

Introduction

The British government spends over £7 billion per year on pre-school support, more than Germany, France or the Netherlands. Yet the average family spends 27 per cent of their income on childcare, higher than every OECD country bar Switzerland. Despite this spending, recent studies show that there are still quality and availability issues.

Research by the Resolution Foundation has shown that increasing female employment raises families' living standards and effective childcare provision is a vital part in enabling this. Both Germany and the Netherlands have overtaken Britain in terms of female labour market participation in the last decade and the UK remains behind the Nordics.

There are various reasons why the UK fails to secure value for money. Childcare support from government comes in a variety of different forms and does not clearly follow demand. British child-adult ratios are some of the lowest in Europe, particularly for childminders. Regulatory structures provide poor incentives for new entrants to the market.

This paper suggests that given more effective supervision and training then ratios could be raised to the levels in other countries, especially for childminders. This headroom would enable either higher paid staff to be attracted to the profession improving quality, or alternatively, would make the service more affordable and available.

A coherent framework in Britain could be achieved by adopting the agency structure – used in the Netherlands – for childminders. In the Netherlands childminder or 'host parent'¹ agencies operate locally, training and monitoring registered childminders, while parents pay a monthly fee for childminding. An equivalent system in the UK could be based on existing networks, agencies and local authority operations already in existence.

¹ The Dutch term Gastouder which is here translated as 'host parent' equates to both childminders and nannies in the UK. For ease of reference the term childminder is used throughout this paper.

Affordable quality:

new approaches to childcare

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CENTRE:FORUM

In addition nurseries and children's centres could be allowed to attain academy status, as schools are currently able to. This would mean money currently allocated to local authorities would go direct to academy nurseries.

Simplifying the provision so that all parents using subsidised childcare went to a nursery or an approved agency would enable a single childcare support to be paid to the parents combining the existing childcare element of working tax credits, employer vouchers and early years entitlements. Within this universal system children from deprived backgrounds (who already receive extra funding) could be matched with high quality provision.

1: Childcare in Britain

In Britain the two main forms of full-day childcare provision are nurseries and childminders. Until the late 1990s childminders provided the largest number of places. However the number of childminders has halved over the past decade from 103,000 in 1996 to 57,000 in 2010,² coinciding with price inflation and a reduction in flexibility. Childminding places started declining in 1996, when nursery vouchers were introduced that could not be used by childminders. At the same time there was a doubling in nursery places, the provision of which was favoured by government funding structures (see Chart 1).

The reason that childminders provide more value for money for the youngest children is that they do not carry the overheads that nurseries do, which typically account for a third of the cost of a nursery place. However, despite working an average 39 hour week a childminder's median income from fees is currently £11,100 with expenses of approximately £3,900.³ Childminders also have to be a member of childminding network, often join the National Childminding Association (cost £70), register with Ofsted (cost £103 for the childcare register and £35 for the early years register) as well as paying for insurance and training. Given the limited potential rewards and the paperwork required, it is not surprising that numbers remain low.

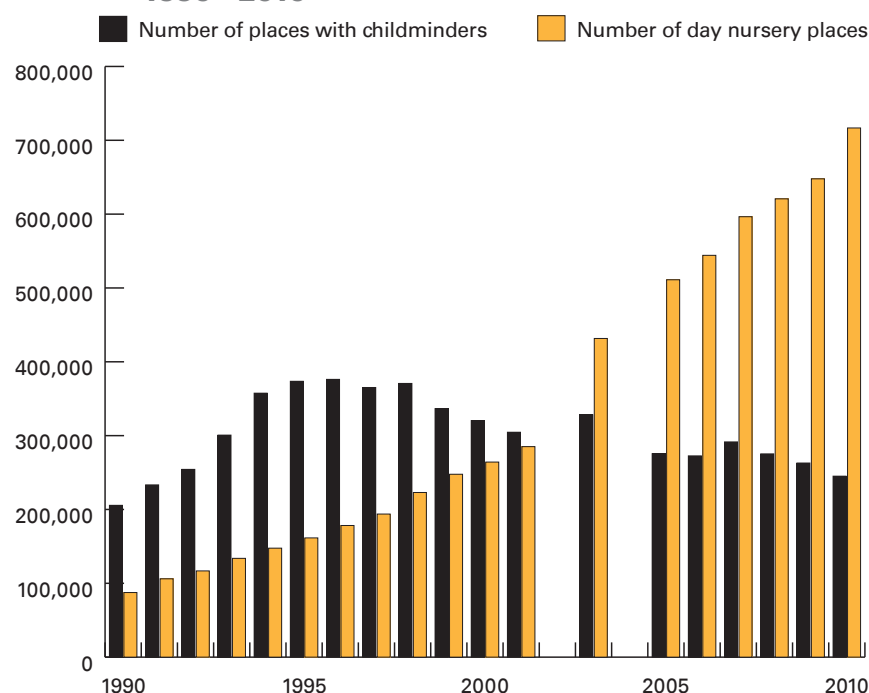
Successive policies have resulted in an increase in the total number of childcare places but at a disproportionate cost. In 2000 there were around 600,000 places at childminders and nurseries: by 2010 the figure was nearly 1 million. Combined with places in sessional care, holiday clubs and after school clubs that provide shorter periods of ad hoc childcare the total number of places now stands at just under 2 million. While the number of places has increased this has not resulted in lower prices for parents.⁴

