

The Peabody Index

Work-life imbalance

Solving London's childcare challenge

March 2020



Index of key data for social housing tenants in London

Real household disposable income of London social housing tenants

Latest data

Dec-19

Level/rate

£22,050 per year

Change compared with six months/two quarters ago

▼(-£49)

Change compared with a year ago

▼(-£82)

Household income shortfall of social housing tenants compared with other London households

Latest data

Dec-19

Level/rate

£27,908

Change compared with six months/two quarters ago

▼(-£385)

Change compared with a year ago

▼(-£575)

Unemployment rate¹

Latest data

Q3 2019

Level/rate

11.1%

Change compared with six months/two quarters ago

▲(+0.6 percentage points)

Change compared with a year ago

▲(0.1 percentage points)

Net financial perception score²

Level/rate

-8 (net)

27% better off

39% about the same

35% worse off

Change compared with six months/two quarters ago

▲+8

Change compared with a year ago

▲+6



¹ % of economically active social housing tenants in London. Excludes economically inactive tenants such as retired individuals and those that are unable to work due to disability.

² Net financial perception: percentage of Peabody tenants surveyed who said they felt significantly or slightly better off than a year ago, minus the percentage who said they felt worse off.

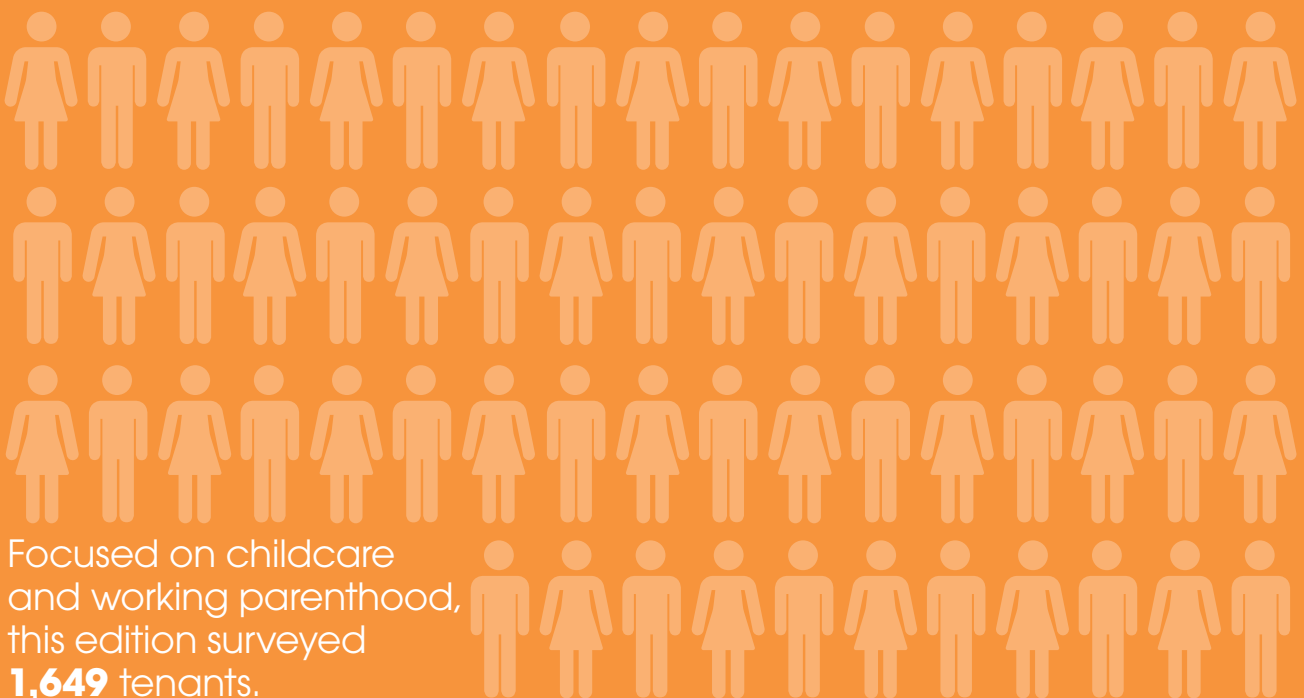
About the Index

As the UK capital and one of the world's most vibrant cities, London leads progress in many areas. But its dynamism can make it a challenging place for low-income Londoners to meet the demands of a changing labour market and rising costs of living. To better understand these issues and make our tenants' voices heard, Peabody began publishing the Peabody Index twice a year in mid-2018.

