

Childcare Survey: early release on the impact of Covid-19 on childcare in England

Megan Jarvie and Mohammed Dali-Chaouch, December 2020

The impact of Covid-19 has placed unprecedented pressures on all parts of society, including the childcare sector. On 20 March, all childcare providers in England were asked to close their doors to all but vulnerable children and the children of key workers. For many, this meant the end of private income, or staying open at a loss. Since childcare providers were allowed to reopen on 1 June, we have seen a slow return of demand for childcare and in turn a slow return of income from parent fees, meaning many childcare providers have had to change how they function in order to stay viable. Surveys of childcare providers have found that many are concerned about their viability in the short and medium term. If many do close permanently, this could mean significant shortages in childcare supply when and if demand for childcare does return to pre-pandemic levels.

The closure of childcare settings for most children highlighted how reliant society is on the sector to enable parents to work and to provide employers with a reliable and productive workforce. Just as important is the vital role that childcare plays in supporting the learning and development of young children. High quality childcare can help boost outcomes for children and narrow the gap between disadvantaged children and their peers.

For this reason, it is important that attention is paid to the impact of the pandemic so that action can be taken to ensure that there is enough high quality childcare to meet demand. The impacts will also vary significantly between different areas depending on both the structure of the childcare market and the local effects of Covid-19. Local authority teams often work closely with childcare providers and parents and so are able to identify emerging issues early. For this reason, as part of our annual Childcare Survey, Coram Family and Childcare asked local authorities about the impact of Covid-19 on childcare locally. We asked about changes to supply, demand and sufficiency of childcare locally, steps taken by childcare providers to maintain sustainability and the expected impact of possible changes to Government funding.

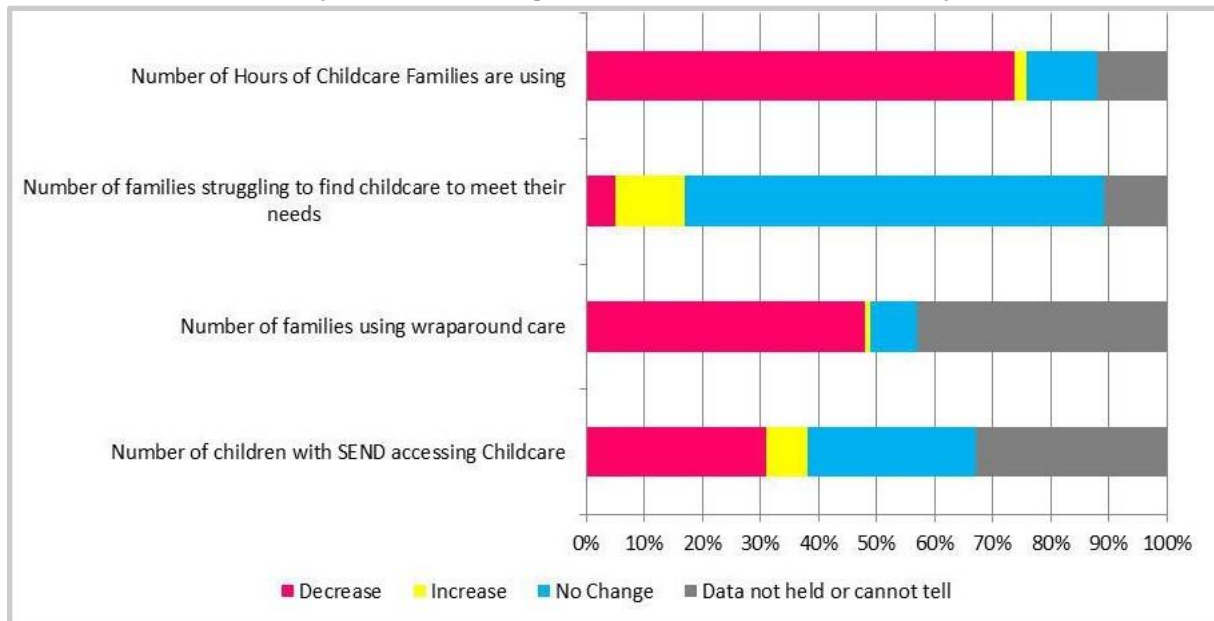
Our survey found that childcare usage had dropped in the vast majority of local authority areas. Many also reported a drop in the supply of childcare, with a third seeing an increase in permanent closures of childcare settings compared to last year. As yet, the majority of local authorities are not seeing shortages increase, but there is some cause for concern around possible increasing gaps with children with SEND and school age children – groups that already faced persistent shortages. It is also worth noting that although shortages are not increasing in the majority of areas, it does not take away the problems in the minority of areas which are seeing sufficiency decrease. Childcare providers have made a wide range of changes in order to increase their sustainability, including staff redundancies (in 61% of areas), increasing the number of children each member of staff looks after (in 30% of areas) and raising prices for parents (in 39% of areas).

