

Liberal Democrat Policies on Childcare
Consultation Questions – Daycare Trust Response May 2008

Childcare for pre-schoolers

1. What could the government do to support the informal childcare sector?

Daycare Trust would advocate greater support being provided directly to parents through improved parental leave arrangements in the child's early years with sufficient financial support to help the vast majority of parents to be able to afford to use it. We would also urge all parents of children should be guaranteed increased rights to flexible working – something that the present government have just announced that they plan to introduce.

Daycare Trust would not oppose weekly payments being made to parents of young children as proposed in the recent Policy Exchange report *Little Britons*. However, we disagree strongly with the way that this report proposed to pay for such financial support by dismantling much of the existing support and childcare services for children. We believe that any payments should be made in addition to existing parental support if they are going to have any real effect in giving families choice in how they opt to care for their children.

It is important that any government proposing to support the informal childcare sector should be clear about how they define 'informal'. This is crucial to determining eligibility for any such scheme. A grandparent looking after one or two grandchildren for a few hours twice a week, is very different to a friend or neighbour taking in six or seven children regularly full-time. The latter is precisely the situation that Ofsted standards are designed to prevent¹ and evidence suggests that child outcomes for those using informal care are poorer than other types of care.

In practice defining informal care is an extremely difficult task, but without strict criteria any system to provide financial support to informal carers is likely to be highly vulnerable to benefit fraud. It is assumed that this is partly the reason that the present government have linked state support to formal childcare. One way to overcome these problems may be to encourage more informal carers to register. The Voluntary Childcare Register (VCR) has been introduced recently for such a purpose, although it is unclear yet how popular it has proved or what the additional burdens on Ofsted may be from a larger pool of providers to regulate.

2. What training and qualifications should childcare workers have?

Daycare Trust agrees with the Children's Workforce Development Council (CWDC) that the minimum qualification for the childcare and early years workforce should be NVQ Level 3 which currently 58% of the workforce hold. However, Daycare Trust also agrees with the present government's push towards graduate leadership of early years settings - indeed Daycare Trust would also go further and advocate a largely graduate profession. The value of highly qualified staff is backed up by research. The EPPE study found that children progressed more, both in terms of learning (particularly in pre-reading) and improved social behavioural outcomes, when they had more hours with staff qualified to at least Level 5 (with qualified teachers being best for social behavioural outcomes).² Effects noted included reductions in anti-social/worried behaviours and improvements in cooperation.

¹ we are aware anecdotally that this is sometimes happening – particularly among newly arrived communities who are simply not aware of available formal childcare or distrust formal childminders

² Sammons et al (2003) *The Effective Provision of Pre-school Education (EPPE) Project: findings from the early primary years* (DfES)

Conversely, low qualification levels led to poorer outcomes for peer sociability and co-operation. The level of staff qualifications is likely to be an indicator of centre quality (and will therefore improve child outcomes) and staff with higher qualifications will have better knowledge of children's development and interact appropriately.

Currently, the proportion of staff with a Level 6 qualification in early years or similar is very low in all settings, and will need to be substantially improved if the workforce is to meet the present government's target of having a graduate leader in every full daycare setting by 2015. To help achieve this target, an Early Years Professional Status (EYPS) has been introduced in England. This is the primary route to achieving a graduate in every children's centre and full daycare setting and is equivalent in level to Qualified Teacher Status (QTS).

It is also important to remember, though, that quality does not just rest on graduate leaders – many of whom will practically spend little actual time with children – but on upskilling the workforce as a whole, a stance that is supported by research such as EPPE and the Millennium Cohort Study. To that extent Daycare Trust would support a minimum level of qualification for staff in the early years.

However, the most immediate problem with upskilling the childcare workforce in this way is the significant investment that would be required to raise pay and conditions in the childcare sector to a level commensurate with other skilled and graduate professions. Currently the childcare workforce is among the lowest paid across all sectors, with many workers on minimum wage or marginally above. Considering staffing costs already make up around 80% of a standard nursery's outgoings and given childcare costs are generally agreed to be very high by parents, providers and government alike, it is likely that this would have to be paid for by additional state funding. The present government has recognised this by instituting the Graduate Leader Fund to support settings in recruiting and paying for highly skilled staff. This has replaced the Transformation Fund which had a similar purpose, but did not attract providers because of its short term nature. In response to this the Graduate Leader Fund has been guaranteed until 2015 and Daycare Trust would hope that any future government would honour this commitment.

Daycare Trust believes that maybe the UK needs to be more ambitious in its aspirations for the childcare workforce. New Zealand, for example, starting from a similar position to the UK, has set a target that all settings will be graduate-led by 2012. There is no reason for us to believe, currently, that this target will not be met. Further information about this is included in the Daycare Trust publication *Learning with other countries: International models of early education and care* (2005).

