more broadly. With these wider social benefits in mind, policy in the UK has aimed to promote high quality, affordable and accessible childcare via two main channels<sup>3</sup>:

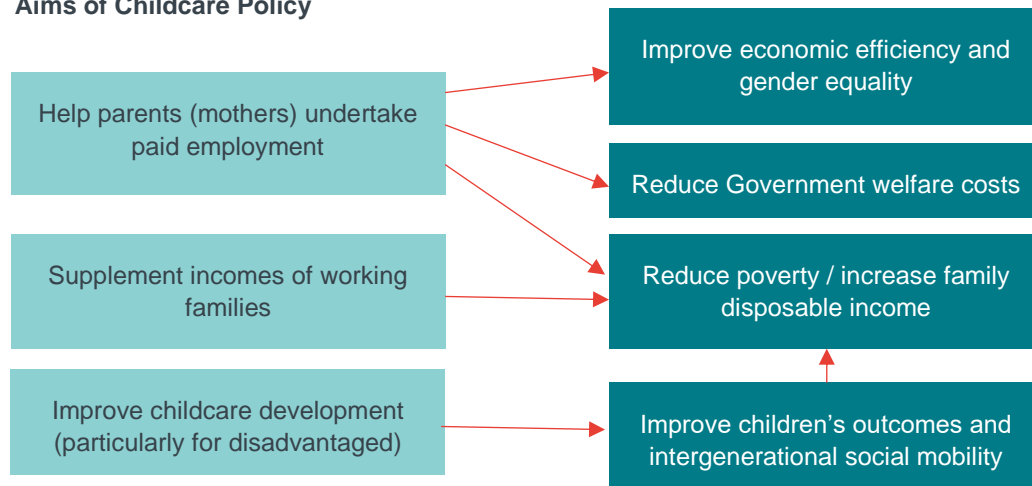
- **Universal Credit and Tax-Free Childcare:** Almost all working parents with children up to the age of 12 can be reimbursed for childcare costs, either through a childcare element in Universal Credit or through Tax-Free Childcare. Under the latter scheme, the government contributes £2 towards childcare costs for each £8 spent by parents (up to a maximum of £2,000 per child per year).
- **Free Early Education Entitlements:** All children are entitled to 15 hours of free early education each term-time week following their third birthday until they start school. Children of working parents became entitled to an additional 15 hours in September 2017 with the introduction of 30 hours' free childcare.

<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/499168/Feasibility\\_study\\_into\\_evaluating\\_the\\_labour\\_and\\_childcare\\_market\\_impacts\\_of\\_Tax-Free\\_Childcare\\_and\\_the\\_Free\\_Early\\_Education\\_Entitlement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499168/Feasibility_study_into_evaluating_the_labour_and_childcare_market_impacts_of_Tax-Free_Childcare_and_the_Free_Early_Education_Entitlement.pdf)

<sup>2</sup><http://ro.uow.edu.au/cgi/viewcontent.cgi?article=3155&context=sspapers>

<sup>3</sup>[https://iea.org.uk/wp-content/uploads/2016/07/ecaf\\_feb13\\_childcare.pdf](https://iea.org.uk/wp-content/uploads/2016/07/ecaf_feb13_childcare.pdf)

### Aims of Childcare Policy



### Frontier's childcare work

Frontier Economics has been engaged in a range of projects to assess the costs and benefits of different policy decisions over the past decade. We have advised the House of Lords Committee on Affordable Childcare in its collection and analysis of evidence; offered recommendations to HMRC on how to evaluate the impacts of Tax-Free Childcare; and estimated the effects of extending the hours of free early education on mothers' work and family poverty for the Welsh government. Ongoing work for the Department for Education includes estimating the value for money of early education in England (asking whether the financial returns from improvements in child development pay back the costs of early education). A second strand of work involves surveying a large number of childcare providers to help understand the impact of policy on the childcare market and to assess how the sums that parents pay vary across the country.

Frontier is now at the forefront of evaluating the 30 hours' free childcare scheme<sup>4</sup>, which doubled the free entitlement of three- and four-year-old children of working parents from 15 to 30 hours. This dramatically broadened the objectives of the programme. Hitherto, the key aim had been to further child development; now the government was seeking additionally to boost employment, raising questions about whether a policy designed for one purpose can be modified to address another.