Since the beginning of lockdown, the Government has continued to fund free early education entitlements based on pre-pandemic attendance levels. This has meant that providers have received funding for their places, even if children have not taken them up. This has helped to protect the income of providers, particularly those who received a larger proportion of their income from Government funding rather than parent fees. The Government has now announced that this will stop and that from January, it will revert to funding following the child, whereby providers only receive funding for children that are attending. We found significant concerns about the impact that this would have on local childcare markets. 58% of local authorities thought that this would cause childcare providers to close in their area and 19% thought it would mean a decrease in sufficiency of free early education entitlement places. These childcare places play a vital role in boosting all children’s outcomes, but particularly those from disadvantaged backgrounds. The Government need to support the sector to make sure that every family is able to access the childcare they need to support their children’s development.

Childcare demand

The survey confirmed that in the vast majority of areas, use of childcare had decreased with families using fewer hours of childcare.

Chart 1: Local authority view on change in childcare use since last year



The reasons for this reduction in demand are likely to be a combination of families needing less childcare as they have temporarily or permanently stopped or reduced working and that they are reluctant to use childcare because of the risk of the spread of the virus.

Respondents to the survey said:

Decrease in demand for fee paying families due to working from home, furlough and redundancy.

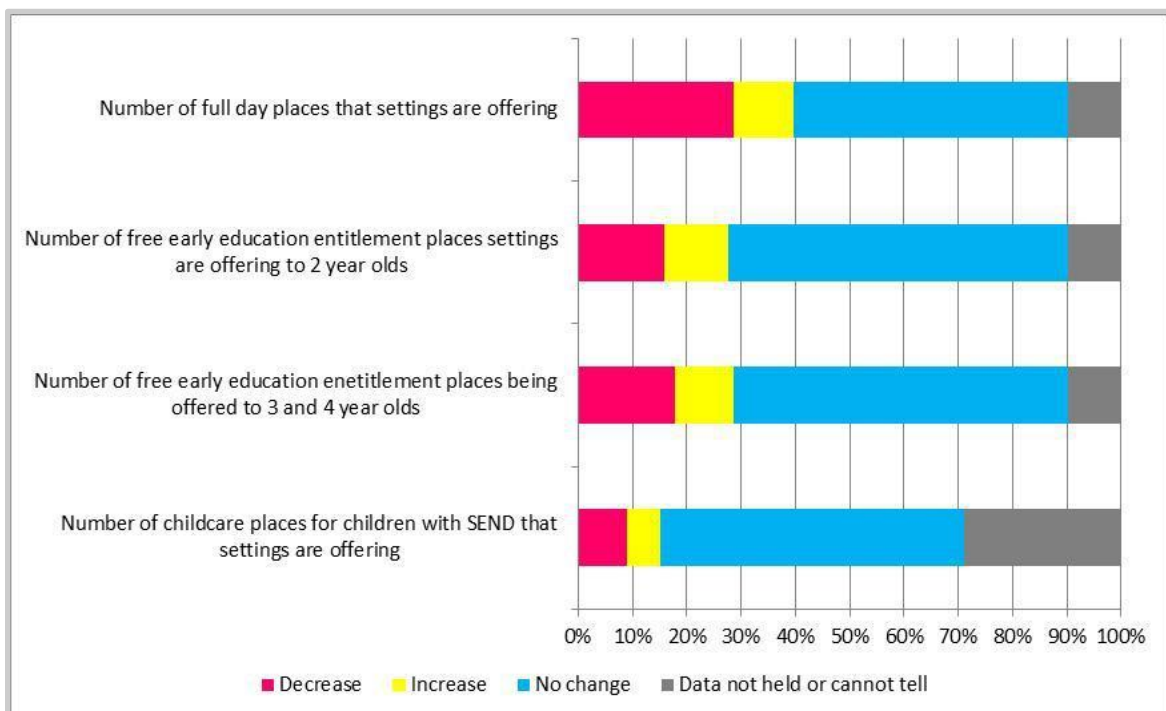
Feedback from providers is that parental confidence in using childcare is the main factor for parents not accessing their 2-year-old entitlement and 3 year old entitlement especially from non-working families.

However, this reduction in demand is not entirely uniform across the country with a very small number of local authorities seeing the use of childcare increasing. There does not yet seem to be evidence of negative impacts on families trying to find childcare with the vast majority (73%) of local authorities not seeing any change in the number of families struggling to find childcare to meet their needs. However, 12% have seen an increase in the number of families struggling, so there is a need to keep watch to see whether issues emerge. Almost half of local authorities reported a reduction in the number of families using wraparound care for school age children and a third of local authorities reported a reduction in the number of children with SEND using childcare. While these reductions may be in line with the reductions in use of childcare overall, close attention is needed to make sure that access to childcare is not further decreasing for these groups.

