

# QUALITY CHILDCARE FOR ALL

## MAKING ENGLAND'S CHILDCARE A UNIVERSAL BASIC SERVICE

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# CONTENTS

Summary.....	3
Recommendations .....	3
1. English childcare in context .....	5
2. The risks of private provision .....	9
2.1 Inequalities of access .....	9
2.2 'Too big to fail' .....	10
2.3 Overworked and underpaid.....	11
3. Recommendations .....	14
4. Conclusion.....	20
Endnotes .....	21

## SUMMARY

This short paper sets out a vision for early years provision as a Universal Basic Service (UBS), with an emphasis on the achievement of social goals. It is one of a series of working papers developing proposals for Universal Basic Services.

The childcare system in England is broken. Our nurseries are among the most expensive in the world, while childcare professionals are some of the lowest paid workers in society. Over the past 20 years, policymakers have come up with various interventions in childcare policy. In September 2017, Theresa May's government introduced 30 hours of free childcare for some three- and four-year-olds. But the policy is badly thought out as well as severely underfunded. Nurseries across the country make use of loopholes to charge parents for 'additional extras' like nappies and food,<sup>1</sup> to increase fees for non-government funded hours,<sup>2</sup> and to reduce opening hours. Even more worryingly, 17% of childcare providers in England's poorest areas are facing closure. The latest data from Ofsted indicates that over 500 nurseries, pre-schools and childminders have closed each month between April 2018 and March 2019.<sup>3</sup>

Childcare as a Universal Basic Service has the potential to transform the lives of children and parents. Extra money alone will not tackle the underlying structural problems of our broken childcare system. Before investing more money, we need to ask where that money is going. 84% of early years provision is now run by private providers,<sup>4</sup> as a consequence of government policies with the express intention of accelerating the marketisation of childcare. From inequalities of access to the risk of collapse from debt-fuelled expansion, the evidence shows that we cannot trust the care of our children to unaccountable, profit-driven companies.

Change need not entail a top-down restructuring led by central government. We argue for an approach that meets this shared need by exercising collective responsibility. This requires policy interventions that ensure true universality by approaching childcare as a Universal Basic Service (UBS) for all children from the end of paid maternity leave.

## RECOMMENDATIONS

1. **Increase investment in childcare and shift it to subsidise supply rather than demand.** The government should directly fund providers to deliver free or affordable childcare for all children, from the end of paid maternity leave, to the start of compulsory schooling.

2. **Support a democratic childcare sector by increasing the role of local authorities, co-operatives and not-for-profit providers.** Remove the guidance in the 2006 Childcare Bill that restricts the role of local authorities in providing childcare. Stop the sale of public nurseries on the open market and increase investment in maintained nurseries to ensure they are able to develop and expand provision. Give local authorities the right to buy existing nurseries at point of sale. Incentivise a shift to worker-owned provision by introducing a worker buy-out option at the point of sale of nurseries. Ensure that 10% of all local authority investment goes to co-operatives or not-for-profit providers. Improve access to patient forms of capital for the co-operative, mutual and social enterprise sector. Establish an umbrella organisation for childcare co-operatives as part of a new co-operative development agency.
3. **Ensure better pay, protections and a collective voice for childcare workers.** Require childcare providers to be living wage employers in order to access public funding. Ensure that all childcare professionals have training and salaries comparable to primary school staff. Ensure all nurseries recognise a union for childcare workers and support staff to join. Develop sectoral bargaining for employees in the childcare and early learning sector.
4. **Implement these changes via a regulatory framework in the form of a 'Charter for Childcare'.** It would be necessary for providers to demonstrate that they are implementing the framework in order to access public funding.

The current approach to childcare means that the state is significantly subsidising the private sector. The likely trajectory of policy is that this subsidy will increase. This creates an opportunity for profit making that is at odds with the social purpose of childcare. It is time for childcare to be recognised as a Universal Basic Service. At the very least the state should be driving a much harder regulatory bargain with providers to ensure that all those receiving subsidies deliver a clear social mission. The aim of future childcare policy should be to reshape the sector so that the extraction of private profits (and therefore of public subsidy) is, over time, removed altogether and replaced with a partnership approach in which the state, care workers and parents interests are aligned in new types of ownership structures to deliver a clear social mission. Without wholesale reform of the system, more free childcare risks continuing to exploit workers and shut out lower income families.

