

# A FAIR START FOR ALL

## A UNIVERSAL BASIC SERVICES APPROACH TO EARLY EDUCATION AND CARE

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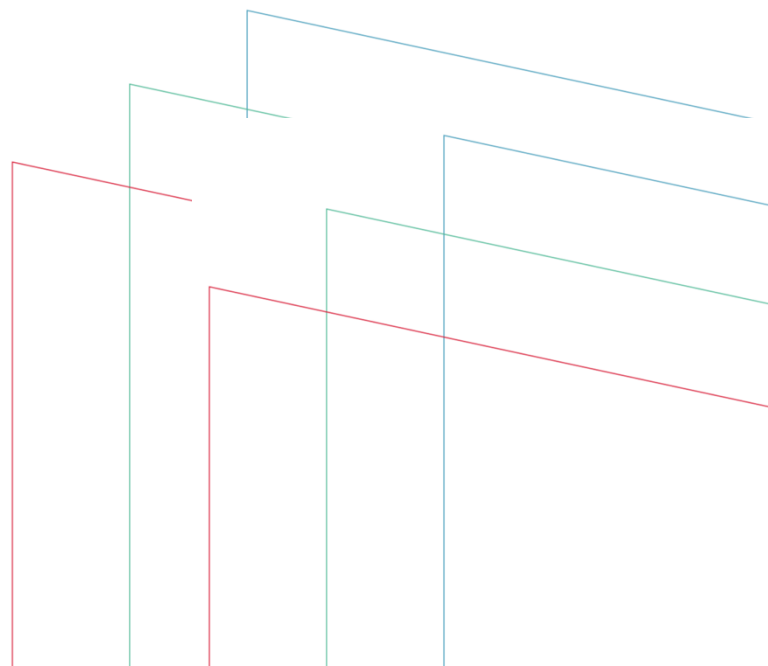
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# EXECUTIVE SUMMARY

The government's plan to expand the number of 'free hours' of early childhood education and care (ECEC) available to some families means that 80% of the provision being accessed in England by the end of 2024 will be funded by the state. ECEC will have become a de facto public service, but without realising the broad range of benefits this could unlock.

The concept of universal basic services (UBS) is based on the premise that the first job of good government is to make sure everyone's basic needs are met. This is often best achieved through collective services rather than individual market transactions. The UBS framework sets out clear criteria that public services should be fulfilling:

- Free or affordable access according to need, not ability to pay.
- A mixed economy of provision, bound by a set of public interest obligations.
- Guaranteed fair pay and conditions for service workers.
- Environmental sustainability built into the design and delivery of services.
- Devolved powers to the lowest appropriate level.

This framework provides a basis to reimagine the design and delivery of ECEC provision as a universal public service that can better meet the needs of children, parents and staff, while making a positive contribution to the economy, society, and environment in which it sits.

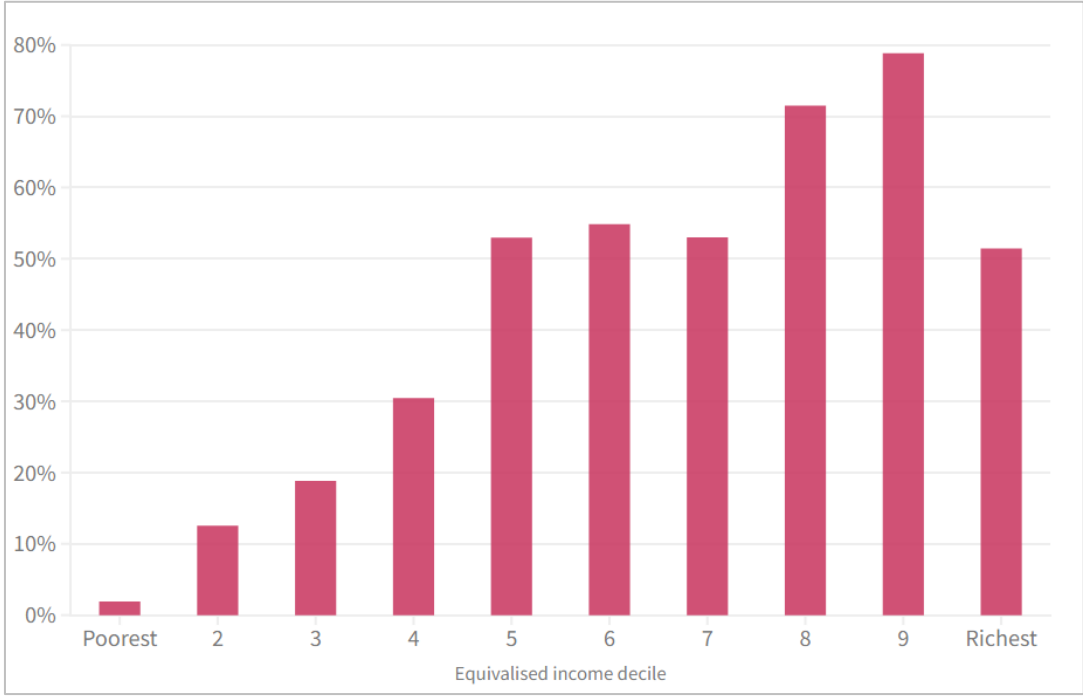
## THE CURRENT STATE OF ECEC PROVISION

Serious concerns remain about the sufficiency of funding, the availability of staff and their working conditions, and the implications for the quantity and quality of available provision. Many families will continue to struggle to access good provision, be locked out of the full offer of subsidised hours, or simply be deterred by the complexity of the system.

The exclusive policy focus in recent years on labour market participation – basing access to funded provision primarily on the current working status of parents – means that children from low-income households, who would stand to benefit most

from ECEC provision, have limited access to it by design. NEF analysis shows that very few poorer households will be able to access the full 30 free hours for under-fives that the government is rolling out.

**Percentage of families eligible for 30 free hours of ECEC provision for children from 9 months to four years old under planned changes announced at the 2023 Spring Budget**

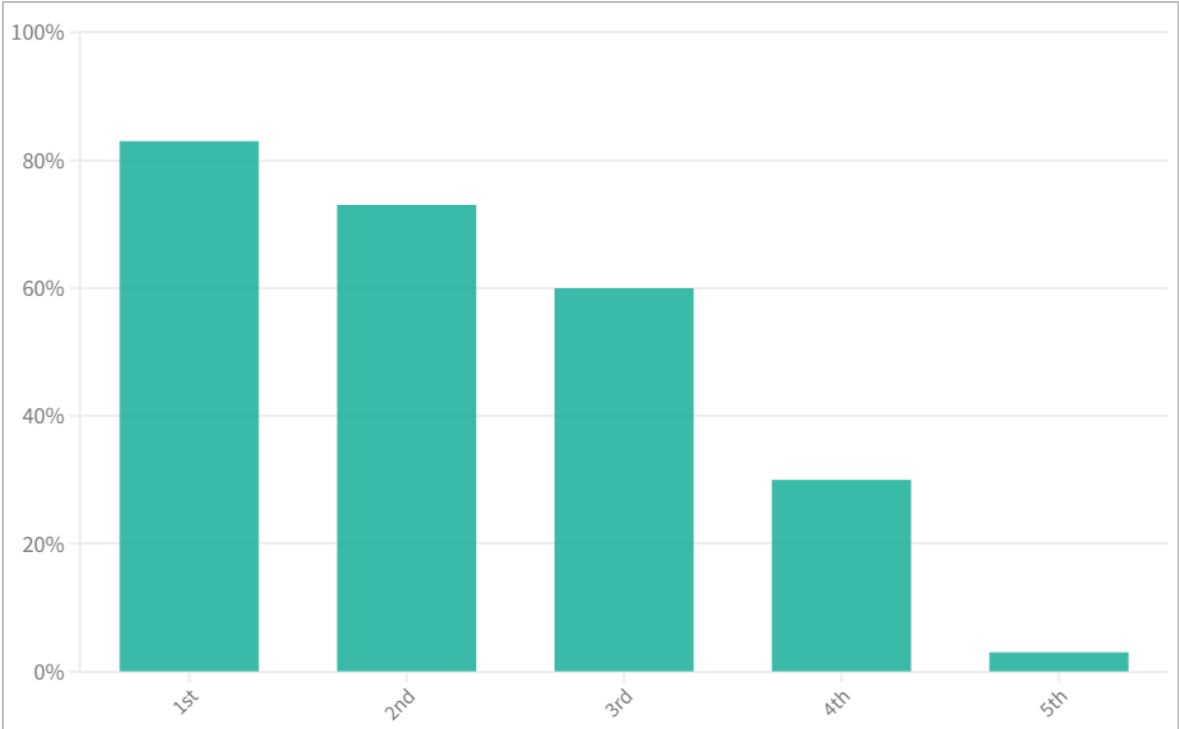


Source: Own calculations, Family Resources Survey, 2019.

NEF calculates the total fiscal benefits of investing in high-quality provision for children from low-income households at 2.07:1 over the course of their lifetime. In comparison, funding the same quantity and quality of provision for children from middle-income households would see returns of 1.19:1, while the government would lose about 33p for every £1 borrowed to spend on provision for children from high-income households.

Even if low-income households received the full 30 free hours offer, they may struggle to find good provision locally. New NEF analysis shows that 44% of children aged 0–5 in England live in local authorities that are ‘ECEC deserts’, i.e. there are more than three children for every registered ECEC place. Exactly half of local authorities meet this definition, but these are much more likely to be the most deprived local authorities.

