

Written evidence submission to the joint inquiry into the foundation years and the Government's life chances strategy

About the Family and Childcare Trust

The Family and Childcare Trust is the leading national charity in the field of policy, research and advocacy on childcare and family issues, working closely with government, local authorities, businesses and charities to achieve positive and long lasting change for families across the UK. Our vision is a society where all families are well-supported and have genuine choices about their lives.

In 2014, the Family and Childcare Trust was commissioned by the Joseph Rowntree Foundation to identify reforms to pre-school childcare services to reduce poverty. Our report, *Creating an anti-poverty childcare system*, was published in January 2016 and forms the basis of this submission. The full report can be read online at www.jrf.org.uk/report/creating-anti-poverty-childcare-system.

Key points

- There is a persistent and significant developmental gap between the most and least disadvantaged children in the early years. This gap continues to widen at school and has long-term consequences for children's educational achievement and life chances.
- High quality early education can help mitigate against the negative effects of poverty on children's educational outcomes. Quality is not sufficiently prioritised in government childcare policy and we have little good evidence about the extent to which early education is meeting the standard needed to improve children's outcomes.
- Early help services, based principally in children's centres in England, have faced severe funding cuts and will continue to do so over the next five years under current spending plans. To help improve the life chances of the most disadvantaged children, the Government must reverse the decline in early intervention funding and develop a coherent new vision for children's centres.
- The current system of childcare entitlements and subsidies is excessively complex and does not provide enough help to those at risk of poverty. Sustainable routes out of poverty often require parents to address education and skill deficits but childcare subsidies often do not provide support to parents who are seeking to take steps towards work or improve their skills.
- Whilst new investment is welcome, the Government's approach to funding pre-school childcare is not on the right track. The Family and Childcare Trust advocates a dramatically simplified funding system in which funding is directed at providers (rather than through cash subsidies to parents) to drive the supply of high quality, flexible care in the least affluent areas.

Early years services and poverty

A series of government sponsored reviews, including the Marmot Review, *Fair Society, Healthy Lives* (2009), the *Review on Poverty and Life Chances* led by Frank Field (2010) and the Independent Review on Early Intervention led by Graham Allen (2011) have collated evidence and reinforced that children's early years are critical to their long-term prospects and poverty risk as adults, whatever their background.

Growing up in poverty has, on average, a significant detrimental effect on a child's development. In 2014, 44.8 per cent of children eligible for free school meals were assessed as reaching 'a good level of development', as measured by the Early Years Foundation Stage Profile test administered in reception class, compared to 63.7 per cent of children not eligible for free school meals, a gap of 18.9 per cent (Department for Education, 2015a).

There has been an encouraging trend of improvement in overall developmental measures at age five: the proportion of children eligible for free school meals who were assessed as reaching a good level of development rose from 27.9 per cent in 2007 to 44.8 per cent in 2014. (Some caution is warranted in interpreting these figures as assessment methodology has changed over this period.) However, the gap between the most and least disadvantaged children has failed to close significantly: the gap was 21.1 per cent in 2007 and, as noted, 18.9 per cent in 2014. This gap means that children eligible for free school meals start school, in effect, 15 months behind their peers. There is significant variation in developmental outcomes across the country, with 68 per cent of all children reaching a good level of development in the best performing area compared to 32 per cent in the worst performing local authority.

These developmental gaps have long-term consequences for children's development. The gap in educational achievement increases throughout school and, by the age of 16, 33 per cent of children eligible for free school meals achieve five or more grades of A to C at GCSE including English and Maths compared to 70 per cent among all other pupils (Department for Education, 2016). The early years afford a number of opportunities to help improve children's long-term educational outcomes and life chances.

Children with special educational needs and disabilities (SEND) are more likely to fall behind their peers before they start school, contributing to worse long-term outcomes and an increased poverty risk (Department for Children, Schools and Families, 2010; Jones, 2010; Parsons and Platt, 2014 – provisional working paper). Early years provision has an important role in redressing this situation but providers often struggle to provide high quality inclusive services. Specific problems include a lack of SEND knowledge among the early years workforce and poor access to specialist advice and training; limited funding to purchase equipment and adaptations to facilities; and the absence of a funding mechanism to pay for one-to-one care or additional supervision where it is needed.

