



HOUSE OF LORDS

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Inquiry on

AFFORDABLE CHILDCARE

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Witnesses: Professor Mike Brewer and Dr Birgitta Rabe

Jonathan Rallings, Alison Garnham and Helen Barnard

Members present

Lord Sutherland of Houndwood (Chairman)
Lord Brabazon of Tara
Baroness Kennedy of Cradley
Baroness Massey of Darwen
Lord Patel
Baroness Shephard of Northwold
Baroness Tyler of Enfield
Baroness Walmsley

Examination of Witnesses

Professor Mike Brewer, Director of MiSoC, Institute for Social and Economic Research, University of Essex, and **Dr Birgitta Rabe**, Senior Research Fellow, Institute for Social and Economic Research, University of Essex

Q74 The Chairman: Thank you very much for coming along today and giving us time on a day that is quite auspicious for you, because a large proportion of your research has been summed up and published today. We have had circulated the one short summary—the introduction—but I suspect that since we received it six minutes ago we have not all read it. I thought therefore it might be very useful if we start by asking Mike Brewer to do a short main points summary and then move into the questioning.

Just to remind you, we are now on air and every little word or tic is picked up by millions of people worldwide. The other thing is that there will be a transcript available of all that is said today and you will see a copy of that to make sure that any corrections that are necessary are made.

Professor Brewer: Thank you. With your permission, Chairman, I will ask my colleague to give you that summary. I apologise for sort of bouncing you with our results. We had the

perhaps inevitable last-minute problems, but we were incredibly keen that your Committee should benefit from this evidence, because we thought it could be important to you.

The Chairman: We think the same. Thank you.

Professor Brewer: Thank you. I will ask Dr Rabe.

Dr Rabe: Thank you. The study that we published today has three headline results. One is on the impact of the free entitlement for three year-olds on actual childcare use. We find there that, out of six children who were funded under the free entitlement, only one additional child takes up childcare as a result of this policy, so one child going to nursery who otherwise would not have. For five children it means they would have gone anyway but the parents now receive a subsidy on the fees.

The second headline finding is on the effect of this policy on children. Here we see some positive effects on children at age five in school, especially those children who would not otherwise have gone to nursery, but these fade out over time, and by age 11 we do not find any positive effects of the entitlement on child outcomes.

Finally, on the effects on maternal employment, focusing on mothers whose youngest child is three, because these are the mothers who are most likely to react to the policy, we find that there is a three percentage point increase in maternal employment for this group. In the first decade of the 21st century, this would mean that instead of an employment rate of 53%, we have witnessed an employment rate of 56%. That is the kind of difference we see, but of course this is only a very specific group that has reacted, and viewed across mothers overall, or even across women, the policy has not transformed the labour supply of women.

Q75 The Chairman: Thank you very much. That is very precise and very helpful. We will be looking into the evidence and your report in much greater detail, but if we could now follow through a series of questions so that we can get on-the-record answers and, if need be,

follow up. I just remind you that if there are any points at the end you feel you should have made or wanted to make and did not have the opportunity, feel free to write to us and indicate what those are.

But to move on—I think it follows from the short summary we have just had—have either of you formed a view of what the main public policy aims of state intervention in childcare should be? You covered some of the main options there, but have you begun to discriminate or are they all equally important?

Dr Rabe: It is a difficult question to answer for us, as economists—to decide which should be the policy aims. However, in principle we would think about where the free market in childcare would potentially fail and that would be where the state should intervene. The free market for childcare could fail on efficiency grounds or on equity grounds. In terms of efficiency, it might be that not enough childcare is being used from society's point of view, for example, because parents underestimate the benefit of childcare to themselves or to their children or are unable to finance the upfront costs of childcare.

From a societal point of view, it might be that not enough childcare is used because there are benefits that accrue to society but are not factored in by parents. From that point of view, this would call for perhaps subsidising the price of childcare, giving entitlements or directly providing childcare, or improving the quality of childcare.

From an equity point of view, we would be concerned if the free market solution leads to inequities, and this could be the case because children from deprived backgrounds do not access high-quality childcare or because women who cannot afford childcare cannot access the labour market. In this case, the policies that would be derived would concentrate on providing higher-quality childcare in disadvantaged areas or subsidising childcare for deprived families in particular.

These will be some of the reasons why we, as economists, would want to intervene, but what I have just laid out makes quite clear that there are a wide number of aims, potentially, and childcare is just one instrument that can serve these aims. Depending on what the priorities were to be, I guess that policy would be designed in very different ways.

The Chairman: Do you want to add to that?

Professor Brewer: Yes. Just on that last point, one of the things I would argue is that this Government and the last Government have got themselves in a bit of a pickle, because childcare has so many things to which it could possibly contribute. It could improve outcomes for children, reduce social inequalities, boost labour supply and thus GDP, and help reduce gender inequality. Each of these things would require slightly different interventions and my fear is that successive Governments have sort of picked them off one at a time and we have lost the holistic view.

The Chairman: In other words, the need is to tackle the question of which priorities and in which order, and that could have a whole variety of background points. I have met enough economists to understand why you do not want to be the individual selecting policy. On the other hand, may I just hang on to the issue of efficiency, because one of the questions about efficiency relates to the point that you have both just made? Is there a clear outcome in mind against which you can evaluate whether this particular intervention or this particular policy will achieve what it is intended to achieve if there is no clear intention and there is a problem about what counts as efficiency?

Professor Brewer: Your last sentence is absolutely right. You need a clear intention, first of all, before you can evaluate whether a particular policy is an efficient way of achieving that goal. Ultimately, civil servants are trained to use the Green Book and to use cost-benefit analysis to assess and to compare various kinds of interventions. In principle, one could

assess the cost to government of an intervention and one could assess the benefit to society of an intervention but, as we have intimated already, the benefits of childcare are multifaceted.

Some of them can be valued easily in economic terms: if you get more women into work, there is an economic gain there; if you can improve children's outcomes so when they become adults they are able to earn more and live better lives, there is a benefit there. I do not know how you value reducing gender inequalities and I do not know how you value having happier children. I just think it is extremely difficult to do a technocratic assessment of, "Is this intervention efficient?" in the sense that you mean it.

The Chairman: Maybe this is posing a question too far, but is there also a downside to particular interventions that has to be measured? For example, if an intervention results in the children most in need not having the attention they perhaps deserve, then that is a negative, as well as there being a positive to what a pro-child intervention can do. The same applies to gender equality and to work placement.

Professor Brewer: The main drawback of these interventions is that they are incredibly expensive, so other things could be done with that money, but it would also not be a good thing if an intervention for young children ended up increasing childhood inequalities because the most deprived children were going without in some way or were subject to low-quality childcare.

Q76 Baroness Massey of Darwen: There are two points that I may as well get in early on, because they may cover other points as we go along. We have heard several times that early childcare is only one influence on a child's life: they have families, carers and all kinds of other influences. Also, it came up last time that learning is not just about academic performance; it is about social learning, developing self-esteem, communication skills and so

on. It seems to me that to try to target all that is incredibly difficult, but do you have any comments on it?

Professor Brewer: I fear you are drawing us slightly outside our area of expertise.

Baroness Massey of Darwen: Have a go.

Professor Brewer: I think you have made two points: first, that it is almost certainly the case that childcare, early education, is not the main influence of children's development; the family will be more important. However, central government policymakers find it harder to influence what families do to children, but what they can do is provide high quality early childhood education.

The second point is that there is more to early childhood education than academic learning but, although you are drawing me outside my area, I think that is reflected in the early years foundation stage and it is reflected partially in the assessments that happen to children when they are in the Reception class. I do not think we have an early childhood system that is focused too much on teaching reading and writing. I think it does teach children to learn how to thrive at school, in theory.

Baroness Massey of Darwen: In theory, right. Thank you.

