



**Wales Centre for Public Policy**  
**Canolfan Polisi Cyhoeddus Cymru**

# **Poverty and social exclusion: review of international evidence on early childhood education and care**

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# Summary

- Early childhood education and care (ECEC) can have a positive effect on poverty and social exclusion reduction by removing families' labour supply constraints and promoting a broad range of children's outcomes. For ECEC to be effective, both quality provision and inequalities in access should be tackled.
- International evidence shows that this requires substantial investment in ECEC and careful regulation, while measures such as universal (rather than targeted) services, guaranteed places and generous subsidies, are found to be most effective in closing gaps.
- From a poverty reduction perspective, ECEC policies are complementary to social security and employment policies:
  - On the one hand, availability of affordable ECEC can improve work incentives, but barriers to work may still remain, and the design of the social security system may create work disincentives (e.g. for second earners).
  - On the other hand, because income is shown to directly affect children's outcomes, poor adequacy of cash transfers can undermine efforts to promote children's opportunities and life chances through ECEC.
- There are connections between ECEC and policy areas covered in other reviews, for instance:
  - **Transport disadvantage:** Affordability, availability and accessibility of transport contribute to barriers in accessing ECEC services.
  - **In-work progression:** Access to high-quality, affordable childcare is important to reduce labour supply constraints which are a key barrier to progression (particularly for women).
- We conclude the review with some promising actions focused on addressing disparities of access:
  - Revising the current 30 hours a week offer;
  - Assessing the distributional impact of recent reforms; and
  - Evaluating the expansion of Flying Start outreach or a revision of its geographical focus.
- In relation to quality, a number of actions are identified to support the Welsh Government's commitment to raise skills and standards across the ECEC workforce.

# Background

The Wales Centre for Public Policy (WCPP) was commissioned by the Welsh Government to conduct a review of international poverty and social exclusion strategies, programmes and interventions. As part of this work, the Centre for Analysis of Social Exclusion (CASE)<sup>1</sup> at the LSE was commissioned to conduct a review of the international evidence on promising policies and programmes designed to reduce poverty and social exclusion across twelve key policy areas. This report focuses on early childhood education and care.

The key questions addressed in each of the twelve policy reviews are:

- What effective international poverty alleviation policies, programmes and interventions exist?
- What are the key or common characteristics/standards and features of these different approaches?

The questions are addressed by providing:

- The Welsh context of each policy area and main initiatives being undertaken by the Welsh Government;
- Detailed information on the relationship between the policy area and poverty and social exclusion;
- A summary of evidence of lived experience, which could help to understand how people may experience and respond to policy interventions;
- An overview of the international evidence of policy effectiveness (including case studies); and
- Challenges and facilitating factors associated with policy implementation.

In addition to the twelve policy reviews, we have produced an overview report which summarises the key evidence from each of the individual reviews, highlights connections between different policy areas and reflects on all the evidence to make a number of policy recommendations, or promising actions, within each of the twelve

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<sup>1</sup> The Centre for Analysis of Social Exclusion (CASE) at the London School of Economics and Political Science (LSE) was established in 1997. It is a multi-disciplinary research centre exploring social disadvantage and the role of social and public policies in preventing, mitigating or exacerbating it. Researchers at CASE have extensive experience in conducting policy reviews covering evidence in the UK and international literature.

areas. Please refer to the Annex for detail on methodology, including how the twelve policy areas of focus were chosen.

This work forms part of a suite of reports produced by WCPP as part of its work on poverty and social exclusion for the Welsh Government. As well as this work by CASE, there are two reports on the nature, scale and trajectory of poverty and social exclusion in Wales – one focusing on quantitative data and evidence, and a second focusing on lived experience evidence (Carter, 2022a; 2022b). WCPP also commissioned the New Policy Institute to conduct a review of international poverty alleviation strategies (Kenway et al., 2022) which examines overarching governmental approaches to tackling poverty.

## Introduction

This report reviews international evidence on the role of early childhood education and care (ECEC) services in reducing poverty and social exclusion. Affordability and availability of ECEC are key drivers of child poverty and is of particular concern in Wales. While the child poverty rate in Wales has fallen from 33% in 2009-2012 (JRF, 2020) to around 31% in 2017/18-2019/20 (Welsh Government, 2021), families with children have the highest rate of poverty in Wales (JRF, 2020) and rates are likely to increase (Carter, 2022a), effectively reversing the progress made since the 1990s.

ECEC is identified as a key factor affecting employment and reducing low-income families' chances to escape poverty (JRF, 2020). While childcare costs are lower in Wales than in England, they remain high (Coleman, 2020). Forty-three percent of Welsh local authorities report that there is not enough childcare available for parents who work atypical hours (JRF, 2020) and the availability of childcare in Wales has generally reduced since 2019.

