

Written evidence submitted by Pregnant Then Screwed

Summary

1. Pregnant Then Screwed is a major pregnancy and maternity rights charity. In 2022, we provided tailored support to 81,813 women facing discrimination because of pregnancy or maternity.
2. It is no understatement to say the early years system in England is broken: it is failing parents, particularly women, it is failing children, and it is failing the economy, holding back growth and innovation.
3. Pregnant Then Screwed has long campaigned for greater investment into the early years to prevent the sector from collapsing, to improve working conditions for staff, and to ensure childcare and early education is affordable for all families. We know this is essential to achieving genuine gender equality and women's full enrolment in a prosperous labour market.
4. Our three core principles for reform are as follows:
 - a. Early years educators should be paid the same as primary school teachers.
 - b. Early years provision must begin from the end of parental leave.
 - c. No household should be paying more than 5% of their income for childcare.
 - d. Ample provision for children with special educational needs and other disabilities.
5. The case for investment is irrefutable: 1.7 million women are currently restricted from working more by childcare costs. Investment would unlock £28 billion annually, over four and a half times the net investment required calculated after job creation, consumption and social security savings.
6. Ratios and/or personal funds **will not** deliver the change children need, the change staff need, or the change mothers need. We elaborate on these points throughout this submission.

How affordable and easy to understand is the current provision of childcare in England and what steps, if any, could be taken to improve it, especially in relation to families living within the most deprived areas in England?

7. PTS research finds that the current childcare system in England is neither easy to understand nor affordable:
 - a. Parents in England face some of the highest childcare costs in the world according to the OECD[1]. In March 2022, a PTS survey of over 27,000 parents of under-fives found that:
 - i. 62% say that childcare now costs the same as their rent or mortgage, rising to 73% for single parents, and 73% for parents who work full-time.
 - ii. One in four (25%) parents say they have had to skip meals or forgo heating and fuel to pay for childcare,

while 13% of single parents say they have had to use a food bank due to increased childcare costs.

iii. 80% of parents expect their childcare bill to rise further in the next six months, and 99% of parents say that the cost of childcare is making the cost-of-living crisis even more challenging.

iv. A similar survey in late 2022 of 3400 parents found that 83% said that their costs had either increased in the last two months or will increase in the next two months, with 45% saying they had increased in last two months. An additional sample of 1,691 parents found 34% said their childcare costs had increased by more than 10% in the last two months[2].

- b. Shockingly, additional research finds that 60.5% of mothers who had an abortion in the last 5 years stated that childcare costs were a factor in their decision to terminate a wanted pregnancy and 43% of mothers are considering leaving their job as a direct result of childcare costs.
 - c. In reverse of international trends, the lowest earning households spend the highest percentage of their annual income on childcare in England, at 31% - while a couple earning an average wage pays 22%. This is a regressive system which disadvantages the most deprived households and increases inequality among parents and children alike.
 - d. Decreased supply due to underfunding and staff shortages is increasing demand and pushing up prices well beyond affordability: there was a 4.4% net loss of childcare providers and 1.1% net loss of childcare places in 2021-22, a net loss of around 4000 providers.
 - e. In 2019 research found that early years providers in deprived areas were twice as likely to close as those in the most affluent areas[3].
2. There are plenty of steps the Government could take to improve it. PTS has three core principles for reform:
- a. **Early years educators should be paid the same as primary school teachers.** Data compiled by the Rauch Foundation found that 85% of the brain develops by the time a child is five years old, meaning that quality care and early education is absolutely critical to long-term learning and development. Early years educators must be recognised for their skills and expertise. It makes economic sense to invest in their skills, pay and progression. Every £1 invested in early years education saves £13 in later interventions[4].
 - b. **Early years provision must begin from the end of parental leave.** Currently, government provides almost no support for parents with two-year-olds, except for the most disadvantaged. This means that when paid maternity leave ends, most women are left with no choice but to continue caring for their child instead of

returning to paid work. When support kicks in as children turn three, it is too late to retain women into the labour market.

c. **No household should be paying more than 5% of their income for childcare.**

Anything more will disincentivise parents, especially women, to return to working full time.

