



Women in the labour market

**Childcare from the perspective
of a nursery owner**

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About this paper

In England, childcare and education is provided by settings registered with the Office for Standards in Education, Children's Services and Skills (Ofsted) on their Early Years and/or Childcare Register.¹ These settings are either part of the maintained nursery school (MNS) sector or the private, voluntary and independent (PVI) sector. Maintained nursery schools, run in the same way as schools, are headteacher led, whereas the PVI sector has different qualification requirements and includes settings such as childminders, pre-schools, day nurseries, forest schools and some nannies.² Both the MNS and the PVI sectors are required to follow the statutory framework for the Early Years Foundation Stage and are subject to inspection by Ofsted.³ While many of the issues faced by settings and by parents are the same in both sectors, my specialism is in the PVI sector so this piece tackles the broad sector-based issues through this lens.

Parents returning to work

With statutory maternity pay ending after 39 weeks, parents need care for their baby from the age of 9 months, to enable them to return to work.⁴ This means that they will be looking towards the PVI sector to provide their childcare as MNS generally don't take children until they are at least two-years-old. I own a day nursery in the south of England, and we get enquiries for our baby spaces whilst mums are still pregnant and soon after their baby is born. Baby spaces are at a premium and can be in short supply because it is extremely hard for a provider to make a baby room 'pay' for itself. This fact frequently comes as a surprise to new parents, as the cost of a baby space seems astonishingly high.

Baby spaces are hugely expensive for parents: we charge £67.10 for a full 10-hour day, that's £335.50 a week. Even utilising Tax-Free Childcare⁵ which provides 20% relief on costs (up to a maximum of £2000 a year), many parents are still looking at a prohibitively high cost. These gaps mean it is essential for the finances to add up in other parts of the nursery. If we make a profit in other parts of the nursery, we can 'cross subsidise' the losses felt in other age groups and keep the costs down for parents.

Cost for baby spaces

A baby space at my setting costs £6.41 an hour, fully inclusive.

Staff can look after a maximum of three babies.

A staff member working with their full ratio of babies generates £19.23 an hour in fees.

Research says that the average hourly rate for early years staff is £7.42 an hour (Early Years Workforce Commission, 2021). However, my staff are paid £18,000 for their work and it costs me as their employer approximately £19,519 (PC Payroll and legal, no date). That is £10.43 an hour.

I am left with £8.80 to provide the fully inclusive service.

- Food, nappies, wipes, tissues
- Consumables: sand, paint, paper etc
- Long-term resources like furniture or toys
- Rent, rates, utilities, cleaning
- Repairs and renewals to the property, the equipment etc
- Insurance, subscriptions, staff professional development
- Non-childcare staff: caretaker, office staff etc

If my baby room is not full, and I only have two babies per member of staff, I have to provide the service for £2.39. If I only have one baby (as often happens at the beginning/end of the day), I lose £4.02 for each hour of care.

Baby spaces do not make sense for the provider – we rarely 'break even' on a baby space.

Taking advantage of the 'free' childcare offer for working parents

The term after children turn three-years-old, working parents can apply for 30 hours of 'free' childcare. On paper, it looks like an excellent offer. Not unreasonably, parents might expect that their child can attend for three full days a week, or five 'school days' per week, for no cost. Sadly, it is too good to be true. There are 30 hours 'funded' for parents at a rate set by the government which is below the rate needed by settings to provide the service.

1 Ofsted (2021b) Childminders and childcare providers: register with Ofsted. Available at: <https://www.gov.uk/guidance/childminders-and-childcare-providers-register-with-ofsted/the-ofsted-registers>

2 Ofsted (2021c) Statutory framework for the early years foundation stage. Setting the standards for learning, development and care for children from birth to five. Department for Education. Available at: <https://www.gov.uk/government/publications/early-years-foundation-stage-framework--2>

3 Ofsted (2021d) Early years inspection handbook. Available at: <https://www.gov.uk/government/publications/early-years-inspection-handbook-eif/early-years-inspection-handbook-for-ofsted-registered-provision-for-september-2021>

4 UK Government Guidance (2021) Maternity pay and leave. Available at: <https://www.gov.uk/maternity-pay-leave/leave>

5 Childcare Choices (2021) Help paying for your childcare. HM Government. Available at: <https://www.childcarechoices.gov.uk/>

In June 2021 the government responded to a Freedom of Information request from the Early Years Alliance.⁶ The response confirmed that the government knew that the funding allocated to their flagship '30 hours' scheme was insufficient and would result in financial difficulties for providers and increased costs for parents of younger children.⁷

Cost for pre-school spaces

A pre-school space for a three or four-year-old child at my setting costs £5.89 an hour, fully inclusive.