3. Should government funding for childcare be paid directly to the providers?

Daycare Trust believes that greater levels of funding for providers should be given directly to providers – particularly where local family income levels and demand may prevent settings becoming sustainable from fee income. Daycare Trust believes that, while charges remain for some forms of childcare, there will always be a need to subsidise parental contribution to childcare and that this should be paid directly to the parents.

4. Are changes needed to the 12.5 hour free nursery education provision?

Daycare Trust is strongly supportive of the 12.5 hour free nursery education provision, and indeed supports the current process extending this entitlement to 15 hours and to two-year olds. Ideally we would subscribe to the present government's aspiration of eventually offering 20 hours free nursery education offered to all two-,

three- and four- year olds. Evidence such as the EPPE study³ shows the impact that quality early years education and care can have on children's development and outcomes, particularly in preparing children for school, and how it can help to equalise life chances between income brackets.

It is clear, though, that at present there are problems in funding this entitlement in some areas. An increasing number of providers in the private and voluntary (PVI) sectors are claiming the money they receive is not enough to cover the cost of providing the service for 'free' without additional 'top up' fees from parents. Daycare Trust supports the current work towards each local authority developing a formula for funding the free entitlement that covers both maintained and PVI provision.

Presently, there is evidence that the entitlement is under-funded in some places (particularly in London and the South East). Additional investment is needed and the only sources it could come from would be parents, providers or government:

- *Parents* consistently cite affordability as the main barrier to using childcare it is unfeasible for the majority of parents to be able to pay any more for childcare. To ask parents to pay 'top-up' fees also undermines the point of the 'free' entitlement, which is why the present government has outlawed this practice.

- *Providers* work to tight margins and (contrary to some assumptions) the majority are not making vast profits - the 2005 Childcare Providers Survey published by the DCSF reported that one fifth of full day care nurseries made a loss in the previous financial year. It is unfeasible in most cases to expect them to subsidise the entitlement.

- *Government* must therefore decide how far it is willing to support the nursery education initiative and ensure that all parents can receive their entitlement completely free as intended, whatever setting their child attends. The present government argues that it already invests enough money, but that its mechanisms for distributing this pot are in need of reform. However, they have not centrally identified the actual amount allocated DSG they expect to fund the entitlement, so it is difficult to know whether this is true or not.

It should also be remembered that these problems are likely to be exacerbated in the coming years as the drive to improve quality in the sector (primarily by raising staff qualifications, and hence salaries) raises provider's costs further – a Pre-school Learning Alliance study suggests this could be by as much as 25%.⁴ Daycare Trust believes that this could even be an underestimate and that the true figure may be higher still.

5. How can we best help the most disadvantaged children, who are currently behind before they even start formal schooling?

Daycare Trust believes that the best way to help the most disadvantaged children is by ensuring that they are able to access free pre-school services allowing them to learn and to socialise. However, we also know that it is the most disadvantaged children that are least likely to access services, which may be due to a variety of factors including cost, location or language barriers.

Daycare Trust would advocate reforming the current tax credit system which presently helps families in work primarily and thereby excludes many of the poorest children, who are the most disadvantaged. (Please see Q.15 for more on this).

Outreach and awareness raising is particularly important for engaging some disadvantaged families – for example some BME communities which are more likely to be living in poverty, and in many cases (such as Bangladeshi families) . A recent

³ Sammons et al (2003) *The Effective Provision of Pre-school Education (EPPE) Project: findings from the early primary years* (DfES)

⁴ Pre-school Learning Alliance (2007) - *Nursery Education Funding and the Extension of the Free Entitlement*

Daycare Trust pilot, called Parent Champions, has employed local parents with good experiences of childcare to 'champion' the benefits of formal childcare to other parents in the community. The initial results have shown this peer-led model to be particularly successful in engaging disadvantaged families and encouraging them to access services.

It is also important to remember that best helping disadvantaged children also means supporting their parents, and Daycare Trust would also advise that resources should be made available for this purpose.

7. Should childcare and early education be seen as distinct or integrated and how should this affect government support?

Daycare Trust feels that it is almost impossible for education and care to be separated when talking about children aged under five. Any education provided for this age group necessarily involves an element of care, and when children are being cared for they will also be learning from their carers.

8. How would you address the gap in provision between the end of maternity leave and the beginning of the 12.5hr entitlement?

Daycare Trust would support an extension of current maternity leave benefits to help close the gap. However, we know that currently many families are unable to take full advantage of parental leave due to financial pressures and this must be addressed – possibly through a non-means tested benefit paid to all parents. As stated in Q.1 Daycare Trust would support direct payments as long as they were not financed by reducing support provided to parents of children from other age groups.