# 1. ENGLISH CHILDCARE IN CONTEXT

This short paper sets out a vision for early years provision as a Universal Basic Service, with an emphasis on the achievement of social goals. It is one of a series of upcoming working papers developing proposals for Universal Basic Services (UBS). Childcare is a devolved issue, so Scotland, Wales and Northern Ireland are each implementing their own approaches. This report is focused on childcare in England.

## What are Universal Basic Services (UBS)?

The New Economics Foundation supports proposals for ‘Universal Basic Services’ (UBS) as central to its mission to develop a new social settlement. In this context, ‘services’ mean collectively generated activities that serve the public interest, ‘basic’ means essential and sufficient, enabling people to meet their needs, and ‘universal’ means that everyone is entitled to services that meet their needs, regardless of ability to pay. UBS is about exercising collective responsibility to meet needs that we all share. The aim is to improve the quality and reach of existing services such as healthcare and education, and to extend this approach into areas such as care, housing, transport and access to digital information. These services represent a ‘social wage’, providing essentials that people would otherwise have to pay for. They are part of our ‘social infrastructure’ and should be treated as an investment that yields social, environmental and economic benefits. This approach is closely aligned with the UN’s Sustainable Development Goals and is a crucial strategy for realising them.

The absence of flexible, affordable childcare is a huge barrier to tackling inequality: around two-fifths of the total attainment gap between sixteen-year-olds from the most deprived fifth of families and the least deprived fifth of families is already present at age five.<sup>5</sup> High quality childcare can have many benefits, including:

- Reduced inequality, by addressing the attainment gaps already apparent between children of different backgrounds by the time they start school;
- Increased social cohesion between children from different backgrounds through collective provision;
- More opportunity for parents, especially mothers, to take on and sustain employment;<sup>6</sup>

- And long term preventative measures that build children's skills, confidence and resilience, helping to avoid later costly interventions by a range of public agencies.<sup>7</sup>

Parents seeking care for their children have a range of options:

- **Informal or family care:** where the child is cared for by a friend or family member
- **Childminders:** people who are paid to look after one or more children that they are not related to, that is not in the child's own home.<sup>i</sup>
- **Nannies or au pairs:** people who care for children in their own home.
- **Childcare on domestic premises:** where four or more people look after children together in a home that is not the child's.
- **Childcare on non-domestic premises:** nurseries, pre-schools, holiday clubs and other group-based settings.

There has been a longstanding policy divide between nursery education and childcare, with government funding sources changing over time. Childcare is generally care for children from six weeks' old until school age and primarily caters for the needs of working parents. Nursery education is focused on preparing children for school and generally focuses on children aged between three and five years' old.

Under a Conservative government in 1996, nursery vouchers were piloted in four local authorities. This was rolled out in 1997 to ensure all four-year-olds were entitled to 12.5 hours of childcare for 33 weeks of the year. Parents applied for vouchers which they could then exchange with a validated provider either in the 'maintained sector' (a nursery school or reception class in a primary school), or in the private, voluntary or independent sector (PVI).

When the Labour government took power in 1997 they replaced the policy of vouchers with an entitlement to pre-school education. This meant that 12.5 hours were available for each four-year-old but parents were expected to pay for any additional hours used.

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<sup>i</sup> Official statistics from Ofsted released in the the regular 'Childcare Providers and Inspections' series from March 2019 shows 76,600 registered childcare providers, a fall of 12% since August 2015. 81% (1.1 million) of all childcare places are in non-domestic settings, 18% (240,700) are provided by childminders and less than 1% (4,800) are places in childcare on domestic premises. Childminders are an important element of childcare provision, particularly for some parents who work a typical hours and for families in more rural areas. The ongoing decline in the number of childminders is worrying and restricts parents options. This paper focuses on the provision of childcare on non-domestic premises. Ofsted (October 2019). Childcare providers and inspections as at 31 March 2019. Retrieved from <https://www.gov.uk/government/publications/childcare-providers-and-inspections-as-at-31-march-2019/childcare-providers-and-inspections-as-at-31-march-2019-main-findings>

Since then the entitlement has been extended to three-year-olds and the 40% most disadvantaged two-year-olds. The number of weeks of childcare has extended to 38 weeks a year (in line with school terms), with 15 hours per week available for all three- and four-year-olds and 30 hours per week for 'working families'.<sup>8</sup> Despite the 'entitlement' to childcare, annual surveys consistently show a shortfall of childcare places. In 2019 Coram Family Childcare's annual childcare survey found only 57% of council areas in England had sufficient childcare places available for parents working full-time.<sup>9</sup>

Sure Start was a major part of a national childcare strategy in 1997 that aimed to introduce local community-based childcare and education centres in the poorest areas of the country. The goal was to abolish child poverty within a generation. But the failure to embed the centres within existing public service provision, and the absence of long-term, secure funding made them vulnerable to austerity. Research by the Sutton Trust found that from, a peak of 3,632 Sure Start children's centres in 2009, as many as 1,000 had been closed by 2018,<sup>10</sup> with the remaining centres' services hollowed out to such an extent that they can no longer offer childcare.

