

Low-pay childcare sector can't afford National Living Wage ^[1]

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EXCERPTS

The NLW applies to workers aged 25 or over and stands at £7.20 an hour. Those of the qualifying age and in the second year of an apprenticeship will also be entitled to it.

Neil Leitch, of the Pre School Learning Alliance, said, 'We fully support the principle of the "national living wage". That said, the reason that the early years sector has historically been a "low-pay sector" is because it has also historically been significantly underfunded by Government. The vast majority of childcare providers would love to be able to pay their staff a higher wage, but simply cannot afford to do so at current funding levels.'

Fees are likely to rise by 5 per cent this year as a result of the NLW and other rising business costs such as pensions auto-enrolment, according to Nursery World's business costs survey.

In the survey, nearly half of settings (47 per cent) said they paid just 5 per cent or less of their staff the NLW currently.

Over half (55 per cent) of respondents told us that they would have to increase a proportion of, or all staff salary levels as a result of its introduction, with the most popular method being increasing salaries for just those staff who are just below the NLW (opted for by a fifth of respondents), despite the impact this is likely to have on pay differentials for better-paid staff.

Purnima Tanuku, chief executive of National Day Nurseries Association, has said that this would mean 'some qualified under-25s will find themselves paid less than unqualified 25-year-olds which just isn't fair – but many employers will not be able to find extra funds to rectify this situation, so fear their business will suffer because well qualified staff will leave.'

The NDNA has estimated the NLW will increase a setting's payroll by 10 per cent from this month and by 35 per cent by 2020.

The smallest settings, which make up the majority of the early years sector, are likely to be hardest hit. A Federation of Small Businesses' survey of its members found that two out of five said the the NLW would mean cutting staff hours (41 per cent) and reducing staff numbers overall (31 per cent).

One survey respondent operating a partnership on a self-employed basis said, 'I calculate that we will need to put rates up by £1 per hour (a 25 per cent increase) to pay ourselves the NLW after costs. The situation is compounded by the local authority funded rate which is already behind our hourly rate.'

The NLW is however expected to give a pay rise to two million workers. Around two in three workers set to get a pay rise are women, according to the Resolution Foundation.

The Government has said they will increase the funding rates for the free entitlement after a review earlier this year.

-reprinted from Nursery World

Region: Australia and New Zealand ^[3]

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