

Compendium

## Chapter 2: Home produced 'childcare' services

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# 1 . Value of informal childcare

## What is formal and informal childcare?

The definitions of formal and informal childcare vary between different surveys and projects. Definitions of formal childcare can vary from including only childcare that is registered and paid for (for example registered childminder places for those aged under 8), to including care which is formalised by payment but unregistered (for example unregistered childminders and nannies). Reflecting this, the definition of informal childcare can also vary, but it is often defined as unpaid care. This usually refers to care given by family members such as grandparents and siblings, as well as friends; but does not usually include care given by parents. Alternatively, informal childcare can be defined as care which is unregistered even if paid for, including babysitters and unregistered childminders. This is still referred to as informal care because the arrangements are not formalised with contracts or employment rights.

The Household Satellite Account (HNSA) definition of informal childcare is all care which does not involve a monetary transaction and therefore includes the childcare of parents and other family members. It is the total amount of childcare required (total number of children in the population multiplied by 24 hours a day) less any formal childcare, defined as all paid childcare, whether it is registered or unregistered. Childcare therefore covers both 'other services produced for own use' and 'volunteer services' as shown in table 1 in the executive summary.

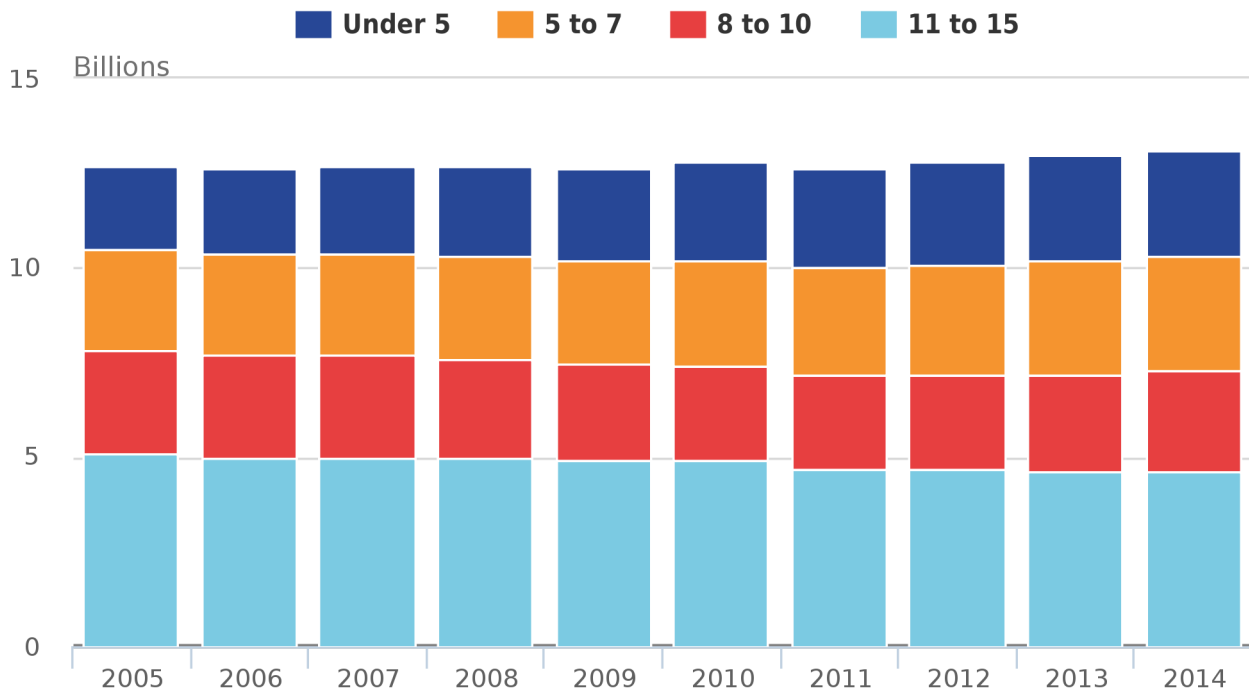
Within this definition of informal childcare we have not tried to distinguish between physical acts of supervision or help and the building of parent-child relationships, which obviously cannot be delegated. By using a residual approach to estimate informal childcare we are accounting for all the time a child needs supervision. This supervision can be 'active' or 'passive'. Passive care includes the time when an adult may not be directly interacting with the child, but is still responsible for them. The important point is that if no unpaid carer were available, a third person would have to be paid to take their place. Therefore passive care is part of the productive role of households and is included in our estimates. One simple way of distinguishing between passive and active childcare is to look at waking and sleeping time. If we assume a child under 5 sleeps for 12 hours, we can say that 50% of their childcare is passive, and so on. As children get older, it is more likely that they will be left unsupervised for varying amounts of time. An allowance has been made for this resulting in a reduction in the amount of informal care for older children.

