

Hard lessons

Childcare support for parents in education

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England's childcare system has often been subject to criticism, but government funding has been increased in recent years, especially for parents who work. At the same time, there has been no such increase in support for parents that wish to boost their living standards longer term by undertaking education or training.

The childcare system in England today contains two serious inequalities when it comes to student parents. First, there is very limited funding to help working-age parents studying for qualifications at Level 3 or below, and what is available via Learner Support (LS) is allocated on a discretionary basis. In contrast, eligible students in higher education can access guaranteed support via a Childcare Grant (CG). Second, although the CG broadly matches that which an equivalent working parent would receive via the Universal Credit (UC) Childcare element, working parents can access 15 hours of free childcare (on top of the universal 15 hours) for their 3-4-year-olds (which is in the process of being extended and increased for children aged 9 months to 2-years-old), while those studying full-time cannot.

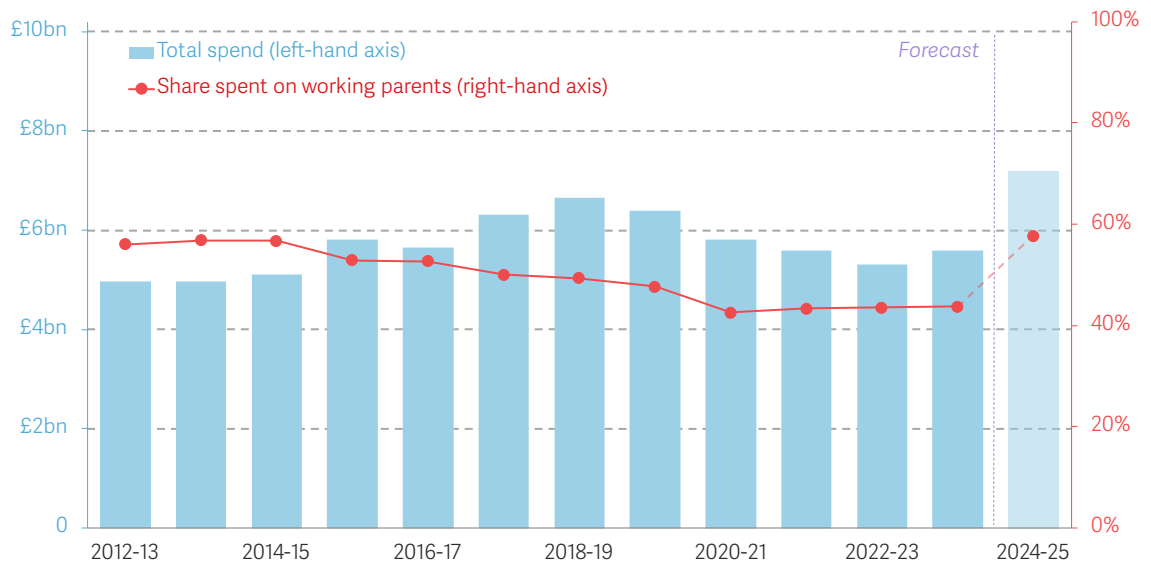
We need to address both of these issues if we are to build a childcare system that supports parents not just to work but also to progress. We estimate that extending the CG to all low-income students with children today would cost the Government around £110 million. Likewise, offering an additional 15 hours of free childcare for 3-4-year-olds (on top of the universal 15 hours) to parents in full-time education could cost an additional estimated £130 million in 2024-25, harmonising the English system with that in Wales.

Childcare investment is on the up, but is increasingly focused on parents that work

The UK has had historically high childcare costs, and comparisons with [other European countries often drive home this truth](#). But childcare support from the government has been increased over the decades. As a result, by 2024-25, real spending on childcare provision in England looks set to total £7.2 billion (in 2023-24 prices), almost one and a half times the £5

billion spent in 2012-13 (see Figure 1).² And indeed, in [Autumn Budget 2024](#), Rachel Reeves also committed to continue delivering on the substantial childcare pledges of the previous Government, and to deliver on the Labour Party’s manifesto promises on childcare too.³

Figure 1 **Government spending on childcare is set to increase**
 Real spending on childcare provision: England



Notes: Data in 2023-24 prices deflated using CPI.
 Source: IFS, Early Years; ONS, Consumer Prices.

