



Growing pains

The economic costs of a failing childcare system

March 2023



2 Executive summary

6 Introduction

1

8 Survey findings

9 Over half of mums struggled to find suitable childcare

10 Substantial economic costs

12 Barriers to childcare

14 Priorities for reform

2

16 Policy recommendations

17 Recognise childcare as infrastructure in government spending

19 Develop a long-term plan for increasing access and boosting workforce capacity

3

20 Technical appendix

21 Summary



Executive summary

About this report

Good quality, accessible childcare is essential for enabling parents, and particularly women, to participate in the labour market. This not only supports higher employment and earnings amongst mums, but also benefits the wider economy in the short to medium term. Firstly, it boosts the size of the workforce, which in a UK context would be welcome given the current recruitment challenges many employers are facing. Secondly, it ensures a better match between skills and jobs by enabling more women to apply for and take jobs that they have the right skills for. Thirdly, it provides more time for training and skills development which can help firms increase their productivity.

In the long run, good early years education is also critical for future human capital growth, but this report is focussed on the economic benefits of improving the working lives of mums. It reveals the findings of a representative survey of 2,545 mums with at least one child aged 10 or under about how childcare accessibility has impacted their working lives. All references to mums in our report refer to this group.¹ It follows CPP's 2021 research programme on women in the labour market which revealed the substantial economic gains to be made from getting the childcare offer right.²

Headline findings

A lack of suitable childcare is costing the UK economy billions in lost earnings

Mums want to work more hours, but can't

- 27% of mums said they would like to work more hours if they had access to suitable childcare – 1.5 million mums.
- If these desired hours had been realised, it would have generated between £9.4bn and £13bn in additional earnings per annum.
- Translated into economic output, these increased hours could have resulted in between £27bn to £38bn extra in gross value added (GVA) per annum. This is approximately 1% of UK GDP.

Mums are being shut out from opportunities to earn more

- Due to lack of suitable childcare, 18% of mums said they had been prevented from taking a job that would have offered a higher salary – 970,000 UK mums.
- When asked to report what they would have earned had they taken the job, the average amount was £12,000 more per annum.
- If these desired jobs had been taken, overall earnings amongst mums could have been £8.8bn higher.

A lack of suitable childcare is negatively impacting mums' working lives

54% of respondents (three million mums) said they had struggled to find suitable childcare since becoming a parent. Amongst this group, many noted substantial impacts on their working lives.

A lack of suitable childcare is leaving many mums unable to work or forced to quit

- 540,000 were prevented from entering paid employment.
- 470,000 quit their jobs.
- 720,000 were prevented from pursuing further training/skills.

Career progression is not an option for many mums

- 1 million were prevented from applying for a different job.
- 910,000 said their opportunities for job progression and promotion were impacted.
- 610,000 were prevented from accepting a different job offer.

Working mums are reducing their hours

- 1.4 million were prevented from taking more hours.
- 880,000 reduced their hours at work.

1 This is a sizeable group in the UK population. ONS data shows there are nearly 8 million women with dependent children, of which 5.5 million women have at least 1 child aged 10 years old or younger. See Appendix for more details.

2 Hochlaf and Franklin (2021) *Women in the labour market: Boosting mothers' employment and earnings through accessible childcare*, report for the CPP. Available at: <https://www.progressive-policy.net/downloads/files/ CPP-report-women-in-the-labour-market-Oct-2021-2.pdf>

Mums support reforms to childcare, but not through reducing staff ratios

Amongst reform options to support parents in work, the mums we surveyed prioritised:

- More financial support for parents of children aged 0-2.
- An extension of childcare into the school holidays.
- More before and after school clubs.

They overwhelmingly rejected the idea of reducing staff ratios in childcare settings to minimise costs - 82% think that either the ratios should stay as they are or that there should be fewer children per childcare worker.

A sizeable minority of mums (36%) would pay a bit more tax to fund a “universal” childcare offer, by comparison to around a quarter who would prefer public spending to be reprioritised, and a quarter who do not want to pay more tax even if it meant there could not be a universal offer.

The majority of mums (59%) think that local councils should be the primary providers of childcare. As schools and local authorities currently only make up 5% of group-based childcare providers, this would necessitate a major shift in the way that the UK childcare market is set up.

What needs to change to support working mothers and boost our economy

1

Childcare should be treated as critical infrastructure

- Childcare is infrastructure: it allows people to go to work, to access better skills and earnings, and to contribute to economic productivity. It should be treated as such by government, which would allow borrowing for investment.
- As part of local economic development strategies, local and combined authorities should explore how they can drive an increase in local state-run nurseries and preschools in areas which currently have a low density of childcare places. CPP will explore this further through our Inclusive Growth Network of local and combined authorities.

2

A universal offer is only possible with a robust plan for the future of the childcare workforce

The government needs a carefully sequenced long-term plan to build a stronger childcare system that delivers on the needs of parents. In practice, this means:

- Additional government money to fully fund the current 30 hours offer for three- and four-year-olds.
- Fully funding an extension to parents with children aged 0-2 and to cover school holidays.
- More financial support for parents seeking to access before and after school clubs.