2 DfE, 'Childcare and early years providers surveys, 2005-2010'; DfES, 'Childcare and Early Years Workforce Survey', 2003; DfES, 'Children's day care facilities', 2001

3 DfE, 'Childcare and early years providers survey', 2010

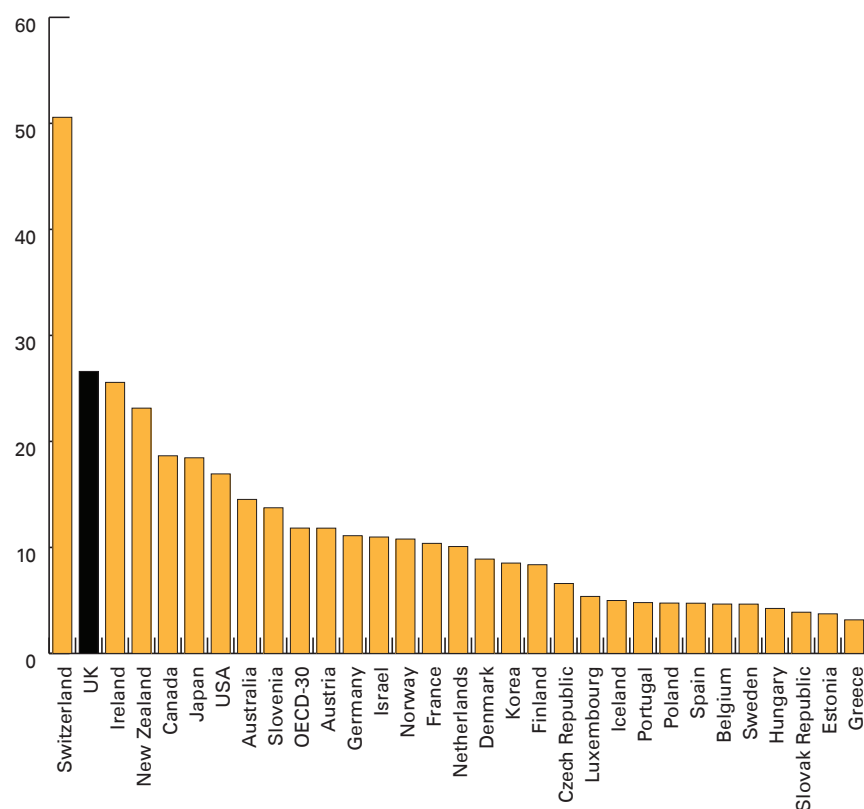
4 DfE, 'Childcare and early years providers surveys, 2005-2010'; DfES, 'Childcare and early years workforce survey', 2003; DfES, 'Children's day care facilities', 2001