## 2 . Formal and informal childcare hours

Formal childcare is defined as care which involves a monetary transaction. Total hours of formal childcare can be affected by 2 factors - the duration of time that children spend in childcare, and the total number of children who attend formal childcare.

**Figure 2.1: Formal childcare hours by age, 2005 to 2014**

UK



Source: Office for National Statistics

Figure 2.1 shows that, overall, there has been a 2.9% increase in the total number of hours of formal childcare between 2005 and 2014. This was largely driven by 27.4% growth in formal childcare hours for children aged under 5, which more than offset a 10.1% reduction in formal childcare hours for children aged 11 to 15.

There are 3 main factors which affect the total number formal childcare hours in the UK – duration of time spent in childcare settings, population of children in the UK, and uptake of formal childcare settings. In this analysis, the duration of time spent in any childcare setting is assumed to remain constant over the period considered.

Examining uptake, which is positively correlated with formal childcare hours, table 2.1 highlights a 1.0% decline in formal childcare hours per child between 2005 and 2014. However, over the same time period, there has been an 8.9% increase in the hours per child aged under 5, coupled with a 1.6% decline in hours per child aged between 11 and 15. Furthermore, the population of children aged under 5 grew by 17.0%, while the population of children aged between 11 and 15 declined 8.7%. Therefore, growth of 27.4% in total formal childcare hours for those aged under 5 is likely to be driven by both increases in hours per child, as well as increasing population. Similarly, a decline in hours per child for those aged 11 to 15, the declining population of this age group, help to explain the 10.1% decline in total formal childcare hours for those aged 11 to 15.

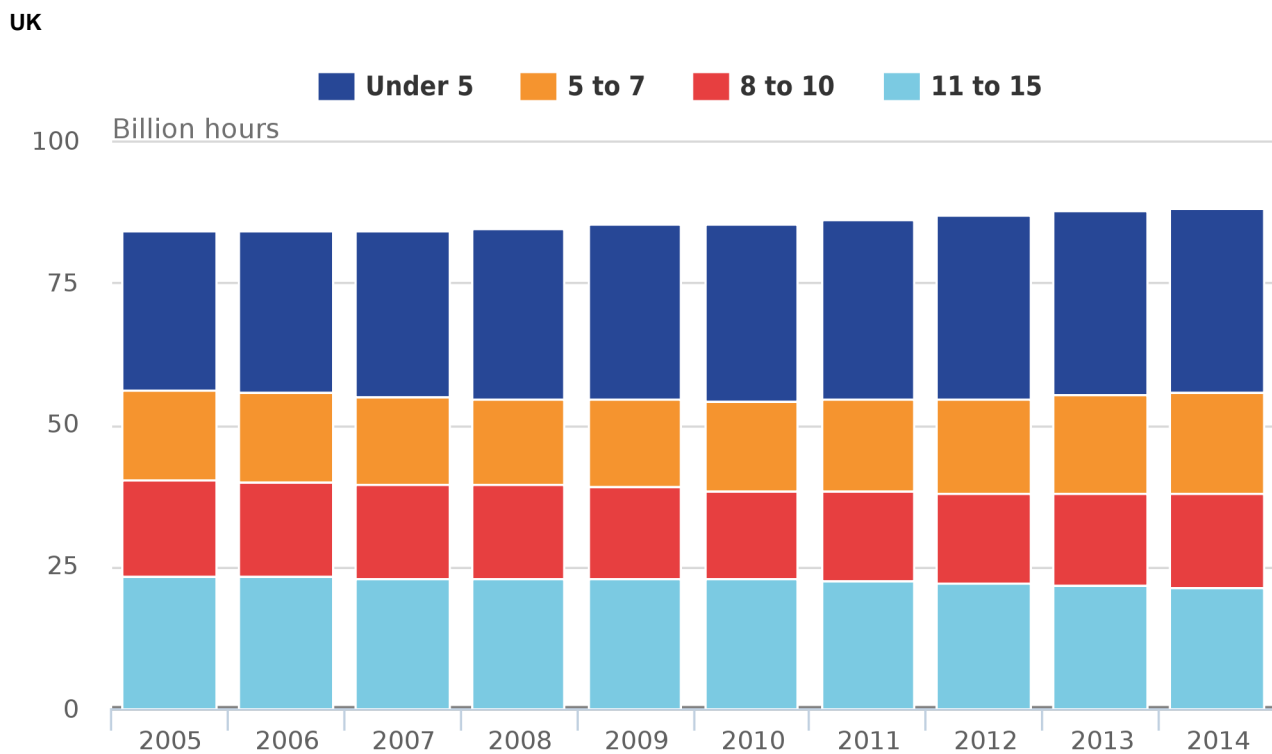
**Table 2.1: Estimated UK formal childcare hours per child, 2005 to 2014**

