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# Early years: Public spending and public policy

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Economic  
and Social  
Research Council



# The 'three Cs' of early years



**Complicated**

**Costly**

**Constantly changing**

## **The free entitlement**

1. Universal free entitlement (15 hours) – all 3- & 4-year-olds
2. Extended entitlement (+15 hours) for 3- & 4-year-olds in working families
3. Means-tested early education (15 hours) – 40% most disadvantaged 2-year-olds

## **Relief through the tax system**

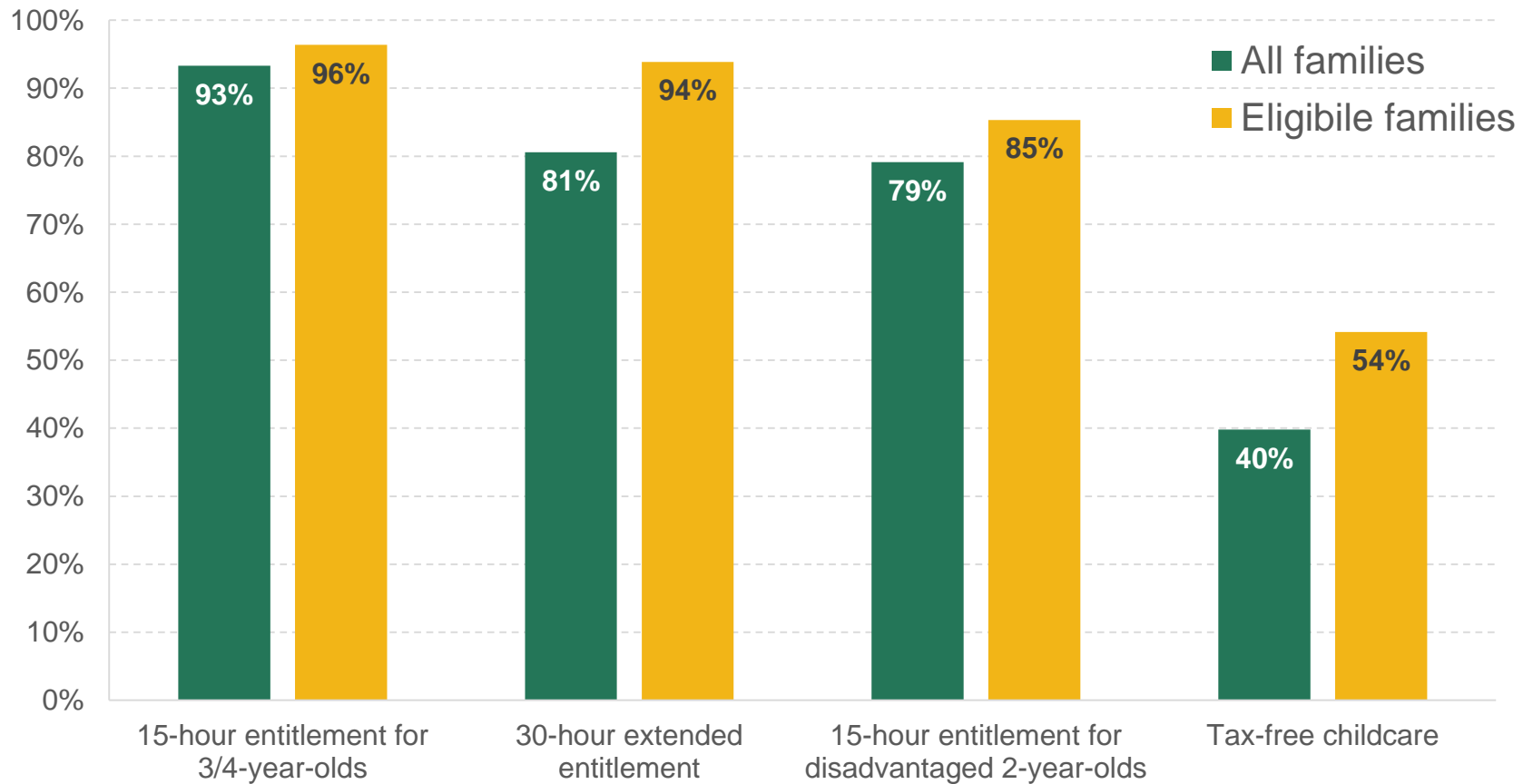
4. Employer-supported childcare (e.g. vouchers) – tax & NICs
5. Tax-free childcare – relief from basic-rate tax
6. VAT exemptions for (some) childcare providers\*

## **Support from the benefits system**

7. 70% reimbursement through legacy benefits
8. 85% reimbursement through Universal Credit

# Complicated

## Awareness of gov't support programmes for ECEC (2019)



Source: Figure 3.1, Farquharson and Olorenshaw (2022). Based on data from the Childcare and Early Years Survey of Parents (2019).