**Proportion of English Local Authorities which are 'ECEC deserts' in each deprivation quintile (1st = most deprived 20% of local authorities; 5th = least deprived 20%).**



Source: NEF analysis

NEF analysis shows that bringing levels of ECEC provision across the country up to those currently enjoyed by the best-served local authorities could create over 120,000 new jobs, concentrated in areas that are supposed to be at the core of the Levelling Up agenda.

The picture is similar when it comes to the quality of provision. NEF analysis shows that the proportion of providers rated 'outstanding' steadily increases as you move from the most deprived postcodes to the least. Meanwhile, the proportion of providers that 'require improvement' or are 'inadequate' increases as you move in the opposite direction.

Beyond these disparities, there are overarching problems with the quality of provision related to the rigour and standards of the inspection regime, and the qualification levels and availability of staff. In turn, this relates to the quality of pay and conditions for staff and the financial viability of provision. The providers that are thriving in the current system tend to be large for-profit chains with opaque financial arrangements, with little incentive or support for providers operating with a stronger social ethos in line with the UBS framework.

## **A UBS VISION FOR ECEC PROVISION**

Reshaping the design and delivery of ECEC provision within the UBS framework would entail treating it as a public good, establishing it as a fully-fledged public service in the public consciousness, and setting a different and broader set of objectives for it to fulfil:

- Giving families a solid foundation of simple and affordable access to high-quality ECEC provision to support positive outcomes for both children and parents.
- Ensuring that the level of access to ECEC provision in any given area is not determined by the wealth and working status of the families that reside there.
- Striving for greater and more equal quality of provision across the country with a focus on a broad set of developmental, educational and emotional goals.
- Improving the status, qualifications, pay and conditions of staff, as part of a wider effort to recognise the vital social and economic importance of care roles.
- Tilting the balance in favour of providers with a strong social ethos and a commitment to meet social obligations, including playing their part in the green transition.

## **KEY RECOMMENDATIONS TO DELIVER THIS VISION**

- 1) A new funding system should be rolled out to eventually replace the existing system, based around a single gateway for parents to pay any costs they face for the hours of provision they need. Fees in addition to free hours would be determined according to what parents can afford rather than their employment status.
- 2) Initially, providers should be able to opt into this alternative funding system, incentivised by the offer of a higher rate of payments for free hours. This rate needs to be negotiated between providers and the state, but the higher rates

currently paid to Maintained Nursery Schools should be the anchor point for these discussions.

- 3) Providers should only be able to switch to this alternative funding system if they can demonstrate that they are already meeting, or have a clear plan to meet key social licensing obligations. The specific details of these should be agreed upon through deliberation with providers, local authorities, parents, and experts, but should include:
  - Locating provision where it is most needed, guided by local authorities
  - Quality of service sufficient to meet the needs of parents and children
  - Flexibility of access for parents in terms of days and hours
  - Minimum pay levels for staff, based on levels of qualification and seniority
  - Being supportive and encouraging of staff unionisation
  - An objective of having at least one graduate in every setting
  - Commitments to workforce development
  - Plans to promote ecological sustainability
- 4) All children from the age of nine months should be eligible for up to 30 free hours, but the number of free hours funded by the state should begin to taper off for households with higher incomes. The threshold and taper could be calibrated to match current ECEC funding commitments, but incorporating higher hourly rates for providers.
- 5) The medium-term policy objective – over the course of one parliamentary term – should be that no family needs to spend more than 10% of their income on ECEC provision (with an upper cap on the total cash amount). Over the course of two parliaments, the longer-term objective should be to bring this down to 5%.
- 6) New Ofsted inspection criteria should be developed, in collaboration with experts, parents and providers, to better reflect a broader range of considerations around educational, social, behavioural and emotional development.
- 7) Whether overseen by Ofsted or a new financial regulator, greater scrutiny of the financial affairs of providers is needed to set out and monitor requirements

around transparency, identify and enforce upper limits on acceptable levels of indebtedness, and develop mechanisms to reliably monitor and limit profit-making.

- 8) Local authorities must be empowered to play a much more active role in coordinating the quality and coverage of ECEC provision, guided by an explicit goal of more equal access and take-up across the income distribution:
  - This objective will be supported by the new funding model we propose
  - They should be encouraged and resourced to establish and foster trailblazer nurseries to set high standards and expectations locally and build capacity and expertise to support other providers.
  - Non-profit provision that demonstrably prioritises and fulfils social, environmental and financial obligations should be actively supported to thrive and expand.
- 9) Central government must ensure there is adequate resource, capacity and capability at a local authority level to fulfil their expanded responsibilities to guarantee provision at a consistently high standard across the country.
- 10) The design and delivery of ECEC provision should involve deliberation and collaboration with parents, providers, staff, unions, experts and other relevant stakeholders at a national, local and service level.



# 1. INTRODUCTION

In the 2023 Spring Budget, the government committed to significantly increasing spending on early childhood education and care (ECEC).<sup>i</sup> However, serious concerns remain about the sufficiency of the hourly funding, the availability of staff and their working conditions, and the implications for the quantity and quality of available provision. Many families will continue to be locked out of the full offer of subsidised hours, either because of the focus on parental working status, or because they are deterred by the complexity of the system.

Under current government plans, 80% of the cost of ECEC provision will be funded by the state by the end of 2024 – up from just under 50% when the expanded investment was announced.<sup>1</sup> Despite this, because of the marketised model of supply and the conditional nature of support for parents, access to ECEC provision will likely continue to feel more like a subsidised purchase than a public service. As a result, the relationship between families and ECEC provision is more transactional than with, for example, a school.

Why does this distinction matter? For parents<sup>ii</sup> currently accessing provision, their concerns may well be much more about affordability and quality than the framework within which provision is delivered. However, the parameters and principles that characterise ECEC reform play a crucial role in determining the nature, quality and cost of provision, as well as who has access to it. Reframing ECEC provision as a universal public service could radically reshape the expectations and experiences of parents, children, staff and the wider public.

Universal basic services (UBS), both as a concept and as a framework, provides a basis to reimagine ECEC provision to better meet the needs of children, parents and staff, while making a positive contribution to the economy, society and environment in which it sits. Continuing down the current path of reform will see huge amounts of public money invested in a market of provision that will fail to provide the wider

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<sup>i</sup> We use this term throughout the report to reflect the wider purpose of these services beyond childcare.

<sup>ii</sup> We use the term ‘parents’ throughout the report for brevity, but recognise that many children are cared for by people who will not refer to themselves as the children’s parents but face the same issues highlighted here.

returns that could be realised within the more comprehensive and intentional UBS framework.

There have been many vital contributions to this debate from a range of charities and think tanks over the last year, raising concerns that we share about the affordability, availability and quality of ECEC provision, as well as workforce supply, conditions and standards. This report draws and builds on this existing work, adding our analysis and research along with the lens of the UBS framework, to set out a proposal for a new approach to ECEC provision built on stronger guiding principles and a public service ethos.

We begin by setting out the central argument for UBS, the framework it provides for guiding the design and delivery of public services, and the value of applying this to ECEC provision. We then explore what a UBS approach would mean in terms of the affordability, availability and quality of provision, the prospects for staff working in the ECEC sector, and the environmental impact of ECEC provision. We end by setting out how provision could be designed, funded, delivered, and regulated to realise a UBS vision of ECEC.

## 2. THE CASE FOR UBS AND IT'S APPLICATION TO ECEC PROVISION

The concept of UBS is based on the premise that the first job of good government is to make sure everyone's basic needs are met. This involves creating the conditions in which all of us have access to *life's essentials* – the core building blocks of a healthy and happy life. There's broad agreement about what these are: a home to live in, nourishing food, air, water, domestic energy, education, healthcare and wider care when we are young or otherwise unable to fully care for ourselves, opportunities to earn a wage, transport to take us where we need to go, access to the internet, and a safe environment.

We can only meet all our needs by pooling resources, sharing risks and working together through our shared, public institutions and through our neighbourhoods and communities. Meeting needs cannot be left simply to individual market transactions. While a decent cash income is important for everyone, none of us (even the rich) can meet all our needs without collective measures – most notably high-quality public services that deliver life's essentials, backed by investment of public funds and regulation in the public interest. These collective measures – comprising in-kind benefits that represent a 'virtual income' or 'social wage' – are embodied in the concept of UBS.

The most fundamental of all human needs is a safe planet, without which all efforts to satisfy other needs are ultimately futile. The UBS agenda is crucial for achieving a socially just transition to net zero by ensuring people's needs are met sustainably and equitably as our environmental impact is reduced. It can contribute to this objective on three levels: establishing secure social foundations by delivering life's essentials for all, reducing the environmental impact of this endeavour, and helping to close inequalities. More broadly, the delivery of a UBS agenda could bolster electoral support for climate action by integrating social and environmental policies, so that those on low incomes are not disproportionately burdened by their effects and no one feels left behind.

## 2.1 THE UBS FRAMEWORK

Each of life's essentials is bound to be supplied in a manner that suits its particular features. Healthcare provision will look very different from housing, for example. In every case, however, where each of life's essentials is concerned, the same principles apply. This is the UBS framework, which guides policy and practice across all areas of human need:

- *The right to life's essentials:* everyone has the means to survive, participate, and flourish, guaranteed in part through free or affordable access to high-quality public services according to need, not ability to pay.
- *Fair pay and conditions for service workers:* workers enjoy a living wage, good working conditions, career development and trade union recognition.
- *Built-in sustainability:* services are designed to safeguard the natural environment and contribute where possible to a socially just green transition.
- *A mixed economy of service provision:* services are provided by a range of state and non-state organisations, all bound by a shared set of public interest obligations enforced through a model of social licensing.
- *Devolved powers:* services are designed and delivered at the lowest appropriate level, in collaboration with residents who benefit from them.

