

## Childcare Commission: Call for Evidence

More than one in five (220,000) of Scotland's children are officially recognised as living in poverty<sup>i</sup>, a level significantly higher than in other European countries.<sup>ii</sup> In 2012/13 the number of households in Scotland experiencing poverty increased from 19% to 22%<sup>iii</sup>. This increase is in-keeping with independent modelling by the Institute for Fiscal studies (IFS) which forecasts a massive increase in child poverty with up to 100,000 more children living in poverty in Scotland by 2020<sup>iv</sup>.

### What do you consider to be the most difficult challenges about how childcare provision in Scotland is currently organised, delivered and paid for?

### What particular aspects most need reformed? Why would you rate those aspects as having highest priority?

1. CPAG's main concern is that low income families are facing barriers to accessing affordable, high quality and flexible childcare for their children. This puts low income families at a disadvantage in relation to:
  - **Access to employment:** Lack of affordable childcare has repeatedly been shown to act as a barrier to work<sup>v</sup>. Research conducted by Save the Children has found that a high proportion of those in severe poverty had given up work, turned down a job, or refrained from taking up education or training because of difficulties in accessing childcare.<sup>vi</sup> This is a major concern given that households in which no-one is in paid employment are at highest risk of experiencing poverty<sup>vii</sup>. It is a particular concern for lone parents, who may not have a partner with whom to share child care responsibilities and therefore very little prospect of finding sustainable employment in the absence of suitable and affordable child care. Currently, 43% of children in lone parent households in the UK are living in poverty, compared with 22% of children in two parent households<sup>viii</sup>.
  - **Child wellbeing and attainment:** Attending high quality, early year's education has been shown to have a positive impact on the wellbeing of children. Scottish Government research has concluded that attending high quality pre-school enhances all round development in children, and particularly those children classed as disadvantaged<sup>ix</sup>. The effects of high quality provision remain evident throughout primary school, with international evidence suggesting that those benefits can persist throughout secondary education<sup>x</sup>.
  - **Perpetuating inequalities:** Families experiencing poverty (in particular lone parents and/or those with disabled children, both of which are over-represented in the lowest income deciles) often struggle to access suitable and affordable childcare and this can perpetuate cycles of discrimination and inequality. The provision of high quality, affordable childcare can help to break these cycles. This is because *"by enabling high labour force participation among mothers, particularly lone mothers, universal childcare can significantly reduce child poverty and the associated risks to child poverty and child development and wellbeing. Secondly....high quality universal childcare can reduce the impact of parent's social status on their children's futures"*<sup>xi</sup>
2. Barriers which must be addressed if these difficulties are to be overcome include:

### 3. The rising cost of childcare in Scotland

CPAG in Scotland appreciates the high quality childcare is not and should not be cheap, and that all children should be entitled to a high quality of care and education, sufficient resources and well-trained staff. However, if low income families are to be able to access childcare and all the benefits that come with it, then it must be affordable to them. That is not currently the

case for many families. Parents in Scotland face some of the highest childcare costs in the UK (which are amongst the highest in the world)<sup>xii</sup>. According to the Scottish childcare costs survey 2013, nursery costs for a child under two are now over £100 per week in Scotland, the equivalent of £4.06 per hour. This means that a family in Scotland buying 50 hours of nursery care per week would face an annual bill of nearly £11,000<sup>xiii</sup>.

4. Indeed, CPAG's Cost of a Child Report 2014, shows that childcare has becoming increasingly unaffordable since 2008, with costs consistently rising faster than inflation. Since 2008, the cost of childcare has increased by 42 per cent on average, over twice as fast as the overall cost of living<sup>xiv</sup>. This affects families' ability to work, train or study as well as forcing families to make difficult financial choices. According to research conducted by Save the Children, eight out of ten parents living in severe poverty said that cost was a barrier to accessing childcare<sup>xv</sup>.

### **5. The lack of financial support for families**

Family budgets have been coming under increasing pressure due to stagnating wages, the increased cost of living and the falling value of many social security benefits and tax credits. Since April 2011, benefits have been uprated using the Consumer Prices Index, rather than the higher Retail Price Index (RPI). In addition, child benefit and selected elements of the child and working tax credits were frozen completely for three years from April 2011. Further restrictions have since been placed on uprating for the three year period from April 2013. Of all ongoing welfare reforms this is predicted to have the most marked impact on child poverty in Scotland<sup>xvi</sup>.

