

Submission to the Childcare Bill Committee

Introduction to PACEY

1. PACEY is the Professional Association for Childcare and Early Years. We represent 30,000 professionals working in childcare and the early years – including childminders, nannies, nursery workers and students. Since 1977 we have worked with government, local authorities and others to raise standards and ensure our members are recognised for the vital role they play in helping children get the best start in life. We provide training, resources and publications, and offer advice and peer support through our nationwide network of PACEY local volunteers.
2. PACEY welcomes the doubling of government-funded childcare from 15 to 30 hours per week for working parents of 3- and 4-year-olds. It is essential that this extended entitlement fully supports a high quality, diverse and flexible childcare offer for all eligible families that is also sustainable for providers.
3. Childminders are currently underrepresented in the delivery of the early years education (EYE) entitlement. Only 3% of 2-year-olds and 1% of 3- and 4- year-olds who are taking up a free place do so with a childminder.¹ This is despite the fact that childminders offer around a fifth of all early years places in England.² Childminders provide a unique form of highly flexible, home-based care which will be essential to the successful delivery of the extended entitlement.
4. The Government must address the financial and non-financial barriers that prevent many childcare providers from delivering the current entitlement if it wishes to incentivise as many settings as possible to deliver the new extended entitlement. Moreover, to make the most of this substantial public investment – and leave a lasting legacy on the quality of early education and care for young children in England – it must be accompanied by a commitment to work with the sector to ensure the sustainability of a workforce that has long been primarily made up of low-paid women with few qualifications and minimal training.

Financial barriers to delivering the entitlement

5. The primary barrier to providing the current EYE entitlement for all providers is the low hourly rate.³ The Government has acknowledged this funding shortfall and, following a funding review into the cost of providing childcare in England, it recently announced that the funding rates will be increased by around 30p on average by 2017. This uplift is welcome and likely to make it more financially viable for a larger number of providers to deliver the entitlement. We have also welcomed clarity that providers can additionally charge for sundries, for example nappies and milk, as well as trips (as schools currently do) which will help balance provider sustainability with affordability for working families.

¹ Department for Education (2015), [Provision for children under five years of age in England: January 2015, Statistical First Release](#) (London: Department for Education).

² Ofsted (2014), [Registered childcare providers and places in England August 2014](#) (Manchester: Ofsted).

³ For an analysis of the funding shortfall experienced by group settings in receipt of the entitlement see Ceeda (2014), [Counting the cost: An analysis of delivery costs for funded early years education and childcare](#) (Stockton on Tees: Ceeda).

6. In some areas childcare costs, however, will still far exceed the national average (e.g. inner London) and the Government's proposed national early years funding formula will need to address this regional disparity and incentivise as many providers in as many parts of the country as possible to deliver the extended entitlement. It will also need to recognise how the Government's funding rates keep pace with inflation and the cost of living in the long term.
7. We see childminders as key to supporting the expansion of places needed for the extended entitlement as currently the vast majority do not deliver it. There are many reasons for this and these barriers will need to be addressed to support childminding to rise to this opportunity.
8. One of the key reasons many childminders in particular do not find it financially viable to deliver the entitlement is the two-tier funding system, with one rate for two-year-olds and another, lower rate for three- and four-year-olds. This system, which appears to have been maintained in the wake of the doubling of the entitlement, was clearly designed with non-domestic (group) settings in mind, where ratio requirements for two-year-olds are half that of those for three- and four-year-olds (1:4 vs 1:8). Childminders, on the other hand, operate a 1:3 staff to child ratio requirements for all children under five. For this reason, childminders generally charge a flat rate for all of the children in their care under five, and certainly do not distinguish between two- and three- and four-year-olds. The Department for Education clearly acknowledged this key difference in its Review of childcare costs:

