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## **In for a pound**

The relationship between staff wages and Ofsted grades in group-based childcare provision

**Charles Maughan, Jill Rutter and Adam Butler**

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*Analysis of 900 job advertisements undertaken between October – December 2015 showed that early years settings graded ‘outstanding’ by Ofsted paid non-supervisory staff an average of £1.45 per hour more than those deemed ‘inadequate’ or ‘requiring improvement’. The association between pay and quality in private and not-for-profit early education settings may be linked to the recruitment and retention of better qualified staff in provision where pay is higher. Levels of remuneration may also reflect a setting’s ethos and its willingness to invest in drivers of quality. These findings are significant as it is only high quality early years provision that has the capacity to narrow the developmental gaps between disadvantaged children and their peers, a stated objective of Government policy. The forthcoming early years funding review and a new workforce strategy provide an opportunity to address these issues.*

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## Introduction

The first five years of a child's life is a time of rapid development. The experiences of children in this period lay the foundations for their later physical and intellectual development, communication and social skills, problem solving and understanding of themselves and the world around them. Unfortunately, developmental gaps between the most disadvantaged children and their peers begin in the early years. Research consistently demonstrates that, alongside other indicators of good development, children from lower-income families, children with special educational needs (SEND) or the children of parents without experience of higher education are likely to have a less extensive vocabulary and lower language skills at age five than their contemporaries (Melhuish, 2004). Some 64 per cent of all children achieved the expected level of development in their early learning goals – an assessment that usually takes place in reception classes – but just 42 per cent of children on free school meals achieved this level in 2015, a gap that failed to narrow over the last five years (Department for Education, 2015a). There are also significant differences in children's development outcomes at five between boys and girls and between different ethnic groups.

Children's outcomes are influenced by individual factors such as their character, abilities and behaviours as well as those that relate to family environment. Parental (particularly maternal) levels of education, family income and parents' engagement with their children's learning all have a strong association with children's development outcomes. Outside of the family environment, the quality of early education and childcare is also strongly associated with children's outcomes. Access to high quality care has the capacity to narrow the development gap between disadvantaged children and their peers at five years, and enable children to start school on an equal footing (Mathers et al 2014). Attending a nursery can also help the earlier identification of special needs or welfare issues, so that support can be put in place at the soonest opportunity.

Developmental inequalities that start in the early years often endure throughout the rest of disadvantaged children's education. If children fall behind by the time they start compulsory schooling at five, it becomes much harder for them to 'catch up' and, as a result, their life chances are irrevocably damaged (Pascal and Bertram, 2013).

It is for these reasons that the Government funds part-time early education places. In England all three and four year olds receive 570 hours of free early education every year, amounting to 15 hours per week over 38 weeks of the year, with this provision recently extended to the 40 per cent most income deprived two year olds. Some 56 per cent of two year olds and 38 per cent of three and four year olds received their free early education in private and not-for-profit provision where regulations governing staff qualifications are different from those in state nursery classes and schools.

Free early education for three and four year olds will be extended in September 2017 to cover 1,140 hours per year in working families that meet the required income and employment criteria (HM Treasury, 2015). Many families use additional hours of early education and childcare, on top of their free provision, to enable parents to work. Quality is equally important in this 'purchased' care.

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## Policy context

While high quality early education improves children's cognitive outcomes and social skills, evidence shows that poor quality has little effect on narrowing the developmental gaps between the most disadvantaged children and their peers (Mathers et al, 2014; Melhuish, 2004). This link between quality and children's outcomes is one reason that the Government regulates early years provision, through a single quality framework covering all formal provision for under-fives, referred to as the Early Years Foundation Stage (EYFS) (Department for Education, 2014b). The EYFS covers childminders, nurseries, pre-schools and state nurseries and reception classes, and outlines early years curriculum and child assessment arrangements, as well as specifying aspects of structural quality such as staffing ratios and qualifications for early years professionals.

