



## Tackling disadvantage through childcare

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# Tackling disadvantage through childcare

Childcare holds the power to tackle disadvantage by enabling parents to work and boosting children's outcomes. But this opportunity is being missed and new Government investment risks entrenching rather than changing an unequal system.

We outline our proposal for a new childcare system that better meets families' needs, particularly those facing disadvantage.

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## Recommendations

Complete reform of childcare is needed to create a system that:

- makes high-quality childcare accessible for all families,
- improves affordability through one simple payment system,
- supports children's development holistically, including when they are not attending childcare.

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## Executive summary

A well-designed and functioning childcare system can be a key tool in tackling disadvantage, both by helping families to increase earnings and move out of poverty and by improving outcomes for disadvantaged children. This potential is not currently being achieved, with children from disadvantaged backgrounds starting school behind their peers and parents struggling to afford childcare. The Government's proposed changes to childcare policy risk making the problems worse.

We have identified the five building blocks needed to create a childcare system which tackles disadvantage.

- **Affordable:** Childcare must be affordable in order to enable parents to work. The extension of government funding to younger children in England, combined with changes to Universal Credit (UC), mark significant progress in making childcare affordable to working parents. However, complexity prevents a theoretically affordable system from working in practice for all parents and families. For example, even when claiming all the support available under the new proposals, a second earner with a two-year-old whose partner is working on the minimum wage (£10.42 per hour) would take around £4 per hour after the Universal Credit taper has been applied and once they have paid for childcare and housing.
- **Quality:** Provision must be high quality in order to improve outcomes. Only high-quality childcare helps to narrow the attainment gap between disadvantaged children and their peers. But childcare in England is not of a consistently high enough quality to make a real difference to children's outcomes. Higher funding, better pay, better qualifications and stronger quality requirements are needed to make a step change in quality.
- **Accessed:** Disadvantaged children need to be able to take up early education and childcare. Inequalities in who takes up childcare remain – for example, children who speak English as an additional language are nearly three times as likely not to take up their full early education entitlement compared to children with English as their first language. However, there is a lack of evidence and understanding about why and how to change this. Families face a range of barriers to taking up early education, including understanding a complex system and the availability of places that meet their needs.
- **Family-focused:** Childcare must support a positive home-learning environment. There is strong evidence of the importance of a positive home-learning environment and programmes that successfully enable parents to improve their ability to support their children's learning. But the role of childcare professionals to work in collaboration with parents in supporting their children's development has not yet been fully understood or achieved.

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- **Integrated:** Childcare must be a pillar of a wider support system. In order to fully support children's outcomes, childcare professionals must be a part of a wider support system, joining up to identify and address any additional needs early on.

The Government has signalled an appetite for much higher public investment in the formal early years childcare sector, but the proposed changes do not tackle disadvantage and risk worsening outcomes for disadvantaged children. The current proposals to expand childcare prioritise the provision of more care to support working parents but do not support disadvantaged children or improve childcare quality. Funding is spread too thinly to enable the step change in quality that is needed and is unfairly targeted towards higher income families.

A complete system reform is needed so that childcare policy can achieve its potential to tackle disadvantage. The system we need would support children's outcomes and parents into work. It would target funding more fairly towards disadvantaged children, moving from a regressive to a progressive system. This means using the additional funding announced in the Spring Budget 2023 to make the current free hours offers universal, and would require further investment over time to drive up the quality of provision across the sector.

**Supply-side funding** should be used to enable a **relentless focus on quality** across all types of formal early years childcare, through raising qualification levels and pay for childcare professionals enabled through higher funding rates and higher quality requirements.

We propose a new system which provides a **universal free hour offer** to support child development, that is 15 hours per week for all two-year-olds and 30 hours per week for all three- and four-year-olds. This would benefit more disadvantaged families, who are less likely to meet the work criteria, rather than working parents of very young children, which the Government's proposals focus on. The number of free hours could be increased as public finances allow.

Rather than spreading government funding too thinly by expanding 30 free hours of childcare to all very young children, the system would introduce a **co-payment model** so that most parents made a contribution towards their childcare costs outside of the free hours. Rather than the current complex systems, there would be one means-tested system, so that parents would only ever face a bill that was affordable to them. Families in poverty would not pay anything towards their childcare.

It would introduce a **childcare entitlement**, so that every child and family was guaranteed access to a childcare place that meets their needs. This is particularly important for children with special educational needs and disabilities (SEND) who too often struggle to find a childcare place. Children will always spend more time at home with family and carers than in childcare. In order to tackle the unequal outcomes for children in the early years, it is essential that childcare is part of a high-quality wider support system that supports children's development in and out of formal childcare. Childcare would be part of a **fully integrated family learning and support system**, able to recognise and meet the needs of families holistically. Childcare professionals, wider support services and parents will work together to support children's development.

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This reformed system would better meet the needs of all families, but the gains are most clearly experienced by disadvantaged families. Further work is needed to set out affordable payment levels for different families, design an appropriate payment platform and to estimate the costs to the public purse. But this system lays out the principles of what is needed to rebalance childcare policy to achieve its potential for all children and families.

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## Tackling disadvantage through the childcare system

A well-designed and functioning childcare system can be a key tool in tackling disadvantage, both by helping families to increase earnings and move out of poverty and by improving outcomes for disadvantaged children.

This potential is not currently being achieved. The pre-school attainment gap is significant. In 2022 in England, according to Early Years Foundation Stage profile results, 48.1% of children known to qualify for free school meals were assessed as having a ‘good level of development’, compared to 68.8% of their peers (GOV.UK, 2022). Caring responsibilities still act as a significant barrier to work for parents, particularly for disadvantaged families. While there is financial support available for formal childcare, the price of £148 per week for just a part-time place for a child under two is too much for many families (Coram Family and Childcare, 2023a).

Over recent decades, significant progress has been made to end poor-quality childcare and to enable parents, and mothers in particular, to be able to work. The increased investment in childcare announced in the Spring Budget 2023 will be a milestone in helping to make childcare affordable to more families, and marks a turning point in government spending on childcare with £4 in every £5 spent on childcare coming from government.

However, the current plans also signal a further shift in childcare policy towards prioritising its role in supporting parents to work and away from prioritising quality and children’s outcomes. Rather than tackling the effects of poverty, this could entrench inequalities.

In 2016, the Joseph Roundtree Foundation (JRF) and Coram Family and Childcare published **Creating an Anti-Poverty Childcare System**, outlining how childcare policy and practice could be a key tool in tackling disadvantage. While the context and the system have changed since then, we have not seen the transformation needed. This briefing updates that work, laying out the evidence on the role that childcare could play in tackling poverty and assessing the extent to which the current system is achieving its potential. It focuses on the childcare system in England, and subsequent briefings will look at Scotland, Wales and Northern Ireland. It looks at the evidence for what is needed to effectively narrow the gap between disadvantaged children and their peers, as well as how childcare can effectively enable low-income families to move into work, and thereby raise family incomes. The final section outlines the reforms needed to build a system which improves outcomes and makes childcare affordable for all children and families.

High-quality early education and childcare benefits all families, but it makes the biggest difference to disadvantaged children. Childcare can have a transformative effect for disadvantaged families – but only if there is a relentless focus on driving up quality and access for all. Young children will spend more time at home with their family and carers than in formal childcare, so the system will achieve the biggest change for young children if it also supports learning and development outside of formal early education

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and childcare settings. For this reason, this briefing also looks at the home-learning environment and wider support systems.

There are, of course, limits to the role that childcare can play in tackling disadvantage. While employment and higher working intensity decrease the risk of poverty, it is not a simple route out of poverty. Seventy-five per cent of children in poverty in the UK live in a household where at least one adult works (CPAG, 2016). The childcare system needs to be supported by a social security system that helps families with the cost of raising children and enables well-paid, secure work. Childcare can also work to improve outcomes for disadvantaged children, but it cannot fully mitigate the impact of factors that are often linked to poverty, such as insecure or poor housing, and the additional stress of living on a low income that can have a detrimental impact on parental mental health. These, in turn, can adversely affect children's outcomes.

This briefing builds on our previous report through a literature review and analysis of the current context and impact of policy decisions. It focuses on evidence published since 2016 and on evidence that has implications for delivery of childcare in the future. We have also modelled the impact of childcare costs for a range of families.