Lord Brabazon of Tara: You mentioned it just now, but what evidence is there of the likely financial return to the state from increasing maternal employment, bearing in mind that I think Dr Rabe said there was only a three percentage point-increase in maternal employment as a result?

Professor Brewer: This is not my research, but a report earlier this year from the IPPR calculated very well—very robustly, as far as I can see—the return to maternal employment. They calculated that if the employment rate of mothers of under-fives increased by five percentage points, the Exchequer would benefit to the tune of £750 million. That is about a

£6,000 gain to the Exchequer for every mother in work. To put that into context, from the research we published this morning we think that the expansion of free places for three year-olds over the past decade has led to just 12,000 more women in work but it came at an additional cost of some £700 million. You spend £700 million on early childcare or free childcare and you get back about £70 million for the Exchequer.

However, this is not the right criterion to use when judging whether you should intervene in the childcare market. You should do a wider benefit analysis, not just looking at the benefit to the Exchequer. But I think that some people sometimes overclaim the benefits to the Exchequer of getting women into work or, rather, they overclaim the benefits of childcare as a pro-employment policy. These policies are not going to pay for themselves, but there is a benefit ultimately to individuals, to the Exchequer and to society from getting more women in work.

Q77 Baroness Shephard of Northwold: This is a similar question. What evidence is there of the likely financial return to the state from improving developmental outcomes for all children, including the most disadvantaged?

Professor Brewer: That is a much harder question to answer.

Baroness Shephard of Northwold: It is, yes.

Professor Brewer: As I said earlier, in principle, one would hope that civil servants are working out what this is, because they are supposed to be calculating the benefits of spending some £2 billion a year on early childhood education. Again, I have not done any research myself. The best I know of, certainly from the UK, just came out last month as part of the EPPE study, so your adviser, Kathy Sylva, would know about that. In that, researchers tried to calculate the gains to children of receiving high-quality early childhood education. They did that by looking at the impact on these children's test scores when they were 14 or

16 and then extrapolated it into the labour market, as in, “If these children went to early childhood education, and as a result received better test scores when they were 14 or 16, that might mean they earn more when they become adults”. That calculation gives you the financial benefit of early childhood education.

When I spell it out like that, I hope it is clear that to get that kind of estimate, you either have to wait a long time, or you have to extrapolate a lot; you just have to estimate. We know for sure what the children in the EPPE study are doing at the age of 16, but we have no idea what they are going to earn when they are in their 20s, 30s and 40s. I do not have the numbers in my head and it is not my piece of research so I do not think it would be right for me to give it to you, but that is the only estimate I know. But the general point I wanted to make is that putting a financial value on improvements in children’s development, especially on young children’s development, is incredibly hard, because the only way we value it is in terms of their earnings as adults.

Q78 Baroness Tyler of Enfield: Thank you. First of all, like my colleagues, I have just seen this, but I want to ask a question about the significance of one of your key findings: that the current early years offer has not made a substantial difference either to children’s outcomes or to maternal employment. If I could just put a gloss on that, the bit I have looked at very quickly says that the impact of the expansion—I think the recent expansion over the last two or three years, both the extension for three to four year-olds and bringing the two year-olds into the offer—is not covered by this research project. Could you clarify that for me, because I am finding it quite confusing to know which policy you are evaluating there?

Dr Rabe: In this research, we look exclusively at the free entitlement for three year-olds and we study it by looking at the expansion of this policy, which was implemented in the year 1999-2000, and we look over the years until about 2008. Essentially, we compare children

that were living in areas where the expansion was a little bit slower to children in areas where it was higher, and that way we can see what the effect of the policy was. We are exclusively focusing on three year-olds in this study.

Baroness Tyler of Enfield: Thank you; that is helpful. I have that. The bit I am still not clear about is the relatively recent expansion to 15 hours a week, which can be taken flexibly over fewer days and for 38 weeks a year. I am not clear whether that recent extension is covered by your findings or not.

Professor Brewer: Yes, that is fair enough; you could not pick that up from our summary note. That is covered in the section that looks at mothers' employment. We were able to go right up to the most recent data that were available, and we even looked at whether the effect of the free entitlement has changed over time, and we do not find very much there. If anything, the effect of the later years is contaminated by the recession and the slowdown of the labour market, so we do not find a significantly larger effect in the most recent years, when it was 15 hours and could be used more flexibly. But for child outcomes, we did not look at the expansion to 15 hours in 2010, because we have to wait for these children to become five or seven or 11 before we can test them, so we had to look at earlier cohorts.

Baroness Tyler of Enfield: Thank you, and that does explain why I was a little perplexed when Dr Rabe said that the positive benefits fade out over time, by age of 11. I did not see how you could possibly be in a position to make that statement yet given the recent changes, but they obviously relate back to the earlier policy. Thank you. I now have what it is that your research covers more clearly in my mind.

Could I ask about whether these findings are consistent over all different sorts of groups of children? Are there variations either by areas of the country, levels of deprivation or the type of provider?

Dr Rabe: For the children, we have looked at different subgroups, for example comparing children from lower-income and higher-income families, using free school meal eligibility as our distinctive variable. We do not find evidence that there has been a substantial difference in the effects along those lines. We have also done this for children who do not speak English at home and children living in differently deprived neighbourhoods. Here we find that children living in the most deprived neighbourhoods stand to gain a bit more than other children, so there is weak evidence that more deprived children might have gained more.

Another thing we have done is distinguish areas where more additional places were created. I said initially that out of six children being funded, only one additional place was created and five were just receiving a subsidy on their fees. Now we have looked at areas where this proportion was a little bit higher and did find larger effects there. This indicates that those children who went to nursery as a result of the policy stood to gain more by it.

Professor Brewer: May I add something on the effect on mothers' employment? The data were not good enough for us to spot different effects by subgroups, so we did look at whether the effect was larger for lone parents than couples, but there are no statistically significant differences in the estimated impacts.

You also asked about the type of provision and this is an important point that perhaps we should have made clearer. The expansion in free places for three year-olds that occurred in the last decade is entirely in the PVI sector, so if you go back to 1998-99, about 38% of three year-olds were getting a free place at a nursery class in a maintained sector. That fraction has not changed, or did not change, over the last decade, so there was almost no expansion in places for three year-olds in the maintained sector. Instead, all the expansion or all the new free places were in the PVI sector. That means that our results about the impact on children and our results about labour supply are all about the impact of having a free place

or subsidised place or a voucher or whatever in a PVI setting. We are not evaluating the impact of the maintained sector.

Baroness Tyler of Enfield: That is very interesting and relates back to some of our discussions last week. Thank you.

Q79 The Chairman: May I push into the issue of the different groups of children you mentioned, particularly those for whom English is not the language spoken at home? I appreciate it might be very difficult to gather evidence of what advance was and what good outcomes were, but I would find it counterintuitive if their being in an English-speaking childcare context did not have significant advantage for them.

Dr Rabe: I think this points to a weakness in the data. We find that the estimated impacts are higher for children who do not speak English at home, but the size of this group is too small to make the differences statistically significant. What we have to say is that there is some weak indication that these children have benefited more, and especially in the field of literacy.

The Chairman: Evidence, but not much.

Dr Rabe: Yes.

Professor Brewer: Or a difference that is too small for us to be sure about.

The Chairman: It is the size of the difference rather than the type of the difference, but I find it difficult how you would measure in a classroom the interaction of children whose linguistic skills had significantly improved. I think Baroness Massey wants to come in on this.

Baroness Massey of Darwen: Just to clarify the issue of deprived areas, presumably a superb provision in a deprived area would have a better impact than not so superb provision in a deprived area. Does that come out as a fact?

Dr Rabe: We do not relate the quality of provision to our outcomes in this particular study. Many other researchers have shown that children in deprived areas have access to lower quality childcare, but this is not what we have looked at in our research.

