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# Reflections on England’s childcare system

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# England’s early childhood education and care (ECEC) system

- Children aged 0 to 5 in England do not have a right to a place in ECEC provision
- Directly funded ECEC access determined by age or parental employment status
- access to ECEC paid for by parents, with or without state support, determined by its availability and affordability
- 89% of children aged 3 and 4 in some form of ‘formal childcare’; 57% of 2-year-olds; 40% of 1-year olds and 7% of infants under 1 (DfE, 2023)
- Uneven distribution of provision: nearly half of under-fives live in childcare deserts (NEF, 2023)

# Private childcare: evolution and nature

- Public and non-profits: in response to perceived need (Penn, 2009)
- For-profits: in response to parental demand (Willekens *et al.*, 2015)
- Non-profits: community focus, open to children in poverty or with other additional needs (Penn, 2024)
- Non-profits: superior quality in comparison to for-profits (Sosinsky *et al.*, 2007; Cleveland and Krashinsky, 2009; Brogaard and Petersen, 2022)
- Pursuit of social impact not invariably associated with non-profit status, e.g. British public schools, charities, morphing into elite institutions over time (Verkaik, 2018)

# England’s early education and care provision

Main types of ECEC delivery partners:

1. Public sector: nursery classes state schools, academies/multi-academy trusts

   state nursery schools

2. Private sector: non-profits and for-profits, including large chains; family daycare, i.e. childminders

2023 figures : 2/3rds of children receive directly funded hours in private settings, version 1/3rd in public settings

6000 non-profits versus 14.200 for-profits

11% non-profits part of a chain v 43% of for-profits

(Group-based providers, excludes childminders)

5 school starting age; 4 entry to ‘Reception’ class

# Early education and childcare funding

**Provider - supply-side - subsidies**

- 15 universal childcare hours weekly during term time for 3- and 4-year-olds since 2010
- 30 targeted childcare hours weekly during term time for 3- and 4-year-olds with employed parents since 2017
- 15 targeted childcare hours weekly during term-time for disadvantaged 2-year-olds since 2013

**2023 proposals**

- 15 targeted childcare hours for all 2-year-olds with employed parents from April 2024
- 15 targeted childcare hours for all children aged 9 months to 5 years with employed parents from September 2024
- 30 targeted childcare hours for all children from 9 months with working parents from September 2025

**Parental – demand-side - subsidies**

- Tax-free Childcare, up to £2000 annually per child; no parent earns over £100.000 in dual earner or single parent family (HM Gov, 2024)
- Childcare support under Universal Credit, part of the Benefits system (HM Gov., 2024)
- Retrospective payments of UC childcare support changed to upfront in 2023 (Lloyd, 2020a)
- Over last decade increase in spending on funded early education in England four times larger than childcare spending through the tax and benefits system (Farquharson, 2019)
- Likely implications of roll-out of childcare expansion programme (Farquharson, 2024)

# Non- and for-profit childcare business models

Non-profits:

- Charities, registered with Charity Commission for England and Wales , including church-led institutions
- social enterprises, registered with Charity Commission or Office of the Regulator for Community Interest Companies
- charitable incorporated organisations, like Acorn Early Years Foundation, registered at Companies House and with the Charity Commission
- Co-operatives: non-profit limited companies
- For-profits:
- Ltd companies; National Partnership of Early Learning and Childcare

# The impact of public funding

- Introduction of public funding, regulation and governance support: step-change in nature of childcare markets (Lloyd, 2019)
- Public funding boosts presence for-profits and large for-profit chains in childcare markets (Prentice and White, 2019)
- Within federal nations, balance between non-profit and for-profit provision may vary, viz. Canada (Beach et al., 2023)
- England's childcare market skewed towards for-profits even during Labour administrations (Lloyd, 2018)
- Result of market consolidation in England over the last two decades: stagnant or falling number of places and increase in financialized large chains, i.e. heavily indebted due to private equity loans

(Simon et al., 2022; Garcia and Stewart, 2024)