## **The five principles underpinning a childcare system that tackles disadvantage**

### **1. Affordable: The cost of childcare must not be a barrier to work or childcare use for parents**

Childcare policy currently works to make childcare more affordable through a mixture of supply- and demand-side funding, outlined in Table 1 below. On the supply side, there are free early education entitlements for two-, three- and four-year-olds (and it has now been proposed to extend these to children from nine months old), with England and Wales offering more hours for working parents. On the demand side, parents can receive help to pay for their childcare through Universal Credit (UC) and Tax-Free Childcare (TFC).

The most generous support to help pay for childcare is currently targeted to lower earning families through UC. The childcare element of UC will cover up to 85% of childcare costs, with the aim of ensuring that families are better off working rather than caring for children full time (GOV.UK, 2023f).

Table 1: Support with childcare costs

All nations	England	Scotland	Wales	Northern Ireland
<p><b>Tax-free childcare</b> pays up to 20% of childcare costs</p> <p><b>Universal Credit</b> pays up to 85% of childcare costs</p>	<p><b>15 hours</b> a week for all three- and four-year-olds and disadvantaged two-year-olds for 38 weeks a year</p> <p>Additional <b>15 hours</b> a week for three- and four-year-olds with working parents (to be expanded to 30 hours per week for one- and two-year-olds) for 38 weeks a year</p>	<p><b>1,140 hours</b> a year for all three–four-year-olds and disadvantaged two-year-olds</p>	<p><b>30 hours</b> a week for three- and four-year-olds with working parents for 48 weeks a year</p> <p><b>10 hours</b> a week for all three–four-year-olds for 38 weeks a year</p> <p><b>12.5 hours</b> a week for two–three-year-olds in Flying Start areas (geographic areas which are deprived) for 38 weeks a year</p>	<p><b>12.5 hours</b> a week for all three–four-year-olds for 38 weeks a year</p>

Moving into well-paid and secure work is the best route out of poverty – but working, or working more, can only help to raise family incomes and enable a move out of poverty if childcare is affordable. Otherwise any additional income is simply spent on childcare and families continue to struggle to make ends meet. Childcare affordability can be particularly pernicious for families on the lowest incomes, including non-working families, if they face charges to take up their free early education entitlement. The original purpose of the free early education entitlements was to improve children’s outcomes, so it is particularly important that all children are able to take these up.

The affordability of childcare will mean different things to different people. The most basic meaning is that, financially, a parent must earn more than they pay on childcare and so be financially better off as a result of working, including once they have paid the other costs of working, such as travel. But this is a bare minimum and in reality we should expect families to feel noticeably better off as a result of working. This is particularly important for low-income families where work should provide a route out of the negative effects of poverty.

Affordability of childcare is inextricably linked with the wider factors at play that determine financial gains from working (such as taxation and benefit entitlements) as well as being a deeply personal decision affected by a wide range of factors. Personal preferences about working and caring are likely to play a role, as well as the quality of work available, the cost of childcare locally and regionally, and job satisfaction. Career



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progression, or the fear of stagnation or regression, may also act as a pull factor to the workforce, but this is likely to have a much greater effect on higher earning families.

Crucially, decisions about work and care will also be affected by the quality of the childcare available and whether this will be a good option for an individual child. When weighing up decisions about work and childcare, these factors will all interact with each other, so a parent with high job satisfaction and happy with the childcare options might be willing to accept lower financial gains from working than a parent who is unhappy with the childcare or work options available. Some parents claiming UC will also be mandated to work, limiting their choices about work and care.

As well as the amount that families have to spend on childcare, the way that they have to make this payment can affect whether it feels affordable. Payments that are fluctuating, such as higher amounts during school holidays, can be hard to manage on a low income. Paying large bills and claiming back support, such as with the UC system to date, can also cause problems as families likely will not have financial reserves.

While the early education entitlements are described as ‘free childcare’, in reality we know that some providers levy additional charges that can be difficult to avoid for parents. The Department for Education’s (DfE) guidance states that parents should be able to access their entitlement free of charge and without restriction (DfE, 2018a). However, the guidance also notes that government funding is not intended to cover the cost of meals, other consumables, extra hours or additional activities, and that providers can charge for these. In practice, to secure a place, parents may have to pay for additional hours that are not covered by their entitlement (NAO, 2020). For example, families may need to pay for a lunchtime session in order to be able to attend both a morning and afternoon ‘free’ session at a nursery. Research shows that parents are concerned about paying for potential registration fees, top-ups, charges for being late and extras, as well as travel costs (Chadwick et al, 2018; DfE, 2018a).

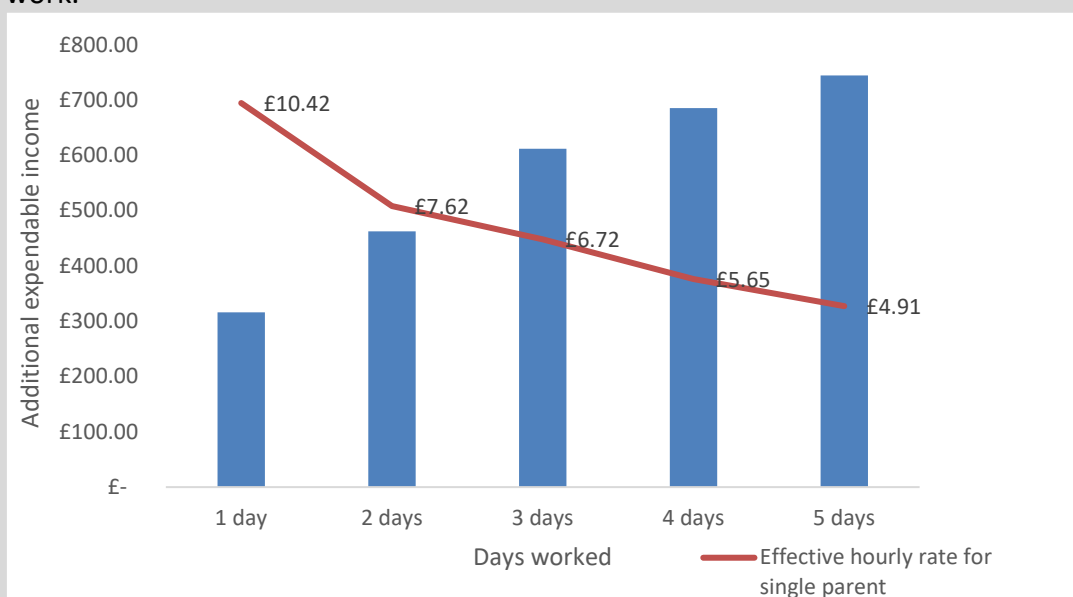
Unsurprisingly, cost is more of a barrier for disadvantaged families (Speight et al, 2015; DfE, 2018a). Free early education entitlements were originally introduced to support children’s outcomes and to narrow the achievement gap between disadvantaged children and their peers (NAO, 2016). They should be viewed as part of the education system. In order to narrow the achievement gap, it is vital that these places are taken up by low-income families, including those who are not working. Any additional costs associated with these places are likely to act as a significant, or even insurmountable, barrier to families, meaning children may miss out on vital early education.

Many families, and low-income families in particular, rely on informal childcare with family and friends rather than formal childcare. For some, this decision will be driven by personal preference, wanting their children to be looked after by people they know well, but for others, this is their only option as formal childcare is unaffordable. Informal childcare holds many benefits for children and families, but is cause for concern when it is the only option available. It can mean grandparents or others reducing work and earnings in order to look after children, reducing incomes for the wider family.