Chart 1 – Number of UK places: childminder vs nursery, 1990 - 2010



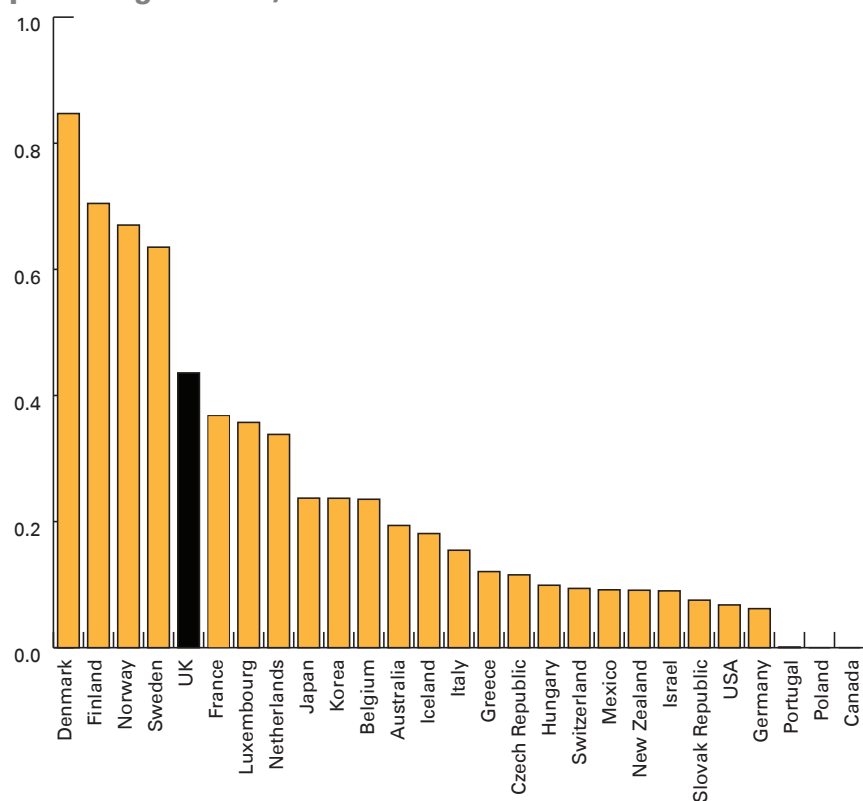
Source: DfE, Childcare and Early Years Providers Surveys, 2005-2010; DfES, Childcare and Early Years Workforce Survey, 2003; DfES, Children's Day Care Facilities, 2001. Note surveys were not carried out in 2002 and 2004

Chart 2 – Childcare costs as a percentage of net family income (both earning the average wage), 2008



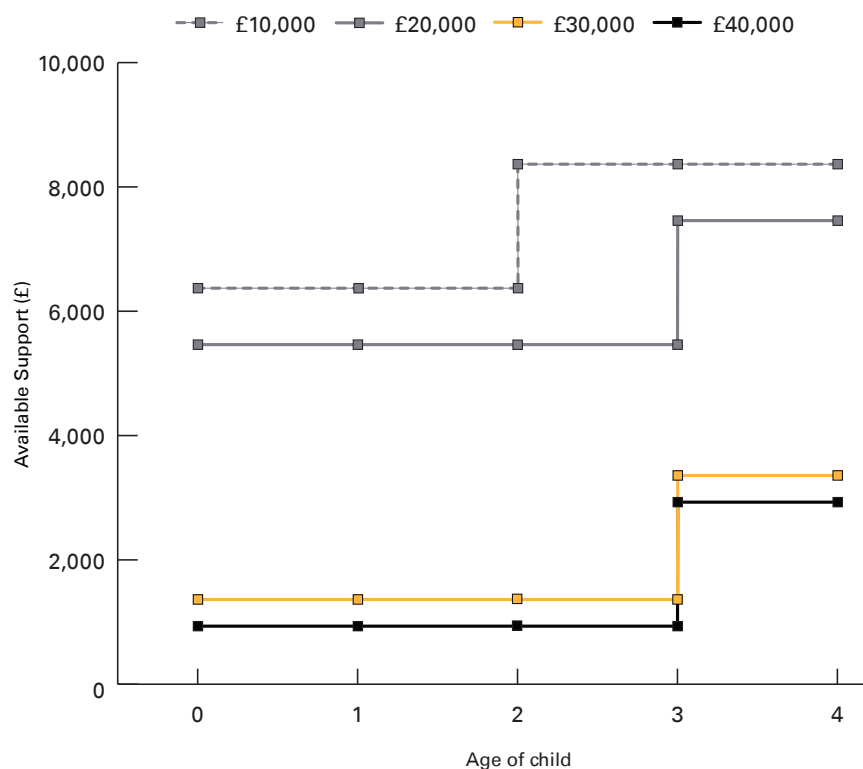
Source: OECD, Doing Better for Families, Figure 4.A2.1. Panel A, 2011

Chart 3 – Public spending on under three childcare as a percentage of GDP, 2007



Source: OECD, OECD Family Database, PF3.1, 2011

Chart 4 – Maximum childcare support by gross household income



(Note: Figures based on support for a lone parent or family with one child spending £175 a week on childcare and working at least 30 hours a week. Early years entitlement funding for a two year old for a family earning £10,000 is from September 2013 only. This excludes direct expenditure on nurseries and money spent by local authorities.)