i. There are a number of ways the Government could do this including through supply side reform which directs funding straight to providers who demonstrate high quality care and pay, instead of demand-side (to parents).

ii. This was recently introduced in Australia where the Child Care Subsidy (CCS) helps cover the cost of approved childcare (including wrap-around care). It is paid to providers from the Government to be passed onto families as a fee reduction. The amount a family receives depends on their income and activity level. Recognised activities include paid work, paid or unpaid leave, volunteering, training to improve career prospects and active job-seeking. The higher the level of activity, the more hours of subsidised care families receive.

iii. Similarly in Ireland universal and means tested subsidies calculated depending on a households' circumstances are paid directly to providers who meet certain standards.

iv. This has the benefit of ensuring the funds are directed straight to providers, enabling them to retain and recruit excellent staff; incentivising work and/or seeking work; allowing for tailored support to disadvantaged children in deprived areas and crucially; allowing for in/deflationary adjustment over time.

v. In the immediate term, Government must revise the 'free hours' funding so it reflects the true cost of provision of these hours in line with inflation and making up for shortfalls in recent funding. This public investment should include conditions for childcare providers, including a real living wage for early years educators and the provision of enough places for children with SEND.

3. It is essential to emphasise that the reforms being considered by the Government including reducing ratios and a personal childcare fund will not deliver the structural reform needed to the early years sector. Further demand side reform is not what is needed. See Annex 1.
4. There is a clear economic case for investment in the childcare and early years sector which follows the three principles set out above:
 - a. Just like public transport, childcare enables people, particularly mothers, to go to work. Currently, 1.7 million women are prevented from taking on more paid hours of work because of the cost of childcare. Unlocking this potential by investing in early years would boost the economy by an estimated £28.2 billion annually[5].
 - b. Analysis estimates that if women had access to adequate childcare services, and were able to work the hours they wanted, they would increase their earnings by between £7.6bn and £10.9bn per year[6].
 - c. Like primary and secondary education, high quality childcare helps children to reach their potential. Every £1 invested in early years education saves £13 in later interventions[7].
 - d. Modelling shows that if childcare workers are paid a salary equivalent to primary school teachers and all 3.2m children are offered up to 40 hours a week for 48 weeks a year through supply side reform, the annual gross cost would be £55bn. Employment creation in childcare services and elsewhere in the economy through multiplier effects would add up to 1.7m full-time equivalent jobs under such a scenario, raising the overall employment rate by up to 4.3 percentage points and the female employment rate by 6.4 percentage points. Increased tax revenue from additional earnings (including indirect taxation from increased consumption) and reduced spending on social security, has the potential to recoup between 95% and 89% of this annual investment, leaving £6.1bn net funding needed[8].

Are the current entitlements providing parents/carers with sufficient childcare, and to what extent are childcare costs affecting parents/carers from returning to work full-time?

5. A cost crisis is exacerbating a major supply issue when it comes to childcare costs in England. Before Covid, just over half of local authorities in England (56%) reported that they had enough childcare for the children of parents who work full-time. Children with special educational needs or disability were particularly under-served, with only 19% of local authorities having enough childcare for them[9].
6. In November 2022, Ofsted confirmed that 5,400 early years providers closed in 2021-22. As a result, 110 local authorities have seen the number of places in their local area fall since August 2021[10] despite Department for Education estimates to the contrary.

7. Places are falling and distribution is skewed across the country. Provision also favours affluent areas: of the 68,000 childcare providers registered with Ofsted in England, 10,900 (16%) were located in the most deprived areas of England, while there were 14,800 (22%) in the least deprived areas[11].
8. In 2022, Coram Family and Childcare's 17th annual Holiday Childcare Survey, which shows that only 27% of English local authorities have enough holiday childcare available for parents in their area who work full time, down 6% on last year; and that holiday childcare costs have jumped by 5% since 2021[12].
9. The evidence that these failures are stopping parents, mothers especially, from returning to full-time employment is undisputable (see points (5) and (7b) plus:
 - a. A 2017 Department for Education survey found that:
 - i. 20% of non-employed mothers cite childcare as the top barrier to employment.
 - ii. Half of non-employed mothers said they would prefer to work if they could arrange the right childcare (of the right quality, convenient, reliable and affordable).
 - iii. And, 46% of mothers in part-time employment said they would increase their working hours or work full-time if childcare was not a barrier[13].
 - b. Recent analysis from the Office of National Statistics (ONS) found that the number of economically inactive women aged 24- to- 35-years-old who have left work to look after family has risen by 13% in the last year. And while ONS data doesn't list the cost of childcare as a reason for this, we know from analysis by the TUC that childcare costs, a key consideration for this group of women, have risen by more than £2,000 in a decade[14].