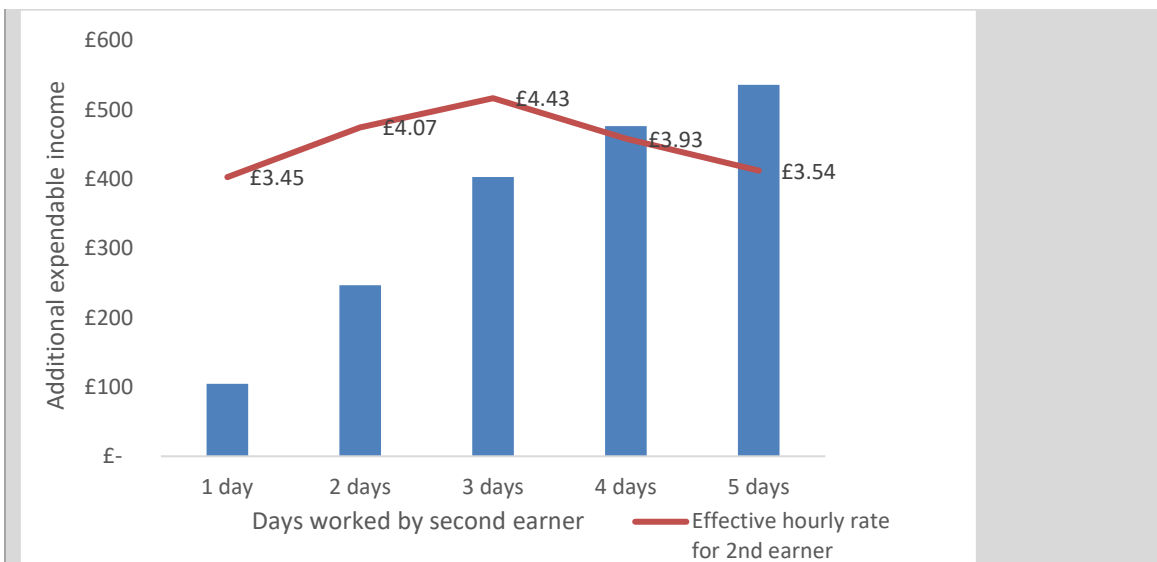
## How much does work pay after paying for childcare?

We have modelled how different work situations would affect family incomes once they have paid for childcare and housing. We have used average nursery costs for England, and assumed that the families have one child aged two and are receiving 30 hours free childcare stretched across 48 weeks of the year, without any additional charges being made. We have also assumed that the announced changes to UC have taken effect, so that UC covers higher childcare costs. This means that we are looking at a realistic best-case scenario for financial work incentives.

Single parents in particular see significant gains from moving into work. For example, a single parent working just one day per week on minimum wage will see monthly expendable income rise by £316 – or an hourly rate of £10.42. However, there are issues around increasing work intensity as the gains diminish for each additional day worked. If she worked 5 days per week, her additional monthly expendable income would reach £745, or an hourly rate of £4.91. Increasing from 4 days per week to 5 days per week only raises her monthly income by £60. While many parents choose to work less intensively when they have young children, in order to spend more time with them, others will want to work more hours, need to bring home the additional earnings, or will only be able to find full-time work. The system is also complex and opaque, and it is unlikely that many will understand the optimum number of hours to work.



For second earners, the gains from working are less but more consistent. If you have a partner working full time on minimum wage, a second earner also earning minimum wage will see their monthly expendable income rise by £105 per month, or just £3.45 per hour. This hourly rate only varies slightly depending on how much they work – so the system is more predictable but less generous. In this scenario, it is far less likely that work will feel worthwhile and childcare costs will feel affordable. In both scenarios, the parents will pay the same childcare costs, but the lone parent will receive more support through UC than the couple will. The difference is largely down to the structure of UC whereby the first earner in a household has a ‘work allowance’, where they keep a certain amount of their earnings before UC starts tapering off, but second earners do not have a work allowance.



In both of these scenarios, UC makes childcare affordable in the simplest sense that parents are better off working. But it is questionable about whether the gains from work are meaningful – and for too many they are not substantial enough to provide a route out of poverty. Many families will also face higher childcare costs – for example, if they live in an area where childcare is more expensive or have more than one child – which will mean they see even lower gains from working.

## Application and awareness

While we can see that in theory the support from UC helps with childcare affordability, in practice we know that there have still been issues around claiming this support and making paid-for childcare feel like a viable option for low-income families. The application process for UC can be burdensome which discourages some families (Wood, 2021). It should also be noted that although families can claim support with their childcare costs, they still need to pay and manage their bill. This large bill carries with it a risk of debt if there is an issue with their benefit claim or they are unable to pay for another reason. Families will receive one UC payment and it may not be clear to them how much of this payment is to support their childcare costs.

The complexity of the system can also act as a barrier for low-income families. While the support available through UC is generous, awareness of it is low – take-up among working households with children stood at just 13% (DWP, 2022), compared to four in five children taking up the 30-hour ‘free’ childcare offer. The multiple schemes available to help families pay for childcare means that the complex system for support can limit its effectiveness as families get lost in the complexity and miss funding that they would otherwise be entitled to. Creating a simpler system for providing financial support to parents paying for childcare could move the system from being theoretically affordable to one that actually removes cost as a barrier to using childcare for low-income families.

## 2. Quality: Provision must be high quality in order to improve outcomes

High-quality childcare can have positive and long-lasting impacts on children’s outcomes, particularly for disadvantaged children (UK Parliament, 2021). Children

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attending high-quality childcare typically have better socio-emotional and cognitive outcomes, and as adults their childhood experience of high-quality childcare is a substantial contributor to their educational, social and economic success (Melhuish and Gardiner, 2019). There is limited evidence that full-time attendance increases the benefits seen from part-time attendance (Sylva, 2004), which is the reason that the targeted offer for two-year-olds and the universal offer for three- and four-year-olds was set at 15 hours. Low-quality childcare does not benefit children's outcomes, and some research even suggests that it could have a negative effect (Melhuish, 2004). There is also strong evidence on what makes childcare high quality and how to measure it. The Effective Pre-School, Primary and Secondary Education Project (EPPSE) sets out what constitutes high quality, drawing on internationally recognised evidence:

- They view academic and social development as equally important but maintain a strong educational focus.
- They have strong leadership and long-serving staff who have a good knowledge of the early years curriculum, child development and young children as learners.
- They provide a good balance of practitioner-initiated and freely chosen play activities.
- They provide adult-child interactions that involve 'sustained shared thinking' and open-ended questioning to extend children's thinking, being mindful of differentiation and children's individual needs.
- They have behaviour policies that support children rationalising and talking through areas of conflict.
- They encourage parental involvement and hold regular discussion with parents about their child's progress (Taggart, 2015).

EPPSE uses the Early Childhood Environment Rating Scale (ECERS) as the instrument to measure quality. These quality ratings have predicted, over time, better outcomes, and so we have a good grounding for not only knowing what is needed to meet high-quality standards, but also how we can measure whether or not we are achieving it. While 96% of settings have been rated as good or outstanding by Ofsted in England,<sup>i</sup> this assessment does not include the detailed process assessments of quality included within the ECERS assessments, instead focusing on structural factors. A more intensive assessment of quality is needed to assess whether settings are reaching the standard needed to improve children's outcomes and narrow the achievement gap, and to guard against any possible negative effects from poor-quality provision.

The quality of childcare in the UK varies significantly and moving towards greater consistency in the quality of provision would make a difference for children's outcomes (Melhuish and Gardiner, 2019). Typically, state-run nursery classes and schools are higher quality and were twice as likely to be judged as 'excellent' using the more detailed ECERS-R measurement of quality (Melhuish and Gardiner, 2019).

The higher quality of maintained settings overall can mean that children, and particularly disadvantaged children, have more to gain from attending them. While

disadvantaged children are more likely to access childcare in the maintained sector, this proportion is falling (Stewart and Reader, 2020) and the proportion of deprived children taking up early education in private, voluntary and independent (PVI) settings is rising (Stewart and Reader, 2020) and state-maintained settings are far outnumbered by PVI ones. PVI settings located in deprived areas, and serving disadvantaged children, were likely to be of lower quality than those operating in more affluent areas (Mathers and Smees, 2020).

Staff qualifications are key determinants of the quality of settings (Melhuish and Gardiner, 2019) – and again there is a disparity between the maintained and PVI sectors in England. Thirty-four per cent of maintained and school-based staff are qualified to Level 6 whereas only 11% of PVI group-based staff and 10% of childminders are qualified to this level. These proportions have not changed significantly since 2018. In the last few years, there has been an increase in the employment of apprentices and the proportion of providers who use temporary staff, perhaps reflecting the pressures around recruitment and retention that the sector is facing (GOV.UK, 2023a).