There are two key reasons why governments have chosen to invest more in childcare provision over the years: first, to help get children (and especially those from low-income backgrounds) ‘school-ready’, and second, to support parental employment and ensure that work really does pay. But Figure 1 also shows that although the second policy rationale has waxed and waned, it is becoming increasingly important: in 2023-24, 44 percent of childcare spending in England went to parents that worked; by 2024-25, that figure looks set to reach 58 per cent of the total spend.

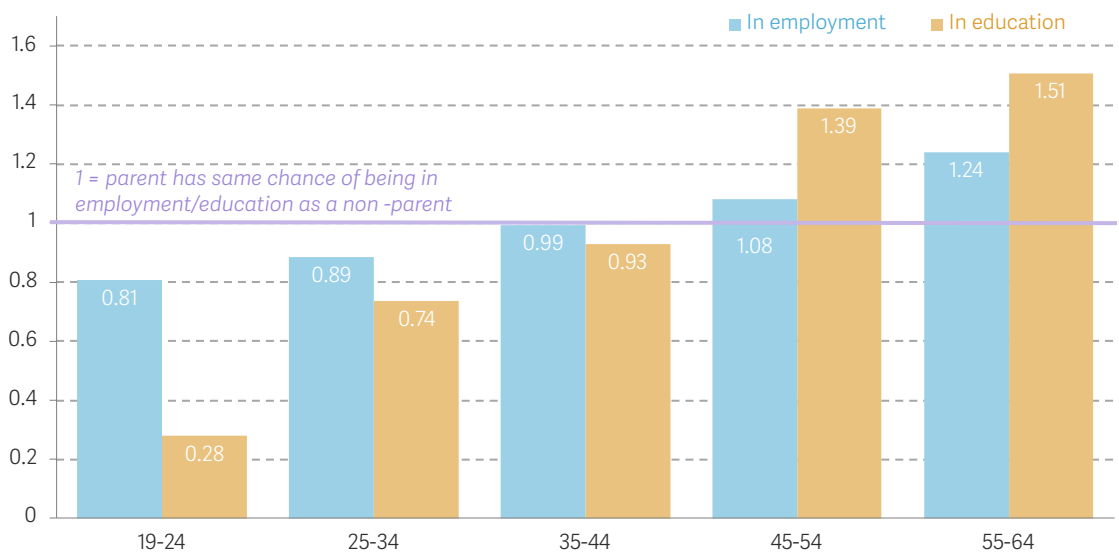
Support for parents in education has been entirely overlooked in the childcare debate

Of course, supporting parents to enter work or to increase their hours is a laudable policy objective: families are less likely to be in poverty, for example, the more parents in the household work.⁴ But improving one’s skills through education and training is also a critical way to boost living standards longer term. [Analysis](#) has shown that wages increase by 32 per cent when someone with a vocational level 2 qualification achieves a BTEC national diploma, and by 25 per cent when someone with a vocational level 3 qualification is awarded a level 4 BTEC higher diploma. But studying as an adult means stepping away from the labour market and temporarily forgoing a wage – a challenge for all who wish to upgrade their skills, but especially for those parents who must cover the costs of childcare too.

Despite this, the issue of childcare for parents who wish to improve their long-term living standards through upskilling is currently absent from policy debates. Figure 2 highlights why this might be a problem. Here, we show how the probability of being in employment (blue bar) and in education (yellow bar) differs between parents and non-parents (a score of 1 indicates there is no difference, a score over 1 indicates a parent is more likely to meet the criteria than a non-parent, and a score below 1 indicates a parent is less likely to meet the criteria than a non-parent), and how that varies by age. As the chart makes clear, there is a 'parent penalty' with respect to both employment and education that is especially acute for the youngest parents, and continues up to the ages of 35-44.⁵ But even more strikingly, there is a larger 'parent penalty' when it comes to education than employment: parents aged 25-34-years are 89 per cent as likely to be in employment as a non-parent in the same age bracket, for example, but only 74 per cent as likely to be in education.

Figure 2 **The 'parent penalty' for those aged 44 and below is bigger for education than employment**

Probability of a parent being in work/in education relative to a non-parent, by age band: England, 2021-2023



Notes: A parent is defined as an adult with a dependent child aged 0-15 or 16-18 if in full-time education.
 Source: RF analysis of ONS, Labour Force Survey.

