

Free childcare policy may leave nurseries struggling to cope ^[1]

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EXCERPTS

Working parents with very young children could struggle to find nursery places as government plans to double the amount of free childcare for older children, aged three and four, are expected to lead to a surge in demand for already limited places.

According to the Pre-school Learning Alliance (PLA), the body representing many of the nursery providers, those parents who manage to secure a place for their children aged under two will probably have to pay more for the privilege.

Neil Leitch, the chief executive of the PLA, which represents 14,000 nurseries, said rising business costs – mortgages and rents, insurance, utilities and the introduction of the national living wage – were already putting significant pressure on early years providers. These problems would be exacerbated when the amount of free childcare for children aged three and four was doubled to 30 hours a week next year, Leitch said.

“There is no doubt that the introduction of 30 hours of free childcare for three- and four-year-olds will have an impact on the availability of places for one- and two-year-olds,” he said. “Two-year-olds from the most disadvantaged backgrounds are already struggling to access places in many areas. This situation is likely to worsen when the 30-hour scheme is fully rolled out next year.”

Government figures suggest that almost 190,000 children aged under two are in full daycare in England and Wales; around 100,000 others attend nurseries in some form during the year.

Concerns that the sector is on the brink of a financial crisis were heightened last week after figures revealed that the number of nurseries forced to close had almost doubled in the past year.

Accountancy group Moore Stephens said 29 nurseries had become insolvent in England and Wales last year, compared with 16 in 2014 – a rise of 80%.

The government has begun piloting the 30-hour free childcare provision at a number of locations. Nurseries will be paid an average of £4.88 an hour for every child aged three or four that they take. But some nurseries are opting out because they say they cannot make it work financially. A recent survey revealed that half are unsure whether they will offer the extended entitlement, with a further 20% having ruled it out.

A recent report by parliament’s public accounts committee found that many private and voluntary providers claim the amount they currently receive for providing free childcare is not enough to cover their costs. To make up the shortfall, they charge parents for additional hours or seek other sources of income. But this would be jeopardised if they choose to offer the full 30 hours of free childcare. The report states: “There is a risk that providers, who can choose whether or not to offer parents ‘free’ childcare, will choose not to offer the new entitlement of a further 15 hours because doing so would reduce their opportunity to charge parents for hours outside of the entitlement.”

Nurseries will also look to plug the funding gap by charging more for the places they offer to the youngest children, the PLA believes.

Moore Stephens’ research has found that younger children place greater financial demands on the nursery system. The average hourly cost of caring for a two-year-old is £5.87, compared with £4.25 for a child aged three or four.

“The extended scheme is likely to see childcare costs for parents of younger children rise,” Leitch said. “At the moment, many providers are forced to charge parents of three- and four-year-olds higher fees for any additional hours they take up, over and above the free entitlement.

“Once the 30-hour offer is introduced, however, many parents will solely be taking up government-funded hours, meaning providers may well end up having to charge more for one- and two-year-old places in order to plug this gap.”

A spokesman for the Department for Education said it had received huge demand from local areas keen to take part in the pilots. “We are doubling our free childcare offer for working parents to make it easier for them to get on and balance work with their family lives. We will

be spending a record £6bn on childcare by the end of this parliament and recently published plans for a fairer funding system for nurseries and preschools, which received widespread support,” said the spokesman.

However, Leitch said the plans did not address the key issue. “There isn’t enough in the funding pot to begin with. Ultimately, if the government doesn’t take action, it is those parents with younger children who are likely to end up paying the price.”

-reprinted from The Guardian

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