The Nutbrown Review in 2012 set out what was needed to improve the qualifications of the early years workforce. This included recommendations to move to a workforce qualified to a minimum of Level 3 and led by early years teachers. It also looked to improve the quality of the Level 3 qualifications available to increase the breadth and depth of knowledge of professionals working in the sector. These recommendations aimed to increase the professionalisation of the sector and remain relevant today, and have not been delivered by successive governments.

#### **Case study: Scotland's move to a fully qualified workforce**

Scotland's early years workforce is more highly qualified than those in other UK nations. Starting in 2006, Scotland has moved towards a degree-led workforce and all early years practitioners are required to have a Scottish Qualifications Authority qualification (equivalent to Level 2 NVQ in England) (CYP Now, 2023). Staff are also required to be members of the regulatory Scottish Social Services Council (SSSC). Depending on whether staff are registered with the SSSC as a support worker or a practitioner, they are required to be working towards either a Scottish Credit and Qualifications Framework (SCQF) Level 6 or a SCQF Level 7 (GOV.SCOT, 2023). Staff registered as managers or lead practitioners are expected to have, or be working towards, a relevant SCQF Level 9 (degree-level) qualification.

There is not yet conclusive evidence of the impact that the professionalisation of the workforce has had on children's outcomes, but there are positive signs of practice improvement. Staff practices have benefitted, environments for learning have changed and there is closer working between early years, childcare and related services (Davis et al, 2014).

High-quality childcare is able to meet a range of needs, including meeting the needs of children with SEND. However, children with SEND often have difficulty accessing their full entitlement, or any early education at all (Archer and Oppenheim, 2021). Local authorities note that even where high-quality SEND provision is available locally, this is

not necessarily in the right location to meet parents' needs (Alkbakri, 2018). Coram's Childcare Survey 2023 found that only 18% of local authorities in England reported having sufficient provision 'in all areas' for disabled children (Coram Family and Childcare, 2023b). In order to be able to provide high-quality childcare for children with SEND, professionals need to be able to have the training and experience to meet a range of needs. While it is not possible for every professional to have the skills to meet every condition, they should be able to draw on specialists for the support that is needed. There may also be additional costs for providing care – such as physical adaptations to facilities or equipment or providing one-to-one care – and these should not fall to the family or individual childcare providers.

#### **Case study: Little Pippins, Swindon**

Little Pippins is an early years setting based in Swindon, which has recently been awarded the Dingley's Promise kitemark, acknowledging them as an inclusion- friendly setting. Their ethos is to welcome the child first and establish the need later, believing that every child is unique and that their differences should be embraced and celebrated.

When a child is offered a place, Little Pippins works with both the child and their family to establish a long-lasting relationship. They aim to build mutual trust and respect by welcoming the child and engaging the parents in the child's development within the setting.

Where a child is identified as having additional needs, they adapt their practice and link in with specialist services where needed, to ensure that they can be included in all aspects of life in the setting. They work to ensure that all their employees feel confident in supporting the needs of all children by providing regular training and coaching. Every member of the team has undertaken foundation training provided by Dingley's Promise, which helps them understand how to work inclusively, and they all have ongoing continuous professional development plans in place to ensure that they continually reflect on their practice and seek to grow and evolve in their roles.

For parents, the hours that are available are also a key component of quality. To accommodate modern working patterns, parents need a long day of childcare, typically 8am to 6pm to allow for travel time. PVI settings tend to offer longer days and year-round places, rather than the typical school hours often offered by maintained settings. This can leave families choosing between a higher quality place in the maintained sector and a PVI setting that better supports them to work, or only having access to one of the two of these in their local area.

In deprived areas, the childcare choices are often more limited, which can leave disadvantaged families with even fewer options. Only half of local areas had enough childcare for parents working full time (Coram Family and Childcare, 2023b). It is possible to both offer high-quality care and education as well as the hours that working parents need – there are examples of maintained settings offering wraparound breakfast and after-school clubs in their nursery provision and of PVI settings meeting the highest quality standards while also offering the longer day. But

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this is not commonplace and so greater work is needed to expand provision that is both high quality and offers a longer day.

### **3. Accessed: Disadvantaged children need to be able to take up early education and childcare**

Children will only benefit from early education and childcare if they are able and motivated to attend it. While take-up of the universal 15 hours free early education entitlement is high – over 90% for three- and four-year-olds in England, Scotland, Wales and Northern Ireland – children from more disadvantaged families, who we would expect to benefit most from early education, are least likely to access the funded entitlements (Alkbakri, 2018; NAO, 2020). Many parents will make an active, informed choice not to use their childcare entitlements, perhaps feeling that their child is too young for childcare or that their child would benefit more from time at home with family. However, there are also a range of factors that can act as barriers to take-up and that are particularly likely to affect low-income or otherwise disadvantaged families.

Free early education entitlements were first introduced with the purpose of improving children's outcomes, with a focus on the most disadvantaged. While take-up of childcare in general is lower for low-income families, it is particularly important to focus on the 15 free early education entitlement hours which are designed based on the strong evidence of benefits of high-quality early education from the age of two (NAO, 2016).

We have found a number of factors that are likely to affect take-up, but overall the understanding of how to support families to make informed choices about taking early education entitlements is poor. Coram Family and Childcare are part of a study to build understanding of the take-up of early education entitlements and will produce its final report in summer 2024 (Coram Family and Childcare, 2023a).

#### **Poverty**

Children living in poverty are less likely to take up their free early education entitlement, even after controlling for other household characteristics, such as ethnicity or having English as an additional language (Campbell et al, 2019). This suggests that poverty in and of itself acts as a barrier to take-up. We explore below further possible reasons for this.

#### **Awareness and understanding**

Awareness is lower in deprived areas – for instance, for the extended three-year-old entitlement, awareness was 91% in the least deprived areas and 72% in the most deprived areas (NAO, 2020). NAO (2016) reported awareness of the two-year-old entitlement being more of a barrier for Bangladeshi, Somali and Polish communities than others (Albakri, 2018; NAO, 2016). Much of our information on awareness comes from survey data, which may exclude the most marginalised groups and therefore overestimate awareness.

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Some families may be aware of entitlements but not take them up due to a lack of understanding. For instance, some parents who do not qualify for one entitlement mistakenly believe they do not qualify for any of them (Albakri, 2018). Albakri et al (2018) found that parents had many misconceptions relating to how employment status, welfare benefits, the age of the child and local discretionary entitlements affected eligibility; the changing eligibility criteria at different ages also confused parents. Some parents see the primary purpose of funded places as childcare – rather than early education – and, as such, if they are not working, do not see the benefit of taking up their entitlement (Albakri, 2018).

### **Application process**

The application process has been a challenge for some parents, both in terms of the technological requirements for registering and securing a place at a preferred provider. Parents will need to make an application online or over the telephone, and then separately find a childcare provider where they want to take up their place. For the targeted two-year-old offer and childcare targeted at working parents, they will need to provide evidence that they are in receipt of certain benefits and eligible for a place, which adds complexity. Parents, particularly those with English as an additional language (EAL), have reported finding the process difficult, and some may lack the necessary IT and literacy skills to complete an application form independently (Albakri, 2018; Chadwick, Chidley and Jones, 2018). The more complex requirements of a targeted rather than universal approach can increase this burden.

### **English as an additional language (EAL) and ethnicity**

Children who speak English as an additional language are nearly three times as likely not to take up their full early education entitlement compared to children with English as their first language (Campbell et al, 2018). Some of this disparity is a result of difficulties understanding and applying for a place, but it also appears to be related to ethnicity. The odds of ‘non-White British’ children for whom English is a first language taking up their two-year-old entitlement were 12% less than for White British children; for children with English as an additional language, the odds were 50% lower (Teager and McBride, 2018). Take-up rates were particularly low among children from Asian backgrounds – lowest for children from Bangladeshi (30%) and Indian families (45%); take-up was also low for children from Gypsy/Roma (34%) and Irish Traveller (38%) families (Teager and McBride, 2018).

