

Who uses childcare in the UK and how much does it cost?

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POLICY BRIEFING

JAN 2024

Finding suitable, affordable childcare is a challenge for many families throughout the UK. Early years care and education is of societal interest because child development forms the foundation for future generations of citizens and workers.

Recent pressures, including the cost of living crisis, shortage of childcare workers, and the closure of childcare settings due to the Covid-19 pandemic, have made securing childcare even more difficult.

Using nationally representative data from the Generations and Gender Survey, a new large scale UK survey collected in 2022–2023, this policy briefing reveals the types of childcare UK families are using and the cost. Focusing on families with preschool-aged children (0–5 years), the findings show differences between families depending on socioeconomic situation.

Key Points:

- *Nearly 70% of parents of children aged 0–5 years report using some kind of childcare – either formal childcare, such as a nursery or day care centre, or an informal arrangement, such as a parent, relative or friend.*
- *The majority of formal childcare settings used are nurseries.*
- *Respondents who do not use any childcare are more likely to be from low-income households and have lower levels of education.*
- *On average, respondents reported spending £560 per month on childcare. A quarter of families spend £800 or more per month on childcare.*
- *The lowest income households spend an average of 20–30% of their household income on childcare compared to higher income groups, who spend approximately 10%.*

Introduction

Childcare is expensive in the UK, costing more than in other OECD countries. There is also a shortage of registered childcare providers, particularly not-for-profit providers who are heavily relied on by disadvantaged families and children with special educational needs. More than half of local authorities across England, Scotland, and Wales report insufficient childcare availability for children under two. Over 80% report insufficient childcare availability for disabled children (Coram Report 2023). Childcare shortages have been exacerbated by Covid-19 closures and the continued high cost of energy, food, and supplies. Registered childcare centres follow an early years curriculum that supports child development and school preparation, which all children benefit from, but particularly disadvantaged children. However, these types of childcare are often inaccessible to mothers in a low socioeconomic position due to cost and inflexibility (Meyers and Jordan 2006; Schaffnit and Sear 2017).

In the Spring Budget of March 2023, the government announced a funding package that will almost double spending on support for early years care and education by 2025. Part of the expansion includes the extension of “free childcare hours”. The government will reimburse childcare providers for a set number of childcare hours for eligible children aged nine months to school age. This expands on an existing scheme that currently funds hours for children starting from age three. However, the rate of reimbursement has been criticised by childcare workers and experts for being too low and not covering all costs, especially in the context of inflation and soaring energy prices. Even prior to the planned expansion, parent-paid fees of children who did not qualify for funded childcare hours (e.g. babies, children from immigrant families) made up any shortfall in government funding for childcare providers. Once funded hours are expanded to more children, and more families are eligible to claim them, it will be more difficult for childcare providers to offset low reimbursement rates.

It is widely predicted this will lead to further closures and exacerbate the childcare shortage problem. More affluent areas can charge higher parent-paid prices to offset the shortfall. However, deprived areas are expected to be disproportionately affected because they tend to have higher government-funded to parent-paid ratios, effectively creating childcare deserts. Work and minimum earnings requirements for funded hours further exclude low-income parents from government support.

In contrast, for-profit nurseries have expanded and were the only type of childcare provider to employ more staff in 2022 than in 2019. This expansion raises concerns that the increasingly privatised sector will be less accessible for disadvantaged children or those with special educational needs. These children often fare better in not-for-profit childcare settings which are held to higher educational standards, and are better regulated than for-profit ones which do not explicitly prioritise the needs of vulnerable children (Simon et al. 2022; Shaw et al. 2016; Hansen and Hawkes 2009).

The study

To better plan for the expansion of government-funded childcare hours, it is first useful to understand how parents use childcare now.

For parents of children aged 0-5 in 2022-23, we examined how much parents spend on childcare, and how it is used by families with different incomes. We used the UK Generations and Gender Survey, a large scale nationally representative online survey. Our sample includes all respondents who live with children aged 0-5 (n=1,057).

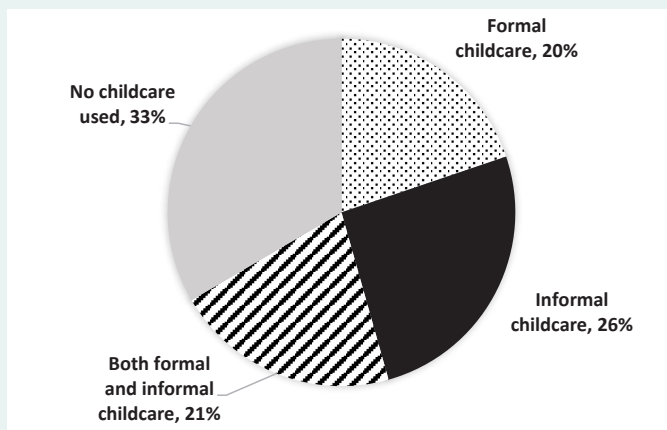
Respondents were asked “Do you regularly pay a childcare provider, childminder, or nanny?”, which we call formal childcare. They were also asked “Over the last 12 months, have you received regular help with childcare from relatives or friends or other people for whom caring for children is not their main job?”, which we will refer to as informal childcare.