# Nations’ resistance to for-profit dominance

- Different policy, fiscal and socio-cultural contexts impact on prevalence and survival of non-profits when for-profits dominant
- Changing public opinion, itself influenced by advocacy movements, may come to favour non-profits (Busemayer *et al.*, 2020)
- German’s traditional non-profit sector major barrier to public subsidisation of for-profits (Kelle and Mierendorf, 2020)
- The Netherlands’ traditionally dominant non-profit sector loses ground to for-profits

  (Akgündüz and Plantenga, 2014; Hoefsloot *et al.*, 2023)
- Governments in Hong Kong (Rao and Lau, 2019) and Singapore (Bull and Bautista, 2018; Lim and Sum, 2022) now encouraging non-profits

# Shifts between non-profits and for-profits

- Case of Australian childcare market over last three decades illustration of relationship between political change and rapid shifts between for-profits and non-profits
- 2008 collapse of Australia’s largest and USA’s second largest for-profit provider ABC Learning
- Prompt for government’s reconceptualization of childcare as a public good and towards non-profits (Sumsion, 2012)
- Political change driver of return to view of childcare as “commodified necessity” (Woodrow and Press, 2018, p. 548; Tayler et al., 2018)
- Under current regulatory conditions childcare market not delivering affordability and accessibility

(Australian Competition & Consumer Commission, 2024)

# English childcare market pressures

- English childcare market increasingly fragile and unsustainable due to lack of appropriate regulation, deficient funding models and insufficient funding levels (Lloyd, 2020b)
- For-profits: profit before purpose via parental fee hikes and growing unsustainable debts to private equity firms; at risk of collapse; access restricted to better-off (Davies, 2024)
- 2023 supply-side childcare subsidy 10% lower than 10 years ago (Drayton and Farquharson, 2023)
- Non-profits: limited borrowing potential and requirement to reinvest most of any surplus; better workforce pay; if unsustainable, poor children and those with additional needs lose access to ECEC (Lloyd and Simon, 2022)
- Huge childcare retention and recruitment crisis affecting whole market (Hardy *et al.*, 2023)

# The size of the challenge

- Between 2018 and 2022 one third of non-profits in disadvantaged areas in England closed or taken over by private companies, including private equity firms (Garcia and Topping, 2023)
- Likely result of current British government childcare expansion programme: socially segregated ECEC and disadvantaged children locked out (House of Commons Education Committee, 2023)
- Childcare workforce must be a primary beneficiary of improved childcare policies (Social Mobility Commission, 2020)
- Make priority group for targeting with quality non-profit childcare: the under-fives among the around 1 million children in the UK experiencing destitution in 2022, a 300% rise since 2017 (JRF, 2024)

# Creating guardrails around for-profits

- 2024 report Joseph Rowntree Foundation, England's largest independent social change organisation: social contract between childcare providers and government to drive up standards and increase access (Jitendra. 2024)
- 2021 Irish Republic introduced conditionality attached to new additional form of supply-side funding after extensive review of its childcare funding model (Lloyd, 2023)
- England's Early Education and Childcare Coalition: agreed position on need for conditionality and 'public good' approach to childcare, though not yet clear on role of public provision within the market
- Need to learn lessons on how to support non-profits in thin markets (Cleveland and Krashinsky, 2009); extra support for non-profits, starting with disadvantaged areas (Statham et al., 2022)

# England’s childcare market: rescue and reform

1. Improve workforce remuneration and employment conditions through increased public management (Lloyd, 2023)
2. Increase supply-side subsidy levels to reflect real delivery costs; introduce parental fee caps
3. Introduce income-related parental fees, paid direct to providers
4. Reform Ofsted (inspection body) data collection for greater transparency regarding spending of public funds (Penn, 2023)
5. Hold national debate regarding role of private equity in private for-profit early education and care provision and find ways of promoting non-profits like Denmark and Iceland have done (Traetteberg *et al.*, 2021)

thank you

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