



Humpty Dumpty - A brief tour of the UK's broken childcare sector

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Parents in the UK spend more than any of their Western counterparts on childcare. Austerity measures are starting to be felt, a few Sure Start Centres here and there are closing and diversity and parenting groups are up in arms about the adverse implications for gender equality and our children's futures.

And yet the UK is leading the way in flexible working; more and more women are combining work and family effectively; and the childcare market in round terms has been generously funded. So how did we end up in such a mess and what can be done to fix it?

The simple answer, when it comes to childcare, goes like this:

- The Labour Government spent too much and what they did spend they spent badly.
- The Coalition still don't have any coherent policies around childcare - they need some, and quickly. It's fundamental to the winning the female vote which seems to have deserted them.
- There are some solutions but meanwhile the equality brigade should stop worrying about childcare and concentrate on the possibilities and potential of flexible working.

In reality, it's a bit more complicated than that...

The history

Childcare was one of the central themes of the new Labour Government. The driving force was the belief that quality affordable childcare for everyone would lead to massive long term benefits for the UK.

But what was the best way to fund the UK's childcare investment in its future? There were 3 main parts to Labour's Ten Year Childcare Plan:

- The Sure Start budget was increased 5 fold
- A generous system of tax credits was introduced to help those worst off
- And to encourage mothers back into the workforce childcare vouchers were, within limits, made tax exempt for employers and employees alike.

So far so good, but things quickly went awry.



Supply side madness

The people who cannot afford quality childcare are the poorest. So how do you help them specifically? The supply side experts won the intellectual debate and 3,000 Sure Start Children's Centres at a cost of £1.5 billion a year became part of the plan. Building a Sure Start nursery in a very deprived area is good for all concerned. But building one in a better off area already supported by good private nurseries is nonsensical. Running a nursery is difficult at the best of times. Throw a well-equipped Sure Start centre into the mix with higher paid staff and it's easy to feel sorry for the private nursery operators.

EYDCPs

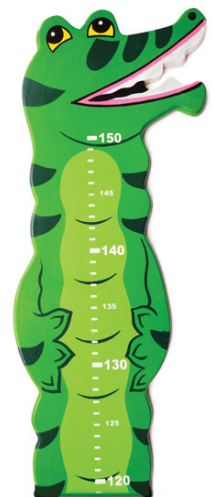
The way Labour gave out its Sure Start funding was shambolic. It gave enormous budgets to each Local Authority's EYDCP (Early Years Development Childcare Partnership). The money was completely ring fenced and Local Authorities were encouraged to have freedom to spend it how they wanted. Large budgets and commercial freedom was a dangerous cocktail for local authorities and soon it became ridiculous having all these EYDCPs doing their own thing badly. So gradually Government started telling them how to operate; that they had to work with the private sector; what they could and couldn't do. Confusion, bad management and waste on an enormous scale. Witness, for example, the £100 million wasted on Childcare Link - the Government's challenge to Google which was eventually and predictably rendered redundant.

Tax Credits - "No thanks"

Using the tax credits system to support the poorest working families was an administrative disaster. The paranoia around middle class families wrongly benefiting meant claiming tax credits was turned into an obstacle course. And of course the people who found the obstacles most difficult to navigate... Why, the poorest families in most need of the support in the first place!

...Any good news? Well, yes, some

- The quality of care, across the sector, is now generally very good. Nurseries are, on the whole, centres of excellence, and the childminders that survive are as good and passionate a group of professionals as you would want to meet
- Nannies, despite being completely ignored by the powers that be, have flourished. There are now 125,000 "nannies" working across the UK, and the headline grabbing salaries of the past have gradually come down. Eastern European childcare professionals and sites like nannyshare.co.uk have helped
- The childcare market is vastly more flexible than it used to be. There's still no easy solution to after school care but the variety and flexibility of childcare options has improved dramatically over the last 5 years
- And at least the Coalition has finally extended and simplified the free nursery entitlement for 2 year olds.



What about Childcare Vouchers?

Vouchers have worked. There are now close to 450,000 working parents who use them; nearly all large employers have schemes in place; the administrative costs of providing schemes has halved; levels of service are high; and the tax breaks available make a significant difference to a good number of parents.

And yet... vouchers seem unloved by the Coalition; the value of the tax breaks are under attack; the increasing number of voucher providers (24 currently and counting); the inability for the same system to be extended to the dependent care/eldercare market; and the tiny number of nannies who receive vouchers all suggest that it's a more complicated than it needs to be.

The employer debate

Should there be tax breaks for working parents and carers at all? The question is fundamental. If flexible working really is so great then won't employers support parents and carers anyway, irrespective of Government support?



We think that kind of thinking, which lurks not far from the surface amongst Coalition ranks, is fundamentally flawed. Here's why:

1. People who manage to combine care and career effectively are some of the most engaged and productive employees. Hundreds of businesses across every industry sector are proving that to be the case but there remain large tracts of the economy yet to embrace the possibilities of more flexible working. Wide ranging, generous incentives in the hands of employers would do wonders. And UK plc would benefit enormously from the resultant increases in productivity.
2. Demand side funding is the only effective way of getting money directly into the care sector. Give money to working parents and carers and it ends up in exactly the hands of the care providers with the flexibility, quality and costs of care that are most needed by the workforce. It's probably the only way to fix the childcare industry undone by so many years of supply side folly.
3. And tax breaks in the hands of working carers would go a good part of the way to plug the gaps in social care currently emerging. Helping working carers pay for the care for their elderly dependents is not only sensible it's also beautiful Big Society thinking in action. As the Economist once said "Come on Dave, give us the money!"

Solutions

It's difficult to believe that there will be any radical changes to the childcare sector until the Government has streamlined the benefits system; worked out what it is going to do to simplify the taxation of employee benefits; and agreed how much or how little of the Dilnot Commission on the funding of eldercare to take on board. Whilst that's frustrating it's probably sensible. But thereafter there's reason for optimism and the need for some courage:

- Childcare benefit, in whatever form that takes, should be aimed at the individuals who need it most and only them
- Sure Start funding should be cut
- The savings should be used to increase exponentially the tax breaks available to working parents
- And the definition of what constitutes "care" should be relaxed and extended.

Of course, to increase and extend the scope of tax breaks for working parents means Politicians becoming devotees of the belief that people who combine care and family effectively are the most engaged and productive members of the workforce. And relaxing the rules around care so that all forms of care might benefit goes against the grain of every civil servant who has ever taken a breath of air. Making those changes would require an act of faith and a drop of courage.

Can all of the pieces be put back together again...? We continue to live in hope rather than expectation.

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