

# LOST OPPORTUNITIES, LOST INCOMES

Why families in England need further reform of  
childcare and early education to get into work

## Executive summary

### Parents - particularly mothers - of young children in England are struggling to get into work

This briefing paper presents new analysis by Save the Children of the Labour Force Survey and Family Resources Survey.

This analysis reveals that, despite significant reforms to the childcare system in England, many parents are still struggling to get into work or increase their working hours. It also shows that mothers are most likely to struggle:

- Over 450,000 mothers with children under five in England are looking for work or would like to increase their hours but are unable to do so,
- This means that fewer than one in three mothers with a child under five are in full-time work.

This is despite record levels of employment among women. The reality for many mothers is that a lack of support with childcare is stopping them from working.

Over half of mothers out of work say that they would move into work if they could find high quality, affordable, and convenient childcare.

In this paper, we estimate how much these families are missing out on. We focus on mothers' earnings because of the particular challenges they face. These estimates show:

- A mother in an average family with young children could be losing between £3,400 and £11,400 a year because they can't get into work or aren't able to increase working hours,
- Nationally, mothers are losing out on over £1.2 billion in earnings every year.

### Childcare continues to be a barrier to employment

Continuing problems with the childcare system mean that families are struggling to get by. As a result, children are missing out on the start in life that they deserve.

Over the last two decades, the support available to parents for childcare has evolved into a patchwork system with competing schemes and different eligibility criteria.

Parents tell us that this complicated system makes it difficult to access the support that they're eligible for. They also tell us that they often end up having to 'top up' the support they get. This extra cost can mean that it doesn't make sense to

go back to work or increase their working hours, meaning they can't earn the money they need.

And while all parents of three and four-year-olds are eligible for 15 hours of free childcare and early education, and some parents are eligible for additional free hours for two-year-olds and three and four-year-olds, parents tell us that the cost of childcare is still a major barrier to working.

Support for childcare should help stretched parents to cope with the challenges of parenthood. But too often, childcare is just another thing to worry about for parents.

This is bad for parents, but it also has a real impact on children. We know that families with very young children are more likely to be struggling than families with children at primary school. This can have a big impact on a child's early learning at a crucial time in their lives.

### Further reform is needed to create more opportunities for families

Save the Children believes that every child should have access to high quality, affordable childcare and early education.

This should make sure that every child starts school with a good level of development and that parents who want to work are supported to.

To make this vision a reality, we need further reform of the system to make it simpler for parents to use, to continue making childcare more affordable, and to continue to raise the quality of provision.

We need urgent action to help the thousands of families who are struggling to get by in England today.

### Despite reform, the childcare system still isn't creating enough opportunities for families

Employment levels in England are at a record high. More women are employed than ever before. But figures in this paper show that there are still thousands of mothers of young children who aren't able to work because of problems with childcare, with real consequences for families' incomes.

Consecutive governments have recognised the importance of childcare and early education in supporting parents - particularly mothers - to work. Over the last two decades, different governments have introduced and expanded the system of support available to parents. This includes the free entitlement, support through tax credits (soon to be

replaced with universal credit), and through childcare vouchers and tax-free childcare.

Funding is now at record levels, with spending set to exceed £6 billion per year in the UK. But the evolution of the system over the last two decades has created a patchwork system of supply and demand side subsidies.

Parents tell us that the system is complicated and difficult for them to access the support they're eligible for. Some aren't even aware of additional support available outside of the free entitlement, or understand how it works.

This is reflected in recent surveys of parents:

- Polling by the Social Mobility Commission found that almost half (47%) of parents had no idea or were confused by the support available to them with childcare costs. This figure was higher among low income families (54%) compared to high income families (36%) (Gulc & Silversides 2016),
- The Department for Education's bi-annual survey of parents shows that only around half of all parents (48%) felt that the information available to them about childcare was about right, while a third (31%) felt there was too little information (Department for Education 2017a).

And, while all parents of three and four-year-olds are eligible for 15 hours of free childcare and early education, and some parents are eligible for additional free hours for two-year-olds and three and four-year-olds, parents tell us that the cost of childcare is still a major barrier to working.