## Policy context

The Welsh Government offers funding for 30 hours of free childcare a week for 3–4-year-olds which includes a universal Foundation Phase Nursery element for a minimum of 10 hours. For parents working at an average 16 hours a week at minimum wage, many families in poverty do not meet the work requirements and are thus excluded by the scheme, but at same time only 23% of local authorities are able to provide enough childcare to cover the entitlement (JRF, 2020).

ECEC is a policy area in which the Welsh Government has been active in recent years, as the 'early years' are one of five cross-cutting priorities included in the

*Prosperity for All* national strategy (Welsh Government, 2017). ECEC in Wales relates to children from age 0-5 and covers both childcare and Foundation Phase (whose framework is to be replaced by the new Curriculum for Wales). Different agencies, bodies, and programmes are involved in ECEC, including:

- **The Flying Start Programme** which is targeted at disadvantaged areas and provides an enhanced health visiting service, access to parenting support programmes, support for speech, language and communication development as well as free part-time childcare for two to three-year-olds for roughly 2.5 hours a day in term-time;
- **Families First** which supports families in need through cross-service coordination and is administered at the local level;
- **Healthy Child Wales Programme** for all children aged 0-7 years, focused on a wide range of health and child development outcomes; and
- The (more recent, pilot of the) **Early Years Integration Transformation programme** which is focused on developing a multi-agency, more integrated and responsive early years system to promote child development and ensure that services are delivered in a more joined up, timely way.

The Welsh approach is explicitly underpinned by the United Nations Convention on the Rights of the Child (CCW, 2017), which Wales made part of its domestic law before any other UK nation. Focus on ECEC is also an integral part of the *Child Poverty Strategy for Wales* (Welsh Government, 2015).

## Relationship to poverty and social exclusion

ECEC has an important role in reducing poverty and social exclusion: on the one hand, policies that **offset childcare costs free up more disposable income to families**; on the other hand, they can **eliminate labour supply constraints** and enable families to work and earn more. Moreover, a growing body of research recognises that **high-quality ECEC can improve cognitive and socio-emotional development**, help create a foundation for lifelong learning; and increase intergenerational social mobility and life chances (OECD, 2012; 2017; Carneiro and Heckman, 2003; Heckman, 2011; Penn, 2011). This builds on the idea that human capital formation is a dynamic life-cycle process: skills and abilities acquired in one stage of the life cycle have a direct impact on productivity of education at the next stage (Cunha et al., 2006).

**Rates of return to investment in early childhood are substantially higher than rates of return to investment in later life** (Carneiro and Heckman, 2003). This aligns with recent evidence which has estimated the benefits and costs of expanding ECEC services in Wales, showing how benefits (resulting from higher earnings in later life, and lower government spending on health and social care) would largely outweigh costs and accrue among the most disadvantaged families (Wilson and Paull, 2020).

Low income and material deprivation affect important 'inputs' for child development: from good quality housing to healthy food, from investment in learning materials and activities to engagement in social opportunities. **ECEC can help 'level the playing field' by compensating for disadvantages at home and mediating their transmission.** These policies thus affect several dimensions of poverty and social exclusion as conceptualised by the Bristol Social Exclusion matrix (B-SEM) (see the Annex or more information on the B-SEM) – not only in relation to material resources, but in relation to current economic participation of parents and to social participation, education and future economic participation of children, while there is also evidence of longer term effects on quality of life dimensions, for instance in relation to lower crime rates and health outcomes (Carneiro and Heckman, 2003).

## Relationship to lived experience of poverty and social exclusion

The literature on the experiences and perceptions of families in relation to ECEC services has grown in past decades, including from the perspective of disadvantaged families. **This literature has focused on drivers of the demand for ECEC services,** for instance in terms of preferences regarding their type and intensity (Vandenbroeck, 2008; Gamble, 2009); informal/formal care preferences (Weber et al., 2018); perceived quality (Forry, 2013); and perceived accessibility (Unver, 2018). The literature has also examined the factors that shape parental experiences as well as demand. These include knowledge of administrative procedures; waiting lists; exclusionary practices on the ground; and practical considerations concerning the usefulness of services (e.g. in relation to flexibility and opening hours). For example, services may not be perceived as accessible due to language barriers (e.g. for migrant families) while experiences of the service as supportive and attuned to parental demands, cultural values and expectations about ECEC all mediate demand.

Vandenbroeck and Lazzari (2014) warn that it is important to connect this level of analysis focused on families' experiences to higher levels of analysis, as it can



illuminate **the structural barriers that parents navigate and that may be hindering participation**, such as those outlined above, particularly among low-income families. Table 1 adapts a framework developed by Archambault et al. (2020) outlining factors influencing access to ECEC for disadvantaged populations which would be important to take into account when designing or reforming ECEC provision.