We partner with the Social Market Foundation who provide analysis of public datasets and identify trends for London and the UK. This analysis draws on data from a wide range of sources including the Labour Force Survey, Living Costs and Food Survey and Greater London Authority data. We track and analyse developments in incomes, employment and living costs for low-income Londoners to provide an evidence base to inform relevant policy debates.

We supplement this with a telephone survey of our tenants. Focused on childcare and working parenthood, this edition surveyed 1,649 tenants, 283 of whom are parents of young children aged 0 to 5 years.

Our headline Peabody Index tracks the average real (inflation-adjusted) household disposable incomes of London's social housing tenants, and the extent to which they are changing in response to developments in the labour market, cost of living and welfare policy.



Focused on childcare and working parenthood, this edition surveyed **1,649** tenants.

Executive Summary

Peabody's research highlights how incomes and employment rates are going down, making life for working families more difficult. The latest Peabody Index stresses the daily childcare challenges facing working parents, especially mothers, in the capital. In response to these findings, we have identified the policy solutions that can address these issues. We are piloting new childcare models, to deliver more affordable and flexible arrangements for our residents. In addition, we are revamping our policy for employees who take parental leave, so they can come back to work with confidence.

In partnership with the Social Market Foundation (SMF), our fresh analysis of original and public data draws a picture of the intractable childcare equation facing hundreds of thousands of London's working and unemployed parents. Among a raft of inhibiting factors, childcare – even after government help – costs the average low-income Londoner net £200 a month.

Among Peabody tenants, two thirds (67%) of parents of young children found it difficult or impossible to find affordable childcare. Working parents of young children are 33% more likely to earn the minimum wage or lower. Only a small minority (13%) of Peabody's single mother tenants have access to the type of informal childcare arrangements via friends and family that seem to be the bedrock upon which they can find work.

Even fewer (8%) tenants with children are able to work flexible hours, which hints at an unspoken factor informing some parents' decision not to work.

These issues and others in this report coalesce around a common theme of our Peabody Index series: the lack of real disposable income for the majority of London's low-income tenants, especially those with young children.

This report also details the compelling stories of four real-life mothers whose working lives are being heavily dictated by an inflexible environment among employers' attitudes to new parents, expensive childcare options and limited government assistance. Either alone or in concert, these factors work to prevent parents of young children from being able to access the type and amount of work they want, and for which they are often trained and best equipped.

Overall there is a need to create quality work that delivers decent incomes, and this is especially true for parents of young children. Our findings suggest more needs to be done to ensure that Londoners have access to affordable and flexible childcare options. This includes support from employers with flexible working arrangements and parental leave. See our detailed findings below and visit the SMF website (www.smf.co.uk) for a full report of the analysis of publicly available data sources.

Key policy asks

Our involvement with community childcare provision, the analysis presented in this report, and our commitment to developing new models of childcare have informed the following policy asks.



- **the government** to double the free childcare available for 3- and 4-year-olds to 30 hours a week for all and to expand provision to 2-year-olds.
- **the government** to allow parents on Universal Credit to claim in advance for childcare bills, as under the legacy benefits system.



- **childcare providers** to create clearer communication of services, particularly around the complexity and diversity of payments including extra costs such as late pickup fees, lunches and nappies.

We hope these policy asks will be taken on board and acted upon by the government and London's wide variety of employers and childcare centres and are eager to engage further on these issues.