Daycare Trust would also like to see more robust laws put in place for women (and men) to have a right to return to work at a later point in the future. For example, if a mother would like to take an additional period off work beyond her paid maternity leave to look after a child, she should be able to do so without being forced to quit her job.

Childcare for children at Primary Schools

9. How can we support parents who need childcare outside school hours?

Principally the main thing that is required is greater access to provision. Although Out of School places have increased substantially in recent years, demand for this service is still unmet in many areas. A clearer picture of by how much this is, is likely to be contained in the recently published Childcare Sufficiency Assessments. The present government has tried to make out of school care an essential part of the offer provided by extended schools, and has stated that all primary schools will offer 8-6 childcare all year by 2010. However, it is presently unclear whether this particular aspiration will be met.

Like other forms of provision, parents need help with the costs of out of school care, - and many parents on low incomes require free places. Groups often need more support from the state if they are to remain sustainable. Presently it is not clear where money can be obtained for setting up such groups, as funding is tied up with the wider extended schools funding, unlike previously when funds such as the New Opportunities Fund (NOF) was there specifically for start up and sustainability.

One of the key problems with developing out of school care is the difficulty it presents in recruiting staff. Work for an out of school club is likely to be 3 or so hours a day in afternoons and much of the potential workforce have children of their own making it more difficult for them to work there. Additionally children and young people interviewed for a forthcoming Daycare Trust report, state the importance of having young workers who can relate to children and young people within out of school

settings. Daycare Trust would suggest that in order to meet demands for this workforce it may be agreeable to train and employ older secondary school children and sixth formers to help out in such groups, possibly as part of their citizenship programme.

10. How can we support parents who need childcare in school holidays?

Similarly to out of schools clubs, Daycare Trust believes there is a dearth of provision for childcare in the school holidays. Provision of this form of care is sporadic across the country and difficult to measure too, as clubs must re-register with Ofsted every holiday they open. More funding is needed to help with start up costs and more premises needed for such groups to be set up at – although the increased onus on Extended Schools to be open all year round has helped with this.

Care for children in the school holidays is notoriously expensive. Last summer the Daycare Trust's holiday costs survey showed that the average cost of a place in a holiday club was £83.19 per week. This is expensive – particularly for families with more than one child. It is not surprising, therefore, that many parents find the school holidays are times when outgoings increase – indeed Daycare Trust knows anecdotally that some are actually forced to give up work before the summer holidays as they would be unable to afford to pay for formal childcare.

11. What are your views of extended schools?

Daycare Trust is supportive of the extended schools initiative. We do, though, have some concerns about the costs imposed on parents for some services, and also about the sustainability of services if funding does not remain ongoing.

There are some conflicts between the duties on local authorities regarding supplying childcare services and the fact that schools are not obliged to act in accordance with the needs of early years departments in their 'market management' role. This may cause difficulties in the future as the Sufficiency Duty takes full effect. For example whilst a local authority is bound not to open new provision where existing private, voluntary or independent provision presently exists, a school is under no such duty. In general it would be good if the broader education and childcare agendas were better integrated to ensure that schools and early years services were working in harmony.

Children with disabilities

12. What are your views on current childcare provision for children with disabilities and how can it be improved?

From Daycare Trust's own research⁵ we know that many families with disabled children struggle to find appropriate and affordable childcare, and that access to childcare opportunities varies greatly between families. One of the key problems identified by our research is that parents feel that many providers do not have the capacity, experience or training to take on their disabled children. This is due to a number of factors including: a shortage of childcare workers trained in disability; and insufficient funding and support for providers when they take on disabled children. We also know that families with disabled children are more likely to be living in poverty and struggle to access financial assistance and other support. Parents have told us about the 'constant struggle' they face when trying to access information, funding and support to the extent that many of them have simply given up the fight and are left with minimal support.

In the *Aiming high for disabled childcare*⁶ package, the government committed £340 million to improving outcomes for disabled children, including: access and

⁵ Daycare Trust (2007) – *Listening to parents of disabled children about childcare*

⁶ *Aiming high for disabled children: better support for families* (May 2007)

empowerment; responsive services and timely support; and improving quality and capacity. Daycare Trust welcomed this much-needed investment but raised concerns that it was not enough to make a real difference – amounting to less than £500 per disabled child.

