



Daycare Trust's Response to the Consultation on 'Choice for parents, the best start for children: a ten-year strategy for childcare'.

- 1.1. Daycare Trust is the national childcare charity campaigning for quality affordable childcare for all and raising the voices of children, parents and carers.
- 1.2. Daycare Trust welcomes the commitment of the Government to improving the quality, availability and affordability of early education and care and commends the ten-year strategy published by the Government alongside the Pre-Budget Report.
- 1.3. Daycare Trust has worked alongside experts in the childcare sector, academics, parents, providers, decision makers and other stakeholders to raise the debate on childcare and has recently published a 'vision' of universal early education and care.¹
- 1.4. We are pleased to see that the ten-year strategy reflects many of the recommendations outlined in Daycare Trust's vision. Overall, we see the ten-year strategy as a fundamental and important first step to support the needs of all young children and their families. It shows an unprecedented and long-term commitment to improving the life chances of both children and their families. We are keen to work with the Government in the development and implementation of this strategy. For this purpose, in the sections below, Daycare Trust provides its critical evaluation of the strategy.
- 1.5. The response has been organised in 7 sections which reflect the overall organisation of the Government's strategy. The response highlights the following main points:
 - In line with research showing the importance of parental leave in the first year of a child's life, parental leave should be extended to 12 months as soon as possible during the next Parliament

¹ Details on the vision for 2020 can be found in Universal Early Education and Care in 2020: costs, benefits and funding options. A report for Daycare Trust and the Social Market Foundation by ProcewaterhouseCoopers.

http://www.daycaretrust.org.uk/mod/fileman/files/costs_benefits_and_funding_options_final.pdf

and the flat rate should be progressively increased to the National Minimum Wage.

- We believe that there is still a gap in the strategy in terms of provision for children under three. There is no mention in the strategy of any follow-up to the pilot scheme extending part-time early education places to two year-olds in 500 areas around the country. Increasing quality and availability of provision for this age group should be a crucial part of the Government's vision.
- There are concerns on the number of children's centres, on the way they will coordinate with extended schools and on the type of services they will be offering in different areas. The total number of children's centres should be left open for review possibly in a second stage of the strategy looking beyond 2010.
- We are pleased that the strategy recognises the need for a radical reform of the early education and care workforce. We welcome the announcement of a single qualification and pay structure and the commitment to increase the number of childcare professionals to be qualified at graduate level. We look forward to seeing the forthcoming pay and workforce strategy.
- We believe that a new funding regime for early education and care should be envisaged. Our view is that, in the long term, supply-side grants should be progressively increased with the reliance on tax credits phased out.
- Despite important increases in the level of public funding for the early education and care sector, we believe that an independent review for the whole funding system is necessary looking at the level and structure of funding against the long-term vision of the strategy.
- We welcome the announcement of a new statutory duty requiring local authorities to secure adequate affordable early education and care. We believe that the new duty should be child-centred, include participatory approaches to needs assessment, include specific monitoring and auditing duties particularly on uptake by black and minority ethnic groups and by families living with disability and focus on partnership working.

2. Choice and Flexibility

2.1. Daycare Trust welcomes the recognition in the document of the importance of giving both parents the choice of looking after their children at home during the first year of the child's life. We are therefore very pleased to see in the strategy the extension of paid

maternity leave and the opening of consultation to give mothers the right to transfer a proportion of their maternity leave to the father.

2.2. A wide range of research is now available showing the importance of parental leave in the first year of a child's life. In particular it is linked with:

- Lower maternal depression (Chatterji & Markowitz, 2004)
- Lower infant mortality; (extending leave 10 weeks reduces post-neonatal mortality by 4% and child mortality by 3% (Ruhm, 2000; Tanaka, 2004)
- Fewer low birth-weight babies (Tanaka, 2004)
- More breast-feeding (Berger, Hill, & Waldfogel, 2004)
- More use of preventive health care (Berger et al., 2004).

2.3. Research also shows that unpaid leave does not have the same protective effects linked to paid parental leave (Ruhm, 2000; Tanaka, 2004) and that lower-income mothers tend to return to work when paid leave ends while higher-income mothers tend to return later, when job-protected leave ends (Burgess, Gregg, Propper, Washbrook, & the ALSPAC Study Team, 2002; and estimates from Millennium Cohort).

2.4. On the basis of this evidence, Daycare Trust urges the Government to extend paid parental leave to 12 months as soon as possible during the next Parliament rather than as a second step after a provisional extension to 9 months.

