



HOUSE OF LORDS

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The Select Committee on Affordable Childcare

Inquiry on

AFFORDABLE CHILDCARE

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Questions 20 - 41

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10.40 am

Witnesses: Anand Shukla, Julie McCarthy and Caroline Davey

Purnima Tanuku and Neil Leitch

Members present

Lord Sutherland of Houndwood (Chairman)
 Baroness Gould of Potternewton
 Baroness Kennedy of Cradley
 Baroness Neville-Rolfe
 Lord Patel
 Lord Sawyer
 Baroness Shephard of Northwold
 Baroness Tyler of Enfield
 Baroness Walmsley

Examination of Witnesses

Anand Shukla, Chief Executive, Family and Childcare Trust, **Julie McCarthy**, Director of Policy, Research and Communications, Working Families, and **Caroline Davey**, Director of Policy, Advice and Communications, Gingerbread

Q20 The Chairman: Welcome to the three of you and thank you for the time you have already devoted to dealing with some of our inquiries and for the time that we will spend today. I will remind you of a couple of things. My name is Sutherland by the way. The other names are all round and I think my one is, too. In a moment I will ask you to identify yourselves. This is really for those writing a record from the oral transmission and they can then pick up names and contributions. The questions we have cover quite a wide range and we would like to keep to time if we possibly can—I look at my colleagues on that one. Rather than ask for opening statements—you have already declared some of the things that are of interest to you—we would happily move straight to questions if you are content with that. I will remind you, lastly, that we are now online and being broadcast live so everything you say is out there in the ether—or will be.

May I ask you first to say who you are so that the microphone can identify contribution and voice?

Caroline Davey: Caroline Davey, Director of Policy, Advice and Communications at Gingerbread.

Julie McCarthy: My name is Julie McCarthy and I am Director of Policy, Research and Communications at Working Families.

Anand Shukla: I am Anand Shukla. I am the Chief Executive of Family and Childcare Trust.

The Chairman: Thank you very much indeed. I will kick off with the first question. All of you work with parents and the question really is how much do parents know about what is available but, more importantly, what they want? Certainly there are many articulate parents who can say precisely what they want, but can you speak more broadly as to what parents do want in general, or is that difficult? Who wants to start?

Caroline Davey: Shall I kick off? Just in the very broadest terms for single parents—and I suspect this would be reflected for all parents—they want childcare that fits round their other responsibilities, their work generally speaking or training. They want childcare that is of high quality, that is safe, and where their children are happy. The one particular that came out when I look back through some of our recent helpline calls is that they want not to have multiple different childcare often if they can possibly help it. We hear calls from people saying, “I had an option where I would have had to take my child to three different childcare providers in the space of a day and I thought that was far too disruptive”. So they want childcare that fits around them and that suits their child most of all.

The Chairman: Can I just gently coax you on a bit, because everything you have said would apply to parents wanting childminding, which may be a different thing from childcare? All of the suggestions you made apply to childminding, which is just making sure children are in clean, dry, safe places, whereas childcare may include educational elements.

Anand Shukla: Shall I come in on that? I would endorse everything that Caroline has just said. The research suggests there are two very strong themes in what parents want if you aggregate their preferences. One is access to high-quality early education, parenting support, early help, and the other aspect is a childcare system that helps parents make choices about how they balance work and family life.

There have been quite a number of interesting surveys that tease out this finding. A recent survey from the Department for Work and Pensions showed that the majority of families with young children wanted to combine work and family; some 49% of couple parents and 52% of single parents already working full-time wanting to find work or work longer hours. On the other side we have a survey from the Department for Education in 2012-13 that found that a significant minority, 35%, of mothers in paid work would prefer to give up work to stay at home and look after their children or reduce their hours to spend more time looking after their children if they wanted to do so.

If you put those two together, there is a sense that many more mothers than are currently able to would like to work as long as they can successfully combine work and family life. Childcare is a very important part of this, but let us also look at the role of work and family-friendly working and so on. That is a big part of this.

Julie McCarthy: I think it is really important as well to not assume that childcare is only about education. If you asked me as a mother about childcare, and most of the people that phone our helpline, it is about having their child in that safe environment, whether that is a nursery, a nanny at home or a child minder. For them, probably up to teenage years they really do not see that as a separate thing to education. It is having their child looked after and if at a certain age education is brought into it then that is good.

I would also endorse what Anand said about working. Parents are not necessarily looking for childcare that completely takes the care of their child away from them but is looking for childcare that allows them to work flexibly, to spend quality time with their children. Most childcare settings are perhaps 8 am to 6 pm but some parents do atypical hours or do not work regular shifts. A lot of childcare settings will insist you book regular sessions, which parents who work varying hours cannot do easily. It is about that flexibility in the childcare and in their workplace and it is important to look at that.

Q21 Baroness Shephard of Northwold: I wanted to hear from you how parents find out about childcare. Obviously they find out from one another, but last week we had evidence that showed very clearly that there is an extremely confusing picture of what is available—and to make it more confusing it is sometimes available in certain areas and not in adjoining areas. Then there is the information you need about what you might get if you are on benefits and so on. All of you are involved, I am sure, in giving advice and information to parents. What is your impression, first, of their state of informedness; secondly, how difficult is it for them; thirdly, does this vary in different parts of the country?

Anand Shukla: State of informedness: you hit the nail on the head straightaway when you talked about finding out from other parents. The best evidence we have is that word of mouth is by far the most common source of information about childcare; 52% from the most recent DfE study, followed by children's centres at 18%. So you are talking about word of mouth.

In terms of how informed parents are, there are different pictures if you look at different parts of childcare provision. If you look at the 15 hours free entitlement offer for three and four year-olds, take-up on that is remarkably high: latest statistics suggest 95% of three year-olds and 99% of four year-olds. There is some differential take-up depending upon the

groups that you look at, but generally it is very high. For two year-olds, which is a more recent policy development, that tends to be less well known about and we need to do much more to inform parents—"we" being the collective we.

One big area of confusion that is coming down the line is around the financial support that is available. It is already a bit of a mess, frankly, in terms of the different funding streams that are available through childcare vouchers, tax credits and so on, and now we have a new scheme coming in next year, tax-free childcare, which will sit alongside these other schemes. The tax credit regime will be migrated into universal credit and there is a whole range of unknown questions about that as well. I am quite worried in that respect about parents being informed. I think there is a wider question as well when it comes to the quality of childcare and how parents make judgments on that.

There is an onus on all of us working in the field to help parents become active consumers in the sense that they have information about what is high-quality childcare. Everybody says that their children are in high-quality childcare because everybody would be worried if they were leaving their children and they did not think it was of high quality, but when you look at it, the decisions that are made are often about cost and location. It would be good to get parents using the power that they have to push up the quality levels of provision, because that is what they are demanding when they go and speak to nurseries.

The Chairman: Do either of your colleagues wish to comment?

Caroline Davey: Just to reinforce Anand's point that it is a complex picture out there and it is quite difficult for parents to get hold of all the information. You have quite a fragmented childcare market and there is the different help that parents may get access to in terms of paying for childcare. Currently there is HMRC through tax credits for a certain group; it might be your employer if you have childcare vouchers; it will soon be DWP for universal credit; for

some people it may be their Jobcentre in terms of access to the Flexible Support Fund if they are going back to work; it may be their local college if they are doing training. There is a whole host of different information and parents are being asked to go to lots of different organisations and different places to find out information to get access to support. All of our organisations provide information and advice, and even for us it can sometimes be hard to advise because the picture is quite complex.

Julie McCarthy: I will just add to that. Last year's *Time, Health and the Family* report that we produced showed that it was very confusing for older children as well. There is an assumption that childcare is needed only up until children go to school and our report showed that there was a real spike at around the age of 11 when children were transitioning towards senior school; parents really felt they had to be around for their children, but also their children still needed care during the holidays. Information on that was very scarce and care was very costly as well when they did find it.

In terms of how people find out, I have nothing to add to my colleagues. That is exactly what we find on our helpline as well.

Q22 Baroness Shephard of Northwold: Last week we asked about health visitors in that sense that everybody who has a child obviously has access to a health visitor and whether, for example, health visitors might be a conduit for information about childcare because it is a universal cover—at least, I asked that and I am a bit vague about the answer. The impression I was given by the person answering was that everybody did have access to health visitors and of course health visitors passed all this on. Would that be your impression?

Julie McCarthy: I can only speak from personal experience, and that was never something that ever occurred to me to ask my health visitor as a mother. She was there for the health of my baby, not for me to decide about work and childcare.

Baroness Shephard of Northwold: Yes, but everybody sees a health visitor and that would be one means of making sure everybody had the information, even if it was only a leaflet, if you see what I mean.

Anand Shukla: In the research that I was referring to earlier about how parents get information, I said word of mouth was first, children's centres second on 18% and then health visitors are next on 15%, so it is happening.

Baroness Shephard of Northwold: That is quite good.

Anand Shukla: It is happening. I do not think it is as systematic as it could be. There was some good work earlier on in the Parliament to join up the work of the DfE and the Department of Health. That has gone backwards a little bit recently but we need to make sure that the links are there and we provide the health visitors with the information that we want them to pass on.

