

# **Working paper on childcare for sole parents and beneficiaries**

Report provided to the Welfare Working Group by the Ministry of Education, Ministry of Social Development and Department of Labour

August 2010 (funding rates updated 1 October 2010)

## Summary of Document

### **Summary of Part 1: What support for childcare do benefit recipients (particularly sole parents) currently have?**

	<b>Eligibility</b>	<b>Amount</b>
<i>Early Childhood Education – Ministry of Education</i>		
ECE Subsidy Funding - up to 30 hours per week per child place	0-6 years	Between \$3.33 to \$13.35 <sup>1</sup> per child per hour.
20 Hours ECE - up to 20 hours per child	3 year olds and older	Between \$4.55 to \$12.73 per child per hour.
<i>Childcare Subsidy – Ministry of Social Development</i>		
Up to 9 hours	Parent meets income test the child: -is under five years -is under six years and eligible for Child Disability Allowance (CDA) -is aged five but not yet at school -attends a licensed preschool facility for more than three hours per week.	Between \$1.46 and \$3.77 per hour. <sup>2</sup>
Up to 50 hours	Parent meets income test and working or in study or is disabled or temporarily ill and unable to work	
<i>Out of School Care and Recreation – Ministry of Social Development</i>		
Up to 20 hours per week during term time and up to 50 hours per week during holidays.	Child attending approved programme. Parent meets income test and is in paid work or is training or studying or is disabled or temporarily ill and unable to work	Between \$1.46 and \$3.77 per hour.
<i>IRD Childcare Tax Credit – Inland Revenue</i>		
General	Parents who pay for childcare costs are either single, or both employed, or one or both parents are disabled or physically unable to care for the child.	The amount claimable is the lesser of 33% of the total payments made, or \$310 (\$940 x 33%), or 33% of taxable income per annum.

<sup>1</sup> As at 1 October 2010. Funding rates vary according to the type of service and proportion of registered teachers (if applicable).

<sup>2</sup> Funding rates vary according to number of children and income level.

## **Summary of Part 2: What are the key childcare barriers facing benefit recipients (particularly sole parents) – availability, cost, quality?**

This section largely relies on results from the Childcare Survey 2009.

### **ECE**

- Use of formal ECE was more common where both parents were working (67.6%) or the sole parent was working (62.3%), compared to children in one-parent families where that person was not employed (39.4%).<sup>3</sup>
- The main reason for children not attending ECE was that the parent had no need for care or preferred to look after the child themselves (71%). This figure was very similar for un-employed sole parents.
- Availability of ECE is likely to be reported as having a greater impact on decisions to work than affordability or quality barriers, although we consider the various barriers interact with each other.
- The main difficulty for sole parents moving into work or wanting to work was the cost of childcare.

### **Out of school care**

- Cost of out of school care is more likely to be a concern among low income and sole parent families than other types of families.
- Parents of school age children are more likely to use informal care for their children with 76% of parents indicating their school age child did not need care or parents preferred to look after their children themselves.

### **Informal Care**

- Among children aged 0-5 years nearly half (46%) of those who received care received informal care. Among school aged children around 40% received informal care with 55% of children not participating in any childcare.
- Maori and Pasifika families are more likely to use informal care options than families of other ethnicities.

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<sup>3</sup> Only 20 % of DPB-related recipients report non-benefit income (19898 of 104,400 in 2009).  
<http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/statistical-report/statistical-report-2009.html>

# Working paper on childcare for sole parents and beneficiaries

## *Part 1: What support for childcare do benefit recipients (particularly sole parents) currently have?*

### Early Childhood Education (ECE)

ECE includes all formal education and childcare provision for children aged under 5. ECE providers are privately owned,<sup>4</sup> and include iwi, charities, churches and other non-government organisations. ECE providers are required to meet quality requirements set out in the Education Act 1989, and to be licensed by the Ministry of Education (MoE). Any provider that meets the standards will be licensed.

#### Describe current support

All ECE services receive universal, demand-driven funding administered by the MoE. This is paid directly to ECE services. There are two main forms of ECE funding: ECE subsidy funding and *20 Hours ECE*. ECE services claim funding in respect of children they enrol.

There is no specific Vote: Education funding for benefit recipients. Income-tested subsidies to assist with the costs of childcare are paid from Vote Social Development but are not targeted specifically to benefit recipients.

The current funding system for licensed ECE services was introduced in 2005. The system provides a range of funding rates based on the costs for different types of service. These costs include teacher salaries related to the proportion of registered teachers and other costs such as overheads and administration, utilities, capital, property operating, and non-teaching staff costs.

Several smaller funding streams, each less than \$15 million per annum, provide additional funding for ECE services to set up or operate in low socio-economic areas, or with Māori or Pasifika culture and language provision, or in rural areas. Extra funding may also be provided to attract registered teachers. These smaller funding streams are not discussed in this report.

#### Amount of support

ECE funding is between \$3.33 to \$13.35<sup>5</sup> per child per hour, including *20 Hours ECE* (Vote: Education \$1.3 billion in 2010/11). ECE subsidy funding is available for up to 30 hours per week (including up to 20 hours of *20 Hours ECE*) and for up to 6 hours per day. Approximately 45% of ECE funding is spent on the subsidy and 50% of the total is spent on *20 Hours ECE*. Parents typically pay fees to meet the difference between the subsidies and cost of ECE.

#### Objectives

The objectives of ECE policy support education, work and family outcomes. The broad objects of ECE funding are:

- 1 Encouraging participation in ECE, by meeting part or all of the cost (meaning families do not face those costs). Reducing childcare costs provides greater financial incentive for parents to increase their participation in work.