2.5. We also urge the Government to make such a choice genuinely affordable for parents, particularly for low-income families. International evidence shows that the uptake of parental leave is strictly correlated to the level of payment and that maternity pay in the UK is amongst the lowest in Europe. For this purpose, we believe that the flat rate payment, currently fixed at £102.80 per week, should be progressively increased to the National Minimum Wage. Such a policy would allow more parents to take up parental leave for longer and would be consistent with the Government's policies on income.

2.6. Daycare Trust is pleased to see that consultations will be opened to give mothers the right to transfer a proportion of their maternity leave to the father. Studies on fathers' involvement on children's early development show a very positive impact on children's development. We would like to point out, however, that a linguistic shift is necessary here. We believe that the emphasis should be shifted from 'maternity leave' to 'parental leave'. Maternity leave should only last as long as it can be justified on the grounds of maternal and infant health. Doing otherwise, can be discriminatory (against men) and is also likely to contribute to gender inequality (by reinforcing a view that women are primarily responsible for caring for young children).

- 2.7. We anticipate more details on the consultation process and on potential timeframes. We would like to highlight however, that this reform should follow some important principles:
- High flexibility in use of parental leave – e.g. the possibility of splitting leave or taking leave on a part-time basis
 - Incentives for fathers to take leave – through for example the “use-it-or-leave-it” formula. According to the Eurobarometer survey on the use of paternity leave across the EU, fathers don’t take leave because of the impact on earnings and because they felt that parental leave would have an adverse effect on their career. Policies will need to look at both these elements.
 - Integrated within the larger context of early years services.
 - Supplementary entitlements for disabled or sick children.
- 2.8. Daycare Trust believes that such policies need realistic funding for their implementation. There are concerns on the funds allocated in the strategy for the extension of paid maternity leave.
- 2.9. While, in general terms, the cost of the reform envisaged in the ten-year strategy is relatively limited as it only applies to mothers who qualify for statutory maternity pay before the birth of their child or to mothers who have not given up work after the birth of their first child, the £285m allocated in the strategy to extend maternity leave to 9 months in 2007 and to 12 months at the end of next Parliament seem low. In particular, according to calculations by PricewaterhouseCoopers for Daycare Trust, this sum seems to assume a relatively low take-up rate of only 30% of mothers.²
- 2.10. We also recommend that the issue of care for children between 12 and 24 months be closely looked at. Research on the impact of group care on children between 12 and 24 months shows mixed results although the evidence shows that quality of care is the critical factor. We believe that the lack of a policy direction coming from research should lead to policies that, on the one side, offer parents the choice to stay at home or go back to work in response to the needs of the individual child and, on the other, increase the quality of childcare provision for this age group. In order to increase parents’ choice, in its vision, Daycare Trust, has proposed two options: the extension of parental leave to 18 months or the introduction of a homecare allowance similar to that in Finland. Paid at 50% of the minimum wage, the homecare allowance would offer all parents, not just the more affluent, a genuine choice on whether to remain at home full or part time.

² In detail, this calculation is based on the additional 13 weeks of paid maternity leave at c. £110 per week by 2007/8, which implies a cost of c.£1,330 per mother. It appears that the costing assumes that only c. 214,000 mothers would take up the SMP compared to a total of c. 700,000 mothers of children in this age range in the course of a typical year in the UK.

2.11. In general, we believe that there is still a gap in the strategy in terms of provision for children under three. Evidence shows that the effect of childcare on this age group is strongly correlated to the quality of care. Increasing quality and availability of provision for this age group should therefore be a crucial part of the Government's vision.