Lower-income parents in higher education are entitled to a Childcare Grant similar to that in Universal Credit, but not the additional free hours available to working parents

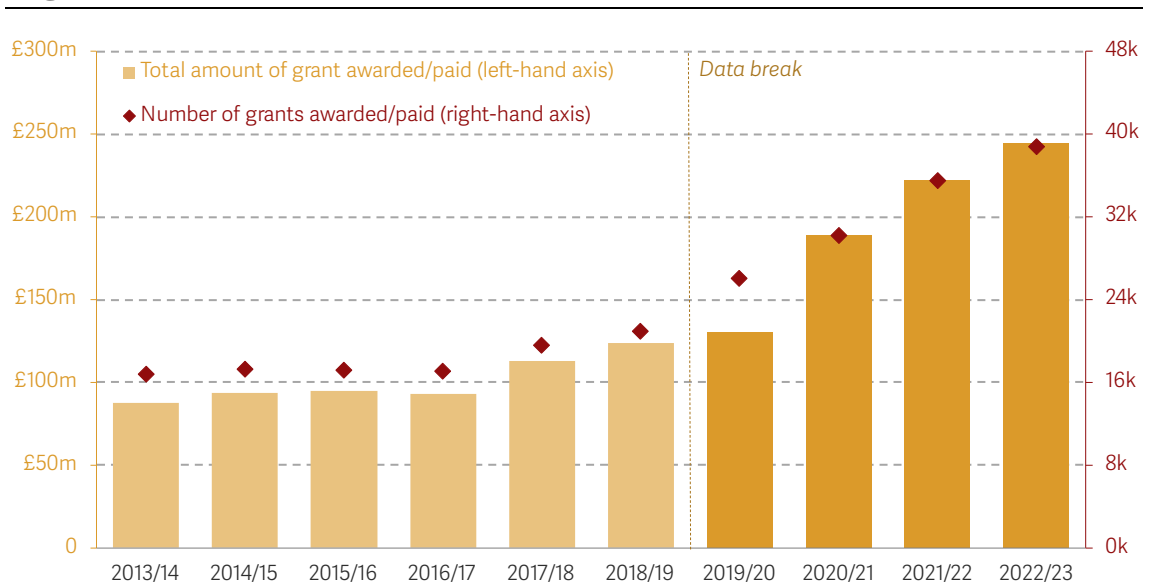
One plausible reason we observe a larger 'parent penalty' when it comes to education than we do for employment is that with some small exceptions, student parents are not eligible for the childcare support that is designed for families where all parents work – most notably,

the additional 15 hours free childcare currently available for children aged 3-4-years-old (and due to be expanded from 2025/26).⁶ There are schemes available to parents who wish to build their human capital through education and training but, as we explain below, they are less generous than those available to working parents.

Lower-income parents studying for a higher education (HE) qualification such as an undergraduate degree, Initial Teacher Training (ITT) or Postgraduate Certificate in Education (PGCE) course can apply for a Childcare Grant (CG) which largely mirrors the support a comparable working parent would receive through the Universal Credit (UC) childcare element.⁷ The CG subsidises eligible student parents with childcare costs for under 15s (under 17s for children with special education needs), to the tune of 85 per cent of their childcare costs up to a certain cap.⁸ (Like UC, the childcare provider must be on the Ofsted Early Years Register, or General Childcare Register).

So long as a student parent fits the eligibility criteria, they will be entitled to support via a CG. As a result, CG spending has increased in line with rising eligible applicants. In academic year 2013/14, 17,000 CGs were made, at a total cost of £88 million (in 2022/23 prices); in 2022/23, that figure stood at almost 39,000, costing £244 million (see Figure 3). In 2022/23, the average CG made to an eligible student parent was £6,300, sufficient to pay for 28 hours of childcare a week for a 3-4-year-old during term time (38 weeks of the year) or 21 hours a week if spread over the whole year.⁹

Figure 3 **Because it is an entitlement, Childcare Grant spending increases as the number of eligible applicants goes up over time**
Total amount of Childcare Grant awarded/paid, and number of grants awarded/paid: England



Notes: Data in 2022/23 prices. In 2019/20, Childcare Grant changed from being paid to students based on estimated costs, to being paid directly to childcare providers, based on actual costs, hence the data break.