Of course, many mothers and fathers would prefer to stay at home with their child in the first few years, then go to work. But many do want to work, in a part or full-time position:

- Surveys by the Department for Education finding that half (50%) of non-working mothers said they would prefer to go out to work if they could arrange good quality childcare which was convenient, reliable, and affordable,

- And almost half (46%) of mothers working part time also said they would increase their hours or work full time if there were no barriers to doing so. Of these, half (50%) said being able to afford suitable childcare would enable them to do this (Department for Education 2017a).

The reality is that the system of support for childcare isn't doing enough to help these parents to go out to work.

As this briefing paper shows, this means that thousands of parents, particularly mothers, leave the workforce after the birth of their child, and can be out of the workforce until their children go to school. This has a big impact on household incomes in both the short and the long term.

## A lack of opportunity means young children are most likely to grow up in low income

In this section, we present findings from an analysis of government data from the most recent years of the *Labour Force Survey* and the *Family Resources Survey*.

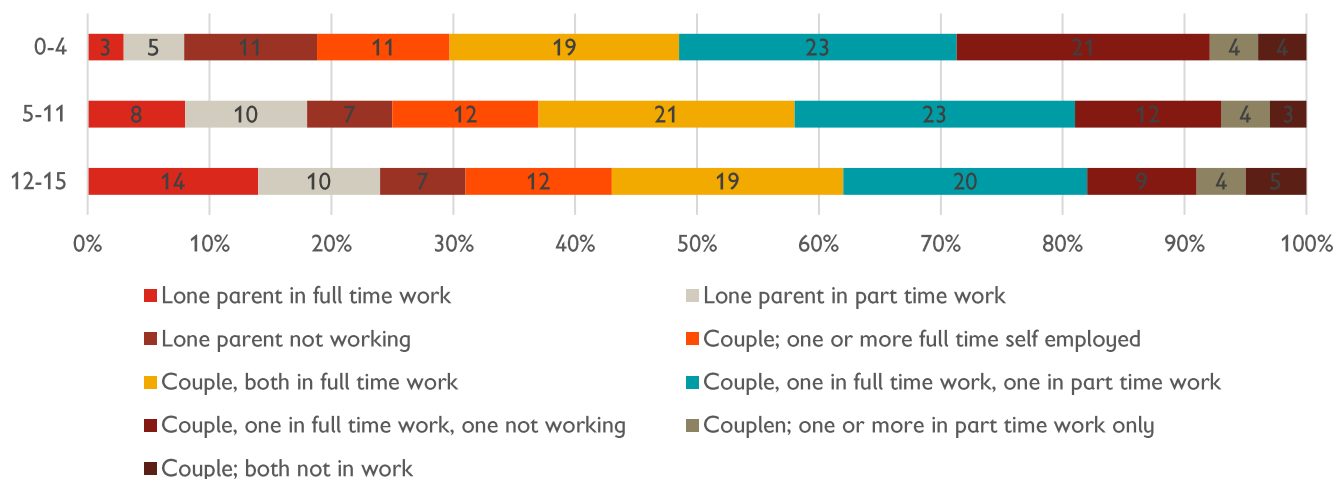
This analysis shows that parents of children under five in England are less likely to be in work, and more likely to have low incomes.

Figure 1 shows a breakdown of family employment status by the age of the youngest child in the family, revealing how parents' work patterns change as their children get older. The chart shows that:

- Among all families with a child under five, two in five (40%) are either not working at all or, if they are in a couple, only one adult is working. This figure falls to a quarter of families whose child is of school age,
- Among lone parent families with a child under five, almost two thirds (60%) are not working, compared to less than a third of lone parents with older children,
- And among couple families with a child under five, a third (35%), have only one adult in work or no adults working full time, a figure that falls by 7ppt among parents of older children (28%).

**Figure 1 Families with children under 5 are 50% more likely to not be in work or for only one parent to be working than families with primary school children**

*Family employment status by age of youngest child*



Source: Save the Children analysis of the Family Resources Survey 2015-16

What these patterns of employment mean for families with young children is that they're much more likely to struggle with money than families with older children. Figure 2 shows this by looking at the income distribution among families by the age of their youngest child:

