

Resolution Foundation



Careers and carers *Childcare and maternal labour supply*

Giselle Cory and Vidhya Alakeson

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Introduction

While growth figures to be published shortly look set to reveal the first full year of economic growth since the financial crisis, the latest projections from the Office for Budget Responsibility indicate that wages for the typical worker in Britain will still fall far short of their 2008 peak come 2018.¹ With median wage growth sluggish and further cuts to welfare support expected, maintaining living standards will rest squarely on employment. Households will get better off if more people move into work and if those in work take on more hours. Under these circumstances, female employment will remain a significant driver of living standards as it has been since the 1960s.

There has been a major increase in the proportion of women in work over the last 40 years, from 56 per cent in the 1970s to 70 per cent today. More significantly, women's earnings have become more important to household living standards over that same period. In 1968, 71 percent of net household income for low to middle income families came from male earnings and 11 percent from those of women. Forty years later, the share of household income from women's earnings had more than doubled to 24 per cent and that of men had fallen to 40 per cent.² The male breadwinner is still the dominant family model but in 30 per cent of families working mothers now earn as much or more than their partners or are the sole earner.³

Central to this increase in female employment has been a rise in employment among mothers, with 67 per cent of mothers now in work. In couple families with children, having two earners rather than one offers significant protection against poverty. In 2011-12, one in five children in couple families where only one adult worked lived in poverty compared to 4 per cent in families where both parents worked full-time.⁴ However, mothers are still less likely to work than women without children and they are far more likely to work part-time.

Some of these patterns of maternal employment are a matter of choice about how to balance work and family commitments at different stages in the lives of children. A significant proportion of mothers choose to stay at home with the children and that is a choice we should respect. However, we also know that the current rate of maternal employment reflects constraints not just positive choices. The UK is close to the OECD average for maternal employment but other countries achieve a higher rate, even for parents of children under five, and repeated studies

¹ Resolution Foundation (2013) 'Weak wage growth poses questions over stability of recovery' <http://www.resolutionfoundation.org/press/AS2013/>

² M Brewer and L Wren-Lewis (2011) *Why did Britain's households get richer? Decomposing UK household income growth between 1968 and 2008-09*, London: Resolution Foundation

³ D Ben-Galim and S Thompson (2013) *Who's Breadwinning: Working mothers and the new face of family support*, London: ippr.

⁴ K Lawton and S Thompson (2013) *Tackling In-Work Poverty by Supporting Dual-Earning Families*, York: Joseph Rowntree Foundation.

have highlighted the internationally high costs of childcare in the UK as a significant barrier to employment among mothers.⁵

Our new survey of nearly 2000 mothers with children under 10 in partnership with Mumsnet highlights the economic potential that we are currently wasting in the UK. One in five working mothers would like to work on average 10 more hours a week. Among those who currently do not work, nearly two out of five mothers would like to work on average 23 hours a week. Despite a decade of investment in childcare, high costs continue to be the biggest barrier to work for both working and non-working mothers. Two-thirds of mothers surveyed cite childcare costs as a barrier and for four out of ten, it is their main barrier to work. The vast majority who want to work or work more state that they would use more childcare support if it were offered and that this support would enable them to work the hours they choose. Inadequate employer flexibility is also a barrier for working mothers who want to increase their hours, with the UK lagging behind the best performers in offering the most flexible types of employment.

Lower earners are more likely to want to increase their hours and are more likely to say that childcare is a barrier to doing so. But the balance of new funding for childcare has favoured the better off. The survey suggests that some of the £750 million to be invested in childcare support for better off families with children, including those earning up to £300,000, would pay greater dividends if it was targeted at the lowest earners on Universal Credit. These working families – 900,000 of them - will miss out on the additional childcare support being made available to families on Universal Credit in which all parents pay income tax because they do not earn enough to reach the income tax threshold. In the short term, spending an additional £250 million on these lowest paid families is far more likely to enable more mothers to work or work more hours than simply subsidising the childcare costs that better off parents are already paying.

Childcare will be a battleground for all parties in the run up to the election. The survey indicates that there is much labour market potential to be unleashed through greater investment in childcare, particularly if it is targeted at enabling mothers to work up to four days a week. Coupled with the benefits for children, investment that supports higher employment will raise new tax revenue for government, reduce spending on benefits and tax credits and substantially improve family living standards, as wages for the typical worker slowly recover. As women continue to become better qualified, the loss to the economy of wasted potential grows. Investment in childcare can ensure that women remain in the labour market throughout their prime working years.

This report presents the findings of a survey of just under 2000 mothers with children under 10 conducted by the Resolution Foundation in partnership with Mumsnet, the UK's largest website for parents. The survey asked mothers about their preferences for work and their likely responses to hypothetical changes in childcare support. The survey was conducted over two weeks in November 2013. The first section of the report looks at maternal employment in the UK and identifies the specific areas of employment where the UK falls behind the best performers in the OECD. The second section presents the full findings of the survey, highlighting reported use of childcare, existing barriers to employment and mothers' perceptions of how their work patterns would change if childcare support were extended.

⁵ OECD (2011) *Doing Better for Families: United Kingdom*, <http://www.oecd.org/els/soc/47701096.pdf>

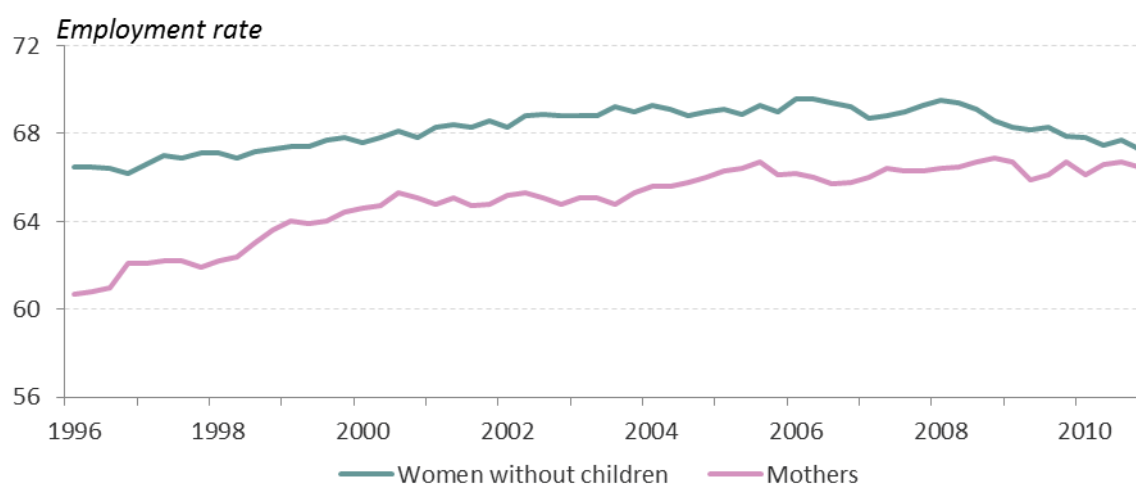
Section 1: The UK's record on maternal employment

Mothers in work

The rate of female employment improved significantly in the UK from the 1970s to the mid-2000s, rising 56 per cent to 70 per cent. Over the last decade, the rate stagnated and then dropped slightly during the downturn. It has now recovered to its 2008 level (70 per cent).

As female employment grew, mothers also benefited. From the mid-1990s to 2010, the maternal employment rate increased by from 61 per cent to 67 per cent. Over the same period, the rate for women without children increased by only 1 per cent (from 66 to 67 per cent, see Figure 1). This difference in growth is partly due to the differing impact of the recession on working mothers and women without children. The recession did not have a lasting impact on the employment rate of mothers, while the rate among women without children dropped considerably from 2008 to 2010, in large part because of high unemployment among 16- to 24-year-olds.

