

The Guardian view on nurseries: Put toddlers before profit^[1]

Childcare costs are crippling parents, private equity is taking over the sector, and ministers are out of ideas

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EXCERPTS

The government has responded to the worsening crisis in the early years sector in the most unimaginative way, by suggesting that the ratio of staff to toddlers should be relaxed. The theory is that raising the number of two-year-olds who can be cared for by a single adult from four to five will make nursery places cheaper. But this only works if adults agree to do more work for the same money – and if adding extra children to a setting does not increase costs other than pay.

Given that the early years sector already has some of the lowest pay rates, the proposal is insulting and unjust to the women who make up more than 95% of staff – as well as unlikely to deliver what ministers want. A suggestion from the Conservative leadership contender Liz Truss that parents with caring responsibilities could qualify for a new tax break is concerning for a different reason – namely that it would incentivise mothers to give up paid work.

The fact that ministers can't come up with anything more original, a decade after Ms Truss first proposed to alter staffing ratios, shows the extent to which the governing party is stuck, with deregulation its only trick. The reality is that policymakers need to get a much firmer grip on what is going on in this crucially important area. Even before Covid pushed some providers out of business, and mothers out of work due to the impossibility of fitting childcare around a job in pandemic conditions, there was a great deal to be worried about.

What has happened over the past 20 years is financialisation. As in some other public services, particularly social care, the nursery sector has been targeted by private equity and is now characterised by debt, lack of transparency, complex tax arrangements in multiple jurisdictions, and splits between holding and operating companies.

Why profit-making businesses were ever deemed the most appropriate providers of care and early years education is obscure. This is the opposite approach from that taken to schools. But what is now under way in England is the transformation of a sector that was previously a patchwork of small and larger businesses, including self-employed childminders, and non-profit and state nurseries. While estimates vary due to gaps in data, up to 69% of early years places are now run by businesses, some of which pay little or no tax. Research shows that they tend to pay staff less than voluntary nurseries, seek less involvement from parents, and show less commitment to principles of inclusivity. One provider took more money out of its charitable foundation over the course of a year than it put in.

With childcare costs among the highest in Europe, and salaries of nursery workers too low, the current system is stacked in favour of private-equity owners and no one else. Over time, it requires an overhaul. Right now, ministers should insist on transparency with regard to public funds (the government spends about £3.9bn a year on early years provision in England, plus £2bn via the tax and benefits systems) and make community involvement a condition of operating. Funding must also be increased to cover the cost of what are supposed to be free part-time places – but for which providers must currently cross-subsidise or seek top-ups. Talk of relaxing ratios, or a tax break for parents, is inadequate.

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