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<sup>4</sup> Private in this instance means they are not owned by Government. There is a mix of for-profit and not-for-profit services.

<sup>5</sup> As at 1 October 2010. Funding rates vary according to the type of service and proportion of registered teachers (if applicable)

- 2 Improving the quality of ECE. This includes funding aimed at increasing the numbers of qualified and registered teachers as a proxy for quality. This supports participation in work by providing assurance that ECE is good quality, and supports families by making it more likely that ECE meets their needs.
- 3 Supporting ECE services to be sustainable, through offsetting the costs faced by providers of ECE, including the higher cost of employing more qualified teachers

Effectiveness: including fit/compatibility with other supports

*Encouraging participation in ECE*

Participation in ECE is generally high and is increasing steadily. We cannot attribute increases in participation specifically to funding subsidies.

*20 Hours ECE* has been effective at reducing the cost for parents: fees fell by over 30% following the introduction of the policy in July 2007, and are now rising slowly. Services are not able to charge fees for hours claimed as *20 Hours ECE*.

*Improving the quality of ECE*

Funding incentives for increased numbers of registered teachers, combined with study grants for teachers and their employers, have been highly effective at increasing the size of the qualified ECE teacher workforce from 6,000 in 2002 to 11,000 in 2009.

It is not yet clear what effect increased teacher numbers have had on the quality of ECE experiences for children. The Ministry of Education will receive an evaluation report later in 2010 and early evidence indicates within the sample that the quality of teaching practice<sup>6</sup> is more important to ECE quality than teacher qualifications.

*Supporting ECE services to be sustainable*

ECE services are more available than in previous years and seven times more services open than close annually. Funding subsidies provide incentives to maintain high occupancy, because they are linked to children's enrolment and attendance, and enable services to manage when children are not present. ECE is less likely to be available in lower socio-economic communities.

Use and uptake

There is a high uptake of ECE subsidy funding and *20 Hours ECE*. Around 90% of eligible services offer *20 Hours ECE* and the Childcare Survey 2009 (Childcare Survey) estimated that 82% of all 3-5 year olds who attended ECE receive it.<sup>7</sup> Generally all licensed services choose to claim all funding they are eligible for. Funding claims (and total funding) have persistently been above forecast levels. Each year our data show that more children are attending ECE for longer hours per week.

The Childcare Survey found that the average family uses 24 hours of ECE per child per week, below the full 30 hours of ECE funding available. Lower-income families, earning under \$20,000 per annum, are the most likely not to use ECE (only 45% of children in these families participate, which compares with 54% of children overall). Such families also use fewer hours (half of all families earning under \$20,000 per annum use 15 or fewer hours,

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<sup>6</sup> Effective teaching practice is tailored to children's individual interests and needs, builds on their previous learning, and is based on responsive and welcoming relationships.

<sup>7</sup> Excluding Kōhanga reo.

which compares with a figure for all families, of half using 19 or fewer hours). Sole-parent beneficiaries are most likely to be in this group; 43 % of their children participated.

Reliability of / confidence in this assessment

We have a high degree of confidence in our assessment of the use of ECE and funding data. Assessments of use by sole parent beneficiaries are based on much weaker evidence.

<b>Childcare Subsidy</b>
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Describe Current Support

The Childcare Subsidy (CCS) is a non-taxable subsidy provided to low to middle to lower income families to assist with the cost of formal ECE. The CCS is paid directly to the childcare provider to subsidise the hourly cost of childcare.

Amount of Support

The CCS is available for up to 9 hours per week where:

- the parent is the principal caregiver of the child
- the parent meets an income test
- the child is:
  - under five years
  - under six years and eligible for Child Disability Allowance (CDA)
  - aged five but not yet at school
- the child attends a licensed preschool facility for more than three hours per week.

The CCS is available up to 50 hours per week where the above criteria apply and the parent:

- is in paid employment or study
- is disabled or temporarily ill and unable to work
- has another child who is in hospital or receives CDA for any of their children.

The CCS and the Out of School Care and Recreation (OSCAR) subsidy for children aged 5 to 13 years are both income tested and paid at the following rates<sup>8</sup>:

Number of children in family	Gross weekly income limits (\$)	CCS and OSCAR Subsidy (\$ per hour)
<b>One</b>	Less than 1,200	3.77
	1,200 - 1,299.99	2.62
	1,300 - 1,399.99	1.46
<b>Two</b>	Less than 1,380	3.77
	1,380 - 1,489.99	2.62
	1,490 to 1,599.99	1.46
<b>Three or more</b>	Less than 1,540	3.77
	1,540 - 1,669.99	2.62
	1,670 - 1,799.99	1.46

Objectives

The aim of the CCS is to make ECE more affordable for parents. The subsidy also improves financial incentives to increase participation in work.

Effectiveness: include fit/compatibility with other supports

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<sup>8</sup> As at 1 October 2010

The CCS is not payable for the same hours that a child receives *20 Hours ECE*.

Empirical studies that measure the direct effect of childcare subsidies on parental employment indicate that childcare subsidies and expanded ECE supply increase maternal employment and that effects are larger for low income groups. Evidence suggests that childcare subsidies are more effective when they are linked to employment participation, have a sizeable impact on costs and are targeted to low income workers and sole parents.

#### Use and Uptake

In 2009/2010 there were subsidies paid in respect of an estimated 36,135 children at a total estimated cost of \$147 million.

Findings from the Childcare Survey show that the CCS was accessed by less than a third of all children attending formal ECE for more than three hours a week. Of those who did not access the subsidy, 40% were not eligible and around 15% did not know if they were eligible.