Childcare supply

Despite the significant changes in the use of childcare over the last year, it is perhaps surprising that the majority of local authorities did not identify significant changes in the childcare supply that is available to families.

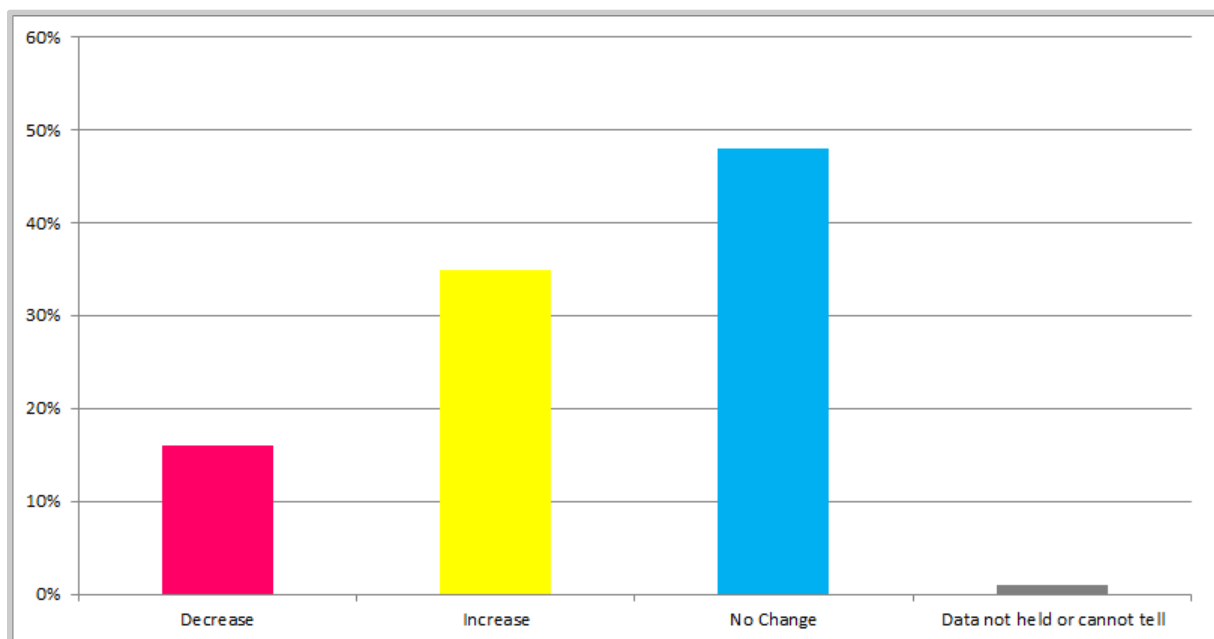
Chart 2: Local authority view on the change in supply of childcare since last year



The majority of local authorities had not seen a change in the number of places available for children. Government interventions to stabilise the market through continuing funding for early education and the job retention scheme may have helped to support providers to manage. However, it is worth noting that almost a third (29%) of local authorities saw a reduction in the number of full day places offered by childcare settings, and even though fewer local authorities reported reductions for free early education entitlement places, one in six did report the number of places available decreasing. Previous research has shown that providers who are more reliant on private fees from parents, rather than Government funding for free early education entitlements, were hit hardest financially through the first lockdown and the slow return of demand.¹ A reduction in the supply of full day places could be particularly problematic for working parents, especially if demand for places increases when the furlough scheme ends in March 2021. Even though fewer local authorities saw a reduction in the number of places for free early entitlements, one in six did see a reduction. While local authorities were least likely to say that they had seen a decrease in the number of places for children with SEND, over one in four (29%) did not hold data on this. Again, it will be important to continue to monitor access to childcare for children with SEND as the impact of Covid-19 becomes clearer. Some local authorities identified issues around access:

Reduced availability for children with SEND due to 'bubbles' and shortages of staff / staff to child ratio required for some children and children can't 'cross provision' ie if attending one school but the child usually accesses after school childcare elsewhere.