**Table 1. Supply- and demand-side factors in ECEC**

<b>Factor</b>	<b>Supply</b>	<b>Demand</b>
Approachability	Awareness and information campaigns Community outreach Language diversity Information technologies	Awareness of (and confidence in) benefits, qualities, costs and registration procedures
Acceptability	Flexibility Cultural sensitivity Administrative processes	Social networks Cultural resonance
Availability	Proximity Sufficient supply Equitable access	Stable work conditions Planned needs for care
Affordability	Public funding and managing/ public subsidies Free/subsidised provision of essentials	Within family budget
Appropriateness	Quality Responsiveness to needs Community partnership and service integration	Positive experiences Regular attendance Community integration

Source: adapted by the authors from Archambault et al. (2020).

# Evidence of policy effectiveness

Intervention	Strength of evidence	Effectiveness
<b>Policies increasing participation in ECEC</b> (improving affordability and availability)	Strong	Mixed (limiting factors are unequal labour market participation, interaction with the tax and benefit systems generating disincentives)
<b>Policies improving quality of ECEC provision</b> (both structural and process aspects of quality)	Strong	Effective

**High childcare costs erode parents’ work incentives, particularly for low-income families** – these work-related disincentives in the UK are among the highest across OECD countries for both single parents and second earners (OECD, 2020). Availability of affordable ECEC is thus likely to improve work incentives, but whether these services will increase labour supply also depends on factors such as: perceived quality of the services, social norms (e.g. strong traditional gender roles or preference for informal care), and substitution effects between formal and informal care (Vuri, 2016).

Moreover, **whether or not parents can ‘afford to work’ does not solely depend on the availability of affordable childcare**, but should in fact be seen in conjunction with the tax and benefit system: for instance, the design of the system and the benefit withdrawal rate can create work disincentives. Notably, Universal Credit (UC) has been shown to offer weak incentives to work, particularly for lone parents and second earners in couples with children (Alakeson et al., 2015; Brewer et al., 2017). Even limited childcare expenses may leave families with less money than if one parent were to stay at home when compounded with tax burdens and the withdrawal of social benefits (which reduce gains from work).

**Spending on family policies is associated with lower child poverty rates across OECD countries and their impact varies by policy type: the association is stronger for cash transfers (such as child benefits), followed by childcare and in-kind spending (accommodation, travel and food subsidies for families)** in this order (OECD, 2019a; Richardson and Bradshaw, 2012; Richardson, 2015). These

approaches do not include employment effects, which are likely to increase the poverty-reduction impact of childcare policies. Differences in the types of services delivered also matter – for instance, Richardson (2015) found that public systems in OECD countries reported the largest declines in poverty for incremental increases in service spending.

**Costs affect the poverty-reduction effect of childcare:** Förster and Verbist (2011) estimate the cash values of ECEC services to compare the effect of cash transfers and childcare policies on reducing poverty rates in a number of OECD countries. They found that the impact of childcare on poverty is weakest in the United Kingdom, where costs for families are higher, than in France or Germany (where the impact of childcare on poverty is similar to that of cash transfers) or Sweden (where childcare services have a stronger impact). When combining cash and childcare services, poverty rates were reduced by 80% in Sweden, 73% in France, 60% in Germany but only 38% in the United Kingdom.

## Policies increasing participation in ECEC

System-wide characteristics as well as contextual factors affect ECEC participation. Given the complexity of ECEC systems, it is useful to understand the characteristics shared by systems that have succeeded at boosting participation and closing gaps.

**Firstly, countries that have succeeded in providing affordable, high-quality ECEC on a wide scale have directed substantial public resources to the sector.** OECD data (2020) shows that Iceland and Sweden spend respectively 1.8% and 1.6% of GDP on ECEC. These countries have succeeded at increasing ECEC participation even for children under 3, among whom participation rates across countries are generally low. While these countries are characterised by a large ECEC public sector, some countries that deliver ECEC through a mix of public and private services have enrolment rates on a par with Nordic countries but also see high levels of spending (see Case Study 1).

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## Case Study 1. Increasing ECEC participation in Korea

Korea has invested significantly in ECEC (1% of GDP), representing a ten-fold increase in public spending in the last 20 years, when reforms were introduced to increase availability of ECEC (OECD, 2019b). The Korean system has a mix of public and private services and a combination of centre-based day care and home-based childminding services (targeted at children aged between 3 months and 3 years old). A ‘wrap around’ service approach includes public support for ‘out-of-hours’ childminding services, important particularly for parents faced with unpredictable working hours and ad-hoc demands. Priority access is given to poor families, families with adults seeking work and large families with young children. Out-of-pocket childcare costs are among the lowest in OECD countries (OECD, 2019c) – this is the result of public subsidies keeping fees low, and universal cash support which further reduces net costs (Thévenon, 2018).

