HOUSE OF COMMONS

Education Committee

Oral evidence: Support for childcare and the early years, HC 969

Tuesday 18 April 2023

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Watch the meeting

Members present: Mr Robin Walker (Chair); Miriam Cates; Mrs Flick Drummond; Anna Firth; Kim Johnson; Andrew Lewer; Ian Mearns.

Petitions Committee Member present: Catherine McKinnell (Chair).

Questions 191-247

Witnesses

I: Christine Farquharson, Associate Director, Institute for Fiscal Studies; Professor Eva Lloyd, Director, International Centre for the Study of the Mixed Economy of Childcare, University of East London; and Professor Birgitta Rabe, Professor of Economics, Institute for Social and Economic Research.

II: Dr Tammy Campbell, Early Years Lead, Education Policy Institute; Adam Hawksbee, Deputy Director, Onward; and Iain Mansfield, Director of Research and Head of Education and Science, Policy Exchange.

Examination of witnesses

Witnesses: Christine Farquharson, Professor Eva Lloyd and Professor Birgitta Rabe.

Q191 **Chair:** Welcome to the fourth session of our inquiry into support for childcare and the early years. Today we will hear evidence from two panels. I will introduce the first panel. We have Professor Birgitta Rabe, professor of economics at the Institute for Social and Economic Research; Professor Eva Lloyd, director of the International Centre for the Study of the Mixed Economy of Childcare; and Christine Farquharson, associate director of the Institute for Fiscal Studies. I will start by asking you to briefly outline, from each of your perspectives, your thoughts on the childcare announcements in the spring Budget, and then we can move on from there. I will start with Birgitta.

Professor Rabe: Thanks very much. Let me focus first on the labour supply side of things. We would say that, based on our research, we can expect the announcement in the spring Budget to move more people into work, but mostly we would say that that will happen once it is fully implemented. We have previous research on the free entitlement for three to four-year-olds, which found that 15 hours of childcare provision was not enough to move women into work, whereas when children move into primary school, which is full-time care, we found a significant effect on both labour force participation and on employment. For that reason, we would expect the effects to kick in once it is fully implemented in September 2025.

At the time of our research, we speculated that the three to four-year-old entitlement was kicking in a bit too late for women. They might have already disengaged from the labour market, so the announcement now is obviously an earlier supply that fits more seamlessly with maternity leave. We therefore could hope to see some bigger effects. It is also, I think, a benefit that we have a more unified approach now across the ages of children; that might be beneficial.

Staying on the benefits, there are some other side-effects that we should note, one of which is that if the measures are good for child development, we are obviously enhancing the productivity of the next generation. Recent research that we have carried out also shows that childcare is very good for the mental health of mothers. That is an aspect—often overlooked—that in turn can lead to a higher labour supply as well.

Looking a little more at the risks in terms of the labour supply, I think that it has been noted before in this Committee that we have to be clear that the subsidy is only for 38 weeks—so, in term time. I know that it can be used across all the weeks of the year but that reduces the offer to, I think, 22 hours per week. Also, there is a decision to be made about whether it should be offered for training and education, and potentially also for looking to work. Those are things that could be looked at.

Another bigger point to stress is that the labour supply effect, given the amount of subsidy that we are offering, is quite modest. The scale of the subsidy is large and the expected labour supply effect is small. The reason for this is that we are crowding out a lot of private investment into childcare that is already happening, and we are also crowding out a lot of informal childcare that is already happening. This is what we have seen through our analysis of three to four-year-olds.

At the time, we looked at the family resources survey and found that 62% of one-year-olds, which will be the group that we are looking at here, are already in some form of childcare, be it formal or informal, so in fact the end result of offering these subsidies is that not a lot of children will be moving into childcare who have not otherwise been in childcare already—hence the quite modest effects on labour supply.

Connected with that, we know from the extension entitlements for three to four-year-olds that it is more affluent parents who benefit. Against that background, the question should be raised about whether it is fair to offer a flat rate subsidy to all families or whether we should have a tapering off at higher points of income distribution.

Chair: That is something we will come back to later in the session.

Professor Rabe: Okay—I think that is something that would give us more scope, perhaps to target families further down the income distribution, and also children. That brings me to the childcare side. I do not want to talk too long, but what we know about child development is that it is beneficial for children if the childcare offered in a setting is better than what they would otherwise experience—the so-called counterfactual—which could be at home, in informal arrangements, or whatever settings children are in. The quality is the decisive factor. I am sure we will talk in more detail about all these aspects of quality, how the funding is related to that, and the types of children that we will be getting into childcare through an offer that is for working families; because we know that the most disadvantaged children are in families that are not necessarily working families. I do not want to take too much time.

Chair: Thank you. I will go over to Professor Lloyd.

Professor Lloyd: To start, I think the proposals in the Budget are the most exciting ones we have had since 1998, when the national childcare strategy was announced. As far as the implementation of these proposals is concerned, like Birgitta I foresee many problems: because of the system we have; and, very particularly, because they are focused on relieving parental childcare costs. There are many other ways that other systems address that issue. Indeed, it is extremely urgent. But unless we address this issue at the same time as the completely unacceptable conditions of the childcare workforce, I very much doubt that we will get to successful implementation. We have a situation where parents are reducing the number of hours that they pay for—with or without the help of the tax-free childcare, or under universal credit—and, of course, they will still take the funded hours. Our providers are currently struggling with a reduction in income because of this. This is really happening, and it is happening fast.

We are also struggling with the workforce absolutely having reached the end of the road—exhausted after covid and now dealing with the cost of living crisis. They are leaving in droves. We have seen an enormous reduction in the number of well-qualified people—at level 3—working here, and in the number of graduates, and it can only get worse.

Q192 **Chair:** What are the solutions? Obviously, it is about investing in the workforce, but how mechanistically should the Budget or the Government be supporting that?

Professor Lloyd: I am not here to offer you cost-neutral suggestions, but I'm sure I don't need to remind you of the work done by my colleagues here, and others, about the payback to the Exchequer, and to communities and societies, of investing more money.

I hope to talk later about my experience working with the Irish Government on a new funding model for their early years system. Core funding—another form of supply-side funding—is key. We cannot expect to pay decent wages and improve the working conditions of the childcare workforce through these per capita rates that are being paid. Per capita will not do it. As Birgitta has already said, there are doubts about the amount of money that will come towards three and four-year-olds. Although it looks better for under-twos and two year-olds—

Chair: This is the proposed £5.50, £8.00 and £11.00 rates?

Professor Lloyd: Yes, the proposals that are around. But we cannot expect providers to do this without increased core funding—which is certainly what happened in Ireland—and without quite serious public management.

The work of the International Centre for the Study of the Mixed Economy of Childcare, which Professor Helen Penn and I established in 2007—I am pleased that she is sitting here behind me—really looked at the system and dynamics of marketised childcare, and whether those systems deliver on the Governments' policy aims. Successive Governments here have had the same policy aims: social mobility, family economic wellbeing, and social justice including all children. The current system does not deliver on those policy aims.

Core funding—additional funding going into the system even if nothing else happens but the proposals that we heard in the spring Budget—should be conditional. Without conditionality, money will not arrive where it is most needed. We see that across the world in marketised systems. Particularly, there will be an influx of private for-profit providers, many with backgrounds that have nothing to do with childcare and early education. That always happens when substantial public money comes into a system. It is understandable, but it has to be managed.

Chair: Thank you, okay. Christine?

Christine Farquharson: The spring Budget is very clearly a statement of intent, so we will see by 2027 that spending on the free entitlement has doubled from its current level, which, in turn, has doubled since 2010. This is essentially taking the close-to-final step in establishing a new branch of the welfare state.

Compared with 25 years ago, the Government has very clearly made a decision that it has a role to play and it needs to find resources to play that role in those first five years of life. That statement of intent and the resources to back it up will be welcomed by many people in the sector, and recognise of the goals of the early years system, as Birgitta and Eva have set out, in terms of child development and supporting parents to work but, most crucially in this Budget, in terms of supporting families with younger children with the costs of childcare.

We estimate that around 85% of the spending done through these new entitlements will be spent on childcare hours that families are already using and paying for. That it is not a silly thing to want to do. We know that families with the youngest children face the highest childcare costs by a very long margin, and struggle the most with those costs. It is certainly not a foolish thing for the Government to wish to relieve some of the pressures and tensions on those budgets, but it does mean that when we think of this, or bill this as or discuss this as a labour supply policy, we also need to keep in mind that most of the spending we are doing is not directly related to labour supply per se.

That reflects another part of this new branch of the welfare state that we have come to. It has really been a journey from its early introduction as an early education policy, which is why this sits within the Department for Education and is of such great interest to this Committee. It was initially viewed as being about supporting children to become ready to start schooling and to access the early education that it was felt they needed. We have moved quite a long way since then, and that has been a gradual process with ever more emphasis on the labour supply aspect of this childcare offer.

What we saw in the Budget was really quite a decisive step in that direction, saying that the priority and the focus here is labour supply, supporting parents to work and supporting families with childcare costs. I say that because of the targeting of the policies—which the Committee has already heard about from Birgitta and Eva in terms of support for working families—and because of the rhetoric around this offer and the way that the Chancellor has kind of asked the sector to deliver these entitlements.

That has left us with a system that is administered by the Department for Education, as Birgitta mentioned, based on ideas about the school system—term time and 30 hours being a full-time place—but which is being asked to do the job of supporting parents to work. That leaves us with several real oddities in the system. Birgitta asked whether these hours will be available for parents who are in training or education, or who are seeking to work. What we know about the current 30-hour entitlement is that there is a waiting period, essentially; parents are advised to apply for their 30-hour codes four to 10 weeks before the start of the term in which they wish to take that offer up. That means they need to be working four to 10 weeks before the start of the term in which they wish to take that offer up. There are questions here about the design of this and how it will support people into work.

There are also fundamental questions at the top end of the spectrum that come with the decision to cap the entitlement and exclude families where one earner is earning more than £100,000 per year. Obviously that is a lot of money, and obviously those families are well off, but that blunt cliff edge that is built into the system creates some very odd incentives. For example, a parent with two very young children in London would be better off refusing a pay rise of almost £40,000—they would leave on the table almost £40,000—than giving up on the childcare support through these new entitlements. That strikes me as a slightly odd design feature to put into a policy that, we think, is supposed to be about promoting labour supply and supporting parents to work.

The first order consideration here is the deliverability of this policy. We estimate that even before anybody changes how much childcare they are using, the Government will now be buying around 80% of the preschool childcare hours in England. When you are buying 80% of the market for anything, you really have to be sure you are getting the price right. If you set that price too low, providers may choose not to offer it.

Q193 **Chair:** What is your point of comparison? Where would it be starting from?

Christine Farquharson: At the moment it is about 50%. Already the Government have quite a heavy weight in the market, and that has caused some distortions, which I am sure we will discuss more, but we are really reaching the point where the channels for cross-subsidising and working around Whitehall when it gets that rate wrong are by and large being shut off. That poses great risks. On the other hand, there are also risks with setting funding rates far too high, particularly in the context of a market that is a mixed economy and is regulated but where quality and prices are difficult for regulators to observe. There is a risk here of inefficient public spending as well if we go too far in the other direction without commensurately increasing the quality of the care on offer.

The rates we have seen, at least for the two-year-olds and the under-twos, do look in line with or more generous than current market prices for childcare. That is an encouraging sign. For three and four-year-olds it is a little bit less clear that those rates will be adequate. But for me there is a fundamental question here; setting these rates is really hard and getting them right is really hard. We have seen that the process in the past has been driven quite a lot around spending reviews, set piece announcements or "When does the sector get so much into crisis that we think it will fall over and maybe we should whack a little bit more money in?" When you are buying 80% of the market, that ad hoc way of setting your funding rates and determining them feels riskier than ever. Getting the process right to set and review the evidence and to revise these funding rates will be absolutely crucial.