# The 'three Cs' of early years



## **Complicated**

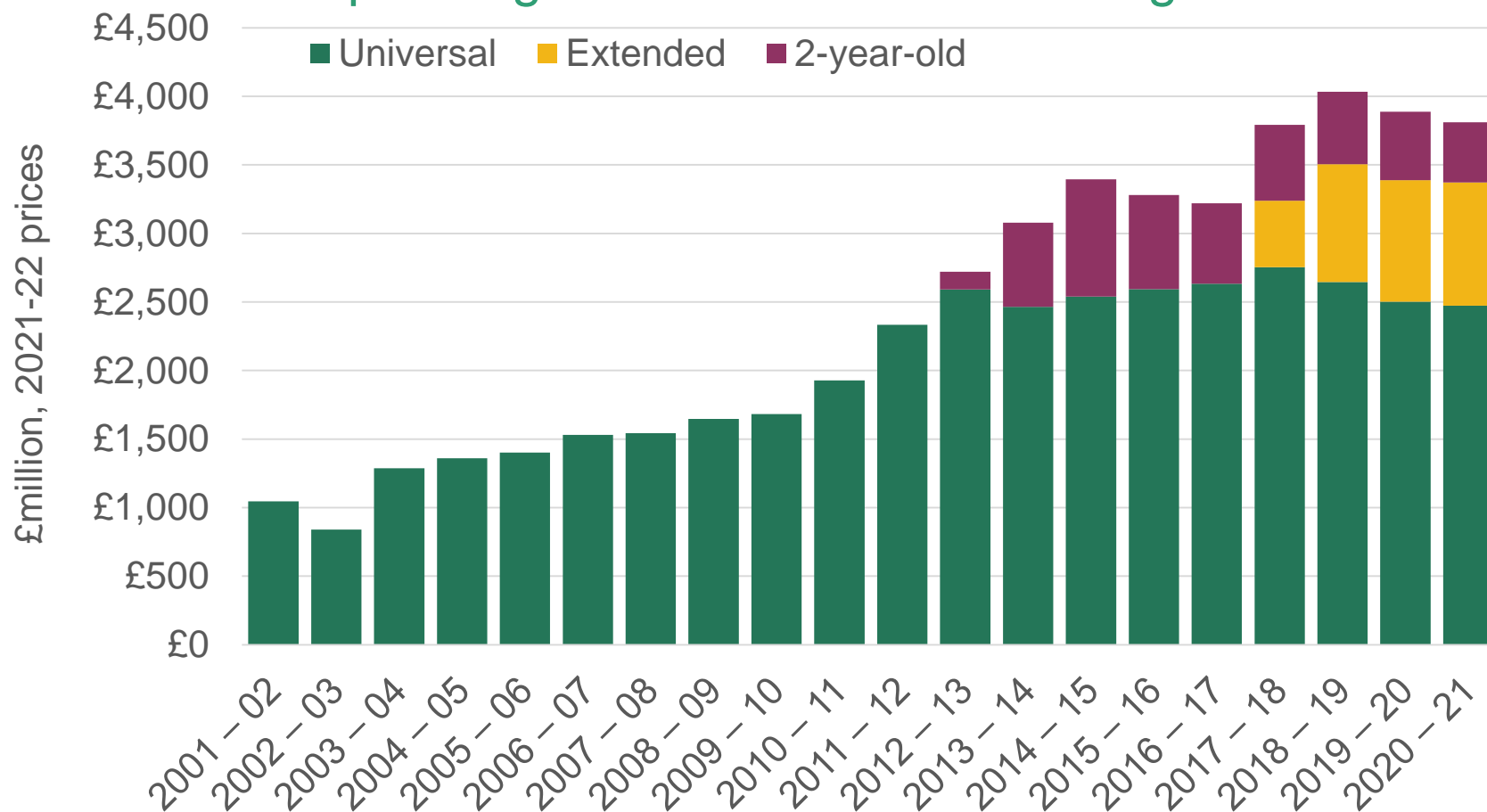
- At least 8 different programmes to support childcare
- Very low awareness/take-up of some of these → families missing out on support

