

'Universal childcare' and maternal employment: the British and the Swedish story

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Introduction

Over the last 25 years Britain saw a huge public investment in childcare. From New Labour to the Coalition Government the declared goals of new childcare policy was to bring more mothers into work, thereby reducing child poverty, and to improve child outcomes particularly for disadvantaged children by supporting 'early learning'. Hence the unwieldy term 'early childhood education and care' (ECEC) that is commonly used to emphasise both purposes.

Expenditure on ECEC more than doubled between 1997 to 2010, from 0.5% to 1.1% of GDP, moving the UK from one of the lowest to one of the highest spenders in the OECD. The number of 3 and 4 year olds attending ECEC increased from around 65% to 93%, and for Under-3s from 25% to 42% (Stewart, 2013; OECD, 2014). A flagship policy of New Labour was the introduction of universal free part-time early education for 3 and 4 year olds in England, which was extended to some 2-year olds by the Coalition Government. Similar policies operate in the other UK nations. Further, various forms of tax credits and childcare vouchers are aimed at reducing childcare costs for working parents.

Recently however, frustration is mounting: despite an investment of around £2bn a year in childcare, the increase in maternal employment has fallen short of expectations and childcare costs for working parents have soared. In particular universal ECEC has come under scrutiny: whereas a study by the IPPR predicted universal childcare to bring more than 250,000 parents into work (Cooke and Pearce, 2013), research by the IFS found that the expansion of free part-time childcare places, costing around £800m a year, had only helped a modest 12,000 more mothers into employment, thus being a very

expensive employment policy (Brewer et al., 2014).

Along predictable ideological battle lines, some argue that the universal childcare policy does not go far enough; others see it as an expensive, even dangerous, policy failure (see e.g. www.day-nurseries.co.uk, 2014). This debate distracts from the fact that 'universalism' is but one aspect of the British childcare system – or rather, the UK nations' childcare systems (which nevertheless, share common traits), and possibly not the element that is in most need of reform. From countries with higher levels of maternal employment we can learn what kind of childcare, as regards policy design, policy integration and funding, supports working parents, and what obstacles there are in the UK. We shall in particular look at Sweden, one of the world's 'childcare champions' – not least due to our British fascination with the 'Swedish Model' and Nordic 'universalism'.

Universal childcare works: it supports early development of all children

To start with both Sweden and the UK nations share a very similar universal policy of 15 hours free early education per week for all children aged 3 to school-entry. There is international consensus on the positive effects of early childhood education for child outcomes. For England, this has been confirmed by the large-scale 'Effective Provision of Pre-school Education' Project (EPPE, 2004). Especially children from disadvantaged backgrounds profit from early childhood education, as long as it is of good quality. And here lies a crucial importance of public spending on ECEC: childcare markets are poor guarantors for quality in deprived neighbourhoods as they gravitate towards areas where purchasing power is high. At the same time universal policies have been shown to reach disadvantaged children more

effectively than targeted approaches. There is thus a clear case to be made for public spending on universal early childhood policy. Most OECD countries now offer some form of early education entitlement assuming future social and economic benefits. Finally, with the UN Convention on the Rights of the Child emphasizing the importance of education for children of all ages, we are past the point of no return. Universal ECEC for pre-school children is here to stay.

The question is whether, or under what conditions, universal ECEC policy also supports maternal employment.

Why universal childcare does not really help mothers into work in the UK: lack of full-time places and high costs

On the face of it, a 15 hours/week childcare guarantee is ill-suited to help parents into work: there are very few jobs with working hours that could be squeezed into the time frame of a daily 3-5 hours early education session. And even where the entitlement can be taken more flexibly over two days, as is now the case in England, it would be difficult to find a job that precisely matches the free offer.

In the UK, most parents of 3 and 4 year olds who work need to purchase additional childcare, either from the same provider, or they need to find someone who can pick up their child from nursery school and look after them (often a childminder or relative) – a logistical feat; and the multiple childcare arrangements common in working households with small children speak a silent story of stress, contingency and making do. Parents who do not want to delay returning to work until their child is 3 are left to organise all their childcare themselves. Most of this childcare is provided by the market, and availability and quality differ considerably across regions, councils, cities and neighbourhoods.