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OECD analysis (2020) also points out that **public investment should be combined with regulation** to avoid capture by providers (e.g. whereby providers accept direct public subsidies but do not reduce prices, or increase fees when there are increases in public childcare fee rebates, benefits or tax reliefs for parents). Fee caps are in place in many (mostly publicly operated) systems and may vary based on families’ ability to pay. Market-based systems face greater challenges as price standards set too low may see providers lower quality or may lead to market exit if service provision becomes unprofitable.

### Disparities in ECEC access

**There is also strong evidence that the children who may be most likely to benefit from ECEC are the least likely to attend** (OECD, 2016; Campbell, et al., 2018; Petitclerc et al., 2017). This is particularly the case for children under three, where participation rates are generally lower (OECD, 2020). In fact, access to ECEC is stratified based on income and parental (particularly maternal) educational level in most countries – in the OECD, the only exceptions are Denmark, Iceland and Sweden (OECD, 2016). Differences in ECEC participation are largely connected to maternal employment and children are more likely to have an employed mother when she is highly educated and when the child lives in high-income families. This unequal participation undermines ECEC’s impact on poverty reduction and its role in relation to levelling life chances.

**Availability also affects enrolment gaps, as the most advantaged parents are more likely to enrol in the face of shortages** thanks to favourable social networks

and differences in search intensity (Jessen, 2020). Availability is also an important driver of access disparities between rural and urban contexts – while there are some examples identified as promising practice to improve availability in rural areas (see Case Study 2), entrenched and intersecting disadvantages in rural areas make the urban/rural divide hard to bridge (OECD, 2017).

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## Case study 2: Rural ECEC provision in Lithuania

**Improving ECEC participation in rural areas is a key policy objective in Lithuania (Kvieskienė and Misiūnienė, 2011). Multi-functional centres (daugiafunkcis centras) have been introduced to provide access to a range of services used by families and children under a single management structure. Services range from health care to day care, pre-primary and primary education, and community facilities. These centres facilitate access to specialists working in different sectors and improve coordination between services. They also provide the opportunity for greater alignment between pre-primary and primary education. Access to multi-functional centres is further supported by dedicated public transportation and information campaigns, including about the value of ECEC. These are important factors in tackling low demand for ECEC services in rural areas, where for instance just over half of local authorities effectively provide transport support (Bucaite-Vilke, 2021). OECD assessment (2017) finds that these multi-functional centres serve an important function in increasing participation in ECEC in rural areas, but barriers still remain, and urban/rural differences remain large. While the participation rate in ECEC has improved in rural areas, reaching 40.7% in 2020 from around 30% in the early 2010s, it remains well behind the 90.2% participation rate in urban areas (Bucaite-Vilke, 2021).**

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**In a few countries, including the UK, household income itself plays an important role even after controlling for the employment status of the mother (OECD, 2016).** These countries are characterised by a large private sector and less public control over fees and when and where services are provided – which increases the likelihood for less profitable areas to be underserved. Childcare costs are also high in these countries.

Some cross-country comparative studies have explored which ECEC policies are more likely to reduce gaps in participation (Gambaro et al., 2014; Petitclerc et al., 2017; Van Lancker and Ghysels, 2016). **There is evidence that universal (rather than targeted) and free ECEC services are most likely to foster the participation of disadvantaged families** (Stewart et al., 2014; Petitclerc et al., 2017). However, while these policies mitigate differential participation, **some gaps remain** (Petitclerc

et al., 2017; Sibley et al., 2015). These may be due to the fact that other barriers (e.g. low-income families struggling to find attractive/good quality employment) affect these families' demand for ECEC even when affordable provision is available. Even where there is parental demand, there is some evidence that gaps may persist for particular groups – Jessen (2020) showed this in relation to migrant families in Germany.

In general, the evidence underscores the fact that public resources spent on **social investment policies, such as childcare or parental leave policies, first benefit those already participating in the labour market and thus tend to flow to higher income families.** Were participation amongst poorer families to improve, these policies can have longer-term consequences for poor families – as it seems to be the case in Nordic countries (Vandenbroucke and Vleminckx, 2011). Nevertheless, **investment in early years services should be seen as complementary of adequate social protection strategies and labour market dynamics.** For instance, enhancing job opportunities for low-skilled women is essential in order for these policies to play their social investment role adequately (Vandenbroucke and Vleminckx, 2011).