Besides linguistic barriers, we know relatively little about the specific cultural barriers to take-up with these families. Research has highlighted local authorities and providers’ perceptions that families from minority ethnic communities have a strong preference for keeping children at home (Albakri et al, 2018). Research with parents gave a more nuanced picture: parents had a particular interest in teaching their child about their culture, religion or history at a young age; they wanted to instil values they felt would not be provided to their child elsewhere; some parents wanted to teach their children mother-tongue languages (Albakri, 2018).



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## **A failure to poverty proof**

Some schools and healthcare providers have worked to ‘poverty-proof’ their services, to identify and minimise the financial burden and reduce barriers for low-income families accessing their services (Children North East, 2023). This approach focuses on hidden costs or stigmatisation which can act as a barrier to engagement, such as how to manage non-uniform days or the take-up of free school meals. However, a DfE survey in 2018 found that 74% of early years providers had additional charges, rising to 87% of private providers (Cattoretti et al, 2019). This can also create issues around stigma as well as affordability. Families who are only eligible for the 15-hour entitlement may also feel stigma to taking it up, which can be exacerbated by how sessions are structured, for example, needing to pick children up before a mealtime when paying children can stay for the meal.

## **Availability of places**

DfE research with parents has shown that the sufficiency of places is a key factor affecting take-up of entitlements (Albakri, 2018). In Coram Family and Childcare’s Childcare Survey 2023, just 62% of responding local authorities in England reported having sufficient provision ‘in all areas’ for the two-year-old entitlement (Coram Family and Childcare, 2023b). As already discussed, shortages are particularly acute for disabled children where just 18% of local authorities report that they have enough places. There is also evidence that there are fewer providers offering the free early education entitlement places in deprived areas where they have a limited ability to raise income through parent fees and so are left with a funding gap that makes them unsustainable (NAO, 2020).

## **Children with special educational needs and disabilities**

Higher proportions of children with SEND, at a local authority level, are a predictor of lower take-up of the three- and four-year-old entitlements (Albakri, 2018). Parents of children with SEND can face additional barriers to taking up their entitlement, beyond availability of places, including parents lacking awareness and understanding with regard to eligibility; fear of stigmatisation; and concerns over the ability of provider staff to deal with their child’s additional needs (Newman and Owen, 2021). Support for parents of children with SEND could help to address barriers to take-up (Teager and McBride, 2018; Abbott and Jessiman, 2014).

## **Local authority role in supporting take-up**

Local authorities have seen reductions in funding for early years teams and, as a result, activities such as outreach and brokerage have been scaled back. The impact of this, in terms of reduced demand, has been noted by some providers (Albakri, 2018). Their role can be particularly important in helping to find places for children with SEND.

### **Case study: Reading Borough Council improving take-up of childcare offers**

Reading Borough Council and Brighter Futures for Children work to make sure that local families are aware of the funded childcare available and help them to overcome barriers to take-up. The Family Information Service (FIS) and Early Years team work together to engage with a wide range of partners across the council and in partner organisations to make sure that there is extensive awareness of the free childcare offers and widespread understanding of the benefits of taking up childcare.

They particularly focus on take-up of the two-year-old offer through:

- Targeted outreach, for example at parent carer groups, Jobcentre Plus events, partnership community events.
- Helping parents complete their application.
- Help with finding childcare places, including childcare brokerage for some families, particularly those where English may not be their first language or, where the family has a child with SEND, to help them secure a place that meets their needs.
- Co-producing information on the FIS website with parent carers so that it is easy to understand and navigate.
- Translating leaflets on free childcare for two-year-olds into the eleven most spoken languages in Reading.
- Running a Parent Champions scheme, where parent volunteers give a couple of hours a week to talk to other parents in their local area about childcare and other services. This peer-to-peer approach can be particularly powerful in helping to overcome barriers to take-up and helping parents to access trusted information.
- FIS make use of the information they gather from parent carers who contact the service to understand any gaps in childcare provision. This is then fed back to senior leadership so that gaps can be addressed to support take-up.
- The team in Reading have worked intensively with community, voluntary and faith groups, making sure that they are equipped with the information they need to be able to pass this on to families. Families trust these organisations, so this has helped many vulnerable families access the offer.

Quote from a parent carer whose child was accessing a two-year funded place:

“I found out about two-year funding from my health visitor who told me to contact the Family Information Service for more information. The team were so helpful as I was in my last year of nursing training and this funded place would be brilliant for my child, but also allow me the time for study and training. FIS helped me find a place for my child and he has been attending the nursery and really enjoys every day.

As a single parent this funded place gave so much to my child but also for me. I qualified as a nurse and was worried the funding would be taken away when I started a paid placement, so again I contact FIS. They reassured me that the funded place would not be taken away and my child could continue to stay at the nursery. Honestly, this made my day! I was so happy. For once, everything worked out so well for my family. I will graduate later this year and hope to work full time as a nurse in Reading.”

#### **4. Family centred: It must support a positive home-learning environment**

The home-learning environment is a primary influence on the attainment gap between disadvantaged children and their better-off peers. Evidence confirms the central role of the family in early infancy (and the comparatively limited role of time spent in formal childcare) in determining child outcomes (Cattan et al, 2022). The primary carer(s), through the emotional environments they provide, exert a profound and lasting influence on children’s emotional regulation and subsequent behaviour, interactions and relationships. Through nurturing, cognitive stimulation and play they have a profound influence on children’s cognitive development (Cattan et al, 2022). The early home-learning environment shows lasting effects up to secondary school, irrespective of the home stimulation provided during later age phases (Lehrl et al, 2020).

Specific parent behaviours (such as everyday conversations, make-believe play and reading activities) are particularly influential features of the home-learning environment and so efforts have been made to support these directly (DfE, 2018b). There is evidence that programmes supporting parents can improve children’s socio-emotional and cognitive outcomes, although some of the more successful programmes are relatively intensive (often involving consistent home visits over extended periods of time by qualified professionals) (Early Intervention Foundation, 2023). ‘Lighter’ versions of some of the same programmes, with reduced intensity, were found to have no measurable benefits for children and parents (Early Intervention Foundation, 2018). Childcare providers are increasingly developing work with parents to support their children’s learning at home (Nutbrown, 2008). There is some limited evidence that collaboration between parents and childcare providers can help to improve children’s home-learning environments (Lehrl et al, 2020; Cohen and Anders, 2019).

Effectively linking childcare and home learning provides a crucial missed opportunity for providing effective support for children and their families. This has been recognised for some time, including in an Ofsted report on Family Learning from 2009 (Ofsted, 2009) and, subsequently, a NIACE review of ‘Family Learning’ in 2013 (NIACE, 2013), which called for ‘family learning built into the core offer of early years provision’. Childcare professionals have an in-depth understanding of child development and the individual children they are working with, and could form an effective partnership with parents in supporting young children through their developmental milestones. They can provide families with materials and ideas, monitor progress together and help families get involved in local activities.

We should also consider the structural factors affecting the home-learning environment. For example, parental mental health is strongly associated with children's socio-emotional outcomes – and so stronger mental health support with a focus on detection and treatment among parents is vital (Cattan et al, 2022). Research suggests that a carer's financial stress may directly affect the amount of parent-child interaction; in general, the home-learning environment may be disrupted by families adapting to greater economic stress (for example, lower incomes) and greater environmental stress (for example, insecure housing) (Ellwood-Lowe et al, 2021; Schwab and Lew-Williams, 2016).

**Case study:**

**Wier Link Nursery and Pre-School, run by London Early Years Foundation**

At Wier Link Nursery and Pre-School in Lambeth, a lot of emphasis is placed on getting to know the child before they start at the nursery through meetings and settling-in sessions. This is to understand how needs can be accommodated and concerns can be worked through together with parents and carers.

They support home learning, particularly to help children explore difficult emotions. Children get home-learning bags that are catered to their interests. Upon learning that one child was going into hospital to get an X-ray, and after speaking with parents, staff prepared a home-learning bag that had a toy ambulance and doctor's set that would make the experience seem less scary for them.

This approach is embodied by Dhanvanti, who works at Wier Link, and sees the holistic role of childcare in respect to individual family situations and needs. She recognises that it can be difficult for new parents particularly to filter information for good advice. Also, the nursery staff have years of experience to offer which can lead to productive conversations and alleviate stress.

