WOMEN'S BUDGET GROUP

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Childcare, Gender and Covid-19

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*Pre budget briefing from the **UK Women's Budget Group***

The childcare system in England was not fit for purpose and was failing to meet the needs of children, parents, and the economy prior to the onset of the coronavirus pandemic:

- **Access to high-quality education and care has been severely constrained by income**, with the result that disadvantaged children who would benefit most cannot access such care.
- **Supply was not keeping pace with demand**. Just over half (57%) of local authorities in England had enough childcare for the children whose parents work full-time and just a fifth (22%) had enough for the children of parents working atypical hours.
- **Affordability was a key issue**. Childcare costs were around 30% of the income of dual-earner couples on median incomes and around 20% for 1.5 earner couples.
- **Childcare workers are underpaid**, with one in eight of early years professionals paid under £5 per hour.
- **Chronic underfunding was threatening the sustainability of providers**, particularly in poor areas. In 2019, the cost of providing education and care for under-twos was underfunded by 37%, and for three- and four-year-olds it was underfunded by 20%.[1]

The Covid pandemic, and the government's response to it, has exacerbated the crisis in early childcare with implications for children, parents, providers and wider society:

- The lack of formal childcare provision during Covid has had '**the biggest impact on the poorest in childcare**' with lasting impacts on the attainment gap.[2] **One in three nursery closures will be in poorer areas**.[3]
- **46% of mothers being made redundant said that lack of childcare was a factor in their selection for redundancy and 72% have worked fewer hours** and cut their earnings due to lack of childcare.[4]
- **Continued underfunding, and the decision to stop funding at pre-Covid attendance levels in January 2021, is threatening the survival of providers.** 58% of local authorities expect some childcare providers in their area to shut permanently.
- With Early Years Settings remaining open during the January 2021 lockdown, **early childcare workers have been at greater risk of exposure to Covid-19**. Yet, early years settings have been excluded from funding available to schools to enable Covid-secure adaptation. A fifth of all early years workers (childminder, early *years and preschool workers) are considering leaving the sector due to COVID related stress and anxiety.*[5]

Urgent action is required to overhaul the childcare system. This requires emergency support for providers now, moving to a supply-side funding model in the medium term, and better training for the workforce and increased support for the most disadvantaged children, who benefit the most from high-quality childcare. In the longer-term, there is a need for a universal and free system, in recognition of childcare as a public service on equal footing with school education.

High quality, accessible and affordable early childhood education and care is an investment in essential social infrastructure, with the potential to deliver significant long-term benefits for the economy and society:

- High-quality childcare between the ages of 0 to 5 years helps to close the attainment gap between low-income children and their more advantaged peers, reducing inequalities and

[1] Ceeda (2019) Counting the cost in spring 2019 (https://bit.ly/2DD13Dz)
[2] The Sutton Trust (Apr 2020) Social mobility and Covid-19 (https://bit.ly/3jYmAGe)
[3] The Sutton Trust (Jul 2020) Covid-19 impacts: Early Years (https://bit.ly/385hm9q)
[4] Pregnant Then Screwed (2020) Covid, Childcare and Career (https://bit.ly/3jUKu5p)
[5] Savage, M. (Jan 2021) Covid stress 'driving hundreds of childcare workers to quit profession' (https://bit.ly/3tPiOVH)

creating benefits that last throughout a child's time in school and beyond.[6]

- It removes barriers to employment, particularly for women, who are still disproportionately responsible for unpaid care.
- It creates jobs in a sector that exists in every town and city across the country.

Yet, the underfunded early childcare sector does not currently deliver to its full potential. The coronavirus pandemic threw into disarray a childcare sector which was already failing to meet the needs of parents, children and the economy as well as grappling with issues of low pay, insufficient training and high staff turnover.

This briefing summarises the key issues – from supply to access, quality and affordability – and analyses the impact of the coronavirus crisis on the short- and longer-term sustainability of the sector.

Please note that this briefing refers to childcare in England. As childcare policy is devolved, policy in other nations may vary. In England, parents access childcare through four main routes, group settings (registered with Ofsted), childminders (Ofsted registered), nannies and informal or family care (often provided by grandparents).

What were the key issues relating to childcare prior to Covid-19?