The central objective of the UBS agenda is to see existing public services delivered in a way that is more aligned with this framework but also to expand the range of needs that are met through high-quality and universal public services that fulfil these criteria.

## 2.2 APPLYING THE UBS FRAMEWORK TO ECEC PROVISION

ECEC provision should be regarded as one of life's essentials. Not everyone needs it all the time but when it is insufficient, unaffordable or unavailable for those who do need it, children and their parents suffer harm in ways that undermine their capacity to meet their basic needs, participate in society, and flourish. For children in

particular, the potential negative impact on development during their early years may never be fully recovered.

The extent to which ECEC provision is already seen as an essential service for all has been constrained by the dominant focus in recent years on its role as an enabler of labour market participation. This has crowded out previous efforts to pursue other objectives such as improving learning and tackling disadvantage. The current funding model is a patchwork of confusing and inconsistent components.<sup>2</sup> The status of ECEC provision as an essential service may be enhanced if greater emphasis were placed on both universal access and its role in supporting children from low-income households and reducing inequalities.

The UBS framework offers a rounded approach to delivering ECEC provision as a public service. It encompasses angles and components that not only enshrine important principles, but also interact and support each other to help achieve strong, enduring, constructive outcomes. For example, fair pay and conditions for ECEC workers are crucial for ensuring that services meet the needs of children and parents. Combining a right to high-quality ECEC provision with devolved powers means that local decision-making is anchored in a shared commitment to universal access. Each part of the framework is important on its own, but the sum of the parts is more important still, because it defines a universal and sufficient service, and points the way to achieving that goal.

Applying the UBS framework also locates ECEC provision in the same space as other services, making care more visible and valued as a social and economic good. It extends the rounded approach described above to all collective measures that deliver life's essentials so that they are seen not as isolated issues or problems, but as a coherent package, interdependent and collaborative. A broad range of other essential needs – housing, healthcare and transport, for example – interact with ECEC provision and combine to influence the overall experience and wellbeing of children and families. Improvements to ECEC provision will be fundamentally undermined if other needs are not adequately met.

The UBS framework is not a set of detailed instructions, but a broad guide. It assumes that the process of change begins on a modest scale and develops incrementally, learning as it goes. To fully realise a UBS approach to ECEC

provision, we envisage a transitional period of five to ten years. This requires the development of a plan that sets out transitional stages and goals that can be adjusted at points within the time frame, drawing on unfolding experience and dialogue with stakeholders.

## **2.3 A HIGH-QUALITY UNIVERSAL OFFER FOR CHILDREN AND PARENTS**

A UBS approach to ECEC would focus on ensuring that all households with children under five have access to affordable and accessible high-quality provision, and encouraging take-up of this offer for the benefit of both children and parents. We set out how the current approach is failing to deliver on these objectives and how a UBS approach would prioritise them. Our blueprint at the end of the report sets out proposed reforms that would put these objectives at the heart of the design and delivery of ECEC provision.

### **Universally affordable**

Compared to other OECD countries, many households in the UK are paying a high proportion of their income for ECEC provision, particularly if they have children under three.<sup>3</sup> Even for those households benefiting from free hours there are often additional costs due to the way those hours are distributed across the year and extra fees around things like meals.

A key principle of the UBS framework is that access to essential services should be based on need, not ability to pay. This principle is widely accepted for many public services, most notably the NHS but also, more comparably, schools. ECEC has a very different profile, however, in part because it is something that is purchased (albeit with government assistance) and also because, within a primary framing of 'childcare', 'need' has been defined largely in terms of the needs of working parents rather than the needs of children. As a result, we have ended up in a perverse position where children from low-income households, who may stand to gain the most from high-quality ECEC provision, are least able to access it.

There is a 20 percentage point gap in children having a ‘good level of development’ at the age of five between those eligible for free school meals and those who aren’t.<sup>4</sup> In this context, ensuring equal access to good quality ECEC provision for children from low-income households should be a much greater priority than is indicated by the current model. Table 1 shows the median number of hours of provision per day and per week that households with different levels of income are currently accessing, while figure 1 shows the eligibility of households from different income deciles for the full 30 free hours offer, once the expansion of funding announced in the 2023 Spring Budget has been fully rolled out.

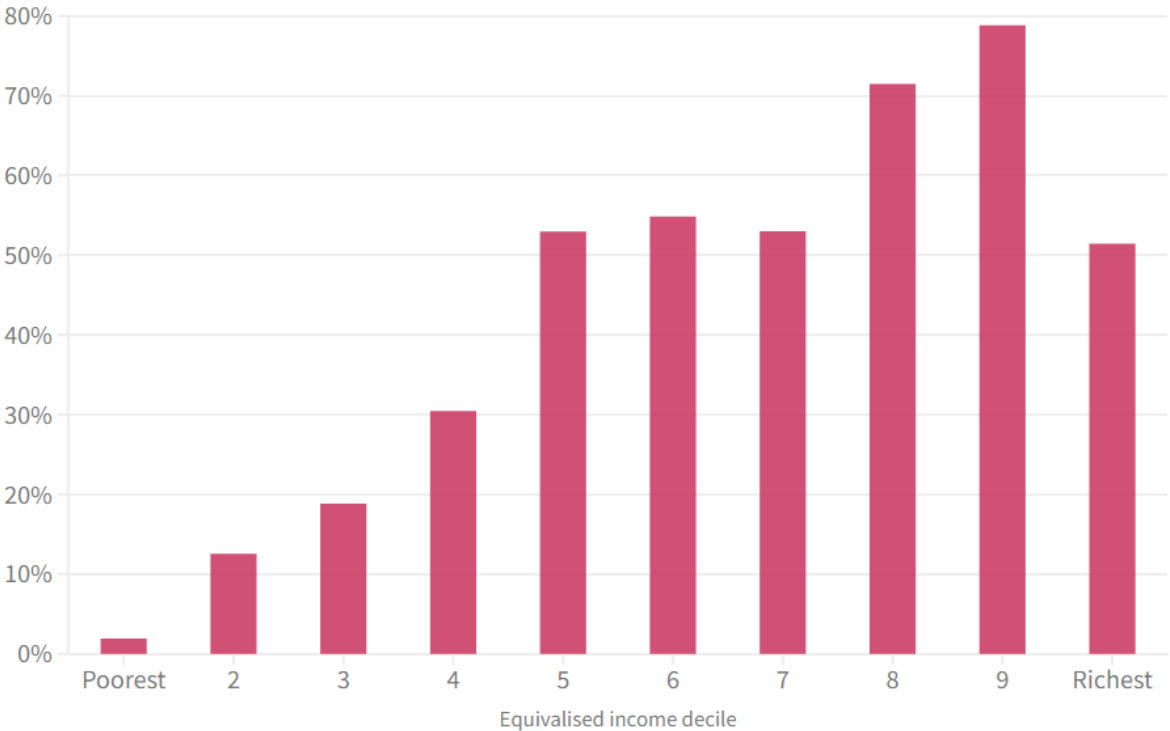
Combined, they demonstrate that lower-income households have less access in principle and in practice. This has been increasingly true with more recent reforms the Institute for Fiscal Studies (IFS) has pointed out that the bottom 30% of the income distribution will see “almost no direct benefit” from the expanded ECEC funding package announced at the 2023 Spring Budget.<sup>5</sup>

**Table 1: Median hours per day and per week accessed by families of different income levels who are using ECEC provision for a 0–4-year-old**

	Family annual income				
	Up to £9,999	£10,000 - £19,999	£20,000 - £29,999	£30,000 - £44,999	£45,000+
<b>Median hours per day</b>	5.0	5.0	6.0	6.5	8.0
<b>Median hours per week</b>	15.0	15.3	18.0	23.1	30.0

Source: Table 9.8 in ‘Accompanying Tables’ from ‘Childcare and early years survey of parents 2022’ <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-survey-of-parents>

**Figure 1: Percentage of families eligible for 30 free hours of ECEC provision for children from 9 months to four years old under planned changes announced at the 2023 Spring Budget.**



Source: Own calculations, Family Resources Survey, 2019.

This critique is not intended to deny the importance of the role that ECEC provision plays in supporting parents, and particularly mothers, to return to work. This has been and will continue to be critical for greater gender equality as well as the economic benefits of wider labour market participation. But ensuring more equitable access to high-quality ECEC provision should complement rather than compete with this objective and – if adequately funded – could deliver many wider social and economic benefits in addition.