We are calling on:



- **employers** to more deeply consider flexible working around childcare, especially maternity leave options for those working shifts and insecure hours.

The emerging complexity behind the gender pay gap: how the 'motherhood penalty' dents pay and working hours



Women in London earn about **£192** less per week than men.

Being a parent, especially a mother, in London complicates the well-known gender pay gap. London's gender pay gap (28%) is smaller than the UK-wide pay gap³ (32%). This means women in London earn about £192 less per week than men. However, the hourly gender pay gap in London (19%) is bigger than that of the UK as a whole (17%). The capital's smaller weekly pay gap is partly a reflection of women in London working longer hours than elsewhere.

The gender pay gap is also influenced by type of work and level of income. Choice of industry, willingness to negotiate salary and labour market discrimination are also likely drivers of the gender pay gap between men and women. Among Londoners who receive benefits, the gender pay gap, at 9%, is much smaller.

³ In terms of weekly pay
⁴ "fatherhood premium" and "motherhood penalty" compare adults aged 35-45 with two children to those with no children

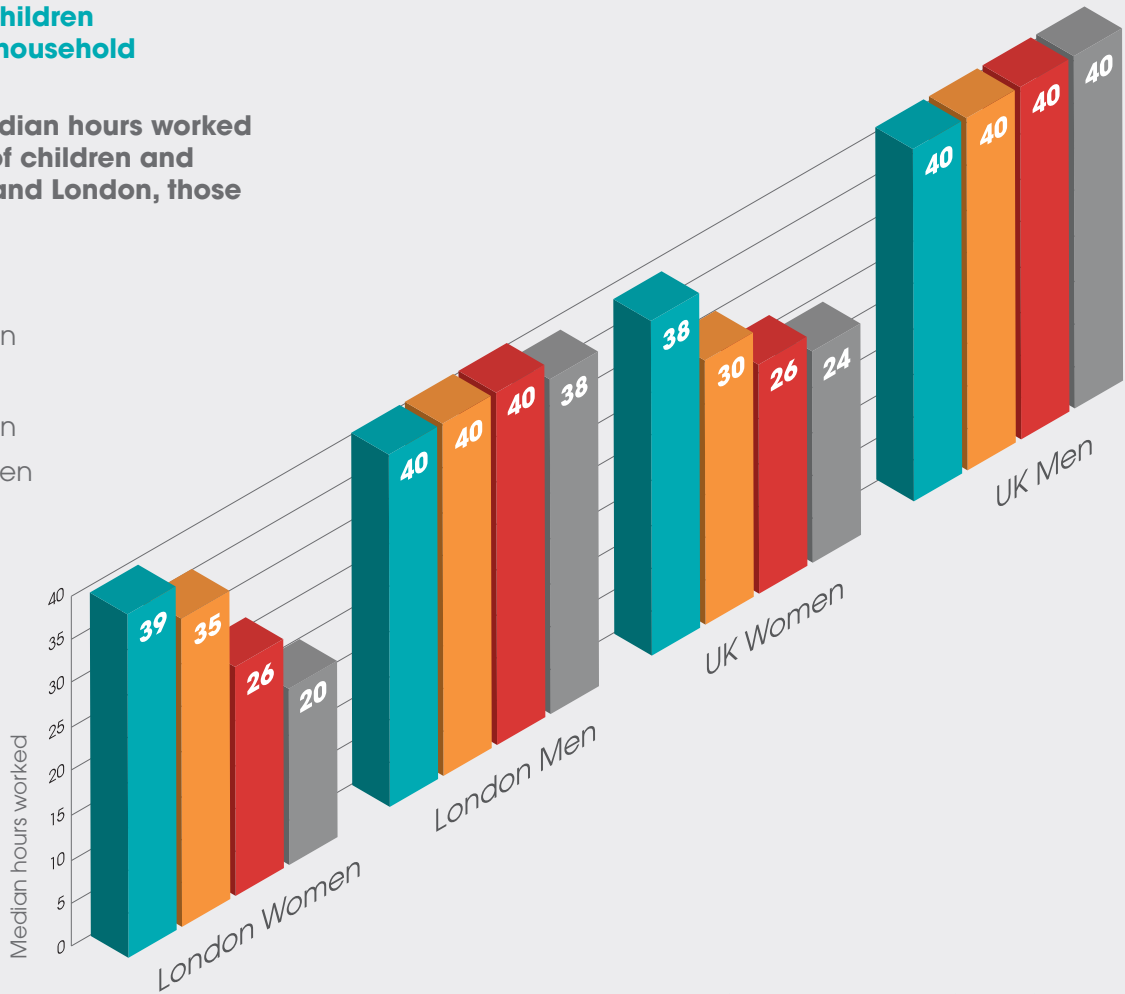
In the UK fathers earn more than men without children⁴. Among those aged 35-45, this 'fatherhood premium' averages 21.8%. For families with a mother and a father, this largely balances out the 'motherhood penalty' – mothers earn 26.1% less than women without children on average. No such balance is visible in London, where the fatherhood premium of 2.3% barely registers and the motherhood penalty soars to 30%. We are especially concerned about the impact of the motherhood penalty on single mothers. They are a prominent subset of working parents of young children, making up 83% of all single parents and almost half (46%) of our tenants with young children.