Chart 3: Local authority view on change in the number of childcare providers permanently closing since last year



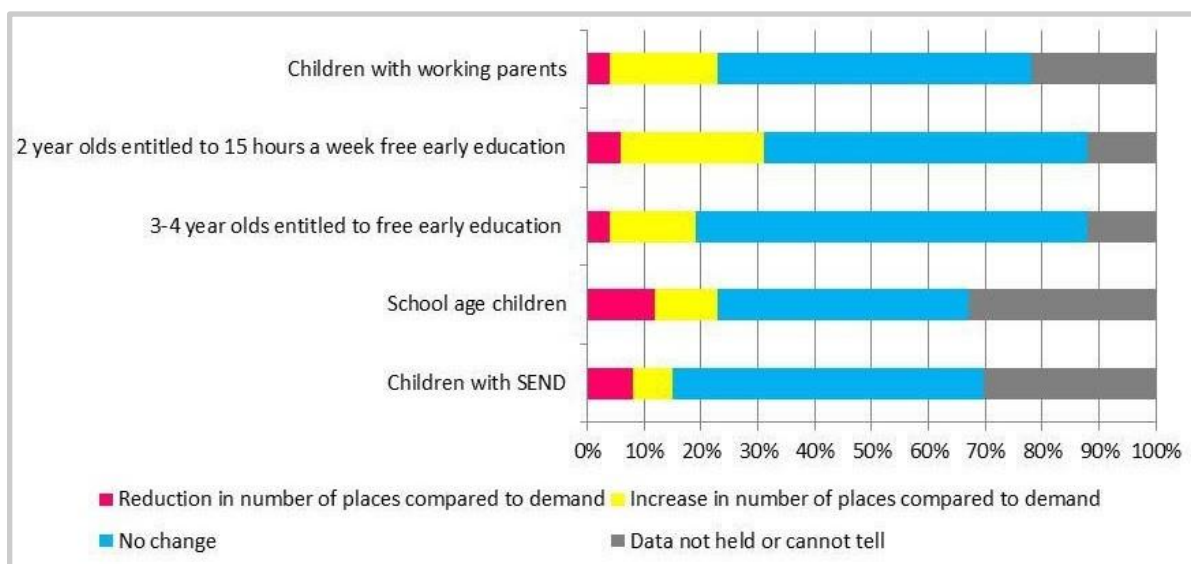
¹Blanden, Jo, Crawford, Claire, Drayton, Elaine, Farquharson, Christine, Jarvie, Megan, Paull, Gillian, 'Challenges for the childcare market: the implications of COVID-19 for childcare providers in England', *The Institute for Fiscal Studies*, September 2020.

A third (35%) of local authorities also said that the number of providers permanently closing in their local area had increased, which could contribute towards the reduction of places available in some areas. However, 16% also said that the number of providers closing had decreased. This is unexpected in light of the financial problems the pandemic has caused many childcare providers. The pause of Ofsted registration visits and the uncertainty of the market is likely to have decreased the number of new providers opening and so we may be seeing lower levels of churn in some areas with fewer providers both opening and closing.

Childcare sufficiency

We also asked local authorities if they had seen changes in whether there was enough childcare locally to meet parents' needs. This was to understand whether reduction in the availability of childcare was simply a result of changes in usage, or whether there were risks of childcare shortages increasing. Again, the majority of local authorities did not see a change in the sufficiency of childcare locally.

Chart 4: Local authority view on changes in childcare sufficiency since last year



Where they did see change, local authorities were more likely to see an increase in places compared to demand from working parents and the free early education entitlement offers. This is likely to be driven by the decrease in demand rather than an increase in supply. However, childcare for school age children and children with SEND presents a far more concerning picture. In both these areas, local authorities were slightly more likely to see a reduction in the number of places compared to demand, with almost one in eight local authorities reporting a reduction in sufficiency for school age children. Our previous Childcare Surveys,² have shown that there are already significant childcare shortages for

² For example, Childcare Survey 2021 (Coleman, Dali-Chaoch, Harding) found that 31% of local areas had enough childcare for 5 - 11 year olds and 19% had enough for disabled children

these children and so any further reductions will be particularly sorely felt by families. Some local authorities commented on the issues for school age childcare:

The out of school sector appears to have been hit the hardest often due to schools Covid-19 measures restricting or preventing their operation.

Out of school and holiday provision has been particularly impacted due to maintaining safe bubbles reflected in schools and have had increased staffing costs due to managing these. These providers rely solely on parental fees and due to being situated within schools, they have not been able to access any previous discretionary grants. Changes in families' new working arrangements appear to have particularly impacted on this type of provision.

While many local authorities did not identify growing shortages now, they felt that it was still too early to see the full effects of Covid-19 on the childcare market. Government support has helped childcare providers to stay afloat and it remains to be seen what happens when this is withdrawn.