Our key issues and recommendations are outlined below:

- Central government needs to do more to ensure that the childcare workforce is sufficiently trained and supported to be able to provide childcare to all disabled children. This should include: creating a national disability fund to develop a skilled workforce: making base-line training compulsory for all childcare training courses; providing more funding for additional staff or additional staff hours when a setting takes on a child with additional needs; and ensuring that every setting that has accepted a child with additional needs is provided with adequate and continuous support, tailored to the needs of that setting.
- Families with disabled children need to be provided with more information, support and practical assistance. This could be done by assigning a key worker to every parent when their child is first diagnosed with a disability or special educational need. The key worker should provide all-round support to the family including help with applying for help with childcare costs, allowances such as the Disability Living Allowance, and accessing childcare places. The key worker should remain in place throughout the disabled child's childhood and during their transition to adult services.
- The cost of childcare continues to exclude some of the most in need families with disabled children from childcare services. Central government should make childcare more affordable for those families by: continuing to fund the Childcare Affordability Programme and consider extending it to other cities and regions, prioritising funding for disabled children; making information on childcare entitlements more accessible to all parents of disabled children and modifying the Working Tax Credit system to increase benefits to these families; and increasing the upper limit of eligible childcare costs under Working Tax Credit for families with a disabled child.

Funding

13. Parents in Britain pay 70% of their childcare costs, compared to 30% on the continent. Should state funding in the UK aim to move levels of subsidy closer to that of our European neighbours?

Parents consistently cite cost as the principal barrier to them using childcare and Daycare Trust would support any measures introduced to lower the financial burden on parents and encourage take-up of services. The Daycare Trust has long argued for investment in childcare and early years services, emphasising the positive effects on child development; the specific equalising benefits for disadvantaged children and their prospects for social mobility; and the economic advantages of early intervention as a source of preventing bad – and potentially costly – outcomes later in a child's life.

Affording quality childcare on the open market is simply not an option for many parents, particularly those on the lowest incomes whose children are often the most in need of it. Other European countries – and increasingly countries elsewhere in the developed world such as New Zealand – are aware of the importance of a robust and state-sponsored childcare system to both their economy and society. Whilst the UK has made great progress towards a better subsidised childcare sector, spending on childcare as a proportion of GDP is around 0.5%, whereas countries with the

most sophisticated and accessible childcare systems, such as Denmark and Sweden, spend 2%.⁷

14. Take-up of the electronic voucher scheme is very low. Should we make this more accessible or abolish it?

Currently, a minor percentage of employers provide childcare vouchers. They are not legally obligated to do so. Employers who provide vouchers generally do so through a salary sacrifice scheme: employees agree to take a pay cut equivalent to the amount they receive in vouchers. In this case, employee's savings come from tax and National Insurance Contributions exemptions (£55 per week or £243 per month in childcare vouchers are exempt). Employers do not have to pay National Insurance Contributions on these amounts - savings are approximately £300 a year per employee in NIC. Although it is possible for employers to administer schemes themselves, they – especially small employers – are often unsure how to do this i.e. how to write contract amendments, deal with the pay, etc. Employers often administer voucher schemes through voucher companies. Voucher companies charge a percentage (ranging from 5–8 per cent) of the overall value of childcare vouchers provided by the employer.

There are a number of issues that we have run across in Information Services re: the voucher scheme:

- Vouchers generally benefit higher rather than lower income earners.
- Benefits such as Statutory Maternity Pay, Statutory Sick Pay, and pension will all be lower because of the salary sacrifice scheme.
- Taking vouchers can affect employees entitlement to the childcare element of the Working Tax Credit.
- There have been complaints that employees have not always been made aware of the repercussions of the salary sacrifice, particularly as there is not registration or regulation of childcare voucher companies.

Overall, a system of supply-side funding for childcare is simpler for parents, more appropriate for low-income parents, and more cost efficient, keeping money in childcare rather than with voucher companies. But, if a voucher scheme stays in place, there should be regulation of voucher companies; support for employers to offer the service; and, more information for parents about how they will be impacted by accepting vouchers.

15. Is the tax credit system a suitable way of funding childcare? Can it be improved?

Free places are the best way of emergency use of childcare by low income families. However whiles charges continue tax credits ensure there is a means-tested form of subsidising parents.

While tax credits do help parents who qualify, there are a number of major issues with the current system, particularly with the childcare element of the Working Tax Credit:

- Many parents are not aware of the credit or that they are eligible, so they lose out on funding.
- Parents are worried about applying due to real fears of overpayments. This has been compounded by negative media coverage.

⁷ Daycare Trust (2005) *Learning with other countries: International models of early education and care*

- Parents often do not apply because of these fears or the hassle of applying for something little.
- It is difficult to get through to the HMRC helpline and parents report that they receive different information each time they call.
- Parents are still responsible for paying for childcare deposits and at minimum 20% of their childcare costs. This can be prohibitive for low-income families.
- The income threshold for qualifying for even a portion of the childcare element is very low.
- There is no provision for joint custody as only one parent is paid the childcare element. Disputes which are common in divorce can tie up childcare payments for substantial periods of time.
- Parents who do not have recourse to public funds, parents working less than 16 hours, parents who are not in work, and student parents do not get this support for childcare for their children.

Daycare Trust is about to begin a piece of research work looking at reform of tax credits; we would be happy to meet to discuss this with you.