3. Availability

- 3.1. Availability of childcare is still an issue for many families. Daycare Trust is pleased to see that the Government is committed to address this issue and build on the good progress made since 1997. Despite such progress, however, problems remain: there is still only one registered childcare place of every four children under the age of eight with supply unevenly distributed across the country. The high turnover of places shows that sustainability is a major issue. The failures in the childcare market are such that the lack of childcare places is particularly felt in those disadvantaged areas where such provision would have the most positive impact on children's lives.
- 3.2. Daycare Trust warmly welcomes the plan to deliver 3,500 children's centres by 2010, connecting group-based and home-based care providers and wraparound childcare from 8am to 6pm all year round through the extended school initiative.
- 3.3. However, we note that the pledge of "a children's centre in every community" is being presented in the ten-year strategy as 3,500 children's centres across England or "five in every constituency", some of which, particularly in more affluent areas, may just co-ordinate rather than provide childcare places. Further details on the coverage will be needed. There are questions on the number of children's centres, on the way they will coordinate with extended schools and on whether offering fewer services in centres in the less disadvantaged areas will succeed in reaching the almost half of children in poverty who live in such areas.
- 3.4. A total of 3,500 children's centres would average out at around 1 centre per every 800 children under the age of 5 years in England. If we assume that the average children's centre offers about 50 full-time childcare places, this means that the vast majority of children will need to access childcare elsewhere. While we appreciate that children's centres will represent a hub for a network of provision including childminders and other forms of home-based childcare provision, and that in some less affluent areas the number of places provided may be higher, in practice it is unclear how 3,500 of children's centres will meet the demand for early education and care and ensure genuinely universal coverage.
- 3.5. Daycare Trust believes that in order to ensure a truly universal provision of early education and care, the total number of children's centres should be left open for review and extending this beyond 3,500 could be part of a second stage of the strategy looking beyond 2010.
- 3.6. Informal care plays an important role for families and is often used alongside formal childcare provision. Daycare Trust is therefore pleased to see an acknowledgement of the value of informal childcare through the announcement that informal carers will receive support in

children's centres and drop-in facilities. This will make a great difference for many children especially disabled children.

- 3.7. Daycare Trust warmly welcomes the announcement of the extension of the entitlement to free part-time early education places for three and four year olds. In our "vision" of early education and care for 2020 we outlined how successful this initiative has been with parents as demonstrated by the very high uptake of places. We suggested that as an early priority and on the basis of the recent EPPE research findings, the number of weeks of free early education and care should be extended to 48 weeks and that the number of hours per week increased from the current 12.5 to 20. We are very pleased that the Government has taken such suggestions on board in the strategy by announcing the extension of early education provision for three and four year olds from 33 to 38 weeks from 2006 and from 12.5 hours a week to 15 hours a week from 2007 with the long term goal of extending it to 20 hours a week. However, we note that extending the entitlement only to 38 weeks rather than to 48 as we suggested implies that holiday provision is not part of the package for children under 5. We urge the Government to look into extending the free entitlement in the long term to 48 weeks a year.
- 3.8. We have also concerns that there does not seem to be extra funding allocated by 2007/08 for the progressive extension of early education to 15 hours by 2010.
- 3.9. We also note that there is no mention in the strategy of any follow-up to the pilot scheme extending part-time early education places to two year-olds in 500 areas around the country. As noted above, quality and availability of provision for children under 3 years of age should be closely looked at
- 3.10. An important linguistic and conceptual shift is necessary. The strategy appears to give the entitlement to free education and care to parents instead of children. In line with the recent recommendations of the UN committee on the rights of the child on implementing child rights in early childhood³, we would like to see a shift whereby, early education and care is an entitlement of children, a right on the same grounds as education is, independently of the status and background of the child or of the employment conditions of the parents.
- 3.11. Daycare Trust warmly welcomes the announcement of the introduction of increased flexibility in the way parents can use the hours of free early education. This is a crucial point. Parents have found that, not only are 2.5 hours a day insufficient to enable them to go back to work or training, but the complex mixture of childcare arrangements that they are forced to use is often unsettling for children or simply logistically

³ United Nations Committee on the Rights of the Child Day of Discussion: Implementing Child Rights in Early Childhood
17 September 2004- Recommendations

impossible, particularly in rural areas. Increasing the flexibility to use such hours will be paramount for both children and parents. We anticipate further details on the timetable for the extension of the entitlement to 20 hours a week.

- 3.12. We welcome the initiative to provide school-based childcare for children from 5 to 14 years of age for 48 weeks a year. We believe that the project of creating extended schools presents great opportunities but also challenges. In our view, it is important that the initiative does not result in merely adding to the school a large number of satellite services including wraparound care with an unchanged school at the centre. Nor that extended schools will result in a system of specialist service providers isolated in their roles and from the community they serve. We think that this initiative should be taken as an opportunity to review the role of the school itself in a way that allows a holistic approach to providing services for children that are coherent and mutually supportive.
- 3.13. We welcome the statement in the strategy that this initiative will not imply teachers to work from 8am to 6pm and the suggestion that schools work in partnership with the voluntary and private sectors to deliver the offer. What is very important is that such partnership is built in a participatory way between all the sectors involved, including teachers, the school workforce more in general, the social work and health sectors and the early years workforce with a view to creating an integrated and coherent system having the best interest of the child at its centre.
- 3.14. Social Inclusion
- 3.14.1. Specific groups of families still find it especially difficult to access childcare, particularly lone parent families, families from ethnic minorities, families living with disability, large families or those working unsociable hours.⁴
- 3.14.2. Disabled children and their families are at risk of social exclusion. Many need additional services to support them and this might lead to further isolation. The financial costs of caring for a disabled child can on average be three times as much as the cost of raising a non-disabled child. A wide range of evidence shows that