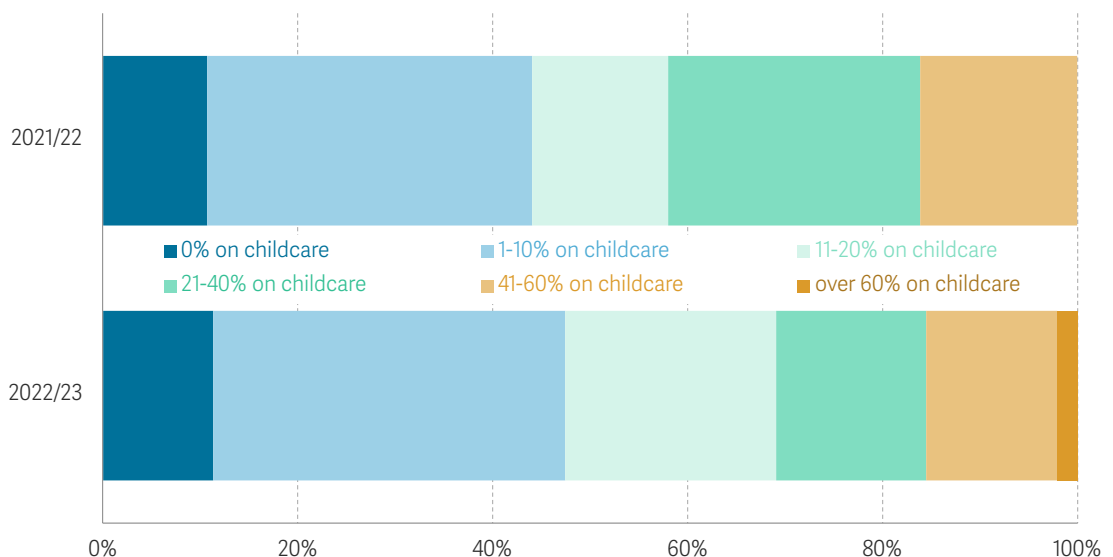
Source: Student Loans Company; Student Support for Higher Education in England.

There is no guaranteed childcare support for parents studying for Level 3 qualifications or below

Although parents studying for an HE qualification cannot access the additional 15 free hours of childcare offered to working parents with pre-schoolers, in all other respects they are treated much like those in employment. But the same cannot be said of those parents who are studying for qualifications at Level 3 or below. Unless a parent starts a course aged 19 or below, there is no guaranteed entitlement to childcare support.¹⁰ Rather, students that need help with childcare costs must apply for [Learner Support \(LS\)](#), a discretionary fund which is open to any learner studying at an FE college to cover costs such as travel, accommodation, equipment, and potentially childcare.

Unlike the CG, which offers guaranteed support with childcare costs so long as applicants meet the eligibility criteria, LS is allocated by individual FE colleges who must adjudicate between different types of claims. In Figure 4, we show the results of a Freedom of Information request to all FE colleges about their LS budgets and allocations in 2021/22 and 2022/23. We find that practice varies greatly across colleges, but that the median proportion of LS allocated to support with childcare costs was under 20 per cent for both years. Added to this, more than one-in-ten (11 per cent) colleges made no LS allocation to help students with childcare costs in the same periods.

Figure 4 **More than one-in-ten FE colleges offered no support to students with childcare costs in 2021/22 and 2022/23**
Proportion of Learner Support made available by FE colleges allocated to childcare support, by bands: England