High costs for parents

The average British family spends a higher proportion of their wages on childcare than any other nation except Switzerland, 27 per cent of their net income for a family where both parents earn the average wage (See Chart 2).⁵ This figure does not reflect the large support given to very low income families. Childcare is increasingly beyond the reach of the “squeezed middle” families.⁶ Yet only in the Nordic countries is public spending on childcare for the under threes higher than in the UK (See Chart 3).⁷

Methods of funding

The government spends £7 billion per year on childcare support, through a series of funding streams. Based on an assumption of 2 million funded places, current government support works out at £3,500 per place. The childcare element of the Working Tax Credit – which will become Universal Credit (worth £2 billion) – is administered by the Department for Work and Pensions and HM Revenue and Customs and is worth up to £6,370 for a family with one child. A fifth of families receive the childcare element of the Working Tax Credit. Childcare vouchers are administered by employers and cost the government £0.7 billion per year. These are worth up to £933 a year for parents. The Department for Education spends a budget of around £2.5 billion providing the early years entitlement of 15 hours free childcare for all 3 and 4 year olds and disadvantaged 2 year olds. This is worth around £2,000 a year to parents for each eligible child. In addition the Department for Education funds provision directly through the £2.2 billion Sure Start Budget⁸ which is administered by local authorities.⁹

Funding through the different schemes is weighted towards very low income households, who can receive the vast majority of the approximately

5 OECD, Doing Better for Families, Figure 4.A2.1. Panel A, 2011

6 Social Market Foundation, The Parent Trap: illustrating the growing cost of childcare, November 2011

7 OECD, OECD Family Database, PF3.1, 2011

8 This now forms part of the Early Intervention Grant Budget

9 Hansard, 18th January 2012: Col. 888-9W; Hansard, 19th January 2012: Col. 955-7W; Hansard, 23rd April 2012, Cols. 642-3; DfE, 8 December 2011, ‘Two year olds early education entitlement’. Retrieved from: www.education.gov.uk/childrenandyoungpeople/strategy/laupdates/a00200670/2yo-early-education

£9,000 cost of an average childcare place. However those families on an average income (approx. £32,000) receive around £2,500. Although lower income families receive a great deal more funding, there is no clear way of ensuring that those children are getting the best quality care.

Inspection and quality

Nurseries and childminders are all inspected directly by Ofsted. In order to be a childminder, applicants must apply to Ofsted for approval, a process which takes 4-6 months and which after paying for registration and training costs around £400 for each childminder. Initial training with the local authority must be completed, which consists of a paediatric first-aid course of at least 12 hours' duration and a course on how to be a childminder with an approved provider,¹⁰ Ofsted inspections of childcare providers are conducted every 3 to 4 years and there is no further training requirement.¹¹ Childminders complain of a "tick box" approach which gives insufficient weight to the personal attributes of the caregiver and is applied to nurseries and childminders without distinction. Last year Ofsted spent £21.1 million¹² visiting and inspecting around 55,000 childminders¹³ – at a cost of nearly £400 per year per childminder. Sir Michael Wilshaw admitted at the Education Select Committee that: "we need to think about the future and how we inspect childminding institutions. I do not think we can carry on doing it as we are doing it at the moment. Every time a youngster goes into a childminding setting, we have to inspect: that is unsustainable."¹⁴

Childminders follow the Early Years Framework and those receiving funding are expected to be a member of a childminding network. These networks

were set up to provide peer support and training but vary considerably from area to area. They also can be difficult to sustain in disadvantaged areas due to the lack of clear incentive to run a network. Many local authorities already provide funding for these networks or other childminding support: the budget at one rural local authority was £250,000.¹⁵ Typically a support worker will visit local childminders twice a year, on a voluntary basis.

The Nutbrown Review's interim report on Early Education and Childcare Qualifications published in March 2012 suggests that high quality is not universal.¹⁶ Staff are not well paid, coverage is patchy and parents are not always able to access the care that they want. The Childcare Costs Survey 2011 found that "60 per cent of Family Information Services said that parents had reported a lack of available childcare in their area during the last twelve months."¹⁷

¹⁰ Approved providers and courses vary by local authority. One widely accepted course is the National Childminding Association's unit on "Understand how to set up a home-based childcare service" (www.ncma.org.uk/training/essential_training.aspx)

¹¹ Guide to inspections of provision on Ofsted's Childcare and Early Years Registers (October 2011) pg. 14.

¹² Hansard, 20th March 2012: Col. 654W; Hansard, 7th March 2012: Col. 803W

¹³ Ofsted Official Statistics Release, 28th July 2011 www.ofsted.gov.uk/resources/registered-childcare-providers-and-places-england-december-2008-onwards

¹⁴ House of Commons Education Committee, Annual Report of HM Chief Inspector – OFSTED, Oral Evidence Wednesday, 29th February 2012.