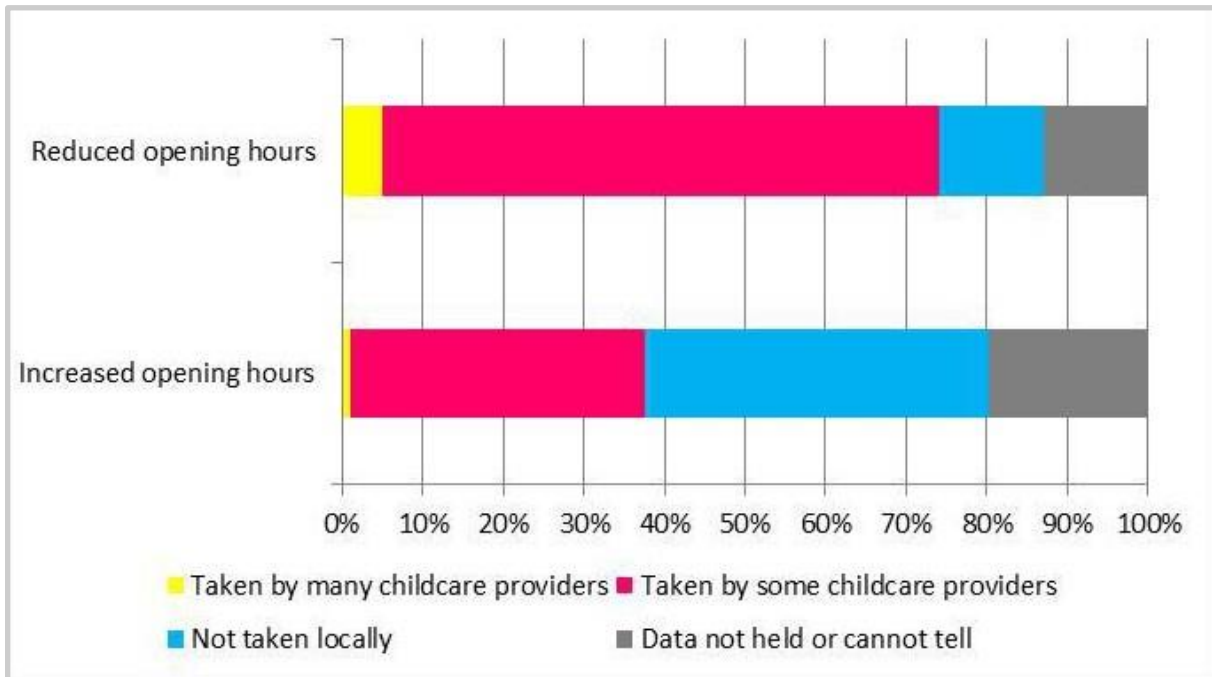
Too early to tell on effects of Covid-19

It is too early to see the long-term impact of the current pandemic on sufficiency and sustainability. We are working alongside providers to offer the best support available to ensure they are adequately supported

Responses by childcare providers

Many childcare providers have made changes to their business models in an attempt to weather the turbulence of the pandemic. In response to this, we asked local authorities what childcare providers in their local area had done. The survey showed a wide variety of actions taken locally by childcare providers to respond to the crisis, some of which could have a negative effect on families.

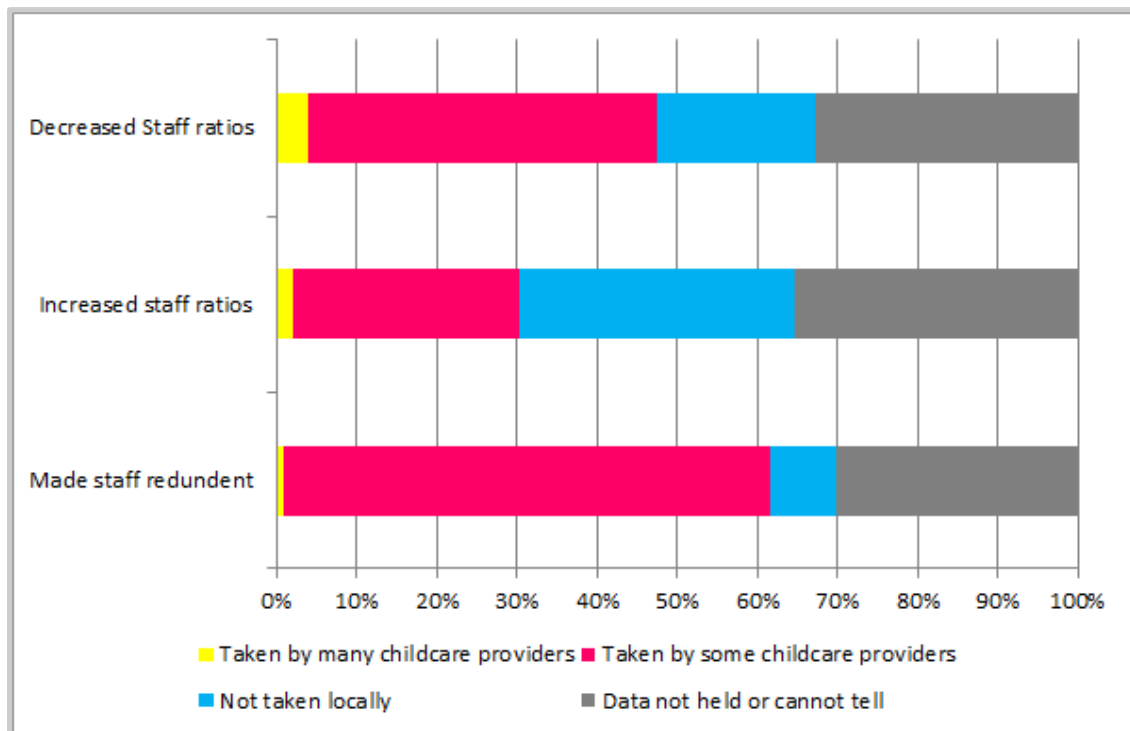
Chart 5: Local authority view on steps taken by childcare providers to help with business sustainability