We have identified that low-income Londoners with young children face significant challenges being able to work and take care of their children. Mothers of two children in London work 13 hours a week fewer than those without children. Not surprisingly, median hours and employment rates fall most dramatically among London mothers as families grow larger.

Number of children under 16 in household

Figure 1: Median hours worked by number of children and gender, UK and London, those aged 35-45

- 0 Children
- 1 Child
- 2 Children
- +3 Children



Source: Labour Force Survey, SMF analysis

Part-time work for Emma Buckley⁵ only viable through partner's weekly sleep sacrifice

"Every Thursday, my partner completes a night shift at work. Then, without any sleep, he spends the day looking after our baby. This has been his lot since last November. We had a mad dash to re-organise his working schedule to nights for this and he's getting pretty tired, but we don't have any choice. I got a shock a month before I returned from maternity leave to my retail sales job. I found out that Universal Credit doesn't cover much more than two days' childcare a week. There's a £646.36 a month cut-off on how much this benefit will support me with childcare. I pay £567 a month in childcare at £8 an hour. Universal Credit doesn't cover the cost of a full third day, so it limits me to either working a two-day week or finding an impossible extra £250 myself each month for childcare.

Having my partner miss out on sleep once a week is completely impractical but it's the only way we can make a three-day week work. We're still barely making ends meet and it was so tough to find the upfront childcare costs before getting it back from Universal Credit. I'd love to work more hours to progress my career, but the current system reduces my job opportunities and promotions are off limits. I never had any of these stresses when I was getting working tax credit when my eldest child was young. Work is meant to be obtainable and there shouldn't be so many hurdles to do better for your family."

"I'd love to work more hours to progress my career, but the current system reduces my job opportunities and promotions are off limits."

⁵ pseudonym

The childcare challenge: a fragile reliance on informal networks and government help

“I had to create my job around school runs ... My partner works far out so I needed to be closer”

“I work more unsociable hours ... it’s harder to get childcare for unsociable hours”

Parents of young children from birth to five years face particular challenges balancing work and childcare. One in ten of our tenants are parents of young children, and more than two-thirds (67%) of them have found it difficult or impossible to find affordable childcare in the capital. London has the highest average cost of childcare in the UK. The average monthly cost of childcare for our tenants is £314 – almost 20% of the average income of social housing tenants.

For our tenants who have family and close social relations, many rely on informal networks for childcare. The majority (68%) of those who were not their child’s primary caregiver had their partner, friends or other family members care for their children. Where available, this worked well: 70% of those with these informal arrangements thought their childcare situation was flexible.