Figure 2 presents economic modelling by NEF quantifying the likely fiscal benefits and costs of funding access to high-quality ECEC provision for children from low-income households, including the likely impact on maternal employment and earnings.<sup>iii</sup> As a child gets older, the likely cumulative fiscal benefits build until the initial cost of funding provision is redeemed by the time they hit 38 years old. NEF

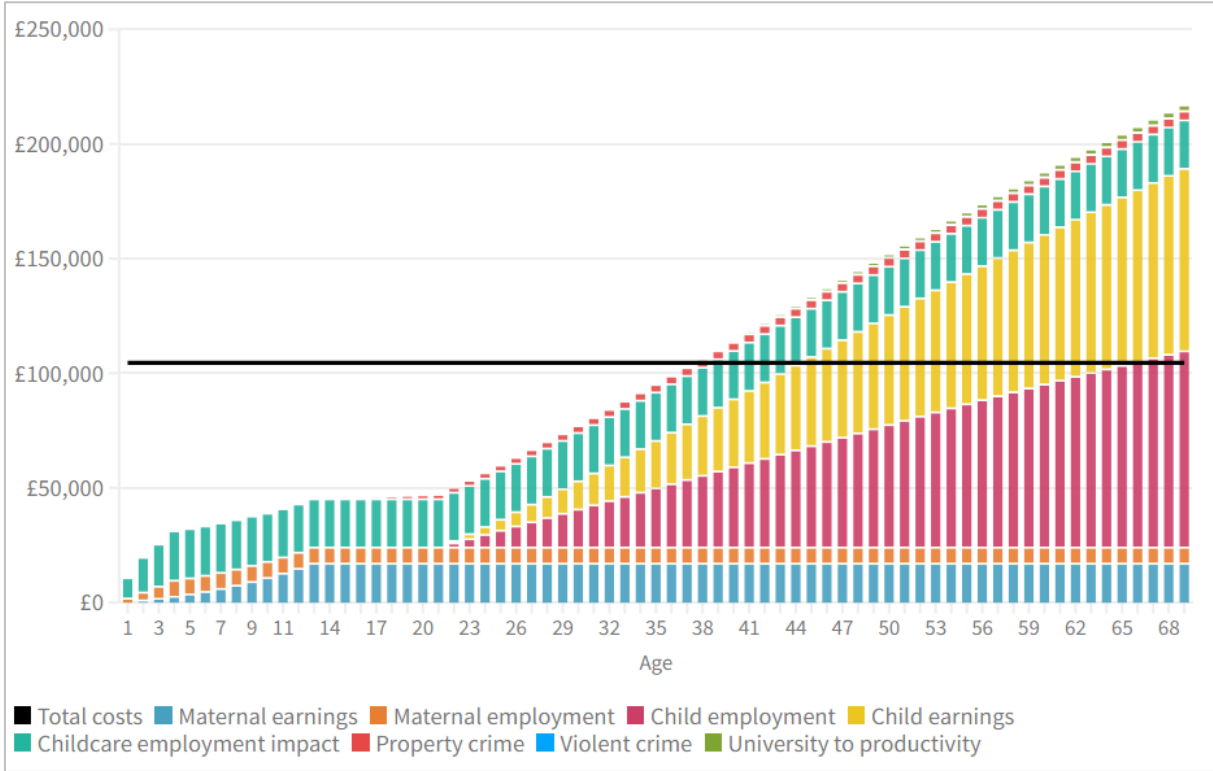
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<sup>iii</sup> Full explanation of modelling in NEF (2023) Investing in Universal Early Years Education Pays for Itself. <https://neweconomics.org/2023/07/investing-in-universal-early-years-education-pays-for-itself>



calculates the total fiscal benefits of this investment at 2.07:1 over the course of a child’s working life. In comparison, the fiscal benefits of funding the same quantity and quality of provision for children from middle-income households would be 1.19:1, while the government would lose about 33p for every £1 borrowed to spend on provision for children from high-income households. This demonstrates a clear case for ensuring that children from low-income households benefit fully from ECEC provision.

**Figure 2: Fiscal benefits and costs of universal, high-quality ECEC provision for children from low-income households**



Source: NEF analysis

**Complexity as a barrier to accessing funding**

On top of the intentional restrictions of policy decisions about who is eligible for what level of support, the overall complexity of the funding system creates additional barriers to access, which are likely to have a greater impact on lower-income households. Families must navigate multiple schemes, changing according to their working status and their child’s age, to take full advantage of all available support. Accessing any one of these schemes often involves onerous application processes and ongoing requirements to reconfirm eligibility. This can be a challenge

for any family, but for those struggling with low incomes and the impact this can have on available time and cognitive bandwidth, it can be a lot harder.

The estimated take-up of the 15 free hours offer for eligible 2-year-olds with disadvantaging circumstances (such as being disabled, in care, or from households currently heavily reliant on social security) is just 74%.<sup>6</sup> This compares to 94% of eligible households who are making use of the universal free offer for 3–4-year-olds. Nesta has argued that smaller behavioural nudges are unlikely to make a significant impact on levels of take-up and that a shift to a more simple and universal offer should be considered, along with moves towards auto-enrolment.<sup>7</sup> There are even starker issues with the take-up of ECEC funding through universal credit, with only 27% of eligible parents of 1–4-year-olds making use of available support. Although the new offer of up-front support, instead of having to claim money back as was previously the case, is likely to increase take-up, the friction created by having to understand and navigate an additional process will remain.

### ECEC provision as a solid foundation for all

The ECEC funding offer in the current system is much more extensive for working parents. This will become even more pronounced under the changes announced in the 2023 Spring Budget. The explicit rationale for this is that working parents have a greater need for ECEC provision (and therefore face greater costs) and that supporting them to stay in work benefits the economy. There is also a more implicit rationale that the offer of additional support with ECEC costs provides an incentive to parents who are unemployed or working part-time to enter work or increase their hours.

This implicit rationale is consistent with a wider political narrative and approach of essentially dangling the promise of things like an adequate income or a decent home in front of people (particularly people on low incomes) as a potential reward for desired behaviour (often relating to employment). However, it is often the very absence of this secure foundation that is making it harder for people to achieve these goals.<sup>8</sup> This is compounded by systems that create significant administrative hurdles to access support. When this logic is flipped and people are simply provided with a

secure foundation as a starting point, they are often able to flourish, even in the face of wider adverse circumstances.<sup>iv</sup>

In this vein, giving all families with young children a solid foundation of simple and affordable access to high-quality ECEC provision could be a much more effective path to supporting not only positive outcomes for children but also the ability of parents to work. The case for such an approach is bolstered by evidence that the current free hours model seems to be having little impact on people's decisions about whether to work, instead simply subsidising those who were already likely to be working, and therefore in receipt of higher incomes.<sup>9</sup>

## **Universally accessible**

Even if all households had adequate support to meet their ECEC costs, their access would still depend on the provision available locally. These two factors are intrinsically connected because the quantity and quality of provision in any given area are likely to be determined by the level of demand for provision (in turn mediated by the level of government funding people have access to), the willingness and ability of households to pay for additional hours or extra costs on top of government-funded hours, and the costs of operating in that location.

Headline constraints such as the underlying level of government funding per 'free' hour, the availability of staff and the aftermath of the pandemic are affecting overall levels of provision. There were 52,976 fewer places on the Early Years Register (EYR) available in England in June 2023 compared to August 2019 (a 4% decrease in the overall number of places), with 24,773 of these lost since March 2022.<sup>10,11</sup> However, geographical variations in quantity and quality of provision tell a more nuanced story, demonstrating why a more universal and coordinated approach to the delivery of ECEC services is required.

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<sup>iv</sup> The Housing First approach is a prime example of this - see: House of Commons Library (2021) *Housing First: tackling homelessness for those with complex needs* (UK) <https://researchbriefings.files.parliament.uk/documents/CBP-8368/CBP-8368.pdf>

Current provision reflects existing disadvantage and deprivation

Three key mechanisms currently attempt to encourage and support provision that serves more disadvantaged and deprived areas and households:

- 1) The level of funding provided by the Department for Education to local authorities is composed of a standard base rate, plus an ‘additional needs factor’ related to levels of poverty, disability, and English as an additional language in an area. This is then subject to a multiplier based on the cost of delivering provision in an area.<sup>12</sup>
- 2) Local authorities must pay all providers a consistent basic rate, but can spend up to 12% of their total allocation on supplements (on average they spend only 6%).<sup>13</sup> This must include a deprivation supplement, but supplements can also address or reflect sparsity/rurality, flexibility, quality and English as an additional language.<sup>14</sup>
- 3) The Early Years Pupil Premium is available to providers if parents are in receipt of social security support due to low incomes, or the child is in care. The Sutton Trust has suggested that this supplement is under-claimed (in part because of the administrative burden the application places on parents and providers) and possibly inadequate to cover the additional costs it is intended to reflect.<sup>15</sup>