Availability: Only just over half of local authorities in England (56%) prior to the pandemic reported that they have enough childcare for the children of parents who work full-time, and less than a fifth (18%) have sufficient childcare for the children of parents who work atypical hours. Children with special educational needs or disability are particularly under-served, with only 19% of local authorities having enough childcare for them.[7]

Affordability: Childcare in the UK is expensive and prices continue to rise above inflation. In 2020, the price of childcare rose between 4-6% for different age groups, well above the 1.4% inflation rate.[8] The TUC found that for parents with a one-year-old child, the cost of their child's nursery provision has grown four times faster than their wages, and more than seven times faster in London (2008-2016).[9] High childcare costs mean that families where both parents are paid at the National Living Wage end up in deficit.[10]
A nursery place for children under two costs between 45% and 60% of women's average salaries in England, and between a fifth and a quarter for three- and four-year-olds with the free hours entitlement.[11]

The combination of lack of availability and high childcare costs can block parents' access to employment, with more than half (52%) of non-working mothers in England preferring to be in paid work if they could arrange the right childcare.[12]

Low-paid workforce and high turnover: Staff in the early years sector are low paid. In 2020 the Social Mobility Commission found that one in eight – 13% – of early years professionals are paid under £5 per hour, while the average wage is only £7.42 per hour.[13] This is well below the National Living Wage of £8.72 per hour and much less than the labour market average of £13.27.[14] Recent research for DfE found 70% of childminders have earnings at or below the national living wage.[15] As a consequence, the sector was losing qualified staff to retail with improving pay and fewer responsibilities, and has a higher-than-average staff turnover rate.[16]

High turnover and low levels of qualification can impact the quality of childcare provided. The number

[6] The OECD has identified a range of social benefits that can be derived from 'high quality early childhood education and care', including better health, reduced likelihood of individuals engaging in risky behaviour and strong 'civic and social engagement', with positive 'spill-over effects' for society as a whole. Full report: OECD (2011) 'Investing in high-quality childhood education and care (ECEC) (https://bit.ly/2ZmGmnb)
[7] Family and Childcare Trust (2020) Childcare Survey 2020 (https://bit.ly/2MASdrg)
[8] Coram Family and Childcare (2020) Childcare Survey 2020 (https://bit.ly/2MASdrg) p. 17
[9] TUC (2017) Press release: Cost of childcare has risen four times faster than wages since 2008, says TUC (http://bit.ly/2ioIyrS)
[10] Child Poverty Action Group (2019) The cost of a child in 2019 (http://bit.ly/2WrdCal)
[11] WBG (Jul 2020) Crisis of care for women in England as lock down lifts (https://bit.ly/3jDWJ7p)
[12] Department for Education (2018) Childcare and Early Years Survey of Parents in England, 2018 (http://bit.ly/331ebKm) p. 15
[13] Institute of Employment Rights (Aug 2020) Childcare workers paid under £5 per hour, Social Mobility Commission warns (https://bit.ly/3d5yuyj)
[14] ONS (2020) Annual Survey of Hours and Earnings Table 15 (Childcare and related personal services) (https://bit.ly/3eRjWj6)
[15] Frontier Economics (2019) Providers' finances: Evidence from the Survey of Childcare and Early Years Providers 2018 (https://bit.ly/3gCCWn9)
[16] Government Business (Jun 2020) Staff turnover for early years sector concerning (https://bit.ly/35ZgEb3)

of nursery workers qualified to Level 3 has plummeted to low levels in recent years, from 83% of the workforce to 52% currently.[17]

Underlying these issues is the core problem of how the childcare sector is structured, owned and funded.

The marketisation of the sector: England is exceptional within Europe in the extent that it has deliberately 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.[18] The nursery sector in England is highly fragmented but international supergroups are now emerging and getting larger as consolidation continues.[19]

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 largest companies – Busy Bees and Bright Horizons – now have 8% of the market share and provide over 60,500 places.[20] 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.[21]

The rapid privatisation of childcare in England has taken place without any meaningful discussion of the potential risks.[22] However, numerous studies of early years provision around the world have concluded that non-profit settings offer better quality care.[23] Childcare is a labour-intensive industry and therefore cost-cutting measures invariably centre on staffing costs, either employing fewer or cheaper staff. This, in turn, runs the risk of increasing turnover and lowering the quality of the care provided.

