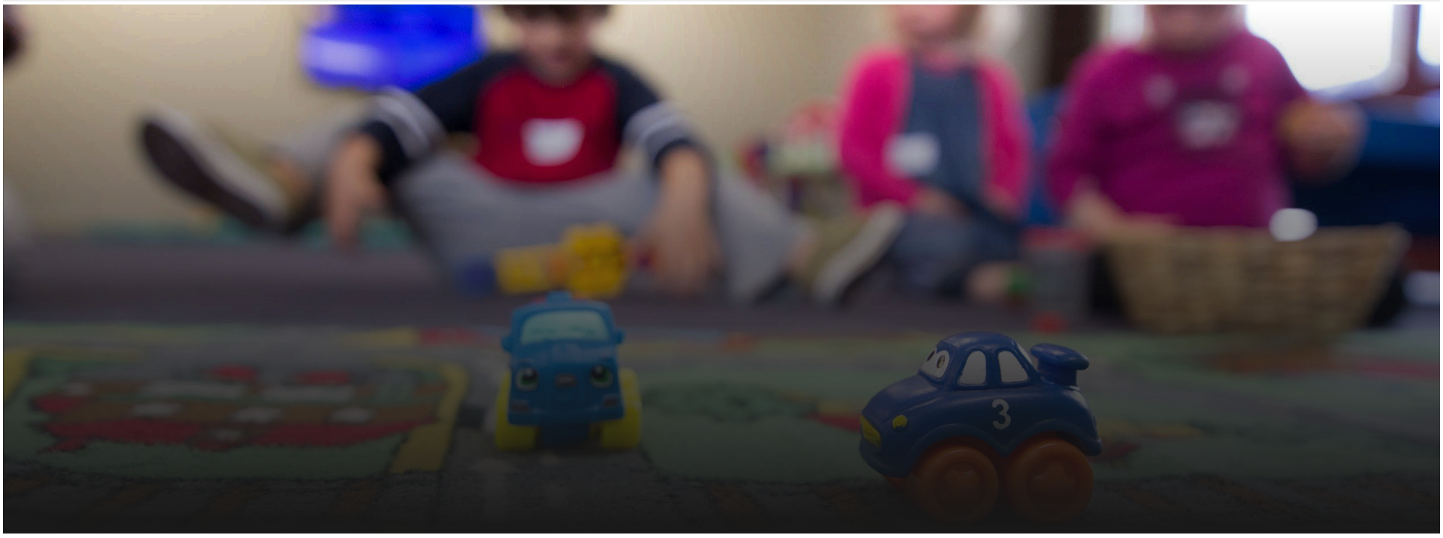

Kitty Stewart March 20th, 2023

A half-baked early years funding policy risks negatively impacting children

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*While the Chancellor's pledge to invest in early years childcare is a positive step, there remain serious questions about whether the resources are sufficient, and whether the current funding and provision model is the best one available. Policymaking on the fly is not the way to develop services that work for young children and their families, argues **Kitty Stewart**.*

Last week's budget contained a very big announcement for young families: a huge expansion in the provision of free childcare hours. Currently, children of working parents are entitled to 30 free hours childcare per week for 38 weeks per year from the age of three. Once the new offer is rolled out, the free entitlement will start at 9 months old. It's a dramatic increase in state investment in childcare provision: Chancellor Jeremy Hunt erred on the side of understatement in calling it the most significant change to childcare in a decade. Hunt announced an additional £4 billion for the sector by 2025/26, around a two-thirds increase on early years current spending.

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The UK currently doesn't spend enough on early years provision and the scale of this new investment must be welcomed. Spending on services for under-fives has risen at least four-fold since 1997, but from a low base, and we remain a laggard among OECD countries. Addressing the design of the current system, with its long gap between the end of maternity leave and the start of reasonable public subsidy for childcare, is overdue. There were also very welcome announcements to increase and improve means-tested childcare support through Universal Credit.

And yet: there are some very big reasons for concern about Wednesday's announcement. First, while the resources are substantial, the commitment made is even more so. This raises big questions about how – indeed whether – these new places can be delivered, and about the resulting implications for the quality of provision.

Does the investment match the ambition?

It is very clear that the existing "free" hours are significantly underfunded – something we know now that the government was aware of from the beginning. Underfunding has – as predicted – led to multiple closures; my own recent and ongoing research with colleagues indicates that the state-maintained sector and the voluntary sector have been particularly squeezed, with a disproportionately negative impact on more disadvantaged children. The survivors are providers that can cross-subsidise the free places with additional charges, for extra hours and days (the free offer only covers 38 weeks out of 52) or with fees for lunches and other items. There are also implications for staff recruitment and retention as nurseries can often only pay staff minimum wage.