Q194 **Chair:** Thank you; that is a very important point. Eva, you have advocated in written evidence the wholesale reform of the childcare market. How would you see that looking? Where would that end up?

Professor Lloyd: It would end up with a much more integrated system, because at the moment we are still dealing with early education funding. We call it childcare, but we still have the legacy of the downward pressure of the model of nursery classes in maintained primary.

If we step away from this and look at it, we see that free—the "all or nothing approach" that Christine mentioned in her submission—is in fact not the norm across Europe. The norm is income-related fees for parents, the capping of parental fees and making a decision about how much it is reasonable to expect parents to pay from household income for childcare and early education.

Scotland has gone one step further and said there should be 30 hours for all children, and is also aiming to get in the children whose parents are not going to work. Scotland is targeting this as part of an anti-poverty strategy. I think we should bear the anti-poverty aspect of these measures in mind all the time, given the present child poverty rates in this country, which are appalling.

What I see is a managed market with much more public input and public management. I think of the work by an economist whose work I really like, apart from the work of my colleagues. Mariana Mazzucato talks from a policy perspective about how we need to shape rather than fix the market. But to do that we first have to ask the question: what kind of market do we want? So the focus goes on to the partnership and the kind of partnership the Government have with the providers.

We have a complex mixed economy of childcare because we have public providers and private for-profit and not-for-profit providers. In Germany, they are largely not for profit, and if one is a for-profit provider, there is no public funding, so only about 3% of the providers in that market are for profit. However, we have that complex arrangement and that needs looking at. So they are big changes but, again, it is about the importance of the outcomes for children and of the benefits for communities and society—and for the Exchequer, in the end.

There is interesting research by my colleague at the Open University, Jerome De Henau, on creating a system where parents work fewer hours but there is free childcare, and on what the payback to the Exchequer is from those models. The New Economics Foundation has done some work on that. There is the childcare guarantee, which is being rolled out in the rest of Europe, and the IPPR has looked at that. There are all sorts of ways of looking at the market.

Of course, some of us would say that we have to look at the excessive profit-making in the childcare market. Most children receive their early education within this market. The proportion who receive their early education—I am still using that term—in public provision is about a third, so we really are talking about most children under five. So it is very important to grapple with the role of profit extraction from the sector and the role of private equity and hedge-funds.

In our submission, Helen and I said that we are slightly encouraged by the Bank of England planning a stress test of the role of the largely unregulated second banking sector in this country—the role of private equity—because there is concern about the stability of the UK economy. Well, we have been concerned about the stability of the early childhood education and care system for more than 20 years.

Q195 **Miriam Cates:** We have been talking about the impact of the Budget announcement in terms of getting parents back into the workplace. The Government's own figures suggest that the policy, if implemented properly—I know that is up for debate—would result in 60,000 parents returning to the workforce. My maths tells me that is about £5,300 per returning parent and if that parent returned on a median wage, they might pay £3,500 back to the Exchequer. So, to my mind, in tax terms that is not a particularly good outcome for the taxpayer. If your aim was to get as many parents back into the workforce as possible, what would be a better, more efficient way of doing that?

Christine Farquharson: That is an important point. When we think about the Exchequer impact of this policy, this is a big giveaway. For the average woman who is working full-time, this giveaway is worth more than getting rid of all their income tax and all their national insurance contributions, which is a way of suggesting that at least in the short term it is unlikely to pay for itself.

That is not necessarily the only benefit that the Government are hoping to realise from this reform. We spoke earlier about the costs that families pay for very young children in childcare. It is not that this money is going away and disappearing into the ether: it is relieving pressures on family budgets for families who are already working and paying for formal childcare.

I think there is also an important question here about what the aim is in terms of labour supply. We think there are benefits for people going back into work and, if we are trying to think about reasons why the Government might wish to intervene to make that be so, chief among those might be things like the gender wage gap and promoting greater equality between men and women in the labour market, or things like the long-term impacts of taking a few years out of the labour market and what impact that has—

Q196 **Miriam Cates:** Sure, but those are ideological aims. For example, in countries that have higher female participation in the workplace, you tend to get a greater gender pay gap, because the more women who return to work, the more formal jobs are created in childcare and elderly care, and they tend to be low paid, so the average wage of a woman decreases. It depends whether you think that matters. The polling suggests that the vast majority of parents of under-threes would prefer to work less if they had a choice. I understand that for many families there is no financial choice, but why is it inherently a good thing to try to increase participation in the workplace for parents of under-threes?

Christine Farquharson: My next point was going to be exactly along those lines. The OBR's estimates suggest that most of the 60,000 women or parents—they are largely women—who will be entering work are likely to be working an average of 16 hours per week. We know that the benefits in terms of the gender wage gap and those long-term career, pay and progression points are much, much less when people are working in part-time roles. So I do think there is an important question about being clear that labour supply in and of itself is not always an aim, a goal, a necessary thing; of course parents' preferences play a role. But equally, it would not be a silly thing for the Government to say, "We have an interest, beyond the Exchequer cost, in helping people to live full, complete, satisfied lives, and if what they choose to do—what they wish to do—is go out into paid work and use the skills and education they have built up, we have an interest in supporting that."

Q197 **Miriam Cates:** That is really interesting. What you are saying is that actually the aim should be to help women who want to keep their hand in a career, for example, and to help people with the cost of living if the childcare costs are too high—to be a more flexible help in respect of what people already need—but that that may not have the big bang impact of hundreds of thousands of people returning to work. I think that is a very good model and aim, but what should the Chancellor do? If he wants to get more parents back to work, Eva, what would be a better policy?

Professor Lloyd: I have to come back to my first point: if we are really serious, there has to be much more rigorous reform, and we have to start with the childcare workforce now. The Nordic countries started 50 years ago. We have lost so many opportunities to look at all parts of the system. Without the people, we do not get the outcomes for the children, and we might not even get the enjoyable experiences for them.

I also agree with what Christine has just been saying about what we see in systems that have good support for the early childhood education and care system, which is that, by and large, those Governments also more generously support parents in their task of child rearing. The importance to communities and societies and to the Exchequer of what parents do is so huge, and it is being neglected.

A child-friendly community with more facilities means more money for community initiatives, but local authorities can also play a role there. The local authority role in all this is absolutely crucial. Just as an aside, you can look at a Nordic country like Norway, which has always had a mixed market economy of childcare. There you see 5.5 million inhabitants and 425 local authorities; they do a fair amount of micro-managing there. It is crucial.

The last ONS household satellite accounts that I looked at calculated the price of parental and informal childcare, and the contribution of that to the economy is huge; it is second only to transport. Of course, we can also look at ourselves—well, in my case, it will now be looking after grandchildren and not children so much, but parents spend far more time looking after their children than the children will ever spend in formal provision.

Q198 **Miriam Cates:** Which brings me on to my next question. One of our witnesses was Anne Fennell, who chairs Mothers At Home Matter, a group that supports women who want to be able to stay at home while their children are young and who choose to do that. She pointed out that all of this £3.2 billion is to help families on the condition that both parents return to work for a set number of hours and put their child in formal, state-funded childcare. She was making the exact point that the contribution that both parents—normally mothers—make not just to the current economy in doing hours of labour but in laying the foundations of attachment and emotional security in their children for later life should also be recognised by the Government, whether through the tax system, as it is in other countries, or through vouchers or other means. Would you support a system that was more flexible, supported women in their choice and did not just push them in one direction?

Professor Lloyd: My ideal system would support parents—fathers and mothers—in their choices. Although I can see that, if only from a public health perspective, the first year of support for mothers is crucial, I would really like to see the whole first year devoted to well-paid leave. That will encourage parents to take it in turns to stay at home with an infant. So yes, I would want both in order for true choice to be there.

Of course, the very welcome increase in childcare support that will be available under the benefits system—universal credit—now has quite strong conditionality attached to it. That really worries me. We have seen an explosion in the number of young families needing universal credit, and basically our early childhood education and care system is holed seriously below the waterline, so how can we impose conditionality on mothers of one-year-olds and so on if there is no well-functioning system for them to make use of? This is crucial.

Q199 **Miriam Cates:** We heard from the lady who chairs the Gingerbread charity that supports single parents. I think that around 80% of single-parent families are on universal credit, and now they—it is often mothers—will face the compulsion to return to work even if their children have been through emotional trauma and things like that from family breakdown. They feel that they now have no choice but to return to work and leave their child. So there are all sorts of problems around the conditionality.

Professor Lloyd: Which only a good system and a compassionate society can cope with.

Q200 **Miriam Cates:** Finally, Birgitta, you made a point about early years daycare essentially having positives in productivity later on in life—apologies if I heard wrong. I would be interested to hear more about that. The research I have been shown shows very much the opposite: that a secure attachment with primary care givers—normally mum—in the first year of life lays the foundation of resilience in times of stress that allows young people and young adults to cope much better with life, and that there are now some links between children who were in daycare from an early age and having more anxiety issues as teenagers and young adults.

Professor Rabe: In terms of the research, there is not a lot about very young children. Because most countries offer childcare for three to four-year-olds or from two years onwards, finding good research about younger children is very difficult. But the evidence that I have seen—I reviewed the literature recently—is that, crucially, it depends on the quality of the childcare. Again, to return to what I said earlier, it always depends on what the counterfactual is. What are we comparing—is it a secure home life or a more chaotic home life? What is the quality of care you are sending the child to?

In low-quality settings like the examples in Canada, where there was quite cheap daycare offered to very young children, the evidence shows that there are behavioural problems coming out of that and that social and emotional wellbeing is affected, whereas academically you do not see that many differences. There is an indication that it can be stressful but, again, it is related to many parameters. It depends on how many hours you send very young children into childcare, with long hours being perhaps more distressing for the child. There are many dimensions that you have to compare.

Q201 **Miriam Cates:** So essentially you are saying that unless there is some significant change in the quantum of funding, it is unlikely to be able to fund the kind of quality provision that would be an improvement for most children.

Professor Rabe: This leads us on to a whole different, quite complicated debate. How do we define childcare quality? This is difficult. I have done research on this as well. As you know, you can describe childcare along the lines of structural dimensions. How qualified are the childcare teachers? What are the child-to-adult ratios? The literature does not often find a very strong relationship between those structural characteristics, because the actual quality and the experience of the child—what we would call process quality—is something different. It is about the experience that you have, and it is not necessarily linked to the academic degree of the teacher that you face. So it is quite difficult to define quality.

There are other, more refined measures, including Ofsted ratings, which we find to be quite successful in pointing out high-quality childcare settings. In our research, it is more difficult to collect measures. Let's say we can use them to create high-quality settings, but the other important question is: which children are you actually enticing to attend those settings? If you link free childcare to working, we know from the evidence that it is going to be more high-income children and not the children who stand to benefit the most. In order to reach those children—you were talking earlier about the aims of the policy, and Christine has talked about the labour supply and helping parents with young children in their expenditures—the third pillar is enhancing the child-development side. Possibly you could extend this to include closing the gaps between children of different backgrounds. That leads us on to the question of how we reach those children who stand to benefit the most.

Miriam Cates: But that is an entirely different aim compared with how to fill the workforce with parents—

Professor Rabe: It is very different. Can I just add one point, and then I will finish? Creating this support for working families obviously directs it towards the higher-ups, but even if it is universal like the 15-hour entitlement, we have a proportion of parents who will not send their children. We know that take-up is incomplete on the current two-year-olds offer. That is a whole different thing that should be looked at: how can we get those parents? It is almost like reverse selection on the potential gains. That is what the literature finds. The very hard to reach are the children who would benefit most from going into high-quality childcare.