## **Costly**

## **Constantly changing**

# Costly – to government

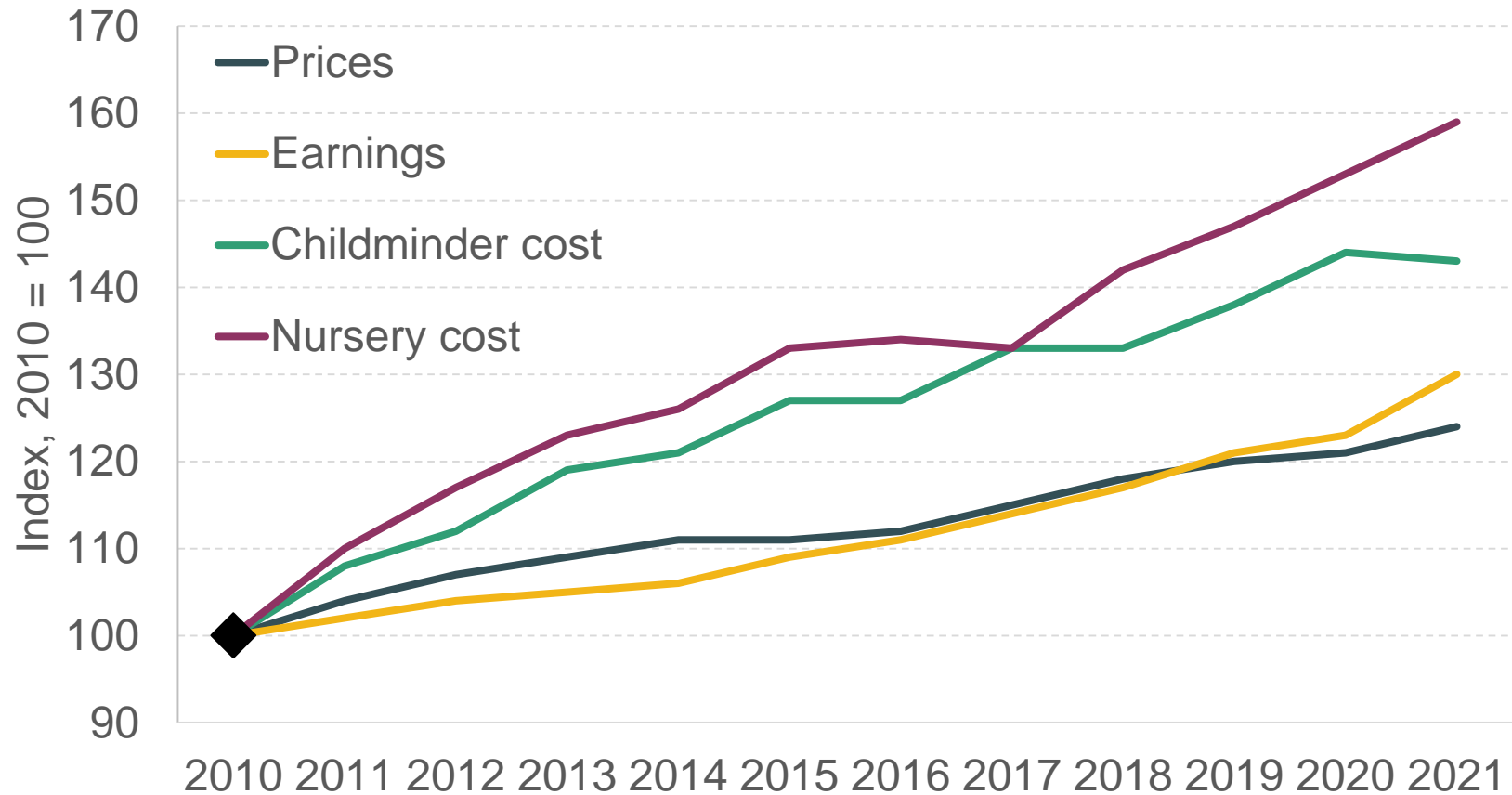
## Real-terms spending on free entitlement in England



Source: IFS education spending microsite – [“Early Years”](#).