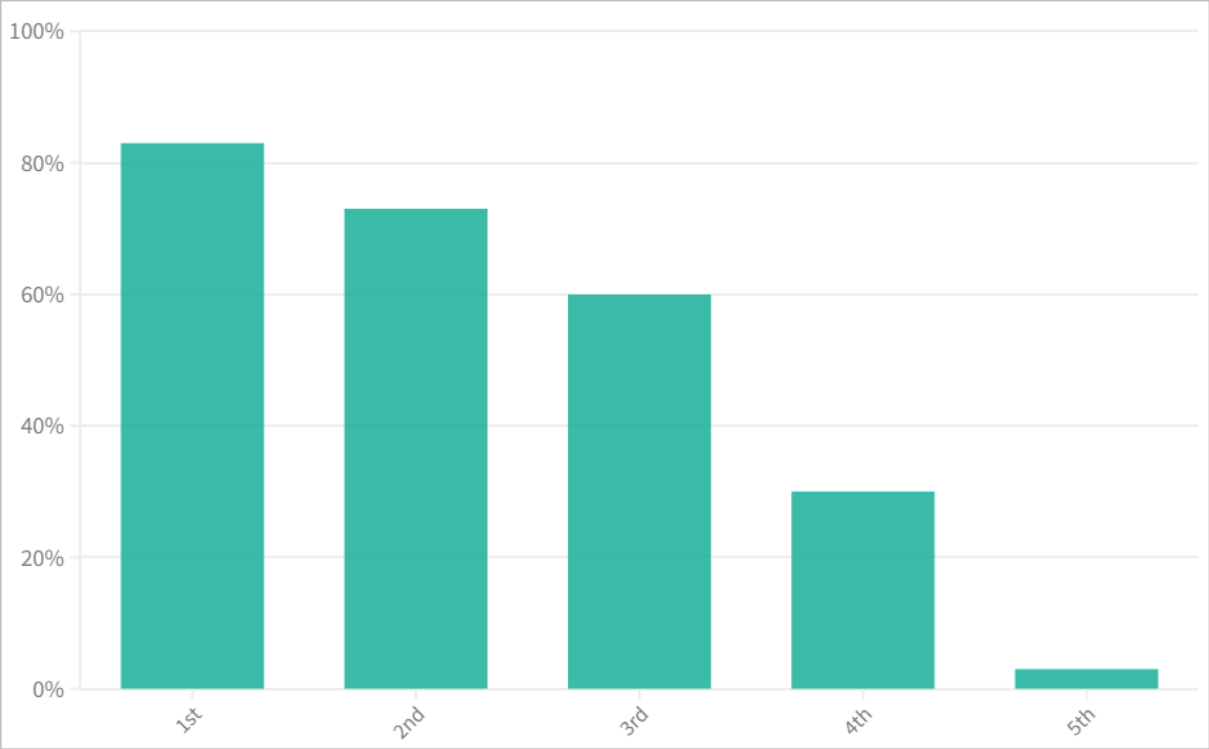
These mechanisms do not seem to be providing sufficient incentive and support to ensure an adequate level of high-quality provision in more deprived areas.<sup>16</sup> New NEF analysis shows that, as of March 2023, 44% of children aged 0–5 in England lived in local authorities that are ‘ECEC deserts’ – i.e. there are more than three children for every ECEC place on the EYR.<sup>v</sup> Exactly half of local authorities (76/152) meet this definition, but these are much more likely to be the most deprived local authorities on the Indices of Multiple Deprivation (IMD), as figure 3 illustrates.

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<sup>v</sup> Based on NEF analysis comparing the number of registered ECEC places broken down by local authority from Ofsted’s ‘Childcare providers and inspections as at 31 March 2023’ (<https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-march-2023>) with the number of children aged 0–5 in each of these local authorities from Nomis ‘Mid-year population estimates’ (<https://www.nomisweb.co.uk/articles/1165.aspx>)

Although this will in part reflect lower demand for provision in these areas, at a national level 34% of parents feel there are not enough ECEC places available and 26% report problems finding provision to meet their needs.<sup>17</sup>

**Figure 3: Proportion of English local authorities that are ‘ECEC deserts’ in each deprivation quintile (1st = most deprived 20% of local authorities; 5th = least deprived 20%).**



Source: NEF analysis<sup>vi</sup>

If levels of ECEC provision across the country were brought up to those currently enjoyed by the ten best-served local authorities (50 places per 100 children aged 0–5), our conservative estimates suggest this would create over 120,000 new jobs. These jobs would be concentrated in areas which are supposed to be at the core of the Levelling Up agenda:

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<sup>vi</sup> Analysis of Ofsted’s ‘Childcare providers and inspections’ (<https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-march-2022>) comparing the total number of EYR places with the number of children aged 0–5 in each local authority, with local authorities split into deprivation quintiles based on their average IMD rank (<https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>). Because the list contains 150 local authorities, this leads to an exact split of 30 local authorities in each IMD quintile. North Northamptonshire and West Northamptonshire local authorities are excluded from the list because they were only created in 2021, after the latest version of the Ministry of Housing, Communities & Local Government (MHCLG) IMD data.

- Over half (54%) of these new jobs would be created in the North and Midlands.
- As a proportion of their resident populations, the West Midlands, North East, and Yorkshire and the Humber would stand to gain the most jobs.
- Over a quarter (27%) of these new jobs would be created in local authorities in the most deprived 20% of England, compared with 10% in the least deprived 20%.

**Table 2: New ECEC jobs created by region of England**

<b>Region</b>	<b>New jobs</b>	<b>% share of new jobs</b>	<b>Resident population</b>	<b>New jobs per 100,000 residents</b>
West Midlands	18,043	15%	5,954,200	303
North East	8,032	7%	2,646,800	303
Yorkshire and The Humber	15,035	12%	5,481,400	274
London	19,460	16%	8,796,600	221
East of England	13,313	11%	6,348,100	210
North West	15,506	13%	7,422,300	209
South West	11,016	9%	5,712,800	193
East Midlands	8,342	7%	4,880,100	171
South East	13,424	11%	9,294,000	144
ENGLAND	122,172	100%	56,536,300	216

Source: NEF analysis<sup>vii</sup>

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<sup>vii</sup> Analysis involved calculating the number of ECEC places on the EYR per 100 children aged 0–5 in each local authority. We then take the difference between their current places per 100 children and the number of additional places they would need to bring them up to the average of the top ten local authorities in England, excluding the City of London (which is an outlier at 50 places per 100 children). Employment gain is calculated by increasing the percentage of 0–5-year-olds accessing registered ECEC provision by this difference. So if for example a local authority has just 25 places per 100 children, we calculate the minimum staffing needed to provide for (50 - 25) an additional 25% of the children aged 0–5 in that local authority. This staffing estimate is based on the DfE’s published minimum staffing levels (<https://www.gov.uk/government/publications/early-years-qualifications-and-ratios> - prior to the recent increase in 3–year-old staffing ratios in September) and the age of the additional children in each local authority, i.e., one additional staff member for every additional 3 children aged <2 years old, one for every additional 4 children aged 4; and, for children aged 3 or over, one for every additional 13 children if led by a teacher, or one for every additional 8 if not. Because it is based on minimum staffing levels, this estimate is intentionally conservative: since many ECEC settings exceed these minimum levels in practice, it is likely that the actual employment gain would be even higher.

**Table 3: New ECEC jobs created by deprivation quintile**

Quintile	New jobs	% New jobs
<b>1 (Most deprived 20%)</b>	32,379	27%
<b>2</b>	23,246	19%
<b>3</b>	23,857	20%
<b>4</b>	30,400	25%
<b>5 (Least deprived 20%)</b>	12,290	10%

Source: NEF analysis above set against local authority IMD rankings  
<https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>

**Flexibility of access**

Access to ECEC provision, particularly in non-domestic settings, is largely shaped around an expectation of parents working within standard 9-5 hours and having regular and predictable patterns of working time. Most nurseries require children to have a set allocation of days and hours to be able to ensure adequate staffing levels and income stability. However, for many parents, particularly those in low-paid, insecure jobs, working patterns are often neither predictable nor within their control to determine.<sup>18</sup>

Addressing this issue should be in large part about improving conditions and control for those at the low-paid and insecure end of the labour market, as well as an ongoing move towards shorter working hours for all households. However, we also need to see more flexible ECEC provision, which does not seem to be adequately facilitated or incentivised in the current system. This needs to incorporate both stronger rights for parents to access provision on a more ad hoc basis and improved support for providers to be able to facilitate this without jeopardising service quality, staff wellbeing or financial viability.

**Proactively addressing inequality of access**

A UBS approach would look to ensure that the level of access to ECEC provision in any given area is not determined by the wealth and working status of the families that reside there. The proposed approach to design, delivery, funding and regulation we set out at the end of this report would have an explicit objective of encouraging

the availability, flexibility and uptake of ECEC provision in every community to address current inequalities.

## **Universally high-quality**

ECEC provision should prioritise the wellbeing and healthy development of children, with a particular focus on helping to reduce inequalities that are already apparent by the time they start school. Reform to this end can also incorporate the needs of parents and thus additionally bring about far-reaching economic benefits, but labour market outcomes should not be pursued at the expense of broader objectives, as is currently the case.

This shift could improve uptake and confidence in the value of ECEC provision, which is particularly poor among low-income families.<sup>19</sup> The framing of ECEC provision primarily as childcare is one contributor to this. Households with a primary caregiver at home may not see formal provision as necessary when perceived as equivalent to the kind of care already provided. Alongside equalising access financially, ECEC provision needs to be reframed as a universal public service that is an educational, formative necessity for all young children.

