

Does offering more free childcare help parents work more?

By Claire Crawford





We hear regularly that childcare in the UK is amongst the most expensive in the world, and the run-up to the general election in 2015 saw politicians falling over themselves to promise to reduce the cost of childcare for parents.

New research suggests the government's plans to double entitlement to free childcare for parents of 3 and 4 year olds in England is unlikely to encourage many parents to work more.

ONE OF THE FEW things on which politicians from all parties seem to agree is the need to provide parents with more support to help cover childcare costs. We hear regularly that childcare in the UK is amongst the most expensive in the world, and the run-up to the general election in 2015 saw politicians falling over themselves to promise to reduce the cost of childcare for parents.

They seem to be doing this with at least two aims in mind – to make it easier for families to get by (i.e. to reduce their “cost of living”), but also to encourage parents to work more.

Why should offering free or subsidised childcare lead parents to work more? Because it reduces the cost of entering work or increasing the number of hours worked. For example, if a lone parent with a 3 year old has to pay £8 per hour for someone to look after their child while they are at work, for which they earn £10 per hour, then they would only be £2 better off per hour worked than if they had stayed at home with their child instead. If the government

were to offer the same parent 3 hours of free childcare per day, then it would reduce the amount they had to spend on childcare (e.g. from £64 to £40 to cover an 8 hour shift), and hence mean that they would take home more of the money they earned than before (£40 as opposed to just £16). It would, in other words, help “make work pay”.

The latest increase in childcare support from the government – due to be rolled out across England in September 2017 – is the offer of more hours of free childcare for 3 and 4 year olds. Children of this age are already offered 15 hours of free care per week during term-time. The government is now planning to extend this to 30 hours per week during term-time for children in families where all parents work. For the lone parent in our example above, this would mean that, during term-time at least, they would only have to pay for 2 additional hours of childcare per day to cover their 8 hour shift, and hence would be able to take home £64 of the £80 they earned each day, as opposed to £40. ►

On the face of it, therefore, we might expect this policy to increase the number of parents in work and potentially also the number of hours they work. But is this what the evidence suggests is likely to happen? To help answer this question, we can turn to some recent research that I conducted with Sarah Cattán at the Institute for Fiscal Studies and Mike Brewer and Birgitta Rabe at the University of Essex. We looked to see what happened to the labour market outcomes of mothers and fathers when their children started primary school. One can think of this as a moment when entitlement to free childcare increases from 15 hours a week to 30–35 hours a week – a similar increase in the number of hours of free childcare per week as will be available under the new policy.

We found no evidence that the work patterns of mothers with younger children, or those of fathers, were affected by this increase in free childcare. We did find some evidence of an effect for mothers whose youngest child became eligible for free full-time care, but this effect was still relatively small: at the end of the first year of entitlement to free full-time care, mothers whose youngest child was eligible were found to be 5.7 percentage points more likely to be in the labour force and 3.5 percentage points more likely to be in work than mothers whose youngest child was at the end of their first year of part-time entitlement. This is equivalent to around 12,000 more mothers in work each year.

Should we infer from these results that the planned increase in entitlement to free care from 15 to 30 per week will have a similarly small effect on parents' labour supply? There are some reasons to think that the proposed extension may have a somewhat larger impact on parents' working patterns than our research suggests: the intention is to offer more flexibility over when the extra



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hours of childcare can be taken, for example, and the additional hours will only be available to families where all parents in the household work. On the other hand, the 30 hours of free care offered will be less than the time children spend at school, so there are also some reasons why the impact might end up being smaller.

The government expects to spend close to £1 billion extending the number of hours of free childcare

available to working parents of 3- and 4-year-olds in England from 15 to 30 a week during term time. Our research suggests this is unlikely to lead to many more mothers – and no more fathers – moving into paid work. Offering free childcare does, of course, save money for parents who already use formal childcare. But it is unlikely to dramatically transform parents' ability to work. ◀

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