But many of our tenants have limited options for informal arrangements, which can leave their ability to work subject to the unpredictable nature of such childcare support structures. This is especially true for single mothers. Only 13% have informal childcare arrangements in place, meaning that single mothers are 2.5 times less likely to use informal childcare arrangements than other parents in our survey.

Among parents who were not their child’s primary caregiver, others cared for their children an average of 24.4 hours a week. This includes about 20% who have others care for their children full time⁶, while almost a third (30%) of our tenants have no one else to help.

Government funds help parents afford private childcare options such as day nurseries and childminders. Average costs drop substantially among people who use government help to pay for childcare. Figure 2 shows that government help most aids those faced with extremely high childcare costs of £100+ a week. But with government help, an increased number of parents are paying as much as £21-£50 a week. At £200 a month, the average cost of childcare after government help is, for many, still unaffordable.

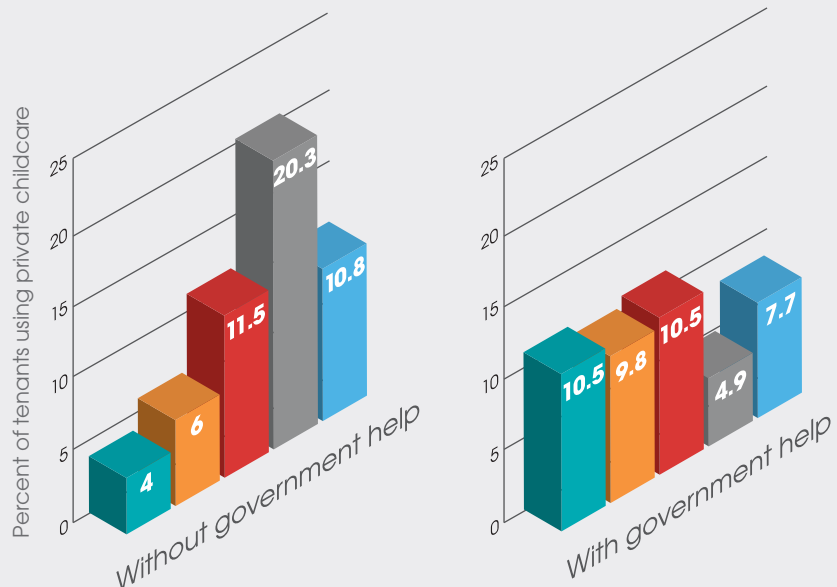
One in four parents using private childcare do not use help offered by the government to pay for it. One reason is that 16% of those using private childcare say they are ineligible for government help. For instance, 15 hours’ free childcare is given to parents of all those age 3 and 4, but there are eligibility requirements for 2-year-olds. Additionally, 30 hours’ free childcare is only available to children whose parents fulfil employment conditions. As 9% of parents were unaware of government help, improved communication campaigns could also help some Londoners save on childcare.

⁶ 30 hours per week or more

Average weekly cost of childcare

Figure 2. Average weekly cost of childcare with and without government help, including 15 hours free childcare, Universal Credit, and Working Tax Credits

- £1-£20
- £21-£50
- £50-£100
- £100-£200
- £200+



Source: Peabody tenant survey 2019-2020

The most popular government help available is the 15 hours' free childcare, with almost 50% uptake among those who use any form of government help. Only 5% use childcare vouchers, a scheme which is being phased out.

Inflexible private childcare options adding to difficulties

Apart from being expensive, private childcare often fails to offer the flexibility needed by working parents. Those with private childcare were 66% more likely to say their childcare arrangements were inflexible compared to those with informal arrangements. This is especially true of parents in shift work and irregular hours. Only a quarter of respondents in this category thought their childcare was flexible with weekend working and shift work.

This lack of flexibility is often expressed through fees charged each time a parent is late to pick up their child. About half (47%) of survey respondents use childcare providers that charge late pickup fees. Many childcare providers must charge late fees to maintain a sustainable business. But the methods and protocols vary and may be opaque to parents. This can generate anxiety for parents, particularly those who work (sometimes fluid) shifts and irregular hours.

