

Overhaul childcare funding to ensure best quality service, says major new report ^[1]

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EXCERPTS

More than £5bn in public funding for childcare should come with "strings attached" to ensure that children and parents get the best quality service, a major report will say this week.

The Resolution Foundation calls for state subsidies for nurseries and childminders to be awarded on the basis of the qualifications of staff and the standards of care.

The Government currently funds childcare through subsidised hours, tax credits and childcare vouchers, at a flat rate without conditions, to the tune of more than £5.5bn a year. But previous research has shown that children in disadvantaged areas receive the poorest quality childcare, while nursery workers are on low wages and are less likely to be graduates. The think-tank's report says the no-strings-attached basis, with no correlation between funding and standards of care and education, has led to poor competition, which has driven down quality.

Instead, Britain should borrow from countries such as Norway, where private nurseries receive state money only if their staff are on similar wages to government-run institutions, and Germany, where there are three levels of childcare qualification which are indexed to pay, providing greater incentives to continue training. Similarly, in New Zealand, state subsidies are paid in different quality bands, with higher levels of funding going to nurseries with better qualified staff.

However, to ensure that the best places are not swamped by children from wealthier families, a new British system would have to help disadvantaged children. In France, for example, nurseries with greater social mixes receive more state subsidy. A Policy Exchange report last year found that middle-class families receive better quality childcare because wealthier parents can pick more successful nurseries, while poorer parents choose only the cheapest provider.

This week's Resolution Foundation report will suggest creating a greater link between disadvantage, quality and subsidy to boost the development of poorer children.

This could mean the recalibration of the early years pupil premium in order to fund more qualified staff in nurseries with larger numbers of disadvantaged children and who show the biggest difference in their development, rather than offering an additional per child supplement. The report also looks to the US, where states compete for federal funds to provide better quality childcare.

The think-tank says a hybrid of systems from these countries would drastically improve childcare in Britain. Research has shown that better care plays a vital part in a child's cognitive and social development.

The report concludes: "Public funding should come with 'strings attached', notably around improvements in staff qualifications, but the state will have to invest to ensure that the sector can raise its game for the benefit of children and families."

The coalition introduced 15 free hours of childcare a week for all three- and four-year-olds and the poorest two-year-olds. Labour says that if it wins power it will extend the subsidy to 25 free hours a week, paid for by extending the bank levy.

This government has pledged to fund up to £2,000 a year per child in tax-free care for around two million families from next year and to pay 85 per cent of childcare costs for 1.5 million families receiving universal credit from 2016.

But the Resolution Foundation report, written by Kitty Stewart of LSE and Ludovica Gambaro of the Institute of Education, makes clear that simply increasing funding for childcare will not mean improving early years education.

While 90 per cent of childcare provision comes from the private and voluntary sector, evidence suggests that state childcare provision, through school nurseries and Sure Start centres, is generally of higher quality, the think-tank says.

Dr Stewart said: "The UK's early years education is failing to reach the standards achieved in other countries, in spite of the large, and increasing, amount of public money spent in subsidising providers. That needs to change, but we don't have to tear up the existing system in order to improve it. We can overhaul the way we fund and regulate our childcare provision, drawing on the best evidence of what has worked in other countries and applying it to the UK's circumstances."

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