¹⁵ Private correspondence.

¹⁶ C Nutbrown, 'Review of Early Education and Childcare Qualifications: Interim Report', March 2012.

¹⁷ Day Care Trust, 'Childcare Cost Survey 2011', February 2011.

2: Reforming the structure of childcare provision: the Netherlands

In order to create a clearer structure of childcare provision Britain should look to other countries that reformed their provision – one of which is the Netherlands. Prior to 2005 funding for childcare was fragmented between a combination of employer, private and local authority funded providers. Funding was supplier-led and attached to individual providers. In 2005 the Dutch dramatically simplified their supply of childcare by channelling childcare subsidies through childminder agencies, nurseries and after-school care adopting a demand-led system of childcare. The result was a large increase in places – especially at childminders. There were problems with the 2005 reforms including a number of grandparents only looking after their own relatives registering as childminders, which created a deadweight cost. The 2010 Childcare Act and subsequent reforms have helped address this. Quality is highly rated by parents, and the Netherlands

enjoys a high level of maternal employment.¹⁸

An increase in places

Following the 2005 reforms the number of places in all forms of childcare increased and the number of children using childminders more than quadrupled, increasing from 30,000 in 2005 to over 130,000 in 2010 (see Chart 5).¹⁹ The market in 2011 and 2012 is now stable with around twice the number of childminders per head than in the UK. Since the scheme began the proportion of children under 4 in childcare has doubled from 31 per cent to 61 per cent.²⁰

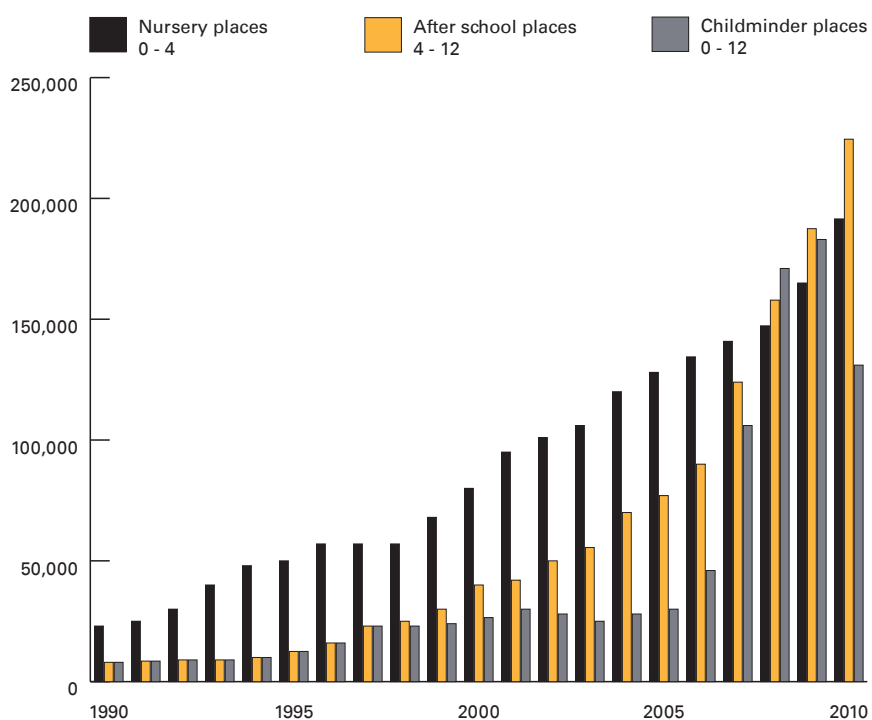
Inspection and quality

In the Netherlands the childminder agencies act as a one-stop-shop for parents and childminders. The agencies act as a proxy for the regulator and operate either locally or nationally competing with one another for business. They train and monitor around 50,000 childminders.²¹ These agencies then act as intermediaries between parents and childminders (see Diagram 1, overleaf).

Government funding is through approved agencies. Parents select individual childminders through the agency. Agencies check that the prospective childminder has met the requisite national standards. It then supervises the quality of childcare provided by conducting home visits and meeting childminders at least twice a year. Agencies also help childminders with their business plans (as they tend to be self-employed) providing insurance and legal cover. They produce a care plan with the childminder and market the childminder's services to parents.

