

Briefing



A new deal for the childcare sector

Reforming the childcare and early years sector, why it must be a priority and the fundamentals for reform.

Executive summary

This briefing sets out the TUC vision for a new deal for childcare. Childcare is essential to workers, both those who work in the sector and those who rely on it so they can work. The pandemic and the cost-of-living crisis have shone a spotlight on the longstanding issues of funding, access, flexibility, and affordability for parents, and how undervalued the childcare workforce is.

Across the UK, childcare for pre-school aged children is unaffordable, inflexible and access to high-quality provision is unequal. Working with Coram Family and Childcare Trust, our new analysis shows that:

- The cost of full-time childcare for parents with children under two has increased by nearly £3000 a year in England, since 2013. Rising from £11,285 in 2013 for a family with a child under 2 to £14,226 in 2021 - an increase of 26 percent.
- On average, monthly childcare fees are now over £1000, in 2013 this was the case in only three English regions.
- If childcare costs continue to rise at the same rate as they have done for the last five years, by 2026 nursery bills will have risen to £2,000 a month in London and reached the same level in the East of England by 2027.

Our analysis shows childcare and early years reform is desperately needed. The problems facing the childcare and early years sector are not new, but with the fall out of the pandemic and the cost of living and wages crisis we are at crisis point. As the cost of childcare skyrockets, real wages are falling at the fastest rate on record.¹

The TUC believes there are three fundamental issues within the sector that must be addressed.

- 1. There is a lack of affordable, accessible childcare and this has a significant impact on parental, and particularly maternal employment. The cost of living and wages crisis is exacerbating this.**

The lack of affordable childcare puts significant financial strain on families, impacting parental, particularly maternal participation in the labour market. The UK has the second highest childcare costs among leading economies, and it is estimated that 1.7 million women are prevented from taking on more hours of paid work due to childcare issues. Previous TUC research found that one in three working parents with children of pre-school age spend more than a third of their wages on childcare.

- 2. The childcare sector is underfunded, and provision and access are inconsistent and unequal. Lack of access to and provision of high-quality childcare has a disproportionate impact on low paid, BME and single parent families and families with a disabled child(ren) and/or parent.**

The UK spends less than 0.1 per cent of GDP on childcare, the second lowest in the OECD, and the Government's flagship policy of 30 free hours for 3-4-year-olds and some 2-year-olds is underfunded. Children from working class households are less likely to access high-quality early years provision than children from higher socio-economic backgrounds, despite standing to benefit the most from it. This impacts the well-being and development of children, worsening pre-

¹ [Average weekly earnings in Great Britain - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

existing inequalities and is compounded for single parent and black and ethnic minority (BME) families and families with a disabled child(ren) or a disabled parent.

3. Childcare workers are underpaid and undervalued, and the pandemic has compounded an already significant recruitment and retention crisis.

The childcare workforce is underpaid and undervalued, with poorer terms and conditions than other parts of the education sector. This was a problem before the pandemic but has worsened, and the sector is facing a significant recruitment and retention crisis.

A new deal for childcare and early years

A new deal for the childcare and early years sector must be part of a broader package of support for families that ensures every child gets the best start in life and support as they grow, and that no family is left worse off because they work and need to use childcare. This new deal must be underpinned by the principles of every family having access to affordable, flexible, high-quality childcare; a workforce that is well paid, well organised with good terms and conditions rooted in value and respect for the profession; and a well and publicly funded sustainable sector with children at its heart and a diversity of provision that delivers for children, parents, and workers.

Our policy asks to deliver a new deal for the childcare and early years sector are:

- Universal, flexible, high-quality childcare that is available to all from the point at which paid maternity or parental leave ends.
- A new deal for the childcare workforce, starting with a new sectoral minimum wage.
- A new social partnership forum in childcare, bringing together unions, government, employers as a first step towards a fair pay agreement that covers the sector.

Why reform is needed

Across the UK, childcare for pre-school aged children is unaffordable, inflexible and access to high-quality provision is unequal. The childcare and early years workforce are undervalued and underpaid in comparison with colleagues working in other parts of the education sector. Childcare workers are often employed with poor terms and conditions, The problems facing the childcare and early years sector are not new, but with the fall out of the pandemic and the cost of living and wages crisis we are at crisis point.¹

The TUC believes, there are three fundamental issues within the sector that must be addressed.

1. There is a lack of affordable, accessible childcare and this has a significant impact on parental, and particularly maternal employment. The cost of living and wages crisis is exacerbating this.