### **Assessing service quality**

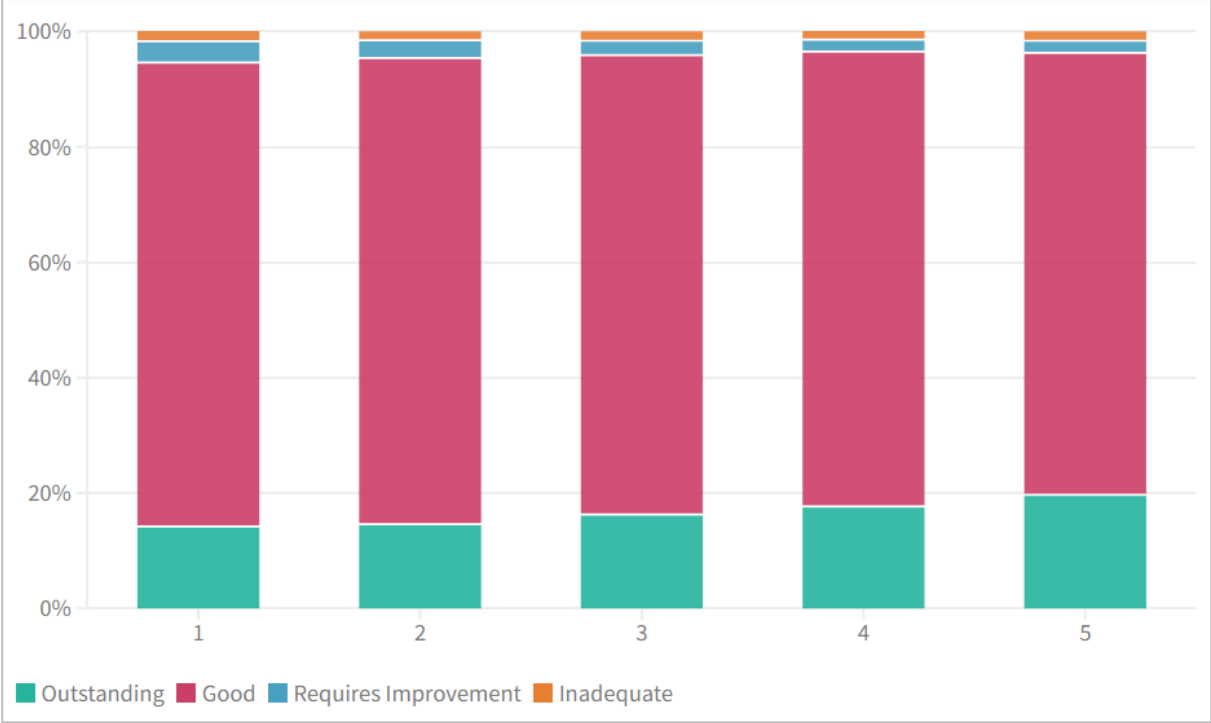
As a major determinant of developmental outcomes, particularly for children from low-income backgrounds, the quality of ECEC provision is the key variable when it comes to closing attainment gaps and inequality.<sup>20</sup> Provision should support children's education, development and wellbeing. As well as promoting short-term welfare, combining these elements effectively can help children to participate meaningfully in society in the future.

Ofsted ratings of ECEC provision suggest a rosy picture when it comes to service quality, with 82% of providers assessed as 'good' and another 15% rated 'outstanding' - only 2% are deemed to 'require improvement' and just 1% are seen as 'inadequate'.<sup>21</sup> One caveat to this is the new NEF analysis, illustrated in figure 4, showing that the proportion of providers rated 'outstanding' steadily increases as you move from the most deprived postcodes to the least. Meanwhile, the proportion of providers that 'require improvement' or are 'inadequate' increases as you move in



the opposite direction. This is despite the funding mechanisms outlined in the previous section that are intended to correct for levels of deprivation and disadvantage and ensure equitable quality of provision.

**Figure 4: Ofsted ratings by deprivation quintile of Early Years Provider. Percentages are as a proportion of inspected providers only, by the quintile of their postcode.**



Source: NEF analysis<sup>viii</sup>

A more fundamental challenge is whether the Ofsted inspection regime is setting an adequately high bar and whether it is sufficiently attuned to the metrics of quality that should be assessed. Ofsted regulates the ECEC sector according to expectations of the statutory framework for the Early Years Foundation Stage (EYFS), which outlines requirements and areas of learning and development.<sup>22</sup> Although there are positive elements within the framework, EYFS and Ofsted primarily carry out a

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<sup>viii</sup> Analysis based on Ofsted’s latest ‘Five-Year Ofsted Inspection Data’ (<https://www.gov.uk/government/publications/five-year-ofsted-inspection-data/five-year-ofsted-inspection-data-guidance>) which provides the postcodes of all providers and any Ofsted inspection outcomes. Analysis is limited to ECEC providers in non-domestic premises on the EYR who have a recorded Ofsted inspection outcome in the latest release. Postcodes are matched to the Indices of Multiple Deprivation using MHCLG’s ‘IMD by Postcode’ lookup tool (<https://imd-by-postcode.opendatacommunities.org/imd/2019>)

safeguarding function to prevent low-quality ECEC provision, focusing on broad measures rather than the finer grain of what constitutes high-quality provision.<sup>23</sup>

In Scandinavian countries with leading ECEC services, their pedagogical ethos differs greatly from that of the Anglosphere.<sup>24</sup> The Nordic tradition is built upon a socio-educational approach, with children's wellbeing, emotional development, and independence all central. While social-democratic welfare state regimes have allowed for extensive public investment in and delivery of high-quality services, their longstanding child-centred approach to early education has shaped quality as well.

Developing a new mandate for the EYFS and Ofsted to guide all ECEC settings could help to bring about a system more centred on children's wellbeing and development. Alternative assessment models exist and could be used or learned from to improve the quality of Ofsted inspection, for example, the Early Childhood Environment Rating Scale.<sup>25</sup>

## Workforce standards

A tested pathway for improving quality in ECEC settings is to increase qualification levels among the workforce. Raising standards can be achieved by recruiting more highly qualified staff and/or providing in-work professional development to those already employed. In England, there is evidence of a positive association between children's outcomes and the presence of degree-qualified staff.<sup>26</sup>

Qualification requirements in England are strikingly low in comparison to other similarly sized economies. In many countries, an undergraduate degree or equivalent – International Standard Classification of Education (ISCED) 6 – is required to lead an ECEC class of any age: Denmark,<sup>27</sup> Estonia,<sup>28</sup> Germany,<sup>29</sup> and Norway<sup>30</sup> are examples. For preschool children over the age of three, around 75% of European countries expect core practitioners to hold a degree.<sup>31</sup> France, Italy and Iceland mandate that preschool teachers complete a postgraduate degree (ISCED 7). In Scotland, all ECEC providers require one member of staff, acting as the lead practitioner or manager, to hold a degree.<sup>32</sup> England, however, has no minimum

qualification requirements across all settings, except for ISCED 3 certification for managers and ISCED 2 for at least half of the remaining staff per institution.<sup>33</sup>

Between 2007 and 2011, the Graduate Leader Fund (GLF) was implemented in England, aiming for the employment of at least one graduate in every ECEC setting by 2015.<sup>34</sup> When the scheme was brought to an end in 2011, the number of ECEC workers with Bachelor's degrees or equivalent had increased by 76%; and 13% for Master's degrees. In this period, the scheme also had a positive impact on qualification levels more widely: staff qualified to ISCED 3 rose by 38% and those holding diplomas by 7%. Graduates were encouraged into the workforce simply via increased conditional governmental funding.

We need to review qualification requirements and initiate a process of upskilling the workforce. A starting point would be to pick up where we left off with the GLF and aim for a graduate in every early years setting, as seen in Scotland.<sup>35</sup> Complementing an initiative to get graduates into ECEC settings, resources should be directed to support people onto courses and pathways to higher qualifications before entering the workplace.

## Parental involvement

The positive effect of parental involvement in the organisation and delivery of ECEC is well-established. Intuitively, this creates a pathway to meet the needs of the whole family. Initiatives internationally, as well as within England, show how this can work. In England, providers are required to engage with parents, although this primarily concerns information sharing to effectively support each child and communicate progress.<sup>36</sup>

Parental involvement beyond this does not feature in the legislation. At the local level, however, there are examples of non-profit providers embracing approaches centred on parental input. For instance, Grasshoppers in the Park is an independent nursery in East London – initially founded by a group of frustrated parents, it now operates under a model of parental participation. As well as a monthly meeting open to all parents and staff to discuss issues and progress, parents are supported to take

on a range of roles within the nursery, from teaching and the provision of care to operational and administrative duties.

Analysis of the composition of the sector by University College London (UCL) demonstrates that parental representation on a provider's management board promotes policymaking in line with the needs of families.<sup>37</sup> This kind of practice is more evident in the non-profit sector. While this kind of approach is discretionary and ad hoc in England, other countries show that it can be embedded in the sector systematically. In Norway, a national parents committee was established in 2010 to provide an official format for parents to influence decision-making in the sector.<sup>38</sup> Every provider must also produce an annual report that parents and staff can access and review.

Playing a more active role in shaping the quality of provision  
A UBS approach to designing, delivering, funding and regulating ECEC provision would place a greater emphasis on achieving explicit objectives relating to the aspects and measures of quality outlined above. Treating ECEC provision as a public service would entail high expectations of providers in exchange for the state's role as the primary funder. Proposals for how these expectations could be determined and enforced are set out in our blueprint for a UBS approach to ECEC at the end of the report.

## **2.4 WIDER BENEFITS OF A UBS APPROACH TO ECEC PROVISION**

As well as providing a more comprehensive and values-led framework for the delivery of ECEC provision, a UBS approach would actively consider and foster the wider benefits that can be drawn from treating ECEC as a universal public service. Two major factors identified in the UBS framework are the quality of jobs for staff delivering services and the potential to support a socially just green transition through provision.

### **Providing high-quality jobs around the country**

As discussed, the ECEC workforce is critical to ensuring high-quality provision. Not only is the quality and supply of jobs in the sector crucial for children and families,

but a valued and coordinated ECEC sector can also be transformative by providing people across the country with opportunities and good, stable working conditions. Given the paucity of provision in more deprived and disadvantaged areas of the country, new jobs generated by a UBS approach to ECEC could play a key role in supporting 'levelling up' ambitions.

Beyond just wages, it is widely acknowledged that ECEC staff in England are undervalued compared to many other countries in the OECD.<sup>39</sup> The sector is facing acute stress due to problems with staff retention and recruitment.<sup>40</sup> Recent survey findings show that 57% of nursery staff are considering leaving the sector in the next 12 months<sup>41</sup> and 71% of local authorities report providers are finding it "very difficult" to recruit.<sup>42</sup> There is broad consensus on the need to improve working conditions, but the current approach is failing to deliver on this objective.

## Pay and conditions

Wages in the ECEC sector currently fail to account for workers' indispensable role as educators and carers for children during a critical time in their development.

