



BRIDGING THE GAP:

WHY ACCESSIBLE CHILDCARE CAN  
REDUCE CHILD POVERTY ACROSS  
LONDON



4in10

# Childcare in London is not working

It's not working for the parents; it's not working for the children and it's not working for the workers. This isn't for lack of trying on the part of the thousands of people working in childcare. Nor is it a lack of public support. Public polling shows the value the British people place on early years educators and an acknowledgement that salaries are too low.

What then is the problem? London is an economic powerhouse in many ways. But it also burdens its residents with high living costs. Many families struggle to afford the essentials including food, utilities and a secure home. For many Londoners the cost of childcare has become *another* unaffordable essential. Early years settings face growing costs, a shrinking workforce and children with complex needs; all problems which are exacerbated by chronic underfunding from Government.

High childcare costs are a key cause of child poverty in London. In our 'Flying Against Gravity' report published in 2021, we reported that childcare costs were most frequently cited as the main driver of poverty in the city. Conversely access to high quality, affordable childcare is a major protective factor against poverty and can be instrumental in reducing inequalities; both through its role benefiting children's development and in supporting parents and carers to access employment and training.

It is clear that to end child poverty in London we need to address the childcare crisis. This briefing looks in more depth at three parts of the puzzle of how to do so:

- How fixing childcare can help reduce child poverty
- What we already know about the current situation
- What is already being done to fix the problem



## How fixing childcare can help reduce child poverty

Families experiencing poverty have so much to gain when early years education is made [accessible](#). This can only be realised if the service and price becomes suitable to families' needs. This ultimately requires investment from all levels of government (local, regional and national).

Childcare can be a way of reducing inequality, decreasing economic disadvantage and increasing opportunity and achievement. It could be a powerhouse of support for [children](#). But if it doesn't work or it continues to be unaffordable, the benefits will continue to bypass the economically disadvantaged. Targeted support for children [works](#). High quality early years education can support educational, social and emotional development for children in economically disadvantaged families, as the Sutton Trust has [shown](#). While the potential benefits have been established for several decades, the inaccessibility of childcare for many families on low incomes in London hinders the potential development of many children to be realised.

The authors of 'Tackling disadvantage through childcare' published by the Joseph Rowntree Trust and Coram Family and Childcare sum up the situation well when they assess the current childcare support offered to families by the government, 'The introduction of the 30 hours offer to children with working parents, and now the plan to expand this to younger children, has meant that these early education entitlements are becoming ever more focused on encouraging parents to work rather than supporting children's outcomes, particularly those most likely to fall behind their peers before starting school.'

We agree with the authors that high quality early years education and childcare provides benefits for all families, and those advantages can be even greater for families experiencing economic disadvantage.

If employers viewed childcare as part of, and integral to, taking care of their employees, they could become another voice calling for and contributing to childcare. Equally parents that can engage in training, stay in work or return after parental leave and resume their careers are more likely to earn more over time and be protected from financial instability. Investing in childcare is investing in the present and future workforce. Parents who want to work should be able to without facing costs that push them into poverty.

4in10 exists to support actions and policies that contribute to the end of child poverty across London. A robust, sustainable childcare system is integral to an anti-poverty strategy for London. Without it, we will struggle as a city to reduce inequality and tackle poverty. A childcare guarantee has the potential to boost parents' incomes and children's social and academic skills. It requires financial investment from government. It needs to be accessible to all families and should be widely available in local communities. When these things are true, families can benefit from the value of a quality early years education and London can continue to support families to grow and thrive across its boroughs.