Working with Coram Family and Childcare Trust, our new analysis shows that:

- the cost of full-time childcare for parents with children under two has increased by nearly £3000 a year in England, since 2013. Rising from £11,285 in 2013 for a family with a child under 2 to £14,226 in 2021 - an increase of 26 percent.
- On average, monthly childcare fees are now over £1000, in 2013 this was the case in only three English regions.
- If childcare costs continue to rise at the same rates as they have done for the last five years, by 2026 nursery bills will have risen to £2,000 a month in London and reached the same level in the East of England by 2027.

Previous TUC analysis found that the cost of part-time childcare (25 hours) has risen by 44 per cent since 2010,² and one in three working parents with children of pre-school age spend more than a third of their wages on childcare.³

While women's participation in the labour market has reached record highs averaging around 72 per cent, we know that most part-time workers are women and that a lack of childcare acts as a barrier to women's activity and progression in the labour market. The UK has the second highest childcare costs among leading economies⁴, and it is estimated that 1.7 million women are prevented from taking on more hours of paid work due to childcare issues⁵.

The gender pay gap (currently 15.4 per cent) opens up when a woman has a child and compounds throughout women's lives as demonstrated by the gender pensions gap which is more than double the pay gap at 38 per cent.⁶ Mums also experience a motherhood penalty in the workplace, when their pay and progression is compared to women who don't have children.⁷

Universal, affordable, flexible, and accessible childcare is essential to rebalancing the burden of childcare more equitably and enabling women's equality and participation in the labour market. ONS data found that over half of mothers (56.2 per cent) said they had made a change to their

² [Cost of childcare has risen by over £2,000 a year since 2010 | TUC](#)

³ <https://www.tuc.org.uk/news/tuc-poll-1-3-parents-pre-school-children-spend-more-third-their-pay-childcare>

⁴ <https://data.oecd.org/benwage/net-childcare-costs.htm>

⁵ <https://wbg.org.uk/wp-content/uploads/2022/03/Childcare-and-gender-PBB-Spring-2022-1.pdf>

⁶ [What is the gender pension gap? | Prospect](#)

⁷ [The Motherhood Pay Penalty | TUC](#)

employment for childcare reasons compared with 22.4 per cent of fathers. Three in ten mums with a child aged 14 and under said they had reduced their working hours because of childcare reasons compared with one in 20 dads.⁸

2. The childcare sector is underfunded, and provision and access are inconsistent and unequal. Lack of access and provision has a disproportionate impact on low paid, BME and single parent families and families with a disabled child(ren) and/or parent.

Funding for the childcare sector has been a problem for some time and this, as well as access and provision have been exacerbated by the pandemic. Ofsted research found that between August 2020 and March 2021 there was a net loss of nearly 4000 childcare providers and over 14,000 childcare places.⁹

The UK spends less than 0.1 per cent of GDP on childcare, the second lowest investment in the OECD.¹⁰ The governments flagship childcare policy of 30 free hours (all 3- and 4-year-olds in England are entitled to 15 hours for free childcare, working families who meet certain criteria are eligible for a further 15 hours and some disadvantaged two-year-olds are entitled to 15 hours) has had mixed results and the government funding for these hours does not sufficiently cover the costs of provision. The cost of a government funded early years place for 3- and 4-year-olds was estimated on average to be £7.49 per hour by civil servants. In contrast local authorities receive on average only £4.89.¹¹ Many providers therefore rely on cross subsidisation which often means charging parents additional fees.

Under the current eligibility criteria, it is predominantly children from better off families who are entitled to the full 30 hours, 70 per cent of children who are eligible are from families in the top half of the earnings distribution, just 20 per cent of children from the bottom of the earnings distribution are eligible.¹² According to the Sutton Trust the development gap between better off and poorer children when they start primary school is already 11 months and there is strong evidence that closing that gap is at best stalling and may be widening.¹³

Coram Family and childcare research shows 57 per cent of local authorities in England have sufficient childcare for children under two years old, with 63 per cent saying they had sufficient provision for two years olds eligible for the free entitlement, and 59 per cent said they had enough provision to cover parents working full-time. Only 19 per cent of local authorities have enough provision for parents working atypical hours. Provision for 3- and 4-year-olds with either 15 hours (79 per cent) or 30 hours (73 per cent) entitlement is higher but all the above have declined since the pandemic. Before the pandemic around only a quarter of local authorities in England had enough provision for children with Special Educational Needs (SEND) and this has fallen further during the pandemic to 21 per cent.¹⁴

Provision only covers 30 hours a week for 38 weeks of the year, meaning parents working full-time must find alternatives or pay for additional childcare for the remaining 14 weeks. Research from

⁸ ONS (2019) Families and the labour market.