Baroness Shephard of Northwold: That is very helpful. Thank you so much.

Baroness Neville-Rolfe: Could I ask a brief supplementary about the role of the internet? Obviously all young people are completely technological these days and certainly if I were looking, for example, for information on all the help on childcare, my port of call, even though I am 60, would be to go to the internet. Could you comment on that and is there any good practice in other countries perhaps of a portal or something that would bring some of this together and at least have the questions you need to ask? It is using modern technology, which none of you have mentioned.

Anand Shukla: A number of us will have websites that provide information. My organisation, Family and Childcare Trust, is seen as one of the key places to come if you are looking for information about what does high-quality childcare look like; what are the questions that you ask when you go to see a child minder; what are you entitled to; all of that kind of thing. My colleagues' websites will have similar things; the Government website will have things. In every local authority you have a family information service whose duty it is to provide information to families on what is out there. There are a lot of potential conduits of information.

It is very confusing for parents though. You talk about the internet, and that is the first port of call for me as well, but there is an issue about who you trust to get the information and whether you can be sure that you are getting all of the information in one place. I am having a meeting this afternoon with the Department for Education specifically on this area of information and one of the things that I am very keen to talk about is the idea of a portal, not just a one-stop shop but ideally every parent would be looking for the touch point online where they may be getting information and there is a link between that and the core information that is branded and you can trust. That seems to make some kind of sense to me, but we are a long way from that.

Q23 Baroness Kennedy of Cradley: Welcome everyone. I think I need to declare my interests. I am a councillor at the London Borough of Lewisham and a member of the Child Poverty Action Group.

You have covered quite a bit of the question but just in case you want to add anything: do parents have access to the type of high-quality childcare that they want at the hours that they want it—and to the age that they want it? Julie, you might want to expand on that, because you mentioned it in answer to one of the other questions.

Julie McCarthy: I have a big “No!” with an exclamation mark on it in my notes. I feel I should qualify that and Anand might have more stats and figures on it. For parents working atypical hours, weekends—if you are talking about people in careers then, yes, there are more options. There is accessibility and affordability is easier. Those in lower-paid jobs, and I am talking about the retail sector, perhaps in healthcare, have much more difficulty, much more flexible hours, unsociable hours, and for them—and Caroline might be able to speak more about that—especially from a single parent’s point of view, if you do not have a familial network around you, grandparents or brothers and sisters providing care for your child, there is not necessarily any childcare available for you. Quite often what happens is the parent ends up giving up work because it is just not affordable for them to do it or they do not trust where their child is going to.

One question as well that we do not consider is that we talk a lot at the minute about shared parental leave and about paternity leave and maternity leave, but I strongly believe that if the statutory leave was better paid then parents would be able to provide the childcare they wanted in the first few years of their child’s life. At the moment the financial decision is such that they end up having to go back to work or the mother has to give up work because they cannot afford the childcare. We talk about external childcare but there are also internal childcare things within the family that we can do if we looked at the rates of statutory pay.

In terms of older children, as a parent of three older children the summer holidays are already a challenge. It does make you think during those six weeks, “Why do I do this?” and it is very difficult. The cost of childcare as the children get older seems to go up exponentially and the reduction in our Sure Start centres has not helped with that, because a lot of them did offer summer activities and things for the children.

The Chairman: Can I add for clarification that we are going to focus on pre-school childcare just for reasons of economy of time because we only have six months, basically. We are aware of these broader issues and may put little arrows pointing out but the focus is on pre-school childcare.

Caroline Davey: Just to pick up on that point about atypical hours, Julie is absolutely right. We see very clearly a mismatch, a growing mismatch in some cases, between the hours that childcare is provided and the labour market and the hours that parents are often expected to work—evenings, shift patterns, zero hours contracts where you cannot predict necessarily what hours you will be working next week and no childcare provider allows you to call up on the day saying, “I will have a place today but not tomorrow”. Weekends are the same. For single parents we know that is particularly acute because there is no possibility of doing the shift parenting that couples may do.

Anand mentioned earlier on that childcare is obviously the focus of your inquiry but we cannot ignore the labour market and some of the issues we want to see there. Just to clarify, it is not to say I think we should have 24/7 childcare all the time so that parents can work overnight and all weekend. That is not necessarily what parents want, but the mismatch between the jobs out there, and particularly at the low-paid end of the market the jobs that the jobcentre might be pushing them towards, and the childcare available is quite a problem.

Q24 Baroness Walmsley: I should also declare my interest. I have non-pecuniary connections with a lot of children’s organisations and I have worked with all of you, I think, over the years. We have talked about the types of childcare and the times when it is available but we have not mentioned location. I think there are additional difficulties particularly in rural parts of the country. Would you like to say anything about that?

Anand Shukla: In terms of sufficiency, the picture is very patchy. The most recent statistic that we found when we asked local authorities if they had sufficient childcare in their areas, something like half of them said yes. There is a legal duty on local authorities, and there has been since 2006, to provide sufficient childcare for working parents in their areas.

You are absolutely right; there are major gaps particularly in rural areas and also some gaps that are very clear in terms of disabled children and older children as well. There is a huge number of reasons why this may be the case, but one of the things that we need to consider when looking at this question is that the way that we provide childcare in this country is through a market-based system. That has been the approach started by the last Government and continued by this one. The logic of that means that where there is weak demand there is poor provision and where there is strong demand there is greater provision.

We are now in a situation, particularly now that the Government have expanded funding through the two year-old offer, that by the end of the Parliament something like 50% of the funding in childcare will be public funding. The market is being operated where 50% of the funding coming into it is public, so it is a very difficult system to manage and it does result in some of the issues that you are talking about, that where demand is low provision is poor, generally speaking.

The Chairman: I think we will probably want to come back to that one but I wonder if we could still stay in the main area of parents. Baroness Neville-Rolfe, do you want to pick up on that?

Q25 Baroness Neville-Rolfe: I was interested in asking about how parents choose between different types of childcare, which you have touched on, but if we could get our minds round the motivators from each of your experience that would be very helpful to us.

Julie McCarthy: For the majority of people who phone our helpline, those who are considering going back to work after maternity leave as their maternity leave is finishing, a huge driver is cost—what it is going to cost them and how they are going to pay for it. Secondly to that is location, about being able logistically, especially if this is not a first child but perhaps a second or third, to do the school run and a nursery drop off and get to work on time and do the reverse. Unfortunately we do not have any stats on that. We have it about what type of childcare people use and so on. I think they are the two main drivers for everybody that comes through us.

Baroness Neville-Rolfe: What about education itself? We are looking at the twin aims of trying to get people back to work—and I used to work in business and worked full-time and had lots of children—and we are also interested in making sure that educational outcomes are improved. Is that a driver for parents at all?

Julie McCarthy: It will depend on the type of parents you are looking at. If you are looking at white-collar workers, somebody in a career, then that may well be a driver, but if you are looking at somebody at the lower end of the labour market who is trying to get back into work, to pull themselves out of poverty, then I would say, no, it is not. When we are talking to people on the helpline, they rarely say that they want to get them somewhere for their good educational outcomes. They want quality and they want affordability but they do not necessarily look at that in terms of what their child will be learning while they are there. They want them to have fun and to be well looked after.

Anand Shukla: I would add two points and I pretty much agree with most of that. As well as quality and affordability, flexibility is key. It is hard if you are only able to access childcare that begins at 8.30 am and you have to get to work at 9 am and the same with the hours in the evening. Flexibility is another key area.

What we often find as well, in terms of the question around early education, is that when children get older, so getting towards the age of four and five, parents are keen that the transition into school is made more smoothly and you start to see more of an interest from parents at that point. This was partly the point I was making earlier about giving parents information so that they can make decisions, in particular about the benefits of high-quality group care in providing children with social skills and the rest of it. We need to do much more on that to help parents make active choices.

Baroness Neville-Rolfe: I will ask a supplementary and perhaps you would cover it, Caroline. Both the Chairman and I are very interested in the role of informal care, including grandparents—I declare an interest.

The Chairman: So do I.

Baroness Neville-Rolfe: Does informal care come into the equation?

Caroline Davey: For a lot of families, absolutely it does. For informal care and the additional point I was going to make about formal care, the very simple point is about availability. In formal care, if you are looking, say, for a preschool place for your child, you will find out about the two or three or four or whatever nurseries that are close to you and that are within your price range or offer the early-years offer. You will probably know at that point, either anecdotally or because you have looked at the Ofsted reports, which are the ones ranked higher than others, but then it will be a simple case of which ones have the places; “This one is the better nursery, but it only offers afternoons and I really need mornings”. So there is a simple availability factor that plays in as well.

Absolutely the same applies with grandparents in particular, but broader family support networks. Obviously, it varies hugely. We know that there is an enormous amount of informal care that goes on, but for some families that care is not local, is not available, and

we are increasingly seeing with the sandwich generation, I think it is called, that those grandparents are themselves still in work so are not able to offer the care. Where parents have access to it locally and are able to build that into their childcare provision, then in an awful lot of cases they do and that is great for the family. But we need to remember that for an awful lot of families that is not possible.