⁴ The UN Committee on the Rights of the Child in its recent recommendations calls on States parties to ensure that all children are guaranteed access to early childhood programmes, especially the most vulnerable. Such groups include “girls, children living in poverty, children with disabilities, children belonging to indigenous or minority groups, children from migrant families, children without parental care, children living in institutions, children living with mothers in prisons, refugee and asylum-seeking children, children infected with, or affected by HIV/AIDS, and children of alcohol- or drug-addicted parents”.

early intervention and the provision of appropriate support can reduce the impact of these pressures⁵.

- 3.14.3. Demand for childcare from families with disabled children is increasing. However, the additional cost of providing childcare for children with disability impacts on the supply of places. We welcome the recognition in the strategy that disabled children need early education and care services that meet their needs. We particularly welcome the recognition of the need for local authorities to consult with disabled children, their families and the voluntary sector in order to provide services that meet their needs. The monitoring of take up is also paramount to ensure that services are genuinely meeting the needs of these families.
- 3.14.4. A universal system of children's centres will need to respond to the specific needs of disabled children. For this reason, we urge the Government to adopt a balanced approach to funding which should be used for subsidised places; training for childcare workers; creating disability inclusion officers and workers; and equipment and other resources to improve access to services.
- 3.14.5. Research shows that parents and carers from black and minority ethnic communities are less likely to access childcare and early years services than their white counterparts. Daycare Trust found that parents from these communities find the lack of culturally appropriate services, lack of information and inflexibility of services are barriers to their use of childcare.
- 3.14.6. We welcome the announcement that local authorities will need to support the recruitment of ethnic minority members of staff at all levels in the education and care sector to reflect their local population as well as consulting with families from ethnic minorities. We believe that monitoring the take up of services is particularly important.
- 3.14.7. Daycare Trust urges the Government to ensure that these requirements are clearly included in the new statutory duty for local authorities and that clear mechanisms are in place to ensure that such policies are implemented and benefit all children and their families.

⁵ Joseph Rowntree Foundation (1998) 'Combining work and care: working parents of disabled children.'

4. Quality

- 4.1. Daycare Trust's vision is that the early education and care sector in this country will be one of the best in the world. We are delighted that the Government shares such ambition.
- 4.2. Research shows that high quality in childcare is crucial as it impacts both on the daily experiences of children and on their future development. Good quality early education and care benefits children's cognitive, language and social development, boosts their confidence and social skills. Good quality childcare settings provide opportunities for children and young people to participate as active citizens in the world around them, to take on responsibilities and help them to develop their understanding and views of the world around them.
- 4.3. We warmly welcome the acknowledgement in the ten-year strategy that the distinction between education and care is a meaningless one and that such a distinction has created separate qualifications and regulatory systems in a sector where instead a holistic, integrated system reflecting the need of the whole child with body, mind, emotions, creativity, history and social identity is necessary.
- 4.4. Research clearly shows that one of the most important determinants of whether children of different ages receive appropriate and responsive education and care is the level of staff qualifications. We therefore salute the recognition in the strategy of the need for a radical reform of the early education and care workforce through a new qualification and pay structure.
- 4.5. Currently, the childcare sector is in a weak position compared with other sectors due to the low levels of qualifications, low pay and lack of a clear career ladder. Continuity of care and familiarity with the carers are crucial for high quality early education and care. But the sector suffers from serious staff recruitment and retention problems. There is also a lack of diversity in the early education and care workforce: workforce composition is 98% female, almost entirely from a white ethnic background (98%) and with a qualification level mostly not above level 3.
- 4.6. We therefore welcome the commitment in the strategy for a clearer and more accessible progression route for the existing workforce, an increased effort in recruitment and retention and for an increased promotion of diversity, including gender diversity.
- 4.7. We are particularly pleased with the announcement that a single qualification framework will be put in place together with greater opportunities for existing staff to increase their skills, including childminders and homecarers. We also welcome the commitment to having all full daycare settings led by graduate qualified early education and care professionals and that more childcare workers will be qualified at graduate levels.
- 4.8. While we appreciate that such a radical review will need time to define and implement, we suggest that such a reform should be prioritised

and a clear and ambitious timetable should be identified. The experience of other countries such as New Zealand who have aimed at an ambitious 'upskilling' of the workforce shows that such reforms are achievable in a relatively short time if the objectives are clear and the transition conducted in a fully participatory way.