Other models of childcare show promise in solving this problem. Co-operative models of childcare, such as the one being piloted by Peabody and the New Economics Foundation, draw on the community of parents to work with childcare providers in governance of childcare. This provides much-needed flexibility and more affordable childcare arrangements.

Barriers to quality employment

Inflexible hours and contracts

Almost half (46%) of our tenants with young children are employed, and they tend to work in sectors unfriendly to childcare arrangements. Only 8% of working parents of young children are able to work flexible hours according to our survey, and this is true across different types of contracts. Consequently, most work part-time.

Other parents chose to work more hours than they would like to due to eligibility requirements for government help with childcare. But not all working parents of young children are able to choose how many hours they work. A significant chunk (13%) are on zero-hours contracts with no guarantee of minimum hours. Working parents of young children are 1.5 times more likely to be on zero-hours contracts than working parents without children. When tenants requested flexibility from their employers, their requests were often denied.

Integrated childcare presents an opportunity to simplify the childcare equation, but it is not an option for the vast majority of low-income Londoners: only 1 of our survey respondents had access to free childcare at their work.

Working parents of young children are a third more likely to earn minimum wage (£8.21 per hour) or lower than those without children. Those younger than 25 are subject to lower minimum wage rates. However, our sample did not include parents of young children in this category. Rather, this may be due to employer noncompliance. Despite a statutory requirement, an estimated 11,000 organisations paid below minimum wage in 2018-19, according to the Resolution Foundation. This has implications for childcare, as those earning low wages are less able to meet the minimum weekly earnings to be eligible for 30 hours free childcare.

More than half (58%) of those working earn below the London Living Wage of £10.75 per hour, and only 21% have received a promotion in the past five years. Furthermore, only 24% have received a pay rise in the past three years.

Parents need better routes returning to work

The challenges faced by working parents begin before the birth of their child. About half (53%) were working in the months leading up to having a child, and they had mixed experiences of maternity and paternity leave. On average, new parents took 10 months maternity leave, one month paternity; however leave was not always paid. Although Statutory Maternity Pay should be paid as wages, employees must meet eligibility requirements that exclude those who have recently changed jobs or do not meet the notice period.

Among those who returned to work, our tenants told us what their employers could have improved:

"(I wish my employers had) found a different job opportunity for me part time ... I wasn't even paid leave"

"More training and keeping in touch when away"

"They (my employers) could have reduced my hours or the on-call hours. I used to do 9-5pm and on-call was 5pm-midnight. With a baby I couldn't do it."

Almost one in ten (7%) of those working before having a child left and did not return to work. This does not include parents on leave planning to return. A quarter of working age women in the UK are neither working nor looking for work. This accounts for about 800,000 women in London. Among social housing tenants in London, our survey shows women are 1.6 times more likely to be in this position than men.

Unsolvable
childcare equation
leads to less work
for graduate
Alina Paik

"I graduated in psychology and criminology a few years ago but inflexible employers, and limited childcare and housing benefit funding have prevented me from starting full-time work in my field. This situation has restricted me to part-time sales jobs. I'm a single Mum with a two-year-old boy and eat only once a day to stretch my finances. I'm restricted to working 16 hours a week across four mornings. If I took a full-time role my higher wages would be swallowed by extra nursery fees and a reduction in my housing benefit for rent. This is the best I can hope for because of available government funding and my employer's flexibility. Working full time at my current job would mean I'd have to take a demotion from supervisor to sales advisor and a pay cut.

Many people at work can only afford nursery fees because they have a two-income household. As I earn less than £16,000 a year the government covers 85% of my nursery fees. This still leaves me having to pay at least £160 on childcare out of around £750. I count costs to the penny every month. Honestly, I'd be financially better off quitting my job. My whole rent would then be covered and I'd cut out £160 on nursery fees. It's in my thoughts. Otherwise, I'd need a more flexible employer or more government coverage of nursery fees."