Almost three quarters of local authorities saw childcare providers reduce their opening hours. There could be a range of reasons why this has been the most common change to business models. Often the hours at the beginning and end of the day can be less profitable for childcare providers as fewer children attend meaning decreased staff ratios. The increase in home working means that some working parents may be more likely to manage with a shorter day at childcare. For some providers, shorter opening hours were the only way they could manage to meet the increased cleaning requirements:

Some providers have had to temporarily reduce the number of hours per day available to families due to staffing implications and additional cleaning requirements.

Chart 6: Local authority view on steps taken by childcare providers to help with business sustainability

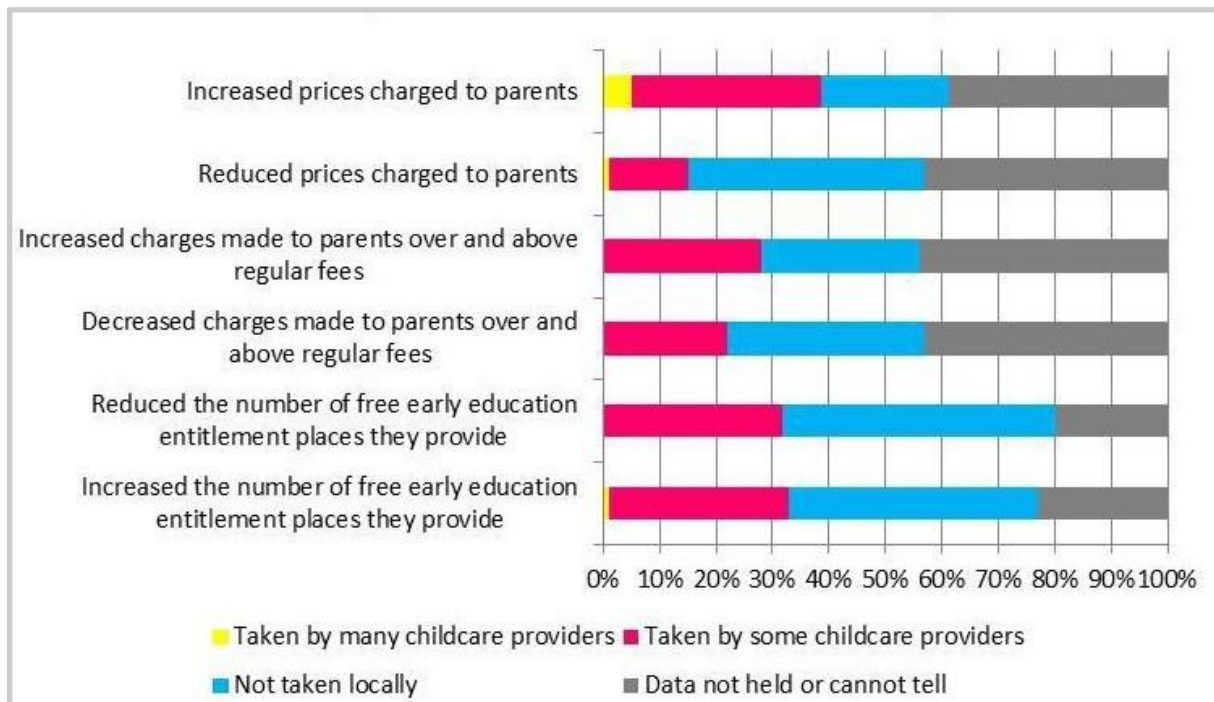


Almost half (48%) of local authorities said that some or many childcare providers decreased their staff ratios with fewer children per member of staff. This may well have come as a result of reduced demand meaning that settings are operating below capacity. Around one in three (30%) said that they had increased staff ratios with more children per member of staff, which could be a way of trying to reduce running costs during this turbulent period. Given the reduction in use of childcare, it is likely that this is driven by a reduction in staff numbers rather than through taking on more children. 61% of local authorities have seen childcare providers making staff redundant, likely as a way to reduce costs in light of reduced demand. Staff are crucial for determining the quality of provision for children, and increased staff turnover could have a negative effect on childcare provision. Many have also had to make changes that could impact the quality of provision, such as reducing the use of play activities that they felt could increase infections, such as sand play. Some local authorities said that childminders felt that the quality of their provision was impacted by not being able to take children to activities they normally attended. Some local authorities identified possible other negative effects on the quality of childcare being provided:

Quality of learning potentially affected as providers have to spend more time and resources in ensuring that Covid-19 safety measures are being implemented and followed.