UK	Under 5	5 to 7	8 to 10	11 to 15	Total
2005	636	1266	1228	1310	1088
2010	664	1333	1225	1297	1083
2014	693	1283	1213	1289	1076
% change 2005 to 2014	8.9%	1.3%	-1.2%	-1.6%	-1.0%

Source: Office for National Statistics

The 8.9% increase in formal childcare hours per child aged under 5 continues the trend reported in [our previous analysis](#), albeit at a slower rate. Further, these results are consistent with government policies aimed at improving accessibility and affordability of childcare. Finally, [we recently published](#) results highlighting that the participation rate for women aged 16 to state pension age with dependent children increased from 70.6% to 74.1% between 2005 and 2014. This is consistent with an increase in the amount of formal childcare hours per child over the same period.

**Figure 2.2: Informal childcare hours by age, 2005 to 2014**



Source: Office for National Statistics

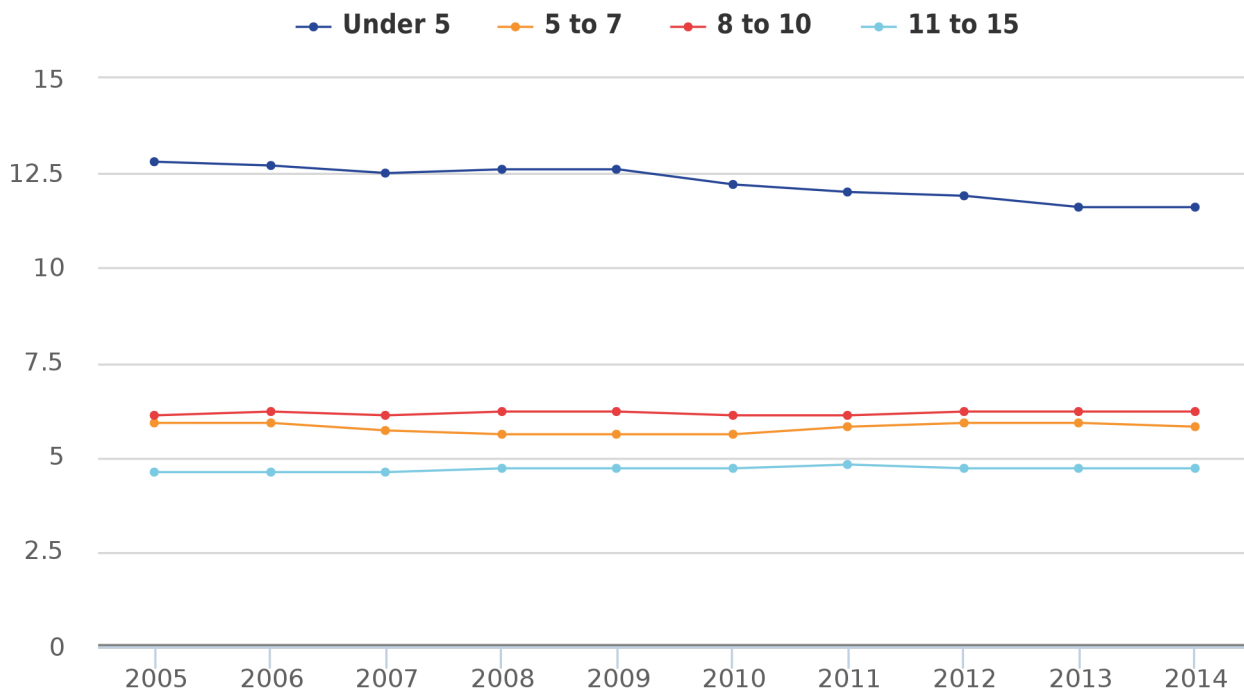
Figure 2.2 shows total informal childcare hours increased by 4.9% between 2005 and 2014, largely driven by a 4.0% increase in the population of children aged under 16. Hours of informal childcare per child remained broadly flat, growing 0.9% over the 10 year period. Informal hours of childcare for under 5s decreased by 0.7% per child which reflected growth in formal hours of childcare. All other age groups recorded growth between negative 0.2% and positive 0.1%.

Figure 2.3 presents the ratio of informal to formal childcare hours to explore substitutions between the 2 forms of care. The ratio of informal to formal childcare hours grew slightly (1.9%) between 2005 and 2014; however, there was significant variation between different age groups.

The rate of growth in the ratio of informal to formal childcare hours between 2005 and 2014 for those aged 5 to 7, 8 to 10 and 11 to 15 was -1.5%, 1.4% and 1.7% respectively. This is unsurprising given that these age groups are most likely to attend school, and have little option other than attending formal childcare settings. However, informal to formal childcare hours declined by 8.8% over the same period highlighting the increasing extent to which informal childcare is being substituted for formal childcare settings.