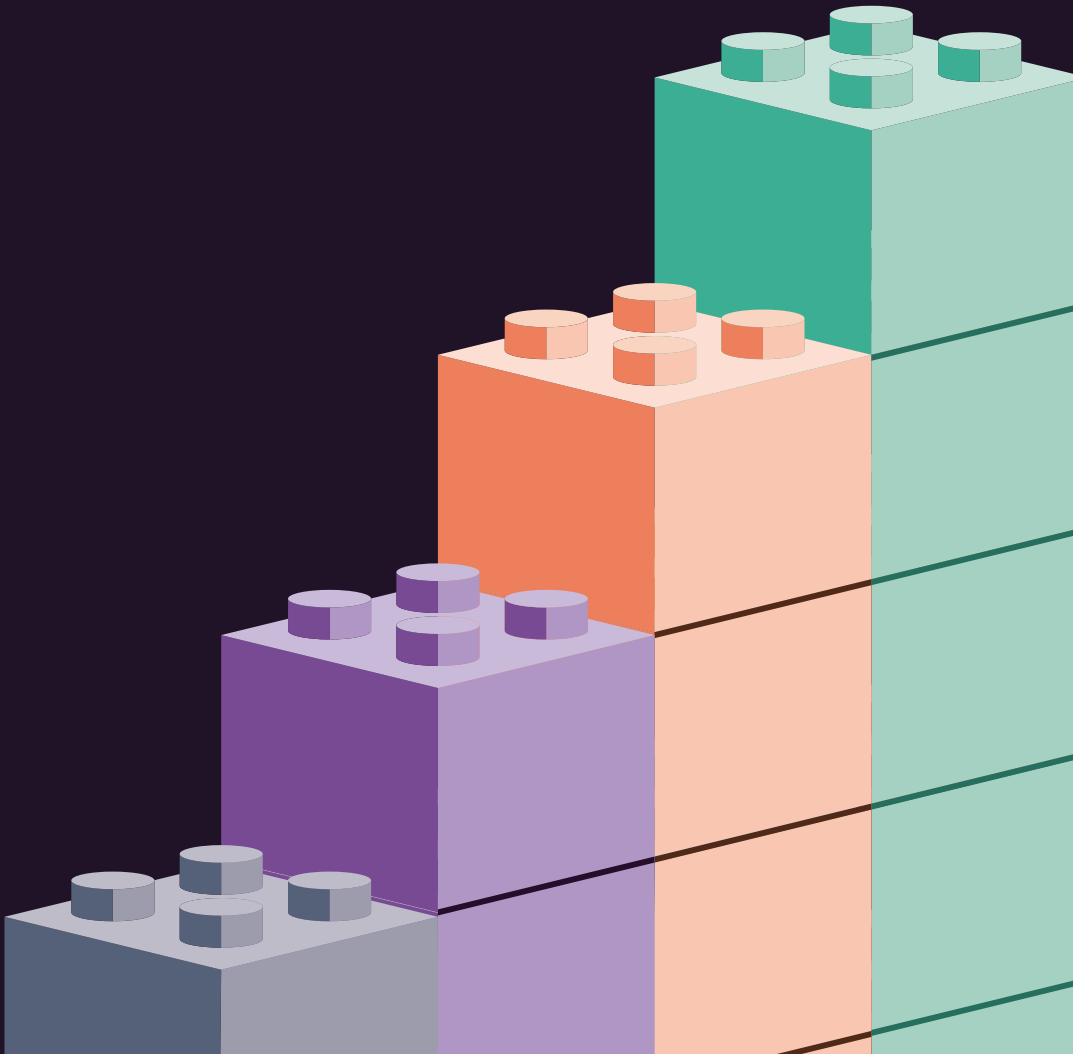
3

The plan for reform must include a robust workforce strategy for improving pay and conditions, elements of which should include:

- A clear process for regularly determining the cost of delivering good quality subsidised care so that the government pays a fair price for care.
- Establishing a new ‘Skills for Childcare’ organisation; a dedicated, independent institution that could work in partnership with the childcare sector, local authorities and the Department for Education to provide practical support to help those in the sector recruit, develop and lead their staff.
- A transformative long-term goal to create national pay scales for the early years workforce, similar to those that apply to the teaching workforce.



Introduction



Background: the UK's childcare crisis

Looking internationally, the UK's childcare costs are amongst the highest across developed countries. A UK couple where one parent earns the average wage and the other earns two-thirds of the average wage spends 29% of their wages on full time childcare, by comparison to an average of 12% for the OECD. The UK government spends the joint lowest level on childcare across developed countries, less than 0.1% of GDP – compared with around 1% in highest spending Sweden and Iceland.³

As well as high costs for parents, the UK's system leaves providers struggling with the affordability of delivering childcare and many have exited the market with 10,600 providers having left since 2019 – a 14% fall. The majority of this is due to childminders leaving the market (-8,800) but there are also 500 fewer providers of childcare on non-domestic premises (i.e. nurseries and pre-schools).⁴ Overall, childcare places have only fallen by 2% during this time, but providers face continual financial pressures which impact on the accessibility and affordability of childcare for parents.

One key cause of financial pressure is the government's offer of '30 hours free' childcare for parents with children aged three and four. As CPP reported in our 2021 research programme, the Department for Education (DfE) has previously estimated that government funded places for these children 'would cost an average of £7.49 per hour in 2020/21' for the provider. However, the average payment made to cover these entitlements was only £4.89 on average – leaving providers with a substantial shortfall.⁵ Consequently, to survive, some providers have had to reduce the hours available for 30 hours childcare or seek to cross-subsidise through higher fees for younger children.⁶

CPP has revisited its analysis on the economic costs of the UK's current childcare system, and the opportunities that would stem from delivering a more accessible and affordable system, and to try and unpick the priority areas for reform.

The childcare sector has a long-term recruitment and retention problem stemming from low pay and long hours. Previous research estimated that its workers were paid just £7.42 on average by comparison to £11.37 across the female workforce. They also work longer hours - 11% of full-time childcare workers reported working more than 42 hours per week, compared to 6% of female workers. This contributes to churn within the sector – a relatively high proportion of childcare workers have been with their employer for less than two years (37%), by comparison to 31% of all female workers.⁷

With childcare costs rising and accessibility falling, figures in both main political parties have started seeing childcare as an important electoral battleground. Truss' short-lived government was reportedly exploring changes to the staff-child ratio, so that staff could be legally allowed to look after more children.⁸ Sunak's government is under increasing pressure from backbenchers to take action to support parents⁹ On the Labour side, Shadow Education Secretary Bridget Phillipson has spoken about the need for a '1948 moment' for childcare – akin to the birth of the NHS – where a universal childcare system works from the end of parental leave until the end of primary school. As an initial part of this, she has proposed breakfast clubs at every primary school in England funded by ending tax breaks for private schools.

Against this evolving background, CPP has revisited its analysis on the economic costs of the UK's current childcare system, and the opportunities that would stem from delivering a more accessible and affordable system, to try and unpick the priority areas for reform. We do this through analysis of a new survey of mums – which is partially based on questions and methods from our 2021 survey with some improvements to methodology (see appendix for more details).

3 CPP analysis of OECD family database.

4 <https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-august-2022/main-findings-childcare-providers-and-inspections-as-at-31-august-2022>

5 Foster, D (2021) Early Years Funding (England), House of Commons Library. Available at: <https://researchbriefings.files.parliament.uk/documents/CBP8052/CBP-8052.pdf>

6 For a fuller discussion see: Hochlaf and Franklin (2021),

7 Social mobility commission (2020) The stability of the early years workforce in England. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/906906/The_stability_of_the_early_years_workforce_in_England.pdf

8 Zeffman (2022), Rule on nursery staff ratios may be axed by Liz Truss, article for the Times. Available at: <https://www.thetimes.co.uk/article/rule-on-nursery-staff-ratios-may-be-axed-by-liz-truss-9rt0swtfn>

9 Mason (2023), Treasury considering huge expansion of free childcare in England. Article for the Guardian. Available at: <https://www.theguardian.com/politics/2023/feb/10/treasury-considering-huge-expansion-free-childcare-england>

Survey findings: how a lack of accessible, affordable childcare is impacting mums' working lives