Mike Brewer has just clarified that we have been looking at expansion in PVI settings. Many of the children who were already receiving free places in the maintained sector before this policy was introduced were living in quite deprived inner-city areas and were on average from more deprived backgrounds. Looking at the additional children who took up nursery as a result of the free entitlement, we do not find that they were from particularly deprived backgrounds. We have looked at this using survey data and we do not find a very strong picture that a lot of deprived children were taking up additional places. This means that the benefits that you can expect then will also be lower, because we have to think about the counterfactual that they would be experiencing had they not been in nursery. On average, we would expect the quality of the care at home to be lower for children from deprived families. If you get fewer deprived children into nurseries, you would not expect so much of a difference from the intervention at all.

Q80 Baroness Kennedy of Cradley: Looking at the increase in maternal employment, would you think that extending the early education entitlement to longer weekly hours or more weeks in the year encourages many more mothers to work, and indeed what were the drivers or the factors that led to the 3% increase? Was there anything in particular for that?

Professor Brewer: I am afraid we do not know the answer to your second question. This is analysis we have done by just looking at survey data on what mothers say they are doing and we have not explored why they are making the choices they have made. On your first question, I do not have hard evidence, but my expert opinion, if you like, is that extending

the weeks is probably more important and should have a higher priority than extending the hours.

So why is that? If you give someone childcare for 38 weeks a year, they still have to find childcare for the other 14 weeks a year. The problem with that is that the majority of four year-olds, and not the majority but a large minority of three year-olds, take their free entitlement in, effectively a school in the maintained sector, and schools are open for only 38 weeks a year. I can see why the Government have not said, “Your entitlement is for more than 38 weeks a year” because it would be effectively asking every single primary school in the country to be open for more than 38 weeks a year.

But my feeling is that more weeks will have more of an impact than more hours. I suspect if the number of hours that you are entitled to was increased, you would again get the problem of deadweight that is coming out from our existing study. You would probably get it even more so. More free hours would be a great help to those families who are using private settings and are paying for more than 15 hours a week, but I do not think it will make much difference to other women.

Baroness Kennedy of Cradley: Do you have anything to add, Dr Rabe?

Dr Rabe: We think it is quite important to make the entitlement flexible also in the maintained sector—especially in the maintained sector—and to make it possible for women to access paid-for additional hours at the settings or in settings nearby, so what we refer to as “wraparound care”. That would presumably make a big difference without having a large cost attached to it.

Baroness Tyler of Enfield: Can I ask a very quick supplementary precisely on that point of flexibility? Professor, you were quite clear that extending the weeks was more important

than extending the number of hours, but are you able to make a relative judgment about the importance of the flexibility of the hours?

Professor Brewer: No, I am not, but I know that in practice it helps only parents who are using their free entitlement in a PVI setting. If you are using your free entitlement in a nursery class in a maintained school, you almost certainly do not have any flexibility. The sessions will be at fixed times and they often do not like it if you turn up for fewer than five days a week. But obviously the more you can do to turn this from three hours a day to 15 hours a week, the more help it is to parents who are using this to pay for childcare to enable them to work, definitely. I cannot quantify that though, sorry.

Q81 Baroness Shephard of Northwold: Turning to working tax credits, what impact would you say the childcare element in these has had on maternal employment?

Professor Brewer: I am afraid I do not know, but this is quite a sorry state of affairs as I do not think the Government know either, and this is now a reasonably expensive policy.

The Chairman: Can we quote you on that? You are now in the public realm.

Baroness Shephard of Northwold: He is on record.

Professor Brewer: I am very happy for you to quote me on that, yes. It may reflect that this policy grew from a very small childcare disregard under the Conservative Government that you remember under Family Credit. Forty thousand families benefited from this childcare disregard back in 1996-97, and now there are about 10 times as many families—maybe a little lower now that the childcare tax credit has been cut—benefiting from the childcare tax credit. It has grown massively over a 15-year period, but the evidence has not caught up. You would hope that a 70% subsidy is having some effect.

Baroness Shephard of Northwold: Yes, indeed.

Professor Brewer: There are two reasons why it might not have an effect. One is that it is not particularly transparent, so a 70% subsidy sounds transparent but in practice the level of subsidy you get depends upon your income and how many children you have, because that determines when you are on the final taper of tax credits.

Secondly, I know that lobby groups will make the argument that these low-income families have to pay upfront the full costs and then maybe at some point in the future they might get a rebate, and paying 100% of the costs upfront may well be a barrier. I think if you could deal with both of those, you would get more of an impact, but I am afraid I do not have any evidence on what impact it is having right now.

Baroness Shephard of Northwold: Thank you very much.

Q82 Baroness Massey of Darwen: This ties in with Baroness Shephard's question. Do you think that the new tax-free childcare will have any effect on parental work choices? Is it the same answer: "We do not know"?

Professor Brewer: It is a similar answer, yes, and the new tax-free childcare of course will be subsidised at a much lower rate than the childcare tax credit, where it is going to be a 20% subsidy not a 70% subsidy. What we know from international evidence is that subsidising the price of childcare has only small effects on mothers' work patterns. The first effect will be on the choice of what childcare to use. If you give someone a 20% subsidy on childcare, maybe they will use a bit more formal childcare and a bit less informal childcare, but if you do the calculations and work out what difference that 20% subsidy makes to your better-off calculation, it is not that much.

It will be spread across a large number of families, so maybe in aggregate there will be some effect, but I cannot imagine it will be transforming families' work patterns. It will help them with the cost of childcare and they will appreciate the impact on their family finances, but I

would be dubious if anyone were to claim that it is going to transform maternal employment. I hope I am making clear that that is based on expert opinion rather than solid research evidence, but we do not know what effect this policy will have.

The Chairman: Sorry, when you say “expert opinion” that is, in other words, your view rather than evidential—

Professor Brewer: It is my view, based on international evidence about how responsive maternal employment is to the price of childcare. You may have heard about the evidence from Quebec, which introduced a massive subsidy to the price of childcare and that had quite significant effects, but Baroness Massey asked me about a 20% subsidy. It is just almost a different order of magnitude. Where we can see in the literature that childcare interventions have increased maternal employment, they have tended to be about availability rather than price. Where childcare is limited in some way and governments have intervened to make there be more of it, that is where you are more likely to see increases in maternal employment. The evidence says that pure price interventions will have an effect on what type of childcare mothers will use, first and foremost, and then only after that will they have small effects on the number of mothers in work.

Q83 Baroness Walmsley: I have another question about the new tax-free childcare. In your written evidence you suggest that it could be amended to incorporate childcare payments under universal credit so that parents have a single scheme. Could you just tell us a little more about that?

Professor Brewer: Yes. My starting point is that it is never a good thing for families to have to be faced with more than one scheme, and, for that reason, I have always been a supporter of integrating benefits, although that does not mean I necessarily like universal credit. My starting point is why do we have two systems for subsidising families’ spending on

childcare, particularly when there is a strict rule that you cannot benefit from both? When the Treasury put out its consultation paper last year about the tax-free childcare system, it devoted a number of pages to possible ways it could ensure that families could not get help through universal credit and get the tax-free childcare system. It makes you want to tear your hair out. Why do policymakers do this? Both systems are designed to give parents a subsidy on their own spending on childcare, yet one is going to be operated through an online top-up scheme and one is going to be more like an old-fashioned tax credit, but they both involve the Government giving parents a subsidy on their childcare costs in a way that is related to income. I do not know whether it would be easy to do it practically but it seems to me you could have a single system where parents put money into their childcare account and the Government tops it up, but it tops it up more if you are on a low income than if you are on a high income. It seems to me you could design such a system to basically replicate what is going to happen on universal credit but have all parents in the same system. I notice that providers want this too. Providers do not want to have to explain to parents, “You might get help through universal credit or you can use a tax-free childcare system”. They want a single payment system, ideally.