At the same time, cuts to social security in the UK (e.g. via the benefit freeze, benefit cap and two-child limit) have disproportionately affected families with children (Kelly, 2018; Bradshaw, 2018; CPAG, 2020). Larger families in particular have seen a sharp rise in both poverty rates and depth of poverty, while there is evidence that families have responded by cutting expenditure on essentials (CPAG, 2020; Carter, 2022a, 2022b). These cuts have also been spatially regressive, with the largest cuts in central government grants falling most heavily on local authority areas with the highest levels of child poverty (Bradshaw, 2018). This is particularly worrying, given the evidence that income itself affects children's outcomes, with effect sizes comparable to those identified for spending on early childhood programmes or education (Cooper and Stewart, 2013; 2017). From this standpoint, **reductions in household income and increases in income poverty can undermine efforts to promote children's opportunities and life chances through ECEC and early years services.** This overall lack of coherence hinders the redistributive impact of these policies.

# Policies improving quality of ECEC provision

The literature strongly indicates that ECEC quality is essential for positive developmental outcomes (Sylva, 2012; EC, 2014; OECD, 2019c). If ECEC is of low quality the expected effects do not materialise, and some provision may even be damaging to children's prospects. ECEC makes the most difference for children from disadvantaged financial backgrounds (Ruhm and Waldfogel, 2012; Waldfogel, 2004). While there has long been robust evidence of the effectiveness of ECEC through small-scale targeted trials (e.g. the Perry School project in the US, see Case Study 3), substantial variation in effectiveness emerges when it comes to scaling up, meaning it is important to understand the defining characteristics of high-quality programmes (Weiland et al., 2018; Morris et al., 2018; Yoshikawa et al., 2016).

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## Case Study 3: The Perry School Project in the US

A number of longitudinal studies of ECEC programmes targeting disadvantaged children in the United States (such as the Abecedarian Program in the 1970s or the Perry School Project in the 1960s) have established the long-term beneficial effects of ECEC. The Perry School Project for instance focused on disadvantaged African-American children aged 3 to 4. The programme provided a curriculum based on supporting children's cognitive and socio-emotional development through active learning. While the number of participants was small (123), by following participants until the age of 40, the Perry School Project found significant positive outcomes in terms of educational attainment and university attendance rates, employment outcomes and crime rates. The study design also allowed an estimate of the project's significant rate of return: \$16.14 per dollar invested by the time the sample population reached 40 years of age (Schweinhart et al., 2005; Heckman, 2010).

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A variety of factors are shown to improve quality and effectiveness of ECEC on a range of outcomes (UNESCO, 2007; OECD, 2019d, Slot, 2018, Ulferts et al 2019; EC, 2014). These can be divided between 'structural' and 'process' characteristics.

Structural characteristics include:

- Small child/staff ratios.
- Small group sizes.

- Coherent regulation and monitoring mechanisms – with evidence pointing towards the importance of embedding these within participatory and consultative processes with practitioners and families (EC, 2014).
- Highly qualified staff and management, i.e. level 5 professional teaching qualifications, PGCE or degree level (Sylva et al., 2012; OECD, 2019d).
- Continued professional development (CPD) and training based on active engagement, peer-exchanges and adopting a shared scientific framework is shown to be effective not only in countries with established ECEC and high level of qualification requirements for practitioners, but also in countries where ECEC is poorly subsidised and qualification requirements are low (Slot, 2018; Peleman et al, 2018).

Process characteristics include:

- Positive staff-children relationships (e.g. emotionally supportive interactions).
- Positive staff-parent relationships (e.g. promoting strong parental involvement).
- Classroom organisation and pedagogical practices (e.g. promoting active learning, open frameworks to implement curriculums that respond to the diverse needs and interests of children, and a holistic approach to child development).

Structural and process quality are connected, with child/staff ratios, group sizes, qualifications and continuous training of staff associated with higher process quality across OECD countries (Slot, 2018). Findings associating ECEC characteristics with negative effects have also emerged, for instance:

- Low pay, poor working conditions, limited career pathways and low social recognition affect ECEC quality and lead to problems in recruiting and retaining qualified workers (Mitter and Putcha, 2018; OECD, 2019d).
- Formal assessment of child outcomes to define school readiness are shown to have a negative impact cognitive and emotional development (EC, 2014).

**Finally, it should be noted that the literature stresses how child development and the removal of employment barriers are distinct policy goals.** Policy priorities that approach ECEC primarily as a way to remove labour supply constraints and increase employment **risk tipping the balance towards availability and affordability of ECEC provision, often at the expense of quality** (Lewis and West, 2016). For instance, loosening regulations has been viewed as a way of securing a more efficient childcare market – which is taken to be the best way to make more provision available and reduce the fees paid by parents. In this sense, regulations



designed to secure quality have increasingly been seen as an impediment to availability and affordability, rather than as a means of securing better outcomes for children. These possible trade-offs need to be assessed when designing ECEC policies, as undermining quality bears significantly on the potential for ECEC to positively affect child development and later outcomes.

# Challenges and facilitating factors

A summary of the challenges and facilitating factors relating to ECEC and its effectiveness in addressing poverty and social exclusion is provided in Table 2.