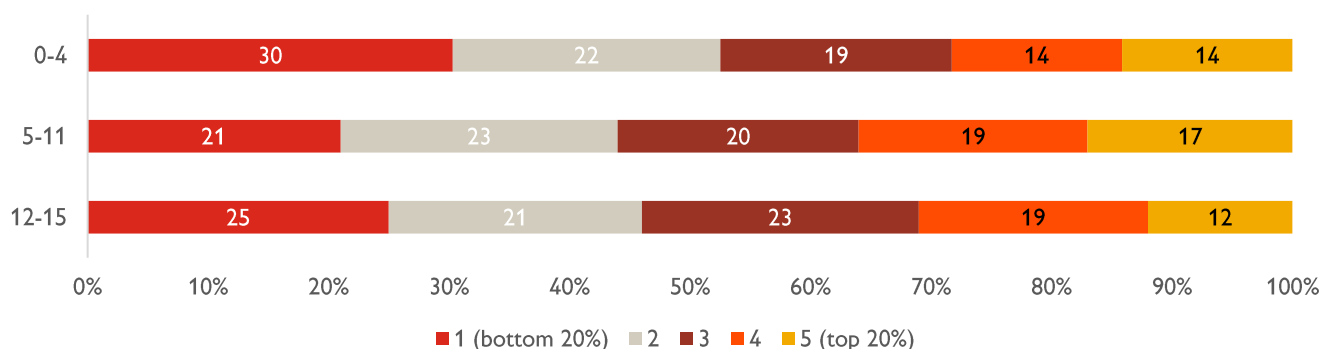
- Almost one in three (30%) families whose youngest child is aged under five are in the bottom income band,

compared with one in five (21%) of families with primary school-aged children,

- When the bottom two income bands are taken together, the difference is similarly stark: over half (52%) of families with the youngest children are in the bottom two groups, compared with just over two in five (44%) of families with older children.

**Figure 2 One in two families with children under five are in the bottom 40% of the income distribution**

*Proportion of families in each income group by age range of youngest child*



Source: Save the Children analysis of the Family Resources Survey 2015-16

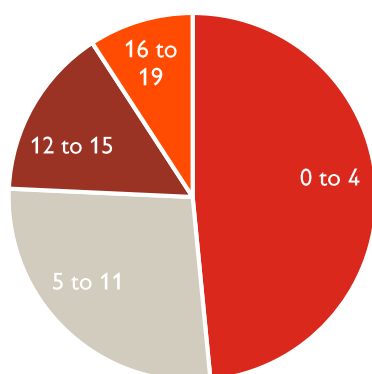
Our analysis also shows that families with young children make up the largest group of those in poverty:

- Almost half of families in poverty are those whose youngest child is under the age of five, compared to a quarter whose youngest child is aged between 5 and 11.

- The remaining quarter is made up of those whose youngest child is aged between 12 and 19.

**Figure 3 Almost half of families in poverty have a child under the age of five**

*Proportion of families in poverty by age of youngest child*



Source: Save the Children analysis of the Family Resources Survey 2015-16

No child should grow up in poverty. But our concern is that during these first few years in a child's life, the impact of low income or poverty is so much higher than other children.

And this has a big effect not just on their early learning, but also on their later lives:

- Last year, only around half (56%) of children eligible for free school meals reached key developmental milestones

at the beginning of primary school, compared to three quarters (73%) of their peers (Department for Education 2017b),

- Our research has shown that children who don't reach these key milestones at the start of primary school are much more likely to struggle throughout school (Save the Children 2016).

There are many causes of poverty experienced by families with young children, and families need a range of support to help them address their particular challenges.