With greater numbers of funded hours, the risks attached to underfunding become still more serious, because there will be less scope for cross-subsidy. This means an even higher risk of nurseries going under, and it means further pressures on quality: the relaxing of ratios for two-year-olds is a worrying sign.

The budget promised an increase in funding per hour, and this will help. But the earmarked amount of £288 million for the current places looks far from adequate: this is just one-eighth of the amount the IPPR estimates would be needed to bring funding up to the standards of maintained nursery schools, widely recognised as offering the highest quality in the sector. Further, there are indications that the bulk of the extra money is for two-year-old places. This will make it even more challenging for settings like state nursery classes that cater predominantly for three- and four-year-olds.

The risks of neglecting oversight and social inequality

A second concern, separate from the *level* of funding, relates to the way the current subsidy model channels resources to the childcare sector with very few strings attached. While some settings struggle to survive, others, often catering to wealthier parents, have thrived.

Recent years have seen an increase in large for-profit chains, as work at UCL has shown. Fees charged by these chains in England were found to be higher than in other OECD countries. The concern here is that public funding fuels higher prices and higher profits, aided by relatively low requirements in terms of staff qualifications and pay. These large chains appear to be buying up independent nurseries and smaller chains as they close, so it is a trend likely to continue if left alone. Various options exist for attaching tighter conditions to public funding of childcare, even within a market-based system, including limits on profits and on acceptable levels of indebtedness for providers. Investing more public money into the current structure without such reforms seems unwise.

Finally, there are multiple ways in which the new policy is likely to reinforce or exacerbate existing inequalities. Most obviously, the places are available only to children with both parents (or a lone parent) working 16 hours per week. Children whose parents work less than that or not at all – and there are many different reasons this happens – will at most be able to access half-days from age two. If levelling the playing field at school starting-age remains a government policy goal this is clearly not an ideal design.

> *High quality early education accessible to all is being squeezed out in the pressure to provide cheap childcare.*

In addition, the consequences for the quality of provision available to these children must not be overlooked. Back in 2010, nearly 80 per cent of children in the most deprived decile of areas accessed nursery classes headed by a qualified teacher, far higher than the share in wealthier areas. This rare "reverse social gradient" existed largely because children in these areas were very likely to attend state-maintained settings. But as noted, funding pressures have led to closures, and the share of more disadvantaged children attending private day nurseries instead (on average much lower quality) is rising rapidly. Without significant reforms to the shape of funding, the new policy will reinforce this trend. High quality early education accessible to all is being squeezed out in the pressure to provide cheap childcare.

Quality of care as an after-thought

Over the last decade, the focus of early years policy has shifted away from a crucial dual role – both supporting parents to work and promoting child development – to one concentrated solely on the first concern. Government is prepared to invest – and substantially – in (low-cost) childcare to ensure parents can get back into the labour market, but the quality of provision seems entirely forgotten, while crucial wider policies such as Sure Start Children's Centres have been steadily destroyed. It was notable that in his budget speech Hunt spoke of helping the economy and "transform[ing] the lives of thousands of women" but didn't mention the lives of children.

We urgently need a refocusing of the early years agenda to ensure children remain at the heart of policymaking in this area. And we also need a strategy for the early years which takes time to think and consult, to ensure we build an equitable, sustainable and high-quality model of early education and care. Last week's announcement had the feel of policymaking on the hoof – a budget "rabbit in the hat" rather than the outcome of the careful consideration of alternatives. (In this sense it was perhaps reminiscent of the original 30 hours policy, made by David Cameron in the 2015 election campaign in reaction to opposition plans – Labour's offer had been 25 hours and the Liberal Democrats' 20.)

Is the best way to provide high quality childcare to guarantee a certain number of free hours to all working parents in whatever settings are willing to provide them? Perhaps it is – and perhaps it isn't. If funding is not sufficient to make this model work well, it might have been better to ask parents to continue paying a contribution (capped, and perhaps scaled with income). The worry is that this announcement boxes us into a future of low-quality provision, with lasting consequences for children's lives.

This blog draws in part on the research paper 'The Conservatives' record on early childhood: Policies, spending and outcomes from May 2015 to pre-COVID 2020, *Social Policies and Distributional Outcomes Research Paper* SPDO 8 (K Stewart and M Reader, 2020). A short video of some of the paper's findings is available here.

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About the author

Kitty Stewart

Kitty Stewart is Associate Director of the Centre for Analysis of Social Exclusion (CASE) and Associate Professor of Social Policy at LSE. Kitty's recent research focuses primarily on the causes and consequences of child poverty, the relationship between income and wider outcomes, and policy for young children.

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