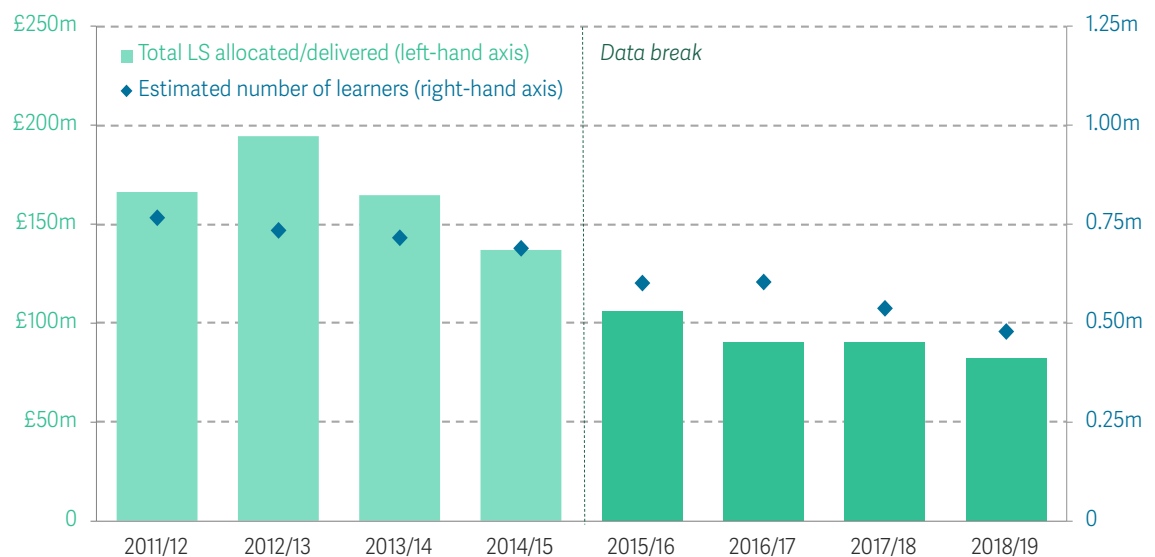
Notes: FOI request asked: "The total amount of Learner Support funding allocated by the college to support students with any costs in 2022-23 and 2021-22." And "The amount of Learner Support funding allocated by the college to support students with childcare costs in 2022-23 and 2021-22."

Source: RF analysis of Freedom of Information requests to all 218 FE colleges in England, submitted 1/2/2024. N=105.

This is not to blame the colleges: it is well-established that overall FE funding has been squeezed in the last 15 years to the point that [in 2022-23 it was 50 per cent lower in real terms than it was in 2010-11](#). Added to this, before 2015/16, the LS was ringfenced but since that date, it has been [merged into the general Adult Education Budget \(AEB\)](#), leaving colleges to balance discretionary hardship funding with all the other demands on their budgets. Figure 5 shows what this has meant in practice: LS has fallen steadily in real terms since 2012/13, outpacing the decline in learner numbers. In 2012/13, for example, LS totalled nearly £200 million for 740,000 eligible learners; by 2018/19 (the latest year for which data is available), the number of eligible learners fell by 35 per cent (480,000), but LS had fallen to just over £822,000, a real terms fall of over half (all cash figures are in 2022/23 prices).¹¹

Figure 5 **Funding for Learner Support has fallen faster than the number of FE college learners in recent years**

Total Learner Support allocation/delivery, and number of eligible learners in FE colleges: England



Notes: Data in 2022/23 prices. Before data break, data shows Learner Support allocation, and after data break, data shows delivered Learner Support. Data stops at 2018/19 as since then, the Adult Education budget has been partly devolved to some combined authorities.

Source: RF analysis of Freedom of Information request, FOI 2024-0006629; DfE, Further Education and Skills; DfE, Funding Allocations; ONS, Labour Force Survey.

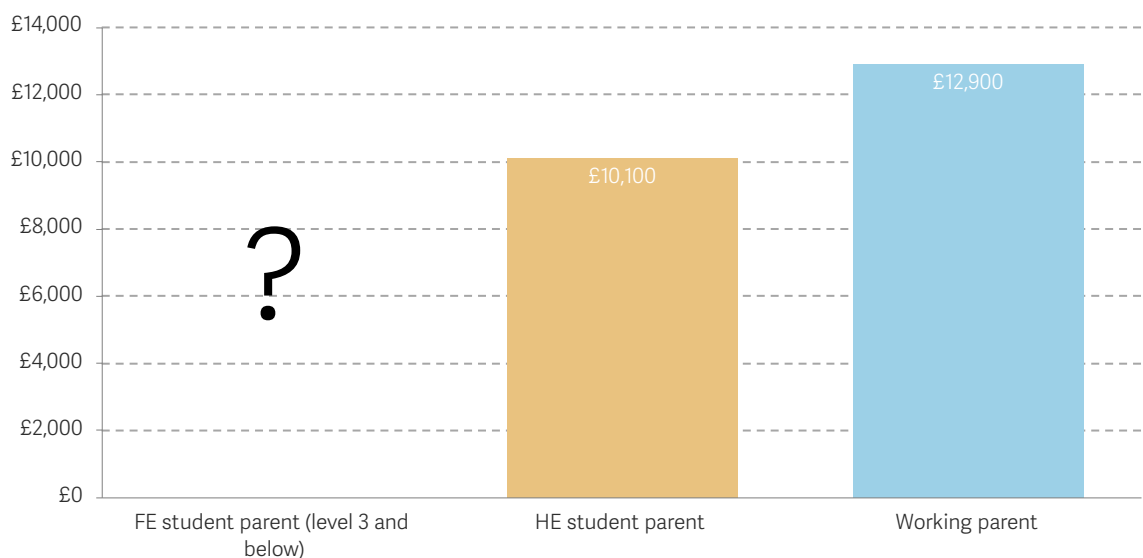
Supporting parents to study requires policy change on two fronts