Q202 **Chair:** That two-year-olds offer has risen over time, but I think take-up is currently about 76%.

Professor Rabe: Yes, for the two-year-olds offer it is around 70%. Although 93%-ish take up the three to four-year-olds offer, there is still the 7%, which is an interesting group. For example, there are children with English as an additional language; in our research we have shown that they can benefit most. It is not just poor families: it is also about early language acquisition. That is important to look at as well.

Q203 **Ian Mearns:** Good morning, and apologies for being late; I am very sorry. We have skirted into this already, but I want to flesh out extending the universal free hours entitlement. Do you think it is the most effective use of Government resources for childcare subsidies of this nature? Do you think there are any potential risks? Do the economic advantages outweigh the social disadvantages, or vice versa?

Chair: Professor Lloyd, do you want to start on that one?

Professor Lloyd: I think you have missed some of the discussion. We have discussed this to an extent, but it is good to hear this emphasised again because where the public money goes is so important.

Q204 **Ian Mearns:** From my perspective, is there something more effective for this group of children that we could do with the money? Is there an opportunity cost, as it were?

Professor Lloyd: What does seem to be the case, when you look across Europe, is that if a system is easy to navigate and generous, it becomes attractive to parents. In fact, you will see that the level of informal care goes down and parents are happy. This is definitely what happens in the Nordic countries. There is a generous system that is seen as high quality by parents and that is staffed by well-qualified practitioners. My concern, and the concern of others, is about what the Government propose to invest in this system. Will it address those different sides of the coin?

Q205 **Ian Mearns:** You raise an interesting question. You are saying that the Nordic system is a generous system, but it has been the way that it is for quite some time. Therefore, for the vast majority of families, it is the norm. They do not regard it as generous; they regard it as what they expect.

Professor Lloyd: That's right, and it is the same in Germany, but that is a much more recent change. The change that every child from the age of one has a right to a place has been from 2013 onwards. It is interesting to watch what happens there. That is largely a not-for-profit system.

Of course, the context of every system is different, but my colleagues—Christine in particular—have outlined all the anomalies that still beset the current system and will not be resolved by the proposals on the table.

Q206 **Ian Mearns:** It seems to me that the current system is a long way from a universal entitlement, isn't it?

Professor Lloyd: That's right; it does not work like that. It allows increasing social segregation. We are going to change this in 2025, all being well, but the children who only want the 15 hours, frankly, go to the bottom of the waiting list in many of the settings where parents sign them up—for understandable reasons, but then we do not deliver on the policy aims for putting any public money in at all.

Q207 **Ian Mearns:** Given the current situation, with the financial constraints, settings will naturally and understandably look for the most lucrative children from their perspective.

Professor Lloyd: Absolutely, and of course settings have been cross-subsidising. The social enterprise where I am chair, in Milton Keynes and surrounding counties, has that cross-subsidisation model, whereby having well-to-do parents in Milton Keynes using additional non-funded hours—additional hours that, if they are lucky, they get tax-free childcare for—means that we can cross-subsidise those who only come for the 15 hours or, indeed, some of them for 20 hours. That is under threat with the current proposals.

Q208 **Chair:** Yes. That is the point that Christine was making, really: as the current proposals expand the Government share of the market, they reduce the opportunities for that cross-subsidy.

Christine Farquharson: Absolutely. To your point as well, there is a huge opportunity cost here—there always is. It is a very complicated system. We currently have eight different programmes to subsidise childcare; we will now have nine different programmes to do that. We know that navigating that and making it understandable to parents is important. We have seen that really quite vividly with the difficulties in take-up of tax-free childcare and universal credit subsidies. You are not wrong to suggest that complexity and comprehensibility of the system is an important parameter to think about when we are designing this system.

I want to take this opportunity, because you asked more broadly about the opportunity cost of this money, to say that I think it comes back to what it is we are hoping to achieve. The current 30-hour thing, which is the legacy of bolting on lots of different entitlements to something that started for early education, will not be anyone's idea of the perfect answer to any of the questions we want our childcare and early years system to achieve. Going more firmly down one of those routes gives us more opportunity to design something a bit more bespoke, but potentially at the cost of some of the other outcomes.

What is most important here is that we are setting this in the context of the wider early years system. When we are thinking in particular about child development, some of the programmes we have seen that have been most successful for children's outcomes in England have been things like Sure Start children's centres or the family nurse partnership in the earliest years of life: programmes that involve home visiting and interacting with parents and something that is very intense—not necessarily lasting for a very long time, and therefore not necessarily particularly designed around the idea of helping parents back into work. That tool is still out there.

I think there is a risk that the Budget proposals continue quite a long trend of the early years sector becoming ever more about the free entitlement with much less focus on things like tax-free childcare or universal credit, which might be more effective tools to support labour supply if we got them working well, and with much less focus on some of those wider early years programmes and integrated early years services that could deliver better outcomes for children.

Q209 **Ian Mearns:** One of the things that strikes me—you have said that there are eight different systems, soon to become nine—is that different pots of money are being spent in different ways. If we were to put all that Government money into a single pot and design a single system, might we get a better overall outcome, or is the scattergun approach something that can be developed, or would we be better starting with a blank sheet of paper?

Christine Farquharson: I think there is always a temptation with policy design to say, "Let's start with a blank sheet of paper," because that makes life easier. We have the system we have in front of us, and one thing I would be very much in favour of is a wider-ranging review to agree what we want this system to deliver, and use that to build towards a workforce plan, a market plan, a subsidy plan—how it is that we are going to get there.

I would also push back slightly on the idea that the answer is going to be that we agglomerate this pot of money and do one thing with it. In practice, the aims of our early years sector are diverse and the policy goals that we are trying to achieve are different, so it makes sense that the tools best to achieve those will be different. The challenge is getting those tools to work together.

Q210 **Ian Mearns:** You wouldn't necessarily redesign the system to do just one thing, but you could have a more comprehensive and more linked set of policies that dovetailed more securely than the current system.

Christine Farquharson: Absolutely. The current system is a set of add-ons and bolt-ons, and bits and pieces that have been glued together, which makes it much more complicated than it needs to be for parents.

Q211 **Ian Mearns:** I apologise because you might have already fleshed this out, but the IFS noted that childcare support is now largely benefiting better-off families. Is there anything that you want to add to that in terms of anything the Government could do to mitigate any potential side effects?

Christine Farquharson: One piece of that is the design of the Budget proposals themselves. We reckon that even before anybody starts taking up more childcare, at the moment the expansion will directly benefit just over half of parents with a child in the nine months to two years age range. That's about one in five of families that are jointly earning less than £20,000 a year. It's about four in five of families that are jointly earning more than £45,000 per year. The fundamental question here is, what are we trying to do with this money? If the people we are trying to target are the people with the highest childcare costs, yes, by and large, those are the families with larger earnings—in London or the south-east, parents working full-time professional jobs using quite a lot of formal childcare who maybe have moved away from their parents, so those informal options aren't there. Those people tend to have higher earnings, but also high costs. If we are really trying to support child development and think about the most disadvantaged children at the bottom of the distribution, by construction, these Budget proposals are not about doing that.

Chair: Thank you. We will go to Kim. May I encourage the panel to give clippy answers so we can get to our next panel? That would be much appreciated.

Q212 **Kim Johnson:** Good morning, panel. I have a question on the childcare provider market. We know that the market has been under considerable pressure—covid, cost of living and 170 childcare centres closing with a loss of 10,000 childcare places. Professor Lloyd, you mentioned the private for-profit provision of childcare and the fact that so much profit is being extracted from the sector. To what extent do you think that the private provision has led to the inequality in the market between disadvantaged and more affluent areas?

Professor Lloyd: Some of the large corporations have not gone into the disadvantaged areas at all, but in the study that I did with colleagues at University College and Helen Penn, we did find a fairly even distribution of for-profit, but smaller for-profits in the disadvantaged areas, which of course have been acquired and merged and so on at an alarming rate over the past few years. One of the results is that we have had no increase in childcare places since 2015, so while all these market dynamics are going on, we are not really making things more accessible or more affordable.

One of the interesting roles there, which could be enhanced, is that of Ofsted. Whereas we have extremely good statistics that the Government can use to look at early education—the funded hours—our grip on what is really going on, on the childcare side, in the private, for-profit market, is pretty light. We need to know much more.

Ofsted, which is inspecting all provision, does not collect a lot of the relevant information. It does not collect information on whether a setting is free-standing—sole operated—or a small chain, or belongs to a chain that runs 300 settings. It does not look at the salary structure. I mean, it looks at whether the EYFS ratios are met with the correctly qualified people, but there are so many questions that we need—we all need, and the Government need—to know the answers to in order to be able to steer and shape that market.

Q213 **Kim Johnson:** Thank you, Professor Lloyd. My next question is to Birgitta about educational outcomes. We have touched on the fact that the 1998 national childcare strategy was very much focused on the eradication of childhood poverty. Given the Budget statement and where we are up to, will more regulation in the childcare market help to address the problems that we now see?

Professor Rabe: You mean in terms of child outcomes and whether more regulation is recommended.

Kim Johnson: Yes.

Professor Rabe: A problem that I alluded to before is that it is very hard to find easily measurable indicators that will tell you anything about childcare quality, because teacher qualifications and child-to-staff ratios do not show such a clear relationship to the outcome. The more involved measures, like ECERS, which are better measures of the actual experience of children in settings, are very costly to collect. Although Ofsted has shortcomings and we would like more information about settings, in our research we find that its reports are related to child outcomes, with outstanding settings delivering better outcomes, in particular for children from disadvantaged backgrounds. I suppose regulating the types of things that Ofsted measures would be a better way forward than just teacher qualifications and group sizes.

Q214 **Kim Johnson:** Earlier, you alluded to how beneficial the likes of Sure Start were to improving educational outcomes for children in disadvantaged areas. That was subject to wraparound care and the integration of all those agencies. Do you think that the Government need to look more closely at how we replicate some of the positives of Sure Start going forward?

Professor Rabe: Definitely. This is research that is in Christine's area more than mine, but one thing I would say is that not only does Sure Start offer an integrated approach, but the centres have been located in areas where they are within pram-pushing distance of quite disadvantaged families. The focus on disadvantaged families is, I am sure, part of the success, but Christine will know more.

Christine Farquharson: I think that is right. The integration point is very important. We looked, at first at least, at the health outcomes of children, and it is very difficult to pin that directly back to a health service; it really seems to be something about the wide-ranging package of services and the bringing them all together that is important.

Q215 **Mrs Drummond:** You mentioned how difficult it is to quantify the quality of the provision. How much is that reflected in the qualifications of the early years practitioners—the teachers? Should they have GCSE maths and English, or should they have another sort of training? It would be very interesting to find out how that relates to other countries as well, and the training that they give to early years and nursery teachers.

Professor Lloyd: I will start with a case study of extreme deregulation, which is the Netherlands between 2005 and 2012. I followed that closely. We passed the Childcare Act in 2006, which was really the promotion of the childcare market, giving freedom to the providers. In the Netherlands, all the supply-side money was removed, and all the money was going to be demand-side subsidies to parents to promote the market by shopping around. The regulations were that group sizes and ratios were relaxed. We don't actually have strict regulations on group size; we have them on ratios, but we follow generally considered good practice within the Netherlands.