Whether the current Tax-Free Childcare scheme, and support for childcare from the benefits and tax credit system, is working effectively or whether these subsidies could be better used within other childcare subsidies.

10. The Tax-Free system is not widely used or understood while interaction with UC leaves the poorest women locked out of work. In 2022, PTS surveyed our membership as to the ease of understanding the tax-free childcare system, specifically with reference to accessing it over the summer holidays. We found that:
 - a. 41.6% said they would be using the tax-free childcare over the summer holidays.
 - b. Of those not using tax free childcare over the summer holidays 44.4% said they did not believe they were eligible and 15% said the system was too complicated.
 - c. 15.6% did not know about the tax-free provision at all, demonstrating a total policy failure.

11. Additionally, for parents on Universal Credit, the requirement to pay up front for childcare is forcing women particularly out of work. Despite the opportunity to recoup 85% this cost, for many women it is simply cheaper to leave their paid work and care for their child themselves, than to find the money needed to pay for their childcare upfront. Our evidence shows this is forcing women out of work and into debt[15]. DWP research from 2017 showed that claimants see childcare as a significant barrier to work and think childcare is too expensive[16].
12. Students also cannot access childcare allowances creating issues and inequalities for mothers in further and higher education. PTS recently heard from a student nurse whose free hours access had been removed because her earnings fell under the threshold despite working for free within the NHS. She wants to contribute to the future NHS workforce but may be forced to drop out of her training to care for her son.
13. The complex benefits and tax credits system could be replaced with supply side reform to the early years sector. In the long term, PTS would like to see major reform of the early years sector in line with our core principles set out in point (2). In the shorter term, in recognition of the major crisis facing the sector and the cost-of-living crisis, the childcare element of UC should be raised to a maximum of 100% of eligible costs and be made available up front to parents or, paid directly to providers.

What challenges do early years providers face in terms of workforce, including recruiting, and retaining qualified staff, and the barriers faced by individuals joining the profession? To what extent has the Covid-19 pandemic exacerbated workforce challenges?

14. Before, during and now after the pandemic, the longstanding underfunding and undervaluing of the early years sector and early years staff has led to a major crisis in recruitment and retention:
 - a. In March 2022, data from an Early Years Alliance survey of around 2,000 early years providers found that:
 - i. for 86% of settings, funding for the three- and four-year-old early entitlement scheme does not cover the cost of delivering places.
 - ii. Around a third (30%) of the providers surveyed said that they were currently operating at a loss, while 34% said that they expected to be operating at a loss in 12 months' time.
 - iii. 48% of the staff respondents said that they were either considering leaving or had left the sector (42% were actively considering leaving the early years sector,

5% were in the process of leaving and 1% had already left).