There are two key inequalities, then, when it comes to childcare support for parents that wish to build their human capital in England today. First, there is a difference between support offered to working parents and parents in education (essentially the 15 additional free hours to which working parents of children aged 9 months to 4-year-olds are entitled). Second, there is a sharp disparity between support for low-income parents studying in FE colleges for a Level 3 or below qualification, and those studying in HE settings (where the difference is clearly about the aggregate scale of support available, but also that there is no

guaranteed entitlement to childcare support in contrast to that available for low-income HE student parents).

Figure 6 illustrates both points by showing the maximum amount of childcare support a low-income parent with one child aged 3-4-years could potentially access in three different scenarios. Given the discretionary nature of LS, and the lack of data available, we are unable to state what the maximum childcare support available to these parents would be. But an equivalent parent studying for an HE qualification has a guaranteed maximum amount of support of £10,100 in 2024/25 courtesy of the CG. Finally, the same parent would receive in-kind or cash support worth up to £12,900 if they were in employment, via UC Childcare and the additional 15 hours of free childcare offered to pre-schoolers of working parents in England.

Figure 6 **There are significant inequalities in the childcare support available to different types of working-age students, and working parents**
 Maximum childcare support available for a low-income single parent of a child aged 3-4-years, in education/employment: England, 2024/25



Notes: Excludes costing for 15 hours free childcare that all receive. Case study assumes parent has one child aged 3-4. Case study assumes the working parent works 37.5 hours a week at National Living Wage and has statutory annual leave; uses childcare for 42.5 hours a week in Camden. HE student parent is assumed to use childcare full-time and be receiving support at the maximum cap.

Source: RF calculations using ONS, Labour Force Survey; Education and Skills Funding Agency, Dedicated Schools Grant: 2024 to 2025 financial year allocations.

So, what could policy makers do in response? There are two obvious reforms that could be pursued. First, the inequalities between different types of student parents could be eliminated by extending the CG currently available to low-income HE students to all full-time students undertaking eligible courses regardless of level. We estimate this would cost £110 million in 2024/25.¹² Second, it would be possible to treat parents on full-time courses much

like working parents, and offer them an additional 15 hours free childcare for 3-4-year-olds for 38 weeks of the year (this would broadly align the English offer to student parents with that in [Wales](#)). This option would cost the Government an estimated £130 million in 2024/25.¹³

Conclusion

The childcare system in England today contains two serious inequalities when it comes to working-age student parents. First, there are very limited funds for Learner Support (LS) that help low-income parents studying for qualifications at Level 3 or below, and what is available is allocated on a discretionary basis. In contrast, eligible HE students can access guaranteed support via a Childcare Grant (CG). Second, although the CG broadly matches what an equivalent working parent would receive via the Universal Credit (UC) Childcare element, working parents also receive an additional 15 hours of free childcare for their 3-4-year-olds (on top of the universal free hours for this age group) and 15 hours of free childcare for their children aged 9 months to two-years-old (an entitlement that will be extended to 30 hours from 2025/26) while those studying full-time do not. But if the Government wishes to encourage not just parental employment but also parental progression – a crucial plank of any serious Child Poverty Strategy, given the high number of [children living in poverty with working parents](#) in the UK today – action is clearly required on both fronts.

¹ Thanks to Mike Brewer, Alex Clegg, Lindsay Judge, Louise Murphy and Hannah Slaughter for advice and analytical support.

² Given that childcare is a devolved matter, the analysis in this spotlight is England only unless otherwise indicated.

³ In their [manifesto](#), the Labour Party committed to continue the expansion of free childcare hours for working parents; to open 3,000 additional nurseries; and to introduce free breakfast clubs in every primary school. In the [Autumn Budget 2024](#), the government committed to spending around £30 million on breakfast clubs and £1.8 billion to continue the expansion of government-funded childcare.