Agencies are regulated by the local authority, which carries out annual,

Chart 5 – Number of Dutch childcare places, 1990 - 2010



Source: E Jongen, 'Kinderopvang: waarheen, waarvoor?', TPEdigitaal 2008 jaargang 2(4), 27-48; Buitenhek Management & Consult, 'Kinderopvang in Nederland 2011: vraag en aanbod in evenwicht', Utrecht, July 2011; Centraal Planbureau, 'Kinderopvang in Kaart', The Hague, October 2011.

18 J Plantenga, 'Local providers and loyal parents: Competition and consumer choice in the Dutch childcare market' in E Lloyd and H Penn (eds.) 'Childcare Markets: can they deliver an equitable service?' Bristol: The Policy Press, Forthcoming.

19 E Jongen, 'Kinderopvang: waarheen, waarvoor?', TPEdigitaal 2008 jaargang 2(4), 27-48; Buitenhek Management & Consult, 'Kinderopvang in Nederland 2011: vraag en aanbod in evenwicht', Utrecht, July 2011; Centraal Planbureau, 'Kinderopvang in Kaart', The Hague, October 2011. Note: Figures for nursery and after school care are based on the number of places for childminders the figures are based on usage.

20 Buitenhek Management & Consult, 'Kinderopvang in Nederland 2011: vraag en aanbod in evenwicht', Utrecht, July 2011

21 H Kamp, Letter to the President of the House of Representatives of the Netherlands, 16 March 2012.

unannounced inspections of day care centres and nurseries as well as childminder agencies. It also inspects childminders on a random basis (between 5 and 30 per cent of the total annually) to verify that agencies are meeting the national standards.

The funding model

Childminder agencies and nurseries receive payments from parents. Once the parents have paid the fee they claim that amount back from the government using their invoice. The amount parents can claim backed depends on a number of variables: a) the type of childcare used; b) the family's income; c) whether it is a first or subsequent child; d) how many hours worked by the parent working the fewest number of hours. The maximum amount they can claim for is higher for nurseries (€6.36 per hour in 2012) than for childminders (€5.09 per hour).²²

Childminding agencies take a percentage of the fee, between 5 and 20 percent to cover the costs of training, inspection and administration. The agency model shifts the responsibility for training and supervision to local organisations, providing a “one-stop-shop” for childminders and parents, while retaining a national framework to ensure high standards.

Quality and transparency

There are very few international studies of quality in childcare provision. However, a recent study by Dutch economics group SEO rated host parents at 8.6 out of ten, higher than nurseries in every category including quality, affordability and flexibility – though all forms of childcare score highly.²³ The system has also proved very transparent with childminders registered for different qualifications on their website – providing parents with greater information about prospective providers. For example, the web-site of ‘Mr Nosey’ a childminder agency awards stars to let parents know if the childminder has a pedagogic work plan or a higher level of vocational training (see Diagram 2).

22 Recht op kinderopvangtoeslag. Retrieved at www.rijksoverheid.nl/onderwerpen/kinderopvangtoeslag/recht-op-kinderopvangtoeslag; Staatsblad van het Koninkrijk der Nederlanden. Retrieved from zoek.officielebekendmakingen.nl/stb-2011-424.html
 23 SEO Economisch Onderzoek-enquëtekinderopvang 2008, Tabel 3.9