Early childhood education and care

High quality free early education has the potential to close developmental gaps in the early years. The Effective Provision of Pre-school Education (EPPE) study, the first longitudinal study in the UK to focus on the effects of pre-school education which began in 2004, has consistently found significant positive effects for preschool experiences on child outcomes at the end of primary school, key stage three and at GCSE (Sylva et al., 2014). Attending high quality pre-school (rather than not attending pre-school or attending a low quality setting)

shows the most positive effects and has a stronger effect for students whose parents have lower qualifications. High quality pre-school is also linked to better self-regulation, pro-social behaviour and lower levels of hyperactivity at age 16.

UK provision falls some way short of delivering high quality pre-school education to all children. Only half of two-year-olds eligible for free early education attend at graduate-led settings (Department for Education, 2015b). Once they reach age three, the most disadvantaged children are more likely to attend free early education in good quality teacher-led nursery classes, which are the most common form of early years provision in less affluent areas. However, not all teachers in these settings have early years training. The concentration of disadvantaged children in these settings may also work against quality: a good social mix of children is an important pre-condition of high quality care and staff resources may be stretched more thinly if a high proportion of children have high needs. For a significant minority of disadvantaged three- and four-year-olds who attend free early education in private or voluntary settings, quality tends to be lower in less affluent areas (Mathers and Smees, 2014).

The EPPE study showed that the early years home learning environment can act as a protective factor against disadvantage and that parents can be supported to extend children's learning at home. However, evidence of how to effectively support home learning and positive attitudes to learning and education is less well-developed. Few providers are sufficiently proactive in supporting home learning and it is important that the Government seeks to expand the evidence base in this area and develop effective policy.

Quality measures used by regulators are not well-aligned with the evidence of quality as it impacts on children's outcomes (Mathers et al., 2012). A setting that receives a 'Good' Ofsted rating might not meet the criteria for high quality care as defined in the EPPE study (which used more fine-grained measures of quality). The early years regulatory system has been largely successful in reducing very low quality provision, but there is a risk of complacency about the extent to which early years settings that lack qualified, well trained staff are successfully contributing to children's development.

Low wages in the early years are also a systemic constraint on quality. In England, pay in maintained early years providers for all staff is 68 per cent higher than in private and voluntary settings (Brind et al., 2014). Low wages undermine the quality of care children receive. Skilled workers are discouraged from considering a career in the early years and motivation among staff is often low (Mathers et al., 2014; Nutbrown, 2012). Research on the impact of pay on education workers suggests that pay relative to other professionals is an important influence on performance (Dolton and Marcenaro-Gutierrez, 2011). Staff in maintained early years settings benefit from better terms and conditions, with fewer staff working on temporary or flexible contracts. These differences mean that staff in private and voluntary settings are less likely to receive sufficient support and professional development.

Early intervention and prevention

Alongside free early education, the principal drivers of support for families in the early years are the health-led Healthy Child Programme and Sure Start children's centres. Ideally, these services should be integrated and coordinated so that families have access to a seamless support offer from prenatal care until school. At the moment, delivery falls somewhat short of this ideal. The recent expansion in health visitor numbers and the clear aspiration of an effective universal service is a positive development that should continue to be supported by

the Government. However, delivery of the Healthy Child Programme is currently patchy (Wave Trust, 2013). These services are likely to come under increasing pressure following the end of the ring-fence of the public health budget following its transfer to local authorities, which face severe funding pressures.

Health visitors and family nurses play an invaluable role but are dependent on supporting interventions such as intensive parenting support, stop smoking and substance misuse programmes, maternal and infant mental health services, relationship support as well as less intensive support such as parenting classes, nutrition advice and informal parent-child activities designed to promote secure attachment and positive parenting. Estimates of the scale of funding reductions for the Children's Centre programme in England from 2010 to 2015 range from 55 to 32 per cent (Stewart and Obolenskaya, 2015; Barnado's, 2015; National Children's Bureau, 2015). Under current local government funding plans, investment will be further reduced during this Parliament. It does not make sense to protect funding for mainstream health and education services, and increase investment in childcare subsidies, whilst making drastic cuts to a narrower range of services targeted at the most disadvantaged families.