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 any provision at all.[24]

This is certainly the case in England, where childcare is of high cost but relatively poor quality, as noted by the OECD. High-quality childcare is often only available to wealthier families because access to high quality provision is constrained by income and location. The regulatory framework focuses on how childcare is provided but not on its quality; it 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, the childcare system is characterised by inequalities of access, poor quality, financial instability and poor working conditions.[25]

Unregistered childcare

Nannies, a largely unregulated workforce that forms an integral part of the broader childcare sector, work in other people's homes and often also board with their employers. Many work 12+ hour days and provide flexible care not covered by nurseries and childminders, such as evenings and weekends.[26] Home childcarers, including au pairs and nannies, care for children wholly or mainly in the family home. Many work cash-in-hand. As a result, they don't show up in official data, meaning estimates of the size of this "grey economy" vary substantially: Ofsted estimated that there were 10,200 home childcare providers in March 2020,[27] the Children's Workforce Development Council estimated 36,000 in 2005,[28] while a 2006 study by the now-defunct Sharing Care

[17] Ibid.
[18] Barrett-Evans, Dominic and Birlean, Diana (2018) *Childcare UK Market Report; Fifteenth Edition*, London: Laing and Buisson
[19] Ibid.
[20] Penn, H. (2018) Quality of employment of childcare staff (unpublished)
[21] Barrett-Evans, D and Birlean, D (2018) *Childcare UK Market Report; Fifteenth Edition*. London: Laing and Buisson
[22] NEF (2020) Quality Childcare for All (https://bit.ly/2TPDY5t)
[23] See for example: Cleveland, G., & Krashinsky, M. (2009). The Non-Profit Advantage: Producing Quality in Thick and Thin Child Care Markets. Journal of Policy Analysis and Management, 28(3), 440 - 462.
[24] OECD (2016) Who uses childcare? Background brief on inequalities in the use of formal early childhood education and care (ECEC) among very young children (https://bit.ly/2TSzJpP)
[25] NEF (2020) Quality Childcare for All (https://bit.ly/2TPDY5t)
[26] Solidarity and Care (2020) Nanny Solidarity Now (https://bit.ly/3jHPtYD)
[27] Ofsted (Sep 2020) Main findings: childcare providers and inspections as at 31 March 2020 (https://bit.ly/3rJDTiD)
[28] Nursery World (Nov 2009) Analysis: A closer look at nanny workforce (https://bit.ly/3tRnGJV)

put the number at over 110,000.[29] Because such work is relatively unregulated – home childcarers are not required to register with Ofsted, undergo background checks or have liability insurance – it has historically attracted undocumented migrant workers. The workers are particularly vulnerable to poor conditions, facing losing their home or deportation if they report their employer.[30]

What childcare support is available?

Childcare support for parents is a mix of in-kind support and cash transfers.

Universal Credit: Families claiming UC where one or both parents are in paid work can claim up to 85% of the childcare costs for their first two children. This is paid in arrears through the single UC monthly payment, which means parents have to pay for childcare upfront.

Universal Credit may undermine low-income parents' ability to work. UC is tapered as earnings rise, which means reduced gains to employment or increased number of hours worked, since families will be faced with higher childcare costs not covered by UC. The disincentives are particularly strong for 'second earners' – mostly women – who also face employment disincentives due to a single work allowance for the couple before tapering of UC starts.[31]

Tax-free childcare: Cash transfers that act as a discount on the cost of childcare are available through the 'tax-free childcare' scheme. This entitles some families (both resident adults need to be in employment) to 20p of support for every 80p they spend on childcare. Despite the name, this is independent of the tax system and all parents who are not eligible for childcare support under Universal Credit can use it. Parents pay into an online childcare account, which is then topped by the government with 20p for every 80p deposited. This scheme replaces the similar but much less widely-available employer-based childcare vouchers.

Free hours entitlement: Parents can access in-kind support through the 'free entitlement' to early education. This is available for three- and four-year-olds and the most disadvantaged two-year-olds. All eligible families can access 15 hours per week for 38 weeks per year. Working families in which all adults are in employment are entitled to a further 15 hours per week since 2017.