Figure 1: Employment rate for mothers and women without children



Source: ONS (2011) *Mothers in the Labour Market*

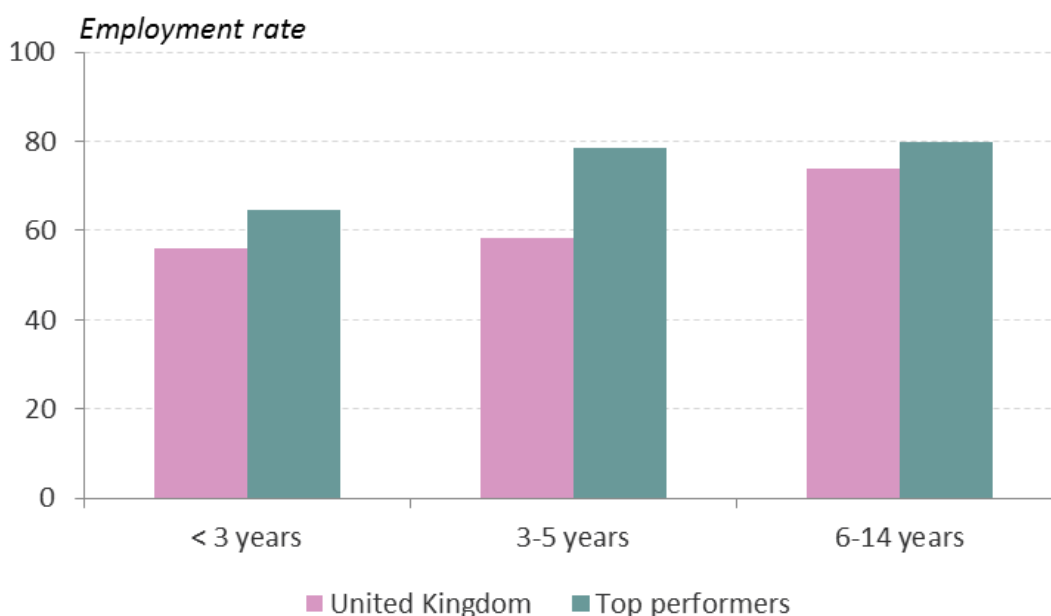
However, mothers are still less likely to be in work – and much less likely to be in full-time work – than women without children, or men. Moreover, the UK has a lower maternal employment rate than many other Western economies. Using internationally comparable data from 2009, the UK fell nearly 20 percentage points behind the top performer, Slovenia (86 per cent). Iceland, Denmark, Sweden, the Netherlands and Finland follow with high maternal employment rates, while the UK is close to the OECD average of 66 per cent.⁶ We fall notably behind the top performers in the following three areas: mothers of children aged three to five; single mothers; and mothers with three or more children.

⁶ OECD Family database. Maternal employment rate given here is for women with a child under 15 with the exceptions of Denmark and Iceland (children under 16) and Denmark, Finland and Sweden which include children under 25 if they are dependent.

Mothers of three- to five-year-olds

In the UK, maternal employment rates increase with the age of the youngest child. Figure 2 shows the employment rates of mothers by the age of their youngest child, compared to the average rates among top performing countries (for each age group). The UK has lower maternal employment rates than the top performers for children of all ages but it is the mothers of three to five-year-olds who fall furthest behind. There is a 20 percentage point gap between the top performers and the UK in the maternal employment rate of mothers whose youngest child is between three and five. This gap falls to 6 per cent for mothers of older children.

Figure 2: Maternal employment rates by age of youngest child



Source: OECD Family database

Notes: Top performers are by age category: under 3 years: Sweden, Denmark, Belgium, France, Germany (NB: No under 3 data for Iceland); 3-5 years: Iceland, Sweden, Denmark, Finland, France; 6 – 14 years: Iceland, France, New Zealand, Denmark, Switzerland. Data refers to 2009

This is perhaps surprising given that government support for childcare is heavily targeted at this age group. Children aged three and four are entitled to 15 hours of free childcare for 38 weeks of the year and take-up of the free entitlement is high.⁷ Childcare support for younger children and those of school age is not universally available. However, the free entitlement for three- and four-year-olds was designed around the best available evidence related to child development and was not specifically focused on boosting maternal employment rates. The actual design of the entitlement is not particularly work-friendly. It is fairly inflexible (free hours are generally provided in a one of two particular patterns), the number of hours does not adequately cover part-time employment and support is not available year round - it is only available in term-time. Therefore it should not be expected that the free entitlement, in its current form, would significantly increase maternal employment.

⁷ NAO (2012) Delivering the free entitlement to education for three- and four-year-olds

The UK's performance for mothers of children under three may be overstated by the fact that maternal employment data also includes mothers on maternity leave. Many of these mothers will return to work and are rightly classed as employed. However, not all will. Longer maternity leave masks some of this disconnection from the labour market. The UK has the longest period of maternity leave of all OECD countries. Mothers can take up to 52 weeks of leave compared to an OECD average of 19 weeks. It is likely that this boosts the apparent employment rate of mothers with children under three in the UK compared to other countries.⁸ In addition, of those who have a youngest child aged zero to two years, around half have more than one child. Of those who have a youngest child between three and five years, around two thirds have more than one child. This may have a secondary impact on employment as women with more children are less likely to be in employment as discussed below.

While the broad pattern of lower employment rates among mothers of younger children holds across the OECD, step changes in employment rates as children age are not inevitable. The Nordic countries, for example, do not follow the same pattern as the UK. Swedish mothers are more likely to be employed when their children are between three and five than when they are younger or older, while in Finland they are no less likely to be in work when their youngest child is between three and five and when they are of school age. In Denmark there is little difference between employment rates as the age of the youngest child increases. These examples indicate that mothers of younger children need not be less likely to be employed than those of older children – if the right support, employment practices and cultural norms are present.

Single mothers

Single mothers in the UK have a much lower employment rate than couple mothers. The UK also performs very poorly compared to similar countries. Of all OECD countries, the UK has the third lowest employment rate among single mothers.⁹ In 2010, 55 per cent of single mothers were employed compared to 72 per cent of partnered mothers.¹⁰ This is important in itself, but even more so given that the proportion of single parent households is expected to increase over the next couple of decades.¹¹

Mothers with three or more children

Lastly, the UK has particularly low employment rates for mothers with three or more children compared to other OECD countries. Although employment rates are lower for mothers with a higher number of children in most OECD countries, the trend of falling employment rates with rising numbers of children is particularly marked in the UK. There is a 30 percentage point gap in the employment rate of mothers with three or more children compared to mothers with one child. This gap is less than 20 percentage points on average across the OECD.¹²

The overall employment rate tells us a lot about the position of mothers in the labour market but in isolation it gives only an incomplete picture. Just as important is the nature of the work that mothers do. Of particular concern for parents is the availability of flexible forms of employment across sectors and skill

⁸ OECD (2011) Doing better for families. Though the UK has the longest maternity leave period of all OECD countries, it has a relatively short paternal leave period of 2 weeks

⁹ OECD Family database: internationally comparable data refers to 2008

¹⁰ ONS (2011) Mothers in the Labour Market

¹¹ OECD (2011) Doing better for families

¹² OECD Family database: data refers to 2009

levels that allow them to balance their work and family commitments.

Part-time work and flexibility

More than half (56 per cent) of working mothers are part-time. Mothers are more likely than women without children to work part-time and also much more likely than men to do so (13 per cent work part-time).¹³ The incidence of part-time work among mothers in the UK is considerably higher than in comparable economies. Over half (55 per cent) of working mothers in the UK work less than 30 hours a week, compared to under a quarter (24 per cent) of mothers in France and only 9 per cent of mothers in Finland.¹⁴

Some of this part-time work undoubtedly reflects parental choice. However, there is evidence that a large minority of mothers who work part-time would rather work longer hours but are prevented from doing so. In some cases, this is because they cannot find full-time roles that offer adequate flexibility to allow them to manage family commitments. In others, it is because the high cost of childcare puts a brake on working more hours.

Conversely, some parents are incentivised to work part-time because of the design of Working Tax Credits (WTC). Parents have to work at least 16 hours a week, or 24 hours between them if they are a couple, to qualify for any support under Working Tax Credits, including childcare support. This is likely to have heavily influenced the work decisions of lower income parents and the nature of part-time jobs that have been created in low paid sectors. Single parents and second earners who choose to work less than 16 hours will not receive childcare support. This means that low wage work will rarely pay but working longer hours is also prohibitive because high childcare costs eat up too much of a low wage at longer hours, even with support.