Staff can look after a maximum of eight children.

If the staff member is working with their full quota of children, they generate £47.12 an hour in fees.

If my staff are paid around £18,000 for their work, it will cost me as their employer approximately £19,519. That is £10.43 an hour.

I am left with £36.69 to provide the service.

There is just about enough money left to cover the running costs of the nursery – however, there is very little to cross-subsidise the losses we are making in the baby room.

This shortfall in funding is proving catastrophic for many providers as they struggle to make ends meet

This shortfall in funding is proving catastrophic for many providers as they struggle to make ends meet.⁸ As such, providers are having to create additional charges for resources (such as food and nappies) and apply limits on the times that funded sessions take place (which often don't fit in with the needs of a full-time working parent). The shortfall is therefore problematic for parents: what they expected to be free is not free, and they are forced to pay for hours taken outside of their chosen provider's offer.

What was described as 'free' is very much not so

Furthermore, parents can only access the 30 hours for 38 weeks of the year – other than parents with term-time only employment this is not very helpful and causes problems

in the holiday period. To be able to work all year round, using the 30-hour funding, the hours have to be 'stretched'. This means that a parent can perhaps access 24 hours of funding each week for 47 or 48 weeks of the year, paying in full for any additional hours falling outside the offer. What was described as 'free' is very much not so. This creates a tension between the provider and the parent, which is unhelpful and, in my experience, potentially unpleasant. Unfortunately, the government does not give me what it costs to run my pre-school room.

Pre-school funding breakdown

I receive £4.16 per funded place.

Staff can look after a maximum of eight children.

If the staff member is working with their full quota of children, they generate £33.28 an hour in fees.

If my staff are paid around £18,000 for their work, it will cost me as their employer approximately £19,519. That is £10.43 an hour.

I am left with £22.85 to provide the service – including employing a manager, an administrator and a caretaker – none of whom 'generate' any money from children.

So what does this mean?

Parents returning to work and choosing a nursery for their baby want a setting that fills them with confidence, namely, bright, knowledgeable staff who are up to date with best practice and who are passionate about their job. They want a homely environment where their child will be cuddled and soothed when they are upset, supported when they are inquisitive and motivated when they are thinking. They want opportunities for their child to explore, imagine and grow in confidence and independence. Parents of two-year-olds are often looking for opportunities to channel their child's energy, enthusiasm and exuberance. They want their child to be confident and sociable and to be ready for their pre-school education. Likewise, parents of children entering pre-school want the reassurance that their child will be ready to embrace the challenges of school.

None of these 'wants' from parents are unreasonable and, importantly, they match the aspirations that early years staff have for children too. However, if we employ only enough staff to cover the ratio, there are simply not enough 'hands' to make these 'wants' a reality. Staff can look after three babies, but what if one of them needs soothing and rocking? Do the other two simply wait? If staff are looking after eight pre-school children, what if one of them needs assistance in the toilet, or falls when playing in the garden? What are the other seven supposed

6 Early Years Alliance (2021) Freedom of Information investigation findings. Available at: <https://www.evalliance.org.uk/freedom-information-investigation-findings>

7 Department for Education (2015) Early Years Spending Review Scenarios. Note to Ministers. Available at: https://www.dropbox.com/sh/jahv701milmpf2e/AAA_Phys_CmdCLtid91TwUzZa?dl=0&preview=Costed+Scenarios.pdf