While the extension of the free entitlement is a welcome move, and early evidence suggests a positive impact in working hours for parents,[32] there are significant concerns about equity. The stricter eligibility requirements for the additional 15 hours exclude around half of the poorest families that access the free 15 hours.[33] The regressive nature of this policy – with the poorest families excluded from additional hours is likely to widen the achievement gap.[34]

Subsidised nurseries: Another important form of in-kind support is directly provided services via local authorities, such as Sure Start Children's Centres and free or subsidised nursery schools. However, many centres have been closed in the last decade as funding has fallen sharply.[35]

Underfunding of childcare provision

There are issues with the low rate at which the free hours entitlement policy is being funded.[36] Under-funding is likely to undermine the sector's ability to provide care, and may also compromise the quality of care,[37] a concern echoed by the House of Commons Treasury Committee.[38]

Broader cuts to local government funding are also heavily impacting childcare provision (see below).

[29] BBC News (April 2006) Higher salaries fuel 'nanny boom' (https://bbc.in/3pe8kfg)
[30] Hall, M. and Deutsch, V. (Oct 2020) Why scrapping hostile environment policies would benefit kids, parents, and childcare workers (https://bit.ly/3rXYIan)
[31] WBG (2018) Submission to the 'Childcare as Barrier to Work Enquiry' of the Work and Pensions Select Committee (https://bit.ly/2PTpldK)
[32] Department for Education (2018) Evaluation of the first year of the national rollout of 30 hours free childcare research report (http://bit.ly/36egJa5)
[33] The Guardian (12 Feb 2017) Parents on zero-hour contracts 'could miss out on free childcare' (http://bit.ly/2lbdPhc)
[34] Education Policy Institute (2016) Widening the gap? The impact of the 30-hour entitlement on early years education and childcare (http://bit.ly/2bkfttz)
[35] The Sutton Trust (2018) Stop Start: Survival, decline or closure? Children's centres in England, 2018 (http://bit.ly/34dMFK0)
[36] IPPR (2015) Extending the early years entitlement - Costings, concerns and alternatives (http://bit.ly/1KTD10I)
[37] House of Commons Committee of Public Accounts (2016) Entitlement to free early years education and childcare, Fourth Report of Session 2016–17 (http://bit.ly/2mC0KLN)
[38] House of Commons Treasury Committee (2018) Childcare: Ninth Report of Session 2017–19 (http://bit.ly/2oto98o)

Early Years Funding Formula
The Early Years National Funding Formula (EYNFF) is the mechanism through which central government allocates money to local authorities to pay providers for the 15- and 30-hours free entitlement for three- and four-year-olds. Most funds (90%) are distributed using a base rate rather than more responsive supplements, like statutory quality supplements to cover support of children with additional needs. This has a negative impact on local authorities' ability to drive up the quality of local childcare and results in underfunding for the free hours entitlements.[39] In 2019, the cost of providing education and care for under-twos was underfunded by 37%, and for three- and four-year-olds it was underfunded by 20%.[40] This amounts to a funding deficit of £662 million for the childcare sector in 2019/2020.[41] This underfunding has driven up the cost of parent-paid hours, as providers try to cross-subsidise the funding shortfall of free hours from parent-paid fees.

Cuts to local government funding
Broader funding trends are heavily impacting childcare. Local authorities have had large reductions in funding for early years. Spending fell by a third (33%) on children's centres, from £835 million in 2014/15 to £560 million in 2017/18.[42] The impact on Sure Start centres (and other and LA-provided services) has been, and will continue to be, severe across England. Over 1,000 children's centres closed between 2009 and 2017.[43] Moreover, in general the more deprived the local authority the greater the financial retrenchment, leaving those with the highest levels of need the most limited resources.[44]

What has been the impact of Covid-19 on the childcare sector?

The childcare sector has played a key role during the coronavirus pandemic. Over the first national lockdown, between 33-38% of nurseries and 51-53% of childminders were open for vulnerable children and key workers' families.[45] During the national lockdown which started in January 2021, early childcare settings have remained open while schools have been closed to all but key worker's and vulnerable children. The coronavirus pandemic (and the government's response to it) has dealt a significant blow to the childcare sector and its sustainability is under threat. In April 2020, during the first lockdown, a survey found one in four childcare providers expected to close in the next 12 months.[46]