"I'm a single Mum with a two-year-old boy and eat only once a day to stretch my finances. I'm restricted to working 16 hours a week across four mornings."



Low-income Londoners face declining incomes



In 2014, the unemployment rate for social housing tenants in London was over **20%**, today it is **11.1%**

The challenges of parenthood among our tenants exist within the wider and persistent challenges faced by low-income Londoners. Our regular Peabody Index tracking shows that the real incomes of social housing tenants in London ended 2019 slightly lower (-0.4%) than in 2018. While 2019 saw an acceleration in employee wage growth, for lower income households in London these gains from employment income were offset by freezes in working age benefits.

This year presents some opportunities for rising incomes. The government freeze which has kept most working age benefits at the same level for the past four years is to end in April 2020. However at the same time, wider costs of living are due to rise due to the upcoming end of the legislated reduction on social housing rents.

Despite the recent uptick in the unemployment rate for social housing tenants in London, it remains much lower than the recent past. At the start of 2014, the unemployment rate for social housing tenants in London stood at over 20%, almost 10 points higher than today's 11.1%.

Critically, it remains to be seen whether the recent rise in unemployment is a blip or the start of a worsening of labour market conditions. Data from the ONS showed job vacancy numbers across the UK picking up in the final quarter of 2019, suggesting an improvement as the year drew to a close⁷.

⁷ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/ap2y/lms?referrer=search&searchTerm=ap2y>

Annual real disposable income

Figure 3: Peabody Index - average real annual disposable income of social housing households in London (December 2019 prices)



Source: SMF analysis based on data from the ONS Living Costs and Food Survey, ONS inflation bulletins, ONS Labour Force Survey and GLA data on social housing rents.

Late childcare pickup fees narrow Simret Haile's future working options

"My next job will need to have more kid-friendly working hours. My last role in a supermarket left me so anxious to avoid late childcare pickup fees. I was a single mother then and finished my daily shift at 3pm. I had precisely 30 minutes to reach my child's nursery but several times I couldn't get there and had to pay around £15 even though I was only 15 minutes late. That was early on and I spent three years fearing extra charges. My next job will be as a teaching assistant or child minder because I don't want to go back to feeling like that.

My managers weren't very sympathetic. I had to explain my situation to different supervisors who kept forgetting. I had to cash up the till which would leave me worried I'd be late. Avoiding late childcare fees became a daily battle. Sometimes managers wanted to keep the till open longer. This meant they would cash up, but I would still bear the responsibility for any lost takings. Many ex-colleagues are still battling with this."

"Avoiding late childcare fees became a daily battle. Sometimes managers wanted to keep the till open longer. This meant they would cash up, but I would still bear the responsibility for any lost takings."

For single mother
Nakita Vassell,
childcare help
ends when family
members find work

"My attempt to return to employment after children didn't last long. Although I was able to work full time and felt happier, my hopes for that to be permanent faded fast. Within months my childcare support network found jobs and could no longer help. Childcare for my kids while I worked relied on my family members being unemployed. No one is obligated to help and if friends and family can't you're screwed. Apart from that short experiment I've had seven years out of the job market.

Later this month I'll try again to make work a workable option. I've reduced my daily hours to fit within school times to stay reliable and I'll have an afternoon dash to collect my kids. It's all a bit precarious and gets worse during school holidays when nurseries and schools are closed. I'm not sure what I'll do when they come around again. I'm just hoping for the best. Weekends are going to be tough so my family will be needed. Maybe they will be available again."

"Childcare for my kids while I worked relied on my family members being unemployed. No one is obligated to help and if friends and family can't you're screwed."





Government

Public funding for childcare is vital. It's clear that government efforts to provide 15 hours of free childcare to 3- and 4-year-olds have brought down costs for our tenants. But net costs are still high, at £200 per month for low-income Londoners on average and many still don't have access who would like to work but can't afford to. By expanding provision, parents of young children will have more freedom to pursue meaningful work with greater security. We advocate for 30 hours of free childcare a week for all and an expanded age range to include 2-year-olds.