Ofsted carries out inspections of all formal early education provision against the criteria in the EYFS guidance, with an inspection system that grades providers as 'outstanding', 'good', 'requiring improvement' or 'inadequate'. Some 86 per cent of group-based (nursery and pre-school) provision in 2015 was judged to be 'good' or 'outstanding'.

Other recent government interventions to promote quality include:

- A local authority role in improvement regimes. They may provide training as well as support to settings graded by Ofsted as 'inadequate' or 'requiring improvement'. Councils use the Early Years Single Funding Formula (EYSFF) to allocate money to individual providers to deliver free early education. On top of a basic rate, some local authorities allocate additional money using EYSFF quality criteria, as a lever to encourage improvements. However, local authorities can no longer require that providers be judged as 'good' or 'outstanding' as a criteria for offering free early education places for three and four year olds.
- A Children's Workforce Strategy published in 2005, with another planned for mid-2016.
- The Transformation and Graduate Leader funds, running between 2006 and 2011, and providing £555 million to enable settings in the private and not-for-profit sector to employ a graduate or a member of staff with Early Years Professional Status (a Level 6 qualification, equivalent to an honours degree).
- An independent review of early education qualifications, undertaken by Nutbrown (2012).

Of course, quality means different things to parents, practitioners and policy makers and there are many definitions of this condition. Quality can be seen as a *process*, which refers to the experiences of children and staff in early years settings. This essentially qualitative measure of pedagogic practice examines social interactions within settings, for example, adult-child verbal interactions and how learning activities are executed (Burchinal, 2007; Mathers et al, 2012). *Structural aspects of quality* are stable and measurable factors that are associated with good outcomes in children and include adult-child ratios, staff qualifications, group sizes and staff turnover. *Outcome measures* provide a third way of considering quality; for early years these include the EYFS profile results at five years.

The procedures used in Ofsted inspections look at process, structural and outcome measures of quality. Although Ofsted acts a regulator, its grading is used as a measure of quality by parents and policymakers alike. Additionally, there are other quality measures used in England, with the Early Childhood Environmental Rating Scale (ECERS-R) often used by local authorities, providers and researchers to rate both structural and process quality.

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## Qualifications, quality and pay

Much research, in both the UK and overseas, has established that staff qualifications are the structural factor most strongly associated with quality (Mathers et al, 2014; Stewart et al, 2014; Sylva et al, 2004). The Effective Provision of Pre-School Education (EPPE) project indicated that staff qualifications were strongly associated with higher ECERS-R ratings. Higher quality provision then translated into higher cognitive outcomes in maths and English and better behavioural outcomes that persist to Year 6 (the end of primary schooling) in some cases (Sammons et al, 2008a; 2008b). The same study showed that the quality of early education has a much stronger effect on Year 6 outcomes than the length of attendance in months or years and seemed to be especially important for disadvantaged children.

International evidence as well as findings from the EPPE study has meant that the Government has intervened to promote quality. Choice for parents: the best start for children, the 2004 childcare strategy, had quality as one of its four policy objectives (HM Treasury, 2004). The 2005 Children's Workforce Strategy included the aspiration for all early years staff in the private and not-for-profit sector to at least have a Level 3 (A-level equivalent) qualification in childcare. The EYFS guidance stipulates that the manager of a private or not-for-profit group setting must have a relevant Level 3 qualification and at least half of all other staff must hold at least Level 2 qualifications in childcare (Department for Education, 2014b). Nursery and reception classes in maintained (state) schools must be led by a qualified teacher, although in many schools, nursery nurses and classroom assistants also work alongside the teacher.

Levels of qualifications have increased in recent years, but compared with many other developed countries and outside the state school sector, England's early years workforce has a low proportion of graduates (Table One). Some 43 per cent of three and four year olds in private and not-profit day nurseries and 60 per cent in pre-schools did not have a graduate working with them in 2015 (Department for Education, 2015b). In contrast, New Zealand has aimed for an early years workforce where 80 per cent of staff are graduates (May, 2015). Staff working in group settings in France are also qualified at a higher level than in England, although in both France and New Zealand, there are higher child-to-carer ratios.