**Table 2: Challenges and facilitating factors**

Challenges	Facilitating Factors
<ul style="list-style-type: none"> <li>• Making high-quality, affordable ECEC available requires substantial investment, particularly for universal services which have been shown to be the most promising in boosting participation.</li> <li>• Labour market barriers and work disincentives linked to the social security system may lead to inequalities in ECEC participation that persist even when ECEC is available and affordable.</li> <li>• Positive impacts require long-term commitment (beyond individual parliamentary cycles).</li> <li>• An integrated, holistic approach and the required co-ordination at central and local levels can present planning and governance challenges. Hybrid and marketized</li> </ul>	<ul style="list-style-type: none"> <li>• Improved career pathways in this sector linked to both financial and non-financial recognition can support human resource development.</li> <li>• Coordination and integration, both horizontal (across service areas such as health, education and social welfare) and vertical (across levels of government), make service delivery more effective, simplify governance structures, increase efficiency and improve quality and outcomes. Integration is nevertheless hard to achieve and requires strong political commitment, long-term vision and adequate funding.</li> <li>• Participatory engagement, broad stakeholder involvement and development of context-relevant</li> </ul>

systems face particular coordination challenges that require the development and implementation of unified quality and regulatory frameworks.

approaches – including recruitment and training practices supporting inclusion and cultural diversity – help promote public support and parental demand for ECEC among disadvantaged groups.

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## Conclusion

Overall, this review highlights the potential positive impact of ECEC on reducing poverty and social exclusion by removing families' labour supply constraints and promoting a broad range of children's outcomes. For ECEC to be effective both quality of provision and inequalities in access should be tackled. International evidence shows that this requires substantial investment in ECEC and careful regulation, while measures such as universal (rather than targeted) services, guaranteed places and generous subsidies, are found to be most effective in closing gaps. From a poverty reduction perspective, ECEC policies are complementary to social security and employment policies. On the one hand, availability of affordable ECEC can improve work incentives, but barriers may still remain, and the design of the social security system may in fact create work disincentives (e.g. for second earners). On the other hand, because income is shown to directly affect children's outcomes, poor adequacy of cash transfers can undermine efforts to promote children's opportunities and life chances through ECEC.

## Transferability to Wales

The Welsh Government's commitment to a rights-based approach in the early years suggests that a focus on ECEC quality – not just availability and affordability – should be a policy priority, including ensuring consistent regulation and delivery.

International evidence on best practice to improve ECEC equity is in line with recommendations by the Bevan Foundation (2020) for the Welsh Government to introduce a new childcare offer, irrespective of parents' work status, which would provide universal, free, part-time childcare with additional hours available on a sliding scale of fees.

Reforms of the social security system which are beyond the Welsh Government's powers can undermine the effectiveness of early years policies in relation to both reducing poverty and increasing employment.

## Promising actions

This section concludes with **promising actions** to consider in the Welsh context as emerging from the analysis of the international literature:

1. As those who are better off disproportionately use and benefit from ECEC services – limiting the effect of ECEC on poverty and social exclusion – priorities should focus on:
  - Revising the current 30 hours a week offer in light of elements identified in the international evidence as more likely to increase ECEC participation among disadvantaged families, considering expansion and including **guaranteed places, support for working and non-working parents, and fees scaled on income and number of children.**
  - The **distributional impact of recent reforms** should be assessed, and possible deadweight identified.
  - Quality of provision and extended entitlement put pressure on providers, who rely on additional hours and fees from younger children to cover costs. This can exacerbate disparities in access. Further **expanding Flying Start outreach or revising its geographical focus** could be considered.
2. The Welsh Government has taken important steps to create a holistic approach to ECEC, recognising the importance of greater integration of education and care, and of a unified quality framework. Plans to raise skills and standards across the ECEC workforce are underway. These efforts can be supported by:
  - **Unified qualification standards** and pathways to recognise work experience and previously acquired competences.
  - **Unified treatment of the maintained and non-maintained sector.**
  - **Coinciding raised standards with improved status** – in terms of pay, working conditions and professional recognition.
  - **Including adapted pathways for assistants** who represent a large share of the workforce but have fewer possibilities for gaining qualifications and progression than core practitioners.
  - **The collection and analysis of workforce data** (e.g. socio-economic background), including assistants, to facilitate identification of professional development barriers and to provide a basis for devising solutions.

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# Annex: Methodology

## Definition of poverty and social exclusion

For the purposes of this project it was agreed that a multidimensional concept of disadvantage, including social as well as economic dimensions, would be adopted. The Bristol Social Exclusion Matrix (B-SEM) (Levitas et al., 2007) provides the theoretical structure that underpins the selection of policy areas. The B-SEM uses the following working definition of social exclusion:

**“Social exclusion is a complex and multi-dimensional process. It involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in a society, whether in economic, social, cultural or political arenas. It affects both the quality of life of individuals and the equity and cohesion of society as a whole.”** (Levitas et al., 2007, p.9).