Diagram 1: Supervisory structure

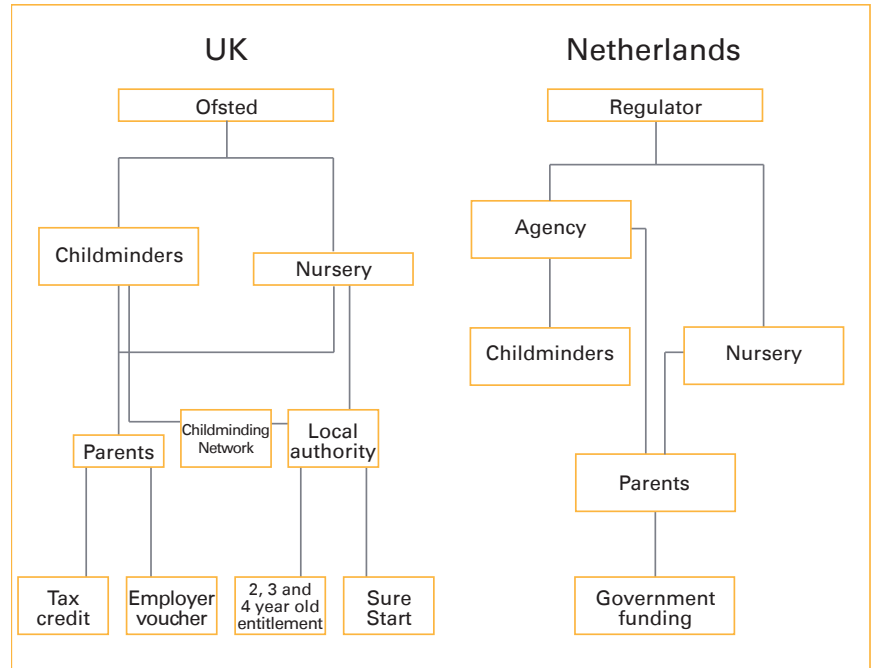
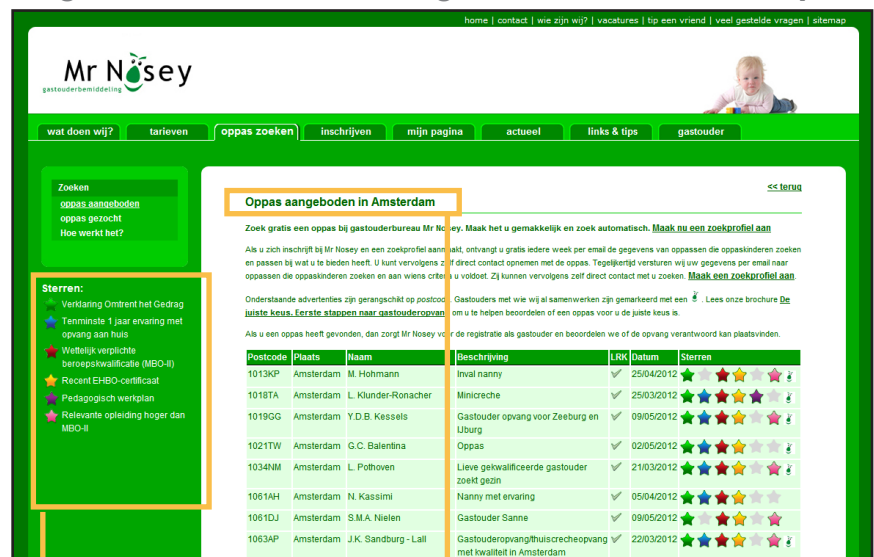


Diagram 2: Dutch childminding website – www.MrNosey.nl



- “Stars:
- ★ Certificate of Good Behaviour
 - ★ At least 1 year’s experience in home care
 - ★ Regulatory qualification (MBO II)
 - ★ Recent first-aid certificate
 - ★ Provision for extra social needs
 - ★ Relevant training is higher than MBO II”

“Childcare in Amsterdam”

Ratios

Like many other Northern European countries the Netherlands are prepared to pay childcare workers more, have more training and supervision and allow them to look after more children. The UK childminder ratios are particularly restrictive, with a 3:1 ratio being required for childminders looking after under fives. In the Netherlands that ratio is 5:1. For children under one the ratio in the UK is 1:1 whilst in the Netherlands it is 2:1.²⁴ In Germany the child to staff ratio for childminders is 5:1 whilst in Finland the ratio is 4:1 full time plus part-time care for one pre-primary or school aged child.²⁵ Other countries have similar ratios. Improved training and supervision introduced allows for higher ratios and lower costs while maintaining standards.

Female participation

Female participation in the labour market in the Netherlands has overtaken that of Britain.²⁶ Data from the OECD shows a high labour market participation rate in Dutch mothers, measured by the youngest child. Mothers with children under three have a 75 per cent labour market participation rate in the Netherlands, compared to 54 per cent in the United Kingdom. There is also very little difference in the figures for Dutch maternal participation when the children get older: the figure remains constant at about 75 per cent. Whereas in Britain there is an increase in labour market participation as children get older, even when the children are aged 6–14 the UK is behind the Netherlands on 64 per cent.²⁷ While the Netherlands has historically had high maternal employment rates, research by the Dutch government found that labour market participation of mothers with children aged under 12 increased from 60 per cent in 2005 to 71 per cent in 2011.²⁸

24 The Early Years Foundation Stage, Statutory Framework, Appendix 2; Factsheet, Childcare and Childcare allowance www.government.nl/documents-and-publications/leaflets/2011/10/13/fact-sheet-childcare-and-childcare-allowance.html

25 www.kindertagespflege-handbuch.de/Publikationen/kindertagespflege/3-Wissenswertes-fuer-tagesmuetter/3-4-erlaubnis-zur-kindertagespflege.html; Private correspondence with Finnish Ministry of Social Care and Health

26 Eurostat, 'EU Labour Force Survey'.

27 OECD Family Database LMF1.2.B: 'Maternal employment rates by age of youngest child', 2008.

28 H Kamp, Letter to the President of the House of Representatives of the Netherlands, 16 March 2012. Note: the difference in the OECD and Dutch Government figures are due to a difference in measures used.