# Costly – to (some) families

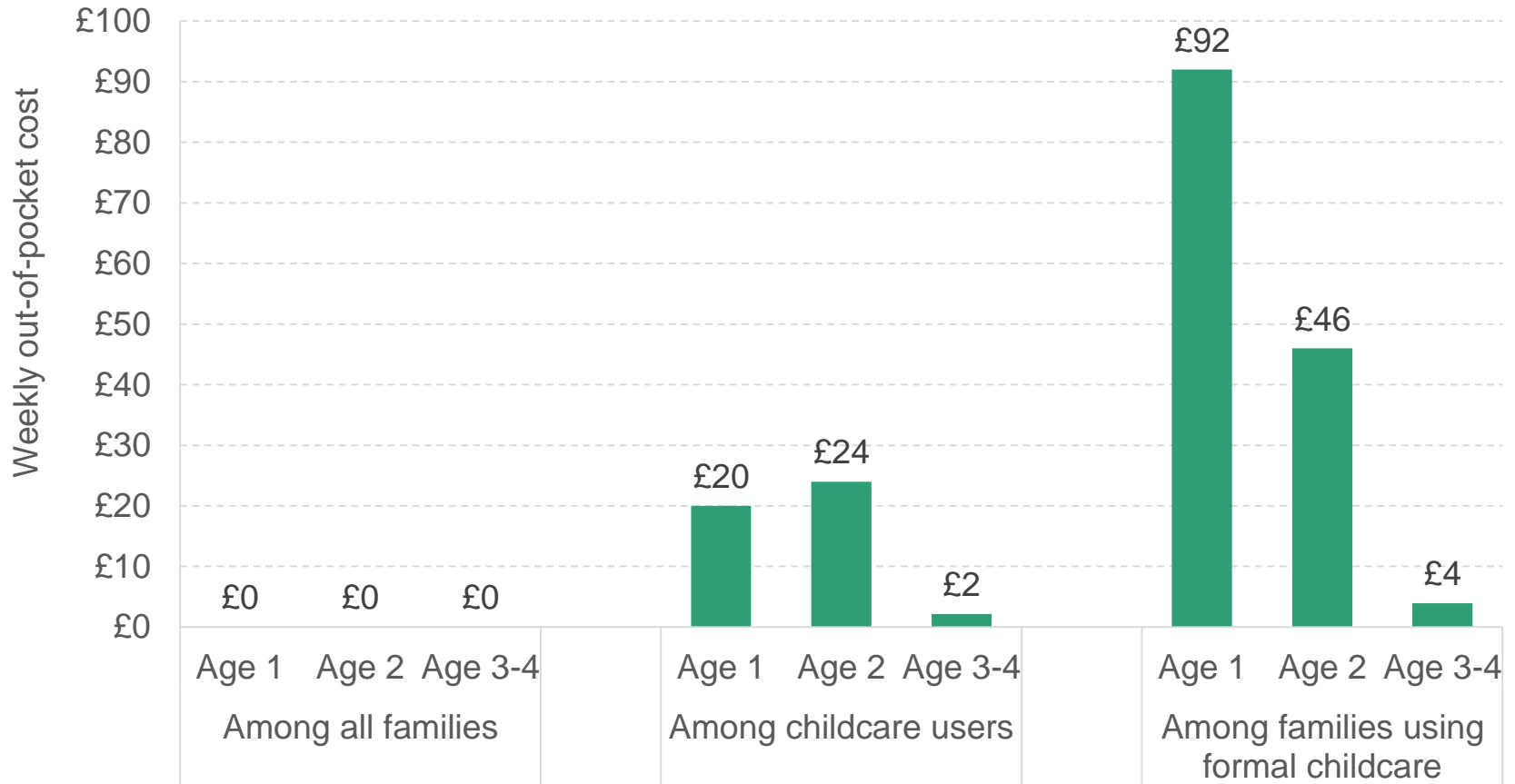
## Part-time childcare prices for 0- and 1-year-olds



Source: Figure 2.10, [Farquharson and Olorenshaw \(2022\)](#). Based on data from Coram Family and Childcare.

# Costly – to (some) families

## Median weekly cost of formal childcare (2019)



Source: Figure 2.3, [Farquharson and Olorenshaw \(2022\)](#). Based on data from the Childcare and Early Years Survey of Parents (2019).