Of course it is easy for people outside Government to criticise policy decisions when they look complicated because in reality there are constraints, but it seems a shame in this instance when neither of these schemes exist yet. Why not design something from scratch that will deal with all parents in the same way?

Baroness Walmsley: That still means that people have to pay upfront and hope that eventually the Government will top it up.

Professor Brewer: Yes. It is my understanding that this top-up would happen quickly, if not immediately. An alternative system would have to have money going to providers who

would then charge parents a lower ticket price. There is no reason why you could not design such a system but it would involve quite a major change from universal credit and the tax-free childcare. But, yes, I think you are right.

Baroness Walmsley: From something you said a little earlier, I got the impression that you feel that the need for paying upfront, sometimes rather large amounts for a whole term, is a real barrier.

Professor Brewer: Yes, that is right. Earlier this year I saw some evidence from Citizens Advice. Citizens Advice were doing mystery shopper experiments on behalf of childcare, so they were taking the role of a mother going back to work for the first time and they were phoning up nurseries and asking them what would it cost to start. You take into account there is a deposit, and you pay the first month's fees upfront. That is an awful lot of money for—

Baroness Walmsley: Before they have earned a penny.

Professor Brewer: Exactly—before you have earned a penny, yes. Upfront fees will be a concern for some families. Of course, others can just take it in their stride but it is definitely a concern for some. I hope the Committee has seen that evidence and if not you should ask Citizens Advice for a copy.

Q84 The Chairman: May I push this one a little bit further? This is probably what they call in Scotland the “daft laddie” question, but you are going to get a daft laddie question. What if more of the provision were state provision rather than private, voluntary and so on? Then some of the complexities, because they have to do with what the relationship is with the provider, could be simplified quite dramatically, could they not?

Professor Brewer: Yes, they could. I was struck when we found out that the number of three year-olds in the maintained sector had not changed over the last 15 years. I am aware that a

Government Minister yesterday or the day before was urging more schools to provide nurseries, but nothing has changed in 15 or 20 years there.

One difficulty would be that it would involve the public sector directly competing with the private sector. I am sure if you asked heads of major nursery chains they would not want the Government to expand their direct provision.

The Chairman: It happens on East Coast Rail at the moment.

Professor Brewer: Yes, absolutely. That is not a reason not to do it but I can see the difficulties.

What we know about the maintained sector is that it is probably better than the PVI sector for children but it is probably less good than the PVI sector for parents who are working on the grounds that I was explaining to Baroness Tyler. If you can take your 15 hours flexibly over a week that is going to give you more opportunity to make it fit with your working pattern than if you have to take three hours a day in an institution that is only open 38 weeks a year.

I imagine that people who are most concerned about child development would be very keen to see the state providing more nursery classes in the maintained sector. I can imagine that those who are in favour of promoting women's employment would like there to be more involvement in the private sector. Alternatively, we could have state-run institutions that are not schools. They could be run open 48 weeks a year, open 10 hours a day, and that would take us to more like the kind of institutions you see in other European countries. Probably those would give you the best of both worlds. That would be quite a dramatic departure for this country but probably a welcome one.

The Chairman: I can almost hear you saying, "A bold step, Minister", yes.

Q85 Baroness Shephard of Northwold: I wanted to ask about this, because we are bound to come to it later in the work of this Committee. I am sure there are lessons we can learn from other countries. France for example, to take possibly the very nearest example, has universal state provision that is available to parents, and one just wonders who would be doing the research on, first, maternal employment and, second, educational outcomes. I think this is outside the scope; I have not had time to look at this.

Professor Brewer: Yes, it is definitely outside the scope of our own research. From what I know of the area it is extremely difficult to do cross-country comparisons about the way these places—

Baroness Shephard of Northwold: I know it is but somebody must have tried.

Professor Brewer: I do not know the answer. I know we have cross-country comparisons about the kind of ways the state intervenes. No, I do not know.

Baroness Shephard of Northwold: Is it not a fair question to ask you?

Professor Brewer: It is the right question to ask but I am afraid I do not have the answer.

The Chairman: Perhaps it is the wrong person to whom to address it. That covers the range of issues we wanted at this stage to pick up with you. When we have read your report in more detail, we may well come back to you either in writing or whatever. Is there anything that we have not covered that you would like to draw to our attention?

Professor Brewer: No, that is fine. Thank you very much. Thank you, Chairman.

The Chairman: Thank you very much. The written record will be with you within a few days. Thank you. The Committee will have a short pause here because the other witnesses for the next session are still assembling.

Examination of Witnesses

Jonathan Rallings, Assistant Director of Strategy Unit, Barnardo's, **Alison Garnham**, Chief Executive, Child Poverty Action Group, and **Helen Barnard**, Poverty Programme Manager, Joseph Rowntree Foundation

Q86 The Chairman: Welcome to our three witnesses and thank you, Jonathan Rallings, for stepping in at short notice. It is much appreciated. I point out to you what you may already know: we are now broadcasting so all words, comments and gestures will be recorded out there. Secondly, may I remind you that there will be a written transcript? You are now giving public evidence. We will let you have a copy of that transcript within a few days in case there are any points that need actual correction, but equally and more informally, if on looking at the evidence you feel there are points that you would want to clarify do please send us a note or, alternatively, if there are points that you feel we should have made more of or you wanted to say a bit more, again, let us have any additional thoughts and comment.

Would you like to say, for the benefit of those recording this, your name and from whence you come, and then your voice will be recognised online?

Jonathan Rallings: Hello, my name is Jonathan Rallings. I am Assistant Director for Policy at the children's charity, Barnardo's. We run over 900 services, serving 200,000 families and children, including 173 children centres.

Alison Garnham: I am Alison Garnham. I am chief executive of the Child Poverty Action Group.

Helen Barnard: I am Helen Barnard. I am poverty programme manager at the Joseph Rowntree Foundation.

Q87 The Chairman: Thank you very much. May I start with the first question? Clearly there are many possible objectives in childcare but no doubt one of them is tackling child poverty.

What is the role specifically? We all know it is a good thing but what is the role specifically of childcare in tackling poverty? Who would like to begin?

Alison Garnham: There are two distinct roles. One is the role it can play in improving children's developmental outcomes and we know that looking at international studies that, for example, intergenerational poverty is less in some countries and far greater in the UK and the United States where children are far more likely to follow in their parents' footsteps in terms of income and educational level. We know from work by people such as Kathy Sylva from our own EPPE study, which has been funded for some years in the UK, that high-quality childcare, and only high-quality, can lead to improved outcomes for children. These can be long-lasting and the most long-lasting for the most disadvantaged children, so that is the first thing.

The second thing is the way that it helps parents into paid work, and that is significant because child poverty rates reduce significantly if parents are working. For couples where no one is working the child poverty rate is about 71% and that falls to about 29% if one works full-time. If both of them work, one full-time and one part-time, it falls to 8%. That is quite a dramatic impact on child poverty as a result of parental employment, so obviously childcare has a role to play in that.

The Chairman: May I ask specifically about the point about relating childcare to parental employment? How can childcare make a difference if neither of the parents is working, which is where you started?

Alison Garnham: It can still make a difference. For example, the free entitlement would leave parents to have time to consider what activity they might want to take part in. It might enable them to partake in training and education that would improve their chances of

getting a job, but of course it would also deliver the child development outcomes regardless of whether the parents were in paid work.

The Chairman: I can see the point you are making initially, but most obviously that applies to the one parent who is not working, who does not have the time to do all of these additional things. How would it help since you statistically started with two parents not working?

Alison Garnham: Sorry, I do not think I understand the question properly. What I was saying is that having a one-earner household reduces poverty by less than being a two-earner household.