- 4.9. Daycare Trust's vision is that around 60% of the workforce should have graduate-level qualifications comparable to those of a primary school teacher, with salary and benefits to match. The remaining 40% of the workforce should have level 3 qualifications. This vision would take the workforce in this country to levels seen in Sweden and Denmark, two of the best examples of early education and care services in the world.
- 4.10. Such upskilling of the workforce is essential to provide consistently high quality early education and care which can support the development of children's cognitive, social and emotional skills. And it is essential in order to attract and retain good quality staff to the sector, in contrast to the current patterns of high staff turnover.
- 4.11. We are very pleased that the strategy looks at various models for an early education and care professional drawing on the experiences of other countries. Our view is that educational principles and a pedagogical approach should underpin the reform of the early education and care sector.
- 4.12. We urge the Government to commit to increasing and improving training for specific types of education and care such as for children with disabilities or special needs. Such specialist training should be an integral part of the new qualification scheme but should also form an essential part of the qualification regime for the current workforce, including childminders.
- 4.13. According to the most recent DfES Childcare and Early Years Workforce Survey, lower paid and lower qualified staff are concentrated in the for profit sector. We believe that this situation should be closely looked at and addressed in any reform of the early education and care workforce to ensure that the upskilling and improved status of the workforce takes place in the maintained, voluntary and the private sectors.
- 4.14. We warmly welcome the announcement of a Transformation Fund from April 2006 to support investment by local authorities in high quality, affordable, flexible and sustainable childcare provision.
- 4.15. We note however, that £125 million a year equates to approximately £500 per member of the current early education and care workforce. Such an amount is not enough to raise salaries significantly. While these funds could provide a useful start in offering more training, we believe that much of this budget may in fact be needed for training new members of the workforce. In the longer term much more funding will be needed to achieve the desired improvement in qualifications, skills and pay levels of the workforce as a whole.
- 4.16. According to calculations by PricewaterhouseCoopers for Daycare Trust, in order to deliver a long-term and ambitious vision for early

education and care services, the workforce should increase by 140%, an increase of the order of 400,000. Assuming that 60% of these extra staff will need to be graduates and the remaining 40% qualified at level 3, an increase in funding will be necessary. PricewaterhouseCoopers calculated the cumulative additional training costs to be approximately £3.2 billion which, distributed over a period of 10-15 years, would amount to around £210-320 million per annum.

- 4.17. We look forward to further details on what the Transformation Fund will actually finance and how it will be distributed. According to the strategy, the Fund will support investment by local authorities on quality, on securing sustainable supply, and on affordability. Our view is that £125million will not be sufficient to support local authorities in their delivery obligations. As expressed above, improving the qualifications of the workforce alone will need funding well above the current level of the Transformation Fund. We believe that a review of the whole early education and care funding system is necessary and we urge the Government to ensure that local authorities are provided with sufficient and sustained funds to meet their new delivery obligations.
- 4.18. The strategy does not provide details on the way local authorities will be expected to spend the funding provided. Previous experience shows that ring-fenced funding have proved as the most efficient way to ensure that funding is actually channelled to early education and care services. We urge the Government to address this issue and introduce systems whereby funds are actually spent for improving quality, accessibility and affordability of early education and care provision.
- 4.19. Daycare Trust looks forward to the beginning of work of the Children's Workforce Development Council for England set to start in April 2005 and strongly recommends that the Council's composition is truly representative of the sector. We believe that if it is to lead on the reform of the early education and care workforce, the Council needs to adopt a new holistic perspective of the professional working with children. It should include representatives from the teaching profession and the school's workforce in general, and also from those sectors which will be called to work together in the integrated settings such as social work and health. Additionally, the experience of countries like New Zealand, where a successful reform of the workforce has taken place, shows that only a truly participatory approach can ensure that all the sectors involved in the reform are truly on board.
- 4.20. We welcome the effort to rationalise and simplify the regulatory and inspection frameworks as well as the quality framework for children. We think that a consistent approach to quality is necessary and is in line with our view that education and care should not be seen as separate. We welcome the steps taken to combine and integrated care and education inspections and we would like this to see this integrated approach develop further. While we appreciate that there is currently separate legislation for the childcare and education sectors and that Ofsted inspectors need to draw the distinction between childcare and

education when they grade quality, we wonder how such a separation is going to work out in the extended school system. We would recommend that legislation is modified to reflect recent developments towards integrated services.