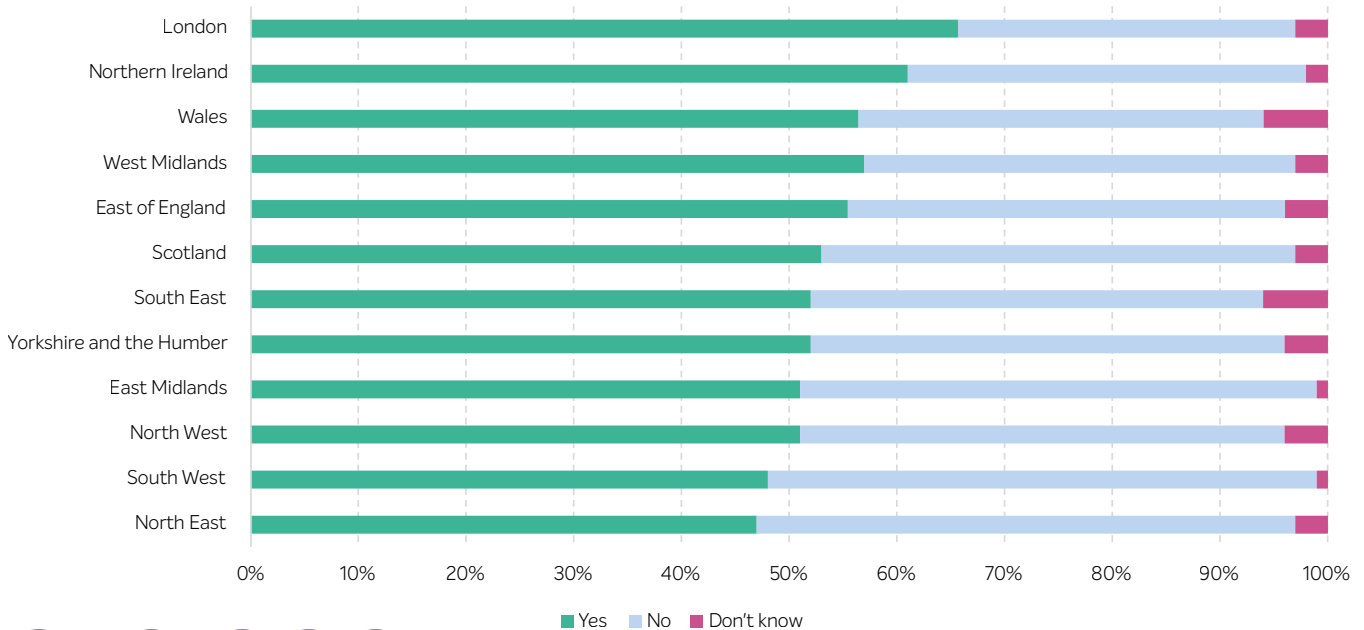
1



Over half of mums struggled to find suitable childcare

54% of mums with at least one child aged 10 or under (three million women) said they had struggled to find suitable childcare since becoming a parent. While more acutely felt in London (65%), in all regions around half or more said they had struggled to find suitable childcare. This struggle has had a dramatic impact on the workforce opportunities of hundreds of thousands of women.

Figure 1: Parents who have struggled to find suitable professional childcare by region



910,000

Mums said a lack of suitable childcare had impacted their opportunities for progression or promotion

Impact on working lives

Of those mums who have struggled to find suitable childcare, it impacted on their working lives in several ways, including¹⁰:

Working hours reduced:

- 46% said it had prevented them from taking more hours (1.4 million mums).
- 29% said it made them reduce their hours at work (880,000 mums)

Prevented from job progression:

- 34% said it prevented them from applying for a different job (1 million mums).
- 31% said it impacted their opportunities for job progression/promotion (910,000 mums).
- 21% said it prevented them from accepting a different job offer (610,000 mums).

Prevented from developing new skills and entering the labour force

- 18% said it prevented them from entering paid employment (540,000 mums).
- 16% said it made them quit their job (470,000 mums).
- 24% said it prevented them from pursuing further training/skills (720,000 mums).

¹⁰ We have changed the routing for this question since the 2021 edition and included further statements on work impacts which means the results should not be compared to the previous iteration.

Substantial economic costs

The short to medium term economic costs of inaccessible childcare stem from reduced labour supply and poor matching of skills to jobs – both of which are keenly felt by many mums. Using the survey data, we calculate the implications in reduced potential earnings and output across the economy.

Holding back labour supply

27% of all mums said they would like to work more hours if they had access to suitable childcare – equating to 1.5 million mums. Amongst this group, the average amount of additional work they would like to do is 16 more hours per week.¹¹

CPP analysis suggests that if a high proportion (75%) of these desired hours had been realised, it would have generated between £9.4bn to £13bn more in earnings per annum. It is also possible to estimate how much extra economic output this would have generated. Using data on average economic output per hour worked by sector, we calculate that these increased hours could have resulted in between £27bn to £38bn extra in gross value added (GVA).¹²

£9.4bn

Additional earnings mums could access each year with access to suitable childcare

£27bn

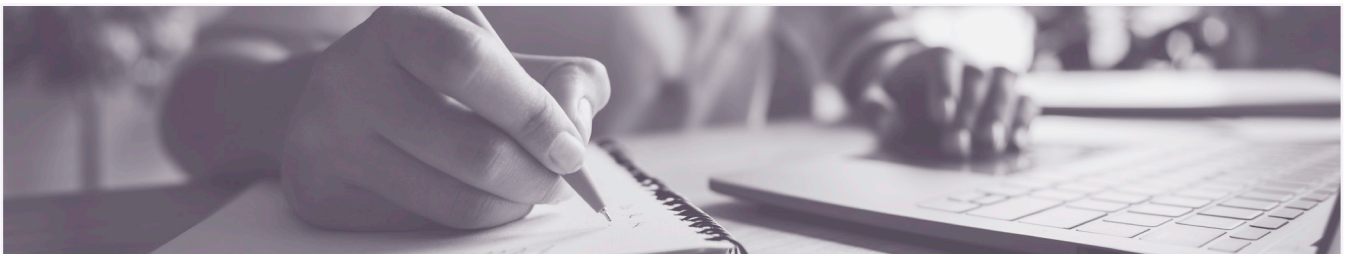
Additional economic output this would generate

Preventing in-work progression and failing to match skills to jobs

Of those who had been prevented from taking a job, 63% said the job would have given them a higher salary by comparison to just 4% who said it would have been lower. In total, out of all mums surveyed, 18% said they had been prevented from taking a job that would have offered a higher salary – equivalent to 970,000 UK mums. When asked to report what they would have earned had they taken the job, the average amount was £12,000 more per annum. Using this figure, our analysis suggests that if a high proportion desired jobs had been taken, overall earnings amongst mums could have been £8.8bn higher.¹³ Taking these jobs would also have resulted in a better match between jobs and skills – with childcare acting as a key barrier to women taking better paid jobs that they would have been well suited for.

£12,000

Additional earnings per year mums would have had if unsuitable childcare had not prevented them from taking a new job