**Figure 2.3: Ratio of informal to formal childcare hours, 2005 to 2014**

UK



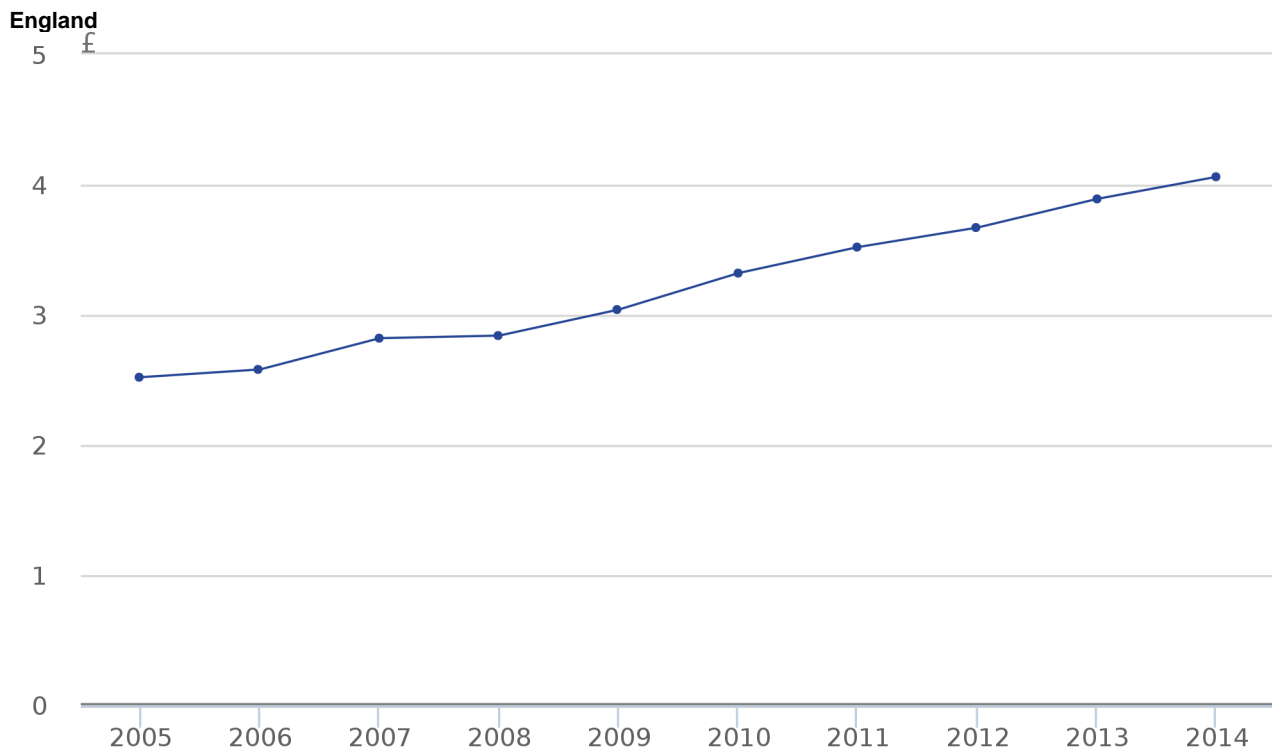
Source: Office for National Statistics

### 3 . Value added of informal childcare

As explained in the methodological section of this article, we have made a change to the way in which hours of informal childcare are valued. The hourly cost of a child minder, using information from the Childcare Costs Survey undertaken by Family and Childcare Trust is used to value informal hours. This replaces the wages of live-in nannies from the Nanny/Tax Survey.

The average hourly cost of a child minder for a child aged 2 and over in England has increased by 61.1% from £2.52 per hour in 2005 to £4.06 in 2014 (see Figure 2.4).