A lack of clear direction for children's centres also risks an increasing disconnection between free early education and specialist early intervention and family support services. The aims of free early education and the children's centre network in improving outcomes for the most disadvantaged children cannot be separated. Close links between children's centres and childcare providers also maximise the reach of children's centres. The UK has made a substantial investment in the children's centre network. This network is at risk of becoming less effective due to budget cuts, which tend to foster a shift from preventative to reactive services, and a lack of a clear vision from government.

Evidence suggests that a strong degree of universalism is central to effective early intervention: it is only by reaching all children that those with additional needs can be identified and supported (Lloyd and Potter, 2013). The free early education offer provides a valuable platform for early intervention in the UK but is not utilised as effectively as it could be. Links between children's centres and early education providers can be weak, so children and families may not be referred to or access appropriate support, and many early years staff are not confident that they are prepared to support the most disadvantaged children (Georgeson et al., 2014).

Early years childcare and work

The Child Poverty Act 2010 indicators show that poverty is closely associated with work: eight per cent of children in families where both parents work, and at least one parent works full-time, fall below the relative poverty line compared with 29 per cent in families where only one parent works full-time. The families at the greatest risk of poverty are those where no parent works, or no parent works full-time. Working single parents have a greater poverty risk than couples but, due to higher in-work support through working tax credit, are less likely to fall below the Child Poverty Act relative poverty threshold than a couple where only one parent works (i.e. a lower proportion of single parents working full-time are in poverty than couples where one parent works full-time). However, this measure of income is likely to underestimate the higher cost of living for single parents. Couples benefit, for example, from shared rent and lower childcare costs.

The two most significant poverty risk factors for parents with children are being out of work and having low or no skills (Barnes and Lord, 2013). Barnes and Lord highlight that participation in work is vital to avoid poverty, but that the nature of this participation is also critical: working for prolonged periods in low skilled occupations will not necessarily help parents achieve a decent standard of living. The childcare system must therefore not only support parents to work but, alongside flexible work policies, provide sufficient flexibility to support parents to progress in work and foster access to education and training. The increasing importance of education levels and skills to long-term employment prospects also reinforces the importance of high quality early education as a platform for children's development.

Survey evidence suggests there are several principal barriers to work for parents with pre-school children, including access to a job with suitable hours, meaningful financial incentives and sufficient education or skills (Huskinson et al., 2014). Childcare also remains a significant barrier. Among mothers not in paid work with pre-school children, one in five state that childcare issues prevent them from working, whilst among working mothers with low or no qualifications, thirty per cent say that they would work longer hours if they could arrange good quality childcare which was convenient, reliable and affordable.

Childcare access problems relate primarily to the lack of flexibility in the hours of care available in many providers and the lack of affordable places for children under three. Poor access to affordable, flexible daycare for families on low incomes presents a significant policy challenge because school nursery classes, which generally offer sessional care within school hours, are the predominant form of provision in less affluent areas. Working parents with pre-school children who do not have access to informal care generally need access to a daycare place or a childminder. Both are less prevalent in areas of concentrated disadvantage due to limited commercial interest and the difficulty of operating sustainably with lower demand and lower margins (Dickens et al., 2012).

The new offer of 30 hours free childcare from 2017 for working parents with three- and four-year-olds has the potential to benefit working parents. However, the Department for Education has acknowledged that many nursery classes in schools will not be able to offer the additional hours (Department for Education, 2016). Childminders may be able to work with schools to deliver the 30 hour offer but there are significant variations in childminder numbers across the country, with low numbers in many areas (Rutter, 2016). The 30 hour offer will also not benefit families with one- and two-year-olds, who may struggle to access affordable childcare at the point parents make key decisions about returning to work.