Part-time jobs are overwhelming in low skilled roles, resulting in mothers having to down-skill and forego income to get the flexibility they need. According to a previous Resolution Foundation poll, half (48 per cent) of mothers on low to middle incomes take a lower skilled part-time job on their return to work after having children.¹⁵ Moreover, many mothers can get stuck in low paid work. Women are more likely to be stuck in low paid work than men, as are those in part-time work. Mothers who move into low skilled, part-time work are at particularly high risk of getting stuck in low pay.¹⁶

Part-time work is only one form of flexible working. Other flexible arrangements are term-time working, being able to accumulate hours and take time off accordingly, or working from home. Many mothers want some form of flexible working arrangement both due to the high cost of childcare, and because they want to be with their children at certain times of the day or week. In the UK, mothers are more likely to work flexibly than women without children. This is primarily due to a higher use of flexi-time and term-time working (see Figure 3).

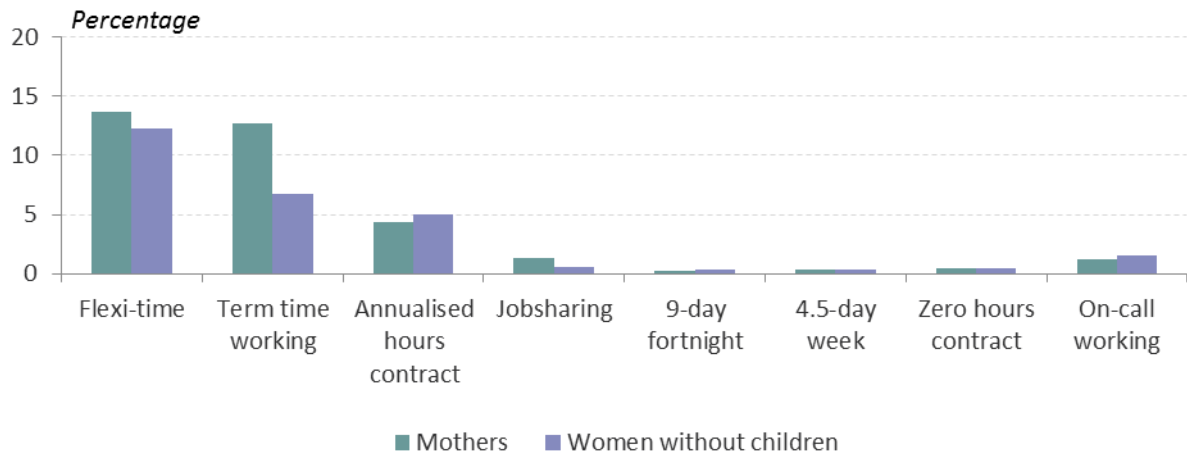
¹³ Resolution Foundation analysis of ONS labour market statistics; ONS (2011) Mothers in the labour market

¹⁴ OECD Family database: mothers are defined here as women with children aged 0 to 14

¹⁵ V Alakeson (2012) The price of motherhood: women and part-time work

¹⁶ A Hurrell (2013) Starting out or getting stuck? An analysis of who gets trapped in low paid work—and who escapes

Figure 3: Use of flexible working options by mothers and women without children

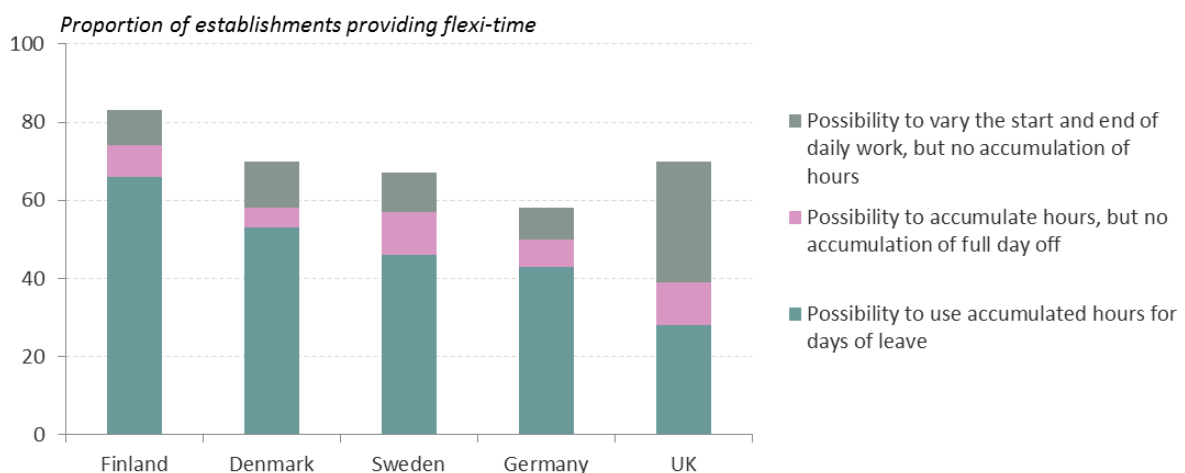


Source: ONS Labour Force Survey

Notes: Data refers to October – December 2010

But many are unable to find the flexible arrangements they need. Two flexibility indicators suggest that the UK lags behind other Western economies on access to flexible working arrangements. Firstly, although there are a similar proportion of establishments providing flexi-time compared to countries with the highest maternal employment rates, the nature of this flexibility is notably different in the UK. UK establishments are less likely to offer the possibility of using accumulated hours for leave days (the most flexible work option) and more likely to allow varied start and end times without the accumulation of hours (the least flexible option), as shown in Figure 4.

Figure 4: Availability of flexible working options across countries

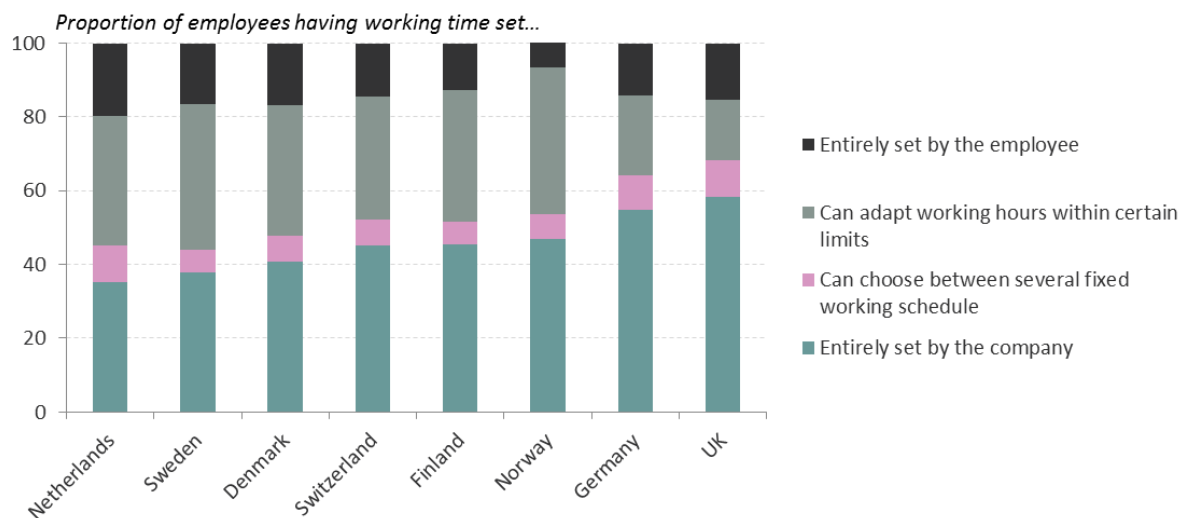


Source: OECD Family database

Notes: Data refers to 2009

The UK also has a low proportion of employees who can set their own working time to some degree, compared to countries with higher maternal employment rates (Figure 5).¹⁷ This lack of flexible working arrangements is also supported by the 2011 CBI/Harvey Nash Employment Trends Survey which shows that the vast majority of employers offer part-time work as a form of flexibility but far fewer offer many of the other options.¹⁸

Figure 5: Availability of flexible working hours across countries



Source: OECD Family database

Notes: Data refers to 2009

¹⁷ OECD Family database: data refers to 2009

¹⁸ CBI/Harvey Nash (2011) *Navigating Choppy Waters: Employment trends survey 2011*, London: CBI

Section 2: Childcare and work decisions

About the survey

Over two weeks in November 2013, the Resolution Foundation conducted a survey of 1,934 mothers with at least one child under 10 in partnership with Mumsnet, the UK’s largest website for parents. The survey gathered basic family, income and childcare information, information about mothers’ preferences for work and their views on how hypothetical changes in childcare support would affect their choices about work.