**Table One: Highest relevant qualification by staff in different types of non-maintained settings in England, 2013**

	Managers in full daycare	Non-supervisory staff in full daycare	Managers in sessional pre-schools and creches	Non-supervisory staff in sessional pre-schools and creches
No qualification	2%	14%	2%	20%
At least Level 1	97%	82%	97%	76%
At least Level 2	97%	81%	97%	75%
At least Level 3 (A-level equivalent)	97%	63%	97%	54%
At least Level 5	49%	4%	42%	5%
At least Level 6 (honours degree or Early Years Professional)	33%	3%	29%	3%

Source: Department for Education, 2014a.

One of the reasons that the early education workforce – outside schools – has such a low proportion of graduates is that pay rates are low. Evidence suggests that the gains made in the qualifications profile of the early years workforce over the last decade have not been translated into improved average rates of pay (Mathers et al, 2014).

The Low Pay Commission (2014) set out evidence that the National Minimum Wage (NMW) is the de facto rate of remuneration for non-supervisory childcare staff. Simon et al (2015) drew from the Labour Force Survey and estimated that childcare workers were paid on average £6.60 per hour or £10,324 per annum in 2012-14. Pay is particularly low for childcare workers employed in the private sector - £5.60 per hour compared with £7.80 per hour outside the private sector. The 2015 Annual Survey of Hours and Earnings indicated that nursery nurses and assistants were paid a gross median rate of £7.44 per hour in 2015, while childcare workers were paid £8.26, although this includes staff with supervisory roles.

Studies that have profiled the characteristics of the early years workforce have indicated that it is young, non-unionised and almost exclusively female. Simon et al (2015) indicated that 27 per cent of the childcare workforce was under 25 years. The widespread use of young workers and apprentices contributes to the overall low pay in the early years and childcare workforce, as statutory minimum wage rates are lower for the under 21s and apprentices.

Many of those involved with early education and childcare – including both practitioners and policy makers – have argued that persistent low pay means that providers cannot attract and retain experienced and well-qualified staff. This in-turn compromises quality, and the ability of early education and childcare to boost children’s outcomes and improve the life chances of disadvantaged children.

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## Methodology

The Family and Childcare Trust has close working relationships with childcare providers from the private, not-for-profit and maintained sectors. Visits to nurseries and pre-schools appeared to show that settings that paid their staff higher wages often delivered higher quality provision. As improving the quality of early education is an objective of the Family and Childcare Trust, we wanted to test the hypothesis that higher pay was associated with higher quality.

In order to investigate the relationship between levels of pay and the quality of early years provision, the Family and Childcare Trust analysed childcare recruitment advertisements. The sample consisted of 900 early years job advertisements ranging from October to December 2015, with a total of 100 positions for each of England's nine regions. All the jobs were non-supervisory posts in private and not-for profit pre-schools and nurseries. A broad range of recruitment websites were used to collect the data which included The Guardian, Indeed, Hays, Nursery World, Eteach, 4Children and Total Jobs. The advertisements were then used to calculate average hourly pay rates for non-supervisory jobs.

The sampling strategy excluded room leader, deputy managerial and managerial positions from the analysis. Only pay rates for non-supervisory or entry level early years practitioner roles were determined as there were insufficient numbers of higher level positions advertised during the study's three month time frame to make meaningful comparisons of wages for setting leaders. Teaching posts in maintained early years settings are paid according to nationally agreed pay scales and, as a result, are also excluded from this project. While childminders are an essential and popular component of the UK's early years education sector, they are usually self-employed, and as a consequence it is more difficult to gather information on their pay rates using this method of data collection.