6. Since January 2013 child benefit has also been recovered on a sliding scale from people earning between £50,000 and £60,000. It is also recovered in full from those earning over £60,000. By the end of the current UK Parliament, the real value of child benefit will have fallen by 15%. Together these changes will result in 600,000 families across Scotland losing an average of £360 a year by 2014/15<sup>xvii</sup>.

7. Numerous restrictions have also been placed on access to both child tax credits and working tax credits. Relevant reforms include freezing the basic element of working tax credits, an increase in the minimum number of hours couple families must work in order to qualify for tax credits and the introduction of a new income disregard for working families<sup>xviii</sup>. According to the Scottish Government, there was a 26 per cent decrease in the number of children in households in Scotland in receipt of in-work tax credits between 2012 and 2013<sup>xix</sup>.

8. The change with the biggest impact on the affordability of childcare, however, has been the reduction of support through the tax credit system from a maximum of 80 per cent to a maximum of 70 per cent of costs in 2011. This has made childcare much more expensive for low-income families – requiring them to cover 30, rather than 20, per cent of the fees. This has a massive effect on some families and their ability to achieve a minimum income standard<sup>xx</sup>. In the absence of this reform, a lone parent working full time on the minimum wage would only be 9 per cent short of what is needed to meet a the minimum income standard. Under the current system s/he would be 13 per cent short<sup>xxi</sup>.

9. Under universal credit (which will replace tax credits), the childcare subsidy will increase from 70 to 85 per cent. While this is very welcome, the introduction of the higher rate of subsidy may not result in a drastic reduction in net childcare costs for parents. This is a result of the limit placed on maximum childcare costs eligible for support. The limit currently stands at £175 for one child and £300 for two or more children. This limit has not been adjusted since 2005. In 2005 the limits were designed to prevent subsidies being paid for people with exceptionally high childcare costs. Since then, the cost of childcare (outside London) has risen by nearly 60 per cent.<sup>xxii</sup> This means that a parent working full time and paying an average childcare fee for one young child has fees of £169 a week - only slightly below the limit. Those with more intensive care needs, such as disabled children, may already be well above the cap. This means that many parents face a severe additional work disincentive<sup>xxiii</sup>. Where childcare costs reach the reimbursable limit for less than full-time hours, it will not generally be worth a parent working more than part time, unless s/he has above average wages.

10. Furthermore, cases that CPAG has received through the early warning system<sup>xxiv</sup> suggest that there is a high degree of error in relation to the administration of the tax credits system. For example;

- A family with three children did not receive working tax credits for one child. This was despite the fact the couple had informed the HMRC that their child was attending a private nursery. They were told the reason they had not received any payment was that the child had not been properly registered. Despite lodging an appeal they were informed a few months later that there was no record of any such appeal being lodged.
- A mother of two fleeing domestic violence was given incorrect benefits advice by her social worker. As a direct result, the woman was overpaid benefit and tax credit to the tune of £3,300. She will now have to repay this sum from her extremely limited income

11. Errors of this kind are reducing the resources available to low income families and undermining their ability to access childcare.

12. Funding childcare is also particularly problematic for parents who want to return to full or part time education. CPAG, for instance, received an inquiry through our advice line relating to a lone parent who had returned to education. She was unable to access sufficient funding to cover childcare costs and her college support funds were exhausted and therefore unable to provide further assistance.

13. There is also some evidence that the charging policies nurseries employ can create further financial barriers for parents. In another case received through CPAG's advice line, a mother was told by her local nursery that she would need to pay a month's fees up front in order to secure a place for her child. This was not affordable for the mother who was on a low income and was just starting work after having been in receipt of income support.

#### **14. Lack of suitable, flexible childcare**

According to the Families and Childcare Trust's Scottish Childcare Report 2013 there are fewer childcare places per 100 children in Scotland (19.7 per 100 children) than in England (24.4 places per 100 children). The report also suggests there is a failure to collect information and develop an understanding of the problem. In 2013, some 40 per cent of local authorities in Scotland did not know if they had sufficient childcare for working parents. Amongst those local authorities who do gather this information, there appears to be a particular shortage of childcare for older children, disabled children and parents who work full-time<sup>xxv</sup>. This is an issue which must be monitored and addressed if the Scottish Government and local authorities are to meet the needs of parents and satisfy their obligations under the Equality Act 2010.