The Chairman: I understand that.

Alison Garnham: So the second earner is key to reducing child poverty.

Q88 The Chairman: Thank you very much. The stress is on high-quality childcare—clearly we will come back to this—but have you any comments on what counts as high-quality childcare? Is it to do with the qualifications of the staff? Is it to do with the location or what?

Alison Garnham: Studies like the EPPE study and Millennium Cohort Study, and lots of others, show that it is the presence of a graduate qualified person that is the indicator of high quality. We also know that quality varies across the sector, so the best quality is in the maintained sector and in children centres and the poorest in the private and voluntary sector, although there is a very wide range. So you get some very high quality but also you get the poorest quality.

The Chairman: I might come back to that. Do either of the other two want to comment on the general point, which is about the role of childcare?

Jonathan Rallings: Our experience is definitely that the quality of childcare is immensely important for the vulnerable children whom we are primarily concerned with and what they

achieve in life in general. What we are quite concerned about is the fluctuations across the country of where the quality is situated. So the more disadvantaged children based in poorer areas often only have the choice of poorer quality childcare and some of that may well be due to the difficulties of attracting members of staff to work in some of the poorer areas, particularly in the south-east or poorer areas of London, where the living costs are still going to be quite high and the wages are quite low.

Helen Barnard: There are a couple of things I will add to that. Absolutely, the two big things are developmental benefits, which impact on future poverty, and letting parents work, which impacts on current poverty. There is potentially a third role, which some literature talks about, which is whether childcare providers are good people to help parents improve the home learning environment as well. In some models, particularly the children centre model but some nurseries and so on as well (because they have that relationship) if it is done well childcare providers can be one of the best ways of educating parents, and we know that the home learning environment is a bigger driver of children's outcomes than childcare. They are both very important, but if you break down the stats, the home learning environment has the larger impact; your advisers will be able to tell you the details.

The quality is very important. There is a very good Policy Exchange report, which mapped where the quality provision is, and they showed very clearly the dearth of good quality provision in deprived areas.

The other thing that might be worth noting when you are assessing quality— I have been reading some stuff recently — is that the way that Ofsted currently assesses childcare quality does not necessarily match up with the best international evidence of how you should assess quality of childcare. I am sure it can be fixed, but it is worth noting that there is a very good set of international things that say 'this is what predicts good outcomes'. So if

you judge quality by what will get the best outcomes for children, there is a very well established set of things you look at. It has not quite been taken on board in the inspection regime yet and probably needs to be.

Baroness Walmsley: Could we get a reference to that piece of work, if we do not have it already?

Helen Barnard: Do you mean the Policy Exchange one or the one about inspections?

Baroness Walmsley: The one that you have just referred to about good practice in inspecting.

Helen Barnard: Yes, absolutely. I am sure Kathy or your other advisers will probably be able to link you up to that.

The Chairman: We will have Ofsted coming to talk to us in due course, so that would be very useful.

Q89 Baroness Shephard of Northwold: We have skirted round the question I am about to ask, and it is this: has the free early education entitlement improved developmental outcomes for children living in poverty? It depends what it is, if it is good quality, and can we assess it?

Helen Barnard: You have just heard from Mike Brewer who has brought out the study today, which is—

Baroness Walmsley: Yes, which we had six minutes before we started.

The Chairman: And that is just the introduction.

Helen Barnard: I think that it is great to have that study because we published a big international review of childcare and poverty and one of the things it highlighted was the lack of good evidence—and the IFS Green Budget said the same—on exactly what has been achieved. My understanding, from a very fast reading I also did of the report today, is that

the answer is not very much, partly because five out of six children would have been in childcare anyway and partly because such an enormous proportion of the childcare places are in the private and voluntary sector where quality is low. I was at a Conference the other day and it was mentioned that something like 90% of childcare provided is in the private and voluntary sector nationally, so 10% is in the maintained sector where you are much more likely to get the higher quality.

Jonathan Rallings: Something that we need to remember is the context of time and the fact that the childcare sector is very young when you compare it with other institutions, particularly the wider education sector. It is interesting how early years is more and more now being integrated into the more formalised education structures that we have. I certainly would not dispute the findings this morning—evidently that is sound evidence—but we also need to remember that there are new initiatives afoot to try to concentrate the impact on the poorest and most vulnerable children. We are concerned that that one in six are likely to be the most disadvantaged children—the ones that we care about most.

We have campaigned—as I am sure the Committee is aware—for a nursery premium for a long time. We published our report, *Mind the Gap*, well over two years ago now asking for it. We are delighted that that has been accepted, delighted it is coming in in April, and we hope that the evidence—we can wait to see what the impact of that will be because it is very clear that as a society now we recognise within the mainstream schooling system the importance of a little bit extra for the most vulnerable.

On the early years pupil premium, the whole point we argued is the fact that that little bit extra ought to be going in earlier because we know that is where children start to fall behind, so the early years pupil premium may help to improve the free entitlement provision going forward.

Q90 Baroness Massey of Darwen: Does Barnardo's have any examples of the issue that was brought up earlier about early childcare settings helping parents to enable their children to develop?

Jonathan Rallings: Funnily enough, that is something we are extremely interested in at the moment. The Committee may well have seen the Social Mobility Commission report that came out on Monday, and you will see that it recommends a national parenting programme based around the "Five to Thrive" principles.

Barnardo's started a project at the beginning of this year to train all of our staff that are working with babies under one and families in pregnancy in the "Five to Thrive" approach. The importance of this approach is that it demystifies a lot of the neuroscience that has been floating around for the last 15 years, in particular, the basic concept that the impact of the parent on the actual physical growth of the brain is profound in those first two or three years. What we want to do, working with some of the vulnerable parents that we do in our children centres, our family support projects across the UK, is to get the basic principles of "Five to Thrive", which are a continuum. They are not necessarily stand-alone. The idea is that you respond to the child; you give them time because their brains react slower than an adult brain; you then cuddle or touch the child in order to start the biorhythms coming together and relax. That then enables you to be in a position where the child can fully respond to playing and you can reinforce it by talking. These are key principles that can help the development of the child.

Baroness Massey of Darwen: But how do you get to the parents?

Jonathan Rallings: By training our staff. We talked earlier about a dearth of training in the early years in general, and we need to concentrate on upping those standards so the training is equivalent to that of schools. What we are doing by ensuring that our staff have a

consistent approach and consistent messages is beginning to develop different ways in which we can communicate with parents that we might use this top line. It is a bit like a gauze that fits about everything else that we do within these services. It allows our staff to communicate with parents in different ways, so it may be we pull out some parents and do a more intensive five-week programme looking at each and how they are important. With others it may just be working through some materials quickly and giving them those basic principles of how the brain develops. The importance, though, is that it provides a means for us to communicate with parents that is not judgmental and is not mystifying because it is full of scientific terms. It is very simple and easy to understand.

Helen Barnard: There are quite a lot of factors. If you are looking for examples of how to do this, there is quite a well developed literature on helping to develop the home learning environment on programmes that work with parents. One of the big issues is often attrition, parents drop out, but there are programmes that have overcome that. Of course engaging with working parents is always that much harder than it is to engage with parents who have more time, but there is a good set of practice that does this. What we do not have is a system that provides trained staff that can do it or a model that gives them the time and the space to do it. Private providers are under a very difficult financial model to do that kind of stuff.

The Chairman: Did you want to follow on?