Primary research by Deloitte indicated that childminders often operate at the statutory 1:3 ratio. Note that, because the ratio applies across all pre-school age children, we assume no underlying cost variation between children aged two, and children aged three and four. This is one notable difference to the modelling for group-based provision.⁴
9. Contributing analysis from NLH Partnership highlighted that on average, providers receive a surplus in funding of £0.22 for delivering the entitlement to three- and four-year-olds and a shortfall in funding of £0.43 for two-year-olds.⁵ However, for childminders, the situation is completely different. Across the country, childminders have reported to us that hourly rates for two-year-olds are much more likely to be in line with their own rates than those for three- and four-year-olds. These views are reinforced in independent research. Last year's SEED report on childminders noted that two-year-old funding levels were similar or higher than childminder's hourly rates and were 'generally felt to be adequate'.⁶ Likewise, the funding levels for three- and four-year-olds were 'less satisfactory with levels often lower than the levels they charged privately'.
10. At the moment, many of the small number of childminders delivering the entitlement find it unsustainable to offer more than one funded place at a time. Local authorities using the flexibility they already have to pay childminders a single rate which more accurately reflects

⁴ Department for Education (2015), [Review of childcare costs](#) (London: Department for Education).

⁵ NLH Partnership (2015), [Cost of delivering the early education entitlement](#) (London: Department for Education).

⁶ M. Callanan (2014), [Study of Early Education and Development \(SEED\): views and experiences of childminders](#) (London: Department for Education).

their costs would go some way in addressing this problem. Some local authorities already do this with positive impact on childminder involvement in delivery.

Non-financial barriers to delivering the entitlement

11. A number of non-financial barriers discourage many providers from delivering the current entitlement, including inflexible payment procedures and red tape. For many childminders, a perceived lack of parental demand and the ban on providing the entitlement for related children are also significant barriers.

Inflexible payment procedures and red tape

12. Many providers, particularly smaller ones, find that the system involved in administering the current EYE entitlement – notably the payment structure – does not work for them. Most are accustomed to weekly or monthly payments. Local authorities, on the other hand, generally dispense EYE payments in arrears on a termly basis in line with school administration systems. With limited finances this significant payment delay can be challenging for small businesses to operate within, and the constraint should be removed. There is some evidence of good practice, with some local authorities paying providers 60-75% of the full payment up front, with the remaining 25-40% paid at the end of the term. Local authorities should also consider the viability of providing weekly or monthly payments.
13. In addition, excessive paperwork, red tape and administrative errors are also common complaints. We have also heard numerous reports of problems with sharing EYE payments between two providers, for example a childminder and a nursery. Local authorities should review their administrative systems to ensure that registering to provide the EYE entitlement is as easy as possible. Government needs to do more to work with local authorities to deliver effective systems that allow delivery of the entitlement to be easily shared between providers. This could apply not only to payment systems, but also information sharing, for example on children's progress.
14. PACEY also calls on the Government to review and simplify the 'basket of measures' providers must meet locally to qualify to deliver the EYE entitlement. Whilst streamlined by DfE a few years ago, some local authorities are continuing to require providers to jump through unnecessary and burdensome hurdles in order to provide funded places. For some, an Ofsted grade alone is not enough and additional requirements are placed on providers. This of course has to be balanced with ensuring quality for children and families. For example by restricting delivery of the entitlement to providers who have achieved a 'good' or 'outstanding' grade from Ofsted.

Perceived lack of parental demand

15. Another key barrier childminders in particular face in providing the EYE entitlement is a perceived lack of demand for funded places.⁷ Many childminders have reported that parents looking for funded places are being directed to group-based rather than home-based settings by local authorities, children's centres and health visitors. Those childminders who do look after funded children tend to have cared for them from a young age, before they were eligible for a free place.

⁷ In a 2014 unpublished survey of primarily childminders, PACEY found that just over half of providers (56%) reported that no parents had asked them about it. A large majority (85%) had never tried to claim EYE funding.

16. There is an urgent need to provide clear, concise information to childcare providers, local authorities and parents about exactly who is eligible to provide the EYE entitlement, and what the benefits are of different settings. There is some evidence that providers are unclear about eligibility requirements; these need to be made as unambiguous as possible. Local authorities need to be sure that they are signposting parents to a range of different childcare providers, highlighting the benefits of each.