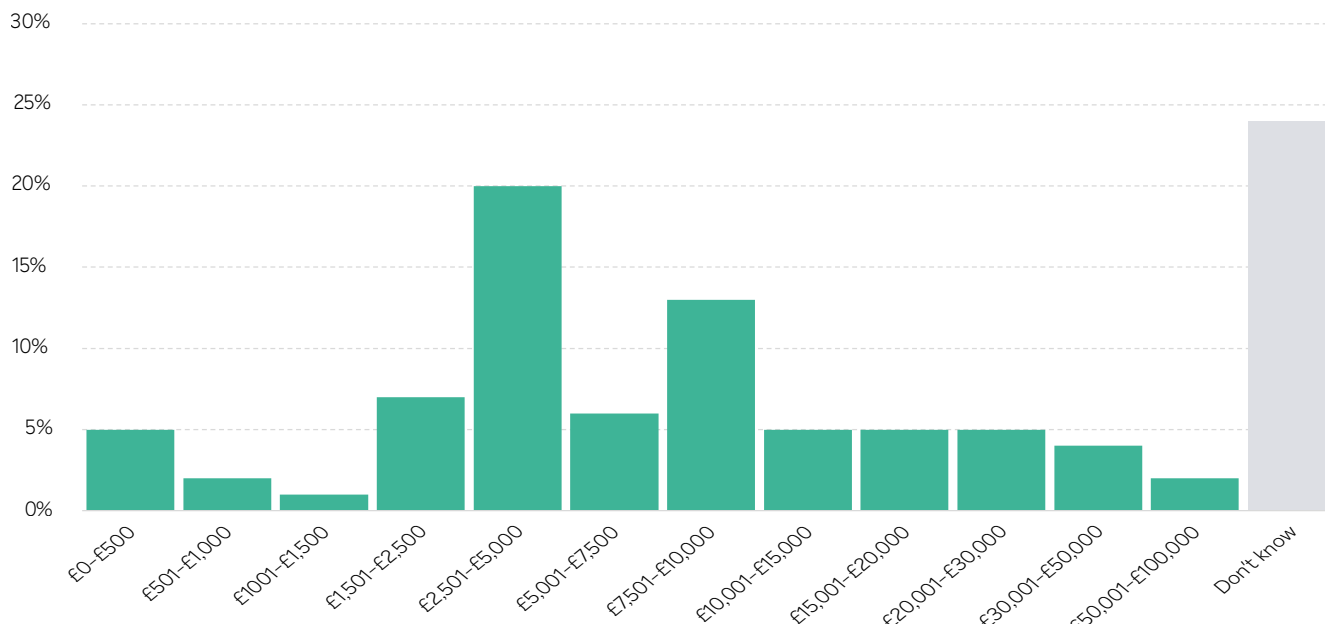


11 'Suitable childcare' will not always mean day nurseries and after school clubs, although these were the most commonly used forms of childcare amongst respondents. A sizable minority (1 in 5) of parents of pre-school children currently choose to use childminders or nannies and may not wish to increase their hours if alternative forms, such as nurseries, were made more accessible.

12 We have calculated these earnings and uplift figures using slightly different methodology than in 2021 and the two figures should not be compared. This includes basing the distribution of lost hours more closely on the Labour Force Survey distribution of mums by sector which partially explains the higher aggregate figures. See appendix for more details on methods.

13 Both aggregate earnings and GVA uplift are deflated by the employment rate for mums. This is to account for the fact that not all the desired jobs and hours are likely to be filled and so we assume that around 75% are.

Figure 2: Distribution of foregone annual earnings from higher wage jobs that mums have had to turn down due to difficulties accessing childcare¹⁴



Restricting labour supply in health and social care

A lack of suitable childcare is restricting the labour supply in a sector that is struggling with record high vacancies and staff shortages. We estimate that nearly 1 in 4 mums of children aged 10 and under work in the health and social care sector and our survey suggests that these mums are significantly more likely to have to rely on family and friends for childcare support (40%) than other mums (31%). They were also more likely (33%) than average (25%) to say that a lack of suitable childcare had prevented them from working more hours.

Of the mums in this sector that responded to our survey, 39% worked in hospitals, 26% worked in residential care and 16% worked in medical or dental practices. This means the constraints on their ability to work the hours they would like to are constraints on NHS medical, diagnostic and treatment activities as well as provision of care for the elderly that is so often needed to free up hospital beds.

As with other sectors, the predominant barrier to more accessing professional childcare is cost: 72% of mums working in health and social care said that lower hourly cost would encourage them to access more childcare, an even greater proportion than mums overall (64%). They were also more likely to support increasing the pattern of hours available (42% compared to 36%). Policies aimed at addressing NHS workforce pressures should consider childcare provision as well as building in time flexibility to enable parents to manage both caring commitments and their workloads.

Policies aimed at addressing NHS workforce pressures should consider childcare provision as well as building in time flexibility to enable parents to manage both caring commitments and their workloads

¹⁴ Responses have been trimmed to exclude those reporting foregone earnings of over £100,000

Barriers to childcare

Cost is the predominant barrier to accessing more childcare

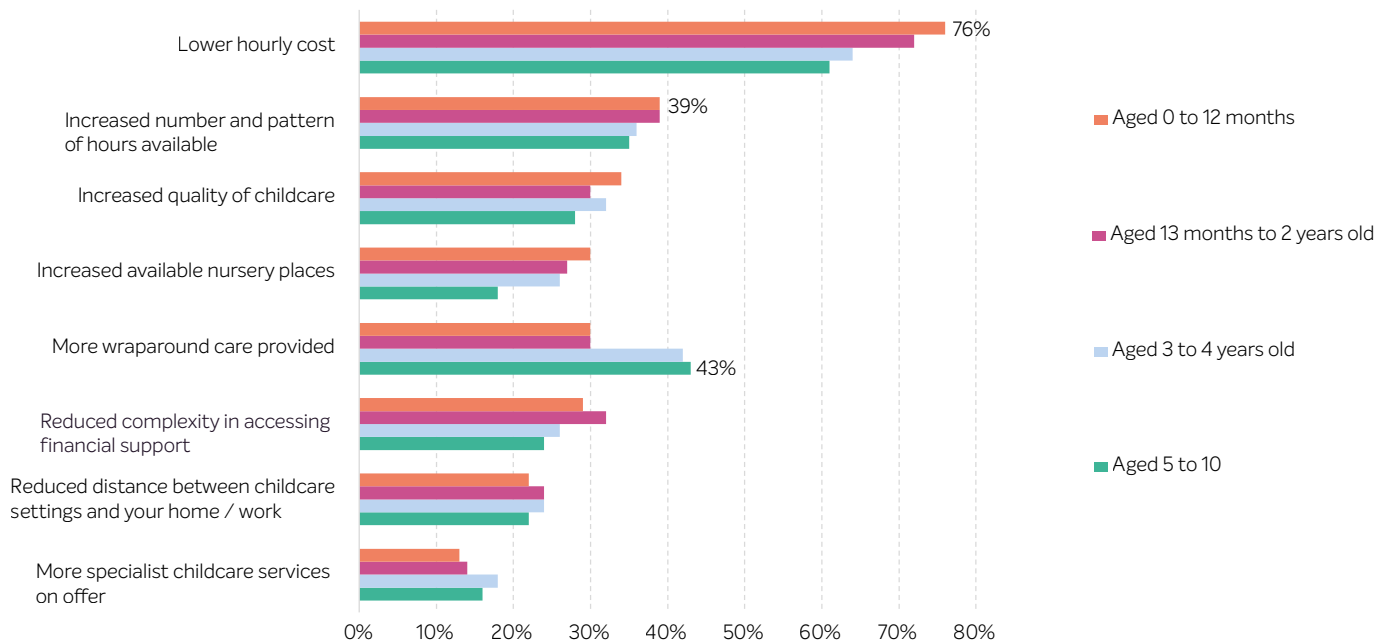
64% of all mums prioritised a lower hourly cost when asked what three things would encourage them to use more childcare. Certain groups prioritised cost more than others:

- 76% of mums with children aged 0-12 months and 72% of mums with children aged 13 months to two years old.
- Looking regionally, a higher proportion of mums living in the South East (70%) and South West (71%) of England prioritised cost.
- Looking across income groups, middle to higher income households particularly prioritised cost (77% of households with incomes ranging from £48,000 to £55,000 chose cost amongst their top three issues).

The second most favoured option for encouraging greater use of childcare was increased availability of wraparound care - i.e. care that takes place before and after school. 40% of mums prioritised this amongst their top three options, rising to 47% of parents aged 45-54 who are likely to have older children.

The third most favoured option was to increase the number and pattern of hours available (36%). A higher proportion of mums in the North West (42%) and a slightly higher proportion of those with children aged 0-4 (38%) prioritised this.

Figure 3: Factors that would encourage mums of different aged children to access more hours of professional childcare (top three mentions)



A larger minority think accessibility and quality has worsened than improved

When asked how accessibility of childcare had changed over the last year, 19% said it had reduced by comparison to 11% who said it had increased and 54% who said it had stayed the same.