- 4.21. In order to improve quality in the sector overall, the upskilling of the early education and care workforce needs to be mirrored by an upskilling of the inspection workforce, including in participatory approaches. Also, we strongly recommend adopting a more child-centred approach to inspections thereby encouraging more participation by children in the planning and delivery of the services that they receive.
- 4.22. Parents' input should also be an integral part of the new inspection regime in line with the stated objective in the strategy of making parents one of the pillars of quality control of early education and care provision.
- 4.23. We see Investors in Children as a powerful instrument for helping parents judge the quality of early education and care settings. We urge the government to make better use of this useful but under-used scheme.

5. Affordability

- 5.1. Daycare Trust warmly welcomes the increase in Government spending on early education and care and the recognition in the ten-year strategy for an enhanced role of supply side funding in driving up quality and ensuring sustainability.
- 5.2. Indeed, public spending on early education and care (including maternity pay) is set to increase from around 0.54% of GDP in 2004/05 to approximately 0.6% of GDP in 2007/8, which represents a significant percentage increase (c. 30%) in real terms.⁶ We are however concerned that it falls short of the trajectory of spending increases as a percentage of GDP that would be necessary to achieve a truly bold long-term vision of early education and care. Unless a much faster rate of increase takes place beyond 2007/8, we are concerned that the ambitious objectives of the strategy may not prove achievable, particularly from the perspective of local authorities who will need guaranteed funding support to meet their new obligations by 2010.
- 5.3. We also note that, in general, the funding figures could have been presented more clearly to show total spending in each part of the early education and care sector by year from 2004/5 to 2007/8. By presenting them as increments leads to strange profiles of the supply side funding whereby funding appears to increase for 2006/7 and decrease in 2007/8.
- 5.4. Every family should be able to afford good quality childcare which is appropriate to their needs. According to Daycare Trust's latest Childcare Costs Survey, the typical cost of a nursery place for a child under two is £141 a week, almost £7,000 a year⁷. In some areas costs are much higher: in inner London, this cost is on average £197 a week. Parents are still the main contributors to the cost of childcare. In 2002-03 they paid around £3 billion a year. Such costs are unaffordable especially for low-income families.
- 5.5. Daycare Trust therefore welcomes the announcements in the Pre-Budget Report increasing the financial help for parents to afford childcare. The increase in the maximum eligible childcare costs covered by the childcare element of the Working Tax Credit from £135 to £175 per week for one child and from £200 to £300 per week for two or more children and the increase in the proportion of costs covered by the childcare element from 70% to 80% from April 2006 will make a difference for many families. The increase in the household income threshold to £59,000 will also mean that more families will be entitled to this element of the Working Tax Credit. We note, however, that help will particularly benefit smaller families but will not be enough for

⁶ Calculations by PricewaterhouseCoopers

⁷ Daycare Trust, Childcare Costs Survey, January 2005.

- families with three or more children where over half of children living in poverty are to be found.
- 5.6. We also welcome the voluntary childcare approval scheme for home-based childcare, which will allow parents to claim financial support through tax credits. This initiative will benefit parents who work atypical hours and families with children with special needs. We are still concerned, however, about the two-tiered system which has been created. Under this scheme, homecarers will not have to register with Ofsted and will not have to meet the National Standards. We believe that separate regimes do not guarantee good quality provision and are at odds with the stated intent of creating a unified and coherent quality framework.
- 5.7. We believe that the support of employers for families is of great importance and many families will receive relevant help through the employer supported childcare scheme. We recommend, however, that the Government look closely at the interaction between vouchers, entitlements to tax credits and statutory benefits as well as at the long-term impact on state pensions. The majority of those taking up the childcare vouchers will be women who have on average lower earnings than men and are more at risk of poverty. We recommend that a thorough review of these impacts is undertaken and addressed.
- 5.8. Daycare Trust believes that the key contribution of employers to addressing their employees' work-life balance is to improve internal practices on flexible and part-time working as well as the culture of long working hours. We believe that the Government should have a fundamental role here by enhancing the relevant legislation.
- 5.9. For many families the announced increases in the support available through tax credits and the new employer supported childcare tax incentives will make an important difference. However, we strongly believe that an ambitious long-term vision for early education and care, one that would place this country among the best in the world, will need a fundamental review of funding. The current demand-side approach presents some fundamental problems, particularly for low-income families.
- 5.10. Daycare Trust's position is that in the long term, tax credits are probably not the right instrument to achieve universal, good quality and affordable early education and care. This is because the tax credit system is very complex, is too closely linked to employment and household status, does not particularly help low-income families, generates cash-flow problems for both parents and providers and does not create any incentive to increase quality.
- 5.11. For most families it is not immediately obvious how much subsidy they will receive from the childcare element of the working tax credit. Its amount depends on a complex interrelation between employment,