The decision was to keep the more highly qualified practitioners, because the thought was that they would be good for the children. Well, the more highly qualified practitioners on their own couldn't really deliver the quality, which was already going down. The Netherlands is lucky in that it has had a very long longitudinal study that looks at quality in day care and group settings every two years. The drop-off after the deregulation, after 2005, was dramatic, so there had to be a lot of rowing back on this. What was once guidance was then changed into enforceable regulations in terms of what went on. Rather than telling the market to deliver responsible childcare, which was the initial instruction, it was about saying, "You will also do this and you will have a mix of qualifications." In fact, it wasn't just self-interest that made the childcare sector in the Netherlands beg the Government for a covenant of some kind to stop the deregulation.

I don't quite agree with Birgitta about the results of the research. I think we have some interesting findings, for instance, from the SEED. We have many good studies funded by the Government on what makes a difference in terms of qualifications, which is a qualifications mix. Obviously, graduates do make a difference if they have sufficient practical experience and they really know about the challenges of working with young children for long days in day care. The other different levels of qualifications are also important, and it worries me a good deal that we can still work with 50% of our staff in the settings not having qualifications. That is very much unlike the rest of Europe by now.

Mrs Drummond: Because it is about not just the academic qualifications, but pedagogy and child psychology and all that sort of thing.

Professor Lloyd: All these things. There are so many demands on the worker, absolutely.

Mrs Drummond: Any other comments on whether they need GCSE maths and English?

Chair: I am interested in the point about GCSE maths in particular. A lot of settings have said to me that they want well-qualified people who understand children and how to teach them, and so on and so forth. They recognise the importance of English skills because you need it for report writing and interaction, but there is a question about whether, beyond teaching number, you really need GCSE maths to work in a childcare setting. It seems a surprising requirement of being able to take the level 3 qualifications in some cases.

Professor Lloyd: I thought, actually, that one of the nastier comments in the otherwise excellent Nutbrown report in 2012 was that even for working in a veterinary practice you needed these qualifications—English and maths at GCSE—and you didn't in early childhood. I was accused of not taking the quality of the setting seriously if I said, "I think we need a gradual improvement." That is why it is so important that we have proper continual professional development. It is just as important as initial training qualifications.

It would be unhelpful to have a total revolution, although sometimes I would like to see it, so we need gradual but steady. We have been on workforce strategies, on qualifications—we have been to-ing and fro-ing. We had a very good period with the graduate leader fund when it was ringfenced, and we saw qualifications shooting up. Then when ringfencing was removed in 2013, it really went down. That is what happens.

Q216 **Anna Firth:** I want to start with a general question. We have just had the Easter recess. As you are aware, at this time of the year politicians are always knocking on doors, and this came out just before Easter. I have been very struck by the fact that while this is being welcomed by parents on the doorstep, when I visit nurseries in my constituency of Southend West as part of this inquiry, I am not getting the same response from them. There is a lot of concern about the inability to cross-subsidise in the way they were doing previously, and real concern that while big corporate nurseries will survive, the smaller not-for-profit and private nurseries—those in converted houses, for example—which provide fantastic care for young children, are not going to survive.

I was reminded by the nurseries I have been visiting of what happened when the EYFS came in and was made statutory in 2008—how that drove out of the market childminders who did not want to be part of such a heavily regulated sector. Of course, we lost more than 13,000 childminders in the five years from 2015 to 2020. There are always unintended consequences of reforms. Do you recognise the concerns of the settings?

Christine Farquharson: Absolutely I do. It goes back to some of the very earliest points I made, because this is such an important point. When you are buying 80% of the market, getting that price right is vitally important. I can absolutely understand where the settings are coming from, given the way that the funding rate for existing entitlements has been developed, tinkered with, frozen in cash terms and eroded in real terms—then, all of a sudden, "Maybe we should whack a couple of hundred million in and boost that a little bit." With the sort of piecemeal, ad hoc way that has been managed, I completely understand why settings may be somewhat disinclined to trust that the funding rates going forward will be carried out in a more sensible, evidence-based and consistent way that will allow them to anticipate, act on that and make sound business decisions.

I think there is an opportunity here in that the Government have given themselves a fair bit of lead time for implementing these reforms, which is quite welcome. It should allow for a lot of engagement with the sector. It is perhaps a bit of a shame some of that engagement did not happen before the Budget announcements were made, but perhaps that is inevitable. However, making sure that engagement happens and that we get a proper process for setting the funding rate will, I think, be crucial.

Anna Firth: That is another point the nurseries made—that they weren't visited and asked their opinions previously. Thank you, that is very helpful. Professor Rabe?

Professor Rabe: I don't think I have anything to add.

Anna Firth: Thank you; that is a perfect answer as well. Professor Lloyd?

Professor Lloyd: I think of Ireland, where there are a huge number of childminders who have not been regulated at all, basically, not wanting to meet certain conditions. At the latest count, only 75 childminders out of something like 15,000 were registered. It is quite a separate part of the system. There is a childminding development plan to be carried out over the next six to eight years to gradually bring childminders into the orbit of the whole system, alongside the groups. I think it is very important not to have these sharp demarcations, if only for safety reasons. I understand the childminders' concern, because they have been on their own implementing all this. So there are models; childminding networks, at one stage, were supposed to be everywhere, not just childminding agencies—I am quite unsure about childminding agencies.

Anna Firth: Apologies, I was using that as an example of the unintended consequences. The real concern is that big corporates will be the only ones to survive and that we will lose a lot of the smaller nurseries and not-for-profit nurseries that exist at the moment. That is the concern.

Professor Lloyd: Right, yes, and I think people are absolutely right. It will lead to ever greater segregation and ever more children losing out on having access to provision at all. At the moment, there is no plan to expand nursery provision in schools, although they could play a very important role. The 30 hours is still largely delivered in the private sector.

The choices for children in low-income families, or families with issues other than income, are very limited. It is an inequitable system. There is a need to get hold of what is happening in the private, for-profit large corporations, which are very insecure. The research I referred to earlier from the team with Helen Penn at University College London and Professor Atul Shah from City University found a fragility of the large corporations. They have a lack of sustainability and are indebted and in hock.

Q217 **Anna Firth:** Thank you. That is wonderful, but there is another question we need to ask. The Committee is visiting Finland next week to learn more about their childcare system as part of this inquiry. What do you think we can learn from international comparisons about the UK's relative high childcare costs—both from Finland and elsewhere?

Christine Farquharson: One of the things to learn from international comparisons comes back to the aims of the system. What we have quite often seen is that in some contexts such as Canada, which Birgitta alluded to earlier, we have seen systems that are very, very good at supporting mothers into work but not so good, perhaps even detrimental, for children's development. Scandinavian systems often lie at the other end of that spectrum. They are brilliant for children's development and they have long-lasting benefits that last all the way through middle age, but they do much less to support parents and mothers into work. Designing a system with that clear aim and goal in mind is very important.

You also alluded to the costs, which I suspect was a coded way of getting into ratios. I think that is one place where England is an outlier within Europe. We have some of the tightest ratios, particularly for the under-twos but also for two-year-olds, even after the relaxation announced in the Budget. There are vast difficulties in making those international comparisons because of the training of the workforce and all those other issues we have been speaking about today, but that is one place where we stand out. As Birgitta has mentioned, it is not always very clear from the international evidence base how much we can really say about how much those ratios are driving the actual process quality that children are experiencing in the settings. That is still a place where the evidence is not yet conclusive.

Professor Rabe: Another area to look at for international comparisons would be the way that childcare is funded. Eva has talked about the question of whether we should have the same support for families regardless of their income. That is a crucial decision to make. I think Miriam Cates asked what the best use of our money is, where we should be putting it and which families should benefit the most. These are areas where international comparisons can be very informative.

Professor Lloyd: On Finland, I had the pleasure of examining a PhD in Finland last summer and its study was part of a concern among Finnish academics about whether the regulatory system they have in place will protect the universality of the service they want to offer to children and families. That is because Finland, like Sweden, has seen an enormous growth in private, for-profit providers. It is the same as you hear on your doorstep. This is gently introducing social segregation. Really, the whole system is under review. It depends who you talk to, but there are stresses in the system. On political change, there was a very sharp change to demand-side funding to promote the market in about 2016. That has been reversed under the Government of Sanna Marin, who is no longer Prime Minister in Finland, as you will have noticed. There is some to-ing and fro-ing between the different approaches to what creates most provision, and there is consideration of whether the Nordic model is actually under threat.

Q218 **Chair:** You mentioned your work with Ireland, and you mentioned childminders. Is there anything else that it would be useful for us to know about the situation in Ireland? Obviously, it is another English-speaking system, so it always interesting to look at what it does differently.

Professor Lloyd: It is a very young system. In many ways, it did not suffer from the past dependence that our system suffers from. If we go back to the 19th century and early education, there was public support for childcare much, much later. In Ireland, the funding model is to double the funding for the whole system over a 10-year period. That was the 2018 whole-of-Government strategy—First 5. All relevant Departments produced the strategy together with the aim that every child will benefit from high-quality childcare.

The funding group brought recommendations to the Government about how to spend that doubled funding. All 25 were accepted and are being implemented—that is an unusual policy advice experience, I have to say. The first recommendation was that the workforce needs proper conditions and better pay. Therefore, the Government will pay core funding, alongside a subsidy for early education and subsidies to the parents for childcare, with conditions attached relating to what the staff should be paid. Unlike here, there is no minimum pay; the staff were as low paid as here. Alongside that, there was a programme by the employment Department for putting in place a legally enforceable career structure, which is a major step. The other important thing that Ireland did was have a workforce strategy development plan at the same time—in parallel.

It was agreed that doing things that way would require much more intensive public management, and a closer partnership between the Government and the private sector—Ireland doesn’t have a public sector for early years provision. Therefore, that required a change of mindset, but the fact that nine out of 10 providers signed up to that suggests that it was an acceptable compromise to lose some autonomy but get extra money—enough to do more than raise the workforce’s pay and improve their conditions.

Chair: I am going to bring in Cathy, because the Petitions Committee, which she chairs, has been dealing with a number of these issues.

Q219 **Catherine McKinnell:** You raised a whole range of points there. We do not have time in this session to do justice to the very rich evidence you have given this morning—thank you. I want to touch briefly on two of the Government's proposals that seek to address some of the workforce issues. One is increasing the number of childminders—you briefly touched on that—and introducing incentivisation payments for people who sign up either as individual childminders or with childcare agencies. To what extent do you think that will solve some of the workforce issues? On the flipside, we have the ratio policy. I think the Government's intention is that that will reduce the cost of childcare and perhaps solve some of these workforce issues, but some of the evidence suggests that it may have the opposite effect. I would be interested to hear your views on whether those two proposals from the Government will make the situation better or worse.

Christine Farquharson: On the ratios point, as you say, it was intended to ease life for childcare providers with two-year-olds. The first thing to say is that many childcare providers looking after two-year-olds are already not meeting those ratios. The current ratios are not binding. That limits the scope of the regulation change to affect them. I think about 20% of two-year-olds are in settings where those ratios are not currently binding.

The motivation was very much to reduce the cost of provision in order to reduce the cost for parents. I think it is plausible that there will be some reduction, at least in the cost of provision. Staffing makes up about 75% of the costs of childcare providers that are bound by the current ratios, so if you want to deliver a more efficient service, you have to think about staffing. Given that you cannot adjust childcare providers' workers' wages down any more, because they are pretty much constrained by the minimum wage, ratios are really the only game in town if you are looking to reduce staffing costs.

The really important point here is around deliverability. So, the Early Years Alliance and others have suggested that many childcare providers do not want to touch this with a bargepole; they feel that their parents won't like it, won't want it, won't sign up. That will obviously limit the real-world impact it has. The other thing that will limit that is the market for childcare workers themselves. If you are making their job 25% harder than it is right now and you are trying to do that without increasing their wages, because you are trying to pass those cost savings on to parents, that strikes me as a pretty difficult sell at a time when the labour market in that workforce is already very tight and providers are already struggling so much.