Alison Garnham: Yes, please. I wanted to add something about the quality. You will have heard from Mike Brewer that some of the impacts on child outcomes seem to be small from the early days of the free entitlement, less than you might have expected from the EPPE study, for example. Also his report from Nuffield by Mathers and Smees looks at how disadvantaged children tend to experience poorer-quality childcare but explains that much

of the free entitlement, because it has been delivered through the PVI, is therefore being delivered through the poorer quality provision. Therefore, you might expect that to be a finding. But there is a protective factor. Kitty Stewart's work at the LSE has shown that in disadvantaged areas children from poorer backgrounds very often tend to find their places in the maintained sector and in Sure Start children's centres; therefore, they are disproportionately getting a higher quality from those settings. It is important to note that and it is important for policy because clearly that investment in supply side provision has a protective value.

Q91 The Chairman: Do you have any comment on the point that Mike Brewer made to us, which is that the percentage of children who are within the state provision has not risen over quite a long period; it still runs at 28%?

Alison Garnham: No, because most of the growth in the new childcare places, since the childcare strategy started, have developed in the PVI. That was deliberately built into the Childcare Act in 2006, that local authorities were to act as market managers rather than to provide provision directly themselves.

Helen Barnard: That was very much the policy choice.

Alison Garnham: It was.

The Chairman: Was it a good policy choice or a bad policy choice?

Alison Garnham: It was a mistake in retrospect, because the best quality is in the maintained sector and it probably would have been better to expand school nurseries.

Baroness Walmsley: But does that not account for the fact that there does not appear to have been an enormous rise in maternal employment, because where the high quality is found the flexibility is not? It does not enable the parents to go out to work.

Alison Garnham: That is absolutely right. Certainly in the maintained sector flexibility is far less than in the private and voluntary sector where there is much more variety of parents. But I would say about Mike's research: people are saying a 3% increase in parental employment from the free entitlement is small; I think it is remarkably high. It was a policy that was introduced to improve child outcomes. It was not introduced to improve parental employment so the fact that it has also delivered that is quite remarkable. I think that is a positive and strong finding.

Jonathan Rallings: The trade-off with flexibility is extremely interesting. There is always a trade-off between quality and flexibility, unfortunately. Some people may remember the PwC report back in about 2006 that said about 25% of childcare needs would never be met because it is not reasonably practicable for people to provide it.

Nonetheless, over the last 10 years we have seen distinct changes in working patterns. We are seeing increased flexibility in what employers want from their staff—such as different shifts and having to work in different areas—and that is why one of the things that Barnardo's has been steadily calling for in recent months is that we need to start thinking about how we get employers and employer support back on the agenda. Ten years ago the conundrum was about how we split the funding of childcare between parents, state providers and employers. Somewhere along the line, particularly over the past six or seven years, employers have dropped off there.

As the economy is beginning to grow, employers are expecting their staff to work at times where, quite frankly, childcare is not generally available, say 4 am or 5 am or 8 pm or 9 pm, and where it is available there is a premium attached to that. Maybe we should be looking a little more at how employers can best support parents to work a bit more flexibly so they

avoid having to seek childcare in those hours, or helping them with that premium in some way.

Helen Barnard: That point is very good and it is slightly broader than that as well. When you look at the bottom end of the labour market, the nature of the jobs that people are going into at that bottom end are more and more intermittent, insecure, with varying hours, and it is not just about zero hours contracts. They are just one example of contracts in which hours vary and matching that to any kind of formal childcare is very difficult because of the unpredictability and the financial aspects.

It is also worth thinking that even with a free entitlement and other subsidies, for those families for whom there is a real financial barrier, they are still having to pay 30% of costs or 20% of costs. Given how costs have risen that can still be a big financial barrier. So there are several things that may have stopped the free entitlement delivering.

Jonathan Rallings: If the Committee will permit me, we have a case study that completely backs up what Helen has just said. I will read it verbatim because it is in the words of the parent, which is important: "I was on a flexi contract so I worked three hours on a Saturday and four and a half on a Sunday. Now I had to be available to work extra shifts every week if they wanted me to work, up to 36 hours. Then providing they gave me 24 hours' notice they were allowed to give me all these hours and I had to work them. But sometimes they did not have any hours for me and then all I would have would be these seven and a half hours. So over Christmas I think there was a couple of weeks I was working 50 hours and then it went back to nothing, and they said, 'We are not going to renew your contract'. Childcare would have been so difficult if I did not have grandparents. If they are saying you may work seven and a half hours or you may work 30 this week then you could never have paid for anything because you could never have guaranteed the wage".

Of course, additionally, the providers of many childcare places for their consistency need to know when the children are coming in to balance their ratios. If we are living in a society that expects parents to work in this way, we have to fundamentally rethink how childcare provision is given. This mother was lucky enough to have some supportive grandparents. Many will not have that. Anecdotally, what is particularly risky is, having visited local authorities in other places, there are some parents and some communities that will opt out of regulated childcare altogether and then you could end up in a system where you will have 20 kids running around, looked after by a couple of older teenagers in a totally unregulated environment.

I am not saying that that is definitely happening everywhere, but it is a risk if we do not get this right and it is a particular risk for the most vulnerable families and poorest children that we deal with, because they are the ones who are in the low wage jobs that simply cannot afford to pay for the childcare around the edges.

The Chairman: Baroness Massey, had you covered your points or do you want to continue?

Q92 Baroness Massey of Darwen: This is partly covered but I just want to get a little more information from our guests about the childcare part of free early education and direct subsidies to parents. Do you think that that has had an effect of reducing child poverty?

Alison Garnham: It was a key part of the childcare strategy that started around 1998. It is about the same time that the childcare strategy started, so they ran alongside each other. It is hard to disentangle the effects of each thing but, for example—and Mike Brewer is sitting behind me—the lone parent employment rate between 1998 and 2010 rose from 45% to 57%, which was remarkable. Some of that could be put down to labour market activation but a lot of it was of course due to the introduction of tax credits and the childcare element in tax credits, which made help with childcare costs available for the first time.

In the predecessor, family credit, help with childcare costs was very small. That increase in lone-parent employment, according to Mike Brewer, reduced child poverty by a third. It accounts for a third of the reduction in child poverty. That is a significant contribution to the child poverty strategy.

Baroness Massey of Darwen: But they still have problems about reducing child poverty?

Alison Garnham: Of course we have. At the moment the projections from the Institute for Fiscal Studies are that child poverty is going to rise by nearly a million by 2020. That is predominantly because of the major cuts to benefits and tax credits that have taken place recently and, in particular, the support for working families. Most of the cuts have been cuts to benefits that affect working families, like tax credits, housing benefit, council tax benefit, child benefit and so on, and much of the rise in child poverty is due to the indexation of benefits to CPI and that means that benefits for low-income families will be rising with a very low rate compared to the average.

Baroness Massey of Darwen: So parental employment is not going to counteract those—

Alison Garnham: Jane Waldfogel and I, back in 2008, wrote an essay for the Joseph Rowntree Foundation. We tried to estimate the impact on child poverty from childcare. We estimated it could reduce child poverty by something like between a sixth and a half, but at that time only half of poor children lived with a working parent; now it is two-thirds of poor children who live with a working parent and three-quarters of them are working full-time. So it is not the parents are not supplying enough hours, it is that their pay is so low it does not do much to deliver them out of poverty. You need to also look at wages as well as childcare.

Helen Barnard: The Social Mobility and Child Poverty Commission has done some good analysis on this and its conclusion when it did the modelling was that there is no realistic pattern of parental work that will make a big difference to child poverty in the foreseeable

future, partly, as Alison was saying, because we are expecting tax credits and subsidies to do far too much of the heavy lifting. That has been the case for a long time, and unless we do something about the bottom end of the labour market and change jobs so that work becomes a better route out of poverty it is very hard to see how we are going to do it without it being wildly expensive.

There is also the issue of reducing costs. It is something we do not talk about very much with child poverty; increasing incomes is one half of it but reducing costs is another half. It does take you back to childcare costs because childcare and housing costs are the two biggest drains on a family budget. They are also the two where inflation has been very great, so childcare costs have risen by 42% since 2008 where wages have risen by 9%. The inflation in those two sectors is very significant—so this is a very timely inquiry. If you can get a handle on childcare costs, it could make a very big difference.