The results were similar on quality, with 18% saying quality had reduced, by comparison to 10% who said it had improved and 52% who said it stayed the same.



Priorities for reform

When asked which childcare reform options would best support parents in employment, the top suggestion (based on respondents' first preference) was extending the existing 30 hour offer of free childcare to parents with babies and toddlers (32%). Unsurprisingly this option was particularly favoured by mums with young children – over half of mums with children aged 0-2 put this as their first priority.

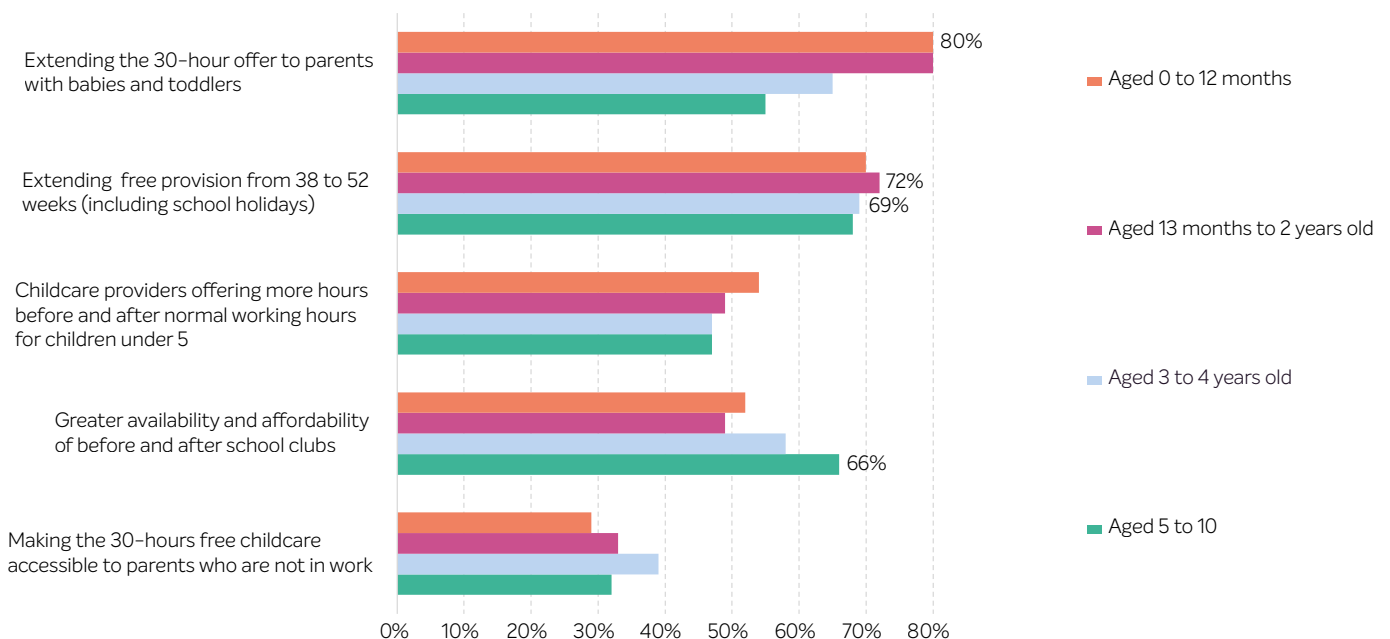
The joint second most favoured options were extending childcare provision to include school holidays and greater availability and affordability of before and after school clubs (both were listed as a top preference by 19% of mums). The latter was particularly favoured by mums with older children – 24% of mums with children aged 11-15 put before and after school clubs first.

When asked for their top three preferences for reform (rather than just first preference), extending childcare to include school holidays was favoured by the highest proportion of mums (69%), rising to 72% for working mums.

69% of mums put extending free childcare into the school holidays in their top three priorities for reform

Increasing the affordability and availability of before and after school clubs and extending the provision of 30 hours of free childcare to parents of children aged 0-2 years old are the other ways most mums believe the Government should support working parents (62% and 61% rank these as top three measures, respectively).

Figure 4: Measures that mums of different aged children think it is most important to introduce to support parents in employment through childcare (top three mentions)



Changing staff ratios is a no-go

As mentioned earlier, one reform option being explored is changing the staff to child ratios so that each childcare worker can look after more children. Mums overwhelmingly rejected this idea – 82% think that either the ratios should stay as they are or that there should be fewer children per childcare worker. Only 13% of mums would be in favour of increasing the number of children each childcare worker can look after.

Mums want more council provision

The majority of mums (59%) think that local councils should be the primary providers of childcare. This view is even more prevalent in Scotland (70%), amongst those working in education (65%) those not currently working (63%) and amongst lower earners – 70% of those earning between £7,000 and £14,000 held this view. As schools and local authorities currently only make up 5% of group-based childcare providers, this would necessitate a major shift in the way that the UK childcare market is set up.

A sizeable minority of mums would pay more in tax for a “universal” childcare offer

We asked mums whether they would be willing to spend a bit more in tax to fund a universal childcare offer which we defined as ensuring “government funded support for childcare for all families with children between the ages of 0-10”. 36% of mums would be willing to spend a bit more in tax for this, by comparison to around a quarter who would prefer public spending to be reprioritised, and quarter who do not want to pay more tax even if it meant there couldn’t be a universal offer.

Mums in Yorkshire & Humber

Our survey results revealed that a higher proportion of mums in Yorkshire and Humber said they’d be willing to pay more in tax to find a universal childcare offer (44%) than in the UK as a whole (36%). Mums from this region were also more likely to want to work a high number of additional hours – 6% of mums we surveyed in Yorkshire and Humber said they would like to work an additional 21 to 30 hours per week if they had access to suitable childcare, compared to 3% nationwide.

Yet the proportion of people out of work because they are looking after family/home in the region is no higher than for the rest of the country (19% compared to 19.5%).¹⁵ This suggests that mums in Yorkshire are just as likely to be working but are particularly likely to be dissatisfied with their current arrangement. Perhaps this should not be so surprising as the gender pay gap, based on average hourly pay, is also 24% higher in Yorkshire and Humber (£1.73) than the UK as a whole (£1.39).¹⁶

These differences may be related to the sectoral make-up of the regional economy. Twice the proportion of mums that we surveyed in Yorkshire and Humber worked in manufacturing jobs (10%) compared to the UK (5%). ONS data show that manufacturing is the 3rd largest sector in the region compared to the 6th largest nationally and that proportionally more people in the region work in plant and machine operative and elementary occupations (17.7% vs 15.1%).¹⁷

In our survey, mums working in manufacturing jobs were more likely (65%) to say that they had struggled to find suitable childcare than average (54%) and twice as many mums of preschool children (20% vs 10%) in Yorkshire and Humber region said they currently used childminders, suggesting that a conventional day-care model does not work for many parents in the region. Childcare provision needs to work for all sectors and local economies and the high productivity potential of certain manufacturing industries makes getting childcare right particularly important for delivering economic growth that is inclusive across regions and genders.