Anand Shukla: I would agree with that. We did a piece of research, which I do not have here and we can send the data to you afterwards, that said something like 4 million grandparents are involved in some kind of childcare activity. Families could not manage without the work that grandparents do. Often they are the kind of glue in the childcare system, so if you do have these problems at the beginning of the day or the end of the day, that is where they may come in. Although it is slightly outside of your remit, there is a big role that they play when primary school comes to an end at half past three, and you have that gap between half past three and the end of the working day—he says with feeling.

You do have those issues, but the reliance on informal childcare, which is often an active choice by many families, including mine, only helps if you have access to those informal childcare carers. London in particular is a city that is characterised by high levels of internal and international migration. You just do not have those family networks around for many people. If you do not have a formal childcare system that is there at the hours that you need it and of the quality that you need it, and the cost is high as well, you do have problems.

The Chairman: I wonder if we could stay with cost. Lord Sawyer, do you want to pick up?

Q26 Lord Sawyer: Good morning. Some of the things I wanted to talk to you about have already been covered. Caroline, you talked about the labour market. I have been thinking about parents, both parents, and what sort of choices they might make about returning to the labour market, based on the cost of childcare. What is going on out there? What is

happening with both parents, not just mothers but both parents thinking about, “Yes, I would like to return to work. This is a job that I might have done before or possibly could do in the future, but childcare costs are going to influence our decision”? Can you just comment in general on that hypothesis?

Caroline Davey: I will start by talking about single parents specifically, because I think they are a particular case. The self-evident point to make is that single parents only have one income, so the cost of childcare suddenly becomes much more acute because you have to pay for it out of one income rather than two. We know that that does play a very significant factor for single parents in their return to work decisions.

Also, it is not uncommon at all in a couple for the primary carer to have made the decision to stay at home while the other parent goes out to work and then after they separate, to be in a very difficult position about, “I have been out of work for the last three or four years, so returning to the labour market is quite difficult, and I am suddenly only on one income or I am on benefits, and that makes my financial situation incredibly difficult, and I am having to make all these big decisions and adjustments”. That point of separation decision around employment for single parents is a particularly difficult one.

In terms of the overall question of how childcare costs play out for single parents, particularly for those on lower incomes, they are a huge barrier to work. They are absolutely top of the list every time we ask about employment, returning to work, staying in work. I flicked through some of our recent helpline calls on childcare. “Caller had to give up work due to high childcare costs for a child under five. She is better off on income support. Caller with a child aged 20 months, working 20 hours a week, lives in London. Childcare costs of £1,000 a month. No better off in work, but sticking with it because she really wanted to stay in work.” There is an interesting one about the different childcare support as you increase

hours, “Second caller, one child, working 16 hours a week. She would be worse off working 24 hours a week and only £1 a week better off if she works 30 hours because of childcare costs”.

So there are a lot of curious cliff edges and different incentives in the system. We were talking before about parents making decisions. It is often those very complicated, “What would the picture be if I increased my hours? I would like to from my job and employment prospects perspective, but what would that mean for trying to find childcare? What would that mean in terms of my end of the month take-home pay?” For an awful lot of single parents certainly, childcare costs are a huge barrier.

Lord Sawyer: Do the other two have any comments on that?

Julie McCarthy: My very quick one would be that despite the fact that mothers and fathers are very slowly taking a more equal role on childcare, we still see that most of the people we deal with calculate the cost of childcare on the mother’s income only, not on their joint income. They think, “This is what you earn” rather than consider it as a joint income thing.

Anand Shukla: I would make one point. It is very difficult to be conclusive about what role the cost of childcare plays in people’s work choices. Probably the best evidence that we have is a survey of childcare and work decisions among families with children that the DWP did last year. Among families who would like to work more, the cost of childcare is the second most significant factor in parents’ work decisions, after the availability of jobs with suitable hours and pay. Some 24% of parents who would like to work more said the lack of work with suitable hours is a barrier to employment, followed by 19% who cite pay and 18% who cite childcare costs.

What I was very interested in, though, were some findings that suggested the role that affordable childcare was playing in helping people back to work. Over the 10-year period

between 2003 and 2013, employment among women with dependent children has remained relatively static, about 65% or 66%. However, there have been large rises in employment among women with children under three, from 52% to 60%, and lone parents, from 53% to 60%, for whom childcare affordability is a significant factor in work decisions. Again, we cannot be conclusive about that, but I think that is quite an interesting finding.

Lord Sawyer: Is there a written report on this, and could we have it if we do not already have it?

Anand Shukla: Yes. We will send you details.

Q27 Baroness Walmsley: My question relates to the previous question, but it also relates to this one, so I will bring the two together. I wanted to find out whether you thought there was any way in which the state could help with informal childcare to improve the experience for the children and perhaps to make it possible for more informal childcarers to do some childcaring. You mentioned that many grandparents work themselves and would be reluctant to give up their job in order to look after the children, but if there were some financial incentive to enable them to at least cancel out that difficulty, it may increase the capacity in the system through the informal side of things. We also have to think of the quality, of course. If the state is funding anything, it has to be of reasonable quality. So there would have to be some way of checking the child's experience while they are with these informal carers. It is not an easy one, but I would like to know what you think about it.

Anand Shukla: It is a complex area and I think that introducing a financial transaction into a caring relationship that people are entering into already voluntarily would introduce layers of complexity. When we talk to grandparents about this, it is not something that they want. The finding tends to be, "I do not want financial payment but other people might do". There is probably more that you could do in terms of the leave end of things, so providing

grandparents with more leave to carry out the responsibilities that they are looking to take on could be very valuable.

The quality of the interactions is a very interesting point, and it ties in quite well to wider support for parents, as well as grandparents, in the home-learning environment. What are good things for you to be doing with your children when they are two and when they are three and when they are four? I know that I could certainly have done with that. We would be very supportive of that type of intervention. I would be very wary about introducing a financial element, for the reasons that I have set out, as well as basic affordability. I do not think the state could afford it, even if wanted to do it.

Caroline Davey: I would agree. I think that is absolutely right. The useful step that has been made but will probably take some time to bed in is the extension of the right to request flexible working to all employees, not just parents. I would love to see that rolled out so that we progressively develop a culture of flexible working so that people are flexing their hours, whether they have caring responsibilities as a grandparent or they are doing other things outside of work. It will take some time for that culture to develop, but if it does that will be helpful for grandparents.

Julie McCarthy: My preferred state intervention would be in encouraging that culture of flexible working and the acceptance that you can still be very economically viable and good for your organisation if you are working flexibly, that you are not a bane on the organisation. That would be what I would like to see it. Making an informal relationship more formal I think would make people reluctant to do it.

Baroness Kennedy of Cradley: You do not need to answer, maybe you could write in, but there was some Ipsos MORI research that showed 14% of grandparents had actually given up work. Bearing in mind what Baroness Walmsley said and the flexible working and your

research, Anand, is there anything that you know of that shows the way that grandparents are responding to the childcare challenge through working arrangements, either flexible working, giving up work, or just best practice or statistics that you have about how grandparents are reacting to this?

Julie McCarthy: That might be a question for our colleagues at Grandparents Plus as well.

Anand Shukla: Yes. We have done some research in the last couple of years, so we will send that to the inquiry afterwards.

The Chairman: Maybe, in that case, I can just put in a general reminder to send us any reports and so on that you mention, and they will be itemised in the summary that you receive of what we have done.

Q28 Baroness Gould of Potternewton: Can I move back to the position of the state that Baroness Walmsley started to raise? What do you think is the motivation that encourages the Government to make interventions to ensure that there is affordable childcare? Do you think that that is a real motivation or are there other motivations that you think are behind the process that the Government go through in order to encourage more people to work or more children to have childcare? What do you believe is behind the decisions?

Caroline Davey: I think there were a number of motivations, and in some ways the fact that there are a number that are not necessarily drawn together in an integrated way is partly why we have quite a mixed picture of childcare provision and a quite fragmented childcare market. The two key ones are around driving up parental employment, particularly maternal employment, and provision of high-quality, particularly early-years education for preschool children.

Obviously, the latter one sits very squarely with DfE, and the former one sits at the moment in a slightly hybrid way between HMRC and DWP. The drive towards parental employment

has driven some of the cost support, working tax credits, childcare vouchers, and tax-free childcare, as it will be next year. The DfE focus around children has driven the early years offer and all of that. For me, there is still a lack of coherence between those two overarching objectives, and that is partly why the money offer and the free funded places offer do not necessarily stack together in as neat a way as they could.

Anand Shukla: I would echo that entirely. That sounds spot on.

Baroness Gould of Potternewton: Do you think that if we did not have these interventions by Government there would be a lot fewer parents working? I include parents rather than just mothers—mothers and fathers.

Anand Shukla: I am convinced that would be the case. Sessions like this will always focus on the gaps and the problems that arise, but it is worth taking a little step back to look at the progress that we have made over the last 20 years, which started under Baroness Shephard, I seem to remember, and has carried on.