Enabling parents to purchase childcare from the market like any other commodity has led to the rapid growth of the private sector. England is exceptional within Europe in the extent that it has deliberately and successfully shaped the childcare market to promote the provision of services by for-profit companies. 84% of childcare is delivered by for-profit providers, as opposed to 3% in Germany or 4% in France.<sup>11</sup> Local authorities, in turn, have been discouraged from providing childcare with legislation that explicitly states that they "may not provide childcare for a particular child or group of children unless the local authority are satisfied (a) that no other person is willing to provide the childcare (whether in pursuance of arrangements made with the authority or otherwise), or (b) if another person is willing to do so, that in the circumstances it is appropriate for the local authority to provide the childcare."<sup>12</sup> Meanwhile, the regulatory framework implemented by Ofsted remains unusually narrow in scope, excluding such issues as equal access, working conditions, financial regulation or accountability.<sup>13</sup> Whilst Ofsted checks the quality and suitability of the childcare provision there are no checks on the location of childcare or the fees they charge.

There were an estimated 15,624 children's daycare nurseries in the UK in 2017/18. The majority of nurseries, an estimated 12,733 (81%), are for-profit nurseries, privately owned by individuals, partnerships or companies. The majority of these, 8,265, are owned by incorporated companies and the other 4,468 are owned by sole traders or partnerships. Third sector organisations operating not-for-profit nurseries own an

estimated 1,765 (11%) nurseries and the remaining estimated 1,124 (7%) nurseries are owned and operated by not-for-profit local authorities, the NHS and other public sector organisations. The nursery sector in England is highly fragmented but international supergroups are now emerging and getting larger and larger as consolidation continues.<sup>14</sup>

A key structural trend is the steady, continuing corporatisation of the market over time, as many providers have sought to expand their nursery brands locally, regionally and in some cases internationally. Major changes have occurred in recent years. Consolidation within the private market has been rapid. The two top companies – Busy Bees and Bright Horizons – now have 8% of the market share and provide over 60,500 places.<sup>15</sup> The nursery sector in England has been highly fragmented, but as nurseries are consolidated, international nursery supergroups are now emerging and have grown rapidly in recent years.<sup>16</sup>

Amongst OECD countries, the UK has the most expensive childcare, but the quality of childcare provision is only ranked at 34 out of 50.<sup>17</sup> Families in the UK spend a third of their income on childcare, compared with 9% of household income in France, 5% in Spain and 4% in Sweden.<sup>18</sup> The difference is mostly due to levels of subsidy for childcare and the terms on which this public spending are made available. Total public spending on childcare (including care, pre-school education and related in-kind benefits) as a percentage of gross domestic product (GDP) ranges from 1.66% in France, 1.45% in Norway and 1.39% in the Netherlands, to 1.13% in the UK and 0.65% in Australia, leaving the US at the lower end with spending worth 0.55% of GDP.<sup>19</sup>

The childcare market in England was valued at £5.5 billion in 2017/18. Private sector (for profit) nurseries generated an estimated income of £4.7 billion (85%). This is split between £3.3 billion generated by incorporated companies and £1.4 billion generated by sole traders/partnerships. Not-for-profit nurseries generated £822 million (15%) and local authority and maintained schools generated £420 million.<sup>20</sup>

## 2. THE RISKS OF PRIVATE PROVISION

The rapid privatisation of childcare in England has taken place without any meaningful discussion of the potential risks. The justification has been that it gives parents more choice, with parents assumed to be in a position where they are able to judge what they want and buy what they need. It is also argued that private provision is more flexible and responsive to demand, and that a competitive business model offers the necessary safeguards for quality and cost.<sup>21</sup> But numerous studies of early years provision around the world have concluded that non-profit settings offer better quality care.<sup>22</sup> In 2016 the OECD highlighted that a market-based approach to childcare leaves public authorities with less control over fees and less control over when and where services are provided. It identified that market dynamics can result in for-profit providers drifting away from less profitable areas, so that very young children in poorer neighbourhoods are sometimes left without the option of attending quality services at all.<sup>23</sup> This is certainly the case in England, where childcare is of high cost but relatively poor quality, as noted by the OECD. Genuine 'choice' is constrained by income and location, with high-quality childcare often available only to wealthier parents. Our regulatory framework focuses on how childcare is provided but does not have a responsibility to ensure equality of access for children and parents or ensure fair terms and conditions for childcare workers. As a result, our childcare system is characterised by inequalities of access, financial instability and poor working conditions.