household status, income and cost of childcare. For mothers who are thinking about returning to work and using formal childcare, working out how much childcare tax credit they will be entitled to is very complex and can discourage them from joining the labour market. This is particularly problematic for lone mothers.

- 5.12. Financial support for childcare is too tightly tied to employment and household status. Indeed, by design, the childcare element of the working tax credit can only benefit working families who use formal childcare. This also means that families entitled to this form of financial help are not the poorest. Families with the lowest incomes tend to be those where no adults are working. Recent analysis by the Institute of Fiscal Studies shows that the majority of the recipients are in fact families on middle or average incomes.⁸ This means that the childcare tax credit has an impact on child poverty only indirectly as an incentive for low-income mothers to work.
- 5.13. The childcare element of the working tax credit is not well designed to raise the quality of formal childcare, which is one of the main stated goals of the strategy. It does not provide any leverage for parents to select provision on the basis of quality and does not place any obligation or incentive on providers to improve quality. The only restriction placed on families is that they have to use only registered or approved childcare. Formal childcare needs to meet the national minimum standards but this does not necessarily reflect the best possible quality of provision. The situation is even more problematic, as noted above, for the new approval scheme for home-based childcare which will not have to meet the national minimum standards.
- 5.14. In addition, the childcare tax credit can lead to cash-flow problems for parents who have to pay childcare fees upfront and ends if any of the parent stops working or works for less than 16 hours a week. Without the subsidy provided by the childcare tax credit, many parents would be unable to afford formal childcare and may have to stop using it. This disruption to childcare arrangements is unsettling for children. For this reason, Daycare Trust believes that the entitlement to the childcare element of the working tax credit should be extended also to parents who work less than 16 hours a week and strongly supports extending the payments of the tax credit to gaps between jobs lasting for more than the current seven days.
- 5.15. Tax credits could also have a perverse effect and perpetuate low pay and inflating childcare costs thereby going against the policy aims of improving families' income and early education and care affordability.
- 5.16. From the perspective of the providers, there are problems associated with the fact that payments are made to the parents and may not be passed on. In the long term, demand-side funding through tax credits

⁸ Institute for Fiscal Studies, Green Budget, January 2005.

does not provide a reliable and predictable funding stream for existing and potential new providers. This is further backed up by the observation that supply side funding is the main form of finance in countries with the best systems of early education and care, such as Sweden, Denmark, France and New Zealand, while means-tested demand side funding is more typical of countries with less-developed systems such as the UK and the US.

- 5.17. Following the success of current supply-side funding policies in the early education and care sector, namely the funding for the free early education entitlement for 3 and 4 year olds and to local authorities, our view is that, in the long term, supply-side grants should be progressively increased with the reliance on tax credits phased out.
- 5.18. We believe that a new funding regime should be envisaged. Countries such as Sweden and Denmark present some interesting funding mechanisms in the form of direct grants to providers with some parental contribution capped to a maximum, income related fees. The new regime recently introduced in New Zealand, linking the grant per child-hour to factors such as child:staff ratios and staff qualification levels, so giving providers a financial incentive to increase quality, is also a very interesting option for the UK, particularly for its direct link to improving quality.
- 5.19. Parents can also be expected to make a contribution to the non-free elements of education and care, but this should be subsidized by the state in a way that is related to income and the number of children in each family with particular attention to larger families. Our long-term vision is that parents should on average not contribute more than 30% of the cost of childcare.
- 5.20. The link between funding mechanisms and quality is particularly important. We note, as a way of example, that the £125 million a year Transformation Fund to support local authorities' investment in high-quality childcare provision could be made considerably larger if money were diverted from the childcare tax credit, which it is estimated will cost around £1 billion a year in 2007–08.
- 5.21. Overall, we warmly welcome the allocation of an extra £600 million a year by 2007/8 to the current spending on early education and care. We believe this is a very promising first step in creating a good quality, accessible and affordable early education and care. However, we note that overall, the complexity and fragmented nature of the current funding system has not been significantly addressed in the ten-year strategy.
- 5.22. We believe that an independent review for the whole early education and care funding system is necessary. Such a review should look at the level and structure of funding against the long-term ambitious vision

of the strategy. This review could be undertaken in the lead up to the 2006 Spending Review.