Low occupancy rates: The sector faced minimal occupancy rates during the Spring 2020 lockdown, with an average of 7 children across settings, compared to 45 in December 2019. This represents an 11% occupancy rate, compared to the usual 77%. Following the easing of lockdown in the summer before the second wave, occupancy averaged 38% in first weeks, with a third of nurseries reporting levels of 25% or less.[47] Occupancy rates across the autumn term varied with some reports suggesting higher numbers of children returned in wealthier areas. Low occupancy rates result in larger financial deficits because, although nurseries have some flexibility to adjust staff to reflect child attendance, many costs are fixed (e.g. rent, utilities, insurance, payroll costs). During 2020, 69% of settings anticipated running at a loss for the remainder of the year – a situation that is unsustainable for a sector that has faced funding challenges for many years.[48]

Lack of government support: The government continued to pay the free hours entitlement to providers, regardless of children attending for 2020. Childcare providers were also able to access the Coronavirus Job Retention Scheme (CJRS), but staff paid by the free entitlement hours were not eligible for furlough. This introduced considerable administrative uncertainty for providers since childcare provision is cross-subsidised across ages (see above) and therefore there is no clear division between 'free hours' and parent-paid hours.[49]

[39] Noden, P. and West, A. (2016) The Early Years Single Funding Formula: National policy and local implementation (http://bit.ly/2mWoddv)
[40] Ceeda (2019) Counting the cost in spring 2019 (https://bit.ly/2DD13Dz)
[41] Ibid.
[42] Action for Children (2019) Closed Doors: Children's centre usage between 2014/15 and 2017/18 (https://bit.ly/3ikjhZz)
[43] The Sutton Trust (2018) Stop Start: Survival, decline or closure? Children's centres in England, 2018 (http://bit.ly/34dMFK0)
[44] Ceeda (2019) Independent research about and for the early years sector - Annual Report 2019 (https://bit.ly/3gD9eOF)
[45] Ceeda (2020) Sustainability of the early education and childcare sector during the coronavirus pandemic and beyond (https://bit.ly/3kxfBpo)
[46] The Guardian (24 Apr 2020) UK childcare industry 'crushed' by coronavirus crisis (https://bit.ly/2MqqN7l)
[47] Ibid.
[48] Early Years Alliance (2020) Parents set to face childcare 'chaos' as new data shows huge scale of financial losses facing early years sector (https://bit.ly/2JzFCX1)
[49] Ceeda (2020) Sustainability of the early education and childcare sector during the coronavirus pandemic and beyond (https://bit.ly/3kxfBpo)

Whilst there are issues with the level of the free hours funding, the continued payment of this during 2020, regardless of attendance, did ensure some income for providers. On 17 December 2020, the Department for Education (DfE) confirmed that funding for the government's early years schemes would no longer be paid to local authorities at pre-pandemic levels and would instead revert to funding attached to children present/registered to attend on week of the January census.[50] Statistics from the Department for Education show a dramatic fall in the number of children attending early years settings since the start of the 2021 spring term - 37% of normal term-time rates and just 52% of what the government would normally expect at this time of year.[51]

The IFS predicts the loss of income from parents fees and free hours entitlements means many providers will be at high risk of closure.[52] Research by the Coram Family and Childcare Charity found that 58% of local authorities expect some childcare providers in their area to shut permanently when funding at pre-pandemic levels ends in January 2021.[53] Already in October 2020, 12% of young mothers surveyed by the Young Women's Trust said their nursery had closed down permanently.[54] It is likely that deprived areas will be most affected, as prospect for future private sector investment is low in these areas and Sure Start centres become increasingly rare.

Covid Adaptations

Like schools, early years settings have had to make adaptations to ensure they are Covid-safe. Despite all Ofsted registered providers delivering Early Years Education and Care, as part of the Early Years Foundation Stage framework, they have not been eligible to apply for the DFE's financial support to cover "exceptional costs" related to Covid-19. Whilst schools have been able to access this all early years settings (including maintained nursery schools) have been excluded from funding.[55] Likewise the DfE Coronavirus Workforce fund is only available for schools "that provide education to all pupils who are required to be in compulsory education" so the early years is excluded, despite having enforced ratios of adults to children that must be maintained. This had led to settings having to close due to insufficient staff leaving critical workers without childcare.[56]

Statutory Sick Pay

Various reports evidence that statutory sick pay makes it very difficult for many workers to follow self-isolation guidance, especially if they are on low incomes or in insecure employment and this is the case for many in the childcare sector.[57] [58] Childminders do not receive sick pay.[59] Nannies only qualify for it when they are on payroll but around half the sector relies on cash-in-hand payments or works without contracts putting many under financial pressure if they fall ill. Recent figures show that the discretionary £500 self-isolation payment is only approved for 1 in 4.[60]

What the Government should do

Childcare providers are currently facing an impossible situation with responsibility for delivering a critical public service and enabling key workers to perform their vital roles, whilst facing substantial financial challenges due to lower occupancy and continued underfunding.

