

EXPANSION OF 30 HOURS FREE CHILDCARE

Will it work as the Chancellor hopes?

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24 MARCH 2023



The [Spring Budget](#) included a £7 billion package of support to enhance labour supply, seeking to address the recent increases in inactivity among the working age population.

One of the cornerstones of this package was the dramatic extension of 30 hours free childcare for working parents to children from the age of nine months. While this may have substantial benefits for parents wishing to work, we consider a number of challenges facing the successful implementation of the policy.

How will parents respond?

This extension in free hours could be a game changer for parents considering their work and childcare options. Critically, it bridges the gap in free provision for working families between the end of paternity leave to the start of the existing free hours when a child turns three. For the first time, there will be a simple, single, consistent and substantial package of support for working parents which covers the entire preschool years. So how will parents respond?

Some parents will work and use care as they would have done otherwise, but will benefit financially from not have to pay so much for childcare. Other working parents may start using free formal care such as nurseries or childminders rather than other arrangements with family or friends which could have positive impacts on their child's development.

A final group may respond in the way the Chancellor hopes by deciding that the [free childcare](#) makes it worthwhile to work (or to work more hours). Indeed, Frontier's evaluation of the initial rollout of 30 hours free childcare for three and four-year-olds concluded that the main reason that most parents (especially mothers) used the free hours was to support them working. The [OBR's](#) economic and fiscal outlook, published alongside today's Budget, concluded that this extension of free childcare could lead to an additional 60,000 parents being in employment by 2027-28.

On the face of it, this seems to be a win-win all round: parents could be better-off and the Chancellor achieves a boost to the aggregate workforce. The Treasury might even reap a considerable return on its investment through higher tax revenues from additional employment. But is it that straightforward?

Will the policy work?

The expansion will mean that childcare providers have additional access to a reliable source of income and may see an increase of demand. This should support financial sustainability and could lead to an expansion in places. But there are two major challenges.

First, providers have frequently reported that the [funding rates](#) for free hours are too low to cover the costs of delivering them, leaving them to rely on cross-subsidies from parents who pay fees to make free provision viable. Extending the free hours to younger children will have substantially reduce the ability of providers to cross-subsidise the free hours. Hence, sufficient

(probably considerably higher) levels of funding for the free hours will be critical to ensure it is financially viable for providers to offer them.

Second, the childcare sector, like many areas in the economy, is facing problems with [workforce recruitment](#). Maintaining [current levels](#) of provision is a struggle for some providers who cannot find the staff they need. Further expansion may simply not be possible without an expansion in the supply of suitably skilled carers.

Will all children benefit?

There is evidence that more time spent in high quality formal care can boost childhood development, particularly for children from disadvantaged backgrounds. However, the 30 hours free childcare is only available for working families, meaning that some of the most disadvantaged children cannot access the hours, potentially exacerbating lifetime inequalities. Even for children who do benefit from the additional free hours, there is a risk that additional financial pressures on providers or workforce shortages may lead to compromises on care quality, reducing the positive impacts for children.

What would help ensure success?

A key requirement for the extension to succeed is an adequate funding rate to ensure financial sustainability to deliver the additional free hours. Identifying the appropriate funding level will need careful research if the policy also seeks to make best use of available funds by not overspending. A second requirement is support for workforce development, both to ensure provision can expand if needed and to maintain (and, ideally, enhance), the quality of carers responsible for the development of our very youngest children.

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