It is structured around three main domains and ten sub-domains (see Table A1).

**Table A1: B-SEM domains and sub-domains**

A. Resources:	
<b>A1: Material/ economic resources</b>	Includes exclusion in relation to income, basic necessities (such as food), assets, debt and financial exclusion.
<b>A2: Access to public and private services</b>	Relates to exclusion from public and private services due to service inadequacy, unavailability or unaffordability. The range of services encompass public services, utilities, transport, and private services (including financial services).
<b>A3: Social resources</b>	Reflects an increasing awareness of the importance of social networks and social support for individual well-being. A key aspect relates to people who are separated from their family and those who are institutionalised.

## B. Participation:

<b>B1: Economic participation</b>	Includes participation in employment – which is not only important for generating resources but is also an aspect of social inclusion in its own right. Whether work is a positive, inclusionary experience depends partly on the financial rewards it brings, and partly on the nature and quality of work. Work is understood broadly and includes caring activities and unpaid work.
<b>B2: Social participation</b>	Comprises participation in common social activities as well as recognising the importance of carrying out meaningful roles (e.g. as parents, grandparents, children).
<b>B3: Culture, education and skills</b>	Covers cultural capital and cultural participation. It includes the acquisition of formal qualifications, skills and access to knowledge more broadly, for instance digital literacy inclusion. It also covers cultural and leisure activities.
<b>B4: Political and civic participation</b>	Includes both participation in formal political processes as well as types of unstructured and informal political activity, including civic engagement and community participation.

## C. Quality of life:

<b>C1: Health and well-being</b>	Covers aspects of health. It also includes other aspects central to individual well-being such as life satisfaction, personal development, self-esteem, and vulnerability to stigma.
<b>C2: Living environment</b>	Focuses on the characteristics of the 'indoor' living environment, with indicators of housing quality, inadequate housing and exclusion in the form of homelessness; and the 'outdoor' living environment, which includes neighbourhood characteristics.
<b>C3: Crime, harm and criminalisation</b>	Covers exposure to harm, objective/ subjective safety and both crime and criminalisation. This reflects the potentially exclusionary nature of being the object of harm, as well as the exclusion, stigmatisation and criminalisation of the perpetrators.

Notes: the descriptions of the sub-domains are the authors' understanding of what each sub-domain includes based on Levitas et al. (2007).