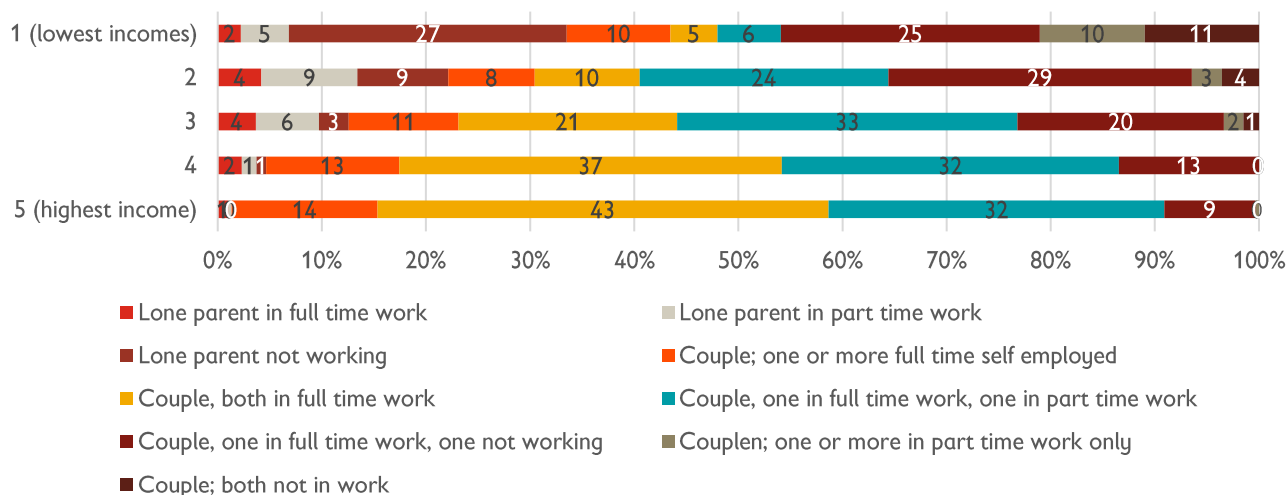
But helping more parents to work during their child's early years could have a big impact not just on family incomes, but on their children's early learning and development. And our analysis suggests that it's those families who are struggling the most - and who have the most to gain.

Figure 4 demonstrates this by looking at the employment patterns of parents of children under five by household income. It shows that:

- Among the poorest 20% of families, almost two thirds (63%) are either not working at all, or if they are in a couple, only one adult is working. This figure falls to less than one in ten (9%) families in the richest 20%,
- Over two fifths of families (44%) in the richest 20% are in full-time employment, compared to less than one in ten families in the poorest 20% (7%).

**Figure 4 Two thirds of families in the bottom 20% of incomes are either not working or only one adult is working**

*Employment status of families with children under five by income distribution*



Source: Save the Children analysis of the Family Resources Survey 2015-16

Of course, there are many factors that determine whether or not a parent moves into work. And those factors are often increased for parents from low income backgrounds.

But in these early years, childcare and early education plays a big role.

Reducing the barriers that thousands of parents face every year could help open up opportunities both for them and their children.

## Families with young children are missing out on millions each year in earnings

We wanted to understand what all of this means for families' incomes. In this section, we do this by estimating the

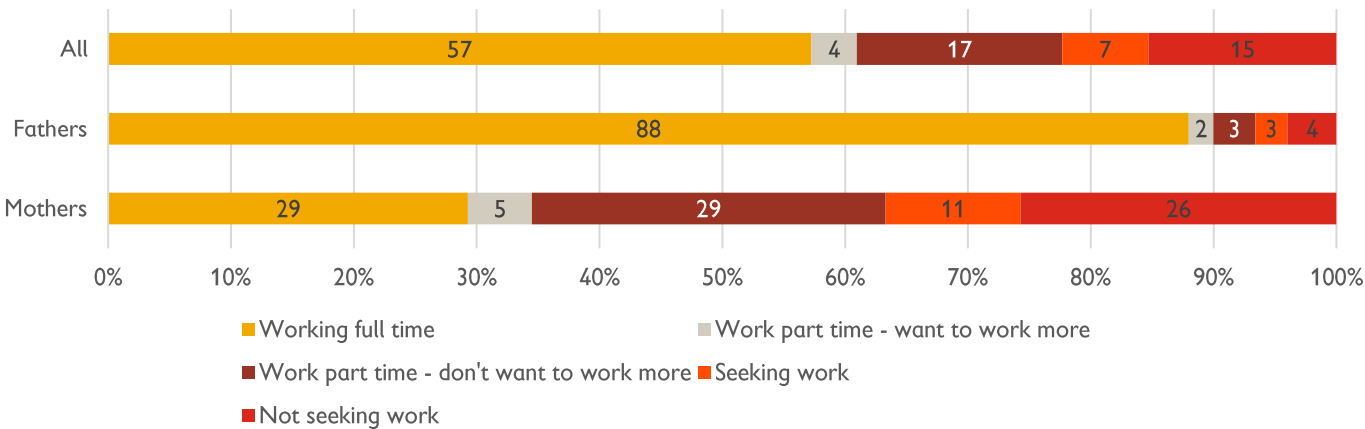
earnings lost from not being able to work. We focus on mothers in this section, because they're most likely to not be in work.