Q220 **Catherine McKinnell:** Do you want to comment on that? I also want to add to the question. You say that parents will not want that for their children; but there will be some parents who have no choice. Will we end up, perhaps, with a lot of regional disparity in terms of end quality of childcare as a result of some of the proposals, where those who can pay more end up with a higher quality, but some end up with a more compromised quality—certainly in terms of ratios but also in terms of quality and quantity of the workforce as well, potentially?

Professor Rabe: Definitely, we already have that situation where families living in the more deprived areas more rarely have access to settings rated outstanding by Ofsted. We already have the situation where accessibility where you live is limited and the quality is quite different. While we know that disadvantaged families can gain a lot by high-quality childcare, they just do not have the access. I think you are right that we will see a larger disparity in the offer through these kinds of steps.

Professor Lloyd: It is one of those areas where I think it could have really bad outcomes for children with additional needs of any kind. Certainly, after Covid, we have seen a really increased need for additional support for many children—children you would not have expected. If those additional support needs are not to remain transient, we have to put in more support, rather than less. As far as the workforce is concerned it is just one other way of making them feel undervalued—because it is such hard work to really be there, physically, emotionally and intellectually responding to children in a way that will promote their development. That is what we are asking them to do, and then we say, well actually, in practical terms the way that groups are constituted varies, too. How do you reduce the ratio for two-year-olds who are in groups with smaller, younger children or with older children? There are terribly complex calculations, which are in nobody's interest. By and large, that situation should be left as it is.

Did you want to talk about childminders as well?

Q221 **Catherine McKinnell:** Do you think the childminder proposals and incentives will solve some of these challenges?

Professor Lloyd: Six hundred pounds is not a lot. If you are a new entrant to the childminding market, you will probably need to make changes to your garden or kitchen, and that will easily absorb £600. I cannot foresee how the childminding agencies proposal would make an enormous difference to a lot of childminders immediately. It is an anomalous proposal.

Catherine McKinnell: In terms of there being no evidence for it at the moment?

Professor Lloyd: Yes, of what is being done and what can be done. There will be some agencies that show they can support childminders very well, but it is being seen in the context where you do not have to be inspected by Ofsted because you can be inspected by them. That was the original proposal in 2013: you can be inspected by a childminding agency. However, it is not very clear, and the scope of what is available is not sufficient at the moment.

Chair: Thank you. We have overrun with this panel but that is because we had some rich and interesting answers—so I am grateful for that and for the patience of the second panel. May we bring up the second panel. Thank you very much for your evidence.

Examination of witnesses

Witnesses: Dr Tammy Campbell, Adam Hawksbee and Iain Mansfield.

Q222 **Chair:** Welcome, and thank you for sitting patiently through the first session.

I think we aimed, ambitiously, to wrap up shortly after 12 o'clock. That may require some fairly snappy answers. I hope the panel will not mind if we spill slightly over that time to get the most from this second panel, although I appreciate that Members may have commitments elsewhere.

I am delighted to welcome Iain Mansfield, Director of Research and Head of Education and Science at Policy Exchange; Adam Hawksbee, Deputy Director of Onward; and Dr Tammy Campbell, Early Years Lead at the Education Policy Institute. Thank you all for coming to give evidence to us.

You have heard some of the views already expressed. I would ask you to start by looking at the spring Budget and what it did cover, and also at any areas that you feel, from your respective positions, were missing from what could have been offered to support the sector and parents.

Dr Campbell: Our view is that the current plans in the Budget are a first step. It needs to be checked, it needs to be honed and it needs to be improved on. If this doesn't happen, as was touched on in the previous session, the current plans risk skewing the balance away from good-quality provision, particularly for disadvantaged children.

The first thing that needs to happen, which was touched on a little, is that that the costings and the assumptions in the Budget, for both the additional payment for the current entitlement and for the new, expanded 30 hours, need to be made clear and justified. What we really do not want is a repeat of the previous expansion to 30 hours, which was underfunded—we know from the Early Years Alliance freedom of information that it was knowingly underfunded, and that has had negative impacts on the sector.

We think the onus right now is on the Department and the Government to show the costings, to show the assumptions and to show that this is going to be adequate—adequate for good quality, not just for some kind of minimum-floor standard.

The other thing we would like to recommend is that funding is weighted much more heavily towards children from low-income families and children with special educational needs, including disabilities. We know from previous sessions of this Committee that there are many disincentives to taking children who might need more support, and there are many gaps in access, as has been talked about at various points.

One way we would recommend to do this is to increase the early years pupil premium so that it is in line with the pupil premium in the later school years. We have a bit of a strange situation at the moment where the early years pupil premium is just £342 a year. For primary school pupils, pupil premium is £1,455 a year; for secondary pupils, it is £1,035. You almost have this acknowledgment in the compulsory school system that the younger children need more, but for some reason that skews off in the early years.

Another thing in that vein that we would like to see happen is to do with the disability access fund. That is £800 a year, but it is only available for children who are in receipt of DLA. Getting DLA is extremely difficult. It is very difficult to apply for. It is very difficult to be awarded. We recommend that the amount for disabled children is raised, and also that the eligibility criteria to identify which children would get more money under that criteria are revised.

One last thing we would like to note in terms of the Budget, which was touched upon by colleagues in the previous session, is that, given the existing and continuing risks to early years provision that you heard about before, particularly for disadvantaged groups, the Budget as it is currently formulated appears to be rather short-termist. Even if we only care about the economic productivity side of things, which we don't, and we take that as the Budget's premise—that that is what it is focusing on—the focus on short-term growth and short-term increased employment of parents of young children, at the potential expense of quality and access to early education, is going to be counterproductive in the long term. If children end up in low-quality early years provision, or they can't access early years provision, that is likely to have long-term impacts on their trajectory through education and their future outcomes, including employment and learning. We think that policy should be set up strategically for long-term success, on whatever terms are chosen.

Q223 **Chair:** Applying Anna's doorstep test, I have to say that a lot of parents are saying that this feels quite long term to them because it is not coming into force immediately and the offers they have heard about are not available yet. It was an interesting challenge there, but I recognise the point.

Iain Mansfield: We need to look at this through the lens of access, availability and affordability for parents. What we fundamentally have here is a supply-side issue. We have over-regulated the market. We have driven more than half of childminders out of the profession over the last decade, and that has driven up costs and driven out access, particularly for parents who work atypical hours. In that light, I think the Budget announcement is quite similar to Help to Buy. That is perhaps the best analogy. It is an expensive, demand-side subsidy that will cost a lot, ameliorate some of the symptoms and help some families, but it does nothing to actually address the real, underlying supply-side issues in the market.

The regulatory reforms proposed are a good first step. I am slightly alarmed that we have not seen any detailed papers on them. As the Chair will know, DFE published a consultation on very similar measures last summer—last June, I believe—and nothing has come out of that. It seems that it is easier to make spending commitments than it is to actually address regulatory reform. That being said, if we can bring forward those on childminders and ratios, that would be a good first step.

However, we need to go much, much further in looking at the burden of the EYFS, in particular, and at all the burdens the state is putting in place in terms of parents being able to leave their children with who they wish—other than safeguarding principles, which, of course, should not be compromised and obviously apply to other settings, such as Scouts, Guides, tutors and so forth. We should really look at just allowing those who wish to get into the market to offer childcare to do so and to allow parents to be the judge of where they would put their children. That would have tremendous benefits, both for the availability for children—we have heard that it is often those from disadvantaged families who have least access to childcare—and in getting people back into the labour force.

Chair: Thank you. Adam.

Adam Hawksbee: First, I would just say that we were delighted that childcare had such a big place in a fiscal statement. There are lots of problems with, and issues to be addressed in, what was announced, but the fact that struggling families, the costs for parents and the lack of provision were a centrepiece of that statement at a very difficult fiscal moment is a real positive and a testament to a lot of the people who have given evidence to this Committee and to Members of Parliament who have championed it.

The unusual thing, particularly for the Treasury, seems to be that it has gone big with the financing and the funding, which is arguably the harder bit, certainly politically, without doing some of the easier stuff—not easy, but comparatively. Some of the stuff that could be done on the provider side is quite straightforward; it is quite concrete and quite clear. So that is where the biggest focus is now required.

I agree with a lot of the comments previously. We need to improve the skill levels and the professional development in the workforce. We need to unlock the potentials of intermediaries, such as childminder agencies, to make some aspects of the market work. Also, I agree that we need to streamline regulation as part of a balanced set of reforms. I agree with the comments on the EYFS.

There are two other things we need to do, though, on top of that broad focus on quality and skills. One is an ambition from all parties on a more radical overhaul of the system. Mr Mearns raised a very valid question about whether we want to move to eight or nine, or whether we move to a more simplified system. Onward have made clear that moving towards a system of childcare credits and a simplified up-front system paid monthly, which removes a range of these different entitlements, would be the way to go. Iain's point would support a more dynamic market as a form of subsidy.

The second—to the questions Mrs Cates was raising earlier—is around increasing choice for those parents who want to stay at home. We have three ideas in our paper around front-loading child benefit, around a new approach to parental leave and around the expansion of family hubs. I can chat about all those in more detail, but there are some real, practical things that the Government can do to ensure they are getting the most out of the investment they have announced.

Q224 **Chair:** We will come back to some of that. Part of the challenge from a DFE perspective is that some of that policy falls outside its remit, but it is part of the challenge of looking at this as a whole. We heard the debate earlier about the balance between child development, educational outcomes and workforce outcomes. Do you have a view—individually or collectively—about whether the approach in the Budget, which is heavily focused on the workforce outcomes, is missing the point, or is it right, but only in part? How do we balance those things? I have always taken the view, in arguing for investment in this space, that they need not necessarily be opposed to one another—they can be complementary—but how do we make sure we are striking the right balance between those three things?

Dr Campbell: I agree that they do not need to be in conflict. If we properly fund the system, if we have a good workforce, if it is an attractive profession to work in, if we have childcare and early education providers that parents actually want to have their children in and if the counterfactual of going there for some time is that it enhances a child's life, then the parent can go to work and the child can have a great experience. It is all going in the same direction.

The problem right now is that we already know that the sector is underfunded and there is a workforce crisis. The fundamental thing that we need is properly costed and adequate provision—when I say "adequate", I mean the level of quality that ensures it is somewhere that parents want their children to go. For that, we need funding—fundamentally, that is the first thing—and then everything can work in harmony. It is more money than it says in the Budget, but I do not think this is something we should apologise for advocating for. It is something that is worth spending money on.

Iain Mansfield: I very much agree with you, Chair, that these things do not have to be in conflict at all. They can work in tandem. There are a couple of things I would like to bring out. A lot of focus is rightly placed on the quality of the actual childcare settings, but we do not look enough at the cost to children of those not being available in the first place. In a sense, what we have done by driving out flexible options—by driving out childminders—is similar to what you see in very highly regulated labour markets. You see in those markets that there are some people who happen to get the prime contracts, which are regulated and have very good conditions, but there are many others who are on short-term, casualised contracts with no rights at all.

By insisting on high numbers of regulations and very tight and disproportionate ratios compared to the rest of the developed world, and by imposing the EYFS, which since 2008 has driven out over half of childminders—almost half in the last decade—what we have done is significantly reduce the availability of any sort of childcare at all. That is particularly hitting those from disadvantaged backgrounds. If they are not getting any childcare at all, that is worse than them getting the perfectly good level of childcare that existed pre-2008, which many parents were very happy with. Of course, we talk about minimum standards and so forth, but there is very little evidence, if you look at research from Canada, Australia and the US, that many of the things that we have imposed on the system are doing anything to meaningfully drive up quality. In some cases, such as with ratios, they may actually be driving down quality, because they prevent us from paying the workforce in the way that would attract the best people.