*'It's very hard for me to find work because I am limited by my childcare duties. What they say is, if you get a job you can find reasonable childcare ... reasonable and suitable childcare, but my argument with them would be, well it's not really suitable because my son does need attention. He needs me. I can't pop him off to someone else who doesn't understand his needs.'*

Liam from Edinburgh is the lone parent of a disabled child was interviewed as part of a qualitative research project forming part of CPAG's Early Warning System.

15. As well as being sufficient and affordable, childcare must also be flexible enough to fit in with the working lives of low income families, which are often characterised by more sporadic patterns of work, unpredictable and often-anti-social hours, and a much lower degree of control over when and where work happens than those further up the income scale. Research shows, for instance, that the use of zero hours contracts has increased quite dramatically in Scotland<sup>xxvi</sup>. Childcare provision must be flexible enough to meet the needs of modern parents.

*'Just the childcare, and the hours, and trying to get childcare to fit the hours. There's a really good after-school club in my area that will pick the children up from school but they only keep them until six o'clock. So even if you're finishing your work at five, but you're in Edinburgh, you're not guaranteed to be home for six. It's a wee bit easier now because the boys are a wee bit older ... I think it'll be easier now and I think that's why I'm looking at university now because it will be a bit easier with them ... and then obviously I'm a single parent, if I'm at work in Edinburgh and something was to happen to them at school, how do you ... I think it's the emotional ties. I think that's really difficult... I think people are needing to recognise that if, you are single parent'. Fiona is a lone parent of two boys. She lives in Edinburgh and was interviewed as part of a qualitative research project forming part of CPAG's Early Warning System*

## 16. Low uptake from low income families

Evidence suggests that low income families are less likely to access childcare service than those on higher incomes. According to the Scottish Government, for instance, in 2010 15% of families experiencing persistent poverty used childcare throughout a child's early years compared to 68% of families that had not experienced poverty<sup>xxvii</sup>. Use of childcare is also closely related to parental work patterns, with increasing rates of formal childcare use amongst working parents. The general trend is that the more hours parents work in total, the more formal childcare is used.<sup>xxviii</sup>

17. However, when cost-free childcare has been made available, there is close to universal uptake of this provision amongst parents in Scotland, suggesting that most parents will make use of childcare when it's provided free. This clearly indicates that free universal childcare would be an extremely effective way of ensuring that low income children and families can access childcare and enjoy all the benefits attached to it<sup>xxix</sup>. The table below also shows that even when childcare is universally available, uptake is still higher amongst high income families. This suggests there is a need for research to identify any additional barriers that low income families experience to childcare (such as the existence of incidental costs, geographical or cultural barriers).

Annual Household Income	0-1 years %	1-2 years %	2-3 years %	3-4 years %
< £15,000	50.4	56.9	67.4	97.4
£44,000+	73.8	84	91	99.3

Source: *Growing Up in Scotland study: Exploring the experiences and outcomes of advantaged and disadvantaged families*

18. While the current lack of universal provision means that working tax credits currently play an important role in ensuring child care is affordable, targeting financial support for childcare *solely* via working tax credit (and in the future via universal credit) reinforces the message that childcare is primarily designed to enable parents to work. There is a risk that this could exclude the most disadvantaged children whose parents are not in work, and who would benefit the most from high-quality early education and childcare interventions.

19. Linking childcare to work also means that as parents move in and out of employment their children move in and out of childcare. This is stressful for parents and potentially damaging for children. In addition, childcare providers are susceptible to changes in demand, resulting in the frequent closure of schemes and less availability in deprived areas.