Meanwhile transmission rates in childcare settings rose substantially after December 2020, from 604 case reported by early years settings during the week of 14 December 2020 up to 2279 reports during the week of 18 January 2021.[61]

The limited support measures introduced by the government so far have been inadequate for children,

[50] Early Years Alliance (Dec 2020) DfE fails to extend funding support to spring term (https://bit.ly/37427vW)
[51] Early Years Alliance (Jan 2021) DfE data shows huge decline in early years attendance (https://bit.ly/3acEyDt)
[52] IFS (Jan 2021) Today's early years census likely to reduce government spending on childcare significantly (https://bit.ly/3jIklZc)
[53] Coram Family and Childcare (Dec 2020) Over half of local authorities in England anticipate permanent closure of childcare providers after Covid funding ends (https://bit.ly/2NkoFlq)
[54] Young Women's Trust (Nov 2020) Picking up the Pieces: Young Women's Experiences of 2020 (https://bit.ly/35Msmqs)
[55] Early Years Alliance (May 2020) CORONAVIRUS: Alliance criticises lack of government support to help childcare providers reopen safely on 1 June (https://bit.ly/3d5LJz6)
[56] Department for Education (Dec 2020) Coronavirus (COVID-19) workforce fund to support schools with costs of staff absences from 1 November 2020 to 31 December 2020 (https://bit.ly/3aYDnGB)
[57] Resolution Foundation (Dec 2020) Reforming Statutory Sick Pk to support the Covid-19 recovery phase (https://bit.ly/3rJuOpT)
[58] TUC (Sep 2020) Why we need an increase in statutory sick pay (https://bit.ly/3rEMino)
[59] Social Mobility Commission (Aug 2020) The stability of the early years workforce in England (https://bit.ly/3peadbQ)
[60] BBC News (Jan 2021) Coronavirus: majority of discretionary self-isolation support applications rejected, Labour say (https://bbc.in/3d6ybTU)
[61] Gov UK (2021) Reported Coronavirus (COVID-19) notifications by registered early years and childcare settings (https://bit.ly/3aQcXGY)

parents, early years staff, and childcare providers. Other governments with similar marketised childcare provision have taken more decisive steps to protect this essential sector:

Republic of Ireland: The Irish government put in place a temporary 'Wage Subsidy Childcare Scheme' to fund childcare workers' salaries (and lifted to at least living wage where needed). It also made additional contributions towards the ongoing costs and overheads of nurseries (calculated as 15% of staff salary costs). The policy was partly driven by concerns about large numbers of childcare workers moving on to benefits if made redundant and to stop parents being liable for childcare fees during the lockdown. Payments were linked to staff and running costs, not the number of children in settings.

Wales: The devolved government redeployed its 'free hours' childcare funding to ensure that key workers received free childcare for their children during the crisis through the Pre-School Children Coronavirus Childcare Assistance Scheme.

Northern Ireland: NI have set up the 'childcare recovery support fund' to help to cover the additional costs that childcare providers face and to incentivise reopening. Funding is available to Ofsted registered childminders and group settings and linked to total number of children registered pre- and post-Covid-19 (not just those that qualify for free hours).

Urgent interventions

An immediate first step must be to support children, parents, providers and childcare workers during the current national lockdown, which commenced in January 2021. This requires that:

- All nurseries and early years settings are required to target provision to critical workers children and vulnerable children, on the same time frame as primary schools.
- Implement emergency funding to rescue and reform the sector.
- Make funding available for the early years sector to cover additional costs incurred due to Covid-19, including provision of PPE and onsite lateral flow tests for all staff.
- Implement a legal right to furlough for all parents who need to care for their children at home.
- Prioritise early years' staff (and education staff) for vaccines.