The pay rates were then mapped to most recent Ofsted grades for each setting. This enabled each hourly wage to be matched to the four-point Ofsted scale. There was an oversampling of 'outstanding' early years settings in the sample: some 15 per cent of group settings (childcare on non-domestic premises) were graded as 'outstanding' in the 12 months to 31 August 2015. In our sample 30 per cent of providers were graded as 'outstanding'. One possible explanation for this over-representation of 'outstanding' settings is that they are larger than settings with lower Ofsted grades and thus recruit staff more frequently.

**Table Two: Provider numbers sample by Ofsted grade in sample**

Ofsted grade	Requiring improvement or inadequate	Good	Outstanding
EAST OF ENGLAND	16	55	29
EAST MIDLANDS	17	64	19
LONDON	9	49	42
NORTH EAST	16	51	33
NORTH WEST	14	47	39
SOUTH EAST	5	50	45
SOUTH WEST	18	56	26
WEST MIDLANDS	37	49	14
YORKSHIRE & THE HUMBER	30	49	21
ENGLAND SAMPLE	162 (18% of sample )	470 (52% of sample)	268 (30% of sample)

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## Research findings

Table Three sets out the research findings, with providers graded as ‘outstanding’ having a mean gross hourly wage of £8.37. At £6.92 per hour, ‘inadequate’ providers or those ‘requiring improvement’ tend to have pay rates that are close to the National Minimum Wage for an over 21 year old - set at £6.70 per hour in October 2015.

Importantly, the research findings indicate that there is a strong relationship between pay rates and quality in early years settings, with higher wages associated with higher quality provision. Across England, the mean gross pay in ‘outstanding’ settings is £0.93 more than in ‘good’ settings. Settings graded ‘outstanding’ by Ofsted paid non-supervisory staff an average of £1.45 per hour or 21 per cent more than those deemed ‘inadequate’ or ‘requiring improvement’ (Table Three).

**Table Three: Average (mean) gross hourly wage for non-supervisory early years staff by Ofsted grade**

	Mean hourly pay in settings requiring improvement or inadequate	Mean hourly pay in good settings	Mean hourly pay in outstanding settings
ENGLAND	£6.92	£7.44	£8.37

The relationship between pay and quality in the early years sector is replicated throughout all of England’s regions (Table Four). This correlation is most pronounced in London and the South East. In London pay is £2.58 per hour or 36 per cent higher in ‘outstanding’ settings, compared with those deemed ‘inadequate’ or ‘requiring improvement’.

In northern England there is a weaker association between staff pay and quality. In the North East, for example, the hourly wages in ‘outstanding’ settings were just 11 per cent higher than those deemed ‘inadequate’ or ‘requiring improvement’. This weaker correlation may be an indication of local labour market conditions; in areas of higher unemployment such as northern England there may be a larger reserve of labour from which to recruit staff. Although the minimum wage sets the lowest rate of pay, childcare providers in northern England may not need to offer pay that is significantly higher than the statutory minimum wage in order to attract and retain staff.

**Table Four: Average gross hourly wage for non-supervisory early years ‘staff by Ofsted grade, regional breakdown**

	Mean hourly pay in settings requiring improvement or inadequate	Mean hourly pay in good settings	Mean hourly pay in outstanding settings
EAST OF ENGLAND	£6.73	£7.15	£7.88
EAST MIDLANDS	£6.83	£7.32	£8.39
LONDON	£7.16	£8.58	£9.74
NORTH EAST	£6.95	£7.18	£7.68
NORTH WEST	£6.89	£7.09	£7.88
SOUTH EAST	£7.10	£7.32	£8.47
SOUTH WEST	£7.04	£7.40	£8.22
WEST MIDLANDS	£6.94	£7.71	£8.35
YORKSHIRE & THE HUMBER	£6.88	£7.26	£8.26

The research findings also show that the impact of the new national Living Wage will be disproportionately felt by settings ‘requiring improvement’ or graded as ‘inadequate’. From April 2016, the new national Living Wage will be set at £7.20 per hour and will rise to £9 per hour by 2020, although it will not apply to those under 25. The mean hourly pay rates in settings with the lowest Ofsted grades were below the new 2016 Living Wage in all parts of England including London (shaded).