At the end of June 2010, 48% of children receiving the CCS were eligible because their parents/caregivers were in employment, 15% because their parent/caregiver was in study or training and 26% because their caregiver had insufficient income or registered non-activity (this is likely to be people who are eligible for the 9 hour subsidy). The remaining 11% received the CCS for other reasons including a child or their sibling receiving Child Disability Allowance, illness and disability.

Nearly a third (32%) of children receiving subsidies in that month had parents receiving a benefit. Most of these children's parent's (88%) received a DPB-related benefit.<sup>9</sup>

Around 17% of people on benefit with children aged under 5 received CCS at the end of June 2010 (10,688 parents). Among DPB recipients 19% of those with children under 5 received CCS (9,680 parents). It is not possible to tell the number of children of parents on benefit who attend ECE but the Working for Families survey in 2006 indicated that parents in all family types were significantly less likely to access formal ECE when not working. Only 49% of sole parents and 39% of two parent families who were not working used ECE or care for their pre-school children compared to 77% of sole parent families and 71% of two parent families who were working.

#### Reliability of/confidence in this assessment

Figures were drawn from MSD administrative data and from the Childcare Survey 2009. MSD are confident in their assessment of Childcare Subsidy receipt. Subsidies are just one factor in a complex equation that determines parental employment. Others include availability and quality of care. Subsidies alone are unlikely to influence parent's willingness and ability to access childcare.

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<sup>9</sup> Domestic Purposes Benefit (DPB) related benefits include the DPB- Sole Parent, DPB-Care of Sick or Infirm and DPB- Women Alone, as well as the Emergency Maintenance Allowance.

## Out of School Care and Recreation Subsidy

### Describe Current Support

OSCAR programmes provide out of school care for children aged 5 to 13 years, or up to 18 years for children who have a disability. Children in programmes that are approved by Child Youth and Family are eligible to receive a subsidy to assist with their attendance costs provided they meet income test criteria. The subsidy is not available where a parent is not participating in work, training or study.

### Amount of Support

The subsidy is paid directly to approved providers. The subsidy rate is staggered according to the caregiver's income and the number of children attending from a family. It is payable for up to 20 hours per week during term time and up to 50 hours per week during holidays.

The OSCAR subsidy is payable where:

- the child is :
  - attending a CYF approved programme
  - under 18 years and eligible for Child Disability Allowance (CDA)
- the parent:
  - is the principal caregiver of the child and
  - is in paid work or
  - is training or studying or
  - is disabled or temporarily ill and unable to work and
  - meets an income test.

OSCAR subsidy rates and income thresholds are the same as CCS rates and income thresholds as outlined above.

### Objectives

The aim of the OSCAR subsidy is to encourage people to remain in or enter work by subsidising the cost of OSCAR programmes.

### Effectiveness: including fit/compatibility with other supports

International evidence suggests that if OSCAR programmes follow best practice they can be effective at increasing employment uptake for parents and improving a number of child outcomes including educational achievement and social adjustment. There is no robust New Zealand evidence on effectiveness but surveys suggest that OSCAR services support parents to work.

### Use and Uptake

In 2009/2010 subsidies were paid for an average of 9,259 children at an estimated cost of \$28 million. We estimate that around 9% of children aged between 5 and 13 years access the OSCAR subsidy.

At the end of June 2010, 82% of children receiving an OSCAR subsidy did so because their parents were in employment. The other 18% of parents were in training or study. During that month, around 16% of OSCAR subsidies were paid for children of parents receiving a benefit. Nearly all of these (15%) were paid to parents who were receiving a DPB related benefit. These parents may have been participating in work or training or they have qualified under other criteria, for example their child received Child Disability Allowance.

The Childcare Survey indicates that the OSCAR subsidy was accessed by around 18% of children using formal Out of School Services and 24% of children in school holiday programmes.

#### Reliability of/confidence in this assessment

Data is drawn from MSD administrative data and the findings of the Childcare Survey 2009. MSD are confident of their assessment of uptake of OSCAR subsidies. Subsidies are only paid for a portion of children who attend out of school services (those children who attend CYF approved services, and whose parents choose to apply for the subsidy and meet other qualifying criteria). It is not possible to determine how many parents may be eligible but do not apply for the subsidy.

### IRD Childcare Tax Credit

#### Describe current support

This is a tax rebate available to parents who have paid for childcare costs and are either:

- single, or
- both employed, or
- one or both parents are disabled or physically unable to care for the child.

The child must be either under 18 years of age or unable to work due to a disability. This tax credit is part of a more widely defined housekeeper rebate.

#### Amount of support

The amount claimable is the lesser of 33% of the total payments made, or \$310 (\$940 x 33%), or 33% of taxable income. The average payment in the 2009 year was \$260.

#### Objectives

The objective is to assist with the cost of childcare where there is no parent able to provide that care directly, to assist people to enter the workforce.

#### Effectiveness: include fit/compatibility with other supports

The amount of rebate is very low compared with childcare costs and with other forms of government assistance for childcare costs. It is less effectively targeted - there is no income test or work test and no requirements on childcare providers other than they issue a receipt.

#### Use and uptake

Spending on this tax credit is not able to be separated from the house-keeper rebate. Between 2000 and 2009 there was a 25% reduction in claims. In 2009 there were 49970 people who claimed \$13 million in total.

Receipts must be provided to prove payments were made meaning that families need to face the cost up front. A claim form must be completed each year seeking the rebate. It is

assumed that the effort associated with claiming the rebate in comparison to the rebate size may reduce uptake.