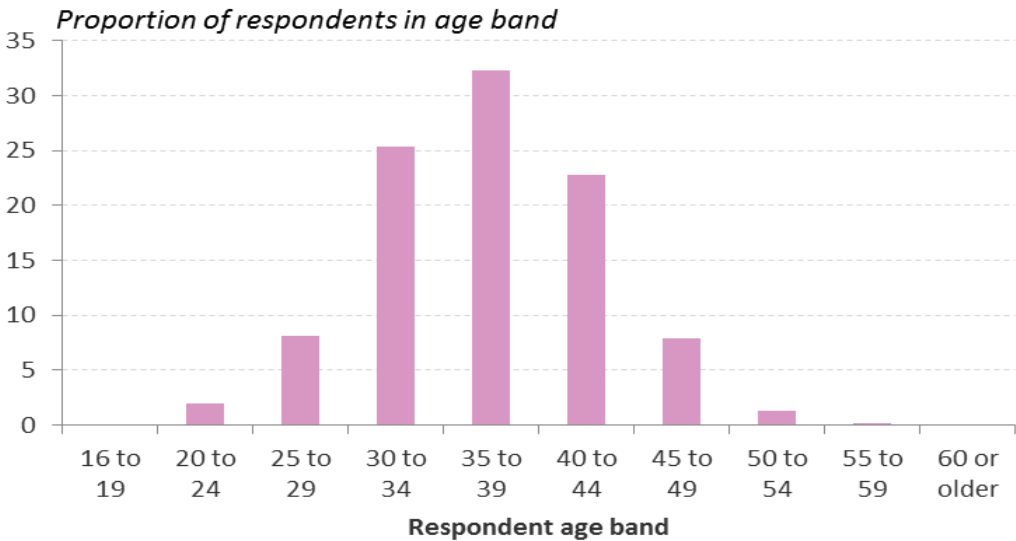
The survey is attitudinal. Responses to hypothetical situations are based on respondents’ perceptions of how they would react to changes in childcare support. It is likely that the actual behaviour change that would occur would be less than stated. Therefore, the findings from this survey can be used to understand the relative differences in mothers’ preferences for different types of support and to provide an indication of the maximum amount of change that could be expected. They cannot be used to predict actual behavioural change. The survey is not representative of the overall population of mothers of children under 10 in the UK. Table A in the technical annex gives a comparison of the survey sample with a representative sample of the UK from the Family Resources Survey.

Who took part in the survey?

The following section provides some basic information about the mothers who responded to the survey: their age, the age of their children, their employment status, earnings and the earnings of their partner for couple mothers.

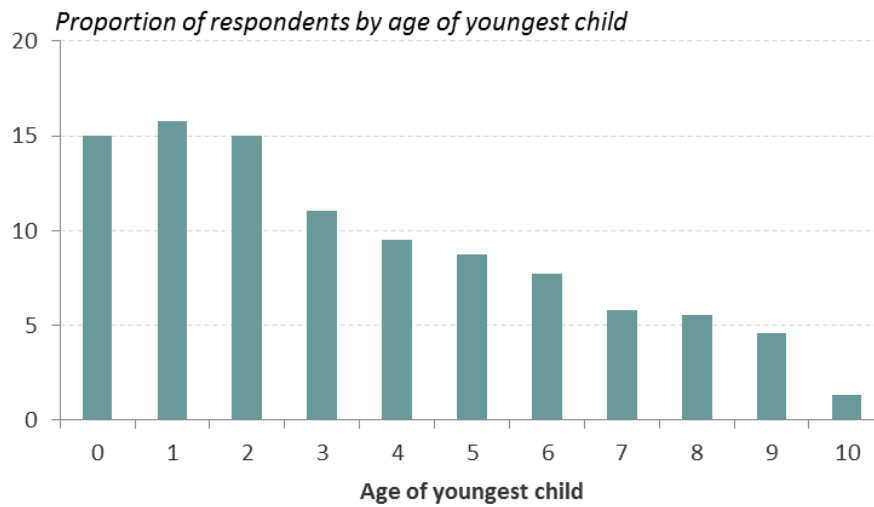
The majority of respondents (58 per cent) are in their thirties (see Figure 6). Half of respondents (48 per cent) have two children and a third (35 per cent) has one child.

Figure 6: Age of survey respondents



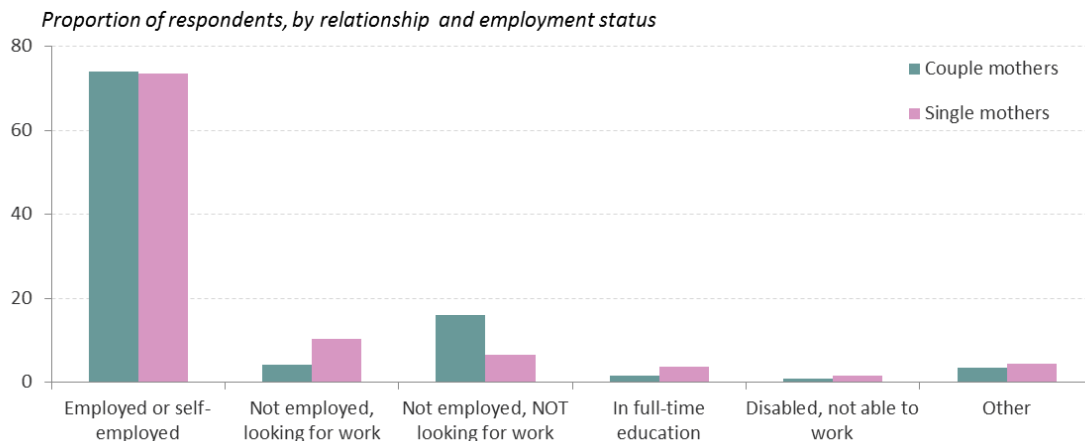
Although we surveyed mothers with at least one child under 10, the vast majority of respondents have younger children. Half the sample has a youngest child aged 0, 1 or 2 (see Figure 7).

Figure 7: Distribution of survey respondents by age of youngest child



Three quarters of mothers are in work (this is very similar for single and couple mums). Couple mothers are more likely to not be looking for work, and single mums are more likely to be looking for work if not currently in work (see Figure 8).

Figure 8: Working patterns of survey respondents



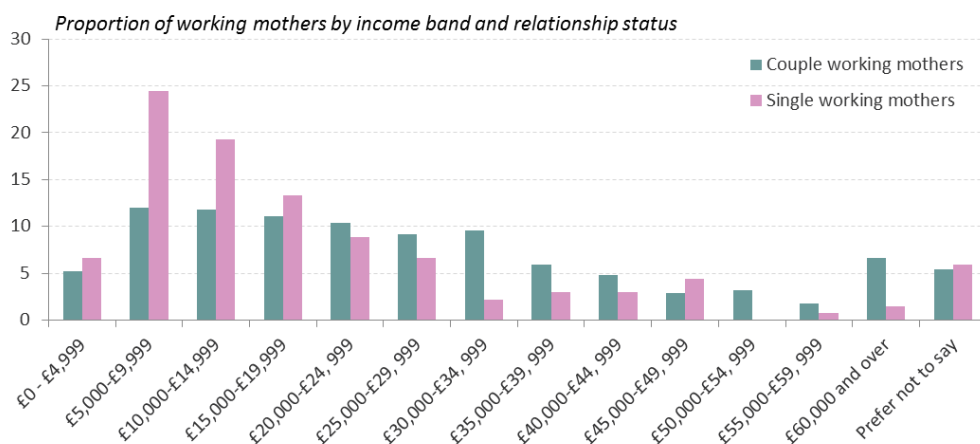
The majority of working respondents work part-time.¹⁹ Two thirds (65 per cent) work less than 35 hours per week and on average 19 hours a week. Despite a high incidence of part-time work, only one in eight working mothers (13 per cent) works less than 16 hours a week. It is likely that this is in large part due to the requirement that parents must work at least 16 hours to receive support under WTC.