Figure 5 shows this by looking at the working status of parents of children under five, broken down by gender:

- While over half of all parents (57%) are in full-time employment, this falls to less than one in three mothers (29%), and rises to almost nine in ten fathers (88%),
- Among mothers, just over one in seven (16%) are either working part time and want to increase their hours, or are currently unemployed and seeking work,
- This figure translates to over 450,000 mothers in England.

**Figure 5 Fathers are more than twice as likely to be in full-time employment as mothers**

*Employment status of parents with children under five by gender*



**Source:** *Save the Children analysis of the Labour Force Survey 2017*

In the following analysis, we use data from the Labour Force Survey to compare those who are either currently unemployed but are seeking work, or working part time and want to increase their hours, to mothers who are working part or full time.

We estimate likely lost earnings by matching mothers who aren't working or who want to increase their hours to mothers who are working based on characteristics such as

their educational qualifications, profession, and where in England they live.

We first look at mothers from typical families around the country to understand what they lose out on, not just in a single year, but also potential lost earnings over the four years following maternity leave.

The scenarios for each of the mothers we look at are:

Scenario 1	Scenario 2
<ul style="list-style-type: none"><li>• A couple, living outside London,</li><li>• Holds A-Levels,</li><li>• Previously worked in an administrative role,</li></ul>	<ul style="list-style-type: none"><li>• A lone parent, living outside London,</li><li>• Holds a degree level qualification,</li><li>• Previously worked in an office role,</li></ul>

<ul style="list-style-type: none"> <li>Wants to find a part-time position.</li> </ul>	<ul style="list-style-type: none"> <li>Currently works part time, wants to go full time.</li> </ul>
<b>Scenario 3</b> <ul style="list-style-type: none"> <li>A couple, living inside London,</li> <li>Holds GCSEs,</li> <li>Previously worked in childcare,</li> <li>Wants to find a part-time position.</li> </ul>	<b>Scenario 4</b> <ul style="list-style-type: none"> <li>Lone parent, living outside London,</li> <li>Holds GCSEs,</li> <li>Previously worked in childcare,</li> <li>Wants to find a part-time position.</li> </ul>

Table 1 shows how much each mother misses out on in lost earnings in each year following maternity leave, assuming that they are not able to work because of problems with childcare. It shows that:

- The lost earnings in the first year range from just over £3,400 to £11,400. Under scenario 1, for every hour not worked, they're losing out on £15 in earnings, while under scenario 4, for every hour not working, they're losing out on £8.70 in earnings,
- In the second and third year, lost earnings start to build up from just over £6,800 to £22,000 in the second year, to between £10,000 and £34,000 in the third year. Mothers also miss out on salary increases and pension contributions, increasing overall losses,
- By the fourth year, lost earnings build up to between £13,700 and £45,900 – by this point, the total lost earnings under scenario 1 are enough to cover a loan for university.

**Table 1 Cumulative lost gross earnings under each scenario over four years**

Scenario	Year 1	Year 2	Year 3	Year 4
1	11492	22984	34476	45968
2	3432	6864	10296	13728
3	8320	16640	24960	33280
4	6812	13624	20436	27248

These are big losses in earnings for any family. They are also likely have a long-term impact on the earning potential of mothers, with these early years contributing significantly towards the gender pay gap (Elming et al 2016).

We wanted to understand what this meant for the nation as a whole. To do this, we proceed in the following steps:

- We identify mothers of children under five in the Labour Force Survey who are working part-time and say they want to increase their hours; mothers who are currently not in employment, but who say they are seeking work; and mothers who aren't seeking work, but who say they aren't seeking work because they are facing challenges to doing so rather than because they would prefer to stay at home,
- We then estimate a proportion of these parents who could be in work if childcare was not an issue. We do this to account for the fact that, while childcare is a big factor, it won't be the only one. We use responses to the Parents and Carers Survey (Department for Education 2017a) to estimate this proportion, where 20% of mothers say that childcare is the main reason for not working, giving us a figure of more than 89,000 mothers, after rounding down.
- We then assume that parents with similar educational qualifications are likely to earn similar amounts, and so we estimate likely earnings by breaking down parents by educational qualification and estimating their likely earnings based on the earnings of parents with the same educational qualifications who are in work,

- Finally, we assume that mothers who aren't currently working will move into either part or full-time work. To model this, we use existing patterns of part-time / full-time work among employed mothers.