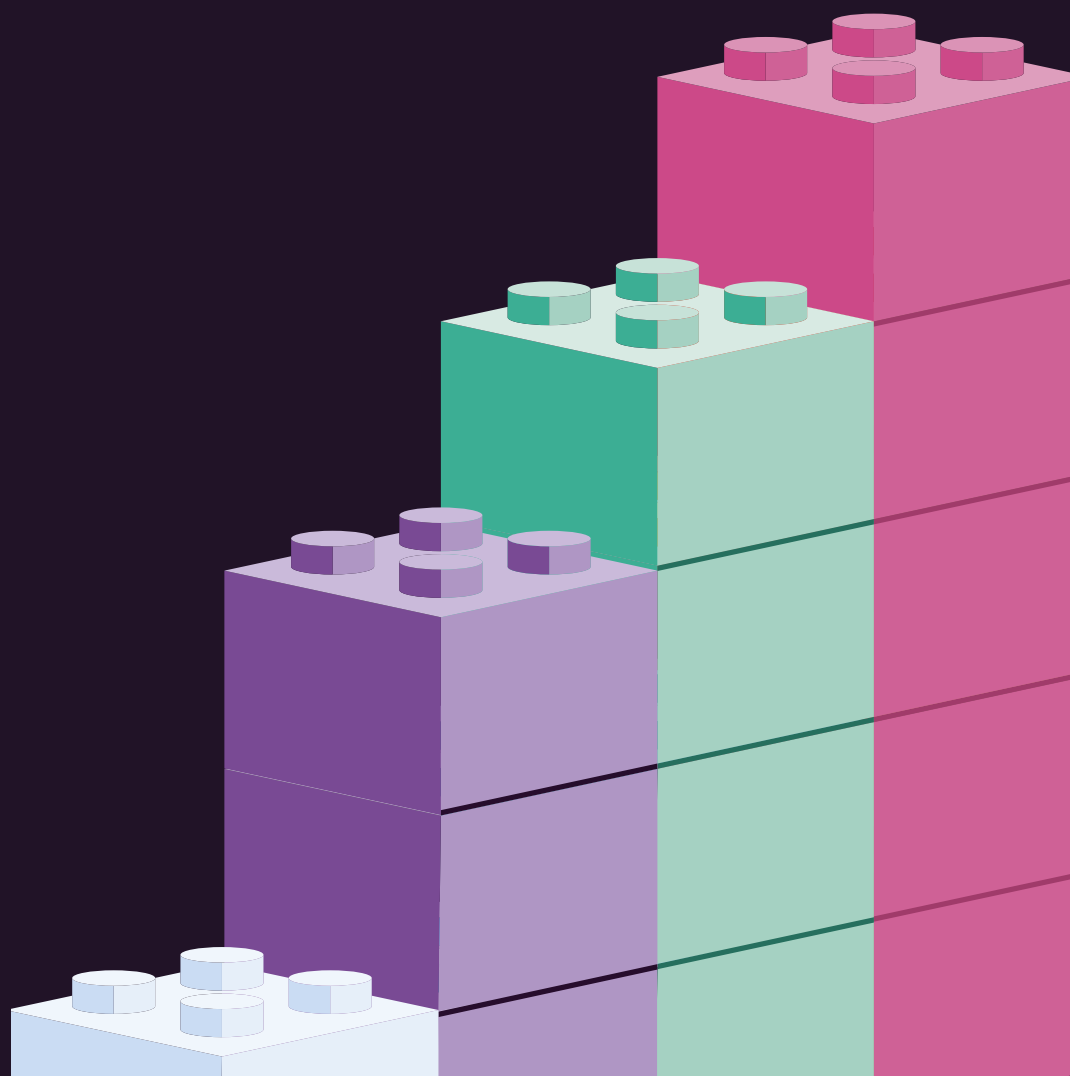
¹⁵ ONS economic inactivity data for Oct 2021-Sep 2022, accessed via Nomis

¹⁶ ONS data on earnings by place of residence 2022, accessed via Nomis

¹⁷ ONS data on Workforce jobs by industry section (SIC 2007) – seasonally adjusted (September 2022), accessed via Nomis

Policy recommendations

2



Recognise childcare as infrastructure in government spending

The survey reveals the substantial potential economic gains of supporting women to pursue the working lives that they desire through the provision of more affordable and accessible childcare. In economic terms this would mean more hours, earnings and output for the UK's stagnant economy. From the increased hours alone, the UK economy could add upwards of £27bn per annum in output – equivalent to 1% of GDP. Including the productivity gains from better skills matching, training time and career progression, and the boost to growth could be even larger. Indeed, we estimate around £8.8bn in earnings forgone as a result of mums having been prevented from taking higher paying jobs due to difficulties arranging childcare. It is also clear from this survey what changes mums want to see in order to support their working lives. More financial support for childcare of children aged 0-2, an extension of childcare into school holidays and more before and after school clubs to support them in their working lives. They also overwhelmingly reject the idea of increasing the number of children each childcare worker can look after while being supportive of greater local authority provision of childcare.

From the increased work hours alone, the UK economy could add upwards of £27bn per annum in output – equivalent to 1% of GDP.

As CPP's previous research has highlighted, increasing gender parity in unpaid childcare and promoting flexibility at work are also central to supporting mums to manage their caring responsibilities.¹⁸ But the results of this survey are clear – mums widely prioritise greater affordability and flexibility of childcare to support their working lives.

The fragmented childcare system is not yet ready for the substantial increase in provision that mums demand. It is currently struggling to meet the costs of so-called “free” childcare for three and four year olds, and facing a challenge to retain staff given low levels of pay and long hours. It is indicative of a system that has long been starved of funding, with the UK government spending far less compared to most other developed countries on early years and childcare. Childcare has long been seen as a cost and not a clear economic opportunity, hence piecemeal, poorly thought through reforms to different parts of the system over many years.

But as this report - and CPP's extensive programme of work that preceded it - shows, spending on childcare is akin to physical infrastructure, helping to drive output and productivity gains in the short, medium and long term. Such a recognition has started to happen at local level, with childcare facilities now classified as infrastructure so that they can be funded through the infrastructure levy as part of the Levelling up and Regeneration Bill. This should be the start of childcare being seen as just as economically important as investing in roads or railways – not just locally but within national public spending frameworks too so that governments can borrow to invest. In the meantime, as part of local economic development strategies, local and combined authorities should explore how they can drive an increase in local state-run nurseries and preschools in areas which currently have a low density of childcare places. We will be exploring this through forthcoming conversations with our Inclusive Growth Network.

Childcare should be seen as just as important as investing in roads or railways within national public spending frameworks so that governments can borrow to invest.

Local and combined authorities should explore how they can drive an increase in local state run nurseries in areas with a low density of childcare places.

¹⁸ Hochlaf, D. et al (2022) *What Women Want – Tackling gender inequalities in unpaid care and the workplace* [Centre for Progressive Policy] Available at: <https://www.progressive-policy.net/publications/what-women-want>



Develop a long-term plan for increasing access and boosting workforce capacity

The government needs a carefully sequenced long term plan to build a stronger system that delivers on the wishes of parents for greater childcare support. In practical terms this should build on the recommendations set out in our 2021 research programme which included:

- Additional government money to fully fund the current 30 hours offer for 3 and 4 year olds.
- Fully funding an extension of free care to parents with children aged 0-2 and to cover school holidays.
- More financial support for parents seeking to access before and after school clubs.

Each step will need to be carefully phased to ensure that increased demand can be met through additional supply within the childcare sector. In this context, any plan for reform must include a robust workforce strategy to support improved pay and conditions. CPP and others have set out what some of the elements of this could look like including:

A clear process for regularly determining the cost of delivering good quality subsidised care so that the government pays a fair price for care. This might for instance take the form of an annual audit conducted by local authorities in consultation with local providers to determine a more accurate cost of hourly care for subsidised places, to be met by government.