Emergency funding for the sector should be enabled through the creation of a new Childcare Infrastructure Fund (CIF).[62] Through repurposing and building on existing government support schemes, the reforms would present a significant, temporary improvement on the existing funding model for childcare – effectively replacing the free hours entitlement with a larger direct payment enabling all Ofsted-registered providers (including those who currently rely heavily on parental income) to retain staff, meet essential overheads and deliver high quality childcare where it is most needed. The scheme will be able to support both Ofsted registered group settings and childminders.

The CIF budget should be held and administered by the DFE with funds diverted from both the existing free hours entitlement and payments made to childcare providers through the Self-Employed Income Support Scheme, the Coronavirus Job Retention Scheme and any subsequent wage support schemes. In return for accessing the CIF childcare providers would have to meet the following conditions:

- Remain open and provide free care for all children aged between zero and five, up to current total capacity, prioritising vulnerable children and children of key workers, those unable to work from home and those previously eligible for the free hours entitlement.
- Ensure no fees are charged to parents whose children are not presently using childcare.
- Not make any staff redundant and pay every worker at a rate equal to or above the Real Living Wage, and support all staff to access online or practical training to improve skills.
- Provide clarity on tax status (on a country-by-country basis if a multi-national company) and commit to not engage in dividends or share buy-backs during the period while in receipt of financial support through the CIF.

The CIF would enable the government to safeguard the early years education and childcare sector, ensuring that children continue to benefit from access and that parents, especially mothers, are able to continue working. Once this critical time is over, the

[62] NEF (2020) A Childcare Infrastructure Fund - Protecting early years provision in England (https://bit.ly/361cEZ6)

government will be in a strong position to undertake the wider reforms required to address longer term issues around quality and flexibility of provision, accessibility of childcare to all families and the training and retention of staff.

Medium-term interventions

Childcare and early education must become a universal service that is high quality, accountable, sustainable and generates the best public value from public investment. This requires policy making that is focused on the achievement of social goals.[63] Childcare must become a service that is accessible to all children, from the end of paid parental leave, and according to need rather than geographical location or the ability to pay.

The following interventions will enable national and local government to lead the wider reforms required:

Direct funding to providers: 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.
Target disadvantage: This could be done partly by reviewing the components of the EYNFF. The government should work to reduce inequality in the childcare system by increasing the pupil premium, so that it effectively targets disadvantage.[64] This way local authorities would be able to support providers to cover the real cost of providing high-quality childcare in their area, including children with additional needs.
Fill the gaps: Marketised provision can leave poorer neighbourhoods underserved. The government should map gaps in provision and work to fill those gaps. This would include getting a better understanding of how funding falls are affecting provision, including Sure Start, and increase the provision to children that are most in need.
Quality: Childcare quality is intricately linked to the working conditions in the sector. Pay scales should be established and minimum pay set at the Real Living Wage. Training should be provided to improve qualifications and career progression.

The case for universal free childcare

High-quality childcare supports children's cognitive and social development. It is particularly effective in improving the life chances of the most disadvantaged children.[65] It is therefore crucial that children – particularly those from disadvantaged families – are able to access high-quality childcare. Yet at present access to high-quality education and care is severely constrained by income, with the result that those children who would benefit the most from such care not being able to access it. Moreover, recent policy changes exacerbate these inequalities.

The positive impact of childcare means that government investment in high-quality care makes good fiscal sense. The expected return on investing in interventions in the early years is estimated at 6-10% per year.[66]

In the long term, the WBG advocates a universal, free childcare system with well-paid and highly qualified staff. Modelling of the employment and fiscal impacts of such system shows that while the upfront investment is significant, almost all of it is recouped through higher tax revenue and reduced spending on means-tested benefits.[67]

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WBG is an independent, voluntary organisation made up of individuals from Academia, NGOs and trade unions. See www.wbg.org.uk
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[63] NEF (2020) Quality Childcare for All (https://bit.ly/2TPDY5t)
[64] As recommended by the Social Mobility Commission (2017) Time For Change: An Assessment of Government Policies on Social Mobility 1997-2017 (http://bit.ly/2shbXs1)
[65] IFS (2014) The economic effects of pre-school education and quality (http://bit.ly/2ngboeF)
[66] See various studies by J. Heckman and team (http://bit.ly/2qgyiEk)
[67] See WBG briefing on universal childcare: (http://bit.ly/2lHHGeH)