



Poverty and social exclusion: Review of early childhood education & care

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) 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 briefing summarises the findings on early childhood education and care (ECEC).

Introduction

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.

Those who are better off disproportionately use and benefit from ECEC services.

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.

Evidence of policy effectiveness

High childcare costs erode parents' work incentives, particularly for those in low-income families. Work-related disincentives in the UK are among the highest across OECD countries. 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.

Whether or not parents can 'afford to work' depends on the tax and benefit system, and not solely on the availability of affordable childcare. Notably, Universal Credit has been shown to offer weak incentives to work, particularly for lone parents and second earners in couples with children.

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. 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, as well as costs. For instance, public systems in OECD countries reported the largest declines in poverty for incremental increases in service spending. The impact of

childcare on poverty is weakest in the United Kingdom, where costs for families are higher, compared to France or Germany (where the impact of childcare on poverty is similar to that of cash transfers) and Sweden (where childcare services have a stronger impact).

Policies increasing participation in ECEC

System-wide characteristics as well as contextual factors affect ECEC participation.

Countries that have succeeded in providing affordable, high-quality ECEC on a wide scale have directed substantial public resources to the sector. 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.

There is also strong evidence that the children who may be most likely to benefit from ECEC are the least likely to attend. This is particularly the case for children under three, where participation rates are generally lower. 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. 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. Availability is also an important driver of access disparities between rural and urban contexts.

In a few countries, including the UK, household income itself plays an important role even after controlling for the employment status of the mother. 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.

There is evidence that universal (rather than targeted) and free ECEC services are most likely to foster the participation of disadvantaged families. However, gaps remain, potentially due to other barriers (e.g. low-income families struggling to find good quality employment) affecting these families' demand for ECEC even when affordable provision is available.

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. These policies can have longer-term consequences were participation amongst poorer families to improve – as seems to be the case in Nordic countries.

Nevertheless, investment in early years services should be seen as complementary to 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.

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/larger families. The largest cuts in central government grants have fallen most heavily on local authority areas with the highest levels of child poverty. This is particularly worrying, given the evidence that income itself affects children's outcomes. Reductions in household income and increases in income poverty can thus undermine efforts to promote children's opportunities and life chances through ECEC and early years services.

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.

Policies improving quality of ECEC provision

The literature strongly indicates that ECEC quality is essential for positive developmental outcomes – some low-quality provision may even be damaging to children’s prospects. ECEC makes the most difference for children from disadvantaged financial backgrounds.

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), substantial variation in effectiveness emerges when it comes to scaling up, meaning it is important to understand the defining characteristics of high-quality programmes.

The factors shown to improve quality and effectiveness of ECEC can be divided into ‘structural’ and ‘process’ characteristics.

Structural characteristics include:

- Small child/staff ratios.
- Small group sizes.
- Coherent regulation and monitoring mechanisms.
- Highly qualified staff and management.
- Continued professional development and training based on active engagement, peer-exchanges and a scientific framework.

Process characteristics include:

- Positive staff-children relationships.
- Positive staff-parent relationships.

- Classroom organisation and pedagogical practices (e.g. promoting active learning, a holistic approach to child development).

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

- 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.
- Formal assessment of child outcomes to define school readiness are shown to have a negative impact cognitive and emotional development.

Finally, 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. 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.

Promising actions

The review 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. Expansion and including **guaranteed places, support for working and non-working parents, and fees scaled on income and number of children** should also be considered

- 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 sectors.**
- **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.

Find out more

For the full report see Bucelli, I., and McKnight, A. (2022). *Poverty and social exclusion: review of international evidence on early childhood education and care*. Cardiff: WCPP.

About the Wales Centre for Public Policy

Here at the Centre, we collaborate with leading policy experts to provide ministers, the civil service and Welsh public services with high quality evidence and independent advice that helps them to improve policy decisions and outcomes.

Funded by the Economic and Social Research Council and Welsh Government, the Centre is

based at Cardiff University and a member of the UK's What Works Network.

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