The ban on providing the entitlement to related children

17. One of the single biggest motivations for becoming a childminder is the ability to work whilst simultaneously staying at home and caring for one's own children. However, childminders are not permitted to claim the entitlement for their own children or offer it to relatives, whom they may already be looking after. The ban on related children is unique to childminders (individuals working in or owning a nursery or pre-school group can claim the entitlement for related children). It is already a significant barrier to engaging more childminders in the delivery of the free entitlement. It will become an even bigger barrier when the entitlement is doubled.
18. PACEY believes there are already sufficient safeguards in place to ensure government would not be 'paying parents to parent' if it allowed childminders to deliver funded places to relatives. These include the registration process with both Ofsted. The same standards are required of all childminders, whether they care for a related or an unrelated child. For an additional reassurance, however, government could limit the number of related children for which a childminder could claim the free entitlement, for example to one or two children.

The need for a workforce strategy

19. The doubling of the free childcare entitlement comes at a time when there is increasing evidence that the childcare sector is severely under strain. There has been a 5% decrease in the childcare workforce in Britain since 2005,⁸ with a significant drop in the number of childminders⁹ and a high turnover rate for nurseries.¹⁰ PACEY's recent sector-wide survey, *Building Blocks: the state of the childcare sector in England*, discovered a childcare workforce at tipping point – highly motivated by the work they do, and highly respected and relied upon by parents, but on the verge of making decisions about whether their businesses are viable for the future.¹¹ Just over a quarter of both group and home-based providers felt less or much less confident about their future business than 12 months ago. Almost 70% of all childcare providers said they had no plans to grow their businesses in the next year; over a quarter of them were less confident in the future of their business than they were a year ago; and a fifth of childminders were uncertain as to whether they would still be working in childcare in twelve months' time.¹²

⁸ A. Simon, C. Owen and K. Hollingworth (2015), [Provision and use of preschool childcare in Britain](#) (London: Institute of Education).

⁹ 15,000 childminders resigned their Ofsted registration between September 2008 and April 2015. See Ofsted (2015).

¹⁰ Staff turnover within the nursery sector is around 14%, rising to 19% for Level 2 staff, with the majority moving out of the sector. See NDNA (2015), [NDNA Workforce Survey 2015](#) (Huddersfield: NDNA).

¹¹ In February 2015, PACEY surveyed 2,365 childcare professionals (childminders, nannies, nursery workers and managers) and 180 parents across all nine regions of England. See PACEY (2015).

¹² Other studies have pointed to the mixed views on the financial viability of childminding, see M. Callanan (2014). As of 2013, the average annual salary of a childminder in England was £11,400. See Department for Education (2013), [More Great Childcare](#) (London: Department for Education).

20. Recent research has pointed to huge economic gains from investment in the early years and its workforce, with the Nobel Laureate James Heckman asserting that it yields greater economic returns than investment in any other sector of education, including schools and post-school sectors like training and apprenticeships.¹³ It is perhaps for this reason that so many recent major reviews of childcare and early education have made recommendations concerning the workforce. For example, a better-trained early years workforce was a key recommendation of the Tickell Review on the Early Years Foundation Stage (EYFS)¹⁴ and the top recommendation of delegates to the Sutton Trust's 2012 social mobility summit.¹⁵ Earlier this year, the House of Lords Select Committee on Affordable Childcare recommended that as a priority, the Government should review the allocation of resources within the early education and childcare support budget to increase ensure that settings can employ the highly qualified and trained staff.¹⁶
21. PACEY has long called for a coherent workforce development strategy supports and incentivises practitioners to continuously improve their skills and progress their early years careers. The strategy must recognise the key barriers that prevent many members of the workforce from doing this at the moment, notably a lack of time, funding and support to undertake continuous professional development (CPD); an absence of clear pathways up to Level 3 and beyond; and persistent low pay regardless of qualification. Other countries in the United Kingdom are taking a more strategic approach to workforce development of the childcare and early years sector, as are other professions in England such as social care, social work and health visiting.
22. We are delighted Government has now made a formal commitment to publish an early years workforce strategy in partnership with the sector. Whilst public funding remains limited, we believe there remains much that can be done to both support, incentivise and reward the dedicated professionals in the sector and so motivate them to remain and progress in the early years sector. Caring for very young children is both rewarding and challenging. It takes a very special set of skills to be able to do this well and the current early years workforce needs better support to rise to the challenge of delivering not only the extended entitlement but many other new responsibilities.
23. We want all three-and-four year-olds to enjoy high quality, flexible and accessible early education and childcare provision, delivered by well-qualified, confident and experienced practitioners. As recommended by the 2012 Nutbrown Review, everyone working in childcare and early years, including childminders, should be supported to achieve a full and relevant Level 3 qualification.¹⁷ All group settings should be led by an early years graduate and childminding settings should have regular contact with a graduate leader, for example

