



Childcare and Labour Market Inactivity – Executive Summary and Policy Recommendations

Mr Craig Entwistle and Dr Heather Dickey

Department of Economics
Queen's Business School
Queen's University Belfast

<https://go.qub.ac.uk/economics>

November 2025

Policy Summary: Childcare and Female Economic Inactivity

1. Introduction

Despite considerable progress in reducing gender inequalities in the labour market in recent decades, gender gaps in inactivity rates still persist. Labour market inactivity for women in Northern Ireland stands at a level significantly higher than for men, and also stands elevated relative to women in the United Kingdom as a whole.

Caring responsibilities are one of the most common reasons why women find themselves out of the labour force, as the burden of caring still disproportionately falls on women. Following major life events such as becoming a parent, women typically begin to experience different trajectories in life compared to comparable women without children, and men. This 'motherhood' penalty leads to a substantial, long-term reduction in mothers' earnings and lower employment rates relative to men. Having a family for women reduces female labour force participation and often leads to higher rates of part-time or informal work for mothers, affecting productivity and perpetuating gendered occupational segregation.

Childcare is often promoted as a policy intervention that may help to address the persistent inequalities brought about by the motherhood penalty - helping mothers return to the labour market, experience higher wages, more frequent promotions and expanded career opportunities. This research project has investigated childcare and female economic inactivity in Northern Ireland, and has provided evidence on the impact of childcare provision on maternal labour market outcomes.

2. Executive Insights from the Research Project

- Employment rates for women drop sharply after childbirth and do not fully recover.
- Mothers with more children face steeper employment penalties, though Northern Ireland fares better than the rest of the UK for mothers with 3+ children.
- Expanding childcare provision or reducing costs generally increases maternal employment, but effects vary by context and subgroup.
- Childcare significantly influences mothers' return to work after childbirth. Econometric analysis using UK longitudinal data shows that childcare use increases employment probability, but effects vary by timing, income, education, and region.

3. Key Findings for Policy Design

Employment Effect

- Lower childcare costs and expanded provision correlate with higher maternal employment.
- Childcare use raises employment probability by **35–44%**.
- Effects are stronger in countries (or groups of women) with initially low maternal employment; effects are weaker where employment is already high.

Heterogeneous Effects

- Married mothers respond more to childcare policies than single mothers.
- Older mothers return to work faster; while being in a relationship slows return.
- Universal schemes often benefit higher-income families most.

Timing Matters

- Childcare impact is negative in the first 4 months post-birth, neutral at ~5 months, and positive thereafter.
- Employment acceleration is strongest between 6–15 months after childbirth.

Timing and Persistence

- Policy impacts often strengthen over time as awareness and supply adjust.
- Long-term benefits include sustained employment and improved child outcomes.

Crowding-Out Risk

- Formal childcare expansion can displace informal care (e.g. family, friends and neighbours) without increasing total childcare usage ('crowding out' effect).

Cost Barriers

- Childcare costs are prohibitively high in many OECD countries (UK among the highest).

Policy Approaches

- Two main models: Universal public provision (e.g. Scandinavia) and Market-based subsidies (e.g. UK, Australia).
- Effectiveness depends on integration with other labour market and social policies, such as parental leave.

Quality and Supply

- Staff-to-child ratios and quality standards raise costs but improve safety and developmental outcomes.
- Policymakers often face a trade-off between affordability and quality.

Distributional Effects

- Benefits concentrate among higher-income and highly educated mothers.
- No significant effect for mothers with low education or low income.
- Mothers in Northern Ireland return to work faster than those in the rest of the UK.

Other Influences

- More children slow down mothers' return to work.
- Lack of qualifications significantly reduces employment chances.

Evaluation and Evidence

- Many studies show modest gains; some find no significant effect.
- Robust monitoring and pilot programs may prove useful before scaling.

4. Key Policy Recommendations

Expand Childcare Provision, Target Low-Income Families

- Universal expansion benefits higher-income, highly educated mothers most.
- **Proposal:** Prioritise subsidies or free childcare for low-income and less-educated mothers to reduce inequality.

Align Support with Post-Maternity Timeline

- Childcare impact is negative in the first 4 months post-birth, positive after ~5 months.
- **Proposal:** Phase in childcare support after maternity leave ends; focus on 6–15 months post-birth for greatest effect.

Reduce Cost Barriers

- UK childcare costs among highest in OECD ($\approx 25\%$ of disposable income).
- **Proposal:** Implement sliding-scale subsidies, tax credits, and supply-side investment to lower prices.

Complement Informal Care

- Formal childcare often crowds out informal care without increasing total usage.
- **Proposal:** Encourage flexible models that integrate formal and informal care options.

Balance Quality and Affordability

- Strict staff-to-child ratios raise costs but improve quality.
- **Proposal:** Adjust ratios incrementally, invest in workforce training, and expand infrastructure.

Integrate with Broader Family Policy

- Childcare interacts with parental leave and early education.
- **Proposal:** Coordinate childcare expansion with parental leave reforms and workplace flexibility.

Monitor and Evaluate

- Effects vary; crowding-out and fertility impacts remain uncertain.
- **Proposal:** Pilot programs with robust evaluation before national rollout.

5. Conclusion

Childcare provision is an important policy tool for reducing female economic inactivity and narrowing gender gaps in Northern Ireland's labour market. Evidence shows that accessible childcare significantly boosts maternal employment, particularly in the months following maternity leave. However, benefits are uneven across income and education groups, and high costs remain a major barrier. Effective policy should seek to balance affordability with quality, integrate childcare with broader family support measures, and include robust evaluation to ensure long-term impact. Targeted, phased approaches may deliver the greatest benefits for families and the Northern Irish economy.

Summary Table of Policy Recommendations

Key Finding	Policy Recommendation
Lower childcare costs and expanded provision correlate with higher maternal employment; childcare use raises employment probability by 35–44%.	Reduce Cost Barriers: Implement sliding-scale subsidies, tax credits, and supply-side investment to lower prices.
Universal schemes often benefit higher-income families most; low-income mothers see limited gains.	Expand Childcare Provision, Target Low-Income Families: Prioritise subsidies or free childcare for low-income and less-educated mothers to reduce inequality.
Childcare impact is negative in the first 4 months post-birth, neutral at ~5 months, and positive thereafter.	Align Support with Post-Maternity Timeline: Phase in childcare support after maternity leave ends; focus on 6–15 months post-birth for greatest effect.
Formal childcare expansion can displace informal care without increasing total usage ('crowding out' effect).	Complement Informal Care: Encourage flexible models that integrate formal and informal care options.
Strict staff-to-child ratios raise costs but improve quality; policymakers face affordability-quality trade-offs.	Balance Quality and Affordability: Adjust ratios incrementally, invest in workforce training, and expand infrastructure.
Childcare interacts with parental leave and early education; integration improves outcomes.	Integrate with Broader Family Policy: Coordinate childcare expansion with parental leave reforms and workplace flexibility.
Effects vary; some studies show modest gains; crowding-out and fertility impacts remain uncertain.	Monitor and Evaluate: Pilot programs with robust evaluation before national rollout.