¹⁹ Part-time is defined here as working less than 35 hours per week

Earnings

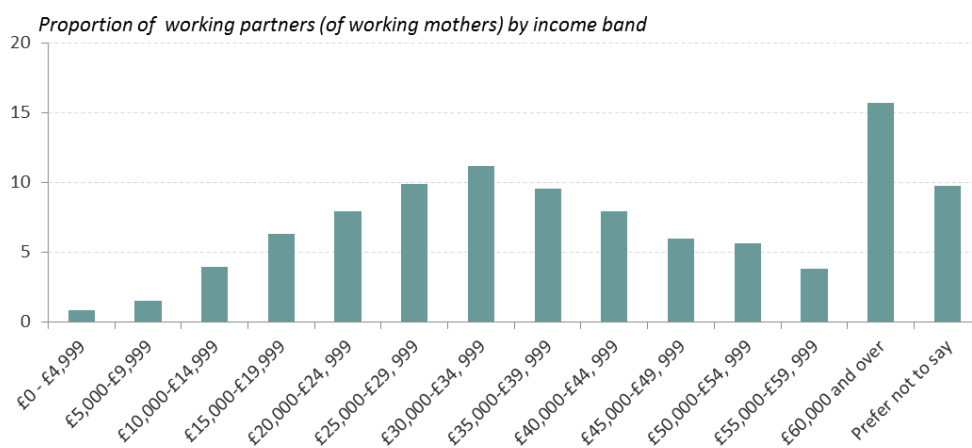
Single mothers tend to earn less than couple mothers. The earnings of working couple mothers are spread across the earnings distribution from £5,000 to £35,000 per year. Working single mothers have earnings that are concentrated towards the lower end of the distribution between £5,000 and £15,000 (Figure 9).

Figure 9: Distribution of earnings among survey respondents who are in work



On average, the partners of mothers who are in work earn more than the working mothers themselves. The earnings distribution of partners of working mothers is shown in Figure 10.

Figure 10: Distribution of earnings among the partners of survey respondents who are in work



The next section summarises the findings of the survey. It first looks at respondents' childcare use and then goes on to assess mothers' preferences for, and barriers to, work. Finally it presents respondents' attitudes to hypothetical changes in childcare support.

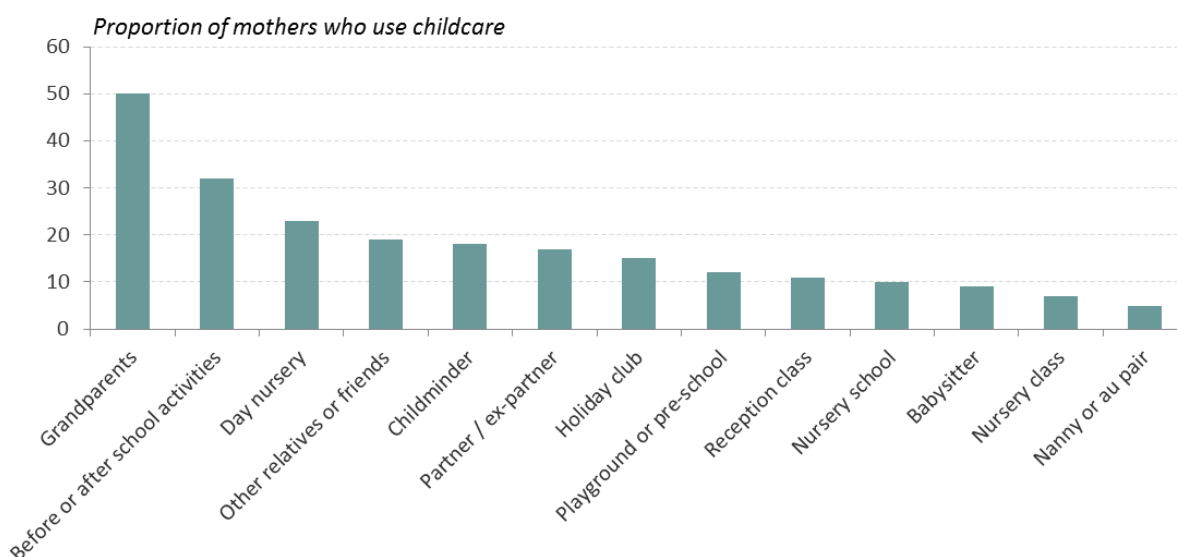
Childcare use

Most respondents regularly use some form of childcare (82 per cent). This is broadly in line with the findings of the Department for Education's nationally representative Childcare and Early Years Survey of Parents (CEYSP).²⁰

Single mothers in our survey are slightly more likely to be using childcare: 88 per cent do so, compared to 81 per cent of couple mothers. This is at odds with the CEYSP which finds no significant difference in the take-up of childcare between single and two parent families.²¹

The most common form of childcare used is the child's grandparents (50 per cent of mothers use this form of childcare). The two next most popular forms of childcare are afterschool activities or breakfast clubs (32 per cent) and day nurseries (23 per cent). Survey respondents are much more likely than respondents to the CEYSP to use grandparents and day nurseries, and less likely to use afterschool activities or breakfast clubs. This reflects the survey sample. Childcare use increases with income. Given that our sample has a larger number of higher earning families than in the UK as a whole, we would expect to see greater use of childcare. The relatively low use of afterschool clubs and breakfast clubs among the survey sample is likely to reflect the fact that mothers who responded to the survey are more likely to have very young rather than school-age children.

Figure 11: Childcare use by survey respondents



²⁰ See T Huskinson et al (2013) Childcare and Early Years Survey of Parents 2011

²¹ *ibid*: p38

The majority of respondents who use childcare receive some form of government-funded childcare support. Government-funded childcare support for working families is provided in three forms:

- A free entitlement to 15 hours of childcare for 38 weeks a year for all three- and four-year-olds. The 20 per cent least well off two-year-olds are also entitled to 15 hours of free childcare and this will be extended to the 40 per cent least well off from September 2014.
- The childcare element of Working Tax Credits. Working families can receive 70 per cent of their childcare costs of up to £175 per week for one child or £300 for two or more (2013/14), if they work at least 16 hours a week. This support is means-tested: it is tapered away as the family's income increases. WTC will be replaced by Universal Credit (UC) over the next five years.

Under UC, parents will be eligible for support with childcare costs regardless of how many hours they work. Families in which all adults earn above the personal tax allowance will have 85 per cent rather than 70 per cent of their childcare costs covered (up to the same limit as under WTC). However the majority of families under UC will not be able to benefit from this increased level of support. Of the 1.5 million families under UC, 900,000 families will be left out of this extra support because all adults in the household do not earn above the personal tax allowance.

- Employer-supported childcare (ESC). This voucher system enables families to pay less for their childcare by sacrificing a part of their pre-tax salary directly to childcare costs. The scheme is dependent on employers offering it and has very limited coverage. From 2015, it will be replaced by Tax Free Childcare (TFC). TFC will use £750 million of new funding in addition to the £750 million that currently goes to ESC, to fund 20 per cent of childcare costs for higher earning families who are not on UC up to £1,200 a year.