Home learning creates strong partnerships between home and nursery – this was particularly apparent during Covid-19 – and maintains dialogue around children's development. Through this dialogue, Dhanvanti says you get the bigger picture of what is going on in children's lives.

She recalls one mother who had experienced domestic abuse and, as a result, really struggled to make eye contact with anyone. The nursery played a significant role in supporting her and her child in organising calls with social workers and providing a safe haven. Over time the mother's confidence grew and you could also see this in the child's behaviour, whose speech improved.

Another example is the case of a refugee family from Ukraine, who needed help settling into a new life in London. With strong links within the community, the nursery welcomed them and helped them navigate other services while also employing sensitivity. The nursery has a big role to play in reducing biases, therefore it was important to talk to the children about migrant and refugee families. This helped the child from Ukraine as well as other children from migrant families feel more included and taught all the children about kindness.

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## 5. Integrated: It must be part of a wider support system for families

Childcare will be most effective in improving children's life chances when it acts as a seamless part of a wider support system. Childcare professionals are ideally placed to pick up any additional needs or developmental delays. They will be able to have the greatest impact for families when they are able to broker specialist support as needed and the whole family are able to access the support they need to be able to fulfil their potential. These wider services can also work with childcare professionals to help meet the developmental needs of the children and families they work with on a day-to-day basis. The ability to link into a wider system of support can enable these needs to be met early and effectively.

Successive governments have recognised the need for a high-quality support system for families in the early years. The Leadsom Review has informed the recent focus on Family Hubs, providing 'coherent', 'welcoming' and 'joined up' services 'around the needs of the family' (HM Government, 2021). This programme focuses on the need for effective support in a child's formative early years, similar to the Sure Start programme. The Sure Start programme reached its height in 2010–11, with over £1.5 billion of public spending in that year, but in the context of cuts to local authority budgets, this has steadily fallen by more than two-thirds and planned local authority expenditure on Sure Start Children's Centres and Early Years Funding for 2022–23 was £442 million (Cattan et al, 2022; GOV.UK, 2023d).

Generally, local authorities have worked to direct their remaining resources to support disadvantaged communities. Nonetheless, many disadvantaged families have been affected: Action for Children (2019) found that the numbers of children using children's centres between 2014–15 and 2017–18 fell faster in the most deprived local authorities than the least deprived areas. Targeting services can also create barriers to uptake as families become concerned about the stigma associated. Considering their past role in the early years landscape, evidence for the impact of Sure Start centres is surprisingly limited. However, we now have evidence that access to Sure Start centres significantly benefitted children's health. Cattan et al (2021) report a range of positive outcomes including a long-term reduction in hospitalisations and better mental health.

Both Sure Start and the Family Hubs agenda provide a good foundation for the systemic integration of services. Full integration goes beyond simply thinking about which services can be co-located (while co-location can be a useful tool for integration). It is about creating a network of services linking together so that wherever families enter the system they receive the support that they need, rather than trying to navigate a complex system themselves.

## Section 2: Does our current childcare system tackle disadvantage?

While there are strengths in the childcare system in England, it is not tackling disadvantage. In its current form it is likely exacerbating inequalities by preventing

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parents from making positive choices about the balance of work and care, and not effectively narrowing the achievement gap between disadvantaged children and their peers. There are areas where the evidence clearly shows the actions that need to be taken to make improvements, and others where further work is needed to understand the problems and solutions.

We are currently at a moment of significant change for the childcare system as funding for childcare significantly increases. For the first time, the Government will be contributing vastly more financially to the childcare system than parents do. This could be an opportunity to harness the potential of the system in levelling inequalities. However, the current proposals will not achieve this. The focus of the Spring Budget 2023 changes to the system is on increasing how much childcare is available rather than its quality or maximising the powerful role childcare can play in supporting children's outcomes outside the setting. The additional spend is targeted towards working families who are better off, which overlooks the children whose parents cannot or do not work, and does not recognise that take-up is much higher for universal offers. A system that leaves these children behind does not serve any children well, storing up problems for later in the education system. The policy focuses on increasing parental employment, potentially at the expense of improving children's outcomes, and risks narrowing the gap between disadvantaged children and their peers.

**Affordability** – or a lack of – is widely recognised as a key issue for parents across the income spectrum in the current childcare system, which is why it was the focus for change in the Spring Budget 2023. Firstly, there were changes to UC so that it now covers higher childcare costs and costs are paid up front (GOV.UK, 2023c). Moving to up-front payments means that parents can get support with their first childcare bill at the point when they have to pay it, making childcare costs less of a barrier when starting work. Secondly, the expansion of 30 hours entitlement to children from the age of 9 months will significantly reduce childcare costs at the time when they are currently highest for families.

These changes together will help to ensure that parents are better off financially when moving into work or increasing how much they work, when previously they could lose money from taking on more hours of work once they had paid for childcare. But the financial gains from work are not consistent once childcare and the UC taper rate is taken into account – around £4 per hour for low-earning-couple households as shown above.

There are also issues with how the current 'free' hours offers are delivered that need to be resolved in order for this expansion to achieve its goals. The current offer is underfunded, meaning that childcare providers need to either operate at a loss or make up the shortfall from fees from parents, which can make financial gains from working even lower. The increase in funding for hours for three- and four-year-olds fell significantly short of what childcare providers felt is needed, meaning that they will still need to make up a funding shortfall. Their ability to cross-subsidise from parent fees will be limited as the Government will be paying for much more of the childcare they provide, and so providers may struggle to continue operating, risking further sufficiency gaps or increases to 'top-up' charges in order to be able to continue offering these places. This is particularly concerning for the universal entitlement for

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three- and four-year-olds and the targeted offer for disadvantaged two-year-olds, where any charges can act as an insurmountable barrier to families whose children stand to benefit the most from early education.

It should also be noted that there is currently very limited support for childcare for parents in education or training (GOV.UK, 2023b). For many parents, particularly those who may have had a longer period out of the workplace, training is crucial to help move into high-quality work that will enable them to move out of poverty (Coram Family and Childcare, 2018). Reliable funding for parents improving skills for the workplace should be an essential part of the childcare system.

The changes also do not tackle the complexity of the system in which parents will still need to access multiple systems in order to get all the support they are entitled to. Unless these issues are resolved, we risk continuing to see low uptake and families struggling to afford childcare.

While these changes help with issues around affordability, they risk pushing the system further away from achieving the other building blocks. The current system does not consistently achieve the **quality** levels needed to make a real difference to children's outcomes. There is clear evidence of what good-quality childcare looks like and how it can benefit children, but we have not yet seen the step change needed for this to be achieved across the sector. The Ofsted inspections framework is successful in stopping very poor-quality childcare, but is not pushing up quality to the standard that is required.

In order to create a childcare system that achieves its potential for tackling disadvantage, there needs to be greater parity of quality between the maintained and PVI sectors, and for investment to be made in improving quality across the board. Reforms to early years funding introduced in 2016 with the Early Years National Funding Formula took steps towards equalising funding between the PVI and maintained sectors by rebalancing funds away from the maintained sector to the PVI sector, in order to support the expansion of free early education to 30 hours per week. However, the funding level is not high enough to enable the PVI sector to level up to the maintained sector. And even in the maintained sector there is significant room for quality improvement. The ECERS assessments used in the SEED study provide a framework for what high quality looks like, and even in the maintained sector only 12–46% of maintained settings were rated as excellent, compared to 3–21% of PVI settings (Melhuish and Gardiner, 2019).

The expansion of 'free' childcare to younger children makes quality improvement in the PVI sector more urgent. Provision for children under three is predominantly in the PVI sector and so the additional government spending will disproportionately flow to this sector. This increases both the opportunity to improve quality, as well as increasing the risk of failing to do so. However, perversely, given that this additional investment is flowing largely to better-off families, improvements to the quality of this provision could in fact widen the attainment gap as the children of non-working parents fall further behind.