The UK Generations and Gender Survey 2022/23

- Online survey of a representative sample of UK individuals aged 18-59.
- Designed to capture information on the complexity and diversity of modern relationships and family life.
- Collects detailed information about contraceptive use, childbearing, economic issues, and work-life balance.
- Over 7,000 respondents. Weights are used to take account of sampling and non-response.
- Part of an international series of surveys: The Generations and Gender Programme: www.ggp-i.org
- Allows comparative analyses with other countries to examine the importance of country context.
- More information on the UK Generations and Gender Survey webpage: www.cpc.ac.uk/research_programme/generations_and_gender_survey

Main findings

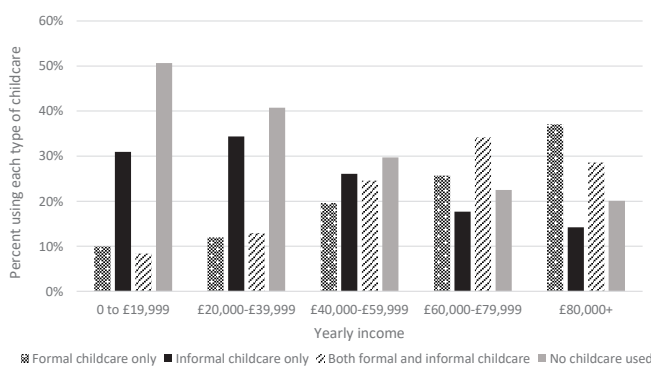
Nearly two-thirds of parents with children aged 0-5 use some form of childcare (Figure 1). About one-fifth use formal childcare only, while another fifth combine formal and informal care. About one-quarter of parents only use informal childcare. The third of parents who do not use any type of childcare are mainly those who are not in full-time work, while the remaining are on parental leave.



Source: Authors' own analysis of UK GGS, 2022-23

Figure 1: Use of childcare in families with children 0-5 years old

Childcare use differs substantially by household income (Figure 2). Those who have the lowest income are the least likely to use any type of childcare, especially formal childcare. Use of formal childcare increases as income increases, with parents in the highest income group most likely to rely on formal childcare only. Those in middle income groups often use informal care, or a mix of formal and informal care.



Source: Authors' own analysis of UK GGS, 2022-23

Figure 2. Distribution of childcare types, within each income group

Formal childcare

For respondents who said they use formal childcare, our survey asked which type of formal childcare they regularly use. Respondents could select more than one type of childcare setting, but the majority selected only one type, and nearly all of those who selected two options listed “nursery or preschool” for one of the two options. Most formal childcare occurs in nurseries and preschools (71%), followed by after-school care centres (11%), babysitters (8%), and day care centres (6%).

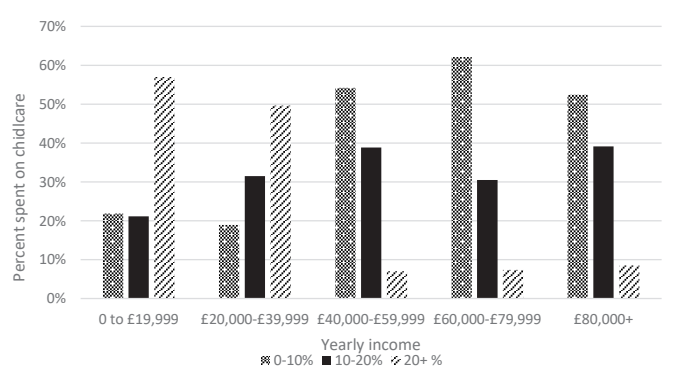
Cost of formal childcare

Respondents who pay for formal childcare spend on average £560 per month. However, a quarter of respondents pay over £800 per month and 15% pay over £1,000. Costs are reported for all children, not on a per child basis, which can explain some of the range of childcare costs across households.

As expected, higher income households tend to spend more on childcare than lower income households; note that, because higher income households in the GGS are also more likely to be dual full-time earner households, they would potentially need more childcare coverage.

However, lower income households who use formal childcare spend a larger percentage of their incomes on childcare, compared with higher income households (Figure 3).

The lowest two income groups spend an average of 20-30% of their household income on childcare, compared to higher income groups, who spend approximately 10%.



Source: Authors' own analysis of UK GGS, 2022-23

Figure 3. Percent of household income spent on childcare, by household income group

Policy implications

Our findings indicate that nearly two-thirds of parents with 0-5-year-olds in 2022-23 used some kind of childcare, either informal or formal. Nurseries and preschools were the most frequently used types of formal childcare. However, the lack of childcare use among one-third of parents raises questions about why use is not higher. Is it parental preference or due to disadvantage?

Looking at childcare use by parents' household income suggests that relying solely on informal childcare and not using any childcare at all may be a sign of disadvantage and not preference. The cost of childcare may be a deterrent, since more than half of lower income families who pay for childcare spend over 20% of their income on childcare. People who don't use childcare at all are more likely to be on low incomes. They also tend to not work or

not work full-time, which then keeps their incomes low. Lack of affordability may therefore be prohibiting low-income families from using childcare, and at the same time hinder parents' economic engagement. In addition, early years care deserts in disadvantaged areas may be restricting access to high-quality childcare.

Our findings are particularly concerning given that disadvantaged children and children with special educational needs benefit from exposure to early years curriculum, resources, and the socialisation available in high-quality formal childcare settings. So, while the government's commitment to increasing funding for childcare will be a relief to many families, we recommend higher reimbursement rates to childcare providers. Supply side issues should also be addressed to ensure that the income groups which need it most are not left out.

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Acknowledgements

The UK Generations and Gender Survey was funded under the Economic and Social Research Council award ES/V012770/1.

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