8 Ofsted (2021e) Joiners and leavers in the childcare sector. Available at: <https://www.gov.uk/government/publications/joiners-and-leavers-in-the-childcare-sector>

to do? To run a setting in a manner that allows children time, space, comfort and attention requires more than the recommended ratio of staff to children. To provide quality childcare we need more staff working with children, yet this is vastly unaffordable, particularly to recruit and retain highly motivated professional staff. As a result, many staff are leaving the profession, finding higher paid, less exhausting work in the retail and hospitality sectors.⁹ Consequently, the early years sector is in crisis and there are frightening statistics suggesting that it is on the verge of collapse.¹⁰

Research has found that children continue to reap the benefits of a high-quality early years experience throughout their primary and secondary education).¹¹ Investment in the early years enables issues to be identified early and addressed promptly, allowing children to reach their development potential. However, the provision of early years care and education of the highest quality requires highly qualified staff.¹² Yet, highly qualified staff who have access to ongoing professional development are expensive. The Early Years Alliance recent FOI request returned shocking statistics – the government know that the funding rate is too low so it is unsurprising that the sector cannot afford to pay for the highly qualified staff needed to give children the best early years provision possible. Providers can only afford to pay low wages¹³ and so it is difficult to recruit. However, without staff, settings cannot operate.

How does the early years sector crisis affect the economic recovery of the country?

Without access to childcare places, parents will not be able to return to work. Settings are closing at an alarming rate and we are in danger of having a shortfall of places.¹⁴ Childminders in particular, who provide the most flexible support to parents, are facing extreme risk of closure, with higher closure rates than any other kind of provision.¹⁵

If settings are going to stay open, offering spaces for the very youngest children at a price parents can afford will make little business sense. Yet, here lies a catch-22: if settings charge at a rate required to stay afloat, parents will not be able to afford to use their service and perhaps will decide not return to work at all. If the government funding rates stay as they are for funded two-, three- and four-year olds there will not be enough ‘slack’ in the system to make the places affordable for all. More settings will close, and more settings will limit their offer for working parents.

The government’s 30-hour offer is not fit for purpose. It doesn’t work for providers, as the rate paid is lower than the cost to deliver the service. It does not work for parents,

as it is only available for 38 weeks of the year. The hours in the offer can be stretched to meet the needs of parents who do work all year round – but, when stretched, the hours facilitate less than two and a half days of work a week, with parents needing to pick up the cost for additional hours. This creates tension between parents and providers, as the advertised ‘free childcare and education’ hours are not free.

The economic recovery is in jeopardy if we can’t get people back to work. The All-Party Parliamentary Group for Childcare and Education and the All-Party Parliamentary Group for Women and Work have been working hard to highlight these pressing issues to government. Businesses across the country should be worried that a large proportion of their workforce may soon be unavailable for work. If a preventative approach to policy making was taken by the government, children up to the age of five would be well supported and their future wellbeing and economic success greatly enhanced. Additionally, the wellbeing and economic success of their parents would be magnified and boosted to the benefit of the wider economy. The government is aware of what is required to address the problems faced by the childcare sector, however, it is choosing not to respond (UK Government and Parliament, 2021).

The sector is brewing a perfect storm – children and parents need there to be childcare and education available, not only to support and encourage child development but also to support and encourage parents back to work. The current financial situation is unsustainable. Without a thriving early years sector, the future for our youngest children and their parents looks bleak.

⁹ Social Mobility Commission (2020) The stability of the early years workforce in England. An examination of national, regional and organisational barriers. Available at: <https://www.gov.uk/government/publications/the-stability-of-the-early-years-workforce-in-england>

¹⁰ Ofsted (2021e) op. cit.

¹¹ Melhuish, E. (2016) Longitudinal research and early years policy development in the UK, *International Journal of Child Care and Education Policy*, 10 (3). Available at: <https://ijcep.springeropen.com/articles/10.1186/s40723-016-0019-1>

¹² Bonetti, S., and Blanden, J. (2020) Early Years Workforce Qualifications and Children’s Outcomes. An Analysis using Administrative Data. Education Policy Institute and The Nuffield Foundation. Available at: <https://epi.org.uk/publications-and-research/early-years-qualifications-and-outcomes/>

¹³ Social Mobility Commission (2020) op. cit.

¹⁴ Ofsted (2021e) op. cit.

¹⁵ ibid