**Figure 2.4: Average hourly cost of a child minder for a child aged 2 and over, 2005 to 2014**



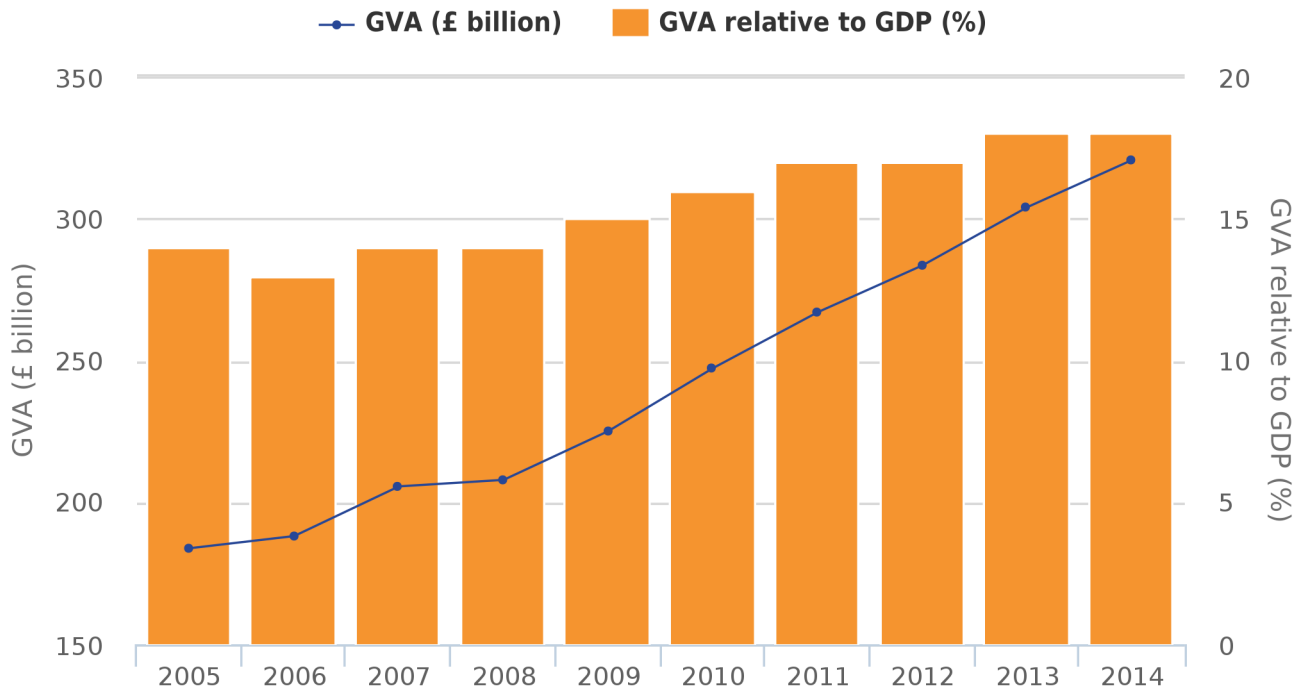
**Source: Family and Childcare Trust**

Gross value added (GVA) of informal childcare grew by 74.5% between 2005 and 2014, at an average growth of 6.4% per year. Most of the increase in the value of informal childcare occurred between 2008 and 2014 - annual growth was 7.5% per year. Growth between 2005 and 2008 was slightly less at 4.2% per year. Given that total informal hours only grew by 4.9% over the 10 year period, a large majority of the growth in the value of informal childcare is accounted for by the 61.1% increase in the cost of a child minder.

Comparing the value of informal childcare with GDP, Figure 2.5 shows that the proportion of informal childcare to GDP increased by 3.8 percentage points from 13.8% to 17.6% between 2005 and 2014. Further, informal childcare is the largest of all home production activities throughout the 10 year period covered.

Figure 2.5: GVA of informal childcare and GVA relative to GDP, 2005 to 2014

UK



Source: Office for National Statistics

## 4. Sources for estimating formal childcare hours

England

Scotland

Northern Ireland

Wales

Childminders	Department for Education	Pre-School and Childcare Statistics: 2005-2010. The Care Inspectorate Child Statistics: 2011-2014	Department of Health, Social Services and Public Safety: 2002-2012.	CSSIW
Day Nursery	Department for Education	Pre-School and Childcare Statistics: 2005-2010. The Care Inspectorate Child Statistics: 2011-2014	Department of Health, Social Services and Public Safety: 2002-2012.	CSSIW