⁴ Two-parent families where both parents work are less likely to be in poverty than a family with a single parent earner, and families where parents work more hours are also less likely to be in poverty than those on lower hours. For example, in 2022-23, 71 per cent of people in workless families with at least one person unemployed were in relative poverty after housing costs; 28 per cent of families with no one working full-time but one or more people in part-time work were in poverty; and only 5 per cent of people in families where a single person or couple were in full-time work were in poverty. Source: DWP, Households Below Average Income.

⁵ The reason why the 'parent penalty' washes out with age is beyond the scope of this spotlight, but two potential explanations spring to mind. First, by age-45-plus, many parents have older children who act as less of a binding constraint on employment or education. Second, those who have dependent children in these older age brackets will have had children later in adulthood, something which is correlated with higher qualification levels and hence higher rates of earnings and employment.

⁶ All parents of 3-4-year-olds are currently eligible for 15 free hours of childcare a week, and those who earn more than the equivalent of 16 hours per week at the National Living Wage are eligible for 30 free hours. In 2025/26, working parents of children aged 9 months to 2 years old will also be eligible for 30 hours a week of free childcare. In theory, a student parent would be able to access the 15 additional hours of free childcare a week for working parents if they and any partner each work and earn the equivalent of 16 hours a week at the National Living Wage.

⁷ Students on a full-time undergraduate course or Initial Teacher Training course may also be eligible for Parents' Learning Allowance, where depending on household income, student parents can receive up to £1,963 of help with general learning costs.

⁸ There are some small design differences between the CG and UC childcare. First, CG caps are lower than those in UC: £10,000 a year for one child and £17,000 for two or more children when it comes to the CG, compared to £12,000 and £21,000 respectively under UC (in 2024-25). Second, UC childcare is tapered away as part of the main UC award, at a rate of 55p for every £1 earned above work allowances. In contrast, there is a stark cliff edge when it comes to CG: CG is means-tested along with Parents' Learning Allowance and Adult Dependent Grant if a student is receiving them, and Childcare Grant is reduced by £1 for every £1 that is above the income threshold for means-testing.

⁹ This uses the Government's own hourly cost for childcare in England for 3-4 year olds of £5.91 in 2024-25. Source: Education and Skills Funding Agency, [Dedicated Schools Grant: 2024 to 2025 financial year allocations](#).

¹⁰ Parents who start their course under the age of 20 are eligible for Care to Learn, a scheme that offers students £195 a week in London, or £180 outside of London, with childcare costs regardless of their household income. For further details, see: GOV.UK, [Care to Learn](#), accessed 11 October 2024.

¹¹ See also. S Cousins, The new childcare entitlements and access to Further Education, in: J Wright & M Corney (eds.), [Expanding Childcare: Time for children, parents and family learning](#), Campaign for Learning, July 2023.

¹² We model the cost of this option using the following methodology (i) We estimate the number of children up to the age of 15 with a parent studying full-time for a qualification that does not attract Student Finance in the latest academic year for which we have full data, namely 2022/23 (Source: LFS) (ii) We count only two children for learners with three or more children aged 15 or under because the Childcare Grant covers the costs for two children only (iii) We multiply these numbers by the maximum amount of support available in 2024/25 i.e. £194/week for one child for 38 weeks a year, and £332/week for two-plus children (Source: [GOV.UK](#)) (iv) We make a take-up assumption as follows. We estimate that close to three-in-ten (29 per cent) full-time students that could potentially claim the Childcare Grant did so in 2022/23 (Source: ONS, Labour Force Survey; Student Loans Company; Student Support for Higher Education in England.). We therefore assume take-up would be the same if the Childcare Grant were extended to other types of students.

¹³ We model the cost of this option as follows (i) We estimate the number of 3-4-year-olds of parents in full-time study in 2022/23 (Source: LFS) (ii) We take the estimated hourly cost of childcare for this age group in 2024-25 (£5.91/hour) then multiply by 15 hours, then by 38 weeks, to get the maximum cost of funding each 3-4-year-old in this fiscal year (Source: [Education and Skills Funding Agency](#)) (iii) We then multiply the number of potentially eligible children by this maximum annual cost (iv) We assume any student would take up this provision if offered. Note both costings use LFS data, which has been shown to have significant issues with data quality and weighting, see A Corlett & H Slaughter, [Measuring up? Exploring data discrepancies in the Labour Force Survey](#), Resolution Foundation, August 2024.