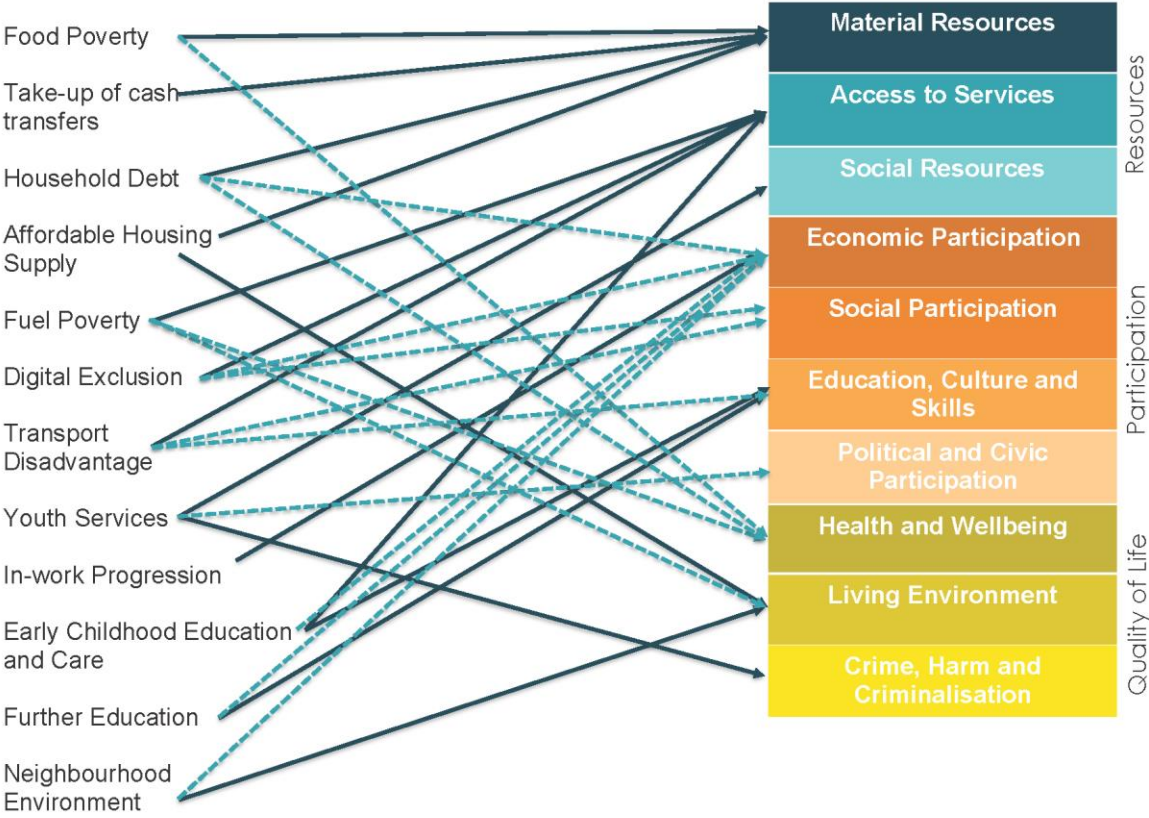
## Selection of policy areas

The first step involved the research team identifying a long list of 40 policy areas with reference to the domains and sub-domains of the B-SEM. The long list was, in part, informed by a review of key trends in poverty and social exclusion in Wales, across the ten sub-domains, conducted by WCPP (Carter, 2022a); a consideration of the Welsh Government's devolved powers across policy areas; and meetings with experts. From this long list a shortlist of 12 policy areas was agreed. The shortlisting process took into account advice on priority areas identified by a focus group of experts, but ultimately the final list of 12 policies was selected by the Welsh Government.

The final set of 12 policy areas covers a broad spectrum within the B-SEM, and most are related to more than one sub-domain within the B-SEM (Figure A1). However, the final selection should not be considered exhaustive from a poverty and social exclusion policy perspective. This is because some important policy areas are not devolved to the Welsh Government and, therefore, were not included. For example, while adequacy of social security is a key driver of poverty the Welsh Government currently has no powers to set key elements of social security policy (e.g. rates and eligibility criteria for the main in-work and out of work benefits) and this is the reason why we focus on one aspect of social security, take-up of cash transfers, that the Welsh Government has power to influence.

Another factor was the project's scope and timescales, which limited the selection to 12 policy areas and meant that other important areas had to be excluded (for instance, social care, health care and crime). To make the reviews manageable, it was also necessary to identify a focus for each of the 12 policy areas. The research team identified a focus for each of the reviews on the basis of a brief initial scope of the research evidence and consultation with WCPP who, where relevant, consulted sector and policy experts. This means that there are likely to be additional policies which could be included in a poverty and social exclusion strategy by the Welsh Government *within* the 12 policy areas and *in addition to* the 12 policy areas reviewed.

**Figure A1. The selected policy areas mapped to relevant B-SEM sub-domains**



Source: prepared by the authors

Notes: The figure outlines the mapping of the 12 selected policy areas to the B-SEM matrix: bold lines show the relationship between each policy area and main B-SEM sub-domain(s), light dotted lines identify selected secondary B-SEM sub-domains the policies are related to (a full list of these ‘secondary subdomains’ is included in the specific reviews).

## Review stages

In the ‘evidence of policy effectiveness’ section, while it was not possible to produce a full systematic review (although evidence from existing systematic reviews and meta-level analyses were included where available), a structured approach was adopted. This first involved an evaluation of the state of the relevant literature, focusing on whether effectiveness was assessed via methods standardly considered better suited to establish causality (e.g. on the basis of hierarchical grading schemes such as the Maryland Scientific Method Scale (Sherman et al., 1997) or the Oxford Centre for Evidence-Based Medicine’s (OCEBM) levels of evidence (Howick et al., 2011) such as randomised controlled trials (RCTs), meta-analyses of RCTs and other quasi-experimental studies. While RCTs are particularly powerful in identifying whether a certain intervention has had an impact in a given context, other forms of evidence, such as quasi-experimental and observational studies with appropriate

controls may be better suited, depending on the type of intervention, to establish the range of outcomes achieved as well as providing an understanding of distributional effects and allowing sub-group analysis (i.e. ‘for whom’ did the intervention work). In the process of assessing evidence, case studies were selected to further elaborate some of the key findings resulting from the review and to identify specific examples of promising policy interventions.

In a few areas, the literature review highlighted a lack of robust evaluations – the reviews underscore this and present the best available evidence found along with an assessment of the strength of the evidence. Where possible, an evaluation of the underlying mechanisms of change was also considered, allowing an explanation of not just whether, but why a certain intervention works, thus also facilitating the identification of challenges and facilitating factors, which is crucial in thinking about not just ‘what’ should be done but also ‘how’ it can best be implemented.

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- improved our understanding of the transferability of policies to Wales; and
- informed our consideration of implementation challenges and facilitating factors.

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