

## Section 3 - Current pressures on childcare providers

As part of this year's Family and Childcare Survey 2023, we asked local authorities to feedback their assessment of how current economic pressures are affecting the business sustainability of childcare provision in their area, and their view on staff recruitment and retention in the sector. Sixty four percent (131) of local authorities surveyed across England, Scotland, and Wales (out of a total of 205 surveyed), have provided data on these issues. These questions were not included in the Freedom of Information request which is used to gather the costs and sufficiency information for the other parts of the survey, and so have a lower response rate.

Local authority teams often work closely with childcare providers and parents, and so are able to identify emerging issues early. We asked about the steps taken by childcare providers to maintain sustainability during the cost-of-living crisis, and the impact on parents and the quality of provision. This information was gathered in November and December 2022.

This section of the survey provides insight into local authorities' assessments of their local childcare landscape at a particular point in time. They can act as a warning of the need for action to prevent the widening of existing inequalities or more volatility in the sector. When childcare providers face uncertainty, it can threaten the availability, affordability and quality of childcare.

### **A. Provider sustainability**

The survey finds that the majority of local authorities who provided data, assess that a range of economic, workforce and Government funding pressures are decreasing the sustainability of local childcare providers. Factors decreasing sustainability include: problems with recruiting and retaining staff (69% of LAs); cost of staff (65% of LAs); cost of energy (57% of LAs); the funding rate of early education entitlement (56% of LAs); and the cost of food (53% of LAs).

**Table 1: Impact of factors on business sustainability, % of local authorities**

	Decreasing sustainability	No impact on sustainability	Increasing sustainability	Data not held or cannot tell
Recruiting and retaining staff	69%	2%	5%	24%
Cost of staff	65%	1%	2%	33%
Cost of energy	57%	2%	4%	37%
Funding rate of early education entitlement.	56%	8%	5%	32%
Cost of food	53%	2%	3%	42%
Cost of rent	49%	8%	2%	41%
Parent/ carers' ability to pay for places.	49%	8%	2%	41%
Changes in demand for places	43%	19%	6%	32%

We also asked local authorities to feedback on the proportion of childcare providers in their area who are facing severe financial difficulties. By “severe financial difficulties”, we mean settings that are at substantial risk of having to cease operating, or childminders at substantial risk of leaving the profession.

Twenty per cent of local authorities who provided data determine that a quarter or more of childminders in their area are at risk of leaving the profession, with 18% highlighting that a quarter or more of group-based providers are at financial risk. Forty-four per cent of local authorities identify that less than a quarter of group-based settings are facing financial difficulties and 41% highlight that less than a quarter of childminders are at risk.

**Table 2: Proportion of local authorities facing “severe financial difficulties”.**

	None or almost none	Less than a quarter	Around a quarter	More than a quarter	Data not held or cannot tell
Group based providers	25%	44%	7%	11%	13%
Childminders	19%	41%	11%	8%	20%

## **B. How providers have responded to business sustainability pressures.**

Survey findings suggest that a significant proportion of local authorities determine that 'at least some' of their local childcare providers have taken steps to help with business sustainability. These steps are likely to impact negatively on the affordability and accessibility of childcare places.

Seventy-two percent of local authorities who provided data reported that 'at least some' of their local childcare providers have increased the prices charged to parents to help with business sustainability. This figure consists of 31% of local authorities reporting that charges were increased 'by many' childcare providers and 40% reporting price increases 'by some' providers.

A significant proportion of local authorities (LAs) also reported that 'at least some' of their local childcare providers:

- reduced their number of childcare staff (48% of LAs)
- reduced opening hours of settings (44% of LAs) and
- reduced the number of funded early education entitlement places they provide (43% of LAs)

All these steps could have a significant negative impact on the affordability and accessibility of childcare places, as well as the quality of provision.

The number, qualifications and experience of childcare staff has a significant impact on the quality of childcare provision, meaning that the reductions in numbers of staff are concerning. Reducing the opening hours of settings could be problematic for parents, particularly those who work longer hours, with longer commutes or single parents who cannot share drop offs and pick-ups.

The reduction in the number of funded early education entitlement places is particularly concerning. Funded early education was introduced to help children get ready for school and to narrow the achievement gap between disadvantaged children and their peers that opens before they start school. A reduction in the availability of these places could mean children, and disadvantaged children in particular, missing out on this vital boost to their outcomes at a time when the achievement gap is widening.

**Table 2: Steps taken by providers to help with business sustainability, % of local authorities.**

	Not taken locally	Taken by 'some' childcare providers	Taken by 'many' childcare providers	Data not held or cannot tell	Taken by at least some providers ('some' and 'many')
Increased prices charged to parents	3%	40%	31%	25%	72%
Reduced number of staff	14%	47%	2%	38%	48%
Reduced opening hours	24%	42%	2%	32%	44%
Reduced number of free early education entitlement places they provide	24%	40%	2%	34%	43%
Increased opening hours	37%	26%	1%	37%	27%
Increased number of free early education entitlement places they provide	35%	1%	25%	39%	26%
Decreased staff ratios – fewer children per member of staff	37%	18%	0%	44%	18%
Increased staff ratios – more children per member of staff	36%	16%	2%	47%	18%
Increased number of staff	37%	15%	2%	47%	17%
Reduced number of graduate (level 6) qualified staff.	20%	9%	1%	70%	10%
Increased number of graduate (level 6) qualified staff.	19%	9%	0%	72%	9%
Reduced prices charged to parents	54%	8%	1%	37%	8%

### **C. Recruitment and retention**

Survey findings show that nearly three quarters (71%) of local authorities determine that local childcare settings are finding it 'very difficult' to recruit staff with the required qualifications and experience, and a further 19 per cent are finding it 'somewhat difficult'. As indicated in section A. 69% of local authorities report that such difficulties in recruiting and retaining childcare staff are decreasing the sustainability of local childcare provision

Without a strong workforce, settings will struggle to provide high-quality early education. This will ultimately have a damaging impact on developmental outcomes and will impact young children. In their response, some local authorities suggested

that Government could do more to encourage people to join the early years sector, in national campaigns similar to those organized in teaching or nursing.

**Table 3: Difficulty in recruiting early years staff with the required qualifications and experience, % of local authorities**

	<b>% of local authorities</b>
Don't know/can't tell	8%
Neither difficult nor easy	2%
Somewhat difficult	19%
Very difficult	71%