Market-based childcare is expensive, in the UK extraordinarily so. A full-time dual earner couple with average earnings and a 2 year old spends around 34% of disposable family income on childcare, compared to an OECD average of 13% and 4.5% in Sweden respectively (OECD

tax-benefit model, 2014). It should thus not come as a surprise that in the UK, universal part-time ECEC has not brought significantly more women into the labour market, but eases the costs for those who have already successfully solved their childcare conundrum.

Lack of adequate childcare and costs have internationally been identified as key obstacles to women's labour market integration. Where costs exceed 10% of disposable family income, the barrier for women to enter work, particularly for low-skilled women, increases. In the UK tax credits have helped cover up to 70% of childcare costs on a means-tested basis (there is a new system in place with Universal Credit). However, real costs in many parts of the UK exceed the set ceilings and childcare costs after subsidies remain too high for many low and middle income families. As a consequence, the 'motherhood penalty' is significant with the employment rate of mothers with children below 15 at 65%, almost 10% lower than the general female participation rate (24-54 age cohort) (OECD, 2014). The majority of employed mothers work part-time and rely strongly on informal care (Naumann et al., 2013).

... and why it does in Sweden: availability and affordability

It is here, with respect to availability and affordability, that the Swedish childcare system differs from the UK, not in the universal, free part-time element. In fact, when Swedes speak about their 'universal preschool' they don't primarily think of the free early education for 3-5 year olds, but refer to the entitlement of all children from age 1 to a full-day, all year round place in a daycare centre, if their parents are in employment – in essence a targeted policy. It is the extent of take up rates that gives this policy its 'universal' character: the vast majority of Swedish pre-school children attending ECEC do so on a full-time basis. The average usage amongst Under-5s is 33 hours per week, and maternal employment is at 80% almost as high as the general participation rate of Swedish women (OECD, 2014).

This childcare is not free of charge, but heavily subsidized. In Sweden parent fees cover on aver-

age 7% of the actual costs, they are capped and means-tested, and for some groups of parents the fee is waived altogether (Naumann et al., 2013). Childcare costs are not an issue for Swedish families, irrespective of household income. To reduce barriers to work further, there is an entitlement to 15 hours free childcare for children aged 1 whose parents are in education or looking for a job. In the knowledge that childcare is available to them, Swedish parents are more confident than their British counterparts to 'take the plunge' and return to work while their children are young, or continue education or professional training.

But how can Sweden, with similar spending levels than the UK, afford such a generous childcare system?

Funding a comprehensive childcare system

The main difference lies in the respective prioritization of funding streams: in the UK a big chunk of ECEC spending goes directly to parents helping them with their childcare costs via tax credits and childcare vouchers; the rest is channelled to providers to fund the free entitlement. Administering this complex system is costly and experiences in other countries such as Australia, Canada or the US have shown that demand-side funding does not necessarily reduce costs.

In Sweden, the emphasis since the 1970s has been on supply-side funding, thereby gradually building up a childcare infrastructure and workforce that made it possible for high quality daycare to be offered to all families across the country, which contributed to key characteristics of the 'Swedish Model': high employment, high tax revenue, low gender inequality and child poverty. The link between parental employment and childcare entitlement in the policy design ensures that public investment yields direct economic returns.

It is important to note however, that it is not the extensive childcare provision alone that boosts Swedish employment levels: a long paid parental leave policy of 16 months, and a seamless transition from parental leave to childcare

entitlement; flexible working time that even includes an entitlement to leave when a child is sick; and generous family benefits all add up to a 'policy package' that helps parents reconcile family and work.

Conclusion

In conclusion, if the 'Swedish Model' serves as inspiration, ironically the question whether there should be more or less 'universal', that is free, childcare in the UK becomes less relevant vis-à-vis, the challenge to transform the currently fragmented and costly provision into an integrated system that offers reliable and affordable early education and care to all children and their families where they need it, when they need it. This will not be possible without further public investment – investment which spans election cycles – but restructuring childcare can offset the costs in the longer run by creating new jobs and increasing tax revenue.

One last caveat: whilst a well-designed childcare system can indeed bring more mothers into work, it cannot solve all problems. As long as new jobs in the labour market are primarily of a low-pay, part-time nature, economic returns for public spending on childcare will remain meagre.

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