For families on Universal Credit, childcare fees must be paid by the claimant upfront and then later reclaimed. As illustrated by Emma's experience, this means that parents can be prevented from working if they don't have the upfront payment. Government should allow parents on Universal Credit to claim in advance for childcare bills, as under the legacy benefits system.

We also ask for government support in the development of new models of childcare. Many parents have no access to informal networks of friends and family that often provide flexible childcare options. Developing and scaling up co-op, especially parent-led models can address the affordability and flexibility issues experienced in the childcare sector.



Employers

We call on employers to more deeply consider flexible working around childcare. What this looks like will change depending on sector and job type. We advocate for more options for people taking maternity leave, especially those working shifts and on insecure contracts. Citizens Advice has acknowledged that this is a policy and cultural shift that may require a medium-to-long term commitment.



Childcare sector

The complexity and diversity of payment for childcare centres across London can be difficult for parents to understand. We advocate that childcare providers provide clearer communication around payment rates and arrangements. This includes extra costs for provision of lunches and nappies, including for those families that receive 15 or 30 hours free childcare.

Conclusion

Our fourth Index report has built on its tracking of social housing tenant outcomes since the first edition in June 2018. Employment and real income rates for low-income Londoners have remained relatively stable for the past year, maintaining the status quo of inequality in quality of work, pay and living standards.

This Index has explored the challenges faced by working parents of young children, especially single mothers who represent a large share of our tenants. Our new analysis paints a complex picture of the difficulty low-income Londoners have balancing affordability, flexibility and availability of childcare. Parents of young children are more likely to work fewer hours and be paid at lower rates. This is especially true for single mothers and those otherwise isolated from informal care options.

For many, stay-at-home parenthood, or working fewer hours, is not a negative experience. Some, and perhaps even many, women make a positive choice to take time out of the labour market, valuing the ability to spend more time

with children and their wider family. For some, the financial costs of not working may be a price worth paying. However, there are a significant number who would like to work and are ready to work, yet are simply unable to find the affordable childcare and a flexible role.

The previous edition of the Peabody Index showed the specific challenges faced by those living with a disability in London. This one further explores how the capital can improve services for families, making London a city that supports the capacity for more people to benefit from its range of high-quality job opportunities.

But policymakers, the childcare sector and employers must strive to achieve much more to ensure that parents of young children can live a decent life in London. Hundreds of thousands of parents in the capital – just like Simret, Alina, Nakita and Emma in our featured stories – require childcare companies, employers and government to unite on solutions to fix the seemingly often unsolvable childcare equation.

What Peabody does to help

Peabody plays its part for tenants and employees. Our long-running Pembury Children's Community programme engages hard-to-reach families in Hackney by connecting them with multiple services. This is bolstered by our accredited childcare programme that has trained and supported over 150 residents to become qualified childminders and over 200 to become practitioners within the sector. These childminders offer support at short notice and to parents who work atypical hours. We are also expanding our own childcare provision throughout London made possible by a recent investment by BNP Paribas.

Our commitment to innovating childcare provision is expressed through our partnership with the New Economics Foundation (NEF). Together we are piloting a co-op scheme in Lewisham which will give parents and childminders greater voice in the daily operation of the childcare. An evaluation of this scheme by NEF will add to best practice in the field. We are planning to take forward a discussion on the role of housing associations in childcare provision, by undertaking further research with NEF to improve childcare services across London.

We are also committed to empowering our employees to balance work and family life. Our employee-led Family Network collaborate with Human Resources and Senior Management to shape company policy and offer family-related resources to employees across the organisation. Our family-friendly policies begin with a culture of flexible working including part-time, compressed hours and working from home. Other policies include enhanced maternity and adoption pay, extra time off for emergencies and medical expense plans for dependents. Finally, we are launching a new Returners Programme that will use mentoring and manager training to help those on a period of time out from work come back with confidence.

This research was conducted in partnership with
the Social Market Foundation

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