6. Local Delivery

- 6.1. The proposed statutory duty on local authorities to secure adequate affordable childcare in their area is potentially a very powerful lever and is very welcome. Daycare Trust believes that it is key to ensuring delivery, ending the postcode lottery, promoting partnership working and engaging parents.
- 6.2. We believe that working in partnership is paramount. Work is needed with umbrella organisations like the LGA, ALG, IDeA on developing local leadership and capacity through training and support for councillors and officers in local authorities and children's trusts who may have traditionally focused on education or social services.
- 6.3. We also think that trust, mutual understanding and a new relationship between central and local Government will be paramount.
- 6.4. Further guidance and a revised Code of Practice will be of great importance for local authorities in their delivery duty particularly in relation to procuring services from the private sector and when cases of market failure occur. Currently, the private sector delivers around 90% of early education and care provision and often market forces determine the availability of childcare. Local authorities will have to ensure that childcare places are widely available also where market forces would normally be reluctant to invest. But in order to do so they will need a coherent indication on how to motivate the private sector to invest in all areas not just those where there are good margins of profit.
- 6.5. We look forward to the details on the content of the statutory duty. In our opinion, the duty will need to focus on and cover the following:
 - **Be child centred.** The focus of the duty should be on the best interest of the child
 - **Participatory needs assessment.** Consulting, engaging with and understanding the needs of all families including black and minority ethnic communities and disabled children.
 - **Auditing.** Auditing services in all sectors and identifying the gaps. This includes regular monitoring of uptake by black and ethnic minority communities and families living with disabilities.
 - **Planning.** Defining adequate affordable childcare, tackling market failure and ensuring sustainability.

- **Commissioning and delivering services.** This includes involving all providers, working with schools, joining up with other parts of council work and activities and outreach work to all families, for example, workless households, families from black and ethnic minorities and families living with disability.
- **Advocacy.** Conduct advocacy work on the importance of early intervention and promoting the development of the workforce through the Transformation Fund
- **Evaluation.** Evaluation of delivery against indicators of quality, availability and affordability of provision.

6.6. We urge the Government to provide local authorities with the necessary funds to achieve the objectives set in the strategy. As stated above, we believe that the work of local authorities in their new delivery obligations on early education and care needs to be backed by proper funding similar to the part-time early education grant for 3 and 4 year olds. It is important that the local authorities' duties for early education and care are not lost in the growing and wider agenda of services for children and young people.

7. Information and role for parents

- 7.1. Lack of appropriate information is cited as one of the main barriers to accessing good quality early education and care provision. Too often parents and carers are unable to make informed decisions on the type of provision that best suits their children's needs. We welcome the acknowledgement in the strategy of this problem and the commitment to improve access to information for parents.
- 7.2. Information for parents should be available in a range of community languages and formats and recommend that a key worker system for all families with disabled children be developed to provide information and improve communication between services.
- 7.3. We recommend that the reforms of the quality, inspection and regulation frameworks introduce systems for parents to check on quality indicators and inspection reports which are clear and comprehensible for parents.
- 7.4. We also look forward to details on the way the current Children's Information Services will be linked to children's centres. We strongly recommend that the experience of CISs is not lost in the process of making children's centres the hub of information for parents and that resources for CISs are increased and appropriate marketing strategies are put in place.

- 7.5. The involvement of parents in the development and management of services has proved very successful as the experience of the Sure Start local programmes demonstrates. Having early education and care services structured in a way that allows local people to participate fully in determining the needs of the community is fundamental and we recommend that such a model becomes part of the children's centres structure. We strongly support the creation of parents' forums around the country as a way of consulting with parents and involving them in key decisions about early education and care provision in their local communities.
- 7.6. Additionally, parents' participation should be integral to assessing the childcare market and local needs for provision as part of the new statutory duty for local authorities.
- 7.7. As stated above, we believe that more use should be made of the Investors in Children scheme as a way to help parents make informed choices about providers and influence providers to improve services.

Overall, Daycare Trust welcomes the Government's ten-year strategy. We believe it is an important step in the long-term reform of the early education and care sector and children's services more generally. We look forward to contributing to the future consultations and developments following the strategy. We note that the Strategy does not currently look beyond 2010 and we particularly look forward to more detailed definitions of the changes and the milestones envisaged beyond 2010.

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