2. Where are women in Scotland’s labour market?

This is the fifth in a series of WiSE Briefings. Other WiSE Briefings:

- Research, consultancy and knowledge transfer activities. Our work is focused on promoting equality.

- Women’s contribution to Scotland’s economy through high quality childcare and early years education, including not only the construction of new nurseries, but also the staff costs incurred in operating them, is an investment in the future.

- This is because today’s spending generates a stream of benefits for the next generation. Both in the short run, the medium run and the long run. It is only when the rate of economic growth is not fast enough to create enough jobs that population growth will be above replacement rate. Countries with high rates of female employment such as Denmark, Norway, Sweden and Finland have lower fertility rates.

- According to recent research in Norway the availability of high quality affordable childcare leads to more women making the transition to motherhood (Rindfuss 2007). The availability of childcare services to child development and socioeconomic integration (EC, 2009:7)

- In the medium term, when demand has been boosted and recovery is underway, there are benefits from this investment in childcare provision via a positive impact on female labour force participation, as mothers are more likely to participate in the labour market when affordable quality childcare services are available. A UK government report in 2006 suggested that about half of non-working parents mainly women would enter the labour market if they could obtain good quality, affordable and reliable childcare (Bryson 2006). The employment of mothers in the UK lags behind the employment of mothers in many other OECD countries (Plunkett 2011:10). The difference is related to public investment in childcare.

- “Publicly funded childcare has, in general, been shown to have a small but significant positive impact on fertility and large significant positive effects on female employment, though more recent studies have suggested declining marginal returns in countries with very high levels of provision. Affordable childcare has also been shown to have positive impacts on women’s share of earnings within the household and long-term positive impacts on post-childbirth earning potential.” (Plunkett 2011:14)
2009 the fertility rate in Scotland was 1.77 below the replacement level of 2.1. In Scotland there are now more people over the age of 65 than there are under the age of 15.

"The dependency ratio is set to increase more rapidly in Scotland than elsewhere in the UK. Although in migration can compensate for a low fertility rate of labour force participation is a long-term solution as the behaviour of migrants in long-term
development is far from certain." (Scottish Government 2010:315)

Enabling mothers to enter the labour market through the provision of accessible, affordable, and high-quality childcare can help to take families out of poverty, and reduce gender inequality in earnings. Thus investment in the childcare sector has a positive impact in the medium term on almost all of the high level targets in Scotland's National Performance Framework but particularly four, five and eight. In addition, a higher level of female labour force participation, economic growth and productivity produces more tax revenue which helps to fund the increased investment in childcare. If Scotland could replicate the female employment levels in Denmark and Norway an additional 173,000 women would be in work in Scotland. So you could argue that additional investment in childcare provision which is seen as a socially desirable measure is a win win investment because market participation would be more than pay for itself in the medium term.

In the long run, there is a return via the positive impact on children on their education, health, behavior and future earnings with the biggest impact on the most deprived in society. This is in turn means, other things being equal, a positive impact on participation in the labour market, economic growth and productivity, reductions in poverty, and ultimately increased real earnings and healthy expectancy. It will result in reductions in the kids of expenditure incurred to provide services to socially excluded people who have not had a good start in life (such as crime and premature death and disease) and increases in tax revenue from the gainful employment of more people especially women. A recent study has shown that the returns to investment in pre-school programmes of early childhood education are even higher than returns to investment in school education. The economic and empirical evidence see paper by Nobel Prize winning economist James Heckman (2008) and other resources on www.heckmanprogram.org). This is because, brain researcher have shown that the most rapid development happens faster in the early years of life, and slows with age; later investments in schooling do not make up for the potential losses in early childhood. The gains of investment are greatest for the most deprived children. In addition to the educational gains (which lead to gains in earnings), early childhood education is also associated with a likelihood of risks behaviors, that are detrimental to health, and increased civic and social engagement. Of course, preschool care and early education must be high quality if this is to be achieved. The quality of childcare refers to aspects that contribute to the social, emotional and cognitive development of children, although difficult to measure. The quality of childcare must be high quality to obtain these desirable impacts (OECD, 2012).

The quality of childcare refers to aspects that contribute to the social, emotional and cognitive development of children, although difficult to measure. The quality of childcare must be high quality to obtain these desirable impacts (OECD, 2012). Of course, preschool care and early education is a prerequisite to increased female labour market participation. If Scotland could replicate the female employment levels in Denmark and Norway which was 68% and 57% respectively in 2009 the fertility rate in Scotland was 1.77 below the replacement level (Scottish Government 2010:37)

In the UK public spending on families is dominated by cash benefits rather than childcare services in countries with the highest female employment rates the opposite tends to be the case. (Plunkett 2011: 40). It is worth noting that around £140 billion in cash benefits and 24% on childcare services. In Denmark 55% of public expenditure on families was for childcare services and 45% for cash benefits. This is despite the fact that the spending for female employment in the UK is part-time. By contrast, all countries with high female employment have high childcare employment rates provide some form of full time support. Both forinks and child-care for three and four year olds, and public expenditure is correspondingly higher.