Earnings in the sector fall below that of the average female worker by around 40%.<sup>43</sup> Pay is particularly poor in private and voluntary providers compared to school-based providers, with a median hourly pay of £9.40 vs £12.67 in 2021.<sup>44</sup> In 2019, 45% of ECEC workers received state benefits, exceeding the national average at the time.<sup>45</sup> Reports indicate that staff have been forced to leave the sector to seek higher wages for entry-level roles in retail and hospitality.<sup>46</sup>

Reviving and then developing the workforce must start with fair pay. A pay package reflective of ECEC worker's contribution, which is then sustained in line with inflation, would reduce the rate of turnover and stimulate recruitment. The Trades Union Congress (TUC) has called for a sectoral minimum wage of £15 per hour.<sup>47</sup> NEF also supports existing calls for pay scales according to qualification level and position.<sup>48</sup> Appropriate remuneration for staff must be enshrined in a new funding model, as we set out at the end of this report.

Pay and wider working conditions would be bolstered by stronger union representation within the sector and, in the interim, the type of sectoral collective

bargaining that the Labour Party has advocated should be applied to ECEC provision.<sup>49</sup> In addition, defining ECEC provision more clearly as a public service should help to improve the status and attraction of working roles within the sector. An expectation of staff with higher qualifications in every setting, as discussed previously, would ensure the wider availability of higher-paid roles.

## Workforce development

Aside from a source of income, much of the appeal for an occupational role comes from the possibility of progression. Jobs that formally provide the resources and opportunity to develop skills are understandably more attractive. As well as setting limited expectations on staff qualifications, the ECEC sector in England offers insufficient in-work training and little scope for long-term career progression. Just one in six members of staff in ECEC settings receive job-related training.<sup>50</sup> Due to staff shortages, many settings are in no position to cope with employees taking time out of operating hours for supplementary training schemes. Low pay and minimal opportunities for development have resulted in these shortages that now further reduce the prospect of additional training or schemes. In an environment where providers are either stretched too thinly or incentivised by profit extraction, this dilemma can only be resolved through government intervention.

International examples demonstrate how accessible training programmes and systematic professional development opportunities improve conditions for both staff and children. In particular, the Australian *Leadership for Learning* programme brought about positive effects for children in terms of social-emotional regulation, as well as literacy and numeracy.<sup>51</sup>

The government needs to direct and support in-work training programmes while providers are so strained. Along with a sufficient pay package for staff, the scope for professional development must be built into a new funding settlement for the ECEC sector.

## **Contributing to environmental sustainability**

Delivering ECEC provision within the UBS framework means ensuring that environmental sustainability is properly considered and prioritised. The most

immediate and tangible contribution ECEC provision can make is through the direct environmental impact of how services are designed and delivered. However, we also consider some wider benefits that a UBS approach could bring to the provision of services such as ECEC.

## Direct environmental impact

Where services are democratically controlled to serve the public interest, they have greater potential than market-based systems to safeguard ecological limits.<sup>52</sup> This could apply across all universal services, where providers are subject to social licensing obligations that constrain market-driven tendencies towards financialisation, accumulation and extraction. Through their networks of employees, service users and suppliers, these providers could help coordinate sustainable practices such as active travel, resource efficiency in the construction and maintenance of buildings, and local food procurement. They could avoid duplication and waste, minimise excessive demand, and implement national strategies for reducing emissions and wider environmental damage.

The NHS is a useful example. Huge and ubiquitous, it is estimated to account for 4%–5% of UK carbon emissions, with the NHS in England alone responsible for 40% of the public sector's emissions.<sup>53</sup> Yet it is governed as a national service with explicit public interest values. NHS England (followed by Scotland and Wales) has announced targets for delivering net zero, with detailed plans for achieving it. In its first progress report, NHS England declared it was on track to meet the ambitions it had outlined 12 months earlier, with a lowering of emissions calculated as “equivalent to a reduction of 1.7 million flights from London to New York”.<sup>54</sup> The rate of reduction has since declined, but the potential remains for concerted climate action, where there is effective and adequate public investment.<sup>55</sup>

Although ECEC provision may not be intuitively associated with efforts to achieve environmental sustainability, there are opportunities to influence the design and management of facilities and materials used day-to-day for care, play and education. Leyf (the London Early Years Foundation) is a social enterprise supplying 39 nurseries in the London area: it has a detailed sustainability strategy for achieving net zero by 2035 and starts with “little wins” such as “removing single-use plastics

where possible, changing all milk deliveries to glass bottles so they could be reused and recycled, banning glitter, placing wormeries and composters in every nursery garden to reduce food waste etc.”.<sup>56</sup>

As well as obligations on individual providers to give greater consideration to sustainability, a UBS approach to ECEC could include greater coordination of the distribution of provision to minimise the need for parents to drop children off by car. This could sit alongside efforts to encourage sustainable forms of travel, with providers expected to play a key role, for example, ‘school streets’ type schemes to limit traffic at drop off and pick up times.<sup>ix</sup>

### Reducing inequality

Universal ECEC provision that is genuinely affordable for all will greatly reduce the cost of living for low-income families; it will also help to narrow inequalities by enabling more parents (mainly mothers) to re-enter paid employment and by improving opportunities for children in later life.<sup>57</sup> The creation of new jobs, particularly in disadvantaged areas that are currently underserved by ECEC provision, would help boost local economies and reduce regional inequalities. Crucially, these would be low-carbon jobs because they rely on people and relationships rather than on energy-intensive hardware.<sup>58</sup>

It has long been acknowledged that emissions and wider environmental impacts cannot fall equally for each income group, whether within countries or at a global level. Given the reduction levels that are required to avoid catastrophe, an equal distribution would soon drive the poorest below any acceptable minimum living standard into utter destitution, with terrifying consequences in terms of mass starvation, conflict, and migration across the world. This calls for two integrated downward pathways to achieve net zero: a falling aggregate emissions pathway and a falling inequality pathway. Through their redistributive effects, universal services have a critical, central role in reducing emissions to a safe level.

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<sup>ix</sup> See <http://schoolstreets.org.uk/> for more details of such schemes



## Recognising limits and preventing harm

Human needs are satiable, unlike wants and preferences which can increase infinitely. There comes a point where too much of what one needs can be redundant or even harmful – think of an excess of food, for example, or even excessive ‘care’. A needs-based approach aims for *sufficiency* and recognises limits, both upper and lower, to what is necessary to live well.<sup>59</sup> Where ECEC provision is concerned, the pursuit of sufficiency is about raising the quality and availability of services to an acceptable level, while at the same time, reducing inequalities and inappropriate and/or excessive use of natural resources.

A key feature of the UBS framework is to see all essential services as part of an integrated system that keeps people well and prevents harm. For example, NHS services are undermined if people keep getting ill because they are poorly housed or fed. Similarly, ECEC providers face a greater strain if health and social care services fail to maintain the wellbeing of children and other family members. An overarching aim of the UBS agenda is to prevent harm by endeavouring to meet all basic needs, rather than waiting to treat problems that arise when one or more are unmet. A system dedicated to holistic upstream prevention will greatly improve the quality of life across the population and reduce demand for downstream services that are generally more resource-intensive and take a heavier toll on the planet.<sup>60</sup>

## Building knowledge and shaping attitudes and behaviour

Public attitudes, customs, and patterns of behaviour are all crucial for achieving environmental goals. Across all areas of need, public services that share the same ethos can create powerful visions of what is normal and desirable in terms of principles and practice and offer real opportunities for change across the population. ECEC services can contribute to this through their influence on children’s experience and learning. Provision should aim to facilitate children spending time out of doors in green spaces; finding out about the natural world and how to take care of it; discovering how to avoid waste and safeguard resources, and why this matters; and learning about growing food and making meals. These and similar activities can be woven into children’s care, play and education from a very young age, with parents encouraged to support them. They are recognised in many countries, including

Germany,<sup>61</sup> Denmark<sup>62</sup> and Norway,<sup>63</sup> as vital elements of ECEC, closely aligned with the UN Sustainable Development Goals.

As community hubs, ECEC services could help to bring parents together around shared concerns, such as local levels of traffic and pollution, and there would be better opportunities to make their voices heard as local authorities take on a more active role in ECEC provision.

## 3. A BLUEPRINT FOR A UBS VISION OF ECEC PROVISION

Fulfilling the core objectives and wider benefits of a UBS approach to ECEC provision will depend on three key and interdependent factors: how the provision is designed, who delivers it, and how it is funded and regulated. This final section of the report sets out proposals for reshaping each of these aspects of the system in line with the UBS framework. These proposals are not an exhaustive list of reforms that could improve ECEC provision. Those we identify would require more detailed policy development and a transitional plan for implementation. But we hope that they provide a blueprint that indicates both the scale of reform required and the potential impact of using the UBS framework to guide this reform.

### 3.1 DESIGN

A key aspect of the UBS framework is that the power to shape the design and delivery of services should be devolved to the lowest appropriate level. If everyone is to have services that are sufficient to meet their needs, this rests on collaboration in pursuit of shared objectives, not on individual market transactions. At the same time, services must be delivered to consistently high standards in all localities to reduce inequalities.

*The design and delivery of ECEC provision should involve deliberation and collaboration with parents, providers, staff, unions, experts and other relevant stakeholders at a national, local and service level.* Nationally, the focus of this deliberation and collaboration should be on setting standards and objectives for the delivery and regulation of ECEC provision; designing a simple, fair and effective funding system; and agreeing on binding rates of pay and conditions for staff.