Q93 Baroness Tyler of Enfield: In a sense, we have been talking about this for most of the morning, but it is the issue about the barriers that low-income families face when accessing the sort of childcare that they need. We have been talking about costs, upfront payment, flexibility of hours and things like that. I would be interested if there are other barriers that we have not talked about so much and also how those factors come together, the interaction between the barriers that we have already heard about.

Jonathan Rallings: The research that has been published this morning is interesting. I have not had time to look in depth but I am sure it will be extremely interesting. One thing that is certainly clear about the free entitlement is it seems to be caught in between the two central policy drivers that we identified earlier, being not quite enough to significantly affect an increase in maternal employment, while at the same time not necessarily being convincing enough for the most disadvantaged children.

Barnardo's has publicly come out and stated that we would like a continued commitment to head towards 20 hours, maybe even 25 hours, partly because we believe that, certainly in conjunction with an early years pupil premium, there is the hopeful impact that that may have over time for the most disadvantaged children, but also because what we are getting back from our parents is the fact that the 15 hours, even with the flexibility that is now there to take it over two days, is just not quite enough to enable the sort of work that the parents would like to be able to do.

For instance, we have an example of a parent here who has an under-two place for 15 hours but can get them into their local setting for only nine hours, and then that means they do not have the time to drop the child off in the two four and a half sessions, get to a job, do the work that they need to to make it worthwhile, and then get back. You can begin to see how 20 hours might be more easily spread over two 10-hour sessions, allowing you to work two full days, which would make it worthwhile. I would say that certainly one barrier at the moment is just ensuring that there are enough flexibilities within the free entitlement and there is enough free entitlement to make that difference.

Alison Garnham: Childcare availability and affordability frequently come up in parent surveys as a key barrier to work, but it is not just the childcare costs themselves. If you look at the tax credit statistics you would be surprised at how little people claim in terms of childcare costs, given how expensive we know childcare is. If you look at the childcare cost surveys that the Family and Childcare Trust produce, for example, you would expect very high amounts to be claimed. We have had only about 6% of people claim over £160. The average amount claimed is £55 a week. One of the barriers is inherent in the system: you have such a high proportion left to pay once you have had help provided to you through tax credits. In future, through universal credit, even though it will be improved from 70% to

85%, which is great, that still acts as a barrier for parents because they fear taking on a financial responsibility that might then fall to them and so they would rather self-limit than expose themselves to that risk.

Alongside that you have issues such as the cost of housing—the things that Helen was mentioning—transport, which is fiendishly expensive, particularly in areas such as London. You have access to training and education. We have done a number of focus groups recently with low-income families and one of the issues that has come up spontaneously has been the inability to get childcare support in order to do training and education and to have those childcare costs met. They see it in their own interest to take that route into paid work, which is sensible; it is what you would advise your friend to do. They prefer to take that route but find it very difficult to get childcare that suits or find a way of paying for it.

Jonathan Rallings: On that point, which is very valid, we are also concerned about the impact on particularly young parents where you have may have teenage mothers, teenage fathers. The Care to Learn scheme has been pulled back by a year. The Care to Learn scheme was particularly important for these vulnerable children, people like care leavers often, because what it enabled them to do is not only pay for their childcare but to get back into education, particularly at a point where being a new parent they are often very motivated to try to fulfil their ambitions and to move forward for their child. Now they only get that support up to 19, whereas previously it was 20. That is having an impact on the number of young people who feel it is viable for them to get back because the crucial thing is it would help pay for their transport as well as the childcare.

Helen Barnard: There is also a couple of things that have not been mentioned. One is that within certain ethnic minority groups particularly, take-up is very low. There are lots of reasons for that. We recently published some work that we funded the Runnymede Trust to

do, looking at how families balance caring and earning, both for children and for older people and for disabled children, among particular ethnic minority groups. They did some work with Somali groups, Caribbean groups and Pakistani groups. What they found was very low take-up.

If you disentangled it, there were certainly people who simply did not want to use childcare while their children were at primary school age, and even more so below that; they just felt the right thing for the family was for a parent to take care of them. But there were quite a lot of people who were not dead set against childcare, but even when they did not know very much about the cost, there was this assumption, “What I have heard is it is X amount an hour; there is no way we could ever afford that” essentially. Also there was a fear for some groups about the nature of the care. People in the Somali group, the Pakistani and Bangladeshi women, and the men we talked to did not necessarily all want their children taken care of by somebody from their own ethnic group but they did want to feel that the childcare would support their values. There were various ways that could be delivered.

It is also interesting that among those groups there was a pretty high take-up of out of school hours care for only slightly older children, and among those groups there is incredibly high value for education. One of the suggestions the Runnymede Trust was making was having some more targeted information and advice going to some of those communities, emphasising the educational benefits, and also making sure that there is culturally sensitive childcare. One of the things the Somali group was saying was, “If there were child minders around from our community I would be pretty happy to leave my child with a Somali child minder”. But there do not tend to be and there are lots of barriers to women from those communities being able to take up that kind of work.

Q94 Baroness Walmsley: I just wanted to go back. Jonathan, you have twice mentioned now the nursery premium. Do you feel there should be any strings attached? If we believe in evidence-based policy, should the Government not be using the evidence of what works to attach some conditions to this additional money to make it do what it is meant to do? I would like your view.

Jonathan Rallings: Barnardo's has very strongly iterated at every point that there needs to be a very clear menu of options for what the early years pupil premium should be intended to fund. I come to this as an education policy adviser as well as early years, and I know what happened with the original pupil premium, and it is worth just revisiting. When the pupil premium was first introduced into schools there was no guidance over what it was. At the time when I was working for London Councils, we conducted a survey of London head teachers where, when we asked them what the pupil premium was—this is back in 2011, I think—49% of them said, "Oh, it is just money to sub up for cuts elsewhere in my budget. I will just be putting it in like that".

Obviously we have done quite a lot to raise awareness now and I do not think you would find that figure again, but there is a greater risk for government here because when you are talking about the early years sector—as Alison has stressed several times—you are talking about a private and voluntary sector as well as the state sector. If you do not provide very clear indications of how this money ought to be used, the risk is that people may, at worst, just see it as another means by which their business is made more viable, and that could provoke a fair degree of political acumen for somebody further along the line.

However, that is not to cast any doubts on the noble intentions of most providers. Having worked for provider organisations, I know just how much these people are in it for the children, because you do not make a lot of profit. But what we need to do is make sure that

there is a clear menu, and we suggest maybe using this to teach some of the disadvantaged children in smaller ratios, which would help to make a difference in our opinion, or whether it means getting in evidence-based literacy, language development schemes, that can be applied maybe across two or three local settings, pooling their money where they can bring these more vulnerable children together. The key thing is that we cannot just let the money go in unregulated, and Ofsted has a role in this as well in terms of seeing it as part of the quality assessment that they need to deliver.

If they are not using the early years pupil premium in an outstanding way they should not be getting an 'outstanding', and that is exactly the same position Barnardo's took in *Mind the Gap* around the pupil premium.

Helen Barnard: There is also a point of fact that there is quite a small amount of money to correct a very big problem, that across the sector what we need to do is to drive up quality, increase qualifications, increase pay. People who work in childcare have very high levels of low-pay and poverty. I think it is a great policy and it absolutely needs to be attached to driving up quality, but it is not the fix for the sector. We need a much bigger fix to create better quality across the whole sector.