### 2.1 INEQUALITIES OF ACCESS

Children from poorer backgrounds are a third less likely to take up free places in pre-school education. This disparity of access is getting worse with the government's 30 free hours policy, for a number of reasons.<sup>24</sup>

Firstly, the poorest families are not eligible for the 30 free hours. Only parents earning at least as much as a minimum wage worker would earn for a 16-hour week can participate in the scheme. Parents receiving Universal Credit are only able to claim back up to 85% of their childcare fees and these are paid in arrears, increasing the risk that families will go in to debt to pay for childcare.

Secondly, poorer families who are eligible for the 30 free hours face barriers to participation. One barrier is additional cost: nearly half of parents on 30 free hours have been asked to pay additional fees for things like lunches, nappies and outings.<sup>25</sup> Another is location: whereas state provision of childcare, like Sure Start, is more likely to be based on need and target poorer areas, provision of childcare through the private market

results in the clustering of good nurseries in wealthier areas where income from fees is more reliable. For example, Bright Horizons have an acquisition policy in the UK which aims to “expand their portfolio by targeting locations easily accessible to good quality residential areas.”<sup>26</sup> Plans for Sure Start highlight the importance of childcare provision being within baby-buggy pushing distance from home to encourage take-up,<sup>27</sup> but there has been a 24% loss of childcare places in poor areas and a 48% rise in places in rich areas.<sup>28</sup> Poorer parents are less likely to have access to cars, fares for public transport or the time to travel further to childcare facilities.

## 2.2 ‘TOO BIG TO FAIL’

Currently the childcare market is dominated by privately owned nurseries providing childcare to local families. There are lots of owner-operators that work hard for the children they serve. Safeguarding scandals are relatively rare and Ofsted trends show continued improvement in the standard of care provided. In 2019 76% of nursery providers were rated good and 20% rated outstanding, showing continued improvement since 2015.<sup>29</sup>

As noted earlier in this report, there is a growing trend for consolidation of nurseries, with the pace of change increasing in recent years. One of the UK’s fastest growing nursery ‘superchains’ is Busy Bees, which is currently responsible for 50,000 children in over 500 nurseries globally.<sup>30</sup> With a Canadian pension firm as their majority shareholder, the chain recently expanded beyond the UK to China, Singapore, Malaysia, Canada and the US. In an effort to ‘accelerate global growth’ they have also just partnered with a Singapore-based firm, Temasek, who have investments in real estate, telecommunications and financial services.<sup>31</sup> England’s other ‘superchain’ Bright Horizons, has 900 nurseries worldwide, including 292 in the UK.

Models like these have a number of deep flaws. Financialised structures increase their fragility but do not stop them expanding aggressively and becoming ‘too big to fail’.<sup>32</sup> At its height the Australian company ABC Learning Centres (who previously owned Busy Bees) had 30% of the Australian childcare market and similar ambitions to go global. It got into so much debt it went in to voluntary receivership in November 2008 and was bailed out with Aus \$56 million from the Australian government.<sup>33</sup> A subsequent Australian government enquiry heard that “for some corporate players, real estate acquisition and income from rents from childcare centres was the *raison d’être* for their investment in childcare”.<sup>34</sup> They concluded that “provision of quality childcare was incompatible with shareholder aspirations” and that “the provision of services is best

provided by small-scale or individual operators and by not-for-profit and community-based organisations".<sup>35</sup>

The way in which these superchains are organised prevents accountability, with control over decision-making resting with owners or shareholders. Head offices are likely to be distant from the daily running of nurseries. To understand the implications for quality we need better data, but despite the high levels of public subsidy going in to these companies, corporate confidentiality means transparency is resisted. Ofsted is focused on its safeguarding role (which is clearly important) but has no wider responsibility to ensure the financial sustainability of the organisations that are providing childcare.