*Reliability of / confidence in this assessment*

The housekeeper rebate has been in place since 1933, and was extended to cover the care of children in the home in 1982. The policy has not been actively considered since 1995. Information on its rationale/objectives is dated and little information is collected on the rebate.

## **Part 2: What are the key childcare barriers facing benefit recipients (particularly sole parents) – availability, cost, quality?**

This section of the report draws heavily on the initial results of the Childcare Survey. Results from the Childcare Survey are subject to a sampling error because they come from a sample of the population, rather than the population itself. Some of the results of the Survey have been suppressed (withheld) by Statistics NZ for reliability and confidentiality reasons.

Where there are relevant qualitative research findings we have included the information in this section. Note there is a lack of qualitative data on the experiences of sole parents and ECE.

### **ECE**

#### **ECE Participation Trends**

MoE data show that while most children participate in ECE prior to attending school (95.1%), participation rates of Maori (91.4%), Pasifika (85.4%) and children from low-socioeconomic groups (89.2%)<sup>10</sup> are much lower. Analysis within the MoE suggests that there is a relationship between the benefit rate (proportion of 0-4 year olds in families with a main benefit) and prior-participation rate. This is supported by the results of the Childcare Survey, which show that only 43% of children in families receiving the DPB participate in ECE.

The Childcare Survey found that use of formal ECE was more common where both parents were working (67.6%) or the sole parent was working (62.3%), compared to children in one-parent families where that person was not employed (39.4%).<sup>11</sup>

#### **Understanding the range of childcare barriers**

Reported barriers to using childcare, especially in the Childcare Survey data, provide a simplified picture of parents' decision-making. Research indicates that the range of commonly-reported childcare barriers (availability, affordability, quality or fit) interact in practice to shape decisions. A family may face a choice between their ideal and flexible service in 6 months time or at high cost, or getting immediate access to a less convenient service further away now. In addition, parents' work expectations and workplace flexibility also affect the extent to which childcare is a barrier.

There are two main advantages of ECE for children:

- (1) children are supported to develop strong learning foundations for the future
- (2) parents can engage in work, study or other activities.

Many parents will only seek ECE for the second reason, especially when they have very young children. The Childcare Survey found that the main reason for children not attending ECE was that the parent had no need for care or preferred to look after the child themselves (71%). The figure was very similar for one-parent families where the parent was not

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<sup>10</sup> From Deciles 1-4.

<sup>11</sup> Only 20 % of DPB-related recipients report non-benefit income (19898 of 104,400 in 2009).  
<http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/statistical-report/statistical-report-2009.html>

employed (69%) and did not vary in any consistent way across the family-income groups. Preferring to look after the child themselves or having no need for care were the main reason for each ethnic group as well. This finding is consistent with other research evidence in the area and suggests that many parents are not necessarily facing barriers to childcare but are instead making an active choice not to access ECE.

## Availability

### Summary

Availability relates to the ability to participate in ECE and/or access the days and hours required. There is no guarantee that the supply of services will always match demand in the areas it is required. Participation in ECE is not compulsory and parents have diverse ECE needs which may not be able to be catered for in all cases. Availability of formal ECE interacts with availability of care by family or friends, which can either substitute for ECE or make up the hours to fit with parents' work needs.<sup>12</sup> Availability and access to ECE is more likely to be a barrier for people living in rural areas than in urban areas.

MoE administrative data for 2009 indicate that a shortage of available ECE may be an issue in 11% of low socio-economic areas,<sup>13</sup> and 17% of areas overall. In these areas families would be less likely to be able to find an ECE place within 1-2 months, or at popular times of the day or week.<sup>14</sup>

The Childcare Survey reported that availability ("no spare places / not available locally / not available at times needed") was the main reason for only 4.3% of the children not participating in ECE. However, the percentages were higher for parents in work or seeking work.

Of sole parents in work or seeking work whose youngest child was aged 0-2 years, 31% experienced childcare difficulties, with the most common main difficulty being that no spare places were available (30%), followed by care not being available when required (21%).<sup>15</sup> No spare places being available and not being available when required were also the main reasons stated for all such parents. In the case of sole parents in work or seeking work whose youngest child was aged 3-4 years, 33% experienced childcare difficulties, although here the results were suppressed for all but one of the main types of childcare difficulty. For all parents in work or seeking work, availability was the second major barrier (following cost).

Data from Statistics New Zealand's Survey of Working Life (confidential – unpublished data) shows that sole parents with dependent children were almost twice as likely to be low paid (earning less than \$15.00 per hour) as employees with other family or household types. This is likely to impact on the ability of employed sole parents to pay for ECE and might mean that low paid sole parents are more likely to use the *20 hours of ECE* formal care for which there is no user charge or to use unpaid informal care.

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<sup>12</sup> *Juggling Acts* Families Commission.

<sup>13</sup> In this analysis, low socio-economic areas were areas were those in the lowest decile in regard to any of the household income, occupation, highest educational qualification, income support, and household crowding index measures used.

<sup>14</sup> These data are based on relatively limited information from ECE services, so do not provide a reliable indicator of availability of ECE to meet any family's particular needs.

<sup>15</sup> It is not clear whether parents reported availability in terms of their preferred ECE service, or any ECE service. Affordability for sole parents was a suppressed result.

Reliability/confidence in this assessment

It is very challenging to assess the availability of ECE. Availability can change quickly in a local area, and it is linked to families' preferences for the type of ECE, to work schedules, informal care, and to providers' willingness to offer ECE to more families or to individual families. The assessments above are our best overall assessment.