⁹ <https://wbg.org.uk/wp-content/uploads/2021/06/Briefing-Childcare-FINAL-version.pdf>

¹⁰ <https://www.progressive-policy.net/publications/women-in-the-labour-market-2>

¹¹ [New data shows ministers knew early years was underfunded | early years alliance \(eyalliance.org.uk\)](https://www.eyalliance.org.uk/new-data-shows-ministers-knew-early-years-was-underfunded/)

¹² <https://www.suttontrust.com/wp-content/uploads/2021/08/A-Fair-Start-Summary-Report.pdf>

¹³ <https://www.suttontrust.com/our-research/a-fair-start-equalising-access-to-early-education/>

¹⁴ https://www.coram.org.uk/sites/default/files/resource_files/Coram%20Childcare%20Survey%20-%202022.pdf

Coram Family and Childcare shows that families will have had to shell out £900 per school age child for six weeks of summer holiday childcare this year. That's around £500 more than the term time equivalent and a 5 per cent increase on last year.¹⁵

3. Childcare workers are underpaid and undervalued, and the pandemic has compounded an already significant recruitment and retention crisis.

Even before the pandemic there was a recruitment and a retention problem in the childcare sector. A 2018 report for the Education Policy Institute supported by the Nuffield Foundation reported providers citing issues with recruiting staff, and that the sector was facing a potential exodus as the workforce ages with little sign younger workers were entering the sector in adequate numbers. The same research also cited low pay and a high degree of financial insecurity for childcare workers as factors fuelling recruitment and retention issues.¹⁶ Early Years Alliance research from 2018 found that a quarter of early years workers were considering leaving the sector due to the impact of work on their mental health.¹⁷

These trends have been exacerbated by the pandemic. Research from the 'Childcare during Covid Project' found that during the pandemic of the childcare settings they surveyed, almost half of those that had taken action to stay operational had either changed staff contract conditions, permanently cut staff or not renewed temporary contracts.¹⁸ The same research found that childcare workers felt demoralised and ignored during the pandemic, unsurprisingly nearly 56 per cent of the childcare settings surveyed said they were finding it harder to recruit staff.¹⁹ Many childcare workers, particularly childminders have been pushed into financial difficulties. Childminder average pay fell from just over £17,500 pre-pandemic to £14,300, and 32 per cent reported earning less than £10,000 versus 13 per cent in 2018/19.²⁰ The number of childminders claiming universal credit peaked in 2020 but remains 3 times higher than pre-pandemic.²¹

Our recommendations for reform

Our vision for childcare is based on the following core principles:

- Every family has access to affordable, flexible, high-quality childcare; no one should be worse off because they work and need to use childcare.
- A well paid, well organised work force with good terms and conditions, rooted in respect and value for the profession.
- A well-funded, sustainable sector with the interests of children at its heart and a diversity of provision that delivers for parents, children, workers.

To deliver a childcare and early years sector that is rooted in these principles we need a new deal for childcare.

Our policy calls for:

¹⁵ [Charity criticises lack of UK summer childcare as cost rises to nearly £900 | Childcare | The Guardian](#)

¹⁶ <https://epi.org.uk/publications-and-research/the-early-years-workforce-in-england/>

¹⁷ <https://www.eyalliance.org.uk/mental-health-and-early-years-workforce>

¹⁸ <https://childcare-during-covid.org/final-report-essential-but-undervalued-early-years-care-education-during-covid-19/>

¹⁹ Ibid

²⁰ Ibid

²¹ Ibid

Universal, flexible, high-quality childcare that is available to all from the point where paid maternity or parental leave ends.

The briefing sets out some of the issues with the current 30 hours entitlement for 3- and 4-year-olds and some two-year-olds. But we know that the gap in provision for families with children under 3 is also a key issue that particularly impacts mothers. Any new deal for the sector must offer fully funded childcare from the point of need, which for many families is the point at which paid maternity or parental leave ends.

A new deal for the childcare workforce

Any reform of the sector must start with improving the pay and conditions of childcare workers, whether they are in formal childcare setting such as nurseries, or if they are home workers. This starts with guaranteeing a sectoral minimum wage for the childcare workforce.