Adam Hawksbee: I agree with much of what has been said. The way that you can square the circle is by emphasising and clearly prioritising parent choice. I can understand why, in a fiscal statement in which one of the big challenges was labour supply, you would focus on the labour participation side of the coin. We also have huge challenges in this country with family breakdown and the psychosocial development of young people. I would understand why, in a future fiscal statement or announcement, it may be that there are other elements, such as child benefit or parental leave, which might support a different cohort of parents. There are clearly strong preferences from some parents who would like to spend more time at home, and others who would like to go into work if they could. We sometimes need different policies for both of those, alongside broader reforms to the market.

Q225 **Catherine McKinnell:** Ratios are an issue that the Petitions Committee has looked at, because we had a large petition signed in support of the family of Oliver Steeper, who lost their child at nursey and are fierce campaigners for reducing the ratios further. It has been expressed by childcare providers, and was in the Department for Education's 2022 report on the early years workforce, that practitioners were concerned about the possible changes to child ratios, viewing them as an unsuitable approach that could impact on the quality of childcare provision and increase workload and dissatisfaction among staff. I appreciate that Policy Exchange has a different view, and you have already expressed what you see as some of the potential advantages, but how do you deal with the viewpoint from childcare providers themselves, who see this as a backward step?

Iain Mansfield: I would say that the onus is on them to provide an iota of evidence that the childcare systems in Australia, Canada, France, Scotland and a host of other developed countries are somehow inadequate for this, which they have failed to do.

Q226 **Catherine McKinnell:** I think the evidence is that the qualification requirements are very different in those countries, and that evidence is quite clear.

Iain Mansfield: Qualifications can make a difference; that is certainly true, but they do vary quite widely between those countries. Ultimately, this is about parental choice. If parents want to put their children into a place that has smaller ratios, they would be able to do so.

Q227 **Catherine McKinnell:** Do you honestly believe that all parents have a choice over where they put their children and what ratios there may be within that childcare setting?

Iain Mansfield: Right now, they certainly don't—the places don't exist, because we regulated them out of existence.

Adam Hawksbee: I am sceptical about the degree to which amending child-staff ratios will have a positive impact on costs, and I think it may have a negative impact on quality.

I would say three quick things. First, on the under-qualification of the workforce, I think that can and should be addressed. We can talk later about ways that you might upskill but, until you have, it seems odd to me that you would relax the ratios and then do the upskilling work, as opposed to sequencing things the other way around.

Secondly, I agree with the comments made by the IFS previously that there is little evidence that the binding constraint for two-year-olds is ratios. Actually, there is a binding constraint of space, so many formal childcare settings that want to take advantage of ratios would have to increase their premises. I think that very few are in the financial position to do so.

The third thing is parents. I think that Iain is right that parental choice is a big element of this. We polled 10 policies with parents when we did our report; only one of those had net opposition, and that was the relaxing of childcare ratios, even when we included in the question, "in line with other countries". Fifty-two per cent. of parents were opposed; 27% were in favour. That makes sense. When you talk to parents when they tour formal childcare settings, they very rarely say, "The main thing that I'd like here is less supervision and more kids." When we polled, the very top thing that parents wanted was staff being trained to a higher standard—that was 59% of parents. That was above costs being low, which was 39%, and hours being flexible, which was 35%. So, actually, what parents want is highly trained members of staff. If we get there, maybe we could relax ratios, but I do not think it is the top policy priority.

Dr Campbell: On the point about them being regulated out of loosening ratios, actually, in the current framework, there is a line that says you can actually not adhere to these ratios if you can show that it is not detrimental. There is some evidence from the DFE's stats and surveys on this that some providers already do this, but the indications from the same DFE research are that most providers, in line with this, do not want to do it, because they care about the quality of what they are providing and they know that it is not attractive to parents.

What is also really worrying, though, on the flipside of that, in the DFE's survey accompanying all of this going on is that, I think, 28% of providers said they would change provision in response to ratios. Most said they would reduce staffing, most said they would not pass savings to parents and most said that they would implement these changes to support financial sustainability. They are being forced into this situation as a last-resort option that is not going to improve things for anyone. The danger, as was talked about in the previous session of the Committee, is that we develop this two-tier system. Parents are not actively going to choose; they are not going to go somewhere and go, "Oh, I want the place with fewer staff." It is going to be the people who do not have other choices who go to the places with fewer staff. We see that throughout the education system: the people who can make choices—who can afford to make choices—do, and those who are constrained do not. That will be the outcome, and it will push towards more diversity of quality.

Q228 **Ian Mearns:** I have listened to quite a number of elements of the evidence given to us, and there is great concern among the workforce themselves about increasing child ratios. The bottom line is that, one day, each individual member of staff is responsible for four children and then, the next day, they might be responsible for 25% more. Okay, it is only one more child, but it is a lot over a day, over a week and over a month. It is an awful lot of additional responsibility and an awful lot of additional activity for many staff, who are already feeling the strain, frankly.

Dr Campbell: Something that has not been discussed enough in the context of the ratios debate is how they interact with the issue of staff turnover in England. That is one of the reasons that the international comparisons are not particularly useful, because we have this crisis in terms of recruitment, retention and staff turnover. In EPI research by our previous early years lead, Sara Bonetti, I think we found that nearly 40% of staff in early years providers leave within two years. If we change ratios, it is in a context where we have a turnover of staff. If you are in a country where you have a very stable, qualified staff—they know the children really well, the children know them really well and they are consistently there every day—maybe you can tweak the ratios a bit. But in a context where there is so much else that is weak in the system, weakening another part does not make sense.

Chair: Very quick right of reply for Iain.

Iain Mansfield: You said you were looking after 25% more children. That also means you are getting 25% more funding. Yes, some of that funding could go to parents, but some could also be reinvested in the nursery—in quality and qualified staff.

Q229 **Chair:** We heard some scepticism from the previous panel around the proposals for childminders in the Budget. I know that both Iain and Adam talked about the importance of that market. Do you have a view on how the Government's proposals in the Budget will allow childminders to meet the demand that we expect to see from the 30 hours policy? Also, I perhaps invite you to explain why you disagree, if you do, with the comments that we heard earlier about the role of agencies.

Iain Mansfield: The things on childminders are positive, if they appear. They are a good first step; they could go further. I will address agencies first. The idea of agencies is that, because we have placed so much regulatory burden on childminders, agencies can act as an intermediary. They can act essentially as a broker that can handle much of that and can support childminders. It would obviously be a competitive marketplace: those that were not effective at supporting childminders would find it hard to recruit other childminders; those that were successful would move forward. If we are going to insist on a system where we have this level of regulation, childminder agencies can be very helpful in that role, in terms of bridging the gap.

I would say that we can go further in reducing the regulation full stop. That is something that we should look at. There is not enough in the Government's proposal on the EYFS, for example, and that is somewhere where there could be significantly more. More positively, some of the more technical rules about whether childminders' own children count against the ratios are very positive. I think this will help with flexibility. There are a lot of little bits of detail in there that, although not transformative, are good things to do, and the Government should be commended for them.

I would like to pull out two further things. I agree with the previous speaker, who indicated that they thought £600 probably was not enough to make a difference. It may help some at the margins, but we need to look more at improving the basic conditions of work, which means reducing regulation and increasing access and availability, rather than a one-off payment. I would not say no to it, but it is probably not the best use of money.

The third point is that there is a proposal that we made in our recent paper, which was allowing childminders to work outside the family home. This was done in France, and in the four years since it was introduced 4,000 childminders have moved into this space and more are indicating that they have an interest. What that means is that people who want to be childminders but whose own home is perhaps not suitable for it could work in other premises—that could be church halls or schools that want to use them to provide wraparound care. Again, it is just increasing the availability and the options for parental choice. That is something we think could have significant impact.

Chair: Interesting. Thank you.

Adam Hawksbee: I am very supporting of the role childminders can play. They offer high-quality, flexible provision. The really unusual thing is that the hierarchy in the minds of parents seems to be that private nurseries are much more preferable to childminders. About 46% of parents said that if money was no object, they would use a private nursery—about 22% a childminder. But weirdly, childminders are the more expensive of the two options; the market has not responded to those signals. Childminders are about 83 quid a week, compared to about 76 quid for a day nursery. So there is a big role here in increasing supply.

Childminder agencies have a major role to play. I was very pleased that there was that difference in the bonus—£1,200 versus £600. I am similarly sceptical that that will persuade someone to change career or start a new career, but it is a step in the right direction.

I think we need to change some of the regulations around CMAs. There are a few things. First, there is currently an imbalance in the system where Ofsted gets £1,000 per registered childminder, but a similar bonus does not go to a CMA. That puts them in this weird competitive position with both their regulator—Ofsted in regulating CMAs—and regulators for the broader industry. We recommended in our paper that a £700 or a £1,000 bonus goes to CMAs for everyone they sign up, the same as Ofsted would get. That might even help to lower some of the registration costs.

Secondly, we need to reduce some of the regulatory burden on childminders—things like GP checks, which I think are unnecessary. Thirdly, we need to do something about landlords and how they interact with childminders. The evidence from providers and childminder agencies seems to be that for a significant number of childminders that are going out of business, it is due to landlords changing the terms of their licence. Often, these landlords are local authorities. You have local authorities that with one arm of their organisation are very frustrated at the lack of childcare provision and with another arm, which I doubt is talking to the other part of the organisation, shutting them down. We need a bit more joined-up thinking.

Q230 **Chair:** I have spoken to DLUHC Ministers about that particular issue. Particularly with registered social landlords, it seems extraordinary that so many of them ban people from doing childminding when it is clearly a social benefit to have it there. That strikes me as something that needs fixing, but it is an interesting one. Tammy, do you want to come in as well on the role of childminders? Perhaps you might have a different view about the EYFS.

Dr Campbell: Yes, I can talk more about the EYFS side of things. I agree that the payment does not seem like very much. In terms of the childminder agencies, I agree with Eva on the previous panel what is going on is not very transparent—the evidence on them and why this would be beneficial. I would like to know more about that so we can consider it.

In terms of the EYFS, one of the key reasons that it was developed and put in place was to ensure that all children receive consistent education, care and attention to their development, regardless of the type of setting they attend. We do not think that differentiating the framework according to setting type is a good idea because it could risk a lessening of knowledge—about what to expect and about ways to support children—

among settings that are not using the framework or that are using a different framework.

However, saying that, we do acknowledge the points about the burden of bureaucracy, paperwork and so on. Actually, that applies not only to childminders, but to other types of setting as well. I note that the 2021 framework explicitly states in more than one place that excessive bureaucratic documentation and recording of children's progress is not required. I think this is in response to concerns raised about too much paperwork and bureaucracy. Obviously, this links to later education as well. There are all sorts of issues around accountability, paperwork and the workload issues for teachers.

There is some scope for revision to make the framework work in a way that is helpful for children and people working with children, and that eases some bureaucratic burden. We think it would be worth clarifying how exactly the framework applies to the pre-reception years as opposed to the reception years, because most of the bits on bureaucracy seem to be more applicable to reception baseline and foundation stage profile assessments.

It is not really clear what the implications are if they intend to lessen the burden for people working in the early years, so we think that could be improved. As I say, we need to make sure there is not excessive bureaucratic paperwork and documentation that takes away from work with children rather than facilitating it. We need to make sure that it is not seen as necessary by practitioners if it is not necessary or required by regulators including Ofsted, and that it is not perceived as being required by Ofsted that you have a ream of paperwork to show them.

Q231 **Chair:** Ofsted will often say there is a lot of perception around what records need to be kept that is not always the case. I know one of the constant challenges across the piece is trying to myth-bust some of the records that do need to be kept versus those that do not.