Among survey respondents, 60 per cent use at least one form of existing support. Of these, employer-supported childcare vouchers are the most common. One out of three respondents (36 per cent) uses this type of support. Two out of three respondents with children aged three or four (66 per cent) use the free entitlement. WTC is the least common form of support: only one in eight (13 per cent) respondents uses the childcare element of WTC.

Low take-up of WTC and high use of ESC would be expected given the survey sample. Respondents would be expected to use WTC less than other forms of support as it is a means-tested form of support targeted at lower income families, unlike ESC or the free entitlement.²² In addition the survey sample is likely to be particularly skewed away from WTC as respondents earn more on average than mothers nationally. However, the reasons behind the proportion of respondents stating that they use the free entitlement being considerably lower than reported statistics are less clear. Reported take-up of the free entitlement is around 95 per cent among eligible three- and four-year-olds. This is far higher than the survey findings of 66 per cent. This disparity may have several causes. Firstly, this question was asked to all parents of children aged three or four, rather than all eligible children. Some three- and four-year-olds will not be eligible as the entitlement is available to children from the first term after they turn three, rather than their third birthday. Secondly, respondents may be in receipt of the entitlement without associating it with the terms used in the survey questionnaire. Other surveys have also found lower levels of take-up of the free entitlement than would be expected. For example, a DWP survey found that only around a third

²² As of December 2013, there were 422,000 families benefiting from the childcare element of WTC, receiving an average of £59 per week help with their childcare costs (HMRC statistics referring to 2013)

(36 per cent) of families whose youngest child was aged three or four said they received the free entitlement.²³

Mothers' preferences for work

Working mothers

A fifth (20 per cent) of working mothers would like to work more. On average, these mothers want to increase their hours by 10 hours a week. In comparison to working mothers who do not want to work more, mothers who would like to increase their hours are more likely to:

- Work fewer hours on average than mothers who do not want to work more (19 hours a week compared to 31)
- Have a youngest child who is older than that of working mothers who do not want to work more
- Have more children on average than mothers who do not want to work more

Lower earning mothers are more likely to want to work more than higher earning mothers. The mean gross earnings of working mothers who want to work more are less than half of those who do not want to work more. For couples, partners of mothers who want to work more have slightly lower average earnings than partners of those who do not. However the difference is small. This suggests that an increase in hours worked by mothers through increased childcare support is more likely to come from lower earners than higher earners. This echoes a similar finding from a recent survey of parents commissioned by DWP. It found that families' willingness to work or work more increases with household income up to £35,000 to 60,000 per year.²⁴ Together, our survey and the DWP's own survey raise questions about the government's decision to focus the vast majority of the £1 billion new investment in childcare on higher income families, including those on very high incomes. The likelihood that this investment will pay labour market dividends and result in lower public spending is small compared to targeting a greater share of the investment on lower income working families within Universal Credit.

Non-working mothers

Nearly four out of ten (37 per cent) mothers who do not currently work want to work. These mothers would like to work an average of 23 hours a week. As with working mothers who want to increase their hours, these mothers have a youngest child that is, on average, older than in families with mothers who do not want to work.

Among mothers who are currently not working and do not want to work, the majority (65 per cent) prefer to remain at home with their children. However, just under one in ten (9 per cent) do not want to work because they would not be better off due to the high costs of childcare. These mothers may also benefit from a reduction in the costs of childcare.

There are approximately 5.5 million working mothers of dependent children across the UK, and 2.9 million mothers who do not work.²⁵ If even a small proportion of these mothers were able to move into work or to work more, this would result in a significant increase in women's earnings as well as the number of women in work, with knock on effects for living standards, child poverty and public spending in the form of higher tax revenues and lower welfare spending.

²³ I Borg and A Stocks (2013) A survey of childcare and work decisions among families with children

²⁴ Ibid. The question asks if respondents would be willing to work or work more **if their income covered their additional childcare costs**

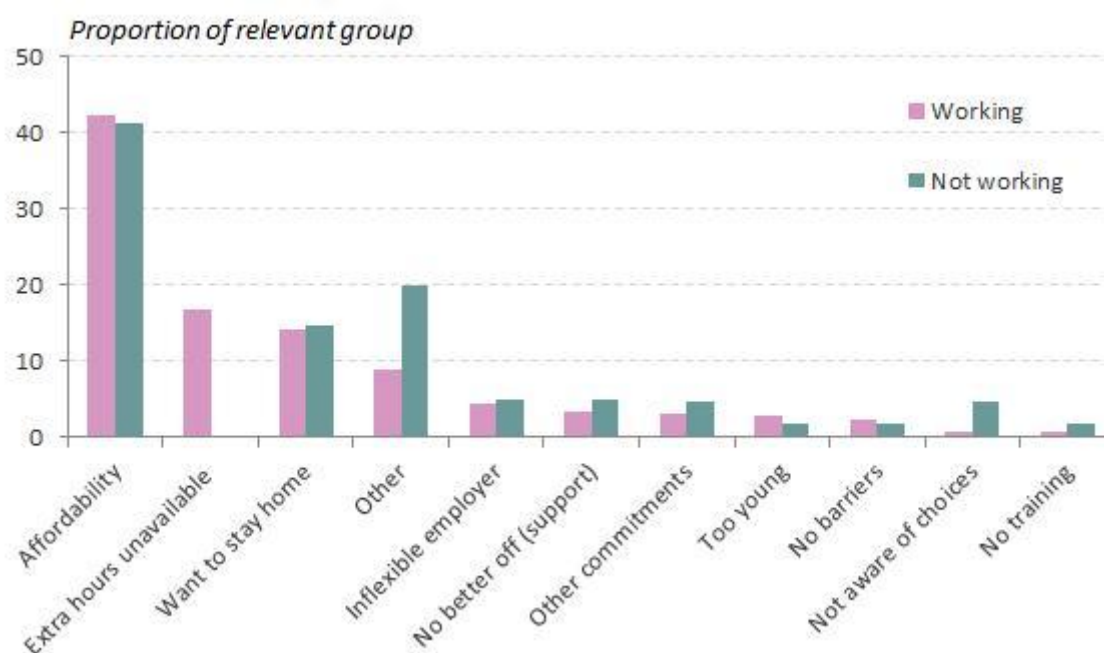
²⁵ Resolution Foundation analysis of Family Resources Survey 2011/12

Barriers to work

Working mothers

Childcare affordability is the single biggest barrier to working more. This is stated as a barrier by two-thirds of respondents (67 per cent) and as their main barrier by four out of ten respondents (42 per cent), as shown in Figure 12.

Figure 12: Main barriers to work for working and non-working survey respondents



Childcare affordability is a bigger problem for mothers of younger children and lower earners. Those who state affordability as their main barrier have a youngest child that is on average younger than women who do not.

Affordability is not the only barrier. Lack of employer flexibility is the main barrier for one in five working mothers (21 per cent). Two barriers indicate a lack of employer flexibility: an inability or unwillingness of an employer to increase hours (extra hours unavailable) and a lack of flexibility that would support a better work-life balance (inflexible employer). Lack of flexibility is more likely to be stated as the main barrier to working by low earners.

Non-working mothers

Nearly all non-working mothers state at least one barrier to work. Most state one or two barriers (42 and 38 per cent, respectively) and 16 per cent give three or more barriers. As with working mothers, the affordability of childcare is the biggest barrier to work. Just under two thirds of respondents (64 per cent) state this as a barrier, and 41 per cent say it is their main barrier (see Figure 12 above). The second most common reason for not working is the desire to be at home with their children (15 per cent).²⁶ This

²⁶ 20 per cent stated 'other'

highlights that for some mothers remaining at home is a positive choice, while others would choose a different balance between work and home if there were fewer barriers to working.