Nature, significance and severity of the barrier

Availability of ECE is likely to be reported as having a greater impact on decisions to work than affordability or quality barriers, although we consider the various barriers interact with each other. If ECE is unaffordable parents will not be able to use it even if it is available. The consequence of childcare difficulties, if parents do not have access to reliable informal care by family or friends, can be that parents either stop working, or reduce their working hours in order to provide childcare themselves, turn down work or resign. These issues are explored in more detail in Part 3 below.

<b>Affordability/cost</b>
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Summary

Affordability (or cost) was reported as the third most important childcare barrier in the Childcare Survey, experienced by 5.6% of families that did not participate in ECE. However, of the sole parents in work or seeking work whose youngest child was aged 3-4 years, 33% experienced childcare difficulties and in 36% of these cases the main difficulty was that childcare was too expensive.<sup>16</sup> The equivalent figure for sole parents whose youngest child was aged 0-2 years was suppressed.

The Childcare Survey found that 70% of families paid \$50 or less per week (31% faced no cost; 16% paid more than \$100 per week). For parents seeking work or working, ECE affordability was the main barrier for 13.8% (for under 2's) and 21.9% (for 2-4 year olds).

Low income part-time workers are most affected by lack of access to childcare in terms of their ability to participate in paid work. Access to formal ECE and care was a greater barrier to participation in employment for mothers with a family income of \$20,000 or less and for those working part-time, than for others.

ECE affordability has increased significantly in recent years, as measured by fee price indexes within the Consumers Price Index and quarterly earnings. The introduction of *20 Hours ECE* led to fees falling by more than 30%, with any subsequent increases being small and more than offset by income growth.

Sole parents are significantly more likely to rate the availability of subsidies as important than parents in other family types. As they are moving into work costs of childcare can be a significant barrier for sole parents on benefit as well as for sole parents in low income jobs.

The Childcare Survey showed the main difficulty for sole parents moving into work or wanting to work was the cost of childcare. This was an issue for 26% of sole parent families compared to 13% of two parent families who were not working.

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<sup>16</sup> The equivalent figure was suppressed for sole parents whose youngest child was aged 0-2 years.

International research has consistently found that sole parent families, and families on low incomes or that are qualified only for low-skilled jobs, are the most affected by the cost of childcare; because childcare can be central to enabling them to work. Sole parents who are not working, or who receive low wages, are more responsive to increasing work in response to reduced childcare fees. Sole parents who are working and who receive higher wages may be less likely to reduce work hours in response to increased childcare fees.

New Zealand evidence provides no comparable research on responses to childcare costs. The Childcare Survey showed that affordability was not a significantly greater issue for low-income families and a recent NZCER survey of ECE<sup>17</sup> found that childcare costs were more of a problem for families in the \$30,000-50,000 income range than higher or lower income families.

The Childcare Survey showed that children in rural areas were twice as likely not to be attending ECE because of cost as children in urban areas (10% and 5% respectively). Costs of transport are also a problem for people on benefit which would potentially contribute to any cost concerns.

#### Reliability/confidence in this assessment

We are confident in the assessment that affordability is a relatively important childcare barrier. We do not have detailed primary research to understand how many families are affected or how it interacts with other barriers.

#### Nature, significance and severity of the barrier

While we do not consider that cost is the main barrier to participation, it is likely to have considerable influence on decisions on whether to participate or not particularly for low-income and sole parent families.

<b>Quality</b>
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#### Summary

Quality factors were not identified directly as childcare barriers in the Childcare Survey. We believe that direct perceptions of the quality of ECE are not a significant barrier to sole parents' use of childcare.

Quality assessments were included in the 'other barriers' grouped together in the Childcare Survey and may be able to be analysed further once the full dataset is available. Also, quality factors may be present in parents' preference to care for children themselves, or have family or friends do it (if parents do not believe others can do a good job).

Early childhood research and other qualitative data show that children benefit from participating in quality ECE; and that parents state that they will not use ECE unless it is good enough for their child. Perceptions of quality can focus on safety and health; formal or informal learning opportunities; fit with family culture, language and identity; or relationships and communication in the ECE centre.

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<sup>17</sup> *Provision of ECE services and parental perceptions: Results of the 2007 NZCER national survey of ECE services*

A 2007 research report on parental decision-making showed three main factors as being of primary importance in judging quality – the quality of care provided by staff, child safety and how happy the child was with the service.<sup>18</sup> The meeting of cultural needs was more important for Maori and Pasifika families compared to NZ European children.

Qualitative research has shown that parents from lower income or lower socio-economic groups believe the educational quality of ECE is a relatively more important factor than higher-income families.

We also understand that parents who are working, and who need formal ECE, are more likely to accept a place in any available ECE service; while parents who are not working may be able to wait for a place that meets more of their preferences.

#### *The basic evidence and reliability/confidence in this assessment*

The general evidence in this area suggests that quality learning interactions are what help build strong learning foundations for children. Staff qualifications, and high adult to child ratios contribute to quality learning outcomes for children through promoting positive experiences.

#### *Nature, significance and severity of the barrier*

While quality is not always mentioned as a specific barrier we consider it is an important part of decision-making for parents, particularly those who do not require ECE to work. Parents report that they do not want their children to participate in low quality services. While important for parents to be able to access quality care for their children a number of other factors contribute to parents decision-making when they are not working including cost and access and whether the care is suitable for their cultural or family values or requirements.

## **Formal Childcare for School Aged Children**

### *Summary*

Compared to ECE there are fewer options for formal childcare for school age children. Out of school programmes are run in a variety of locations including schools, churches and community centres.