¹³ Qtd. in I. Siraj (2015), [An Independent Review of the Scottish Early Learning and Childcare \(ELC\) Workforce and Out of School Care \(OSC\) Workforce](#) (Edinburgh: Scottish Government), p. 124.

¹⁴ C. Tickell (2011), [The Early Years: Foundations for life, health and learning, An Independent Report on the Early Years Foundation Stage to Her Majesty's Government](#) (London: Department for Education).

¹⁵ S. Mathers, N. Eisenstadt, K. Sylva, E. Soukakou and K. Ereky-Stevens (2014), [Sound Foundations: A Review of the Research Evidence on Quality of Early Childhood Education and Care for children Under Three](#) (London: Sutton Trust).

¹⁶ House of Lords Select Committee on Affordable Childcare (2015), [Affordable Childcare](#), Report of Session 2014-15, HL Paper 117.

¹⁷ C. Nutbrown (2012), [The Nutbrown Review: Foundations for Quality](#) (London: Department for Education).

through partnerships with schools, children's centres and nurseries. The doubling of the free childcare entitlement provides a significant opportunity for government to build on the significant progress in qualifications and quality already made in the sector. Working in early years should no longer be regarded as a less well paid, lower status and less skilled job than working with older children.

Barriers to accessing the entitlement for children with special educational needs and disabilities (SEND).

24. Although 96% of all 3- and 4-year-olds are currently accessing the full entitlement of 15 hours per week, this number drops to 60% for disabled children, with a quarter (25%) receiving none of the entitlement.¹⁸
25. PACEY is a supporter of the Levelling the Playing Field Campaign run by four of the leading organisations working with disabled children and their families: Contact a Family, the Council for Disabled Children, Mencap, and the Special Education Consortium. We agree with the Campaign that sufficient funding must be available – and structural reforms made – to ensure that the new 30 hour offer does not exclude children with special educational needs and disabilities (SEND).

Eligibility for the extended entitlement

26. To qualify for the full 30 hours of free childcare, each parent (or the sole parent in a single parent family) will need to earn, on average, the equivalent of 16 hours on the national minimum wage per week (currently £107 per week), and no more than £100,000 per year. An exception is made for families where one parent is in receipt of benefits relating to caring responsibilities or has a disability and the other parent is working. However, it does not appear that single parents who are disabled or have substantial caring responsibilities will be eligible for the full entitlement.
27. It seems perverse to us that parents on higher incomes – who are least in need of affordable childcare – will need to work less to access the full entitlement than those on lower incomes. PACEY calls on the Government to reinstate the original eligibility criteria of 8 hours per parent on the minimum wage, which we believe will be more effective in helping parents get back to work. We also believe that single parents with substantial caring responsibilities should be eligible for the full entitlement.

¹⁸ Levelling the Playing Field Campaign (2015), [Levelling the playing field: Equal access to childcare for disabled children](#) (London: Contact a Family).