I think we can talk about the revolution in terms of childcare provision, with more than a million extra places in the last 12 years alone, and parents of young children, like me, have choices that parents did not have 10 or 15 years ago. Just look at the free entitlement for three and four year-olds: a 95% take-up for three year-olds and 99% take-up for four year-olds. So the state has made a major difference for families in driving this agenda forward. The state does it here, as it does in many other countries, for well established reasons around supporting child development and supporting families into work. There is some very conclusive research that shows that the single biggest element in reducing family poverty since the 1970s has been the second earner going out to work, and childcare is crucial in supporting that. The state does it for the benefits that childcare accrues for society over a long period of time.

Caroline Davey: Just to pick up on that point, I think it is important to say that the state benefits from more parents being in work. This is great for families, it is often what families want, but there is a very square return for society and for the Exchequer on that as well.

Baroness Gould of Potternewton: Some of the interventions, of course, are policy measures such as maternity leave and paternity leave and particularly the point that all of you raised in different answers, the question of flexible working. Caroline mentioned that this is going to be extended and that must be a good thing, or one hopes it is going to be a good thing. But if I can put another direction on flexible working, because reading through some of the documentation I get the impression that although parents can, of course, request flexible working, many employees—I cannot remember which piece of evidence it is now—do not see it as an important part of something they should be doing. There seems to be a bit of a contradiction in the sense that I think the figure was 31% of flexible working is not on offer in the place they work. It seems to me that those two things do not balance, so what should we be doing about flexible working?

Julie McCarthy: What we need is a culture change. The majority of employers that we speak to will have informal flexible working in place and will not record that flexible working. A lot of employees will not consider that they are doing flexible working. They are perhaps compressing their work day or leaving early to pick up a child or in the summer holidays perhaps changing their hours slightly and they will not consider that they are flexible working, but they are and their employer is allowing it. The benefit of having extended the right to flexible working will take away any discrimination against parents and carers in the workplace because it is available to everybody, and hopefully then the culture change will be much easier.

But we need to make it easier for employers around flexible working. We are just looking at the fact sheets for shared parental leave and I have benefits advisers on my helpline who are experts in this who are coming to me saying, “This is really confusing”. If it is confusing the experts, what is it doing for the Joe Bloggs employer down the street?

Caroline Davey: Just to answer that, a key point that came through as a strong theme in some research we did a couple of years ago, which I will send in, is that if you are able to get flexible working at all, it will be when you already have a job with an employer, you are an established member of staff and you then make the request. In fact, the rules are still that you can only make the request after you have been in work for six months. As Julie was saying, we came up with loads of great examples where either the point of separation or where something else had happened with the child was the point at which people made the flexible working request and, as a valued member of staff, the employer flexed the rules.

But the area that we see single parents, in particular, struggling with a lot is the point of entering work—and they may be returning to work after a short or a long period out of the employment market—and finding flexible jobs or jobs that fit around childcare responsibilities at the point of looking for work is much more difficult. You are literally not entitled to make a flexible working request at the point of job offer.

In terms of Julie’s point about how we engineer a shift in employment culture towards more flexibility, I do not think nearly enough employers yet are thinking about designing jobs and job hours in a flexible way. You will still, far too often, see jobs advertised that are classic full-time or 8 am to 1 pm or 2 pm to 6 pm part-time, mornings or afternoons, and not offered, “We would like someone who will do 20 hours a week. It is up for discussion which hours those are”. There is another step in the kind of flexible revolution, if you like, around how jobs are advertised and how employers conceive of jobs when they are recruiting. At

the moment, far too many parents cannot apply for jobs because they know they will not be able to work the hours that are being offered.

Julie McCarthy: We are doing some work with the DWP. It is piloting a strapline for us. It is a “flexible by default” approach. So the strapline “Happy to talk flexible working” is attached to the jobs when people apply for them. I know Timewise is doing the same thing with some of its councils, encouraging them to look at their jobs and saying, “Why do you want them eight until one? Why can it not be four hours during the day?” It is focusing on outputs not on the hours that you work. So there is a start of work there, but we probably have quite a long way to go on that.

The Chairman: You may not have an answer ready for this, and if you do not maybe you could write in, but a more recent policy measure that will clearly be very important over the years is the raising of the age at which you can claim a state pension. Do you think that will have any impact on grandparents particularly and their availability? If there is any evidence, if you look back at the surveys you have done on that, it would be quite interesting to hear. I will leave it with you.

Q29 Lord Patel: My question is going back to cost again. I have a couple of questions, but I will start with the first one, which is what would the parents consider to be affordable childcare costs?

Anand Shukla: Shall I start on that? At the moment in England we ask parents—and we are talking two parents in a family here—to pay, according to OECD statistics, something like 27% of their net income on childcare. That is about double the OECD average. I am speaking very broadly here. In terms of affordability, we all like to pay as little as we can, but if you are looking at the OECD average as a starting point, that is probably what I would look at as affordability.

Lord Patel: That is about 12% of income?

Anand Shukla: Yes.

Lord Patel: If the childcare cost was reduced, how would we pay for it?

Julie McCarthy: I would like to see a lot more employer involvement in childcare. One thing we are doing with tax-free childcare, and that comes in next year, is we are starting to abdicate again. With childcare vouchers, employers are starting to be engaged on the discussion and realise, or at least their HR departments would realise, how many of their employees are using childcare vouchers and having to set up a scheme, whereas with tax-free childcare they do not have to be engaged at all with that or with the parents' choice of childcare. I do think there is some work that could be done around employers.

Taxing everybody to provide more funds would be hugely unpopular, especially with non-parents. I am not suggesting that employers would like the idea of paying more towards people's childcare, but if they are asking people to work atypical hours, flexible shifts, zero hours contracts, you start to have a duty of care as an employer in ensuring that parents can look after their children and be effective employees. I would like to see at least employers giving more information. Chelsea and Westminster Hospital has a great onsite nursery, providing subsidised childcare, and it has seen the benefits with its staff.

There is a lot more work that can be done around that, rather than just thinking we need either more off the state or more from taxes on parents or non-parents.

Caroline Davey: I agree there is a role for employers. I would go back to my point that we need to remember that society, the Exchequer and the taxpayer benefit when more parents are able to go out to work. We did some research last year that showed that a 5% increase in the single parent employment rate would net the Exchequer £436 million a year in additional taxes and revenue.

Lord Patel: Again, could we have this evidence?

Caroline Davey: Yes, I will send that to you. Some economists did that analysis for us. But there is a clear benefit to broader society that merits government investment.

Anand Shukla: Can I just make two or three points? In terms of levels of investment in the system, some research from the LSE shows that where we are now is not at the bottom of comparable countries but somewhere in the middle, particularly with the investment that has gone in in the last five to 10 years. We need to look at how to make the funding in the system work most effectively and get value for money.

The first point that I would say is that we need a simpler funding system. I referred earlier to how complicated it was with different funding streams, different departments involved. It is confusing for parents, it is confusing for providers, and there is a huge cost involved in administering the system. There is probably cross-party consensus now, and one of the things that we are calling for at Family and Childcare Trust is a first-principles review looking at the funding system and making it as simple as possible.

The second point that I would make is that at the moment you have funding routed through the supply side, directly to providers, and then you have some on the demand side as well. Our preference would be to route as much funding directly to providers as possible. That gives you more certainty of income and it enables you to invest in quality. The problem with doing it on the demand side is that it is a very volatile market. You have a huge turnover of children every year, and if I was a small business running that it would be a complete nightmare to manage and to plan ahead and the rest of it. Looking at supply-side funding is very important.

There is also something about the current configuration of the sector. You will be hearing from providers later. My take on it is that you have a very fragmented system; you have lots

of very small providers. A huge amount of nursery provision is by nurseries that provide for 30 children and fewer, and we do need to have a look at the potential benefits of economies of scale. I am personally very interested in how we can use the school as a setting to deliver more childcare, in partnership with current providers. To me, that seems to offer a way of having the overhead that each small provider currently takes on itself and smoothing that across the whole provision. You have high-quality features in that, parents know where schools are, and so on. It is quite a contentious area, and I am sure that there will be some evidence against me later on it, but I think that we do need to have a look at that as a means of providing affordable, high-quality childcare that is age appropriate. I think we need to look more at the school setting.

The Chairman: I think you are pushing on an open door. Lots of information coming in has been about simplicity and reducing cost.

Q30 Baroness Tyler of Enfield: I am President of the National Children's Bureau. I am an active member of a number of all-party groups that are very much looking at childcare. I also chaired the Liberal Democrat working group that produced the *Balanced Working Life* report. They are my interests.

In a way, my question goes back to where we started, and it is about parents' understanding of what we have already all agreed is a confusing and very complex situation. I wondered what your thoughts were about the extent to which most parents understand the range of ways that the state intervenes in childcare. You have talked about the split between demand-side and supply-side funding. We have talked about these different policy objectives around child development, maternal employment, and all of that. To the extent that that is understood, are various aspects of that policy of how the Government currently intervenes more widely supported than others?

Anand Shukla: I do not have any data on this, so this is anecdotal from the conversations that I have had with parents. There is a huge amount of confusion about the different funding streams and the different things that government does. That is no surprise because it is very complicated.