Jonathan Rallings: In relation to that—I think Helen will agree—we need to see the early years pupil premium increased year on year, just as the pupil premium has been, so that we reach equivalent rates. We are absolutely cock-a-hoop that it has been introduced, but nonetheless if we are to move towards making a difference, as Helen indicates, it needs to be on a par with what primary schools and secondary schools are getting. The pupil premium plus for young children in care and adopted children also needs to be instituted and money needs to be given to the virtual school head to co-ordinate work in early years to make sure that those children in particular are school ready.

Q95 Baroness Kennedy of Cradley: First, I need to declare that I am a member of the Child Poverty Action Group. My question is about the impact of the childcare element in the working tax credit. We have already mentioned this a little bit. Alison, you mentioned the lone parents get back to work, but can you outline and expand on how you feel that childcare element in the working tax credit has the impact it has had on child poverty?

Alison Garnham: As I said before, it played a key role in that rise in the lone parent employment rate between 1998 and 2010; a dramatic increase. I was working at One Parent Families at the time and people used to phone us up and say, “I cannot believe it”. It made a dramatic difference to their ability both to lift their families out of poverty but also to be able to engage in paid work, often for the first time. Why it was significant was that for lone parents it had previously been nearly impossible to work part-time and make ends meet, whereas tax credits and help through the childcare element made it possible to do that, which is the preference for many lone parents. Prior to that, the sums just did not add up. It has had a dramatic impact on child poverty rates as a result of that, I would argue.

It is very hard, as I said before, to disentangle exactly what was going on with that rise in the lone parent employment rate, but we do know that it accounted for a third of the fall in child poverty.

Helen Barnard: The answer is that we basically do not know. The evidence does not tell us that. You cannot disentangle it. In addition to what Alison said, there are a couple of points worth making. One is—slightly technical—that the cap on the childcare fees, the cap on how much can be subsidised, has not changed since 2005 and over that period costs have gone up by 42%, so the average cost of childcare in London already exceeds the cap. Some research that we have looked at suggests that by 2015, or around that time, the average cost of childcare outside London will exceed the cap. One of the things that we think is a

fairly clear adjustment would be to say that the cap needs to rise in line with inflation of childcare costs.

Having said that, we also need to look at the risk. The way the system works at the moment is that the parents and the Government are bearing quite a big risk in terms of inflation. There is an interesting report that the IPPR did where they proposed very strongly having a cap on parental fees. That is something that places like Norway have done, so to have more of a sharing mechanism between parents and the taxpayer and cap the parental fees in the private sector so that the taxpayer is not just funding spiralling costs. Something we need to look at is potentially some of those kinds of controls.

Alison Garnham: Yes, I agree with that. For example, they would limit costs to 5%. Parents would pay no more than 5% of the overall fee, for example, and the rest be met through public subsidy, which is a better system because at the moment, as I said, parents are still at risk of having to bear the proportion that they still have to pay even after tax credits have done the heavy lifting, if you like.

There are still issue. Helen is right about the caps for childcare costs, they have not changed for a significant period of time, but also in tax credits and in future in Universal credit there are only two rates for low income parents. There is a rate for having one child and a rate for having two or more children. In the new tax-free childcare scheme, for better-off parents it will be for any number of children, so there is asymmetry going to develop in the future. There is a strong case to have a new category for three-plus in Universal credit to make those schemes more symmetrical. Also in Universal credit, the gains to work for second earners and for lone parents, because of the way so much money has been taken out of Universal credit even before it starts, there is still more that needs to be done to make work pay for those groups who are seeing the worst work incentives through Universal credit.

Helen Barnard: The model of universal credit basically said that under the current plans, when increasing your hours, moving from part-time to full-time work, some families would lose money by doing that, many families would not be better off; families with children specifically under that system. There are some fixes to that; it is not unfixable.

Q96 Baroness Walmsley: Do you think there should be a cap to avoid additional government subsidies simply leading to price inflation, as in Norway?

Alison Garnham: There are two different ways of doing it: the one we were describing is a public subsidy and a cap on the amount parents pay. The scheme we have here is parents receive a subsidy to be able to pay their childcare costs.

Baroness Walmsley: Sorry, I meant a cap on prices.

Alison Garnham: I see what you mean, from suppliers.

Helen Barnard: We do not know. We are just starting a piece of work now, which we will have in March and should be able to share with you, which is looking at the concrete proposals for the childcare system. We put £7 billion into childcare a year in this country and we do not get very good outcomes for it in terms of international comparisons. We put quite a lot of money into it compared internationally and it is not working terribly well. Partly that is because of the complexity, all the different ways we put money into it does not work very well. So I am afraid our answer is, "Give us a few months and we might be able to tell you".

The Chairman: I fear we will not be here in a few months, but there we are.

Jonathan Rallings: To add to the debate you are talking about with the childcare element, we need to think in grand terms of somebody's career. We are talking about a whole number of years, of which the time that you need childcare is a proportion, but keeping your hand in and having an ability to keep within work is going to enhance your prospects of being able to pick that career up, whether you are male or female but more predominantly

female, later on when your children get older. To just say is it or is it not viable at a certain period of time to be funding childcare to support that is not necessarily the whole picture. One thing that is good about Universal credit is the 16 hours limit being removed that allows parents to work and keep their hand in, particularly as the labour market becomes more flexible, to the example that we talked about before.

Another example we have from our services is of a young woman called Michelle who has four children. She had to leave her job as a youth worker under the previous regime because her hours were cut from 16 hours to seven as a result of cutbacks. We understand why those cuts need to be made, but would it not be better to keep somebody who is a skilled professional working with you, somebody who we may want to employ elsewhere in the future, rather than her dropping out of that profession altogether, maybe spending two, three, four years looking after her children until those children are all at school and then trying to get back in and finding it that much more difficult having to potentially retrain? Surely it would be better to allow that person, and under Universal credit the great thing is, they will be able to continue for seven hours and it will not be able to disincentivise them in quite the same way that it did under the previous regime.

Q97 Lord Brabazon of Tara: The new tax-free childcare was just mentioned. Do you think it will have any effect or much effect on the work choices of parents on low incomes?

Jonathan Rallings: We doubt it because the vast majority of the parents on low incomes that we work with will not qualify because they will be receiving Universal credit and the two are separate. There may be a small proportion who might ping-pong between the two. If they are self-employed, for example, they may have a windfall year but then the next year they will drop back under. But that is going to be a very small proportion. The majority of the low paid parents will be on Universal credit and not eligible for tax-free childcare.

Alison Garnham: There is a serious question mark about whether it is a very strategic use of money. Most of it goes to the richest 40% of people in the income distribution and there is very little evidence that that would be likely to increase their likelihood of working or increasing their hours at all. The level of income we are talking about for childcare costs is not the same issue as it is for low income families, where it is absolutely crucial to whether anyone is able to work or not.

Helen Barnard: It was noticeable when the policy was announced that of the new money, £750 million was going to the tax-free scheme, which is essentially for better off parents, and only £200 million of the new money was going to the universal credit part of the scheme, which is where you would expect to see gains in terms of child poverty. Obviously since then we have had a very welcome announcement that the subsidies are going to go back up to 85%, which is great but it is going to be paid for from within the universal credit budget, which means potentially you are going to be putting money into childcare subsidy and taking away from either the same families from another bit of their tax credits or from other families who are also in poverty. It seems to me quite an odd way of using that money. If we are interested in reducing poverty and all the costs that poverty brings us as a country, it would make more sense to put new money much more strongly into the universal credit side of things.

The Chairman: Thank you very much for the clarity and vigour of your views. Just to not quite reassure you, we are not the Government; we are a group of Members of the House of Lords representing all parts of the House, all parties and the Cross-Benchers. We will be making recommendations. It remains to be seen who picks them up and, just looking at you very straightly, who supports them in the public noise thereafter. But it will be a big issue at

the next election and we appreciate the effort that you put into all of this. The text will be with you. Do let us have any comments fairly quickly. Thank you very much.