3: Recommendations

It is not appropriate to import an entire model from another country. However, aspects of the Dutch reforms, especially the agency structure, could be beneficial for improving the value for money of childcare in Britain. In particular, it could enable the provision of more childminding places improving affordability and availability. This would be valuable for the under threes who particularly benefit from care in the home according to the Department for Education's Effective Provision of Pre-School Education project. This identified close attachment with the carer and a homely environment as crucial for the child.²⁹ The key lessons to be learnt from the Netherlands are about simplifying the structure and allowing greater flexibility.

Combine better supervision and training with higher ratios

Rather than directly regulating childminders, Ofsted should regulate childminder agencies which can be developed around existing nurseries, childminding network and nanny agencies. In many cases childminding networks already visit childminders several times a year to ensure standards are met. Agencies could be responsible for marketing services and collecting payment, providing training and regular inspections as well as providing administrative and legal support. As in the Netherlands, agencies would deduct a percentage of the childminders fee to cover the cost of these services, which would replace the fees childminders currently pay for different services they receive (Local authority budgets currently used on childminder support could be used to subsidise this).

Improved supervision and training could be accompanied by moving the ratio from 3:1 to 5:1 for the under fives, with a 2:1 ratio for babies. The 40 per cent headroom from higher ratios would enable either higher paid staff to be attracted to the profession improving quality and availability or alternatively would make the service more affordable.

29 EPPE Project: Summary of findings from the Pre-School period, epppe.ioe.ac.uk/epppe/epppepdfs/RB%20summary%20findings%20from%20Preschool.pdf

Increasing childminder numbers

There are many capable people who are already looking after their own children or perhaps used to work in childcare, who if provided with a simple and well supported route could become childminders. An agency model would create a clear incentive to recruit new people into the profession. There is also an opportunity to make use of existing childminding networks and local authority provision by their converting to agency status and taking on greater responsibility. An unambiguous structure would enable better career progression and individual development.

Consistent demand led funding

A clear structure where nurseries and agencies were regulated by Ofsted would enable a simplification of funding streams through these suppliers, reducing leakage and administration. Rather than the current system of multiple funding streams there should be a single childcare support to be paid to the parents combining the existing childcare element of Working Tax Credits and early year's entitlements.

Freedom for nurseries and children's centres

This structural change could be accompanied by allowing nurseries and children's centres to become 'academies' independent of local authority control. Rather than receiving a set amount from the local authority's Early Intervention Grant budget and an allocation under the Early Years Funding Formula, funding could follow the child – thereby directly funding both agencies and nurseries.

Universal and targeted funding

A single system of childcare support would also enable children eligible for early intervention funding to be identified so that the most deprived youngsters could be matched with the

highest quality settings. Thus it would be a universal system that flagged those with the greatest need similar to the "pupil premium" concept for schools. This addresses the fact that current childminding networks are difficult to sustain in disadvantaged areas by giving a strong economic incentive to open an agency that covers these locations.

Informal arrangements

This agency oversight is important to ensure quality and protect against fraud where government funding is being used. At the same time it should be made easier for parents to use their own money on effective informal arrangements. If parents wish to pay neighbours or friends using their own money they should not be barred from doing so as they are at present (if that individual is not Ofsted registered). The UK should follow arrangements in places like Ontario where childminders looking after fewer than five children – 'independent' family daycare – are unregulated but unable to receive state subsidies. However, to ensure the child's safety anyone being paid to look after children should undergo a Criminal Records Bureau check.

4: Conclusion

Childcare in Britain remains a major cost to families who often lack access to high quality provision. Adopting the Dutch agency structure used for childminders, combined with extending academy freedoms to nurseries, would provide a clear framework to increase provision and quality. Greater levels of local oversight combined with higher ratios would help attract more quality staff. Well targeted regulatory reform as advocated could boost quality, increase parental choice and reduce the administrative burden on childcare providers.

About the author

Elizabeth Truss is Member of Parliament for South West Norfolk. She was previously Deputy Director of the think tank, Reform, where she co-authored 'Productive parents', 'The value of mathematics', and 'The mobile economy' amongst other reports. Elizabeth previously worked for Shell and Cable and Wireless in a variety of commercial roles.