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## **Complicated**

- At least 8 different programmes to support childcare
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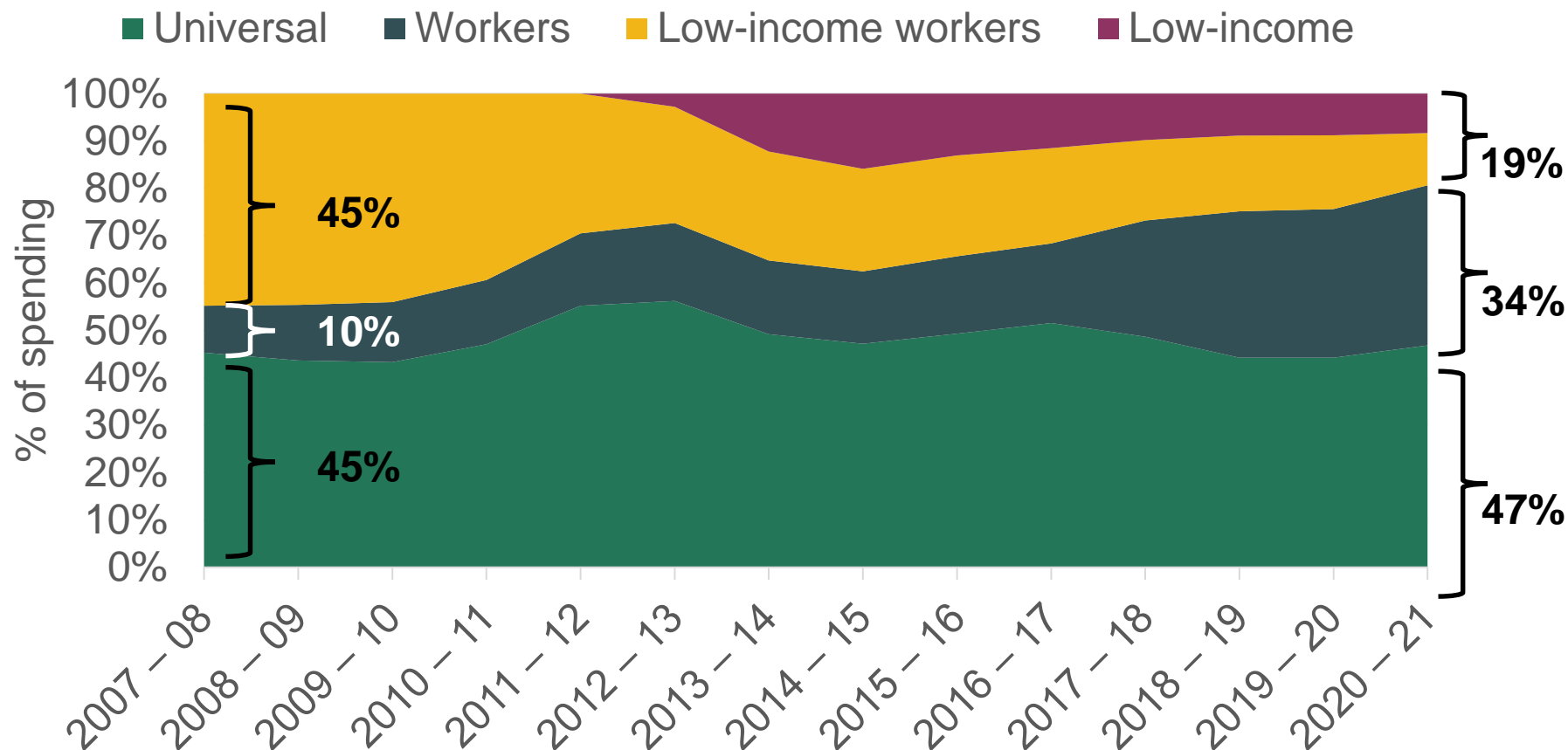
## **Costly**

- Most families pay nothing for pre-school childcare
- But a minority face very high costs

## **Constantly changing**

# Constantly changing

## Share of childcare spending targeted at different groups



Source: IFS education spending microsite – [“Early Years”](#).

# The 'three Cs' of early years



## **Complicated**

- At least 8 different programmes to support childcare
- Very low awareness/take-up of some of these → families missing out on support

## **Costly**

- Most families pay nothing for pre-school childcare
- But a minority face very high costs

## **Constantly changing**

- Emphasis regularly shifts between 'early education' and 'childcare'
- Major shifts in targeting of spending over the last two decades (even as overall spending grew substantially)

# Tackling the ‘three Cs’



## **Complicated**

- New programmes aren't the only answer
- Effort also needed to maintain & strengthen existing programmes

## **Costly**

- Huge diversity of experiences – one size does not fit all
- Understanding financial pressures

## **Constantly changing**

- Piecemeal reforms aren't a substitute for a long-term strategy
- What outcomes do we want our early years system to deliver? Why?

## **Comprehensive**

- The early years is much more than childcare: the whole ecosystem of services matters

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