Local authorities are critical to the design of a UBS model of ECEC provision. In dialogue with residents and current/potential local provider organisations, they must assess local needs and how they can best be met to a sufficient level for all; shape provision that is consistent with the UBS framework; support providers to build their

capacity so they can deliver effectively and meet required standards; and hold local providers to account.

The current responsibility of local authorities to shape the local market to ensure sufficiency and quality of provision is constrained by their lack of meaningful powers or resources to do so, as well as by limits on their ability to step in and directly deliver provision.<sup>64</sup> *Local authorities must be empowered to play a much more active role in coordinating the quality and coverage of ECEC provision, guided by an explicit goal of more equal access and take-up across the income distribution, and among families with additional support needs.*

Achieving this goal will of course depend in part on national-level decisions such as the funding mechanism set out in the following section. However, local authorities should also be supported and encouraged to address inequalities of provision by incentivising new provision where it is most needed and limiting it where there is already adequate provision.

Alongside holding local authorities to account for their responsibilities, *central government must ensure there is adequate resource, capacity and capability at a local authority level to fulfil their expanded responsibilities to guarantee provision at a consistently high standard across the country.*

*Local authorities should also be considering opportunities for the wider design of the local social infrastructure through the integration of ECEC provision with other services and objectives.* Nurseries and other provision suppliers should be seen as community hubs in the same way that schools are, presenting opportunities to engage families and ensure their whole range of needs are being adequately met by other local services.

At a service level, providers and those regulating provision should be open, receptive, and responsive to the views and feedback of parents and staff. Such engagement should be actively fostered, along with opportunities and support for parents to be involved directly in the design and delivery of services. Collaboration between parents, providers and local authorities could open up innovative and responsive ways to ensure that flexibility of access (in terms of days and hours) is available to families.

## 3.2 DELIVERY

The UBS framework supports a mixed market of provision as long as all providers can meet social, environmental and financial obligations, as set out in the section on funding and regulation. This should not be compromised by profit-seeking or made unstable by high levels of indebtedness.

Rather than meeting all families' needs, the current composition of our mixed market is tilted towards serving private interests. While many organisations are working to deliver progressive ECEC provision – including parent-led cooperatives and sustainable social enterprises – they struggle to compete with prominent for-profit chains with opaque financial backing.<sup>65</sup> Rapid changes over the last decade make it difficult to accurately measure the makeup of the sector, but it is estimated that private companies make up around 50%–60% and sharp rises in the size and numbers of private chains are clearly documented within these ten years.<sup>66</sup> Waves of mergers and acquisitions have resulted in this expansion, without increasing the supply of places, with companies composed of highly complex, opaque financial structures operating in favour of shareholders.<sup>67</sup> Analysis highlights that investment funds' holdings in the sector doubled in just four years from 2018 to 2022.<sup>68</sup>

Rapidly banning or squeezing out for-profit provision would risk a collapse in the availability of ECEC provision, but efforts should be made to redress the advantages and opportunities that the current system seems to lend to large private chains. *Non-profit provision that demonstrably prioritises and fulfils social, environmental and financial obligations should be actively fostered to thrive and expand.* This could include more favourable funding settlements, support to find and retain suitable buildings, and the facilitation of shared systems and procurement among like-minded providers to mirror some of the advantages enjoyed by large private chains.

Alongside playing a more active role in shaping local provision, we can also see clear advantages to local authorities directly providing ECEC services or working in close partnership with trusted local partners. *Local authorities should be encouraged and resourced to establish and foster trailblazer nurseries to set high standards and expectations locally and build capacity and expertise to support other providers.*

This could be achieved through expanding Maintained Nursery School provision,

including opening up access to younger children and extending hours beyond the school day. This will be particularly important in areas that are currently 'ECEC deserts' but will require more provision under a more universal system.

Attaching ECEC provision to existing primary schools (although not necessarily expecting the school to directly manage the delivery) is an attractive option for several reasons. It could help to establish ECEC provision as a public service in the same bracket as school education, support children's transition from ECEC provision into school, and bring benefits in terms of shared costs, systems and procurement. However, there would be challenges and costs involved, for example needing additional facilities for younger children.

The style and content of ECEC provision itself would be strongly shaped by a new model of standards and inspection as set out in the following section. Although a diversity of providers is welcome for innovation and reflection of local needs and preferences, this should not come at the expense of ensuring every family can expect the same high-quality provision.

Critical to the delivery of ECEC provision within the UBS framework is the availability of motivated, qualified and well-supported staff. In line with recommendations made by the Institute for Public Policy Research (IPPR),<sup>69</sup> *a new national workforce strategy should be developed, in collaboration with providers, staff and unions, to deliver well-paid, secure, rewarding jobs for ECEC staff*. This must include improving incentives and pathways for people to move into the profession and to enter it with higher relevant qualifications than is currently typical.

### **3.3 FUNDING AND REGULATION**

An overhaul of the current system of funding and regulation will be critical for a shift to delivering ECEC provision within the UBS framework. The current system locks out those children who would benefit most from access, is complex and onerous for parents to navigate, does not adequately resource good providers to deliver high-quality support from well-paid staff, and fails to hold poor provision to account.

The transition to a new system will need to be carefully designed and managed – in collaboration with parents, providers, local government and experts – to avoid

negative unintended consequences, such as a collapse in levels of provision, and to ensure that the needs of all relevant stakeholders are considered and reflected. *The establishment of an expert panel should oversee this process of transformation.* In Ireland, an Expert Group was officially appointed in 2019 to develop the new funding model for their transformative *First 5* ten-year ECEC policy programme.<sup>70</sup>

*A new funding system should be rolled out, to eventually replace the existing system, based around a single gateway for parents to pay any costs they face for the hours of provision they need. Fees in addition to free hours would be determined according to what parents can afford rather than their employment status.* Any payments would be transferred to the relevant providers along with the state funding to cover the remaining cost of provision for that family.

*Initially, providers should be able to opt in to this alternative funding system, incentivised by the offer of a higher rate of payments for free hours. This rate needs to be negotiated between providers and the state, but the higher rates paid to Maintained Nursery Schools should be the anchor point for these discussions.* The offer of additional free hours and a simpler system of payment should also incentivise parents to put pressure on providers to switch to the new system.

*However, providers should only be able to switch to this alternative funding system if they can demonstrate that they are already meeting, or have a clear plan to be able to meet, key social licensing obligations.* Once the new system has been well established, a deadline should be set for providers to meet these obligations and make the switch before the existing funding schemes and mechanisms are phased out.

Under the new funding system, *all children from the age of nine months should be eligible for up to 30 free hours, but the number of free hours funded by the state should begin to taper off for households with higher incomes.* The details of the threshold and taper could be calibrated to match current funding commitments for ECEC provision, taking into account higher hourly rates for providers as proposed. However, given the projected long-term economic returns for ECEC provision that we have set out, particularly for children from low-income households, governments should be comfortable using borrowing to make sufficient investment to ensure affordable access for all.

*The medium-term policy objective – over the course of one parliamentary term – should be that no family needs to spend more than 10% of their income on ECEC provision (with an upper cap on the total cash amount). A longer-term policy objective – over the course of two parliaments – should be to bring this down to 5%. Consideration should be given as to whether means testing for ECEC funding could be based on both earnings and wealth, and account for housing costs, to better reflect levels of disposable income.*

*Funding components, such as the early years pupil premium, local deprivation supplements, and the ‘additional needs factor’ in the national formula, should be evaluated and recalibrated at regular intervals, to ensure their combined effect is to genuinely compensate for additional costs and incentivise adequate provision for specific areas and groups.*

*We support Nesta’s proposal for a unique identifier for all children from birth that can be used across all government departments, local authorities and the health system.<sup>71</sup> The new ECEC funding system should use this identifier to help track eligibility for free hours as well as any additional funding attached to the child due to disadvantage or special educational needs and disability (SEND).*

Social licensing describes a system for introducing consistent standards to a mixed economy of service provision. To receive public funds, providers must conform with shared public interest obligations, designed to ensure access according to need, sufficient quality, fair pay and conditions for workers and sustainable practices.<sup>72</sup> Attaching socially oriented conditionality counteracts a prevailing tendency for procedural, ineffective management of private markets.<sup>73</sup> *The specific details of these social licensing obligations should be agreed upon through deliberation with providers, local authorities, parents and experts and coordinated with new Ofsted criteria, but they should include the following:*

- Locating provision where it is most needed, guided by local authorities
- Quality of service sufficient to meet the needs of parents and children
- Flexibility of access for parents in terms of days and hours



- Minimum pay levels for staff, based on levels of qualification and seniority
- Being supportive and encouraging of staff unionisation
- An objective of having at least one graduate in every setting
- Commitments to workforce development
- Plans to promote ecological sustainability

*New Ofsted inspection criteria should be developed, in collaboration with experts, parents and providers, to better reflect a broader range of considerations around educational, social, behavioural and emotional development.* Existing measures that take better account of these wider factors than the current approach, such as the Early Childhood Environment Rating Scale, should be used as a starting point and benchmark.

*Whether overseen by Ofsted or a new financial regulator, greater scrutiny of the financial affairs of providers is needed to set out and monitor requirements around transparency, place and enforce upper limits on acceptable levels of indebtedness, and develop mechanisms to reliably monitor and limit profit-making.*

## **NEXT STEPS**

This blueprint has set out suggestions for how a UBS vision of ECEC provision could be realised. These recommendations would require further policy development in collaboration with local authorities, providers, experts and parents to ensure they are designed and implemented effectively and sustainably. It may well emerge that additional or alternative measures are required to fulfil the criteria set out in the UBS framework, but these should remain the guiding principles for reform.

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