In terms of what is popular, I go back to the point of looking at people voting with their feet, with the 95%, 99% take-up of the free entitlement. I get the impression that there is some degree of support for tax-free childcare but I do not think people understand what it means. There is a view that tax-free childcare is £2,000 off your childcare bill for everybody, and it is not. It is 20% off, up to a maximum rebate of £2,000 per child. As those details come on stream, there will be a bit of a backlash against that. It has been presented in a certain way that has not been helpful for parental understanding.

Caroline Davey: I agree with what Anand said. Just to add to that, from a very simplistic perspective parents understand that the childcare support through working tax credits is about work, partly because it is in the title. Certainly single parents welcome that support as enabling them to pay for childcare when they go out to work. As we were saying before, we should definitely not forget the huge progress we have made in childcare over the last couple of decades. I think the introduction of childcare tax credits back in the late 1990s and early 2000s has made a huge difference to the increase in certainly the single-parent employment rate during that period and I think single parents recognise and welcome that.

From a very simplistic perspective, I think parents understand what they need to know, so they understand as far as they can or they find out as far as they can about the provision for their children at the ages that their children are, at the point at which they need it, and they find out about how they can get help to pay for it at that point. I do not know that many parents would necessarily think through every day, "This is part of an early years education

offer or this is about getting me back to work or this is about a rounded package of care for my child". Parents have a lot to think about, so I think they find out what they need to know at the point at which they need to know it.

Baroness Tyler of Enfield: Can I just have a quick supplementary? It is mainly to Julie, because of the things you said earlier on in this area. I am slightly putting on my Vice-Chair of the Social Mobility All-Party Group hat at the moment. The Government do have clear objectives around narrowing the gap in outcomes, promoting social mobility, and child development is incredibly important to that, particularly for children from more disadvantaged backgrounds getting that sort of early-years education. You seemed to suggest to me that you did not think that parents thought that was particularly important. Could you elaborate a bit on that?

Julie McCarthy: Perhaps I did not express myself well last time. It is not that parents do not think it is important for their child to have good outcomes and they do not want the best for their child but probably, given the situation that most of the people that come to us are in, it is not at the forefront of their mind when they are making those decisions. If you gave them a choice where the outcomes for their child would be better here and everything else was equal, they would, of course, choose where it was better for their child. But I think if they are struggling out of poverty, if they are trying to balance are they going to be better off on working tax credits and how many hours can they do, and if I do 30 hours I am only going to be £1 better off, when doing all of that it starts to slip down the agenda for them. People who come to us who are dealing with going back after maternity leave or dealing with an increase or a decrease in hours just want that quality in terms of being a safe, well run place that their child enjoys at the very younger age. As Anand said, as they get older they then start thinking about what they are getting in school.

Anand Shukla: Can I give one example of confusion that I have picked up quite recently? Many employers are under the impression that childcare voucher schemes will no longer exist and they are closing them down or stopping new entrants joining up, whereas the express intention of government policy is that you can carry on with that or you can join this other scheme. So a lot of the parents that were getting support from that are not getting it anymore because of this lack of understanding. There is a long way to go on this.

Q31 Baroness Walmsley: We have talked a lot about how complex the system of funding of childcare is, and of course there is a difference between what childcare costs and what parents pay for it. I know you have all done work to find out what it costs parents, what percentage of their net income childcare contributes to. How difficult has it been to get to the bottom of what it costs parents, given all these different funding streams and the variability about eligibility for different kinds of funding streams? How robust are the figures, I think I am trying to ask you?

Lord Sawyer: Can I just ask as well, the raw figures you gave about the costs earlier on, did they include the cost of the Government's provision as well or was that just private costs?

Baroness Walmsley: When you say 29%, is that what parents are paying, out of pocket paying?

Anand Shukla: That is the typical price of childcare to parents.

Julie McCarthy: I would take that up. We do consider that our figures are robust and it is exactly that: when we ask parents about the cost it is excluding any additional payments they may get, so that is the cost to them.

Baroness Walmsley: Excluding any subsidy?

Anand Shukla: Yes.

Baroness Walmsley: Do they really know what subsidy they are getting? It will come in a benefit cheque, and so do they know how much of that benefit cheque is supposed to contribute to paying for their childcare? It does not go to the supply side, does it, it goes to the parents? I do wonder whether parents know how much they are being given in that benefit cheque to pay for childcare.

Caroline Davey: With childcare tax credits they will know because that has to go towards paying for an Ofsted-registered provider and they will get that as part of their tax credits and it is broken down. They have to report that separately. The one incredibly technical curiosity that parents on low incomes will not know is where they get essentially benefit support through housing benefit and council tax benefit where the disregard flexes.

Baroness Walmsley: So they do not know?

Caroline Davey: So that is the bit that parents tend not to know. That is the bit most civil servants do not know and tend to forget.

Anand Shukla: I think that something like one-fifth of parents do not get any help at all.

Baroness Walmsley: How many?

Anand Shukla: One-fifth.

Baroness Neville-Rolfe: But they do get free childcare if they go to a normal school, for a three and four year-old. It is quite a substantial investment.

Anand Shukla: But in terms of the cost of childcare, that is where tax-free childcare will be helpful because everybody can get it rather than the current childcare voucher scheme, which is an arbitrary benefit that you can only get if your employer offers it.

The Chairman: We are drawing to a close now and I want to say thank you very much. The messages of simplicity and clarity have come across very forcibly and that is taken on board. You will receive a copy of the transcript fairly soon and if, looking at that, there is anything

that you need to tidy up—you said 27 instead of 29 or whatever it was—we can do that. But equally, if you could look at it and see what you have committed yourselves to sending in to us, and if we have further questions or if you have further thoughts, if you think, “Gosh, I wish we had covered this point”, do please let us know. It has been very helpful. Thank you very much indeed.

Examination of Witnesses

Purnima Tanuku, Chief Executive, National Day Nurseries Association, and **Neil Leitch**, Chief Executive, Pre-school Learning Alliance

Q32 The Chairman: Can I welcome our two new witnesses? I think you have heard at least some—and perhaps in one case the whole—of the previous session, so you will know we are really quite gentle and quite civilised and we will continue down that route. Just to remind you that we are online and we are being broadcast live, so everything you say floats out to a wider audience. That is point one.

Point two is that we have a number of questions we would like to cover with you and we hope to get through all of them but equally, if at the end you feel there are some points that were not sufficiently widely covered or made or whatever, feel free to write further to us. Having said that, I thank you for the trouble you have already taken, both to talk to us and to be here today, so thank you very much indeed.

We will go through a string of questions and I think they are fairly comprehensive. I will start by asking you to introduce yourself for the purposes of the microphone and those listening, so if you would say who you are that would help.

Purnima Tanuku: I am Purnima Tanuku. I am the Chief Executive of the National Day Nurseries Association. We are the only childcare organisation that operates across the three nations and internationally as well. We are the representative body and a membership association.

Neil Leitch: I am Neil Leitch. I am the Chief Executive of the Pre-school Learning Alliance.

We, too, are a membership organisation operating in England. I think that we are quite unique inasmuch as we also operate around 120 settings ourselves, predominantly in areas of deprivation, and we represent about 14,000 members.

The Chairman: Thank you very much. Just to kick off the discussion, clearly significantly in part the provision of childcare is a market but equally there is a role that the state has increasingly or diminishingly taken on, and it varies. Would you like to reflect initially on what the role of the state should or might be in childcare and in the market? Who would like to start?

Neil Leitch: Shall I fire away? I think it is difficult to ever envisage a position where the state, frankly, was not involved and we had a free market. I cannot really ever imagine that being the case. A prime objective certainly of the state would be to ensure that whatever system is in place is adequately funded. I also think it is absolutely critical that the state should ensure that we focus on what is right for the child and I do have concerns, and I think providers have concerns, at this particular point in time that we are being led down a path that is about economics. Of course we understand the relationship between economics and back to work policies and so on, but it seems that that is the priority over doing what is right for the child. So I certainly think the state has an important role in ensuring that we remain focused. I think providers would also say that the state has a role in ensuring that in the whole system—and I do not just mean the pot of money—effectively we are listened to, that we

have equity of voice and that other organisations such as Ofsted give us the opportunity to be heard. I think the state has a major role in making sure that happens.

Purnima Tanuku: I think the state's main role should be as a facilitator rather than a default provider. We have a mixed economy in this country; more than 80% of childcare is delivered through private, voluntary and independent providers. I think what we need to get right is the holistic approach in terms of the child being at the centre of it and how do we make sure that the resources that we are allocating towards early-years childcare are reaching and helping those children and families to achieve the best outcomes.

Q33 The Chairman: There are two words, other than the ones mentioned already, that have been put to us in this context: one is regulation and the other is monitoring value for money. Any reflections on either of those?

Neil Leitch: First of all in terms of regulation, I do not think providers would be opposed to that. I think they want fair regulation and they want, as I said, equity. I think they want to be part of that regulation; they want to form part of it; they want to form part of the Ofsted appeals process. So I do not think there is any opposition whatever there.