### **2.3 OVERWORKED AND UNDERPAID**

According to the Department for Education (DfE) 2018 survey of childcare and early years providers, there are an estimated 430,500 people working in the sector. 59% work in group-based providers (childcare providers working in non-domestic premises), 30% work in schools and 11% are childminders.<sup>36</sup> 97% of England's pre-primary education workforce are women. The historical divide between childcare and education, and the feminisation of childcare work have contributed to the development of a workforce that has lower status than other workers across the education system, borne out through lower qualification requirements and lower pay.<sup>37</sup> In 2015 6% of the childcare workforce were from the European Union.<sup>38</sup>

Pay for the childcare workforce is low, both in relative and absolute terms, and a high proportion of workers are claiming state benefits or tax credits. The childcare workforce earned a mean gross hourly pay of £8.20 in 2018. This is £5.00 less than the mean hourly pay of the female working population. The sector has suffered a pay reduction of nearly 5% in real terms since 2013, compared to an increase of 2.5% for all working women.<sup>39</sup> The sector is disproportionately female, which risks embedding gendered stereotypes in children's minds about whose role it is to care. In 2018, 7.4% of childcare workers were male, with the proportion being lower for nursery nurses and assistants (1.8%), and childminders and those in related occupations (4%).<sup>40</sup>

For the childcare workers still working in the public sector with children under the age of three, pay, conditions and work tasks are established in binding agreements between local authority employers and unions.<sup>41</sup> These have detailed definitions of working conditions including length of breaks, staff facilities in the workplace and entitlement to time off. But as described above, the public sector is shrinking,<sup>42</sup> and job security is rarer than it once was.

New research by NEF has examined the impact of employment of childcare workers on the wider economy using data from the Office of National Statistics (ONS). Analysis suggests that investment in public provision early childhood education and care boosts the economy and jobs more than private provision does.<sup>ii</sup> This type of analysis enables us to identify the wider impact of public spending on childcare, supporting the understanding of childcare as a public investment. But publicly-provided childcare is shrinking.

For childcare workers in the private sector there are no negotiated agreements. Pay, conditions and work tasks are determined by individual nursery owners. It is difficult to gather information on the reality of working conditions because very little information about the inner workings of private nurseries is made public – this would be a breach of business confidentiality. Research in 2019 found that “the average childcare worker with a Level 2 vocational qualification now earns £0.22 less per hour than a retail worker with a Level 2 qualification” and “around one in four of former childcare workers stated ‘unsatisfactory pay’ as the main reason for leaving the sector, compared to one in six retail workers”.<sup>43</sup>

It is widely known that one of the biggest problems nurseries face is staffing shortages. In 2018/19 81% of employers reported difficulties in recruiting Level 3 trained staff.<sup>44</sup> Low pay, poor conditions, lack of career prospects, a stressful working environment and little representation and support are common for many in the sector. The most recent government provider survey found that just over one-tenth (11%) of group-based staff aged 25 and over received hourly pay below the National Living Wage, compared with 5% of school-based nursery staff and 5% of reception staff.<sup>45</sup> The proportion of childcare workers claiming state benefits or tax credits remains very high, at 44.5%.<sup>46</sup> Wages in the sector have fallen by 5% in real terms since 2013.<sup>47</sup> The National Day Nurseries Association’s (NDNA) 2019 survey of the sector revealed worrying trends over the last six years, including a staff turnover rate of 24%.<sup>48</sup>

Childcare jobs can be insecure. The way in which speculative investors buy and sell nurseries as assets makes workers vulnerable, as there are no redundancy rules.<sup>49</sup> Private

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<sup>ii</sup> The ONS generates data on the multiplier effect an additional unit of demand has on the wider economy, as well as the effect an additional full-time equivalent (FTE) job in that industry has on the wider economy. Early childhood education and care (ECEC) could be classified either as formal nursery services, falling under Education Services, or daycare, falling under Residential Care and Social Work Activities. In either case, public provision of these services has higher employment and economic multipliers than market provision. However, these statistics are only indicative, because each industry multiplier includes other activities beyond ECEC – for example education services include all levels of education, from nurseries to university, and residential care includes care for the elderly as well.

nursery chains tend to run their own in-house training and apprenticeships,<sup>50</sup> raising issues for workers wanting to change job or sector but whose qualifications are not transferable.