# What we already know about the current situation

## The core problems are:

- Not enough funded hours
  - The government currently offers 15 hours a week for families receiving benefits with a 2-year-old and for all families with a 3 and 4-year-old. But this only works out to 570 hours a month for 38 weeks or about 2.1 hours a day across a 5-day week for a 52-week year. If a family is working and earning a qualified income, then families with a 3 or 4-year-old can receive funding for 30 hours a week for 38 weeks of the year.
  - If a family is receiving Universal credit, they might be eligible to have 85% of their childcare costs covered, but this is maxed out at £950.92 for one child or £1,630.15 for 2 or more children each month ([Childcare Choices | 30 Hours Free Childcare, Tax-Free Childcare and More | Help with Costs | GOV.UK](#))
- Funded hours are not paid at a high enough rate by the Government
  - The amount paid to fund the hours mentioned above is given to the childcare provider. But the financial amount does not equal the actual cost. This results in early years providers effectively forced into a deficit when participating in the government funding scheme.
- Not enough choice for parents both for general and particular circumstances
  - Parents need options that are affordable, accessible, can meet the specific learning and development needs of their child and able to offer hours that match their schedules in terms of other general responsibilities, employment and other children.
- The choices that are available are financially inaccessible to many families
  - This is an interesting area in which further data and discussion would be really valuable. There is ongoing [discussion](#) and [debate](#) about childcare [deserts](#). However, measuring provision is difficult. Local authorities across London produce sufficiency reports and Coram publishes an analysis of those reports each [year](#). What is difficult to determine is where these geographic deserts exist and how they link to deprivation and poverty. How do local authorities ensure that the areas in their borough with the greatest need are given the adequate provision and how can childcare deserts be measured and ultimately effectively mitigated?

## How are the costs covered currently?

- Out of pocket – parents may foot the bill themselves
  - The out of pocket costs vary across different settings and locations. Coram has released average figures for childcare. The average weekly cost for 25 hours of childcare at a nursery for an under 2 year old in inner London is £199.01 and £188.65 for outer [London](#). This translates to £796.04 a month for only part time cover. The average weekly cost for 3 and 4 year olds including the universal entitlements for 25 hours in inner London in 2023 is £81.03 and £69.77. When these hours are doubled to 50 hours, the costs rise to £160.37 in Inner London and £130.21 for outer London. This would mean that a full-time working parent using 50 hours of childcare for their 3 or 4-year old would annually pay £8,339.24 on average in Inner London.
- Entitlements from national government (can be through the DWP)
  - As described on the government's website ([Childcare Choices | 30 Hours Free Childcare, Tax-Free Childcare and More | Help with Costs | GOV.UK](#)) parents in specific circumstances can access funded hours. The only universal offer right now is 15 hours across 38 weeks for all 3 and 4-year-olds. Otherwise, parents must match other criteria to receive earlier or additional hours for their child. Recent changes for low-income families, who are also in qualifying paid employment, includes additional child's benefit increase (only for up to two children) and support for upfront childcare [costs](#). However, more support for younger children for families in

receipt of benefit support also means stricter conditions. Policy in practice summarises the increased requirements for parents who might want to participate in the increased entitlement offers, 'An increase in support for childcare coupled with a removal of protection from conditionality means that although barriers to work have decreased, the choice for parents whether working is best for their family has been taken away. Parents of children aged one and two will be meeting with their work coach more often, whilst parents of older children aged three to twelve who currently have lower conditionality will be asked to spend more time each week searching for [work](#).' This funding structure is explained in more details in reports including (IPPR and [Onward](#)).

- [Tax free childcare from national government](#) – through an online account system, parents can make contributions to childcare costs that the government tops up as long as the parent does not earn over £100,000.
- [Nursery providers](#)
  - Some providers offer free hours to families who aren't eligible for the 30-hour government scheme. This allows parents who are only eligible for 15 hours of funded childcare to double it. This allows parents who cannot work according to the specific conditions required under the governments' scheme to still access 30 hours of early years education. London Early Years Foundation scheme across its [nurseries](#).
- [Local Authorities](#)
  - Camden Council provides an enhanced offer of 30 hours to families who aren't eligible to access the national government 30-hour scheme. They demonstrate the role that local authorities can play in both offering practical guidance and support to families as well as an affordable childcare offer to families who otherwise cannot afford it.
- [Vouchers provided via employers](#)
  - There are some employers who provide childcare support. This can be in the form of a voucher managed between the employer and the early years provider or financial contribution from employer to employee towards the costs of childcare. We would welcome responses from readers of this review to share examples in which their employer contributes to childcare costs to understand how it is being offered through formal employee benefits.
- [GLA family hubs](#)
  - Between January 2018 and December 2020, the Mayor's office ran the Early Years Hubs Programme. Under this programme, the GLA established three hubs with an investment of £175,000 to fund services provided through local partners. The summary of this programme can be seen on the Mayor's [website](#).
  - The Mayor's office has played a role in establishing family hubs which provide support, advice and care for children. This model recognises the responsibility that the GLA has in ensuring children in London have equal access and opportunities to develop their abilities and sense of belonging in the city.