Recent evidence suggests that free early education has had a relatively small impact on mothers' employment. Brewer and Crawford (2010) found a small, but significant, positive effect on the employment rate of single parents after their children started to receive free early education at four years, although this effect was not achieved by free early education alone. More recent analysis of the expansion of free early education to three-year-olds showed that this intervention led to a rise of about three per cent in the employment rate of mothers whose youngest child was age three, with a further three per cent starting to look for work after their child received this provision (Brewer et al., 2014a). The authors concluded that better qualified women among this cohort of mothers were more likely to move into work. Beyond these studies, we lack robust evaluations of the combined effect of childcare subsidies – including free early education, tax credits and vouchers – on parental employment.

More help with childcare costs for parents with low incomes will be provided through the government's planned extension of free childcare and the increase in the childcare element of tax credits to 85 per cent of costs from April this year for families eligible for Universal Credit. However, the proposed system of delivering this support is bureaucratic, difficult to navigate for parents and will fail to properly address basic affordability challenges such as deposits and up-front fees. Moreover, Universal Credit will not provide meaningful support or work incentives for many parents – particularly second earners with childcare costs – and there remain significant gaps in support with childcare costs for parents who are jobseeking or building skills through education and training.

An anti-poverty early years system

Early education is not a panacea for the negative effects of poverty on children's life chances. High quality childcare can ameliorate but not eliminate the effects of poverty. Family income has the greatest influence on a family's circumstances and the outlook for children (Cooper and Stewart, 2013). It is vital therefore that reducing child poverty remains at the heart of the Government's life chances strategy. High quality early years services should be seen as complementary to the policy of ensuring every family with young children has a decent income and not an alternative.

The report *Creating an anti-poverty childcare system* sets out a practical long-term strategy of reform and investment to transform the UK's current fragmented pre-school childcare market into an integrated system that delivers high quality, affordable and flexible care. The report's key recommendations are:

1. Funding a decisive shift towards high quality childcare by:

- moving to a fully qualified, graduate-led workforce and equalising wages across private, voluntary and maintained settings, in line with a national pay scale, to support professionalisation of the workforce;
- investing in early intervention through child and family support services and creating direct links between childcare providers and children's centres in order to clarify responsibilities and remove gaps in the early years early intervention framework; and
- strengthening requirements within regulatory frameworks that impact on children's development, such as support for home learning.

2. Addressing access and flexibility challenges and creating a truly universal childcare system by:

- replacing the ineffective Childcare Act 2006 sufficiency duty with a properly funded entitlement to childcare for pre-school children from age one extending across a full day and for 48 weeks of the year;
- introducing a transparent statutory admissions code of practice for centre-based childcare providers;
- extending the free 15 hour childcare offer to all two-year-olds at an appropriate pace to deliver high quality places;

- extending properly funded childminder networks offering brokerage and support to childminders; and
- creating an ambitious business development programme to support social enterprises and foster those business models that are most successful in offering high quality care to diverse communities.

3. Extending support with childcare costs for families in or at risk of poverty by:

- increasing the work allowance within Universal Credit and introducing a second earner allowance;
- removing the parental contribution to childcare fees altogether for families with an income below the relative poverty threshold;
- extending support with childcare costs to jobseeking and work preparation activities, including education and training; and
- establishing a mechanism to pay the deposit and first month of childcare fees up front for parents with low incomes moving into work.

Our proposals are underpinned by a shift to supply-side funding for pre-school childcare services. The government's approach to childcare funding is not on the right track. Following the roll-out of the tax-free childcare scheme, the 30-hour offer and extended support under Universal Credit, public funding will account for the majority of income for most early years childcare providers, whether they are under public, charitable or private ownership. Yet the childcare funding system is excessively complex, delivers poor value for money and does not offer the means to effectively influence service provision.

International evidence and the best examples of high quality provision in the UK suggest that the most effective approach to funding pre-school childcare is supply-side funding, where investment is made directly in services rather than through cash subsidies to parents. The case for supply-funded childcare is simple: it is the most effective means of delivering reliable access to affordable, flexible and high quality childcare regardless of parents' ability to pay.

Supply-side funding would allow for a dramatically simplified fee system. We suggest that parents accessing childcare outside of the free offer should pay a simple, capped income-based fee per hour using an online account system similar to that being developed to deliver the tax-free childcare scheme. This would provide a simple, flexible system for parents and protect against any stigma associated with means testing. In order to ensure clear work incentives, we propose that families with the lowest incomes should receive all care free of charge whilst fees should be capped at 10 per cent of disposable income for those with low to middle incomes.