In terms of value for money, I think the state has an obligation clearly to ensure that it gets value for money but it also has an obligation to ensure, as I said right at the outset, that it adequately funds what it is expecting to be delivered. Anand alluded to a point earlier where he said that parents, for example, pay double the costs in other OECD countries. Similarly, if you look at the percentage of GDP that is invested in childcare in the countries that we tend to look at as exemplars—Norway, Sweden, Finland—it is almost double what we put into the system. So I think the state has an obligation again to make sure there is balance and fairness in all of this,

The Chairman: Can I just push a little bit on that one, because the issue of GDP has come up in previous sessions? Can you be reasonably clear and certain about what proportion of GDP is spent in this area as distinct from what the state provides? When we talk about international comparisons these are very important points.

Neil Leitch: I think we can be clear that we are unclear about how much actually goes on this.

The Chairman: That is very helpful, thank you very much.

Neil Leitch: It may not be helpful but I think it is fact. About four years ago we did a study with some major providers, with the Manchester Business School, which revealed that, for example, 25% of the money that went in against the free entitlement was being used by local authorities for administrative purposes. When we presented that information to the DfE, they said, "Where did you get this data from?" and we said, "The statutory returns". Their answer was, "You cannot rely on those figures". So, if you cannot rely on the statutory returns, it is very difficult to believe that we have our finger on the pulse in terms of where the money is going. You only have to look at the schedule of different local authorities that pay different amounts to recognise that there is a massive disparity in play here.

The Chairman: I think we may come to that, but can I just make a point I made to the previous panel? If you can send us copies of any reports to which you refer, that would be very helpful indeed. Do you want to continue?

Purnima Tanuku: I have already sent some copies of the research that we published recently in terms of what funding and what levels of funding providers are receiving across the board in different local authorities. I think if you look at how much investment is being made by the Government and how much of that is reaching the providers, it is a completely different formula we are looking at. If you talk about £4 billion, £5 billion that has been invested in

early years, recently there was a letter from a local authority that was sent to all providers saying, “We have had severe budget cuts and therefore we are going to be cutting the early-years funding”. We know from DfE that the early-years budgets have not been cut, so how that is being translated at a local level is a very different thing. If you look at it across the board, the lowest that one local authority is paying is £2.80 per hour for high-quality childcare. There is absolutely no way we can expect providers to deliver high-quality childcare and employ graduates and highly skilled staff for that kind of money, and I think that is where the biggest gap is.

The Chairman: I think we will pick these points up as we go on. Baroness Neville-Rolfe, do you want to continue the discussion?

Q34 Baroness Neville-Rolfe: I want to move a little bit on to motivation, which you will have heard we asked the previous witnesses to talk about. Is the policy aim in this area, in your view, enabling parental employment or providing better child development? Obviously there is an element of both, but could you talk a little bit about the balance between those two as you see it?

Purnima Tanuku: I think it is both, really. If we look at it from a regeneration point of view, sustainable communities are those where enterprise is thriving and families are able to access the kind of services that they will be able to access, and that in turn creates sustainable communities and sustainable enterprise. From the provider point of view, it is important that providers who are going into childcare have gone into childcare not because of the money. If you look at the DWP figures, less than 50% of the PVI sector are making any profits; the majority of them are breaking even and some are really struggling. But a lot of them go into childcare because they could not find adequate childcare for their own children or they want to deliver high-quality care.

I think what we need to look at very carefully is that both those elements are important for parents as well as for the providers. The recent statistics from the ONS suggest that there has been a huge increase in female employment, a 67.2% increase, in this country since February last year. That shows that any help that parents can get for childcare is really helpful for a family because both people have to earn in some cases. Unfortunately parents will have to make very difficult choices about where and how they can access childcare.

Neil Leitch: I will add that the relationship between getting parents back to work and child development, from a provider's perspective, is absolutely clear. I have to say I have never had a conversation with a single provider in all the years where it has been focused on, "If we get parents back to work we can put more people through our doors, we can generate more income" and so on. Of course there is an intrinsic link, but it has never been the motivation.

I think one of the best examples that we have of where providers put their priorities was in the ratio debate just a year ago. Here you have a position where the department's own figures show that 77% of a provider's costs relates to staff. Here we had a position where we could relax the ratios, generate, for two year-olds, 50% more revenue with minute additional cost. We could generate 60% more revenue for three and four year-olds with again minor adjustments. The entire sector, large providers, small providers, rejected the offer. That was not about putting money in their pockets. So I do feel quite strongly when people say, "But you would say that; this is about self-interest". We have gone that little bit further as a sector and we have proven the point that we put child development before money.

Baroness Neville-Rolfe: I just want to go back and press you, because I think getting parents back to work is a good thing and you could hear from the witnesses who were from the parents' side that parents want to go back to work. I come previously from a big employer,

Tesco. Is there good practice, in your experience, in this area? For example, can you extend the provision in schools, the two and three-year provision, perhaps by putting a provision for the informal sector, or for child minders and things, around the school day? I would like to get you talking a little bit just about the employment side as you see it, not only about the development side.

Purnima Tanuku: Schools have been providing childcare, through maintained schools and maintained nurseries, for a number of years. But I think where the PVI sector has been delivering, and delivering quite successfully high quality over the years, is giving that flexibility to parents. What the parents need, if they are working part-time or odd hours and things like that, is that they can rely on childcare.

But what we have as a system at the moment is, because we are extending the free offer to two year-olds, there is a sudden panic that we need to extend the offer in schools as well as everywhere else. What we have to be careful about is, if there is an adequate, high-quality setting near a school, we need to be looking at how the school can work in partnership rather than duplicating services and threatening the sustainability of that particular setting.

We already have examples of nurseries where they have already lost nearly £40,000 to £70,000 because the school suddenly decided that it was going to deliver this from now on, it does not need the nursery, not because of quality, and suddenly that nursery is going to close down. We need to look at the balance of where geographically the capacity issue exists and where it does not exist and how parents are able to get the best possible flexibility that they can.

Q35 Baroness Neville-Rolfe: My last question is: would it not be quite a good idea for a parent—I was thinking as a parent of four children—if you can leave the three year-old or the four year-old at school for a longer period, then you are able to work for a sort of viable

day? I used to have to arrange childcare around the school day for childminders, whereas somebody has suggested that there was some good practice, and I was really interested in trying to get at the good practice, where schools were extending, perhaps by agreement with a private provider, childcare provision after 1 pm or 3.30 pm or whatever is the relevant time.

The Chairman: To push in a supplementary on that, is there a mechanism or does it just depend on local goodwill and knowing what is going on for a school and a local nursery to talk to each other?

Purnima Tanuku: I will take your question first, if I may. There is good practice, because in the survey that we published the 43% of the providers said they are already working in partnership with schools, so already that good practice exists across the country.

In answer to your question, there is no structure to enable people to come together, the maintained sector schools and the PVI sector to work together, and this is something that we have highlighted to the department and spoke to the previous Minister about. What we need to do is, exactly as the teaching schools consortiums and primary schools consortiums are working together, we need to enable and put an infrastructure in place for the PVI sector and the maintained sector schools to work together. That infrastructure does not exist at the moment.

The Chairman: I see, thank you.

Q36 Baroness Kennedy of Cradley: Can you tell me in your opinion what you think is driving trends in childcare costs?

Purnima Tanuku: Well, several things, actually.

Neil Leitch: The reality is that we have lots of aspirations. If you go back to *More Great Childcare*, the sector was acknowledged as being lowly paid, undervalued. There were

aspirations that we would lift ourselves from that position; it needed more funding. But the only mechanism that seemed to be being put forward to bring that about was through a relaxation in ratios. When that went by the wayside, we have a position whereby there has been nothing else in place to make up the shortfall. Therefore you have a position whereby we have inadequate central funding and we have more and more pressures in terms of increased rates and rents. I note that you represent Lewisham and I can give you an example of working with a school in Lewisham. We have been there for 30 years; it is an outstanding setting. Last year our rent went up by 300%. In addition, the school wanted an additional £25,000 payment for the money that it would otherwise have received for the free entitlement. None of the conversation, which lasted an hour and a half, focused around what was best for the child; it was all based on economics.

We have a position whereby we have increasing costs; we have had very little movement over the last five years in trying to keep pace with inflation in terms of the free entitlement funding. The National Audit Office in 2012—we will send you this report—said a third of local authorities had little understanding of what it costs to deliver childcare: not what it costs parents but what it costs to deliver childcare. One in 10 local authorities said, “We do not think that we pay enough”, so one in 10 went as far as saying, “We do not pay enough”. The Public Accounts Committee said government had little handle on what it cost to deliver childcare.

It is inevitable that if we move to a higher workforce, if we maintain the qualifications, if we maintain the ratios, the pressures from those aspirations will reflect into the sector. Ultimately, if there is no more funding, it goes back to parents who pick up the tab by purchasing additional hours or it goes to providers, as Purnima has alluded to, who basically reduce their revenue and losses, increase their working hours over and above what they are

paid for. So it can be no surprise, frankly, if you want more aspiration but you give no investment that it costs more money, and parents pay for it.

Purnima Tanuku: I think the pressures across the local authorities sometimes can be very different. For example, what it would cost for a parent in some of the London boroughs and what it would cost in north-east and north-west is very different. But I think equally local authorities decide on business rates, for example. The business rates have gone up 100% to 150% in some areas and we are talking about for one setting, a small setting of a 50-place nursery, a £13,000 increase in business rates. On top of that, there are increased utilities costs and you know already that 77% of the costs in any setting are staff costs. The majority of the nurseries are small and medium-sized businesses but unfortunately they are treated as private sector with a big P, and as a result they are not able to access any support whatever from their local authorities. On top of that they are having to subsidise.