Where a programme is Child Youth and Family (CYF) approved subsidies may be paid for children where parents meet qualifying criteria and programmes may receive assistance and development grant funding to assist with their operation. In addition to providing subsidies for children, MSD provides funding to approximately 545 providers (approximately 1450 programmes). MSD estimates an average attendance of around 23 children at these programmes. However, attendance can vary greatly between programmes.

There are a number of out of school programmes that operate without MSD funding and information on these programmes including the number of programmes, location and attendance is minimal.

### *Cost/Availability*

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<sup>18</sup> *Parental decision-making in relation to the use of Early Childhood Education services*, March 2007.

Cost of out of school care is more likely to be a concern among low income and sole parent families than other types of families. The Childcare Survey showed that there was no weekly cost to around 35% of parents who attended formal out of school services. The cost of care was less than \$20 for around 19% of children, with the cost falling between \$21 and \$50 for the majority of children. The cost was over \$51 for around 18% of children who attended out of school care. Among lower income families, those earning less than \$20,000 were more likely to say cost of formal care was a reason for not using it (12% compared to 4%). One parent families where the parent was not employed were more likely than other families to not use formal care because of cost.

Of the 475,100 children who were not using formal out of school services in the Childcare Survey the main reason for not using formal care was the parent preferred to look after the child or there was no need to use care (77%). A further 8% of parents preferred to use family, friends or older children. 5% of school aged children did not attend formal care citing cost as the main reason and 3% were not in formal care because of lack of places, lack of locally available provision or care not being available at times needed. As with ECE, children in rural areas were less likely than those in urban areas to attend formal out of school services due to these reasons (13% compared to 2%).

#### Prevalence

Results from the Childcare Survey showed that among children aged 5 to 13 years around 9% attended formal out of school services. Parents of school age children are more likely to use informal care for their children with 76% of parents in the Childcare Survey indicating their school age child did not need care or parents preferred to look after their children themselves. One parent families where the parent was working were more likely to use formal (as well as informal) out of school care with 21% of children from these families being in out of school care.

During the last school holidays before the Childcare Survey, 43% of school aged children used at least one type of formal or informal care, most commonly care by a grandparent (18% of children). As with non-school holiday out of school care children from sole parent families were more likely to have used at least one type of holiday care compared with other children.

#### Reliability/Confidence in this assessment

Information on demand for and provision of out of school care is limited in New Zealand as is also the case in a number of overseas countries. There is no robust New Zealand evidence that provision of out of school services is effective at increasing parental employment or improving child outcomes but surveys suggest that OSCAR services do support parental employment.

There is little international research on the direct effect of funding supply or provision of childcare subsidies for school aged children on sole parent's employment. Cross national comparisons do suggest that easy access to publically funded out of school care contributes to high rates of sole parent employment in some Scandinavian countries (OECD, 2008)<sup>19</sup>

#### Nature, significance and severity of the barrier

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<sup>19</sup> Babies and Bosses: Balancing Work and Family Life. OECD Policy Brief, July  
<http://www.oecd.org/dataoecd/12/2/34566853.pdf>

The extent of the demand for out of school services is not clear. MSD evaluations suggest there may be significant unmet demand for out of school services especially in small towns or where children have disabilities. However, an NZIER paper (2006) reported low demand for out of school services because most families were happy with their after school care arrangements. The Childcare Survey found that people on low incomes and sole parents where the parent was not employed were more likely not to use formal out of school care than other families and to cite the cost of childcare as a reason for not using it.

## Informal Care

### Summary

Informal care includes paid or unpaid care by:

- relatives, including older siblings, grandparents, and parents living outside the household
- friends and neighbours
- babysitters, child-minders or nannies.<sup>20</sup>

Informal care is commonly used, particularly by parents on low incomes. Informal care options are used more often than formal care options among parents of school aged children. For pre-school children, formal care is the most common option. The Childcare Survey showed that among children aged 0-5 years nearly half (46%) of those who received care received informal care in the week before the interview. Among school aged children around 40% received informal care with 55% of children not participating in any childcare.

The Working for Families evaluation survey 2006 also found that families were most likely to use informal care for their school age children with nearly two-thirds of those using informal care arrangements using informal care by relatives, friends, neighbours or a nanny/babysitter.

The main reason given in 71% of cases for parents of pre-school children not seeking formal care was that the parent preferred to look after the child themselves. Formal care being too expensive was the main reason for 5.6% of children and a further 4.3% were due to lack of availability.

### Reliability/Confidence in this assessment

The Childcare Survey supplies basic information on the prevalence of informal childcare. However, the reasons and motivations for choosing informal childcare over formal childcare are complex and not easily measured.

### Prevalence

Maori and Pasifika families are more likely to use informal care options than families of other ethnicities. The Childcare Survey showed that Pasifika children are less likely to attend formal ECE than children in other ethnic groups (30% compared to 56%). Just over half of Maori and Pasifika children attended informal care.

Informal care is most likely to be provided by a grandparent or a member of the extended family. Results from the Childcare Survey showed that care by a grandparent was the most

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<sup>20</sup> This refers to privately arranged nannies, separate to a home-based care network such as PORSE or Barnardos.

common form of informal care with 19% of school aged children and 33% of pre-school children being cared for by a grandparent.

Survey data showed that 82% of employed sole parents used informal ECE for their pre-schoolers. Sole parents are more likely to combine informal and formal care options than parents in other family types. There was no cost associated with informal care arrangements used by the majority (91%) of all parents using them. The cost was between \$21 and \$50 per week for around 4% of children and more than \$51 per week for 5% of children.