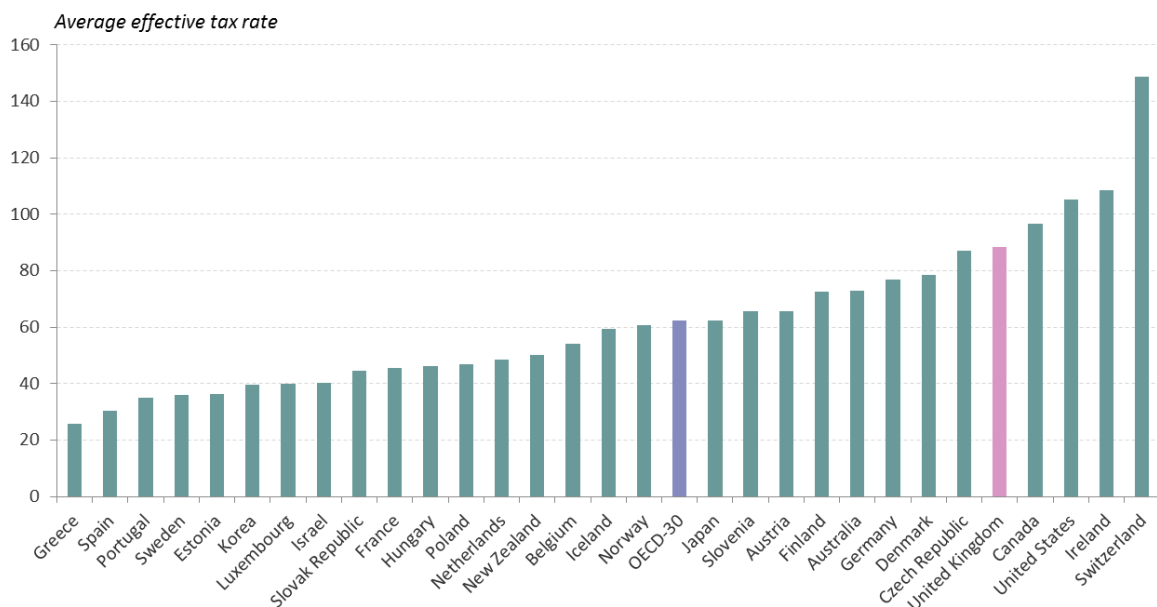
Although the cost of childcare is a common barrier to work, financial gain is not the only reason mothers chose to work. Nearly half of the survey respondents (43 per cent) say they would work even if it did not increase their household income. Moreover, a quarter of mothers say they have done just that (25 per cent).

Extending childcare support

Despite the support currently on offer, parents spend a higher proportion of their net income on childcare in the UK than in most other comparable countries. The net cost of childcare is 27 per cent of family income for a couple who are both employed full-time at the average wage (data refers to 2008). Only Switzerland and Ireland have higher costs as a proportion of income.²⁷

Furthermore, the means-tested nature of a significant amount of support for childcare in the UK means that childcare costs blunt work incentives for lower earning single parents and second earners. As Figure 13 shows, the UK has one of the highest effective tax rates after childcare costs for working parents across the OECD. This means that parents lose a greater proportion of each additional pound they earn than in other countries.

Figure 13: Average effective tax rate after childcare across the OECD



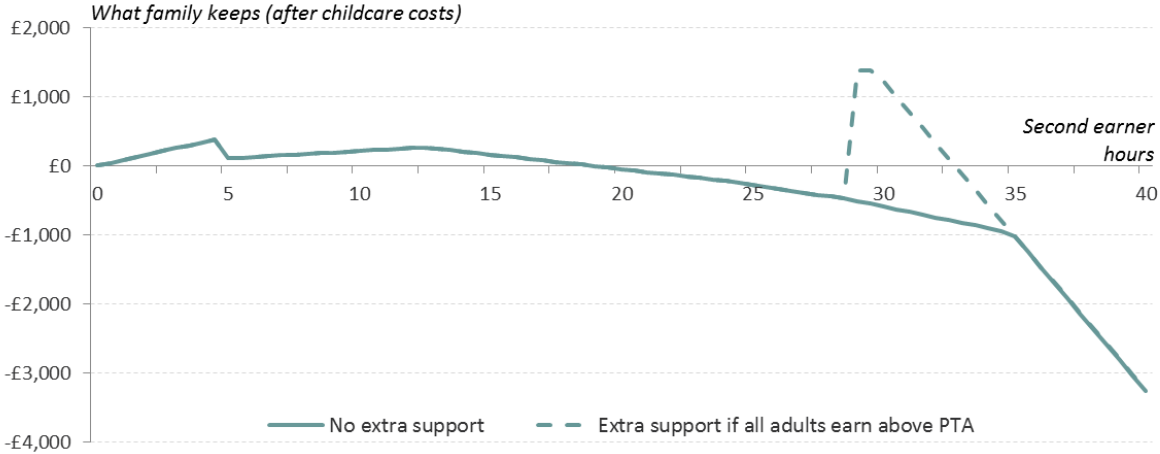
Source: OECD (2011) *Doing better for families*

Notes: Net transfers to government (percentage of gross household earnings) and childcare fees, for couples with two children aged two and three; male earner at 100 per cent of average wage and female earner at 50 per cent of average wage. Refers to 2008

²⁷ OECD Family database: data refers to 2008

For many low earners with high childcare costs, this can result in actually paying to work as shown in Figure 14. A second earner on the National Minimum Wage with two young children in childcare would pay to work if she worked more than 13 hours. This is because after 13 hours, she is no longer entitled to any free childcare support and the out of pocket costs of childcare coupled with the withdrawal of Universal Credit is greater than her hourly wage.

Figure 14: The impact of childcare costs on a low wage second earner

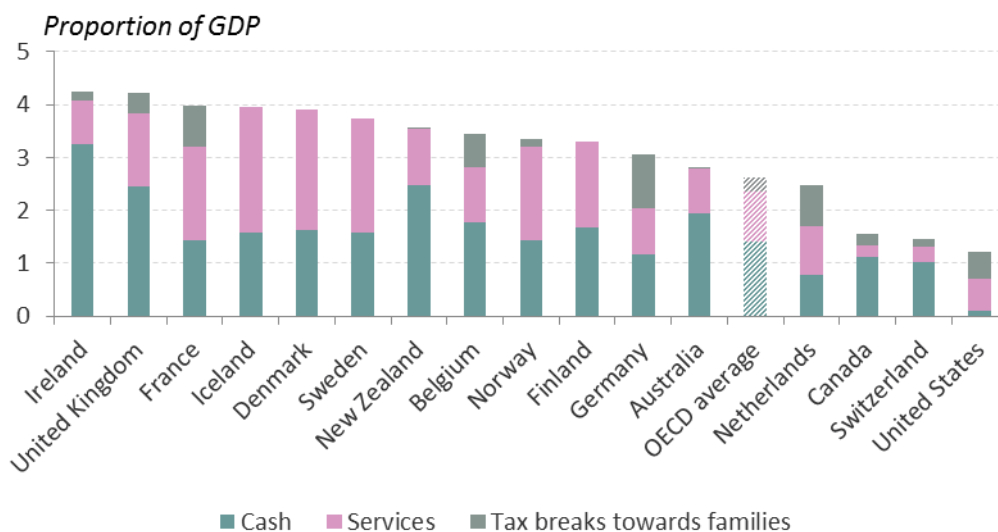


Notes: Main earner full-time, £7.50 gross hourly wage; second earner on £6.31 (minimum wage). This family have two children aged two and four.

Source: Resolution Foundation

There is an assumption that the UK gets particularly poor value for money from its investment in childcare because, as well as being one of the countries with the highest out of pocket costs, it is seen to be one of the biggest spenders in the OECD. However, this is misleading for two reasons. First, many of the comparisons look at spending on family benefits rather than just childcare (see Figure 15). This includes spending on support through child tax credit and child benefit (cash transfers) as well as support for childcare. Second, many of the comparisons look at spending on childcare for children under the age of six. Given that compulsory education starts earlier in the UK than in many comparable countries, much of the spending that is included goes towards primary schools rather than childcare. While investment in childcare in the UK has increased significantly over the last decade, more needs to be done to address the high out of pocket costs of childcare and the fact that childcare remains the biggest barrier to work.