At the last inquiry into special education needs, we gave evidence about one local authority paying for a child with special education needs for nine hours but the child needing to attend the nursery for 12 hours. Who was picking up the cost for the rest of the hours? Either the parent or the nursery was having to subsidise it, so that is the kind of situation that we have.

I think a fundamental reform and review of the funding system, both from supply side and demand side, need to be looked at very carefully. What I am conscious about is that all parties are pledging more free hours leading up to general election. What we are saying in the manifesto I sent out to everybody is that we need to be very careful and we need to do our sums before we are able to make those pledges. What we found is when the two year-old funding was introduced, the gap is widening with the three and four year-old funding. At the moment, £900 on average per child is the kind of loss providers are making. At the early stages of the two year-old funding, providers said the funding was adequate, but

unfortunately that is now also going the same way as the three and four year-old funding and they are making an average loss of around £700.

What we cannot do is keep on extending the hours, which is absolutely brilliant because that is what the parents want, but equally make sure that the cost of childcare is covered and that local authorities understand the real cost of childcare.

Baroness Kennedy of Cradley: Neil, do you want to come back in here?

Neil Leitch: I would slightly disagree with Purnima, just on this one instance, inasmuch as I do not think providers have ever felt that the two year-old offer was adequate. We did a survey a month and a half ago and had 1,300 responses. I should probably declare that the DfE rubbished the report on the basis that it was selective inasmuch as it did not involve schools, but then we do not represent schools, and also that it was a small sample base, 1,300, which I would also add is double the average of any early-years consultation that has gone out in the last 18 months. But regardless, 5473% of our members came back and said funding was inadequate.

I was interested in Olivia McLeod's evidence last week when she said that there was a glowing report on the 49 schools trialling two-year-old provision that had been assessed, but what Olivia failed to say was that around 3739% of them said that they thought there would be fairly fundamental challenges with finances moving forward. That is a pretty big proportion. So I think perhaps we are somewhat selective in some of the things that we present.

The final thing I was going to say on that is that there is good evidence of how you can demonstrate that we have no idea of what it really costs to deliver childcare. I know that the DfE constantly quotes the fact that it bases its figures for the free entitlement for two year-olds, the £5.09, on something that Anand had basically produced. Anand has said time after

time that those figures are misused. They were based on an average and not the particular target audience of the two year-old offer. Last year, the figure was set at £5.09. Next year it is set at £5.09. What happened to inflation? What happened to the assessment that we have additional needs, additional care and so on? Completely ignored as usual.

Purnima Tanuku: I just want to add one thing. When I said the funding was adequate, it was at the pilot stages when it was introduced, at the beginning.

Neil Leitch: It is at a different level, Purnima.

Purnima Tanuku: Absolutely, yes.

Baroness Kennedy of Cradley: It was a change, then, from the pilot to the actual funding?

Neil Leitch: We got about £6 for each—

Purnima Tanuku: £6.20 to £6.30 depending on the local authority.

Baroness Kennedy of Cradley: Now it is £5.09?

Purnima Tanuku: Yes. In reality, £4.85 is what they are actually paying. In fact, the average through our research we found is £4.70. You can see how it is going down rather than even keeping up with inflation. I think that is a fundamental issue in terms of how quality care can be delivered out there.

The Chairman: Well, on that reconciliation of views between our two witnesses—

Purnima Tanuku: Very comprehensive.

The Chairman: —we will move on and ask Lord Sawyer to pick up much the same theme, really.

Q37 Lord Sawyer: It is the same theme. Good morning, nice to see you. I have listened carefully to everything you have said. Looking at you as a sector, I think we have a right or the public has a right to say, “What can you do to keep costs down and what are the barriers

to doing that?" It cannot all be about rising costs. There must be other efficiencies or measures you can take to show that you are doing your part to meet fair costs.

Neil Leitch: I would struggle to answer that. In all honesty, we pay some of the lowest wages in the country. We have some of the most dedicated people who work in the evenings. Most of our calls, most of our inquiries that come through from our 14,000 members, come in the evening because people take their work home. Then they log on to the internet, and send you an e-mail saying, "Can you help me with this particular problem?" and so on. I just struggle to see what else we can do. We have done pretty well. I was interested that the Prime Minister, when he launched the Childcare Commission, referred to the Economist Intelligence Unit's report that ranked us as a nation, among OECD countries, fourth in quality and affordability.

That is down to the workforce of the early years, not much else, I have to say. It is down to the people who work within this sector. When I talk to managers and I say, "Why did you come into this particular business?" they do not say, "I can read a balance sheet. I am really good at cost analysis. I can do discounted cash flows". They say, "I love children". That is not to say that we are amateurish, but it is a great motivator. I am a parent. I was really interested in all the grandparent comments because my eldest grandchild has just passed his driving test and I am still working, clearly, so I think—

Lord Sawyer: My eldest child is retired and I am still working.

Neil Leitch: Well, you should have learnt. I just struggle to see what else we can do. As a parent, that is what I want for my child. I would want somebody that does use words like "love", "care" and so on.

Purnima Tanuku: Parents really do understand this in terms of their own children. When they go to settle them with a child minder, nursery or a voluntary group, they know exactly

what their children are doing and they are happy, they are content. They understand that, but I think where we have a big issue is the parents' lack of understanding of this maze of funding, what they are entitled to in terms of childcare. I think it was about last year the *Sunday Times* did a survey of working parents, couples who are well qualified and know what they are doing, and they did not even know that they were under claiming up to about £7,000 of what they are entitled to through childcare. What chance do we have in terms of some of the parents who do not understand the complexity of the funding and understand, yes, I can utilise this?

I was at a research event last year in the summer at the Childcare Commission. There was a group from the Turkish community around the table and eight of them did not even know that their three and four year-olds can access 15 hours of free childcare. We have had the free childcare for three and four year-olds for how many years now? I think there is a big gap in communication to make people understand exactly what they can access in free childcare.

Lord Sawyer: What is your comment or views on the arguments that have been put forward about relaxed ratios?

Neil Leitch: Awful.

Lord Sawyer: I know, but can you explain?

Purnima Tanuku: Yes. I just want to use one example—

Neil Leitch: I do not think there is any evidence that supports it either. I think this should be evidence based. Again, I was interested in Olivia's comments when she talked about the drive to push more and more younger children into schools and so on. I can understand the incentive from a commercial economic perspective. I can also understand that if it is really good-quality childcare and it is convenient for parents; how can you argue against that? That is not what we are saying. In the same breath, Olivia said, "With a graduate-led workforce,

that would allow us to go to a 1:13 ratio". That was the real motive, I would suggest, behind it. We could already do that. We can do that right now with early-years professionals. We have settings where we can relax the ratio from 1:13 because they are graduate-led employed. We do not do it because you cannot adequately cope with children. You cannot give them the time and you cannot give them the care.

Purnima Tanuku: From the research that we have carried out of how many schools that graduate teachers are using the 1:13 ratios, it is very few. They only use the 1:13 ratio at lunchtime or break time but not regularly. They can do that now; that flexibility is there now. To have a higher ratio does not cut the cost. It is not going to be the answer and we have proved that the whole sector was totally opposed to that view.

On your question about how they can cut the costs, they are already doing that in a number of ways. As professional bodies, we help them with their insurance. We help them with all sorts of other issues where they can save money from the bottom line, and they are already trying to do that. I think the fundamental issue is that any nursery cannot run with only free entitlement children attending that nursery. You need a mixture of full fee-paying children and a mixture of sessional children. A nursery can be registered for 30 places but it could have at least 60 to 70 children at any one time because of the sessional nature of the care that parents now seem to prefer.

The other important thing, and I have to say this, is what is important is that children learn in different ways. Children learn from their parents, adults and other children. We need to have that good social mix within settings. We cannot afford to put all two year-olds from deprived communities into places where they do not mix with other children. That will not be a positive step in child development and that is something that we need to be really careful about.

Q38 Lord Patel: My question—and brief comments from you would be helpful—relates to some of the evidence we have had that a workforce that is better qualified will be able to improve on the child development component of childcare but also will improve their status. What effect would that have?

Purnima Tanuku: Back to qualifications, there is enough evidence—and Cathy is sitting here with her research hat on—to prove that the higher the qualifications, the higher the quality. Equally, experience is also important. It is not just about having a graduate per se in a setting; it should be a graduate with early-years expertise and early-years qualifications, not just a graduate with any degree. I think that is the number one thing to highlight.

The second thing also is that when a parent goes into a nursery, they are not looking for how many graduates are in the setting or how many teachers there are and how many staff are qualified. That is not their number one priority. What they are looking for is: is my child going to be happy here? Is my child going to be safe and secure here? Is my child going to be challenged in this environment? What they do not want to see is a setting fully staffed by 18 and 19 year-olds. What they would like to see is a balance of experienced, mature staff, as well as young staff who can energise and enthuse the children. We need to build up a structure where we can help people to come into the sector right from that level to the graduate level. At the moment, that is the big gap because there is absolutely nothing in workforce support that we had under previous Governments. I was a member of the expert panel for the Cathy Nutbrown review and these are the things that we suggested.