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## Discussion

There are a number of explanations for the association between staff pay and quality.

First, more attractive levels of remuneration may enable childcare providers to recruit higher quality staff, with better qualifications or more experience. The brightest and best staff may in time move to work for providers offering higher wages, which allows those settings to achieve higher quality overall.

Second, improving pay rates could lead to lower levels of staff turnover and enable providers to retain their high quality staff. Industries with poor rates of remuneration tend to have, on average, more employment churn and childcare fits this general pattern. The sector’s high turnover rate has been identified as a factor which prevents providers from offering high-quality education (Huntsman, 2008). Emphasising the importance of stable caregiver relationships in early years development, Melhuish (2004) argues that ‘retention of staff is critical to the quality of childcare’ and ‘without low staff turnover consistently good quality childcare becomes impossible’.

Third, higher rates of pay may also function as a positive indicator of a care setting’s ethos and values (Butler and Rutter, 2016; Sylva et al, 2004). Education providers that are more willing to invest in their staff may also spend more on other drivers of early years quality, for example, on staff training or educational resources.

Fourth, higher pay may boost staff morale and status. Although there is no research that relates to early years staff, cross-national analysis of teachers’ pay shows that teaching quality is higher and children’s outcome are better when teachers are paid higher up the income distribution in their own country (Dolton and Marcenaro-Gutierrez, 2011). In the

UK, childcare is seen as a low status profession, attracting a disproportionately young and female workforce.

Fifth, higher wages may also simply reflect the extra funding available to high quality settings through the Early Years Single Funding Formula in some local authorities. Higher hourly funding rates to deliver free early education will enable a setting to pay higher wages, but also invest in non-wage factors associated with quality such as staff training.

The research findings raise a number of important issues for policy makers. Successive governments have aspired for world-class early education. The UK has successfully established a funding and regulatory regime that makes very poor quality or unsafe provision a rare occurrence. However, to improve outcomes, early education must meet a high standard that includes well-qualified and experienced staff able to identify and respond to children's needs.

The Government has to balance quality with the affordability of early education and childcare. Higher quality care may be more expensive for both parents and tax payers. But within current qualification regimes, our research indicates that a relatively small increase in staff wages – less than £1 per hour – may turn 'good' childcare into provision that is 'outstanding', thus boosting children's outcomes

Clearly, the links between staff pay and quality require further research. But if free early education is to fulfil its objectives of improving the life chance of the most disadvantaged children, the Government must address quality.

Over the last five years, the Family and Childcare Trust has published a number of studies that have examined quality issues in early education and children. This research and our new study suggest a number of policy interventions the Government might consider.

The Government needs to consider fair access to high quality early education. There is little research on which groups of children are overrepresented in lower quality provision. Unlike school places, there is presently no admissions code governing the allocation of free early education places. The Family and Childcare Trust wants the Government to strengthen transparency and support parents' rights by introducing an admissions code for free early education.

The forthcoming early years workforce strategy should support a qualified workforce and address low pay by committing to fund free childcare at a level that supports a fully graduate-led workforce and a minimum professional rate for early years staff.

We would like to see the Government increase the amount of dedicated funding to support staff training and to increase the proportion of qualified early years practitioners. Funding should be made available to attract graduates to the profession and support practitioners working towards Level 3 qualifications. Over a longer term, the Government should equalise early years pay with school staff.

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## **About the authors**

Adam Butler is a policy officer at the Family and Childcare Trust. Charles Maughan was a policy and research intern at the Family and Childcare Trust in 2015 and is now working at Crisis. Jill Rutter is head of research.

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