We have identified that some providers, including childminders, have not been able to prioritise training opportunities which may impact on longer term quality.

Chart 7: Local authority view on steps taken by childcare providers to help with business sustainability



39% of local authorities reported many or some childcare providers were increasing prices for families since last year, but just 15% had seen decreasing. Although these price increases are likely to be a result of pandemic-related income disruption for childcare providers over the past year, they may still pose significant issues for families. In addition, families in some areas may struggle to access their free early education places in future. A third of local authorities (32%) said that some of their childcare providers had reduced the number of free early education places that they offered. However, almost half said that providers locally had not reduced the number of free early education places on offer and a third (33%) said that some or many childcare providers have increased the number of places on offer. While this does not suggest an overall decrease in the number of places available, it could suggest falls in some areas, which will need to be closely monitored. Although this appears to balance out nationally, it is worth noting that it could mean families in some local areas losing access to childcare - and it could be that the effects are strongest in the areas that have experienced the biggest hit from the pandemic already.

Local authorities also raised issues of some of the increasing costs that childcare providers were facing as a result of the pandemic, including additional PPE, cleaning and handwashing stations. Many also cited the emerging issues of having to close part or all of the setting following a positive Covid-19 test for a child or member of staff. Many feel that they cannot charge parents while the setting is closed, particularly following the Competitions and Markets Authorities advice to the childcare sector³. This drop in income could cause significant issues for childcare providers as infection rates once again increase.

³ <https://www.gov.uk/government/publications/cma-open-letter-to-the-early-years-sector>

The closure of bubbles due to a positive Covid-19 case in a setting is having a significant impact on settings finances as settings feel they cannot charge parents for a service they are not offering.

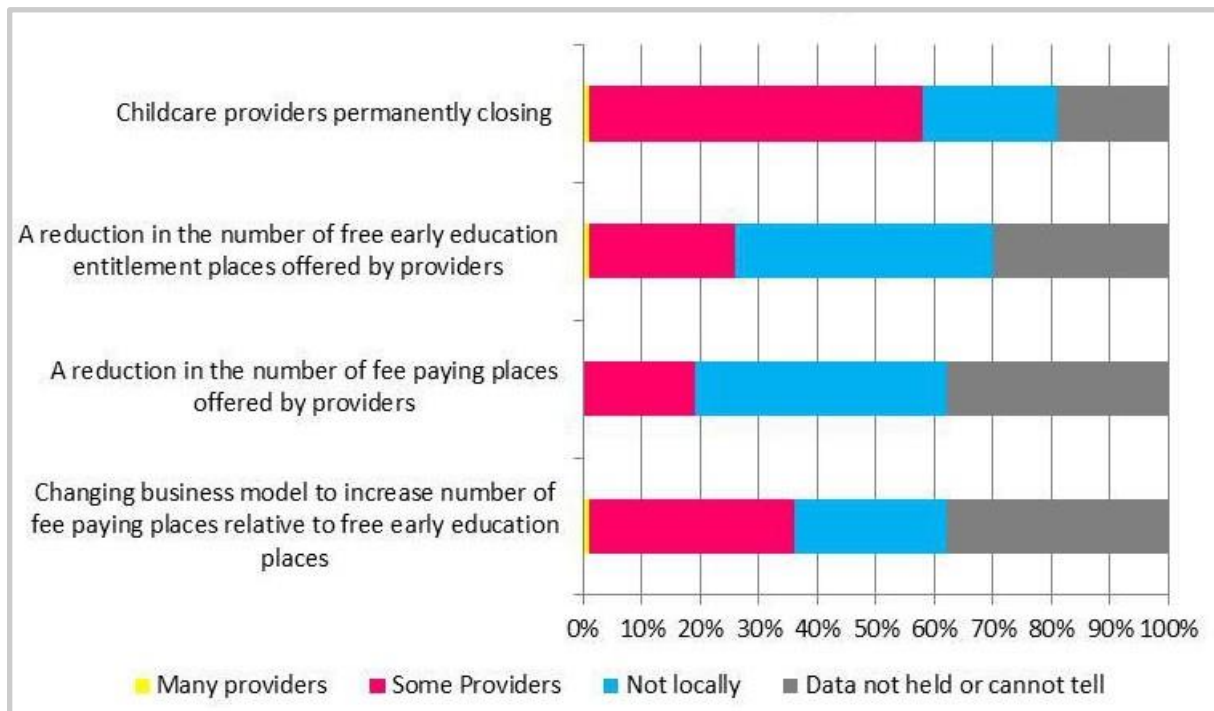
Many providers have commented on the increased cost to their business as a result of requiring additional staff, additional PPE and increased cleaning and changes to the physical environment including outdoors and increased hand washing stations.

