Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
London
SW1A 2HQ

22nd October 2021

Dear Rishi,

We are writing to you as organisations committed to ensuring that every child gets the best possible start in life to urge you to recognise the value of investment in early years services in the forthcoming comprehensive spending review.

Over the past 18 months, we have seen many children and families struggle, with years of development lost and additional stress for parents. Addressing this will require providing adequate funding for the childcare sector, reforming welfare so it supports families and enabling new parents to take time out of work to spend with their children. Investing in families will pay for itself in returns to our economy and our society- the evidence below highlights how there has never been a more important time to act as we cannot afford as a country to miss out from the benefits of doing so – please do not ignore this opportunity to ensure every child in our country can thrive.

Childcare

The first four years of children's lives play a significant role in determining their chances later in life. The lowest income children are already eleven months behind their better-off classmates by the time they start school, and the impacts of the pandemic look set to widen this gap – according to the Sutton Trust, 54% of primary senior leaders thought fewer pupils were 'school ready' when they started reception this year than they would usually expect. A proven way to close this attainment gap is through access to high quality early education.

However, currently, many children from low income or workless households – the very children who would benefit most from extra provision - are locked out of the additional fifteen hours that 'working families' can access on top of the universal fifteen hours for all three- and four-year-olds in England. Recent research by the Sutton Trust has highlighted that only 20% of families in the bottom third of the earnings distribution are eligible for the thirty hour entitlement. Expanding provision to ensure more children are able to access high-quality childcare would help to give the country's poorest children the best possible start in life, give greater levels of financial security to providers and help more parents return to work.

We also know that this investment pays for itself. Research from the Women's Budget Group has shown that the cost of universal childcare is almost offset by the increased tax receipts from working parents and lower welfare payments. By supporting new parents back into the workplace sooner, the Government can reduce the long term financial cost to the economy while also supporting children's' life chances.

The current funding system for childcare leaves providers facing a significant financial shortfall, with knock on impacts for the quality of provision. The National Daycare Nurseries Association surveyed its members in August 2021 and found that 95% of respondents do not believe the hourly rates they receive cover their costs for three and four-year-old places. The average hourly shortfall is estimated to be £1.87 p/h for three and four-year-olds, which amounts to a £2,132 a year on a 30-hour place. Underfunding of early education and childcare places have a detrimental effect on efforts to invest in the early years workforce. While the National Minimum Wage and National Living Wage rates have increased by between 1.5% - 3.6% in the last year, the additional funding allocated by the Government allows for a rate increase of around 1.2%. This means that rates are simply not keeping pace with the reality of the costs of delivering high-quality care and early education.

Universal Credit

The benefit cap and two-child limit currently disproportionately affect families with children and have driven recent increases in child poverty. Removing the benefit cap and the two-child limit is the most cost-effective way for the government to reduce child poverty – it would cost £1.9 billion and reduce child poverty by 285,000.

As soon as a family with children earns more than £293 a month, for every pound they earn through work, their universal credit payment is reduced by 63p. As the work allowance applies to the whole family rather than each adult when a second parent enters work, the family's benefit payment is clawed back instantly. Increasing the work allowance, introducing a second worker allowance and reducing the universal credit taper rate would support more parents to enter work and working parents to increase their hours.

Secondly, Universal Credit only allows parents in work to claim 85 per cent of childcare costs up to a cap, and these costs are only paid in arrears. It is standard practice for childcare providers to require parents to pay a month's or even a term's fees upfront. Parents on universal credit who are starting a new job are therefore expected to find a way to pay for a childcare place before universal credit will support them, and before they receive their first pay cheque. Some may get help with these costs via the flexible support fund, but this is a discretionary fund that has not been well promoted, and the pot of money available has to date been too small to meet demand. The Government should increase the share of childcare costs covered for families to 100% and ensure that parents can receive this support when they pay for childcare, not months later in arrears.

Parental Leave

Research shows 85% of dads would do anything to spend more time with their kids, but the current system of shared parental leave is used by only 4% of eligible dads. Other countries have shown us what is possible - Sweden gives dads access to three months ring fenced leave paid at 80% of their salary. The data shows 90% of new dads use it. The benefits of increasing the number of dads who take parental leave are enormous. Research shows that the more time dads spend with their kids, the higher the child's IQ and the more socially mobile they are. In turn, mothers are less likely to be hospitalised for child-birth related complications and they have better mental health - thereby reducing the £8 billion annual bill on perinatal mental health issue. According to the Swedish Government, for every month of parental leave taken by the father, a mother's annual salary can increase by almost 7%. One University study also found that if dads care for their child on their own, in its first year of life, then couples are 40% more likely to stay together.

We urge you recognise the benefits of investing in childcare provision and tackling child poverty and to act by guaranteeing funding in the forthcoming Comprehensive Spending review. By doing so, we can ensure every child and family are given the support to thrive they need over the months and years to come.

Yours sincerely,

Christina McAnea
General Secretary, UNISON

Joeli Brearley
Chief Executive, Pregnant then Screwed

Kathy Jones & Adrienne Burgess
Joint CEOs, The Fatherhood Institute

Zoe Raven
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June O'Sullivan MBE
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Sophie Livingstone
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Karen Wint
Chief Executive, WHFS

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