Nursery School	Department for Education	Scottish Government	Department for Education Northern Ireland	StatsWales
Play Groups	Department for Education	Preschool and Childcare Statistics	The Care Inspectorate Child Statistics	CSSIW
Nursery Classes	Department for Education	No data	Department for Education Northern Ireland	No data
Maintained Schools	Department for Education	Pupil Census, Supplementary Data, Scottish Schools	Department for Education Northern Ireland	StatsWales
Special needs	Department for Education	Pupil Census, Supplementary Data, Scottish Schools	Department for Education Northern Ireland	StatsWales
Boarding School	Independent schools council	Scottish independent schools council	Department for Education Northern Ireland	StatsWales
Independent School	Department for Education	Pupil Census, Supplementary Data, Scottish Schools	Department for Education Northern Ireland	StatsWales
Children's homes	Department for Education	Children Looked After Statistics	The Department of Health, Social Services and Public Safety	Health Stats. and Analysis Unit: 2001-2011, StatsWales 2012-2014
Foster Places	Department for Education	Children Looked After Statistics	The Department of Health, Social Services and Public Safety	Health Stats. and Analysis Unit: 2001-2011, StatsWales 2012-2014
Hospitals	Hospital episode statistics - NHS	Information Services Division - NHS Scotland	The Department of Health, Social Services and Public Safety	NHS Wales
Holiday clubs	Department for Education	No data	No data	No data



Out of school Clubs	Department for Education	Pre-School and Childcare Statistics: 2005-2010. The Care Inspectorate Child Statistics: 2011-2014	No data	No data
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