Alongside the introduction of a new sectoral minimum wage, determined through negotiations between unions and employers, the TUC wants to see government take concerted action to fix the recruitment and retention crisis in childcare. A new workforce strategy must ensure all childcare workers are employed on good terms and conditions, have security and dignity at work, and a recognition of their skills with clear pathways to progress their career. The way to achieve that is through sectoral collective bargaining which should also cover:

- pay and progression, with pathways to progress and pay structures linked to skills, experience, qualifications, and job roles.
- Working time and holidays, with a right to minimum guaranteed hours; holiday allowance and pay.
- Work organisation, with agreement on safe staffing levels, sick pay and health and safety.
- Training and development, agreeing on skills and qualifications that are recognised across the sector and paid time off for workers access training opportunities.

A new social partnership forum in childcare.

Bringing together trade unions, government, employers, as a first step towards a fair pay agreement for childcare and early years workers.

ⁱ Under the current system all 3-and-4-year-olds are entitled to 15 hours of free childcare a week for 38 weeks (570 hours in total) until the child starts reception at school. Families may be entitled to a further 15 hours of free childcare a week if you are a single parent in work or if both parents in a couple work. To be eligible a single parent or both parents in a household must work at least 16 hours per week at the minimum wage (if under 25 years old) and the living wage (if over 25 years old). Household income must not exceed £100,000 to be eligible. Families with a two-year-old may be entitled to 15 free hours if they meet certain criteria which includes being in receipt of certain benefits (income support, JSA, ESA, Universal credit and household income is £15,400 per year or less, child tax credits and household income is £16,100 per year or less); if the child has Special Educational Needs (SEN) or is in receipt of disability allowance; or if the child is in the care of the local authority. Families in receipt of Working Tax or Universal Credit may be entitled to help with their childcare costs, often referred to as the 'childcare element'. Families in receipt of Working Tax Credit can get up to 70 per cent of

childcare costs covered up to a maximum of £122.50 per week for one child in childcare, or £210 for two or more children depending on individual circumstance. Single parents who work at least 16 hours a week, or households where both parents work at least 16 hours per week. To receive the childcare element of Universal Credit, families can get up to 85 per cent of childcare costs covered up to a maximum of £646 per month for one child in childcare or up to £1108 with two or more children. Single parent families are entitled if the parent is in work and in coupled households both parents must be in work, or families may be entitled if one parent works and one parent is unable to work because they are ill, a carer for someone else, or absent from the household. For both Working Tax Credits and Universal Credit costs are reimbursed, meaning families must pay costs upfront. (See Help with your childcare costs | Family and Childcare Trust for more information)

Methodology

Childcare costs are based on data from Coram Family and Childcare. The number of hours a parent would have to work to pay for 25 hours of nursery is the cost of childcare divided by the median hourly pay for parent of an under 2-year-old in 2021. Hourly pay for parents is taken from TUC analysis of the Labour Force Survey.

	2012 monthly (£)	2013 annual (£)	2021 monthly (£)	2021 annual (£)	Monthly change (£)	Annual change (£)	Percentage change (£)
England	940	11,285	1,185	14,226	245	2,941	26
East Midlands	909	10,911	1,096	13,158	187	2,247	21
East of England	923	11,081	1,316	15,788	392	4,707	42
London Inner	1,155	13,858	1,598	19,174	*	*	*
London Outer	1,155	13,858	1,313	15,758	*	*	*
North East	881	10,567	1,031	12,378	151	1,810	17
North West	799	9,591	1,033	12,391	233	2,800	29
South East	1,085	13,017	1,253	15,031	168	2,014	15
South West	982	11,785	1,147	13,758	164	1,973	17
West Midlands	840	10,080	1,157	13,885	317	3,805	38
Yorkshire and Humberside	890	10,682	1,048	12,578	158	1,896	18

* Data for average nursery costs in Inner and Outer London begins in 2016. The figures provided in this table for 2012 are for London as a whole. Therefore, comparisons cannot be made for nursery costs in London between 2012 and 2021. The table below shows a comparison of nursery costs in inner and outer London between 2016 and 2021:

	2016 monthly	2016 annual	2021 monthly	2021 annual	Monthly change	Annual change	Percentage change
London Inner	1260	15118	1598	19174	338	4056	27
London Outer	1148	13778	1313	15758	165	1980	14

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