*Jennifer 'There was one time when I was in a meeting (at the jobcentre), my youngest would be five at the time, so I'd have to take him with me, and he was needing the toilet, right? And he was saying "mummy I need the toilet, I need the toilet mummy" and the lady was taking forever, going through this and going through that, questions, questions, questions, and it is the summer holidays when I've got two kids that my mum's minding outside.'*

*Jennifer is a lone parent. She was interviewed as part of a qualitative research project forming part of CPAG's Early Warning System*

*Jamie, "I find it strange that my wife isn't entitled to anything. Before my marriage, she would have been entitled to something. The fact that we got married meant that she is not entitled to anything. It all goes through me. But she isn't in a position where she is able to work as she has got to look after the children." Jamie is a father and a janitor. He was interviewed as part of a qualitative research project forming part of CPAG's Early Warning System.*

**What do you consider to be the best 3-5 remedies that might be applied by governments or others to significantly improve things? In responding, can you specify what role employers, families themselves, or other agencies should play in providing, enabling or paying for high-quality formal childcare provision? Relative to that, what role should governments play in reforming childcare, whether at UK, national or local levels of government?**

20. CPAG in Scotland believe that the following steps must be taken in order to significantly improve upon the current situation.

- i) The UK government should increase the proportion of childcare costs which can be covered by working tax credits and review the cap on weekly childcare costs.
- ii) Both the Scottish Government and local authorities should invest in the provision of universal childcare in the early years to ensure that all families can access affordable, high quality care. While universally free childcare might not be realistic in the short term, it is essential that only those who can afford to pay should be charged and that charges should be capped to prevent costs creating a barrier to employment, education or other opportunities.
- iii) The Scottish Government and local authorities should undertake a mapping exercise in order to build an accurate picture of current availability of childcare across Scotland. This should include consultation with parents and carers, including lone parents, the parents of disabled children and parents from low income families.
- iv) The Scottish Government and local authorities should monitor the uptake of childcare amongst low income families and, where necessary, take steps to remove existing barriers. These might include:
  - incidental costs attached to childcare (such as travel to and from nursery, paying for nursery snacks)
  - charging policies which require large upfront payments
  - lack of awareness of the availability of and benefits related to early years education and childcare.
  - lack of flexible provision
  - lack of high quality, specialist provision for disabled children
- v) The Scottish Government and local authorities should invest to ensure that parents and carers can access information and advice in relation to their entitlement to tax credits and social security benefits.

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<sup>i</sup> Latest 2012/13 figures from <http://www.scotland.gov.uk/Resource/0045/00454875.pdf> Table A1

<sup>ii</sup> International comparisons are for 2008 on an before housing costs basis under which 21% of Scotland's children live in poverty see Chapter 5 *Poverty in Scotland 2011* Figures 5.4, p70 and 5.6, p74 (CPAG, 2011)

<sup>iii</sup> Latest 2012/13 figures from <http://www.scotland.gov.uk/Resource/0045/00454875.pdf> Table A1

<sup>iv</sup> The most recent modelling (January 2014) by the Institute for Fiscal Studies suggests that up to 100 000 children will be pushed into poverty by 2020 with the proportion of children living in poverty in Scotland forecast to increase to 26.2% by 2020, after housing costs are taken into account see

<http://www.ifs.org.uk/publications/7054> Appendix Table B2

<sup>v</sup> Families and childcare trust: Annual childcare survey 2013

<sup>vi</sup> Save the children; Making Work Pay: The Childcare Trap; Scotland Report (2013)

<sup>vii</sup> Working-age adults in workless households are more than twice as likely to live in low income as those in households with at least one adult in work. (Chart 5.2, Tables 5.4db and 5.7db), Households Below Average Income, DWP, 2012/13, July 2014

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/325416/households-below-average-income-1994-1995-2012-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/325416/households-below-average-income-1994-1995-2012-2013.pdf)

<sup>viii</sup> Households below average income (HBAI): 1994/95 to 2012/13, Table 4.14ts. Department for Work and Pensions, 2014

<sup>ix</sup> <http://www.scotland.gov.uk/Resource/0044/00449528.pdf> Childcare and Children's intellectual outcomes, Scottish Government 2014

<sup>x</sup> Effective pre-school and primary education 3-11 project (EPPE 3-11) influences on children's attainment and progress in key stage 2: Cognitive outcomes in Year 5

[http://www.ioe.ac.uk/Influences\\_on\\_childrens\\_attainment\\_and\\_progress\\_in\\_Key\\_Stage\\_2\\_\(2007\)\\_Cognitive\\_RB.pdf](http://www.ioe.ac.uk/Influences_on_childrens_attainment_and_progress_in_Key_Stage_2_(2007)_Cognitive_RB.pdf)