One important way to improve the quality of childcare is through a more highly skilled workforce, which is inextricably linked with pay and funding. The qualification levels in

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the sector still fall significantly short of the recommendations of the Nutbrown Review. The requirements on minimum levels of qualifications have not changed, and these qualifications still vary in rigour. Better-qualified early education professionals are normally paid more and these higher costs are often a barrier for childcare providers. The level of funding for free early education entitlements can play a key role in determining whether providers are able to increase qualification levels. The current funding rate does not cover the costs of providing the highest quality care and education and instead only covers two-thirds of what the Government itself estimated the scheme would cost (Early Years Alliance, 2021). As part of the same estimates, civil servants suggest that the Early Years Pupil Premium would need to be £1,000 per child if fully funded, compared to the £300 that it is actually set at. The Early Years Pupil Premium is specifically targeted at the most disadvantaged children in order to narrow the achievement gap, and so any shortfall in funding here is particularly detrimental to the ability to tackle poverty.

Given the evidence we have on unequal outcomes for disadvantaged children and the potential additional costs that come from equalising these outcomes, there is a question as to whether funding is being adequately targeted to where the needs are greatest. The Early Years National Funding Formula sets funding rates for different local areas, with higher funding rates for areas where costs are higher or where there are higher rates of deprivation. Local authorities then have the ability to slightly vary rates between providers to incentivise quality or to support work with disadvantaged children – but this ability to vary rates is limited. Children with SEND will be able to receive additional funding through special educational needs (SEN) Inclusion Funding and Disability Access Funding.

These funding streams aim to recognise and meet the additional costs that childcare providers face to meet additional needs, but there are concerns about whether the funding available is enough and whether it reaches providers quickly enough. Currently, the level of funding provided by the Government across the board simply does not allow for the step change in quality that we need to see, most notably for targeted interventions for disadvantaged children who stand to benefit the most from early education.

Childcare ratios can also play a key role in determining the quality of settings (Melhuish and Gardiner, 2019). In March 2023, the Government made a decision to relax ratio requirements in England for two-year-olds from one adult to every four children to one adult for every five children. This followed a consultation where only ‘very few’ respondents agreed with these proposals, many raising concerns about the effect on childcare quality. While this requirement is in line with Scotland, as already noted, Scotland has much tighter requirements on workforce qualifications. This move came at a time when the sector is already struggling to recruit and retain the professionals needed to meet levels of demand. Increasing ratios could exacerbate these issues as they further increase pressure on professionals. This means that these plans not only undermine the quality of childcare but could also lead to further shortages if it results in more professionals leaving the sector.

The expansion of free childcare is likely to increase **access** to childcare for children with working parents as it will reduce affordability as a barrier and build on the current ‘free’ hours entitlements which families are more likely to be aware of. However, for



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children who are not eligible for the offer targeted at working families, we will conversely see access decrease. Since the introduction of 'free' childcare offers, take-up of the places gradually increased. That progress has now halted with between a third and a quarter of deprived two-year-olds still missing out on their targeted offer and disadvantaged three- and four-year-olds less likely to take up their entitlement than their peers.

Significant work goes into helping families – and disadvantaged families in particular – to take up their offer, largely driven by local authorities, as shown by the work of Reading Borough Council above. Local authorities have a strong understanding of their local communities and the barriers they face, but a national evidence base of what works for overcoming barriers to take-up could make their role more effective. Targeted local actions could also be supported by national information campaigns to help increase understanding. Disadvantaged families are likely to face a wide range of barriers to taking up childcare entitlements, from simply misunderstanding what is on offer and how to take it up, to more deep-seated barriers around understanding the potential benefits of childcare for them and their family. This requires ongoing work to help new cohorts of children to be able to access their entitlements. Where resources are limited, there are concerns that these will be directed towards supporting the roll-out of the childcare expansion rather than the take-up of the existing offers.

The introduction of the 30 hours offer to children with working parents, and now the plan to expand this to younger children, has meant that these early education entitlements are becoming ever more focused on encouraging parents to work rather than supporting children's outcomes, particularly those most likely to fall behind their peers before starting school. While the planned expansion of 'free' childcare does not reduce the offer available to children who are not eligible for the additional hours, there is a risk that it could become harder for them to access their place. Children with working parents will be using more childcare, reinforcing the idea that childcare is just for working parents. There is already evidence of shortages in early education places, with a fall of 7% in the number of local areas with enough places for the 15 hours entitlement for three- and four-year-olds (Coram Family and Childcare, 2023b). Given childcare providers' reliance on parental fees, we could see it become even harder for parents to be able to find places that they can access without charge. While there is a universal offer for three- and four-year-olds, the targeted offers add confusion and complexity to the system, making it hard for parents to understand what they are entitled to.

While 'free' childcare for children with working parents is expanding, the offer for disadvantaged two-year-olds is conversely contracting as a result of not uprating income thresholds. Disadvantaged two-year-olds are eligible for 15 hours of 'free' childcare per week, with 'disadvantaged' defined as being disabled, having been a looked-after child, or by low family income. The current offer for two-year-olds was introduced in 2014 and the criteria for eligibility has not changed since then, including the income criteria. Ten years ago, around 40% of two-year-olds were eligible for this free childcare place but increases to household incomes mean that this has now dropped to around a third of two-year-olds. During this period, there have been rapid increases in the minimum wage, meaning that when it was first introduced it was possible to have a parent working full time on minimum wage, whereas now it is not.

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This is problematic, not only because fewer children are eligible for the offer, but because over the longer term it could negatively affect take-up. Universal offers tend to have better take-up, and the tighter the targeting criteria, the greater the risk of stigma and the harder it is to pass on messages about the childcare offer only to the eligible groups.

These variations in quality and sufficiency across the sector also point to wider problems within the childcare landscape. JRF are further assessing the structure and dynamics of care markets in the UK and looking at what is needed to reshape the market to better meet needs through their 'Changing Childcare' project. This will provide insight into the strengths and weaknesses of the current childcare landscape, specifically its governance, regulation and management, and actions that could improve the system for children, parents and workers.

The DfE have prioritised improving the **home-learning environment**, including through their Chat, Play, Read campaign. While early years settings and professionals have been included in this work, their specific role in supporting families has not fully been developed. Ofsted inspections mention supporting and extending learning at home, but this guidance is limited when set against the significance of the home-learning environment to children's outcomes. In order to achieve this potential, there is need for a more in-depth understanding of the specific role that childcare professionals could and should play in supporting home learning.

It is particularly important to understand what works for parents and how to make sure that this support is optional and non-stigmatising, as well as meeting the needs of parents who face more significant barriers to access information about their child's development. This could include family learning sessions where professionals, parents and children play and learn together, or opportunities to join sessions in the childcare setting to create a shared understanding of the next steps for a child's development and how parent and professional can work together to support this. Given the recognition of the important role that home learning plays in children's outcomes, its role within the early years system is surprisingly small. Not only is the role of childcare under-utilised, but comparatively few families are able to access the support that has been shown to make a difference.

Similarly, there is an emphasis on providing **effective, joined-up services** to meet families' needs in the early years through the Government's Family Hubs and Start for Life programme. This programme aims to identify risks early and prevent problems from escalating, leading to better long-term outcomes, including through universal services which aim to spot and respond to issues before they develop into more complex problems (DfE, 2022). Seventy-five local authorities have been selected initially to deliver Family Hubs, and these have been chosen on the basis of high levels of deprivation to support the Government's levelling-up agenda. So far, this represents substantially less funding than Sure Start, but it shows the same focus on the importance of wider support services in the early years (Farquharson, 2023).

While the Family Hubs agenda marks a positive focus on wider support services, the reduced funding raises concerns about whether it will effectively meet families' needs. To support a child's rapid development in the early years, families need to be able to access information and support on parenting, high-quality childcare, and universal and

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specialist services to support their families' individual needs. These elements will be most effective and efficient when they work as a system together. This is particularly crucial for recognising and addressing developmental delays, where early identification is crucially important in enabling children to get the right support and achieve their potential.

Childcare should be integrated into this wider system of support, with childcare professionals, wider support services and families working together as a team to achieve the best outcomes for children. This system should be designed and delivered in conjunction with the childcare system so that they are effectively two sides of the same coin in supporting children's development in the early years. Professionals working in both childcare and support services should work together to recognise and address the wide range of needs of the child or broader family. There are examples of this happening in practice already, particularly in maintained nursery schools, where settings work closely with specialist services to meet the needs of the children and families attending. Further work is needed to understand the extent to which this is currently happening and the scale of work that is needed to make this happen.