Changes to Government funding

The majority of local authorities did not identify a significant fall in the supply or sufficiency of free early education entitlement places to date, which is likely to at least in part be a result of Government policy. Since the beginning of lockdown, the Government has continued to fund free early education entitlements based on pre-pandemic attendance levels. This has meant that most providers have received funding for their places, even if children have not taken them up. This has helped to protect the income of providers, particularly those who received a larger proportion of their income from Government funding rather than parent fees. The Government has now announced that this will stop and that from January it will revert to funding following the child, whereby providers only receive funding for children that are attending. Given that attendance is still significantly lower than pre-pandemic, for the majority of childcare providers, this is likely to result in a significant drop in income. When our survey was conducted, it was not yet confirmed that funding would definitely revert back to the pre-pandemic approach, so we asked local authorities what effect they thought this change would have if it was implemented. Some local authorities expressed significant concerns about the impact that this change could have:

There is likely to be surplus places with providers for a significant period of time and this will have major implications for the sustainability of providers if funding returns to following the child as places have only been sustained through payment based on previous year's occupancy.

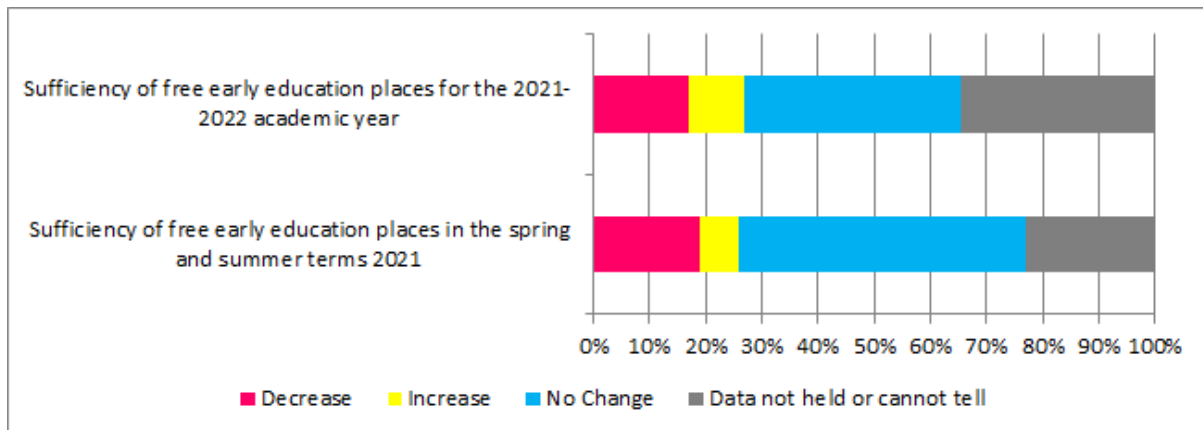
Chart 8: Local authority view on the impact of returning to funding following the child for free early education entitlements



The majority of local authorities (58%) thought it would cause some providers to close locally, which is likely to mean a reduction in the number of places available for families in the short and medium term. While in the short-term this may not cause problems given the drop in childcare demand already discussed, if demand returns closer to pre-pandemic levels, we may see greater shortages in childcare availability. This could be especially difficult if demand returns fairly quickly, as could be the case following the roll out of a vaccine because setting up or reopening a childcare setting can take many months.

Over a quarter of local authorities expect to see providers reduce the number of free early education entitlement places that they offer. This is cause for significant concern as these places help the most disadvantaged children. Early education helps boost children's outcomes and get them ready for school. A reduction in the number of places available could therefore have a damaging long-term impact on a child's life chances. Given that most providers offer both free early education entitlement places alongside full daycare paid for by parents, closures could mean a drop in the number of places available for working parents as well.

Chart 9: Local authority view on the impact of returning to funding following the child for free early education entitlements



Almost one in five local authorities (19%) thought that returning to funding following the child would cause the sufficiency of early education places to decrease. While this is the minority of local authorities, it is concerning that they see the number of places available decreasing beyond simply reflecting the current decrease in demand. Given the important role that early education plays in supporting children’s outcomes and narrowing the achievement gap between disadvantaged children and their peers, this is very concerning.

Methodology

This briefing is based on surveys sent to all Family Information Services at local authorities in November 2019 as part of our Childcare Survey 2021. We received responses from XX per cent of local authorities in England. We also gathered data from Scotland and Wales but the response rate was below 50 per cent and so we decided not to publish the data given the low response rate and small sample size.

This data has not been weighted. We simply report the proportion of local authorities giving answers.