<sup>xi</sup> Equality in the social service state: Nordic Childcare Models in Comparative Perspective; Changing Social Equality: The Nordic Welfare Model in the 21<sup>st</sup> Century (Gabrielle Meagher and Marta Szebehely) Edited by Jon Kvist, Johan Fritzell Bjorn Hvinden and Olli Kangas

<sup>xii</sup> Save the children; Making Work Pay: The Childcare Trap (2013)

<sup>xiii</sup> Families and childcare Trust, The 2013 Scottish Childcare Report

<sup>xiv</sup> Child Poverty Action Group: The Cost of A Child in 2013; Donald Hirsch; 2013;

<http://www.cpag.org.uk/sites/default/files/CPAG-cost-child-2013-0813.pdf>

<sup>xv</sup> [http://www.savethechildren.org.uk/sites/default/files/docs/Making\\_Work\\_Pay\\_Scotland\\_briefing\\_1.pdf](http://www.savethechildren.org.uk/sites/default/files/docs/Making_Work_Pay_Scotland_briefing_1.pdf)

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<sup>xvi</sup> Welfare Reform Impact Research Programme, Rachele Pascoe-Deslauriers, Communities Analytical Service Division, 24<sup>th</sup> July 2014. <http://www.scotland.gov.uk/Resource/0045/00455865.pdf>

<sup>xvii</sup> Scottish Government, The Impact of Welfare Reform, Tracking Study, 2014

<http://www.scotland.gov.uk/Publications/2014/05/7146/5> (extracted from Sheffield Hallam Research, Hitting Poorest Places Hardest, Beatty and Fothergill 2013;

[http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest\\_0.pdf](http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf) )

<sup>xviii</sup> For more information on changes to tax credits see <http://www.cpag.org.uk/tax-credits>

<sup>xix</sup> <http://www.scotland.gov.uk/Resource/0045/00454875.pdf>

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<sup>xx</sup> The minimum income standard is the income that people need in order to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of household in order to meet this need and to participate in society. For more information see

[http://www.cpag.org.uk/sites/default/files/Cost\\_of\\_a\\_child\\_2014.pdf](http://www.cpag.org.uk/sites/default/files/Cost_of_a_child_2014.pdf)

<sup>xxi</sup> Page 23, The Cost of a Child 2014; [http://www.cpag.org.uk/sites/default/files/Cost\\_of\\_a\\_child\\_2014.pdf](http://www.cpag.org.uk/sites/default/files/Cost_of_a_child_2014.pdf)

<sup>xxii</sup> Page 24; [http://www.cpag.org.uk/sites/default/files/Cost\\_of\\_a\\_child\\_2014.pdf](http://www.cpag.org.uk/sites/default/files/Cost_of_a_child_2014.pdf)

<sup>xxiii</sup> Page 24; [http://www.cpag.org.uk/sites/default/files/Cost\\_of\\_a\\_child\\_2014.pdf](http://www.cpag.org.uk/sites/default/files/Cost_of_a_child_2014.pdf)

<sup>xxiv</sup> The Early Warning System has been developed by CPAG to gather and analyse case studies and other evidence gathered from frontline advice workers across Scotland. Information for the early warning system is also gathered through ongoing qualitative research with 10 low income families across Scotland. For more information on the early warning system visit: <https://www.gov.uk/government/statistics/households-below-average-income-hbai-199495-to-201213>

<sup>xxv</sup> Families and childcare Trust, The 2013 Scottish Childcare Report

<sup>xxvi</sup> UNISON Scotland: Briefing on Zero Hours Contracts

<https://www.unison.org.uk/upload/sharepoint/Briefings%20and%20Circulars/Zero%20Hours%20Factsheet.pdf>

<sup>xxvii</sup> <http://www.scotland.gov.uk/Resource/Doc/304557/0107230.pdf> Child Poverty in Scotland: A Brief

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<sup>xxviii</sup> Ibid.

<sup>xxix</sup> Growing Up in Scotland study: Exploring the experiences and outcomes of advantaged and disadvantaged families <http://www.scotland.gov.uk/Resource/Doc/215526/0057662.pdf>