All this takes a toll on nursery workers' mental and physical health. A report by the Pre-school Learning Alliance reveals that half of the early years workforce have suffered from anxiety as a result of work, while a quarter have suffered from depression. High workloads, financial pressures from the lack of government funding, and low pay are the main sources of stress cited by respondents.<sup>51</sup>

Union representation is actively discouraged by many private nurseries.<sup>52</sup> In any case, none of the major unions have a coherent or active policy on privatised nursery staff and there is no collective bargaining in place.

The sector has an ongoing issue with staff skills and qualifications. In 2018, 25.1% of childcare workers held a degree as their highest qualification level. By contrast, 92.8% of teaching workers and 37.1% of all female workers hold a degree or equivalent qualification. Meanwhile, 36% of childcare workers' highest qualifications level was to GCSE, A-level or another equivalent Level 3 qualification, versus only 1.9% of teaching workers and 21.1% of working women.<sup>53</sup> With the sector under pressure, money and time to invest in staff skills and training is limited. The proportion of childcare workers studying towards a higher qualification fell from 22.7% in 2008 to 17.2% in 2013 and to 14.9% in 2018.<sup>54</sup>

### 3. RECOMMENDATIONS

Policy approaches to childcare and early education have been piecemeal over the years, with good intentions undermined by a lack of funding and clear strategy. It is not clear if policy has directly caused the gradual osmosis of provision from public to private and from small-scale private to chain provider-owned, or if this has been an unintended consequence of policy decisions. Studies have shown that there are significant cognitive and emotional benefits to children receiving high quality care in their early years, which can enhance both their wellbeing and their school-related achievement and behaviour.<sup>55</sup> These effects are strongest for children from poorer backgrounds, and for children whose parents have little education.<sup>56</sup> These benefits continue to be felt through late primary school and secondary school years.<sup>57</sup> With considerable public subsidy and a continued demand for high quality childcare from families it is essential to shape future policy to ensure that the value of our public investment is fully realised and equitably experienced.

This is a problem of our own making. Some countries, like New Zealand (particularly between 1999 and 2008) see public spending on childcare as “investing in infrastructure, just like building roads”.<sup>58</sup> Norway, an enviable example, has well-qualified staff, relatively high staff-to-child ratios, a consistent form of childcare setting (the kindergarten) and continuity of care from age one to six as the norm. It combines a legal guarantee to a place for all children with fees that are both low overall and income-related. The government covers 85% of childcare costs, caps fees, imposes tight regulations on staff qualifications, limits profit to what is ‘reasonable’ and ensures that parents sit on kindergarten boards.

Early years childcare is too important both to families and society to leave to market forces. Future policy must position childcare and early education as a Universal Basic Service, supporting the development of childcare provision that is high quality, accountable and sustainable and generates the best public value from public investment. This requires policy making that is focused on the achievement of social goals, rather than simply the preferences of individual consumers. We need to develop new public-social partnerships to deliver services.<sup>iii</sup> In line with this approach, we recommend policy

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<sup>iii</sup> Public-social partnerships are a new approach in which the state and groups of people with a common social interest (such as care users, housing tenants or groups of employees providing a particular service) share ownership and control of the assets. Public-social partnerships require new forms of ownership to be defined, supported and sheltered from the market, probably involving legislation.

changes that would ensure a future reformed childcare system would be based on the following key principles:

**Universality:** Public spending on childcare is an investment in essential social infrastructure that produces net returns for society as a whole.<sup>59</sup> Childcare must be positioned as a Universal Basic Service that is accessible to all children, from the end of paid maternity leave, and according to need rather than geographical location or the ability to pay.

**Direct funding:** Instead of trickling money into the demand side (parents), the state should direct funding into the supply side, investing in providers who meet established standards of excellence and equality. This approach enables local and national government to play a stronger role in driving up standards and ensuring equitable provision. It also makes it possible to introduce fee caps.

**Accountability:** Policies should be designed with the explicit aim of making childcare more accountable and democratic by ensuring the participation of childcare workers and parents.

**Plurality of ownership:** Incentivising alternative ownership models such as public-social partnerships will improve conditions for the childcare workforce and enlist parents as partners in their children's early years, thereby giving more power to citizens and frontline staff to shape services.