Among school aged children one parent families where the parent was employed were more likely to use a combination of formal and informal care arrangements (13%) compared to children in other family types (2.8%). Just over one fifth of these children were in formal out of school services (21%) and 64% had informal care arrangements. Among all children who attended informal care there was no cost for 90% of children.

*Nature, significance and severity of the barrier*

Parents choose informal childcare for a number of reasons. These include a preference for family to care for their children, cost of formal care, lack of culturally appropriate care options or options that suit particular needs or family values, ease of access, transport and simply not perceiving a need for formal childcare where the parent is not working.

### ***Part 3: How effective is support for childcare in improving workforce participation compared to other types of support?***

#### Summary

We are not able to see a direct correlation between ECE and out of school services policy changes and workforce participation. The overall trend of increasing female labour market participation is likely to be due to a range of policy, economic, demographic and cultural reasons, including childcare subsidies, and the trend is large enough to mask the specific effects of government's ECE and out of school services policies.

#### Recent Policy Changes

In economic terms, the effect of the policy changes over recent years has been to reduce the price to the consumer of ECE services, whose consumption of those services has increased. At this stage, with the data available for formal care use in ECE, we think that this has had a positive effect on labour market participation in particular for two parent families (parents working) and one parent families (parent working).

The data shows that a sizeable proportion of ECE provision was taken up by parents (mainly women) who were already working and who were able to increase the number of hours they worked as a result. The corollary we can deduce from this is that, as a result, women who want to return to the labour market tend to have to wait until new ECE places become available for them to access.

Further analysis of the Childcare Survey supplement results will provide a fuller picture of childcare participation across both formal and informal contexts and all ages of children on labour market participation.

There have been some evaluations that show correlations between specific policy changes and labour market outcomes, as follows:

- The Department of Labour evaluated the first year of employment trial periods in 2010. One of its findings was that employers reported that, of those hired on trial periods, 24% were returning to work after a period of unemployment or child rearing. The Department is also currently reviewing the right to request flexible working arrangements under Part 6AA of the Employment Relations Act 2000, but this does not drill down to specific types of caring responsibilities that employees who exercise the right to request flexible working arrangements may have.
- The Ministry of Social Development and Inland Revenue (2010)<sup>21</sup> showed that in the quarter ended June 2007, there were an estimated additional 8,100 sole parents engaged in some paid work as a result of the Working for Families policy changes, and increased numbers of sole parents were working 20 hours a week or more. However, the economic downturn in 2009 eroded most of this impact.

#### Trends in Workforce Participation

There has been an increase in the employment rates across all mothers and in particular for single mothers and mothers with children under 5 years, although rates have declined slightly due to the recession. The age of the youngest child appears to be a significant factor in influencing the employment rate of women. Figures 1 and 2 below indicate that the overall

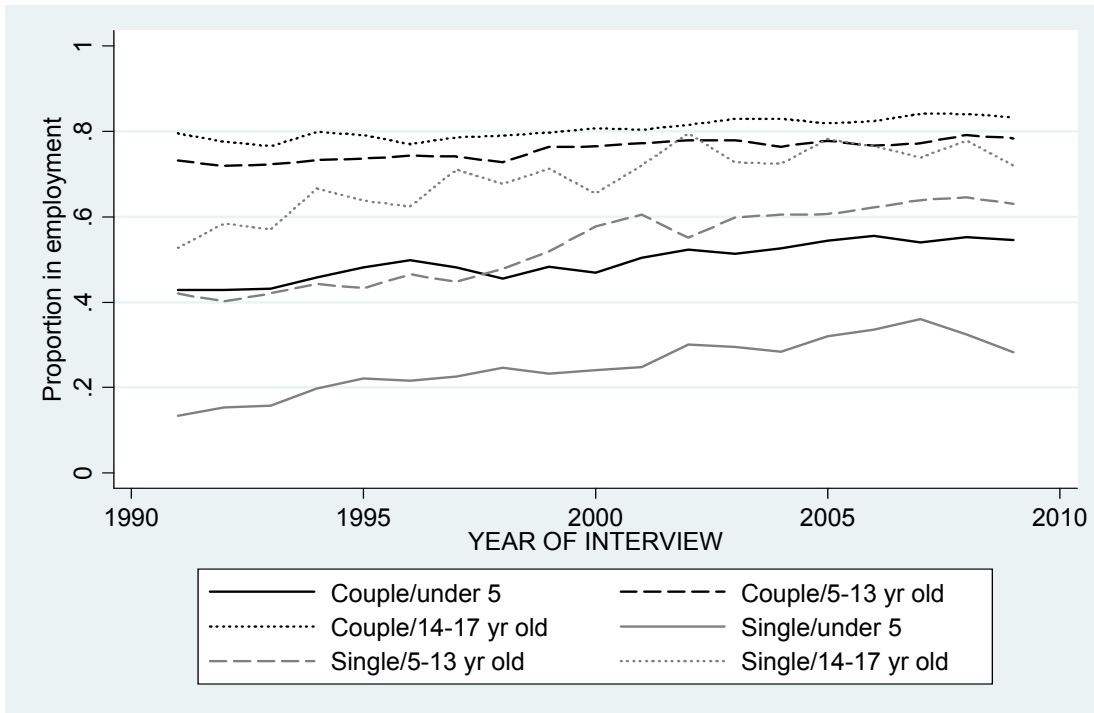
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<sup>21</sup> *Changing Families' Financial Support and Incentives for Working: The summary report of the evaluation of the Working for Families package*, Ministry of Social Development and Inland Revenue, 2010.

