The London Childcare Market

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The 2010 LDA commission

• April 2010 LDA brief notes lack of access to high quality affordable childcare a key barrier to work for London’s parents; parental employment a route out of poverty

• LDA brief requests: “a full and detailed analysis of the nature of any market failures in the market for childcare”

• Report, based on secondary analyses, published February 2011, number 5 in LDA Labour Market Research Series
The 2011 LDA report

• Profiles London’s Ofsted registered under fives childcare market, except:
  • early education provided in schools, informal childcare, holiday provision for children aged 5 upwards, crèches and private nannies and au pairs
• Explores whether market failures create barriers to accessing childcare in London
• Looks at the 5 “major barriers” to childcare access:
  • Availability, price, flexibility, quality, information
Focus on market failures and equity failures

• Market failures versus market outcomes
• Market failures and government intervention
• Equity objectives and equity failures
• Equity failures and government intervention
Conclusion: equity failures

- Unequal childcare availability and fee variability
- High costs may be barrier to part-time employment in particular and for mothers
- Strategies to reduce London equity failures need to be highly targeted
- Price differentials with rest of England largely due to higher staff and accommodation costs; no across the board offsetting rise in early education funding
- Nationally, flexibility barriers affect lone parents more
- Nationally, access harder for disadvantaged groups
- Nationally, childcare quality worse in poor areas
The size of the London childcare market

- South East: £1.1 billion (19.5%)
- North West: £0.7 billion (13%)
- East: £0.6 billion (11%)
- West Midlands: £0.5 billion (9.5%)
- South West: £0.5 billion (9%)
- Yorkshire: £0.5 billion (8.5%)
- East Midlands: £0.5 billion (8%)
- North: £0.2 billion (3.5%)
- London: £1 billion (18%)

Source: Laing and Buisson
Childcare places in London have fallen in recession, but not as badly affected as others

Impact of Recession in 2009 on Nursery Business Performance, London and UK

Source: Laing and Buisson Survey of Children's Nurseries
London profile compared to England

- Between 2003-2008 provision grew more strongly
- Childcare groups (operating 3 or more settings) similar to rest of England
- Childminder places similar at around 22% average
- Higher levels of out-of-school provision
- Lower levels of day nurseries, playgroups/pre-schools
- Fewer third sector and more public sector centre-based provision
Availability of provision for under fives

• London’s childcare supply density (number of childcare places per child) nearly 18% below England average
• Supply density day nurseries 25% and in part-time settings 36% below England average
• Combined supply density for early education and childcare 13% below England average,
• London highest occupancy rates of all regions
• Relationship between female labour market trends and childcare supply density, but not type
...there has been strong growth in available supply – particularly in deprived parts of East London...

Source: Laing and Buisson, 2009
...although more deprived areas still have relatively low supply density of places

Source: Laing and Buisson, 2009
Childcare fees in London are significantly higher than the national average. They also vary significantly within London.

Regional and London childcare fees per hour
Higher staff costs and accommodation costs – and no offsetting rise in local authority free entitlement payments - explain the price differential between London childcare and childcare elsewhere in the country.
Childcare costs are of differing importance depending on parents’ circumstances

Difficulty in paying for childcare (England)

Base: All who used paid childcare in reference week

Source: National Centre for Social Research, 2009
Flexibility, quality and information barriers to childcare take-up

- Insufficient London specific information available for report
- Data used from National Centre for Social Research (2009) survey:
  - Among employed mothers 63% work atypical hours; substantial minority report childcare problems
  - Among parents, 40% consider childcare quality ‘poor’ or ‘not sure’
  - Information barriers mostly for lone parents, families with low or average income, or living in the most deprived areas
Levels of informal childcare use

• Informal childcare use in London 20% compared to 33% average for all Government Office regions; analysis excludes nannies and au pairs
  \((\text{National Centre for Social Research, 2009})\)

• Labour Force Survey and Childcare Sufficiency Assessments suggest Greater London parents more likely to use nannies than other UK parents. Kensington and Chelsea’s 2008 Childcare Sufficiency Assessment: 15% cent of households with children under 15 using nannies and au pairs, in Haringey 8.6%
  \((\text{Rutter and Evans, 2011: p 26})\)
Some other significant issues

• In London problematic relationship between housing costs, income, tax and childcare subsidies
• Public and family attitudes, ethnicity and culture affect childcare choices
• Childcare preferences differ from early education preferences
• Nationally, free early education benefits 93% of 3 year olds
• Internationally, level and type of public funding and regulation correlate with quality and sustainability of childcare systems
• Flexible delivery of 15 hours free early education may promote (part-time) employment
Three year olds benefiting from early education, DFE Jan 2011

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<thead>
<tr>
<th>Type of provider</th>
<th>Inner London</th>
<th>Outer London</th>
<th>All London</th>
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<tbody>
<tr>
<td>Private and voluntary providers</td>
<td>12,840</td>
<td>28,720</td>
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<td>Maintained nursery schools and classes</td>
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<td>Infant classes in primary schools</td>
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<td>Independent schools</td>
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<td>All providers</td>
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References