### Section 3: A reformed system

We need our childcare system to tackle, not entrench, disadvantage, and to do this we need complete system reform. The current system does not achieve its potential to boost children's outcomes and to narrow the achievement gap, and the changes proposed to extend free childcare to one- and two-year-olds with working parents target support to better-off families, rather than tackling disadvantage.

Our 2016 report **Creating an Anti-Poverty Childcare System** outlined a proposal for a new childcare system which still remains relevant today. This sets out a system that prioritises the quality of childcare alongside parental employment. Rather than extending childcare to younger children, it improves access for disadvantaged children by making current targeted offers for two-, three- and four-year-olds universal. It also introduces a simple, affordable payment structure so that every family will only pay what they can afford towards their childcare for all pre-school children, with families in poverty paying nothing for their childcare. It rebalances public spending on childcare to be progressive rather than regressive. We believe this is the right balance of targeting spend to meet the needs of all families, but particularly disadvantaged children.

**Supply-side funding** would underpin this reformed system, with all of childcare providers' income coming directly from government. Most parents would still need to pay for some of the childcare they used, but this payment would be made to a national system rather than to individual childcare providers. Under current plans, the Government will buy 80% of England's childcare by the end of 2024, providing an opportunity to move to an entirely supply-side funding model. This would give the Government the levers to drive up quality and embed childcare within the wider early years support system, fully utilising the possibilities of a joined-up system to provide children and families with the support they need. The mix of private and public providers would not need to change, but the government would pay for all places,

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meaning that they were able to maximise the opportunities to join up the commissioning of support services with childcare and early education services.

We propose a **simple, affordable payments system for families**. Parent fees would still play a key role in the system, to reduce the cost to the public purse, but they would be set at a level that was affordable to parents, based on each family's earnings. Families below the poverty line would not pay anything for childcare and parents would pay a lower hourly rate for second or subsequent children. Crucially, families would only ever pay a bill that was affordable to them, rather than face the anxiety of a high bill and then have to claim back support to help them pay for it. There is still work to be done to define what affordability means for families on different incomes, what platform is right to manage parents' payments and preferences and set levels of payment.

Families would be able to access free hours of childcare, and these would **not be dependent upon parents' work status**. The current targeted offers of 15 hours for two-year-olds and 30 hours for three- and four-year-olds would be made universal, which would support access for disadvantaged families. Removing work criteria from eligibility for free childcare would help to rebalance the system so that it was equally prioritising children's outcomes with labour force outcomes.

In future, it would be possible to increase the amount of free childcare available, but first we need to redesign the system so it can tackle disadvantage, drive up quality and better serve all children. This means building a foundation of higher quality, easy-to-access, integrated provision and correcting the deficits in the current system. The system we propose would simultaneously improve affordability to enable working and improve children's outcomes by:

- Making sure that every child was able to access high-quality free childcare from the age of two to improve children's outcomes.
- Outside of this free entitlement (for younger children or families using more than the free hours) parents would only pay what they can afford, with parents in poverty paying nothing.

Dramatically increasing the number of free hours of childcare families receive is not the most efficient way to improve the childcare system. Increasing free hours for working families does not target the families who struggle the most with affordability, meaning funding is spread too thinly to achieve the quality needed to improve children's outcomes. This system holds the potential to balance the priorities of childcare with work and childcare with children's development so that they are complementary rather than in competition with each other. It provides a solid base for gradually increasing the number of free hours of childcare available to families over time, as public spending allows.

	Current system	Changes announced in the Spring Budget 2023	Our proposals
<b>Free childcare</b>	<p>15 hours for deprived two-year-olds</p> <p>15 hours for all three- and four-year-olds</p> <p>30 hours for three- and four-year-olds with working parents</p>	<p>30 hours for children from nine months for children with working parents</p>	<p>15 hours for all two-year-olds</p> <p>30 hours for all three- and four-year-olds</p>
<b>Support with childcare costs</b>	<p>Universal credit for low- and middle-income households</p> <p>Tax-Free Childcare for middle- and high-income households</p>	<p>Changes to increase generosity of Universal Credit</p>	<p>Means-tested support for all families, with families in poverty paying nothing for their childcare</p>

**Complexity** would be significantly reduced as there would be one system calculating and managing parent fees and free hours, and parents would only ever have to pay a bill that was affordable to them.

High quality would be at the very heart of the system. **Stronger quality requirements** would be put in place to make sure that all settings were high enough quality to make a real difference to children’s outcomes. Ofsted requirements and the inspection frameworks need to be reformed to hold more stringent requirements on childcare quality. Inclusion for children with SEND would be a key requirement, with every setting being able to access the support they need to be able to meet a wide range of additional needs. A key plank of this quality improvement would come from a **fully qualified and fairly paid workforce**.

Following the example of Scotland, the UK needs to move to a graduate-led workforce with pay levels that reflect the skills and experience needed to be effective in the role. Government funding needs to be at a level that allows for this and there needs to be a shared expectation of pay scales across the whole sector. Funding would also be structured so that tackling disadvantage was a priority, with higher funding targeted to disadvantaged children where more intensive work is needed in order to equalise outcomes.

This focus on driving up quality does not need to be at the expense of providing the hours that working parents need. Instead, it should **build on existing models that combine longer days with quality**, such as maintained settings that provide wraparound breakfast and after-school clubs and high-quality day-care settings. This

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skilled and empowered workforce would be able to form partnerships with parents to support children's development outside of the setting, linking together with specialist support when needed. There would be a robust family learning system with a clear role and expectation on how childcare providers **support home learning**. Further work is needed to determine this role and to understand what support parents want and need and how to offer this in an acceptable, destigmatising and helpful way.

Supply-side funding also provides the opportunity to rethink childcare so it is not a commodity or service bought by parents, but instead a **fully integrated part of our social structures and support and education systems**. Childcare services should be designed and delivered based on a holistic assessment of local need for care to enable parents to work and the early education services needed to support children's development. Childcare cannot meet all of a young child's needs: there needs to be a strong wider support system providing both universal and specialist support, and childcare providers need to be fully integrated as part of this system.

The success of this system is reliant on families being able to access the support that is available. The reformed system would include a **childcare entitlement**, meaning that every family was guaranteed to be able to access the childcare they needed. It would recognise childcare and early education as part of the wider education system and families would have a similar right to a childcare place that they have to a school place. It would make the biggest difference for children with SEND who currently often struggle to find a place that meets their additional needs. This would help to overcome the current issues around disadvantaged families missing out on their entitlements. It would also introduce flexibility into the system so that families were able to access the benefits of early education even if they did not want to take up childcare. This could include offering family learning sessions where parents and children learn together. This would help to improve the home-learning environment, make sure that children were accessing early education from a professional, and help parents to understand the early education offer in more depth, potentially breaking down barriers to uptake over time.

Whole system reform is needed. While the introduction of this system can be introduced step by step, each of the elements rely on each other. Supply-side funding will play a crucial role in enabling the introduction of higher quality requirements and integration with a wider system. Effective integration will only be possible with a skilled workforce able to spot needs early and bring in additional support. Further work is needed to map out the mechanisms for exactly how this system would work. In particular, further testing is needed with parents to understand exactly how to make this system work in practice and to determine what the levels of payments should be set at to achieve affordability and the cost to the public purse. But these principles set out the blueprint for a system that rebalances childcare policy to better meet the needs of children and families. This reformed system would better meet the needs of all families, but the gains are most clearly experienced by disadvantaged families.

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## Endnote

<sup>1</sup> In Scotland, which uses a different inspection framework, 88% of day-care settings were rated good, very good or excellent (Care Inspectorate, 2022). In Northern Ireland, according to the last Chief Inspector's Report in 2018, the quality of provision was rated as good, very good or outstanding in 78% of providers (The Education and Training Inspectorate, 2018). In Wales, an overall rating is not given (Care Inspectorate Wales, 2021).

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## About Coram Family and Childcare

Coram Family and Childcare works to make the UK a better place for families by bringing together what we learn from our on the ground parent-led programmes and our research to campaign for solutions that parents want and need. We focus on childcare and early years to make a difference to families' lives now and in the long term. Before August 2018, we were known as the Family and Childcare Trust.

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