- b. This follows a 2021 survey by the Early Years Alliance in December 2021 of 1,400 providers found that: 84% of providers are finding it difficult to recruit staff.
 - c. Low pay, as a result of lower than expected funding and higher than expected inflation, is a key issue:
 - i. In 2020 the Social Mobility Commission found that one in eight – 13% – of early years professionals are paid under £5 per hour, while the average wage was only £7.42 per hour[17].
 - ii. 2018 research for DfE found 70% of childminders have earnings at or below the national living wage[18]. As a result the sector has a higher than average turnover[19].
 - iii. In 2019, research found that almost half (44 per cent) of childcare workers had to claim state benefits and tax credits, while a report by Nursery World found that one in ten early years workers were officially living in relative poverty[20].
 - d. Inflationary pressures and successive underfunding see providers facing hugely increased costs: in 2022, the IFS calculated that prices facing childcare providers will have grown by 32% between 2017–18 and 2024–25. It also said that: “Higher-than-expected inflation has eroded the value of planned increases in spending on the free entitlement. Considering rises in costs specific to childcare providers, we estimate that total spending on the free entitlement will buy 9% less in 2024–25 compared with 2021–22.” [21]
 - e. This crisis is exacerbating the impact on children as fewer people see the early years sector as a viable career and invest in their training.
 - f. In a review of five similar economies done by the Fawcett Society, England was found to see the lowest qualification requirements for the early years staff, compared to New Zealand, Canada, Australia, Switzerland, and Japan[22]. The number of nursery workers qualified to Level 3 has plummeted to low levels in recent years, from 83% of the workforce to 52% currently[23].
15. A vicious cycle of low pay, high turnover, low qualification rates and low wellbeing/morale in the early years sector has resulted in a major recruitment and retention crisis that will only be solved through better pay and supply side reform. Early years educators are essential to our children’s development, their skill and expertise should be recognised as such. For this reason, PTS calls for early years educators to be paid at the same level as primary school teachers.

About Pregnant Then Screwed

Pregnant Then Screwed is a charity that works with pregnant women and new mothers, and defends their right to workplace equity and wellbeing, through free legal advice and support, mentoring, and campaigning work.

ANNEX 1: Why relaxing ratios is not the answer.

Read our parliamentary briefing 'Why the relaxing of ratios in our early years sector would be a failed policy' here: <https://bit.ly/3HcqudH>

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- [1] <https://www.fawcettsociety.org.uk/Handlers/Download.ashx?IDMF=69a72e4c-0231-4b42-8b41-35b6148f4f4d>
 - [2] <https://www.workingmums.co.uk/childcare-rises/>
 - [3] <https://www.nurseryworld.co.uk/news/article/nurseries-in-poor-areas-facing-closure>
 - [4] <https://heckmanequation.org/resource/invest-in-early-childhood-development-reduce-deficits-strengthen-the-economy/>
 - [5] <https://wbg.org.uk/wp-content/uploads/2022/03/Childcare-and-gender-PBB-Spring-2022-1.pdf>
 - [6] <https://www.progressive-policy.net/publications/women-in-the-labour-market-2>
 - [7] <https://heckmanequation.org/resource/invest-in-early-childhood-development-reduce-deficits-strengthen-the-economy/>
 - [8] https://wbg.org.uk/wp-content/uploads/2016/11/De_Henau_WBG_childcare_briefing3_2017_02_20-1.pdf
 - [9] <https://wbg.org.uk/wp-content/uploads/2022/03/Childcare-and-gender-PBB-Spring-2022-1.pdf>
 - [10] <https://www.eyalliance.org.uk/news/2022/11/ofsted-data-reveals-closure-5400-early-years-settings-last-year>
 - [11] <https://www.theguardian.com/money/2022/sep/20/ive-never-been-so-low-the-childcare-providers-facing-closure-over-rising-costs>
 - [12] <https://www.familyandchildcaretrust.org/holiday-childcare-survey-2022>
 - [13] <https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2017>
 - [14] <https://www.tuc.org.uk/news/cost-childcare-has-risen-over-ps2000-year-2010>
 - [15] <https://wbg.org.uk/wp-content/uploads/2018/09/UC-and-childcare-submission-FINAL.pdf>
 - [16] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/643952/understanding-how-universal-credit-influences-employment-behaviour.pdf
 - [17] <https://www.ier.org.uk/news/childcare-workers-paid-under-5-per-hour-social-mobility-commission-warns/>
 - [18] <https://www.gov.uk/government/publications/provider-finances-evidence-from-early-years-providers>
 - [19] <https://governmentbusiness.co.uk/news/26062019/staff-turnover-early-years-sector-concerning>
 - [20] <https://www.nurseryworld.co.uk/news/article/staff-facing-high-financial-insecurity>
 - [21] <https://ifs.org.uk/publications/annual-report-education-spending-england-2022>

[22] <https://www.fawcettsociety.org.uk/Handlers/Download.ashx?IDMF=69a72e4c-0231-4b42-8b41-35b6148f4f4d>

[23] <https://governmentbusiness.co.uk/news/26062019/staff-turnover-early-years-sector-concerning>

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