The detailed results of this analysis are presented in the Appendix. These findings show that:

- Every day, over £3.4 million in earnings is missed out on,
- Meaning that every year, mothers are missing out on over £1.2 billion in lost earnings.

While only estimates, these figures suggest that if more mothers were supported with a simpler and more affordable childcare system, this could have a big impact on household incomes in both the short and the long term.

## Reform of childcare and early education needs to continue to give families more opportunities

For some parents, these patterns of employment reflect a choice; some may prefer not to work while their children are small. But as we have highlighted, there is clear evidence that many parents with young children want to return to work, but find that they can't navigate the system of support or cover the cost of childcare.

Removing these barriers could create a major boost to parents' incomes, help to lift families out of poverty and helping them to give their children the best start in life.

Save the Children believes that every child should have access to high quality, affordable childcare. The system of support for childcare should make sure every child starts school with a good level of development, and provide opportunities for parents who want to work to do so.

We need to continue reforming the system to make this vision a reality:

- To enable more parents to work, support for childcare costs needs to be much simpler for parents to use, and further support is needed to help parents who still find childcare too expensive, particularly for low income families,

- But we can't do this at the expense of the quality of provision. That is why we need continued investment and support for the childcare and early education workforce, which is central to achieving the type of high quality provision that can lead to big boosts in a child's early learning.

Achieving this vision could be a game changer for hard pushed parents, and help open up opportunities for thousands more families.



## References

- Brewer, M., Cattan, S., Crawford, C. & Rose, B. (2016) *Free childcare and parents' labour supply: is more better?* London: Institute for Fiscal Studies.
- Department for Education (2017a) *Childcare and early years survey of parents in England, 2017*. London: Department for Education.
- Department for Education (2017b) *Early years foundation stage profile results*. London: Department for Education.
- Elming, W., Joyce, R. & Costa Dias, M. (2016) *The gender wage gap*. London: Institute for Fiscal Studies.
- Gulc, B. & Silversides, K. (2016) *Parents' experiences of services and information in the early years*. London: Social Mobility Commission.
- Johnes, R. & Hutchinson, J. (2016) *Widening the gap? The impact of the 30-hour entitlement on early years education and childcare*. London: Education Policy Institute.
- Save the Children (2016) *Early language development and children's primary school attainment in English and Maths*. London: Save the Children UK.
- Stewart, K. & Waldfogel, J. (2017) *Closing gaps early: The role of early years policy in promoting social mobility in England*. London: The Sutton Trust.

## Appendix

Education qualification	Estimated number of mothers (rounded)		
	PT-seeking (N)	NW to PT (N)	NW to FT (N)
Degree or higher	7,200	6,800	7,500
Higher education	3,000	1,800	1,500
GCE A level or equivalent	8,700	7,500	5,100
GCSE grades A*-C or equivalent	5,700	11,100	6,400
Other qualification	2,600	3,900	3,600
No qualification	1,000	3,700	1,300
Don't know	500	200	100
Education qualification	Difference in average weekly earnings		
	PT-seeking (£)	NW to PT (£)	NW to FT (£)
Degree or higher	304	369	673
Higher education	171	175	346
GCE A level or equivalent	160	167	327
GCSE grades A*-C or equivalent	188	158	346
Other qualification	203	162	365
No qualification	136	106	242
Don't know	196	150	346
Education qualification	Estimated lost weekly earnings		
	PT-seeking (£)	NW to PT (£)	NW to FT (£)
Degree or higher	2,188,800	2,509,200	5,047,500
Higher education	513,000	315,000	519,000
GCE A level or equivalent	1,392,000	1,252,500	1,667,700
GCSE grades A*-C or equivalent	1,071,600	1,753,800	2,214,400
Other qualification	527,800	631,800	1,314,000
No qualification	136,000	392,200	314,600
Don't know	98,000	30,000	34,600
Total	5,927,200	6,884,500	11,111,800
<b>Total per day</b>			<b>3,417,643</b>
<b>Total lost per week</b>			<b>23,923,500</b>
<b>Total lost per year</b>			<b>1,247,439,643</b>