The other thing, of course, is the early years teacher status. It is still not equal to a qualified teacher status and it is about time we addressed that issue to not only raise the bar on qualifications but enthuse young people who want to come into childcare to say, “Yes, this is a worthwhile profession. Yes, the pay may not be that good compared to somewhere else,

but there is a career path, there is a career structure". That is something that we need to seriously look at.

The Chairman: Are you as an organisation involved in trying to answer that question?

Purnima Tanuku: We are. I have been a member of the Nutbrown panel. Unfortunately, the majority of those recommendations have not been taken up by the current Government. We started delivering training about three years ago because local authorities were simply not able to deliver that because there are no funds. Even if they are delivering, they are asking providers to pay for it. Even the statutory training that they used to deliver before is very limited now. We are delivering different levels of training right from level 3 to early years teacher status, online training. This is exactly what internationally, from other countries, people are accessing.

I would make the point that the grass is not always greener on the other side. We are always comparing ourselves with countries where the model is very different in terms of the funding. There are countries that are absolutely loving our early years foundation stage, our early years practice: different countries that are looking to Britain. We never talk about the best of British, and I think it is important that we balance the two things together. Yes, we have issues but we also have some fantastic practice in this country, which we need to highlight.

The Chairman: Thank you. I was just struck by the parallel between the questions you are raising and the issues about quality of teaching in schools where there have been government initiatives such as Teach First. The evidence is that that is having a very strong impact. I wonder if there is any attempt to produce similar policies and practices in the area you deal with.

Neil Leitch: I have to say I would endorse everything that Purnima has said, but a graduate-led workforce does not have to be unique to the school environment. We have an infrastructure that we have spent tens and tens of years building up to the point where it currently exists. There seems a reluctance to put the investment into the existing structure, where there is a bedrock of support and experience, yet we do not seem to want to do that. We are not challenging schools per se, but the real motive, I fear, is about putting more children, greater numbers, into school environments because you can. I do not think that will be the answer. I do think that we want to and we have to upskill the workforce, but it means investment.

It is interesting. I will read you what Cathy Nutbrown said in her report when she talked about early-years teachers and its parallel with qualified teacher status when that was rejected. She said, “Are early-years professionals simply being renamed? If so, is this not insulting? Will this name change, without any other apparent change, mislead parents? Is this not insulting and misleading to those who undertake early-years teacher courses?” I think it is. By all means, let us upskill the workforce but not use it as a decoy to push children into schools, which I think is starting to happen.

Q39 Baroness Walmsley: Could you say whether you think that the Ofsted criteria match your understanding of quality in childcare and early education?

The Chairman: That was a very revealing laugh, I have to say.

Neil Leitch: We will definitely be as one on this.

Purnima Tanuku: Absolutely. Regulation is important, there is absolutely no doubt, and we are not saying we do not want a regulator, but I think it is how the regulator uses its powers to be able to really inspect quality. Our definition of quality is exactly what I said earlier on: is the child happy, healthy, safe, challenged and thriving in that kind of environment and

learning constantly? We have had horrendous issues with Ofsted. I think that is public knowledge and we have all put our name to it. What we need is a fundamental rethink of how Ofsted looks at quality and what the definition of quality is in terms of regulation. The definition of quality could be something completely different to a parent or to somebody else.

I think what we need to have is a common message on the understanding of quality and then how we implement that in an inspection regime. The kind of thinking that is going on within Ofsted at the moment, I am pleased to say, is that it is now beginning to listen to the sector and understand some of the issues and communicate with the sector, but we have a long way to go in understanding quality and the regulator's role in examining that quality when it goes to a setting.

Baroness Walmsley: That is a "no" then?

Purnima Tanuku: Yes.

Neil Leitch: Could I try to briefly add to that? There is unprecedented concern over the quality and the inconsistency of Ofsted. It has never been so low. In the survey that I referred to earlier, it hit an all time low with a mean average of 4.7. Ofsted's own figures: 66% of formal complaints and 72% of internal review complaints come from early-years providers, despite the fact that only half the inspections basically are within that area. When you have providers who are subjected to malicious complaints and their outcomes are then overturned by some remote quality assurance team, an appeals process is led by the very same organisation that carries out the inspections, where of the 900 complaints, five resulted in the inspection outcome being overturned, something says to me it is fundamentally wrong. The law of probability analysis tells you that cannot be right.

We have lobbied and lobbied for some part to play in making sure that that process was equitable, with somebody from the sector on the appeals process; somehow it is constantly rejected. That is not about openness and transparency. If you go to Ofsted's website it says that it is an independent, impartial organisation, but I would suggest except when it comes to the appeals process.

Q40 The Chairman: Again, this may be something you would want to send in. Can I ask whether or not the memorandum of understanding or the specification given to Ofsted by the department is adequate? That could be one source of the problems. Alternatively, another source clearly is quality control within Ofsted, which is perennially an issue because of the number of inspections it carries out. I wondered if the agreement between Ofsted as to what it will provide for the Department for Education is driven by the DfE's demand rather than the needs of the sector.

Neil Leitch: I think it is too broad. I think it is at odds to have them as the sole arbiter of quality and then also have them provide the support where something is lacking.

Baroness Walmsley: Can I come in there? Purnima, I remember you coming to see me a couple of years ago and saying how difficult it was for settings to have two different quality controls and sets of inspections, because you had the local authority and Ofsted and now you have pretty well just got Ofsted.

Purnima Tanuku: Yes.

Baroness Walmsley: What difference has it made? That is what you wanted, really.

Purnima Tanuku: I think it has not made much difference. When local authorities had the control of certain regulatory functions within their local authority area, they were able to equally give support to those settings. Now that does not happen anymore because some local authorities have their own quality schemes and what they were insisting providers do

was follow that quality scheme so there was some support available for them. Now the teams at local authority level are drastically cut. We are talking about, in some cases, 25 staff members going down to three or four. There is absolutely no way they can provide that support and training, and yet they have a sufficiency duty under the Childcare Act. What is important is Ofsted will come in, and some people are still waiting for five or six years for an inspection while Ofsted is busy with the complaint-triggered inspections. What happens to those settings and where do they get their support from? Organisations like ours and Neil's is where they get it from at the moment because they cannot get that support from local authorities.

Neil Leitch: It has exposed the position. You are absolutely right. If you had one inspection framework, fine, but if it is not up to scratch it exposes the problems. I think it is interesting that Sir Michael Wilshaw said himself—and when I said I thought the remit was just a little bit too relaxed, the fact that you outsource it—that inspection was too important to outsource for schools, but it is okay for the early years because we still have it.

Purnima Tanuku: The other issue I want to point out is the lack of a level playing field between different settings. For example, schools get a notice at the moment, although that is being reviewed currently, and nurseries and other providers do not get any notice. Childminders do get short notice. What we feel strongly is that not only should funding follow the child, regulation should follow the child, and quality must be there wherever the child goes. We need to have a level playing field both in terms of funding as well as regulation and inspection and support that they can get from local authorities.

Q41 The Chairman: Thank you very much. We are nearly at the end of our time. There is just one question I wanted to put to you and, again, if you prefer to write in afterwards, please do so. It has to do with local authorities and it has to do with variation of funding

from one local authority to another. Two questions: how much sharp, hard evidence do you have of this? Secondly, if there is such variation, what impact does it have? Is it because there is a gap between national government and local government or is it just the perennial battle with local authorities spending the money they want?

Purnima Tanuku: The second is the right thing. We have done some research and we have, out of 150-odd local authorities, nearly 100 local authorities' hourly rates. We got those in terms of what they are paying. The average, which I mentioned, about £3.70, to the lowest at £2.80, is decided at the Schools Forum. At the moment, the early years funding sits in the DSG grant and is decided at the Schools Forum. At the Schools Forum, among the number of head teachers there is one lone voice of an early-years provider, whether it is private or voluntary or whatever. The decisions are made at that Schools Forum in terms of how the funding is spent.

What we have been asking for a number of years is the early years element of that funding should be ring-fenced because if you really want to make a big difference and intervene early and provide that high-quality care, we must make sure that the Government's investment in early years is being spent on early years. Otherwise we will get these letters from local authorities to providers saying, "We had major cuts in this local authority so, therefore, you cannot get your £3.50. By the way, we are cutting it down to £3.40 from April onwards". That cannot happen because that cut did not happen at the national level. I think that is a real issue. The Lib Dems have already said that they will ring-fence the early-years element of the funding in the DSG as part of the pledges, but that is something that we need to be careful about: how much money is allocated and how much money is really spent on early years at a local level.

The Chairman: We are aware of these issues and any evidence you have of what the variation is would be very useful.

Purnima Tanuku: Yes.

The Chairman: As you can see, we are virtually at the end of our time. No, this is well understood. I would just repeat our thanks to you for a very helpful session. The sharpness and clarity of your views are appreciated and we will try to take them on board as best we can. You will receive a transcript and do let us know of any variations or any corrections of fact as soon as possible and let us have the additional information that we have been talking about on the way through. Thank you again very much indeed.