We have not recommended a universal *free* childcare system. The state cannot, in the near future, afford to subsidise both generous free entitlements for all families and meet pressing anti-poverty investment priorities. An excessive focus on free childcare risks locking the UK into a low quality funding model, distracts policy-makers from investment in early intervention services and will not, within realistic spending constraints, address fundamental access and flexibility challenges. Whilst targeted increases in free provision can be justified, large

extensions to universal free childcare are likely to undermine rather than support anti-poverty policy goals.

We have divided our recommendations into those that can be achieved in the short- to medium-term and those that require funding reform and long-term investment. We have prioritised steps that are most likely to have an impact on families in, or at risk of, poverty. These fall broadly into two categories:

- realising the potential of early education to act as a protective factor against poverty by improving quality by investing in staff and the quality improvement infrastructure of childcare; and
- improving parents' responsiveness to childcare subsidies where there is unmet demand by improving access to flexible daycare and investing in targeted affordability measures that benefit parents in poverty or at the greatest distance from the labour market.

Policy-makers pursuing an anti-poverty strategy can best pursue a dual-track approach; redirecting resources in the short term to address the most pressing investment priorities whilst re-organising funding in the medium term to create a more effective childcare system and create the structures for long-term investment.

The momentum behind childcare reform is currently stronger in the devolved administrations than in England. Whilst our proposals broadly apply across the UK, good solutions will look different in each devolved nation — for example, each nation has a different approach to children's centres and early intervention services. Devolved policy-makers are hampered by current childcare funding arrangements as they have no control over demand-side childcare funding within tax credits, the employer-supported childcare scheme or the tax-free childcare scheme. Funding reform must begin in Westminster, freeing up the devolved administrations to pursue appropriate local policies.

We identified some opportunities to invest in support for the most disadvantaged children by reprioritising some poor value spending. This means, for example, lowering the maximum eligible income for the forthcoming tax-free childcare scheme from £150,000 per parent, winding down the employer supported childcare voucher scheme at a faster pace than envisaged by the Government and ending the dual subsidy of tax-relief for workplace nurseries. Collectively, up to £500million could be found to invest in the near future by making tough choices such as these.

In the longer term, it is important to recognise the scale of the funding challenges that remain in the early years. The UK currently spends approximately 0.5 per cent of GDP on early childhood services compared to 0.7 to 1.1 per cent in the Nordic nations with higher maternal employment levels and lower levels of child poverty (OECD, 2014). Our estimated costings suggest that reaching 0.85 per cent of GDP, or around £12.7 billion in England, would allow for investment in a range of anti-poverty priorities within a system that is sufficiently inclusive of families with middle-incomes to be politically viable over the long term. (This includes funding for children's centres, which may not be captured by the OECD statistics.) Utilising the early years as an opportunity to improve children's life chances requires a strategic investment of funding. This investment will yield a long-term net financial benefit to the public but requires up-front investment.

Specific recommendations for the inquiry

We recognise that the inquiry will seek to make pragmatic near-term recommendations. Within the current Parliament, there are a number of steps that will help ensure early years provision improves children's life chances:

- The Government should move quickly to arrest and reverse the fall in spending on early years services targeted at the most disadvantaged families.
- The Department for Education should develop a new vision for Sure Start children's centres, ensuring that early help services are available to all families and integrated with the Healthy Child Programme and free early education.
- The forthcoming early years workforce strategy should be ambitious and include measures to raise the proportion of early years graduates, prioritising the most deprived areas, and support existing professionals to develop their confidence in working with the most disadvantaged children and families.
- The Department for Education should fund and require every local authority to develop an early years inclusion plan to dramatically improve access to high quality early years provision for children with special educational needs and disabilities.
- The Government should establish clear ministerial and departmental leadership for the early years aspects of its life chances strategy, placing an emphasis on delivering high quality early education and early help services to the most disadvantaged children and families.
- The Government should examine seriously the case for root and branch reform of early years funding, engage in a dialogue with the devolved administrations on this issue and commission an independent review setting out options for reform.

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