Establishing a new ‘Skills for Childcare’ organisation. A dedicated, independent institution that could work in partnership with the childcare sector, local authorities and the department for education to provide practical support to help those in the sector recruit, develop and lead their staff.

As argued by IPPR, a transformative end goal could be establishing national pay scales similar to those that apply to the teaching workforce. That would help to signal parity of esteem between early years and school age education.¹⁹

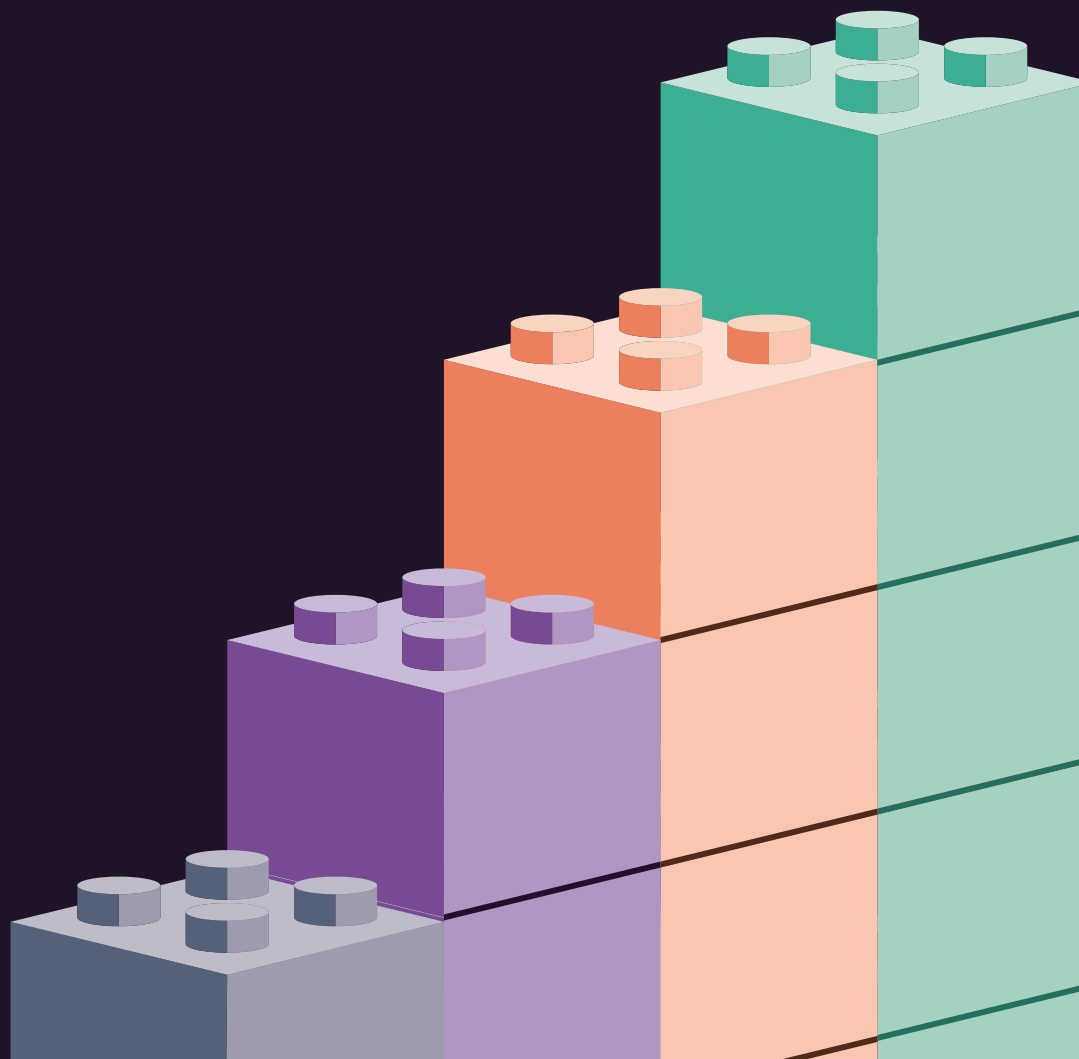
Any further financial help to parents seeking to access before and after school clubs will need to work with the capacity of schools and local community groups to cope with the likely desired increase in take up.

None of these are insurmountable challenges and CPP, and others, have started to set out the sorts of measures and financial resources that might be required. It will take time, government money and planning to get there but the macroeconomic prize is a big one. Delivering broad based accessible and affordable childcare could provide a significant boost to labour supply, earnings and output - after a decade of economic stagnation, the UK desperately needs it.

¹⁹ Statham, R. et al (2022) *Delivering a childcare guarantee* [IPPR] Available at: <https://www.ippr.org/research/publications/delivering-a-childcare-guarantee>

Technical appendix

3



Summary

The Centre for Progressive Policy commissioned Yonder to survey 2,545 mums of children aged 10 and under. This survey updates previous results, published in 2021 as part of CPP's Women in the labour market series.²⁰ In 2021, 19% of mums said that they would like to work additional hours. In 2023, this increased to 27%, partly due to changes in survey routing. As in 2021, CPP have estimated the potential impact on the economy of women having access to suitable childcare and being able to work the hours they would choose. This appendix details the data and method used to estimate 1) the potential annual earnings uplift of between £9bn and £13bn 2) the potential gross value added (GVA) uplift of £27bn to £38bn and 3) the £8.8bn in earnings foregone due to lack of available childcare. These figures are not directly comparable to the 2021 estimates due to improvements in survey design and methodology.

Data

The survey: Between 24th January and 1st February, Yonder conducted a representative survey of 2,545 UK mums with at least 1 child aged 10 or under. Quotas were set and the data was post-weighted to ensure, where possible, there was comparability with data collected in August 2021.

The survey data that fed into this analysis is based on the responses to Q14: *'You said in the past that lack of suitable childcare has negatively impacted your ability to work. Had you had suitable childcare, how many additional hours per week would you have liked to have worked, either through taking on a new job or in addition to any you were already working.'* Mums who responded to this question were those who said they had struggled to find suitable professional childcare since becoming a parent (Q12) and that had impacted them in some way (Q13).

GVA calculations use ONS data on UK output per hour worked in 2021, released in January 2023 UK and the earnings uplifts have been calculated based on median gross hourly pay for female employees by sector.^{21,22} No female earnings data are available for the mining and quarrying sector so median earnings across all sectors have been used instead in this instance. Estimates have been scaled using the latest ONS estimates for the total number of mums of children aged 10 and under from the 2021 Labour Force Survey /Annual Population Survey.²³

Method

GVA and earnings uplift

Economic uplifts have been calculated according to the following method: 1) using survey responses to estimate the number of additional hours mums would like to work per year 2) splitting these out by sector 3) scaling this to the wider UK population of working mums and 4) applying hourly GVA and earnings data.

The distribution of working mums of under 10's across industrial sectors is based on CPP analysis of the 2022 Labour Force Survey (LFS). Where sectors have been combined in LFS data, we have assumed the distribution within groups matches the distribution of female employment by industry.²⁴ Using this method, we find that the most common sector for mums of children under 10 is Human health and social work, which we estimate to employ 24% of this group. The next most common sector is Education (17%), followed by Public administration (9%) and Wholesale and retail trade (9%) (Fig.1). Estimates for the total potential boost to the economy will be largely dependent on the productivity of the health and education sectors, both of which are predominantly state-provided services in the UK.