Scotland stands out as a model to learn from (Gambarr, Stewart and Waldogae 2013). Most provision is public, with only a small proportion of the total expenditure on childcare being private. This is a reflection of the likelihood of risk-by-risks, that are detrimental to health, and increased civic and social engagement. Of course, preschool care and early education must be high. But it is also a reflection of the lack of resources to support this investment, especially for the lowest income children, where the provision of high quality care is likely to be most pronounced. In addition, in all these countries the rate of income taxation varies with the quality of the care and education provided, as suppliers have an incentive to improve the quality if they anticipate market forces when the care and education is provided. All of this means that there is an indispensable role for the state in regulating the childcare sector and providing funding to support investment in this sector.

Models of state supported childcare provision

Governments differ in the type and degree of support they provide for investment in the childcare sector. As well as regulation of the quality and the supply of childcare, government can directly provide childcare through direct support of public services and /or through financial support for parents to purchase to public and/or private provided services. An OECD report distinguishes a model of maximum private responsibility, in which it places the UK and the USA, and a model of maximum public responsibility, into which places the Netherlands and Norway (OECD, 1992). The other OECD countries lie on a spectrum in between these models.

The characteristics of the maximum private responsibility model are:

- to provide a safety net of child care for the lowest income families and as children as risk of physical abuse or neglect
- to encourge the use of private or voluntary services (through measures like subsidies, tax credits, and welfare benefits which enable parents to purchase care)
- to regulate for a minimum level of quality for childcare and early education

Entitlement to hours of free early years education has been expanded in the UK, but, as detailed below, the system is still far from the maximum responsibility model.

The characteristics of the maximum public responsibility model are:

- Majority of child care facilities operated by the public sector
- Free access to lower income parents, fees charged to higher income parents
- Aim to is to create an integrated system linking employment, education and childcare services

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Issues

There has been a growing recognition at a UK and Scottish government levels of the economic benefits of increased child care provision. As a result the beneficial employment effects of increasing expenditure on child care is likely to outweigh the last 15 years. However there has been tendency to concentrate provision on 3-4 years old with an assumption that childcare becomes economically viable as children enter school. Consequently out of school care has not been afforded the same level of investment or support as early years childcare. However the economic benefits from out of school care are just as important as the economic benefits of early year care particularly in relation to female labour market participation. Therefore in order to maximize the economic benefits over the long term childcare should not be regarded as just about the provision of pre-school care but rather about ensuring wrap around care which includes out of school provision.

Despite the provision of some free childcare for 3-4 years old the UK and Scotland have some of the highest childcare costs amongst the advanced economies. The cost per child of childcare as a percentage of net family income among OECD countries, Switzerland was the most expensive. (OECD Doing Better for Children 2011) In Scotland, the maximum benefit for childcare for over two’s is £49.52 which is the equivalent of 56% of the average part-time salary, so if you had two children in nursery the costs would be 113% of the average part-time salary (Daycare Trust 2012 ONS, 2012).

The cost of childcare for some parents can be reduced through the Working Tax Credit and childcare vouchers. However the operation of the system, which is currently in operation, is not working to the benefit of low income families progressing to a better paid job because of the implications for welfare benefits. For example in the UK second earners lose £68 of every additional £100 earned through the childcare cost which is paid to the government. These childcare costs are, and not dependent on employer participation. Lone parents or couples with more than one child will gain more from the new childcare cost scheme as the qualifying scheme is aimed to stay in it. This scheme will costs £750million and the government estimates that it will reach 2½ million families as opposed to the 1½ million using vouchers under the current scheme (HM Treasury, 2013).

3) Budget 2013 also announced that from 2016 support under Universal Credit will be increased to 85% of eligible costs for parents who pay both tax income. The government will consult as the exact levels but it is envisaged that the scheme could start from May 2016.

Issues

YouGov polling showed that people on lower incomes are less able to pay for childcare which means that they have a high negative impact on the cost of childcare. Nearly half of parents earning less than £20,000 consider cost an important factor when choosing childcare, compared with 34 per cent of people earning between £21,000 and £40,000 (Waldogae, 2013) and there is already evidence that children living in the most deprived neighbourhoods are receiving poorer quality childcare than those in more affluent areas. Only 46% of nurseries and child minders in the most deprived areas of the country were judged ‘good’ or ‘outstanding’ by Ofsted, compared with 79% in the country as a whole (Waldogae, 2013)

Childcare provision in Scotland

Since the launch of the Childcare Strategy for Scotland in 1998 the provision of affordable, accessible, and high quality childcare has been a major objective for the four administrations who have governed Scotland since devolution. In the 1998 strategy there was a recognition that provision was a priority but it was only in 2006 when the Scottish Government announced that this would be a priority for the whole of the Scottish Government announced that this would be a priority for the whole of the Scottish Government and its programme for government (Scottish Government 2007:61). In 2008 the Scottish Government announced that it would support families through the tax credit system.” (Aitken & Hume, 2012:22)

As a result the beneficial employment effects of childcare provision can be captured due to the way in which means-tested benefits are allocated.

The plethora of different funding mechanisms to support childcare provision in the UK can create problems for the suppliers. The UK is a federation of 4 countries, each with its own childcare system, which creates challenges for the market combined with state subsidy either paid directly to the provider or to the parents. Currently, childcare in Scotland is delivered by a combination of the public sector and the voluntary/social economy sector. The local authority provision largely delivers services in nursery schools and classes, family centres and some day nurseries. The private sector provides childcare