## Other key considerations with funding childcare

- [Nursery closures and staff leaving](#)

Early Years Alliance has reported that two thirds of [nursuries are at risk of closure](#). In addition, the workforce is underpaid leading to difficult financial decisions about the right career path given pay is crucial to managing living costs. Providers are struggling to [compete with other sectors](#), as shown by Trades Union Congress and Coram.

- [Underfunding by the government means costs have to be top loaded on to 'non-government funded places'](#)

This is best explained by the Early Years Alliance's interactive [explainer](#). The crux of the matter is providers have to offer the amount of hours the government has promised even though the government

isn't paying the full cost of those hours. But because the government has promised to parents that they are free, the only way for providers to make back their losses is to charge even more for the non-funded hours. This creates a complex market in which childcare is underfunded and parents are effectively forced to cover the deficit created by the government through their payment of non-government funded childcare hours.

- [Too expensive for most families](#)

Coram's [2023](#) Childcare survey showed that London has some of the most expensive childcare in the country. This translates into a particularly acute example of a national problem. It's simply the case that childcare is becoming financially inaccessible and not translating into a resource that children and parents can benefit from.

- [SEND provision not able to address the need](#)

There have been [many discussions](#) about the importance of providing education for children with special education needs and disabled children. This contributes to inequality and discrimination of children who have capacity to develop new skills when given the right environment and support. This is a crucial aspect of the childcare offer and one in need of greater investment.



# What is already being done to fix the problem

- GLA hubs

The Mayor of London's office has previously led on some work around childcare. Showing a concern for adequate and accessible childcare, the GLA hubs provided funding to partners. Important learning from the project can be found on the GLA [website](#). A key takeaway is the importance of relationships. Providers and local authorities need to work together to increase take up and parents need to feel respected, included and understood so they can make the best decision for their child. More collaborative working can improve the outcomes and support of children with special education needs and parents can benefit from employment support.

We would welcome ongoing investment into similar hubs all across London to help keep the ties strong between parents, providers and local authorities to allow for improved service provision and local need to be met with community-based support.

- Consultations

All across 2023, the House of Commons Education Select Committee has received evidence from many experts and stakeholders across the childcare [sector](#). They have published a [report](#) which summarises their conclusions and recommendations. They agree with the sector's consensus that the changes needed are significant and urgent.

- Entitlement Expansions

The government has made announcements in the Spring Budget to progressively increase the hours offered for younger children as well as support to cover upfront costs for those receiving childcare support through universal credit. While the latter announcement is a strongly welcomed change, the expansion of free hours to younger children has received criticism and concern on its [feasibility](#).

- Coalitions and research (EYEC) Nuffield research and our own

Our ongoing [research](#) is one amongst several important and much needed projects taking place. The Nuffield Foundation, UCL and Coram are engaging in research on why some families do not take up [entitlements](#). Their research will help inform our own and highlight the importance of understanding how experience varies across regions. [The Early Education and Childcare Coalition](#) represents dozens of organisations who are working to create a collective, united voice that advocates for the improvement of the sector. Being a member of this organisation has helped us develop our awareness of the complexity of the problems as well as the brilliance of many who are working to create change. Post-Pandemic Childcare Coalition brings together early years workers, childcare providers and parent campaigners who want to see the needs of all children to be prioritised within community-centred forms of [childcare](#).

# Conclusion

This briefing has focused on the situation for London's low-income families. This particular social group is extremely diverse. Families experiencing poverty may also be faced with insecure migrant status, insecure employment, racism, disability, illness (both physical and mental) and other personal circumstances that limit their ability to access a suitable income either through paid work or an adequate social security system. High quality, accessible childcare could help alleviate these challenges and provide additional support to families who are seeking early years professional guidance and intervention.

Our future work on this issue will draw upon the experiences we are currently gathering from parents living on low-incomes in London to call for effective policy changes at all levels of government to ensure a sustainable approach is taken that serves these families and many like them across London.