**Quality:** Increasing standards of provision is intricately linked to increasing pay, qualifications and progression and building more power and accountability for childcare workers.<sup>60</sup>

Reversing the trend towards market-based childcare provision need not entail a top-down restructuring led by central government. However, in order to make childcare genuinely universal and accountable it will be essential to alter the way in which childcare is funded – shifting funding from demand side to supply side. This approach to funding will make it possible for national and local government to ensure the universality, quality and accountability of early years provision. Our recommendations below focus on the practical steps needed to bring about this change:

### **1. Increase investment in childcare and shift it to subsidise supply rather than demand.**

The government should directly fund providers to deliver free or affordable childcare for all children, from the end of paid parental leave, to the start of compulsory schooling. This would represent a switch from the current model of demand-led funding that treats

parents like consumers, to the model of supply-led funding used in almost every other European country. Subsidies would be given directly to childcare providers on a per capita basis, provided that regulatory procedures are followed. Councils would have responsibility to direct funding locally, making it possible for them to increase settings in areas where there is a lack of provision.

There are different options for how this could be delivered. It could be offered as universal free provision, fully funded by government.<sup>61</sup> An exhaustive study of childcare in eight OECD countries (Australia, France, Germany, Netherlands, New Zealand, United States and United Kingdom) concluded that “free and universal services have much higher enrolment rates than services with a fee” and are the best way of reaching disadvantaged families. Where there are fees, even if they are low, they are more likely to deter access than free provision.<sup>62</sup>

Alternatively, universal affordable childcare could be partly funded by government and partly funded by parents, mirroring the approach in Norway. Genuine affordability would necessitate a regulatory requirement of a fee cap, for example fees limited to never more than 10% of household income. Substantial government funding on a supply-side basis would then ensure that places for all children could be guaranteed and the full costs of provision are covered. Research suggests that in those countries that use them, supply-led systems and fee capping have “depressed the growth of the private childcare market, and there is more reliance on voluntary, co-operative and state provision”.<sup>63</sup>

### **2. Support a democratic childcare sector by increasing the role of local authorities, co-operatives and not-for-profit providers.**

The lessons from the ABC nursery collapse are clear. The consequences of a large scale nursery failure would be devastating for the thousands of childcare staff, the tens of thousands of families relying on the care, and the employers whose staff can't work without childcare. With consolidation continuing, it is necessary to develop policies that safeguard a more diverse mix of childcare provision, increase quality, ensure accountability and sustainability and increase the power of families and frontline staff to shape services. A set of policies should:

Expand the public sector's role and influence by:

1. Changing legislation that constrains local authority provision: removing the guidance in the 2006 Childcare Bill that restricts the role of local authorities in providing childcare.

2. Freezing the sale of public nurseries: stopping the sale of public nurseries on the open market<sup>64</sup> and increasing investment in maintained nurseries to ensure they are able to develop and expand provision.
3. Giving local authorities the right to buy existing nurseries at point of sale: this may need to include an option for emergency interventions to buy out and break up chain companies that are at risk of collapse to ensure continuity of care for children and security of employment for childcare staff. This policy would include compulsory purchase orders for nursery buildings and equipment and a strategy to transfer these resources to local authorities to hold for the public good. It will need to enable local authorities to work cooperatively as many of the largest chains operate across many local authority areas.

Increase provision by co-operatives and non-profits through:

1. Increasing the number of worker co-operatives: Incentivise a shift to worker-owned provision by introducing a worker buy-out option at the point of sale of nurseries. This policy could be particularly effective when targeted at childcare centres under threat of closure or sale and the point of sale of family run businesses, supporting them to remain organisations focused on serving their local community, rather than assimilated into country-wide chains. This would need to be matched by social finance to support the transition.<sup>65</sup>
2. Earmarking a proportion of local authority funding for co-operative and not-for-profit provision: Ensure that 10% of all local authority investment goes to co-operatives or not-for-profit providers, with this percentage increasing over time to help to pump prime the market.
3. Providing patient capital: Improve access to patient forms of capital for the co-operative, mutual and social enterprise sector, so that they are able to play a much greater role in the provision of childcare.
4. Supporting childcare co-operatives: Establish an umbrella organisation for childcare co-operatives as part of a new co-operative development agency, providing a forum to share best practice and to advocate for supportive policies

### **3. Ensure better pay, protections and a collective voice for childcare workers.**

In Quebec, children's centre staff alongside parents have been a powerful organising force to maintain and expand the childcare system, cap fees and provide funding through increased taxation. This has been possible in part due to widespread union membership. The childcare workforce is a relatively stable and low carbon sector.