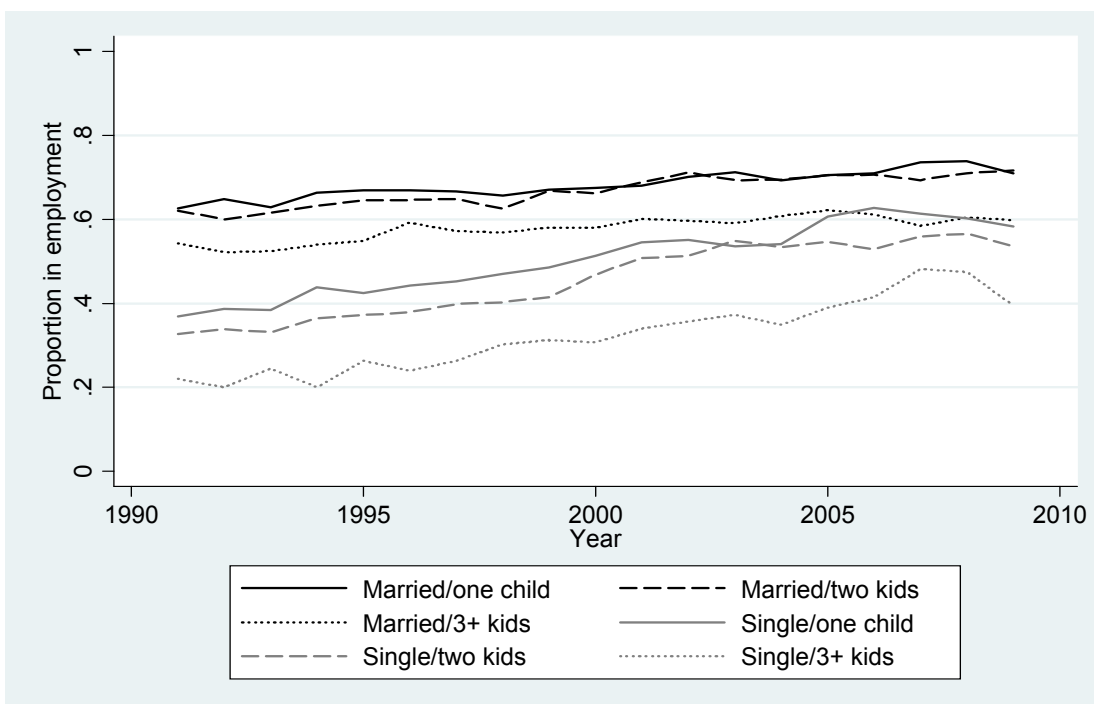
employment rate for women increases according to the age of the youngest child. The overall picture remains the same for prime aged women and also does not alter significantly for part-time/ full-time work.

In the Working for Families evaluation survey 2007 67% of sole parents who were not in work but available for work reported that getting work that paid enough was a barrier to participation. Finding a job that suited them was reported as the biggest barrier for sole parents in this situation (77%).

*Figure 1: Proportion of mothers in employment, aged 15–64 years, by age of youngest child (HLFS data from Mar 1991 – Dec 2009)*



*Figure 2: Proportion of mothers in employment, aged 15–64 years, by number of children aged under 18 years (HLFS data from Mar 1991 – Dec 2009)*



### Participation in childcare as reflected in parents' labour force status

Formal ECE provision is enabling workforce participation, particularly for those already in the workforce. Numbers of children attending formal ECE show significant increases for two parent families (both parents working – an increase of 37.8%) and also one parent families (where the parent is working - an increase of 42.9%). There was a much smaller increase of 3.9% for one parent families in which the parent was not employed.

An examination of informal care arrangements for under 5 year olds and 5-13 year olds, and formal care arrangements for 5-13 year olds, according to parental labour force status cannot be undertaken at this stage because we only have access to high level survey data.

In the 2006 Working For Families evaluation survey of low and middle income sole parents in employment, half of those with children aged 5-13 used no non-parental childcare. Over three-quarters of employed sole parents who used non-parental childcare felt that their current arrangements worked well overall for them and their family.

Employed sole parents who used non-parental childcare were more likely to use informal care than formal care for their children aged 5-13:

- 62% used care by relatives, friends, neighbours or a nanny / babysitter
- 47% used formal care
- 12% used a mixture of formal and informal care.

The increase in the use of childcare (both formal and informal) corresponds with an increase in the employment rates across all mothers, and in particular for single mothers and mothers with children under 5 years. For example, the proportion of females employed in 2008 was 12.9% higher compared with 1998, whereas the employment rates of single mothers with a child under 5 years increased by 112.3% compared with 21.4% for a married/co-habiting mother.

### Effect of childcare difficulties on work

Seventy-one % of those experiencing difficulties getting childcare while working or wanting to work (around 74,000 parents) experienced at least one work-related consequence<sup>22</sup> (Childcare Survey). Mothers were more likely (75%) than fathers (60%) to report consequences as a result of childcare difficulties.

Of people who reported consequences as a result of childcare difficulties:

- almost half had made changes to their usual work as a result of difficulties with childcare
- another 29% of those with childcare-related difficulties turned down paid work
- 24% stopped searching for paid work
- 21% were prevented from making changes to their usual work, and
- 7% resigned from paid work.

Parents who received the DPB were more likely to have experienced work consequences related to childcare difficulties. They were also more likely to have stopped searching for paid work due to childcare difficulties than other parents (63%, compared with 24%).

44% of sole parents who had experienced difficulties had stopped searching for paid work.

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<sup>22</sup> An impact on work as a result of the childcare difficulty.