Figure 15: Investment in family benefits as a proportion of GDP for selected OECD countries, 2009



Source: OECD family database

Notes: Data refers to 2009

Attitudes to extending childcare support

The Resolution Foundation survey asked mothers about their preferences for different ways of increasing support for childcare. Four possible extensions to the free entitlement were included: extending the entitlement by an additional 10 hours per week; extending it from 38 weeks to 47 weeks a year; extending it to all children aged zero to two not just the 40 per cent most deprived; and extending it to all children aged five to nine. One increase to the Working Tax Credit childcare element of an indeterminate amount was also included.

Overall, mothers do not express a strong preference for one type of extension or another. All extensions are popular and the majority of respondents state that any form of extension would enable them to work or work more. There is little difference between mothers who are currently working and those who are not as to the type of extension they would prefer. When asked whether an extension in the number of hours per week or weeks per year is more important, the majority of eligible respondents state that both are essential. Of those that chose between one or the other, there is a slight preference for an extension of hours rather than weeks.

Furthermore, when asked to express a general preference for the way in which government support for childcare is paid – directly to parents or providers - mothers do not express a strong preference either way. Two thirds of respondents (66 per cent) agree that childcare should be made more affordable through an increase in government support to childcare providers, while a very similar proportion (69 per cent) agree that childcare should be made more affordable through an increase in government support to parents. In both cases, only 7 per cent disagree.

The survey also sought views on reducing staff to child ratios. Respondents are largely against a reduction: 72 per cent disagree that childcare should be made more affordable through a reduction in staff to child ratios. Only 6 per cent agree.

These findings on how parents would like support to be delivered suggest that, despite the strongly held views of politicians about which way support is best offered, parents do not have strong views and would be in favour of most ways of delivering additional support for childcare, as long as that is not perceived to compromise the quality of childcare and reduce the development benefits it offers to children.

Conclusion

Many mothers choose to stay at home with their children; that choice must be respected. However, a significant number of mothers report that they would ideally like to work more than they currently do. Of course these findings are only perceptions but even a cautious translation of these results into the national picture indicates that there is a real loss of economic potential in the UK in the failure to enable mothers to work the number of hours they would choose. Despite a decade of investment, high childcare costs remain the most important barrier to mothers' employment, although not the only barrier. Realising the economic potential of more mothers would have a positive impact on family living standards by raising household income and reducing the number of single earner families at risk of poverty, as well as supporting a still fragile economic recovery.

Mothers on lower earnings are more likely to want to work more hours. The average gross earnings of mothers who want to work more are less than half of those who do not want to work additional hours. This suggests that the focus of current childcare policy will do little to increase the employment of mothers. The extra £750 million that is being invested into Tax Free Childcare targeted at better off families is unlikely to result in a change in behaviour for large numbers of mothers, given that the majority of families who will benefit are in the top half of the household income distribution. As a result, much of the new investment is likely to simply subsidise childcare spending that families are already making rather than drawing more tax revenue into the public coffers by stimulating employment. This could be a price worth paying if subsidising better off parents encouraged take-up among the least well off but lower income families are shut out of Tax Free Childcare. It is only available to working parents outside of Universal Credit, including families earning up to £300,000 a year.

Redirecting £250 million of the investment going to the wealthiest families to ensure that families on Universal Credit in which all parents work can benefit from 85 per cent childcare support is more likely to have greater payback for government. As things stand, 900,000 working families will miss out on additional childcare support because they do not earn enough to pay income tax. But these are the lowest earning parents and the ones who are likely to be most motivated to work additional hours to ease the financial pressures they face. Extending 85 per cent rather than 70 per cent support to all working families would ensure that single parents and second earners were always better off from increasing their hours and would simplify the system to make the work incentives clear for parents. The current proposal to offer 85 per cent only to those parents who work and pay income tax creates new cliff edges in support within Universal Credit when the very purpose of Universal Credit was to eliminate them.

Looking forward to the election, childcare will be increasingly in the spotlight as parties jostle to secure the female vote with new childcare commitments. The survey provides valuable pointers as to the preferences of mothers to whom future childcare policy must respond. Most mothers want to work up to four days a week. This suggests that for mothers of children below school age, affordable childcare for least 25 hours a week and 47 weeks of the year will be necessary to maximise their employment potential. This must be adequately funded to ensure that an entitlement on paper translates into a real childcare offer for parents on the ground. For mothers of primary-age children, fewer hours are needed but a guarantee of availability is critical. Balancing work and family commitments can become less expensive when children reach school age but the complexity of the arrangements often increases.

Although the political parties have strongly held views about the way in which childcare is best funded, the survey found few differences in mothers' preferences for different ways of extending support for childcare and almost equal preference for funding going directly to providers or to parents. Most mothers who wanted to work or work more said that they would take up extra support if it were offered to them; the majority felt that this extra support would enable them to work or work more. However, mothers did

express strongly held views in relation to changes in ratios. Any attempt to improve affordability must not be perceived to compromise the quality of childcare and the benefits it can offer children.

Given that mothers express almost equal preferences for one funding route or another, there is a strong case for additional support to be directed at providers rather than putting more money directly in the hands of parents, as Tax Free Childcare will do. Funding directly to providers is more likely to sustain a childcare offer in more disadvantaged areas, is more likely to allow greater cost control by government and can be more easily used to drive up quality. Given that funding would continue to follow the choices of parents, direct funding for providers need not limit parental choice over the type of childcare used.

As the survey clearly demonstrates, childcare is not the only barrier to employment for mothers. A lack of employer flexibility is also a significant barrier for those who are in work and would like to work more. Although the UK has made considerable strides in addressing flexibility in recent years, both at the policy level and among employers themselves, there are still too few options available to parents. Part-time work is common but offers a limited form of flexibility and one that still too often involves a downward shift in pay and responsibility in the interests of a better work-life balance. Getting more mothers into work will depend on bringing together childcare policy with renewed efforts to build a stronger case for greater employer flexibility, particularly at middle management levels and outside of the highest paying sectors where the business case is strongest. It will also depend on supporting more men to share significant proportions of parental leave in order to change the long term dynamic within families about how parenting and work responsibility are managed between men and women.

Annex

Table A. Comparison of Resolution Foundation/Mumsnet survey sample and Family Resources Survey sample

Characteristic	Mumsnet survey	Mother population (Family Resources Survey)
Family type	90 per cent couple mothers 10 per cent single mothers	79 per cent couple mothers 21 per cent single mothers
Number of children	35 per cent have one child 48 per cent have two children 17 per cent have three or more children	57 per cent have one child 33 per cent have two children 8 per cent have three or more children
Age distribution of children	46 per cent have a youngest child aged 0, 1 or 2	44 per cent have a youngest child aged 0, 1 or 2
Employment status	74 per cent employed or self-employed 5 per cent not employed and looking for work 15 per cent not employed and not looking for work (6 per cent missing)	64 per cent employed or self-employed 4 per cent not employed and looking for work 31 per cent not employed and not looking for work
Respondents' earnings	Working single mothers are mostly earning between £5k and £15k a year Working couple mothers are much more spread between £5k and £35k a year	Working single mothers mean net annual earnings: £9,600 Working couple mothers mean net annual earnings: £14,000
Respondents' hours [for working mothers only]	Mean 28 hours a week	Mean 27 hours a week
Partners' earnings	The earnings of partners of working couple mothers are very spread, but they are more likely to be earning between £20k and £45k a year	Tend to be higher earners than Resolution Foundation/Mumsnet sample. Mean £25k a year
Partners' hours	Tend to be full-time, mean	Tend to be full-time, mean 41 hours a week

Source: Resolution Foundation analysis of Resolution Foundation/Mumsnet survey and Family Resources Survey 2011/12

NB: The Resolution Foundation/Mumsnet survey does not include any geographical information. Therefore analysis does not look at regional differences in childcare and work decisions.



The Resolution Foundation

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

- undertaking research and economic analysis to understand the challenges facing people on a low to middle income;
- developing practical and effective policy proposals; and
- engaging with policy makers and stakeholders to influence decision-making and bring about change.

For more information on this Briefing Note contact:

Vidhya Alakeson, Deputy Chief Executive
vidhya.alakeson@resolutionfoundation.org
020 3372 2953