Dr Campbell: Yes, but you might have that said at the high policy level, but then it is about what is happening in practice when people are going into settings. Is it just that settings have a misconception or, in practice, are they still being expected to show a lot? There is something to be done there, definitely.

Q232 **Miriam Cates:** The Treasury seems to be very confused about what they actually want from this policy, because on the one hand most of the narrative around the Budget was about increasing the participation of parents, particularly mothers, in the workforce, and yet even the Treasury's own figures suggest that only around 60,000 parents may return to work in some capacity as a result of the changes.

But when I asked a written parliamentary question to the Treasury about whether they have considered a more flexible use of the money—to support people who want to stay at home, or to support people using their vouchers to pay informal childcare to make it more flexible—the reply was, "No, we can't do that, because we want quality education for children". That seems a completely mixed message, because if you want quality education for children, that is an entirely different aim from trying to get mothers back into the workplace; they may be mutually achievable, but it is a different aim.

What is quality early years education, because other countries start formal education much later than we do, yet have better outcomes? What do you think these outcomes are that the Treasury is looking for from quality early education?

Dr Campbell: I presume they are looking at the productivity side of things. There are nuances, but the evidence is pretty clear that if you have good education—this comes down to the workforce, but it also comes down to the detail of things, including the interactions with children; the attachment; the attention; the ability of staff to pick up special educational needs and disabilities, and to help children and work with families—then, yes, it can be good for your wellbeing and set you up well for school, and that carries through. I presume that is kind of the basis of what the Treasury are thinking about.

I agree with you that things are not very coherent at the moment. This comes back to what Christine said before. She said that we have these two different policy areas working around and interacting with each other, but we don't have a proper strategy or proper premise regarding what we are trying to achieve. We need to be a lot clearer.

I also think it comes back to the question of whether these things need to be in conflict. Does there need to be a conflict between the economic productivity angle and the child wellbeing, and support for families and parents, angle? Actually, no, there doesn't.

There is a fairly simple solution of having a properly funded system that parents would choose to send their children to, whereby they would be happy to do that and would take advantage of the positives of working. Some of them would choose to take advantage of the positives of working, and net that would work quite well.

Q233 **Miriam Cates:** Iain, you talked about the bureaucracy of early years childcare and said that one of the barriers to childminders is not necessarily the low wages—although I'm sure that is the case—but the bureaucracy of having to fill in forms, register with Ofsted and all those kinds of things. Do you think that bureaucracy adds to the quality of early years care and education? What can we do to increase the quality?

Iain Mansfield: No, I don't, and I think there are a couple of things we can do. I would disagree with my co-witness here a little bit on a couple of things. There is a lot of reference to "properly funded" childcare. I think we need to get away from a system and a mindset that is only about the taxpayer putting more money into formal settings. That underlies the assumption that there is a limitless pot to subsidise childcare—it underlies a lot of what has been said to this Committee. I am not saying it is not worth investing in it; it is.

The other area that I would push back against is the Treasury, because their whole thing of "We want quality childcare" against your suggestion of, "What about informal options?" is very much a "state knows best" view. I don't believe that is true; I think parents know best. If they choose that their child would be better in an informal setting, perhaps with a grandparent or in another more informal setting, or in a state nursery, which is absolutely fine as well, or being looked after at home by the parents, that is ultimately their choice to make.

Through our over-focus on trying to achieve quality through regulation, we have created a crisis. We would have 70,000 more places today if we hadn't driven all those childminders out of the system. Actually, if we were looking at more radical overhauls, we could look at moving to a system with much more flexibility, potentially where parents could use vouchers to pay in a much wider variety of settings, without the state control—basic safeguarding checks, of course—or indeed with direct payments to parents, which we see more of in France and Canada, so that they could choose to stay at home or to pay for childcare, alongside a relaxation of unnecessary regulation. That would increase affordability, access and availability.

I will be honest: those three watchwords are not how the Department for Education thinks of it. They don't see it as a crisis that we have lost 70,000 places. As long as the quality—the perceived quality, based on certain frameworks—of the places that still exist is there, that is all that matters. But we do not think about the places that we have lost, and the places in informal settings and with relatives that could be made available under a more flexible system.

Q234 **Miriam Cates:** You said earlier that the Government has totally over-regulated this labour market, and one of our earlier witnesses said that if this policy is fully rolled out, 80% of the available childcare allowance will be bought by the state. Essentially, the state will have nationalised the means of production, and the catastrophe that that will bring to the market is quite predictable.

Iain Mansfield: You do have a real concern about the state setting prices. If the state sets the price too low, availability could really fall dramatically. I am sorry to come back to the analogy of housing, but other than the recent energy crisis, which is hopefully a short-term thing, housing and childcare are probably the two biggest areas where costs have risen much faster than inflation, and they make a real impact on the household budgets of almost every family in the country.

By "housing", I am including both rental and mortgage costs. If you look at both those markets, what do they have in common? They have massive, extensive Government regulation, which has massively restricted supply, driven up demand and not really made any commensurate increase in quality. I think the solution is obvious: it is for the state to provide subsidies or support. Yes, there should be support in terms of vouchers, direct supply and targeted help—I am not against those—but the state should get out of regulating the supply. "Get out" is maybe too strong a term, but the state should significantly step back from it and allow the market to provide the services that, in this case, parents want.

Q235 **Miriam Cates:** Thank you. Adam, from your point of view, what does quality early years education look like? Or should we be talking about care rather than education?

Adam Hawksbee: I will step back a little bit and then come to your question. There is a lot of good evidence that the state and developed nations should be investing far more in children from the age of zero to two in a variety of different ways. I am pleased that MPs such as Andrea Leadsom have been banging the drum on that and making that case.

Ian Mearns: That is about development. Child development is the main issue, isn't it?

Adam Hawksbee: Yes, in a broad sense. That will be the development they can get in a family in a home setting, as well as in a formal setting and in interaction with others. In terms of what quality provision looks like, there is good evidence that between zero and one there is a benefit to children from being in a home care setting, and from one to four there is a benefit, depending on the parents' choice in the particular instance—I agree with the evidence given in the previous session that a lot of this depends on both the quality of care in a formal setting and the quality of care provided in a home—in having some sort of mix and balance.

The really important thing about the Treasury's objective here—this gets lost sometimes in the communications that they put out either publicly or in the House—is that there are three cohorts that need to be affected by this policy. The first is parents who want to work but cannot, and I believe there are a significant number of those. The second is parents who are working but are really struggling because of the cost of childcare. The third is parents who are not working, would rather not and would like support to work from home.

Both those first two groups care an enormous amount about the quality of formal provision—whether that is feeling comfortable dropping their kid off in the morning or feeling confident in making the decision to take up these subsidies. That is why we need more provider-side reforms to increase that quality, and I was pleased that we saw the announcements that we did. It is that third cohort—parents who would rather not put their child into a formal setting early—where we need some more policy.

Q236 **Miriam Cates:** What does quality childcare look like, particularly for under-threes? A previous panel said there is not an awful lot of evidence for what is good and bad for under-threes. Is it that every childcare worker has a GCSE? Is it having a nice room that is heated? Is it that children are learning phonics from the age of six months? What is quality care and quality childcare from nought to three? Do we know?

Adam Hawksbee: I think we do know on some of those aspects, and the academics giving evidence in the previous session will know some of this better than me. We have good evidence that graduates being present in these settings is a benefit. We have evidence about what the public realm and the physical setting needs to be like. We have good evidence about the level of qualification and how that relates to ratios.

Have we had a proper conversation about how all that comes together, and given that the state is now investing, as the IFS said in the last session, about double the amount it was previously, are we really clear about what we want this to achieve? Possibly not—and that is one of the reasons why I am keen for Ofsted to move away from the very significant role they have in childminder regulation. By stepping back from some of the micromanagement, they can step into a conversation about quality. One of the things I want to be cautious about is, yes, Ofsted and the state probably need to step back from micromanagement of regulation, but I don't think they need to step back altogether; particularly from a DFE perspective, they need to lean it to the upskilling and the training side of things far more, and I hope we can talk about that in a moment.

Chair: Okay, I will bring Kim in.

Q237 **Kim Johnson:** We heard from the first panel about the major disparities in the quality of care for children from disadvantaged or diverse communities or with special educational needs. What do you think is necessary to address those inequalities in early education? Do you think that that quality can be improved when so much profit is subtracted from the sector and not invested in wages and training?

Dr Campbell: This comes back to what I said in my initial response about the Budget, really. I do think that, both from an economic and an ideological point of view, to be honest, there is an onus to ensure that children in poverty, with disabilities, or from other disadvantaged backgrounds—including children in care and so on—can access good-quality early education. I was going to come in on the question of quality because we still have fuzzy definitions here. I think that we do actually know quite a lot about what it is, but that is a separate question. However, it comes back to the recommendations that I made before, I think.

Given the market, we need to incentivise providers to take children who might need more resources, so we need a much more heavily weighted early years pupil premium. We need a much more heavily weighted disability-access fund, with less onerous demands to get it, because it doesn't really work right now. I think this comes back to the question of whether the state should be funding this, and I think that we cannot just leave it to the market; we do need to have the state ensure that there is a parity of provision across pupil groups and across areas.

Coram's latest survey for this year found that over 80% of local authorities said that they did not have sufficient provision for children with disabilities, and that is just shocking when the Budget is now looking at expanding things, to subsidise more advantaged children of working parents, essentially. What did Christine say before? Almost 80% of it is just going to be a subsidy. We have more pressing, crucial things going on here, and more massively unmet needs that we need to be looking at first. I am not sure if that answered your question.

Q238 **Kim Johnson:** And how do you think that that happens, given that we also have a crisis in terms of workforce—the training and retention of staff within the sector—currently because the pay and the value of the work that is undertaken is seen so negatively at this moment in time?

Dr Campbell: Again, at the risk of sounding repetitious, I think that the sector needs to be paid better. As you know, various stats, including ours at EPI, show that nearly half of the early years workforce claim in-work benefits due to low pay. We also have some research from Sara Bonetti, our previous early years lead, which really showed the kind of thin edge of the wedge here. So, 13% of the workforce earn less than £5 an hour. The average wage across the early years workforce is £7.42 an hour, and that compares with £12.57 for the total population.

It is not an attractive profession if you need money, which we do. When we are working, we need to be paid adequately, and we want to attract people in and have it be an attractive profession, so, again, it comes back to funding and not putting the sector on the back foot by underfunding the funded hours. If you are going to roll out the extended 30 hours, then do it properly so that the sector is not at a loss and having to cross-subsidise and so on.

Again—this relates to staff training and development as well, and the ratios also relate to this—it is about ensuring that there is enough time, money and staff so that staff can develop, train and enrol, because, again that makes it more attractive and it is good for children. We think that it is also worth looking at introducing more parity with later education stages, in terms of the structure of different qualifications and routes within the early years workforce.

Q239 **Chair:** So do you see things like the ECF and NPQs, which are available in other parts of education, coming in?

Dr Campbell: Yes, possibly. I mean, there are lots of ways to have career paths and progression, aren't there? We definitely think that that is worth looking at, and it is worth looking back at the past decade. Eva on the previous panel mentioned the graduate leader fund and how that worked. It was embedded in the wider workforce strategy. Again, it comes back to not having proper strategies and proper policies with a specific focus. That had a specific focus. It had ringfenced funding, and not just more graduates but more level 3s happened under that strategy.

That then finished and—this was asked about before, I think—the GCSE requirements came in instead. They do not seem to have had a helpful effect. The workforce has deskilled since they were introduced. I think that we need to look really carefully at what type and what content of qualifications is actually useful; what training and development is actually useful, and not just box ticking; what mix within settings is useful; and what is useful for the leaders, as opposed to the ground-level staff. Sorry—I feel like I went on a bit of tangent with that.