Recognising the childcare workforce within national employment policies could increase employment opportunities. Policies to develop this include:

- Requiring childcare providers to be living wage employers in order to access public funding: Spending and quality are inevitably intertwined. In order to achieve high quality care, childcare workers should at least be real living wage employers.
- Implementing an improvement programme to increase qualifications and pay of childcare workers: Over time we should aim to ensure that all childcare professionals have training and salaries comparable to primary school staff. Modelling suggests that free universal provision for children aged six months to the start of compulsory schooling would produce gross costs representing 3% of GDP.<sup>66</sup> Estimates show that nine-tenths of the costs would be recouped through employment gains, increased tax revenues and reduced income support payments.<sup>67</sup>
- Increasing union recognition and bargaining: As the Quebec example shows, union membership can be a force for good in childcare in terms of fees, quality and staff pay. Ensuring all nurseries recognise a union for childcare workers and support staff to join is an obvious first step. Recognising that there will always be a diverse and distributed workforce, we would also recommend developing sectoral bargaining for employees in the childcare and early learning sector. As part of their Fair Work Action Plan the Scottish Government and the Scottish Trades Union Council (STUC) have developed a forum in Early Learning and Childcare to explore sectoral bargaining that will include government, employers and trade unions.<sup>68</sup> The Trades Union Congress (TUC) has developed a policy on sectoral bargaining with staff in social care and hospitality. This approach should be extended to childcare as a priority.

To ensure these changes are implemented, a regulatory framework should be developed in the form of a 'Charter for Childcare'. It would be necessary for providers to demonstrate that they are implementing the framework in order to access public funding. Compliance will be assessed and managed in partnership between the national inspectorate Ofsted and national and local government. The charter would ensure that:

- Fees are affordable, ensuring measures such as a fee cap of 10% of household income are implemented and places are available to local families regardless of their income.
- Provision is accountable, through mechanisms such as parents and childcare workers serving on elected boards and annual review systems for nurseries, including publishing financial accounts.

- Location is targeted, so opening a new nursery, or shutting an existing nursery would require a review of evidence of local demand and accessibility.
- Quality is prioritised, with continual professional development available for all staff and clear strategies to increase the level of qualifications across the childcare workforce.
- Childcare professionals are well treated, including a real living wage for all staff, greater job security and union recognition.

After the collapse of several large care providers, the Care Quality Commission (CQC), the national inspectorate for care, has recently taken on a stronger role in assessing the financial viability of registered care providers. With the increasing consolidation of childcare providers mirroring activity in the care sector it is appropriate for this to become standard in the childcare sector. For increased transparency, an open database should be developed with information on all childcare providers, including on their financing and ownership models. All registered childcare providers would be expected to meet these requirements in order to be able to access government funding.

The Charter for Childcare can be enforced through a more active role for local authorities, as direct commissioners for local childcare provision, rather than the current 'market shaping' role. Commissioners will ensure that investment of public money in local childcare provision is based on the ability of providers to demonstrate the implementation of the Childcare Charter.

## 4. CONCLUSION

More funding for childcare is urgently needed; so is a clear-sighted, bold vision for its future. This report makes the case that a much stronger role is needed for government to invest in free or affordable universal childcare, to develop national standards capable of ensuring quality, accountability and sustainability, and to coordinate provision on the basis of a new funding model and regulatory framework. A different mindset is required in which government is no longer trickling funding into a fragmented and extractive system, but sees childcare as a major national investment in a Universal Basic Service that underpins the social and economic future. The evidence in favour of investment in the early years is strong. But policymakers must also appreciate the importance of how this early years intervention is made: ensuring childcare services recognise the benefits of more direct control by workers and parents, supporting higher wages and skills for childcare professionals and guaranteeing more accessible and consistent provision.

But this does not equate to government delivering all childcare. Instead of ushering back top-down control of services, the aim should be more ambitious: public-social partnerships to support a process of democratisation from the bottom up, led by parents and childcare professionals who know what needs to change and have a strong interest in changes being effective.

This requires significant, state-led investment – but to risk taxpayers' money on bolstering the current system would make no sense. While more cash is needed, this must go alongside a clear strategy to transform the provision of childcare. Government must use its investment to move away from a piecemeal system that is too expensive for some and simply not there for others – and in which we frankly don't know enough about the circumstances in which our children are being cared for. The state must demand that its investment is locked into improving care for children and not into profits for owners, however proximate or distant.

The end goal is services that achieve a wide set of social goals, while being genuinely participative, controlled by the people who need and use them.

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