20 Hochlaf, D. and Franklin, B. (2021)

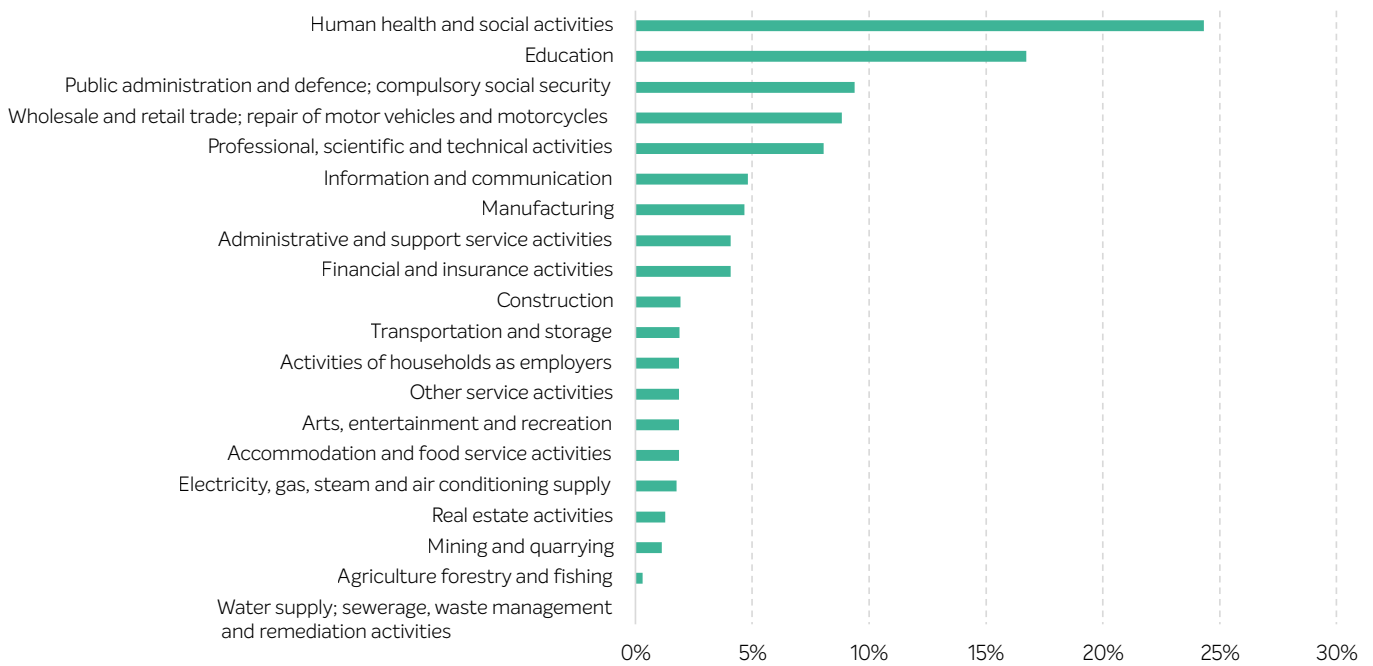
21 ONS (2022) *Annual Survey of Hours and Earnings: Table 5.5a Hourly pay - Gross (£) - For female employee jobs: United Kingdom, 2022*. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/regionbyindustry2digitsicshetable5>

22 ONS (2023) *Output per hour worked, UK* Available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/outputperhourworkeduk/current>

23 ONS (2022) *Families and the Labour Market*. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/familiesandthelabourmarketukmaindatasetusingthelabourforcesurveyandannualpopulationsurvey>

24 ONS (2022) *EMP13: Employment by industry, November 2022 release: EMP13: All in employment by industry: Women (not seasonally adjusted)*. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentbyindustryemp13>

Figure 5: Distribution of working mums across industrial sectors²⁵



Upper bound estimates assume that women wish to work the maximum hours within the band and lower bound estimates assume that they wish to work the minimum number of hours. For example, 19% of women responding to Q14 said that they would like to work an additional 6-10 hours per week. The lower bound estimates assume that these women would work 6 extra hours per week if they had access to suitable childcare, whereas the upper bound estimates assume that they would work 10 extra hours per week. Lower bound estimates are reported as headline results to show the minimum potential gain to the economy of improving access to suitable childcare.

Assumptions

The analysis assumes that mums would be able to work the hours they would like to. As the UK is currently suffering from record high levels of inactivity in the labour market and from staff shortages in female dominated sectors like human health and social work, we judge this to be a reasonable assumption. It is also based on the assumptions that women would choose to work the additional hours in the same sector as their main job. These figures are intended to illustrate the potential economic gain from the increased provision of suitable childcare, not as a precise estimate of the future impact on earnings or GVA.

We additionally assume that there are 47 productive weeks per year, based on the statutory 28 days minimum leave entitlement, and 52 earning weeks, on the basis that mums are either employees with paid holiday leave or receive equivalent compensation through their pay package.

Earnings uplift via jobs not taken

In addition to the calculations for hours worked, the report estimates the amount of earnings foregone because mums did not take a job due to lack of suitable childcare. We use three of the survey questions to determine this. Using Q13, we identify the mums who were either 1) prevented from applying for a new job, 2) prevented from accepting a different job offer or 3) prevented from entering paid employment. These mums were then asked Q15 which is whether the job they would have applied for or taken was a higher salary, the same salary or they weren't in paid employment at the time. For those who answered higher salary, they were then invited to answer Q16 – which asks how much more they would have been earning in the job. We then constructed an average after taking out a small number of big outliers – anyone who said they would have earned over £100,000

²⁵ Distribution of working mums of children under 10 across industrial sectors based on CPP analysis of 2022 Labour Force Survey and 2022 ONS data on employment by industry for women

more. The average amount given was £12,000. To create an aggregate figure, this is then multiplied by the total number of mums who would have been earning a higher salary using the proportions from the survey and scaled up using the latest ONS estimates for the total number of mums of children aged 10 and under from the 2022 Families and Labour Market release. The final step was to reduce the total amount by the employment rate for mums to account for the fact that not all the desired jobs would have been taken (75%).

Policy implications

These results show that a lack of suitable childcare is having a large financial impact on families with young children and that the UK economy is suffering as a result.

While we cannot say that the potential boost to the economy has increased since 2021 due to survey and methodological changes, the figures provide evidence that childcare continues to be a critical issue for mums and is restricting female participation in the labour force.



Written and researched by Ben Franklin and Rosie Fodgen.

Designed by Raquel Aguirre

Acknowledgements

The authors would like to thank Callum Gray and Caroline Warren from Yonder Consulting for running the survey and for their support with survey design and interpretation.

We would also like to thank the CPP team for their valuable comments and assistance with the production of the report, in particular Grace Hetherington for her input.

All errors and omissions in the report are the responsibility of the authors.

About the Centre for Progressive Policy

The Centre for Progressive Policy (CPP) is an economic think tank that champions inclusive economic growth. We publish research, analysis and practical policy solutions to make this model of growth a reality, working with local and national partners.

Centre for Progressive Policy
27 Great Peter Street
London SW1P 3LN

+44 (0)20 7070 3360
www.progressive-policy.net