Frontier's study for the Department of Education of early tests of the policy by 12 Local Authorities in the year prior to national rollout provided indications that the programme would be a success<sup>5</sup>:

- Childcare providers were willing and able to offer the additional free hours and parents were keen to take them up.
- Rather than simply replacing paid hours of childcare with the extra free hours, many parents increased their total use of childcare. Mothers reported that they were more likely to be in work or to work longer hours because of the additional hours.
- Providers and parents perceived the additional hours to be beneficial for children and many families reported feeling substantially better off because of the reduced cost of childcare.

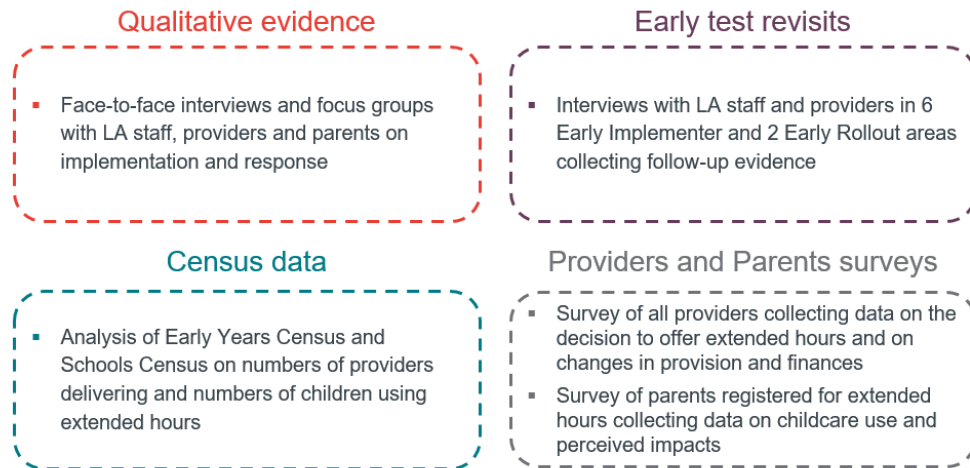
However, there were also some significant concerns about the policy:

- While some providers found that offering the extended hours improved their profitability, a larger number reported a negative impact.
- Some parents cited additional payments associated with the extended hours and constraints on when they could use the hours.

<sup>4</sup>Working jointly with researchers from the University of East London and NatCen Social Research.

<sup>5</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/629460/Evaluation\\_of\\_early\\_implementation\\_of\\_30\\_hours\\_free\\_childcare\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/629460/Evaluation_of_early_implementation_of_30_hours_free_childcare_.pdf)

Building on this work, Frontier is now evaluating the first year of the national rollout of the policy, focusing on its financial viability for providers and how “free and flexible” the extended hours are proving for parents. To create a strong evidence base, data is being gathered from several sources in 12 Local Authorities in a number of ways: face-to-face discussions with small numbers of LA staff, providers and parents; analysis of administrative census data from all providers of free childcare hours; and extensive online/telephone surveys of providers and parents. In addition, revisiting some of the early test areas will provide evidence on developments in the second year of the policy.



This evidence will be used to submit early findings to the Department for Education to help it refine the policy as it enters its second year nationwide. There will also be a published report in late summer and an evaluation toolkit to help Local Authorities understand the effectiveness of the programme in their areas.

### The conference and beyond

Gillian Paull’s presentation on Tuesday will explain to a broad audience of Local Authorities what the national assessment will involve and how it will build on the findings from the early tests of the policy. It will stress why evaluation is so important in order to focus judgment of the scheme on final objectives rather than intermediate implementation goals. In particular, Gillian will remind the conference that the aim of 30 hours’ free childcare is not simply to give children more free hours but to enable parents, particularly mothers, to get a job or to work longer hours and to boost families’ disposable income by reducing childcare costs.

Evaluation of the impact on families is critical. We need to know if the policy is *not* working, not only to avoid wasting public money but also to allow further discussions of how to change or improve the approach. And we need to know if the policy *is* working to ensure that the benefits are widely understood - both by policymakers who will decide the future direction of childcare policy and by frontline providers who are working to improve the lives of families and young children.



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