Q240 **Chair:** That is helpful. Can I bring in Andrew on this point of qualifications and the mix? We have heard a lot about the mix. What a lot of nursery leaders and practitioners have said to me is that a qualification does not necessarily define how well someone will work with children. You can have people who are experienced in working with children who have no qualifications whatsoever but who provide a really valuable contribution as long as they are part of that overall mix. How can you design a system to perhaps recognise that?

Dr Campbell: We think that the system should definitely recognise that. We do not have good national quantitative evidence on what the optimal mix is right now. That is what we want for national policymaking. If we are doing things at that level, one thing that we would recommend is that, first, we should systematically review the evidence on this. Then we should maybe pilot and evaluate different things. Because we do not know enough, we should do some experiments with this. Let's look at what mixes work well for children in terms of the types of qualifications, and experience as a separate thing, of staff. That would include—*[Interruption.]* Sorry, am I overrunning?

Chair: No; I will let the others quickly come in on that, and then go to Andrew.

Adam Hawksbee: I think it is really important to focus on flows as well as stocks. I am nervous and worried about the level of qualifications that there are in the workforce. I am particularly nervous about the number of people who are participating in training while they are in work. We have seen that the proportion of people studying towards a higher qualification fell by about a third between 2008 and 2018—about 23% to 15%—with 17% of the early years workforce receiving job-related training. The real thing that we need to focus on, instead of how many have a qualification at the point they are trying to access the profession, is how we can maximise the number who are working towards some kind of formal qualification or participating in professional development.

Can I just pepper five things that I think you guys should be thinking about in terms of policies? The first is getting more graduates into the workforce via a Teach First type of scheme. Canada spent about £420 million on grants and bursaries for students who are studying. Think about how we can incentivise graduates. You might create a specific pathway. The second is centralising continuing professional development into a single portal—not getting rid of diversity of different types of training or suppliers of training, but making them much easier for an individual learner to access.

The third is extending the early career framework to early years. It has, I think, worked very well in teaching and should be moved across. The fourth is increasing opportunities to retrain. When the lifelong learning entitlement is created as part of the lifetime skills guarantee, you should be really pushing people to study towards that level 3 diploma for the early years workforce, whether that is by a public information campaign or using intermediaries such as trade bodies.

The fifth is apprenticeships. SMEs really struggle to access the apprenticeship system. Part of that is making the system easier, but the London Progression Collaboration is a really good example in London. It has sought to overcome some of the frictions in nurseries or day-care centres, taking on apprentices. Using all five of those tools could help to improve the flow of skilled staff.

Q241 **Kim Johnson:** While that sounds great, we have had evidence from childcare providers that freeing up staff to access training is a major challenge. I want to ask one final question. Do you believe that the childcare announcements in the spring Budget do what they are supposed to do, or do they simply paper over the cracks because it has not been strategic enough to make the changes necessary to provide high-quality early years provision for all those who need it?

Adam Hawksbee: It is a fantastic first step. There is much more to do.

Iain Mansfield: I was going to address the issue of qualifications, so I will let my colleagues go first on that question.

Dr Campbell: As has been alluded to throughout the previous sessions, it is just throwing another thing into the mix. We think that there does need to be more focused strategy with clear objectives so that we can make policies that have a good chance of meeting these objectives.

Really quickly, our key recommendations are: we need to weight funding much more heavily towards children from low-income families and children with disabilities; we need to ensure that all the funded hours are properly funded; we should not weaken ratios; we need to fill the void in the early years workforce strategy and encompass that; and—we have not touched on this in this session, but you did in the previous one—the re-expansion of the local children's centre model should continue, because that is a very important part of things.

Ian Mearns: To be fair, though, the money which has been announced in the Budget would not touch the sides of that shopping list.

Dr Campbell: No. I was happy to say that we need more money.

Chair: Iain, do you want to come back on that?

Iain Mansfield: Yes. I would just say that, on the announcement, it is a first step. It is weighted too much towards demand subsidy rather than supply-side, but it will help some people. But fundamentally we need to put access, affordability and availability at the heart of this, and that means supply-side.

On qualifications, if I may, I would draw a distinction between having good development routes for staff which they can use to progress and improve their skills, which I would very much support—many of the things which my colleague was saying there were very sensible—and having barriers which prevent people with the skills needed from working there. I am not a fan of the GCSE maths requirement alluded to in the previous session.

When I was in the Department for Education, I was very pleased that we removed the GCSE maths and English requirements for T-levels. I have also been campaigning to have them removed from apprenticeships. I do not believe that, just because someone is not academic, we should bar them from using their skills, which may be very considerable, in other settings. Many of the best people who would be brilliant at working with two, three and four-year-olds may not have the academic skills to have passed GCSE maths or English. Ditto with degrees. It is fantastic to have routes to encourage graduates in or to encourage people who wish to work towards that, but I would not want to see it becoming a graduate-only profession.

There are two areas where I think more could be done. I echo the call on apprenticeships. This is something where support for SMEs, or even something for the childcare profession in particular, could be very helpful. We could also look at T-levels, which would be a great route for taking 16 to 18-year-olds. Again, you would probably need some support for childcare providers to provide the placements. The nine-week placement is a big issue to take someone on, but actually it is a great way of getting someone in who may then be able to join the workforce immediately after completion of that T-level. It would be a great way to get talented people in.

Chair: On that very point, I was going to bring in Andrew, but he may feel that his question has already been answered.

Q242 **Andrew Lewer:** The disadvantage of being a late questioner is that your fabric of questions has lots of holes shot through it already. Does anyone have anything that they would like to add about Government action or Government getting out of the way? Either way, what should the Government's focus be in terms of developing the childcare workforce given what we have heard in this session and the previous one about the huge shortages and shortfalls within it?

Adam Hawksbee: In terms of things to add—this relates to the workforce issue—one of the challenges that has been alluded to is the narrowness of some of the subsidies that currently exist and the complexity to parents. Although lots of parents are aware of some of these schemes, particularly on tax-free childcare, very few people take them up—about one in four who are eligible.

That is why I really do think that—probably not for now, but certainly for the beginning of a new Parliament—any Government should be looking at moving towards a much more simplified system. We have said that a single childcare credit that brought together the universal elements in one childcare credit and the means-tested elements into an advance childcare credit, paid in advance in the form of a voucher that can be used on both formal provision and things like after-school clubs—it would be paid directly to providers, as opposed to going through local authorities or any sort of Government system like tax-free childcare—would massively remove some of the supply-side barriers, increase parental choice and decrease the administrative burdens on the payments systems around some of those providers. That sort of ambitious system, which would require Departments that I know do not always like working together to do so quite closely, is what the next priority needs to be.

Dr Campbell: I have nothing to add at this point. I think that I have covered it all.

Iain Mansfield: I do not have anything to add either.

Andrew Lewer: I would add that we have several times talked about what we need as someone who is providing childcare or early years education as if it is one specific set of qualifications for everybody in a sector that obviously needs a hugely diverse range of skills and abilities within a sector. We will perhaps reflect this in what we are going to say, but at some point we probably need to explore all this stuff about: you need to be a graduate, you need to have a GCSE or you don't, and childminders are different from more formal settings.

Q243 **Ian Mearns:** Given my accent, you might guess that I come from one of the provinces of England. What could the Government do to ensure that the new expansion into childcare subsidies also addresses inequalities in access to quality early years education, especially across different regions?

Iain Mansfield: Some of these questions should not be addressed through the free childcare offer. I would echo what others have said about the need to ensure that we are working with young children through other means, such as through family hubs and direct support for families. I don't think we should assume that all of the support in terms of access to high quality education should be run through the childcare system. A lot of people will fall through the cracks that way. We have talked about how there is a high dead-weight cost in a lot of those subsidies. If you try to do it that way, you end up accruing well-off families.

I will come back to the point about availability being distinct from affordability here, because I think this is most important. One of the problems we have seen with the fall-off of childminders as part of the system is with irregular hours childcare or flexible childcare. If you work shifts, for example, you cannot say that you want childcare every Tuesday, because you may not be working every Tuesday. You can't say every Thursday, because you might not be working every Thursday. There are childcare settings that will turn away people like that. They say that because of their ratios they cannot have that. They have to have someone who is there every week, because otherwise in some weeks there will be only three people instead of four and they cannot afford that, as they cannot afford to pay their staff. Also, childminders would traditionally offer a lot more things, such as out-of-hours childcare, or they would be someone who would look after two children going on to 10 o'clock in the evening. The child's mum might be a nurse or working the late shift at Tesco and they might need that setting.

Q244 **Ian Mearns:** But that seems to run counter to the overall labour market demand for much more flexible employees in terms of when they are available, for instance people who can do everything at the drop of a hat and come in to do four hours and then go home and come back for six hours later.

Iain Mansfield: Traditionally, that was the role that was filled by childminders, who would take a smaller number of children than nurseries. The fact is that they have gone out of those settings, and because we have demanded the same from the sort of casual provider of childcare, who was still doing a great service to the parents, looking after the kids and teaching them stuff—

Q245 **Ian Mearns:** But they will never do it with no notice. That is the trouble, and unfortunately that is what many employers are looking for. They are looking for no-notice flexibility from their staff.

Iain Mansfield: Those sorts of providers are not going to go into a system where they have to comply with the same level of regulation and paperwork that Busy Bee nursery, which is a massive company with huge numbers of people to take care of the paperwork, has to. If we want to get access to disadvantaged people and people working shifts, we have to accept a greater level of flexibility.

Q246 **Ian Mearns:** I am much more interested in the fact that there are parts of the country that are relatively prosperous but with small islands of deprivation, and there other parts of the country that are largely deprived but with small pockets of prosperity. How do you compensate for that around the country?

Dr Campbell: Going back to that question, I agree with the point about children's centres and investing in the Sure Start model and rejuvenating it. It is interesting, because in research I did at LSE with colleagues there we looked at local area variation in where people were able to access pre-school. We found that in areas where there was more Sure Start provision, more children went on to go to pre-school. We think this is because of the detail in what is happening on the ground. Because it is a community hub-oriented, holistic service, it built trust and joined up with other things. Children then accessed more pre-school and childcare. I agree that that is one of the solutions to local area disparities.

Adam Hawksbee: This is one of the areas where there is a real role for market intermediaries. Let me say what I mean by that. Different labour markets require different shift patterns and different types of workers. Big companies that need a lot of people to do shift work—whether they are in logistics, distribution or whatever—often work through agencies because they solve collective action problems. You say, "I need a bunch of workers for these times," and they help you do that. Why don't we apply a similar thing to childcare? That is where childminder agencies can play a role. They can get a difficult brief about the type of workers that are needed in an area, the times they need to be available, and the premises and locations they need to be in, and they can help solve that collective action problem. I get very nervous about the state or even local government doing that, because they often cannot be nimble or agile enough. I think there is a role for CMAs in addressing some of those gaps and helping parents get more flexible care.

Ian Mearns: Maybe you should look at what has been happening with the supply teacher market recently. That is another matter.

Q247 **Chair:** Okay. We have comprehensively overrun our time thanks to the high quality of the evidence we have had from both panels. Thank you. I just want to ask one last question, which is on one of the missing elements in the Budget announcements. A one-word answer from the panel would be great. We have heard in this inquiry about many of the problems with the tax-free childcare offer. Something that looks good on paper isn't really working for parents. There is low take-up, it is complex to use and so on. Do you believe that the tax-free childcare system needs to be rethought? Adam has already basically said yes.

Adam Hawksbee: Yes.

Dr Campbell: Yes.

Iain Mansfield: Yes.

Chair: Okay, thank you.